16 November 2010

Burberry Group plc

Interim results
for the six months ended 30 September 2010

Burberry Group plc, the global luxury company, today announces its unaudited results for the six months ended 30 September 2010.

Highlights

- Strong operating and financial performance
  - Adjusted revenue £641m, up 21%
  - Comparable store sales growth of 9%
  - Adjusted retail/wholesale operating profit £87m, up 69%
  - Adjusted retail/wholesale operating margin 14.8% (2009: 10.7%)
  - Adjusted profit before tax £129m, up 49%
  - Reported profit before tax £118m, up 50%

- Interim dividend up 43% to 5.0p

- Strong financial position with net cash of £181m (2009: £56m)

- Further progress across five key strategies
  - Non-apparel up 26% to 40% of sales; led by large leather goods
  - Apparel up 13%; core outerwear strength continues
  - 20 mainline stores opened; focused in Americas and Asia Pacific
  - Emerging Markets sales up 46%
  - Retail productivity improved, driven by monthly flow and replenishment

- Continued investment in business
  - Acquired Chinese retail operations; rapid integration on plan
  - Rolling out retail theatre; new digital commerce platform in test
  - Full year capital expenditure of around £130m; nearly double last year

Angela Ahrendts, Chief Executive Officer, commented:

“The Burberry team delivered a strong first half, with adjusted revenue up 21% and profit before tax up nearly 50%. The continued focus on the brand, ongoing investment in our digital, IT and retail infrastructure, especially in China, and a disciplined approach to driving growth underpin our confidence in delivering long-term sustainable returns.”

"Adjusted" excludes:

1. The discontinuing business in Spain affected by the restructuring, which in H1 2010 generated revenue of £31.9m (2009: £44.6m) and an operating loss of £2.7m (2009: £3.6m)
2. Restructuring costs of £7.6m (2009: £4.2m) relating to the Spanish restructuring and the Group's cost efficiency programme
3. Put option liability finance charge relating to the 15% economic interest in the Chinese business of £0.5m (2009: nil)

Full details are provided in the Appendix

Underlying change is calculated at constant exchange rates

Certain financial data within this announcement have been rounded

All revenue metrics and commentary in the Group Financial Highlights and Interim Management Report exclude the results of the discontinuing business in Spain

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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 7138 0840, password 6049892. The supporting slides and an indexed replay will be available on the website later in the day.

Burberry will update on trading on 18 January 2011 when it will issue its Interim Management Statement in respect of the Third Quarter.

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.

GROUP FINANCIAL HIGHLIGHTS

Adjusted revenue of £641m (2009: £528m): up 21% at reported FX

Adjusted retail/wholesale operating profit up 69%, with an operating margin of 14.8% (2009: 10.7%). Gross margin up 670 basis points, driven by replenishment, inventory management and pricing strategies

Adjusted profit before tax up 49% to £128.5m (2009: £86.2m), including a £5.7m benefit from exchange rates

Reported profit before tax of £117.7m (2009: £78.4m)

Projected tax rate of 28% on adjusted profit before tax for the full year

Adjusted diluted EPS up 49% at 21.1p; reported diluted EPS of 18.7p

Interim dividend up 43% to 5.0p, reflecting strong business momentum and rebalancing between halves. Dividend policy continues to be a 40% payout based on full year adjusted diluted EPS

Net cash of £181m at 30 September 2010 (2009: £56m), after significant investment in capital expenditure and China

	Six months to 30 September*		*% change*	
£ million	2010	2009	*reported FX*	*underlying*
Adjusted revenue	641.1	527.8	*21*	*17*
Cost of sales	(211.5)	(204.7)	*(3)*	
Gross margin	429.6	323.1	*33*	
Operating expenses	(299.9)	(233.2)	*(29)*	
Adjusted operating profit	**129.7**	**89.9**	***44***	***38***
Net finance charge	(1.2)	(3.7)		
Adjusted profit before taxation	**128.5**	**86.2**	***49***	***42***
Exceptional items	(10.8)	(7.8)		
Profit before taxation	**117.7**	**78.4**		
Taxation	(36.0)	(21.1)		
Non-controlling interest	1.4	(0.5)		
Attributable profit	83.1	56.8		
Adjusted EPS (pence)	**21.1**	**14.2**		
EPS (pence)	18.7	12.9		
Weighted average number of ordinary shares (millions)	445.0	439.2		

EPS is calculated on a diluted basis
* Adjusted measures exclude the results of the discontinuing business in Spain, restructuring costs and the put option liability finance charge as detailed in the Appendix on page 12

INTERIM MANAGEMENT REPORT

During the first half, Burberry made further progress in the consistent execution of its five key strategies.

Leveraging the franchise

- **New product initiatives continued to add value.** Underlying growth in the relaunched menswear business accelerated to 17% in the first half, with broadly similar growth in retail and wholesale. Spring/Summer 2011 is the first truly cohesive global menswear collection following non-renewal of the final licences. The menswear wholesale order book for this season is up by a double-digit percentage, with Burberry London performing the strongest. Childrenswear revenue increased by 40% underlying in the half, now 5% of sales.
- **Ongoing investment in digital initiatives continued to increase brand reach and awareness.** A fully interactive advertising campaign was launched for Autumn/Winter 2010. Burberry now has nearly three million Facebook fans, the largest of any luxury brand, and over 650,000 people viewed the livestream of the September runway show. This was also transmitted to invited audiences in 25 flagship stores through Burberry's new "retail theatre" technology. A global digital commerce platform is being tested for roll-out in the coming months.

Intensifying non-apparel development

- **Non-apparel revenue increased by 26% underlying,** contributing 40% of retail/wholesale revenue, up from 38% a year ago.
- **Continued innovation drove growth across all product categories,** helped by more frequent flow of product to store (monthly flow), replenishment and a focused global buy.
- **The Japanese non-apparel joint venture continued to make early progress** in re-positioning the brand with key luxury department store partners. Currently, Burberry directly operates two mainline stores and 11 concessions, with around five more concessions planned for the second half.

Accelerating retail-led growth

- **Retail accounted for 57% of sales** in the first half, up from 56% a year ago.
- **Burberry opened twenty mainline stores in the first half**, excluding those stores acquired in China, of which eight were in Asia Pacific and seven in the Americas. About ten store openings are planned in the balance of the year, of which about half will be in China.
- **Burberry continued to focus on driving retail productivity.** Comparable store sales were up 9% in the half, driven by innovative product, compelling marketing content and new selling and service strategies.

