13 May 2021

Burberry Group plc

Preliminary results for 52 weeks ended 27 March 2021

The next chapter: growth and acceleration

"In the last three years we have transformed our business and built a new Burberry, anchored firmly in luxury. We have revitalised our brand image, renewed our product offer and elevated our customer experience while making further progress on our ambitious social and environmental agenda. In spite of COVID-19, we achieved our objectives for the period and delivered a strong set of results in FY21, ending the year with good full-price sales growth. In this next chapter, supported by these foundations and the strength of our teams, we will accelerate our growth and deliver value creation while continuing to build a more inclusive and sustainable future."

Marco Gobbetti, Chief Executive Officer

- Recovery accelerated through the year leading to Q4 FY21 comparable store sales increasing 32% year on year and -5% compared with Q4 FY19 despite an average 16% of stores being closed. Within this, full-price sales grew 63% in the quarter (12% versus Q4 FY19) driven by Mainland China, Korea and the U.S.
- For the full year revenue decreased 10% at CER, impacted by store closures and reduced tourism, with strong recovery in the second half +8% at CER (-30% in H1 FY21): Within this, FY21 full-price comparable store sales grew +7%, accelerating through the year driven by:
  - excellent response to product, with growth in our strategic categories and in selling prices
  - increasing brand strength attracting new and younger customers
  - local customer traction, thanks to innovative selling formats during lockdowns
- Leveraged digital leadership, including opening our Social Retail store in Shenzhen Bay, driving double digit comparable sales growth across all regions
- Adjusted operating profit £396m, -8% CER, reported operating profit £521m up 176%
- Full year dividend reinstated at FY19 levels of 42.5p on the back of strong cash generation

Period ended	27 March	28 March	*% change*	
£ million	2021	2020	*Reported FX*	*CER**
Revenue	**2,344**	**2,633**	***(11)***	***(10)***
*Retail comparable store sales**	*(9%)*	*(3%)*		
Adjusted operating profit*	**396**	**433**	***(9)***	***(8)***
*Adjusted operating profit margin **	*16.9%*	*16.4%*	*+50bps*	*+50bps*
Adjusted Diluted EPS (pence)*	67.3	78.7	*(14)*	*(14)*
Reported operating profit	**521**	**189**	***176***	
Reported operating profit margin	*22.2%*	*7.2%*		
Reported diluted EPS (pence)	92.7	29.8	*211*	
Free cash flow**	349	66		
Dividend (pence)	42.5	11.3		

*See page 20 for definitions of alternative performance measures

Outlook**

In our next chapter we will focus on delivering growth whilst continuing to enhance the quality of our business. Taking FY20 as the base year, we expect revenue to grow at a high single digit percentage compound annual growth rate at FY21 CER in the medium term. This will be underpinned by the continued outperformance of full-price sales. We will continue to strengthen brand equity by exiting markdowns in mainline stores in FY22. This is a headwind against our comparable store sales growth amounting to a mid-single digit percentage in the full year.

In FY22 adjusted operating margin progression will be impacted by operating expense normalisation and increased investment to accelerate growth, with more meaningful margin accretion thereafter.

We are focused on and continue to invest in our sustainability and social goals by becoming carbon neutral by 2022, championing diversity and inclusion and positively impacting one million people in the communities in which we operate.

Further guidance is included in the Appendix.

***FY22 outlook on page 17*

All metrics and commentary in the Group Financial Highlights and Business and Financial Review exclude adjusting items unless stated otherwise.
The following alternative performance measures are presented in this announcement: CER, adjusted profit measures, comparable sales, free cash flow, cash conversion, adjusted EBITDA and net debt. The definition of these alternative performance measures are in the Appendix on page 20.
Certain financial data within this announcement have been rounded.

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- There will be a live webcast presentation today at 9.30am (UK time) for investors and analysts
- The presentation can be viewed live on the Burberry website www.burberryplc.com
- The supporting slides and an indexed replay will be available on the website later in the day
- Burberry will issue its First Quarter Trading Update on 16 July 2021
- The AGM will be held on 14 July 2021

SHAREHOLDER INFORMATION

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GROUP FINANCIAL HIGHLIGHTS

Revenue

- Revenue £2,344m -10% CER, -11% reported
- Retail comparable store sales -9% (H1: -25%; H2: +5%), returning to growth in H2 FY21

Adjusted profit

- Adjusted operating profit £396m, -8% CER, -9% reported
- Gross margin before adjusting items up 270bps at CER and 260bps at reported rates, benefitting from full-price and other mix effects and reduced inventory provisioning charges
- Operating expenses before adjusting items -7% at both CER and reported rates, benefitting from cost management and delivery of restructuring programmes
- Adjusted diluted EPS 67.3p, -14% at both CER and reported

Reported profit measures

- Operating profit £521m, up 176% after adjusting items of £125m credit (FY20: £244m charge)
- Diluted EPS 92.7p, up 211% reported

Cash measures

- Full year dividend declared at FY19 levels of 42.5p (FY20: 11.3p) with the progressive policy reinstated
- Free cash flow of £349m (FY20: £66m) due to strong cash management
- Cash net of overdrafts and borrowing of £919m at 27 March 2021 (28 March 2020: £587m Cash net of overdrafts amounted to £1.2bn with borrowings of £297m. The £300m revolving credit facility (RCF) is currently undrawn, and the UK Government sponsored COVID Corporate Financing Facility (CCFF) was repaid in February 2021

Summary income statement

Period ended £ million	27 March 2021	28 March 2020	*% change Reported FX*	*% change CER*
Revenue	**2,344**	**2,633**	***(11)***	***(10)***
Cost of sales*	(704)	(859)	*(18)*	
Gross profit*	**1,640**	**1,774**	***(8)***	
Gross margin *	**70.0%**	**67.4%**	***+260bps***	***+270bps***
Operating expenses*	(1,244)	(1,341)	*(7)*	*(7)*
Opex as a % of sales*	53.1%	51.0%		
Adjusted operating profit*	**396**	**433**	***(9)***	***(8)***
Adjusted operating margin *	**16.9%**	**16.4%**	***+50bps***	***+50bps***
Adjusting operating items	125	(244)		
Operating profit	**521**	**189**	***176***	
Operating margin	**22.2%**	**7.2%**		
Net finance (charge)**	(31)	(20)		
Profit before taxation	**490**	**169**	***190***	
Taxation	(114)	(47)		
Attributable profit	**376**	**122**		
Adjusted profit before taxation*	**366**	**414**	***(12)***	***(11)***
Adjusted diluted EPS (pence)*	**67.3**	**78.7**	***(14)***	***(14)***
Diluted EPS (pence)	**92.7**	**29.8**	***211***	
Weighted average number of diluted ordinary shares (millions)	405.1	409.0		

* Excludes adjusting items. All items below adjusting operating items on a reported basis
For detail, see Appendix. ** Includes adjusting finance charge of £1m (FY20: £1m)

BUSINESS AND FINANCIAL REVIEW

FY21 was the third year of our journey to transform Burberry and anchor our brand firmly in luxury. Against the backdrop of the COVID-19 pandemic, our goal this year was to strengthen our foundations, adapting to the environment and positioning the brand for acceleration and growth.

Despite the onset of the COVID-19 pandemic, which led to a significant reduction in operating hours and an average of 18% of our global store network closed in the financial year, we completed the objectives for the first phase of our strategy, ending FY21 with strong full-price momentum.

Supported by the strong foundations we have built, we adapted swiftly, driving performance through new product launches and inspiring communications and shifted our focus to rebounding economies and digital channels. As a result, we achieved +7% growth in full-price comparable store sales in the year, with double-digit growth across Americas, Korea and Mainland China and good traction across our core strategic categories.

In terms of brand activity, we continued to reinforce our luxury positioning through emotive campaigns and activations and adopted a highly localised approach in every market. Recent examples include the launch of our first locally produced campaign film for Lunar New Year in January. This had an exceptional response from local Chinese consumers and increased the number of new fans to our WeChat page in a single month by ~15x compared to our 2020 monthly average. In addition, in February and from the start of the new financial year in April respectively, we debuted Riccardo's first dedicated menswear and womenswear presentations for AW21. These presentations generated an extraordinary amount of conversation on Instagram, with triple- and double-digit growth compared to our SS21 Show, respectively. Similarly in March, we drove further brand heat with the launch of our global campaign to celebrate our SS21 collection which generated social coverage almost double our SS20 campaign. Continuing to build brand momentum, these activations have also attracted new and younger customers to the brand.

Our new collections have also resonated strongly, supporting double digit growth in full-price sales to both new and repeat customers. In addition, within full-price, our strategic pillars - leather goods and outerwear - have returned to mid and high single digit growth respectively for FY21. Strong performance in leather goods has been supported by our new established shapes including the Pocket, which was the focus of our first bag campaign and programme of pop-ups earlier in the year, and the Olympia, our newest shape and the focus of our upcoming bag campaign in May. Across outerwear, we have focused on elevating and diversifying our offer. For example, in January we launched Future Archive, a unique capsule reinterpreting outerwear classics from the Burberry archive. By successfully driving the performance of our strategic pillars, we have supported high single digit growth in prices – further demonstrating the strength of our brand.

In terms of distribution, we elevated the brand experience across our full-price channels and leveraged our digital resources to support both offline and online sales. Within Mainline, we continued to invest in upgrading the store portfolio with 11 new openings and 15 closures this year and developed our new store concept, which we will begin to roll out in early FY22. In addition, we increased our focus on in-person and virtual appointments to mitigate the impact of reduced traffic and drive traction with local customers. This contributed to growth in sales to local clients in most regions. We also leveraged our digital capabilities to bridge online and offline, including scaling our omnichannel journeys (e.g. virtual appointments, virtual client events) as well as pioneering social retail – launching our first social retail store in Shenzhen Bay. Our Shenzhen store has provided a testing ground for a number of innovative experiences and concepts that we plan to roll out in the coming year to drive further consumer engagement. In terms of online, we have continued to capture the recent shifts in consumer behaviour through our digital innovations to deliver double digit growth in full-price online sales across all regions, from a strong base.

Building a more sustainable future

We maintained our focus on driving positive change and building a more sustainable future through our Responsibility agenda. All of our stores in Mainland China are now carbon neutral and we are on track this year to use 100% renewable electricity and have a carbon neutral footprint across all of our operations globally. In the next 12 months, every product we make will have more than one positive environmental or social attribute, achieved by driving improvements at the sourcing and product manufacturing stage. Stretching our ambitions, we now aim to be net-zero across our own operations and extended supply chain by 2040 and will continue to set leading standards for our industry and pioneer innovative solutions to create real system change.

Embedding D&I

We also made strong progress on our commitment to build a more diverse, equitable and inclusive organisation. We rolled out our global Diversity and Inclusion strategy, with aspirational goals supported by training and global programmes designed to attract and retain diverse talent, foster an open and inclusive culture and drive education and awareness. During the year, Burberry was the first luxury company to partner with the Business Disability Forum, Investing in Ethnicity, and the Stonewall Diversity Champions Programme, and one of the first in our industry to join The Valuable 500. We also became signatories of the British Retail Consortium D&I Charter and BBC's Creative Allies initiative, working collaboratively to achieve progress across the retail and creative industries. To mark International Women's Day 2021, we continued our support for London Youth and The Prince's Trust Women Supporting Women initiative, providing resources and development opportunities for young women. Our commitment to gender equality was recognised by Burberry's inclusion in the 2021 Bloomberg Gender-Equality Index, scoring 10 percentage points more than the company average and reflected by a leading position in the latest Hampton-Alexander Review report for women in leadership in the FTSE 100 for the third consecutive year.

Responding to COVID-19

Throughout the year, the health and wellbeing of our people has been our priority. We implemented rigorous safety measures across our sites whilst providing resources to support our teams. We also further strengthened our support for the global effort to combat the outbreak of COVID-19. Burberry and the Burberry Foundation recently made donations to UNICEF's COVID-19 Vaccines Appeal, building on our efforts earlier in the year to provide funding for food charities, vaccine research and retool our trench coat factory in Castleford, Yorkshire to manufacture non-surgical gowns and source masks through our global supply chain. Following

Burberry's partnership with Marcus Rashford MBE and charities supporting youth in the UK, USA and Asia, the Burberry Foundation also entered a longer term partnership with London Youth, providing young people in some of London's most deprived communities with the resources and support to build resilience against the impacts of the COVID-19 pandemic.

UK withdrawal from the EU

We continue to adapt to the EU-UK Trade and Cooperation Agreement to ensure minimal disruption to our operations and customers. We have initiated a number of actions to mitigate duty costs including collating evidence in support of claiming preferential duty rates, streamlining product flows to minimise movements of goods between the UK and EU, and establishing a customs warehouse.

The next chapter: accelerate and grow

Having successfully navigated our transformation and established a strong foundation, we are well-positioned to embark on the next chapter of growth and acceleration. In this phase, we will leverage our unique brand equity to deliver sustainable, high-quality growth and continue to drive positive change. In terms of revenue, we will accelerate growth by focusing on five levers: i) continuing to build brand advocacy and community; ii) focusing on our core luxury categories, outerwear and leather goods; iii) driving our store performance through the roll-out of our new store concept and scaling of new, omnichannel experiences; iv) supercharging online sales by leveraging our leadership in digital; and v) increasing our focus on full-price, including significantly reducing markdown in Mainline by the end of FY22. This acceleration will support our profitability through increased full-price and digital penetration, improved sales density and continued tight cost control. As a result, our ambition in the medium-term is to achieve high-single digit compound revenue growth at FY21 CER on FY20 base– with overperformance in full-price – and meaningful operating margin accretion.

Throughout, we will be relentless in our focus on our sustainability and social priorities. We are committed to continuing to build not only a financially stronger Burberry but also a better company. We will fuel the creativity of our colleagues by championing diversity, equality and inclusion and supporting their wellbeing. We will empower young people in our communities, providing more of them with the skills, confidence and opportunities to succeed. Lastly, we will create a more sustainable future for luxury by further reducing our environmental impacts and helping transform our industry.

