

14 November 2013

Burberry Group plc

Interim results for the six months ended 30 September 2013

- Solid financial performance
 - Total revenue £1,031m (2012: £883m); up 17%
 - Adjusted PBT £174m (2012: £173m); above original guidance
 - Reported PBT £159m (2012: £112m)
 - Net cash of £208m (2012: £237m)
 - Interim dividend up 10% to 8.8p

- Consistent execution of key strategies
 - Digital innovation and collaboration with technology leaders
 - Opened 14 mainline stores, mostly in high potential markets
 - Benefited from investment made to keep pace with changing consumer behaviour
 - o Online outperformed in all regions
 - o Offline, flagship markets performed well driven by travelling luxury customer
 - Successful Brit Rhythm for Men fragrance launch
 - o Reaffirms confidence in long-term opportunities in Beauty
 - o Complex transition and increased marketing impact first year Beauty profit
 - o Offset by halo effect and efficiencies across all product divisions

- Management changes
 - Evolution of organisational structure under Christopher Bailey's leadership

Angela Ahrendts, Chief Executive Officer, commented:

“We are proud to announce a first half performance that saw Burberry's revenue exceed £1bn for the first time, reflecting the continuing strength of our global brand momentum.

We remain focused on executing our retail, digital and marketing strategies in the all-important third quarter and in what remains an uncertain macro environment. The senior team continues to balance brand appropriate revenue growth, selective investment and infrastructure efficiencies to drive sustainable profit growth across the portfolio, especially with the significant long-term potential of our fifth product division, Beauty.”

All metrics and commentary in the Group Financial Highlights and Interim Management Report exclude the results of the discontinued business in Spain and exceptional items unless stated otherwise.

Exceptional items are:

- A charge of £7.5m in reported operating expenses being the amortisation of the beauty licence intangible asset (2012: nil)
- A put option liability finance charge of £7.4m in the reported net finance charge relating to the third party 15% economic interest in the Chinese business (2012: credit of £11.7m)
- A charge of nil in 2013 in reported operating expenses relating to the termination of the fragrance and beauty licence relationship (2012: £73.8m)
- A charge of nil in 2013 in reported operating expenses relating to restructuring (2012: credit of £0.6m)

Details of exceptional items are contained in Note 4 of the Condensed Consolidated Interim Financial Statements. Underlying change is calculated at constant exchange rates. Certain financial data within this announcement have been rounded.

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- 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 0503, password 5987028
- The supporting slides and an indexed replay will be available on the website later in the day
- Burberry will update on trading on 15 January 2014 when it will issue its Interim Management Statement for the Third Quarter

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements. Burberry Group plc undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. All persons, wherever located, should consult any additional disclosures that Burberry Group plc may make in any regulatory announcements or documents which it publishes. All persons, wherever located, should take note of these disclosures. This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the US, or under the US Securities Act 1933 or in any other jurisdiction.

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

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GROUP FINANCIAL HIGHLIGHTS

Total revenue up 17% to £1,031m (2012: £883m)

Adjusted profit before tax unchanged year-on-year at £173.9m (2012: £173.4m), better than originally guided. This reflected strong growth in retail, offset by expected lower wholesale revenue, the dilutive impact of the Beauty transition and a higher performance-related pay charge

Reported profit before tax of £159.0m (2012: £111.9m), with lower exceptional items

Forecast effective tax rate of 25.0% on adjusted PBT for the full year (FY 2013: 25.8%)

Adjusted diluted EPS at 28.4p; reported diluted EPS of 25.2p

Interim dividend up 10% to 8.8p (2012: 8.0p), reflecting our confidence and the seasonality of the business. Dividend policy remains at about 40% payout based on full year adjusted diluted EPS

Net cash of £208m at 30 September 2013 (2012: £237m)

| £ million | Six months to 30 September | | % change | |
|--|-------------------------------|--------------|----------------|------------|
| | 2013 | 2012 | reported FX | underlying |
| Revenue | 1,031.5 | 882.5 | 17 | 14 |
| Cost of sales | (304.8) | (255.5) | (19) | |
| Gross margin | 726.7 | 627.0 | 16 | |
| Operating expenses* | (553.1) | (453.4) | (22) | |
| Adjusted operating profit | 173.6 | 173.6 | nc | (2) |
| Net finance charge* | 0.3 | (0.2) | - | |
| Adjusted profit before taxation | 173.9 | 173.4 | nc | |
| Exceptional items | (14.9) | (61.5) | | |
| Profit before taxation | 159.0 | 111.9 | | |
| Taxation | (42.5) | (26.5) | | |
| Discontinued operations [#] | 0.0 | 0.1 | | |
| Non-controlling interest | (3.8) | (0.5) | | |
| Attributable profit | 112.7 | 85.0 | | |
| Adjusted EPS (pence)[~] | 28.4 | 29.0 | (2) | |
| EPS (pence) [~] | 25.2 | 19.1 | 32 | |
| Weighted average number of ordinary shares (millions) [~] | 446.5 | 445.9 | | |

Adjusted measures exclude exceptional items and discontinued operations

* Excludes exceptional items. For detail, please see page 2

[#] Discontinued operations in Spain in 2013 delivered a profit of nil (2012: £0.1m)

[~] EPS is presented on a diluted basis

INTERIM MANAGEMENT REPORT

Burberry ended the first half with revenue up 17% and adjusted profit before tax unchanged on last year, better than originally guided in May 2013. With continued strong brand momentum, this performance was underpinned by the consistent execution of our five key strategies, with particular focus on the execution of Beauty and the optimisation of customer service on and offline.

As previously announced, Angela Ahrendts will step down as Chief Executive Officer and Christopher Bailey has been appointed her successor. Over the coming months, the organisational structure will be evolved into three pillars:

- Design, Product and Communication
- Regions
- Operations and Finance

with existing senior executives taking on additional responsibilities. This structure will enable Christopher to lead the business into its next phase of growth, executing on already proven strategies.

Leverage the franchise

Brand momentum remained strong, driven in part by continued digital innovation, including collaborations with Google for Burberry Kisses (allowing users to capture their own kiss and send it to anyone globally) and with Apple (where the iPhone 5s was used to film every aspect of the Spring/Summer 2014 womens runway show). Outerwear remained at the core of all marketing activity, with Art of the Trench events in Paris, Shanghai and Seoul. Beauty was integrated into key brand moments, with images shared live from backstage at the runway show via the Burberry Beauty Booth on Twitter.

Burberry began directly operating fragrance and beauty from 1 April 2013, following the termination of its licence relationship. The success of the launch of the Brit Rhythm for Men fragrance, which will be followed by a womens fragrance in February 2014, reaffirms the group's confidence in the long-term opportunity in Beauty, where Burberry is under-penetrated in these entry categories to the brand. In addition, Beauty under direct operation increases the group's marketing spend by over a half, with the halo effect expected to benefit all product divisions.

During a complex transition period in the first half, execution improved in areas such as supply chain, regulatory compliance and managing relationships with distributors, many of whom were fully stocked by the previous licensee. In this transition year, and to establish the business, Burberry invested in the team, in product launches and in product development, especially around make-up. For FY 2014, Beauty is now expected to deliver wholesale revenue of about £140m and incremental retail/wholesale profit of around £10m, reflecting the short-term transitional impact and additional marketing investment behind launches.

Preparation for the integration of Japan is well underway ahead of the apparel licence expiry in 2015. Led by the Asia Pacific team, Burberry now operates four mainline stores (following the opening in Roppongi Hills, Tokyo in July) and ten concessions in Japan. These stores are trialling the global collection while leveraging digital on and offline. Albeit on a small base, first half comparable stores sales growth was up double-digit percentage. Further details of the transition plan will be presented at the preliminary results in May 2014.

Intensify accessories

Accessories accounted for 37% of revenue in the first half, up 9% underlying, with double-digit growth in retail partly offset by lower wholesale revenue, in line with the group as a whole.