Investing in under-penetrated markets

- **The Chinese operations were acquired to further unify the Burberry brand globally and increase exposure to high growth luxury retail markets.** On 1 September, 43 of the 50 acquired stores transferred to Burberry, with the remaining seven expected to transfer in the coming months. Comparable store sales growth in these acquired stores was up over 25% in the first half and a further four directly-operated stores were opened by Burberry. The integration of the Chinese operations is on plan, led by an experienced local management team. Looking forward, Burberry will aggressively invest in the brand, improve retail productivity and selectively open stores in targeted locations. The transaction is expected to be broadly neutral to adjusted earnings in the current financial year and add up to £20m to adjusted group operating profit in the financial year 2011/12.
- **New stores were opened in India and Brazil.** The Burberry India joint venture opened two stores in the half, bringing the total to four, with a fifth opening in December. Burberry also opened its first mainline store in Brazil, with the second opening very shortly in São Paulo.
- **Emerging Markets accounted for 13% of sales** in the first half, up from 11% last year, with strong growth in China and Turkey in particular.

Pursuing operational excellence

- **SAP was deployed in Korea, Taiwan and South East Asia during the first half,** with preparations now underway for roll-out to China and the Middle East during the next calendar year.
- **Burberry continued to evolve and improve its back office functions**, facilitated by the investment made in IT, supply chain and infrastructure in previous years. A more disciplined approach is being taken across the company to optimise monthly flow and replenishment.

Revenue by channel of distribution

£ million	Six months to 30 September 2010	2009	% change reported FX	underlying
Retail*[#]	366.3	294.8	*24*	*20*
Wholesale*[#]	226.0	188.3	*20*	*17*
Licensing	48.8	44.7	*9*	*(3)*
Adjusted revenue	**641.1**	**527.8**	***21***	***17***
Discontinuing Spain business	31.9	44.6	*(29)*	*(26)*
Total	673.0	572.4	*18*	*13*

* 2009 restated to exclude discontinuing business in Spain affected by restructuring
[#] Burberry acquired its Chinese operations with effect from 1 September 2010. Excluding China in both H1 2009 and H1 2010 gives underlying growth of 16% in retail and 21% in wholesale

Adjusted revenue in the first half was £641m, an increase of 21% at reported FX and 17% underlying.

Retail

57% of revenue (2009: 56%): generated from 164 mainline stores, 171 mainline concessions within department stores, 45 outlets and digital commerce in 28 countries

Retail sales increased by 20% on an underlying basis, (up 24% at reported FX). New space generated 7% of the underlying growth, while China, which transferred from wholesale to retail from 1 September 2010, contributed 4%. Comparable store sales increased by 9% in the first half (Q1: +10%; Q2: +8%), with mainline directly-operated stores (DOS) delivering consistent double-digit sales growth in both quarters.

In retail, there was strong double-digit growth across all four product divisions – mens, womens, non-apparel and childrens. High impact monthly presentations, product innovation and increased average selling prices were the key drivers of revenue growth. Prorsum sales performed strongly in the half, while outerwear and large leather goods, Burberry's two core categories, drove about half of the mainline sales growth. Enhanced pricing strategies led to improved full price sell-through. Digital initiatives, especially around the runway shows in June and September, further extended brand reach and awareness. Digital commerce sales grew again by nearly 50% in the half.

By region, Asia Pacific and Europe continued to deliver double-digit comparable store sales growth, with Hong Kong, United Kingdom, Italy and France among the best performing markets. As the Americas continued to focus on improving margins, comparable store sales in the region were broadly unchanged year-on-year, with profitability significantly improved.

During the first half, Burberry opened 20 mainline stores and a net seven concessions, while closing two outlets consistent with its strategy. This all resulted in an 8% increase in average selling space year-on-year, excluding the 43 mainline DOS acquired in China (13 stores, 30 concessions). The 20 mainline stores were balanced by region – eight in Asia Pacific (including four in Hong Kong, of which two were childrenswear); seven in the Americas (including the first store in Brazil and three further Burberry Brit trials); three in Emerging Markets (including two in India) and two in Europe, including London Heathrow Terminal 5.

Wholesale
35% of revenue (2009: 36%); generated from sales to department stores, multi-brand specialty accounts, Emerging Market franchisees and Travel Retail

Excluding China, which transferred from wholesale to retail from 1 September 2010, wholesale revenue grew by 21% at constant exchange rates, slightly ahead of guidance. This largely reflects strong brand performance and restocking by wholesale customers, following reduced demand in the same period last year.

Wholesale revenue including China increased by 17% at constant exchange rates, up 20% at reported FX (2009: £188m). This growth included only five months of revenue from China in H1 2010 until acquisition, compared to six months in H1 2009.

Asia Pacific, the Americas and Emerging Markets all showed above average growth.

- Sales in Europe, still the group's largest wholesale region, were slightly ahead of last year, despite the continuing rationalisation of small specialty accounts as planned.
- In the US department stores, Burberry performed strongly and is working actively with its partners to increase real estate, elevate the brand's positioning and improve productivity through the implementation of retail-led strategies such as monthly flow of product and replenishment.
- Travel Retail demonstrated particular strength across Asia Pacific.
- Sales to franchisees in Emerging Markets were strong. Three franchise stores were opened in the first half (Poland, Mongolia and Vietnam), with about five planned for the second half, including the second childrenswear store in Turkey and Burberry's first stores in Armenia, Egypt and Israel.

Licensing

8% of revenue (2009: 8%); of which approximately two-thirds from Japan (split roughly two-thirds apparel and one-third from various short-term non-apparel licences) and the balance from global product licences (fragrance, eyewear and timepieces), European wholesale childrenswear and the final menswear licences

Total licensing revenue in the first half declined by 3% on an underlying basis, (up 9% at reported FX). Royalty revenue from the Japanese apparel licence, which was re-negotiated in October 2009, was broadly flat as expected. Income from the Japanese non-apparel licences was slightly down following the termination of the local leather goods licence. The planned termination of the final menswear licences in Italy also negatively impacted total licensing revenue. There was strong double-digit growth from the global product licences led by fragrance. Burberry continues to evaluate integration opportunities in licensing.

Adjusted operating profit

£ million	Six months to 30 September 2010	2009	*% change reported FX*	*underlying*
Retail/wholesale*	87.4	51.6	*69*	*69*
Licensing	42.3	38.3	*10*	*(3)*
Adjusted operating profit	**129.7**	**89.9**	***44***	***38***
Adjusted operating margin	*20.2%*	*17.0%*		

* Excludes discontinuing business in Spain affected by restructuring

Adjusted operating profit increased significantly to £130m in the first half, resulting in a group operating margin of 20.2%.

Retail/wholesale adjusted operating profit

£ million	Six months to 30 September 2010	2009	*% change reported FX*
Adjusted revenue	592.3	483.1	*23*
Cost of sales	(211.5)	(204.7)	*(3)*
Gross margin	380.8	278.4	*37*
Gross margin %	*64.3%*	*57.6%*	
Operating expenses	(293.4)	(226.8)	*(29)*
Adjusted operating profit	**87.4**	**51.6**	***69***
Operating expenses as a % of sales	*49.5%*	*46.9%*	
Adjusted operating margin	*14.8%*	*10.7%*	

Retail/wholesale adjusted operating profit grew to £87m in the half, while margin increased to 14.8%. This was driven by a 670 basis point improvement in gross margin, partly offset by higher operating expenses as guided.