Financial performance

- Performance in the year was driven by full-price sales offset by both a planned reduction in markdown activity as we further elevate the brand, and from outlets that were impacted by tourist flows. With no impact from space, retail sales declined 9% at both CER and reported exchange rates. Wholesale declined 17% at CER and reported exchange rates in the year with a good recovery in the second half. In total, the group saw revenue down 10% at CER and 11% at reported exchange rates to £2,344m (FY20 £2,633m)

- Group adjusted operating profit fell 8% at CER, with a strong recovery in H2 rising by 48% following the 71% decline in H1. Gross margin increased in the year by 270bps CER (260bps reported), benefitting from full-price and other mix effects and reduced charges for inventory provisioning. Adjusted operating expenses fell by 7% at CER, with strong cost management and delivery of the restructuring programmes. This excludes £54m of rent concessions negotiated during the COVID-19 crisis and £9m of government grants. During the year, we paid the UK business rates in full and did not take advantage of the UK Government Coronavirus Job Retention Scheme. Reported operating profit increased 176% including an adjusting item credit of £125m. FX was a minor headwind in the year of £3m

- We generated free cash flow in the year of £349m, significantly above the prior year level of £66m due to lower lease payments, reduced capex and tax payments as well as tight management of working capital. Inventory in particular was well controlled, with gross inventory 16% below last year and 7% down from FY19 levels, benefitting from improved sell-through. Capital expenditure reduced to £115m (FY20 £149m) with some projects impacted by COVID-19

Revenue analysis

Revenue by channel

Period ended £ million	27 March 2021	28 March 2020	% change Reported FX	 CER
Retail	1,910	2,110	*(9)*	*(9)*
Retail comparable store sales growth	*(9%)*	*(3%)*		
Wholesale	396	476	*(17)*	*(17)*
Licensing	38	47	*(19)*	*(20)*
Revenue	**2,344**	**2,633**	***(11)***	***(10)***

Retail

FY21	Q1	Q2	Q3	Q4	FY	Q4 FY21 v Q4 FY19*
Comparable store sales growth	(45%)	(6%)	(9%)	32%	(9%)	(5%)
Comparable full-price sales growth	(38%)	(1%)	9%	63%	7%	12%

*Q4 FY21 comparable store sales growth compared with Q4 FY19

- Retail sales fell 9% at constant and reported exchange rates
- Comparable store sales declined 9% (H1: -25%; H2: +5%). Underlying performance was strong with full-price sales growth of 7% offset by store closures and a significant reduction in tourist traffic due to COVID-19, together with the planned reduction in markdown activity in the second half of the year. Overall, markdowns had a low single digit percentage adverse impact on FY21 sales growth
- Comparable store sales grew 32% in the fourth quarter (-5% against Q4 FY19) as we began to anniversary the impact from the pandemic and with a sequential acceleration in sales in Asia Pacific and Americas whilst EMEIA remained impacted by lockdowns
- Nil impact from space on FY21 revenue

Comparable store sales by region:

FY21	Q1	Q2	Q3	Q4	FY	Q4 FY21 v Q4 FY19
Group	(45%)	(6%)	(9%)	32%	(9%)	(5%)
….. Asia Pacific	(10%)	10%	11%	75%	18%	17%
….. EMEIA	(74%)	(39%)	(37%)	(26%)	(44%)	(44%)
….. Americas	(70%)	21%	(8%)	40%	(9%)	15%

Asia Pacific grew by 18% year on year

- Asia Pacific saw the best regional performance in the year, led by Mainland China and Korea
- Mainland China saw strong double digit growth with comparable store sales accelerating in the fourth quarter to 53% against FY19 driven by a successful Lunar New Year campaign

- Korea also delivered strong double digit percentage growth with a significant improvement in comparable store sales in the last quarter of the year
- South Asia Pacific (SAP) declined by a double digit percentage, affected by limited tourist traffic and airport store closures
- Japan also fell, impacted by a lack of international travel

EMEIA fell by 44% year on year
- EMEIA has been especially impacted by travel trends and store closures
- Continental Europe saw a decline broadly in line with the regional average; however, local spend returned to growth from the second quarter
- The UK remained challenged with London performance weak given high tourist exposure
- Middle East returned to growth in the second half of the year driven by strong local demand and improved tourist flows

Americas declined by 9% year on year
- Americas saw a robust performance in full-price sales from Q2 FY21, increasing 17% in the year
- Within this, the US was particularly strong driven by attracting new younger customers to the brand

Digital performed well in the year with double digit percentage growth driven by the Americas and Mainland China.

By product
- Full-price sales grew across all product categories in FY21 and in the fourth quarter against Q4 FY19
- Product performance was impacted by the pandemic with a shift towards casualisation and evergreen items
- Outerwear was driven by strong performance in Coats and Jackets, Quilts and Downs with exceptional performance in Mainland China and Korea
- Within Ready-to-wear, Tops and Bottoms continued to outperform with a strong performance in Shirts and Jersey within Men's and Knitwear within Women's
- Leather goods remained a key focus in FY21 with the new bag pillars performing well. The new shapes continue to account for more than 60% of our women's leather bag sales
- Digital full-price sales saw high double digit percentage growth across all categories with a particularly strong performance in Accessories driven by leather goods and shoes

Store footprint
The transformation of our distribution continued as we addressed high priority programmes:
- In FY21 we opened 17 stores and closed 23 stores
- Key openings included 13 in Mainland China including our first Social Retail store in Shenzhen Bay

- Cumulative 34 stores closed to date of the 38 planned closures from the non-strategic store rationalisation programme
- A cumulative 85 stores are now new or refurbished and aligned to our new creative vision, an increase of 21 in the year
- In support of our goal to be net-zero by 2040, we finance or refinance buildings that have achieved one of the following certifications:
  - Leadership in Energy and Environmental Design (LEED): Platinum or Gold level
  - Building Research Establishment Environmental Assessment Method (BREEAM): Excellent or Outstanding level

Wholesale

Wholesale revenue declined 17% at CER and reported exchange rates with a return to growth in the second half of the year with sales up 8% at reported exchange rates.

Licensing

Licensing revenue fell 19% at reported exchange rates due to lower sales from the COVID-19 fallout.

Operating profit analysis

Adjusted operating profit

Period ended £ million	27 March 2021	28 March 2020	% change Reported FX	CER
Revenue	2,344	2,633	*(11)*	*(10)*
Cost of sales*	(704)	(859)	*(18)*	
Gross profit*	**1,640**	**1,774**	***(8)***	
Gross margin %*	**70.0%**	**67.4%**	***+260bps***	***+270bps***
Operating expenses*	(1,244)	(1,341)	*(7)*	*(7)*
Opex as a % of sales*	53.1%	51.0%		
Adjusted operating profit*	**396**	**433**	***(9)***	***(8)***
Adjusted operating margin %*	**16.9%**	**16.4%**	***+50bps***	***+50bps***

*Excludes adjusting items

Adjusted operating profit declined 9% and margin increased by 50bps at reported exchange rates.

- Gross margin increased 270bps at CER (260bps reported). Business performance accounted for around two thirds of the gross margin improvement benefitting from full-price, channel and regional (predominantly Mainland China) mix. The gross margin benefited from COVID provisions taken in the PY by around 80 bps
- Adjusted operating expenses fell by 7% against last year, benefitting from strong cost management and delivery of the restructuring programmes. The 2017 cost savings programme has delivered savings of £150m since inception including an incremental £25m in FY21
- In July 2020 we announced a cost reduction programme to deliver the planned £55m savings with £45m of associated costs. This programme remains on track and we achieved the targeted £35m of savings in FY21 with an associated cost of £22m that was presented as an adjusting item. We expect the remaining £20m benefit from the cost reduction programme will be achieved in FY22, with further costs of £23m to be incurred

Adjusted operating profit amounted to £396m including a £3m FX headwind in FY21.

Adjusting items*

Adjusting items were a credit of £124m (FY20: £245m charge).

Adjusting items* Period ended £ million	27 March 2021	28 March 2020
The impact of COVID-19		
Inventory provisions	22	(68)
Rent concessions	54	-
Store impairments	47	(157)
Government grants	9	-
Receivable impairments	5	(11)
Assets under the course of construction impairment	-	(10)
Related other sundry items	-	5
COVID-19 adjusting items**	**137**	**(241)**
Restructuring costs	(30)	(10)
Profit on sale of property	18	-
BME deferred consideration income	-	2
Disposal of beauty business	-	5
Adjusting operating items	**125**	**(244)**
Adjusting financing items	(1)	(1)
Adjusting items	**124**	**(245)**

*For more details see note 7 of the Financial Statements

** COVID-19 adjusting item includes a £22m credit (FY20: £68m charge) that has been recognised through COGS relating to inventory provisions

The major adjusting items are as follows:

- Impact of the COVID-19 pandemic: the majority of adjusting items relate to rent concessions across our retail network and impairment reversals to the carrying value of stores and inventory due to positive trading in FY21. In addition, COVID-19 related government grants were also treated as an adjusting item
- Restructuring costs: £22m related to the organisational changes announced in July 2020 and the final charge of £8m relating to the cost-efficiency programme announced in 2017
- Profit on sale of property: relates to the sale of a property in France

Adjusted profit before tax*

After an adjusted net finance charge of £30m (FY20 £19m), adjusted profit before tax was £366m (FY20 £414m).

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

Taxation*

The effective tax rate on adjusted profit increased to 25.4% (FY20: 22.3%). This was higher than normal due to COVID-19 impacting the geographical shift in profits towards higher tax jurisdictions. The reported tax rate on FY21 profit before taxation was 23.3% (FY20: 27.9%).

* For detail see note 9 of the Financial Statements

Cash flow

Represented statement of cash flows

The following table is a representation of the cash flows, excluding the impact of adjusting items, to highlight the underlying movements.

Period ended £ million	**27 March 2021**	**28 March 2020**
Adjusted operating profit	396	433
Depreciation and amortisation	277	331
Working capital	(25)	(66)
Other	29	(73)
Cash inflow from operations	**677**	**625**
Payment of lease principal and related cash flows	(155)	(244)
Capital expenditure	(115)	(149)
Proceeds from disposal of non-current assets	27	3
Interest	(27)	(19)
Tax	(58)	(150)
Free cash flow	**349**	**66**

Free cash flow was £349m (FY20 of £66m) and cash conversion was 111% (2020: 52%) reflecting strong cash discipline. We had the following key flows:

- Working capital saw a £25m outflow. Within this, inventories reduced 16% in gross terms due to disciplined inventory control, generating an inflow of £21m in the year (FY20 inflow of £27m), with significantly lower payables outflow more than offsetting higher receivables outflow compared to prior year
- Lease related payments fell £89m including benefit of £54m of COVID-19 related rent concessions
- Capital expenditure reduced to £115m (2020: £149m) as projects were impacted by the pandemic
- Tax paid reduced to £58m against the prior year in which payments were elevated mostly due to the accelerated collection by HMRC in the UK

Cash net of overdrafts at 27 March 2021 was £1.2bn (28 March 2020: £0.9bn). We repaid the RCF in June 2020 and in September issued a £0.3bn Sustainability Bond after obtaining a public investment grade credit rating. For short term security, we borrowed £0.3bn under the Government backed CCFF during the year, repaying this early, in February 2021.

Our net debt* including reported lease liabilities was £101m (28 March 2020: £538m). Net Debt / adjusted EBITDA was 0.1x on a rolling 12 months period (28 March 2020 0.7x), significantly below our target range of 0.5x to 1.0x.

Progressive dividend policy reinstated with the full year dividend declared at FY19 levels of 42.5p.

*For a definition of net debt see page 21.

Period ended £ million	**27 March 2021**	**28 March 2020**
Adjusted EBITDA – rolling 12 months	673	764
Cash net of overdrafts	(1,216)	(887)
RCF drawn	**-**	**300**
Bond	**297**	**-**
Lease debt	**1,020**	**1,125**
Net Debt	**101**	**538**
Net Debt/Adjusted EBITDA	**0.1x**	**0.7x**

APPENDIX

Detailed guidance for FY22

Item	Financial impact
Markdown policy	We will be exiting markdowns in mainline stores in FY22. This will lead to a headwind against our comparable store sales of mid-single digits in the full year with Q1 FY21 comp impacted by HSD
Wholesale revenue	H1 wholesale to increase by around 50%
Impact of retail space on revenues	We expect space to be broadly neutral in the year
Tax	We expect the adjusted tax rate to be around 22%
Capex	Expected to be in the range £180m to £190m – increasing due to investment in store refurbishments, digital and IT
Currency	Headwind on revenue of £96m and £34m on adjusted operating profit at 30 April spot rates
Dividend	Resumption of progressive dividend policy
Calendar	Please note that FY22 is a 53 week year with an additional week in Q4

Note : guidance based on CER at FY21 rates

Retail/wholesale revenue by destination*				
Period ended	27 March	28 March	*% change*	
£ million	2021	2020	*Reported FX*	*CER*
Asia Pacific (94% retail)*	1,203	1,041	*16*	*16*
EMEIA (59% retail)*	628	960	*(35)*	*(35)*
Americas (86% retail)*	475	585	*(19)*	*(15)*
Total	**2,306**	**2,586**	***(11)***	***(10)***

* Mix based on FY21

Retail/wholesale revenue by product division				
Period ended	27 March	28 March	*% change*	
£ million	2021	2020	*Reported FX*	*CER*
Accessories	841	948	*(11)*	*(11)*
Women's	653	796	*(18)*	*(18)*
Men's	668	715	*(7)*	*(6)*
Children's & other	144	127	*14*	*15*
Total	**2,306**	**2,586**	***(11)***	***(10)***

