9 November 2016

Burberry Group plc

Interim results for the six months ended 30 September 2016

First half adjusted profit before tax in line with expectations
Good progress on ambitious growth and productivity agenda; on track to deliver financial goals

Highlights for the six months to 30 September 2016

- Financial performance
  - Revenue £1,159m, down 4% underlying (up 5% at reported FX)
    - Retail growth, led by strength in the UK, offset by declines in wholesale and licensing, in part reflecting actions to build and reinforce luxury brand positioning
  - Adjusted profit before tax £146m, down 24% underlying (down 4% at reported FX)
    - Adjusted retail/wholesale profit down 19% underlying (up 3% at reported FX), principally due to lower revenues
    - Licensing profit down £11m due to planned expiry of Japanese licences
  - Reported profit before tax £102m, down 34% after adjusting items reflecting strategic actions
  - Net cash of £529m at September 2016 (2015: £459m), after £69m payment for China and Burberry Middle East non-controlling interests

- Strategic progress
  - Product focus
    - Innovation and newness resonating with customers; strength in bags as continue to develop category
  - Productive space
    - Focus on customer cultivation and retail service; increased investment in global training and expanded Burberry Private Client team
  - E-commerce leadership
    - Digital grew in all regions; launch of redesigned website and strong growth from digital third-parties
  - Operational excellence and Inspired people
    - Simplifying our structure and processes to enhance efficiency and effectiveness; on track to deliver planned cost savings of around £20m in FY 2017
  - Brand reach and engagement building; exceptional response to runway show and collection

- Capital returns to shareholders
  - Additional £50m share buyback to commence upon completion of first £100m, of which £34m completed in the half
  - Interim dividend up 3% to 10.5p

Christopher Bailey, Chief Creative and Chief Executive Officer, commented:
"In May we outlined plans to evolve how we work as a business and to drive Burberry's future growth in a rapidly-changing luxury environment. Since then, we have made good early progress towards realising the significant opportunities ahead of us, as we begin implementing our five strategies. We remain on track to deliver our financial goals."

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

Adjusting items are:

- A £26.1m charge in reported operating expenses relating to the fragrance and beauty licence intangible asset (H1 2015/16: £7.5m)
- A £12.8m charge in reported operating expenses relating to restructuring costs arising from the Group's cost and efficiency programme
- A £4.3m charge (£3.2m in reported operating expenses and £1.1m in the reported net finance charge) relating to the deferred consideration on the purchase of the non-controlling interest in Burberry Middle East
- Put option liability finance charge of £1.0m in reported net finance charge relating to the third party 15% economic interest in the Chinese business (H1 2015/16: income of £9.3m)

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

Underlying performance is presented in this announcement as, in the opinion of the Directors, it provides additional understanding of the ongoing performance of the Group. Underlying performance is calculated before adjusting items and removes the effect of changes in exchange rates compared to the prior period. This takes into account both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and also on foreign currency procurement and sales through the Group's UK supply chain.

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

Certain financial data within this announcement have been rounded.

Enquiries

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- There will be a presentation today at 9.30am (UK time) for investors and analysts 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 listen only dial-in facility on +44 (0)20 3003 2666 (password: Burberry Interim Results). The supporting slides and an indexed replay will be available on the website later in the day
- Burberry will update on third quarter trading on 18 January 2017

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. Nothing in this announcement should be construed as a profit forecast. 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.

INTERIM MANAGEMENT REPORT

Total revenue £1,159m, down 4% underlying (up 5% at reported FX). Retail growth, led by the UK, offset by a decline in wholesale and licensing, in part reflecting actions to build and reinforce luxury brand positioning

Adjusted profit before tax £146m, down 24% underlying (down 4% at reported FX including exchange rate benefit of £29m). **Reported profit before tax £102m** (H1 2015/16: £155m) after adjusting items as a result of strategic actions

Retail/wholesale revenue £1,146m, down 3% underlying (up 6% at reported FX); **adjusted retail/wholesale operating profit £134m,** down 19% underlying (up 3% at reported FX) reflecting lower revenue and some modest gross margin pressure, offset by cost savings

Licensing profit £11m, down 53% underlying (down 50% at reported FX), reflecting the planned expiry of Japanese licences

Adjusted diluted EPS 24.4p down 6% (H1 2015/16: 26.0p), with 25% effective tax rate. **Reported diluted EPS 16.2p** down 39%

Interim dividend up 3% to 10.5p (H1 2015/16: 10.2p)

Net cash of £529m at 30 September 2016 (2015: £459m); outflows included £69m payment for China and BME non-controlling interests, £43m capital expenditure and £32m* of share buyback

£ million	Six months to 30 September 2016	2015	*% change* *reported FX*	*underlying*
Revenue	1,158.5	1,104.5	*5*	*(4)*
Cost of sales	(363.5)	(337.9)	*(8)*	
Gross margin	795.0	766.6	*4*	
Operating expenses**	(650.5)	(614.9)	*(6)*	
Adjusted operating profit	**144.5**	**151.7**	***(5)***	***(24)***
Net finance credit**	1.7	1.2		
Adjusted profit before taxation	**146.2**	**152.9**	***(4)***	***(24)***
Adjusting items	(44.2)	1.8		
Profit before taxation	**102.0**	**154.7**	***(34)***	
Taxation	(28.9)	(33.7)		
Non-controlling interest	(1.1)	(1.5)		
Attributable profit	72.0	119.5		
Adjusted EPS (pence)˜	**24.4**	**26.0**	***(6)***	
EPS (pence)˜	16.2	26.7	*(39)*	
Weighted average number of ordinary shares (millions) ˜	444.3	447.2		

Adjusted measures exclude adjusting items
* Cash relating to the £34m completed in the half
** Excludes adjusting items. For details, please see page 2
˜ EPS is presented on a diluted basis

Brand strength and momentum

- We continued to build and reinforce Burberry's luxury brand positioning for the long-term
  - In retail, through service and cultivation initiatives and with the launch of our redesigned website
  - In wholesale, including Beauty, through tightly controlling inventory and distribution despite challenging market conditions
  - And in Japan, as we build our direct luxury retail operations

- Brand reach and engagement is building
  - The interest around our September runway show, our first straight-to-consumer and combined mens and womens collection, was exceptional. There have been more than 15 million content views through our owned and partners' platforms
  - We innovated across every dimension of the show from our marketing activity, to show format, to the retail experience, with product available for purchase both in-store and online directly following the show, to which we saw a strong response
  - We drove brand engagement online through innovative partnerships including Facebook Messenger and Live, Snapchat, WeChat and YouTube
  - Brand strength indicators are positive in our key markets, including continued strong unaided awareness

Progress on our growth and productivity agenda

Good progress was made on our ambitious growth and productivity agenda in the half and we are on track to deliver our financial goals to:

- Outperform sector growth, with outperformance accelerating over time
- Deliver at least £100m of annualised cost savings by FY 2019, of which around £20m will be delivered in FY 2017

In May 2016, against the background of more subdued global demand for luxury goods, we outlined our plans to enhance growth and improve productivity in product, retail (including omni-channel excellence) and process (including changing our ways of working). These plans for growth and simplification across the business have been built into five key strategic initiatives which we will continue to report against:

- Product focus
  - Simplifying our offer while increasing innovation, tailoring it more effectively for local needs and implementing a new approach to managing our categories
- Productive space
  - Improving our end-to-end retail disciplines to drive retail productivity, a multi-year programme covering service and customer cultivation, product and operations
- E-commerce leadership
  - E-commerce is the fastest growing channel in the industry. We aim to leverage the strong digital capability we have built to drive revenues both on our own platform and through third party relationships
- Operational excellence
  - An area of intense focus for the next phase of our growth as we aim to increase efficiency and continue to invest appropriately to support our plans
- Inspired people
  - Changing our ways of working, reducing complexity and enhancing effectiveness, while remaining committed to building our unique culture and values

Product focus: From product breadth to product focus

Progress in the half includes:

- Identifying further opportunities to simplify our offering with a 15-20% planned reduction in the number of options for the upcoming November market, following a similar reduction in May. This simplification will reduce complexity internally and for our customers will provide greater visibility of the fashion and newness in our collections, where we saw strength in the half

- Introducing end-to-end category management for key products, with initial changes in place for the upcoming November market and full roll out by May 2017. This has involved defining accountabilities and decision paths throughout our product teams and redesigning processes around commercial development, planning, assortment definition and buying

- The outperformance of bags, as we build our strategic focus in this area and start to reinvent the collection around a new pillar and shape strategy. Growth in bags was led by the runway rucksack and new Buckle bag collection. We also saw a good response to the Bridle bag, the number one selling item from the September runway collection. Beyond bags, we have developed a detailed product strategy, with aligned marketing, for other core categories phased over time

- Ensuring we have appropriate products at both ends of our existing pricing architecture, responding to demand for our most luxurious products while also introducing more innovation and creativity at our opening price points in core categories, which delivered positive results in the half

