12 November 2014

Burberry Group plc

Interim results for the six months ended 30 September 2014

Burberry posts strong first half results with revenue up 14% underlying to £1.1bn

Burberry today posted strong growth in the first half, with adjusted profit up 6% underlying to £152m and double-digit underlying revenue growth in all regions, despite a more difficult external environment. These results have been driven by the focused execution of Burberry's strategies to drive brand momentum, product excellence and enhanced customer experiences, both on and offline.

- Strong underlying financial performance
  - Revenue £1,100m, up 14% underlying, up 7% at reported FX
  - Adjusted PBT £152m, up 6% underlying
    - After £31m adverse exchange rate impact, down 12% at reported FX
  - Reported PBT £142m (2013: £159m)
  - Net cash of £307m at September 2014 (2013: £208m)
  - Interim dividend up 10% to 9.7p

- Consistent execution of core strategies
  - Relaunched heritage products
  - Launched My Burberry, our iconic fragrance, providing a halo benefit to the brand
  - Nine mainline stores opened, including six in airports
  - Digital outperformed; mobile platform upgraded in Q3

Christopher Bailey, Chief Creative and Chief Executive Officer, commented:

"We're proud to report that Burberry delivered a strong first half, with sales increasing by 14% and profit up 6%, both underlying. This performance reflects the passion and commitment of our teams around the world and the great momentum of the brand.

Looking ahead, in a more difficult external environment, we continue to focus on the things that we can control. Through authentic products, great customer experiences and a culture of continuous improvement and innovation, we remain confident of Burberry's sustained outperformance."

All metrics and commentary in the Group Financial Highlights and Interim Management Report exclude adjusting items unless stated otherwise.

Adjusting items are:

- A charge of £7.5m in reported operating expenses being the amortisation of the fragrance and beauty licence intangible asset (2013: £7.5m)
- A put option liability finance charge of £3.0m in the reported net finance charge relating to the third party 15% economic interest in the Chinese business (2013: charge of £7.4m)

Details of adjusting items are contained in Note 4 of the Condensed Consolidated Interim Financial Statements.

Underlying performance is presented in this announcement as, in the opinion of the Directors, it provides additional understanding of the ongoing performance of the Group.

Underlying performance is calculated before adjusting items and removes the effect of changes in exchange rates, compared to the prior period. This takes into account both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and also now on foreign currency procurement and sales through the Group's UK supply chain.

Certain financial data within this announcement have been rounded.

Enquiries

Burberry		
Carol Fairweather	Chief Financial Officer	020 3367 3524
Fay Dodds	VP, Investor Relations	
Julian Payne	VP, PR and Corporate Relations	020 3428 8975
Brunswick		020 7404 5959
Nick Claydon		
Laura Buchanan		

- There will be a presentation today at 9.30am (UK time) at Horseferry House, Horseferry Road, London, SW1P 2AW
- The presentation can be viewed live on the Burberry website www.burberryplc.com and can also be accessed live via a dial-in facility on +44 (0)20 3427 1921, password 1676777
- The supporting slides and an indexed replay will be available on the website later in the day
- Burberry will update on trading on 14 January 2015 when it will issue its Interim Management Statement for the Third Quarter

Burberry is listed on the London Stock Exchange (BRBY.L) and is a constituent of the FTSE 100 index. ADR symbol OTC:BURBY.

GROUP FINANCIAL HIGHLIGHTS

Significant impact from exchange rates in the first half, reducing reported revenue by £75m and adjusted PBT by £31m

Total revenue £1,100m, up 14% underlying, up 7% at reported FX

Adjusted profit before tax £152m, up 6% underlying, down 12% at reported FX. Reported profit before tax £142m (2013: £159m)

Retail/wholesale revenue £1,065m, up 15% underlying; **adjusted retail/wholesale operating profit £124m,** up 8% underlying; operating margin down 80 basis points underlying at 13.1%, impacted by one-off cost relating to previous fragrance launch

Forecast effective tax rate of 23% on adjusted profit before tax for the full year (FY 2014: 25%), largely reflecting the lower UK corporation tax rate

Interim dividend up 10% to 9.7p (H1 2013: 8.8p), reflecting our intention to move progressively to a 50% dividend payout ratio

Net cash of £307m at 30 September 2014 (2013: £208m), after £73m capital expenditure

	Six months to 30 September		*% change*	
£ million	2014	2013	*reported FX*	*underlying*#
Revenue	1,100.0	1,031.5	*7*	*14*
Cost of sales	(344.8)	(304.8)	*(13)*	
Gross margin	755.2	726.7	*4*	
Operating expenses*	(603.0)	(553.1)	*(9)*	
Adjusted operating profit	**152.2**	**173.6**	***(12)***	***6***
Net finance credit*	0.1	0.3	-	-
Adjusted profit before taxation	**152.3**	**173.9**	***(12)***	***6***
Adjusting items	(10.5)	(14.9)		
Profit before taxation	**141.8**	**159.0**	***(11)***	
Taxation	(33.4)	(42.5)		
Non-controlling interest	(3.9)	(3.8)		
Attributable profit	104.5	112.7		
Adjusted EPS (pence)~	**25.4**	**28.4**	***(11)***	
EPS (pence)~	23.4	25.2	*(7)*	
Weighted average number of ordinary shares (millions) ~	447.2	446.5		

Adjusted measures exclude adjusting items
* Excludes adjusting items. For detail, please see page 2
~ EPS is presented on a diluted basis
# For definition, please see page 2

INTERIM MANAGEMENT REPORT

The global luxury brand Burberry had a strong first half, delivering 14% underlying revenue growth and a 6% underlying increase in adjusted profit before tax. Double-digit underlying revenue growth in all regions and in the three main product divisions, despite a more difficult external environment, demonstrated the momentum in the brand and business.

Burberry's aim remains to deliver sustainable, profitable growth through an ongoing dynamic development of our five core strategies. As described below, these strategies have continued to evolve to express better the shape and scope of our future ambition.

'Leverage the franchise' becomes 'Inspire with the brand'
To express more clearly our focus on ensuring Burberry speaks to the consumer with one equally inspiring and authentic brand voice, wherever they encounter us

Continuing to elevate our British-made icons and enhance the customer experience, we relaunched our heritage trench coat and cashmere scarves in September 2014. Featuring a standardised set of options for our trench coat (three fits, three lengths, three colours) for women and men, the programme simplifies the customer purchase journey on and offline. Following the initial phase of the roll-out in about 30 stores and on burberry.com, the relaunched trench coat is now in about 200 retail stores. Linked to this, September also saw the introduction of a monogramming service for our cashmere scarves, adding a personalisation option for this iconic product.

Synchronised with September's heritage trench programme, we launched My Burberry, our most significant fragrance to date. Inspired by the heritage trench coat, the womens fragrance offers consumers the opportunity to monogram their bottle in order to personalise the product. The significant media investment supporting the launch included an advertising campaign featuring British models Kate Moss and Cara Delevingne wearing heritage trench coats. The early reaction to the fragrance has been positive and we have seen a halo effect across the wider business, including trench coats and scarves.

Digital innovation and partnerships contributed to brand momentum. The My Burberry launch included an interactive marketing campaign allowing consumers to monogram bottles digitally on social media and outdoor sites, including the digital billboard in Piccadilly Circus, London. At the Spring/Summer 2015 womenswear show, we partnered with Twitter on the introduction of their In-Tweet purchasing functionality, allowing US-based Twitter users to purchase nail colours as they appeared on the runway.

Building on our investment in customer data and insight, we are rolling out our customer value management programme to over 300 stores globally, enabling us to cultivate and serve the core luxury customer more effectively. Building on our single view of customer data around the world, this will help to drive retention and loyalty through more targeted and personalised contacts with our high spending and high potential customers.

'Intensify accessories' becomes 'Realise product potential'
To reflect our more balanced product mix and growth opportunities across all categories

Each of our three main product divisions delivered double-digit percentage underlying growth, underpinned by outerwear and large leather goods which together accounted for nearly half of mainline retail growth. Product highlights included rainwear, womens Prorsum, mens tailoring, solid leather bags and soft accessories.

Accessories grew by 14% underlying in the first half, representing 36% of retail/wholesale revenue. In mainline retail, fashion outperformed replenishment, reflecting the success of Prorsum and solid leather bags in key shapes and colours, continuing innovation in design, colour and materials in scarves and the success of the runway poncho, which received a very strong editorial and consumer response.

