

18 November 2008

Burberry Group plc

Interim results for the six months ended 30 September 2008

Burberry Group plc, the global luxury company, today announces its unaudited results for the six months ended 30 September 2008.

Financial highlights

- Total revenue of £539m up 20%
- Adjusted operating profit of £98.4m up 3%; up 7% excluding new HQ/SAP costs of £3.8m
- Adjusted diluted EPS up 3%
- Profit before tax up 1% and reported EPS up 14%, benefiting from tax adjustment relating to prior years
- Interim dividend maintained at 3.35p

£ million	Six months to 30 September		% change	
	2008	2007	<i>reported</i>	<i>underlying</i> [#]
Revenue	539.1	449.1	20	13
Operating profit	100.1	97.3	3	-
Adjusted operating profit*	98.4	95.1	3	-
Profit before taxation	97.0	95.8	1	
Diluted EPS (pence)	17.0	14.9	14	
Adjusted diluted EPS (pence)*	15.3	14.8	3	
Dividend per share (pence)	3.35	3.35	-	

* "Adjusted" refers to profitability measures calculated excluding:

1. Profit of £1.7m in 2008 representing negative goodwill on the formation of the Burberry Middle East joint venture.
2. Impact of prior year tax adjustment in 2008.
3. Atlas costs of £nil (2007: £12.9m) relating to the Group's infrastructure redesign initiative.
4. Net profit of £nil (2007: £15.1m) relating to the relocation of global headquarters.

[#] Underlying change is calculated at constant exchange rates.

Certain financial data within this announcement have been rounded.

Operational highlights

By channel

- Retail revenue up 21% (14% underlying); comparable store sales growth of 3%; opened a net five mainline stores
- Wholesale revenue up 23% (15% underlying); Americas, Europe and Emerging Markets all performed strongly
- Licensing unchanged (down 3% underlying); good growth in global product licences especially fragrances

By region

- Double-digit growth in all regions, except Spain
- Joint venture formed in Middle East - a high growth Emerging Market
- Joint venture being finalised for non-apparel in Japan – largest luxury accessories market in the world

By product

- Double-digit growth in all product categories
- Non-apparel up 20% to contribute 31% of revenue
- Outerwear and innovative check performed strongly

Outlook

- In line with other luxury companies, trading has become more difficult since start of second half, particularly in the United States
- Peak season trading to come; if initial trends continue, adjusted profit before tax would be in mid to lower half of current range of market expectations
- Cost efficiencies of £15-20m for 2009/10 already identified, enabled by investments made in supply chain, IT and infrastructure; reviewing further significant savings to underpin profitability going forward
- Strategies remain strong to drive outperformance and long-term value creation

Angela Ahrendts, Chief Executive Officer, commented:

“The fundamentals of Burberry remain strong, despite the current very challenging environment. With our supply chain and IT investments in their final phases, we are now in a position to drive significant efficiencies in the near term. These benefits, along with continued investment in the business, our seasoned management team, strong brand perception and proven strategies underpin our confidence in the future long-term growth of Burberry.

I am also delighted today to announce two joint ventures with long-standing partners - the first in the Middle East and the second for non-apparel in Japan – both of which will accelerate our growth in these key regions.”

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There will be a presentation today at 9am (UK time) to investors and analysts at the Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1A 1HQ. The presentation can be viewed live on the Burberry website (www.burberryplc.com) and can also be accessed live via a dial-in facility on 44 (0)20 3037 9083. The supporting slides and an indexed replay will also be available on the website later in the day.

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

This announcement 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.

INTERIM MANAGEMENT REPORT

Summary

First half review

Burberry made good progress in the first half. It continued to execute against its five key strategic initiatives, whilst refining them as appropriate in today's challenging environment. The Group kept tight control over discretionary costs in the period, while accelerating the benefits from recent supply chain, IT and infrastructure investments. These included earlier Autumn/Winter deliveries and higher initial product margins.

In the first half, revenue increased by 13% on an underlying basis, with retail sales up 14% and wholesale up 15%. There was double-digit revenue growth in all product categories and all regions except Spain. Profit was unchanged year-on-year on an underlying basis as market conditions deteriorated.

Group adjusted operating margin fell, impacted by:

- a lower proportion of revenue from licensing, as planned;
- the decline in profitability in Spain;
- a decline in gross margin, resulting from the clearance of excess inventory and a higher proportion of sales in outlets at lower margin;
- partly offset by tight cost control.

Current trading

Since the start of the second half, the trading environment has become more difficult, as evidenced by a number of recent announcements from luxury goods companies. For Burberry, Europe, Asia and Emerging Markets continue to show positive comparable store sales growth. Spain remains weak in both retail and wholesale. The United States, however, has become a more challenging market. In US retail, a higher proportion of sales is now going through outlets at a lower gross margin. In US wholesale, Burberry anticipates lower department store reorders.

Overall, since the start of the second half, total retail sales for the Group are ahead of last year, although comparable store sales are down by a mid single-digit percentage. Burberry is also planning total wholesale revenue to be down by a mid to high single-digit percentage on an underlying basis in the second half, depending on final demand for in-season reorders in these volatile markets.

While profit for the financial year is dependent on peak season trading, if these initial trends were to continue for the rest of the year, adjusted profit before tax would be in the mid to lower half of the current range of market expectations for this financial year.

Cost efficiency programme

Looking forward to 2009/10, Burberry has further accelerated the benefits it is driving from the investments made in supply chain, IT and infrastructure. Cost benefits are coming from further improvements in the supply chain, including reduced distribution costs and further procurement leverage, as well as design and product development efficiencies. These initiatives will deliver savings of some £15-20m in the next financial year. In addition, Burberry is currently reviewing the potential for further consolidation and rationalisation across the Group in order to realise significant savings and underpin profitability in 2009/10 and beyond. Further details will be released at the time of the third quarter trading update in January 2009.

Liquidity

Net debt at 30 September 2008 was £114m, compared to £64m at 31 March 2008 and £89m at 30 September 2007. This is comfortably funded within the Group's two existing banking facilities, one for £200m which runs until March 2010 and one for £60m which runs until June 2011.

Burberry is tightly controlling its cash outflows while continuing to invest appropriately in the business. Capital expenditure for the year to March 2010 is now planned to be broadly in line with ongoing depreciation, with the reduction driven in part by the renegotiation and rephasing of large projects. This guidance excludes modest capital expenditure associated with the Japanese joint venture. Enabled by SAP and the new integrated planning organisation, Burberry has tightened its focus on reducing inventory levels. Given current sales trends in outlets, all excess inventory should, in aggregate, be profitably cleared through this controlled channel. In light of the current economic environment and financing conditions, there are no plans for a share buyback in the remainder of this financial year.

Future prospects

With supply chain and IT investments nearly complete, Burberry is in a strong position to more efficiently manage its way through the current economic downturn. Management will continue to tightly control and cut costs, while ensuring investment is directed to those projects which deliver the highest returns.

Management is confident that the business is well-positioned to outperform the luxury sector, given the diversity and balance across products, channels and regions. Burberry's product and business strategies are proven; its infrastructure is largely built and delivering benefits; and the seasoned management team are focused on driving results.

Group financial highlights

Revenue up 20%, 13% on an underlying basis. Exchange rates increased revenue by £31m.

