8 November 2018

Burberry Group plc

Interim results for 26 weeks ended 29 September 2018

Brand repositioning underway, with strong initial response

"We are energised by the early results as we begin to transform and reposition Burberry. The initial response from influencers, press, buyers and customers to our new creative vision and Riccardo's debut collection *Kingdom* has been exceptional. Mindful that we are only in the first phase of our multi-year plan, we continue to manage dynamically through the transition. We confirm our outlook for the full year."

Marco Gobbetti, Chief Executive Officer

£ million **Period ended:**	**29 Sept 2018**	**30 Sept 2017**	***% change*** ***reported FX***	***CER#***
Revenue	1,220	1,263	*(3)*	*(2)*
Revenue ex. Beauty wholesale*	1,220	1,186	*3*	*4*
*Retail comparable store sales**	*3%*	*4%*		
Adjusted operating profit*	**178**	**185**	***(4)***	***8***
Adjusted operating profit margin	14.6%	14.6%		
Reported operating profit	**173**	**127**	***36***	
Adjusted Diluted EPS (pence)*	32.9	32.3	*2*	*14*
Diluted EPS (pence)	31.6	21.4	*48*	
Free cash flow*	46	171		
Dividend (pence)	11.0	11.0	*0*	

*See page 11 for definitions of alternative performance measures

- **Exceptional response to new creative vision**, including rebranding and Riccardo's debut collection
- **Successful launch of new go-to-market model**, with social selling innovation contributing to building brand heat
- **Consumer perception shifting**; significant increase in engagement on Instagram and WeChat. Organic endorsement from some of the world's most followed influencers
- **Strong wholesale response to new product**; distribution headwind through to FY 2020, as guided, with majority of negotiations now completed
- **Managing business dynamically in period of transition** to deliver financial objectives and protect the brand

Outlook

- Maintaining FY 2019 guidance including delivery of cumulative cost savings of £100m

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.

With effect from 1 April 2018, Burberry is preparing its full year consolidated financial statements to a Saturday within seven days of the 31 March. The 26-week period ended 29 September 2018 has one fewer day than the prior year comparative period ended 30 September 2017. For more detail please see page 9.

The following alternative performance measures are presented in this announcement: adjusted performance measures, comparable sales, revenue excluding Beauty wholesale and free cash flow. The definitions of these alternative performance measures are set out in the Appendix on page 11.

Cumulative cost savings are savings compared to FY 2016 operating expenses.

Certain financial data within this announcement have been rounded.

Enquiries

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- There will be a presentation today at 9.30am (UK time) for investors and analysts at Horseferry House, Horseferry Road, London, SW1P 2AW
- The presentation can be viewed live on the Burberry website www.burberryplc.com and can also be accessed live via a listen only dial-in facility on +44 (0)20 3003 2666
- 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 23 January 2019

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

INTERIM REVIEW FOR 26 WEEKS ENDED 29 SEPTEMBER 2018

Group financial highlights

- Revenue excluding Beauty wholesale revenue +4% at CER, +3% reported
  - Retail comparable store sales +3% (Q1 and Q2: +3%)
  - Total revenue £1,220m, -2% at CER and -3% reported

- Adjusted operating profit £178m, +8% at CER, -4% reported
  - Broadly stable gross margin at CER, whilst operating expenses benefited from cumulative cost savings of £80m and some phasing of costs between halves

- Reported operating profit £173m, +36% after adjusting operating items of £5m (H1 2018: £58m) and a £22m headwind from currency

- Adjusted diluted EPS 32.9p, +14% at CER, +2% reported supported by the repurchase of 16m shares in the last twelve months and a 100bps reduction in the effective tax rate. Reported diluted EPS 31.6p, +48%, with adjusting items reducing by £53m year-on-year

- Free cash flow of £46m (H1 2018: £171m) largely impacted by an inventory outflow reflecting the ongoing product transition and a seasonal build. Net cash of £647m at Sept 2018 (£654m at Sept 2017) after returning £276m cash to shareholders through a combination of dividends (£126m) and share buyback (£150m)

- Interim dividend stable year-on-year at 11.0p (H1 2018: 11.0p)

Summary income statement

Period ended £ million	29 Sept 2018	30 Sept 2017	*% change* *reported FX*	 *CER*
Revenue	1,220	1,263	*(3)*	*(2)*
Cost of sales	(395)	(389)	*1*	
Gross profit	825	874	*(6)*	
Gross margin %	*67.6%*	*69.2%*		
Operating expenses*	(647)	(689)	*(6)*	
Opex as a % of sales	*53.0%*	*54.6%*		
Adjusted operating profit*	**178**	**185**	***(4)***	***8***
Adjusted operating margin %	*14.6%*	*14.6%*		
Adjusting operating items	(5)	(58)		
Operating profit	**173**	**127**	***36***	
Net finance credit~	1	1		
Profit before taxation	**174**	**128**	***36***	
Taxation	(42)	(35)		
Non-controlling interest	-	-		
Attributable profit	132	93		
Adjusted profit before taxation*	**180**	**188**	***(4)***	***8***
Adjusted EPS (pence)*^	**32.9**	**32.3**	***2***	***14***
EPS (pence)^	**31.6**	**21.4**	***48***	
Weighted average diluted number of ordinary shares (millions)	417.2	434.8		

* Excludes adjusting items. ~ Includes adjusting finance charge of £1m (H1 2018: £2m).
^ EPS is presented on a diluted basis

BUSINESS AND FINANCIAL REVIEW

We made good progress in the half as we began to transform and reposition Burberry, while maintaining our focus on financial and operational discipline.

Under the direction of Riccardo Tisci, we introduced a new logo, for the first time in 20 years, evoking the new spirit, mood and personality of the brand, and a refreshed Thomas Burberry monogram inspired by our heritage. We rolled these out in surprising, engaging and impactful ways in key cities and in image-driving print and digital media. We reached millions of consumers directly across these activations and the effect was amplified on social media, through images shared by press, influencers, consumers and our own channels.

Riccardo unveiled his debut collection *Kingdom* in London, celebrating Britishness in all its facets. Riccardo's vision is of a Burberry that is as much for the young as for the old. Street influences play just as important a role as codes of luxury and sophistication. There is an attitude and a spirit that is reverent but renegade. The response to *Kingdom* has been exceptional, including from wholesale partners. It was the second-most viewed show this season on Vogue.com and continues to be endorsed by some of the world's most followed influencers.

In conjunction with the show, we initiated our new go-to-market model of frequent product drops. Launched initially through a new social selling mechanic on Instagram and WeChat, the B Series presented a limited-edition selection of Riccardo's first products for Burberry. This sold out rapidly in China, prompted much higher levels of engagement online and attracted double the mix of new and younger customers to the brand than the February capsule. The B Series product drops will now occur monthly and will also be available on Kakao in Korea and LINE in Japan. As previously announced we will also have an exciting collaboration with Vivienne Westwood available in December.

The initiatives we activated to relaunch the brand generated significant brand heat, which is key in this phase of our plan.

We also began to translate Riccardo's creative vision to our stores, starting in our home city, London, where we reimagined our flagship on Regent Street and refreshed our Bond Street store. We remodelled our windows across the full network. Most discussions to evolve our wholesale distribution are now complete and the required changes to our third-party distribution network are expected to accelerate in the second half of the year and into next year, as planned. This will complement the work we have already started in our directly operated store network, having closed a net 19 stores in the last 12 months.

In terms of leather goods, we began to transition our handbags to our new creative vision and we completed an acquisition to create a leather goods centre of excellence in Italy, which will improve innovation, quality and sustainability.

Modern luxury means being socially and environmentally responsible. In September, we announced that we would end the practice of destroying unsaleable products and will no longer use real fur. We were also recognised as the leading luxury brand in the 2018 Dow Jones Sustainability Index.

While the early signs are encouraging, transitioning the product offer, evolving our distribution, changing wider consumer perception and seeing this translate into positive business performance will take time. Riccardo's full debut runway collection will be in stores in February and from May, all new deliveries will be Riccardo's product.

First half performance

At this stage of the transition, we are navigating our business through the new branding and product we have launched, on the one hand, and the existing product and branding that remain in store, on the other. This is to be expected in the first year of a multi-year plan and the consistency of brand, positioning and availability of new product will build through the next financial year. We managed our channels dynamically and delivered revenue growth of 4% at CER excluding the impact of Beauty wholesale revenue.

Group adjusted operating profit grew 8% at CER, benefiting from operating cost phasing and our focus on productivity, simplification and financial discipline. Our free cash flow was lower year-on-year, predominantly due to inventory, which reflected a combination of the transitionary phase and a seasonal outflow compared to the unusual inflow in the prior year.

FY 2019 Outlook

Whilst mindful of the transition the business is undertaking in the second half and the phased introduction of new product, we maintain our FY guidance of broadly stable revenue and adjusted operating margin at CER; and delivery of £100m cumulative cost savings.