'Accelerate retail-led growth' becomes 'Optimise channels'
To recognise the successful evolution of our operating model and an enhanced focus on optimising all channels to market - owned or third party, on and offline

Retail revenue increased by 15% underlying in the first half, accounting for 68% of group revenue. Comparable sales growth was 10%, reflecting our focus on retail productivity and growth in digital. Customers increasingly moved between offline and online throughout their purchase journey, reflected in the contribution to digital sales of orders via iPads in store (over 25%) and "order online, collect in store" (over 20%). Burberry also upgraded its mobile platform in October 2014, enhancing the customer experience in 11 languages and 44 countries.

Burberry opened nine mainline stores and closed eight during the first half. For the full year, we plan to open about 20 mainline stores and close about 20, with openings weighted towards airport stores and relocations within flagship markets, including Los Angeles and Tokyo.

We continued to upgrade our wholesale presence, particularly in Europe and the United States, and expand in growth areas. While burberry.com remains at the heart of our digital offer, we have started to work selectively with third party digital players, including Amazon and Tmall.com. Although the revenue from these agreements is currently small, we benefit from their reach and our enhanced positioning on their sites.

'Invest in under-penetrated markets' becomes 'Unlock market opportunity'
To encompass opportunities to evolve and elevate Burberry's footprint in both developed and younger markets

We continued to invest in initiatives to serve better the Chinese customer. Investment was made in digital engagement such as the collaboration with WeChat, alongside store evolution within China, focused on flagship markets especially Shanghai. Later this year, we will implement a virtual single pool of inventory within China to help facilitate both on and offline commerce in this important market. This will enable customers within China to access all available inventory in the country, whether it is in one of our stores or the local distribution centre.

We continued to capitalise on the travel retail opportunity, opening six stores in airports in the first half, including a prominent location in Hong Kong. In merchandising, we refined our assortments to suit better the travelling luxury customer.

Pursue operational excellence
Expands from its historic focus on improving back-of-house operations to capture a greater emphasis on efficiency and productivity across all business dimensions

We are introducing a sharper focus on business-wide productivity, with opportunities to improve retail productivity, optimise product strategies and streamline processes, leveraging the significant investments we have made in recent years.

We further optimised our assortments. We continued to rationalise ranges, enhance assortment consistency across stores and regions, improve replenishment processes and develop a more sophisticated store profiling capability. These initiatives will enhance brand presentation, drive sales densities, support gross margin through supply chain efficiencies and improve inventory management.

Revenue analysis

Revenue by channel

£ million	Six months to 30 September 2014	2013	% change reported FX	underlying
Retail	748.1	694.5	*8*	*15*
Wholesale	317.2	294.6	*8*	*13*
Licensing	34.7	42.4	*(18)*	*(3)*
Revenue	**1,100.0**	**1,031.5**	***7***	***14***

Retail

68% of revenue (2013: 67%); with 216 mainline stores, 224 concessions within department stores, digital commerce and 55 outlets

- Retail sales up 15% underlying; up 8% at reported FX
- Comparable sales increased by 10% (Q1: 12%; Q2: 8%)
- New space contributed the balance of growth (5%)
- Digital outperformed in all regions

In mainline retail, comparable sales growth was relatively balanced between womens, mens and accessories, between fashion and replenishment, and between average selling price and volume. Prorsum and London increased their penetration of apparel sales by three percentage points compared to the same period last year, reflecting strong performances from rainwear, driven by the relaunch of the heritage trench coat, womens runway fashion and mens tailoring.

For the half as a whole, we saw continued soft traffic in store, but growth online, reflecting evolving consumer behaviour. Conversion improved both off and online, resulting from our investment in customer service initiatives and digital capabilities. Sales to Chinese customers, whether at home or when travelling, increased throughout the period, although growth slowed in the second quarter.

Asia Pacific

With retail accounting for about 85% of revenue in the region, Asia Pacific delivered double-digit comparable sales growth in the half, as did China and Hong Kong, the region’s two largest markets. Reflecting a more difficult external environment, there was some softening in demand in the second quarter across the region. Ahead of the transition from licence to retail in 2015, our small business in Japan selling the global collection continued to deliver strong revenue growth.

During the first half, we closed a net nine stores and concessions, reflecting continued evolution of the store portfolio particularly in China (a net four closures resulting in a total of 74 stores in China) and the opening of a store in Hong Kong airport.

Europe, Middle East, India and Africa
Retail accounted for about 65% of EMEIA's revenue in the half. Comparable sales growth was mid single-digit, led by France, Germany and Spain. In the UK, domestic demand remained strong offset by weakness from the travelling luxury customer, where demand appears to have shifted to other countries within the region.

During the first half, we opened a net seven stores and concessions, including five openings in key European airports (Barcelona, London, Madrid, Milan and Rome) and four concessions in the Middle East as we improve the store portfolio there.

Americas
With retail accounting for about 60% of sales in the first half, the Americas delivered double-digit comparable sales growth. Increased conversion and penetration of digital drove growth.

With no change to store numbers, the half saw continued investment in flagship markets within the region, especially on the West Coast with the completion in September of the renovation of our store in San Francisco and preparation for the opening of a new store in November on Rodeo Drive, Los Angeles.

Wholesale
29% of revenue (2013: 29%); generated from sales of apparel and accessories to department stores, multi-brand specialty accounts, franchise stores and travel retail; as well as Beauty to around 80 distributors worldwide

- Wholesale revenue up 13% underlying; up 8% at reported FX
- Excluding Beauty, wholesale revenue up 5% underlying
- Beauty wholesale revenue up 55% underlying
- At 30 September 2014, Burberry had 66 franchise stores globally, a net decrease of four in the period

Excluding Beauty, wholesale revenue at £242m increased by 5% underlying (unchanged at reported FX). This was ahead of guidance of broadly unchanged year-on-year, due to the rephasing of shipments into the second quarter from the third quarter and higher than expected in-season orders. Excluding the impact of ongoing strategic initiatives, such as conversion from wholesale to retail and account rationalisation, underlying growth would have been about 10% in the first half.

The regional comments below all exclude Beauty.

Asia Pacific
Wholesale revenue in Asia Pacific, which is predominantly travel retail, saw double-digit underlying sales growth in the first half. This was despite the impact of both the franchise stores in Thailand and the airport store in Hong Kong converting from wholesale to retail.

Europe, Middle East, India and Africa
EMEIA remains the largest wholesale region, at about 45% of the group total. Underlying revenue grew by a mid-single digit percentage. Continued account rationalisation and the expiry of the Russian franchise (closing five franchised stores as we move to direct operation) partly offset growth in key accounts. Our partnership with Printemps in Paris to showcase the brand in their atrium, windows and façade in November and December 2014 is a good example of our momentum with key department stores.

Americas
Following the conversion of the Holt Renfrew business in Canada from wholesale to retail concessions in February 2014, our wholesale presence in the Americas was further elevated by the withdrawal of menswear from brand inappropriate locations. Excluding these factors, there was mid single-digit growth, with a strong brand performance on our wholesale partners' e-commerce sites.

Beauty
Beauty wholesale revenue increased by 55% underlying (up 47% at reported FX). This performance was against a weak first half last year affected by the transition from licence to direct operation. The first half also benefitted from the sell-in ahead of the September launch of My Burberry, the new womens fragrance.

Licensing
3% of revenue (2013: 4%); of which about 80% is from Japan (split roughly 90% apparel and 10% from various accessories licences), with the balance from global product licences (eyewear and watches) and European wholesale childrenswear

- Licensing revenue decreased by 3% underlying; down 18% at reported FX
- Consistent with full year guidance

Underlying royalty income from Japan was largely unchanged year-on-year, with higher minimum payments from the apparel licence offset by the planned downsizing of the remaining short-term licences.

Combined, income from eyewear and watches was down year-on-year, reflecting phasing and the ongoing elevation of watch distribution. September saw the launch of the new Trench eyewear collection, linked to My Burberry, illustrating the closer alignment of the global licensed products to our core luxury and beauty offer.