Fashion accessories outperformed, reflecting success in the key shape strategy and solid leather. Replenishment heritage programmes remained robust.

Mens accessories were 20% of total accessories revenue in mainline retail – up two percentage points to last year. Strong growth continued in mens large leather goods and soft accessories.

Accelerate retail-led growth

Retail revenue increased by 17% underlying in the first half, at 67% of group revenue (up from 65% in the first half last year). Comparable store sales growth was 13%, driven by the consistent execution of key retail strategies.

As planned, Burberry opened 14 mainline stores and closed eight during the first half, while opening seven concessions and closing six. Store openings were biased towards high potential markets including China, the Middle East, India, Brazil and Mexico.

As consumer behaviour evolves, Burberry continued to invest in its digital capabilities both on and offline. Orders via iPads in-store and “order online, collect in store” are enabling increased conversion and average transaction values.

Invest in under-penetrated markets

With double-digit comparable store sales growth in mainland China, Burberry continued to see the benefit of its investment in this market following the acquisition three years ago. 20 of the 50 acquired stores have been closed and 41 stores opened, to give a total of 71 stores in 36 cities. Today, the new, larger stores significantly outperform the acquired stores, reflecting better locations, merchandising, customer service and use of in-store technology. Store portfolio plans are evolving to meet changing luxury consumer behaviour. Mens, childrens, travel retail and digital remain attractive growth opportunities in China.

With the number of Chinese travelling luxury customers expected to grow significantly, Burberry continued to invest in flagship markets globally to better service these consumers. Examples include Mandarin speakers in all regions, specific behavioural and cultural training for sales associates in key markets and a globally connected private client team to ensure a seamless service for key customers. European flagship markets saw a higher proportion of transactions from tourists in the first half of this year compared to last year.

Burberry continued to develop its operations in under-penetrated markets. The first franchise stores were opened in Colombia and Chile, while two were closed in Mexico as the market moves to direct operation. Burberry has also recently agreed to acquire three stores in Thailand, previously operated by a franchisee.

Pursue operational excellence

Building on the investment in customer insight, Burberry rolled out Customer 1-2-1 to over 300 stores globally. Being customer permission-based, the iPad- based tool allows sales associates to create and view customer profiles all in one place, including a visual wardrobe, global transaction history off and online and recorded product and fit preferences.

To improve efficiency, digital fulfilment was brought in house in the Americas during the first half, following a similar move in the UK in October 2012. Burberry continues to explore improved fulfilment and payment methods as consumers shift more spending online.

Revenue analysis

Revenue by channel

| £ million | Six months to 30 September | | % change | |
|----------------|-------------------------------|--------------|----------------|------------|
| | 2013 | 2012 | reported FX | underlying |
| Retail | 694.5 | 576.8 | 20 | 17 |
| Wholesale* | 294.6 | 253.1 | 16 | 13 |
| Licensing# | 42.4 | 52.6 | (19) | (19) |
| Revenue | 1,031.5 | 882.5 | 17 | 14 |

* H1 2013 wholesale revenue includes £51.0m of Beauty sales. Excluding Beauty, wholesale revenue in H1 2013 declined 7% underlying (down 4% at reported FX)

H1 2012 licensing revenue includes £10.6m from the terminated fragrance licence relationship. Excluding this, licensing revenue in H1 2013 increased by 2% underlying (up 1% at reported FX)

Retail

67% of revenue (2012: 65%); generated from 212 mainline stores, 215 concessions mainly within department stores, digital commerce and 52 outlets

- Retail sales increased by 17% on an underlying basis (up 20% at reported FX)
- Comparable store sales increased by 13%
- New space contributed the balance of growth (4%)

During the half, footfall globally remained soft offline but grew significantly online, while conversion improved in both. Increased average selling price remained the key driver of comparable store sales growth, driven by consumer preferences. Online commerce was integrated into the regional infrastructure, contributing to strong performance globally.

Growth was driven by the consistent execution of key retail strategies. In mainline retail:

- Outerwear and large leather goods drove about half of the growth, increasing the average selling price
- Prorum and London penetration increased to 46% of mainline apparel revenue
- Mens performed strongly, driven by outerwear, tailoring and accessories

Asia Pacific

With double-digit percentage comparable store sales growth, retail accounted for about 85% of first half revenue in Asia Pacific. Hong Kong performed very strongly, mainland China delivered double-digit percentage comparable growth and Korea improved, reflecting a new management team, the repositioning of concessions and enhanced marketing focus.

Six mainline stores were opened in the region and five closed, reflecting the evolution of the portfolio in China, especially Shanghai, and in Hong Kong, following the opening of the flagship store in Pacific Place last year.

Europe, Middle East, India and Africa

EMEIA, which was about two-thirds retail, reported double-digit percentage comparable store sales growth. Performance in the UK, the region's largest retail market, improved compared to last year, when it suffered from disruption from the Olympics. France and Germany remained robust, Italy saw low single-digit percentage comparable store sales growth, while Dubai was weak, reflecting soft tourist traffic.

Americas

Retail contributed nearly 60% of revenue in the Americas, with high single-digit percentage comparable store sales growth in the half. Digital penetration in the United States continued to be the highest in the group - at more than twice the global rate. Burberry opened one further store in both Brazil and Mexico, bringing the combined total in these countries to 11.

Wholesale

29% of revenue (2012: 29%); generated from sales of apparel and accessories to department stores, multi-brand specialty accounts, emerging market franchisees and travel retail; and now Beauty to around 100 distributors worldwide

- Against a background of more conservative planning by customers globally, wholesale revenue excluding Beauty declined by 7% underlying
- This was marginally ahead of guidance due to better than expected brand performance at key wholesale partners globally
- At 30 September 2013, Burberry had 66 franchise stores globally, a net increase of one in the period
- Wholesale revenue increased by 13% on an underlying basis (up 16% at reported FX) including a first-time contribution from Beauty

The regional comments below all exclude Beauty.

Asia Pacific

Wholesale revenue in Asia Pacific, which was nearly 20% of group wholesale revenue, declined year-on-year.

Europe, Middle East, India and Africa

EMEIA contributed nearly half of group wholesale revenue and was also down year-on-year, partly reflecting conservative planning by customers across the region, but also the closure of a net 100 small speciality accounts in Europe.

Americas

Wholesale revenue was broadly unchanged year-on-year in the Americas. Shop-in-shops in US department stores performed well, complemented by good growth in their online businesses.

Beauty

Wholesale revenue from Beauty was £51m. Nearly half of this came from our new distribution partner, predominantly in the United States and Europe, impacting the regional trends reported in the appendix.

Licensing

4% of revenue (2012: 6%); of which approximately three-quarters is from Japan (split roughly 85% apparel and 15% from various short-term licences), with the balance from global product licences (eyewear and watches) and European wholesale childrenswear

- Licensing revenue decreased by 19% at both constant and reported FX
- Excluding £10.6m from the terminated fragrance licence relationship in H1 2012, licensing revenue increased by 2% underlying (up 1% at reported FX)
- This is consistent with full year guidance of slightly positive growth at constant FX

In Japan, royalty income 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, watches and eyewear delivered double-digit percentage revenue growth in the half. The Spark eyewear collection performed well and The Britain watch continued to post good growth, particularly in retail. Burberry continues to work with its licence partners to rationalise and elevate distribution in line with the luxury positioning of the core business.