Revenue analysis

Revenue by channel

Period ended £ million	29 Sept 2018	30 Sept 2017	*% change* *Reported FX*	 *CER*
Retail	944	944	-	2*
Retail comparable store sales	*3%*	*4%*		
Wholesale ex Beauty	254	233	*9*	*10*
Licensing	22	9	*143*	*142*
Revenue ex Beauty wholesale	**1,220**	**1,186**	***3***	***4***
Beauty wholesale	-	77	*n/a*	*n/a*
	1,220	**1,263**	***(3)***	***(2)***

* Includes impact of retail calendar -0.6% and IFRS 15 -0.2%

Retail

- Retail sales +2% at CER; unchanged reported
- Negative impact of new space -1%, as guided

First half comparable store sales +3% (Q1 and Q2 +3%). By region:

Asia Pacific grew by a mid-single digit percentage

- Mainland China grew and Chinese spend shifted into Asian tourist destinations within the region particularly to Hong Kong and Korea

EMEIA was broadly stable year-on-year

- The UK and Italy grew, with an improvement in the second quarter, while the Middle East remained weak due to macro factors

Americas grew by a mid-single digit percentage

- Performance in the US was consistent throughout the period with footfall up year-on-year. Elsewhere, while Canada grew, it was at a slower rate in the second quarter

Good growth in digital

- Direct-to-consumer growth was led by Asia Pacific, whilst the Farfetch collaboration continued to perform ahead of our expectations

By product

- We have seen a positive response to our newly launched handbags as we start to transform our leather offer
- Within apparel, our more complete wardrobe offer and full look merchandising drove continued strength in tops, trousers and skirts; and the elevated polo shirt offer introduced in the summer also contributed to this strong performance
- In outerwear, the Car Coat outperformed and our refreshed quilt programme also showed strength as customers continue to respond to innovation

Store footprint

- We continued to evolve our store network to align with our luxury positioning. We have closed a net seven stores during the period bringing the total net store closures in the last 12 months to 19 (11 mainline, two concessions and six outlets)
- Store openings included the relocation and expansion of our Dubai flagship and openings in Shin Kong Place, Xian (China).

Wholesale

Excluding Beauty, wholesale revenue grew 10% at CER, ahead of expectations, due to strength from Asia travel retail accounts given regional travel patterns

- Significant growth in Asia Pacific and growth in EMEIA was offset by a decline in the US, as we take action to improve customer perception in the market

Total wholesale revenue declined 18% at CER and reported FX reflecting the change in operation of the Beauty business, which transitioned to a licensed business model in October 2017.

Licensing

Licensing revenue was up £13m year-on-year (+142% at CER), benefitting from Beauty transitioning from a wholesale to a licensed business model, while other royalties declined due to the non-renewal of the watches licence in December 2017.

Operating profit analysis

Adjusted operating profit

Period ended	29 Sept	30 Sept	*% change*	
£ million	2018	2017	*Reported FX*	*CER*
Retail/wholesale	158	177	*(11%)*	*1%*
Licensing	20	8	*160%*	*160%*
Adjusted operating profit	**178**	**185**	***(4%)***	***8%***
Adjusted operating margin	*14.6%*	*14.6%*		

Adjusted operating profit grew 8% with the following movements all at CER:

- Strong wholesale revenue growth
- Gross margin broadly stable benefiting from the Beauty transition to a licensed model
- The delivery of £15m of operating cost savings, bringing the cumulative total to £80m
- Operating cost phasing, particularly in marketing between halves and lower depreciation year-on-year reflecting capital expenditure phasing

The group's operating margin increased by 150bps to 16.1% at CER. Including a £22m headwind from currency, adjusted operating profit was down 4% reported and adjusted operating margin was flat year-on-year at 14.6%.

Adjusting operating items*

Adjusting items were £5m (H1 2018: £58m), including restructuring costs of £10m and income of £6m associated with the disposal of our Beauty business. There is no change to the total estimated one-off costs associated with our cost and efficiency programme of c.£110m and our target of cumulative annualised cost savings of £120m in FY 2020.

Reported operating profit was £173m (H1 2018: £127m) including the impact of these adjusting operating items.

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

Taxation

The effective rate of tax on adjusted profit for FY 2019 is estimated to be about 24.0% (FY 2018: 25.1%); this is the rate applied in the half (H1 2018: 25.0%). Tax on adjusting items has been recognised at the prevailing rates as appropriate. The resulting effective tax rate on H1 2019 reported profit is 24.2% (H1 2018: 27.5%, FY 2018: 28.8%).

Cash flow

Free cash flow generated in the half was £46m below the prior year level of £171m, predominantly due to inventory, which grew 11% year-on-year, excluding the impact of foreign exchange on translation of inventory balances. This growth reflects our ongoing product transition and a seasonal inventory outflow compared to the unusual inflow in the prior year. Other movements relating to cash flow were:

- A £37m outflow relating to receivables, predominantly due to our strong wholesale revenues in the period
- Capital expenditure of £51m (H1 2018: £53m)
- Tax paid of £40m (H1 2018: £50m)

Net cash at 29 September 2018 was £647m, compared to £654m at 30 September 2017 and £892m at 31 March 2018. There was a payment of £13m upon completion of the acquisition of a luxury leather goods business to create a leather goods centre of excellence in Italy. During the half £276m was returned to shareholders, with final dividends of £126m and share buyback of £150m (completing the share repurchase programme for FY 2019).

Summary outlook

Whilst mindful of the transition the business is undertaking in the second half of FY 2019 and the phased introduction of new product, we maintain our FY guidance of broadly stable revenue and adjusted operating margin at CER; and delivery of £100m cumulative cost savings. There is no change to our guidance of broadly stable revenue and adjusted operating margin at CER in FY 2020, for detailed outlook see Appendix.

APPENDIX

Adjusting items*

Period ended £ million	29 Sept 2018	30 Sept 2017
Disposal of Beauty business	6	(28)
Restructuring costs	(10)	(33)
BME deferred consideration income/(charge)	(1)	3
Adjusting operating items	**(5)**	**(58)**
Adjusting financing (charge)	(1)	(2)
Adjusting items	**(6)**	**(60)**

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

Disposal of Beauty business

The net income of £6m was predominantly due to positive resolution of some distributor negotiations associated with the transfer of Beauty operations to Coty in October 2017.

Restructuring costs

Restructuring costs of £10m were incurred relating to our cost and efficiency programme, we continue to expect charges of £35m in FY 2019. There is no change to the total estimated one-off costs of the programme of c.£110m.

Burberry Middle East (BME) deferred consideration

The £1m charge principally reflects foreign exchange rate movements for the BME transaction.

Adjusting finance charge

The £1m charge relates to the discount unwind on the deferred consideration for the BME transaction.

Outlook*

At constant exchange rates, there is no change to our guidance of broadly stable revenue and adjusted operating margin in FY 2019, including the impact of the Beauty transition. We currently expect:

FY 2019

- Retail: Net space reduction to impact retail revenue by -1%, as the programme of store rationalisation and relocation continues
- Wholesale (excluding Beauty): Revenue now expected to be up by a mid-single digit percentage due to anticipated growth from luxury accounts more than offsetting rationalisation activity (FY 2018: £526m of which £73m Beauty)
- Licensing: Revenue up £15m including Beauty partly offset by the non-renewal of the watch licence
- Cumulative cost savings: £100m, an incremental £36m on FY 2018

Currency: At 31 October spot rates~, the expected impact of year-on-year exchange rate movements on reported adjusted operating profit is c.£25m adverse, this is unchanged from the guidance given in July 2018. The benefit to revenue is expected to be c.£10m

Adjusting items: One-off restructuring costs of £35m, as previously guided

Tax rate: A c.100bps reduction to about 24% as we move towards a range of 23%-24% by FY 2020

Capital expenditure: Now expected to be £150m-£160m, below original guidance of £160m-£170m, due to project phasing

FY 2020

There is no change to the guidance of broadly stable revenue and adjusted operating margin. We remain mindful of the ongoing product transition that starts to build from February 2019 and the uncertain external environment, including the terms of the UK's withdrawal from the EU.

- Cumulative annualised cost savings: £120m

*Guidance assumes constant exchange rates, a stable economic environment and current tax legislation unless otherwise stated. ~ see Exchange rates page 10

Retail calendar and IFRS 15

With effect from 1 April 2018, Burberry is preparing its full year consolidated financial statements to a Saturday within seven days of the 31 March. In addition, Burberry has adopted the new accounting standard IFRS 15 relating to revenue from contracts with customers.

- For FY 2019, there will be no significant difference between the comparability of the prior year and current year income statement
- The impact on some of the individual quarters during FY 2019 is expected to be more pronounced than the full year impact. There will be some phasing impact on quarterly revenues resulting from a difference in trading days under the new and old financial reporting calendars
- To aid with comparability, in FY 2019, the impact of any revenue differences arising from the changes in reporting calendar and IFRS 15 have been separately identified.
  (see note 2 of the Condensed Consolidated Interim Financial Statements)

Exchange rates	Forecast effective rates for FY 2019		Actual average exchange rates		
£1=	31 October 2018	29 June 2018	H1 2019	H1 2018	FY 2018
Euro	1.13	1.13	1.13	1.14	1.13
US Dollar	1.30	1.32	1.33	1.29	1.33
Chinese Yuan Renminbi	8.88	8.68	8.78	8.75	8.79
Hong Kong Dollar	10.18	10.34	10.42	10.09	10.37
Korean Won	1,459	1,466	1,463	1,464	1,473

Retail/wholesale revenue by destination*				
Period ended	29 Sept	30 Sept	*% change*	
£ million	2018	2017	*Reported FX*	*CER*
Asia Pacific	472	448	*5*	*7*
EMEIA	462	460	-	-
Americas	264	269	*(2)*	*1*
Total excluding Beauty wholesale	**1,198**	**1,177**	***2***	***3***
Beauty wholesale	-	77		
	1,198	1,254	*(5)*	*(3)*

*For detail on retail/wholesale revenue by destination including Beauty wholesale see note 3 in the Condensed Consolidated Interim Financial Statements

Retail/wholesale revenue by product division*				
Period ended	29 Sept	30 Sept	*% change*	
£ million	2018	2017	*Reported FX*	*CER*
Accessories	469	467	-	*2*
Womens	360	353	*2*	*3*
Mens	309	297	*4*	*6*
Childrens & other#	60	60	*(2)*	*(1)*
Total excluding Beauty wholesale	**1,198**	**1,177**	***2***	***3***
Beauty wholesale	-	77		
	1,198	1,254	*(5)*	*(3)*

*For detail on retail/wholesale revenue by product division including Beauty wholesale see note 3 in the Condensed Consolidated Interim Financial Statements. #Including Beauty retail

Store portfolio	Directly-operated stores				
	Stores	Concessions	Outlets	Total	*Franchise stores*
At 31 March 2018	240	155	54	449	*46*
Additions	8	-	1	9	-
Closures	(10)	(3)	(3)	(16)	-
At 29 September 2018	238	152	52	442	*46*

Store portfolio by region	Directly-operated stores				
At 29 September 2018	Stores	Concessions	Outlets	Total	*Franchise stores*
Asia Pacific	98	88	14	200	*6*
EMEIA	69	58	21	148	*40*
Americas	71	6	17	94	-
Total	238	152	52	442	*46*

Profit before tax reconciliation				
Period ended	29 Sept	30 Sept	*% change*	
£ million	2018	2017	*Reported FX*	*CER*
Adjusted profit before tax	**180**	**188**	*(4)*	*8*
Adjusting items*				
Disposal of Beauty operations	6	(28)		
Restructuring costs	(10)	(33)		
BME deferred consideration income/(charge)	(1)	3		
BME finance expense	(1)	(2)		
Profit before tax	**174**	**128**	*36*	

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

Alternative performance measures

The following alternative performance measures are used to describe the Group's financial performance. These non-GAAP measures are used for internal budgeting, performance monitoring, management remuneration and for external reporting purposes.