Operating profit analysis

Adjusted operating profit

£ million	Six months to 30 September 2014	2013	% change reported FX	underlying
Retail/wholesale	124.3	137.6	*(10)*	*8*
Licensing	27.9	36.0	*(22)*	*(4)*
Adjusted operating profit	**152.2**	**173.6**	***(12)***	***6***
Adjusted operating margin	*13.8%*	*16.8%*		

Adjusted operating profit increased by 6% underlying in the first half, reflecting robust retail/wholesale growth. At reported FX, adjusted operating profit was down 12% at £152.2m, impacted by adverse exchange rate movements of £31m.

Adjusted retail/wholesale operating profit

£ million	Six months to 30 September 2014	2013	% change reported FX
Revenue	1,065.3	989.1	*8*
Cost of sales	(344.8)	(304.8)	*(13)*
Gross margin	720.5	684.3	*5*
Gross margin	*67.7%*	*69.2%*	
Operating expenses	(596.2)	(546.7)	*(9)*
Adjusted operating profit	**124.3**	**137.6**	***(10)***
Operating expenses as a % of sales	*56.0%*	*55.3%*	
Adjusted operating margin	*11.7%*	*13.9%*	

During the first half, the adverse impact of exchange rate movements reduced revenue by £69m and profit by £25m.

Gross margin was 67.7%, down 150 basis points. In addition to the adverse exchange rate impact, gross margin was also affected by a one-off inventory cost relating to a previous fragrance launch. The operating expense to sales ratio was 56.0%, up 70 basis points, again reflecting the adverse impact of exchange rate movements which more than offset the modest benefit seen from operating leverage and tight control of costs.

As a result, H1 2014 adjusted operating profit was down 10% at reported FX, up 8% at constant exchange rates. The margin at constant exchange rates would have been 13.1%, down 80 basis points.

Licensing operating profit

£ million	Six months to 30 September 2014	2013	*% change reported FX*
Revenue	34.7	42.4	*(18)*
Cost of sales	-	-	-
Gross margin	34.7	42.4	*(18)*
Gross margin	*100%*	*100%*	
Operating expenses	(6.8)	(6.4)	*(6)*
Operating profit	**27.9**	**36.0**	***(22)***
Operating margin	*80.4%*	*84.9%*	

Largely reflecting the movement of the sterling/yen exchange rate, licensing revenue was down 18% at reported FX (down 3% underlying, consistent with full year guidance). With a small increase in operating expenses, licensing profit was £27.9m, down 4% underlying or down 22% including a £6.6m exchange rate impact.

Adjusting items

£ million	Six months to 30 September 2014	2013
Amortisation of fragrance and beauty licence intangible	(7.5)	(7.5)
China put option liability finance charge	(3.0)	(7.4)
	(10.5)	(14.9)

The charge of £7.5m relates to the amortisation of the fragrance and beauty licence intangible asset of £70.9m which was recognised in FY 2013. This will be amortised on a straight line basis over the period 1 April 2013 to 31 December 2017.

The China put option liability finance charge relates to fair value movements, including the discount unwind, on the put option liability over the non-controlling interest in the acquired Chinese business.

Taxation

The effective rate of tax on adjusted profit for FY 2015 is estimated to be 23.0% (FY 2014: 24.7%). This 23.0% is the rate applied in H1 2014 (H1 2013: 25.0%). Tax on adjusting items has been recognised as appropriate. The resulting effective tax rate on H1 2014 reported profit is 23.6% (H1 2013: 26.7%).

Net cash
Net cash at 30 September 2014 was £307m, compared to £403m at 31 March 2014 and £208m at 30 September 2013. Major outflows in the first half included £103m on dividends, £73m on capital expenditure and £78m on working capital, much of which was seasonal. Inventory at 30 September 2014 was £483m (2013: £430m).

Outlook
Retail: In FY 2015, net new space is still expected to contribute low to mid single-digit percentage growth to total retail revenue, including about 20 mainline store openings and about 20 closures during the year.

Wholesale: Excluding Beauty, we expect wholesale revenue at constant exchange rates to be down by a mid single-digit percentage in the six months to 31 March 2015 (2014: £240m), with a more cautious approach from wholesale customers selling to the European consumer and in Asian travel retail markets. For Beauty, wholesale revenue is still expected to grow by about 25% at constant exchange rates in FY 2015.

Retail/wholesale profit: In the first half, exchange rates significantly affected reported profit. If exchange rates* remain at current levels, we do not expect a material impact in the second half of FY 2015.

As we highlighted in the First Half Trading Update, we expect some downward pressure on the full year retail/wholesale margin, reflecting the negative impact of exchange rates, a more difficult external environment and continued investment in key initiatives to drive long-term profitable growth. Our goal to realise further margin improvement over time remains unchanged.

Licensing: For FY 2015, we continue to expect broadly unchanged revenue at constant exchange rates in both Japan and global product licences. At current exchange rates*, reported licensing revenue in FY 2015 will be reduced by about £10m given the movement in the sterling/yen rate.

Capital expenditure: Spend of around £200m is still planned for FY 2015, with about two-thirds going to retail projects.

* Effective rates as at 3 November 2014, taking into account the current hedged positions

APPENDIX

Retail/wholesale revenue by destination

£ million	Six months to 30 September 2014	2013	% change reported FX	underlying
Asia Pacific	384.8	353.9	*9*	*17*
EMEIA*	410.4	386.7	*6*	*11*
Americas	270.1	248.5	*9*	*17*
	1,065.3	989.1	*8*	*15*

* Europe, Middle East, India and Africa

Retail/wholesale revenue by product division

£ million	Six months to 30 September 2014	2013	% change reported FX	underlying
Accessories	387.1	360.8	*7*	*14*
Womens	316.0	300.4	*5*	*12*
Mens	247.2	236.2	*5*	*12*
Childrens	36.5	37.9	*(4)*	*3*
Beauty*	78.5	53.8	*46*	*54*
	1,065.3	989.1	*8*	*15*

* H1 2014 Beauty revenue is £74.7m of wholesale revenue and £3.8m retail (H1 2013: £51.0m; £2.8m)

Store portfolio

	Directly-operated stores				
	Stores	Concessions	Outlets	Total	*Franchise stores*
At 31 March 2014	215	227	55	497	*70*
Additions	9	7	-	16	*3*
Closures	(8)	(10)	-	(18)	*(7)*
At 30 September 2014	216	224	55	495	*66*

Store portfolio by region

	Directly-operated stores				
At 30 September 2014	Stores	Concessions	Outlets	Total	*Franchise stores*
Asia Pacific	63	148	12	223	13
EMEIA	75	65	24	164	47
Americas	78	11	19	108	6
Total	216	224	55	495	*66*

Related parties
Related party disclosures are given in note 15 of the Condensed Consolidated Interim Financial Statements.

Principal risks
The Group carried out a formal process throughout the period to identify, evaluate and manage significant risks faced by the Group. In the view of the Directors, the principal risks and uncertainties affecting the Group for the remaining six months of the financial year comprise those set out on pages 61 to 63 of the Annual Report for the year ended 31 March 2014 (a copy of which is available at the Group's website at www.burberryplc.com) and which are summarised below. These principal risks and uncertainties have remained unchanged.

Summary of principal risks set out in the Annual Report

Dependence on IT systems and operational infrastructure
The Group's operations depend on IT systems and operational infrastructure in order to trade efficiently. Increasingly technology is also being used to stream major events and to communicate through social media. A failure in these systems or a denial of service could have a significant impact on the Group's operations and reputation, and potentially result in the loss of sensitive information.

Sustained economic slowdown
The Group's performance remains strong; however, a sustained economic slowdown has or could: (i) reduce consumer wealth leading to a reduction in demand; (ii) impact the financial stability of suppliers and their ability to secure finance which could disrupt the Group's supply chain or lead to an increase in bad debts; and (iii) impact the financial stability and recovery of banks and other financial institutions, all of which would impact sales and profitability.

Dependence on consumers from the Asia region
A significant proportion of the Group's sales are to Asian consumers globally. Consequently any change to consumer tastes or the economic, regulatory, social and/or political environment in Asia could adversely impact Asian consumers' disposable income, confidence and travel which could impact the Group's revenue and profits.

Volatility in foreign exchange rates
The Group operates on a global basis and earns revenues, incurs costs and makes investments in a number of currencies. The Group's financial results are reported in Sterling. The majority of reported revenues are earned in non-sterling currencies, with a significant proportion of costs in Sterling. Therefore the Sterling value of reported revenues, profits and cash flows may be reduced as a result of currency exchange rate movements.