Gross margin
Gross margin was 64.3% in the first half – up from 57.6% in the same period last year. The key driver was increased full price sell-through, resulting from strategies implemented in the second half of last year. These include enhanced pricing, ensuring that heritage products such as rainwear and cashmere scarves are never marked down. Inventory procurement and management improved, resulting in less excess stock. Increased replenishment and a slight shift to retail from wholesale also contributed to the gross margin uplift.

Following a 670 basis point improvement in the first half, Burberry expects a modest increase in gross margin year-on-year in the second half (2009: 63.7%), as comparatives become much stronger. Gross margin (including Spain) increased 1,400 basis points in the second half of last year, as strategies to drive full price sales were first introduced.

Operating expenses
In the first half, operating expenses increased to 49.5% of revenue, in line with guidance. Of the increase of £67m (or £58m at constant currency), about half came from increased investment in design, IT, customer services and new businesses, with the balance from general inflation, sales growth and new stores, as well as higher share scheme costs.

For the full year, Burberry expects retail/wholesale operating expenses as a percentage of revenue to remain at about 50%.

Licensing operating profit

£ million	Six months to 30 September 2010	2009	*Six months to 30 September 2010 underlying*
Revenue	48.8	44.7	*43.6*
% increase	*9*	*13*	*(3)*
Cost of sales	-	-	-
Gross margin	48.8	44.7	*43.6*
Gross margin %	*100%*	*100%*	*100%*
Operating expenses	(6.5)	(6.4)	*(6.6)*
Operating profit	**42.3**	**38.3**	***37.0***
Operating margin	*86.7%*	*85.7%*	

As discussed above, licensing revenue declined by 3% on an underlying basis, (up 9% at reported FX). Operating profit was £42.3m including a £5.3m translation benefit, mainly relating to the yen rate which is largely hedged forward (H1 2010: £1= yen 145; H1 2009: £1= yen 170). This benefit is expected to reverse partly in the second half (H2 2009: £1= yen 140).

Exceptional items

£ million	Six months to 30 September 2010	2009
Spain operating loss	(2.7)	(3.6)
Restructuring costs	(7.6)	(4.2)
Chinese put option liability finance charge	(0.5)	-
	(10.8)	(7.8)

Spain operating loss and restructuring costs
As announced in February 2010, Burberry is restructuring its Spanish operations. The global collection will be introduced from Spring/Summer 2011, with the final local collection being Autumn/Winter 2010, necessitating the closure of the Barcelona facility.

In the first half, the discontinuing business affected by the restructuring generated sales of £31.9m. This includes all wholesale activity and retail concessions but excludes three mainline stores and five outlets which have been reported in Europe. An operating loss of £2.7m from the discontinuing business has been included in exceptional items. For the year to 31 March 2011, Burberry still expects an operating loss of around £10m as the local cost base is phased out and the number of points of sale decreases.

The final charge associated with restructuring was £7.6m in the first half and the cash spend was £9.5m, with a further £15-20m cash spend to come.

15% economic interest in the Chinese business
As disclosed at the time of the transaction, there is a 15% economic interest held by a third party in the acquired China business. As there is a put option which is exercisable after 10 years, accounting rules state that the discounted value of the estimated ultimate liability must be recognised on the balance sheet (£45.7m at 30 September 2010). In subsequent periods, there may be two adjustments taken through the income statement. Firstly, any change to the estimate of the ultimate liability will be taken through operating profit. Secondly, the unwind of the discount (together with the impact of any change in discount rate) will be taken through interest. Both of these will be treated as exceptional items and excluded from adjusted profit before tax. The £0.5m non-cash charge taken in the first half represents the unwind of the discount in the month since acquisition.

Taxation

The effective rate of tax on adjusted profit for the full year 2010/11 is estimated to be 28%, which is the rate applied in H1 2010 (2009: 27.0%).

Net cash

Net cash at 30 September 2010 was £180.9m, compared to £262.0m at 31 March 2010 and £56.3m at 30 September 2009. The major cash outflows in the first half included capital expenditure of £47m (2009: £33m), dividends of £46m (2009: £37m), a more normal tax outflow of £35m (2009: £7m) and the initial payment for the Chinese acquisition of £39m.

Inventory at 30 September 2010 was £252m (2009: £215m). In a period where retail/wholesale sales growth was in excess of 20%, inventory excluding China grew by only 7%, including investments to support increased monthly flow of product and earlier deliveries to drive third quarter sales.

Outlook

The following guidance is consistent with that given in October 2010.

Retail

For the second half, average selling space is expected to increase by about 25%. About 15% of this is in China (both acquired stores and new openings), with the balance of about 10% in other regions as previously guided.

Wholesale

For the second half, against a period last year where demand had recovered, Burberry expects wholesale revenue excluding China to increase by around 10% at constant currency, led by Emerging Markets and Travel Retail. Rationalisation of European small specialty accounts continues.

For the second half, wholesale revenue including China is expected to be down by a low single-digit percentage at constant currency (2009: £189m). This includes no wholesale revenue from China in H2 2010/11, compared to six months in H2 2009/10.

Licensing

For the full year, Burberry expects underlying licensing revenue to decline by a mid single-digit percentage, with a stronger than initially expected performance from the global licences, especially fragrance and watches. This will partly offset a broadly flat performance from the Japanese apparel licence and the non-renewal of the final menswear licences and the Japanese leather goods licence.

The yen hedge rate for the full year 2010/11 will give only a marginal benefit to reported numbers compared to 2009/10, with the exchange benefit already reported in the first half expected to reverse partly in the second half.

Capital expenditure

For the year to 31 March 2011, capital expenditure is still planned at around £130m.

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 48 to 51 of the Burberry Group plc Annual Report 2009/10. On an ongoing basis throughout the period, the Group carried out a formal process to identify, evaluate and manage significant risks faced by the Group. During the first half, the Group completed the acquisition of Burberry stores in mainland China from its long-standing franchisees. Given the materiality of the Chinese operations, the Group is placing significant focus on careful and thorough integration to ensure that the business delivers the forecast return on investment. However, given the size and complexity of the business, there is a risk that integration may be more complex, costly and/or time consuming than projected. In the view of the directors and except as described here, there has been no material change in these factors in respect of the remaining six months of the financial year.