The definition of adjusting items is contained in note 2 of the Condensed Consolidated Interim Financial Statements and details are shown on page 8.

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.

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

Revenue excluding Beauty wholesale is presented to exclude Beauty wholesale revenue of £77m in H1 2018 from total revenue to provide an understanding of the revenue of the business following the disposal of the Beauty business in October 2017.

Free cash flow is defined as net cash generated from operating activities, £97m (H1 2018: £224m), less capital expenditure net of cash inflows from disposal of fixed assets, £51m (H1 2018: £53m).

Related parties

Related party disclosures are given in note 16 of the Condensed Consolidated Interim Financial Statements.

Principal Risks

The principal risks and uncertainties that the Group faces for the remaining 26 weeks of the financial year remain for the most part similar to those previously reported and summarised below:

Strategic and Financial Risks

- **Execution of Strategy:** Focused execution of the strategy through our six strategic pillars: Product, Communication, Distribution, Digital, Operational Excellence and Inspired People is key to sustainable shareholder value. Success depends on the value and relevance of our brand to global luxury consumers around the world and our ability to innovate**.** Failure to execute the projects that underpin these strategies successfully could result in under delivery of the expected growth, productivity and efficiency targets. This could have a significant impact on the value of the business and market confidence that we can deliver the strategy.

- **Volatility in foreign exchange rates:** Burberry is exposed to uncertainty through foreign exchange movements which could have a significant impact on the Group's reported results.

Operational Risks

- **A cyber-attack** results in a system outage, impacting core operations and/or results in a major data loss leading to reputational damage and financial loss. The Group's technology environment is 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. Delivery of our strategy relies on our ability to ensure our people continue to be driven and inspired to deliver outstanding results for the Company.
- **Technology and IT Operations** support critical processes across the company including retail, digital and Group functions such as Supply Chain and Finance**.** Failure to provide technology platforms that are stable and resilient and meet customer demands and support innovation can result in the failure to deliver the strategy and negatively impact operations due to poor system performance and/or system outages.
- **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.
- **Business Interruption:** A major incident at one of the Group's main locations, suppliers or affecting key products significantly interrupting the business. This could be caused by a wide range of events including natural catastrophe, fire, terrorism, or quality control failures.

Compliance Risks

- **Major compliance breach:** The Group's operations are subject to a broad spectrum of national and regional laws and regulations in the various jurisdictions in which we operate. These include product safety, trademarks, competition, employee and customer health & safety, data, corporate governance, employment and tax. 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.** Counterfeiting, copyright, trademark and design infringement in the marketplace can reduce the demand for genuine Burberry merchandise.

External Risks

- **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 macro-economic conditions or country-specific changes to the operating or regulatory environment or civil unrest may impact spending habits of key consumer groups such as the Chinese consumer and cause increased operational costs.

  In the event of the UK withdrawing from the European Union without an agreement, there is likely to be a material but manageable operational and financial impact on Burberry's business. We continue to prepare mitigating actions to limit the operational and financial impact in the short to medium term.

Result of the External Audit Tender

Burberry Group plc also announces today a proposal to appoint Ernst & Young LLP (“EY”) as its external auditor for the financial year ending 27 March 2021.

The Audit Committee determined that the audit would be put out to tender by 2018 in accordance with the transitional guidance issued by the Financial Reporting Council. The proposed change of auditor follows a recommendation by the Audit Committee to the Board based on a formal tender in line with best practice. Further information on the tender process will be provided in the Audit Committee Report contained in the Company's Annual Report for the financial year ending 30 March 2019.

A resolution to approve the appointment of EY will be put to shareholders at the Company's AGM in 2020.

A resolution to re-appoint the Company's current auditor, PricewaterhouseCoopers LLP (PwC), for the financial year ending 28 March 2020 will be put to shareholders at the Company's AGM in 2019.

PwC has been the auditor of the Burberry Group since 2002 and the Board would like to thank PwC for its continuing service to the Company.

CONDENSED GROUP INCOME STATEMENT – UNAUDITED

	Note	26 weeks to 29 September 2018 £m	Six months to 30 September 2017 £m	Audited Year to 31 March 2018 £m
Revenue	3	**1,220.0**	1,263.4	2,732.8
Cost of sales		**(394.9)**	(389.4)	(835.4)
Gross profit		**825.1**	874.0	1,897.4
Net operating expenses		**(652.6)**	(747.5)	(1,487.1)
Operating profit		**172.5**	126.5	410.3
Financing				
Finance income		**4.2**	3.6	7.8
Finance expense		**(1.7)**	(0.8)	(3.5)
Other financing charge		**(0.9)**	(1.0)	(2.0)
Net finance income		**1.6**	1.8	2.3
Profit before taxation		**174.1**	128.3	412.6
Taxation	5	**(42.2)**	(35.3)	(119.0)
Profit for the period		**131.9**	93.0	293.6
Attributable to:				
Owners of the Company		**131.9**	92.9	293.5
Non-controlling interest		–	0.1	0.1
Profit for the period		**131.9**	93.0	293.6
Earnings per share				
– basic	6	**31.9p**	21.5p	68.9p
– diluted	6	**31.6p**	21.4p	68.4p
		£m	£m	£m
Reconciliation of adjusted profit before taxation:				
Profit before taxation		**174.1**	128.3	412.6
Adjusting items:				
– adjusting operating items	4	**5.4**	58.3	56.3
– adjusting financing items	4	**0.9**	1.0	2.0
Adjusted profit before taxation - non-GAAP measure		**180.4**	187.6	470.9
Adjusted earnings per share - non-GAAP measure				
– basic	6	**33.1p**	32.6p	82.8p
– diluted	6	**32.9p**	32.3p	82.1p
Dividends per share				
– Proposed interim (not recognised as a liability at period end)	7	**11.0p**	11.0p	11.0p
– Final (not recognised as a liability at year end)	7	–	–	30.3p

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

	26 weeks to 29 September 2018 £m	Six months to 30 September 2017 £m	Audited Year to 31 March 2018 £m
Profit for the period	**131.9**	93.0	293.6
Other comprehensive income[1]:			
Cash flow hedges	**(0.1)**	(4.3)	(10.0)
Net investment hedges	**2.2**	3.8	2.3
Foreign currency translation differences	**14.7**	(40.4)	(50.2)
Tax on other comprehensive income:			
Cash flow hedges	**–**	0.8	1.9
Net investment hedges	**(0.4)**	(0.7)	(0.4)
Foreign currency translation differences	**(1.1)**	2.3	3.6
Other comprehensive income for the period, net of tax	**15.3**	(38.5)	(52.8)
Total comprehensive income for the period	**147.2**	54.5	240.8
Total comprehensive income attributable to:			
Owners of the Company	**147.0**	54.7	241.2
Non-controlling interest	**0.2**	(0.2)	(0.4)
	147.2	54.5	240.8

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

CONDENSED GROUP BALANCE SHEET – UNAUDITED

	Note	As at 29 September 2018 £m	As at 30 September 2017 £m	Audited As at 31 March 2018 £m
ASSETS				
Non-current assets				
Intangible assets	8	**213.5**	171.1	180.1
Property, plant and equipment	9	**311.4**	347.9	313.6
Investment properties		**2.6**	2.6	2.6
Deferred tax assets		**127.7**	129.2	115.5
Trade and other receivables	10	**66.8**	69.9	69.2
Derivative financial assets		–	0.4	0.3
		722.0	721.1	681.3
Current assets				
Inventories		**496.4**	445.1	411.8
Trade and other receivables	10	**244.5**	277.1	206.3
Derivative financial assets		**2.7**	9.0	1.6
Income tax receivables		**5.7**	3.6	6.7
Cash and cash equivalents	11	**665.0**	677.2	915.3
		1,414.3	1,412.0	1,541.7
Assets classified as held for sale		–	35.7	–
Total assets		**2,136.3**	2,168.8	2,223.0
LIABILITIES				
Non-current liabilities				
Trade and other payables	12	**(173.4)**	(100.3)	(168.1)
Deferred tax liabilities		**(1.6)**	(0.5)	(4.2)
Derivative financial liabilities		**(0.1)**	(0.1)	(0.1)
Retirement benefit obligations		**(0.9)**	(0.9)	(0.9)
Provisions for other liabilities and charges	13	**(64.6)**	(61.1)	(71.4)
		(240.6)	(162.9)	(244.7)
Current liabilities				
Bank overdrafts	14	**(17.9)**	(22.9)	(23.2)
Derivative financial liabilities		**(5.1)**	(2.7)	(3.8)
Trade and other payables	12	**(487.6)**	(477.8)	(460.9)
Provisions for other liabilities and charges	13	**(32.8)**	(30.9)	(32.1)
Income tax liabilities		**(45.9)**	(33.6)	(32.9)
		(589.3)	(567.9)	(552.9)
Total liabilities		**(829.9)**	(730.8)	(797.6)
Net assets		**1,306.4**	1,438.0	1,425.4
EQUITY				
Capital and reserves attributable to owners of the Company				
Ordinary share capital	15	**0.2**	0.2	0.2
Share premium account		**215.5**	212.9	214.6
Capital reserve		**41.2**	41.1	41.1
Hedging reserve		**5.5**	9.6	3.8
Foreign currency translation reserve		**228.0**	223.0	214.7
Retained earnings		**810.9**	946.1	946.1
Equity attributable to owners of the Company		**1,301.3**	1,432.9	1,420.5
Non-controlling interests in equity		**5.1**	5.1	4.9
Total equity		**1,306.4**	1,438.0	1,425.4