Operating profit analysis

Adjusted operating profit

| £ million | Six months to 30 September | | % change | |
|----------------------------------|-------------------------------|--------------|----------------|------------|
| | 2013 | 2012 | reported FX | underlying |
| Retail/wholesale | 137.6 | 128.9 | 7 | 4 |
| Licensing | 36.0 | 44.7 | (20) | (19) |
| Adjusted operating profit | 173.6 | 173.6 | nc | (2) |
| <i>Adjusted operating margin</i> | <i>16.8%</i> | <i>19.7%</i> | | |

Adjusted operating profit was unchanged year-on-year at £173.6m. As guided at the preliminary results in May 2013, profit was impacted by lower wholesale revenue, the dilutive impact of the Beauty transition from licensing to direct operation and a higher performance-related pay charge. These factors were offset by strong revenue growth in retail and a £3.7m translation benefit from exchange rates. If current exchange rates persist for the balance of the year, this translation benefit is expected to reverse during the second half.

Adjusted retail/wholesale operating profit

| £ million | Six months to 30 September | | % change reported FX |
|---|-------------------------------|--------------|----------------------------|
| | 2013 | 2012 | |
| Revenue | 989.1 | 829.9 | 19 |
| Cost of sales | (304.8) | (255.5) | (19) |
| Gross margin | 684.3 | 574.4 | 19 |
| <i>Gross margin</i> | 69.2% | 69.2% | |
| Operating expenses | (546.7) | (445.5) | (23) |
| Adjusted operating profit | 137.6 | 128.9 | 7 |
| <i>Operating expenses as a % of sales</i> | 55.3% | 53.7% | |
| <i>Adjusted operating margin</i> | 13.9% | 15.5% | |

Adjusted retail/wholesale operating profit grew by 7% to £137.6m, including a first-time contribution from Beauty of £6.1m and a £4.1m translation benefit from exchange rates.

Gross margin in the half was flat year-on-year at 69.2%. The net benefit from FX, the continued mix shift to retail and modest price increases in apparel and accessories helped offset the dilutive impact of Beauty in this transition period. Operating expenses increased by £101m. About one-quarter of this came from new retail space, one-quarter from Beauty, with the balance from general inflation, increased investment in marketing and IT, a higher performance-related pay charge (£8m) and volume-related increases, predominantly turnover rent, sales commissions and distribution.

Licensing operating profit

| £ million | Six months to 30 September | | % change reported FX |
|-------------------------|-------------------------------|-------------|----------------------------|
| | 2013 | 2012 | |
| Revenue | 42.4 | 52.6 | (19) |
| Cost of sales | - | - | - |
| Gross margin | 42.4 | 52.6 | (19) |
| <i>Gross margin</i> | 100% | 100% | |
| Operating expenses | (6.4) | (7.9) | 18 |
| Operating profit | 36.0 | 44.7 | (20) |
| <i>Operating margin</i> | 84.9% | 85.0% | |

As previously discussed, excluding £10.6m from the terminated fragrance licence relationship in H1 2012, licensing revenue increased by 2% underlying (up 1% at reported FX). Reflecting the direct operation of Beauty, operating expenses year-on-year reduced. With a negative £0.4m translation impact, profit was £36.0m.

Exceptional items

| £ million | Six months to 30 September | |
|---|-------------------------------|---------------|
| | 2013 | 2012 |
| Amortisation of beauty licence intangible | (7.5) | - |
| China put option liability finance (charge)/credit | (7.4) | 11.7 |
| Termination of beauty licence relationship | - | (73.8) |
| Restructuring credit | - | 0.6 |
| | <u>(14.9)</u> | <u>(61.5)</u> |

The charge of £7.5m relates to the amortisation of the 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)/credit relates to fair value movements, including the discount unwind, on the put option liability over the non-controlling interest in the acquired Chinese business. The charge in the first half was £7.4m compared to a £11.7m credit in 2012 (this credit largely reflected the adjustment made in H1 2012 to reflect lower growth assumptions at the time for the Chinese luxury goods market).

Non-controlling interest

The movement in the profit attributable to the non-controlling interest from £0.5m in H1 2012 to £3.8m in H1 2013 partly reflects Burberry taking effective full ownership of the small loss-making retail business in Japan.

Taxation

The effective rate of tax on adjusted profit for FY 2014 is estimated to be 25.0% (FY 2013: 25.8%). This 25.0% is the rate applied in H1 2013 (H1 2012: 25.0%). Tax on exceptional items has been recognised as appropriate. The resulting effective tax rate on H1 reported profit is 26.7% (H1 2012: 23.7%).

Net cash

Net cash at 30 September 2013 was £208m, compared to £297m at 31 March 2013 and £237m at 30 September 2012 (which was before the £144m payment to terminate the fragrance and beauty licence relationship in the second half of last year). Major outflows in the first half included a £119m working capital outflow (part seasonal, part due to Beauty), capital expenditure of £63m (with the retail spend split evenly by region and between flagship and other markets), £65m tax paid and a £92m dividend payment.

Inventory at 30 September 2013 was £430m (2012: £353m). Of the £77m increase, nearly £50m was in Beauty, resulting in an underlying increase of 9% compared to retail sales growth of 17%.

Outlook

Retail: In FY 2014, net new openings are still planned to contribute low to mid single-digit percentage growth to retail revenue. Burberry plans to open about 25 mainline stores and close about 15, while now opening about 15 concessions and closing about the same number.

Wholesale: Excluding Beauty, Burberry expects underlying wholesale revenue to increase by a mid to high single-digit percentage in the six months to 31 March 2014 (2013: £220m). The Americas, Asia travel retail and emerging market franchisees are planned to deliver good growth, with continuing account rationalisation in Europe.

For FY 2014, Beauty is planned to deliver wholesale revenue of about £140m and incremental retail/wholesale profit of around £10m, reflecting the complex transition period and additional marketing investment behind fragrance launches.

Licensing: In FY 2013, licensing revenue, excluding £27m royalty income from fragrance and beauty, was £82m. In FY 2014, Burberry still expects growth from this level to be slightly positive at constant FX.

Capital expenditure: Spend of around £200m is still planned for FY 2014, with about two-thirds going to retail projects.

Retail/wholesale profit: In FY 2013, Burberry achieved an operating margin of 17.1%, excluding the benefit of a lower performance-related pay charge. For FY 2014, Burberry continues to aim for a modest increase from that level, although there will be a dilutive impact from Beauty in this transitional year.

APPENDIX

Retail/wholesale revenue by destination

| £ million | Six months to 30 September | | % growth | |
|--------------------|-------------------------------|-------|----------------|------------|
| | 2013* | 2012 | reported FX | underlying |
| Asia Pacific | 353.9 | 298.7 | 18 | 15 |
| EMEIA [#] | 386.7 | 328.4 | 18 | 14 |
| Americas | 248.5 | 202.8 | 23 | 20 |
| | 989.1 | 829.9 | 19 | 16 |

* Includes first-time contribution of Beauty wholesale revenue, predominantly in Americas and EMEIA

[#] From 1 April 2013, Europe and Rest of World integrated to form Europe, Middle East, India and Africa (EMEIA)

Retail/wholesale revenue by product division

| £ million | Six months to 30 September | | % growth | |
|---------------------|-------------------------------|-------|----------------|------------|
| | 2013 | 2012 | reported FX | underlying |
| Accessories* | 360.8 | 322.2 | 12 | 9 |
| Womens | 300.4 | 265.5 | 13 | 10 |
| Mens | 236.2 | 206.7 | 14 | 11 |
| Childrens | 37.9 | 33.2 | 14 | 11 |
| Beauty [#] | 53.8 | 2.3 | - | - |
| | 989.1 | 829.9 | 19 | 16 |

* H1 2012 accessories revenue restated to exclude Beauty retail sales (£2.3m)

[#] H1 2013 Beauty revenue is £51.0m of wholesale revenue and £2.8m retail. H1 2012 revenue retail only (£2.3m)

Store portfolio

| | Directly-operated stores | | | | Total | Franchise stores |
|----------------------|--------------------------|-------------|---------|--|-------|---------------------|
| | Stores | Concessions | Outlets | | | |
| At 31 March 2013 | 206 | 214 | 49 | | 469 | 65 |
| Additions | 14 | 7 | 3 | | 24 | 3 |
| Closures | (8) | (6) | - | | (14) | (2) |
| At 30 September 2013 | 212 | 215 | 52 | | 479 | 66 |

Store portfolio by region

| At 30 September 2013 | Directly-operated stores | | | | Total | Franchise stores |
|----------------------|--------------------------|-------------|---------|--|-------|---------------------|
| | Stores | Concessions | Outlets | | | |
| Asia Pacific | 59 | 153 | 12 | | 224 | 16 |
| EMEIA | 73 | 60 | 23 | | 156 | 47 |
| Americas | 80 | 2 | 17 | | 99 | 3 |
| Total | 212 | 215 | 52 | | 479 | 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 60 to 63 of the Annual Report for the year ended 31 March 2013 (a copy of which is available at the Group's website at www.burberrypkc.com) and which are summarised below. These principal risks and uncertainties have remained unchanged.

