11 November 2021

Burberry Group plc

Interim results for 26 weeks ended 25 September 2021

Strong start to growth and acceleration phase

"We have made strong progress in the half. Full-price sales are growing at a double-digit percentage, driving margin expansion and strong free cash generation. We are seeing an acceleration in performance in countries less impacted by travel restrictions and we remain confident of achieving our medium-term goals. I would like to thank Marco Gobbetti for his vision and leadership of Burberry's transformation. We are very excited that Jonathan Akeroyd is joining as our new CEO in April to build on the strong foundations to accelerate growth and deliver further value for our shareholders." – Gerry Murphy, Chair

- H1 FY22 revenues back at pre COVID-19 levels (CER) with adjusted operating profit ahead vs LLY*
  - Within comparable store sales growth of 1% vs LLY*, full-price gained 18%
  - Full-price performance driving gross margin and adjusted operating margin increases vs LLY*
- Americas, Mainland China and South Korea delivered strong double-digit growth vs LLY* while other regions were under pressure from reduced tourist levels
- Core product categories: leather saw double-digit growth in full-price comparable sales vs LLY with outerwear strengthening in the period
- New store concept driving higher-spending customer recruitment. We now have 15 stores in the new format with around 50 new concept stores planned globally by end FY22
- Digital performing well with full-price sales almost doubling vs LLY*
- Set industry-leading commitments around climate including pledge to be Climate Positive by 2040 and support global conservation efforts
- Strong cash generation with cash conversion over 100%. Interim dividend reinstated at 11.6p, 3% ahead of FY20 levels and recommenced the share buyback with £150m planned

Period end	25 Sept	26 Sept	*% change*	
£ million	2021	2020	*Reported FX*	*CER**
Revenue	**1,213**	**878**	***+38%***	***+45%***
*Retail comparable store sales vs LY***	*+37%*	*(25%)*		
*Retail full-price comparable store sales vs LLY***	*+18%*			
Adjusted operating profit**	**196**	**51**	***3.8x***	***4.2x***
*Adjusted operating profit margin***	*16.2%*	*5.8%*		
Adjusted diluted EPS (pence)**	33.5	4.6	7.3x	8.1x
Reported* operating profit**	**207**	**88**	***2.4x***	
Reported operating profit margin	**17.1%**	**10.0%**		
Reported diluted EPS (pence)	35.7p	12.2p	*2.9x*	
Free cash flow**	104	(45)		
Dividend (pence)	11.6p	0.0		

*LLY is compared with equivalent period in FY20 results at CER

** See page 17 for definitions of alternative performance measures

*** Reported refers to statutory measures directly from the financial statements

Outlook

- Maintaining our medium-term guidance for high single-digit top line growth and meaningful margin accretion* and confirm that we are comfortable with current year market expectations

*Guidance is quoted at constant exchange rates (CER) with the base year in FY20
The financial information contained herein is unaudited.
All metrics and commentary in the Interim Review exclude adjusting items unless stated otherwise.

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

The following alternative performance measures are presented in this announcement: CER, comparable sales, adjusted profit measures, free cash flow, cash conversion, net debt and adjusted EBITDA. The definitions of these alternative performance measures are set out in the Appendix on page 17.

Certain financial data within this announcement have been rounded.

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- There will be a live webcast presentation today at 9.30am (UK time) for investors and analysts
- The presentation can be viewed live on the Burberry website www.burberryplc.com
- The supporting slides and an indexed replay will be available on the website later in the day
- Burberry will update on third quarter trading on 19 January 2022

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GROUP H1 FY22 FINANCIAL HIGHLIGHTS

Revenue

- Revenue £1,213m +45% CER, +38% reported
- Retail comparable store sales +37% (Q1: +90%; Q2: +6%)

Adjusted profit

- Adjusted operating profit £196m, 4.2x CER, 3.8x reported
- Adjusted operating profit includes a £5m profit from the disposal of a property
- Gross margin increased +130bps CER (+120bps reported). In line with our elevation strategy, gross margin benefited from a higher mix of full-price sales and product elevation driving higher average prices
- Operating expenses impacted by higher investment and cost normalisation as guided
- Adjusted diluted EPS 33.5p, up 7.3x

Reported profit measures

- Reported operating profit £207m, up 2.4x at reported rates against H1 FY21 after adjusting items credit of £11m (H1 FY21: £37m credit) largely due to COVID-19 related rent concessions
- Diluted EPS 35.7p, 2.9x reported

Cash measures:

- Free cash inflow of £104m (H1 FY21: £45m outflow) with cash conversion over 100%
- Cash net of overdrafts and borrowings of £846m at 25 September 2021 (27 March 2021: £919m). The £73m cash outflow reflects the higher than usual dividend payment in the half of £172m, being a full year dividend paid in respect of the prior year.
- Interim dividend of 11.6p declared (H1 FY21: nil)
- Share buyback of £150m to be completed in H2 2022

Summary income statement

Period ended £ million	25 Sept 2021	26 Sept 2020	*% change* *Reported FX*	*% change* *CER*
Revenue	**1,213**	**878**	***38***	***45***
Cost of sales*	(372)	(280)		
Gross profit*	**841**	**598**	***41***	***48***
Gross margin %*	**69.3%**	**68.1%**	***+120bps***	***+130bps***
Operating expenses*	(645)	(547)	*18*	*22*
*Opex as a % of sales**	53.2%	62.3%		
Adjusted operating profit*	**196**	**51**	***3.8x***	***4.2x***
Adjusted operating margin %*	**16.2%**	**5.8%**		
Adjusting operating items	11	37		
Operating profit	**207**	**88**	***2.4x***	
Operating margin	17.1%	10.0%		
Net finance (charge)**	(16)	(15)		
Profit before taxation	**191**	**73**		
Taxation	(46)	(25)		
Attributable profit	**145**	**48**		
Adjusted profit before taxation*	**180**	**36**		
Adjusted diluted EPS (pence)*	**33.5p**	**4.6p**		
Reported diluted EPS (pence)	**35.7p**	**12.2p**		
Weighted average number of diluted ordinary shares (millions)	406.3	404.7		
Adjusted EBITDA*	**341**	**180**	***1.9x***	

* Excludes adjusting items. **Includes adjusting finance charge of nil (H1 FY21: nil).

BUSINESS AND FINANCIAL REVIEW

FY22 marks the first year of the growth and acceleration phase of our strategy. In this chapter, our focus is on leveraging our unique brand equity to deliver sustainable, high-quality growth, while continuing our efforts to do well by doing right.

Despite a continuing challenging external environment, in H1 FY22 we drove a material enhancement in the quality of our revenue streams. Our strategy to exit mainline and digital markdowns and the deliberate tight management of our outlet business resulted in a significant shift towards full-price sales. Within comparable store sales growth of 1% vs LLY, full-price sales advanced 18%, growing a double-digit percentage across Q1 and Q2. Regionally, full-price sales almost doubled in the Americas, South Korea grew almost 80%, and Mainland China was up over 40% even as wide-reaching regional lockdowns and extreme weather impacted our performance in August in particular.

The improved quality of our revenue streams has enhanced our financial metrics, underpinning exceptional free cash conversion of over 100% in the half and an improvement in gross margin of 130bp at CER despite significant pressures from Brexit duties and channel mix. We also saw an 11.2% point increase in the adjusted operating margin CER vs LY and a 120bps increase against LLY.

Growth has been supported by strong, localised marketing campaigns, particularly in markets less impacted by travel restrictions. In the Americas, we launched a dedicated product capsule designed by Peter Saville and hosted events like the takeover of Miami's Goodtime Hotel to support our Summer Monogram capsule. In South Korea, building on our efforts to strengthen the brand over the last years, we signed a new brand ambassador, singer and actor Cha Eun-woo, and introduced exciting customer activations such as the immersive outerwear experience that went live on Jeju Island today. In Mainland China, we drove engagement and performance through a culturally relevant programme of activities, including a dedicated capsule collection and campaign for Chinese Valentine's Day, and a series of unexpected partnerships with local Chinese artists for our summer monogram collection.

Our programme of brand activities has continued to generate strong reach and engagement globally and we have found new ways to excite our customers. We partnered with multiplayer game 'Blankos Block Party' to create our first in-game NFT and released a limited-edition Burberry 'Blanko' named Sharky B, plus a range of accessories inspired by the Monogram capsule; all 750 units of the NFT sold out within 30 seconds. For the launch of our Summer Monogram capsule in July, we excited consumers with several unexpected experiences, including an interactive augmented reality brand filter on TikTok which generated 3.7bn views – an industry and platform first.

In product, we made further progress in our core categories; leather goods and outerwear. In leather, we continued to build performance by strengthening our Women's handbags pillars, delivering a programme of 70+ pop-ups for Olympia and expanding the Lola family, as well as introducing our new shape, the Rhombi, as part of our SS22 Runway collection. As a result, in H1 FY22, leather delivered double-digit full-price sales growth vs LLY. In outerwear, we have launched a dedicated campaign including a brand film, strong storytelling on key social media platforms, including a Tik Tok takeover, as well as activations across physical and digital channels. We have innovated and elevated our DK fabric, developing a new lightweight Gabardine, and applied it to more casual styles to create a DK down, with details such as special quilting techniques, cashmere linings and leather details.

At the same time, we continued to elevate the customer experience. Our new store concept roll out is progressing well, with 15 stores completed so far, and a total of around 50 new concept stores planned globally by year end FY22. These stores are resonating very well with our customers, attracting high-spending clientele. We strengthened the integration between our offline and online channels by launching regional pilots to enhance content sharing tools for our sales associates. We enhanced product discovery on our website by launching an 'Outerwear Hub' as part of our outerwear campaign – a section of the Burberry.com website dedicated to the collection. As a result, we have seen good traction with full-price performance on our digital channels, almost doubling our sales in H1 vs LLY and DD growth vs LY.

Guided by our purpose and values, we continued to drive positive change for our environment, our people and our communities. We remain on track to become carbon neutral and source 100% renewable electricity across our own operations by the end of FY22. In June, we pledged to become Climate Positive by 2040, setting a new industry standard that goes beyond net zero. At COP 26 in Glasgow this month, we announced our biodiversity strategy to protect, restore and regenerate nature. This includes a significant five-year investment in the LEAF Coalition, the largest ever public-private initiative to finance the protection of tropical forests, and a partnership with The Savory Institute to help regenerate the world's grasslands and the livelihoods of their inhabitants.

We continued to make strong progress against our D&I ambition, widening the scope of our internal council, expanding company-wide training and implementing focused action plans for every function and region. As part of this, we hosted events and workshops with partners, and provided resources for all colleagues to drive allyship while celebrating key moments including Pride, Black History Month and LGBT+ History Month. We also expanded our strategic partnerships and are proud to be the lead sponsor of the inaugural British Diversity Awards in March 2022. Meanwhile, our Cultural Advisory Council of external leaders continues to help us shape our strategy as all founding members renew their involvement for a second term.