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY – UNAUDITED

		Attributable to the owners of the Company						
	Note	Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance as at 1 April 2017		0.2	211.4	311.9	1,169.0	1,692.5	5.3	1,697.8
Profit for the period		–	–	–	92.9	92.9	0.1	93.0
Other comprehensive income:								
Cash flow hedges – gains deferred in equity		–	–	0.2	–	0.2	–	0.2
Cash flow hedges – gains transferred to income		–	–	(4.5)	–	(4.5)	–	(4.5)
Net investment hedge – gains deferred in equity		–	–	3.8	–	3.8	–	3.8
Foreign currency translation differences		–	–	(40.1)	–	(40.1)	(0.3)	(40.4)
Tax on other comprehensive income		–	–	2.4	–	2.4	–	2.4
Total comprehensive income for the period		–	–	(38.2)	92.9	54.7	(0.2)	54.5
Transactions with owners:								
Employee share incentive schemes								
– value of share options granted		–	–	–	9.0	9.0	–	9.0
– value of share options transferred to liabilities		–	–	–	(0.9)	(0.9)	–	(0.9)
– tax on share options granted		–	–	–	0.1	0.1	–	0.1
– exercise of share options		–	1.5	–	–	1.5	–	1.5
Purchase of own shares								
– share buy-back		–	–	–	(201.0)	(201.0)	–	(201.0)
Dividend paid in the period		–	–	–	(123.0)	(123.0)	–	(123.0)
Balance as at 30 September 2017		0.2	212.9	273.7	946.1	1,432.9	5.1	1,438.0
Balance as at 1 April 2018		**0.2**	**214.6**	**259.6**	**946.1**	**1,420.5**	**4.9**	**1,425.4**
Adjustment on initial application of IFRS 9		–	–	–	(0.2)	(0.2)	–	(0.2)
Adjusted balance as at 1 April 2018		**0.2**	**214.6**	**259.6**	**945.9**	**1,420.3**	**4.9**	**1,425.2**
Profit for the period		–	–	–	131.9	131.9	–	131.9
Other comprehensive income:								
Cash flow hedges – gains deferred in equity		–	–	1.3	–	1.3	–	1.3
Cash flow hedges – gains transferred to income		–	–	(1.4)	–	(1.4)	–	(1.4)
Net investment hedge – gains deferred in equity		–	–	2.2	–	2.2	–	2.2
Foreign currency translation differences		–	–	14.5	–	14.5	0.2	14.7
Tax on other comprehensive income		–	–	(1.5)	–	(1.5)	–	(1.5)
Total comprehensive income for the period		–	–	15.1	131.9	147.0	0.2	147.2
Transactions with owners:								
Employee share incentive schemes								
– value of share options granted		–	–	–	7.8	7.8	–	7.8
– value of share options transferred to liabilities		–	–	–	(0.1)	(0.1)	–	(0.1)
– tax on share options granted		–	–	–	2.1	2.1	–	2.1
– exercise of share options		–	0.9	–	–	0.9	–	0.9
Purchase of own shares								
– share buy-back		–	–	–	(150.7)	(150.7)	–	(150.7)
Dividend paid in the period		–	–	–	(126.0)	(126.0)	–	(126.0)
Balance as at 29 September 2018		**0.2**	**215.5**	**274.7**	**810.9**	**1,301.3**	**5.1**	**1,306.4**

CONDENSED GROUP STATEMENT OF CASH FLOWS – UNAUDITED

	Note	26 weeks to 29 September 2018 £m	Six months to 30 September 2017 £m	Audited Year to 31 March 2018 £m
Cash flows from operating activities				
Operating profit		**172.5**	126.5	410.3
Depreciation		**42.7**	52.9	105.8
Amortisation		**13.2**	13.8	25.5
Net impairment of intangible assets	8	**–**	–	6.5
Net impairment (reversal)/charge of property, plant and equipment	9	**(1.2)**	8.1	10.7
Loss on disposal of property, plant and equipment and intangible assets		**0.8**	–	2.7
Write-down of assets held for sale		**–**	10.9	–
Gain on disposal of Beauty operations		**(5.9)**	–	(5.2)
Gain on derivative instruments		**–**	(4.5)	(3.5)
Charge in respect of employee share incentive schemes		**7.8**	9.0	17.1
Receipt from settlement of equity swap contracts		**2.5**	–	0.5
(Increase)/decrease in inventories		**(82.7)**	12.7	37.2
(Increase)/decrease in receivables		**(36.9)**	0.6	68.1
Increase in payables and provisions		**21.6**	40.4	115.5
Cash generated from operating activities		**134.4**	270.4	791.2
Interest received		**4.0**	3.4	7.2
Interest paid		**(1.0)**	(0.7)	(1.6)
Taxation paid		**(40.4)**	(49.5)	(118.4)
Net cash generated from operating activities		**97.0**	223.6	678.4
Cash flows from investing activities				
Purchase of property, plant and equipment		**(27.2)**	(34.4)	(57.5)
Purchase of intangible assets		**(24.0)**	(18.3)	(48.5)
Proceeds from disposal of Beauty operations, net of cash costs paid		**1.2**	–	61.1
Acquisition of subsidiary	19	**(12.5)**	–	–
Net cash outflow from investing activities		**(62.5)**	(52.7)	(44.9)
Cash flows from financing activities				
Dividends paid in the year		**(126.0)**	(123.0)	(169.4)
Payment to non-controlling interest	12	**(2.9)**	–	(3.0)
Issue of ordinary share capital		**0.9**	1.5	3.2
Purchase of shares through share buy-back		**(150.7)**	(190.7)	(355.0)
Purchase of own shares by ESOP trusts		**–**	–	(11.9)
Net cash outflow from financing activities		**(278.7)**	(312.2)	(536.1)
Net (decrease)/increase in cash and cash equivalents		**(244.2)**	(141.3)	97.4
Effect of exchange rate changes		**(0.8)**	(13.6)	(14.5)
Cash and cash equivalents at beginning of period		**892.1**	809.2	809.2
Cash and cash equivalents at end of period		**647.1**	654.3	892.1

	Note	As at 29 September 2018 £m	As at 30 September 2017 £m	Audited As at 31 March 2018 £m
Cash and cash equivalents as per the Balance Sheet	11	**665.0**	677.2	915.3
Bank overdrafts	14	**(17.9)**	(22.9)	(23.2)
Net cash		**647.1**	654.3	892.1

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' trade marks. All of the companies which comprise the Group are controlled by Burberry Group plc (the Company) directly or indirectly.

2. Accounting policies and basis of preparation

Basis of preparation

The financial information contained in this report is unaudited. The Condensed Group Income Statement, Condensed Group Statement of Comprehensive Income, Condensed Group Statement of Changes in Equity and Condensed Group Statement of Cash Flows for the 26 weeks to 29 September 2018, and the Condensed Group Balance Sheet as at 29 September 2018 and related notes have been reviewed by the auditors and their report to the Company is set out on page 36. These condensed consolidated interim financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2018 were approved by the Board of Directors on 15 May 2018 and have been filed with the Registrar of Companies. The report of the auditors on the statutory accounts for the year ended 31 March 2018 was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements for the 26 weeks to 29 September 2018 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. This report should be read in conjunction with the Group's financial statements for the year ended 31 March 2018, which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

The directors have made enquiries and reviewed the Group's updated forecasts and projections. These include the assumptions around the Group's products and markets, expenditure commitments, expected cashflows and borrowing facilities. Taking into account reasonable possible changes in trading performance, and after making enquiries, the directors consider it appropriate to continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the 26 weeks to 29 September 2018.

Accounting policies

Accounting policies and presentation are consistent with those applied in the Group's financial statements for the year ended 31 March 2018, as set out on pages 144 to 150 of those financial statements, with the exception of the following:

Taxation

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

Accounting reference date

On 1 April 2018, a new policy was adopted for the accounting reference date, in line with guidance under the Companies Act 2006 Section 390. Previously, the accounting reference date was 31 March each year. From 1 April 2018 onwards, the accounting reference date will be a Saturday within 7 days of 31 March. For the current year, the accounting reference date is 30 March 2019 for the full year and 29 September 2018 for the half year. Comparative information for the period ended 30 September 2017 and year ended 31 March 2018 has not been restated. Had the new policy not been adopted, the impact on the results for the current period would be to increase revenue by £7.9m and increase operating profit by £2.0m.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Accounting policies and basis of preparation (continued)

Revenue

The Group adopted IFRS 15 Revenue from Contracts with Customers, for the period commencing 1 April 2018. This standard addresses the way that revenue derived from contracts with customers is recognised in the financial statements. It replaces IAS 18 Revenue and IAS 11 Construction Contracts.

