BURBERRY

Burberry Group plc Interim Report
Six months to 30 September 2005

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HIGHLIGHTS

Summary of Results*

	Six months to 30 September 2005 £m	2004 £m	Change %
Turnover	354.9	347.5	2
Operating profit before Atlas costs**	78.8	77.6	2
Operating profit	75.8	77.6	(2)
Attributable profit	53.1	54.6	(3)
Diluted EPS before Atlas costs	11.3p	10.8p	5
Diluted EPS	10.9p	10.8p	1
Diluted weighted average number of Ordinary Shares	488.8m	507.1m	(4)

Financial Highlights

- Total revenues increased 3% on an underlying*** basis to £355 million
  – Retail revenues increased 9% underlying
  – Wholesale revenues declined 1% underlying
  – Licensing revenue increased 3% underlying
- Operating profit before Atlas costs increased 2% to £79 million
- Operating margin before Atlas costs of 22.2% vs 22.3% in prior period
- Diluted EPS before Atlas costs increased 5% to 11.3p
- Interim dividend increased 25% to 2.5p per Ordinary Share
- As of 30 September 2005, an aggregate of £123 million shares repurchased

* Financial results are reported under International Financial Reporting Standards. Prior year figures have been restated in line with these principles.

** Project Atlas costs of £3.0 million (2004: £nil) relate to the Group's infrastructure redesign initiative announced in May 2005.

*** Underlying figures exclude the financial effect of Burberry's Taiwan-related business in both reporting periods and are calculated at the same exchange rates used in the 2004/05 year's reported results for the period. Burberry completed the acquisition of the operations and assets of its distributors in Taiwan in August 2005 (the "Taiwan Acquisition").

The financial information contained in this interim report has not been audited.

Certain statements made in this interim report are forward looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward looking statements.

This report does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares. Past performance is not a guide to future performance and persons needing advice should consult an independent financial adviser.

Strategic and Operating Highlights

- Retail expansion on track with opening of four new and replacement stores and six concessions
  – Completed key store renovations
- Acquired Taiwan distributors
- Concluded womenswear retail concession agreement with major customer in Spain
- Continued to rebalance retail/wholesale channel mix in US market
- Announced new eyewear licence
- Project Atlas, major infrastructure redesign initiative underway

CHIEF EXECUTIVE'S REVIEW

In the context of a period marked by strategic investment and transition, Burberry delivered a solid performance in the first half. Revenues increased 3% on an underlying basis and diluted EPS before costs of Project Atlas, the Group's infrastructure redesign initiative, increased 5%. These results reflect the continued execution of Burberry's core strategies, phases of strategic and operational transition in certain business segments and regions and a variety of external market conditions. Highlights of these factors are discussed below.

Regions Burberry maintained steady progress across its trading regions during the half.

- **US** In the US, strong retail growth, driven by new and existing stores was partially offset by reduced wholesale sales to produce 5% underlying revenue growth for the half. The reduction in wholesale sales reflects caution on the part of certain wholesale customers resulting from a soft spring season and ongoing channel adjustment. With the Group's ongoing substantial expansion of own retail space in this market, Burberry continues to rebalance the retail/wholesale channel mix in the US. The Group opened a store in San Antonio, Texas in September and plans to add three stores in the second half.

- **Europe** Europe's 1% underlying revenue decline in the period reflects varying performance across the region. In Spain, softer demand and distribution channel evolution led to a moderate wholesale sales decline for the half. In other Continental European markets, solid retail growth driven by new stores and concessions combined with robust wholesale growth to produce strong gains. Italy experienced particular strength, stimulated by the Milan and Rome stores. The UK market, affected by external factors, continued to be soft across both retail and wholesale channels. During the half, Burberry opened a replacement store in Zurich and completed renovation of the Frankfurt and Munich stores.

- **Non-Japan Asia** Revenue in Non-Japan Asia increased 9% on an underlying basis during the half. In Greater China (Hong Kong and mainland China), growth across the retail and wholesale channels continued to be fuelled by demand from mainland consumers. In Korea, selling space additions and a favourable duty free business drove revenue gains in a challenging consumer-spending environment. Gains from existing stores and travel-related customers drove revenue increases in Southeast Asia. During the half, Burberry opened three concessions in Hong Kong and Korea and a replacement store in Taipei.

- **Japan** Sales volumes in Japan experienced a small decline as the result of a soft apparel environment and Burberry's ongoing programme to enhance brand positioning in this market. This programme involves licence transitions/cancellations, restricting distribution of most product categories and upgrading selected products in terms of design and quality. As part of this, management began preparations for Burberry's direct selling of men's ties, scarves and silks from the brand's international collection, which is scheduled to commence in autumn 2006. These imported products will replace licensed domestic products in these categories.

- **Emerging markets** Boosted by new stores, sales to emerging markets increased substantially in the first half. In conjunction with local partners, the Group opened franchised stores in Istanbul (Turkey), Warsaw (Poland), Sao Paolo (Brazil), Jeddah (Saudi Arabia) and Riyadh (Saudi Arabia).

Channels The Group continued to execute its core retail, wholesale and licensing strategies.

- **Retail** Investment in retail expansion continued on plan. During the half, the Group opened three Burberry stores (including two replacement stores), an outlet store and six concessions. In addition, seven stores underwent renovation during the period. In total, on a year-over-year basis, average selling space increased approximately 8% (excluding the effect of the Taiwan acquisition).

- **Wholesale** In key wholesale markets, Burberry took significant strategic action designed to strengthen brand control. In August, the Group acquired the operations of its distributors in Taiwan, which include 12 retail locations. In Spain, management finalised arrangements for the conversion of portions of its womenswear business from a wholesale to a retail concession format. Burberry will begin operating womenswear retail concessions in the stores of its largest customer in the financial fourth quarter. These initiatives result in sales shifts both in terms of timing and channel relative to the previous year. In the case of Taiwan, the acquisition reduced sales by approximately £7 million and operating profit by £3 million in the first half relative to results that would have been reported under the region's former distributor status. The womenswear conversion in Spain will reduce reported sales by approximately £6 million in the second half and operating profit by £3 million relative to results which would have been expected under the former wholesale configuration. Following a period of transition, management expects these actions to enhance Burberry's positioning and financial performance in Taiwan and Spain.

- **Licensing** Burberry's product licenses generally performed well in the half. Against strong comparatives of the previous year driven by the launch of Burberry Brit for Men and an increase in the royalty rate, fragrance royalty growth moderated relative to the previous year. During the half, Burberry's fragrance team prepared for a major product launch in spring 2006. Entering its third year, the watch business experienced strong growth as the product line continued to strengthen and distribution expanded. In October, the Group also announced an important new eyewear licence with Luxottica Group. The first collections under this agreement are expected to appear at retail in late 2006.

Products Burberry advanced its strategies across major product categories during the first half.

- **Prorsum** Burberry's Prorsum runway collection continued to set the creative and editorial pace for the Group. With outstanding critical acclaim, the Autumn 2005 collection is achieving strong results at retail. The label's capsule line of accessories is also meeting enthusiastic consumer response.

- **Womenswear** Experiencing a soft spring season, womenswear's underlying revenue increased 1%. At the same time, the womenswear team made important strategic progress in the period. In outerwear, the team's efforts to enhance Burberry's key quilted coat business were rewarded with a favourable consumer response to autumn's new styles and silhouettes. Responding to consumers' demand for frequent new merchandise, womenswear has reorganised its design process to produce five collections per year. Womenswear generated 34% of total revenue in the period.