Summary of principal risks set out in the Annual Report

Sustained economic slowdown

The Group's performance remains strong; however, the sustained economic slowdown has: (i) reduced consumer wealth leading to a reduction in demand; (ii) impacted 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) impacted the financial stability and recovery of banks and other financial institutions, all of which would impact sales and profitability.

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.

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.

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.

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.

Failure to adequately complete the Beauty transition

The failure to adequately complete the Beauty transition would adversely affect the Group's return on investment. In addition, this incremental activity could divert management resources resulting in an adverse impact on the Group's existing business. This could result in a failure by the Group to deliver revenue and profit performance.

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.

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.

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.

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 2013 £m | Six months to 30 September 2012 £m | Audited Year to 31 March 2013 £m |
|---|------|---|---|--|
| Revenue | 3 | 1,031.5 | 882.5 | 1,998.7 |
| Cost of sales | | (304.8) | (255.5) | (556.7) |
| Gross profit | | 726.7 | 627.0 | 1,442.0 |
| Net operating expenses | | (560.6) | (526.6) | (1,096.2) |
| Operating profit | | 166.1 | 100.4 | 345.8 |
| Financing | | | | |
| Finance income | | 1.9 | 1.6 | 3.4 |
| Finance expense | | (1.6) | (1.8) | (3.7) |
| Other financing (charges)/income | | (7.4) | 11.7 | 5.2 |
| Net finance (charge)/income | | (7.1) | 11.5 | 4.9 |
| Profit before taxation | | 159.0 | 111.9 | 350.7 |
| Taxation | 5 | (42.5) | (26.5) | (91.5) |
| Profit for the period from continuing operations | | 116.5 | 85.4 | 259.2 |
| Profit for the period from discontinued operations | | – | 0.1 | – |
| Profit for the period | | 116.5 | 85.5 | 259.2 |
| Attributable to: | | | | |
| Owners of the Company | | 112.7 | 85.0 | 254.3 |
| Non-controlling interest | | 3.8 | 0.5 | 4.9 |
| Profit for the period | | 116.5 | 85.5 | 259.2 |
| Earnings per share from continuing operations and profit for the period | | | | |
| – basic | 6 | 25.8p | 19.5p | 58.3p |
| – diluted | 6 | 25.2p | 19.1p | 57.0p |
| | | £m | £m | £m |
| Reconciliation of adjusted profit before taxation: | | | | |
| Profit before taxation | | 159.0 | 111.9 | 350.7 |
| Exceptional items: | | | | |
| – amortisation of beauty licence intangible | 4 | 7.5 | – | – |
| – put option liability finance charge/(credit) | 4 | 7.4 | (11.7) | (5.2) |
| – termination of licence relationship | 4 | – | 73.8 | 82.9 |
| – restructuring credit relating to continuing operations | 4 | – | (0.6) | (0.6) |
| Adjusted profit before taxation - non-GAAP measure | | 173.9 | 173.4 | 427.8 |
| Adjusted earnings per share - non-GAAP measure | | | | |
| – basic | 6 | 29.0p | 29.7p | 71.6p |
| – diluted | 6 | 28.4p | 29.0p | 70.0p |
| Dividends per share | | | | |
| – Proposed interim (not recognised as a liability at 30 September) | 7 | 8.80p | 8.00p | 8.00p |
| – Final (not recognised as a liability at 31 March) | 7 | – | – | 21.00p |

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

| | Six months to 30 September 2013 £m | Six months to 30 September 2012 £m | Audited Year to 31 March 2013 £m |
|---|---|---|--|
| Profit for the period | 116.5 | 85.5 | 259.2 |
| Other comprehensive income ⁽¹⁾ : | | | |
| – cash flow hedges | (4.2) | (2.8) | 5.7 |
| – foreign currency translation differences | (32.1) | (6.9) | 36.0 |
| Tax on other comprehensive income: | | | |
| – cash flow hedges | 1.0 | 0.7 | (1.3) |
| – foreign currency translation differences | 3.3 | 0.4 | (1.4) |
| Other comprehensive (expense)/income for the period, net of tax | (32.0) | (8.6) | 39.0 |
| Total comprehensive income for the period | 84.5 | 76.9 | 298.2 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | 83.0 | 76.7 | 291.1 |
| Non-controlling interest | 1.5 | 0.2 | 7.1 |
| | 84.5 | 76.9 | 298.2 |

(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 2013 £m | As at 30 September 2012 £m | Audited As at 31 March 2013 £m |
|--|------|-------------------------------------|-------------------------------------|--|
| ASSETS | | | | |
| Non-current assets | | | | |
| Intangible assets | 8 | 200.6 | 204.1 | 210.2 |
| Property, plant and equipment | 9 | 394.2 | 371.4 | 409.1 |
| Investment properties | | 2.7 | 2.6 | 2.7 |
| Deferred tax assets | | 121.5 | 99.3 | 117.6 |
| Trade and other receivables | 10 | 37.5 | 23.4 | 39.9 |
| Derivative financial assets | | 2.1 | 6.2 | 0.2 |
| | | 758.6 | 707.0 | 779.7 |
| Current assets | | | | |
| Inventories | | 429.8 | 352.6 | 351.0 |
| Trade and other receivables | 10 | 232.2 | 191.3 | 159.6 |
| Derivative financial assets | | 6.2 | 1.6 | 20.1 |
| Income tax receivables | | 9.5 | 8.1 | 9.4 |
| Cash and cash equivalents | | 323.6 | 380.3 | 426.4 |
| | | 1,001.3 | 933.9 | 966.5 |
| Assets classified as held for sale | | – | 7.8 | – |
| | | 1,001.3 | 941.7 | 966.5 |
| Total assets | | 1,759.9 | 1,648.7 | 1,746.2 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Trade and other payables | 11 | (113.4) | (96.2) | (108.0) |
| Deferred tax liabilities | | (0.8) | (1.1) | (0.8) |
| Derivative financial liabilities | | – | (2.7) | (0.7) |
| Retirement benefit obligations | | (0.5) | (0.5) | (0.6) |
| Provisions for other liabilities and charges | 12 | (16.5) | (17.9) | (19.8) |
| | | (131.2) | (118.4) | (129.9) |
| Current liabilities | | | | |
| Bank overdrafts and borrowings | 13 | (115.3) | (143.1) | (129.8) |
| Derivative financial liabilities | | (1.0) | (3.2) | (0.1) |
| Trade and other payables | 11 | (378.4) | (458.2) | (339.8) |
| Provisions for other liabilities and charges | 12 | (14.4) | (6.2) | (12.9) |
| Income tax liabilities | | (55.9) | (55.4) | (80.9) |
| | | (565.0) | (666.1) | (563.5) |
| Total liabilities | | (696.2) | (784.5) | (693.4) |
| Net assets | | 1,063.7 | 864.2 | 1,052.8 |
| EQUITY | | | | |
| Capital and reserves attributable to owners of the Company | | | | |
| Ordinary share capital | 14 | 0.2 | 0.2 | 0.2 |
| Share premium account | | 204.2 | 203.4 | 203.6 |
| Capital reserve | | 37.1 | 33.5 | 37.0 |
| Hedging reserve | | 6.1 | 2.8 | 9.3 |
| Foreign currency translation reserve | | 124.4 | 112.4 | 151.0 |
| Retained earnings | | 653.7 | 487.2 | 615.9 |
| | | 1,025.7 | 839.5 | 1,017.0 |
| Non-controlling interests in equity | | 38.0 | 24.7 | 35.8 |
| Total equity | | 1,063.7 | 864.2 | 1,052.8 |