Adjusted operating profit up 3%, or 7% excluding Horseferry/SAP costs of £3.8m. Exchange rates increased profit by £3.5m.

Adjusted operating margin of 18.3% (2007: 21.2%), with approximately 100 basis points of the decline due to the planned lower proportion of revenue from licensing.

Adjusted retail/wholesale margin of 12.9% (2007: 15.2%), or 13.7% excluding Horseferry/SAP costs. Excluding Spain, margin was broadly unchanged year-on-year. A negative gross margin (340 basis points down), reflecting increased outlet sales and inventory clearance, was partly offset by operating expense savings, including reduced performance-related share scheme costs.

Reported profit before tax up 1% to £97m.

Adjusted EPS up 3%; reported EPS up 14% with prior year tax adjustment.

Net debt of £114m at 30 September 2008 (2007: £89m).

£ million	Six months to 30 September		% change	
	2008	2007	reported	underlying
Revenue	539.1	449.1	20	13
Cost of sales	(216.0)	(163.2)	(32)	
Gross margin	323.1	285.9	13	
Adjusted operating expenses*	(224.7)	(190.8)	(18)	
Adjusted operating profit	98.4	95.1	3	-
Negative goodwill	1.7	-		
Atlas costs	-	(12.9)		
Relocation of headquarters	-	15.1		
Operating profit	100.1	97.3	3	-
Net finance charge	(3.1)	(1.5)	(107)	
Profit before taxation	97.0	95.8	1	
Taxation	(22.2)	(29.7)	25	
Attributable profit	74.8	66.1	13	
Adjusted EPS (pence)	15.3	14.8	3	
EPS (pence)	17.0	14.9	14	
Weighted average number of ordinary shares (millions)	439.9	442.4	-	

* 2008 includes costs relating to SAP roll-out (£1.8m) and relocation of global headquarters and showrooms to Horseferry House (£2.0m).

EPS is calculated on a diluted basis.

Good progress in first half against five key strategic initiatives

Leveraging the franchise

The double-digit growth in all product categories demonstrates the continuing strength of Burberry's product designs and global advertising and marketing campaigns. The Autumn/Winter 2008 campaign featured Prorsum, London Collection and outerwear ranges, with increased emphasis on innovative check accessories and on menswear, childrenswear and shoes. Initiatives are underway in Spain to leverage corporate best practices and improve product design, the distribution network and supply chain.

Intensifying non-apparel development

Non-apparel accounted for 31% of revenue in the first half, with sales up 20% year-on-year. Handbags were about 40% of non-apparel sales, with innovative iconic check styles the best performers. New categories such as jewellery, luggage and men's accessories were also strong.

Burberry is also finalising a joint venture agreement with its longstanding licensing partners, Sanyo Shokai and Mitsui & Co., in Japan. The venture, majority-owned by Burberry, will develop the retail distribution of Burberry's international non-apparel products in Japan, the largest luxury accessories market in the world. The venture is planned to be operational in calendar 2009. A new managing director, who is highly respected in the Japanese luxury market, has been appointed to drive this initiative.

Accelerating retail-led growth

During the first half, Burberry opened a net five mainline stores and 19 concessions, as well as five franchise stores in Emerging Markets. Burberry continues to gain access to prime real estate opportunities around the world. A new integrated global planning function has been created to leverage SAP and manage inventory.

Investing in under-penetrated markets

Burberry saw continued strong growth from Emerging Markets in the first half – up over 50%. The formation of Burberry Middle East, a joint venture with its former franchisee, Jashanmal, will accelerate expansion while giving Burberry greater economic participation in this high growth region (a second half earnings contribution of about £2m is expected). An experienced executive from within the luxury sector has recently been appointed Senior Vice President of Emerging Markets. Revenue from the United States – another under-penetrated market, increased by over 20% in the first half in both retail and wholesale.

Pursuing operational excellence

Supply chain improvements continued in the half, with deliveries of Autumn/Winter 2008 ranges to both retail stores and wholesale customers four to six weeks earlier than last year. In Hong Kong, a new distribution centre was opened in August and SAP went live earlier this month, with the US and rest of Asia following next year. London-based employees will move into Horseferry House, the new global headquarters and showrooms, from late November, while the US will relocate next April to new office and showroom space on Madison Avenue, New York.

Revenue analysis

Revenue by channel of distribution

£ million	Six months to 30 September		% change	
	2008	2007	<i>reported</i>	<i>underlying</i>
Retail	245.0	202.5	21	14
Wholesale	254.4	207.1	23	15
Licensing	39.7	39.5	-	(3)
Total	539.1	449.1	20	13

Retail

Retail sales, which were 45% of total revenue in the first half, grew by 14% on an underlying basis (21% reported).

Comparable store sales were up by 3% in the half, on top of 11% last year. Revenue growth was however increasingly volatile throughout the period. Outerwear, non-apparel and new check programmes all performed well. Outlet sales were particularly strong, driven in part by the economic environment impacting customer sentiment and by the increased breadth and depth of mainline fashion assortments flowing into the outlets.

All regions except Spain showed positive comparable store sales growth. There was good growth in Korea and other smaller markets in Asia including Singapore and Australia and solid performances in France, Germany and the UK. Spain remained down double-digit.

During the first half, Burberry opened a net five mainline stores - Bellevue (Washington), Burlington (Massachusetts), Budapest, Cannes and Venice Airport. A net 19 concessions were opened, of which six were in premier department stores in Europe. A net four outlets were also opened. In the first half, average selling space increased by 13% year-on-year, with net selling space at 30 September 2008 of just over 780,000 square feet.

Outlook

Since the start of the second half, total retail sales for the Group are ahead of last year, although comparable store sales are down by a mid single-digit percentage. Burberry plans a 12% increase in average selling space in the second half, and, at this preliminary stage, a high single-digit percentage increase in 2009/10, reflecting a more selective use of capital. These increases exclude the impact of Burberry Middle East.

Wholesale

Wholesale revenue increased by 15% on an underlying basis (23% reported), to reach 47% of total sales in the first half.

Supply chain improvements enabled the Autumn/Winter 2008 collection to be delivered between four to six weeks earlier than last year. These on-time deliveries, combined with strong product designs and compelling advertising campaigns drove revenue growth.

In the first half, there were good performances from North America and Europe (both up over 20%). Emerging Markets grew by over 50%, with particular strength in China, Russia, the Middle East and Eastern Europe. Spain was down year-on-year.

In conjunction with local franchisees, Burberry opened a net five stores during the half, including in Delhi, Cape Town and Kuwait. This brings the number of franchise stores at 30 September 2008 to 84, including the six stores recently transferred to Burberry Middle East.

Outlook

Burberry is now planning total wholesale revenue to be down by a mid to high single-digit percentage on an underlying basis in the second half, depending on final demand for in-season reorders in these volatile markets. Lower than anticipated department stores reorders will impact North America, with second half wholesale revenue in that market now expected to decline relative to the same period last year. Another strong performance is planned from Emerging Markets. However, Spain is expected to decline by over 20%.

Licensing

Total licensing revenue in the first half decreased by 3% on an underlying basis (flat reported).