- **Menswear** With 4% underlying growth, menswear experienced a strong first half, particularly within the Group's own stores. The menswear team's emphasis on more classic styling across the collection and intensifying selection in prime classifications were important contributors to this performance. Also, Burberry's first menswear specific marketing initiatives were launched in large European and US markets in autumn 2005. Menswear represented 28% of reported revenue.

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- **Accessories** Accessories experienced 2% underlying revenue growth. The Group's core handbag range experienced a flat performance, as the new line of Prorsum handbags met enthusiastic demand within Burberry's own stores. In the second quarter, unseasonably warm weather in several markets dulled sales of Burberry's iconic scarves and other cold weather items. An emphasis on new styles and designs and reinvention of the classics are critical to the success of this important category. As Burberry has done with its core quilted jackets, the Group is in the process of upgrading iconic handbag groups. The new Haymarket line has been well received and Burberry will be adding successful Prorsum styles to the core assortment. Accessories (excluding childrenswear) comprised 25% of revenue in the period.

Project Atlas

Announced in May 2005, Burberry's infrastructure redesign programme, Project Atlas, generally progressed as planned during the first half. Inter-disciplinary, cross-geography working teams were established and intensive work began in the period to create a substantially stronger platform to support the long-term operation and growth of the Group. The initial phases of the project are oriented toward establishing the building blocks required for the redesign of these fundamental processes. In the case of the retail and wholesale businesses, for example, project teams concentrated on creating global common data standards – critical input for structuring an integrated information system. In retail, teams were devoted to defining optimal procedures and processes to inform design of the retail information system, which is expected to be rolled out beginning in the second half of 2006. In the case of financial management, teams developed a blueprint for Burberry's global financial architecture. In line with expectations, expenses of £3 million and capital expenditures of £3.9 million were incurred in the first half.

Financial summary

Turnover increased 3% on an underlying basis (2% reported) to £355 million. Gross margin declined from 58.6% to 57.8% primarily as a result of increased end of season sale activity in the current half relative to the previous period. This was largely offset by a decline in the expense ratio from 36.2% to 35.6% (before Atlas costs). As a result, the Group achieved a 22.2% operating margin before Atlas costs in the half, broadly consistent with the previous year's 22.3%. Operating profit before Atlas costs increased 2% to £78.8 million and associated diluted EPS increased 5% to 11.3p. After Atlas costs, operating profit was £75.8 million with diluted EPS of 10.9p in the half. The directors have declared a 25% increase in the interim dividend to 2.5p. As of 30 September 2005, the Group had repurchased an aggregate of £123 million of its shares under its £250 million repurchase programme.

Second half outlook

Looking to the second half of 2005/06:

- **Retail** Retail expansion continues on track. The Group opened a store in San Diego (California) in early October and plans to open Burberry stores in Naples (Florida) and Palm Beach Gardens (Florida) and four outlet stores in the period. Average retail selling space is planned to increase by approximately 10% in the second half, 9% for the financial year, excluding the effect of the Taiwan Acquisition.

- **Wholesale** On the basis of Spring/Summer 2006 merchandise orders received to date, Burberry anticipates a moderate underlying decline in wholesale sales for the second half of the year. As stores are added in the US, the Group continues to rebalance its channel mix in that market. Burberry also anticipates soft demand in Spain and the UK in the second half. In addition, the conversion of portions of its womenswear business in Spain from a wholesale to a retail concession format in the financial fourth quarter will affect reported results. Sales will shift both in terms of timing and channel relative to the previous year. The Taiwan Acquisition will have a similar effect.

- **Licensing** Burberry anticipates licensing revenue growth broadly consistent with that of the first half. In Japan, Burberry will continue its activities to enhance brand positioning, which restrain volume growth. Revenues will also be affected by the initial phase of the transition to a new eyewear licences. With respect to other licenses, Burberry expects trends to be broadly consistent with those of the first half of the year.

Chief Executive transition

On 11 October 2005, the Group announced that Angela Ahrendts will join Burberry in January 2006 as an Executive Director and will become Chief Executive in July 2006. I will assume the newly created role of Vice Chairman at that time. In the period between January and July 2006, Ms. Ahrendts will report to me to ensure a smooth transition of responsibilities, and thereafter to the Chairman of the Board.

Rose Marie Bravo

Rose Marie Bravo
Chief Executive

FINANCIAL REVIEW

Group results

	Six months to 30 September 2005		Six months to 30 September 2004	
	£m	Percentage of turnover	£m	Percentage of turnover
Turnover				
Retail	124.2	35.0%	111.0	31.9%
Wholesale	191.1	53.8%	197.2	56.8%
Licence	39.6	11.2%	39.3	11.3%
Total turnover	**354.9**	**100.0%**	**347.5**	**100.0%**
Cost of sales	(149.7)	(42.2%)	(144.0)	(41.4%)
Gross profit	**205.2**	**57.8%**	**203.5**	**58.6%**
Net operating expenses before Atlas costs	(126.4)	(35.6%)	(125.9)	(36.2%)
Operating profit before Atlas costs	**78.8**	**22.2%**	**77.6**	**22.3%**
Atlas costs	(3.0)	(0.8%)	–	–
Operating profit	**75.8**	**21.4%**	**77.6**	**22.3%**
Net finance income	2.3	0.6%	1.8	0.5%
Profit before taxation	**78.1**	**22.0%**	**79.4**	**22.8%**
Taxation	(25.0)	(7.0%)	(24.8)	(7.1%)
Attributable profit	**53.1**	**15.0%**	**54.6**	**15.7%**
Diluted EPS before Atlas costs	**11.3p**	**–**	**10.8p**	**–**
Diluted EPS	10.9p	–	10.8p	–
Diluted weighted average number of Ordinary Shares (millions)	488.8	–	507.1	–

Burberry Group turnover is composed of revenue from three channels of distribution: retail, wholesale and licensing operations. Wholesale revenue arises from the sale of men's and women's apparel and accessories to wholesale customers worldwide, principally leading and prestige department stores and speciality retailers. Retail revenue is derived from sales through the Group's directly operated store network. At 30 September 2005, the Group operated 177 retail locations (2004: 151) consisting of 62 Burberry stores (2004: 57), 90 concessions (2004: 70) and 25 outlet stores (2004: 24). Licence revenue consists of royalties receivable from Japanese and product licensing partners.

Turnover

Total turnover in the first half advanced to £354.9m from £347.5m in the prior period, representing an increase of 2%, or 3% on an underlying basis. In determining "underlying" performance, financial results are adjusted to exclude the financial effects of the Taiwan Acquisition and the impact of foreign currency exchange rate movements between periods. The Taiwan Acquisition resulted in a sales shift from Burberry's wholesale channel to its retail channel. Therefore, in determining underlying performance, the financial effect of the Group's Taiwan-related business is excluded from both reporting periods.

Retail revenues increased by 12% reported (9% underlying) to £124.2m, driven by contributions from new and refurbished stores. The acquisition of 12 retail locations in Taiwan during August 2005 also contributed to reported gains. During the half, the Group opened three Burberry stores (including two replacement stores), an outlet, six concessions and completed seven store refurbishments. Retail performance varied by region. In the US, solid sales growth was driven by contributions from new stores, complemented by gains at existing stores. Against strong comparatives, new stores and concessions drove revenue growth in Continental European markets. The UK market, affected by external factors, was soft. In Asia, Korea achieved a small gain notwithstanding the difficult retail environment. Led by existing stores, Hong Kong and Southeast Asian markets generally experienced strong increases in the period.