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY – UNAUDITED

| | Attributable to owners of the Company | | | | Total £m | Non- controlling interest £m | Total equity £m | |
|---|---------------------------------------|------------------------------------|-----------------------------------|-------------------------|--------------|---------------------------------------|-----------------------|----------------------------|
| | Note | Ordinary share capital £m | Share premium account £m | Other reserves £m | | | | Retained earnings £m |
| Balance as at 1 April 2012 | | 0.2 | 202.6 | 157.4 | 507.1 | 867.3 | 24.1 | 891.4 |
| Profit for the period | | – | – | – | 85.0 | 85.0 | 0.5 | 85.5 |
| Other comprehensive income: | | | | | | | | |
| Cash flow hedges – losses deferred in equity | | – | – | (3.6) | – | (3.6) | – | (3.6) |
| Cash flow hedges – losses transferred to income | | – | – | 0.8 | – | 0.8 | – | 0.8 |
| Foreign currency translation differences | | – | – | (6.6) | – | (6.6) | (0.3) | (6.9) |
| Tax on other comprehensive income | | – | – | 1.1 | – | 1.1 | – | 1.1 |
| Total comprehensive (expense)/income for the period | | – | – | (8.3) | 85.0 | 76.7 | 0.2 | 76.9 |
| Transfer between reserves | | – | – | (0.4) | 0.4 | – | – | – |
| Transactions with owners: | | | | | | | | |
| Employee share incentive scheme | | | | | | | | |
| – value of share awards granted | | – | – | – | 10.2 | 10.2 | – | 10.2 |
| – value of share awards transferred to liabilities | | – | – | – | (0.9) | (0.9) | – | (0.9) |
| – tax on share awards granted | | – | – | – | (7.8) | (7.8) | – | (7.8) |
| – exercise of share awards | | – | 0.8 | – | – | 0.8 | – | 0.8 |
| Sale of own shares by ESOP trusts | | – | – | – | – | – | – | – |
| Purchase of own shares by ESOP trusts | | – | – | – | (28.2) | (28.2) | – | (28.2) |
| Capital contribution by non-controlling interest | | – | – | – | – | – | 0.4 | 0.4 |
| Dividend paid in the period | | – | – | – | (78.6) | (78.6) | – | (78.6) |
| Balance as at 30 September 2012 | | 0.2 | 203.4 | 148.7 | 487.2 | 839.5 | 24.7 | 864.2 |
| 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 (expense)/income for the period | | – | – | (29.7) | 112.7 | 83.0 | 1.5 | 84.5 |
| Transactions with owners: | | | | | | | | |
| Employee share incentive scheme | | | | | | | | |
| – value of share awards granted | | – | – | – | 17.0 | 17.0 | – | 17.0 |
| – value of share awards transferred to liabilities | | – | – | – | (0.5) | (0.5) | – | (0.5) |
| – tax on share awards 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 |

CONDENSED GROUP STATEMENT OF CASH FLOWS - UNAUDITED

| | Note | Six months to 30 September 2013 £m | Six months to 30 September 2012 £m | Audited Year to 31 March 2013 £m |
|---|------|---|---|--|
| Cash flows from operating activities | | | | |
| Operating profit | | 166.1 | 100.4 | 345.8 |
| Operating profit from discontinued operations | | – | 0.1 | – |
| Termination of licence relationship | 4 | – | 73.8 | 71.3 |
| Depreciation | | 52.7 | 40.9 | 94.5 |
| Amortisation | | 16.3 | 7.7 | 16.7 |
| Net impairment charges | 9 | 1.4 | 2.4 | 11.3 |
| Loss on disposal of property, plant and equipment and intangible assets | | – | 0.1 | 0.1 |
| (Gains)/losses on derivative instruments | | (7.7) | 11.0 | 2.0 |
| Charges in respect of employee share incentive schemes | | 17.0 | 10.2 | 24.9 |
| Proceeds from settlement of equity swap contracts | | 15.7 | – | – |
| Increase in inventories | | (79.1) | (42.3) | (39.2) |
| Increase in receivables | | (70.6) | (48.1) | (32.0) |
| Increase/(decrease) in payables | | 30.4 | (17.9) | 27.6 |
| Cash generated from operating activities | | 142.2 | 138.3 | 523.0 |
| Interest received | | 1.9 | 1.6 | 3.5 |
| Interest paid | | (1.5) | (1.0) | (2.6) |
| Taxation paid | | (65.4) | (46.8) | (99.0) |
| Net cash generated from operating activities | | 77.2 | 92.1 | 424.9 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | | (51.2) | (79.3) | (158.1) |
| Purchase of intangible assets | | (11.8) | (9.5) | (17.8) |
| Payment to terminate licence relationship | | – | – | (144.1) |
| Proceeds from sale of asset held for sale | | – | 0.1 | 0.1 |
| Acquisition of subsidiary, net of cash acquired | | (1.1) | (1.0) | (1.0) |
| Net cash outflow from investing activities | | (64.1) | (89.7) | (320.9) |
| Cash flows from financing activities | | | | |
| Dividends paid in the year | | (92.1) | (78.6) | (113.5) |
| Capital contributions by non-controlling interest | | 0.7 | 0.4 | 0.4 |
| Issue of ordinary share capital | | 0.6 | 0.8 | 1.0 |
| Sale of own shares by ESOP trusts | | 1.5 | – | – |
| Purchase of own shares by ESOP trusts | | (6.8) | (28.2) | (46.4) |
| Repayments of borrowings | | – | – | (1.3) |
| Net cash outflow from financing activities | | (96.1) | (105.6) | (159.8) |
| Net decrease in cash and cash equivalents | | (83.0) | (103.2) | (55.8) |
| Effect of exchange rate changes | | (5.3) | 2.1 | 12.8 |
| Cash and cash equivalents at beginning of period | | 296.6 | 339.6 | 339.6 |
| Cash and cash equivalents at end of period | | 208.3 | 238.5 | 296.6 |

| | Note | As at 30 September 2013 £m | As at 30 September 2012 £m | Audited As at 31 March 2013 £m |
|---|------|-------------------------------------|-------------------------------------|--|
| ANALYSIS OF NET CASH | | | | |
| Cash and cash equivalents as per the Balance Sheet | | 323.6 | 380.3 | 426.4 |
| Bank overdrafts | 13 | (115.3) | (141.8) | (129.8) |
| Cash and cash equivalents as per the Statement of Cash Flows | | 208.3 | 238.5 | 296.6 |
| Bank and other borrowings | 13 | – | (1.3) | – |
| Net cash | | 208.3 | 237.2 | 296.6 |

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 2013, and the Condensed Group Balance Sheet as at 30 September 2013 and related notes have been reviewed by the auditors and their report to the Company is set out on page 33. 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 2013 were approved by the Board of Directors on 20 May 2013 and have been filed with the Registrar of Companies. The report of the auditors on the statutory accounts for the year ended 31 March 2013 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 2013 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 2013, 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 2013.

Accounting policies

Accounting policies and presentation are consistent with those applied in the Group's financial statements for the year ended 31 March 2013, as set out on pages 115 to 122 of those financial statements, with the exception of taxation and any new standards, amendments and interpretations that are effective and have been adopted from 1 April 2013, as listed below.