- Strong performance from our pillar fragrances, with market share gains for My Burberry and Mr Burberry in key markets. We have now completed the review of our Beauty business. In line with this, during the half we took action to improve the category's positioning, rationalising distribution in key markets and reducing inventory flow into secondary channels, with plans to maintain this elevated brand positioning in the future consistent with an overall focus on sustainable profitable growth

Productive space: From new space to productive space

Progress in the half includes:

Service and cultivation

- Significantly increasing investment in globally consistent training, with the initial focus on customer cultivation and service rolled out through our summer store manager conferences. Expanded the activity of our Burberry Private Client team to over 30 new locations providing an elevated level of service to our higher spending customers

- Designing a new customer feedback tool (based on net promoter scores), which will provide direct insight to our store managers. Our current pilot programme extends to 20 stores in the next few weeks, with global roll out planned by the end of the year

Product

- Entering the final phase of the roll out of our one label strategy which has been well received by our customers, all new products from November feature the new labels. This is being supported by a comprehensive training programme and changed visual merchandising

- Refining a new store profiling model which will be in place for the November market. The model classifies stores in greater detail, using a combination of in-house, local data sources, such as customer demographics and product purchasing behaviours, as well as global data such as climate. This will enable the product offer in store to be more appropriately tailored to reflect to its profile

Operations

- Designing and testing best-practice back and front-of-house store operations, including trialling store staff scheduling software with plans to implement globally next year

- Developing a more detailed globally aligned retail scorecard including key retail metrics and customer service measures, planned to go live next year. Progress on initiatives in the half supported increased conversion in our key markets, and improved customer retention, with a double-digit uplift in spend from returning top customers

E-commerce leadership: From digital prowess to e-commerce leadership

Progress in the half includes:

- Digital outperformance, delivering growth in all regions. Digital traffic increased year-on-year, with mobile accounting for over 50% of the mix and conversion improved in both channels. Third party digital revenue grew strongly and at retail value, is now over half the size of our in-house digital revenues

- Launching a redesigned website for desktop, with a full refresh of the brand aesthetic online and an enhanced browsing and purchasing experience. Mobile launch to follow. Improvements in payments, fulfilment and site functionality continued

- Developing a customer app to improve mobile checkout and enable a more personalised connection with our customers

- Continuing to build best-in-class relationships with retailers online and innovating in social commerce. For example, for the September runway collection
  - Burberry partnered with Barneys to deliver an elevated brand positioning and unique products for their customers in-store and across their digital platforms
  - WeChat users were able to buy the Bridle bag in-platform

Operational excellence: Focusing on efficiency and investing appropriately to support our plans

Progress in the half includes:

- Establishing a Transformation Management Office to drive and co-ordinate the delivery of all our strategic initiatives

- Working to simplify our key business processes to increase efficiency and effectiveness, supported by the implementation of new technology solutions, including
  - Delivery of a system supporting redesigned procurement processes
  - Initiating work on a new inventory management system and a redesigned product lifecycle management process

- Increasing the efficiency of spend in support of delivering our stated cost saving targets in areas such as
  - Non-stock procurement with the renegotiation of a number of significant contracts expected to deliver meaningful savings over time
  - Improved returns on marketing spend with allocation and timing decisions supported by enhanced data analytics and detailed econometric modelling

Inspired people: Implementing our new ways of working, while remaining committed to building our unique culture and values

Progress in the half includes:

- Evolving our operating model to simplify the organisation, removing duplication and complexity, to ensure it is fit to deliver our plans

- Continuing to develop our talent and build employee engagement, ranked as top ten in the UK for attracting and retaining talent by LinkedIn

- Recognised as the industry leader in the Dow Jones Sustainability Index, reflecting our strong commitment to continuously explore more productive and sustainable ways of working

Revenue analysis

Revenue by channel

£ million	Six months to 30 September 2016	2015	*% change reported FX*	*underlying*
Retail	859.0	773.6	*11*	*2*
Wholesale	286.7	304.8	*(6)*	*(14)*
Licensing	12.8	26.1	*(51)*	*(54)*
Revenue	**1,158.5**	**1,104.5**	***5***	***(4)***

Retail

74% of revenue; with 211 mainline stores, 205 concessions within department stores, digital commerce and 60 outlets

- Retail sales up 2% underlying; up 11% at reported FX
- Comparable sales improved in the second quarter (Q1: down 3%; Q2: up 2%), unchanged for the half
- Net new space contributed the balance of growth at 2%
- Digital outperformed and grew in all regions

Asia Pacific

With retail accounting for over 85% of revenue in the region, Asia Pacific saw a low single-digit percentage comparable sales decline in the half, broadly similar across both quarters

- Mainland China improved with mid single-digit percentage comparable sales growth in the second quarter, despite the impact of the planned elevation of the store portfolio in Beijing, Burberry's largest market in the country
- Hong Kong continued to experience negative footfall throughout the half, with comparable sales down a double-digit percentage

Excluding Hong Kong and Macau, comparable sales in the region were positive.

EMEIA

With retail accounting for nearly 70% of revenue in the region, EMEIA delivered low single-digit percentage comparable sales growth in the half

- Improved performance from the travelling luxury customer in the second quarter was most significant in the UK, with comparable sales up over 30%, given sterling's depreciation
- Major markets in Continental Europe remained weak, where growth from domestic customers was more than offset by declines in tourist spend.

Americas

With retail accounting for nearly 70% of revenue in the region, the Americas saw comparable sales for the first half down a low single-digit percentage

- Domestic customer demand remained uneven and spend from the travelling luxury customer remained down by a double-digit percentage.

Digital continued to outperform in the half, with growth in all three regions. The redesign of burberry.com launched globally on desktop in September, delivering a full refresh of the brand aesthetic and enhanced browsing and purchasing experience. Progress on other initiatives included improved payment options, the launch of store stock look up and increased product personalisation for heritage scarves.

By product, in mainline, fashion outperformed replenishment as customers responded positively to innovation and newness. Growth in bags was led by the runway rucksack and new Buckle bag collection. We also saw a good response to the Bridle bag, the number one selling item from the September runway. Emerging growth categories of dresses and ponchos outperformed.

During the first half, we closed a net 13 mainline stores and concessions (11 openings and 24 closures). This included the continued elevation of the store network in China (a net one opening), Korea (a net four closures) and the Middle East (a net three closures) along with the relocation of stores including Sydney airport.

Wholesale

25% of revenue; generated from sales of apparel and accessories to department stores, multi-brand specialty accounts, franchise stores and travel retail; as well as beauty to around 80 distributors worldwide

- Wholesale revenue down 14% underlying; down 6% at reported FX
- In part reflecting strategic actions to elevate the brand in the US and Beauty
- At 30 September 2016, Burberry had 49 franchise stores globally

The regional comments relate to apparel and accessories and exclude Beauty.

EMEIA

EMEIA remains the group's largest wholesale region at over 50% of the total. Revenue was broadly unchanged year-on-year with cautious ordering and brand elevation actions largely offset by the addition of new accounts, including over 100 European childrenswear accounts as a result of the expiration of the regional licence.

Americas

The Americas accounted for about 30% of group wholesale revenues with a significant decline year-on-year, principally reflecting tighter inventory control by customers and further strategic brand elevation.

Asia Pacific

Wholesale revenue in Asia Pacific was down year-on-year. Growth from customers in Korea and South East Asia was offset by cautious ordering from other travel retail accounts.

Beauty

In Beauty, underlying wholesale revenue declined by approaching 20%, reflecting tighter inventory control by distributors and actions including rationalising distribution in key markets and reducing inventory flow into secondary channels. My Burberry and Mr Burberry performed well, with market share gains in key markets.

Licensing
1% of revenue; of which about 50% is from Japan, with the balance from global product licences

- Licensing revenue £13m (down 54% underlying), primarily reflecting planned expiry of Japanese Burberry licences, consistent with full year guidance

Operating profit analysis

Adjusted operating profit

£ million	Six months to 30 September 2016	2015	*% change reported FX*	*underlying*
Retail/wholesale	133.5	129.7	*3*	*(19)*
Licensing	11.0	22.0	*(50)*	*(53)*
Adjusted operating profit	**144.5**	**151.7**	***(5)***	***(24)***
Adjusted operating margin	*12.5%*	*13.7%*		

Adjusted operating profit decreased by 24% underlying. Reported adjusted operating profit of £145m, down 5%, includes an FX benefit of £29m.