Store portfolio	Directly-operated stores				
	Stores	Concessions	Outlets	Total	*Franchise stores*
At 28 March 2020	218	149	54	421	*44*
Additions	11	1	5	17	-
Closures	(15)	(5)	(3)	(23)	-
At 27 March 2021	**214**	**145**	**56**	**415**	***44***

Store portfolio by region*	Directly-operated stores				
	Stores	Concessions	Outlets	Total	*Franchise*
At 27 March 2021					*stores*
Asia Pacific	97	90	22	209	*7*
EMEIA	56	46	18	120	*37*
Americas	61	9	16	86	-
Total	**214**	**145**	**56**	**415**	***44***

*Excludes the impact of pop up stores

Adjusted operating profit*	27 March	28 March	*% change*	*% change*
Period ended	2021	2020	*Reported FX*	*CER*
£ Millions				
Retail/wholesale	361	390	*(7)*	*(6)*
Licensing	35	43	*(20)*	*(21)*
Adjusted operating profit	**396**	**433**	***(9)***	***(8)***
Adjusted operating margin	**16.9%**	**16.4%**	***+50bps***	***+50bps***

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

Exchange rates			
	Spot rates	Average effective exchange rates	
	30 April	FY21	FY20
£1=	2021		
Euro	1.15	1.12	1.14
US Dollar	1.39	1.30	1.27
Chinese Yuan Renminbi	9.03	8.85	8.88
Hong Kong Dollar	10.82	10.08	9.89
Korean Won	1,545	1,514	1,504

Profit before tax reconciliation				
Period ended	27 March	28 March	*% change*	% change
	2021	2020	*Reported FX*	CER
£ million				
Adjusted profit before tax	**366**	**414**	**(12)**	**(11)**
Adjusting items*				
COVID-19 related items	137	(241)		
Restructuring costs	(30)	(10)		
Profit on sale of property	18	-		
BME deferred consideration liability	-	2		
Disposal of Beauty operations	-	5		
Adjusting financing items	(1)	(1)		
Profit before tax	**490**	**169**	**190**	

Alternative performance measures

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

<table>
<tr><th>APM</th><th>Description and purpose</th><th>GAAP measure reconciled to</th></tr>
<tr><td>Constant Exchange Rates (CER)</td><td>This measure removes the effect of changes in exchange rates compared to the prior period. It incorporates both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and also on foreign currency procurement and sales through the Group's UK supply chain.</td><td>Results at reported rates</td></tr>
<tr><td>Comparable sales</td><td>The year-on-year change in sales from stores trading over equivalent time periods and measured at constant foreign exchange rates. It also includes online sales. This measure is used to strip out the impact of permanent store openings and closings, or those closures relating to refurbishments, allowing a comparison of equivalent store performance against the prior period. The measurement of comparable sales has not excluded stores temporarily closed as a result of the COVID-19 outbreak

Full-price sales:
Net sales of Group's directly operated mainline comparable stores excluding Markdown sales.</td><td>Retail Revenue:
<table>
<tr><th>Period ended
YoY%</th><th>27 March
2021</th><th>28 March
2020</th></tr>
<tr><td>Comparable sales*</td><td>(9%)*</td><td>(3%)</td></tr>
<tr><td>Change in space</td><td>-</td><td>(1%)</td></tr>
<tr><td>FX</td><td>-</td><td>1%</td></tr>
<tr><td>Retail revenue</td><td>(9%)</td><td>(3%)</td></tr>
</table>
*Includes full-price comp +7%</td></tr>
<tr><td>Q4 FY21 vs Q4 FY19 comparable sales</td><td>The change in sales over two years measured at constant foreign exchange rates. It also includes online sales. The measurement of comparable sales has not excluded stores temporarily closed as a result of the COVID-19 outbreak. This measure reflects the two year aggregation of the growth rates.</td><td>Retail Revenue:
<table>
<tr><th>%change</th><th>Q4 FY21 vs
Q4 FY19</th></tr>
<tr><td>Reported growth</td><td>(2%)</td></tr>
<tr><td>Comparable sales</td><td>(5%)</td></tr>
<tr><td>Change in space</td><td>5%</td></tr>
<tr><td>CER retail</td><td>0%</td></tr>
<tr><td>FX</td><td>(2%)</td></tr>
</table></td></tr>
<tr><td>Adjusted Profit</td><td>Adjusted profit measures are presented to provide additional consideration of the underlying performance of the Group's ongoing business. These measures remove the impact of those items which should be excluded to provide a consistent and comparable view of performance.</td><td>Reported Profit:
A reconciliation of reported profit before tax to adjusted profit before tax and the Group's accounting policy for adjusted profit before tax are set out in the financial statements.</td></tr>
</table>

<table>
<tr><td>Free Cash Flow</td><td>Free cash flow is defined as net cash generated from operating activities less capital expenditure plus cash inflows from disposal of fixed assets and including cash outflows for lease principal payments and other lease related items.</td><td>Net cash generated from operating activities:
<table><tr><td>Period ended
£m</td><td>27 March
2021</td><td>28 March
2020</td></tr><tr><td>Net cash generated from operating activities</td><td>592</td><td>456</td></tr><tr><td>Capex</td><td>(115)</td><td>(149)</td></tr><tr><td>Lease principal and related cash flows</td><td>(155)</td><td>(244)</td></tr><tr><td>Proceeds from disposal of non-current assets</td><td>27</td><td>3</td></tr><tr><td>Free cash flow</td><td>349</td><td>66</td></tr></table></td></tr>
<tr><td>Cash Conversion</td><td>Cash conversion is defined as free cash flow pre-tax/adjusted profit before tax. It provides a measure of the Group's effectiveness in converting its profit into cash.</td><td>Net cash generated from operating activities:
<table><tr><td>Period ended
£m</td><td>27 March
2021</td><td>28 March
2020</td></tr><tr><td>Free cash flow</td><td>349</td><td>66</td></tr><tr><td>Tax paid</td><td>58</td><td>150</td></tr><tr><td>Free cash flow before tax</td><td>407</td><td>216</td></tr><tr><td>Adjusted profit before tax</td><td>366</td><td>414</td></tr><tr><td>Cash conversion</td><td>111%</td><td>52%</td></tr></table></td></tr>
<tr><td>Net Debt</td><td>Net debt is defined as the lease liability recognised on the balance sheet plus borrowings less cash net of overdrafts.</td><td>Cash net of overdrafts:
<table><tr><td>Period ended
£m</td><td>27 March
2021</td><td>28 March
2020</td></tr><tr><td>Cash net of overdrafts</td><td>1,216</td><td>887</td></tr><tr><td>Lease liability</td><td>(1,020)</td><td>(1,125)</td></tr><tr><td>Borrowings</td><td>(297)</td><td>(300)</td></tr><tr><td>Net debt</td><td>(101)</td><td>(538)</td></tr></table></td></tr>
<tr><td>Adjusted EBITDA</td><td>Adjusted EBITDA is defined as operating profit, excluding adjusting operating items, depreciation of property, plant and equipment, depreciation of right of use assets and amortisation of intangible assets. Any depreciation or amortisation included in adjusting operating items are not double-counted. Adjusted EBITDA is shown for the calculation of Net Debt/EBITDA for our gearing ratios.</td><td>Reconciliation from operating profit to adjusted EBITDA:
<table><tr><td>Period ended
£m</td><td>27 March
2021</td><td>28 March
2020</td></tr><tr><td>Operating profit</td><td>521</td><td>189</td></tr><tr><td>Adjusted operating items</td><td>(125)</td><td>244</td></tr><tr><td>Amortisation of intangible assets</td><td>33</td><td>26</td></tr><tr><td>Depreciation of property, plant and equipment</td><td>72</td><td>84</td></tr><tr><td>Depreciation of right-of-use assets</td><td>172</td><td>221</td></tr><tr><td>Adjusted EBITDA</td><td>673</td><td>764</td></tr></table></td></tr>
</table>

GROUP INCOME STATEMENT

	Note	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Revenue	4	2,343.9	2,633.1
Cost of sales		(681.4)	(927.6)
Gross profit		1,662.5	1,705.5
Net operating expenses	5	(1,141.4)	(1,516.8)
Operating profit		521.1	188.7
Financing			
Finance income		3.1	7.6
Finance expense		(33.3)	(26.6)
Other financing charge		(0.7)	(1.2)
Net finance expense	8	(30.9)	(20.2)
Profit before taxation	6	490.2	168.5
Taxation	9	(114.3)	(46.9)
Profit for the year		375.9	121.6
Attributable to:			
Owners of the Company		375.7	121.7
Non-controlling interest		0.2	(0.1)
Profit for the year		375.9	121.6
Earnings per share			
Basic	10	93.0p	29.8p
Diluted	10	92.7p	29.8p
		£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation		490.2	168.5
Adjusting operating items:			
Cost of sales	6	(22.3)	68.3
Net operating expenses	6	(102.9)	176.1
Adjusting financing items	6	0.7	1.2
Adjusted profit before taxation – non-GAAP measure		365.7	414.1
Adjusted earnings per share – non-GAAP measure			
Basic	10	67.5p	78.9p
Diluted	10	67.3p	78.7p
Dividends per share			
Interim	11	–	11.3p
Proposed final (not recognised as a liability at 27 March/28 March)	11	42.5p	–

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Profit for the year		375.9	121.6
Other comprehensive income[1]:			
Cash flow hedges	23	–	2.7
Net investment hedges	23	–	(1.2)
Foreign currency translation differences		(51.4)	18.5
Actuarial gains on post-employment benefit plans		1.0	–
Tax on other comprehensive income:			
Cash flow hedges	9	–	(0.5)
Net investment hedges	9	–	0.2
Foreign currency translation differences	9	2.4	(0.9)
Actuarial gains on post-employment benefit plans		(0.2)	–
Other comprehensive (loss)/income for the year, net of tax		(48.2)	18.8
Total comprehensive income for the year		327.7	140.4
Total comprehensive income attributable to:			
Owners of the Company		327.7	140.4
Non-controlling interest		–	–
		327.7	140.4

1. All items included in other comprehensive income, with the exception of Actuarial gains on post-employment benefit plans, may subsequently be reclassified to profit and loss in a future period.

GROUP BALANCE SHEET

	Note	As at 27 March 2021 £m	As at 28 March 2020 £m
ASSETS			
Non-current assets			
Intangible assets	12	237.0	247.0
Property, plant and equipment	13	280.4	294.9
Right-of-use assets	14	818.1	834.0
Investment properties		2.4	2.5
Deferred tax assets		137.1	171.5
Trade and other receivables	15	45.0	53.7
		1,520.0	1,603.6
Current assets			
Inventories	16	402.1	450.5
Trade and other receivables	15	276.9	252.1
Derivative financial assets		2.2	6.7
Income tax receivables		39.7	50.4
Cash and cash equivalents	17	1,261.3	928.9
		1,982.2	1,688.6
Total assets		3,502.2	3,292.2
LIABILITIES			
Non-current liabilities			
Trade and other payables	18	(99.4)	(102.3)
Lease liabilities	19	(809.6)	(910.0)
Borrowings	22	(297.1)	(300.0)
Deferred tax liabilities		(0.8)	(0.1)
Retirement benefit obligations		(1.0)	(1.9)
Provisions for other liabilities and charges	20	(31.8)	(28.6)
		(1,239.7)	(1,342.9)
Current liabilities			
Trade and other payables	18	(392.9)	(447.5)
Bank overdrafts	21	(45.4)	(41.6)
Lease liabilities	19	(210.0)	(215.5)
Derivative financial liabilities		(2.6)	(4.8)
Income tax liabilities		(27.9)	(7.9)
Provisions for other liabilities and charges	20	(24.0)	(13.2)
		(702.8)	(730.5)
Total liabilities		(1,942.5)	(2,073.4)
Net assets		1,559.7	1,218.8
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary share capital	23	0.2	0.2
Share premium account		223.0	220.8
Capital reserve	23	41.1	41.1
Hedging reserve	23	4.7	4.7
Foreign currency translation reserve	23	196.4	245.2
Retained earnings		1,091.2	702.2
Equity attributable to owners of the Company		1,556.6	1,214.2
Non-controlling interest in equity		3.1	4.6
Total equity		1,559.7	1,218.8

GROUP STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance as at 30 March 2019		0.2	216.9	272.3	965.6	1,455.0	5.0	1,460.0
Adjustment on initial application of IFRS 16		–	–	–	(57.1)	(57.1)	(0.4)	(57.5)
Adjustment on initial application of IFRIC 23		–	–	–	(4.4)	(4.4)	–	(4.4)
Adjusted balance as at 31 March 2019		0.2	216.9	272.3	904.1	1,393.5	4.6	1,398.1
Profit for the year		–	–	–	121.7	121.7	(0.1)	121.6
Other comprehensive income:								
Cash flow hedges	23	–	–	2.7	–	2.7	–	2.7
Net investment hedges	23	–	–	(1.2)	–	(1.2)	–	(1.2)
Foreign currency translation differences	23	–	–	18.4	–	18.4	0.1	18.5
Tax on other comprehensive income	23	–	–	(1.2)	–	(1.2)	–	(1.2)
Total comprehensive income for the year		–	–	18.7	121.7	140.4	–	140.4
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	2.8	2.8	–	2.8
Value of share options transferred to liabilities		–	–	–	0.1	0.1	–	0.1
Tax on share options granted		–	–	–	(0.6)	(0.6)	–	(0.6)
Exercise of share options		–	3.9	–	–	3.9	–	3.9
Purchase of own shares								
Share buy-back		–	–	–	(150.7)	(150.7)	–	(150.7)
Dividends paid in the year		–	–	–	(175.2)	(175.2)	–	(175.2)
Balance as at 28 March 2020		0.2	220.8	291.0	702.2	1,214.2	4.6	1,218.8
Profit for the year		–	–	–	375.7	375.7	0.2	375.9
Other comprehensive income:								
Foreign currency translation differences	23	–	–	(51.2)	–	(51.2)	(0.2)	(51.4)
Actuarial gains on post-employment benefit plans		–	–	–	1.0	1.0	–	1.0
Tax on other comprehensive income	23	–	–	2.4	(0.2)	2.2	–	2.2
Total comprehensive income for the year		–	–	(48.8)	376.5	327.7	–	327.7
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	12.1	12.1	–	12.1
Tax on share options granted		–	–	–	0.7	0.7	–	0.7
Exercise of share options		–	2.2	–	–	2.2	–	2.2
Acquisition of additional interest in subsidiary	26	–	–	–	(0.2)	(0.2)	(1.5)	(1.7)
Purchase of own shares								
Held by ESOP trusts		–	–	–	(0.1)	(0.1)	–	(0.1)
Balance as at 27 March 2021		0.2	223.0	242.2	1,091.2	1,556.6	3.1	1,559.7