The Group has adopted IFRS 15 using the modified retrospective approach. The impact of adoption is not material and as such no adjustment has been recognised in opening reserves at 1 April 2018.

The principal impacts of adopting IFRS 15 on the Group's financial statements are as follows:

- Revenue derived from digital retail sales is recognised when the goods are delivered to the customer. Under IAS 18, revenue was previously recognised when the goods were dispatched to the customer. The impact of this change on the current year results is a reduction in revenue of £1.2m for the 26 weeks to 29 September 2018 and a corresponding increase in contract liabilities of £1.2m as at 29 September 2018.
- Payments made to customers for services they provide, directly relating to sales to that customer, are recognised as a reduction in revenue, unless in exchange for a distinct good or service. These payments were previously recognised as operating expenses under IAS 18. The impact on the income statement, for the 26 weeks to 29 September 2018, is to reclassify charges of £0.7m from operating expenses to revenue.
- Amounts received from customers relating to performance obligations not yet completed are classified as contract liabilities. These amounts were previously classified as deferred income under IAS 18. Contract liabilities are disclosed in note 12 for the current reporting period. The primary statements are not impacted by this change in classification.

The Group's new accounting policy for revenue is set out below. The previous policy for revenue is set out in note 2a) of the Group's financial statements for the year ended 31 March 2018.

Accounting policy for revenue

The Group obtains revenue from contracts with customers relating to sales of luxury goods to retail and wholesale customers. The Group also obtains revenue through licences issued to third parties to produce and sell goods carrying Burberry trademarks.

Retail and wholesale revenue

For retail and wholesale revenue, the primary performance obligation is the transfer of luxury goods to the customer. For retail revenue this is considered to occur when control of the goods passes to the customer. For in store retail revenue, control transfers when the customer takes possession of the goods in store and pays for the goods. For digital retail revenue, control is considered to transfer when the goods are delivered to the customer. The timing of transfer of control of the goods in wholesale transactions depends upon the terms of trade in the contract. Principally for wholesale revenue, revenue is recognised either when goods are collected by the customer from the Group's premises, or when the Group has delivered the goods to the location specified in the contract. Provision for returns and other allowances are reflected in revenue when revenue from the customer is first recognised. Returns are initially estimated based on historical levels and adjusted subsequently as returns are incurred.

Some wholesale contracts may require the Group to make payments to the wholesale customer, for services directly relating to the sale of the Group's goods, such as the cost of staff handling the Group's goods at the wholesaler. Payments to the customer directly relating to the sale of goods to the customer are recognised as a reduction in revenue, unless in exchange for a distinct good or service. These charges are recognised in revenue at the later of when the services provided to the customer are performed or when the customer is paid for the service. Payments to the customer relating to a service which is distinct from the sale of goods to the customer are recognised in operating costs.

The Group sells gift cards and similar products to customers, which can be redeemed for goods, up to the value of the card, at a future date. Revenue relating to gift cards is recognised when the card is redeemed, up to the value of the redemption. Unredeemed amounts on gift cards are classified as contract liabilities. Typically, the Group does not expect to have significant unredeemed amounts arising on its gift cards.

Licensing revenue

The Group's licences entitle the licensee to access the Group's trademarks over the term of access to the licence. Hence revenue from licensing is recognised over the term of the licence. Royalties payable under licence agreements are usually based on production or sales volumes and are accrued in revenue as the subsequent production or sale occurs. Any amounts received which have not been recognised in revenue are classified as contract liabilities.

2. Accounting policies and basis of preparation (continued)

Financial Instruments

The Group adopted IFRS 9 Financial Instruments, for the period commencing 1 April 2018, with the exception of the hedge accounting element which will be adopted when the IFRS 9 Macro hedging is endorsed by the European Union. Until this time the Group will continue to hedge account under IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the guidance in IAS 39 Financial instruments: Recognition and measurement.

The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 are summarised below:

- The standard simplifies the mixed measurement model contained in IAS 39 and establishes three primary measurement categories for financial assets: amortised cost; fair value through Other Comprehensive Income (OCI); and fair value through profit and loss. The classification of financial assets is based on the business model in which the asset is managed and its contracted cash flow characteristics. The application of the new standard has resulted in a change in classification of some financial instruments to reflect the new measurement categories. The most significant impact for the Group is that cash equivalents held in money market funds will be classified as fair value through profit and loss whereas they were previously measured at amortised cost. However, as the Group only invests in low volatility funds at present, this change in measurement basis has not had any impact on the book value of cash equivalents. The impact of this change relating to cash and cash equivalents is set out in note 11.
- There are no other classification impacts other than the description applied to financial instruments. The Group's classification and measurement of financial instruments under IFRS 9 and IAS 39 is set out in the table on page 22.
- IFRS 9 introduces a forward-looking impairment model based on expected credit losses on financial assets. This has had a minor effect on the measurement of the Group's bad debt provisions, as credit losses are recognised earlier than under IAS 39.
- There are also revised disclosure requirements for financial instruments. Comparative information has not been restated.

The Group has adopted IFRS 9 with the exception of the hedge accounting element which remains in accordance with IAS 39.

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed on 1 April 2018.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 April 2018.

The impact, net of tax, of the transition to IFRS 9 on financial assets and retained earnings as at 1 April 2018 was to decrease retained earnings by £0.2m, decrease current trade and other receivables by £0.3m and to decrease current tax liabilities by £0.1m. This IFRS 9 adoption adjustment relates to the different approach to measuring impairment of receivables under IFRS 9 compared to IAS 39. Refer to the Condensed Group Statement of Changes in Equity on page 17.

2. Accounting policies and basis of preparation (continued)

Financial Instruments (continued)
The adoption of IFRS 9 has had the following impact on the Group's financial instrument categorisation:

Financial instrument category	Note	Classification under IAS 39	Measurement under IAS 39	Classification under IFRS 9	Measurement under IFRS 9	Fair value measurement hierarchy[2]
Cash and cash equivalents	11	Loans and receivables	Amortised cost	Amortised cost	Amortised cost	N/A
Cash and cash equivalents - MMF		Loans and receivables	Amortised cost	Fair value through profit and loss	Fair value through profit and loss	2
Trade and other receivables	10	Loans and receivables	Amortised cost	Amortised cost	Amortised cost	N/A
Trade and other payables	12	Other financial liabilities	Amortised cost	Other financial liabilities	Amortised cost	N/A
Borrowings	14	Other financial liabilities	Amortised cost	Other financial liabilities	Amortised cost	N/A
Deferred consideration	12	Other financial liabilities	Fair value through profit and loss	Other financial liabilities	Fair value through profit and loss	3
Forward foreign exchange contracts[1]	18	Derivative instrument	Fair value through profit and loss	Fair value through profit and loss	Fair value through profit and loss	2
Forward foreign exchange contracts used for hedging	18	Derivative instrument	Fair value – hedging instrument	Fair value – hedging instrument	Fair value – hedging instrument[3]	2
Equity swap contracts	18	Derivative instrument	Fair value through profit and loss	Fair value through profit and loss	Fair value through profit and loss	2

[1] Cash flow hedge and net investment hedge accounting is applied to the extent it is achievable.

[2] The fair value measurement hierarchy is only applicable for financial instruments measured at fair value.

[3] Forward foreign exchange contracts used for hedging are classified as Fair value – hedging instruments under IFRS 9, however they are measured under IAS 39 for hedge accounting purposes.

There is no impact on the carrying value of financial instruments from the change in categorisation. With the exception of the change in the Group's financial instrument categorisation, there have been no other significant changes in the accounting policy for financial instruments. The previous policy for financial instruments is set out in note 2q) of the Group's financial statements for the year ended 31 March 2018.

As at 29 September 2018, the following new and revised standards, amendments and interpretations, which may be relevant to the Group's results, were issued but not yet effective:

Lease accounting
As at 29 September 2018, IFRS 16 Leases has been issued but is not yet effective. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It replaces IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. Refer to the Group's financial statements for the year ended 31 March 2018, page 142 for further information on the impact of IFRS 16 on the Group's results.

Key sources of estimation uncertainty

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

If in the future such estimates and assumptions, which are based on management's best estimates at the date of the financial statements, deviate from actual circumstances, the original estimate 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 year ended 31 March 2018, as set out on page 143 of those financial statements.

Key judgements in applying the Group's accounting policies

Judgements are those decisions made when applying accounting policies which have a significant impact on the amounts recognised in the Group financial statements. Key judgements that have a significant impact on the amounts recognised in the Group financial statements are consistent with those applied in the Group's financial statements for the year ended 31 March 2018, as set out on page 143 of those financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Accounting policies and basis of preparation (continued)

Adjusted profit before taxation and adjusting items

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 profit before taxation ('adjusted PBT'). Adjusted PBT is defined as profit before taxation and adjusting items. Adjusting items are those items which, in the opinion of the directors, should be excluded in order to provide a consistent and comparable view of the underlying performance of the Group's 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 are added back/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 USA.

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 trade marks 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 29 September 2018 £m	Six months to 30 September 2017 £m	26 weeks to 29 September 2018 £m	Six months to 30 September 2017 £m	26 weeks to 29 September 2018 £m	Six months to 30 September 2017 £m
Retail	**944.0**	943.9	–	–	**944.0**	943.9
Wholesale	**253.6**	310.3	–	–	**253.6**	310.3
Licensing	–	–	**23.2**	10.1	**23.2**	10.1
Total segment revenue	**1,197.6**	1,254.2	**23.2**	10.1	**1,220.8**	1,264.3
Inter-segment revenue[1]	–	–	**(0.8)**	(0.9)	**(0.8)**	(0.9)
Revenue from external customers	**1,197.6**	1,254.2	**22.4**	9.2	**1,220.0**	1,263.4
Adjusted operating profit	**157.6**	177.0	**20.3**	7.8	**177.9**	184.8
Adjusting items[2]					**(6.3)**	(59.3)
Finance income					**4.2**	3.6
Finance expense					**(1.7)**	(0.8)
Profit before taxation					**174.1**	128.3

[1] Inter-segment transfers or transactions are entered under the normal commercial terms and conditions that would be available to unrelated third parties.