Affected by the Taiwan Acquisition, reported wholesale revenues declined 3% to £191.1m in the half. Underlying sales declined 1%. The US market experienced a moderate decline as a result of Burberry's ongoing adjustment of the brand's wholesale/retail balance in this market, as well as caution on the part of certain wholesale customers. In Europe, soft demand in Spain produced a moderate sales decline during the period. Other Continental European markets achieved strong gains. The UK continued to be soft. Asia achieved good underlying growth. Emerging markets achieved strong gains, boosted by new stores, including the opening of five franchise stores in the half.

Licensing revenues in the half increased by 1% reported (3% underlying) to £39.6m. Flat Japan-related royalties reflected a small volume decline resulting from licence transitions/cancellations, Burberry's programme to restrict selectively distribution of certain products and a soft apparel market. This was largely offset by an increase in certain royalty rates. Excluding the effect of cancelled licenses, total underlying licensing revenue increased 6%. Licensing revenue growth also reflected solid gains from Burberry's global licenses. Fragrance-related royalty growth slowed reflecting strong comparatives resulting from the Burberry Brit for Men launch in the previous year and the anniversary of the royalty rate increase.

Operating profit

Gross profit as a percentage of turnover was 57.8% in the first half of 2005/06 relative to 58.6% in the prior period. The decline largely resulted from increased levels of seasonal clearance activity for the spring/summer season relative to the previous year.

Net operating expenses before Atlas costs as a percentage of turnover decreased to 35.6% from 36.2% in the previous period. Improvement in the expense ratio largely reflected one-time items in the current period, including a gain on property sales.

As a result of these factors, operating profit before Atlas costs increased 2% to £78.8m, or 22.2% of turnover relative to 22.3% in the previous period. Exchange rate differences relative to the previous period reduced reported operating profit by £0.4m.

Net expenses associated with Project Atlas totalled £3.0m. Reported operating profit was £75.8m for the half.

Net finance income

Net interest income was £2.3m in the six months to September 2005 compared to £1.8m in the prior period.

Profit before taxation

As a result of the above factors, Burberry reported profit before taxation and Atlas costs of £81.1m in the six months to 30 September 2005 compared to £79.4m in the prior period. Including Atlas costs, profit before taxation was £78.1m in the current period.

Attributable profit

Burberry recorded a 32.0% effective tax rate (2004: 31.2%) on profit resulting in a £25.0m tax charge and reported attributable profit of £53.1m for the six months to 30 September 2005 compared to £54.6m reported in the prior period. The effective tax rate for the period is in line with the expected rate for the full financial year.

Diluted earnings per share before Atlas costs increased 5% to 11.3p in the half compared to 10.8p in the prior period. Including Atlas costs, the Group reported diluted earnings per share of 10.9p. In the six months to September 2005, the diluted weighted average number of ordinary shares in issue was 488.8m (2004: 507.1m).

Cash flow and net funds

Historically, Burberry's principal uses of funds have been to support capital expenditures and working capital growth in connection with the expansion of its business, acquisitions and share repurchases. Principal sources of funds have been cash flow from operations. Burberry expects to finance the expansion of it business, capital expenditures including strategic infrastructure investments and share repurchases with existing cash balances, cash generated from operating activities and the use of its credit facilities.

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The table below sets out the principal components of cash flow for the six months to 30 September 2005 and 30 September 2004 and net funds at the period end:

	Six months to 30 September 2005 £m	Six months to 30 September 2004 £m
Operating profit	**75.8**	**77.6**
Depreciation and related charges	11.3	9.7
Profit on disposal of fixed assets	(0.9)	(0.1)
Charges in respect of employee share incentive schemes	3.8	4.5
Increase in stocks	(9.1)	(12.6)
Increase in debtors	(36.5)	(40.6)
Decrease in creditors	(18.7)	(1.6)
Net cash inflow from operating activities	**25.7**	**36.9**
Net interest received	1.7	2.1
Taxation paid	(18.1)	(19.9)
Capital expenditures and acquisition related payments	(15.8)	(16.9)
Net sale/(purchase) of shares by ESOPs	1.7	(7.4)
Issue of ordinary share capital	3.5	3.3
Share repurchases	(64.5)	–
Equity dividends paid	(21.5)	(14.9)
Movement in net funds resulting from cash flows	**(87.3)**	**(16.8)**
Exchange gains	2.5	1.9
Movement in net funds	**(84.8)**	**(14.9)**
Net funds at end of period	**85.1**	**143.0**

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Net cash inflow from operating activities was £25.7m in the first half compared to £36.9m in the prior period. Stock levels increased £9.1m, broadly consistent with historical seasonal patterns. The £36.5m increase in debtors is in line with seasonal growth of trade receivables. The £18.7m decrease in creditors includes timing differences in the payment of trade creditors and settlement of profit shares with respect to prior year acquisitions.

Capital expenditures and acquisition related payments included net purchases of fixed assets of £8.1m relating primarily to continued investment in the Group's retail operations and infrastructure, Project Atlas investment of £3.9m and £3.8m as partial consideration for the acquisition of the operations of Burberry's distributors in Taiwan. Capital expenditures for the full 2005/06 financial year are expected to total approximately £35m.

In line with its risk management policy, Burberry has continued to hedge its principal foreign currency transaction exposures arising in respect of Yen denominated royalty income and Euro denominated product purchases and sales.

In connection with share option awards, the Group sold £1.7m of equity from its Employee Share Ownership Trusts and received £3.5m (2004: £3.3m) from the issue of new shares following the exercise of share-based options.

Consistent with the £250m share repurchase programme announced in November 2004, Burberry commenced the repurchase of shares in January 2005. In the six months to 30 September 2005 the Group repurchased 15.9m shares for a total cost of £64.5m. Aggregate purchases under the repurchase programme since January 2005 amounted to £123m.

An interim dividend of 2.5p per share (2004: 2.0p), £11.8m in total, will be payable on 2 February 2006.

Group income statement – unaudited

	Note	Six months to 30 September 2005(1) £m	Six months to 30 September 2004(2) £m	Year to 31 March 2005(2) £m
Turnover	4	**354.9**	**347.5**	**715.5**
Cost of sales		(149.7)	(144.0)	(291.3)
Gross profit		**205.2**	**203.5**	**424.2**
Net operating expenses		(129.4)	(125.9)	(262.9)
Operating profit		**75.8**	**77.6**	**161.3**
Financing:				
Interest and similar income		2.4	2.2	5.5
Interest expense and similar charges		(0.3)	(0.4)	(0.6)
Financing fair value remeasurements		0.2	–	–
Net finance income	4	**2.3**	**1.8**	**4.9**
Profit before taxation	4	**78.1**	**79.4**	**166.2**
Taxation	6	(25.0)	(24.8)	(53.4)
Attributable profit for the period	13	**53.1**	**54.6**	**112.8**

All the profit for the period is attributable to the equity holders of the company.