Volumes in Japan were marginally down in both apparel and non-apparel in line with department store trends. Growth from global product licences was led by eyewear and fragrances, with the women's Burberry The Beat fragrance performing well. In addition, small local menswear licences were not renewed as planned, reducing revenue by over 1%.

Outlook

Due to a modest softening in demand in Japan and lower output for certain global licensed products, Burberry expects underlying licensing revenue for the full financial year to be slightly down relative to last year. The impact on full year reported revenue and profit of the Yen exchange rate, which is hedged 12 months forward, is expected to be about £2m favourable this year, with further gains next year as the existing hedges roll off.

Revenue by region

Revenue by origin of business

£ million	Six months to 30 September		% change
	2008	2007	<i>reported</i>
Europe*	210.7	168.9	25
Spain	80.4	82.1	(2)
Americas	124.4	96.0	30
Asia Pacific	123.6	102.1	21
Total	539.1	449.1	20

* Excluding Spain

Retail/wholesale revenue by destination

£ million	Six months to 30 September		% change	
	2008	2007	<i>reported</i>	<i>underlying</i>
Europe*	177.8	138.3	28	19
Spain	70.7	75.5	(6)	(20)
Americas	125.8	98.0	28	23
Asia Pacific	103.2	82.6	25	23
Rest of World	21.9	15.2	44	44
Total retail/wholesale	499.4	409.6	22	15

* Excluding Spain

Comments in this announcement refer to revenue by destination which better reflects the regional demand for Burberry products.

Europe

Revenue in the first half in Europe increased by 19% on an underlying basis (28% reported). Wholesale revenue accounted for just over half of the region's sales and grew by over 20%, driven by strong initial orders and the benefit of earlier shipments. In retail, consumers responded favourably to the Autumn/Winter collections, especially in France, Germany and the UK. Refurbishment of the Knightsbridge, London store is underway, scheduled for completion in early December.

Spain

Spain remains a difficult market with revenue in the first half down 20% on an underlying basis (down 6% reported). Retail, which accounts for about 40% of Spanish sales, saw a mid-teens percentage fall in comparable store sales. Wholesale revenue was down over 20%, reflecting the economic environment and the ongoing contraction of domestic independent retailers – a trend which is expected to continue in the second half.

As outlined at the preliminary results in May, management continues to develop and implement a series of initiatives to improve performance and brand positioning in Spain. In line with the Group's programme to gain further efficiencies, the number of suppliers in Spain is being reduced, concentrating on larger, more vertically integrated vendors. Management is continuing to aggressively explore all available opportunities to fundamentally change the business model in Spain.

Americas

Revenue in the first half in Americas increased by 23% on an underlying basis (28% reported). Retail, which is almost twice the size of wholesale, grew by over 20% underlying – nearly half from comparable store growth. The strongest mainline performances came from major metropolitan markets such as New York, Chicago and Boston. Burberry's flagship store in Beverly Hills was re-opened following refurbishment in October. With the expansion of the store in South Coast Plaza, Costa Mesa and a small format store opened in the Beverly Centre last year, Los Angeles is a prime example of how Burberry is focusing its investment and clustering stores in high demographic luxury markets. Wholesale revenue grew by over 25% reflecting continued share gains with key department stores. Established products such as outerwear and new products such as childrenswear have helped drive growth.

Asia Pacific

Revenue in the first half in Asia Pacific increased by 23% on an underlying basis (25% reported). Just over half of the revenue comes from retail, with good growth in comparable store sales in Korea and smaller markets including Singapore and Australia. In Korea, the largest market, outerwear, handbags and childrenswear were the strongest performing categories. Wholesale revenue increased by over 30% on an underlying basis, with particularly strong growth in China. Burberry continues to work closely with its partners in China to upgrade stores and product assortments, driving productivity in existing doors while selectively adding new stores.

Retail/wholesale revenue by product category

£ million	Six months to 30 September		% change	
	2008	2007	<i>reported</i>	<i>underlying</i>
Womenswear	188.2	156.2	20	13
Menswear	136.7	115.6	18	10
Non-apparel	157.0	125.1	26	20
Other*	17.5	12.7	38	32
Total retail/wholesale	499.4	409.6	22	15

* Mainly childrenswear

Womenswear (38% of sales)

Womenswear revenue grew by 13% on an underlying basis in the first half. Continued product innovation and diversification in outerwear drove growth in all channels and regions. Ongoing development of the London Collection by the runway design team has continued to fuel strong sell-throughs and resulting growth.

Menswear (27% of sales)

Menswear revenue grew by 10% underlying. Outerwear continued to outperform with coats and rainwear the best trending categories. As with womenswear, the rebalancing of the product pyramid has seen London Collection perform strongly. To drive further growth in menswear, most licences have been reintegrated, design, merchandising and sales teams have been reinforced and a separate menswear marketing campaign launched for Autumn/Winter 2008.

Non-apparel (31% of sales)

Non-apparel continued to outperform with revenue up 20% underlying in the half. In handbags, the best performing groups were those that featured core innovative iconic check. Significant innovation in the large soft accessories business and continued roll-out of shoes, jewellery and men's accessories have all contributed to the strong non-apparel growth.

Childrenswear (3% of sales)

Childrenswear revenue increased by over 50% in the period, albeit from a small base, with excellent growth in both the retail and wholesale channels. Burberry currently has one free-standing childrenswear store in Hong Kong, with four more planned in the second half. In wholesale, the number of childrenswear doors in the US has nearly doubled for Spring/Summer 2009.

Operating profit analysis

Total operating profit

£ million	Six months to 30 September		% change	
	2008	2007	reported	underlying
Retail/wholesale	64.4	62.1	4	-
Licensing	34.0	33.0	3	(2)
Adjusted operating profit	98.4	95.1	3	-
<i>Adjusted operating margin</i>	<i>18.3%</i>	<i>21.2%</i>		
Negative goodwill	1.7	-		
Atlas costs	-	(12.9)		
Relocation of headquarters	-	15.1		
Operating profit	100.1	97.3	3	-

Adjusted operating profit grew by 3% in the first half to £98.4m, including a £3.5m benefit from exchange rates. The adjusted operating margin declined to 18.3%. Approximately 100 basis points of the movement were due to the planned trend of a lower proportion of revenue coming from licensing each year. The balance reflects a lower retail/wholesale margin due to a decline in profitability in Spain and a lower gross margin partly offset by tight cost control.

Profit of £1.7m relating to negative goodwill on the formation of the Burberry Middle East joint venture arises as Burberry acquired assets in excess of the cost of acquisition.

Retail/wholesale adjusted operating profit

£ million	Six months to 30 September		% change
	2008	2007	<i>reported</i>
Revenue	499.4	409.6	22
Cost of sales	(216.0)	(163.2)	(32)
Gross margin	283.4	246.4	15
<i>Gross margin %</i>	56.8%	60.2%	
Horseferry/SAP costs	(3.8)	-	
Other operating expenses	(215.2)	(184.3)	(17)
Adjusted operating profit	64.4	62.1	4
<i>Other operating expenses as % of sales</i>	43.1%	45.0%	
<i>Adjusted operating margin</i>	12.9%	15.2%	

Retail/wholesale adjusted margin was 12.9% in the first half or 13.7% excluding the Horseferry/SAP costs. Excluding Spain, where revenues fell by an underlying 20% during the period, Burberry's retail/wholesale margin was broadly unchanged year-on-year.