APPENDIX

Reconciliation of reported to adjusted results

£ million	Six months to September 2010 Reported	Impact of exceptional items	Adjusted*	2009 Adjusted#
Revenue	673.0	31.9	641.1	527.8
Cost of sales	(229.0)	(17.5)	(211.5)	(204.7)
Gross margin	444.0	14.4	429.6	323.1
Operating expenses	(324.6)	(24.7)	(299.9)	(233.2)
Operating profit	**119.4**	**(10.3)**	**129.7**	**89.9**
Net finance charge	(1.7)	(0.5)	(1.2)	(3.7)
Profit before tax	**117.7**	**(10.8)**	**128.5**	**86.2**

* Excludes the results of the discontinuing business in Spain, restructuring costs and the put option liability finance charge
# Re-presented to exclude the results of the discontinuing business in Spain

Adjusted retail/wholesale revenue by destination*

£ million	Six months to 30 September 2010	2009	% change *reported FX*	*underlying*
Europe#	224.0	205.1	*9*	*12*
Asia Pacific	175.4	117.2	*50*	*37*
Americas~	158.6	138.6	*14*	*8*
Rest of World~	37.6	28.0	*34*	*31*
Total excluding Spain	595.6	488.9	*22*	*18*

* Excludes discontinuing business in Spain
# 2009 restated to include continuing parts of Spain business
~ Central and South America have been reclassified from Rest of World to the Americas (2009: £4m)

Adjusted retail/wholesale revenue by product category*

£ million	Six months to 30 September 2010	2009	% change reported FX	underlying
Non-apparel	237.3	181.6	*31*	*26*
Womenswear	189.0	168.0	*12*	*10*
Menswear	137.2	114.0	*20*	*17*
Childrenswear	28.8	19.5	*48*	*40*
Total excluding Spain	592.3	483.1	*23*	*19*

* Excludes discontinuing business in Spain

Store portfolio*

	Directly-operated stores				
	Mainline stores	Concessions	Outlets	Total	*Franchise stores*
At 31 March 2010	131	134	47	312	*97*
Additions	20	14	1	35	*3*
Closures	-	(7)	(3)	(10)	*(2)*
Transfers#	13	30	-	43	*(43)*
At 30 September 2010	164	171	45	380	*55*

* Excluding concessions in Spain
\# Transfers are 43 of the 50 acquired Chinese stores which had transferred to Burberry ownership by 30 September 2010

Store portfolio by region*

	Directly-operated stores				
At 30 September 2010	Mainline stores	Concessions	Outlets	Total	*Franchise stores*
Europe	37	29	19	85	*15*
Americas#	69	-	20	89	*3*
Asia Pacific	42	142	5	189	*22*
Rest of World	16	-	1	17	*15*
Total	164	171	45	380	*55*

* Excluding concessions in Spain
\# Three franchise stores in the Americas are in Mexico
Sales to franchise stores reported in wholesale revenue

Retail net selling square footage at period end

	000s square feet
At 31 March 2008	740
At 31 March 2009	845
At 30 September 2009	870
At 31 March 2010	890
At 31 March 2010 (restated) *	800
At 30 September 2010 *#	955

* Excluding concessions in Spain
\# Includes China

CONDENSED GROUP INCOME STATEMENT - UNAUDITED

	Note	Six months to 30 September 2010 £m	Six months to 30 September 2009 £m	Audited Year to 31 March 2010 £m
Revenue	3	**673.0**	572.4	1,279.9
Cost of sales		**(229.0)**	(229.7)	(475.9)
Gross profit		**444.0**	342.7	804.0
Net operating expenses		**(324.6)**	(260.6)	(632.9)
Operating profit		**119.4**	82.1	171.1
Financing				
Interest receivable and similar income		**0.8**	0.1	1.1
Interest payable and similar charges		**(2.0)**	(3.8)	(6.2)
Other financing charges		**(0.5)**	–	–
Net finance charge		**(1.7)**	(3.7)	(5.1)
Profit before taxation		**117.7**	78.4	166.0
Taxation	5	**(36.0)**	(21.1)	(83.8)
Profit for the period		**81.7**	57.3	82.2
Attributable to:				
Equity holders of the Company		**83.1**	56.8	81.4
Non-controlling interest		**(1.4)**	0.5	0.8
Profit for the period		**81.7**	57.3	82.2
Earnings per share				
– basic	6	**19.1p**	13.1p	18.8p
– diluted	6	**18.7p**	12.9p	18.4p

		£m	£m	£m
Reconciliation of adjusted profit before taxation:				
Profit before taxation		**117.7**	78.4	166.0
Exceptional items:				
– restructuring costs	4	**7.6**	4.2	48.8
– losses from discontinuing Spanish business(1)	4	**2.7**	3.6	–
– put option liability finance charge	4	**0.5**	–	–
Adjusted profit before taxation - non-GAAP measure		**128.5**	86.2	214.8
Adjusted earnings per share(1) - non-GAAP measure				
– basic	6	**21.6p**	14.4p	35.9p
– diluted	6	**21.1p**	14.2p	35.1p

(1) September 2009 and March 2010 have been re-presented for the results of the discontinuing Spanish business

Dividends per share				
– Proposed interim (not recognised as a liability at 30 September)	7	5.00p	3.50p	3.50p
– Final (not recognised as a liability at 31 March)	7	–	–	10.50p

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

	Six months to 30 September 2010 £m	Six months to 30 September 2009 £m	Audited Year to 31 March 2010 £m
Profit for the period	**81.7**	57.3	82.2
Other comprehensive income:			
– cash flow hedges	**3.2**	24.1	17.3
– foreign currency translation differences	**(13.4)**	(28.0)	(6.7)
Tax on other comprehensive income:			
– cash flow hedges	**(0.9)**	(6.8)	(5.0)
– foreign currency translation differences	**1.6**	1.6	(6.6)
Other comprehensive expense for the period, net of tax	**(9.5)**	(9.1)	(1.0)
Total comprehensive income for the period	**72.2**	48.2	81.2
Total comprehensive income attributable to:			
Equity holders of the Company	**73.5**	47.6	79.8
Non-controlling interest	**(1.3)**	0.6	1.4
	72.2	48.2	81.2

CONDENSED GROUP BALANCE SHEET – UNAUDITED

	Note	As at 30 September 2010 £m	As at 30 September 2009 £m	Audited As at 31 March 2010 £m
ASSETS				
Non-current assets				
Intangible assets	8	**111.3**	57.2	64.6
Property, plant and equipment	9	**251.6**	247.8	256.1
Investment properties	9	**3.0**	–	–
Deferred tax assets		**52.4**	58.6	39.2
Trade and other receivables	10	**12.9**	12.0	11.0
Derivative financial assets		**6.9**	–	1.7
		438.1	375.6	372.6
Current assets				
Inventories		**252.2**	215.1	166.9
Trade and other receivables	10	**162.8**	204.2	128.4
Derivative financial assets		**3.1**	6.2	2.6
Income tax receivables		**6.7**	16.8	0.7
Cash and cash equivalents		**365.3**	267.4	468.4
		790.1	709.7	767.0
Assets classified as held for sale	9	**17.0**	–	–
		807.1	709.7	767.0
Total assets		**1,245.2**	1,085.3	1,139.6
LIABILITIES				
Non-current liabilities				
Trade and other payables	11	**(88.5)**	(23.9)	(26.5)
Deferred tax liabilities		**(1.6)**	(2.2)	(1.6)
Derivative financial liabilities		**–**	–	(0.2)
Retirement benefit obligations		**(0.6)**	(0.5)	(0.5)
Provisions for other liabilities and charges	12	**(5.2)**	(9.3)	(5.5)
		(95.9)	(35.9)	(34.3)
Current liabilities				
Bank overdrafts and borrowings	13	**(184.4)**	(211.1)	(206.4)
Derivative financial liabilities		**(8.0)**	(6.3)	(9.0)
Trade and other payables	11	**(264.5)**	(178.6)	(200.2)
Provisions for other liabilities and charges	12	**(24.3)**	(16.9)	(34.4)
Income tax liabilities		**(65.1)**	(67.8)	(51.8)
		(546.3)	(480.7)	(501.8)
Total liabilities		**(642.2)**	(516.6)	(536.1)
Net assets		**603.0**	568.7	603.5
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Ordinary share capital		**0.2**	0.2	0.2
Share premium account		**189.5**	178.3	186.1
Other reserves		**27.2**	27.2	27.2
Hedging reserve		**1.2**	3.9	(1.1)
Foreign currency translation reserve		**124.4**	123.7	136.3
Retained earnings		**241.0**	228.0	241.4
		583.5	561.3	590.1
Non-controlling interest		**19.5**	7.4	13.4
Total equity		**603.0**	568.7	603.5