Major incidents
Major incidents such as natural catastrophes, global pandemics or terrorist attacks affecting one or more of the Group's key locations could significantly impact its operations. A major incident at a key location could significantly impact business operations, with the impact clearly varying depending on the location and its nature. The impact of the loss of a distribution hub would clearly differ from a global pandemic, but both would impact revenues and profits.

Non-compliance with ethical and environmental standards
A failure by the Group or associated third parties to act in accordance with ethical and environmental standards could result in penalties, adverse press coverage and reputational damage with a resulting drop in sales and profit.

Non-compliance with legislation and regulation
The Group's operations (including now its Beauty division) are subject to a broad spectrum of regulatory requirements in the various jurisdictions in which the Group operates. The pace of change and the consistency of application of legislation can vary significantly across these jurisdictions, particularly in an environment where public sector debt is often high and tax revenues are falling. Failure to comply with these requirements could leave the Group open to civil and/or criminal legal challenge, significant penalties and reputational damage.

Over-reliance on key vendors.
The Group relies on a small number of vendors in key product categories, and for specialist digital and IT services. Failure of one of these businesses to deliver products or services would have a significant impact on business operations.

Loss of key management or the inability to attract and retain key employees
The loss of key individuals or the inability to recruit and retain individuals with the relevant talent and experience would disrupt the operation of the business and adversely impact the Group's ability to deliver its strategies.

Reliance upon the Group's licensed business in Japan and other key licensed product categories
A substantial proportion of Group profits is reliant upon its licensed business in Japan and other key licensed product categories. The licence with Sanyo Shokai and Mitsui & Company in Japan expires in 2015, whereupon the royalty income under the licence will cease. The Group expects licensees to maintain operational and financial control over their businesses. Should licensees fail to manage their operations effectively or be affected by a major incident, the royalty income may decline, directly impacting Group profits.

Significant growth and pace of change
The significant growth and pace of change within the business puts pressure on both internal and external resources. Failure to effectively manage the pace of change will inevitably adversely impact the Group's operations and return on investment.

Stability of emerging markets
The Group operates in a number of emerging markets which are typically more volatile than developed markets, and are subject to changing economic, regulatory, social and political developments that are beyond the Group's control. Infrastructure and services also tend to be less developed. This could result in the seizure of assets or staff, related party business practice that is inconsistent with the Group's ethical standards and the UK regulatory environment, and increased operational costs due to country specific processes driven by the regulatory environment.

Unauthorised use of the Group's trademarks and other proprietary rights
Trademarks and other intellectual property (IP) rights are fundamentally important to the Group's reputation, success and competitive position. Unauthorised use of these, as well as the distribution of counterfeit products, damages the Burberry brand image and profits.

CONDENSED GROUP INCOME STATEMENT – UNAUDITED

	Note	Six months to 30 September 2014 £m	Six months to 30 September 2013 £m	Audited Year to 31 March 2014 £m
Revenue	3	**1,100.0**	1,031.5	2,329.8
Cost of sales		**(344.8)**	(304.8)	(671.3)
Gross profit		**755.2**	726.7	1,658.5
Net operating expenses		**(610.5)**	(560.6)	(1,213.1)
Operating profit		**144.7**	166.1	445.4
Financing				
Finance income		**1.9**	1.9	3.9
Finance expense		**(1.8)**	(1.6)	(3.2)
Other financing charges		**(3.0)**	(7.4)	(1.7)
Net finance charge		**(2.9)**	(7.1)	(1.0)
Profit before taxation		**141.8**	159.0	444.4
Taxation	5	**(33.4)**	(42.5)	(112.1)
Profit for the period		**108.4**	116.5	332.3
Attributable to:				
Owners of the Company		**104.5**	112.7	322.5
Non-controlling interest		**3.9**	3.8	9.8
Profit for the period		**108.4**	116.5	332.3

Earnings per share				
– basic	6	**23.8p**	25.8p	73.6p
– diluted	6	**23.4p**	25.2p	72.1p

		£m	£m	£m
Reconciliation of adjusted profit before taxation:				
Profit before taxation		**141.8**	159.0	444.4
Adjusting items:				
– amortisation of the fragrance and beauty licence intangible	4	**7.5**	7.5	14.9
– put option liability finance charge	4	**3.0**	7.4	1.7
Adjusted profit before taxation - non-GAAP measure		**152.3**	173.9	461.0

Adjusted earnings per share - non-GAAP measure				
– basic	6	**25.8p**	29.0p	77.0p
– diluted	6	**25.4p**	28.4p	75.4p

Dividends per share				
– Proposed interim (not recognised as a liability at 30 September)	7	**9.70p**	8.80p	8.80p
– Final (not recognised as a liability at 31 March)	7	**–**	–	23.20p

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

	Six months to 30 September 2014 £m	Six months to 30 September 2013 £m	Audited Year to 31 March 2014 £m
Profit for the period	**108.4**	116.5	332.3
Other comprehensive income[1]:			
– cash flow hedges	**(5.2)**	(4.2)	(5.0)
– foreign currency translation differences	**11.9**	(32.1)	(54.6)
Tax on other comprehensive income:			
– cash flow hedges	**1.1**	1.0	1.3
– foreign currency translation differences	**(1.0)**	3.3	4.6
Other comprehensive income/(expense) for the period, net of tax	**6.8**	(32.0)	(53.7)
Total comprehensive income for the period	**115.2**	84.5	278.6
Total comprehensive income attributable to:			
Owners of the Company	**109.9**	83.0	272.5
Non-controlling interest	**5.3**	1.5	6.1
	115.2	84.5	278.6

(1) All items included in other comprehensive income may subsequently be reclassified to profit and loss in a future period.

CONDENSED GROUP BALANCE SHEET – UNAUDITED

	Note	As at 30 September 2014 £m	As at 30 September 2013 £m	Audited As at 31 March 2014 £m
ASSETS				
Non-current assets				
Intangible assets	8	**196.4**	200.6	195.4
Property, plant and equipment	9	**405.7**	394.2	398.4
Investment properties		**2.5**	2.7	2.6
Deferred tax assets		**126.6**	121.5	116.0
Trade and other receivables	10	**45.0**	37.5	42.3
Derivative financial assets		**0.3**	2.1	0.5
		776.5	758.6	755.2
Current assets				
Inventories		**482.7**	429.8	419.8
Trade and other receivables	10	**265.6**	232.2	231.4
Derivative financial assets		**5.3**	6.2	4.6
Income tax receivables		**8.6**	9.5	9.0
Cash and cash equivalents		**361.8**	323.6	545.5
		1,124.0	1,001.3	1,210.3
Total assets		**1,900.5**	1,759.9	1,965.5
LIABILITIES				
Non-current liabilities				
Trade and other payables	11	**(113.7)**	(113.4)	(107.4)
Deferred tax liabilities		**(1.2)**	(0.8)	(1.0)
Derivative financial liabilities		**(0.3)**	–	(0.9)
Retirement benefit obligations		**(0.6)**	(0.5)	(0.6)
Provisions for other liabilities and charges	12	**(17.6)**	(16.5)	(15.9)
		(133.4)	(131.2)	(125.8)
Current liabilities				
Bank overdrafts and borrowings	13	**(54.9)**	(115.3)	(143.0)
Derivative financial liabilities		**(6.6)**	(1.0)	(1.6)
Trade and other payables	11	**(413.5)**	(378.4)	(399.8)
Provisions for other liabilities and charges	12	**(10.0)**	(14.4)	(10.7)
Income tax liabilities		**(52.4)**	(55.9)	(76.6)
		(537.4)	(565.0)	(631.7)
Total liabilities		**(670.8)**	(696.2)	(757.5)
Net assets		**1,229.7**	1,063.7	1,208.0
EQUITY				
Capital and reserves attributable to owners of the Company				
Ordinary share capital	14	**0.2**	0.2	0.2
Share premium account		**206.6**	204.2	204.8
Capital reserve		**40.0**	37.1	40.0
Hedging reserve		**1.5**	6.1	5.6
Foreign currency translation reserve		**114.7**	124.4	104.7
Retained earnings		**819.2**	653.7	810.1
Equity attributable to owners of the Company		**1,182.2**	1,025.7	1,165.4
Non-controlling interests in equity		**47.5**	38.0	42.6
Total equity		**1,229.7**	1,063.7	1,208.0