GROUP STATEMENT OF CASH FLOWS

	Note	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Cash flows from operating activities			
Operating profit		521.1	188.7
Amortisation of intangible assets	12	32.9	26.4
Depreciation of property, plant and equipment	13	71.4	83.3
Depreciation of right-of-use assets	14	172.4	221.1
COVID-19-related rent concessions	1	(54.1)	–
Impairment charge of intangible assets	12	8.8	11.6
Net impairment (reversal)/charge of property, plant and equipment	13	(7.5)	26.4
Net impairment (reversal)/charge of right-of-use assets	14	(33.7)	140.3
(Gain)/loss on disposal of property, plant and equipment and intangible assets		(22.7)	0.7
Gain on disposal of right-of-use assets		(1.1)	(2.1)
Gain on disposal of Beauty operations		–	(5.0)
Loss/(gain) on derivative instruments		3.8	(3.1)
Charge in respect of employee share incentive schemes		12.1	2.8
(Payment)/receipt from settlement of equity swap contracts		(1.5)	0.2
Decrease in inventories		20.9	27.4
Increase in receivables		(39.0)	(9.8)
Decrease in payables and provisions		(7.2)	(84.0)
Cash generated from operating activities		676.6	624.9
Interest received		2.9	7.2
Interest paid		(30.1)	(26.0)
Taxation paid		(58.0)	(150.3)
Net cash generated from operating activities		591.4	455.8
Cash flows from investing activities			
Purchase of property, plant and equipment		(72.9)	(85.3)
Purchase of intangible assets		(41.9)	(63.5)
Proceeds from sale of property, plant and equipment		27.2	3.0
Initial direct costs of right-of-use assets		(2.9)	(5.6)
Net cash outflow from investing activities		(90.5)	(151.4)
Cash flows from financing activities			
Dividends paid in the year	11	–	(175.2)
Payment of deferred consideration for acquisition of non-controlling interest	18	(2.6)	(2.7)
Proceeds from borrowings	22	595.1	300.0
Repayment of borrowings	22	(599.8)	–
Payment of lease principal		(152.2)	(228.4)
Payment on termination of lease		–	(9.7)
Payment to acquire additional interest in subsidiary from non-controlling interest	26	(1.7)	–
Issue of ordinary share capital		2.2	3.8
Purchase of own shares through share buy-back	23	–	(150.7)
Purchase of own shares by ESOP trusts		(0.1)	–
Net cash outflow from financing activities		(159.1)	(262.9)
Net increase in cash and cash equivalents		341.8	41.5
Effect of exchange rate changes		(13.2)	8.5
Cash and cash equivalents at beginning of year		887.3	837.3
Cash and cash equivalents at end of year		1,215.9	887.3

	Note	As at 27 March 2021 £m	As at 28 March 2020 £m
Cash and cash equivalents as per the Balance Sheet	17	1,261.3	928.9
Bank overdrafts	21	(45.4)	(41.6)
Cash net of overdrafts		1,215.9	887.3

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial information contained within this report has been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, IFRS Interpretations Committee (IFRS IC) interpretations and parts of the Companies Act 2006 applicable to companies reporting under IFRS. This financial information does not constitute the Burberry Group's (the Group) Annual Report and Accounts within the meaning of Section 435 of the Companies Act 2006.

Statutory accounts for the 52 weeks to 28 March 2020 have been filed with the Registrar of Companies, and those for 2021 will be delivered in due course. The reports of the auditors on those statutory accounts for the 52 weeks to 28 March 2020 and 27 March 2021 were unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under either section 400(2) or section 498(3) of the Companies Act 2006.

Going concern

The impact of the COVID-19 pandemic on the global economy and the operating activities of many businesses, including the luxury market, has resulted in a volatile climate and continued uncertainty. The further impact of this pandemic on the Group is uncertain at the date of signing these financial statements. In considering the appropriateness of adopting the going concern basis in preparing the financial statements, the directors have assessed the potential cash generation of the Group and considered a range of downside scenarios. This assessment covers from the date of signing the financial statements up to 1 October 2022 for any indicators that the going concern basis of preparation is not appropriate.

The directors have assessed the potential cash generation of the Group against a range of projected scenarios (including a severe but plausible downside). These scenarios were informed by a comprehensive review of the macroeconomic scenarios using third party projections of scientific, epidemiological and macroeconomic data for the luxury fashion industry:

- The Group central planning scenario reflects a balanced projection with a continued focus on growing markets, maintaining momentum built in FY2020/21 as part of the customer strategy.
- As a sensitivity, this central planning scenario has been flexed to reflect a 26% downgrade to revenues in FY 2021/22, as well as the associated consequences for EBITDA and cash. Management consider this represents a severe but plausible downside scenario appropriate for assessing going concern. This was designed to test an even more challenging trading environment as a result of COVID-19 together with the potential impacts of one or more of the Group's other principal risks.

The severe but plausible downside modelled the following risks occurring simultaneously:

- A significant impact on revenue in FY 2021/22 compared to the central planning scenario caused by the impact of a reputational incident such as negative sentiment propagated through social media.
- A longer-term decrease in revenue caused by a resurgence of the pandemic and store re-closures.
- The impact of prolonged recovery of travel to 2019 levels.

In addition, the potential impact of other principal risks, including the impact of foreign exchange volatility, were considered. The directors have also considered mitigating actions, which may be taken to reduce discretionary and other operating cash outflows. The directors have also considered the Group's current liquidity and available facilities. Details of cash, overdrafts, borrowings and facilities are set out in notes 17, 21 and 22 respectively of these financial statements, which includes access to a £300.0 million revolving credit facility, currently undrawn and not relied upon in this going concern assessment.

In all the scenarios assessed, taking into account current liquidity and available facilities, the Group was able to maintain sufficient liquidity to continue trading. On the basis of the assessment performed, the directors consider it is appropriate to continue to adopt the going concern basis in preparing the consolidated financial statements for the 52 weeks ended 27 March 2021.

1. Basis of preparation continued

Accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are consistent with those set out in the statutory accounts for the 52 weeks to 28 March 2020, with the exception of the following:

IFRS 16 Leases – COVID-19-Related Rent Concessions

The COVID-19-Related Rent Concessions amendment to IFRS 16 Leases was adopted by the IASB on 28 May 2020 and endorsed by the European Union on 12 October 2020. The amendment applies to accounting periods from 1 June 2020 but early application is permitted and the Group has elected to apply the amendment in the current year.
The amendment allows for a simplified approach to accounting for rent concessions occurring as a direct result of COVID-19 and for which the following criteria are met:

- The revised consideration is substantially the same, or less than, the consideration prior to the change;
- The concessions affect only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

Lessees are not required to assess whether eligible rent concessions are lease modifications, allowing the lessee to account for eligible rent concessions as if they were not lease modifications. During the period, the Group has agreed rent concessions both in the form of rent forgiveness in which the landlord has agreed to forgive all or a portion of rents due with no obligation to be repaid in the future, and rent deferrals in which the landlord has agreed to forego rents in one period with a proportional increase in rents due in a future period.

The Group has chosen to account for eligible rent forgiveness as negative variable lease payments. The rent concession has been recognised once a legally binding agreement is made between both parties by derecognising the portion of the lease liability that has been forgiven and recognising the benefit in the Income Statement. As a result, the Group has recognised £54.1 million in COVID-19-related rent concessions in the Income Statement within "net operating expenses" in the current period. This has been presented as an adjusting item (refer to note 7). In the Statement of Cash Flows, the forgiveness results in lower payments of lease principal. The negative variable lease payments in the Income Statement is a non-cash item which is added back to calculate cash generated from operating activities.

Rent deferrals do not change the total consideration due over the life of the lease. Deferred rent payments are recognised as a payable until the period the original rent payment is due. As a result, the Group has recognised £4.3 million within other payables. Payments relating to rent deferrals are recognised as payments of lease principal when the payment is made.

Standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 52 weeks to 27 March 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1. Basis of preparation continued

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 COVID-19 pandemic (COVID-19) has had a major impact on the global economy throughout the current year. While the adverse impact on the Group's operations and financial position has significantly diminished during the course of the financial year, at the date of signing these financial statements, there remains significant uncertainty regarding the timing of any global recovery from COVID-19, and the return to previous levels of footfall in city centres, travel and tourism in some locations. As a result, the impact of COVID-19 on the Group's assets remains a significant source of estimation uncertainty.

The key areas where the estimates and assumptions applied have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below.

Impairment, or reversals of impairment, of property, plant and equipment and right-of-use assets

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

Last year end, management recorded impairments of retail property, plant and equipment and right-of-use assets, based on the estimated impact of COVID-19 on the Group. At that time, the impact of COVID-19 was at its highest and many of the Group's retail stores worldwide were closed. Since last year end, the rate of recovery has exceeded management estimates, indicating a potential impairment reversal. Therefore, management has updated their assumptions as at 27 March 2021, reflecting their latest plans over the next three years to March 2024, followed by longer-term growth rates of mid-single digits. This has resulted in net reversals of impairments.

Management has also reviewed the remaining retail property, plant and equipment and right-of-use assets, not covered by the above reassessment, for any indications of impairment. No new impairments of property, plant and equipment and right-of-use assets outside the scope of the reassessment of last year's assumptions were identified.

Refer to notes 13 and 14 for further details of retail property, plant and equipment, right-of-use assets and impairment reviews carried out in the period and for sensitivities relating to this key source of estimation uncertainty.

1. Basis of preparation continued

Key sources of estimation uncertainty continued

Inventory provisioning

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

Last year end, management recorded provisions against inventory, based on the estimated impact of COVID-19 on the Group. As noted above, performance during the current year has exceeded the estimates made at last year end and hence management has updated their assumptions regarding future performance. This has resulted in a release of inventory provisions, both relating to inventory sold during the current year, where this was for a higher net realisable value than had been assumed, and relating to assumptions regarding the net realisable value of inventory held at 27 March 2021.

Management has also reviewed the remaining inventory, not covered by the above reassessment, and provisions have been recorded where appropriate based on future trading expectations.

Refer to note 16 for further details of the carrying value of inventory and inventory provisions and for sensitivities relating to this key source of estimation uncertainty.

Uncertain tax positions

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

During the next year it is possible that some or all of the current disputes are resolved. Management estimates that the outcome across all matters under dispute or in negotiation between governments could be in the range of a decrease of £11 million to an increase of £15 million relative to the current tax liabilities recognised at 27 March 2021. This would have an impact of approximately 3% to 4% on the Group's effective tax rate.

Key judgements in applying the Group's accounting policies

Judgements are those decisions made when applying accounting policies which have a significant impact on the amounts recognised in the Group financial statements. Key judgements that have a significant impact on the amounts recognised in the Group financial statements for the 52 weeks to 27 March 2021 and the 52 weeks to 28 March 2020 are as follows:

Where the Group is a lessee, judgement is required in determining the lease term at initial recognition where extension or termination options exist. In such instances, all facts and circumstances that may create an economic incentive to exercise an extension option, or not exercise a termination option, have been considered to determine the lease term. Considerations include, but are not limited to, the period assessed by management when approving initial investment, together with costs associated with any termination options or extension options. Extension periods (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Where the lease term has been extended by assuming an extension option will be recognised, this will result in the initial right-of-use assets and lease liabilities at inception of the lease being greater than if the option was not assumed to be exercised. Likewise, assuming a break option will be exercised will reduce the initial right-of-use assets and lease liabilities. During the 52 weeks to 27 March 2021, significant judgements regarding breaks and options in relation to individually material leases resulted in approximately £91.7 million in undiscounted future cash flows not being included in the initial right-of-use assets and lease liabilities.

2. 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	
	52 weeks to 27 March 2021	52 weeks to 28 March 2020	As at 27 March 2021	As at 28 March 2020
Euro	1.12	1.14	1.17	1.12
US Dollar	1.30	1.27	1.38	1.24
Chinese Yuan Renminbi	8.85	8.88	9.02	8.75
Hong Kong Dollar	10.08	9.89	10.72	9.64
Korean Won	1,514	1,504	1,558	1,512

3. 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.

4. Segmental analysis

The Chief Operating Decision Maker has been identified as the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports used by the Board. The Board considers the Group's business through its two channels to market, being retail/wholesale and licensing.

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

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

The Board assesses channel performance based on a measure of adjusted operating profit. This measurement basis excludes the effects of adjusting items. The measure of earnings for each operating segment that is reviewed by the Board includes an allocation of corporate and central costs. Interest income and charges are not included in the result for each operating segment that is reviewed by the Board.