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY - UNAUDITED

		Attributable to owners of the Company						
	Note	Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance as at 1 April 2009		0.2	175.9	164.0	199.2	539.3	4.6	543.9
Profit for the period		–	–	–	56.8	56.8	0.5	57.3
Other comprehensive income:								
Cash flow hedges – gains deferred in equity		–	–	7.1	–	7.1	–	7.1
Cash flow hedges – losses transferred to income		–	–	17.0	–	17.0	–	17.0
Foreign currency translation differences		–	–	(28.1)	–	(28.1)	0.1	(28.0)
Tax on other comprehensive income		–	–	(5.2)	–	(5.2)	–	(5.2)
Total comprehensive income for the period		–	–	(9.2)	56.8	47.6	0.6	48.2
Transactions with owners:								
Employee share option scheme								
– value of share options granted		–	–	–	7.7	7.7	–	7.7
– tax on share options granted		–	–	–	2.9	2.9	–	2.9
– exercise of share options	14	–	2.4	–	(1.6)	0.8	–	0.8
Sale of own shares by ESOP trusts		–	–	–	0.4	0.4	–	0.4
Capital contribution by non-controlling interest		–	–	–	–	–	2.2	2.2
Dividend paid in the period		–	–	–	(37.4)	(37.4)	–	(37.4)
Balance as at 30 September 2009		0.2	178.3	154.8	228.0	561.3	7.4	568.7
Balance as at 1 April 2010		0.2	186.1	162.4	241.4	590.1	13.4	603.5
Profit for the period		–	–	–	83.1	83.1	(1.4)	81.7
Other comprehensive income:								
Cash flow hedges – losses deferred in equity		–	–	(2.6)	–	(2.6)	–	(2.6)
Cash flow hedges – losses transferred to income		–	–	5.8	–	5.8	–	5.8
Foreign currency translation differences		–	–	(13.5)	–	(13.5)	0.1	(13.4)
Tax on other comprehensive income		–	–	0.7	–	0.7	–	0.7
Total comprehensive income for the period		–	–	(9.6)	83.1	73.5	(1.3)	72.2
Transactions with owners:								
Employee share option scheme								
– value of share options granted		–	–	–	10.0	10.0	–	10.0
– value of share options transferred to liabilities		–	–	–	(0.7)	(0.7)	–	(0.7)
– tax on share options granted		–	–	–	7.8	7.8	–	7.8
– exercise of share options	14	–	3.4	–	(3.3)	0.1	–	0.1
Sale of own shares by ESOP trusts		–	–	–	0.2	0.2	–	0.2
Purchase of own shares by ESOP trusts		–	–	–	(6.6)	(6.6)	–	(6.6)
Business combinations		–	–	–	–	–	3.2	3.2
Liability on put option over non-controlling interest		–	–	–	(45.2)	(45.2)	–	(45.2)
Capital contribution by non-controlling interest		–	–	–	–	–	4.2	4.2
Dividend paid in the period		–	–	–	(45.7)	(45.7)	–	(45.7)
Balance as at 30 September 2010		**0.2**	**189.5**	**152.8**	**241.0**	**583.5**	**19.5**	**603.0**

CONDENSED GROUP STATEMENT OF CASH FLOWS – UNAUDITED

	Note	Six months to 30 September 2010 £m	Six months to 30 September 2009 £m	Audited Year to 31 March 2010 £m
Cash flows from operating activities				
Operating profit		**119.4**	82.1	171.1
Depreciation		**25.1**	21.0	46.1
Amortisation		**3.5**	3.1	6.2
Net impairment charge		**–**	2.5	7.7
Loss on disposal of property, plant and equipment		**0.5**	0.7	4.2
Fair value gains on derivative instruments		**(3.7)**	(7.8)	(11.9)
Charges in respect of employee share incentive schemes		**10.0**	7.7	18.1
(Increase)/decrease in inventories		**(66.1)**	33.6	87.4
(Increase)/decrease in receivables		**(37.9)**	(25.2)	56.2
Increase in payables		**40.3**	7.1	40.5
Cash generated from operations		**91.1**	124.8	425.6
Interest received		**0.8**	0.1	1.1
Interest paid		**(2.1)**	(3.8)	(6.1)
Taxation paid		**(34.7)**	(7.4)	(51.3)
Net cash inflow from operating activities		**55.1**	113.7	369.3
Cash flows from investing activities				
Purchase of tangible and intangible fixed assets		**(47.3)**	(32.5)	(69.9)
Capital contribution by non-controlling interest		**4.2**	2.2	7.4
Business combinations, net of cash acquired	18	**(39.4)**	–	(2.0)
Net cash outflow from investing activities		**(82.5)**	(30.3)	(64.5)
Cash flows from financing activities				
Dividends paid in the year		**(45.7)**	(37.4)	(52.5)
Issue of ordinary share capital		**0.1**	0.7	1.9
Sale of own shares by ESOP trusts		**0.2**	0.4	2.1
Purchase of own shares by ESOP trusts		**(6.6)**	–	(7.5)
Repayment of borrowings		**–**	(39.7)	(39.7)
Proceeds from borrowings		**17.6**	–	1.2
Derivatives matured during the year and remaining in equity		**–**	(2.2)	0.2
Net cash outflow from financing activities		**(34.4)**	(78.2)	(94.3)
Net (decrease)/increase in cash and cash equivalents		**(61.8)**	5.2	210.5
Effect of exchange rate changes on opening balances		**(1.6)**	(1.9)	(0.3)
Cash and cash equivalents at beginning of period		**263.2**	53.0	53.0
Cash and cash equivalents at end of period		**199.8**	56.3	263.2