Gross margin was under pressure, primarily as outlet stores grew faster than mainline stores, but this was offset by tight control of discretionary expenses.

Gross margin

Gross margin in the half was 56.8%, a decline of 340 basis points compared to the same period last year. The gross margin benefited from further sourcing gains and a higher proportion of revenue from non-apparel. However, these factors were more than offset by the clearance of excess inventory (carried over from the prior year and resulting from retail and wholesale revenue below plan in the current year); and a higher proportion of sales in outlets at lower gross margin. Markdown activity in mainline stores was broadly unchanged in the half.

Operating expenses

Excluding £3.8m of Horseferry and SAP-related costs, other operating expenses increased by 17% year-on-year but reduced by 190 basis points as a percentage of sales. Increased variable costs arose from higher retail sales and the annualisation of prior year investment in the supply chain organisation and infrastructure. These increases were partly offset by tight control in areas such as headcount, travel and expenses, as well as reduced performance-related share scheme costs.

In the second half, Horseferry and SAP costs are estimated to be about £6m.

Licensing adjusted operating profit

£ million	Six months to 30		<i>Six months to 30</i>
	2008	2007	<i>September 2008</i>
			<i>At constant FX</i>
Revenue	39.7	39.5	38.2
Cost of sales	-	-	-
Gross margin	39.7	39.5	38.2
<i>Gross margin %</i>	100%	100%	100%
Adjusted operating expenses	(5.7)	(6.5)	(5.7)
Adjusted operating profit	34.0	33.0	32.5
<i>Adjusted operating margin</i>	85.6%	83.5%	85.1%

As reported earlier, licensing revenue fell by 3% year-on-year on an underlying basis. With tight control of corporate costs, operating profit declined slightly at constant exchange rates.

Taxation

The tax charge in the first half includes the benefit of a prior year adjustment. Excluding this adjustment, the effective underlying rate of tax on adjusted profit for the full year is anticipated to fall to approximately 29.5%.

Inventory

Inventory at 30 September 2008 was £331m, a net increase of £44m from 31 March 2008 and £87m from 30 September 2007, having adjusted for exchange rates and acquisitions. About half of the year-on-year increase is a result of retail sales behind plan and lower than expected department store reorders; about one-quarter comes from changes in the business model, including the SAP conversion and holding more replenishment stock in core outerwear and non-apparel styles; and about one-quarter is to support growth in the business including new stores. Enabled by SAP and its new integrated planning organisation, Burberry has tightened its focus on managing inventory levels. Given current sales trends in outlets, all excess inventory should, in aggregate, be profitably cleared through this controlled channel. Burberry is planning very conservatively for Autumn/Winter 2009, which starts to ship in June 2009.

Cash flow and net debt

Net debt at 30 September 2008 was £114m, compared to £64m at 31 March 2008 and £89m at 30 September 2007. The working capital outflow in the first six months of the year was £76m (£95m in the same period last year). Other major outflows were capital expenditure (£40m) and dividends paid (£37m). Tax paid at £8m was lower than last year due to a refund of £14.5m. Capital expenditure for the year to 31 March 2009 is expected to be about £90m, including £23m on fitting out Horseferry House. The interest charge in the first half was £3.1m (2007: £1.5m), including interest income of £1.5m relating to the tax refund. As interest rates fall, the full year interest charge is now expected to be about £7m.

Principal risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group are much in line with those detailed on pages 66 to 68 of the Burberry Group plc Annual Report 2007/08. In the Annual Report, the potential effects of the economic downturn were referred to. Clearly since the date of the Annual Report, world economic conditions have deteriorated to an extent substantially greater than anticipated. The current economic climate has inevitably had, and will continue to have, a detrimental impact on Burberry's customers, licensees, its Emerging Market and franchise partners, lenders and suppliers. On an ongoing basis throughout the period, the Group carries out a structured process to identify, evaluate and manage significant risks faced by the Group. In the view of the directors and save as otherwise described in this report, there has been no material change in these factors in respect of the remaining six months of the financial year.

Store portfolio

	Directly-operated stores				Franchise stores [#]
	Mainline stores	Concessions	Outlets	Total	
At 31 March 2008	97	231	40	368	79
Additions	8	21	5	34	7
Closures	(3)	(2)	(1)	(6)	(2)
At 30 September 2008	102	250	44	396	84

Store portfolio by region

	Directly-operated stores				Franchise stores [#]
	Mainline stores	Concessions	Outlets	Total	
At 30 September 2008					
Europe*	31	23	16	70	9
Spain	6	133	5	144	-
Americas	51	-	21	72	-
Asia Pacific	14	94	2	110	52
Rest of world	-	-	-	-	23
Total	102	250	44	396	84

* Excluding Spain

Including six stores now operated by Burberry Middle East which have been reclassified as mainline stores from 1 October 2008.

Sales to franchise stores reported in wholesale revenue.

Net retail selling square footage

	000s square feet
At 30 September 2006	630
At 31 March 2007	650
At 30 September 2007	700
At 31 March 2008	740
At 30 September 2008	780

Retail selling square footage at period end; not the average for the period.

CONDENSED GROUP INCOME STATEMENT – UNAUDITED

	Note	Six months to 30 September 2008 £m	Six months to 30 September 2007 £m	Audited Year to 31 March 2008 £m
Revenue	3	539.1	449.1	995.4
Cost of sales		(216.0)	(163.2)	(377.7)
Gross profit		323.1	285.9	617.7
Net operating expenses		(223.0)	(188.6)	(416.0)
Operating profit	3	100.1	97.3	201.7
Financing				
Interest receivable and similar income		3.9	3.1	5.7
Interest payable and similar charges		(7.0)	(4.6)	(11.7)
Net finance charge	3	(3.1)	(1.5)	(6.0)
Profit before taxation	3	97.0	95.8	195.7
Taxation	5	(22.2)	(29.7)	(60.5)
Profit for the period	14	74.8	66.1	135.2

The profit for the period is attributable to the equity holders of the Company and relates to continuing operations.

Earnings per share				
– basic	6	17.3p	15.2p	31.3p
– diluted	6	17.0p	14.9p	30.5p

		£m	£m	£m
Non-GAAP measures				
Adjusted operating profit				
Operating profit as above		100.1	97.3	201.7
Add:				
Atlas costs	4	–	12.9	19.6
Less:				
Negative goodwill	4	(1.7)	–	–
Relocation of headquarters net profit	4	–	(15.1)	(15.1)
Adjusted operating profit		98.4	95.1	206.2
Adjusted earnings per share				
– basic	6	15.6p	15.1p	32.4p
– diluted	6	15.3p	14.8p	31.6p

Dividends per share				
– Proposed interim (not recognised as a liability at 30 September)	7	3.35p	3.35p	3.35p
– Final (not recognised as a liability at 31 March)	7	–	–	8.65p