We also extended our support for our communities, expanding our education programmes globally. and made a further donation to the UNICEF COVID-19 Vaccines Appeal via the Burberry Foundation, enabling more equitable distribution of the vaccine around the world.

First half financial performance

- H1 FY22 saw revenues recover back to FY20 levels at constant exchange rates. We continue to execute on our strategy to elevate the brand by exiting markdowns in mainline and digital stores resulting in a mid single-digit headwind to the 1% comparable store sales growth achieved in H1 FY21 against LLY and 37% vs LY. Total sales increased 45% at CER and 38% reported to £1,213m. This was driven by strong mainline and digital full-price sales – up 49% against LY and in line with our plan of enhancing the quality of sales in the business.

	FY22 vs LY			FY22 vs LLY		
	Q1	Q2	H1	Q1	Q2	H1
Comparable store sales growth	90%	6%	37%	1%	flat	1%
Comparable full-price sales growth	121%	10%	49%	26%	10%	18%

- Comparable store sales vs LLY were 1% ahead with the group seeing similar trends in both Q1 FY22 and Q2 FY22. We saw double-digit full-price comparable store sales growth in each month during H1 FY22 vs LLY, except for August, caused by the COVID-19 related travel restrictions imposed in the APAC region. This was especially impactful in Mainland China, reducing footfall materially, leading to an adverse effect on revenues. We saw good recovery in September.

- In total, we saw 37% growth in retail comparable sales compared with LY with 4% from space and 69% increase in wholesale revenue. This led to a 45% increase in revenue at CER and 38% reported revenue increase to £1,213m (H1 FY21 £878m).

- Group adjusted operating profit increased more than fourfold in the half at CER against the COVID-19 impacted prior year and is now materially ahead of the equivalent period prior to COVID at CER. Gross margin increased in the period by 130bps CER and 120bps reported benefitting from the higher mix of full-price sales and the product elevation that saw higher average prices in H1. These benefits were more than enough to offset the headwinds from the channel mix, Brexit duties and stock provisions. Operating expenses excluding adjusted items increased by 22% against last year at CER, in line with our guidance of higher investment and cost normalisation post the end of the pandemic. This resulted in operating expenses moving to 53% of sales at reported rates. The cost savings programme delivered £20m of savings and we have now achieved the £55m of annualised savings guided previously, bringing cumulative savings to £205m and providing a completely restructured cost base, which now forms the foundation for commercial investment and the opportunity to deliver future margin accretion.

- Reported operating profit increased 2.4x including £11m of adjusting credits compared with a £37m credit in H1 FY21. FX was a £62m revenue headwind in H1 FY22 and £20m on adjusted operating profit.

- There was a £104m of free cash inflow in the half (H1 FY21 £45m outflow). Working capital absorbed £27m of cash (H1 FY21 £75m) with inventory increasing £31m (H1 FY21 £34m) in line with normal patterns ahead of the festive season. Capital expenditure amounted to £39m (H1 FY21 £61m). Overall, the group saw a £73m cash outflow in H1 FY22 after the full year dividend payment – in line with typical seasonal patterns.

Revenue analysis

Revenue by channel

Period ended £ million	25 Sept 2021	26 Sept 2020	% change Reported FX	 CER
Retail	944	704	*34*	*41*
Retail comparable store sales growth	*37%*	*(25%)*		
Wholesale	249	156	*60*	*69*
Licensing	20	18	*10*	*13*
Revenue	**1,213**	**878**	***+38***	***+45***

Retail

- Retail sales +41% at CER; +34% reported
- Impact of space +4%

H1 FY22 comparable store sales increased +37% (Q1 FY22: +90%; Q2 FY22: +6%) against the COVID-19 impacted prior year half. Taking H1 FY20 as a base, comparable store sales growth was up 1% and was similar over both quarters. We had a strong underlying performance driven by our focus on full-price sales increasing 18% in the half with 26% in Q1 FY22 and 10% in Q2 FY22 vs LLY.

Comparable store sales by region:

	FY22 vs LY			FY22 vs LLY		
	Q1	Q2	H1	Q1	Q2	H1
Group	**90%**	**6%**	**37%**	**1%**	**flat**	**1%**
Asia Pacific	27%	-5%	9%	7%	3%	5%
EMEIA	146%	25%	58%	-38%	-25%	-31%
Americas	341%	16%	92%	34%	42%	38%

Asia Pacific H1 FY22 +5% (Q1 FY22: +7%; Q2 FY22: +3%) vs LLY

- Asia Pacific growth saw a good underlying performance in Mainland China and South Korea driven by new and younger customers .
    - Mainland China saw growth around 30% in the half vs LLY. Q2 was affected by travel restrictions in August, with July and September comparable store sales growth at similar levels to Q1
    - South Korea remained strong throughout the period with H1 comparable store sales up more than 40% vs LLY, with acceleration in Q2
    - South Asia Pacific fell materially, affected by continued COVID-19 related travel restrictions with average store closures of c.14% in the half. The region saw a deterioration in Q2 FY22
    - Japan also fell, impacted by significantly lower tourist arrivals caused by COVID-19 outbreaks, with a state of emergency announced and travel restrictions following the Olympics

EMEIA H1 FY22 -31% (Q1 FY22: -38%; Q2 FY22: -25%) vs LLY

- EMEIA improved QoQ in comparable store sales now that most of the stores are fully open. However, trading remains more challenging as compared with LLY due to limited tourist flows with c.50% of annual sales typically from tourists and higher in our second quarter prior to COVID-19. Encouragingly, local customers were positive across the major territories with the region seeing a sequential improvement QoQ in trading compared with LLY.

Americas H1 FY22 +38% (Q1 FY22: +34%; Q2 FY22: +42%) vs LLY

- Americas saw a continued strong performance with H1 FY22 full-price sales almost doubling
    - Q2 FY22 saw a sequential improvement in comparable store sales, helped by a smaller markdown headwind
    - The region continues to benefit from strong sales to new and younger customers

Total group digital sales continue to see strong full-price sales growth compared with LLY that almost doubled in the half and up a double-digit percentage vs LY, although total sales have been affected by reduced markdowns. Growth has slowed in the period as revenue transferred to physical stores as lockdowns eased through the half.

<u>By product</u>

- Full-price sales saw growth against LLY for all major categories in the half and in Q2.
- Outerwear saw improving momentum in the half with Q2 full-price sales increasing by 12%. Within this Jackets, Downs, Coats and Quilts grew around 50% while rainwear remains more challenging.
- Leather saw a strong Q1 with the Olympia campaign, with total full-price sales in the half up double-digits.
- Menswear performed well in H1 FY22 with full-price sales up 14% due to good traction in jersey wear and trousers, with shoes an especially strong performer. Womenswear was more challenging in the half with full-price sales up modestly although it saw a good performance in trousers and knitwear, but challenges in rainwear. Across ready-to-wear our house codes continue to resonate strongly and outperformed in the period.

<u>Store footprint</u>

The transformation of our distribution continued as we addressed high priority programmes:

- In H1 FY22 we opened 15 stores and closed 11 stores.
- Key openings included 5 mainline stores in Mainland China with 3 in the new format and our new concept store in Sloane Street, London.
- We are now operating 15 stores in the new design with 8 in South Korea, 4 in Mainland China and one each in the Americas, Japan and EMEIA. We continue to plan a target of around 50 stores in the new format by the end of FY22. We have also made the decision to accelerate the refurbishments of flagships to the new concept.

Wholesale

Wholesale revenue increased 69% at CER in H1 FY22 and increased 3% CER vs LLY.

This was a little ahead of our original guidance due to a strong order book. All regions saw strong demand.

Licensing

Licensing revenue increased 13% at CER with sales starting to recover.

Operating profit analysis

Adjusted operating profit

Period ended	**25 Sept 2021**	**26 Sept 2020**	***% change***	
£ million			***Reported FX***	***CER***
Revenue	1,213	878	*38%*	*45%*
Cost of sales*	(372)	(280)		
Gross profit*	**841**	**598**	*41%*	*48%*
Gross margin %*	**69.3%**	**68.1%**	***120bps***	*130bps*
Operating expenses*	(645)	(547)	*18%*	*22%*
Opex as a % of sales*	53.2%	62.3%		
Adjusted operating profit	**196**	**51**	***3.8x***	***4.2x***
Adjusted operating margin %	**16.2%**	**5.8%**		

*Excludes adjusting items

Adjusted operating profit increased 4.2x at CER and margin is ahead of pre-COVID levels.

- Gross margin increased 130bps at CER and 120bps reported.
- Adjusted operating expenses increased by 22% against last year at CER.

Adjusted operating profit amounted to £196m including a £20m FX headwind in H1 FY22.

Adjusting items*

Adjusting items were a credit of £11m (H1 FY21: £37m credit).

Adjusting items* Period ended £ million	**25 Sept 2021**	**26 Sept 2020**
The impact of COVID-19		
Inventory provisions (recognised in cost of sales)	6	7
Rent concessions	9	26
Government grants	1	-
Store impairments	-	23
Receivable impairments	-	2
COVID-19 adjusting items	**16**	**58**
Restructuring costs	(5)	(22)
Revaluation of deferred consideration liability	-	1
Adjusting items	**11**	**37**

The major adjusting items are as follows:

- Impact of the COVID-19 pandemic: we saw a total credit of £16m from COVID-19 related adjustments with £6m in cost of sales as part of an inventory provision reversal, £9m of rent concessions and £1m of Government grants.
- Restructuring costs: incurred £5m bringing the combined total of our cost programmes to £133m and cumulative cost savings of £205m, achieving guidance.

Profit before tax*

After a net finance charge of £16m (H1 FY21 £15m), adjusted profit before tax was £180m (H1 FY21 £36m) and reported profit before tax was £191m (H1 FY21 £73m).

*For detail on adjusting items see note 4 of Condensed Consolidated Interim Financial Statements

Taxation

The effective tax rate on H1 FY22 adjusted profit was 24.1% (H1 FY21: 50.9%, FY21: 25.4%). This was down from the 50.9% in H1 FY21 which was affected by the geographical mix of profits and the impact of prior year adjustments on a relatively low profit base. The effective tax rate on H1 FY22 reported profit before taxation was also 24.1% (H1 FY21: 33.6%, FY21: 23.3%).

The effective tax rate on adjusted profit for FY22 is estimated to be around 22% (FY21: 25.4%) due to the normalisation of trading geographically post the COVID-19 outbreak.

Cash flow

Free cash inflow* was £104m in the half (H1 FY21 outflow of £45m).

The major components were:

- Cash generated from operating activities increased to £323m from £101m
  - A working capital outflow of £27m (H1 FY21: £75m) due to normal seasonal patterns.
- Capital expenditure of £39m (H1 FY21: £61m).