ANALYSIS OF NET CASH

	Note	As at 30 September 2010 £m	As at 30 September 2009 £m	Audited As at 31 March 2010 £m
Cash and cash equivalents as per the balance sheet		**365.3**	267.4	468.4
Bank overdrafts	13	**(165.5)**	(211.1)	(205.2)
Cash and cash equivalents as per the cash flow statement		**199.8**	56.3	263.2
Drawn down borrowings		**(18.8)**	–	(1.2)
Effect of exchange rate changes on foreign currency borrowings		**(0.1)**	–	–
Bank and other borrowings	13	**(18.9)**	–	(1.2)
Net cash		**180.9**	56.3	262.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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

2. Accounting policies and basis of preparation

The financial information contained in this report is unaudited. The Condensed Group Income Statement, Condensed Group Statement of Comprehensive Income, Condensed Group Statement of Changes in Equity and Condensed Group Statement of Cash Flows for the interim period to 30 September 2010, and the Condensed Group Balance Sheet as at 30 September 2010 and related notes have been reviewed by the auditors and their report to the Company is set out on page 28. These condensed consolidated interim financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2010 were approved by the Board of Directors on 25 May 2010 and have been filed with the Registrar of Companies. The report of the auditors on the statutory accounts for the year ended 31 March 2010 was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498 of the Companies Act 2006.

These condensed consolidated financial statements for the six months ended 30 September 2010 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 2010, which have been prepared in accordance with IFRSs as adopted by the European Union.

The directors have reviewed the Group's updated forecasts and projections, and they consider it appropriate to continue to apply the going concern basis in preparing the condensed consolidated financial statements for the six months ended 30 September 2010.

Accounting policies and presentation are consistent with those applied in the Group's financial statements for the year ended 31 March 2010, as set out on pages 89 to 93, with the exception of the following:

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

b) Business combinations
IFRS 3 (Revised) Business combinations is mandatory for the first time for the financial year beginning 1 April 2010. The new standard continues to apply the acquisition method to business combinations, but with certain significant changes compared to IFRS 3. All payments to purchase a business are recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill and non-controlling (minority) interests may be calculated on a gross or net basis. All transaction costs are expensed. The amendments have been applied by the Group to all business combinations with effect from 1 April 2010.

c) Investment properties
Investment properties are freehold properties held to earn rentals and/or for capital appreciation. Investment properties are stated at cost less accumulated depreciation and provision to reflect any impairment in value. Cost includes the original purchase price plus any directly attributable transaction costs. Depreciation is calculated on a straight line basis over the estimated useful life of the properties.

d) Assets classified as held for sale
Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continued use, and a sale is considered to be highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

The new standards, amendments and interpretations issued and effective for the financial period commencing on or after 1 April 2010 which have not had a material impact on the financial statements of the Group include:

IAS 38 (Amendment) Intangible assets

IAS 36 (Amendment) Impairment of assets

IFRS 5 (Amendment) Non-current assets held for sale and discontinued operations

IAS 27 (Revised) Consolidated and separate financial statements

IAS 39 (Amendment) Financial instruments: Recognition and measurement

The following new standards, amendments and interpretations have been issued, but are not yet effective for the financial period beginning 1 April 2010, and have not been early adopted:

IFRS 9 Financial instruments

IAS 24 (Revised) Related party disclosures

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Accounting policies and basis of preparation (continued)

Adjusted profit before taxation and exceptional items
Exceptional items are those items that are largely one-off and material in nature, and any fair value movements on put option liabilities. These items are added back/deducted from profit/loss before taxation to arrive at adjusted profit/loss before taxation which is disclosed in order to provide a clear and consistent presentation of the underlying performance of the Group's ongoing business.

3. Segmental analysis

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

The Board considers Burberry's business through its two channels to market, being Retail/Wholesale and Licensing. Retail/Wholesale revenues are generated by the sale of luxury goods through Burberry mainline stores, concessions, outlets and digital commerce as well as Burberry franchisees, prestige department stores globally and multi-brand specialty accounts.

The flow of global product between Retail and Wholesale channels and across our regions is monitored and optimised at a corporate level and implemented via the Group's inventory hubs situated in Asia, Europe and the US. Licensing revenues are generated through the receipt of royalties from Burberry's partners in Japan and global licensees of fragrances, eyewear, timepieces and European childrenswear.

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

	Retail / Wholesale		Licensing		Total	
	Six months to 30 September 2010 £m	Six months to 30 September 2009 £m	Six months to 30 September 2010 £m	Six months to 30 September 2009 £m	Six months to 30 September 2010 £m	Six months to 30 September 2009 £m
Total segment revenue	**624.2**	527.7	**57.9**	53.7	**682.1**	581.4
Inter-segment revenue	**–**	–	**(9.1)**	(9.0)	**(9.1)**	(9.0)
Revenue from external customers	**624.2**	527.7	**48.8**	44.7	**673.0**	572.4
Adjusted operating profit(2)	**87.4**	51.6	**42.3**	38.3	**129.7**	89.9
Exceptional items(1)					**(10.8)**	(7.8)
Interest receivable and similar income					**0.8**	0.1
Interest payable and similar charges					**(2.0)**	(3.8)
Profit before taxation					**117.7**	78.4

Year to 31 March 2010	Retail / Wholesale	Licensing	Total
	£m	£m	£m
Total segment revenue	1,182.4	117.3	1,299.7
Inter-segment revenue	–	(19.8)	(19.8)
Revenue from external customers	1,182.4	97.5	1,279.9
Adjusted operating profit(2)	137.7	82.2	219.9
Exceptional items(1)			(48.8)
Interest receivable and similar income			1.1
Interest payable and similar charges			(6.2)
Profit before taxation			166.0

(1) Refer to Condensed Group Income Statement for details of exceptional items

(2) September 2009 and March 2010 adjusted operating profit has been re-presented for the results of the discontinuing Spanish business

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Segmental analysis (continued)

Revenue by destination	Six months to 30 September 2010 £m	Six months to 30 September 2009 £m	Year to 31 March 2010 £m
Europe	**214.1**	194.8	408.1
Spain	**38.5**	49.1	107.1
Americas	**158.6**	138.6	324.8
Asia Pacific	**175.4**	117.2	282.7
Rest of the world	**37.6**	28.0	59.7
Retail/Wholesale	**624.2**	527.7	1,182.4
Licensing	**48.8**	44.7	97.5
Total	**673.0**	572.4	1,279.9

4. Exceptional items

Exceptional operating items

In the year to 31 March 2010, the Group announced the restructuring of its Spanish operations and charges of £45.4m in relation to this restructuring were recognised in operating profit. Operating profit for the six months ended 30 September 2010 includes associated restructuring charges of £7.6m. The losses of the discontinuing Spanish business were £2.7m for the six months to 30 September 2010 (£3.6m for the six months to 30 September 2009 and £nil for the year to 31 March 2010).

In the year to 31 March 2010, £3.4m of charges were recognised in respect of the cost efficiency programme announced during 2009.