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

A number of new standards, amendments and interpretations are effective and have been adopted for the first time by the Group from 1 April 2013. Those which have a material impact on the condensed consolidated interim financial statements of the Group are:

IFRS 13 Fair value measurement

This standard establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures.

The application of IFRS 13 has not had a material impact on the fair value measurement of the Group's assets and liabilities. Some of the additional disclosures in IFRS 13 are specifically required under IAS 34. The Group's condensed consolidated interim financial statements for the period ended 30 September 2013 have been updated to reflect these disclosures accordingly (refer to note 11 and note 17).

In line with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures.

Amendment to IAS 1 Financial statement presentation

The amendment required entities to group items presented in Other Comprehensive Income on the basis of whether or not they will be recycled through profit or loss at a later date, when specific conditions are met. The amendments were effective from 1 July 2012, and have been adopted by the Group from 1 April 2013. The impact on the Group has been limited to presentation.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Accounting policies and basis of preparation (continued)

The Group has elected to early adopt the following new standards as of 1 April 2013, which have been issued, endorsed by the EU and are effective from 1 January 2014.

IFRS 10 Consolidated financial statements

This standard establishes the principles for the presentation and preparation of consolidated financial statements and replaces similar principles set out in IAS 27 Consolidated and separate financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a new control model that is applicable to all investees, where control is defined as whether the investor has power over an investee; exposure or rights to variable returns from its involvement with the investee; and ability to use its power to affect those returns. The adoption of this new standard has had no impact on the consolidation of investments held by the Group and there has been no impact on the financial position or financial performance of the Group.

IFRS 11 Joint arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-Monetary Contributions by Ventures, and removes the option to account for jointly-controlled entities using proportionate consolidation. The standard is applicable for annual periods beginning on or after 1 January 2014 and has been endorsed by the EU. Currently the Group does not hold any interests in joint arrangements, and therefore the adoption of this new standard has had no impact on the financial position or financial performance of the Group.

IFRS 12 Disclosures of interests in other entities

This standard requires disclosure of information about the nature of, and risks associated with, the Group's interests in other entities, as well as the impact of these interests on the Group's financial position, financial performance and cash flows. The standard is applicable for annual periods beginning on or after 1 January 2014 and has been endorsed by the EU. The impact of adopting this new standard will be limited to disclosure, which will be made in the annual report for the year ended 31 March 2014. None of the disclosure requirements are applicable for interim condensed consolidated financial statements under IAS 34.

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 2013, as set out on pages 114 and 115 of those financial statements, with the exception of taxation, as described above, and the initial valuation of the fragrance and beauty intangible which is not relevant to the current period.

Adjusted profit before taxation and exceptional items

Exceptional items include those items that are largely one-off and material in nature. Fair value movements on options held over equity interests, which are held for the purpose of future business developments, rather than speculative purposes, are also considered to be exceptional items and are separately presented in the Income Statement. These items are added back/deducted from profit/loss before taxation to arrive at adjusted profit/loss before taxation. These 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. These measures are disclosed in order to provide additional consideration of the underlying performance of the Group's ongoing business.

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, prestige department stores globally and multi-brand specialty accounts. The flow of global product between retail and wholesale channels and across our regions is monitored and optimised at a corporate level and implemented via the Group's inventory hubs situated in Asia, Europe and the USA.

Licensing revenues are generated through the receipt of royalties from the Group's partners in Japan and global licensees of eyewear, watches and European childrenswear. Licensing revenue from royalties received under the fragrance and beauty licence has been included in the licensing segment up until 31 March 2013. From 1 April 2013, following the termination of the licence relationship, revenue from the sale of fragrance and beauty products is reported as part of the retail/wholesale segment.

The Board assesses channel performance based on a measure of adjusted operating profit. This measurement basis excludes the effects of exceptional 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 2013 £m | Six months to 30 September 2012 £m | Six months to 30 September 2013 £m | Six months to 30 September 2012 £m | Six months to 30 September 2013 £m | Six months to 30 September 2012 £m |
| Retail | 694.5 | 576.8 | – | – | 694.5 | 576.8 |
| Wholesale | 294.6 | 253.1 | – | – | 294.6 | 253.1 |
| Licensing | – | – | 43.5 | 53.3 | 43.5 | 53.3 |
| Total segment revenue | 989.1 | 829.9 | 43.5 | 53.3 | 1,032.6 | 883.2 |
| Inter-segment revenue ⁽¹⁾ | – | – | (1.1) | (0.7) | (1.1) | (0.7) |
| Revenue from external customers | 989.1 | 829.9 | 42.4 | 52.6 | 1,031.5 | 882.5 |
| Adjusted operating profit | 137.6 | 128.9 | 36.0 | 44.7 | 173.6 | 173.6 |
| Exceptional items ⁽²⁾ | | | | | (14.9) | (61.5) |
| Finance income | | | | | 1.9 | 1.6 |
| Finance expense | | | | | (1.6) | (1.8) |
| Profit before taxation | | | | | 159.0 | 111.9 |

| Year to 31 March 2013 | Retail / Wholesale | | Licensing | | Total | |
|--------------------------------------|--------------------|--|-----------|--|---------|--|
| | £m | | £m | | £m | |
| Retail | 1,416.6 | | – | | 1,416.6 | |
| Wholesale | 472.7 | | – | | 472.7 | |
| Licensing | – | | 111.4 | | 111.4 | |
| Total segment revenue | 1,889.3 | | 111.4 | | 2,000.7 | |
| Inter-segment revenue ⁽¹⁾ | – | | (2.0) | | (2.0) | |
| Revenue from external customers | 1,889.3 | | 109.4 | | 1,998.7 | |
| Adjusted operating profit | 335.6 | | 92.5 | | 428.1 | |
| Exceptional items ⁽²⁾ | | | | | (77.1) | |
| Finance income | | | | | 3.4 | |
| Finance expense | | | | | (3.7) | |
| Profit before taxation | | | | | 350.7 | |

(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 exceptional items.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis (continued)

| Revenue by destination | Six months to 30 September 2013 £m | Six months to 30 September 2012 ⁽²⁾ £m | Year to 31 March 2013 ⁽²⁾ £m |
|------------------------|---|--|--|
| Asia Pacific | 353.9 | 298.7 | 745.3 |
| EMEIA ⁽¹⁾ | 386.7 | 328.4 | 680.7 |
| Americas | 248.5 | 202.8 | 463.3 |
| Retail/Wholesale | 989.1 | 829.9 | 1,889.3 |
| Licensing | 42.4 | 52.6 | 109.4 |
| Total | 1,031.5 | 882.5 | 1,998.7 |

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

(2) As a result of an internal reorganisation, the Europe and Rest of World divisions were integrated to form EMEIA. The results for the six months ended 30 September 2012 and the year ended 31 March 2013 have been re-presented to reflect this organisational change.

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. Exceptional items

Amortisation of 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 fragrance and beauty products through retail and wholesale channels rather than under licence. 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 exceptional item, in line with the treatment of the associated licence termination payment in the year ended 31 March 2013. The amortisation expense recognised for the six months ended 30 September 2013 was £7.5m. A related tax credit of £0.9m has also been recognised in the current period.

Put option liability finance income/charge

The exceptional financing charge of £7.4m for the six months ended 30 September 2013 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 2012: credit of £11.7m; year ended 31 March 2013: credit of £5.2m). No tax has been recognised on this item, as it is not considered to be deductible for tax purposes.

Termination of licence relationship

During the year ended 31 March 2013, a total of £82.9m was recognised as an exceptional item relating to the termination of the fragrance and beauty licence relationship with Interparfums SA (six months ended 30 September 2012: £73.8m). A tax credit of £19.1m was recognised on this exceptional charge in the same period (six months ended 30 September 2012: £17.0m). The manufacture and distribution of fragrance and beauty products has been directly operated by the Group since 1 April 2013. No further costs relating to this transaction have been recognised as exceptional in the current period.