Pence per share				
Earnings				
– basic	7	11.2p	11.0p	22.8p
– diluted	7	10.9p	10.8p	22.4p
Dividends				
Dividend per share – interim (not recognised as a liability at 30 September)	8	2.5p	2.0p	2.0p
Dividend per share – final (not recognised as a liability at 31 March)	8	–	–	4.5p

Non-GAAP measures		£m	£m	£m
Reconciliation to adjusted operating profit				
Operating profit		75.8	77.6	161.3
Atlas costs	5	3.0	–	–
Operating profit before Atlas costs		**78.8**	**77.6**	**161.3**
Pence per share				
Earnings per share before Atlas costs				
– basic	7	11.6p	11.0p	22.8p
– diluted	7	11.3p	10.8p	22.4p

(1) Reflects the adoption of IAS 32 and IAS 39 and further guidance on IFRS (see note 3).
(2) Does not reflect the adoption of IAS 32 and IAS 39, however does reflect further guidance on IFRS (see note 3).

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Group statement of recognised income and expense – unaudited

	Note	Six months to 30 September 2005[1] £m	Six months to 30 September 2004[2] £m	Year to 31 March 2005[2] £m
Attributable profit for the period		**53.1**	**54.6**	**112.8**
Cash flow hedges		(2.5)	–	–
Currency translation differences		7.0	10.5	5.7
Actuarial gains/(losses) on defined benefit pension scheme		1.8	–	(1.5)
Tax on items taken directly to equity		0.6	(0.3)	(0.4)
Net income recognised directly in equity	13	**6.9**	**10.2**	**3.8**
Transfers				
Transferred to profit and loss on cash flow hedges		(1.8)	–	–
Tax on items transferred from equity		0.7	–	–
Net transfers		(1.1)	–	–
Net gains not recognised in income statement		5.8	10.2	3.8
Total recognised income for the period	13	**58.9**	**64.8**	**116.6**

(1) Reflects the adoption of IAS 32 and IAS 39 and further guidance on IFRS (see note 3).
(2) Does not reflect the adoption of IAS 32 and IAS 39, however does reflect further guidance on IFRS (see note 3).

All the recognised income and expense for the period is attributable to the equity holders of the company.

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Group balance sheet – unaudited

	Note	As at 30 September 2005(1) £m	As at 30 September 2004(2) £m	As at 31 March 2005(2) £m
ASSETS				
Non-current assets				
Intangible assets		132.3	124.5	124.9
Property, plant and equipment		162.5	147.9	154.7
Deferred taxation assets		24.9	20.7	26.4
Trade and other receivables	10	3.9	1.2	1.3
Income tax recoverable		0.6	0.8	0.8
		324.2	**295.1**	**308.1**
Current assets				
Stock		113.2	104.4	102.5
Trade and other receivables	10	143.6	143.4	112.2
Derivative financial assets		2.5	–	–
Income tax recoverable		4.5	0.1	3.1
Cash and cash equivalents		85.1	143.5	169.9
		348.9	**391.4**	**387.7**
Non-current assets classified as held for sale		–	2.8	1.2
Total assets		**673.1**	**689.3**	**697.0**
LIABILITIES				
Non-current liabilities				
Long term liabilities	11	(16.2)	(14.5)	(14.8)
Deferred taxation liabilities		(13.2)	(10.8)	(13.0)
Retirement benefit obligations		(0.4)	(2.5)	(2.1)
Provisions		(3.1)	(5.0)	(3.2)
		(32.9)	**(32.8)**	**(33.1)**
Current liabilities				
Bank overdrafts		–	(0.5)	–
Trade and other payables	12	(142.3)	(145.3)	(160.3)
Derivative financial liabilities		(3.1)	–	–
Income tax liabilities		(32.6)	(26.1)	(25.2)
		(178.0)	**(171.9)**	**(185.5)**
Total liabilities		**(210.9)**	**(204.7)**	**(218.6)**
Net assets		**462.2**	**484.6**	**478.4**
EQUITY				
Capital and reserves attributable to the company's equity holders				
Ordinary Share capital	13	0.2	1.1	1.1
Share premium account	13	151.3	133.9	136.1
Hedging reserve	13	(0.1)	–	–
Foreign currency translation reserve	13	12.9	10.1	5.6
Capital reserve	13	24.9	25.7	24.9
Retained earnings	13	273.0	313.8	310.7
Total equity		**462.2**	**484.6**	**478.4**

(1) Reflects the adoption of IAS 32 and IAS 39 and further guidance on IFRS (see note 3).
(2) Does not reflect the adoption of IAS 32 and IAS 39, however does reflect further guidance on IFRS (see note 3).

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Group cash flow statement – unaudited

	Note	Six months to 30 September 2005 £m	Six months to 30 September 2004 £m	Year to 31 March 2005 £m
Cash flows from operating activities				
Operating profit		75.8	77.6	161.3
Depreciation, impairment and trademark amortisation charges		11.3	9.7	24.4
Gain on disposal of fixed assets and similar non-cash charges		(0.9)	(0.1)	(1.1)
Charges in respect of employee share incentive schemes		3.8	4.5	9.5
Increase in stocks		(9.1)	(12.6)	(12.9)
Increase in debtors		(36.5)	(40.6)	(7.3)
(Decrease)/increase in creditors		(18.7)	(1.6)	1.5
Cash generated from operations		25.7	36.9	175.4
Taxation paid		(18.1)	(19.9)	(49.5)
Net cash inflow from operating activities		**7.6**	**17.0**	**125.9**
Cash flows from investing activities				
Purchase of tangible and intangible fixed assets		(15.0)	(17.2)	(37.2)
Proceeds from sale of property, plant and equipment		3.0	0.3	3.1
Acquisition of subsidiary	9	(3.8)	–	–
Net cash outflow from investing activities		**(15.8)**	**(16.9)**	**(34.1)**
Cash flows from financing activities				
Interest received		2.0	2.3	5.3
Interest paid		(0.3)	(0.2)	(0.6)
Equity dividends paid		(21.5)	(14.9)	(24.9)
Issue of Ordinary Share capital		3.5	3.3	4.4
Purchase of shares through share buy back		(64.5)	-	(58.4)
Purchase of own shares by ESOPs		-	(8.7)	(8.7)
Sale of own shares by ESOPs		1.7	1.3	1.8
Net cash outflow from financing activities		**(79.1)**	**(16.9)**	**(81.1)**
Net (decrease)/increase in cash and cash equivalents		(87.3)	(16.8)	10.7
Effect of exchange rate changes on opening balances		2.5	1.9	1.3
Cash and cash equivalents at beginning of period		169.9	157.9	157.9
Cash and cash equivalents at end of period		**85.1**	**143.0**	**169.9**

Analysis of cash and cash equivalents

	As at 30 September 2005 £m	As at 30 September 2004 £m	As at 31 March 2005 £m
Cash	26.8	44.6	62.4
Short term deposits	58.3	98.9	107.5
Cash and cash equivalents as per the balance sheet	85.1	143.5	169.9
Bank overdrafts as per the balance sheet	–	(0.5)	–
Cash and cash equivalents per the cash flow statement	**85.1**	**143.0**	**169.9**

1 Basis of preparation

The interim financial statements for Burberry Group comprises the unaudited results for the six months to 30 September 2005 and 30 September 2004 and for the year to 31 March 2005. Under European Union (EU) legislation, it is mandatory for EU listed companies to report under International Financial Reporting Standards (IFRS), for financial years commencing after 1 January 2005. The results to 30 September 2005 have been prepared in accordance with the accounting policies which the Group intends to adopt for the year to 31 March 2006. The results to 30 September 2004 and 31 March 2005 have been restated from UK GAAP to IFRS using the same accounting policies as those used for the results to 30 September 2005, other than as described in note 3 – Changes in accounting policies and presentation. The principle adjustments that were required by Burberry Group on conversion to IFRS are set out in note 15 – Transition to IFRS. This information has been extracted from the “Burberry Group plc financial results under IFRS” published on 10 June 2005 and which is available on the Group’s website (www.burberryplc.com).