Exceptional financing charges

The exceptional financing charges for the six months to 30 September 2010 relate to the unwind of discount on the put option liability over the non-controlling interest in Burberry (Shanghai) Trading Co., Ltd (note 11).

5. Taxation

The effective underlying rate of tax on adjusted profit for the full year is estimated to be 28% (31 March 2010: 27.4%; 30 September 2009: 27%).

6. Earnings per share

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

	Six months to 30 September 2010 £m	Six months to 30 September 2009[2] £m	Year to 31 March 2010[2] £m
Attributable profit for the period before exceptional items[1]	**93.9**	62.3	155.2
Effect of exceptional items[1] (after taxation)	**(10.8)**	(5.5)	(73.8)
Profit attributable for the period	**83.1**	56.8	81.4

(1) Refer to Condensed Group Income Statement for the details of exceptional items

(2) September 2009 and March 2010 have been re-presented for the results of the discontinuing Spanish business

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 the Group's share option plan trusts 'ESOP trusts'.

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 2010 Millions	Six months to 30 September 2009 Millions	Year to 31 March 2010 Millions
Weighted average number of ordinary shares in issue during the period	**434.7**	432.0	432.6
Dilutive effect of the share incentive schemes	**10.3**	7.2	9.3
Diluted weighted average number of ordinary shares in issue during the period	**445.0**	439.2	441.9

	Six months to 30 September 2010 Pence	Six months to 30 September 2009[2] Pence	Year to 31 March 2010[2] Pence
Basic earnings per share before exceptional items[1]	**21.6**	14.4	35.9
Effect of exceptional items[1] (after taxation)	**(2.5)**	(1.3)	(17.1)
Basic earnings per share	**19.1**	13.1	18.8
Diluted earnings per share before exceptional items[1]	**21.1**	14.2	35.1
Effect of exceptional items[1] (after taxation)	**(2.4)**	(1.3)	(16.7)
Diluted earnings per share	**18.7**	12.9	18.4

(1) Refer to Condensed Group Income Statement for the details of exceptional items

(2) September 2009 and March 2010 have been re-presented for the results of the discontinuing Spanish business

7. Dividends

The interim dividend of 5.00p (2009: 3.50p) per share has been approved by the Board of Directors after 30 September 2010. Accordingly, this dividend has not been recognised as a liability at the period end.

The interim dividend will be paid on 28 January 2011 to Shareholders on the Register at the close of business on 31 December 2010.

A dividend of 10.50p (2009: 8.65p) per share was paid during the period ended 30 September 2010 in relation to the year ending 31 March 2010.

8. Intangible assets

In the period there were additions to intangible assets of £6.6m (2009: £4.7m). There were no disposals in the period (2009: £0.5m).

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 2010 is £73.4m (2009: £31.6m). Additions for the period total £39.9m and relate to the business combination in China (note 18).

Management has performed a review for indicators of impairment as at 30 September 2010. There is no indication that the goodwill may be impaired. The annual impairment test will be performed at 31 March 2011.

9. Property, plant and equipment

In the period there were additions to property, plant and equipment of £43.2m (2009: £28.5m) and disposals with a net book value of £0.5m (2009: £0.2m). Capital commitments contracted but not provided for by the Group amounted to £13.9m (2009: £6.7m).

9. Property, plant and equipment (continued)

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. There is no indication that the carrying amount of the assets is impaired. At 30 September 2009 an impairment charge of £1.1m was recognised in the income statement in respect of certain retail store assets.

Assets held for sale

As part of the restructuring of the Spanish business, £17.0m of assets have been reclassified to assets held for sale, representing the carrying value of the freehold properties in Spain at 30 September 2010.

Investment properties

Based on a valuation report prepared by Cushman & Wakefield in March 2010, the market valuation of the Group's investment properties is £11.6m, based on closing exchange rates at 30 September 2010.

10. Trade and other receivables

	As at 30 September 2010 £m	As at 30 September 2009 £m	As at 31 March 2010 £m
Non-current			
Deposits and prepayments	**12.9**	12.0	11.0
Total non-current trade and other receivables	**12.9**	12.0	11.0
Current			
Net trade receivables	**120.3**	166.3	92.3
Other receivables	**16.8**	13.3	15.3
Prepayments and accrued income	**25.7**	24.6	20.8
Total current trade and other receivables	**162.8**	204.2	128.4
Total	**175.7**	216.2	139.4

11. Trade and other payables

	As at 30 September 2010 £m	As at 30 September 2009 £m	As at 31 March 2010 £m
Non-current			
Deferred consideration	**13.7**	–	–
Put option liability over non-controlling interest	**45.7**	–	–
Other creditors, accruals and deferred income	**29.1**	23.9	26.5
Total non-current trade and other payables	**88.5**	23.9	26.5
Current			
Trade creditors	**83.7**	59.1	62.1
Other taxes and social security costs	**8.3**	7.1	6.2
Deferred consideration	**12.4**	–	–
Other creditors	**14.7**	14.3	17.7
Accruals and deferred income	**145.4**	98.1	114.2
Total current trade and other payables	**264.5**	178.6	200.2
Total	**353.0**	202.5	226.7

Following the acquisition of the Burberry retail and distribution business in China, Sparkle Roll Holdings Limited, a non Group company, retains a 15% economic interest in the Group's business in China. Put and call options exist over this interest stake which are exercisable after 5 years in the case of the call option, and 10 years in the case of the put option. The net present value of the put option has been recognised as a non-current financial liability under IAS 39.

The key assumptions in arriving at the value of the put option are the future performance of the Group and that of the Group's business in China, the Burberry Group plc market capitalisation at the date of exercise, the risk free rate in China and China's future gross domestic product growth.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. Provisions

	Property obligations £m	Restructuring costs £m	Total £m
As at 1 April 2010	9.7	30.2	39.9
Effect of foreign exchange rate changes	(0.2)	(0.8)	(1.0)
Created during the period	–	2.4	2.4
Utilised during the period	(1.9)	(9.7)	(11.6)
Released during the period	–	(0.2)	(0.2)
As at 30 September 2010	**7.6**	**21.9**	**29.5**
As at 30 September 2009	13.0	13.2	26.2

13. Bank overdrafts and borrowings

	As at 30 September 2010 £m	As at 30 September 2009 £m	As at 31 March 2010 £m
Unsecured			
Bank overdrafts	**165.5**	211.1	205.2
Bank borrowings	**18.4**	–	0.7
Other borrowings	**0.5**	–	0.5
Total	**184.4**	211.1	206.4

£150.4m (2009: £211.1m) of the bank overdrafts is matched by cash held in the Group's cash pool representing balances on cash pooling arrangements in the Group.

On 13 June 2008, bilateral multi-currency revolving credit facilities totalling £60m were agreed with two banks. At 30 September 2010, there were no outstanding drawings (2009: £nil). Interest is charged on each of these facilities at LIBOR plus 0.95% on drawings less than 50% of the loan principal and at LIBOR plus 1.05% on drawings over 50% of the loan principal. The facilities mature on 13 June 2011.