Adjusted retail/wholesale operating profit

£ million	Six months to 30 September 2016	2015	*% change reported FX*
Revenue	1,145.7	1,078.4	*6*
Cost of sales	(363.5)	(337.9)	*(8)*
Gross margin	782.2	740.5	6
Gross margin	*68.3%*	*68.7%*	
Operating expenses	(648.7)	(610.8)	*(6)*
Adjusted operating profit	**133.5**	**129.7**	***3***
Operating expenses as a % of sales	*56.6%*	*56.7%*	
Adjusted operating margin	*11.7%*	*12.0%*	

Retail/wholesale adjusted operating profit decreased by 19% underlying, up 3% at reported FX including a £28.6m positive impact from exchange rate movements.

Retail/wholesale revenue declined by 3% underlying (up 6% at reported FX), with growth in retail offset by a decline in wholesale, in part due to tighter inventory control by customers and strategic actions to elevate the brand, including the rationalisation of distribution in key markets.

Gross margin was 68.3%, down 40 basis points compared to the prior year
- This included a 70 basis point positive impact of exchange rate movements
- Gross margin on the apparel and accessories business was unchanged year-on-year on an underlying basis, with positive channel and regional mix offsetting adverse product mix
- Strategic actions in the half adversely impacted Beauty margin.

Operating expenses of £649m include an adverse impact of exchange rate movements, on an underlying basis operating expenses were down 1% year-on-year
- This underlying improvement reflects ongoing tight cost control and the delivery of £6m of the planned full year savings of around £20m associated with our cost and efficiency programme, offsetting underlying cost pressure and investment in our growth initiatives
- The operating expenses to sales ratio was 56.6%, down 10 basis points compared to the prior year.

Licensing operating profit

£ million	Six months to 30 September 2016	2015	*% change reported FX*
Revenue	12.8	26.1	*(51)*
Cost of sales	-	-	-
Gross margin	12.8	26.1	*(51)*
Gross margin	*100%*	*100%*	
Operating expenses	(1.8)	(4.1)	*57*
Operating profit	**11.0**	**22.0**	***(50)***
Operating margin	*85.9%*	*84.3%*	

Licensing profit was down £11m year-on-year (down 50% at reported FX), including a £0.7m exchange rate benefit. The decline reflects £13m lower revenue year-on-year, principally due to the planned expiry of the Japanese Burberry licences, and reduced operating expenses.

Adjusting items

£ million	Six months to 30 September 2016	2015
Fragrance and beauty licence intangible charges	(26.1)	(7.5)
Restructuring costs	(12.8)	-
China put option liability finance (charge)/income	(1.0)	9.3
BME deferred consideration charges	(4.3)	-
	(44.2)	1.8

Fragrance and beauty licence intangible
A beauty licence intangible asset of £70.9m was recognised in FY 2013. This was being amortised on a straight line basis over the period 1 April 2013 to 31 December 2017. As a result of actions to improve category positioning, Beauty revenue expectations to December 2017 are now lower than previously planned. In addition to the planned charge of £7.5m for the half, a further £18.6m has been recognised to write down the remaining balance of the intangible to nil, resulting in a total charge of £26.1m.

Restructuring costs
Restructuring costs of £12.8m were incurred in the half, relating to our cost and efficiency programme. We continue to expect a charge of around £20m for the full year.

China put option liability
The China put option liability finance charge relates to fair value movements, including the discount unwind, on the put option liability over the non-controlling interest in the acquired Chinese business. The charge of £1.0m in the first half reflects movements in the period to 1 August when Burberry exercised the call option, acquiring the remaining 15% of its China operations for £53.7m. The put option was therefore extinguished.

Burberry Middle East deferred consideration
The Burberry Middle East (BME) deferred consideration charge relates to fair value movements (£3.2m operating expense) and the discount unwind (£1.1m finance charge) on the deferred consideration liability relating to taking full economic control of BME. The deferred consideration is expected to be settled through payments over the period to FY 2023. The value of the liability at 30 September is £33.8m.

Taxation

The effective rate of tax on adjusted profit for FY 2017 is estimated to be about 25.0% (FY 2016: 24.7%), 1% higher than initially guided due to a change in the transfer pricing approach by an overseas tax authority. This 25.0% is the rate applied in the half (H1 2015/16: 23.0%). Tax on adjusting items has been recognised as appropriate. The resulting effective tax rate on H1 2016/17 reported profit is 28.3% (H1 2015/16: 21.8%).

Cash

Cash generated from operating activities in the six months to 30 September 2016 was £118m (H1 2015/16: £113m). Reflecting lower than expected revenue growth, inventory at 30 September 2016 was £574m (September 2015: £478m), up 10% at constant exchange rates with no deterioration in the aging profile.

Net cash at 30 September 2016 was £529m, compared to £459m at 30 September 2015 and £660m at 31 March 2016. Outflows in the half included:

- £43m on capital expenditure
- £69m payment for non-controlling interests in China (£54m) and BME (£15m)
- £119m on dividends
- £32m of the initial £100m share buyback programme.

Outlook

Retail: In FY 2017, we continue to expect net new space to contribute low single-digit percentage growth to total retail revenue. Around 15 mainline store openings are planned, with a similar number of closures

Wholesale: We continue to expect total wholesale revenue at constant exchange rates in the six months to 31 March 2017 to be down by a mid-teens percentage on the same period last year (H2 2015/16: £330m), with the trends in both fashion and Beauty similar to those in the first half of the current year

Retail/wholesale profit: Using 31 October exchange rates*, FY 2017 reported adjusted retail/wholesale profit would benefit by about £125m compared to FY 2016 rates. This compares to an expected benefit of about £105m based on 30 September rates

Licensing: Total licensing revenue for FY 2017 continues to be planned to be down by about £20m at constant exchange rates (FY 2016: £42m), primarily reflecting the expiry of the Japanese Burberry licences

Capital expenditure: Spend of around £130m is now planned for FY 2017 due to timing shifts (previous guidance £150m)

Tax rate: The tax rate on adjusted profit for FY 2017 is currently expected to be about 25% (previous guidance about 24%)

FY Adjusted PBT: Our expectations for FY 2017 adjusted PBT on an underlying basis remain unchanged

* See Appendix

APPENDIX

Exchange rates

£1=	Forecast full year average rates for FY 2016/17		Average exchange rates		
	31 October 2016	**30 September 2016**	**FY 2015/16**	**H1 2016/17**	**H1 2015/16**
Euro	1.16	1.19	1.36	1.22	1.39
US Dollar	1.29	1.33	1.50	1.37	1.54
Chinese Yuan Renminbi	8.54	8.85	9.57	9.08	9.62
Hong Kong Dollar	9.98	10.34	11.67	10.65	11.94
Korean Won	1,448	1,483	1,740	1,565	1,743
Yen~	154	157	177	176	175

~ For licensing revenue, taking into account the current hedged positions

Retail/wholesale revenue by destination

£ million	Six months to 30 September 2016	2015	*% change* *reported FX*	*underlying*
Asia Pacific	409.9	377.3	*9*	*(1)*
EMEIA	455.6	415.7	*10*	*1*
Americas	280.2	285.4	*(2)*	*(12)*
	1,145.7	1,078.4	*6*	*(3)*

Retail/wholesale revenue by product division

£ million	Six months to 30 September 2016	2015	*% change* *reported FX*	*underlying*
Accessories	426.0	393.1	*8*	*(1)*
Womens	324.0	315.6	*3*	*(6)*
Mens	270.9	247.5	*9*	*-*
Childrens	48.8	40.3	*21*	*9*
Beauty	76.0	81.9	*(7)*	*(17)*
	1,145.7	1,078.4	*6*	*(3)*

Store portfolio

	Directly-operated stores				
	Stores	Concessions	Outlets	Total	*Franchise stores*
At 31 March 2016	215	214	58	487	*62*
Additions	7	4	2	13	-
Closures	(11)	(13)	-	(24)	*(13)*
At 30 September 2016	211	205	60	476	*49*

Store portfolio by region

	Directly-operated stores				
At 30 September 2016	Stores	Concessions	Outlets	Total	*Franchise stores*
Asia Pacific	63	138	15	216	*7*
EMEIA	72	59	24	155	*42*
Americas	76	8	21	105	-
Total	211	205	60	476	*49*

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 56 to 61 of the Annual Report for the year ended 31 March 2016 (a copy of which is available at the Group's website at www.burberryplc.com) and which are summarised below. These principal risks and uncertainties have remained unchanged.

Summary of Principal Risks set out in the Annual Report

A major breach in cyber, systems or information security could adversely impact the Group's business operations and/or result in a major data loss adversely impacting the Group's reputation

The Group's customer and employee data, Burberry.com business, digital strategy and operations mean that it is critical that the Group's technology is robust, its systems are secure and data protected. Sensitive data faces the threat of misappropriation and a breach of cyber security on key business systems could also affect business operations.

The outlook for the luxury sector remains uncertain

Changes and events in the external market or environment could impact the Group's performance and the delivery of its strategies. These changes or events could include: (i) a sustained economic slowdown which adversely impacts the Group's customers, suppliers and operations; (ii) a change in consumer behaviour or other events which adversely impact consumer demand particularly in relation to key consumer groups who make a significant contribution to Group revenues; and (iii) increasing global economic uncertainty including matters such as Brexit which could have an impact on economic growth and adversely impact the Group or give rise to additional costs relating to movements of inventory within the supply chain.