In preparing this financial information, the directors have assumed that the European Commission will endorse the amendment to IAS 19 “Employee Benefits” issued by the IASB in December 2004. In addition, Burberry has decided to adopt early IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” and Draft Technical Correction 1 “Proposed amendments to IAS 21 The effects of changes in Foreign Exchange Rates – Net investment in a Foreign Operation”.

IFRS are subject to ongoing review and endorsement by the European Commission, or possible amendment by the IASB, and are therefore subject to possible change. Further standards or interpretations may also be issued that could be applicable for the full year consolidated financial statements. These potential changes could result in the need to change the basis of accounting or presentation of certain financial information from that presented in this document.

The interim financial statements are not audited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. This financial information has been formally reviewed by the Group’s auditors, PricewaterhouseCoopers LLP, and their report is set out on page 33.

Statutory consolidated financial statements for the Group for the year to 31 March 2005, prepared in accordance with UK GAAP, were reported on by the auditors without qualification or statement under section 237(2) or (3) of the Companies Act 1985 and have been delivered to the Registrar of Companies. Comparative information for the year to 31 March 2005 shown within this report has been extracted from the document “Burberry Group plc financial results under IFRS” as published by the Group on 10 June 2005.

Basis of consolidation

The Group interim financial statements comprises those of the parent company and its subsidiaries, presented as a single economic entity.

The effects of intra-group transactions are eliminated in preparing the Group interim financial statements.

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1 Basis of preparation continued

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the portion of the reporting period during which Burberry Group plc had control.

The preparation of interim financial statements requires management to make estimates and assumptions that affect the reported amount of 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 judgement at the date of the interim financial statements, deviate from actual circumstances, the original estimate and assumptions will be modified as appropriate in the period in which the circumstances change.

2 Accounting policies and presentation

The same accounting policies and methods of computation have been followed in the interim financial statement as those published by the company on 10 June 2005, in the document "Burberry Group plc financial results under IFRS", except for those changes in accounting policies set out in note 3. The accounting policies previously published are available on the Group's website (www.burberryplc.com).

3 Changes in accounting policies and presentation

The results for the six months to 30 September 2005 have incorporated the impact of the adoption of: IAS 32 "Financial Instruments: Disclosure and Presentation"; IAS 39 "Financial Instruments: Recognition and Measurement"; the Draft Technical Correction 1 "Proposed amendments to IAS 21 The effects of changes in Foreign Exchange Rates – Net investment in a Foreign Operation" and further interpretation of IAS 38 "Intangible assets".

Impact of the adoption of IAS 32 and IAS 39

IFRS 1 "First time adoption of IFRS" allows an entity to produce comparative information, which does not comply with IAS 32 and IAS 39. However, for the first IFRS reporting period, being 31 March 2006, the adjustment between the balance sheet at the comparative period's reporting date (under the previous GAAP) and the balance sheet at the start of the first IFRS reporting period must be accounted for as a change in accounting policy.

The Group has taken advantage of this exemption and has adopted IAS 32 "Financial Instruments: Presentation and Disclosure" and IAS 39 "Financial Instruments: Recognition and Measurement" with effect from 1 April 2005. The impact of these standards on the Group's opening balance sheet is shown below.

The principal impact of the adoption of IAS 32 and IAS 39 on the Group's financial statements relates to the classification of redeemable preference shares and the recognition of derivative financial instruments.

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3 Changes in accounting policies and presentation continued

Redeemable preference shares are now considered to be a liability rather than equity.

Burberry Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates arising on certain trading transactions. The principal derivative instruments used are forward currency contracts taken out to hedge certain future royalty receivables and product purchases. Under UK GAAP, derivative instruments were held off balance sheet.

Under IFRS, derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets and liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The gain or loss on fair value hedges is taken to the income statement, along with the gain or loss on the hedged item.

The portion of the gain or loss on cash flow hedges determined to be effective, is initially taken to the hedging reserve within equity. The ineffective portion of the gain or loss is recognised in the income statement within net finance income. The amount recognised directly to equity is released to the income statement, when the underlying transaction affects the income statement. If it is expected that all or a portion of a loss recognised directly in equity will not be recovered in one or more future periods, the amount that is not expected to be recovered will be reclassified to the income statement.

The adjustments to the opening balance sheet at 1 April 2005 are shown in the table below, only those line items that have been impacted are shown:

	Opening balance sheet under IFRS	Effect of adoption of IAS 32 and IAS 39		Restated opening position at 1 April 2005
		Reclassification	Remeasurement	
	£m	£m	£m	£m
Current assets				
Derivative financial assets	–	–	5.8	5.8
Current liabilities				
Derivative financial liabilities	–	–	(1.6)	(1.6)
Non-current liabilities				
Long term liabilities	(14.8)	(0.8)	–	(15.6)
Deferred tax liabilities	(13.0)	–	(1.5)	(14.5)
Impact on net assets		**(0.8)**	**2.7**	
Ordinary Share capital	1.1	(0.8)	–	0.3
Hedging reserve	–	–	2.6	2.6
Retained earnings	310.7	–	0.1	310.8
Impact on equity		**(0.8)**	**2.7**	

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3 Changes in accounting policies and presentation continued

Impact of the adoption of Draft Technical Correction 1

Draft Technical Correction 1 is expected to become effective before the end of the year. IAS 21 currently requires exchange differences arising on a monetary item that forms part of the parent company's net investment in a foreign operation to be recognised in equity. The application of this requirement is restricted to funding transacted directly between the parent and the foreign operation. The proposed amendment clarifies that exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation should be recognised in equity irrespective of whether it is the parent or a fellow subsidiary that enters into the transaction with the foreign operation. In preparing this financial information, the directors have assumed that this amendment is approved by the EU and can be adopted for the year to 31 March 2006 and accordingly gains and losses on intercompany balances have been recognised directly in equity.

The impact of the above treatment is to:

(a) reduce net finance income by £0.8m in the six months to 30 September 2004 and £0.7m in the year to 31 March 2005;
(b) reduce the taxation charge by £0.3m in the six months to 30 September 2004 and £0.1m in the year to 31 March 2005;
(c) reduce the retained earnings by £0.5m in the six months to 30 September 2004 and £0.6m in the year to 31 March; and
(d) increase the foreign currency translation reserve by £0.5m in the six months to 30 September 2004 and £0.6m in the year to 31 March 2005.

This treatment in respect of IAS 21 differs from that adopted in the information published by the company on 10 June 2005 in the document called "Burberry Group plc financial results under IFRS".

Further interpretation of IAS 38

Further interpretation of IAS 38 since the company published its IFRS information on 10 June 2005, entitled "Burberry Group plc financial results under IFRS", has resulted in monies paid in respect of certain retail properties being classified as intangible assets rather than within property, plant and equipment. The impact of this reclassification was £9.0m as at 30 September 2004 and £8.6m as at 31 March 2005.