Cash net of overdrafts at 25 September 2021 was £1,143m, compared to £1,216m at 27 March 2021. At 25 September 2021 borrowings were £297m from the bond issue leaving cash net of overdrafts and borrowings of £846m (27 March 2021: £919m). With lease liabilities of £1,070m, net debt in the period was £224m (27 March 2021: £101m). Net Debt / Adjusted EBITDA was 0.3x on a rolling 12 months period, below our target range of 0.5x to 1.0x hence the announcement of accelerated store investments and the recommencement of the share buyback programme.

*For a definition of free cash flow and net debt see page 18.

Period ended **£ million**	**25 Sept** **2021**	**27 March** **2021**
Adjusted EBITDA – rolling 12 months	834	673
Cash net of overdrafts	(1,143)	(1,216)
Bond	297	297
Lease debt	1,070	1,020
Net Debt	**224**	**101**
Net Debt/Adjusted EBITDA	**0.3x**	**0.1x**

APPENDIX

Detailed guidance for FY22*

Item	Financial impact
Markdown policy	As guided, we will be exiting markdowns in digital and mainline stores in FY22, leading to a mid single-digit headwind against our comparable store sales in FY22 vs LY with mid single-digit impact in Q3 and low single-digit impact in Q4
Wholesale	Full year wholesale is expected to be up mid 30% and H2 to increase by around 15%
Impact of retail space on revenues	For the FY, space is expected to contribute low single-digit percentage with H2 also up low single-digit percentage on a 52 week basis
Gross margin	To remain broadly unchanged YoY at CER
Tax	We expect the adjusted tax rate to be around 22%
Cash flow	Capex is expected to be in the region of £160m including around 50 stores refurbished in the new format. This is below previous guidance of £180m to £190m due to efficiencies in delivered projects and the phasing of investment
Currency	At 29 October spot rates, the impact of year-on-year exchange rate movements is expected to be a c.£100m headwind on revenue and c.£40m headwind on adjusted operating profit
Dividend	We have resumed payment of the interim dividend at 11.6p per share, an increase of 3% over H1 FY20
Calendar	Please note that FY22 is a 53 week calendar year with an extra week in Q4. CER growth rates will be adjusted to be on a 52 week basis.

*Guidance assumes constant exchange rates, a stable economic environment and current tax legislation

Exchange rates					
	Forecast effective rates for FY22		Actual average exchange rates		
£1=	29 October 2021	25 June 2021	H1 FY22	H1 FY21	FY21
Euro	1.17	1.17	1.16	1.12	1.12
US Dollar	1.38	1.39	1.39	1.26	1.30
Chinese Renminbi	8.88	9.00	8.98	8.87	8.85
Hong Kong Dollar	10.75	10.82	10.79	9.79	10.08
Korean Won	1,602	1,577	1,583	1,525	1,514

Retail/wholesale revenue by destination				
Period ended	25 Sept	26 Sept	*% change*	
£ million	2021	2020	*Reported FX*	*CER*
Asia Pacific	522	439	*19*	*23*
EMEIA	361	251	*44*	*49*
Americas	310	170	*83*	*100*
Total	**1,193**	**860**	***39***	***46***

Retail/wholesale revenue by product division				
Period ended	25 Sept	26 Sept	*% change*	
£ million	2021	2020	*Reported FX*	*CER*
Accessories	435	301	*44*	*52*
Women's	330	242	*36*	*43*
Men's	347	258	*35*	*41*
Children's & other	81	59	*39*	*47*
Total	**1,193**	**860**	***39***	***46***

Store portfolio	Directly-operated stores				
	Stores	Concessions	Outlets	Total	*Franchise stores*
At 27 March 2021	214	145	56	415	*44*
Additions	7	8		15	-
Closures	(3)	(8)		(11)	*(2)*
At 25 September 2021	**218**	**145**	**56**	**419**	***42***

Store portfolio by region	Directly-operated stores				
At 25 September 2021	Stores	Concessions	Outlets	Total	*Franchise stores*
Asia Pacific	102	93	22	217	*7*
EMEIA	54	43	18	115	*35*
Americas	62	9	16	87	-
Total	**218**	**145**	**56**	**419**	***42***

Adjusted operating profit*				
Period ended £ million	25 Sept 2021	26 Sept 2020	*% change Reported FX*	*% change CER*
Retail/wholesale	178	34	*5.2x*	*5.8x*
Licensing	18	17	*8%*	*10%*
Adjusted operating profit	**196**	**51**	***3.8x***	***4.2x***
Adjusted operating margin	**16.2%**	**5.8%**		

*For additional detail on adjusting items see note 4 of Condensed Consolidated Interim Financial Statements

Profit before tax reconciliation				
Period ended £ million	25 Sept 2021	26 Sept 2020	*% change Reported FX*	% change CER
Adjusted profit before tax	**180**	**36**	**5.0x**	**5.5x**
Adjusting items*				
Impact of COVID-19	16	58		
Restructuring costs	(5)	(22)		
Revaluation of deferred consideration liability	-	1		
Profit before tax	**191**	**73**	**2.6x**	

Alternative performance measures

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

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

Full-price sales:
Full-price comparable store sales are sales from items sold at full retail price in our own mainline retail network and online.</td><td>Retail Revenue:
<table>
<tr><th>Period ended
YoY%</th><th>25 Sept
2021</th><th>26 Sept
2020</th></tr>
<tr><td>Comparable sales</td><td>37%*</td><td>(25%)</td></tr>
<tr><td>Change in space</td><td>4%</td><td>(4%)</td></tr>
<tr><td>FX</td><td>(7%)</td><td>(1%)</td></tr>
<tr><td>Retail revenue</td><td>34%</td><td>(30%)</td></tr>
</table>*Includes full-price comp +49%</td></tr>
<tr><td>Comparable sales vs LLY</td><td>The change in sales over two years measured at constant foreign exchange rates. It also includes online sales. The measurement of comparable sales has not excluded stores temporarily closed as a result of the COVID-19 outbreak. This measure reflects the two year comparable store growth rates.</td><td>Retail Revenue:
<table>
<tr><th>%change</th><th>25 Sept
2021</th></tr>
<tr><td>Comparable sales</td><td>1%</td></tr>
<tr><td>Change in space</td><td>(1%)</td></tr>
<tr><td>FX</td><td>(6%)</td></tr>
<tr><td>Retail revenue</td><td>(6%)</td></tr>
</table></td></tr>
<tr><td>Adjusted Profit</td><td>Adjusted profit measures are presented to provide additional consideration of the underlying performance of the Group's ongoing business. These measures remove the impact of those items which should be excluded to provide a consistent and comparable view of performance.</td><td>Reported Profit:
A reconciliation of reported profit before tax to adjusted profit before tax is included in the income statement on page 21. The Group's accounting policy for adjusted profit before tax is set out in note 2 to the financial statements.</td></tr>
</table>

<table>
<tr>
<td>Free Cash Flow</td>
<td>Free cash flow is defined as net cash generated from operating activities less capital expenditure plus cash inflows from disposal of fixed assets and including cash outflows for lease principal payments and other lease related items.</td>
<td>Net cash generated from operating activities:
<table>
<tr><th>Period ended
£m</th><th>25 Sept
2021</th><th>26 Sept
2020</th></tr>
<tr><td>Net cash generated from operating activities</td><td>224</td><td>78</td></tr>
<tr><td>Capex</td><td>(39)</td><td>(61)</td></tr>
<tr><td>Lease principal and related cash flows</td><td>(89)</td><td>(62)</td></tr>
<tr><td>Proceeds from disposal</td><td>8</td><td>-</td></tr>
<tr><td>Free cash flow</td><td>104</td><td>(45)</td></tr>
</table></td>
</tr>
<tr>
<td>Cash Conversion</td>
<td>Cash conversion is defined as free cash flow pre-tax as a percentage of adjusted profit before tax. It provides a measure of the Group's effectiveness in converting its profit into cash.</td>
<td>Net cash generated from operating activities:
<table>
<tr><th>Period ended
£m</th><th>25 Sept
2021</th><th>26 Sept
2020</th></tr>
<tr><td>Free cash flow</td><td>104</td><td>(45)</td></tr>
<tr><td>Tax paid</td><td>84</td><td>10</td></tr>
<tr><td>Free cash flow before tax</td><td>188</td><td>(35)</td></tr>
<tr><td>Adjusted profit before tax</td><td>180</td><td>36</td></tr>
<tr><td>Cash conversion</td><td>104%</td><td>n/a</td></tr>
</table></td>
</tr>
<tr>
<td>Net Debt</td>
<td>Net debt is defined as the lease liability recognised on the balance sheet plus borrowings less cash net of overdrafts.</td>
<td>Cash net of overdrafts:
<table>
<tr><th>Period ended
£m</th><th>25 Sept
2021</th><th>27 Mar
2021</th></tr>
<tr><td>Cash net of overdrafts</td><td>1,143</td><td>1,216</td></tr>
<tr><td>Lease liability</td><td>(1,070)</td><td>(1,020)</td></tr>
<tr><td>Borrowings</td><td>(297)</td><td>(297)</td></tr>
<tr><td>Net debt</td><td>(224)</td><td>(101)</td></tr>
</table></td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>Adjusted EBITDA is defined as operating profit, excluding adjusting operating items, depreciation of property, plant and equipment, depreciation of right of use assets and amortisation of intangible assets. Any depreciation or amortisation included in adjusting operating items are not double-counted.</td>
<td>Reconciliation from operating profit to adjusted EBITDA:
<table>
<tr><th>Period ended
£m</th><th>25 Sept
2021</th><th>26 Sept
2020</th></tr>
<tr><td>Operating profit</td><td>207</td><td>88</td></tr>
<tr><td>Adjusted operating items</td><td>(11)</td><td>(37)</td></tr>
<tr><td>Amortisation of intangible assets</td><td>18</td><td>15</td></tr>
<tr><td>Depreciation of property, plant and equipment</td><td>38</td><td>31</td></tr>
<tr><td>Depreciation of right-of-use assets</td><td>89</td><td>83</td></tr>
<tr><td>Adjusted EBITDA</td><td>341</td><td>180</td></tr>
</table></td>
</tr>
</table>

Related parties
Related party disclosures are given in note 20 of the Condensed Consolidated Interim Financial Statements.

Principal Risks
As at H1 FY22, the principal risks and uncertainties that the Group faces for the remaining 27 weeks of the financial year are consistent with those previously reported. There continues to be uncertainty regarding further impacts of COVID-19, and international responses to the pandemic. However, these do not result in material changes to the Group risk profile. The principal risks are summarised below:

Strategic and Financial Risks
Execution of Strategy: Focused execution of the strategy through our four strategic pillars (Product, Communication, Distribution and Digital) and their supporting enablers (Operational Excellence and Inspired People) is key to sustainable long-term shareholder value. Success depends on our ability to further cement our luxury positioning, increasing the value and relevance of our brand to luxury consumers globally. Inability to successfully execute the projects that underpin these strategies could result in under-delivery on the expected growth, productivity and efficiency targets. This could have a significant impact on the value of the business and market confidence.

Image and Reputation: The Group carefully safeguards its image and reputation. Unfavourable incidents, unethical behaviour or erroneous media coverage relating to the Group's senior executives, products, practices or supply chain operations could damage the Group's reputation and negatively impact the value of the brand.