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	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 1 April 2013	0.2	203.6	197.3	615.9	1,017.0	35.8	1,052.8
Profit for the period	–	–	–	112.7	112.7	3.8	116.5
Other comprehensive income:							
Cash flow hedges – gains deferred in equity	–	–	3.7	–	3.7	–	3.7
Cash flow hedges – gains transferred to income	–	–	(7.9)	–	(7.9)	–	(7.9)
Foreign currency translation differences	–	–	(29.8)	–	(29.8)	(2.3)	(32.1)
Tax on other comprehensive income	–	–	4.3	–	4.3	–	4.3
Total comprehensive income for the period	–	–	(29.7)	112.7	83.0	1.5	84.5
Transactions with owners:							
Employee share incentive scheme							
– value of share options granted	–	–	–	17.0	17.0	–	17.0
– value of share options transferred to liabilities	–	–	–	(0.5)	(0.5)	–	(0.5)
– tax on share options granted	–	–	–	6.0	6.0	–	6.0
– exercise of share awards	–	0.6	–	–	0.6	–	0.6
Sale of own shares by ESOP trusts	–	–	–	1.5	1.5	–	1.5
Purchase of own shares by ESOP trusts	–	–	–	(6.8)	(6.8)	–	(6.8)
Capital contribution by non-controlling interest	–	–	–	–	–	0.7	0.7
Dividend paid in the period	–	–	–	(92.1)	(92.1)	–	(92.1)
Balance as at 30 September 2013	0.2	204.2	167.6	653.7	1,025.7	38.0	1,063.7
Balance as at 1 April 2014	0.2	204.8	150.3	810.1	1,165.4	42.6	1,208.0
Profit for the period	–	–	–	104.5	104.5	3.9	108.4
Other comprehensive income:							
Cash flow hedges – losses deferred in equity	–	–	(3.3)	–	(3.3)	–	(3.3)
Cash flow hedges – gains transferred to income	–	–	(1.9)	–	(1.9)	–	(1.9)
Foreign currency translation differences	–	–	10.5	–	10.5	1.4	11.9
Tax on other comprehensive income	–	–	0.1	–	0.1	–	0.1
Total comprehensive income for the period	–	–	5.4	104.5	109.9	5.3	115.2
Transfers between reserves	–	–	0.5	(0.5)	–	–	–
Transactions with owners:							
Employee share incentive scheme							
– value of share options granted	–	–	–	16.6	16.6	–	16.6
– value of share options transferred to liabilities	–	–	–	(0.8)	(0.8)	–	(0.8)
– tax on share options granted	–	–	–	3.6	3.6	–	3.6
– exercise of share awards	–	1.8	–	–	1.8	–	1.8
Purchase of own shares by ESOP trusts	–	–	–	(12.2)	(12.2)	–	(12.2)
Dividend paid in the period	–	–	–	(102.1)	(102.1)	(0.4)	(102.5)
Balance as at 30 September 2014	**0.2**	**206.6**	**156.2**	**819.2**	**1,182.2**	**47.5**	**1,229.7**

CONDENSED GROUP STATEMENT OF CASH FLOWS - UNAUDITED

	Note	Six months to 30 September 2014 £m	Six months to 30 September 2013 £m	Audited Year to 31 March 2014 £m
Cash flows from operating activities				
Operating profit		**144.7**	166.1	445.4
Depreciation		**50.0**	52.7	105.6
Amortisation		**16.2**	16.3	33.0
Net impairment charges	9	**0.8**	1.4	12.3
Profit on disposal of property, plant and equipment and intangible assets		–	–	(1.3)
Gains on derivative instruments		**(1.1)**	(7.7)	(3.8)
Charges in respect of employee share incentive schemes		**16.6**	17.0	25.4
(Payment)/proceeds from settlement of equity swap contracts		**(0.2)**	15.7	15.7
Increase in inventories		**(62.1)**	(79.1)	(68.2)
Increase in receivables		**(33.7)**	(70.6)	(73.8)
Increase in payables		**18.1**	30.4	45.2
Cash generated from operating activities		**149.3**	142.2	535.5
Interest received		**1.6**	1.9	3.4
Interest paid		**(1.5)**	(1.5)	(2.6)
Taxation paid		**(61.0)**	(65.4)	(111.1)
Net cash generated from operating activities		**88.4**	77.2	425.2
Cash flows from investing activities				
Purchase of property, plant and equipment		**(57.7)**	(51.2)	(129.5)
Purchase of intangible assets		**(15.3)**	(11.8)	(24.5)
Proceeds from sale of property, plant and equipment		–	–	3.0
Acquisition of subsidiary, net of cash acquired		–	(1.1)	(2.6)
Net cash outflow from investing activities		**(73.0)**	(64.1)	(153.6)
Cash flows from financing activities				
Dividends paid in the year		**(102.1)**	(92.1)	(130.7)
Dividends paid to non-controlling interest		**(0.4)**	–	–
Capital contributions by non-controlling interest		–	0.7	0.7
Issue of ordinary share capital		**1.8**	0.6	1.2
Sale of own shares by ESOP trusts		–	1.5	1.7
Purchase of own shares by ESOP trusts		**(12.2)**	(6.8)	(24.7)
Net cash outflow from financing activities		**(112.9)**	(96.1)	(151.8)
Net (decrease)/increase in cash and cash equivalents		**(97.5)**	(83.0)	119.8
Effect of exchange rate changes		**1.9**	(5.3)	(13.9)
Cash and cash equivalents at beginning of period		**402.5**	296.6	296.6
Cash and cash equivalents at end of period		**306.9**	208.3	402.5

ANALYSIS OF NET CASH - UNAUDITED

	Note	As at 30 September 2014 £m	As at 30 September 2013 £m	Audited As at 31 March 2014 £m
Cash and cash equivalents as per the Balance Sheet		**361.8**	323.6	545.5
Bank overdrafts	13	**(54.9)**	(115.3)	(143.0)
Net cash		**306.9**	208.3	402.5

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Corporate information

Burberry Group plc and its subsidiaries (the 'Group') is a global luxury goods manufacturer, wholesaler and retailer. The Group also licenses third parties to manufacture and distribute products using the 'Burberry' trade marks. All of the companies which comprise the Group are controlled by Burberry Group plc (the 'Company') directly or indirectly.

2. Accounting policies and basis of preparation

Basis of preparation

The financial information contained in this report is unaudited. The Condensed Group Income Statement, Condensed Group Statement of Comprehensive Income, Condensed Group Statement of Changes in Equity and Condensed Group Statement of Cash Flows for the interim period ended 30 September 2014, and the Condensed Group Balance Sheet as at 30 September 2014 and related notes have been reviewed by the auditors and their report to the Company is set out on page 32. These condensed consolidated interim financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2014 were approved by the Board of Directors on 20 May 2014 and have been filed with the Registrar of Companies. The report of the auditors on the statutory accounts for the year ended 31 March 2014 was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements for the six months ended 30 September 2014 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. This report should be read in conjunction with the Group's financial statements for the year ended 31 March 2014, which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

The directors have made enquiries and reviewed the Group's updated forecasts and projections. These include the assumptions around the Group's products and markets, expenditure commitments, expected cashflows and borrowing facilities. Taking into account reasonable possible changes in trading performance, and after making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the six months ended 30 September 2014.

Accounting policies

Accounting policies and presentation are consistent with those applied in the Group's financial statements for the year ended 31 March 2014, as set out on pages 122 to 130 of those financial statements, with the exception of taxation.

Taxes on income in the interim periods are accrued using the expected tax rate that would be applicable to total annual earnings.

Key sources of estimation and judgement

The preparation of the condensed consolidated interim financial statements requires that management make certain judgements, estimates and assumptions that affect the reported revenues, expenses, assets and liabilities and the disclosure of certain contingent liabilities. The key sources of estimation and uncertainty and the assumptions applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the Group's financial statements for the year ended 31 March 2014, as set out on pages 121 and 122 of those financial statements, with the exception of taxation, as described above.

Adjusted profit before taxation and adjusting items

In order to provide additional consideration of the underlying performance of the Group's on-going business, the Group's results include a presentation of 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 underlying performance of the Group's on-going business. Generally this will include those items that are largely one-off and material in nature and any fair value movements on options held over equity interests held for non-speculative purposes. 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 are added back/deducted from profit attributable to owners of the Company to arrive at adjusted earnings per share.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis

The Chief Operating Decision Maker has been identified as the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports used by the Board.