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4 Segmental analysis

(a) Turnover and profit before taxation – by origin

Europe comprises operations in France, Germany, Italy, Switzerland, and the UK. North America comprises operations in the USA. Asia Pacific comprises operations in Australia, Hong Kong, Korea, Malaysia, Singapore and Taiwan.

	Spain		Europe		North America		Asia Pacific		Total	
Six months to 30 September	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
Gross segment turnover	86.5	89.1	190.0	188.4	73.6	69.4	79.6	70.9	429.7	417.8
Inter-segment turnover	(0.1)	(0.1)	(74.7)	(69.9)	–	–	–	(0.3)	(74.8)	(70.3)
Turnover	**86.4**	**89.0**	**115.3**	**118.5**	**73.6**	**69.4**	**79.6**	**70.6**	**354.9**	**347.5**
Operating profit before Atlas costs	**14.4**	**13.8**	**60.5**	**57.9**	**(1.4)**	**0.5**	**5.3**	**5.4**	**78.8**	**77.6**
Atlas costs	–	–	(3.0)	–	–	–	–	–	(3.0)	–
Net finance income	0.5	0.4	1.3	1.1	0.1	0.1	0.4	0.2	2.3	1.8
Profit before taxation	**14.9**	**14.2**	**58.8**	**59.0**	**(1.3)**	**0.6**	**5.7**	**5.6**	**78.1**	**79.4**

Year to 31 March 2005	Spain £m	Europe £m	North America £m	Asia Pacific £m	Total £m
Gross segment turnover	170.3	365.3	157.8	149.1	842.5
Inter-segment turnover	(0.1)	(126.3)	–	(0.6)	(127.0)
Turnover	**170.2**	**239.0**	**157.8**	**148.5**	**715.5**
Operating profit	**23.5**	**112.9**	**7.0**	**17.9**	**161.3**
Net finance income	0.7	3.4	0.3	0.5	4.9
Profit before taxation	**24.2**	**116.3**	**7.3**	**18.4**	**166.2**

The results above are stated after the allocation of costs of a group-wide nature.

(b) Turnover by destination

	Six months to 30 September 2005 £m	Six months to 30 September 2004 £m	Year to 31 March 2005 £m
Spain	74.5	77.5	168.4
Europe	105.5	102.2	188.0
North America	77.1	73.8	165.9
Asia Pacific	92.8	91.2	186.6
Other	5.0	2.8	6.6
Total	**354.9**	**347.5**	**715.5**

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4 Segmental analysis continued

(c) Turnover and profit before taxation – by class of business

	Wholesale and Retail		Licensing		Total	
Six months to 30 September	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
Gross segment turnover	390.1	378.5	39.6	39.3	429.7	417.8
Inter-segment turnover	(74.8)	(70.3)	–	–	(74.8)	(70.3)
Turnover	**315.3**	**308.2**	**39.6**	**39.3**	**354.9**	**347.5**
Operating profit before Atlas costs	**45.0**	**43.9**	**33.8**	**33.7**	**78.8**	**77.6**
Atlas costs	(3.0)	–	–	–	(3.0)	–
Net finance income	2.3	1.8	–	–	2.3	1.8
Profit before taxation	**44.3**	**45.7**	**33.8**	**33.7**	**78.1**	**79.4**

Year to 31 March	Wholesale and Retail £m	Licensing £m	Total £m
Gross segment turnover	764.1	78.4	842.5
Inter-segment turnover	(127.0)	–	(127.0)
Turnover	**637.1**	**78.4**	**715.5**
Operating profit	**94.3**	**67.0**	**161.3**
Net finance income	4.9	–	4.9
Profit before taxation	**99.2**	**67.0**	**166.2**

The results above are stated after the allocation of costs of a group-wide nature.

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4 Segmental analysis continued

(d) An analysis of turnover by product category is presented as additional information

	Six months to 30 September 2005 £m	Six months to 30 September 2004 £m	Year to 31 March 2005 £m
Womenswear	119.2	118.5	242.1
Menswear	99.9	95.1	194.5
Accessories (including Childrens)	94.8	93.3	197.6
Other	1.4	1.3	2.9
Wholesale and Retail	**315.3**	**308.2**	**637.1**
Analysed as:			
Wholesale	191.1	197.2	371.9
Retail	124.2	111.0	265.2
Licence	**39.6**	**39.3**	**78.4**
Total	**354.9**	**347.5**	**715.5**
Number of directly operated stores, concessions and outlets open at end of period	177	151	157

5 Atlas costs

Operating profit for the six months to 30 September 2005 includes charges of £3.0m (2004: £nil) relating to Project Atlas, our major infrastructure redesign initiative, which was announced in May 2005. In addition, a total of £3.9m (2004: £nil) has been spent on capitalised IT investment for Project Atlas in the six months to 30 September 2005. This project is designed to create a substantially stronger platform to support long term operation and growth of the Group. Investment in Project Atlas is expected to be around £50m over the three year period to 2007/08.

6 Taxation

The effective rate of tax is based on the estimated tax charge for the full year at a rate of 32.0% (2004: 31.2%). The actual effective rate of tax for the year to 31 March 2005 on this basis was 32.1%.

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7 Earnings per share

The calculation of basic earnings per share is based on attributable profit for the period divided by the weighted average number of Ordinary Shares in issue during the period. Basic and diluted earnings per share before Atlas costs are also disclosed to indicate the underlying profitability of the Burberry Group.

	Six months to 30 September 2005 £m	Six months to 30 September 2004 £m	Year to 31 March 2005 £m
Attributable profit for the period before Atlas costs	55.2	54.6	112.8
Effect of Atlas costs (after taxation)	(2.1)	–	–
Attributable profit for the period	**53.1**	**54.6**	**112.8**

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 Burberry Group's ESOPs.

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 awards made under the share incentive schemes, which will have a dilutive effect when exercised (full vesting of all outstanding awards is assumed).

	Six months to 30 September 2005 Millions	Six months to 30 September 2004 Millions	Year to 31 March 2005 Millions
Weighted average number of Ordinary Shares in issue during the period	475.2	496.2	494.1
Dilutive effect of the share incentive schemes	13.6	10.9	10.4
Diluted weighted average number of Ordinary Shares in issue during the period	488.8	507.1	504.5

Basic earnings per share	Six months to 30 September 2005 Pence	Six months to 30 September 2004 Pence	Year to 31 March 2005 Pence
Basic earnings per share before Atlas costs	**11.6**	**11.0**	**22.8**
Effect of Atlas costs	(0.4)	–	–
Basic earnings per share	**11.2**	**11.0**	**22.8**

Diluted earnings per share	Six months to 30 September 2005 Pence	Six months to 30 September 2004 Pence	Year to 31 March 2005 Pence
Diluted earnings per share before Atlas costs	**11.3**	**10.8**	**22.4**
Effect of Atlas costs	(0.4)	–	–
Diluted earnings per share	**10.9**	**10.8**	**22.4**

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8 Dividends

The interim dividend of 2.5p (2004: 2.0p) per share has been approved by the Board of directors, after 30 September 2005. Accordingly, this dividend has not been recognised as a liability at the period end.

The interim dividend will be paid on 2 February 2006 to Shareholders on the Register at the close of business on 6 January 2006.

A dividend of 4.5p (2004: 3.0p) was paid during the period. For the year to 31 March 2005, a dividend of 5.0p was paid.