	Retail/Wholesale		Licensing		Total	
	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Retail	1,909.9	2,110.2	–	–	1,909.9	2,110.2
Wholesale	396.0	475.8	–	–	396.0	475.8
Licensing	–	–	39.1	48.5	39.1	48.5
Total segment revenue	2,305.9	2,586.0	39.1	48.5	2,345.0	2,634.5
Inter-segment revenue[1]	–	–	(1.1)	(1.4)	(1.1)	(1.4)
Revenue from external customers	2,305.9	2,586.0	38.0	47.1	2,343.9	2,633.1
Depreciation and amortisation	276.7	330.8	–	–	276.7	330.8
Impairment of intangible assets[2]	8.8	1.6	–	–	8.8	1.6
Net impairment of property, plant and equipment[3]	0.8	(2.0)	–	–	0.8	(2.0)
Net impairment of right-of-use assets[4]	–	12.8	–	–	–	12.8
Other non-cash items:						
Share-based payments	12.1	2.8	–	–	12.1	2.8
Adjusted operating profit	361.4	389.8	34.5	43.3	395.9	433.1
Adjusting items[5]					124.5	(245.6)
Finance income					3.1	7.6
Finance expense					(33.3)	(26.6)
Profit before taxation					490.2	168.5

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. Impairment of intangible assets for the 52 weeks to 28 March 2020 was presented excluding £10.0 million relating to charges as a result of the impact of COVID-19, which was presented as an adjusting item (refer to note 7).
3. Net impairment charge relating to property, plant and equipment for the 52 weeks to 27 March 2021 is presented excluding a net reversal of £8.8 million (last year: charge of £28.4 million) relating to reversals and charges as a result of impact of COVID-19 and a charge of £0.5 million (last year: £nil) relating to restructuring costs. These have been presented as adjusting items (refer to note 7).
4. Net impairment of right-of-use assets for the 52 weeks to 27 March 2021 is presented excluding a net reversal of £37.8 million (last year: charge of £128.1 million) relating to reversals and charges as a result of the impact of COVID-19 and a charge of £4.1 million (last year: credit of £0.6 million) relating to restructuring costs, which have been presented as adjusting items (refer to note 7).
5. Adjusting items relate to the Retail and Wholesale segment. Refer to note 7 for details of adjusting items.

4. Segmental analysis continued

	Retail/Wholesale		Licensing		Total	
	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Additions to non-current assets	233.6	447.5	–	–	233.6	447.5
Total segment assets	1,952.2	2,020.9	6.7	11.2	1,958.9	2,032.1
Goodwill					105.2	109.3
Cash and cash equivalents					1,261.3	928.9
Taxation					176.8	221.9
Total assets per Balance Sheet					3,502.2	3,292.2

Additional revenue analysis

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

Revenue by product division	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Accessories	840.9	947.5
Women's	652.6	796.5
Men's	667.6	714.8
Children's/Other	144.8	127.2
Retail/Wholesale	2,305.9	2,586.0
Licensing	38.0	47.1
Total	2,343.9	2,633.1

Revenue by destination	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Asia Pacific	1,203.2	1,040.5
EMEIA[1]	628.0	960.6
Americas	474.7	584.9
Retail/Wholesale	2,305.9	2,586.0
Licensing	38.0	47.1
Total	2,343.9	2,633.1

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

Entity-wide disclosures

Revenue derived from external customers in the UK totalled £145.2 million for the 52 weeks to 27 March 2021 (last year: £319.6 million).

Revenue derived from external customers in foreign countries totalled £2,198.7 million for the 52 weeks to 27 March 2021 (last year: £2,313.5 million). This amount includes £407.9 million of external revenues derived from customers in the US (last year: £491.9 million) and £751.9 million of external revenues derived from customers in China (last year: £461.5 million).

The total of non-current assets, other than financial instruments, and deferred tax assets located in the UK is £477.2 million (last year: £490.8 million). The remaining £864.8 million of non-current assets are located in other countries (last year: £894.4 million), with £223.4 million located in the US (last year: £232.5 million), £115.4 million located in China (last year: £113.6 million), and £112.0 million located in Japan (last year: £115.4 million).

5. Net operating expenses

	Note	52 weeks to 27 March 2021 £m	Restated 52 weeks to 28 March 2020 £m
Operating income		(15.6)	(18.8)
Selling and distribution costs		942.6	1,075.9
Administrative expenses		317.3	283.6
		1,244.3	1,340.7
Adjusting operating income	6	(81.3)	(7.1)
Adjusting operating expenses	6	(21.6)	183.2
		(102.9)	176.1
Net operating expenses		1,141.4	1,516.8

As a result of more granular financial information, a prior year reclassification of £217.3 million from Administrative expenses to Selling and distribution costs has been recognised. This reclassification related largely to people costs and other indirect operating costs relating to marketing and supply chain activities which were historically considered to be administrative in nature and are now disclosed as Selling and distribution costs based on the underlying nature of the work being performed. This change has no impact elsewhere in these financial statements.

Operating income has also been separately disclosed in the current year. Historically, operating costs were presented net of operating income. The comparative period has been re-presented for consistency. For the 52 weeks to 28 March 2020, £17.0 million in Operating income was reclassified from Selling and distribution costs and £1.8 million from Administrative expenses.

6. Profit before taxation

	Note	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Adjusted profit before taxation is stated after charging/(crediting):			
Depreciation of property, plant and equipment			
Within cost of sales		2.1	1.2
Within selling and distribution costs		56.0	68.4
Within administrative expenses		13.3	13.7
Depreciation of right-of-use assets			
Within cost of sales		0.4	0.4
Within selling and distribution costs		154.6	200.6
Within administrative expenses		17.4	20.1
Amortisation of intangible assets			
Within selling and distribution costs		1.7	1.0
Within administrative expenses		31.2	25.4
Loss on disposal of property, plant and equipment and intangible assets[1]		0.3	0.7
Gain on disposal of right-of-use assets		(1.1)	(2.1)
Net impairment charge/(reversal) relating to property, plant and equipment[2]	13	0.8	(2.0)
Net impairment charge relating to right-of-use assets[3]	14	–	12.8
Impairment of intangible assets[4]	12	8.8	1.6
Employee costs[5]		487.5	478.5
Other lease expense			
Property lease variable lease expense	19	118.1	96.2
Property lease in holdover expense	19	15.4	11.2
Non-property short-term lease expense	19	4.8	9.9
Operating lease income			
Income from lease of freehold property		–	(0.7)
Net exchange (gain)/loss on revaluation of monetary assets and liabilities		(5.4)	8.7
Net loss on derivatives – fair value through profit and loss		7.4	3.4
Receivables net impairment (reversal)/charge[6]		(0.9)	3.2

1. Loss on disposal of property, plant and equipment and intangible assets for the 52 weeks to 27 March 2021 is presented excluding £23.0 million (last year: £nil) relating to the gain on sale of property in France. This has been presented as an adjusting item (refer to note 7).
2. Net impairment charge relating to property, plant and equipment for the 52 weeks to 27 March 2021 is presented excluding a net reversal of £8.8 million (last year: charge of £28.4 million) relating to charges as a result of the impact of COVID-19 and a charge of £0.5 million (last year: £nil) relating to restructuring costs. These have been presented as adjusting items (refer to note 7).
3. Net impairment charge of right-of-use assets for the 52 weeks to 27 March 2021 is presented excluding a net reversal of £37.8 million (last year: charge of £128.1 million) relating to charges as a result of the impact of COVID-19 and a charge of £4.1 million (last year: credit of £0.6 million) relating to restructuring costs, which have been presented as adjusting items (refer to note 7).
4. Impairment of intangible assets for the 52 weeks to 28 March 2020 was presented excluding £10.0 million relating to charges as a result of the impact of COVID-19, which was presented as an adjusting item (refer to note 7).
5. Employee costs for the 52 weeks to 27 March 2021 are presented excluding a charge of £21.0 million (last year: £5.4 million) arising as a result of the Group's restructuring programmes and a charge of £4.3 million relating to employee profit sharing agreements on the sale of property in France, which have been presented as adjusting items. During the 52 weeks to 28 March 2020 a credit of £6.2 million was recognised as an adjusting item related to the reversal of accrued costs for share-based payments no longer expected to vest as a result of COVID-19. Refer to note 7 for further details.
6. Receivables net impairment charge for the 52 weeks to 27 March 2021 is presented excluding a reversal of £5.2 million (last year: charge of £11.1 million) relating to charges as a result of the impact of COVID-19, which has been presented as an adjusting item (refer to note 7).

6. Profit before taxation continued

	Note	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Adjusting items			
Adjusting operating items			
Impact of COVID-19:			
Impairment (reversal)/charge relating to retail cash generating units	7	(46.6)	156.5
Impairment (reversal)/charge relating to inventory	7	(22.3)	68.3
Impairment charge relating to intangible assets	7	–	10.0
Impairment (reversal)/charge relating to receivables	7	(5.2)	11.1
Other impacts of COVID-19	7	–	(5.0)
COVID-19-related rent concessions	7	(54.1)	–
Furlough grant income	7	(8.5)	–
Other adjusting items:			
Gain on disposal of property	7	(18.7)	–
Gain on disposal of Beauty operations	7	–	(5.0)
Restructuring costs	7	29.8	10.6
Revaluation of deferred consideration liability	7	0.4	(2.1)
Total adjusting operating items		(125.2)	244.4
Adjusting financing items			
Finance charge on deferred consideration liability	7	0.7	1.2
Total adjusting financing items		0.7	1.2

		As at 27 March 2021 £m	As at 28 March 2020 £m
Analysis of adjusting operating items:			
Included in Operating expenses	5	(102.9)	176.1
Included in Cost of sales (Impairment (reversal)/charge relating to inventory)		(22.3)	68.3
Total		(125.2)	244.4

7. Adjusting items

	As at 27 March 2021 £m	As at 28 March 2020 £m
Total adjusting items (pre-tax)	(124.5)	245.6
Tax on adjusting items	21.5	(45.4)
Total adjusting items (post-tax)	103.0	(200.2)

Impact of COVID-19

COVID-19 has impacted both business operations and financial markets worldwide. COVID-19 has also had a significant impact on the financial results of the Group during the current and previous year. In the financial statements for the year ended 28 March 2020, the Group recorded adjusting items relating to the impairment of the carrying value of assets as a result of the expected impact of COVID-19 on the Group's activities and future trading. This resulted in charges of £245.9 million relating to impairments of retail cash generating units, intangible assets and receivables and to inventory provisions. These charges were presented as adjusting items as they were considered to be material and one-off in nature.

At 27 March 2021, these impairments and provisions have been reviewed and the assumptions updated where appropriate, to reflect management's latest expectations. The impact of changes in assumptions has been presented as an update to the adjusting item charge. Further details regarding the approach applied to measure these updates are set out below for each of the specific adjusting items.

7. Adjusting items continued

Impact of COVID-19 continued

Other items, where they are considered one-off in nature and directly related to the impact of COVID-19, have been presented as adjusting items. Income recorded in the year following application of the temporary COVID-19 Related Rent Concession amendment to IFRS 16 has been presented as an adjusting item. This is considered appropriate given that the amendment to IFRS 16 is only applicable for a limited period of time and it is explicitly related to COVID-19. Grant income recorded in the year, relating to government furlough arrangements worldwide, has also been presented as an adjusting item, as it is also explicitly related to COVID-19, and the arrangements are expected to last for a limited period of time. In aggregate these items give rise to a material amount of income in the year. Further details of these adjusting items are set out below.

All other financial impacts of COVID-19 are included in adjusted operating profit. As a result, additional costs recorded in the year, including masks, other personal protection equipment, hand sanitisers, production inefficiencies due to social distancing, operating costs of retail stores during closure and the cost of voluntary payment of UK rates, have not been separately presented as adjusting items. These additional costs are not considered to be one-off in nature, and in some cases the discrete impact of COVID-19 on these costs cannot be reliably measured. Hence it is considered more appropriate to include these additional costs in adjusted operating profit.

Impairment of retail cash generating units

During the 52 weeks to 28 March 2020, an impairment charge of £156.5 million, recorded within selling and distribution costs in net operating expenses for impairment of retail store assets due to the impact of COVID-19, was presented as an adjusting item. It comprised a charge of £28.4 million, recorded against property, plant and equipment, and a charge of £128.1 million, recorded against right-of-use assets. A related tax credit of £28.7 million was also recognised in the year.

During the 52 weeks to 27 March 2021, the impairment provisions remaining have been reassessed, using management's latest expectations, and a net reversal of £46.6 million has been recorded and presented as an adjusting item. This comprised a charge of £1.6 million and a reversal of £10.4 million against property, plant and equipment and a charge of £11.0 million and a reversal of £48.8 million against right-of-use assets. A related tax charge of £5.2 million has also been recognised in the year.

Any charges or reversals which did not arise from the reassessment of the original impairment adjusting item, had they arisen, would have not have been included in this adjusting item. However, there were no other impairment charges or reversals relating to retail cash generating units in the year. Refer to note 13 for details of impairment of retail cash generating units.

Impairment of inventory

During the 52 weeks to 28 March 2020, inventory provisions of £68.3 million were recorded in cost of sales, due to the impact of COVID-19. These charges related to current and recent seasons that under normal circumstances would be expected to sell through with limited loss and were presented as an adjusting item. A related tax credit of £12.5 million was also recognised in the year.

During the 52 weeks to 27 March 2021, reversals of inventory provisions, relating to inventory which had been provided for as an adjusting item at the previous year end and has either been sold, or is now expected to be sold, at a higher net realisable value than had been assumed when the provision had been initially estimated, of £22.3 million have been recorded and presented as an adjusting items. A related tax charge of £4.8 million has also been recognised in the year. All other charges and reversals relating to inventory provisions have been recorded in adjusted operating profit. Refer to note 16 for details of inventory provisions.

7. Adjusting items continued

Impact of COVID-19 continued

Impairment of receivables

During the 52 weeks to 28 March 2020, due to the global financial uncertainty arising from COVID-19, management reassessed and increased the expected credit loss rates for trade and other receivables, resulting in a charge of £11.1 million reported within selling and distributions costs in net operating expenses for impairment of receivables in the year. This charge relating to the increase in expected credit loss rates was presented as an adjusting item. A related tax credit of £2.1 million was also recognised in the year.

During the 52 weeks to 27 March 2021, the expected credit loss rates have been reassessed, taking into account the experience of losses incurred during the year and changes in market conditions at 27 March 2021 compared to the previous year end. As a result of this reassessment, management has reduced some of the expected credit loss rates. The reversal of £5.2 million, resulting from the reduction in credit loss rate assumption, has also been recorded as an adjusting item. A related tax charge of £1.1 million has also been recognised in the year. All other charges and reversals relating to impairment of receivables, arising from changes in the value and aging of the receivables portfolio, have been included in adjusted operating profit.