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

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

Licensing revenues are generated through the receipt of royalties from the Group's partners in Japan and global licensees of eyewear, watches and European childrenswear.

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. Finance income and charges are not included in the result for each operating segment that is reviewed by the Board.

	Retail / Wholesale		Licensing		Total	
	Six months to 30 September 2014 £m	Six months to 30 September 2013 £m	Six months to 30 September 2014 £m	Six months to 30 September 2013 £m	Six months to 30 September 2014 £m	Six months to 30 September 2013 £m
Retail	**748.1**	694.5	–	–	**748.1**	694.5
Wholesale	**317.2**	294.6	–	–	**317.2**	294.6
Licensing	–	–	**35.8**	43.5	**35.8**	43.5
Total segment revenue	**1,065.3**	989.1	**35.8**	43.5	**1,101.1**	1,032.6
Inter-segment revenue(1)	–	–	**(1.1)**	(1.1)	**(1.1)**	(1.1)
Revenue from external customers	**1,065.3**	989.1	**34.7**	42.4	**1,100.0**	1,031.5
Adjusted operating profit	**124.3**	137.6	**27.9**	36.0	**152.2**	173.6
Adjusting items(2)					**(10.5)**	(14.9)
Finance income					**1.9**	1.9
Finance expense					**(1.8)**	(1.6)
Profit before taxation					**141.8**	159.0

Year to 31 March 2014	Retail / Wholesale	Licensing	Total
	£m	£m	£m
Retail	1,622.6	–	1,622.6
Wholesale	628.0	–	628.0
Licensing	–	81.6	81.6
Total segment revenue	2,250.6	81.6	2,332.2
Inter-segment revenue(1)	–	(2.4)	(2.4)
Revenue from external customers	2,250.6	79.2	2,329.8
Adjusted operating profit	393.5	66.8	460.3
Adjusting items(2)			(16.6)
Finance income			3.9
Finance expense			(3.2)
Profit before taxation			444.4

(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) Refer to Condensed Group Income Statement for details of adjusting items.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis (continued)

Revenue by destination	Six months to 30 September 2014 £m	Six months to 30 September 2013 £m	Year to 31 March 2014 £m
Asia Pacific	**384.8**	353.9	870.3
EMEIA[(1)]	**410.4**	386.7	811.5
Americas	**270.1**	248.5	568.8
Retail/Wholesale	**1,065.3**	989.1	2,250.6
Licensing	**34.7**	42.4	79.2
Total	**1,100.0**	1,031.5	2,329.8

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

Due to the seasonal nature of the business, Group revenue is usually expected to be higher in the second half of the year than in the first half. While some of the Group's operating costs are also higher in the second half of the year, such as contingent rentals and some employee costs, most of the operating costs are phased more evenly across the year. As a result, operating profit is usually expected to be higher in the second half of the year.

4. Adjusting items

Amortisation of the fragrance and beauty licence intangible asset

During the year ended 31 March 2013, an intangible asset of £70.9m was recognised on the Balance Sheet, relating to the present value of the anticipated incremental income to be earned by the Group as a result of selling Beauty products through retail and wholesale channels rather than under licence, following the termination of the existing licence relationship with Interparfums SA. This asset is amortised on a straight line basis over the period 1 April 2013 to 31 December 2017. The amortisation is presented as an adjusting item, which is consistent with the treatment of the cost recognised on termination of the licence relationship in the year ended 31 March 2013. The amortisation expense recognised for the six months ended 30 September 2014 was £7.5m (six months ended 30 September 2013: £7.5m; year ended 31 March 2014: £14.9m). A related tax credit of £1.6m (30 September 2013: £0.9m; 31 March 2014: £1.9m) has also been recognised in the current period.

Put option liability finance charge

The financing charge of £3.0m for the six months ended 30 September 2014 relates to unrealised fair value movements including the unwinding of the discount on the put option liability over the non-controlling interest in Burberry (Shanghai) Trading Co., Ltd (six months ended 30 September 2013: charge of £7.4m; year ended 31 March 2014: charge of £1.7m). No tax has been recognised on this item, as it is not considered to be deductible for tax purposes.

5. Taxation

The tax charge for the six months ended 30 September 2014 has been calculated based on an estimated effective underlying rate of tax on adjusted profit before taxation for the full year of 23.0% (30 September 2013: 25.0%; year ended 31 March 2014: 24.7%). Tax on adjusting items has been recognised at the prevailing tax rates as appropriate. The resulting effective tax rate on reported profit before taxation is 23.6% (30 September 2013: 26.7%; 31 March 2014: 25.2%).

Total taxation recognised in the Condensed Group Income Statement comprises:

	Six months to 30 September 2014 £m	Six months to 30 September 2013 £m	Year to 31 March 2014 £m
Tax on adjusted profit before taxation	**35.0**	43.4	114.0
Tax on adjusting items (note 4)	**(1.6)**	(0.9)	(1.9)
Total taxation charge	**33.4**	42.5	112.1

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. Earnings per share

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

	Six months to 30 September 2014 £m	Six months to 30 September 2013 £m	Year to 31 March 2014 £m
Attributable profit for the period before adjusting items(1)	**113.4**	126.7	337.2
Effect of adjusting items(1) (after taxation)	**(8.9)**	(14.0)	(14.7)
Attributable profit for the period	**104.5**	112.7	322.5

(1) Refer to Condensed Group Income Statement for the 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 period, excluding ordinary shares held in the Group's employee share option plan trusts ('ESOP trusts').

Diluted earnings per share is based on the weighted average number of ordinary shares in issue during the period. 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.

	Six months to 30 September 2014 Millions	Six months to 30 September 2013 Millions	Year to 31 March 2014 Millions
Weighted average number of ordinary shares in issue during the period	**439.6**	437.5	437.9
Dilutive effect of the share incentive schemes	**7.6**	9.0	9.4
Diluted weighted average number of ordinary shares in issue during the period	**447.2**	446.5	447.3

7. Dividends

The interim dividend of 9.70p (2013: 8.80p) per share has been approved by the Board of Directors after 30 September 2014. Accordingly, this dividend has not been recognised as a liability at the period end.

The interim dividend will be paid on 23 January 2015 to Shareholders on the Register at the close of business on 30 December 2014.

A dividend of 23.20p (2013: 21.00p) per share was paid during the period ended 30 September 2014 in relation to the year ended 31 March 2014.

8. Intangible assets

Goodwill at 30 September 2014 is £83.0m (2013: £82.4m).

In the period there were additions to other intangible assets of £16.1m (2013: £11.0m) and disposals with a net book value of £1.4m (2013: £nil).

Capital commitments contracted but not provided for by the Group amounted to £3.4m (2013: £2.3m).

Impairment testing

Assets that have an indefinite useful economic life are not subject to amortisation and are tested annually for impairment.

Goodwill is the only intangible asset category with an indefinite useful economic life included within total intangible assets at 30 September 2014. Management has performed a review for indicators of impairment as at 30 September 2014. There is no indication that the goodwill may be impaired. The annual impairment test will be performed at 31 March 2015.

9. Property, plant and equipment

In the period there were additions to property, plant and equipment of £55.2m (2013: £56.6m) and disposals with a net book value of £nil (2013: £nil).

Capital commitments contracted but not provided for by the Group amounted to £36.9m (2013: £47.9m).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. Property, plant and equipment (continued)

Impairment testing

For the six months ended 30 September 2014, a net impairment charge of £0.8m (2013: £1.4m) was identified. The impairment charge relates to 16 retail cash generating units (2013: 9 cash generating units) for which the total recoverable amount at the balance sheet date is £4.7m (2013: £3.4m).

Where indicators of impairment were identified, the impairment review compared the value-in-use of the assets to the carrying values at 30 September 2014. The pre-tax cash flow projections were based on financial plans of expected revenues and costs of each retail cash generating unit, approved by management, and extrapolated beyond the budget year to the lease exit dates using growth rates and inflation rates appropriate to each store's location. The pre-tax discount rates used in these calculations are based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks.

