

15 November 2011

## **Burberry Group plc**

### **Interim results for the six months ended 30 September 2011**

#### **Global brand momentum and consistent growth across the group**

Burberry Group plc, the global luxury company, today announces its unaudited results for the six months ended 30 September 2011.

#### **Highlights**

- Consistent double-digit revenue growth
  - In retail, wholesale, all regions and all product divisions
- Strong financial performance
  - Revenue up 29% to £830m
  - Adjusted PBT up 26% to £162m; reported PBT £159m
  - Adjusted diluted EPS up 27% to 26.9p; reported diluted EPS 26.4p
  - Net cash of £174m (2010: £181m)
- Interim dividend up 40% to 7.0p per share, rebalancing between halves
- Focus on investing to drive growth
  - Capital expenditure plans unchanged at £180-200m in FY 2012
  - Concentrated in flagship markets including London, Hong Kong and Chicago

Angela Ahrendts, Chief Executive Officer, commented:

“Burberry has delivered a strong first half, reflecting our continued investment in innovative design, digital marketing and retail strategies. This consistent performance, balanced across channels, regions and product divisions, is enabled by our closely connected global teams and creative thinking culture.

As we begin to see initial returns from five years of infrastructure investments, we are confident that this solid foundation will enable us to optimise both our strong brand momentum and the luxury sector's opportunities, especially in high-growth flagship and emerging markets.

As the team has demonstrated in the past, we remain mindful of, and prepared to react to, any local or global uncertainties as we drive for long-term sustainable growth.”

All metrics and commentary in the Group Financial Highlights and Interim Management Report except reported eps exclude the results of the discontinued business in Spain. Discontinued operations in H1 2011 delivered an operating profit of £0.6m (H1 2010: operating loss of £10.3m, including a £7.6m restructuring charge)

Adjusted measures exclude the put option liability finance charge relating to the third party 15% economic interest in the Chinese business of £2.9m (H1 2010: £0.5m)

Underlying change is calculated at constant exchange rates

Certain financial data within this announcement have been rounded

## **Enquiries**

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There will be a presentation today at 9.30am (UK time) to investors and analysts at Horseferry House, Horseferry Road, London, SW1P 2AW. The presentation can be viewed live on the Burberry website ([www.burberryplc.com](http://www.burberryplc.com)) and can also be accessed live via a dial-in facility on +44 (0) 20 3106 4822, password 5473561. The supporting slides and an indexed replay will be available on the website later in the day.

Burberry will update on trading on 17 January 2012 when it will issue its Interim Management Statement for 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. Burberry Group plc undertakes no obligation to update these forward-looking statements, and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. All persons, wherever located, should consult any additional disclosures that Burberry Group plc may make in any regulatory announcements or documents which it publishes. All persons, wherever located, should take note of these disclosures. This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the US, or under the US Securities Act 1933 or in any other jurisdiction.

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## GROUP FINANCIAL HIGHLIGHTS

**Total revenue up 29% to £830m** (2010: £641m)

**Retail/wholesale revenue up 31%, operating profit up 32%**; operating margin of 14.9% (2010: 14.8%)

**Adjusted profit before tax up 26% to £161.6m** (2010: £128.5m)

**Reported profit before tax of £158.7m** (2010: £128.0m)

**Projected effective tax rate of 26.5%** on adjusted profit before tax for the full year

**Adjusted diluted EPS up 27% at 26.9p**; reported diluted EPS of 26.4p

**Interim dividend up 40% to 7.0p** (2010: 5.0p); reflecting rebalancing between halves. Dividend policy remains a 40% payout based on full year adjusted diluted EPS

**Net cash of £174m** at 30 September 2011 (2010: £181m), after £63m investment in capital expenditure

£ million	Six months to 30 September*		% change	
	2011	2010	reported FX	underlying
Revenue	829.6	641.1	29	30
Cost of sales	(257.7)	(211.5)	(22)	
Gross margin	571.9	429.6	33	
Operating expenses	(409.8)	(299.9)	(37)	
<b>Operating profit</b>	<b>162.1</b>	<b>129.7</b>	<b>25</b>	<b>25</b>
Net finance charge <sup>#</sup>	(0.5)	(1.2)		
<b>Adjusted profit before taxation</b>	<b>161.6</b>	<b>128.5</b>	<b>26</b>	<b>25</b>
Exceptional items	(2.9)	(0.5)		
<b>Profit before taxation</b>	<b>158.7</b>	<b>128.0</b>		
Taxation	(42.8)	(36.0)		
Discontinued operations	0.6	(10.3)		
Non-controlling interest	0.7	1.4		
Attributable profit	117.2	83.1		
<b>Adjusted EPS (pence)<sup>~</sup></b>	<b>26.9</b>	<b>21.1</b>		
EPS (pence) <sup>~</sup>	26.4	18.7		
Weighted average number of ordinary shares (millions) <sup>~</sup>	444.5	445.0		

\* 2010 has been re-presented to show the results of the discontinued business in Spain separately. Discontinued operations in H1 2011 delivered an operating profit of £0.6m (H1 2010: operating loss of £10.3m, including a £7.6m restructuring charge)

<sup>#</sup> In H1 2011, the net finance charge in the table above excludes a £2.9m Chinese put option liability finance charge (H1 2010: £0.5m) included in the reported net finance charge of £3.4m (H1 2010: £1.7m). Adjusted excludes the Chinese put option liability finance charge and discontinued operations

<sup>~</sup> EPS is presented on a diluted basis

## **INTERIM MANAGEMENT REPORT**

**The continued momentum and strong financial performance in the first half resulted from Burberry's consistent execution of its five key strategies.**

### ***Leveraging the franchise***

#### **Innovative use of social media connecting more customers globally**

- Burberry Body, the new women's fragrance, launched globally across all mediums and channels. This included Facebook, a YouTube homepage takeover and outdoor advertising in about 15 flagship markets, further extending the reach and awareness of the Burberry brand globally
- The Spring/Summer 2012 runway show was viewed by a global audience of millions through hundreds of media partnerships worldwide and saw the inception of the first ever "Tweetwalk", premiering the collection on Twitter
- With over nine million fans on Facebook, Burberry remains the leading luxury brand, has over eight million views to date on YouTube and has established a significant presence on key Chinese social media platforms

#### **Consistent growth across all four product divisions**

- Product innovation and high impact marketing campaigns further increased the penetration of outerwear in men's and women's apparel
- Menswear grew by 37% and womenswear by 35% underlying, driven in retail by strong performances in Burberry Prorsum and London, core outerwear and tailoring
- Childrenswear grew by 24% underlying in both retail and wholesale, with increased penetration of outerwear and non-apparel