Global Chinese Consumer Spending: Global Chinese consumer spending patterns may significantly change having an immediate adverse impact on Group sales. Any significant change to Chinese consumer spending habits globally due to changes in the economic, regulatory, social or political environment in China, including a further health emergency or a natural disaster, may adversely impact the domestic consumer group's disposable income or confidence.

Volatility in foreign exchange rates: Volatility in foreign exchange rates could have a significant impact on the Group's reported results. Burberry is exposed to uncertainty through foreign exchange movements. Major events such as the COVID-19 pandemic continue to impact foreign exchange rates, which in turn could cause significant change in our Group reported results.

Operational Risks
Cyber-attack: This may result in a system outage, impacting core operations and/or results in a major data loss leading to reputational damage and financial loss. A cyber risk-aware workforce and the Group's technology environment are critical to success. A robust control environment helps decrease the risks to core business operations and/or major data loss.

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

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

Business Interruption: A major incident impacts countries where the Group operates, has its main locations or where its suppliers are located, and significantly interrupts the business. This could be caused by a wide range of events at a country level, including geopolitical tensions, natural catastrophe, pandemic or changes in regulations, through to localised issues, such as fire, terrorism or quality control failures.

Compliance Risks

Regulatory Risk and Ethical/Environmental Standards: The Group's operations are subject to a broad spectrum of national and regional laws as well as regulations in the various jurisdictions in which we operate. These include product safety, trademarks, bribery and corruption, competition, data, corporate governance, employment, tax, trade compliance and employee and customer health and safety. Changes to laws and regulations, or a major compliance breach, could have a material impact on the business.

Sustained breaches of Burberry's intellectual property (IP) rights or allegations of infringement by Burberry: Sustained breaches of Burberry's IP rights or allegations of infringement by Burberry pose risk to the brand. Counterfeiting, copyright, trade mark and design infringement in the marketplace could reduce the demand for genuine Burberry merchandise and impact the luxury positioning of the brand.

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

External Risks

COVID-19 impact: The timing of a return to sustained growth following the COVID-19 pandemic continues to remain uncertain. There remains a risk that the recovery from the spread of the COVID-19 pandemic slows due to a resurgence of cases. In response to COVID-19, we have continued to update planning scenarios based on a range of assumptions and potential outcomes. This risk remains of further significant impact on our future operations, cash flows and viability beyond the range of assumptions that have been used to develop the planning scenarios.

Macro-Economic and Political instability: The Group operates in a wide range of markets and is exposed to changing economic, regulatory, social and political developments that may impact consumer demand, disrupt operations and impact profitability. Adverse macroeconomic conditions or country-specific changes to the operating or regulatory environment, natural disaster, global health emergency or civil unrest may impact the spending habits of key consumer groups and lead to increased operational costs.

Further impact from the UK's withdrawal from the EU: Various scenarios could impact the Group's financial position, operating model and people.

CONDENSED GROUP INCOME STATEMENT– UNAUDITED

	Note	26 weeks to 25 September 2021 £m	26 weeks to 26 September 2020 £m	52 weeks to 27 March 2021 £m
Revenue	3	**1,212.6**	877.7	2,343.9
Cost of sales		**(365.4)**	(273.3)	(681.4)
Gross profit		**847.2**	604.4	1,662.5
Net operating expenses		**(639.7)**	(516.3)	(1,141.4)
Operating profit		**207.5**	88.1	521.1
Financing				
Finance income		**1.1**	1.5	3.1
Finance expense		**(17.1)**	(16.4)	(33.3)
Other financing charge		**(0.3)**	(0.4)	(0.7)
Net finance expense	5	**(16.3)**	(15.3)	(30.9)
Profit before taxation		**191.2**	72.8	490.2
Taxation	6	**(46.0)**	(24.5)	(114.3)
Profit for the period		**145.2**	48.3	375.9
Attributable to:				
Owners of the Company		**144.9**	49.3	375.7
Non-controlling interest		**0.3**	(1.0)	0.2
Profit for the period		**145.2**	48.3	375.9
Earnings per share				
Basic	7	**35.8p**	12.2p	93.0p
Diluted	7	**35.7p**	12.2p	92.7p
		£m	£m	£m
Reconciliation of adjusted profit before taxation:				
Profit before taxation		**191.2**	72.8	490.2
Adjusting operating items:				
Cost of sales	4	**(6.5)**	(6.6)	(22.3)
Net operating expenses	4	**(5.0)**	(30.6)	(102.9)
Adjusting financing items	4	**0.3**	0.4	0.7
Adjusted profit before taxation – non-GAAP measure		**180.0**	36.0	365.7
Adjusted earnings per share – non-GAAP measure				
Basic	7	**33.7p**	4.6p	67.5p
Diluted	7	**33.5p**	4.6p	67.3p
Dividends per share				
Proposed interim (not recognised as a liability at period end)	8	**11.6p**	–	–
Final (not recognised as a liability at 27 March 2021)	8	**N/A**	N/A	42.5p

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

	26 weeks to 25 September 2021 £m	26 weeks to 26 September 2020 £m	52 weeks to 27 March 2021 £m
Profit for the period	**145.2**	48.3	375.9
Other comprehensive income[1]:			
Cash flow hedges	–	0.4	–
Foreign currency translation differences	**4.0**	4.3	(51.4)
Actuarial gains on post-employment benefit plans	–	–	1.0
Tax on other comprehensive income:			
Cash flow hedges	–	(0.1)	–
Foreign currency translation differences	**(0.2)**	0.3	2.4
Actuarial gains on post-employment benefit plans	–	–	(0.2)
Other comprehensive income for the period, net of tax	**3.8**	4.9	(48.2)
Total comprehensive income for the period	**149.0**	53.2	327.7
Total comprehensive income attributable to:			
Owners of the Company	**148.7**	54.3	327.7
Non-controlling interest	**0.3**	(1.1)	–
	149.0	53.2	327.7

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

CONDENSED GROUP BALANCE SHEET – UNAUDITED

	Note	**As at 25 September 2021 £m**	As at 26 September 2020 £m	As at 27 March 2021 £m
ASSETS				
Non-current assets				
Intangible assets	9	**233.5**	253.4	237.0
Property, plant and equipment	10	**277.1**	295.4	280.4
Right-of-use assets	11	**874.5**	824.7	818.1
Investment properties		**–**	2.6	2.4
Deferred tax assets	6	**158.1**	153.8	137.1
Trade and other receivables	12	**47.4**	49.6	45.0
		1,590.6	1,579.5	1,520.0
Current assets				
Inventories	13	**434.2**	485.4	402.1
Trade and other receivables	12	**300.2**	279.4	276.9
Derivative financial assets		**1.2**	5.0	2.2
Income tax receivables		**56.1**	73.9	39.7
Cash and cash equivalents	14	**1,197.2**	1,199.5	1,261.3
		1,988.9	2,043.2	1,982.2
Total assets		**3,579.5**	3,622.7	3,502.2
LIABILITIES				
Non-current liabilities				
Trade and other payables	15	**(94.4)**	(103.5)	(99.4)
Lease liabilities		**(852.7)**	(867.2)	(809.6)
Borrowings	18	**(297.4)**	(296.7)	(297.1)
Deferred tax liabilities	6	**(0.8)**	(0.1)	(0.8)
Retirement benefit obligations		**(1.0)**	(1.9)	(1.0)
Provisions for other liabilities and charges	16	**(32.7)**	(30.8)	(31.8)
		(1,279.0)	(1,300.2)	(1,239.7)
Current liabilities				
Trade and other payables	15	**(442.6)**	(410.1)	(392.9)
Bank overdrafts	17	**(54.2)**	(61.6)	(45.4)
Lease liabilities		**(217.6)**	(224.8)	(210.0)
Borrowings	18	**–**	(299.1)	–
Derivative financial liabilities		**(3.3)**	(1.9)	(2.6)
Income tax liabilities		**(25.8)**	(29.2)	(27.9)
Provisions for other liabilities and charges	16	**(20.8)**	(18.9)	(24.0)
		(764.3)	(1,045.6)	(702.8)
Total liabilities		**(2,043.3)**	(2,345.8)	(1,942.5)
Net assets		**1,536.2**	1,276.9	1,559.7
EQUITY				
Capital and reserves attributable to owners of the Company				
Ordinary share capital	19	**0.2**	0.2	0.2
Share premium account		**223.9**	221.2	223.0
Capital reserve		**41.2**	41.1	41.1
Hedging reserve		**4.7**	5.0	4.7
Foreign currency translation reserve		**200.1**	249.9	196.4
Retained earnings		**1,062.7**	756.0	1,091.2
Equity attributable to owners of the Company		**1,532.8**	1,273.4	1,556.6
Non-controlling interest in equity		**3.4**	3.5	3.1
Total equity		**1,536.2**	1,276.9	1,559.7

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY – UNAUDITED

		Attributable to owners of the Company						
		Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance as at 28 March 2020		**0.2**	**220.8**	**291.0**	**702.2**	**1,214.2**	**4.6**	**1,218.8**
Profit for the period		–	–	–	49.3	49.3	(1.0)	48.3
Other comprehensive income:								
Cash flow hedges – losses deferred in equity		–	–	(0.2)	–	(0.2)	–	(0.2)
Cash flow hedges – losses transferred to income		–	–	0.6	–	0.6	–	0.6
Foreign currency translation differences		–	–	4.4	–	4.4	(0.1)	4.3
Tax on other comprehensive income		–	–	0.2	–	0.2	–	0.2
Total comprehensive income for the period		–	–	5.0	49.3	54.3	(1.1)	53.2
Transactions with owners:								
Employee share incentive schemes								
Equity share awards		–	–	–	4.2	4.2	–	4.2
Tax on share awards		–	–	–	0.3	0.3	–	0.3
Exercise of share options		–	0.4	–	–	0.4	–	0.4
Balance as at 26 September 2020		**0.2**	**221.2**	**296.0**	**756.0**	**1,273.4**	**3.5**	**1,276.9**
Balance as at 27 March 2021		**0.2**	**223.0**	**242.2**	**1,091.2**	**1,556.6**	**3.1**	**1,559.7**
Profit for the period		–	–	–	144.9	144.9	0.3	145.2
Other comprehensive income:								
Cash flow hedges – losses deferred in equity		–	–	(0.1)	-	(0.1)	-	(0.1)
Cash flow hedges – losses transferred to income		–	–	0.1	-	0.1	-	0.1
Foreign currency translation differences		–	–	4.0	-	4.0	-	4.0
Tax on other comprehensive income		–	–	(0.2)	-	(0.2)	-	(0.2)
Total comprehensive income for the period		–	–	3.8	144.9	148.7	0.3	149.0
Transactions with owners:								
Employee share incentive schemes								
Equity share awards		–	–	–	5.8	5.8	-	5.8
Exercise of share options		–	0.9	–	-	0.9	-	0.9
Purchase of own shares								
Held by ESOP trusts		–	–	–	(7.3)	(7.3)	-	(7.3)
Dividends paid in the year	8	–	–	–	(171.9)	(171.9)	-	(171.9)
Balance as at 25 September 2021		**0.2**	**223.9**	**246.0**	**1,062.7**	**1,532.8**	**3.4**	**1,536.2**