9 Acquisition of subsidiary

On 1 August 2005 the Burberry Group acquired the Burberry trade and certain assets and liabilities ("the Burberry Taiwan acquisition") from Chang's Kent Co. Limited and Ming Pu Co. Limited, which were Burberry distributors in Taiwan.

The Burberry Taiwan acquisition resulted in the acquisition of 12 retail stores and concessions for £5.8m. A total of £3.8m was paid by 30 September with deferred consideration of £2.0m payable by August 2006. The fair value of assets and liabilities acquired was £2.1m of which £1.5m relates to stock. Goodwill arising on this transaction amounted to £3.7m.

All assets were recognised at their respective fair values and the residual excess over the net assets acquired is recognised as goodwill in the financial statements. The fair value adjustments contain some provisional amounts which will be finalised by 31 July 2006.

10 Trade and other receivables

	As at 30 September 2005 £m	As at 30 September 2004 £m	As at 31 March 2005 £m
Non-current			
Deposits and prepayments	3.9	1.2	1.3
Total non-current trade and other receivables	**3.9**	**1.2**	**1.3**
Current			
Trade receivables	122.3	119.5	91.6
Other receivables	4.1	1.2	1.5
Prepayments and accrued income	17.2	22.5	19.1
Trading balances owed by GUS group companies	–	0.2	–
Total current trade and other receivables	**143.6**	**143.4**	**112.2**
Total trade receivables	**147.5**	**144.6**	**113.5**

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11 Long term liabilities

	As at 30 September 2005 £m	As at 30 September 2004 £m	As at 31 March 2005 £m
Unsecured:			
Other creditors, accruals and deferred income	5.4	4.5	4.8
Deferred consideration for acquisition	10.0	10.0	10.0
Redeemable preference share capital	0.8	–	–
Total	**16.2**	**14.5**	**14.8**

Deferred consideration due after more than one year arises from the acquisition of the trade and certain assets of the Burberry business in Korea.

12 Trade and other payables

	As at 30 September 2005 £m	As at 30 September 2004 £m	As at 31 March 2005 £m
Unsecured:			
Trade creditors	22.0	29.5	27.5
Trading balances owed to GUS group companies	6.2	8.4	6.8
Other taxes and social security costs	7.5	5.8	6.7
Other creditors	19.2	18.5	24.6
Accruals and deferred income	65.6	60.4	72.0
Deferred consideration for acquisitions	21.8	22.7	22.7
Total	**142.3**	**145.3**	**160.3**

Deferred consideration due within one year arises from the acquisition of Burberry (Spain) S.A., Mercader y Casadevall S.A. and the Burberry Taiwan acquisition.

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13 Share capital and reserves

	Ordinary Share capital £m	Share premium account £m	Hedging reserve £m	Foregin currency translation reserve £m	Capital reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 April 2005	**1.1**	**136.1**	**–**	**5.6**	**24.9**	**310.7**	**478.4**
Impact of adopting IAS 32 and IAS 39 (see note 3)	(0.8)	–	2.6	–	–	0.1	1.9
Restated balance as at 1 April 2005	**0.3**	**136.1**	**2.6**	**5.6**	**24.9**	**310.8**	**480.3**
Cash flow hedges	–	–	(2.5)	–	–	–	(2.5)
Currency translation differences	–	–	–	7.0	–	–	7.0
Actuarial gains on defined benefit pension scheme	–	–	–	–	–	1.8	1.8
Tax on items taken directly to equity	–	–	0.9	0.3	–	(0.6)	0.6
Net income recognised directly in equity	–	–	(1.6)	7.3	–	1.2	6.9
Transferred to profit and loss on cash flow hedges	–	–	(1.8)	–	–	–	(1.8)
Tax on items transferred from equity	–	–	0.7	–	–	–	0.7
Attributable profit for the period	–	–	–	–	–	53.1	53.1
Total recognised income/(expenses) for the period	–	–	(2.7)	7.3	–	54.3	58.9
Employee share option scheme							
– Value of share options granted	–	–	–	–	–	3.8	3.8
– Exercise of share options	–	15.2	–	–	–	1.8	17.0
– Price differential on exercise of shares	–	–	–	–	–	(11.7)	(11.7)
Share buy back proceeds	(0.1)	–	–	–	–	(64.5)	(64.6)
Dividend expense for the period	–	–	–	–	–	(21.5)	(21.5)
Balance as at 30 September 2005	**0.2**	**151.3**	**(0.1)**	**12.9**	**24.9**	**273.0**	**462.2**

During the six months to 30 September 2005, the company repurchased and subsequently cancelled 15,892,169 Ordinary Shares, representing 3% of the issued share capital, at a total cost of £64.5m. The nominal value of the shares was £7,946, which was transferred to a capital redemption reserve. Retained earnings were reduced by £64.5m. The share repurchase programme commenced in January 2005 and since then, a total of 30,607,757 Ordinary Shares have been repurchased and subsequently cancelled. This represents 6% of the original issued share capital at a total cost of £122.9m. The nominal value of the shares was £15,304 and has been transferred to a capital redemption reserve and the retained earnings have been reduced by £122.9m.

The cost of own shares held in the Burberry Group ESOPs has been offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Burberry Group and the company. As at 30 September 2005 the amounts offset against this reserve are £16.8m (30 September 2004: £19.5m; 31 March 2005: £19.0m).

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13 Share capital and reserves continued

Revaluation reserves of £23.4m (2004: £23.8m) recognised under UK GAAP have been transferred to retained earnings and are considered non-distributable. This amount will become distributable if the revalued properties are sold. The revaluation reserves recognised under UK GAAP at 31 March 2005 was £23.4m.

Dividend distributions are dependent on the company's accumulated retained earnings. As at 30 September 2005 the retained earnings of the company was £656.6m (30 September 2004: £812.1m; 31 March 2005: £742.8m).

14 Foreign Currency

The results of overseas subsidiaries are translated into the Group's presentation currency of Sterling at the average exchange rate for the period. The average exchange rate is used, as it is considered to approximate to the actual exchange rates on the date of the transactions. The assets and liabilities of such undertakings are translated at year 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. The principal exchange rates used were as follows:

	Average		
	Six months to 30 September 2005	Six months to 30 September 2004	Year to 31 March 2005
Euro	1.47	1.49	1.47
US dollar	1.82	1.81	1.85
Hong Kong dollar	14.17	14.13	14.40
Korean won	1,855	2,099	2,041

	Closing		
	As at 30 September 2005	As at 30 September 2004	As at 31 March 2005
Euro	1.47	1.46	1.45
US dollar	1.76	1.81	1.88
Hong Kong dollar	13.68	14.07	14.69
Korean won	1,835	2,078	1,920

The average exchange rate achieved by Burberry Group on its Yen royalty income, taking into account its use of Yen forward sale contracts on a monthly basis approximately 12 months in advance of royalty receipts, was Yen 189.1: £1 in the six months to 30 September 2005 (2004: Yen 184.0: £1); year to 31 March 2005 Yen 184.3: £1.

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15 Transition to IFRS

For all periods up to and including the year to 31 March 2005 the Burberry Group has prepared its financial statements in accordance with UK generally accepted accounting practice (UK GAAP). For the year to 31 March 2006 the Burberry Group is required to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Commission.

The Group's transition date to IFRS is 1 April 2004. This has been determined in accordance with IFRS 1 "First Time Adoption of International Financial Reporting Standards", being the start of the earliest period of comparative information.