### ***Intensifying non-apparel development***

#### **Non-apparel revenue increased by 28% underlying and remained the largest product division at 39% of retail/wholesale revenue**

- Large leather goods again contributed over half of non-apparel retail sales
- Soft accessories and shoes showed solid growth as collections were diversified and core categories innovated
- Replenishment styles represented over 60% of non-apparel mainline retail sales in the half

#### **Men's accessories grew strongly in all channels, with revenue up nearly 50% year-on-year in mainline retail**

- Men's accessories now account for about 15% of non-apparel mainline retail sales, with significantly higher penetration online

### ***Accelerating retail-led growth***

#### **Retail sales grew by 45% underlying and accounted for 64% of revenue in the first half, up from 57% in the same period last year**

- Comparable store sales increased 16%, driven by monthly flow of new receipts, enhanced replenishment processes, the global buy and sales and service initiatives
- The balance of retail sales growth came from new stores globally and the acquired China stores

#### **Planned capital expenditure remains at £180-200m in FY 2012**

- Continued focus on flagship openings and refurbishments in high profile markets
- A net eight mainline stores opened in the first half

#### **Burberry continues to innovate in digital commerce**

- Further refinements were made to burberry.com to enhance functionality, product images and information and links with social media
- The number of visits to the site increased significantly in the first half as luxury customers researched online and bought online and in-store

### ***Investing in under-penetrated markets***

#### **North American wholesale revenue increased by nearly 25% underlying in the first half, now 8% of group sales**

- Driven by strong performance as department stores are starting to allocate real estate to Burberry dedicated shop-in-shops across all categories
- Optimising the segmentation of Burberry London and Brit
- 16 shop-in-shops opened in the first half, including in key New York department store doors

#### **Emerging Markets accounted for 19% of retail/wholesale revenue, up from 13% in the first half of last year**

- Emerging Markets include China, the Middle East, Latin America, Russia, Turkey and India, as well as other smaller markets
- Revenue has grown from just 6% of sales in FY 2008, as Burberry continues to convert operations from wholesale/franchise to retail (including China, the Middle East and India), while working with its partners to accelerate growth in existing and new markets

## ***Pursuing operational excellence***

### **With the implementation in China just live, all major markets are now on SAP**

- Beginning to benefit from full global visibility for the first time
- Standardised global data and reporting will enable quicker and better decision-making throughout the business
- Benefits of global implementation will be delivered over coming years

### **Continued refinement of Burberry's operating business model**

- Ongoing investment in people and processes to refine and optimise planning, replenishment, regional inventory management and pricing leverage

### **Global brand focus**

- More disciplined process around execution of monthly flow of product
- Supported by high impact marketing, synchronised globally across all channels, media and consumer touchpoints
- Driving increased brand awareness and global consistency

## **Revenue analysis**

### **Revenue by channel**

£ million	Six months to 30 September		% change	
	2011	2010	<i>reported FX</i>	<i>underlying</i>
Retail	527.4	366.3	44	45
Wholesale	247.9	226.0	10	9
Licensing	54.3	48.8	11	4
<b>Revenue – continuing operations</b>	<b>829.6</b>	<b>641.1</b>	<b>29</b>	<b>30</b>
Discontinued Spanish operations	-	31.9		
	829.6	673.0		

Burberry acquired its Chinese operations with effect from 1 September 2010. Excluding these, underlying growth in the first half was 31% in retail and 20% in wholesale

Revenue from continuing operations was £830m, an increase of 30% on an underlying basis.

Due to the seasonal nature of the retail segment, group revenue is usually expected to be higher in the second half of the year than in the first half.

## **Retail**

*64% of revenue (2010: 57%); generated from 187 mainline stores, 210 concessions within department stores, digital commerce and 44 outlets*

- Retail sales in the first half increased by 45% on an underlying basis (up 44% at reported FX)
- Comparable store sales increased by 16% (Q1: +15%; Q2: +16%)
- The acquired stores in China contributed 14% of the 45% underlying growth, up to the anniversary of their acquisition
- New space in all regions generated a further 15%
- Average retail selling space increased by 14% in the first half, with the acquired Chinese stores contributing an additional 11%

Mainline stores outperformed in the first half, with all four regions delivering double-digit mainline comparable growth in the second quarter. Flagship markets around the world were among the strongest performers, buoyed by the travelling luxury consumer.

In mainline stores, increased average selling price was one of the key drivers of growth, largely reflecting continued design innovation in all collections. Burberry Prorsum and London performed strongly (now 40% of mainline revenue – up from 25% two years ago), led by growth in core women's and men's outerwear. Key merchandising initiatives, including men's accessories and tailoring, also saw a strong consumer response. Replenishment styles were half of mainline revenue for the first time, accounting for an increased percentage of sales in every product division. Fashion sales were driven by a more disciplined process optimising monthly flow of product, with synchronised marketing and high impact digital and in-store initiatives.

### *Asia Pacific*

Retail accounted for over 80% of revenue in Asia Pacific. There was consistent double-digit comparable store sales growth throughout the half, led by Hong Kong and Taiwan. Flagship stores were opened in Sydney and Canton Road, Hong Kong where new in-store digital technology further enhanced Burberry's brand presence and financial performance in this key luxury and tourist market.

Comparable store sales growth in China continued at around 30%, enabled by the investment in strong local and regional teams and the ongoing implementation of corporate brand marketing, retail disciplines and processes. Sales in the acquired stores were not included in Burberry's 16% comparable growth until 1 September, the anniversary of the acquisition. Four stores were opened in the first half, all in key cities where Burberry already had a presence.

### *Europe*

Europe, which is now about 60% retail, was led by the flagship markets including London and Paris, with northern Europe delivering a strong performance. Burberry continues to expand and enhance highly productive concessions in key European department stores.

### *Americas*

Retail also contributed about 60% of revenue in the Americas, with continued strong momentum in mainline stores, especially in New York and San Francisco. Burberry's first department store concession in Canada was opened during the half.

### *Rest of World*

A subsidiary was formed for the five Saudi Arabia franchise stores, in which Burberry has a 60% stake. Store openings in the first half included two additional stores in India, bringing the total to seven, and the third childrenswear store in the Middle East.