CONDENSED GROUP STATEMENT OF CASH FLOWS - UNAUDITED

	Note	26 weeks to 25 September 2021 £m	Restated 26 weeks to 26 September 2020 £m	52 weeks to 27 March 2021 £m
Cash flows from operating activities				
Operating profit		**207.5**	88.1	521.1
Amortisation of intangible assets		**17.7**	14.8	32.9
Depreciation of property, plant and equipment		**38.0**	30.7	71.4
Depreciation of right-of-use assets		**89.6**	83.5	172.4
COVID-19 related rent concessions		**(9.0)**	(26.3)	(54.1)
Impairment charge of intangible assets	9	**-**	0.8	8.8
Net impairment charge/(reversal) of property, plant and equipment	10	**0.4**	(3.2)	(7.5)
Net impairment charge/(reversal) of right-of-use assets	11	**2.0**	(15.5)	(33.7)
Profit on disposal of property, plant and equipment, intangible assets and investment properties		**(5.1)**	–	(22.7)
Loss/(gain) on disposal of right-of-use assets		**0.4**	–	(1.1)
Loss on derivative instruments		**1.7**	0.6	3.8
Charge in respect of employee share incentive schemes		**6.7**	4.2	12.1
Payment from settlement of equity swap contracts		**-**	(1.5)	(1.5)
(Increase)/decrease in inventories		**(31.3)**	(34.3)	20.9
Increase in receivables		**(26.2)**	(23.1)	(39.0)
Increase/(decrease) in payables and provisions		**30.2**	(17.8)	(7.2)
Cash generated from operating activities		**322.6**	101.0	676.6
Interest received		**0.9**	1.4	2.9
Interest paid		**(15.3)**	(15.3)	(30.1)
Taxation paid		**(84.3)**	(9.6)	(58.0)
Net cash generated from operating activities		**223.9**	77.5	591.4
Cash flows from investing activities				
Purchase of property, plant and equipment		**(25.7)**	(39.9)	(72.9)
Purchase of intangible assets		**(13.7)**	(20.9)	(41.9)
Proceeds from sale of property, plant and equipment and investment properties		**7.7**	–	27.2
Initial direct costs of right-of-use assets		**(4.0)**	(0.4)	(2.9)
Net cash outflow from investing activities		**(35.7)**	**(61.2)**	**(90.5)**
Cash flows from financing activities				
Dividends paid in the period		**(171.9)**	–	–
Payment of deferred consideration for acquisition of non-controlling interest	15	**-**	(2.6)	(2.6)
Proceeds from borrowings	18	**-**	595.1	595.1
Repayment of borrowings	18	**-**	(300.0)	(599.8)
Payment of lease principal		**(84.7)**	(61.7)	(152.2)
Payment to acquire additional interest in subsidiary from non-controlling interest		**-**	–	(1.7)
Issue of ordinary share capital		**0.9**	0.4	2.2
Purchase of own shares by ESOP trusts		**(7.3)**	–	(0.1)
Net cash (outflow)/ inflow from financing activities		**(263.0)**	**231.2**	**(159.1)**
Net (decrease)/increase in cash and cash equivalents		**(74.8)**	247.5	341.8
Effect of exchange rate changes		**1.9**	3.1	(13.2)
Cash and cash equivalents at beginning of period		**1,215.9**	887.3	887.3
Cash and cash equivalents at end of period		**1,143.0**	**1,137.9**	**1,215.9**

Cash and cash equivalents as per the Balance Sheet	14	**1,197.2**	1,199.5	1,261.3
Bank overdrafts	17	**(54.2)**	(61.6)	(45.4)
Cash net of overdrafts		**1,143.0**	1,137.9	1,215.9

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, retailer and wholesaler. The Group also licenses third parties to manufacture and distribute products using the 'Burberry' trademarks. All of the companies which comprise the Group are controlled by Burberry Group plc (the Company) directly or indirectly.

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of preparation

These condensed consolidated interim financial statements are unaudited but have been reviewed by the auditors and their report to the Company is set out on page 42. They were approved by the Board of Directors on 10 November 2021. 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 52 weeks to 27 March 2021 were approved by the Board of Directors on 21 May 2021 and have been filed with the Registrar of Companies. The report of the auditors on the statutory accounts for the 52 weeks to 27 March 2021 was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498 of the Companies Act 2006.

A restatement of £14.6 million has been made to the condensed Group Statement of Cash Flows for the 26 weeks to 26 September 2020 following the correction of the reporting of the movement in capital accruals. The impact is to increase the purchase of property plant and equipment and intangible assets within cash flows from investing activities, with a corresponding reduction in decrease in payables and provisions within cash flows from operating activities.

These condensed consolidated interim financial statements for the 26 weeks to 25 September 2021 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 UK. This report should be read in conjunction with the Group's financial statements for the 52 weeks to 27 March 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRSs). The annual financial statements of the Group for the 53 weeks to 2 April 2022 will be prepared in accordance with UK adopted international accounting standards.

Going concern

The impact of the COVID-19 pandemic on the global economy and the operating activities of many businesses, including the luxury market, has resulted in a volatile climate and continued uncertainty. The further impact of this pandemic on the Group is uncertain at the date of signing these financial statements.

In considering the appropriateness of adopting the going concern basis in preparing the financial statements, the Directors have assessed the potential cash generation of the Group and considered a range of downside scenarios similar to scenarios considered for the most recent annual assessment. This assessment covers the period of a minimum of 12 months from the date of signing the condensed consolidated interim financial statements. The Directors have also considered the forecast for the period up to the subsequent financial year end, March 2023, for any indicators that the going concern basis of preparation is not appropriate.

The scenarios considered by the Directors include a severe but plausible downside and a reverse stress test which determines how much revenue could reduce by while still providing funding to cover other principal risks.

Further mitigating actions within management control would be taken under each scenario, including working capital reduction measures and limiting capital expenditure but these were not incorporated into the downside modelling.

The Directors have also considered the Group's current liquidity and available facilities. As at 25 September 2021, the Group balance sheet reflects cash net of overdrafts and borrowings of £846 million, while cash net of overdrafts is £1,143 million. In addition the Group has access to a £300 million Revolving Credit Facility (RCF), which is currently undrawn and not relied upon for the purpose of this going concern assessment. The Group is in compliance with the covenants for the RCF and the borrowings raised via the bond issued in September 2020 are not subject to covenants. Details of cash, overdrafts, borrowings and facilities are set out in notes 14, 17 and 18 of these financial statements.

In all the scenarios assessed, taking into account liquidity and available resources and before the inclusion of any mitigating actions within management control, the Group was able to maintain sufficient liquidity to continue trading. On the basis of the assessment performed, the Directors consider it is appropriate to continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the period ended 25 September 2021.

Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the 52 weeks ended 27 March 2021, with the exception of the following:

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

IFRS 16 Leases

The extension of the COVID-19-Related Rent Concessions amendment to IFRS 16 Leases to 30 June 2022 has been applied for the period ended 25 September 2021.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time for the period ended 25 September 2021, but do not have an impact on the condensed consolidated interim financial statements of the Group.

Key sources of estimation uncertainty

Preparation of the condensed consolidated interim financial statements in conformity with IFRS requires that management make certain estimates and assumptions that affect the measurement of reported revenues, expenses, assets and liabilities and the disclosure of contingent liabilities.

If in the future such estimates and assumptions, which are based on management's best estimates at the date of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be updated as appropriate in the period in which the circumstances change.

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas where the estimates and assumptions applied have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are consistent with those applied in the Group's financial statements for the 52 weeks to 27 March 2021, as set out on pages 231 to 233 of those financial statements.

For details of changes to significant estimates for impairment of property, plant and equipment and right-of-use assets in the current period, refer to note 10. There have been no changes to the significant estimates relating to inventory provisioning or uncertain tax positions in the period.

Key judgements in applying the Group's accounting policies

Judgements are those decisions made when applying accounting policies which have a significant impact on the amounts recognised in the Group's financial statements. Key judgements that have a significant impact on the amounts recognised in the condensed consolidated interim financial statements for the 26 weeks to 25 September 2021 include:

Impairment charge/reversals

Value-in-use estimates are used as part of impairment testing for intangible assets, property, plant and equipment and right-of-use assets. Value-in-use calculations require judgement surrounding key inputs including the future revenues, the margins achieved and the discount rates applied. Consideration is applied to the key inputs noted with sensitivity analysis performed across material asset balances to ensure the value-in-use estimate is robust to changes in the underlying assumptions.

Other judgements are consistent with those applied in the Group's financial statements for the 52 weeks to 27 March 2021.

Translation of the results of overseas businesses

The results of overseas subsidiaries are translated into the Group's presentation currency of Sterling each month at the weighted average exchange rate according to the phasing of the Group's trading results. The weighted average exchange rate is used, as it is considered to approximate the actual exchange rates on the dates of the transactions. The assets and liabilities of such undertakings are translated at period end exchange rates. Differences arising on the retranslation of the opening net investment in subsidiary companies, and on the translation of their results, are taken directly to the foreign currency translation reserve within equity.

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

The principal exchange rates used were as follows:

	Average rate			Closing rate		
	26 weeks to 25 September 2021	26 weeks to 26 September 2020	52 weeks to 27 March 2021	**As at 25 September 2021**	As at 26 September 2020	As at 27 March 2021
Euro	**1.16**	1.12	1.12	**1.17**	1.09	1.17
US Dollar	**1.39**	1.26	1.30	**1.37**	1.27	1.38
Chinese Yuan Renminbi	**8.98**	8.87	8.85	**8.84**	8.67	9.02
Hong Kong Dollar	**10.79**	9.79	10.08	**10.66**	9.85	10.72
Korean Won	**1,583**	1,525	1,514	**1,611**	1,497	1,558

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Adjusted profit before taxation

In order to provide additional consideration of the underlying performance of the Group's ongoing business, the Group's results include a presentation of Adjusted operating profit and Adjusted profit before taxation (adjusted PBT). Adjusted PBT is defined as profit before taxation and before adjusting items. Adjusting items are those items which, in the opinion of the Directors, should be excluded in order to provide a consistent and comparable view of the performance of the Group's ongoing business. Generally, this will include those items that are largely one-off and material in nature as well as income or expenses relating to acquisitions or disposals of businesses or other transactions of a similar nature, including the impact of changes in fair value of expected future payments or receipts relating to these transactions. Adjusting items are identified and presented on a consistent basis each year and a reconciliation of adjusted PBT to profit before tax is included in the financial statements. Adjusting items and their related tax impacts, as well as adjusting taxation items, are added back to/deducted from profit attributable to owners of the Company to arrive at adjusted earnings per share. Refer to note 4 for further details of adjusting items.