10. Trade and other receivables

	As at 30 September 2014 £m	As at 30 September 2013 £m	As at 31 March 2014 £m
Non-current			
Deposits and other receivables	**32.5**	27.7	31.0
Prepayments	**12.5**	9.8	11.3
Total non-current trade and other receivables	**45.0**	37.5	42.3
Current			
Trade receivables	**184.4**	173.8	171.2
Provision for doubtful debts	**(6.2)**	(5.9)	(5.3)
Net trade receivables	**178.2**	167.9	165.9
Other financial receivables	**29.8**	14.9	14.1
Other non-financial receivables	**19.6**	16.2	20.3
Prepayments	**35.5**	32.0	27.5
Accrued income	**2.5**	1.2	3.6
Total current trade and other receivables	**265.6**	232.2	231.4
Total trade and other receivables	**310.6**	269.7	273.7

11. Trade and other payables

	As at 30 September 2014 £m	As at 30 September 2013(1) £m	As at 31 March 2014(1) £m
Non-current			
Put option liability over non-controlling interest	**55.8**	58.7	51.3
Other payables	**3.6**	4.6	4.4
Deferred income and non-financial accruals	**54.3**	50.1	51.7
Total non-current trade and other payables	**113.7**	113.4	107.4
Current			
Trade payables	**177.1**	149.9	174.3
Other taxes and social security costs	**68.7**	66.5	66.6
Other payables	**7.1**	10.6	5.7
Accruals	**148.1**	142.1	140.1
Deferred income and non-financial accruals	**12.5**	9.3	13.1
Total current trade and other payables	**413.5**	378.4	399.8
Total trade and other payables	**527.2**	491.8	507.2

(1) As at 30 September 2013 and as at 31 March 2014, £23.3m and £18.1m respectively was reclassified from current Deferred income and non-financial accruals to Other taxes and social security costs, as this was more reflective of the nature of these liabilities.

11. Trade and other payables (continued)

Put option liability over non-controlling interest

Following the acquisition of the Burberry retail and distribution business in China, Sparkle Roll Holdings Limited, a non-Group company, retains a 15% economic interest in the Group's business in China. Put and call options exist over this interest stake which are exercisable after 1 September 2015 in the case of the call option, and after 1 September 2020 in the case of the put option. The net present value of the put option payment has been recognised as a non-current financial liability under IAS 39. The present value would be different if it was based on the call option should Burberry decide to exercise the call option. Burberry currently has no intention to exercise the call option.

The value of the put option liability is £55.8m at the period end (30 September 2013: £58.7m; 31 March 2014: £51.3m). The movement in the liability for the period includes an increase of £3.0m relating to unrealised fair value movements, as described in Note 4, offset by the impact of translation of the put liability to the Group's presentational currency.

The fair value of the put option liability has been derived using a present value calculation, incorporating observable and non-observable inputs (Level 3 – refer to note 17 for details of the fair value hierarchy classification for financial instruments). This valuation technique has been adopted as it most closely mirrors the contractual arrangement. The key inputs applied in arriving at the value of the put option liability are the future performance of the Group's business in China; the average historical Burberry Group plc multiple; and the risk adjusted discount rate for China, taking into account the risk free rate in China. The future performance of the business is estimated by using management's business plans together with long-term observable growth forecasts.

The carrying value of the put option liability is dependent on assumptions applied in determining these key inputs, and is subject to change in the event that there is a change in any of those assumptions. The valuation is updated at every reporting period or more often if a significant change to any input is observed.

A 10% increase/decrease in the future performance of the Group's business in China at the put option exercise date would result in a £5.6m increase/decrease in the carrying value of the put option liability at 30 September 2014 (31 March 2014: £5.1m), and a corresponding £5.6m loss/gain in the profit before taxation for the period ended 30 September 2014 (31 March 2014: £5.1m).

A 1% increase/decrease in the risk adjusted discount rate for China would result in a £3.0m decrease/£3.1m increase in the carrying value of the put option liability at 30 September 2014 (31 March 2014: £3.0m decrease/£3.1m increase), and a corresponding £3.0m gain/£3.1m loss in the profit before taxation for the period ended 30 September 2014 (31 March 2014: £3.0m gain/£3.1m loss).

Ultimately, the put option liability is subject to a contractual cap of £200m. The undiscounted value of the put option liability at 30 September 2014 is £114.3m (30 September 2013: £147.6m, 31 March 2014: £115.3m).

12. Provisions for other liabilities and charges

	Property obligations £m	Restructuring costs £m	Other costs £m	Total £m
As at 1 April 2014	22.9	1.5	2.2	26.6
Created during the period	5.0	–	0.3	5.3
Discount unwind	0.1	–	–	0.1
Utilised during the period	(2.6)	(0.3)	(0.3)	(3.2)
Released during the period	(0.9)	–	(0.3)	(1.2)
As at 30 September 2014	**24.5**	**1.2**	**1.9**	**27.6**
As at 30 September 2013	24.8	1.6	4.5	30.9

	As at 30 September 2014 £m	As at 30 September 2013 £m	As at 31 March 2014 £m
Analysis of total provisions:			
Non-current	**17.6**	16.5	15.9
Current	**10.0**	14.4	10.7
Total	**27.6**	30.9	26.6

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. Bank overdrafts and borrowings

Included within bank overdrafts is £52.1m (2013: £110.0m) representing balances on cash pooling arrangements in the Group. The remaining overdrafts of £2.8m (2013: £5.3m) are provided by a number of committed and uncommitted arrangements agreed with third parties.

On 28 March 2011, a £300m multi-currency revolving credit facility was agreed with a syndicate of third party banks. At 30 September 2014, there were no outstanding drawings (2013: £nil). Interest is charged on this facility at LIBOR plus 0.90% on drawings less than £100m, at LIBOR plus 1.05% on drawings between £100m and £200m and at LIBOR plus 1.20% on drawings over £200m. The facility matures on 30 June 2016.

14. Share capital and other reserves

Allotted, called up and fully paid share capital	Number of shares million	Share capital £m
As at 1 April 2013	442.2	0.2
Allotted on exercise of options during the period	1.1	–
As at 30 September 2013	443.3	0.2
As at 1 April 2014	443.6	0.2
Allotted on exercise of options during the period	0.6	–
As at 30 September 2014	444.2	0.2

Other reserves

The cost of own shares held by the Group has been offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Company. As at 30 September 2014 the amount held against this reserve was £52.0m (2013: £61.0m). As at 30 September 2014, ESOP trusts held 3.8m shares (2013: 4.7m) in the Company, with a market value of £57.8m (2013: £76.7m). In the six months ended 30 September 2014 the Burberry Group plc ESOP trust waived its entitlement to dividends of £0.9m (2013: £0.9m).

15. Related party disclosures

The Group's significant related parties are disclosed in the Annual Report for the year ended 31 March 2014. There were no material changes to these related parties in the period. Other than total compensation in respect of key management, no material related party transactions have taken place during the first six months of the current financial year.

16. Foreign currency

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 period 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 dates of the transactions. The assets and liabilities of such undertakings are translated at period end exchange 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 within equity.

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.

16. Foreign currency (continued)

The principal exchange rates used were as follows:

	Average		
	Six months to 30 September 2014	Six months to 30 September 2013	Year to 31 March 2014
Euro	**1.24**	1.17	1.19
US Dollar	**1.68**	1.54	1.59
Chinese Yuan Renminbi	**10.38**	9.49	9.78
Hong Kong Dollar	**12.98**	11.99	12.38
Korean Won	**1,721**	1,722	1,734

	Closing		
	As at 30 September 2014	As at 30 September 2013	As at 31 March 2014
Euro	**1.28**	1.20	1.21
US Dollar	**1.62**	1.62	1.67
Chinese Yuan Renminbi	**9.96**	9.91	10.34
Hong Kong Dollar	**12.59**	12.55	12.94
Korean Won	**1,715**	1,740	1,771

The average exchange rate achieved by the Group on its Yen royalty income, taking into account its use of Yen forward exchange contracts on a monthly basis approximately twelve months in advance of royalty receipts, was Yen 157.3: £1 in the six months ended 30 September 2014 (six months ended 30 September 2013: Yen 128.7: £1; year ended 31 March 2014: Yen 137.0: £1).