## **Wholesale**

*30% of revenue (2010: 35%); generated from sales to department stores, multi-brand specialty accounts, Emerging Market franchisees and Travel Retail*

- Wholesale revenue excluding China increased by 20% on an underlying basis in the first half, slightly exceeding guidance
- Total wholesale revenue grew by 9% underlying in the first half (up 10% at reported FX)
- Led by core outerwear and new initiatives such as men's accessories, men's tailoring, childrenswear and shoes

### *Asia Pacific*

Wholesale revenue in Asia Pacific, which is about 20% of group wholesale revenue, is predominantly Travel Retail. This continued to perform strongly, reflecting healthy tourism trends.

### *Europe*

Europe contributes around 40% of group wholesale revenue. The rationalisation of small speciality accounts continued in the first half, more than offset by growth in key department stores. New shop-in-shops are being opened and existing space relocated and renovated.

### *Americas*

The Americas, which is about 30% of group wholesale revenue, saw strong growth in the first half, with department stores allocating additional space to Burberry for dedicated shop-in-shops across all categories.

### *Rest of World*

Wholesale in Rest of World, especially Turkey, performed well in the half.

At 30 September 2011, Burberry had 52 franchise stores, mainly in Emerging Markets, down from 56 at the start of the year, due to five stores in Saudi Arabia converting to retail, plus one store opening in Turkey, bringing the total to seven in that market. About five franchise openings are expected in the second half, predominantly in new markets.



## Licensing

6% of revenue (2010: 8%); of which approximately two-thirds from Japan (split roughly three-quarters apparel and one-quarter from various short-term mainly non-apparel licences), with the balance from global product licences (fragrance, eyewear and timepieces) and European wholesale childrenswear

- Licensing revenue in the first half increased by 4% on an underlying basis (up 11% at reported FX)
- Consistent with full year guidance

There was a step-up in Japanese apparel royalty income in line with the 2009 renegotiation, which also reduced the length of the licence by five years to now expire in 2015. This was largely offset by the planned termination of short term, non-apparel licences including handbags, small leather goods and men's shoes and belts.

There was good growth from the global fragrance, eyewear and timepiece licences. Burberry Body, the new fragrance for women, was launched in-store and online during September 2011. The launch was supported by the innovative use of both social media and outdoor advertising, further extending the reach and awareness of the brand. In both eyewear and timepieces, Burberry continues to work more closely with its partners to innovate the product, perception and distribution in line with its core categories.

Burberry continues to evaluate integration opportunities in licensing.

## Operating profit analysis

£ million	Six months to 30 September		% change	
	2011	2010	reported FX	underlying
Retail/wholesale	115.7	87.4	32	36
Licensing	46.4	42.3	10	2
<b>Operating profit</b>	<b>162.1</b>	<b>129.7</b>	<b>25</b>	<b>25</b>
<i>Operating margin</i>	<i>19.5%</i>	<i>20.2%</i>		

Operating profit increased by 25% to £162.1m in the first half, with only a nominal £0.4m benefit from exchange rates.

## Retail/wholesale operating profit

£ million	Six months to 30 September		% change reported FX
	2011	2010	
Revenue	775.3	592.3	31
Cost of sales	(257.7)	(211.5)	(22)
Gross margin	517.6	380.8	36
<i>Gross margin</i>	66.7%	64.3%	
Operating expenses	(401.9)	(293.4)	(37)
<b>Operating profit</b>	<b>115.7</b>	<b>87.4</b>	<b>32</b>
<i>Operating expenses as a % of sales</i>	51.8%	49.5%	
<i>Operating margin</i>	14.9%	14.8%	

Retail/wholesale operating profit grew by 32% to £115.7m in the half, including a negative impact from exchange rates of £3.0m. Operating margin was broadly unchanged compared to the same period last year, reflecting the phasing of investment and costs and the changing weighting of revenue between halves, given the continued mix shift to retail.

For FY 2012, Burberry continues to expect a modest improvement in retail/wholesale operating margin, dynamically managing gross margin and operating expenses to enable further investment in the business.

### *Gross margin*

Gross margin was 66.7% in the first half – up 240 basis points from 64.3% in the same period last year. The majority of the increase came from the shift to retail (64% of revenue compared to 57% in the first half last year), especially in China. Gross margin was also driven by greater replenishment and mainline outperformance, offsetting the impact of the mix shift to Burberry Prorsum and London.

### *Operating expenses*

Operating expenses as a percentage of revenue increased to 51.8%, with the growth over last year largely reflecting the shift from wholesale to retail.

Of the £109m increase in costs, about half comes from planned strategic investments including new markets such as the Middle East and Latin America; the five month impact of the China acquisition; flagship transitional costs; expanded central functions, including IT, corporate resources, logistics, planning, digital commerce and corporate functions; as well as higher share scheme costs.

## Licensing operating profit

£ million	Six months to 30 September		<i>Six months to 30 September 2011 underlying</i>
	2011	2010	
Revenue	54.3	48.8	50.9
Cost of sales	-	-	-
Gross margin	54.3	48.8	50.9
<i>Gross margin</i>	100%	100%	
Operating expenses	(7.9)	(6.5)	(7.9)
<b>Operating profit</b>	<b>46.4</b>	<b>42.3</b>	<b>43.0</b>
<i>Operating margin</i>	85.5%	86.7%	

Licensing revenue increased by 4% on an underlying basis (up 11% at reported FX). With higher operating expenses as Burberry strengthened its in-house team and a £3.4m translation benefit, operating profit was £46.4m (2010: £42.3m).

## Exceptional items

£ million	Six months to 30 September	
	2011	2010
Chinese put option liability finance charge	(2.9)	(0.5)

Following the acquisition of the Burberry retail and distribution business in China in September 2010, Sparkle Roll Holdings Limited, a non-Group company, holds a 15% economic interest in the Group's retail business in China. Put and call options exist over this interest stake which are exercisable after five years from the acquisition date in the case of the call option and 10 years from the acquisition date in the case of the put option. The fair value of the put option, being its net present value at inception, has been recognised as a non-current financial liability (30 September 2011: £51.5m).

At each reporting date, the fair value of the put option is reassessed and any changes in fair value would be reflected in the income statement and treated as exceptional. A change in fair value arising as a result of a change in the discount rate or unwind in the discount will be recorded as an exceptional financing item. A change in the fair value arising as a result of a change in the estimated final payout will be recorded as an exceptional operating item.

In the first half, a finance charge of £2.9m arose relating to the unwinding of the discount in the net present value of the put option over the six months to 30 September 2011. This has been treated as an exceptional financing charge in the income statement.