3. SEGMENTAL ANALYSIS

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

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

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

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

	Retail/Wholesale		Licensing		Total	
	26 weeks to 25 September 2021 £m	26 weeks to 26 September 2020 £m	**26 weeks to 25 September 2021 £m**	26 weeks to 26 September 2020 £m	**26 weeks to 25 September 2021 £m**	26 weeks to 26 September 2020 £m
Retail	**943.5**	703.8	**–**	–	**943.5**	703.8
Wholesale	**249.1**	155.8	**–**	–	**249.1**	155.8
Licensing	**–**	–	**20.0**	18.4	**20.0**	18.4
Total segment revenue	**1,192.6**	859.6	**20.0**	18.4	**1,212.6**	878.0
Inter-segment revenue[1]	**–**	–	**–**	(0.3)	**–**	(0.3)
Revenue from external customers	**1,192.6**	859.6	**20.0**	18.1	**1,212.6**	877.7
Adjusted operating profit	**178.0**	34.2	**18.0**	16.7	**196.0**	50.9
Adjusting items[2]					**11.2**	36.8
Finance income					**1.1**	1.5
Finance expense					**(17.1)**	(16.4)
Profit before taxation					**191.2**	72.8

3. SEGMENTAL ANALYSIS (CONTINUED)

52 weeks to 27 March 2021	Retail/Wholesale £m	Licensing £m	Total £m
Retail	1,909.9	–	1,909.9
Wholesale	396.0	–	396.0
Licensing	–	39.1	39.1
Total segment revenue	2,305.9	39.1	2,345.0
Inter-segment revenue[1]	–	(1.1)	(1.1)
Revenue from external customers	2,305.9	38.0	2,343.9
Adjusted operating profit	361.4	34.5	395.9
Adjusting items[2]			124.5
Finance income			3.1
Finance expense			(33.3)
Profit before taxation			490.2

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.

Additional revenue analysis

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

Revenue by product division	**26 weeks to 25 September 2021 £m**	26 weeks to 26 September 2020 £m	52 weeks to 27 March 2021 £m
Accessories	**434.9**	301.2	840.9
Women's	**329.6**	241.7	652.6
Men's	**347.0**	257.4	667.6
Children's/Other	**81.1**	59.3	144.8
Retail/Wholesale	**1,192.6**	859.6	2,305.9
Licensing	**20.0**	18.1	38.0
Total	**1,212.6**	877.7	2,343.9

Revenue by destination	**26 weeks to 25 September 2021 £m**	26 weeks to 26 September 2020 £m	52 weeks to 27 March 2021 £m
Asia Pacific	**521.8**	439.4	1,203.2
EMEIA[1]	**360.9**	250.7	628.0
Americas	**309.9**	169.5	474.7
Retail/Wholesale	**1,192.6**	859.6	2,305.9
Licensing	**20.0**	18.1	38.0
Total	**1,212.6**	877.7	2,343.9

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 sales related employee costs, most of the operating costs, in particular salaries and fixed rentals, are phased more evenly across the year. As a result, adjusted operating profit is expected to be higher in the second half of the financial year.

4. ADJUSTING ITEMS

	26 weeks to 25 September 2021 £m	26 weeks to 26 September 2020 £m	52 weeks to 27 March 2021 £m
Adjusting operating items			
Impact of COVID-19:			
Impairment reversal relating to retail cash generating units	**-**	(23.0)	(46.6)
Impairment reversal relating to inventory	**(6.5)**	(6.6)	(22.3)
Impairment reversal relating to receivables	**-**	(2.6)	(5.2)
COVID-19 related rent concessions	**(9.0)**	(26.3)	(54.1)
Furlough grant income	**(1.3)**	–	(8.5)
Other adjusting items:			
Gain on disposal of property	**-**	–	(18.7)
Restructuring costs	**4.8**	22.1	29.8
Revaluation of deferred consideration liability	**0.5**	(0.8)	0.4
Total adjusting operating items	**(11.5)**	(37.2)	(125.2)
Adjusting financing items			
Finance charge on deferred consideration liability	**0.3**	0.4	0.7
Total adjusting financing items	**0.3**	0.4	0.7

	26 weeks to 25 September 2021 £m	26 weeks to 26 September 2020 £m	52 weeks to 27 March 2021 £m
Analysis of adjusting operating items:			
Included in Cost of sales (Impairment reversal relating to inventory)	**(6.5)**	(6.6)	(22.3)
Included in Net operating expenses	**(5.0)**	(30.6)	(102.9)
Total adjusting operating items	**(11.5)**	(37.2)	(125.2)

	26 weeks to 25 September 2021 £m	26 weeks to 26 September 2020 £m	52 weeks to 27 March 2021 £m
Total adjusting items (pre-tax)	**(11.2)**	**(36.8)**	(124.5)
Tax on adjusting items	**2.6**	**6.**2	21.5
Total adjusting items (post-tax)	**(8.6)**	(30.6)	(103.0)

Impact of COVID-19

COVID-19 has impacted both business operations and financial markets worldwide. COVID-19 has also had a significant impact on the financial results of the Group during the current period and previous financial year.

As at the beginning of the financial year ending 27 March 2021, the Group had balances relating to COVID-19 impairment charges that had previously been charged as adjusting items in prior periods, as they were considered to be material and one-off in nature. £235.9 million COVID-19 impairment charges were recognised in relation to impairments of retail cash generating units (£156.5 million), receivables (£11.1 million) and to inventory provisions (£68.3 million).

At 25 September 2021, these impairments and provisions have been reviewed and the assumptions updated where appropriate, to reflect management's latest expectations. The impact of changes in assumptions has been presented as an update to the adjusting item charge. Further details regarding the approach applied to measure these updates are set out below for each of the specific adjusting items.

4. ADJUSTING ITEMS (CONTINUED)

Impact of COVID-19 (continued)

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

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

Impairment of retail cash generating units

During the 26 weeks to 25 September 2021, the impairment provisions remaining have been reassessed, using management's latest expectations, with no charge or reversal recorded (last half year: £23.0 million net reversal; last full year: £46.6 million net reversal). There was no related tax charge (last half year: £4.9 million; last full year: £5.2 million) recognised in the period.

Any charges or reversals which did not arise from the reassessment of the original impairment adjusting item, had they arisen, would not have been included in this adjusting item. Refer to notes 10 and 11 for details of impairment of retail cash generating units.

Impairment of inventory

During the 26 weeks to 25 September 2021, reversals of inventory provisions, relating to inventory which had been provided for as an adjusting item at the previous year end and has either been sold, or is now expected to be sold, at a higher net realisable value than had been assumed when the provision had been initially estimated, of £6.5 million (last half year: £6.6 million; last full year £22.3 million) have been recorded and presented as an adjusting item. A related tax charge of £1.4 million (last half year: £1.1 million; last full year £4.8 million) has also been recognised in the period. All other charges and reversals relating to inventory provisions have been recorded in adjusted operating profit. Refer to note 13 for details of inventory provisions.

Impairment of receivables

During the 26 weeks to 25 September 2021, the expected credit loss rates have been reassessed, taking into account the experience of losses incurred during the period and changes in market conditions at 25 September 2021 compared to the previous year end. As a result of this reassessment, management has made no changes to the expected credit loss rates and there has been no adjustment recorded. Last half year a reversal of £2.6 million (last full year: £5.2 million), resulting from the reduction in credit loss rate assumption, was recorded as an adjusting item. There was no related tax charge (last half year: £0.6 million; last full year £1.1 million) recognised in the period. All other charges and reversals relating to impairment of receivables, arising from changes in the value and aging of the receivables portfolio, have been included in adjusted operating profit. Refer to note 12 for details of impairment of receivables.

COVID-19-related rent concessions

Eligible rent forgiveness amounts have been treated as negative variable lease payments, resulting in a credit of £9.0 million (last half year: £26.3 million; last full year: £54.1 million) for the 26 weeks to 25 September 2021 being recorded in net operating expenses. This income has been presented as an adjusting item, as set out above. A related tax charge of £1.9 million (last half year: £4.3 million; last full year £9.6 million) has also been recognised in the current period.

COVID-19-related furlough grant income

The Group has recorded grant income of £1.3 million (last half year £nil; last full year £8.5 million) within selling and distribution costs in net operating expenses for the 26 weeks to 25 September 2021, relating to government support for retention of employees on furlough, as a result of COVID-19. These grants related to income received from a number of government arrangements worldwide. None of the income related to UK based employees. This income has been presented as an adjusting item, as set out above. A related tax charge of £0.3 million (last half year: £nil; last full year £2.2 million) has also been recognised in the current period.

4. ADJUSTING ITEMS (CONTINUED)

Restructuring costs

Restructuring costs of £4.8 million (last half year: £22.1 million; last full year: £29.8 million) were incurred in the current period, arising primarily as a result of the organisational efficiency programme announced in July 2020 that included the creation of three new business units to enhance product focus, increase agility and elevate quality and the further streamline of office-based functions and facilities. The costs for the 26 weeks to 25 September 2021 principally relate to redundancies and consulting costs and these costs are recorded in operating expenses. They are presented as an adjusting item, in accordance with the Group's accounting policy, as the anticipated cost of the restructuring is considered material and discrete in nature. A related tax credit of £1.0 million (last half year: £4.7 million; last full year: £6.0 million) has also been recognised in the current period.

Items relating to the deferred consideration liability

On 22 April 2016, the Group entered into an agreement to transfer the economic right of the non-controlling interest in Burberry Middle East LLC to the Group in exchange for consideration of contingent payments to be made to the minority shareholder over the period to 2023.

A charge of £0.5 million in relation to the revaluation of this balance has been recognised in net operating expenses for the 26 weeks to 25 September 2021 (last half year: credit of £0.8 million; last full year: charge of £0.4 million). A financing charge of £0.3 million in relation to the unwinding of the discount on the non-current portion of the deferred consideration liability has also been recognised for the 26 weeks to 25 September 2021 (last half year: £0.3 million; last full year: £0.6 million). These movements are unrealised.

On 19 September 2018, the Group acquired Burberry Manifattura S.R.L. Consideration for the acquisition included a future performance related deferred consideration payment which has been made subsequent to the period end on 5 October 2021. Refer to note 23 for details of post balance sheet events. A financing charge of £0.1 million in relation to the unwinding of the discount on the non-current portion of the deferred consideration liability has been recognised for the 26 weeks to 25 September 2021 (last half year: £0.1 million; last full year: £0.1 million). This movement is unrealised.

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

Adjusting items relating to prior periods

Gain on disposal of property

During the 52 weeks to 27 March 2021, the Group completed the sale of an owned property in France for cash proceeds of £27.2 million resulting in a net gain on disposal of £23.0 million, recorded within administrative expenses in net operating expenses. A profit of £18.7 million was presented as an adjusting item, after deducting incremental costs of £4.3 million relating to employee profit sharing agreements. This charge was recognised as an adjusting item, in accordance with the Group's accounting policy, as this profit from asset disposal is considered to be material and one-off in nature. A related tax charge of £4.6 million was also recognised in the year.