COVID-19-related rent concessions

The Group has elected to apply the COVID-19-Related Rent Concessions amendment to IFRS 16 in the current year as described in note 1. Eligible rent forgiveness amounts have been treated as negative variable lease payments, resulting in a credit of £54.1 million for the 52 weeks to 27 March 2021 being recorded in net operating expenses. This income has been presented as an adjusting item, as set out above. A related tax charge of £9.6 million has also been recognised in the current year.

COVID-19-related furlough grant income

The Group has recorded grant income of £8.5 million within selling and distribution costs in net operating expenses for the 52 weeks to 27 March 2021, relating to government support for retention of employees on furlough, as a result of COVID-19. These grants related to income received from a number of government arrangements worldwide. None of the income related to UK based employees. This income has been presented as an adjusting item, as set out above. A related tax charge of £2.2 million has also been recognised in the current year.

Other adjusting items

Gain on disposal of property

On 22 December 2020, the Group completed the sale of an owned property in France for cash proceeds of £27.2 million resulting in a net gain on disposal of £23.0 million, recorded within administrative expenses in net operating expenses. A profit of £18.7 million has been presented as an adjusting item, after deducting incremental costs of £4.3 million relating to employee profit sharing agreements. This charge was recognised as an adjusting item, in accordance with the Group's accounting policy, as this profit from asset disposal is considered to be material and one-off in nature. A related tax charge of £4.6 million was also recognised in the year.

Restructuring costs

Restructuring costs of £8.2 million (last year: £10.6 million) were incurred in the current year, arising as a result of the Group's cost-efficiency programme announced in May 2016. These costs were recorded largely within administrative expenses in net operating expenses and are presented as an adjusting item as they are considered material and discrete in nature, being part of a restructuring programme running from May 2016 to March 2021. The costs in the current year are principally attributable to redundancies and functional restructuring costs. A related tax credit of £1.6 million (last year: £2.2 million) has also been recognised in the current year.

7. Adjusting items continued

Other adjusting items continued

Restructuring costs continued

In July 2020, the Group announced organisational changes which include the creation of three new business units, allowing the Group to pool expertise within each unit to enhance product focus, increase agility and elevate quality. As part of these organisational changes, which include office space rationalisation, the Group will further streamline office-based functions to help improve efficiency. Restructuring costs of £21.6 million were incurred in the current year in relation to these organisational changes and it is anticipated that total restructuring costs of £45.0 million will be incurred by the end of the programme. Overall, the programme remains on track to materially complete in FY2022. The costs principally relate to redundancies and vacant property. These costs are recorded largely within administrative expenses in net operating expenses. They are presented as an adjusting item, in accordance with the Group's accounting policy, as the costs of the restructuring are considered material and discrete in nature. A related tax credit of £4.4 million has also been recognised in the current year.

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 over the period to 2023.

A charge of £0.4 million in relation to the revaluation of this balance has been recognised within administrative expenses in net operating expenses for the 52 weeks to 27 March 2021 (last year: credit of £2.1 million). A financing charge of £0.6 million in relation to the unwinding of the discount on the non-current portion of the deferred consideration liability has also been recognised for the 52 weeks to 27 March 2021 (last year: £1.0 million). These movements are unrealised.

On 19 September 2018, the Group acquired Burberry Manifattura S.R.L. Consideration for the acquisition included a future performance related deferred consideration payment to be made in 2021. A financing charge of £0.1 million in relation to the unwinding of the discount on the non-current portion of the deferred consideration liability has been recognised for the 52 weeks to 27 March 2021 (last year: £0.2 million). These movements are unrealised.

No tax has been recognised on either of these items, as the future payments are not considered to be deductible for tax purposes. These items are presented as adjusting items in accordance with the Group's accounting policy, as they arise from changes in the value of the liability for expected future payments relating to the purchase of a non-controlling interest in the Group and acquisition of a subsidiary respectively.

Adjusting items relating to prior year

Impact of COVID-19

Impairment of intangible assets

During the 52 weeks to 28 March 2020, following changes to management's investment plans, due to the potential impact of COVID-19 on available resources, an impairment charge of £10.0 million was recorded in relation to computer software assets under construction. Due to resulting delay in the development of this software, management no longer expected to fully utilise the expenditure incurred to date. A related tax credit of £1.9 million was also recognised in the year.

Other impacts of COVID-19

During the 52 weeks to 28 March 2020, a credit of £5.0 million, principally related to the reversal of accrued costs for share-based payments no longer expected to vest as a result of the impact of COVID-19 on the expected performance of the Group, was presented as an adjusting item. A related tax charge of £1.0 million was also recognised in the year.

Other adjusting items

Gain on disposal of Beauty operations

During the year ended 31 March 2018, 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. In the 52 weeks to 28 March 2020 a credit of £5.0 million was recorded relating to reassessments of provisions for contract termination and consideration for assets transferred to Coty on completion and was presented as an adjusting item. A related tax charge of £1.0 million was also recognised in the 52 weeks to 28 March 2020.

8. Financing

	Note	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Bank interest income – amortised cost		0.6	2.1
Other finance income – amortised cost		0.5	0.6
Finance income – amortised cost		1.1	2.7
Bank interest income – fair value through profit and loss		2.0	4.9
Finance income		3.1	7.6
Interest expense on lease liabilities	19	(24.9)	(24.9)
Interest expense on overdrafts		(0.2)	(0.5)
Interest expense on borrowings		(4.7)	(0.1)
Bank charges		(1.7)	(0.8)
Other finance expense		(1.8)	(0.3)
Finance expense		(33.3)	(26.6)
Finance charge on deferred consideration liability	7	(0.7)	(1.2)
Net finance expense		(30.9)	(20.2)

9. Taxation

Analysis of charge for the year recognised in the Group Income Statement:

	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Current tax		
UK corporation tax		
Current tax on income for the 52 weeks to 27 March 2021 at 19% (last year: 19%)	48.3	58.7
Double taxation relief	(6.7)	(3.3)
Adjustments in respect of prior years[1]	(23.2)	0.2
	18.4	55.6
Foreign tax		
Current tax on income for the year	50.8	27.4
Adjustments in respect of prior years[1]	19.0	(1.3)
Total current tax	88.2	81.7
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	22.5	(6.4)
Impact of changes to tax rates	–	(1.4)
Adjustments in respect of prior years[1]	9.4	(0.6)
	31.9	(8.4)
Foreign deferred tax		
Origination and reversal of temporary differences	(6.7)	(30.0)
Impact of changes to tax rates	(0.3)	–
Adjustments in respect of prior years[1]	1.2	3.6
Total deferred tax	26.1	(34.8)
Total tax charge on profit	114.3	46.9

1. Adjustments in respect of prior years relate mainly to a net increase in provisions for tax contingencies and tax accruals to tax return adjustments.

9. Taxation continued

Analysis of charge for the year recognised in other comprehensive income and directly in equity:

	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Current tax		
Recognised in other comprehensive income		
Current tax (credit)/charge on exchange differences on loans (foreign currency translation reserve)	(2.4)	0.9
Current tax (credit)/charge on cash flow hedges deferred in equity (hedging reserve)	(0.2)	0.3
Current tax charge on cash flow hedges transferred to income (hedging reserve)	0.2	0.2
Current tax credit on net investment hedges deferred in equity (hedging reserve)	–	(0.2)
Total current tax recognised in other comprehensive income	(2.4)	1.2
Recognised in equity		
Current tax credit on share options (retained earnings)	(0.1)	(0.9)
Total current tax recognised directly in equity	(0.1)	(0.9)
Deferred tax		
Recognised in other comprehensive income		
Deferred tax charge on actuarial gains on post-employment benefit plans	0.2	–
Total deferred tax recognised in other comprehensive income	0.2	–
Recognised in equity		
Deferred tax (credit)/charge on share options (retained earnings)	(0.6)	1.5
Total deferred tax recognised directly in equity	(0.6)	1.5

The tax rate applicable on profit varied from the standard rate of corporation tax in the UK due to the following factors:

	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Profit before taxation	490.2	168.5
Tax at 19% (last year: 19%) on profit before taxation	93.1	32.0
Rate adjustments relating to overseas profits	17.5	(2.2)
Permanent differences	(1.0)	17.4
Tax on dividends not creditable	0.9	1.2
Current year tax losses not recognised	0.3	2.2
Prior year temporary differences and tax losses recognised	(2.6)	(4.2)
Adjustments in respect of prior years	6.4	1.9
Adjustments to deferred tax relating to changes in tax rates	(0.3)	(1.4)
Total taxation charge	114.3	46.9

Total taxation recognised in the Group Income Statement arises on the following items:

	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Tax on adjusted profit before taxation	92.8	92.3
Tax on adjusting items	21.5	(45.4)
Total taxation charge	114.3	46.9

10. Earnings per share

The calculation of basic earnings per share is based on profit or loss attributable to owners of the Company for the year divided by the weighted average number of ordinary shares in issue during the year. Basic and diluted earnings per share based on adjusted profit before taxation are also disclosed to indicate the underlying profitability of the Group.

	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Attributable profit for the year before adjusting items[1]	272.7	321.9
Effect of adjusting items[1] (after taxation)	103.0	(200.2)
Attributable profit for the year	375.7	121.7

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 and treasury shares held by the Company or its subsidiaries.

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.

	52 weeks to 27 March 2021 Millions	52 weeks to 28 March 2020 Millions
Weighted average number of ordinary shares in issue during the year	404.1	408.0
Dilutive effect of the employee share incentive schemes	1.0	1.0
Diluted weighted average number of ordinary shares in issue during the year	405.1	409.0

11. Dividends paid to owners of the Company

	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Prior year final dividend paid £nil per share (prior year: 31.5p)	–	129.2
Interim dividend paid £nil per share (prior year: 11.3p)	–	46.0
Total	–	175.2

A final dividend in respect of the 52 weeks to 27 March 2021 of 42.5p (last year: £nil) per share, amounting to £171.9 million, has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend to Burberry Group plc shareholders has not been recognised as a liability at the year end and will be paid on 6 August 2021 to the shareholders on the register at the close of business on 2 July 2021. The ex-dividend date is 1 July 2021 and the final day for dividend reinvestment plan ('DRIP') elections is 16 July 2021.

12. Intangible assets

Cost	Goodwill £m	Trademarks, licences and other intangible assets £m	Computer software £m	Intangible assets in the course of construction £m	Total £m
As at 30 March 2019	115.1	12.5	153.3	46.9	327.8
Effect of foreign exchange rate changes	1.0	0.1	0.1	–	1.2
Additions	–	0.4	27.0	35.9	63.3
Reclassifications from assets in the course of construction	–	0.2	18.4	(18.6)	–
As at 28 March 2020	116.1	13.2	198.8	64.2	392.3
Effect of foreign exchange rate changes	(4.8)	–	(2.3)	–	(7.1)
Additions	–	0.7	24.5	10.8	36.0
Disposals	–	–	(14.7)	–	(14.7)
Reclassifications from assets in the course of construction	–	–	30.5	(30.5)	–
As at 27 March 2021	111.3	13.9	236.8	44.5	406.5
Accumulated amortisation and impairment					
As at 30 March 2019	6.5	5.2	95.1	–	106.8
Effect of foreign exchange rate changes	0.3	–	0.2	–	0.5
Charge for the year	–	0.9	25.5	–	26.4
Impairment charge on assets	–	–	–	11.6	11.6
As at 28 March 2020	6.8	6.1	120.8	11.6	145.3
Effect of foreign exchange rate changes	(0.7)	–	(2.1)	–	(2.8)
Charge for the year	–	0.9	32.0	–	32.9
Disposals	–	–	(14.7)	–	(14.7)
Impairment charge on assets	–	–	1.2	7.6	8.8
As at 27 March 2021	6.1	7.0	137.2	19.2	169.5
Net book value					
As at 27 March 2021	105.2	6.9	99.6	25.3	237.0
As at 28 March 2020	109.3	7.1	78.0	52.6	247.0

During the 52 weeks to 27 March 2021 an impairment charge of £7.6 million (last year: £11.6 million) was recognised in relation to computer software assets under construction and £1.2 million (last year: £nil) was recognised in relation to computer software assets following a review of supply chain strategy and future software requirements. During the 52 weeks to 28 March 2020, £10.0 million of the charge related to rescheduling of the development of a software project following changes to management's investment plans due to the impact of COVID-19 and was presented as an adjusting item (refer to note 7).

12. Intangible assets continued

Impairment testing of goodwill

The carrying value of the goodwill allocated to cash generating units:

	As at 27 March 2021 £m	As at 28 March 2020 £m
China	46.8	48.2
Korea	26.5	27.3
Retail and Wholesale segment[1]	18.8	19.7
Other	13.1	14.1
Total	105.2	109.3

1. Goodwill which arose on acquisition of Burberry Manifattura S.R.L. has been allocated to the group of cash generating units which make up the Group's Retail and Wholesale operating segment cash generating unit. This reflects the level at which the goodwill is being monitored by management.

The Group tests goodwill for impairment annually or when 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 and the discount rates applied.

The value-in-use calculations have been prepared using management's cost and revenue projections for the next three years to 30 March 2024 and a longer-term growth rate of 4% to 28 March 2026. A terminal value has been included in the value-in-use calculation based on the cash flows for the year ending 28 March 2026 incorporating the assumption that growth beyond 28 March 2026 is equivalent to nominal inflation rates, assumed to be 2%, which are not significant to the assessment.

The value-in-use estimates indicated that the recoverable amount of the cash generating unit exceeded the carrying value for each of the cash generating units. As a result, no impairment has been recognised in respect of the carrying value of goodwill in the year.