## Discontinued operations

£ million	Six months to 30 September	
	2011	2010
Spain operating profit/(loss)	0.6	(2.7)
Restructuring costs	-	(7.6)
Profit/(loss) for discontinued Spanish operations	0.6	(10.3)

In the first half, the operating profit from the discontinued Spanish operations of £0.6m (2010: loss £2.7m) was a provision release resulting from more effective clearance of residual inventory.

Cash spend in the first half associated with the restructuring was £6.2m.

## Taxation

The effective rate of tax on adjusted profit for FY 2012 is estimated to be 26.5%, which is the rate applied in H1 2011 (H1 2010: 28%).

## Net cash

Net cash at 30 September 2011 was £174m, compared to £298m at 31 March 2011 and £181m at 30 September 2010. The major cash outflows in the first half included capital expenditure of £63m (2010: £47m), a seasonal working capital outflow of £108m (2010: £62m), tax of £49m (2010: £35m) and dividends of £68m (2010: £46m). In addition, £42m was contributed to the Employee Share Option Plan (ESOP) trust which has purchased shares to satisfy historic share scheme awards. Further share purchases will be made through the trust from time to time to meet future requirements, with a significantly lower spend anticipated in the second half.

Inventory at 30 September 2011 was £340m (2010: £252m). Of the difference, over 40% was in low risk replenishment styles. Excluding this, inventory increased by 25% to support growth in the business (retail revenue up 45% underlying), safety stocks put into China ahead of the SAP transition and more shipping of Spring/Summer 2012 by sea versus air.

## **Outlook**

The following guidance is consistent with that given in October 2011.

### *Retail*

For the second half of FY 2012, average retail selling space is planned to increase by about 15%. Burberry expects to open a net eight to ten mainline stores, including in China, Latin America and a flagship in Paris.

### *Wholesale*

In the second half, the planned shift from wholesale to retail continues, with the first half conversion of the five Saudi Arabia stores and menswear in Spain moving to a concession model. Further rationalisation of the brand's distribution in the US and Europe continues. As a result, in the second half, against a period of tougher comparatives, Burberry expects wholesale revenue to increase by a mid single-digit percentage at constant exchange rates.

### *Licensing*

For FY 2012, Burberry continues to expect licensing revenue at constant exchange rates to increase by a mid single-digit percentage. Licensing revenue at reported FX is still expected to increase by around 10%.

### *Capital expenditure*

For FY 2012, capital expenditure is still planned at £180-200m.

## **Principal risks**

The Group carried out a formal process throughout the period to identify, evaluate and manage significant risks faced by the Group. In the current macroeconomic environment, a major economic downturn is a key risk. In the view of the directors, the remaining principal risks affecting the business activities of the Group continue to be those detailed in the report given on pages 54 to 56 of the Burberry Group plc Annual Report 2010/11. These risks include the loss of key employees; failure of and impact of significant growth on the IT and operational infrastructure; major incidents; stability of emerging markets; non-compliance with regulatory and ethical standards; over-reliance on key vendors; pace of change within the business; Japanese licensing income; unauthorised use of the Group's trademarks and commodity pricing and availability. The under-performance of acquisitions and joint operations is no longer considered to be a principal risk, primarily following the successful integration of the China operations.

## **Related parties**

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

## APPENDIX

### Retail/wholesale revenue by destination (re-presented)

£ million	Six months to 30 September		% change	
	2011	2010	<i>reported FX</i>	<i>underlying</i>
Asia Pacific	265.3	175.4	51	52
Europe	270.8	220.7	23	18
Americas	189.9	158.6	20	27
Rest of World	49.3	37.6	31	35
	<u>775.3</u>	<u>592.3</u>	<u>31</u>	<u>32</u>

2010 has been re-presented to exclude the results of the discontinued Spanish operations

### Retail/wholesale revenue by product category

£ million	Six months to 30 September		% change	
	2011	2010	<i>reported FX</i>	<i>underlying</i>
Non-apparel	303.6	237.3	28	28
Womenswear	254.2	189.0	35	35
Menswear	185.9	137.2	35	37
Childrenswear	31.3	25.7	23	24
Other	0.3	3.1	(91)	(91)
	<u>775.3</u>	<u>592.3</u>	<u>31</u>	<u>32</u>

2010 excludes the results of the discontinued Spanish operations

### Store portfolio

	Directly-operated stores				Total	Franchise stores
	Mainline stores	Concessions	Outlets			
At 31 March 2011	174	199	44		417	56
Additions	12	16	3		31	1
Closures	(4)	(5)	(3)		(12)	-
Transfers*	5	-	-		5	(5)
At 30 September 2011	187	210	44		441	52

\* Transfers are the five stores in Saudi Arabia

## Store portfolio by region

At 30 September 2011	Directly-operated stores			Total	<i>Franchise stores</i>
	Mainline stores	Concessions	Outlets		
Asia Pacific	54	147	9	210	15
Europe	36	60	17	113	21
Americas*	72	1	17	90	3
Rest of World	25	2	1	28	13
<b>Total</b>	<b>187</b>	<b>210</b>	<b>44</b>	<b>441</b>	<b>52</b>

\* Three franchise stores in the Americas are in Mexico

## Retail net selling square footage

	000s square feet
At 31 March 2008	740
At 31 March 2009	845
At 31 March 2010	890
At 30 September 2010	955
At 31 March 2011	1,010
At 30 September 2011	1,085