On 16 March 2009, a £200m multi-currency revolving facility was agreed with a syndicate of third party banks. At 30 September 2010, there were no outstanding drawings (2009: £nil). Interest is charged on this loan at LIBOR plus 2.00%. The facility matures on 30 June 2012.

On 30 October 2009, a JPY 145m bilateral revolving credit facility was agreed with a third party bank. At 30 September 2010 the amount drawn down was JPY 100.8m. Interest is charged on this loan at the Japanese short-term prime rate plus 0.50%. The facility matures on 1 October 2011.

On 19 August 2010, a short term RMB 254m bilateral revolving credit facility was agreed with a third party bank. At 30 September 2010 the amount drawn down was RMB 184.7m. Interest is charged on this loan at the People's Bank of China benchmark lending rate plus 5.00%.

Other borrowings relate to a loan provided by a non-controlling interest partner totalling £0.5m (2009: £nil) due to mature on 8 November 2011. Interest is charged on this loan at the Japanese short-term prime rate plus 0.50%.

14. Share capital and other reserves

The cost of own shares held in the Burberry Group ESOP trusts is recorded against retained earnings, as the amounts paid reduce the profits available for distribution by the Company. As at 30 September 2010 the amount held against this reserve was £4.8m (2009: £3.4m).

Options exercised during the first half to 30 September 2010 resulted in 438,989 shares being issued (2009: 579,199). 409,288 options had no exercise price (2009: 347,573), with a related weighted average price at the time of exercise of £8.14 (2009: £4.56) per share. 29,701 options (2009: 231,626) had a weighted average exercise price at the time of exercise of £3.98 per share (2009: exercise price of £3.51), with cash exercise proceeds received of £0.1m (2009: £0.7m).

15. Contingent liabilities

There have been no material changes to the Group's contingent liabilities since 31 March 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. Related party disclosures

The Group's significant related parties are disclosed in the Annual Report for the year ended 31 March 2010. 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.

17. Foreign currency

The results of overseas subsidiaries are translated into the Group's presentation currency of Sterling each month at the weighted average exchange rate 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 overseas subsidiaries 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 2010	Six months to 30 September 2009	Year to 31 March 2010
Euro	**1.18**	1.14	1.14
US dollar	**1.52**	1.60	1.60
Hong Kong dollar	**11.76**	12.35	12.55
Korean won	**1,780**	2,019	1,917

	Closing		
	As at 30 September 2010	As at 30 September 2009	As at 31 March 2010
Euro	**1.15**	1.09	1.12
US dollar	**1.57**	1.60	1.52
Hong Kong dollar	**12.20**	12.41	11.79
Korean won	**1,786**	1,882	1,718

The average exchange rate achieved by the 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 145.4: £1 in the six months to 30 September 2010 (Six months to 30 September 2009: Yen 170.4: £1; Year to 31 March 2010: Yen 154.0: £1).

18. Business combinations

Burberry (Shanghai) Trading Co., Ltd

On 16 July 2010, the Group entered into an agreement to acquire the Burberry retail and distribution business within China from its master franchisee in Hong Kong, Kwok Hang Holdings Ltd. The acquisition allows the Group to further leverage its proven brand in China's high growth luxury market.

On 1 September 2010, Burberry (Shanghai) Trading Co., Ltd, a wholly owned Group company incorporated in the People's Republic of China, took control of key store assets and inventory across 50 retail stores. Daily operations at 43 of the stores fully transferred to the Group on that date with the remainder expected to transfer over the second half of the financial year.

Provisional details of the net assets acquired and goodwill are as follows:

	£m
Cash consideration	39.4
Deferred consideration	26.1
Total purchase consideration	65.5
Fair value of net identifiable assets acquired	27.9
Goodwill	37.6

Sparkle Roll Holdings Limited, a non Group company, retains a 15% economic interest in the Burberry retail and distribution business within China. Recognition of this interest at acquisition date has given rise to additional goodwill of £2.3m. Put and call options exist over this interest stake which are exercisable after 5 years in the case of the call option, and 10 years in the case of the put option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. Business combinations (continued)

In total, provisional goodwill of £39.9m arose on the acquisition of the Chinese retail and distribution business and is included within intangible assets. This is attributable to the acquisition of the distribution rights and the benefits expected from further expansion in this region. The goodwill is not tax deductible.

The provisional assets and liabilities arising from the acquisition are as follows:

	Fair value £m
Inventories	21.9
Property, plant and equipment	6.3
Liabilities	(0.3)
Net identifiable assets acquired	27.9
Net identifiable assets acquired attributable to non-controlling interest	4.2

Outflow of cash to acquire businesses, net of cash acquired:

	£m
Cash consideration	39.4
Cash and cash equivalents in subsidiary acquired	–
Cash outflow on acquisition	39.4

The Group incurred transaction costs of £0.9m in respect of the acquisition.

The results generated from the acquired China retail assets for the period to 30 September 2010 were not material for the Group.

Pro forma full year information

Had the acquisition occurred on 1 April 2010, it would have contributed approximately £20m of additional Group revenue, while the Group operating profit impact would have been neutral for the six months to 30 September 2010.

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 of the financial year 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 of the financial year and any material changes in the related party transactions described in the last Annual Report.

The directors of Burberry Group plc are listed in the Burberry Group plc Annual Report for the year ended 31 March 2010. A list of current directors is maintained on the Burberry Group website: www.burberryplc.com.

By order of the Board

John Peace
Chairman
15 November 2010

Stacey Cartwright
Executive Vice President, Chief Financial Officer
15 November 2010

INDEPENDENT REVIEW REPORT TO BURBERRY GROUP PLC

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report ('interim report') for the six months ended 30 September 2010, which comprises the Condensed Group Income Statement, Condensed Group Statement of Comprehensive Income, Condensed Group Balance Sheet, Condensed Group Statement of Changes in Equity, Condensed Group Statement of Cash Flows and the 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 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 2010 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
15 November 2010
London

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

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

Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, telephone: 0871 384 2839 (or +44 121 415 7047 from outside the UK).

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

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

Dividends
The interim dividend of 5.00p per share will be paid on 28 January 2011 to shareholders on the register at the close of business on 31 December 2010.

Dividend Reinvestment Plan
The Group's Dividend Reinvestment Plan (DRIP) enables shareholders to use their dividends to buy further shares in the Company. Full details of the DRIP can be obtained from Equiniti. If you would like your interim and future dividends to qualify for the DRIP, completed application forms must be returned by 14 January 2011.

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

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 details of results announcements, are available on the Group's website at www.burberryplc.com.

Financial calendar

Interim results announcement	16 November 2010
Third quarter trading update	18 January 2011
Dividend record date	31 December 2010
Dividend payment and DRIP purchase date	28 January 2011
Second half trading update	April 2011
Preliminary results announcement	May 2011
Annual General Meeting	July 2011

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