For the material goodwill balances of China, Korea and the Retail and Wholesale segment, sensitivity analyses have been performed by management. The sensitivities include applying a 15% reduction in revenue and gross profit from management's base cash flow projections, considering the potential outcome from a more severe long-term impact of COVID-19. Under this scenario, the estimated recoverable amount of goodwill in China, Korea and the Retail and Wholesale segment still exceeded the carrying value.

The pre-tax discount rates for China, Korea and the Retail and Wholesale segment were 14.1%, 12.3% and 10.1% respectively (last year: China 15.0%, Korea 13.4%, and the Retail and Wholesale segment 11.1%).

The other goodwill balance of £13.1 million (last year: £14.1 million) consists of amounts relating to seven cash generating units none of which have goodwill balances individually exceeding £6.0 million as at 27 March 2021 (last year: £7.0 million).

13. Property, plant and equipment

Cost	Freehold land and buildings £m	Leasehold improvements £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
As at 30 March 2019	144.8	450.6	349.1	27.0	971.5
Adjustment on initial application of IFRS 16	–	–	(2.9)	–	(2.9)
Adjusted balance as at 31 March 2019	144.8	450.6	346.2	27.0	968.6
Effect of foreign exchange rate changes	5.7	9.1	7.5	(0.2)	22.1
Additions	–	50.9	23.1	21.6	95.6
Disposals	(3.6)	(26.2)	(15.8)	(0.7)	(46.3)
Reclassifications from assets in the course of construction	–	12.4	11.8	(24.2)	–
As at 28 March 2020	146.9	496.8	372.8	23.5	1,040.0
Effect of foreign exchange rate changes	(12.0)	(30.0)	(21.7)	(0.5)	(64.2)
Additions	–	44.0	11.3	15.0	70.3
Disposals	(5.6)	(26.6)	(45.4)	(0.3)	(77.9)
Reclassifications from assets in the course of construction	–	8.5	12.2	(20.7)	–
As at 27 March 2021	129.3	492.7	329.2	17.0	968.2
Accumulated depreciation and impairment					
As at 30 March 2019	53.6	313.6	297.4	–	664.6
Adjustment on initial application of IFRS 16	–	–	(2.2)	–	(2.2)
Adjusted balance as at 31 March 2019	53.6	313.6	295.2	–	662.4
Effect of foreign exchange rate changes	2.3	6.8	6.5	–	15.6
Charge for the year	4.1	47.7	31.5	–	83.3
Disposals	(0.6)	(26.2)	(15.8)	–	(42.6)
Net impairment (reversal)/charge on assets	(0.5)	20.7	5.7	0.5	26.4
As at 28 March 2020	58.9	362.6	323.1	0.5	745.1
Effect of foreign exchange rate changes	(5.5)	(22.4)	(19.9)	–	(47.8)
Charge for the year	3.9	45.9	21.6	–	71.4
Disposals	(1.5)	(26.6)	(45.3)	–	(73.4)
Impairment charge on assets	0.8	1.5	0.6	–	2.9
Impairment reversal on assets	–	(8.6)	(1.8)	–	(10.4)
As at 27 March 2021	56.6	352.4	278.3	0.5	687.8
Net book value					
As at 27 March 2021	72.7	140.3	50.9	16.5	280.4
As at 28 March 2020	88.0	134.2	49.7	23.0	294.9

During the 52 weeks to 27 March 2021, management carried out a review of retail cash generating units for any indication of impairment or reversal of impairments previously recorded. Where indications of impairment charges or reversals were identified, the impairment review compared the value-in-use of the cash generating units to their net book values at 27 March 2021. The pre-tax cash flow projections used for this review were based on financial plans of expected revenues and costs of each retail cash generating unit, approved by management, reflecting their latest plans over the next three years to 30 March 2024, followed by longer-term growth rates of mid-single digits and inflation rates appropriate to each store's location. The pre-tax discount rates used in these calculations were between 9.6% and 14.1% (last year: between 9.2% and 21.1%) based on the Group's weighted average cost of capital adjusted for country-specific borrowing costs, tax rates and risks for those countries in which a charge or reversal was incurred. Where indicators of impairment have been identified and the value-in-use was less than the carrying value of the cash generating unit, an impairment of property, plant and equipment and right-of-use asset was recorded. Where the value-in-use was greater than the net book value, and the cash generating unit had been previously impaired, the impairment was reversed, to the extent that could be supported by the value-in use and allowing for any depreciation that would have been incurred during the period the impairment was recorded. The fair value less cost to sell of the cash generating units was also considered, taking into account potential alternative uses for property, such as subletting of leasehold or sale of freehold. A review for any other indicators of impairment charges or reversals across the retail portfolio was also carried out.

13. Property, plant and equipment continued

In the financial statements for the year ended 28 March 2020 a charge of £156.5 million was recorded, as an adjusting item within net operating expenses, relating to the impairment of retail cash generating units as a result of the impact of COVID-19. During the 52 weeks to 27 March 2021, where these impairments, previously charged as an adjusting item, were reassessed and updated, any reversal or additional charge was also recorded as an adjusting item. This resulted in a net impairment reversal of £46.6 million reflecting improved trading expectations compared to those assumed at 28 March 2020 which has also been presented as an adjusting item in the current year. A charge of £1.6 million and a reversal of £10.4 million was recorded against property, plant and equipment (last year: net impairment charge of £28.4 million) and a charge of £11.0 million and a reversal of £48.8 million was recorded against right-of-use assets (last year: net impairment charge of £128.1 million). Refer to note 14 for further details of right-of-use assets. Refer to note 7 for details of adjusting items.

A net charge of £nil (last year: £11.2 million) was recorded within net operating expenses as a result of the annual review of impairment for all other retail store assets, excluding those impaired as a result of the impact of COVID-19. A charge of £nil (last year: credit of £2.0 million) was recorded against property, plant and equipment and a charge of £nil (last year: £13.2 million) was recorded against right-of-use assets.

Management has considered the potential impact of changes in assumptions on the impairment recorded against the Group's retail assets. Given the significant uncertainty regarding the impact of COVID-19 on the Group's retail operations and on the global economy, management has considered sensitivities to the impairment charge as a result of changes to the estimate of future revenues achieved by the retail stores. The sensitivities applied are an increase or decrease in revenue of 15% from the estimate used to determine the impairment charge or reversal. It is estimated that a 15% decrease/increase in revenue assumptions for the 53 weeks to 02 April 2022, with no change to subsequent forecast revenue growth rate assumptions, would result in a £54.2 million increase / £26.4 million decrease in the impairment charge of retail store assets in the 52 weeks to 27 March 2021.

The net impairment reversal recorded in property, plant and equipment related to 25 retail cash generating units (last year: net impairment charge related to 140 retail cash generating units) for which the total recoverable amount at the balance sheet date is £32.6 million (last year: £59.9 million).

In addition, an impairment charge of £1.3 million (last year: £nil) was recognised in relation to non-retail property, plant and equipment, of which £0.5 million was recognised as part of restructuring costs in adjusting items. Refer to note 7 for details of adjusting items. As a result the total net impairment reversal for property, plant and equipment was £7.5 million (last year: net impairment charge of £26.4 million).

14. Right-of-use assets

Net book value	Property right-of-use assets £m	Non-property right-of-use assets £m	Total £m
As at 30 March 2019	–	–	–
Adjustment on initial application of IFRS 16	877.4	0.7	878.1
Adjusted balance as at 31 March 2019	877.4	0.7	878.1
Effect of foreign exchange rate changes	22.9	–	22.9
Additions	277.9	–	277.9
Remeasurements	16.5	–	16.5
Depreciation for the year	(220.8)	(0.3)	(221.1)
Net impairment charge on assets	(140.3)	–	(140.3)
As at 28 March 2020	833.6	0.4	834.0
Effect of foreign exchange rate changes	(38.7)	–	(38.7)
Additions	127.3	–	127.3
Remeasurements[1]	34.2	–	34.2
Depreciation for the year	(172.1)	(0.3)	(172.4)
Impairment charge on assets	(15.1)	–	(15.1)
Impairment reversal on assets	48.8	–	48.8
As at 27 March 2021	818.0	0.1	818.1

1. Remeasurements of lease liabilities include COVID-19-related rent forgiveness of £54.1 million (last year: nil) which have been recognised as a credit in the Income Statement at 27 March 2021 (refer to note 19).

As a result of the assessment of retail cash generating units for impairment, an impairment charge of £11.0 million and a reversal of £48.8 million, resulting in a net reversal of £37.8 million (last year: net impairment charge of £141.3 million) was recorded for impairment of right-of-use assets. Refer to note 13 for further details of impairment assessment of retail cash generating units. This net impairment reversal of £37.8 million relates to the impact of COVID-19 on the value-in-use of retail cash generating units (last year: £128.1 million charge). No impairment charge or reversal relating to other trading impacts was recognised during the year (last year: £13.2 million charge). The charge relating to COVID-19 has been presented as an adjusting item (refer to note 7).

The net impairment reversal recorded in right-of-use assets relates to 27 retail cash generating units (last year: net impairment charge related to 140 retail cash generating units) for which the total recoverable amount at the balance sheet date is £199.6 million (last year: £344.7 million).

In addition, an impairment charge of £4.1 million (last year: impairment reversal of £1.0 million) was recognised in relation to vacant office premises. This charge was recognised as part of restructuring costs in adjusting items (last year: reversal of £0.6 million). Refer to note 7 for details of adjusting items.

As a result, the net impairment reversal for right-of-use assets was, in total, £33.7 million (last year: net impairment charge of £140.3 million).

15. Trade and other receivables

	As at 27 March 2021 £m	As at 28 March 2020 £m
Non-current		
Other financial receivables[1]	40.9	46.9
Other non-financial receivables[2]	1.4	4.1
Prepayments	2.7	2.7
Total non-current trade and other receivables	45.0	53.7
Current		
Trade receivables	154.8	123.5
Provision for expected credit losses	(7.9)	(16.5)
Net trade receivables	146.9	107.0
Other financial receivables[1]	33.1	31.9
Other non-financial receivables[2]	48.5	67.4
Prepayments	39.6	35.0
Accrued income	8.8	10.8
Total current trade and other receivables	276.9	252.1
Total trade and other receivables	321.9	305.8

1. Other financial receivables include rental deposits, cash settled equity swaps and other sundry debtors.
2. Other non-financial receivables relates to indirect taxes, other taxes and duties and statutory employee furlough receivables.

Included in total trade and other receivables are non-financial assets of £92.2 million (last year: £109.2 million).

16. Inventories

	As at 27 March 2021 £m	As at 28 March 2020 £m
Raw materials	12.2	13.3
Work in progress	0.8	1.5
Finished goods	389.1	435.7
Total inventories	402.1	450.5

	As at 27 March 2021 £m	As at 28 March 2020 £m
Total inventories, gross	518.7	620.0
Provisions	(116.6)	(169.5)
Total inventories, net	402.1	450.5

Inventory provisions of £116.6 million (last year: £169.5 million) are recorded, representing 22.5% (last year: 27.3%) of the gross value of inventory. The provisions reflect management's best estimate of the net realisable value of inventory, where this is considered to be lower than the cost of the inventory.

The cost of inventories recognised as an expense and included in cost of sales amounted to £651.7 million (last year: £893.1 million).

16. Inventories continued

As at 28 March 2020, £68.3 million of the provision was included in cost of sales as a result of the estimated reduction in net realisable value of inventory due to COVID-19 and was presented as an adjusting item. This provision related to the current season and recent seasons that, under more normal circumstances, would be expected to sell through with limited loss. In the current year, £3.9 million of the provision has been utilised, where inventory previously provided for had been sold below cost in the current year and is recognised in cost of sales. An additional £22.3 million has been released upon re-assessment of the provision, where inventory previously provided for has been sold, or is now expected to be sold, for a higher net realisable value than has been estimated last year as performance during the current year has exceeded, and is expected to continue to exceed, the assumptions made at last year end. This reversal is presented as an adjusting item. Refer to note 7 for details of adjusting items. All other charges and reversals relating to inventory provisions have been included in adjusted operating profit.

Taking into account the significant uncertainty regarding the outcome of COVID-19 and its impact on retail operations and the global economy, as well as other factors impacting the net realisable value of inventory including trading assumptions being higher or lower than expected, management considers that a reasonable potential range of outcomes could result in an increase or decrease in inventory provisions of £24.0 million in the next 12 months. This would result in a potential range of inventory provisions of 17.9% to 27.1% as a percentage of the gross value of inventory as at 27 March 2021.

The net movement in inventory provisions included in cost of sales for the 52 weeks to 27 March 2021 was a release of £10.5 million (last year: charge of £88.9 million). The total release of inventory provisions during the current year, which is included in the net movement, was £67.1 million (last year: reversal of £16.2 million). Both these amounts include the reversal of £22.3 million, referred to above, which has been presented as an adjusting item.

17. Cash and cash equivalents

	As at 27 March 2021 £m	As at 28 March 2020 £m
Cash and cash equivalents held at amortised cost		
Cash at bank and in hand	189.8	138.7
Short-term deposits	159.4	126.3
	349.2	265.0
Cash and cash equivalents held at fair value through the profit and loss		
Short-term deposits	912.1	663.9
Total	1,261.3	928.9

Cash and cash equivalents classified as fair value through profit and loss relate to deposits held in low volatility net asset value money market funds. The cash is available immediately and, since the funds are managed to achieve low volatility, no significant change in value is anticipated. The funds are monitored to ensure there are no significant changes in value.

As at 27 March 2021 and 28 March 2020, no impairment losses were identified on cash and cash equivalents held at amortised cost.