[2] Refer to note 4 for details of adjusting items.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis (continued)

Year to 31 March 2018	Retail / Wholesale	Licensing	Total
	£m	£m	£m
Retail	2,176.3	–	2,176.3
Wholesale	526.4	–	526.4
Licensing	–	31.9	31.9
Total segment revenue	2,702.7	31.9	2,734.6
Inter-segment revenue[1]	–	(1.8)	(1.8)
Revenue from external customers	2,702.7	30.1	2,732.8
Adjusted operating profit	440.7	25.9	466.6
Adjusting items[2]			(58.3)
Finance income			7.8
Finance expense			(3.5)
Profit before taxation			412.6

[1] Inter-segment transfers or transactions are entered 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.

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 29 September 2018 £m	Six months to 30 September 2017 £m	Year to 31 March 2018 £m
Accessories	**468.8**	466.8	1,046.5
Women's	**359.7**	353.0	808.4
Men's	**309.3**	296.9	647.3
Children's/Other	**56.6**	55.2	116.8
Beauty	**3.2**	82.3	83.7
Retail/Wholesale	**1,197.6**	1,254.2	2,702.7
Licensing	**22.4**	9.2	30.1
Total	**1,220.0**	1,263.4	2,732.8

Revenue by destination	26 weeks to 29 September 2018 £m	Six months to 30 September 2017 £m	Year to 31 March 2018 £m
Asia Pacific	**471.9**	461.2	1,089.0
EMEIA[1]	**461.5**	500.7	975.2
Americas	**264.2**	292.3	638.5
Retail/Wholesale	**1,197.6**	1,254.2	2,702.7
Licensing	**22.4**	9.2	30.1
Total	**1,220.0**	1,263.4	2,732.8

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

Due to the seasonal nature of the business, Group revenue is usually expected to be higher in the second half of the year than in the first half. While some of the Group's operating costs are also higher in the second half of the year, such as contingent rentals and 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 usually expected to be higher in the second half of the year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. Adjusting items

	26 weeks to 29 September 2018 £m	Six months to 30 September 2017 £m	Year to 31 March 2018 £m
Adjusting operating items			
Gain on disposal of Beauty operations	**(5.9)**	26.5	(5.2)
Costs relating to the transfer of the Beauty operations	–	1.8	5.0
Restructuring costs	**10.3**	32.9	54.5
Goodwill impairment	–	–	6.5
Revaluation of deferred consideration liability	**1.0**	(2.9)	(4.5)
Total adjusting operating items	**5.4**	58.3	56.3
Adjusting financing items			
Finance charge on deferred consideration liability	**0.9**	1.0	2.0
Total adjusting financing items	**0.9**	1.0	2.0

Gain on disposal of Beauty operations

On 3 April 2017, Burberry entered into two agreements with Coty Geneva SARL Versoix (Coty) to grant Coty a licence to sell its fragrance and beauty products and to transfer Burberry's Beauty operations to Coty. Under the agreement to transfer the Beauty operations, the Group transferred inventory and property, plant and equipment relating to the Beauty operations to Coty. The assets transferred to Coty were paid for by cash proceeds of £33.3m, with the exception of some of the inventory which would be paid for in the future if it is used by Coty. A debtor of £4.1m was recognised for contingent consideration in relation to the estimated future proceeds arising from the disposal of inventory to Coty.

The licence agreement, which is for a term of up to 15 years, allows Coty to manufacture and sell Burberry Beauty products. Under the licence agreement Coty will pay the Group royalties based on the value of products sold.

The Group received an upfront payment of £130.0m for the licence and related disposal of the Beauty operations under the two agreements. The directors carried out an allocation and attributed £30.0m of this upfront payment to the disposal of the Beauty operations.

The remaining £100.0m of the payment was attributed to the licence and has been recognised as deferred royalty income on the balance sheet (refer to note 12). It is recognised as royalty revenue over the term of the licence.

At 30 September 2017 assets of £35.7m were classified as held for sale and a loss of £26.5m was recorded together with a related tax credit of £5.0m. The agreements with Coty completed on 2 October 2017. The consideration received consisted of cash proceeds of £63.3m, and contingent consideration with an estimated fair value of £4.1m, for a total disposal consideration of £67.4m. The carrying amount of the net assets disposed of was £37.4m, and the directly attributable costs amounted to £24.8m. The net impact was a gain on disposal before taxation of £5.2m in the year ended 31 March 2018. A related tax charge of £1.0m was recognised.

Directly attributable costs related to the write-down of inventory and provisions for the costs of certain contract terminations and employee redundancy. £2.2m of these costs were paid in the year ended 31 March 2018.

In the current period, the provision for contract terminations and the debtor for the contingent consideration have been reassessed, resulting in a net increase in the gain on disposal of £5.9m and a related tax charge of £1.1m. A further £1.7m of costs were settled in the current period and contingent consideration of £2.9m was received.

The net gain on disposal is presented as an adjusting item in accordance with the Group's accounting policy as it arises from the disposal of a business.

Restructuring costs

Restructuring costs of £10.3m (last half year: £32.9m; last full year: £54.5m) were incurred in the period, arising as a result of the Group's cost efficiency programme announced in May 2016. These costs are presented as an adjusting item as they are considered material and one-off in nature, being part of a restructuring programme running from May 2016 to March 2019. The most significant element of these restructuring costs in the period relate to redundancies. A related tax credit of £2.2m (last half year: £6.3m; last full year: £11.4m) has also been recognised in the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. Adjusting items (continued)

Items relating to the deferred consideration liability

On 22 April 2016, the Group entered into an agreement to transfer the economic right to the non-controlling interest in Burberry Middle East LLC to the Group in consideration of contingent payments to be made to the minority shareholder based on an agreed percentage of future revenue, together with fixed payments to be paid over the period to 2023. The present value of the fixed and contingent deferred consideration in total, at the date of the transaction, was estimated to be AED 236.0m (£44.6m).

A charge of £1.0m in relation to the revaluation of this balance has been recognised in operating expenses for the 26 weeks to 29 September 2018 (last half year: credit of £2.9m; last full year: credit of £4.5m). A financing charge of £0.9m 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 29 September 2018 (last half year: charge of £1.0m; last full year: charge of £2.0m). These movements are unrealised.

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

Adjusting items relating to prior periods

Other costs relating to the transfer of the Beauty operations

In addition to the costs arising directly from the transfer of the Beauty operations, costs of £1.8m relating to the Beauty transaction were incurred in the six months to 30 September 2017 (last full year: £5.0m). A related tax credit of £0.3m was also recognised in the six months to 30 September 2017 (last full year: £1.0m).

Goodwill impairment

A charge of £6.5m was recorded in the year ended 31 March 2018 to fully impair goodwill allocated to the Saudi Arabia cash generating unit, following a significant and prolonged downturn in the Saudi Arabian economy. The charge has been presented as an adjusting item in accordance with the Group's accounting policy, as it is one-off in nature, and relates to the acquisition of a business. No tax was recognised on this item, as the value is not considered to be deductible for tax purposes.

5. Taxation

The tax charge for the 26 weeks to 29 September 2018 has been calculated based on an estimated effective underlying rate of tax on adjusted profit before taxation for the full year of 24.0% (last half year: 25.0%; last full year: 25.1%). 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 24.2% (last half year: 27.5%; last full year: 28.8%).

Total taxation recognised in the Condensed Group Income Statement comprises:

	26 weeks to 29 September 2018 £m	Six months to 30 September 2017 £m	Year to 31 March 2018 £m
Tax on adjusted profit before taxation	**43.3**	46.9	118.2
Tax on adjusting items (note 4)	**(1.1)**	(11.6)	(11.4)
Adjusting taxation charge	–	–	12.2
Total taxation charge	**42.2**	35.3	119.0

6. Earnings per share

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

	26 weeks to 29 September 2018 £m	Six months to 30 September 2017 £m	Year to 31 March 2018 £m
Attributable profit for the period before adjusting items[1]	**137.1**	140.6	352.6
Effect of adjusting items[1] (after taxation)	**(5.2)**	(47.7)	(59.1)
Attributable profit for the period	**131.9**	92.9	293.5

[1] Refer to note 4 for the details of adjusting items.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. Earnings per share (continued)

The weighted average number of ordinary shares represents the weighted average number of Burberry Group plc ordinary shares in issue throughout the period, excluding ordinary shares held in the Group's employee share option plan trusts (ESOP trusts) and own shares purchased by the Company as part of a share buy-back programme.

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 29 September 2018 Millions	Six months to 30 September 2017 Millions	Year to 31 March 2018 Millions
Weighted average number of ordinary shares in issue during the period	**414.1**	431.5	425.7
Dilutive effect of the share incentive schemes	**3.1**	3.3	3.7
Diluted weighted average number of ordinary shares in issue during the period	**417.2**	434.8	429.4

7. Dividends

The interim dividend of 11.0p (last half year: 11.0p) per share has been approved by the Board of Directors after 29 September 2018. Accordingly, this dividend has not been recognised as a liability at the period end.

The interim dividend will be paid on 1 February 2019 to Shareholders on the Register at the close of business on 21 December 2018.

A dividend of 30.3p (last half year: 28.4p) per share was paid during the period to 29 September 2018 in relation to the year ended 31 March 2018.

The ex-dividend date is 20 December 2018 and the final day for dividend reinvestment plan ('DRIP') elections is 11 January 2019.