Inability of the organisation to successfully deliver the productivity and efficiency agenda without compromising business as usual
The productivity and efficiency agenda is being implemented to optimise future organic revenue growth opportunities and to deliver productivity and efficiencies particularly through ways of working. The failure to effectively manage this programme could adversely impact the delivery of the Group’s strategies, the anticipated productivity and efficiency improvements, its operations and return on investments. The Group’s systems of internal control will need to be maintained.

Failure to realign the organisational resource capability to deliver the productivity and efficiency agenda
The implementation of the productivity and efficiency agenda means that attracting and retaining the right skills to meet evolving priorities is critical. Insufficient capability and capacity in senior management and insufficient employees with the right skills will limit the Group’s ability to execute the Group’s strategies and other changes as planned. The period of change may result in a loss of key individuals or the inability to recruit and retain individuals with the relevant talent and experience could disrupt the operation of the business and adversely impact the Group’s ability to deliver its strategies.

Sustained breaches of the Group’s intellectual property rights and unauthorised sale of Burberry products
Trademarks and other intellectual property rights are fundamentally important to the Group’s reputation, success and competitive position. Unauthorised use of these, as well as the unauthorised sale of Burberry products and distribution of counterfeit products, damages the Burberry brand image and profits.

Chinese consumer spending patterns significantly change adversely impacting the Group’s revenues
A significant proportion of the Group’s sales are to Chinese consumers globally. Consequently, any change to Chinese consumer tastes or the economic, regulatory, social and/or political environment in China could adversely impact this consumer’s disposable income, confidence and travel which could impact the Group’s revenue and profits.

Volatility in foreign exchange rates could have a significant impact on the Group’s reported results
The Group operates on a global basis and earns revenues, incurs costs and makes investments in a number of currencies. The Group’s financial results are reported in Sterling. The majority of reported revenues are earned in non-Sterling currencies, with a significant proportion of costs in Sterling. Therefore changes in exchange rates can impact the Group’s revenues, margins, profits and cash flows.

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.

The Group's operations 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.

Failure by the Group or associated third parties to act in accordance with ethical and environmental standards
A failure to act appropriately 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. Failure of these businesses to deliver products or services would have a significant impact on business operations.

The Group's IT systems and operational infrastructure are critical to its operation and the delivery of products and services to its consumers. Increasingly, technology is evolving 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. The Group also relies on a small number of vendors of specialist digital and IT services.

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
Seizure of assets or staff, Business Associate practice that is inconsistent with the Group's ethical standards and the UK regulatory environment. Increased operational costs due to country-specific processes driven by the operating or regulatory environment.

CONDENSED GROUP INCOME STATEMENT – UNAUDITED

	Note	Six months to 30 September 2016 £m	Six months to 30 September 2015 £m	Audited Year to 31 March 2016 £m
Revenue	3	**1,158.5**	1,104.5	2,514.7
Cost of sales		**(363.5)**	(337.9)	(752.0)
Gross profit		**795.0**	766.6	1,762.7
Net operating expenses		**(692.6)**	(622.4)	(1,359.8)
Operating profit		**102.4**	144.2	402.9
Financing				
Finance income		**2.6**	2.6	5.1
Finance expense		**(0.9)**	(1.4)	(2.3)
Other financing (charge)/income		**(2.1)**	9.3	9.9
Net finance (charge)/income		**(0.4)**	10.5	12.7
Profit before taxation		**102.0**	154.7	415.6
Taxation	5	**(28.9)**	(33.7)	(101.0)
Profit for the period		**73.1**	121.0	314.6
Attributable to:				
Owners of the Company		**72.0**	119.5	309.5
Non-controlling interest		**1.1**	1.5	5.1
Profit for the period		**73.1**	121.0	314.6
Earnings per share				
– basic	6	**16.3p**	27.1p	70.0p
– diluted	6	**16.2p**	26.7p	69.4p
			£m	£m
Reconciliation of adjusted profit before taxation:				
Profit before taxation		**102.0**	154.7	415.6
Adjusting items:				
– adjusting operating items	4	**42.1**	7.5	14.9
– adjusting financing items	4	**2.1**	(9.3)	(9.9)
Adjusted profit before taxation - non-GAAP measure		**146.2**	152.9	420.6
Adjusted earnings per share - non-GAAP measure				
– basic	6	**24.6p**	26.3p	70.5p
– diluted	6	**24.4p**	26.0p	69.9p
Dividends per share				
– Proposed interim (not recognised as a liability at 30 September)	7	**10.5p**	10.2p	10.2p
– Final (not recognised as a liability at 31 March)	7	–	–	26.8p

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

	Six months to 30 September 2016 £m	Six months to 30 September 2015 £m	Audited Year to 31 March 2016 £m
Profit for the period	**73.1**	121.0	314.6
Other comprehensive income[1]:			
– cash flow hedges	**9.8**	3.7	10.8
– net investment hedges	**(3.2)**	–	(0.8)
– foreign currency translation differences	**90.4**	(31.8)	20.4
Tax on other comprehensive income:			
– cash flow hedges	**(1.9)**	(0.7)	(2.2)
– net investment hedges	**0.6**	–	0.6
– foreign currency translation differences	**(3.8)**	0.8	(1.9)
Other comprehensive income/(expense) for the period, net of tax	**91.9**	(28.0)	26.9
Total comprehensive income for the period	**165.0**	93.0	341.5
Total comprehensive income attributable to:			
Owners of the Company	**162.3**	92.9	335.5
Non-controlling interest	**2.7**	0.1	6.0
	165.0	93.0	341.5

(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 2016 £m	As at 30 September 2015 £m	Audited As at 31 March 2016 £m
ASSETS				
Non-current assets				
Intangible assets	8	**176.3**	186.3	189.6
Property, plant and equipment	9	**424.8**	451.8	426.2
Investment properties		**2.6**	2.3	2.4
Deferred tax assets		**140.5**	146.5	134.4
Trade and other receivables	10	**80.1**	65.7	66.5
Derivative financial assets		**0.3**	0.3	0.3
		824.6	852.9	819.4
Current assets				
Inventories		**573.5**	478.4	486.7
Trade and other receivables	10	**264.2**	256.1	285.4
Derivative financial assets		**13.2**	2.2	8.0
Income tax receivables		**3.0**	8.8	3.0
Cash and cash equivalents		**568.4**	520.6	711.8
		1,422.3	1,266.1	1,494.9
Total assets		**2,246.9**	2,119.0	2,314.3
LIABILITIES				
Non-current liabilities				
Trade and other payables	11	**(102.1)**	(111.8)	(114.7)
Deferred tax liabilities		**(1.7)**	(0.8)	(0.6)
Derivative financial liabilities		**(0.1)**	(0.1)	–
Retirement benefit obligations		**(0.8)**	(0.7)	(0.7)
Provisions for other liabilities and charges	12	**(43.7)**	(22.5)	(38.4)
		(148.4)	(135.9)	(154.4)
Current liabilities				
Bank overdrafts and borrowings	13	**(39.3)**	(61.8)	(51.5)
Derivative financial liabilities		**(7.3)**	(3.0)	(2.3)
Trade and other payables	11	**(479.1)**	(407.9)	(387.2)
Provisions for other liabilities and charges	12	**(13.2)**	(9.7)	(17.6)
Income tax liabilities		**(48.8)**	(70.8)	(80.4)
		(587.7)	(553.2)	(539.0)
Total liabilities		**(736.1)**	(689.1)	(693.4)
Net assets		**1,510.8**	1,429.9	1,620.9
EQUITY				
Capital and reserves attributable to owners of the Company				
Ordinary share capital	14	**0.2**	0.2	0.2
Share premium account		**210.4**	208.5	209.8
Capital reserve		**41.1**	45.8	41.1
Hedging reserve		**13.4**	2.6	8.1
Foreign currency translation reserve		**249.9**	117.7	164.9
Retained earnings		**990.4**	1,004.4	1,140.9
Equity attributable to owners of the Company		**1,505.4**	1,379.2	1,565.0
Non-controlling interests in equity		**5.4**	50.7	55.9
Total equity		**1,510.8**	1,429.9	1,620.9