5. FINANCING

	26 weeks to 25 September 2021 £m	26 weeks to 26 September 2020 £m	52 weeks to 27 March 2021 £m
Bank interest income – amortised cost	**0.2**	0.3	0.6
Other finance income – amortised cost	**0.2**	0.2	0.5
Finance income – amortised cost	**0.4**	0.5	1.1
Bank interest income – fair value through profit and loss	**0.7**	1.0	2.0
Finance income	**1.1**	1.5	3.1
Interest expense on lease liabilities	**(12.9)**	(12.4)	(24.9)
Interest expense on overdrafts	**(0.1)**	(0.1)	(0.2)
Interest expense on borrowings	**(2.0)**	(1.9)	(4.7)
Bank charges	**(1.8)**	(0.8)	(1.7)
Other finance expense	**(0.3)**	(1.2)	(1.8)
Finance expense	**(17.1)**	(16.4)	(33.3)
Finance charge on deferred consideration liability	**(0.3)**	(0.4)	(0.7)
Net finance expense	**(16.3)**	(15.3)	(30.9)

6. TAXATION

The interim tax charge has been calculated by applying the estimated weighted average tax rate applicable to the Group's full year forecast adjusted profit before tax to the actual adjusted profit before tax in the interim period. Tax on prior year adjustments and remeasurement of tax balances due to changes in tax rates have been recorded as identified in the period. The resulting effective tax rate on adjusted profit before tax in the period is 24.1% (last half year: 50.9%; last full year: 25.4%). 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 24.1% (last half year: 33.6%; last full year: 23.3%). The effective tax rate on adjusted profit before tax for the full year is estimated to be 22.0%.

	26 weeks to 25 September 2021 £m	26 weeks to 26 September 2020 £m	52 weeks to 27 March 2021 £m
Current Tax			
Current tax on income for the period	**58.2**	5.0	92.4
Adjustments in respect of prior years	**6.6**	2.0	(4.2)
Total Current Tax	**64.8**	7.0	88.2
Deferred Tax			
Origination and reversal of temporary differences	**(17.8)**	10.6	15.8
Impact of changes to tax rates	**(3.4)**	-	(0.3)
Adjustments in respect of prior years	**2.4**	6.9	10.6
Total Deferred Tax	**(18.8)**	17.5	26.1
Total tax charge on profit	**46.0**	24.5	114.3

Total taxation recognised in the condensed group income statement comprises:

	26 weeks to 25 September 2021 £m	26 weeks to 26 September 2020 £m	52 weeks to 27 March 2021 £m
Tax on adjusted profit before taxation	**43.4**	18.3	92.8
Tax on adjusting items (note 4)	**2.6**	6.2	21.5
Total taxation charge	**46.0**	24.5	114.3

Deferred Taxation

The major deferred tax assets/(liabilities) recognised by the Group and movements during the period are as follows:

	Capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Share schemes £m	Derivative instruments £m	Unused tax losses £m	Leases £m	Other £m	Net deferred tax asset £m
Balance as at 27 March 2021	**16.7**	**61.6**	**3.9**	**(0.9)**	**1.1**	**35.0**	**18.9**	**136.3**
Effect of foreign exchange rates	0.1	0.8	-	-	-	0.2	0.2	**1.3**
Credited/(charged) to the Income Statement	3.2	22.7	0.2	-	-	(4.9)	(2.4)	**18.8**
Credited to equity	-	-	-	0.9	-	-	-	**0.9**
Balance as at 25 September 2021	**20.0**	**85.1**	**4.1**	-	**1.1**	**30.3**	**16.7**	**157.3**

6. TAXATION (CONTINUED)

An increase in the UK's main corporation tax rate from 19% to 25% was substantially enacted within the period to take effect from 1 April 2023. A remeasurement of those UK deferred tax assets and liabilities which are forecast to be utilised after this date has been recorded in the period, resulting in a £3.4 million credit to the condensed group income statement.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit or loss attributable to owners 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.

	26 weeks to 25 September 2021 £m	26 weeks to 26 September 2020 £m	52 weeks to 27 March 2021 £m
Attributable profit for the period before adjusting items[1]	**136.3**	18.6	272.7
Effect of adjusting items[1] (after taxation)	**8.6**	30.7	103.0
Attributable profit for the period	**144.9**	49.3	375.7

1. Refer to note 4 for details of adjusting items.

The weighted average number of ordinary shares represents the weighted average number of Burberry Group plc ordinary shares in issue throughout the period, excluding ordinary shares held in the Group's ESOP trusts and treasury shares held by the Company or its subsidiaries.

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

	26 weeks to 25 September 2021 Millions	26 weeks to 26 September 2020 Millions	52 weeks to 27 March 2021 Millions
Weighted average number of ordinary shares in issue during the period	**404.3**	403.9	404.1
Dilutive effect of the employee share incentive schemes	**2.0**	0.8	1.0
Diluted weighted average number of ordinary shares in issue during the period	**406.3**	404.7	405.1

	26 weeks to 25 September 2021 Pence	26 weeks to 26 September 2020 Pence	52 weeks to 27 March 2021 Pence
Earnings per share			
Basic	**35.8**	12.2	93.0
Diluted	**35.7**	12.2	92.7
Adjusted earnings per share – non-GAAP measure			
Basic	**33.7**	4.6	67.5
Diluted	**33.5**	4.6	67.3

8. DIVIDENDS PAID TO OWNERS OF THE COMPANY
The interim dividend of 11.6p (last half year: nil) per share has been approved by the Board of Directors after 25 September 2021. Accordingly, this dividend has not been recognised as a liability at the period end.

The interim dividend will be paid on 28 January 2022 to Shareholders on the Register at the close of business on 17 December 2021.

The ex-dividend date is 16 December 2021 and the final day for dividend reinvestment plan ('DRIP') elections is 7 January 2022.

A dividend of 42.5p (last half year: nil) was paid during the period to 25 September 2021 in relation to the year ended 27 March 2021.

9. INTANGIBLE ASSETS
Goodwill at 25 September 2021 is £105.6 million (last half year: £110.5 million; last full year: £105.2 million). There were no additions to goodwill in the period (last half year: £nil).

In the period there were additions to other intangible assets of £13.7 million (last half year: £20.7 million) and disposals with a net book value of £nil (last half year: £nil).

Capital commitments contracted but not provided for by the Group amounted to £2.5 million (last half year: £4.6 million).

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 25 September 2021. Management has performed a review for indicators of impairment as at 25 September 2021 and concluded that there are no indicators at this time. The annual impairment test will be performed at 2 April 2022.

The impairment charge for other intangible assets for the 26 weeks to 25 September 2021 is £nil (last half year: £0.8 million).

10. PROPERTY, PLANT AND EQUIPMENT
In the period there were additions to property, plant and equipment of £34.4 million (last half year: £28.8 million) and disposals with a net book value of £0.2 million (last half year: £nil).

The additions of £34.4 million (last half year: £28.8 million) includes £25.7 million (last half year: £39.9 million) arising as a result of investing cash outflows and £8.7 million (last half year: £11.1 million) movement in capital expenditure accruals.

Capital commitments contracted but not provided for by the Group amounted to £38.6 million (last half year: £23.9 million).

Impairment testing
During the current period, management reviewed their assumptions relating to the impact of COVID-19 on the impairment of retail cash generating units and reviewed these units for any indication of impairment or impairment reversal. Where indicators of impairment have been identified a full impairment analysis was carried out and if the value-in-use was less than the carrying value of the cash generating unit, an impairment of property, plant and equipment and right-of-use asset was recorded. The pre-tax cash flow projections used for this review were based on financial plans of expected revenues and costs of each retail cash generating unit, approved by management, and extrapolated beyond the current year to the lease end dates using growth rates and inflation rates appropriate to each store's location. The pre-tax discount rates used in these calculations were between 10.2% and 17.5% (last half year: between 9.5% and 14.2%) based on the Group's weighted average cost of capital adjusted for country-specific borrowing costs, tax rates and risks.

During the 26 weeks to 25 September 2021, an impairment charge of £2.2 million (last half year: net impairment reversal of £23.0 million) was recorded as a result of a review of impairment of retail store assets. A charge of £0.2 million was recorded against property, plant and equipment (last half year: net impairment charge of £1.5 million and a reversal of £5.5 million) and a charge of £2.0 million was recorded against right-of-use assets (last half year: charge of £10.3 million and a reversal of £29.3 million). Refer to note 11 for further details of right-of-use assets. The net impairment reversal relating to the change in assumptions of the impact of COVID-19 on the impairment charge of £23.0 million recorded last year was presented as an adjusting item. Refer to note 4 for details of adjusting items.

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Management has considered the potential impact of changes in assumptions on the impairment recorded against the Group's retail assets. Given the significant uncertainty regarding the impact of COVID-19 on the Group's retail operations and on the global economy, management have considered sensitivities to the impairment charge as a result of changes to the estimate of future revenues achieved by the retail stores. The sensitivities applied are an increase or decrease in revenue of 10% from the estimate used to determine the impairment charge. It is estimated that a 10% decrease/increase in revenue assumptions for the 53 weeks to 2 April 2022, with no change to subsequent forecast revenue growth rate assumptions, would result in a £17 million increase / £10 million decrease in the impairment charge of retail store assets in the 26 weeks to 25 September 2021.

The impairment charge recorded in property, plant and equipment related to 3 retail cash generating units (last half year: net impairment reversal related to 22 retail cash generating units) for which the total recoverable amount at the balance sheet date is £nil. (last half year: £31.9 million).

In addition, an impairment charge of £0.2 million (last half year: £0.8 million) was recognised in relation to non-retail assets. As a result the total net impairment charge for property, plant and equipment was £0.4 million (last half year: net impairment reversal of £3.2 million).

11. RIGHT OF USE ASSETS

In the period there were additions to right-of-use assets of £124.2million (last half year: £32.9 million). Depreciation of right-of-use assets of £89.6 million (last half year: £83.5 million) is included within net operating expenses.

Impairment testing

As a result of the assessment of retail cash generating units for impairment, an impairment charge of £2.0 million (last half year: net impairment reversal of £19.0 million) was recorded for impairment of right-of-use assets. Refer to note 10 for further details of impairment assessment of retail cash generating units.

In addition, an impairment charge of £nil (last half year: impairment charge of £3.5 million) was recognised in relation to vacant office premises.