CONDENSED GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE – UNAUDITED

	Note	Six months to 30 September 2008 £m	Six months to 30 September 2007 £m	Audited Year to 31 March 2008 £m
Cash flow hedges – (losses)/gains deferred in equity		(3.4)	1.3	(8.9)
Foreign currency translation differences		17.8	0.1	41.0
Net actuarial losses on defined benefit pension scheme		–	(0.4)	–
Restriction of asset on defined benefit pension scheme		–	–	(0.7)
Tax on items taken directly to equity		(0.8)	0.7	5.6
Net income recognised directly in equity	14	13.6	1.7	37.0
Cash flow hedges – transferred to the income statement		8.9	(3.2)	(2.2)
Tax on items transferred from equity		(2.5)	1.1	0.9
Net income/(expense) recognised directly in equity net of transfers		20.0	(0.4)	35.7
Attributable profit for the period		74.8	66.1	135.2
Total recognised income for the period	14	94.8	65.7	170.9

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

CONDENSED GROUP BALANCE SHEET – UNAUDITED

	Note	As at 30 September 2008 £m	As at 30 September 2007 £m	Audited As at 31 March 2008 £m
ASSETS				
Non-current assets				
Intangible assets	8	151.7	135.0	150.4
Property, plant and equipment	9	209.6	156.9	177.5
Deferred tax assets		28.0	24.4	29.5
Trade and other receivables	10	8.3	6.3	7.4
		397.6	322.6	364.8
Current assets				
Inventories		330.7	218.5	268.6
Trade and other receivables	10	196.6	161.1	169.2
Derivative financial assets		13.7	4.3	11.0
Income tax receivables		10.4	–	12.0
Cash and cash equivalents		158.4	98.0	127.6
		709.8	481.9	588.4
Total assets		1,107.4	804.5	953.2
LIABILITIES				
Non-current liabilities				
Long term payables	11	(16.4)	(12.3)	(13.3)
Deferred tax liabilities		(6.4)	(8.9)	(4.3)
Retirement benefit obligations		(0.4)	(1.7)	(0.4)
Provisions	12	(3.7)	(3.6)	(3.7)
		(26.9)	(26.5)	(21.7)
Current liabilities				
Bank overdrafts and borrowings	13	(272.7)	(187.2)	(191.8)
Derivative financial liabilities		(26.6)	(1.1)	(18.2)
Trade and other payables	11	(167.8)	(153.1)	(174.3)
Income tax liabilities		(64.1)	(34.6)	(51.9)
		(531.2)	(376.0)	(436.2)
Total liabilities		(558.1)	(402.5)	(457.9)
Net assets		549.3	402.0	495.3
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Ordinary share capital	14	0.2	0.2	0.2
Share premium account	14	175.5	174.0	174.3
Capital reserve	14	27.2	26.6	26.6
Hedging reserve	14	(1.8)	0.6	(5.8)
Foreign currency translation reserve	14	53.8	(5.0)	37.8
Retained earnings	14	292.3	205.6	262.2
		547.2	402.0	495.3
Minority interest	16	2.1	–	–
Total equity		549.3	402.0	495.3

CONDENSED GROUP CASH FLOW STATEMENT – UNAUDITED

	Note	Six months to 30 September 2008 £m	Six months to 30 September 2007 £m	Audited Year to 31 March 2008 £m
Cash flows from operating activities				
Operating profit		100.1	97.3	201.7
Depreciation		17.3	14.2	28.9
Amortisation		2.2	1.7	3.8
Negative goodwill	16	(1.7)	–	–
Net impairment releases		–	–	(0.5)
Loss/(profit) on disposal of property, plant and equipment		0.1	(18.8)	(19.1)
Fair value gains/(losses) on derivative instruments		2.3	(0.8)	(0.5)
Charges in respect of employee share incentive schemes		1.3	7.1	14.3
Increase in inventories		(43.8)	(68.7)	(122.6)
Increase in receivables		(23.9)	(22.5)	(29.1)
(Decrease)/increase in payables		(8.1)	(3.7)	28.8
Cash generated from operations		45.8	5.8	105.7
Interest received		3.8	2.1	4.8
Interest paid		(7.1)	(4.5)	(11.8)
Taxation paid		(7.6)	(18.8)	(53.3)
Net cash inflow/(outflow) from operating activities		34.9	(15.4)	45.4
Cash flows from investing activities				
Purchase of tangible and intangible fixed assets		(40.3)	(20.9)	(48.5)
Proceeds from sale of property, plant and equipment		0.1	29.0	28.3
Payment of deferred consideration		–	(10.0)	(10.0)
Acquisition of subsidiaries	16	(1.7)	–	–
Net cash outflow from investing activities		(41.9)	(1.9)	(30.2)
Cash flows from financing activities				
Dividends paid in the year	14	(37.2)	(32.9)	(47.4)
Issue of ordinary share capital		–	0.5	0.5
Purchase of shares through share buy back		–	(39.5)	(39.6)
Sale of own shares by ESOPs		0.1	4.2	4.4
Purchase of own shares by ESOPs	14	(5.4)	–	(1.5)
Draw down on loan facility	13	34.5	86.5	49.0
Net cash (outflow)/inflow from financing activities		(8.0)	18.8	(34.6)
Net (decrease)/increase in cash and cash equivalents		(15.0)	1.5	(19.4)
Effect of exchange rate changes on opening balances		(0.6)	(1.4)	7.0
Cash and cash equivalents at beginning of period		44.8	57.2	57.2
Cash and cash equivalents at end of period		29.2	57.3	44.8

ANALYSIS OF CASH AND CASH EQUIVALENTS

		As at 30 September 2008 £m	As at 30 September 2007 £m	Audited As at 31 March 2008 £m
Cash and cash equivalents as per the balance sheet		158.4	98.0	127.6
Bank overdrafts	13	(129.2)	(40.7)	(82.8)
Cash and cash equivalents per the cash flow statement		29.2	57.3	44.8
Bank borrowings	13	(143.5)	(146.5)	(109.0)
Net debt		(114.3)	(89.2)	(64.2)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Burberry Group is a luxury goods manufacturer, wholesaler and retailer in Europe, the Americas and Asia Pacific. Licensing activity is also carried out, principally in Japan. All of the companies which comprise Burberry Group are owned by Burberry Group plc (the 'Company') directly or indirectly.

2. Accounting policies and basis of preparation

The financial information contained in this report is unaudited. The Condensed Group Income Statement, Condensed Group Statement of Recognised Income and Expense and Condensed Group Cash Flow Statement for the interim period to 30 September 2008, and the Condensed Group Balance Sheet as at 30 September 2008 and related notes have been reviewed by the auditors and their report to the Company is set out on page 30. These interim financial statements do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 March 2008 were approved by the Board of directors on 27 May 2008 and filed with the Registrar of Companies. The report of the auditors on the statutory accounts for the year ended 31 March 2008 was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 237 of the Companies Act 1985.

These condensed consolidated financial statements for the six months ended 30 September 2008 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 2008, which have been prepared in accordance with IFRSs as adopted by the European Union.

Accounting policies and presentation are consistent with those applied in the Group's financial statements for the year ended 31 March 2008 as set out on pages 101 to 105.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2008.

IFRIC 14, IAS 19 – the limit on defined benefit asset, minimum funding requirements and their interaction

Provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset and explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. No material impact is anticipated.

Non-GAAP measures

Non-GAAP measures are presented in order to provide a clear and consistent presentation of the underlying performance of the Group's ongoing business. Such presentation will be prepared on a consistent basis in the future.