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Note	Attributable to owners of the Company Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance as at 1 April 2015		0.2	207.6	192.3	1,000.8	1,400.9	50.6	1,451.5
Profit for the period		–	–	–	119.5	119.5	1.5	121.0
Other comprehensive income:								
Cash flow hedges – gains deferred in equity		–	–	2.1	–	2.1	–	2.1
Cash flow hedges – losses transferred to income		–	–	1.6	–	1.6	–	1.6
Foreign currency translation differences		–	–	(30.4)	–	(30.4)	(1.4)	(31.8)
Tax on other comprehensive income		–	–	0.1	–	0.1	–	0.1
Total comprehensive income for the period		–	–	(26.6)	119.5	92.9	0.1	93.0
Transfers between reserves		–	–	0.4	(0.4)	–	–	–
Transactions with owners:								
Employee share incentive schemes								
– value of share options granted		–	–	–	3.3	3.3	–	3.3
– value of share options transferred to liabilities		–	–	–	(1.1)	(1.1)	–	(1.1)
– tax on share options granted		–	–	–	(5.2)	(5.2)	–	(5.2)
– exercise of share options		–	0.9	–	–	0.9	–	0.9
Dividend paid in the period		–	–	–	(112.5)	(112.5)	–	(112.5)
Balance as at 30 September 2015		**0.2**	**208.5**	**166.1**	**1,004.4**	**1,379.2**	**50.7**	**1,429.9**
Balance as at 1 April 2016		**0.2**	**209.8**	**214.1**	**1,140.9**	**1,565.0**	**55.9**	**1,620.9**
Profit for the period		–	–	–	72.0	72.0	1.1	73.1
Other comprehensive income:								
Cash flow hedges – gains deferred in equity		–	–	9.6	–	9.6	–	9.6
Cash flow hedges – losses transferred to income		–	–	0.2	–	0.2	–	0.2
Net investment hedge		–	–	(3.2)	–	(3.2)	–	(3.2)
Foreign currency translation differences		–	–	88.8	–	88.8	1.6	90.4
Tax on other comprehensive income		–	–	(5.1)	–	(5.1)	–	(5.1)
Total comprehensive income for the period		–	–	90.3	72.0	162.3	2.7	165.0
Transactions with owners:								
Employee share incentive schemes								
– value of share options granted		–	–	–	5.3	5.3	–	5.3
– value of share options transferred to liabilities		–	–	–	(0.3)	(0.3)	–	(0.3)
– tax on share options granted		–	–	–	(1.0)	(1.0)	–	(1.0)
– exercise of share options		–	0.6	–	–	0.6	–	0.6
Purchase of own shares								
– share buy-back		–	–	–	(100.5)	(100.5)	–	(100.5)
– held by ESOP trusts		–	–	–	(13.3)	(13.3)	–	(13.3)
Put option over non-controlling interest	18	–	–	–	51.0	51.0	–	51.0
Acquisition of additional interest in subsidiary from non-controlling interest	18	–	–	–	(45.1)	(45.1)	(53.2)	(98.3)
Dividend paid in the period		–	–	–	(118.6)	(118.6)	–	(118.6)
Balance as at 30 September 2016		**0.2**	**210.4**	**304.4**	**990.4**	**1,505.4**	**5.4**	**1,510.8**

CONDENSED GROUP STATEMENT OF CASH FLOWS – UNAUDITED

	Note	Six months to 30 September 2016 £m	Six months to 30 September 2015 £m	Audited Year to 31 March 2016 £m
Cash flows from operating activities				
Operating profit		**102.4**	144.2	402.9
Depreciation		**58.3**	53.5	111.9
Amortisation		**18.6**	17.1	35.2
Net impairment of intangible assets	8	**18.6**	–	–
Net impairment of property, plant and equipment	9	**10.8**	3.7	26.5
Loss on disposal of property, plant and equipment and intangible assets		**1.7**	0.6	1.2
Losses on derivative instruments		**6.3**	1.4	3.1
Charges in respect of employee share incentive schemes		**5.3**	3.3	(0.3)
Proceeds/(Payment) from settlement of equity swap contracts		–	0.3	(1.6)
Increase in inventories		**(60.9)**	(42.9)	(49.3)
Decrease/(Increase) in receivables		**24.6**	(2.4)	(31.7)
(Decrease)/Increase in payables		**(3.8)**	(11.4)	5.1
Cash generated from operating activities		**181.9**	167.4	503.0
Interest received		**2.4**	2.7	4.8
Interest paid		**(0.8)**	(1.0)	(1.7)
Taxation paid		**(65.2)**	(56.4)	(94.8)
Net cash generated from operating activities		**118.3**	112.7	411.3
Cash flows from investing activities				
Purchase of property, plant and equipment		**(28.5)**	(67.2)	(107.3)
Purchase of intangible assets		**(14.7)**	(12.9)	(30.7)
Proceeds from sale of property, plant and equipment		–	0.5	0.5
Net cash outflow from investing activities		**(43.2)**	(79.6)	(137.5)
Cash flows from financing activities				
Dividends paid in the year		**(118.6)**	(112.5)	(157.7)
Dividends paid to non-controlling interest		–	–	(0.7)
Payment to acquire additional interest in subsidiary from non-controlling interest	18	**(68.8)**	–	–
Issue of ordinary share capital		**0.6**	0.9	2.2
Purchase of own shares by ESOP trusts		**(11.3)**	–	(10.9)
Purchase of shares through share buy-back		**(32.4)**	–	–
Net cash outflow from financing activities		**(230.5)**	(111.6)	(167.1)
Net (decrease)/increase in cash and cash equivalents		**(155.4)**	(78.5)	106.7
Effect of exchange rate changes		**24.2**	(14.9)	1.4
Cash and cash equivalents at beginning of period		**660.3**	552.2	552.2
Cash and cash equivalents at end of period		**529.1**	458.8	660.3

ANALYSIS OF NET CASH – UNAUDITED

	Note	As at 30 September 2016 £m	As at 30 September 2015 £m	Audited As at 31 March 2016 £m
Cash and cash equivalents as per the Balance Sheet		**568.4**	520.6	711.8
Bank overdrafts	13	**(39.3)**	(61.8)	(51.5)
Net cash		**529.1**	458.8	660.3

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 2016, and the Condensed Group Balance Sheet as at 30 September 2016 and related notes have been reviewed by the auditors and their report to the Company is set out on page 35. 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 2016 were approved by the Board of Directors on 17 May 2016 and have been filed with the Registrar of Companies. The report of the auditors on the statutory accounts for the year ended 31 March 2016 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 2016 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 2016, 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 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 2016.

Accounting policies

Accounting policies and presentation are consistent with those applied in the Group's financial statements for the year ended 31 March 2016, as set out on pages 128 to 136 of those financial statements, with the exception of taxation.

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

Key sources of estimation and judgement

The preparation of the condensed consolidated interim financial statements requires that management make certain judgements, estimates and assumptions that affect the reported revenues, expenses, assets and liabilities and the disclosure of certain contingent liabilities. The key sources of estimation and uncertainty and the assumptions applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the Group's financial statements for the year ended 31 March 2016, as set out on pages 127 and 128 of those financial statements, with the exception of taxation, as described above and the assessment of the future payments to the non-controlling interest in Burberry Middle East LLC as deferred consideration. Refer to note 18 for further details on this transaction.

Adjusted profit before taxation and adjusting items

In order to provide additional consideration of the underlying performance of the Group's on-going business, the Group's results include a presentation of Adjusted Profit before Taxation ('adjusted PBT'). Adjusted PBT is defined as profit before taxation and before adjusting items. Adjusting items are those items which, in the opinion of the directors, should be excluded in order to provide a consistent and comparable view of the underlying performance of the Group's on-going business. Generally this will include those items that are largely one-off and material in nature as well as income or expenses relating to acquisitions or disposals of businesses or other transactions of a similar nature, including the impact of changes in fair value of expected future payments or receipts relating to these transactions. Adjusting items are identified and presented on a consistent basis each year and a reconciliation of adjusted PBT to profit before tax is included in the financial statements. Adjusting items and their related tax impacts are added back/deducted from profit attributable to owners of the Company to arrive at adjusted earnings per share.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis

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

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

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

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

The Board assesses channel performance based on a measure of adjusted operating profit. This measurement basis excludes the effects of adjusting items. The measure of earnings for each operating segment that is reviewed by the Board includes an allocation of corporate and central costs. Interest 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 2016 £m	Six months to 30 September 2015 £m	Six months to 30 September 2016 £m	Six months to 30 September 2015 £m	Six months to 30 September 2016 £m	Six months to 30 September 2015 £m
Retail	**859.0**	773.6	–	–	**859.0**	773.6
Wholesale	**286.7**	304.8	–	–	**286.7**	304.8
Licensing	–	–	**13.9**	27.2	**13.9**	27.2
Total segment revenue	**1,145.7**	1,078.4	**13.9**	27.2	**1,159.6**	1,105.6
Inter-segment revenue(1)	–	–	**(1.1)**	(1.1)	**(1.1)**	(1.1)
Revenue from external customers	**1,145.7**	1,078.4	**12.8**	26.1	**1,158.5**	1,104.5
Adjusted operating profit	**133.5**	129.7	**11.0**	22.0	**144.5**	151.7
Adjusting items(2)					**(44.2)**	1.8
Finance income					**2.6**	2.6
Finance expense					**(0.9)**	(1.4)
Profit before taxation					**102.0**	154.7