12. TRADE AND OTHER RECEIVABLES

	As at 25 September 2021 £m	As at 26 September 2020 £m	As at 27 March 2021 £m
Non-current			
Other financial receivables[1]	**43.5**	43.6	40.9
Other non-financial receivables[2]	**1.1**	2.0	1.4
Prepayments	**2.8**	4.0	2.7
Total non-current trade and other receivables	**47.4**	49.6	45.0
Current			
Trade receivables	**153.7**	171.3	154.8
Provision for expected credit losses	**(9.0)**	(13.4)	(7.9)
Net trade receivables	**144.7**	157.9	146.9
Other financial receivables[1]	**32.3**	31.8	33.1
Other non-financial receivables[2]	**53.9**	38.7	48.5
Prepayments	**59.5**	41.2	39.6
Accrued income	**9.8**	9.8	8.8
Total current trade and other receivables	**300.2**	279.4	276.9
Total trade and other receivables	**347.6**	329.0	321.9

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

The net charge for impairment of financial receivables in the period was £1.8 million (last half year: reversal of £2.2 million; last full year: charge of £4.1 million). None of this net charge has been presented as an adjusting item (last half year: £2.6 million; last full year: charge of £5.2 million). Refer to note 4 for details of adjusting items.

13. INVENTORIES

Inventory provisions of £110.3 million (last half year: £158.8 million; last full year: £116.6 million) are recorded, representing 20.2% (last half year: 24.6%; last full year 22.5%) of the gross value of inventory. The provisions reflect management's best estimate of the net realisable value of inventory, where this is considered to be lower than the cost of the inventory.

As at 28 March 2020, £68.3 million of the provision was included in cost of sales as a result of the estimated reduction in net realisable value of inventory due to COVID-19 and was presented as an adjusting item. In the current period, £4.5 million of the provision (last half year: £nil; last full year: £3.9 million) has been utilised, where inventory previously provided for had been sold below cost in the current year and is recognised in cost of sales.

An additional £6.5 million (last half year: £6.6 million; last full year: £22.3 million) has been released upon re-assessment of the provision, where inventory previously provided for has been sold, or is now expected to be sold, for a higher net realisable value than has been estimated last year as performance during the current period has exceeded, and is expected to continue to exceed, the assumptions made at 27 March 2021. This reversal is presented as an adjusting item. Refer to note 4 for details of adjusting items.

14. CASH AND CASH EQUIVALENTS

	As at 25 September 2021 £m	As at 26 September 2020 £m	As at 27 March 2021 £m
Cash and cash equivalents held at amortised cost			
Cash at bank and in hand	**188.8**	195.3	189.8
Short-term deposits	**113.4**	155.5	159.4
	302.2	350.8	349.2
Cash and cash equivalents held at fair value through profit and loss			
Short-term deposits	**895.0**	848.7	912.1
Total	**1,197.2**	1,199.5	1,261.3

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

15. TRADE AND OTHER PAYABLES

	As at 25 September 2021 £m	As at 26 September 2020 £m	As at 27 March 2021 £m
Non-current			
Other payables[1]	**8.4**	8.4	7.9
Deferred income and non-financial accruals	**14.9**	8.0	14.2
Contract liabilities	**67.2**	73.8	70.4
Deferred consideration[2]	**3.9**	13.3	6.9
Total non-current trade and other payables	**94.4**	103.5	99.4
Current			
Trade payables	**143.7**	121.7	129.3
Other taxes and social security costs	**56.4**	61.0	52.2
Other payables[1]	**17.8**	6.2	12.6
Accruals	**191.0**	200.9	169.1
Deferred income and non-financial accruals	**7.5**	4.6	6.6
Contract liabilities	**12.5**	13.5	13.4
Deferred consideration[2]	**13.7**	2.2	9.7
Total current trade and other payables	**442.6**	410.1	392.9
Total trade and other payables	**537.0**	513.6	492.3

1. Other payables are comprised of COVID-19 rent deferrals, interest and employee related liabilities.
2. Deferred consideration relates to the acquisition of Burberry Manifattura S.R.L. on 19 September 2018 and of the economic right to the non-controlling interest in Burberry Middle East LLC on 22 April 2016. The change in the deferred consideration liability in the period arises as a result of a financing cash outflow and non-cash movements. There were no payments made in the 26 weeks to 25 September 2021 (last half year: £2.6 million; last full year: £2.6 million). Refer to note 23 for further details on events after the balance sheet date.

15. TRADE AND OTHER PAYABLES (CONTINUED)

Contract liabilities

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

	As at 25 September 2021 £m	As at 26 September 2020 £m	As at 27 March 2021 £m
Retail contract liabilities	**6.0**	7.0	6.8
Licensing contract liabilities	**73.7**	80.3	77.0
Total contract liabilities	**79.7**	87.3	83.8

16. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Property obligations £m	Other costs £m	Total £m
Balance as at 27 March 2021	41.6	14.2	55.8
Effect of foreign exchange rate changes	0.1	0.1	0.2
Created during the period	1.7	0.2	1.9
Discount unwind	0.1	-	0.1
Utilised during the period	(0.2)	(0.7)	(0.9)
Released during the period	(0.2)	(3.4)	(3.6)
Balance as at 25 September 2021	**43.1**	**10.4**	**53.5**
Balance as at 26 September 2020	39.6	10.1	49.7

	As at 25 September 2021 £m	As at 26 September 2020 £m	As at 27 March 2021 £m
Analysis of total provisions:			
Non-current	**32.7**	30.8	31.8
Current	**20.8**	18.9	24.0
Total	**53.5**	49.7	55.8

17. BANK OVERDRAFTS

Included within bank overdrafts is £54.2 million (last half year: £60.7 million; last full year: £45.4 million) representing balances on cash pooling arrangements in the Group.

The Group has a number of committed and uncommitted arrangements agreed with third parties. At 25 September 2021, the Group held bank overdrafts of £nil (last half year: £0.9 million; last full year: £nil) excluding balances on cash pooling arrangements.

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

18. BORROWINGS

On 26 July 2021, the Group entered into a new £300 million multi-currency sustainability linked revolving credit facility (RCF) with a syndicate of banks replacing the previous £300 million RCF that had been in place since 2014. In March 2020, the Group drew down on the original facility in full, the facility was repaid in full in June 2020. At 25 September 2021, there were £nil outstanding drawings. The Group is in compliance with the financial and other covenants within the facility and has been in compliance throughout the financial period.

On 14 May 2020, Burberry Limited issued commercial paper with a face value of £300 million, issued at a discount with zero coupon, and a maturity of 17 March 2021. The commercial paper was issued under a £300 million facility the Group agreed under the UK Government sponsored COVID Corporate Finance Facility (CCFF). An increase to the Group's CCFF of £300 million to £600 million was made available from 29 May 2020 however no further commercial paper was issued. The CCFF was repaid in full on 10 February 2021 and the facility expired on 23 March 2021.

On 21 September 2020, Burberry Group plc issued medium term notes with a face value of £300 million and 1.125% coupon maturing on 21 September 2025 (the sustainability bond). Proceeds from the sustainability bond will allow the Group to finance projects which support the Group's sustainability agenda. There are no financial penalties for not using the proceeds as anticipated. Interest on the sustainability bond is payable semi-annually. The fair value of the bond at 25 September 2021 is £297.1 million (last half year £296.7 million), all movements on the bond are non-cash.

19. SHARE CAPITAL AND RESERVES

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (last year: 0.05p) each		
As at 28 March 2020	404,705,886	0.2
Allotted on exercise of options during the period	30,333	–
As at 26 September 2020	404,736,219	0.2
As at 27 March 2021	404,864,359	0.2
Allotted on exercise of options during the period	64,529	–
As at 25 September 2021	**404,928,888**	**0.2**

Other reserves

Own shares purchased by the Company, as part of a share buy-back programme, are classified as treasury shares and their cost offset against retained earnings. When treasury shares are cancelled, a transfer is made from retained earnings to the capital redemption reserve, equivalent to the nominal value of the shares purchased and subsequently cancelled. The cost of shares purchased by employee share ownership trusts (ESOP trusts) are offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Company.

As at 25 September 2021 the amount held against retained earnings in relation to shares purchased by ESOP trusts was £14.5 million (last half year: £15.5 million). As at 25 September 2021, the Company held no treasury shares (last half year: none) and ESOP trusts held 0.8 million (last half year: 1.0 million) shares in the Company, with a market value of £14.9 million (last half year: £14.9 million). In the 26 weeks to 25 September 2021 the ESOP trusts and the Company have waived their entitlement to dividends of £0.2 million (last half year: £nil).

20. RELATED PARTY TRANSACTIONS

The Group's significant related parties are disclosed in the Annual Report for the 52 weeks to 27 March 2021. 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 current period.

21. FAIR VALUE DISCLOSURE FOR FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise derivative instruments, cash and cash equivalents, borrowings (including overdrafts), deferred consideration, trade and other receivables and trade and other payables arising directly from operations.

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 £13.2 million (last half year: £13.8 million) held in non-current other receivables relating to an interest-free loan provided to a landlord in Korea. At 25 September 2021, the discounted fair value of the loan is £14.2 million (last half year: £16.0 million).

The fair value of the sustainability bond is considered to approximate its book value due to the proximity of its date of issue to the balance sheet date, refer to note 18.

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

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

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

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

Observable inputs are those which are developed using market data, such as publicly available information about actual events or transactions. The Group has an established framework with respect to measurement of fair values, including level 3 fair values. The Group regularly reviews any significant inputs which are not derived from observable market data and considers, where available, relevant third-party information to support the conclusion that such valuations meet the requirements of IFRS. The classification level in the fair value hierarchy is also considered periodically and, if required, financial instruments are transferred on the date of the event or change in circumstances that caused the transfer.

The fair value of those cash and cash equivalents measured at fair value through profit and loss, principally money market funds, is derived from their net asset value which is based on the value of the portfolio investment holdings at the balance sheet date. This is considered to be a level 2 measurement.

The fair value of forward foreign exchange contracts and equity swap contracts is considered to be a level 2 measurement, it 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.

The fair value of the contingent payment component of deferred consideration is considered to be a level 3 measurement and is derived using a present value calculation, incorporating observable and non-observable inputs. This valuation technique has been adopted as it most closely mirrors the contractual arrangement.

22. CONTINGENT LIABILITIES

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

23. POST BALANCE SHEET EVENTS

On 5 October 2021 the Group paid £8.9million to the former owners of Burberry Manifattura. This was the final settlement of the deferred consideration which was agreed as part of the acquisition of the business in 2018. The balance was paid in full as the conditions upon which the payment was due were met.

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 UK 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 26 weeks 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 27 weeks of the financial year; and
- material related party transactions in the first 26 weeks 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 consistent with those listed in the Burberry Group plc Annual Report for the 52 weeks to 27 March 2021.

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

By order of the Board

Marco Gobbetti
Chief Executive Officer
10 November 2021

Julie Brown
Chief Operating and Financial Officer
10 November 2021

INDEPENDENT REVIEW REPORT TO BURBERRY GROUP PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 25 September 2021 which comprise the condensed group income statement, the condensed group statement of comprehensive income, the condensed group balance sheet, the condensed group statement of changes in equity, the condensed group statement of cash flows and the related explanatory notes 1 to 23.

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

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 25 September 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. 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 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.

As disclosed in note 2, the annual financial statements of the group will be prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion is based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP

London

10 November 2021