3. Segmental analysis

(a) Turnover and profit before taxation – by origin of business

The Group's primary reporting segments are geographic based on where products or services are supplied to a third party or another segment. Europe comprises operations principally in the UK and also in other parts of Europe, being principally France, Germany and Italy. The Americas comprises operations in the USA, Canada and other parts of the region. Asia Pacific comprises operations principally in Hong Kong, Korea and Japan. This segmentation follows management organisation and reporting lines.

	Europe ⁽¹⁾		Spain		Americas		Asia Pacific		Total	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Six months to 30 September										
Gross segment revenue	355.4	299.3	85.8	93.5	124.4	96.0	123.6	102.1	689.2	590.9
Inter-segment revenue	(144.7)	(130.4)	(5.4)	(11.4)	–	–	–	–	(150.1)	(141.8)
Revenue	210.7	168.9	80.4	82.1	124.4	96.0	123.6	102.1	539.1	449.1
Operating profit	79.8	58.0	0.1	14.6	5.4	10.0	14.8	14.7	100.1	97.3
Net finance charge									(3.1)	(1.5)
Profit before taxation									97.0	95.8
Taxation									(22.2)	(29.7)
Attributable profit for the year									74.8	66.1

⁽¹⁾ Excludes Spain

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Segmental analysis (continued)

Year to 31 March 2008	Europe ⁽¹⁾ £m	Spain £m	Americas £m	Asia Pacific £m	Total £m
Gross segment revenue	626.9	193.9	231.6	226.5	1,278.9
Inter-segment revenue	(262.4)	(21.1)	–	–	(283.5)
Revenue	364.5	172.8	231.6	226.5	995.4
Operating profit	134.6	14.4	14.4	38.3	201.7
Net finance charge					(6.0)
Profit before taxation					195.7
Taxation					(60.5)
Attributable profit for the year					135.2

⁽¹⁾ Excludes Spain

(b) Revenue by destination

	Six months to 30 September 2008 £m	Six months to 30 September 2007 £m	Year to 31 March 2008 £m
Europe ⁽¹⁾	177.8	138.3	291.8
Spain	70.7	75.5	161.6
Americas	125.8	98.0	234.8
Asia Pacific	103.2	82.6	189.1
Rest of the world	21.9	15.2	33.3
Retail and Wholesale	499.4	409.6	910.6
Licensing	39.7	39.5	84.8
Total	539.1	449.1	995.4

⁽¹⁾ Excludes Spain

(c) Revenue by class of business (being the channels to markets)

	Retail		Wholesale		Total Retail and Wholesale		Licensing		Total	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Six months to 30 September										
Gross segment revenue	245.0	202.5	389.5	297.2	634.5	499.7	39.7	39.5	674.2	539.2
Inter-segment revenue	–	–	(135.1)	(90.1)	(135.1)	(90.1)	–	–	(135.1)	(90.1)
Revenue	245.0	202.5	254.4	207.1	499.4	409.6	39.7	39.5	539.1	449.1
Year to 31 March 2008										
Gross segment revenue			484.4	589.5	1,073.9		84.8		1,158.7	
Inter-segment revenue			–	(163.3)	(163.3)		–		(163.3)	
Revenue			484.4	426.2	910.6		84.8		995.4	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Segmental analysis (continued)

(d) Analysis of revenue by product category presented as additional information

	Six months to 30 September 2008 £m	Six months to 30 September 2007 £m	Year to 31 March 2008 £m
Womenswear	188.2	156.2	345.2
Menswear	136.7	115.6	247.8
Non-apparel	157.0	125.1	289.7
Other	17.5	12.7	27.9
Retail and Wholesale	499.4	409.6	910.6
Licensing	39.7	39.5	84.8
Total	539.1	449.1	995.4
Number of directly operated stores, concessions and outlets open at end of period	396	318	368

4. Non-GAAP measures

Included in operating profit for the six months ended 30 September 2008 is profit of £1.7m representing negative goodwill on the acquisition of Burberry Middle East LLC, (refer to note 16).

Operating profit for the prior periods included a charge of £12.9m for the six months ended 30 September 2007 and £19.6m for the year ended 31 March 2008 relating to Project Atlas, our major infrastructure redesign initiative. The core design and build was completed in the year to 31 March 2008 and since then all ongoing costs relating to the deployment of the model are being accounted for in the ordinary course of business (operating expenses £1.8m, capital expenditure £3.6m).

Included in operating profit for the six months ended 30 September 2007 and the year ended 31 March 2008 is a net profit of £15.1m relating to the Group's upcoming relocation of the global headquarters.

5. Taxation

The tax charge recorded in the six months to 30 September 2008 includes the benefit of a prior year adjustment relating to UK tax matters. Excluding the prior year adjustment the effective underlying rate of tax on adjusted profit for the full year is estimated to be 29.5% (31 March 2008: 30.9%).

6. Earnings per share

The calculation of basic earnings per share is based on profit 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 operating profit and tax are also disclosed to indicate the underlying profitability of the Burberry Group.

	Six months to 30 September 2008 £m	Six months to 30 September 2007 £m	Year to 31 March 2008 £m
Attributable profit for the period before negative goodwill, tax credit, Atlas costs and relocation of headquarters	67.2	65.3	140.0
Effect of negative goodwill, tax credit, Atlas costs and relocation of headquarters (after taxation)	7.6	0.8	(4.8)
Profit attributable for the period	74.8	66.1	135.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 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.

	Six months to 30 September 2008 Millions	Six months to 30 September 2007 Millions	Year to 31 March 2008 Millions
Weighted average number of ordinary shares in issue during the period	431.0	433.1	432.1
Dilutive effect of the share incentive schemes	8.9	9.3	10.7
Diluted weighted average number of ordinary shares in issue during the period	439.9	442.4	442.8

	Six months to 30 September 2008 Pence	Six months to 30 September 2007 Pence	Year to 31 March 2008 Pence
Basic earnings per share			
Basic earnings per share before negative goodwill, tax credit, Atlas costs and relocation of headquarters	15.6	15.1	32.4
Effect of negative goodwill, tax credit, Atlas costs and relocation of headquarters (after taxation)	1.7	0.1	(1.1)
Basic earnings per share	17.3	15.2	31.3
Diluted earnings per share			
Diluted earnings per share before negative goodwill, tax credit, Atlas costs and relocation of headquarters	15.3	14.8	31.6
Effect of negative goodwill, tax credit, Atlas costs and relocation of headquarters (after taxation)	1.7	0.1	(1.1)
Diluted earnings per share	17.0	14.9	30.5

7. Dividends

The interim dividend of 3.35p (2007: 3.35p) per share has been approved by the Board of directors after 30 September 2008. Accordingly, this dividend has not been recognised as a liability at the period end.

The interim dividend will be paid on 29 January 2009 to Shareholders on the Register at the close of business on 5 January 2009.

A dividend of 8.65p (2007: 7.625p) per share was paid during the period in relation to the year ending 31 March 2008. A total dividend of 12.0p per share was paid in respect of the year ending 31 March 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8. Intangible assets

In the period there were additions to intangible assets of £5.2m (2007: £1.1m). There were no disposals (2007: £nil).

Impairment testing

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

Goodwill at 30 September 2008 is £129.6m (2007: £118.6m), of which £100.5m (2007: £89.1m) relates to Spain.