18. Trade and other payables

	As at 27 March 2021 £m	As at 28 March 2020 £m
Non-current		
Other payables[1]	7.9	7.1
Deferred income and non-financial accruals	14.2	4.1
Contract liabilities	70.4	77.0
Deferred consideration[2]	6.9	14.1
Total non-current trade and other payables	99.4	102.3
Current		
Trade payables	129.3	197.3
Other taxes and social security costs	52.2	48.1
Other payables[1]	12.6	3.9
Accruals	169.1	175.2
Deferred income and non-financial accruals	6.6	6.0
Contract liabilities	13.4	12.7
Deferred consideration[2]	9.7	4.3
Total current trade and other payables	392.9	447.5
Total trade and other payables	492.3	549.8

1. Other payables are comprised of COVID-19 rent deferrals, interest and employee related liabilities.
2. Deferred consideration relates to the acquisition of Burberry Manifattura S.R.L. on 19 September 2018 and of the economic right to the non-controlling interest in Burberry Middle East LLC on 22 April 2016. The change in the deferred consideration liability in the period arises as a result of a financing cash outflow and non-cash movements. Payments of £2.6 million were made in the 52 weeks to 27 March 2021 (last year: £2.7 million).

Included in total trade and other payables are non-financial liabilities of £156.8 million (last year: £147.9 million).

Contract liabilities

Retail contract liabilities relate to unredeemed balances on issued gift cards and similar products, and advanced payments received for sales which have not yet been delivered to the customer. Licensing contract liabilities relate to deferred revenue arising from the upfront payment for the Beauty licence which is being recognised in revenue over the term of the licence on a straight-line basis reflecting access to the trademark over the licence period to 2032.

	As at 27 March 2021 £m	As at 28 March 2020 £m
Retail contract liabilities	6.8	6.1
Licensing contract liabilities	77.0	83.6
Total contract liabilities	83.8	89.7

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

	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Retail revenue relating to contract liabilities	2.4	2.4
Deferred revenue from Beauty licence	6.6	6.6
Revenue recognised that was included in contract liabilities at the start of the year	9.0	9.0

19. Lease liabilities

	Property lease liabilities £m	Non-property lease liabilities £m	Total £m
Balance as at 30 March 2019	–	–	–
Adjustment on initial application of IFRS 16	1,044.3	0.7	1,045.0
Adjusted balance as at 31 March 2019	1,044.3	0.7	1,045.0
Effect of foreign exchange rate changes	31.9	–	31.9
Created during the year	272.3	–	272.3
Amounts paid[1]	(253.0)	(0.3)	(253.3)
Discount unwind	24.9	–	24.9
Remeasurements	4.7	–	4.7
Balance as at 28 March 2020	1,125.1	0.4	1,125.5
Effect of foreign exchange rate changes	(52.8)	–	(52.8)
Created during the year	124.4	–	124.4
Amounts paid[1]	(176.8)	(0.3)	(177.1)
Discount unwind	24.9	–	24.9
Remeasurements[2]	(21.0)	–	(21.0)
Transfers[3]	(4.3)	–	(4.3)
Balance as at 27 March 2021	1,019.5	0.1	1,019.6

	As at 27 March 2021 £m	As at 28 March 2020 £m
Analysis of total lease liabilities:		
Non-current	809.6	910.0
Current	210.0	215.5
Total	1,019.6	1,125.5

1. The amounts paid of £177.1 million (last year: £253.3 million) includes £152.2 million (last year: £228.4 million) arising as a result of a financing cash outflow and £24.9 million (last year: £24.9 million) arising as a result of an operating cash outflow.
2. Remeasurements include COVID-19-related rent forgiveness of £54.1 million (last year: nil) which have been recognised as a credit in the Income Statement at 27 March 2021. This credit is included as an adjusting item. Refer to note 7.
3. Transfers of £4.3 million relate to COVID-19-related rent deferrals which have been transferred to Other payables.

The Group enters into property leases for retail properties, including stores, concessions, warehouse and storage locations and office property. The remaining lease terms for these properties range from a few months to 17 years (last year: few months to 18 years). Many of the leases include break options and/or extension options to provide operational flexibility. Some of the leases for concessions have rolling lease terms or rolling break options. Management assesses the lease term at inception based on the facts and circumstances applicable to each property including the period over which the investment appraisal was initially considered.

Potential future undiscounted lease payments related to periods following the exercise date of an extension or break option not included in the lease term, and therefore not included in lease liabilities, are approximately £425 million in relation to the next available extension option which are assessed as not reasonably certain to be exercised and £125 million in relation to break options which are expected to be exercised.

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

19. Lease liabilities continued

Future increases and decreases in rent linked to an inflation index or rate review are not included in the lease liability until the change in cash flows takes effect. Approximately 20% (last year: 20%) of the Group's lease liabilities are subject to inflation linked reviews and 37% (last year: 33%) are subject to rent reviews. Rental changes linked to inflation or rent reviews typically occur on an annual basis.

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

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

Details of income statement charges and income from leases are set out in note 6. The right-of-use asset categories on which depreciation is incurred are presented in note 14. Interest expense incurred on lease liabilities is presented in note 8.

Total cash outflows in relation to leases in the 52 weeks ended 27 March 2021 are £312.2 million (last year: £383.4 million). This relates to payments of £152.2 million on lease principal (last year: £228.4 million), £24.9 million on lease interest (last year: £24.9 million), £114.9 million on variable lease payments (last year: £99.3 million), and £20.2 million other lease payments principally relating to short-term leases and leases in holdover (last year: £30.8 million).

20. Provisions for other liabilities and charges

	Property obligations £m	Other costs £m	Total £m
Balance as at 30 March 2019	79.4	5.9	85.3
Adjustment on initial application of IFRS 16	(48.0)	–	(48.0)
Adjusted balance as at 31 March 2019	31.4	5.9	37.3
Effect of foreign exchange rate changes	1.1	0.1	1.2
Created during the year	7.3	3.9	11.2
Discount unwind	0.1	–	0.1
Utilised during the year	(3.1)	(2.1)	(5.2)
Released during the year	(1.3)	(1.5)	(2.8)
Balance as at 28 March 2020	35.5	6.3	41.8
Effect of foreign exchange rate changes	(2.3)	(0.4)	(2.7)
Created during the year	9.1	10.7	19.8
Discount unwind	0.7	–	0.7
Utilised during the year	(0.7)	(0.8)	(1.5)
Released during the year	(0.7)	(1.6)	(2.3)
Balance as at 27 March 2021	41.6	14.2	55.8

The net charge in the year for property obligations is £8.4 million (last year: £6.0 million), relating to additional property reinstatements costs. The net charge in the year for other costs of £9.1 million (last year: £2.4 million) relates to expected future outflows for property disputes, employee matters and tax compliance.

	As at 27 March 2021 £m	As at 28 March 2020 £m
Analysis of total provisions:		
Non-current	31.8	28.6
Current	24.0	13.2
Total	55.8	41.8

The non-current provisions relate to property reinstatement costs which are expected to be utilised within 17 years (last year: 18 years).

21. Bank overdrafts

Included within bank overdrafts is £45.4 million (last year: £40.9 million) representing balances on cash pooling arrangements in the Group.

The Group has a number of committed and uncommitted arrangements agreed with third parties. At 27 March 2021, the Group held bank overdrafts of £nil (last year: £0.7 million) excluding balances on cash pooling arrangements.

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

22. Borrowings

	As at 28 March 2020 £m	Proceeds from borrowings £m	Repayment of borrowings £m	Non-cash movements £m	As at 27 March 2021 £m
Non-current					
Revolving credit facility	300.0	–	(300.0)	–	–
1.125% £300m medium term notes 2025	–	296.7	–	0.4	297.1
Current					
Commercial paper issued under CCFF program	–	298.4	(299.8)	1.4	–
Total borrowings	300.0	595.1	(599.8)	1.8	297.1

On 25 November 2014, the Group entered into a £300.0 million multi-currency revolving credit facility with a syndicate of banks. In March 2020, the Group drew down on this facility in full. On 9 June 2020 the Group repaid this facility in full. On 18 June 2020 the Group extended the facility for 12 months, and it now matures in November 2022. A waiver for the existing leverage covenant for the periods ending up to and including 25 September 2021 and a restriction on shareholder distributions during the period of the waiver, which the Group can opt out of prior to 25 September 2021, was agreed. As a result of the intention to declare a final dividend, the Group will need to opt out of the waiver prior to the Annual General Meeting in July 2021.

The Group is in compliance with the financial leverage and other covenants within this facility, taking into account the waiver referred to above, and has been in compliance throughout the financial year. The Group expects to be in compliance with the covenants, as required, when the waiver is opted out of before the Annual General Meeting.

On 14 May 2020, Burberry Limited issued commercial paper with a face value of £300.0 million, issued at a discount with zero coupon, and a maturity of 17 March 2021. The commercial paper was issued under a £300.0 million facility the Group agreed under the UK Government sponsored COVID Corporate Finance Facility (CCFF). An increase to the Group's CCFF of £300.0 million to £600.0 million was made available from 29 May 2020 however no further commercial paper was issued. The CCFF was repaid in full on 10 February 2021 and the facility expired on 23 March 2021.

On 21 September 2020, Burberry Group plc issued medium term notes with a face value of £300.0 million maturing on 21 September 2025 (the sustainability bond). Proceeds from the sustainability bond will allow the Group to finance projects which support the Group's sustainability agenda. There are no financial penalties for not using the proceeds as anticipated. Interest on the sustainability bond is payable semi-annually.

During the year ending 27 March 2021 the non-cash changes to bank borrowing amounted to £1.8 million (last year: £nil).

23. Share capital and reserves

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (as at 28 March 2020: 0.05p) each		
As at 30 March 2019	411,456,001	0.2
Allotted on exercise of options during the year	434,790	–
Cancellation of treasury shares	(7,184,905)	–
As at 28 March 2020	404,705,886	0.2
Allotted on exercise of options during the year	158,473	–
As at 27 March 2021	404,864,359	0.2

The Company has a general authority from shareholders, renewed at each Annual General Meeting, to repurchase a maximum of 10% of its issued share capital. During the 52 weeks to 27 March 2021, the Company did not enter into any share buy-back agreements (last year: £150.0 million). Own shares purchased by the Company, as part of a share buy-back programme, are classified as treasury shares and their cost offset against retained earnings. When treasury shares are cancelled, a transfer is made from retained earnings to the capital redemption reserve, equivalent to the nominal value of the shares purchased and subsequently cancelled. In the 52 weeks to 27 March 2021, no treasury shares were cancelled (last year: 7.2 million treasury shares with a nominal value of £3,600).

The cost of shares purchased by ESOP trusts are offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Company. As at 27 March 2021, the amount of own shares held by ESOP trusts and offset against retained earnings is £12.9 million (last year: £19.5 million). As at 27 March 2021, the ESOP trusts held 0.8 million shares (last year: 1.2 million) in the Company, with a market value of £15.0 million (last year: £15.7 million). In the 52 weeks to 27 March 2021 the ESOP trusts and the Company have waived their entitlement to dividends of £nil (last year: £1.0 million).

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 30 March 2019	41.1	(1.9)	5.4	227.7	272.3
Other comprehensive income:					
Cash flow hedges – gains deferred in equity	–	1.8	–	–	1.8
Cash flow hedges – losses transferred to income	–	0.9	–	–	0.9
Net investment hedges – losses deferred in equity	–	–	(1.2)	–	(1.2)
Foreign currency translation differences	–	–	–	18.4	18.4
Tax on other comprehensive income	–	(0.5)	0.2	(0.9)	(1.2)
Total comprehensive income for the year	–	2.2	(1.0)	17.5	18.7
Balance as at 28 March 2020	41.1	0.3	4.4	245.2	291.0
Other comprehensive income:					
Cash flow hedges – losses deferred in equity	–	(0.9)	–	–	(0.9)
Cash flow hedges – losses transferred to cost of sales	–	0.9	–	–	0.9
Foreign currency translation differences	–	–	–	(51.2)	(51.2)
Tax on other comprehensive income	–	–	–	2.4	2.4
Total comprehensive loss for the year	–	–	–	(48.8)	(48.8)
Balance as at 27 March 2021	41.1	0.3	4.4	196.4	242.2

As at 27 March 2021 the amount held in the hedging reserve relating to matured net investment hedges is £4.4 million net of tax (last year: £4.4 million).

24. Capital commitments

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.

	As at 27 March 2021 £m	As at 28 March 2020 £m
Capital commitments contracted but not provided for:		
Property, plant and equipment	25.0	29.5
Intangible assets	2.7	5.2
Total	27.7	34.7

25. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Total compensation in respect of key management, who are defined as the Board of Directors and certain members of senior management, is considered to be a related party transaction.

The total compensation in respect of key management for the year was as follows:

	52 weeks to 27 March 2021 £m	52 weeks to 28 March 2020 £m
Salaries, short-term benefits and social security costs	7.8	7.9
Termination benefits	0.5	–
Share-based compensation (all awards and options settled in shares)	1.5	(0.8)
Total	9.8	7.1

There were no other material related party transactions in the year.

26. Transactions with non-controlling interests

On 11 January 2021 the Group acquired the remaining 25% economic interest in Burberry Saudi Limited Co. which was held by Fawaz Abdulaziz Alhokair & Co, a non-Group company, for consideration of SAR 9 million (£1.7 million), bringing the Group's shareholding from 75% to 100%. The impact of this transactions has been presented in the financial statements of the Group as a charge taken through Statement of Changes in Equity of £0.2 million and a cash outflow recognised in the Statement of Cash Flows of £1.7 million. Non-controlling interests with a book value of £1.5 million were transferred to retained earnings

27. Contingent liabilities

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

28. Events after the balance sheet date

In April 2021, the Group entered into agreements to sell two freehold properties, which are currently owned by the Group. One of the properties is held as an investment property at 27 March 2021. The disposal of this property is expected to complete in the first half of the next financial year. It has not been presented as held for sale as its net book value, being £2.4 million, is not considered significant. The other property is held in property, plant and equipment. Its disposal is expected to complete more than 12 months after the balance sheet date and hence it has not been classified as held for sale on the balance sheet.

These disposals are expected to result in net cash proceeds of approximately £17.0 million and profits on disposal of approximately £5.0 million in aggregate.