## CONDENSED GROUP INCOME STATEMENT – UNAUDITED

	Note	Six months to 30 September 2011 £m	Six months to 30 September 2010 <sup>(1)</sup> £m	Audited Year to 31 March 2011 £m
Revenue	3	<b>829.6</b>	641.1	1,501.3
Cost of sales		<b>(257.7)</b>	(211.5)	(491.6)
Gross profit		<b>571.9</b>	429.6	1,009.7
Net operating expenses		<b>(409.8)</b>	(299.9)	(707.6)
Operating profit		<b>162.1</b>	129.7	302.1
Financing				
Interest receivable and similar income		<b>1.3</b>	0.8	1.9
Interest payable and similar charges		<b>(1.8)</b>	(2.0)	(5.1)
Other financing charges		<b>(2.9)</b>	(0.5)	(3.2)
Net finance charge		<b>(3.4)</b>	(1.7)	(6.4)
Profit before taxation		<b>158.7</b>	128.0	295.7
Taxation	5	<b>(42.8)</b>	(36.0)	(83.2)
Profit for the period from continuing operations		<b>115.9</b>	92.0	212.5
Profit / (loss) for the period from discontinued operations	19	<b>0.6</b>	(10.3)	(6.2)
Profit for the period		<b>116.5</b>	81.7	206.3
Attributable to:				
Equity holders of the Company		<b>117.2</b>	83.1	208.4
Non-controlling interest		<b>(0.7)</b>	(1.4)	(2.1)
Profit for the period		<b>116.5</b>	81.7	206.3
Earnings per share				
– basic	6	<b>26.9p</b>	19.1p	47.9p
– diluted	6	<b>26.4p</b>	18.7p	46.9p
Earnings per share from continuing operations				
– basic	6	<b>26.7p</b>	21.5p	49.3p
– diluted	6	<b>26.2p</b>	21.0p	48.3p
		£m	£m	£m
Reconciliation of adjusted profit before taxation:				
Profit before taxation		<b>158.7</b>	128.0	295.7
Exceptional items:				
– restructuring credit relating to continuing operations	4	–	–	(1.0)
– put option liability finance charge	4	<b>2.9</b>	0.5	3.2
Adjusted profit before taxation - non-GAAP measure		<b>161.6</b>	128.5	297.9
Adjusted earnings per share - non-GAAP measure				
– basic	6	<b>27.4p</b>	21.6p	49.9p
– diluted	6	<b>26.9p</b>	21.1p	48.9p
Dividends per share				
– Proposed interim (not recognised as a liability at 30 September)	7	7.00p	5.00p	5.00p
– Final (not recognised as a liability at 31 March)	7	–	–	15.00p

(1) The results for the six months ended 30 September 2010 have been re-presented to show the results of the discontinued Spanish operations separately.



## CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

	Six months to 30 September 2011 £m	Six months to 30 September 2010 £m	Audited Year to 31 March 2011 £m
Profit for the period	<b>116.5</b>	81.7	206.3
Other comprehensive income:			
– cash flow hedges	–	3.2	4.9
– foreign currency translation differences	<b>6.4</b>	(13.4)	(15.3)
Tax on other comprehensive income:			
– cash flow hedges	–	(0.9)	(1.4)
– foreign currency translation differences	<b>(0.6)</b>	1.6	2.0
Other comprehensive income/(expense) for the period, net of tax	<b>5.8</b>	(9.5)	(9.8)
<b>Total comprehensive income for the period</b>	<b>122.3</b>	72.2	196.5
Total comprehensive income attributable to:			
Equity holders of the Company	<b>122.1</b>	73.5	198.8
Non-controlling interest	<b>0.2</b>	(1.3)	(2.3)
	<b>122.3</b>	72.2	196.5

## CONDENSED GROUP BALANCE SHEET – UNAUDITED

	Note	As at 30 September 2011 £m	As at 30 September 2010 £m	Audited As at 31 March 2011 £m
<b>ASSETS</b>				
Non-current assets				
Intangible assets	8	<b>133.4</b>	111.3	114.7
Property, plant and equipment	9	<b>299.5</b>	251.6	281.8
Investment properties		<b>2.9</b>	3.0	3.0
Deferred tax assets		<b>77.6</b>	52.4	70.4
Trade and other receivables	10	<b>17.3</b>	12.9	15.2
Derivative financial assets		<b>7.9</b>	6.9	9.2
		<b>538.6</b>	438.1	494.3
Current assets				
Inventories		<b>340.3</b>	252.2	247.9
Trade and other receivables	10	<b>177.0</b>	162.8	132.5
Derivative financial assets		<b>2.3</b>	3.1	1.6
Income tax receivables		<b>4.8</b>	6.7	8.3
Cash and cash equivalents		<b>328.5</b>	365.3	466.3
		<b>852.9</b>	790.1	856.6
Assets classified as held for sale	19	<b>13.2</b>	17.0	13.5
		<b>866.1</b>	807.1	870.1
<b>Total assets</b>		<b>1,404.7</b>	1,245.2	1,364.4
<b>LIABILITIES</b>				
Non-current liabilities				
Trade and other payables	11	<b>(89.5)</b>	(88.5)	(84.4)
Deferred tax liabilities		<b>(1.8)</b>	(1.6)	(1.8)
Retirement benefit obligations		<b>(0.6)</b>	(0.6)	(0.6)
Provisions for other liabilities and charges	12	<b>(10.1)</b>	(5.2)	(9.6)
		<b>(102.0)</b>	(95.9)	(96.4)
Current liabilities				
Bank overdrafts and borrowings	13	<b>(154.3)</b>	(184.4)	(168.4)
Derivative financial liabilities		<b>(4.1)</b>	(8.0)	(3.9)
Trade and other payables	11	<b>(309.8)</b>	(264.5)	(283.4)
Provisions for other liabilities and charges	12	<b>(10.1)</b>	(24.3)	(18.6)
Income tax liabilities		<b>(51.3)</b>	(65.1)	(60.0)
		<b>(529.6)</b>	(546.3)	(534.3)
<b>Total liabilities</b>		<b>(631.6)</b>	(642.2)	(630.7)
<b>Net assets</b>		<b>773.1</b>	603.0	733.7
<b>EQUITY</b>				
Capital and reserves attributable to the Company's equity holders				
Ordinary share capital	14	<b>0.2</b>	0.2	0.2
Share premium account		<b>202.3</b>	189.5	192.5
Capital reserve		<b>28.9</b>	27.2	28.9
Hedging reserve		<b>2.4</b>	1.2	2.4
Foreign currency translation reserve		<b>128.1</b>	124.4	123.2
Retained earnings		<b>389.0</b>	241.0	366.4
		<b>750.9</b>	583.5	713.6
Non-controlling interests in equity		<b>22.2</b>	19.5	20.1
<b>Total equity</b>		<b>773.1</b>	603.0	733.7

## CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to owners of the company				Total £m	Non- controlling interest £m	Total equity £m	
	Note	Ordinary Share capital £m	Share premium account £m	Other reserves £m				Retained earnings £m
Balance as at 1 April 2010		0.2	186.1	162.4	241.4	590.1	13.4	603.5
Profit/(loss) 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 (expense) / income for the period		–	–	(9.6)	83.1	73.5	(1.3)	72.2
Transactions with owners:								
Employee share incentive scheme								
– value of share awards granted		–	–	–	10.0	10.0	–	10.0
– value of share awards transferred to liabilities		–	–	–	(0.7)	(0.7)	–	(0.7)
– tax on share awards granted		–	–	–	7.8	7.8	–	7.8
– exercise of share awards		–	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)
<b>Balance as at 30 September 2010</b>		<b>0.2</b>	<b>189.5</b>	<b>152.8</b>	<b>241.0</b>	<b>583.5</b>	<b>19.5</b>	<b>603.0</b>
Balance as at 1 April 2011		0.2	192.5	154.5	366.4	713.6	20.1	733.7
Profit/(loss) for the period		–	–	–	117.2	117.2	(0.7)	116.5
Other comprehensive income:								
Cash flow hedges – losses deferred in equity		–	–	(2.0)	–	(2.0)	–	(2.0)
Cash flow hedges – losses transferred to income		–	–	2.0	–	2.0	–	2.0
Foreign currency translation differences		–	–	5.5	–	5.5	0.9	6.4
Tax on other comprehensive income		–	–	(0.6)	–	(0.6)	–	(0.6)
Total comprehensive income for the period		–	–	4.9	117.2	122.1	0.2	122.3
Transactions with owners:								
Employee share incentive scheme								
– value of share awards granted		–	–	–	16.0	16.0	–	16.0
– value of share awards transferred to liabilities		–	–	–	(0.8)	(0.8)	–	(0.8)
– tax on share awards granted		–	–	–	7.2	7.2	–	7.2
– exercise of share awards	14	–	9.8	–	(9.4)	0.4	–	0.4
Sale of own shares by ESOP trusts		–	–	–	0.1	0.1	–	0.1
Purchase of own shares by ESOP trusts		–	–	–	(42.3)	(42.3)	–	(42.3)
Capital contribution by non-controlling interest		–	–	–	–	–	4.9	4.9
Dividend paid in the period		–	–	–	(65.4)	(65.4)	(3.0)	(68.4)
<b>Balance as at 30 September 2011</b>		<b>0.2</b>	<b>202.3</b>	<b>159.4</b>	<b>389.0</b>	<b>750.9</b>	<b>22.2</b>	<b>773.1</b>

## CONDENSED GROUP STATEMENT OF CASH FLOWS – UNAUDITED

	Note	Six months to 30 September 2011 £m	Six months to 30 September 2010 £m	Audited Year to 31 March 2011 £m
<b>Cash flows from operating activities</b>				
Operating profit		<b>162.1</b>	129.7	302.1
Operating profit/(loss) from discontinued operations	19	<b>0.6</b>	(10.3)	(6.2)
Depreciation		<b>33.8</b>	25.1	53.7
Amortisation		<b>5.7</b>	3.5	8.9
Write-down of assets held for sale		<b>–</b>	–	3.7
Loss on disposal of property, plant and equipment and intangible assets		<b>0.2</b>	0.5	1.1
Fair value losses/(gains) on derivative instruments		<b>1.3</b>	(3.7)	(6.2)
Charges in respect of employee share incentive schemes		<b>16.0</b>	10.0	28.3
Increase in inventories		<b>(90.3)</b>	(66.1)	(58.9)
Increase in receivables		<b>(43.9)</b>	(37.9)	(11.4)
Increase in payables		<b>19.8</b>	40.3	51.3
Cash generated from operations		<b>105.3</b>	91.1	366.4
Interest received		<b>1.3</b>	0.8	1.9
Interest paid		<b>(1.8)</b>	(2.1)	(5.1)
Taxation paid		<b>(48.7)</b>	(34.7)	(98.1)
Net cash generated from operating activities		<b>56.1</b>	55.1	265.1
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment and intangible assets		<b>(63.0)</b>	(47.3)	(108.4)
Acquisition of subsidiary, net of cash acquired	18	<b>(10.0)</b>	(39.4)	(51.9)
Payment of deferred consideration		<b>(1.0)</b>	–	–
Net cash outflow from investing activities <sup>(1)</sup>		<b>(74.0)</b>	(86.7)	(160.3)
<b>Cash flows from financing activities</b>				
Dividends paid in the year		<b>(65.4)</b>	(45.7)	(67.4)
Dividends paid to non-controlling interest		<b>(3.0)</b>	–	(1.3)
Issue of ordinary share capital		<b>0.4</b>	0.1	0.8
Sale of own shares by ESOP trusts		<b>0.1</b>	0.2	0.3
Purchase of own shares by ESOP trusts		<b>(42.3)</b>	(6.6)	(6.6)
Proceeds from borrowings		<b>–</b>	17.6	24.0
Repayment of borrowings		<b>–</b>	–	(24.1)
Capital contribution by non-controlling interests		<b>4.9</b>	4.2	7.0
Net cash outflow from financing activities <sup>(1)</sup>		<b>(105.3)</b>	(30.2)	(67.3)
Net (decrease)/increase in cash and cash equivalents		<b>(123.2)</b>	(61.8)	37.5
Effect of exchange rate changes		<b>(0.4)</b>	(1.6)	(1.5)
Cash and cash equivalents at beginning of period		<b>299.2</b>	263.2	263.2
Cash and cash equivalents at end of period		<b>175.6</b>	199.8	299.2

## ANALYSIS OF NET CASH

	Note	As at 30 September 2011 £m	As at 30 September 2010 £m	Audited As at 31 March 2011 £m
Cash and cash equivalents as per the Balance Sheet		<b>328.5</b>	365.3	466.3
Bank overdrafts	13	<b>(152.9)</b>	(165.5)	(167.1)
Cash and cash equivalents as per the Statement of Cash Flows		<b>175.6</b>	199.8	299.2
Drawn down borrowings		<b>(1.2)</b>	(18.8)	(1.2)
Effect of exchange rate changes on foreign currency borrowings		<b>(0.2)</b>	(0.1)	(0.1)
Bank and other borrowings	13	<b>(1.4)</b>	(18.9)	(1.3)
Net cash		<b>174.2</b>	180.9	297.9

(1) Net cash outflows from investing and financing activities for the six months to 30 September 2010 and the year to 31 March 2011 have been re-presented to reflect the reclassification of capital contributions by non-controlling interests.

## 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 ended 30 September 2011, and the Condensed Group Balance Sheet as at 30 September 2011 and related notes have been reviewed by the auditors and their report to the Company is set out on page 31. 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 2011 were approved by the Board of Directors on 25 May 2011 and have been filed with the Registrar of Companies. The report of the auditors on the statutory accounts for the year ended 31 March 2011 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 2011 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 2011, which have been prepared in accordance with International Financial Reporting Standards ('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 2011.