8. Intangible assets

Goodwill at 29 September 2018 is £108.6m (last half year: £94.1m). There was a £19.5m addition to goodwill in the period arising from the acquisition of Burberry Manifattura S.r.l (refer to note 19).

In the period there were additions to other intangible assets of £27.0m (last half year: £20.5m) and disposals with a net book value of £0.6m (last half year: £nil).

Capital commitments contracted but not provided for by the Group amounted to £11.0m (last half year: £3.8m).

Impairment testing

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

Goodwill is the only intangible asset category with an indefinite useful economic life included within total intangible assets at 29 September 2018. Management has performed a review for indicators of impairment as at 29 September 2018 and conclude that there are no indicators at this time. The annual impairment test will be performed at 30 March 2019.

The impairment charge for intangible assets for the 26 weeks to 29 September 2018 is £nil (last half year: £nil).

9. Property, plant and equipment

In the period there were additions to property, plant and equipment of £27.3m (last half year: £30.0m), net impairment reversals of £1.2m (last half year: net impairment charges of £8.1m) and disposals with a net book value of £0.2m (last half year: £nil).

Capital commitments contracted but not provided for by the Group amounted to £15.6m (last half year: £17.8m).

Impairment testing

For the 26 weeks to 29 September 2018, a net impairment reversal of £1.2m (last half year: net impairment charge of £7.0m) was recorded against property, plant and equipment as a result of a review of impairment of retail store assets. The net impairment reversal relates to 12 retail cash generating units (last half year: net impairment charge related to 15 retail cash generating units) for which the total recoverable amount at the balance sheet date is £15.3m (last half year: £2.4m).

Where indicators of impairment were identified, the impairment review compared the value-in-use of the assets to the carrying values at 29 September 2018. The pre-tax cash flow projections were based on financial plans of expected revenues and costs of each retail cash generating unit, approved by management, and extrapolated beyond the budget year to the lease exit dates using growth rates and inflation rates appropriate to each store's location. The pre-tax discount rates used in these calculations were between 10.3% and 15.6% (last half year: between 11.2% and 16.9%) based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks. Where the value-in-use was negative, onerous lease provisions were assessed in relation to the future contracted minimum lease payments. Potential alternative uses for property, such as subletting of leasehold or sale of freehold, were considered in estimating both the value for impairment charges and onerous lease provisions; refer to note 13 for further details. In 2017, assets held for sale as part of the disposal of the Beauty operations to Coty were impaired by £1.1m.

10. Trade and other receivables

	As at 29 September 2018 £m	As at 30 September 2017 £m	As at 31 March 2018 £m
Non-current			
Deposits and other receivables	**40.8**	41.6	42.4
Other non-financial receivables	**3.0**	3.5	2.9
Prepayments	**23.0**	24.8	23.9
Total non-current trade and other receivables	**66.8**	69.9	69.2
Current			
Trade receivables	**142.3**	199.1	128.6
Provision for doubtful debts	**(6.3)**	(10.4)	(11.6)
Net trade receivables	**136.0**	188.7	117.0
Other financial receivables	**25.6**	20.2	22.5
Other non-financial receivables	**19.9**	17.9	17.4
Prepayments	**52.9**	47.1	40.3
Accrued income	**10.1**	3.2	9.1
Total current trade and other receivables	**244.5**	277.1	206.3
Total trade and other receivables	**311.3**	347.0	275.5

The reversal for impairment of financial receivables in the period was £5.0m (last half year: charge of £1.9m; last full year: charge of £3.1m).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Cash and cash equivalents

	As at 29 September 2018 £m	As at 30 September 2017 £m	As at 31 March 2018 £m
Cash and cash equivalents held at amortised cost			
Cash at bank and in hand	**161.6**	186.8	195.6
Short-term deposits	**29.2**	490.4	719.7
	190.8	677.2	915.3
Cash and cash equivalents held at fair value through the profit and loss			
Short-term deposits	**474.2**	–	–
Total	**665.0**	677.2	915.3

Cash and cash equivalents have been reclassified from loans and receivables to cash and cash equivalents held at amortised cost and held at fair value through the profit and loss on adoption of IFRS 9. Refer to note 2 for the impact of the adoption of IFRS 9 on the Group's financial instrument categorisation.

Cash and cash equivalents classified as fair value through the profit and loss relate to deposits held in money market funds. The value of deposits held in money market funds at 30 September 2017 was £463.6m and at 31 March 2018 was £707.6m.

As at 29 September 2018, no impairment losses were identified on cash and cash equivalents held at amortised cost.

12. Trade and other payables

	As at 29 September 2018 £m	As at 30 September 2017 £m	As at 31 March 2018 £m
Non-current			
Other payables	**3.0**	2.2	2.2
Deferred income and non-financial accruals	**59.4**	75.3	149.4
Contract liabilities	**86.9**	–	–
Deferred consideration[1]	**24.1**	22.8	16.5
Total non-current trade and other payables	**173.4**	100.3	168.1
Current			
Trade payables	**169.3**	174.5	153.2
Other taxes and social security costs	**74.3**	64.1	73.3
Other payables[2]	**5.2**	16.8	4.1
Accruals	**196.9**	190.0	190.2
Deferred income and non-financial accruals	**15.6**	22.4	27.4
Contract liabilities	**13.6**	–	–
Deferred consideration[1]	**12.7**	10.0	12.7
Total current trade and other payables	**487.6**	477.8	460.9
Total trade and other payables	**661.0**	578.1	629.0

Liabilities relating to financing activities include the cost of shares not yet purchased and deferred consideration.

[1] The change in the deferred consideration liability arises as result of a financing cash outflow and non-cash movements.

[2] Includes £nil (last half year: £13.6m; last full year: £nil) relating to the cost of shares not yet purchased, under agreements entered into by the Company to purchase its own shares, together with anticipated stamp duty arising. The change in the share liabilities arises as a result of a financing cash outflow. Refer to note 15 for further details.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. Trade and other payables (continued)

Contract liabilities

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

	As at 29 September 2018 £m
Retail contract liabilities[1]	**7.1**
Licensing contract liabilities[2]	**93.4**
Total contract liabilities	**100.5**

[1] At 30 September 2017 £6.2m (31 March 2018: £6.2m) of retail contract liabilities were presented within deferred income and non-financial accruals.

[2] At 30 September 2017 £nil (31 March 2018: £96.7m) of licensing contract liabilities were presented within deferred income and non-financial accruals.

Deferred consideration

Following the purchase of the economic right to the non-controlling interest in Burberry Middle East LLC on 22 April 2016, the Group has recognised a liability in relation to the deferred consideration for this transaction of £28.1m (last half year: £32.8m). The deferred consideration consists of fixed payments to be paid over the period 2016 to 2019, and contingent payments calculated as an agreed percentage of the future revenue of Burberry Middle East LLC and its subsidiaries, over the period 2016 to 2023. Payments of £2.9m (last half year: £nil; last full year £3.0m) were made in the period ended 29 September 2018.

The fair value of the deferred consideration has been estimated using a present value calculation, incorporating observable and non-observable inputs. The inputs applied in arriving at the value of the deferred consideration are an estimate of the future revenue of Burberry Middle East LLC and its subsidiaries from 2016 to 2023 and an appropriate risk adjusted discount rate for Burberry Middle East LLC.

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

A 10% increase/decrease in the estimate of future revenues of Burberry Middle East and its subsidiaries would result in a £1.9m increase/decrease in the carrying value of the deferred consideration at 29 September 2018 and a corresponding £1.9m decrease/increase in the profit before taxation for the period to 29 September 2018.

As a result of the acquisition of Burberry Manifattura S.r.l. on 19 September 2018, deferred consideration of £8.7m has been recognised in the period. Further details of this deferred consideration are provided in note 19.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. Provisions for other liabilities and charges

	Property obligations £m	Other costs £m	Total £m
As at 1 April 2018	86.7	16.8	103.5
Effect of foreign exchange rate changes	2.5	–	2.5
Created during the period	4.5	–	4.5
Discount unwind	0.6	–	0.6
Utilised during the period	(4.0)	(2.7)	(6.7)
Released during the period	(1.0)	(6.0)	(7.0)
As at 29 September 2018	**89.3**	**8.1**	**97.4**
As at 30 September 2017	74.0	18.0	92.0

	As at 29 September 2018 £m	As at 30 September 2017 £m	As at 31 March 2018 £m
Analysis of total provisions:			
Non-current	**64.6**	61.1	71.4
Current	**32.8**	30.9	32.1
Total	**97.4**	92.0	103.5

Within property obligations are amounts of £61.6m (last half year: £45.8m) relating to onerous lease obligations. Changes in property obligations in the period arise from reassessments of amounts relating to retail stores as a result of impairment reviews and of amounts relating to non-retail property considered to be surplus to requirements as a result of the Group's restructuring programme. Refer to note 4 for further details regarding restructuring charges.

Other provisions mainly relate to provisions for contract terminations in relation to the transfer of Beauty operations to Coty. Refer to note 4 for further details.

14. Bank overdrafts

Included within bank overdrafts is £16.3m (last half year: £20.1m) representing balances on cash pooling arrangements in the Group. The Group has a number of committed and uncommitted arrangements agreed with third parties. At 29 September 2018, the Group held bank overdrafts of £1.6m (last half year: £2.8m) excluding balances on cash pooling arrangements.

On 25 November 2014, the Group entered into a £300m multi-currency revolving credit facility with a syndicate of third party banks. At 29 September 2018, no amounts were drawn (last half year: £nil). The Group is in compliance with the financial and other covenants within this facility and has been in compliance throughout the period. The facility matures in November 2021.