Restructuring

No exceptional restructuring items have been recognised in the six months ended 30 September 2013.

During the six months ended 30 September 2012, an exceptional credit was recognised for the release of £0.6m of the restructuring provision held in respect of the cost efficiency programme announced in the year ended 31 March 2009. A tax charge of £0.1m was recognised in relation to this exceptional credit in the same period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. Taxation

The tax charge for the six months ended 30 September 2013 has been calculated based on an estimated effective underlying rate of tax on adjusted profit before taxation for the full year of 25.0% (30 September 2012: 25.0%; 31 March 2013: 25.8%). Tax on exceptional items has been recognised at the prevailing tax rates as appropriate. The resulting effective tax rate on reported profit before taxation is 26.7% (30 September 2012: 23.7%; 31 March 2013: 26.1%).

Reductions in the UK corporate tax rate to 21% for the 2014/2015 year and 20% for the 2015/2016 year were substantively enacted in the Finance Act 2013. The full year effective tax rate on adjusted profit before taxation and on exceptional items takes into account the impact of these future tax rate changes on deferred tax balances.

Total taxation recognised in the Condensed Group Income Statement comprises:

| | Six months to 30 September 2013 £m | Six months to 30 September 2012 £m | Year to 31 March 2013 £m |
|--|---|---|-----------------------------------|
| Tax on adjusted profit before taxation | 43.4 | 43.4 | 110.5 |
| Tax on exceptional items (note 4) | (0.9) | (16.9) | (19.0) |
| Total taxation charge | 42.5 | 26.5 | 91.5 |

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 2013 £m | Six months to 30 September 2012 £m | Year to 31 March 2013 £m |
|--|---|---|-----------------------------------|
| Attributable profit for the period before exceptional items ⁽¹⁾ and discontinued operations | 126.7 | 129.5 | 312.4 |
| Effect of exceptional items ⁽¹⁾ (after taxation) | (14.0) | (44.6) | (58.1) |
| Attributable profit for the period from continuing operations | 112.7 | 84.9 | 254.3 |
| Attributable profit from discontinued operations | – | 0.1 | – |
| Attributable profit for the period | 112.7 | 85.0 | 254.3 |

(1) Refer to Condensed Group Income Statement for the details of exceptional 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 2013 Millions | Six months to 30 September 2012 Millions | Year to 31 March 2013 Millions |
|--|---|---|---|
| Weighted average number of ordinary shares in issue during the period | 437.5 | 436.4 | 436.2 |
| Dilutive effect of the share incentive schemes | 9.0 | 9.5 | 10.3 |
| Diluted weighted average number of ordinary shares in issue during the period | 446.5 | 445.9 | 446.5 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. Dividends

The interim dividend of 8.80p (2012: 8.00p) per share has been approved by the Board of Directors after 30 September 2013. Accordingly, this dividend has not been recognised as a liability at the period end.

The interim dividend will be paid on 24 January 2014 to Shareholders on the Register at the close of business on 27 December 2013.

A dividend of 21.00p (2012: 18.00p) per share was paid during the period ended 30 September 2013 in relation to the year ended 31 March 2013.

8. Intangible assets

Goodwill at 30 September 2013 is £82.4m (2012: £80.8m).

There were additions to other intangible assets of £11.0m in the period (2012: £78.0m). Of the £78.0m additions in the prior period, £70.9m related to the termination of the licence relationship with Interparfums SA.

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 2013. Management has performed a review for indicators of impairment as at 30 September 2013. There is no indication that the goodwill may be impaired. The annual impairment test will be performed at 31 March 2014.

9. Property, plant and equipment

In the period there were additions to property, plant and equipment of £56.6m (2012: £91.9m) and disposals with a net book value of £nil (2012: £0.1m).

Capital commitments contracted but not provided for by the Group amounted to £50.2m (2012: £37.8m).

Impairment testing

For the six months ended 30 September 2013, a net impairment charge of £1.4m (2012: £2.4m) was identified.

Where indicators of impairment were identified, the impairment review compared the value-in-use of the assets to the carrying values at 30 September 2013. 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 country's economic conditions. 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 2013 £m | As at 30 September 2012 £m | As at 31 March 2013 £m |
|---|-------------------------------------|-------------------------------------|---------------------------------|
| Non-current | | | |
| Deposits and other receivables | 27.7 | 19.4 | 29.3 |
| Prepayments | 9.8 | 4.0 | 10.6 |
| Total non-current trade and other receivables | 37.5 | 23.4 | 39.9 |
| Current | | | |
| Trade receivables | 173.8 | 144.7 | 116.6 |
| Provision for doubtful debts | (5.9) | (8.2) | (7.3) |
| Net trade receivables | 167.9 | 136.5 | 109.3 |
| Other financial receivables | 14.9 | 9.6 | 10.4 |
| Other non-financial receivables | 16.2 | 17.7 | 15.2 |
| Prepayments | 32.0 | 23.1 | 21.6 |
| Accrued income | 1.2 | 4.4 | 3.1 |
| Total current trade and other receivables | 232.2 | 191.3 | 159.6 |
| Total trade and other receivables | 269.7 | 214.7 | 199.5 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Trade and other payables

| | As at 30 September 2013 £m | As at 30 September 2012 ⁽¹⁾ £m | As at 31 March 2013 ⁽¹⁾ £m |
|--|-------------------------------------|--|--|
| Non-current | | | |
| Put option liability over non-controlling interest | 58.7 | 45.5 | 55.0 |
| Other payables | 4.6 | 8.0 | 5.1 |
| Deferred income and non-financial accruals | 50.1 | 42.7 | 47.9 |
| Total non-current trade and other payables | 113.4 | 96.2 | 108.0 |
| Current | | | |
| Trade payables | 149.9 | 132.8 | 118.2 |
| Other taxes and social security costs | 43.2 | 35.8 | 43.6 |
| Deferred consideration | – | 1.0 | 1.1 |
| Other payables | 10.6 | 150.3 | 9.1 |
| Accruals | 142.1 | 115.2 | 140.6 |
| Deferred income and non-financial accruals | 32.6 | 23.1 | 27.2 |
| Total current trade and other payables | 378.4 | 458.2 | 339.8 |
| Total trade and other payables | 491.8 | 554.4 | 447.8 |

(1) As at 30 September 2012 and as at 31 March 2013, £11.9m and £19.0m respectively was reclassified from Deferred income and non-financial accruals to Other taxes and social security costs, as this was more reflective of the nature of these liabilities.

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 has been recognised as a non-current financial liability under IAS 39.

The value of the put option liability is £58.7m at the period end (30 September 2012: £45.5m; 31 March 2013: £55.0m). The movement in the liability for the period includes an increase of £7.4m 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 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 are the future performance of the Group's business in China; the average historic 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 £5.9m increase/decrease in the carrying value of the put option liability at 30 September 2013, and a corresponding £5.9m loss/gain in the profit before taxation for the period ended 30 September 2013.

A 1% increase/decrease in the risk adjusted discount rate for China would result in a £3.7m decrease/£3.9m increase in the carrying value of the put option liability at 30 September 2013, and a corresponding £3.7m gain/£3.9m loss in the profit before taxation for the period ended 30 September 2013.

Ultimately, the put option liability is subject to a contractual cap of £200m. The undiscounted value of the put option liability at 30 September 2013 is £147.6m.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Trade and other payables (continued)

Other payables

At 30 September 2012, a liability of £144.4m was included in other payables, arising from the termination of the fragrance and beauty licence relationship. The Group had an obligation to make a payment to Interparfums SA of €181.2m on 31 December 2012 (£144.4m at the spot rate of €1.25: £1 at 30 September 2012).