Accounting policies and presentation are consistent with those applied in the Group's financial statements for the year ended 31 March 2011, as set out on pages 95 to 100 of those financial statements, with the exception of taxation. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The preparation of the condensed consolidated interim financial statements requires that management make certain judgements, estimates and assumptions that affect the reported revenues, expenses, assets and liabilities and the disclosure of certain contingent liabilities. The key sources of estimation and uncertainty and the assumptions applied in the preparation of these condensed consolidated financial statements are consistent with those applied in the Group's financial statements for the year ended 31 March 2011, as set out on page 94 of those financial statements, with the exception of taxation as described above.

#### Adjusted profit before taxation and exceptional items

Exceptional items are those items that are largely one-off and material in nature, as well as the unwind of the discount 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.

#### Adjusted earnings per share

The calculation of adjusted earnings per share excludes exceptional items and the results of the discontinued business.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 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 non-recurring events and 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 2011 £m	Six months to 30 September 2010 <sup>(1)</sup> £m	Six months to 30 September 2011 £m	Six months to 30 September 2010 <sup>(1)</sup> £m	Six months to 30 September 2011 £m	Six months to 30 September 2010 <sup>(1)</sup> £m
Total segment revenue	<b>775.3</b>	592.3	<b>63.6</b>	56.3	<b>838.9</b>	648.6
Inter-segment revenue <sup>(2)</sup>	–	–	<b>(9.3)</b>	(7.5)	<b>(9.3)</b>	(7.5)
Revenue from external customers	<b>775.3</b>	592.3	<b>54.3</b>	48.8	<b>829.6</b>	641.1
Adjusted operating profit	<b>115.7</b>	87.4	<b>46.4</b>	42.3	<b>162.1</b>	129.7
Exceptional items <sup>(3)</sup>					<b>(2.9)</b>	(0.5)
Interest receivable and similar income					<b>1.3</b>	0.8
Interest payable and similar charges					<b>(1.8)</b>	(2.0)
Profit before taxation					<b>158.7</b>	128.0

Year to 31 March 2011	Retail / Wholesale		Licensing		Total	
	£m	£m	£m	£m	£m	£m
Total segment revenue		1,402.9		116.5		1,519.4
Inter-segment revenue <sup>(2)</sup>		–		(18.1)		(18.1)
Revenue from external customers		1,402.9		98.4		1,501.3
Adjusted operating profit		219.5		81.6		301.1
Exceptional items <sup>(3)</sup>						(2.2)
Interest receivable and similar income						1.9
Interest payable and similar charges						(5.1)
Profit before taxation						295.7

(1) September 2010 has been re-presented to exclude the results of the discontinued Spanish operations.

(2) Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would be available to unrelated third parties.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 3. Segmental analysis (continued)

	Six months to 30 September 2011 £m	Six months to 30 September 2010 <sup>(1)</sup> £m	Year to 31 March 2011 £m
Revenue by destination			
Europe	<b>270.8</b>	220.7	474.6
Americas	<b>189.9</b>	158.6	386.5
Asia Pacific	<b>265.3</b>	175.4	457.1
Rest of the world	<b>49.3</b>	37.6	84.7
Retail/Wholesale	<b>775.3</b>	592.3	1,402.9
Licensing	<b>54.3</b>	48.8	98.4
<b>Total</b>	<b>829.6</b>	641.1	1,501.3

(1) September 2010 has been re-presented to exclude the results of the discontinued Spanish operations.

### 4. Exceptional items

#### Exceptional operating items

No exceptional operating items were recognised in the six months ended 30 September 2011 (six months ended 30 September 2010: £nil). The year to 31 March 2011 includes an exceptional credit for the release of £1.0m of the restructuring provision held in respect of the cost efficiency programme announced in the year to 31 March 2009.

#### Exceptional financing charges

The exceptional financing charge of £2.9m for the six months ended 30 September 2011 relates to the unwinding of the discount on the put option liability over the non-controlling interest in Burberry (Shanghai) Trading Co., Ltd (six months ended 30 September 2010: £0.5m; year ended 31 March 2011: £3.2m).

### 5. Taxation

The effective underlying rate of tax on adjusted profit before taxation for the full year is estimated to be 26.5% (30 September 2010: 28%; 31 March 2011: 27.9%).

### 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 profit before tax are also disclosed to indicate the underlying profitability of the Group.

	Six months to 30 September 2011 £m	Six months to 30 September 2010 <sup>(1)</sup> £m	Year to 31 March 2011 £m
Attributable profit for the period before exceptional items <sup>(2)</sup> and discontinued operations	<b>119.5</b>	93.9	217.0
Effect of exceptional items <sup>(2)</sup> (after taxation)	<b>(2.9)</b>	(0.5)	(2.4)
Attributable profit for the period from continuing operations	<b>116.6</b>	93.4	214.6
Attributable profit/(loss) from discontinued operations <sup>(3)</sup>	<b>0.6</b>	(10.3)	(6.2)
<b>Attributable profit for the period</b>	<b>117.2</b>	83.1	208.4

(1) September 2010 has been re-presented to exclude the results of the discontinued Spanish operations.

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

(3) Refer to note 19 for details of basic and diluted earnings per share from discontinued operations.

## 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 employee 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 options and awards made under the employee share incentive schemes, which will have a dilutive effect when exercised.

	Six months to 30 September 2011 Millions	Six months to 30 September 2010 Millions	Year to 31 March 2011 Millions
Weighted average number of ordinary shares in issue during the period	<b>435.9</b>	434.7	435.0
Dilutive effect of the share incentive schemes	<b>8.6</b>	10.3	9.0
Diluted weighted average number of ordinary shares in issue during the period	<b>444.5</b>	445.0	444.0

### 7. Dividends

The interim dividend of 7.00p (2010: 5.00p) per share has been approved by the Board of Directors after 30 September 2011. Accordingly, this dividend has not been recognised as a liability at the period end.

The interim dividend will be paid on 27 January 2012 to Shareholders on the Register at the close of business on 30 December 2011.

A dividend of 15.00p (2010: 10.50p) per share was paid during the period ended 30 September 2011 in relation to the year ended 31 March 2011.

### 8. Intangible assets

Goodwill at 30 September 2011 is £82.8m (2010: £73.4m). Additions for the period include £6.3m which relates to the business combination in the Kingdom of Saudi Arabia (note 18).

There were additions to other intangible assets of £12.1m in the period (2010: £6.6m).

#### Impairment testing

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

Management has performed a review for indicators of impairment as at 30 September 2011. There is no indication that the goodwill may be impaired. The annual impairment test will be performed at 31 March 2012.

### 9. Property, plant and equipment

In the period there were additions to property, plant and equipment of £48.7m (2010: £43.2m) and disposals with a net book value of £0.2m (2010: £0.5m).