15. Share capital and other reserves

Allotted, called up and fully paid share capital	Number of shares million	Share capital £m
As at 1 April 2017	445.2	0.2
Cancellation of treasury shares	(6.8)	–
Allotted on exercise of options during the period	0.1	–
As at 30 September 2017	438.5	0.2
As at 1 April 2018	418.3	0.2
Allotted on exercise of options during the period	0.1	–
As at 29 September 2018	418.4	0.2

15. Share capital and other reserves (continued)

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 at 29 September 2018 the amount held against retained earnings was £150.7m (last half year: £187.4m) including stamp duty of £0.7m (last half year: £0.9m) in relation to treasury shares and £19.6m (last half year: £36.0m) in relation to shares purchased by ESOP trusts. As at 29 September 2018, the Company held 7.0m (last half year: 10.7m) treasury shares, with a market value of £141.1m (last half year: £188.3m) and ESOP trusts held 1.4m (last half year: 2.8m) shares in the Company, with a market value of £28.2m (last half year: £48.9m). In the 26 weeks to 29 September 2018 the ESOP trusts and the Company waived its entitlement to dividends of £0.8m (last half year: £1.5m).

During the period, the Company entered into an agreement to purchase £150.0m of its own shares as part of a share buy-back programme (31 March 2018: £350.0m: £200m in H1; £150.0m in H2). The agreement was completed and settled in full in the current period. Last half year, £13.6m relating to the cost of shares not yet purchased was charged to retained earnings, with the payment obligation recognised in other payables (refer to note 12).

16. Related party disclosures

The Group’s significant related parties are disclosed in the Annual Report for the year ended 31 March 2018. There were no material changes to these related parties in the period, other than changes to the composition of the Board. Other than total compensation in respect of key management, no material related party transactions have taken place during the first 26 weeks of the current financial year.

17. Foreign currency

The results of overseas subsidiaries are translated into the Group’s presentation currency of Sterling each month at the weighted average exchange rate 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		
	26 weeks to 29 September 2018	Six months to 30 September 2017	Year to 31 March 2018
Euro	**1.13**	1.14	1.13
US Dollar	**1.33**	1.29	1.33
Chinese Yuan Renminbi	**8.78**	8.75	8.79
Hong Kong Dollar	**10.42**	10.09	10.37
Korean Won	**1,463**	1,464	1,473

	Closing		
	As at 29 September 2018	As at 30 September 2017	As at 31 March 2018
Euro	**1.12**	1.13	1.14
US Dollar	**1.31**	1.34	1.40
Chinese Yuan Renminbi	**8.96**	8.92	8.83
Hong Kong Dollar	**10.22**	10.47	11.01
Korean Won	**1,449**	1,534	1,489

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

18. Fair value disclosures for financial instruments

The Group's principal financial instruments comprise derivatives, cash and short-term deposits, external borrowings (including overdrafts), trade and other receivables, and trade and other payables arising directly from operations.

The Group classifies its instruments into the following categories:

Financial instrument category	Classification	Measurement	Fair value measurement hierarchy[2]
Cash and cash equivalents	Amortised cost	Amortised cost	N/A
Cash and cash equivalents - MMF	Fair value through profit and loss	Fair value through profit and loss	2
Trade and other receivables	Amortised cost	Amortised cost	N/A
Trade and other payables	Other financial liabilities	Amortised cost	N/A
Borrowings	Other financial liabilities	Amortised cost	N/A
Deferred consideration	Other financial liabilities	Fair value through profit and loss	3
Forward foreign exchange contracts[1]	Fair value through profit and loss	Fair value through profit and loss	2
Forward foreign exchange contracts used for hedging	Fair value – hedging instrument	Fair value – hedging instrument[3]	2
Equity swap contracts	Fair value through profit and loss	Fair value through profit and loss	2

[1] Cash flow hedge accounting and net investment hedge accounting is applied to the extent that it is achievable.

[2] The fair value measurement hierarchy is only applicable for financial instruments measured at fair value.

[3] Forward foreign exchange contracts used for hedging are classified as Fair value – hedging instruments under IFRS 9, however they are measured under IAS 39 for hedge accounting purposes.

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 £13.4m (last half year: £12.3m) held in non-current other receivables relating to an interest-free loan provided to a landlord in Korea. At 29 September 2018, the discounted fair value of the loan is £14.5m (last half year: £14.4m).

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

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

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

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

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

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

The fair value 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 arrangements. Refer to note 12 for further details on deferred consideration.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

19. Acquisition of subsidiary

On 19 September 2018, Burberry Italy S.r.l., Burberry's wholly-owned subsidiary, acquired a 100% holding in Burberry Manifattura S.r.l., a company incorporated in Italy, for total consideration of £21.2m.

Based in Florence, in an area renowned for high-quality manufacturing, Burberry Manifattura S.r.l has industry-leading expertise and specialises in the development and manufacture of luxury leather handbags and accessories.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value £m
Assets acquired	
Property, plant and equipment	0.5
Inventories	2.0
Trade and other receivables	0.2
Trade and other payables	(1.0)
Net assets acquired	1.7
Goodwill arising on acquisition	19.5
Total cost of acquisition	21.2
Satisfied by:	
Cash consideration	12.5
Deferred consideration	8.7
	21.2

The values used in accounting for the identifiable assets and liabilities of the acquisition are provisional in nature at the balance sheet date. If necessary, adjustments will be made to these carrying values and the related goodwill, within 12 months of the acquisition date.

The consideration for the transaction consists of a payment of €14.1m (£12.5m) which was made on completion, together with deferred consideration consisting of a payment of €2.3m (£2.0m) relating to the purchase of inventory from the vendor, which was settled in October 2018, and a future performance related payment to be made in 2021. The amount of the performance related payment is dependent upon the acquired business achieving against several performance criteria and will be assessed over the three year period.

The maximum amount of the performance related deferred consideration payable is €8.0m and the minimum is €nil. Initial deferred consideration has been recognised as the maximum amount payable, discounted to €7.5m (£6.7m) using an appropriate discount rate linked to the borrowing rate. The fair value of deferred consideration is considered to be the maximum amount on the basis of historical performance of the acquired business.

The goodwill arising on acquisition of £19.5m reflects the expected synergies from vertical integration of the design and production of leather goods within the Group's supply chain together with the value of the retained workforce.

20. Contingent liabilities

In a number of jurisdictions, the Group is subject to claims against it and to tax audits. These typically relate to valued added taxes, sales taxes, customs duties, corporate taxes, transfer pricing, payroll taxes, various contractual claims and other matters. Where appropriate, the estimated cost of known obligations have been provided in these financial statements in accordance with the Group's accounting policies but these matters are inherently difficult to quantify. While changes to the amounts that may be payable could be material to the results or cash flows of the Group in the period in which they are recognised the Group does not currently expect the outcome of these contingent liabilities to have a material effect on the Group's financial condition.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- an indication of important events that have occurred during the first 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 26 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 year ended 31 March 2018, with the exception of Sir John Peace, who retired as Chairman on 12 July 2018, being succeeded by Dr Gerry Murphy.

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
7 November 2018

Julie Brown
Chief Operating and Chief Financial Officer
7 November 2018

INDEPENDENT REVIEW REPORT TO BURBERRY GROUP PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Burberry Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim report of Burberry Group plc for the 26 week period to 29 September 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed Group balance sheet as at 29 September 2018;
- the condensed Group income statement and condensed Group statement of comprehensive income for the period then ended;
- the condensed Group statement of cash flows for the period then ended;
- the condensed Group statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed consolidated interim financial statements.

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

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

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

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

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
7 November 2018
London

INDEPENDENT REVIEW REPORT TO BURBERRY GROUP PLC

Notes:

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

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

SHAREHOLDER INFORMATION

General shareholder enquiries

Enquiries relating to shareholdings, such as the transfer of shares, change of name or address, lost share certificates or dividend cheques, should be referred to the Company's Registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA

Tel: 0371 384 2839. Lines are open 8.30am to 5.30pm, Monday to Friday.

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

American Depositary Receipts

We have a sponsored Level 1 American Depositary Receipt ('ADR') programme to enable US investors to purchase ADRs in US Dollars. Each ADR represents one Burberry ordinary share.

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

BNY Mellon Shareowner Services
P.O. BOX 505000
Louisville, KY 40233-5000

Tel: Toll free within the US: +1 888 269 2377
Tel: International: +1 201 680 6825
Email enquiries:
shrrelations@cpushareownerservices.com
Website: www.mybnymdr.com

Updates to our Privacy Policy

The General Data Protection Regulation came into force on 25 May 2018. Please see the updated privacy policy on www.burberryplc.com for details on how Burberry collects and uses shareholder personal information.

Dividends

An interim dividend of 11.0p per share will be paid on 1 February 2019 to shareholders on the register at the close of business on 21 December 2018.

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

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

If you are a UK taxpayer, please note that you are eligible for a tax-free Dividend Allowance of £2,000 in each tax year. Any dividends received above this amount will be subject to taxation. Dividends paid on shares held within pensions and Individual Savings Accounts ('ISAs') will continue to be tax-free. Further information can be found at www.gov.uk/tax-on-dividends.

Dividends payable in foreign currencies

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

Dividend Reinvestment Plan

Our Dividend Reinvestment Plan ('DRIP') enables shareholders to use their dividends to buy further Burberry shares. Full details of the DRIP can be obtained from Equiniti. If shareholders would like their interim dividend and future dividends to qualify for the DRIP, completed application forms must be returned to Equiniti by 11 January 2019.

Duplicate accounts

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

Electronic Communication

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

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

Financial calendar

Interim results announcement	8 November 2018
Dividend record date	21 December 2018
Third quarter trading update	23 January 2019
Dividend payment date	1 February 2019
Preliminary results announcement	May 2019
Annual General Meeting	July 2019

Registered office

Burberry Group plc
Horseferry House
Horseferry Road
London
SW1P 2AW

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

Share buyback
From June 2018 to September 2018, we completed a buyback programme of £150m.

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

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

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

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

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

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

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

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

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

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