12. Provisions for other liabilities and charges

| | Property obligations £m | Restructuring costs £m | Other costs £m | Total £m |
|---|----------------------------|---------------------------|-------------------|-------------|
| As at 1 April 2013 | 25.8 | 1.9 | 5.0 | 32.7 |
| Effect of foreign exchange rate changes | (0.8) | – | – | (0.8) |
| Created during the period | 3.7 | – | 0.2 | 3.9 |
| Discount unwind | 0.1 | – | – | 0.1 |
| Utilised during the period | (1.3) | (0.3) | (0.4) | (2.0) |
| Released during the period | (2.7) | – | (0.3) | (3.0) |
| As at 30 September 2013 | 24.8 | 1.6 | 4.5 | 30.9 |
| As at 30 September 2012 | 20.2 | 2.1 | 1.8 | 24.1 |

| | As at 30 September 2013 £m | As at 30 September 2012 £m | As at 31 March 2013 £m |
|-------------------------------|-------------------------------------|-------------------------------------|---------------------------------|
| Analysis of total provisions: | | | |
| Non-current | 16.5 | 17.9 | 19.8 |
| Current | 14.4 | 6.2 | 12.9 |
| Total | 30.9 | 24.1 | 32.7 |

13. Bank overdrafts and borrowings

| | As at 30 September 2013 £m | As at 30 September 2012 £m | As at 31 March 2013 £m |
|------------------|-------------------------------------|-------------------------------------|---------------------------------|
| Unsecured | | | |
| Bank overdrafts | 115.3 | 141.8 | 129.8 |
| Bank borrowings | – | 0.8 | – |
| Other borrowings | – | 0.5 | – |
| Total | 115.3 | 143.1 | 129.8 |

Included within bank overdrafts is £110.0m (2012: £138.1m) representing balances on cash pooling arrangements in the Group. The remaining overdrafts of £5.3m (2012: £3.7m) 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 2013, there were no outstanding drawings (2012: £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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. Share capital and other reserves

| | Number of shares million | Share capital £m |
|---|-----------------------------|---------------------|
| Allotted, called up and fully paid share capital | | |
| As at 1 April 2012 | 438.8 | 0.2 |
| Allotted on exercise of options during the period | 3.1 | – |
| As at 30 September 2012 | 441.9 | 0.2 |
| 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 |

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 2013 the amount held against this reserve was £61.0m (2012: £70.0m). As at 30 September 2013, ESOP trusts held 4.7m shares (2012: 5.6m) in the Company, with a market value of £76.7m (2012: £55.8m). In the six months ended 30 September 2013 the Burberry Group plc ESOP trust waived its entitlement to dividends of £0.9m (2012: £0.6m).

15. Related party disclosures

The Group's significant related parties are disclosed in the Annual Report for the year ended 31 March 2013. 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.

The principal exchange rates used were as follows:

| | Average | | |
|-----------------------|---------------------------------------|---------------------------------------|-----------------------------|
| | Six months to 30 September 2013 | Six months to 30 September 2012 | Year to 31 March 2013 |
| Euro | 1.17 | 1.25 | 1.22 |
| US dollar | 1.54 | 1.58 | 1.58 |
| Hong Kong dollar | 11.99 | 12.27 | 12.25 |
| Korean won | 1,722 | 1,810 | 1,758 |
| Chinese yuan renminbi | 9.49 | 10.02 | 9.91 |

| | Closing | | |
|-----------------------|-------------------------------|-------------------------------|---------------------------|
| | As at 30 September 2013 | As at 30 September 2012 | As at 31 March 2013 |
| Euro | 1.20 | 1.25 | 1.18 |
| US dollar | 1.62 | 1.62 | 1.52 |
| Hong Kong dollar | 12.55 | 12.53 | 11.79 |
| Korean won | 1,740 | 1,797 | 1,691 |
| Chinese yuan renminbi | 9.91 | 10.15 | 9.44 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. Foreign currency (continued)

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 128.7: £1 in the six months ended 30 September 2013 (six months ended 30 September 2012: Yen 125.3: £1; year ended 31 March 2013: Yen 126.9: £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 ⁽¹⁾ |
|---|-----------------------------|------------------------------------|---|
| 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 ⁽²⁾ | 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) The fair value measurement hierarchy is only applicable for financial instruments measured at fair value.

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

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.

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.

There were no transfers of financial instruments between the levels of the fair value hierarchy during the six months ended 30 September 2013.

There were no non-recurring fair value measurements of financial instruments during the six months ended 30 September 2013.

18. Contingent Liabilities

There have been no material changes to the Group's contingent liabilities since 31 March 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

19. Non-controlling interest in Burberry International K.K.

At 31 March 2013, the Group derecognised the non-controlling interest of £4.2m in Burberry International K.K., after acquiring call options, exercisable at a nominal fixed price, over the equity interests held by the minority interest partners, Mitsui and Co., Ltd and Sanyo Shokai Limited.

On 30 April 2013, the Group increased its equity holding in Burberry International K.K. to 71%, as a result of the exercise of an option over the 20% equity stake previously held by Mitsui and Co., Ltd.

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 2013, with the exception of the following changes in the period:

- Stacey Cartwright stepped down on 12 July 2013;
- Carol Fairweather was appointed as an executive director on 11 July 2013; and
- Matthew Key was appointed as a non-executive director on 1 September 2013.

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

By order of the Board

Sir John Peace
Chairman
13 November 2013

Carol Fairweather
Chief Financial Officer
13 November 2013

INDEPENDENT REVIEW REPORT TO BURBERRY GROUP PLC

Introduction

We have been engaged by the Company to review the condensed consolidated interim financial statements in the interim report for the half-year ended 30 September 2013, which comprises the Condensed Group Income Statement, Condensed Group Statement of Comprehensive Income, Condensed Group Balance Sheet, Condensed Group Statement of Changes in Equity, Condensed Group Statement of Cash Flows and the related notes. 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.

Directors' responsibilities

The interim report 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.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial statements included in this interim report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

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 the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, 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.

Scope of review

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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements in the interim report for the half-year ended 30 September 2013 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.

PricewaterhouseCoopers LLP
Chartered Accountants
London 13 November 2013

(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 interim report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information 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: +1 800 301 3517
Tel: International: +1 (718) 921 8137
Email enquiries: DB@amstock.com

Dividends

The interim dividend of 8.80p per share will be paid on 24 January 2014 to shareholders on the register at the close of business on 27 December 2013.

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 shareview.co.uk.

Dividends payable in foreign currencies

Equiniti are able to pay dividends to shareholder bank accounts in over 30 countries 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 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 3 January 2014.

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 shareview.co.uk.

Equiniti offers a range of shareholder information and online at 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 | 14 November 2013 |
| Dividend record date | 27 December 2013 |
| Third quarter trading update | 15 January 2014 |
| Dividend payment date | 24 January 2014 |
| Second half trading update | April 2014 |
| Preliminary results announcement | May 2014 |
| Annual General Meeting | July 2014 |

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

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

Beware of share fraud

Shareholders are advised to beware of share fraud in the form of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. These are typically from overseas-based 'brokers' and fraudsters who use persuasive and high-pressure tactics to lure investors into scams. They often target UK shareholders offering to sell them what often turn out to be worthless or non-existent shares, or to buy shares at an inflated price for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money

How to avoid share fraud:

- Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- If you receive any unsolicited investment advice, do not get into a conversation, note the name of the person and organisation contacting you and then end the call.
- Check the Financial Services Register from fca.org.uk to see if the person and organisation is properly authorised by the FCA.
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- Use the firm's contact details listed on the Financial Services Register if you want to call it back.
- If the firm does not have contact details on the Financial Services Register, or you are told they are out of date, call the FCA consumer helpline on 0800 111 6768.
- Search the list of unauthorised firms to avoid at: fca.org.uk/scams.
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or be eligible to receive Financial Services Compensation Scheme if things go wrong.

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at fca.org.uk/scams or call the FCA consumer helpline on 0800 111 6768.

Website

This Interim Report and other information about the Company, including share price information and details of results announcements, are available on the Company's website at burberryplc.com.