Year to 31 March 2016	Retail / Wholesale	Licensing	Total
	£m	£m	£m
Retail	1,837.7	–	1,837.7
Wholesale	634.6	–	634.6
Licensing	–	44.7	44.7
Total segment revenue	2,472.3	44.7	2,517.0
Inter-segment revenue(1)	–	(2.3)	(2.3)
Revenue from external customers	2,472.3	42.4	2,514.7
Adjusted operating profit	380.9	36.9	417.8
Adjusting items(2)			(5.0)
Finance income			5.1
Finance expense			(2.3)
Profit before taxation			415.6

(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 Note 4 for details of adjusting items.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis (continued)

Revenue by destination	Six months to 30 September 2016 £m	Six months to 30 September 2015 £m	Year to 31 March 2016 £m
Asia Pacific	**409.9**	377.3	932.9
EMEIA[1]	**455.6**	415.7	878.5
Americas	**280.2**	285.4	660.9
Retail/Wholesale	**1,145.7**	1,078.4	2,472.3
Licensing	**12.8**	26.1	42.4
Total	**1,158.5**	1,104.5	2,514.7

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

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

4. Adjusting items

	Six months to 30 September 2016 £m	Six months to 30 September 2015 £m	Year to 31 March 2016 £m
Adjusting operating items			
– charge relating to the fragrance and beauty licence intangible	**26.1**	7.5	14.9
– restructuring costs	**12.8**	–	–
– revaluation of deferred consideration liability	**3.2**	–	–
Total adjusting operating items	**42.1**	7.5	14.9
Adjusting financing items			
– put option liability finance charge/(income)	**1.0**	(9.3)	(9.9)
– finance charge on deferred consideration liability	**1.1**	–	–
Total adjusting financing items	**2.1**	(9.3)	(9.9)

Charge relating to the fragrance and beauty licence intangible asset

During the year ended 31 March 2013, an intangible asset of £70.9m was recognised on the Balance Sheet, relating to the present value of the anticipated incremental income to be earned by the Group as a result of selling Beauty products through retail and wholesale channels rather than under licence, following the termination of the existing licence relationship with Interparfums SA. This asset was being amortised on a straight line basis over the period 1 April 2013 to 31 December 2017.

During the six months ended 30 September 2016, amortisation expense of £7.5m was recognised in relation to the fragrance and beauty licence intangible (six months ended 30 September 2015: £7.5m; year ended 31 March 2016: £14.9m). At 30 September 2016, management carried out an impairment assessment of the carrying value of this asset based on a value-in-use calculation using latest estimates for cost and revenue projections. As a result of a reduction in projected revenue, compared to previous estimates, over the remaining asset life to 31 December 2017, management have concluded that the book value of the asset is not supported by its value-in-use. An impairment charge of £18.6m has been recognised at 30 September 2016, to write the remaining balance of the intangible asset down to nil.

The total charge of £26.1m has been presented as an adjusting item, which is consistent with the treatment of the cost recognised on termination of the licence relationship in the year ended 31 March 2013. A related tax credit of £5.1m (30 September 2015: £1.5m; 31 March 2016: £2.8m) has also been recognised in the current period.

Restructuring costs

Restructuring costs of £12.8m were incurred in the period, arising as a result of the Group's cost and efficiency programme announced in May 2016. These costs are presented as an adjusting item as they are considered material and one-off in nature, being part of a restructuring programme running from May 2016 to March 2018. The most significant element of the restructuring costs relates to redundancies, with the remainder relating to consultancy costs, legal advice and project assurance. £9.3m of the cost was settled in the period with the balance being accrued at 30 September 2016. A related tax credit of £2.6m has also been recognised in the current period.

4. Adjusting items (continued)

Items relating to the deferred consideration liability

On 22 April 2016, the Group entered into an agreement to transfer the economic right to the non-controlling interest in Burberry Middle East LLC to the Group in consideration of contingent payments to be made to the minority shareholder relating to an agreed percentage of the future revenue of Burberry Middle East LLC and its subsidiaries, Burberry Al Kuwait General Trading Textiles and Accessories Company WLL and Burberry Qatar WLL, over the period 2016 to 2023, together with fixed payments of AED 120.0m (£22.6m), relating to profits of Burberry Middle East LLC up to 31 March 2016, to be paid over the period 2016 to 2019. A liability for the present value of the fixed and contingent deferred consideration of AED 236.0m (£44.6m) was recognised at this point. Refer to note 11 for further details of the deferred consideration liability.

A charge of £3.2m in relation to the revaluation of this balance has been recognised in operating expenses for the six months ended 30 September 2016. A financing charge of £1.1m in relation to the unwinding of the discount on the non-current portion of the deferred consideration liability has also been recognised for the six months ended 30 September 2016. These movements are unrealised. No tax has been recognised on either of these items, as the future payments are not considered to be deductible for tax purposes. These items are presented as adjusting items in accordance with the Group accounting policy, as they arise from changes in the value of the liability for expected future payments relating to the purchase of a non-controlling interest in the Group.

Put option liability finance charge/income

The financing charge of £1.0m for the six months ended 30 September 2016 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 2015: income of £9.3m; year ended 31 March 2016: income of £9.9m). No tax has been recognised on this item, as the value of the option on exercise is not considered to be deductible for tax purposes. This item has been presented as an adjusting item in accordance with the Group accounting policy as it arises from changes in the value of the liability for expected future payments relating to the purchase of a non-controlling interest in the Group. Refer to note 11 for further details of the put option liability.

5. Taxation

The tax charge for the six months ended 30 September 2016 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 2015: 23.0%; year ended 31 March 2016: 24.7%). Tax on adjusting items has been recognised at the prevailing tax rates as appropriate. The resulting effective tax rate on reported profit before taxation is 28.3% (30 September 2015: 21.8%; 31 March 2016: 24.3%).

Total taxation recognised in the Condensed Group Income Statement comprises:

	Six months to 30 September 2016 £m	Six months to 30 September 2015 £m	Year to 31 March 2016 £m
Tax on adjusted profit before taxation	**36.6**	35.2	103.8
Tax on adjusting items (note 4)	**(7.7)**	(1.5)	(2.8)
Total taxation charge	**28.9**	33.7	101.0

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 2016 £m	Six months to 30 September 2015 £m	Year to 31 March 2016 £m
Attributable profit for the period before adjusting items[(1)]	**108.5**	116.2	311.7
Effect of adjusting items[(1)] (after taxation)	**(36.5)**	3.3	(2.2)
Attributable profit for the period	**72.0**	119.5	309.5

(1) None of the adjusting items impact non-controlling interests. Refer to Note 4 for the details of adjusting items.

The weighted average number of ordinary shares represents the weighted average number of Burberry Group plc ordinary shares in issue throughout the period, excluding ordinary shares held in the Group's employee share option plan trusts ('ESOP trusts').

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. Earnings per share (continued)

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 2016 Millions	Six months to 30 September 2015 Millions	Year to 31 March 2016 Millions
Weighted average number of ordinary shares in issue during the period	**441.5**	441.6	441.9
Dilutive effect of the share incentive schemes	**2.8**	5.6	4.2
Diluted weighted average number of ordinary shares in issue during the period	**444.3**	447.2	446.1

7. Dividends

The interim dividend of 10.5p (2015: 10.2p) per share has been approved by the Board of Directors after 30 September 2016. Accordingly, this dividend has not been recognised as a liability at the period end.

The interim dividend will be paid on 27 January 2017 to Shareholders on the Register at the close of business on 23 December 2016.

A dividend of 26.8p (2015: 25.5p) per share was paid during the period ended 30 September 2016 in relation to the year ended 31 March 2016.

8. Intangible assets

Goodwill at 30 September 2016 is £97.8m (2015: £84.1m). There were no additions to goodwill in the period.

In the period there were additions to other intangible assets of £14.9m (2015: £15.0m) and disposals with a net book value of £0.8m (2015: £nil).

Capital commitments contracted but not provided for by the Group amounted to £3.4m (2015: £0.8m).

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 2016. Management has performed a review for indicators of impairment as at 30 September 2016. There is no indication that the goodwill may be impaired. The annual impairment test will be performed at 31 March 2017.

For the six months ended 30 September 2016, an impairment charge of £18.6m (2015: £nil) was recorded to write the carrying value of the fragrance and beauty licence intangible asset down to nil. Refer to note 4 for further details.

9. Property, plant and equipment

In the period there were additions to property, plant and equipment of £31.9m (2015: £79.8m) and disposals with a net book value of £0.9m (2015: £0.6m).

Capital commitments contracted but not provided for by the Group amounted to £14.6m (2015: £16.3m).