Due to the current difficult economic trading conditions in Spain an impairment review was carried out at 30 September 2008. No impairment was recognised at 30 September 2008 (2007: £nil), as the recoverable amount of the goodwill exceeded its carrying value by £20.4m. The recoverable amount has been determined based on value in use. The value in use calculation was performed using pre-tax cashflow projections for 2008/09 to 2012/13 based on financial plans approved by management. No growth has been assumed beyond this period. The pre-tax discount rate used was 13.7%, being Burberry Group's pre-tax weighted average cost of capital adjusted for Spanish tax rates.

The key assumptions used for the value in use calculation are as follows:

Revenue for the Spain business, excluding the childrenswear division, is anticipated to decline in 2009/10 by 10% and remain flat thereafter. As a result of existing sourcing and efficiency improvement initiatives, EBIT margins have been assumed to grow from 11% in 2008/09 to 15% in 2010/11 and remain flat thereafter. In the childrenswear division revenue over the next four years is anticipated to grow at a compound annual growth rate of 30% and EBIT margins are forecast to remain flat at 15%. If the above assumptions on turnover or EBIT decreased by either 7ppts or 2ppts (non childrenswear) or by 8ppts or 3ppts (childrenswear) then an impairment would become necessary. The need for an impairment provision will be reassessed at 31 March 2009.

9. Property, plant and equipment

In the period there were additions to property, plant and equipment of £37.3m (2007: £19.2m) and disposals with a net book value of £0.2m (2007: £8.7m). Capital commitments contracted but not provided for by the Group amounted to £16.8m (2007: £7.5m). Included in this balance is capital expenditure relating to the upcoming relocation of the global headquarters.

Impairment testing

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. At the half year the Board considered whether an impairment charge was required and concluded that an impairment charge was not appropriate at this time.

10. Trade and other receivables

	As at 30 September 2008 £m	As at 30 September 2007 £m	As at 31 March 2008 £m
Non-current			
Deposits and prepayments	8.3	6.3	7.4
Total non-current trade and other receivables	8.3	6.3	7.4
Current			
Trade receivables	154.8	131.3	136.3
Other receivables	16.5	15.1	13.3
Prepayments and accrued income	25.3	14.7	19.6
Total current trade and other receivables	196.6	161.1	169.2
Total	204.9	167.4	176.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. Trade and other payables

	As at 30 September 2008 £m	As at 30 September 2007 £m	As at 31 March 2008 £m
Non-current			
Other payables, accruals and deferred income	16.4	12.3	13.3
Total non-current trade and other payables	16.4	12.3	13.3
Current			
Trade payables	70.5	55.2	62.5
Other taxes and social security costs	7.7	8.5	5.2
Other payables	20.0	17.6	19.1
Accruals and deferred income	69.6	71.8	87.5
Total current trade and other payables	167.8	153.1	174.3
Total	184.2	165.4	187.6

12. Provisions

	As at 30 September 2008 £m	As at 30 September 2007 £m	As at 31 March 2008 £m
As at 1 April	3.7	–	–
Created in the period	–	3.6	3.7
As at end of period	3.7	3.6	3.7

These provisions have arisen from leasehold obligations which the Group expect will be utilised within one to three years.

13. Bank overdrafts and borrowings

	As at 30 September 2008 £m	As at 30 September 2007 £m	As at 31 March 2008 £m
Unsecured			
Bank overdrafts	129.2	40.7	82.8
Bank borrowings	143.5	146.5	109.0
Total	272.7	187.2	191.8

Bank overdrafts represent balances on cash pooling arrangements in the Group.

A £200m five year multi-currency revolving facility was agreed with a syndicate of third party banks commencing on 30 March 2005. At 30 September 2008, the amount drawn down was £143.5m (2007: £146.5m). This drawdown was made in Sterling and US dollars. The undrawn facility at 30 September 2008 was £56.5m (2007: £53.5m).

On the 13 June 2008 an additional three year credit facility of £60m was agreed with two of the Company's existing relationship banks. As at 30 September 2008 the facility remained unutilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. Share capital and reserves

	Ordinary share capital £m	Share premium account £m	Hedging reserve £m	Foreign currency translation reserve £m	Capital reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 April 2007	0.2	167.3	1.8	(6.2)	26.0	207.8	396.9
Cash flow hedges – gains deferred in equity	–	–	1.3	–	–	–	1.3
Foreign currency translation differences	–	–	–	0.1	–	–	0.1
Net actuarial loss on defined benefit pension scheme	–	–	–	–	–	(0.4)	(0.4)
Tax on items taken directly to equity	–	–	(0.4)	1.1	–	–	0.7
Net income/(expense) recognised directly in equity	–	–	0.9	1.2	–	(0.4)	1.7
Cash flow hedges - transferred to the income statement	–	–	(3.2)	–	–	–	(3.2)
Tax on items transferred from equity	–	–	1.1	–	–	–	1.1
Attributable profit for the period	–	–	–	–	–	66.1	66.1
Total recognised (expense)/income for the period	–	–	(1.2)	1.2	–	65.7	65.7
Transfer between reserves	–	–	–	–	0.6	(0.6)	–
Employee share option scheme							
– value of share options granted	–	–	–	–	–	7.1	7.1
– tax on share options granted	–	–	–	–	–	0.1	0.1
– exercise of share options	–	6.7	–	–	–	–	6.7
– price differential on exercise of shares	–	–	–	–	–	(6.3)	(6.3)
Share buy back costs	–	–	–	–	–	(39.5)	(39.5)
Sale of own shares by ESOPs	–	–	–	–	–	4.2	4.2
Dividend paid in the period	–	–	–	–	–	(32.9)	(32.9)
Balance as at 30 September 2007	0.2	174.0	0.6	(5.0)	26.6	205.6	402.0
Balance as at 1 April 2008	0.2	174.3	(5.8)	37.8	26.6	262.2	495.3
Cash flow hedges – gains deferred in equity	–	–	(3.4)	–	–	–	(3.4)
Foreign currency translation differences	–	–	–	17.8	–	–	17.8
Tax on items taken directly to equity	–	–	1.0	(1.8)	–	–	(0.8)
Net (expense)/income recognised directly in equity	–	–	(2.4)	16.0	–	–	13.6
Cash flow hedges - transferred to the income statement	–	–	8.9	–	–	–	8.9
Tax on items transferred from equity	–	–	(2.5)	–	–	–	(2.5)
Attributable profit for the period	–	–	–	–	–	74.8	74.8
Total recognised income for the period	–	–	4.0	16.0	–	74.8	94.8
Transfer between reserves	–	–	–	–	0.6	(0.6)	–
Employee share option scheme							
– value of share options granted	–	–	–	–	–	1.3	1.3
– tax on share options granted	–	–	–	–	–	(1.7)	(1.7)
– exercise of share options	–	1.2	–	–	–	–	1.2
– price differential on exercise of shares	–	–	–	–	–	(6.9)	(6.9)
Purchase of own shares by ESOPs	–	–	–	–	–	(5.4)	(5.4)
Sale of own shares by ESOPs	–	–	–	–	–	5.8	5.8
Dividend paid in the period	–	–	–	–	–	(37.2)	(37.2)
Balance as at 30 September 2008	0.2	175.5	(1.8)	53.8	27.2	292.3	547.2

During the six months to 30 September 2008, no ordinary shares were repurchased and cancelled by the Company. The share repurchase programme commenced in January 2005 and since then a total of 79,063,397 ordinary shares have been repurchased and subsequently cancelled. This represents 15.8% of the original issued share capital at a total cost of £351.8m. The nominal value of the shares was £39,532 and has been transferred to a capital reserve and the retained earnings have been reduced by £351.8m since this date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. Share capital and reserves (continued)

The cost of own shares held in the Burberry Group ESOP Trusts 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 2008 the amount offset against this reserve was £4.5m (2007: £4m).