IFRS 1 allowed an entity to produce comparative information which does not comply with IAS 32 and IAS 39. The Group has taken advantage of this exemption and has adopted IAS 32 and IAS 39 with effect from 1 April 2005. The Group has also adopted Draft Technical Correction 1 with regard to foreign exchange on intercompany loans during the six months to 30 September 2005. The reconciliations shown below do not include the impact of adopting IAS 32, IAS 39 and Draft Technical Correction 1, the impact of adopting these standards is shown in note 3 – Changes in accounting policies and presentation.

To explain the change to IFRS, a reconciliation has been provided of the equity at 1 April 2004, 30 September 2004 and 31 March 2005 and the net income for the six months to 30 September 2004 and year to 31 March 2005 from the previously published consolidated financial statements, prepared in accordance with UK GAAP to the accompanying consolidated financial statements prepared in accordance with IFRS. An explanation of the principle adjustments required by Burberry Group on conversion to IFRS are set out below. This information had been extracted from the 'Burberry Group plc financial results under IFRS' as published by the Group on 10 June 2005, which is available on the Group's website (www.burberry.com). There have been no material adjustments to the cash flow statement.

Attributable profit reconciliation between UK GAAP and IFRS:

	Six months to 30 September 2004 £m	Year to 31 March 2005 £m
Attributable profit under UK GAAP	52.3	109.9
Share based payments adjustment	(2.1)	(5.1)
Goodwill no longer amortised	3.3	6.8
Deferred tax remeasurement	1.2	1.2
Foreign exchange on inter company loans	0.5	0.6
Other	(0.1)	–
Attributable profit under IFRS	**55.1**	**113.4**

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15 Transition to IFRS continued

Equity reconciliation between UK GAAP and IFRS:

	As at 30 September 2004 £m	As at 31 March 2005 £m	As at 1 April 2004 £m
Shareholders' equity under UK GAAP	480.1	454.6	429.4
Share based payments	1.0	0.7	0.7
Goodwill no longer amortised	3.3	6.8	–
Deferred tax remeasurement	(9.6)	(5.3)	(12.6)
Dividends	10.0	21.7	14.9
Other	(0.2)	(0.1)	(0.2)
Shareholders' equity under IFRS	**484.6**	**478.4**	**432.2**

The significant differences between UK GAAP and IFRS which affect the Group are as follows:

(a) Share based payments

Under UK GAAP, the cost of equity-settled transactions were recognised in the year of performance to which the scheme related. The charge was recognised based on the fair market value of the share award at the date of grant, less any consideration receivable from the participating Burberry employee.

Under IFRS equity-settled transaction charges are recognised from the date of grant over the vesting period of the shares. The total charge is determined with reference to the fair value of the equity instruments awarded at the date of grant. The fair value at the date of grant has been determined using the Black-Scholes Option Pricing Model.

Where awards are contingent upon future events an assessment of the likelihood of these conditions being achieved is made at the time of the award.

(b) Goodwill amortisation

Under UK GAAP, goodwill was capitalised and amortised over its estimated useful economic life.

Under IFRS, goodwill has been assigned an indefinite life as at the date of transition and it is no longer amortised. Burberry has elected to apply the exemption related to Business Combinations and has frozen its goodwill at its carrying value as at 1 April 2004. All accumulated amortisation at this point in time has been reclassified against the cost of the goodwill. Impairment reviews will be carried out on goodwill on an annual basis and any impairment charge would be charged and if applicable reported as a material item.

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15 Transition to IFRS continued

(c) Foreign exchange on intercompany loans

Under UK GAAP, any foreign exchange movements arising on the translation of net assets of foreign subsidiaries were recognised by charging or crediting the amounts directly to the profit and loss reserve account. In addition, any exchange difference arising on intercompany loans was also taken directly to the profit and loss reserves account where the loan formed part of the net investment in the subsidiary.

Under IFRS, any foreign exchange movements arising on the translation of foreign subsidiaries is to be taken to a separate component of equity, the foreign currency translation reserve. Any exchange difference arising on an intercompany loan should be taken through the income statement, unless the loan is deemed to form part of the direct investment in the subsidiary.

Draft Technical Correction 1 was issued on 30 September 2005 to address this matter with the intention that gains and losses on intercompany balances are now recognised directly in equity. The Group has adopted Draft Technical Correction 1 in preparing its interim financial statements for the period to 30 September 2005 (see note 3 – Changes in accounting policies and presentation).

(d) Deferred taxation remeasurement

Under UK GAAP, deferred tax was recognised for all timing differences, being the difference between an entities taxable profits and its statutory results, which are expected to reverse.

Deferred tax under IAS 12 "Income Taxes" is recognised on all taxable temporary differences and all deductible temporary differences and unused tax losses, to the extent that there are sufficient taxable profits available in future periods. Temporary differences are the difference between the tax base of an asset/liability and its carrying amount in the financial statements.

The most significant difference between IFRS and UK GAAP, is that deferred tax is now recognised on the revaluation of fixed assets.

The Group is also required, under IFRS, to present deferred tax assets separately from deferred tax liabilities. Offsetting of balances is only allowed if the entity has a legally enforceable right to set off the recognised amounts and they intend to settle on a net basis.

(e) Dividends

Under UK GAAP, proposed dividends are recorded as a liability at the balance sheet date. Under IFRS, dividends proposed at the balance sheet date are only recorded as a liability when the Shareholders have approved their distribution or for the interim dividend when approved by the Board.

The recognition of the charge in the income statement in relation to dividends does not affect the timing of the payment of dividends or Burberry's dividend policy.

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Independent review report to Burberry Group plc

Introduction
We have been instructed by the company to review the financial information for the six months to 30 September 2005 which comprises the consolidated interim balance sheet as at 30 September 2005 and the related consolidated interim statements of income, cash flows and statement of recognised income and expense for the six months then ended and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities
The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1, the next annual financial statements of the Group will be prepared in accordance with accounting standards adopted for use in the European Union. This interim report has been prepared in accordance with the basis set out in note 1.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in note 1, there is, however, a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with accounting standards adopted for use in the European Union. The IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 March 2006 are not known with certainty at the time of preparing this interim financial information.

Review work performed
We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months to 30 September 2005.

PricewaterhouseCoopers LLP
Chartered Accountants
London

14 November 2005

Shareholder information

Registrar

Enquiries concerning holdings of the company's shares and notification of the holder's change of address should be referred to Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA, telephone: 0870 600 3970. In addition, Lloyds TSB Registrars offer a range of shareholder information online at www.shareview.co.uk. A text phone facility for those with hearing difficulties is available by calling 0870 600 3950.

Share price information

The latest Burberry Group plc share price is available on Ceefax and also on the Financial Times Cityline Service on 0906 843 2727 (calls charged at 60p per minute).

Internet

A full range of investor relations information on Burberry Group plc, including latest share price and dividend history, is available on the Group's website (www.burberry.com).

Financial calendar for the year to 31 March 2006

Interim dividend record date	6 January 2006
Third quarter trading update	11 January 2006
Interim dividend to be paid	2 February 2006
Second half trading update	12 April 2006
Preliminary announcement of results for the year to 31 March 2006	May 2006
Annual General Meeting	July 2006

Registered office

Burberry Group plc
18-22 Haymarket
London
SW1Y 4DQ

Telephone: 020 7968 0000

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