Impairment testing

For the six months ended 30 September 2016, a net impairment charge of £13.8m (2015: £2.2m) was recorded as a result of a review of impairment of retail store assets. A charge of £10.8m (2015: £3.7m) was recognised against property, plant and equipment, and £3.0m (2015: reversal of £1.5m) was charged in relation to onerous lease provisions. Refer to note 12 for further details of onerous lease provisions. The net impairment charge relates to 10 retail cash generating units (2015: 17 retail cash generating units) for which the total recoverable amount at the balance sheet date is £2.8m (2015: £8.3m).

Where indicators of impairment were identified, the impairment review compared the value-in-use of the assets to the carrying values at 30 September 2016. The pre-tax cash flow projections were based on financial plans of expected revenues and costs of each retail cash generating unit, approved by management, and extrapolated beyond the budget year to the lease exit dates using growth rates and inflation rates appropriate to each store's location. The pre-tax discount rates used in these calculations were between 11.4% and 19.7% (2015: between 12.1% and 18.3%) based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks. Where the value-in-use was negative, onerous lease provisions were assessed in relation to the future contracted minimum lease payments. Potential alternative uses for property, such as subletting of leasehold or sale of freehold, were considered in estimating both the value for impairment charges and onerous lease provisions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. Trade and other receivables

	As at 30 September 2016 £m	As at 30 September 2015 £m	As at 31 March 2016 £m
Non-current			
Deposits and other receivables	**48.1**	37.1	37.5
Other non-financial receivables	**3.6**	3.1	2.8
Prepayments	**28.4**	25.5	26.2
Total non-current trade and other receivables	**80.1**	65.7	66.5
Current			
Trade receivables	**181.4**	177.1	205.1
Provision for doubtful debts	**(9.1)**	(4.1)	(7.2)
Net trade receivables	**172.3**	173.0	197.9
Other financial receivables	**16.6**	20.6	20.9
Other non-financial receivables	**24.0**	20.6	27.5
Prepayments	**48.5**	39.6	35.4
Accrued income	**2.8**	2.3	3.7
Total current trade and other receivables	**264.2**	256.1	285.4
Total trade and other receivables	**344.3**	321.8	351.9

11. Trade and other payables

	As at 30 September 2016 £m	As at 30 September 2015 £m	As at 31 March 2016 £m
Non-current			
Put option liability over non-controlling interest	**–**	44.0	45.8
Other payables	**2.4**	3.5	3.0
Deferred income and non-financial accruals	**70.5**	64.3	65.9
Deferred consideration	**29.2**	–	–
Total non-current trade and other payables	**102.1**	111.8	114.7
Current			
Trade payables	**176.1**	168.8	167.2
Other taxes and social security costs	**49.6**	53.6	58.3
Other payables	**76.2**	14.5	3.9
Accruals	**151.1**	153.1	132.4
Deferred income and non-financial accruals	**21.5**	17.9	25.4
Deferred consideration	**4.6**	–	–
Total current trade and other payables	**479.1**	407.9	387.2
Total trade and other payables	**581.2**	519.7	501.9

Included in current Other payables is £66.7m (2015: £nil) relating to the cost of shares not yet purchased, under an agreement to purchase its own shares entered into by the Company, together with anticipated stamp duty arising. Refer to note 14 for further details.

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, held a 15% economic interest in the Group's business in China. Put and call options were granted over this interest stake which were exercisable after 1 September 2015 in the case of the call option, and after 1 September 2020 in the case of the put option. The net present value of the put option payment was recognised as a non-current financial liability under IAS 39. On 1 August 2016, the Group exercised the call option relating to the economic interest. As a result, the put option expired at this date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Trade and other payables (continued)

The value of the put option liability is £nil at the period end (30 September 2015: £44.0m; 31 March 2016: £45.8m). The movement in the liability for the period includes an increase of £1.0m relating to unrealised fair value movements, as described in note 4, together with an increase due to the impact of translation of the put option liability to the Group's presentational currency, combined with the derecognition of £51.0m on its expiry. Refer to note 18 for further details.

Deferred consideration

Following the purchase of the economic right to the non-controlling interest in Burberry Middle East LLC on 22 April 2016, the Group has recognised a liability in relation to the deferred consideration for this transaction. Refer to note 18 for further details of this transaction. The deferred consideration consists of fixed payments to be paid over the period 2016 to 2019, and contingent payments calculated as an agreed percentage of the future revenue of Burberry Middle East LLC and its subsidiaries, over the period 2016 to 2023.

The fair value of the deferred consideration relating to fixed payments is considered to be a level 2 measurement. The amount recognised has been derived via a present value calculation of the remaining fixed payments of AED 39.3m (£8.2m) discounted at an appropriate risk free rate applicable to Burberry Middle East LLC.

The fair value of the deferred consideration relating to the contingent payments is considered to be a level 3 measurement (refer to note 17 for details of the fair value hierarchy classification for financial instruments). The amount recognised has been estimated using a present value calculation, incorporating observable and non-observable inputs. This valuation technique has been adopted as it reflects the contractual arrangement. The inputs applied in arriving at the value of this component of the deferred consideration are an estimate of the future revenue of Burberry Middle East LLC and its subsidiaries from 2016 to 2023 and an appropriate risk adjusted discount rate for Burberry Middle East LLC.

The carrying value of the deferred consideration relating to contingent payments is dependent on assumptions applied in determining these inputs, and is subject to change in the event that there is a change in any of 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 estimate of future revenues of Burberry Middle East and its subsidiaries would result in a £2.6m increase/decrease in the carrying value of the deferred consideration relating to contingent payments at 30 September 2016 and a corresponding £2.6m decrease/ increase in the profit before taxation for the period ended 30 September 2016.

12. Provisions for other liabilities and charges

	Property obligations £m	Other costs £m	Total £m
As at 1 April 2016	51.8	4.2	56.0
Effect of foreign exchange rate changes	5.4	0.1	5.5
Created during the period	5.1	0.2	5.3
Utilised during the period	(5.9)	(0.9)	(6.8)
Released during the period	(1.4)	(1.7)	(3.1)
As at 30 September 2016	**55.0**	**1.9**	**56.9**
As at 30 September 2015	29.5	2.7	32.2

	As at 30 September 2016 £m	As at 30 September 2015 £m	As at 31 March 2016 £m
Analysis of total provisions:			
Non-current	**43.7**	22.5	38.4
Current	**13.2**	9.7	17.6
Total	**56.9**	32.2	56.0

Within property obligations are amounts of £27.1m (2015: £6.9m) relating to onerous lease obligations. Refer to note 9 for details relating to impairment of assets and onerous lease provisions for retail cash generating units.

The net charge for the period for onerous lease obligations is £3.0m (2015: credit of £1.5m), which all relates to retail stores.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. Bank overdrafts and borrowings

Included within bank overdrafts is £34.6m (2015: £57.2m) representing balances on cash pooling arrangements in the Group. The Group has a number of committed and uncommitted arrangements agreed with third parties. At 30 September 2016, the Group held bank overdrafts of £4.7m (2015: £4.6m) excluding balances on cash pooling arrangements.

On 25 November 2014, the Group entered a £300m multi-currency revolving credit facility with a syndicate of third party banks. At 30 September 2016, there were £nil outstanding drawings. Since the period end the Group exercised an option to extend the maturity of the facility to November 2021, after receiving consent from all members of the syndicate.

14. Share capital and other reserves

Allotted, called up and fully paid share capital	Number of shares million	Share capital £m
As at 1 April 2015	444.7	0.2
Allotted on exercise of options during the period	0.2	–
As at 30 September 2015	444.9	0.2
As at 1 April 2016	445.0	0.2
Allotted on exercise of options during the period	0.1	–
As at 30 September 2016	445.1	0.2

Other reserves

During the period the Company entered into an agreement to purchase £100m of its own shares as part of a share buy-back programme. Own shares purchased by the Company, as part of a share buy-back programme, are classified as treasury shares and their cost offset against retained earnings. When treasury shares are cancelled, a transfer is made from retained earnings to capital redemption reserve, equivalent to the nominal value of the shares purchased and subsequently cancelled. The cost of shares purchased by employee share ownership trusts (ESOP trusts) are offset against retained earnings.

As at 30 September 2016 the amount held against this reserve was £33.8m (2015: £nil) including stamp duty of £0.2m (2015: £nil) in relation to treasury shares and £48.3m (2015: £32.7m) in relation to shares purchased by ESOP trusts. As at 30 September 2016, the company held 2.5m (2015: nil) treasury shares, with a market value of £35.0m (2015: £nil) and ESOP trusts held 3.7m (2015: 2.4m) shares in the Company, with a market value of £51.5m (2015: £32.8m). In the six months ended 30 September 2016 the Burberry Group plc ESOP trust waived its entitlement to dividends of £0.7m (2015: £1.0m).

£66.7m (2015: £nil), relating to the cost of shares not yet purchased under this agreement including anticipated stamp duty arising of £0.3m, has been charged to retained earnings in the period, with the payment obligation recognised in other payables (see note 11).