Options exercised during the first half to 30 September 2008 resulted in 266,418 shares being issued (2007: 1,030,282). These options had no exercise price (exercise proceeds received in 2007: £6.7m). The related weighted average price at the time of exercise was £4.56 (2007: £6.52) per share.

15. Contingent liabilities

There have been no material changes to the Group's contingent liabilities since 31 March 2008.

16. Business combinations

On 30 September 2008 the Group formed Burberry Middle East LLC, a company registered in the United Arab Emirates, with its longstanding franchisee in the Middle East, The Jashanmal Group. Burberry Middle East will manage all Burberry retail and wholesale distribution within the United Arab Emirates markets of Dubai and Abu Dhabi, as well as Qatar, Oman and Kuwait.

Burberry has a 49% interest in the issued share capital of the joint venture and a 59% interest in profits generated by this business. Burberry has the power to appoint the majority of the directors. Burberry Middle East has been consolidated as a subsidiary as at 30 September 2008. The minority interest in the consolidated net assets of this company has been identified as a separate component of equity.

On 30 August 2008, the Group also terminated its franchisee agreement in Guam, an island in the Western Pacific Ocean, and incorporated a new company Burberry Guam Inc which acquired the Burberry retailing business from the terminated franchisee in Guam. This business contributed revenues of £0.1m to the Group for the period from acquisition to 30 September 2008.

If both the business combinations had occurred on 1 April 2008, consolidated revenue and consolidated profit for the six months ended 30 September 2008 would have been benefited by £9.8m and £1.3m respectively.

Details of the net assets acquired and goodwill are as follows:

	£m
Cash paid	1.4
Direct costs relating to the acquisition	0.3
Total purchase consideration	1.7
Provisional fair value of net identifiable assets acquired	(2.2)
Provisional goodwill	(0.5)
Provisional goodwill is represented by:	
– Provisional negative goodwill	(1.7)
– Provisional positive goodwill	1.2

The negative goodwill of £1.7m arising on the Burberry Middle East LLC combination has been recognised within operating expenses for the period and is attributable to the excess of the net assets acquired over the cost of the acquisition. Positive goodwill of £1.2m arose on Burberry Guam Inc combination and is included in intangible assets. This is attributable to the acquisition of the distribution rights and the benefits expected from further expansion in this region.

The provisional fair value of assets acquired approximates the carrying values in the acquiree's records immediately prior to the acquisition. Included in these assets is inventory (£4.5m), property, plant and equipment (£1.5m), accounts receivable (£1.1m), accounts payable (£2.8m) and minority interest (£2.1m). The fair values are provisional due to the proximity of the acquisition dates to the period end.

17. Related party disclosures

The Group's significant related parties are disclosed in the Annual Report for the year ended 31 March 2008. There were no material changes to these related parties in the period. No material related party transactions have taken place during the first six months of the current financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. Foreign currency

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

The principal exchange rates used were as follows:

	Average		
	Six months to 30 September 2008	Six months to 30 September 2007	Year to 31 March 2008
Euro	1.26	1.47	1.42
US dollar	1.93	2.00	2.02
Hong Kong dollar	15.05	15.67	15.63
Korean won	2,008	1,861	1,873

	Closing		
	As at 30 September 2008	As at 30 September 2007	As at 31 March 2008
Euro	1.26	1.43	1.26
US dollar	1.78	2.05	1.98
Hong Kong dollar	13.83	15.92	15.44
Korean won	2,149	1,873	1,966

The average exchange rate achieved by Burberry Group on its Yen licensing 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 223.2: £1 in the six months to 30 September 2008 (2007: Yen 220.7: £1; Year to 31 March 2008: Yen 221.5: £1).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm to the best of their knowledge that this condensed set of financial statements has 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 financial statements include a fair review of the information required by Disclosure and Transparency Rules 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The directors of Burberry Group plc are listed in the Burberry Group plc Annual Report for the year ended 31 March 2008. A list of current directors is maintained on the Burberry Group website: www.burberryplc.com.

By order of the Board

John Peace
Chairman
17 November 2008

Stacey Cartwright
Chief Financial Officer
17 November 2008

INDEPENDENT REVIEW REPORT TO BURBERRY GROUP PLC

Introduction

We have been engaged by the company to review the interim financial information in the half-yearly financial report ('interim report') for the six months ended 30 September 2008, which comprises the Condensed Group Income Statement, Condensed Group Balance Sheet, Condensed Group Statement of Recognised Income and Expense, Condensed Group Cash Flow Statement and the related notes on pages 20 to 28. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the interim financial information.

Directors' responsibilities

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

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

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
17 November 2008
London

(a) The maintenance and integrity of the Burberry Group plc web site 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 report since it was initially presented on the website.

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

SHAREHOLDER INFORMATION

Registrar

Any enquiries relating to your shareholding, for example transfers of shares, change of name or address, amalgamation of share accounts, lost share certificates or dividend cheques, should be referred to the Company's Registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, telephone: 0871 384 2839 (or +44 121 415 7047 from outside the UK).

In addition, Equiniti offer a range of shareholder information online at www.shareview.co.uk. A textphone facility for those with hearing difficulties is available by calling: 0871 384 2266 (or +44 121 415 7028 from outside the UK).

Amalgamating share accounts

Shareholders who have more than one account due to inconsistency in the name and address details may avoid duplicate mailings by asking the Registrar to amalgamate their holdings.

Dividends

The interim dividend of 3.35p per share will be paid on 29 January 2009 to shareholders on the register at the close of business on 5 January 2009.

Dividend Reinvestment Plan

The Group's Dividend Reinvestment Plan (DRIP) enables shareholders to use their cash dividends to buy further shares in the Company. Full details of the DRIP can be obtained from the Registrars. If you would like your interim and future dividends to qualify for the DRIP, completed application forms must be returned by 15 January 2009.

Electronic Communication

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

ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating their shares to charity through ShareGift, a donation scheme operated by The Orr Mackintosh Foundation (registered charity 1052686). A ShareGift donation form can be obtained from Equiniti Limited. Further information is available at www.sharegift.org or by telephone on +44 (0) 20 7930 3737.

Company Website

This Interim Report and other information on Burberry including share price information and results announcements, is available via the internet on the Group's website at www.burberryplc.com.

Financial calendar

Interim dividend record date	5 January 2009
Third quarter interim management statement	January 2009
Interim dividend payment	29 January 2009
Second half trading update	April 2009
Preliminary results announcement for the year ended 31 March 2009	May 2009
Annual General Meeting	July 2009

Registered office

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Registered in England and Wales

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