17. Fair value disclosures for financial instruments

The Group classifies its instruments into the following categories:

Financial instrument category	Classification	Measurement	Fair value measurement hierarchy (2)
Cash and cash equivalents	Loans and receivables	Amortised cost	N/A
Trade and other receivables	Loans and receivables	Amortised cost	N/A
Trade and other payables	Other financial liabilities	Amortised cost	N/A
Borrowings	Other financial liabilities	Amortised cost	N/A
Put option over non-controlling interest	Derivative instrument	Fair value through profit and loss	3
Forward foreign exchange contracts(1)	Derivative instrument	Fair value through profit and loss	2
Equity swap contracts	Derivative instrument	Fair value through profit and loss	2
Onerous lease	Other financial liabilities	Amortised cost	N/A

(1) Hedge accounting is applied to cash flow hedges to the extent that it is achievable.

(2) The fair value measurement hierarchy is only applicable for financial instruments measured at fair value.

The fair value of the Group's financial assets and liabilities held at amortised cost approximate their carrying amount due to the short maturity of these instruments.

The measurements for financial instruments carried at fair value are categorised into different levels in the fair value hierarchy based on the inputs to the valuation techniques used. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: includes unobservable inputs for the asset or liability.

17. Fair value disclosures for financial instruments (continued)

Observable inputs are those which are developed using market data, such as publicly available information about actual events or transactions.

The Group has an established framework with respect to measurement of fair values, including Level 3 fair values. The Group regularly reviews any significant inputs which are not derived from observable market data and considers, where available, relevant third party information, to support the conclusion that such valuations meet the requirements of IFRS. The classification level in the fair value hierarchy is also considered periodically. Significant valuation issues are reported to the Audit Committee.

The fair value of forward foreign exchange contracts and equity swap contracts is based on a comparison of the contractual and market rates and, in the case of forward foreign exchange contracts after discounting using the appropriate yield curve, as at the balance sheet date. All Level 2 fair value measurements are calculated using inputs which are based on observable market data.

Further information on the calculation of fair value of the put option over non-controlling interest is disclosed in note 11.

18. Contingent Liabilities

There have been no material changes to the Group's contingent liabilities since 31 March 2014.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors' confirm that the condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the Interim Management Report and condensed consolidated interim financial statements include a fair review of the information required by Disclosure and Transparency Rules 4.2.7 and 4.2.8, namely:

– an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

– material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report.

The directors of Burberry Group plc are listed in the Burberry Group plc Annual Report for the year ended 31 March 2014, with the exception of Carolyn McCall, who was appointed as a non-executive director on 1 September 2014.

A list of current directors is maintained on the Burberry Group plc website: www.burberryplc.com.

By order of the Board

John Smith
Chief Operating Officer
11 November 2014

Carol Fairweather
Chief Financial Officer
11 November 2014

INDEPENDENT REVIEW REPORT TO BURBERRY GROUP PLC

Report on the condensed consolidated interim financial statements

Our conclusion
We have reviewed the condensed consolidated interim financial statements, defined below, in the interim report of Burberry Group plc for the half-year ended 30 September 2014. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed
The condensed consolidated interim financial statements, which are prepared by Burberry Group plc, comprise:

- Condensed Group Balance Sheet as at 30 September 2014;
- Condensed Group Income Statement and Statement of Comprehensive Income for the period then ended;
- Condensed Group Statement of Changes in Equity and Statement of Cash Flows for the period then ended;
- the analysis of net cash as at 30 September 2014; and
- the notes to the condensed consolidated interim financial statements.

As disclosed in note 2, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements included in the interim report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated financial statements involves
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the directors
The interim report, including the condensed consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants

11 November 2014

London

INDEPENDENT REVIEW REPORT TO BURBERRY GROUP PLC

Notes:

(a) The maintenance and integrity of the Burberry Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SHAREHOLDER INFORMATION

General shareholder enquiries
Enquiries relating to shareholding, such as the transfer of shares, change of name or address, lost share certificates or dividend cheques, should be referred to the Company's Registrar, Equiniti, using the details below:

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Telephone: 0871 384 2839. Calls cost 8p per minute plus network extras. Lines are open 8.30am to 5.30pm, Monday to Friday.

Please dial +44 121 415 7047 if calling from outside the UK or see help.shareview.co.uk for additional information.

American Depositary Receipts
Burberry has a sponsored Level 1 American Depositary Receipt (ADR) programme to enable US investors to purchase ADRs in US Dollars. Each ADR represents two Burberry ordinary shares.

For queries relating to ADRs in Burberry, please use the following contact details:

Deutsche Bank Trust Company Americas
c/o American Stock Transfer & Trust Company
Peck Slip Station
PO Box 2050
New York, NY 10272-2050

Tel: toll free within the US: +1 866 249 2593
Tel: International: +1 (718) 921 8137
Email enquiries: DB@amstock.com

Dividends
The interim dividend of 9.70p per share will be paid on 23 January 2015 to shareholders on the register at the close of business on 30 December 2014.

Dividends can be paid by BACS directly into a UK bank account, with the tax voucher being sent to the shareholder's address. This is the easiest way for shareholders to receive dividend payments and avoids the risk of lost or out of date cheques, A dividend mandate form is available from Equiniti or at www.shareview.co.uk.

Dividends payable in foreign currencies
Equiniti are able to pay dividends to shareholder bank accounts in over 30 currencies worldwide through the Overseas Payment Service. An administrative fee will be deducted from each dividend payment. Further details can be obtained from Equiniti or online at www.shareview.co.uk.

Dividend Reinvestment Plan
The Company's Dividend Reinvestment Plan (DRIP) enables shareholders to use their dividends to buy further Burberry shares. Full details of the DRIP can be obtained from Equiniti. If shareholders would like their interim dividend for 2014 and future dividends to qualify for the DRIP, completed application forms must be returned to Equiniti by 2 January 2015.

Duplicate accounts
Shareholders who have more than one account due to inconsistency in account details may avoid duplicate mailings by contacting Equiniti and requesting the amalgamation of their share accounts.

Electronic Communication
Shareholders may at any time choose to receive all shareholder documentation in electronic form via the internet, rather than in paper format. Shareholders who decide to register for this option will receive an email each time a shareholder document is published on the internet. Shareholders who wish to receive documentation in electronic form should register online at www.shareview.co.uk.

Equiniti offers a range of shareholder information and online at www.shareview.co.uk. A textphone facility for those with hearing difficulties is available by calling: 0871 384 2255. Calls cost 8p per minute plus network extras. Lines are open 8.30am to 5.30pm, Monday to Friday. Please call +44 121 415 7028 if calling from outside the UK.

Financial calendar	
Interim results announcement	12 November 2014
Dividend record date	30 December 2014
Third quarter trading update	14 January 2015
Dividend payment date	23 January 2015
Second half trading update	April 2015
Preliminary results announcement	May 2015
Annual General Meeting	July 2015

Registered office
Burberry Group plc
Horseferry House
Horseferry Road
London
SW1P 2AW

Registered in England and Wales
Registered Number 03458224
www.burberryplc.com

SHAREHOLDER INFORMATION

Share dealing
Burberry Group plc shares can be traded through most banks, building societies or stock brokers.

Equiniti offers a telephone and internet dealing service. Terms and conditions and details of the commission charges are available on request. For telephone dealing please telephone 08456 037 037 between 8.00am and 4.30pm, Monday to Friday, and for internet dealing visit www.shareview.co.uk/dealing. Shareholders will need their reference number which can be found on their share certificate.

ShareGift
Shareholders with a small number of shares, the value of which makes it uneconomic to sell, may wish to consider donating their shares to charity through ShareGift, a donation scheme operated by The Orr Mackintosh Foundation. A ShareGift donation form can be obtained from Equiniti. Further information is available at sharegift.org or by telephone on 0207 930 3737.

Share price information
The latest Burberry Group plc share price is available on the Company's website at www.burberryplc.com.

Unauthorised brokers (boiler room scams)
Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in USA or UK investments. These operations are commonly known as boiler rooms.

If you receive any unsolicited investment advice, get the correct name of the person and organisation and check that they are properly authorised by the FCA before getting involved by visiting www.fca.org.uk/register.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme if things go wrong.

If you think you have been approached by an unauthorised firm you should contact the FCA consumer helpline on 0800 111 6768.

More detailed information can be found on the FCA website at www.fca.org.uk/scams.

Website
This Interim Report and other information about Burberry, including share price information and details of results announcements, are available at www.burberryplc.com.