15. Related party disclosures

The Group's significant related parties are disclosed in the Annual Report for the year ended 31 March 2016. 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

16. Foreign currency (continued)

The principal exchange rates used were as follows:

	Average		
	Six months to 30 September 2016	Six months to 30 September 2015	Year to 31 March 2016
Euro	**1.22**	1.39	1.36
US Dollar	**1.37**	1.54	1.50
Chinese Yuan Renminbi	**9.08**	9.62	9.57
Hong Kong Dollar	**10.65**	11.94	11.67
Korean Won	**1,565**	1,743	1,740

	Closing		
	As at 30 September 2016	As at 30 September 2015	As at 31 March 2016
Euro	**1.16**	1.35	1.26
US Dollar	**1.30**	1.51	1.44
Chinese Yuan Renminbi	**8.69**	9.61	9.29
Hong Kong Dollar	**10.09**	11.72	11.16
Korean Won	**1,429**	1,793	1,640

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 12 months in advance of royalty receipts, was Yen 175.9: £1 in the six months ended 30 September 2016 (six months ended 30 September 2015: Yen 174.7: £1; year ended 31 March 2016: Yen 177.1: £1).

17. Fair value disclosures for financial instruments

The Group classifies its instruments into the following categories:

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

(1) Cash flow hedge accounting is applied to the extent that it is achievable.

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

The fair value of the Group’s financial assets and liabilities held at amortised cost approximate their carrying amount due to the short maturity of these instruments with the exception of £12.7m (2015: £9.9m) held in non-current other receivables relating to an interest-free loan provided to a landlord in Korea. At 30 September 2016 the discounted fair value of the loan is £16.5m (2015: £9.9m).

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.

17. Fair value disclosures for financial instruments (continued)

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 considerations 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 deferred consideration is disclosed in note 11.

18. Transactions with non-controlling interests

During the period, the Group entered into two transactions with non-controlling interests. The impact of these transactions has been presented in the financial statements of the Group in the following manner:

	Burberry Middle East transaction £m	Burberry Shanghai transaction £m	Total £m
Statement of changes in equity	44.6	53.7	**98.3**
Statement of cash flows	(15.1)	(53.7)	**(68.8)**

A liability in relation to the remaining deferred consideration to be paid on the Burberry Middle East transaction has also been recognised. Please refer to note 11 for further details of the carrying value of the liability at 30 September 2016.

Burberry Middle East LLC

On 22 April 2016, the Group entered into an agreement to transfer the economic right to the non-controlling interest in Burberry Middle East LLC to the Group in consideration of contingent payments to be made to the minority shareholder relating to an agreed percentage of the future revenue of Burberry Middle East LLC and its subsidiaries, Burberry Al Kuwait General Trading Textiles and Accessories Company WLL and Burberry Qatar WLL, over the period 2016 to 2023, together with fixed payments of AED 120.0m (£22.6m), relating to profits of Burberry Middle East LLC up to 31 March 2016, to be paid over the period 2016 to 2019.

In the judgement of management, the fixed payments of AED 120.0m are most appropriately treated as part of the consideration for purchasing the non-controlling interest in Burberry Middle East LLC. Therefore the transaction has been accounted for as a purchase of the non-controlling interest in Burberry Middle East LLC and its subsidiaries by the Group, for fixed and contingent deferred consideration, with the exception of a 12% interest in Burberry Qatar WLL which will continue to be held by another minority shareholder.

The present value of the fixed and contingent deferred consideration in total, at the date of the transaction was estimated to be AED 236.0m (£44.6m). Non-controlling interests with a book value of £25.5m were transferred to retained earnings. Deferred consideration of AED 80.7m (£15.1m) was subsequently settled in the period.

Burberry (Shanghai) Trading Co., Ltd

On 1 August 2016, the Group acquired the remaining 15% economic interest in its business in China, which was held by Sparkle Roll Holdings Ltd, a non-Group company, for consideration of CNY 470.9m (£53.7m), through the exercise of a call option held by the Group. The transaction has been accounted for as a purchase of the 15% non-controlling interest in Burberry (Shanghai) Trading Co for consideration of £53.7m. Non-controlling interests with a book value of £27.7m were transferred to retained earnings.

The Group had also granted a put option over the same 15% economic interest to Sparkle Roll Holdings Ltd which was exercisable after 1 September 2020. The net present value of the expected put option payment was held as a non-current financial liability. Upon exercise of the call option by the Group, the put option expired and as a result, the value of the liability at the date of exercise, being £51.0m, was transferred directly to retained earnings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

19. Contingent Liabilities

In a number of jurisdictions the Group is subject to claims against it and to tax audits. These typically relate to valued added taxes, sales taxes, customs duties, corporate taxes, transfer pricing, payroll taxes, various contractual claims and other matters. Included in these claims is a dispute with the Spanish tax authorities regarding the tax treatment of interest paid during the year ended 31 March 2005 arising in respect of debt that was put in place after the Group had taken specialist external advice. The Group is looking to resolve this dispute by all reasonable means. Where appropriate, the estimated cost of known obligations have been provided in these financial statements in accordance with the Group's accounting policies but these matters are inherently difficult to quantify. While changes to the amounts that may be payable could be material to the results or cash flows of the Group in the period in which they are recognised the Group does not currently expect the outcome of these contingent liabilities to have a material effect on the Group's financial condition.

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 2016.

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

By order of the Board

John Smith
Chief Operating Officer
8 November 2016

Carol Fairweather
Chief Financial Officer
8 November 2016

INDEPENDENT REVIEW REPORT TO BURBERRY GROUP PLC

Report on the condensed consolidated interim financial statements

Our conclusion
We have reviewed Burberry Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim report of Burberry Group plc for the 6 month period ended 30 September 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

What we have reviewed
The interim financial statements comprise:

– the Condensed Group Balance Sheet as at 30 September 2016;
– the Condensed Group Income Statement and Statement of Comprehensive Income for the period then ended;
– the Condensed Group Statement of Cash Flows for the period then ended;
– the Condensed Group Statement of Changes in Equity for the period then ended; and
– the explanatory notes to the interim financial statements.

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

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

Responsibilities for the condensed consolidated interim financial statements and the review

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

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

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
8 November 2016
London

INDEPENDENT REVIEW REPORT TO BURBERRY GROUP PLC

Notes:

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

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

SHAREHOLDER INFORMATION

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

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Telephone: 0871 384 2839. 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 one Burberry ordinary share.
For queries relating to ADRs in Burberry, please use the following contact details:
BNY Mellon Shareowner Services
P.O. BOX 30170
College Station, TX 77842-3170
Telephone: Toll free within the US: +1 888 269 2377
Telephone: International: +1 201 680 6825
Email enquiries: shrrelations@cpushareownerservices.com
Website: www.mybnymdr.com

Dividends
The interim dividend of 10.5p per share will be paid on 27 January 2017 to shareholders on the register at the close of business on 23 December 2016.

The ADR local payment date will be approximately five business days after the proposed dividend payment date for ordinary shareholders.

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

If you are a UK taxpayer, please note that from 6 April 2016 the Dividend Tax Credit has been replaced by a tax-free Dividend Allowance of £5,000. Any dividends received above this amount will be subject to taxation. Dividends paid on shares held within pensions and Individual Savings Accounts ('ISAs') will continue to be tax-free. Further information can be found at www.gov.uk/tax-on-dividends.

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

Dividend Reinvestment Plan
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 and future dividends to qualify for the DRIP, completed application forms must be returned to Equiniti by 6 January 2017.

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

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

Equiniti offers a range of shareholder information and online at www.shareview.co.uk. A textphone facility for those with hearing difficulties is available by calling: 0371 384 2255. Lines are open 8.30am to 5.30pm, Monday to Friday. Please call +44 121 415 7047 if calling from outside the UK.

Financial calendar

Interim results announcement	9 November 2016
Dividend record date	23 December 2016
Third quarter trading update	18 January 2017
Dividend payment date	27 January 2017
Second half trading update	April 2017
Preliminary results announcement	May 2017
Annual General Meeting	July 2017

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

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

SHAREHOLDER INFORMATION

Share dealing
Burberry Group plc shares can be traded through most banks, building societies or stock brokers. Equiniti offers a telephone and internet dealing service. Terms and conditions and details of the commission charges are available on request.

For telephone dealing please telephone 03456 037 037 between 8.00am and 4.30pm, Monday to Friday, and for internet dealing visit www.shareview.co.uk/dealing. Shareholders will need their reference number which can be found on their share certificate.

ShareGift
Shareholders with a small number of shares, the value of which makes 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 www.sharegift.org or by telephone on 0207 930 3737.

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

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

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

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

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

More detailed information can be found on the FCA website at www.fca.org.uk/consumers/protect-yourself/unauthorised-firms.

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