Assets with a fair value of £3.0m were acquired as part of the business combination in the Kingdom of Saudi Arabia (note 18).

Capital commitments contracted but not provided for by the Group amounted to £18.9m (2010: £13.9m).

#### Impairment testing

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where indicators of impairment are identified, an impairment review is performed to compare the assets' value-in-use to their carrying values.

For the six months ended 30 September 2011, a net impairment charge of £nil (2010: £nil) was identified.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 10. Trade and other receivables

	As at 30 September 2011 £m	As at 30 September 2010 £m	As at 31 March 2011 £m
Non-current			
Deposits and prepayments	<b>17.3</b>	12.9	15.2
Total non-current trade and other receivables	<b>17.3</b>	12.9	15.2
Current			
Net trade receivables	<b>122.1</b>	120.3	88.6
Other receivables	<b>24.1</b>	16.8	22.3
Prepayments and accrued income	<b>30.8</b>	25.7	21.6
Total current trade and other receivables	<b>177.0</b>	162.8	132.5
Total trade and other receivables	<b>194.3</b>	175.7	147.7

### 11. Trade and other payables

	As at 30 September 2011 £m	As at 30 September 2010 £m	As at 31 March 2011 £m
Non-current			
Deferred consideration	<b>1.1</b>	13.7	1.9
Put option liability over non-controlling interest	<b>51.5</b>	45.7	47.3
Other creditors, accruals and deferred income	<b>36.9</b>	29.1	35.2
Total non-current trade and other payables	<b>89.5</b>	88.5	84.4
Current			
Trade creditors	<b>110.3</b>	83.7	85.8
Other taxes and social security costs	<b>20.3</b>	8.3	16.7
Deferred consideration	<b>13.5</b>	12.4	12.5
Other creditors	<b>23.8</b>	14.7	20.5
Accruals and deferred income	<b>141.9</b>	145.4	147.9
Total current trade and other payables	<b>309.8</b>	264.5	283.4
Total trade and other payables	<b>399.3</b>	353.0	367.8

Following the acquisition of the Burberry retail and distribution business in China in September 2010, Sparkle Roll Holdings Limited, a non-Group company, holds a 15% economic interest in the Group's retail business in China. Put and call options exist over this interest stake which are exercisable after 5 years from acquisition date in the case of the call option, and 10 years from acquisition date in 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.

The key assumptions applied in calculating the fair value of the put option at 30 September 2011 are consistent with those applied at 31 March 2011.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 12. Provisions for other liabilities and charges

	Property obligations £m	Restructuring costs £m	Other costs £m	Total £m
As at 1 April 2011	11.5	13.6	3.1	28.2
Effect of foreign exchange rate changes	0.2	(0.1)	–	0.1
Created during the period	1.3	–	0.3	1.6
Utilised during the period	(1.1)	(7.0)	(1.6)	(9.7)
As at 30 September 2011	<b>11.9</b>	<b>6.5</b>	<b>1.8</b>	<b>20.2</b>
As at 30 September 2010	7.6	21.9	–	29.5

### 13. Bank overdrafts and borrowings

	As at 30 September 2011 £m	As at 30 September 2010 £m	As at 31 March 2011 £m
Unsecured			
Bank overdrafts	<b>152.9</b>	165.5	167.1
Bank borrowings	<b>0.8</b>	18.4	0.8
Other borrowings	<b>0.6</b>	0.5	0.5
Total	<b>154.3</b>	184.4	168.4

Included within bank overdrafts is £151.5m (2010: £150.4m) representing balances on cash pooling arrangements in the Group.

On 28 March 2011, a £300m multi-currency revolving credit facility was agreed with a syndicate of third party banks. At 30 September 2011, there were no outstanding drawings (31 March 2011: £nil). Interest is charged on this facility at LIBOR plus 0.90% on drawings less than £100m, at LIBOR plus 1.05% on drawings between £100m and £200m and at LIBOR plus 1.20% on drawings over £200m. The facility matures on 30 June 2016. This facility replaces the £200m three year multi-currency revolving facility in place as at 16 March 2009 which had been due to mature on 30 June 2012, and the two bilateral multi-currency revolving credit facilities, totalling £60m which had been due to mature on 13 June 2011. At 30 September 2010, there were no outstanding drawings on these facilities.

On 1 October 2010, the existing Yen 145m bilateral facility held with a third party bank was renewed. At 30 September 2011, the amount drawn down was Yen 100.8m (2010: Yen 100.8m). Interest is charged on this facility at the Japanese short-term prime rate plus 0.5%. The facility is due to mature on 1 October 2012.

Other borrowings relate to a loan provided by a minority interest partner totalling £0.6m (2010: £0.5m) due to mature on 8 November 2012. Interest is charged on this loan at the Japanese short-term prime rate plus 0.5%.

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

### 14. Share capital and other reserves

	Number of shares million	Share capital £m
Allotted, called up and fully paid share capital		
As at 31 March 2011	435.8	0.2
Allotted on exercise of options during the period	2.8	–
As at 30 September 2011	438.6	0.2

#### Other reserves

The cost of own shares held by the Group has been offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Company. As at 30 September 2011 the amount held against this reserve was £23.8m (2010: £4.8m).

### 15. Contingent liabilities

There have been no material changes to the Group's contingent liabilities since 31 March 2011.

## 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 2011. There were no material changes to these related parties in the period. Other than total compensation in respect of key management, no material related party transactions have taken place during the 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 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 2011	Six months to 30 September 2010	Year to 31 March 2011
Euro	<b>1.14</b>	1.18	1.18
US dollar	<b>1.62</b>	1.52	1.56
Hong Kong dollar	<b>12.68</b>	11.76	12.11
Korean won	<b>1,757</b>	1,780	1,786
Chinese Yuan Renminbi	<b>10.46</b>	10.44	10.51

	Closing		
	Six months to 30 September 2011	Six months to 30 September 2010	Year to 31 March 2011
Euro	<b>1.16</b>	1.15	1.13
US dollar	<b>1.56</b>	1.57	1.61
Hong Kong dollar	<b>12.18</b>	12.20	12.49
Korean won	<b>1,848</b>	1,786	1,763
Chinese Yuan Renminbi	<b>9.99</b>	10.52	10.52

The average exchange rate achieved by the Group on its Yen royalty income, taking into account its use of Yen forward exchange contracts on a monthly basis approximately twelve months in advance of royalty receipts, was Yen 134.8: £1 in the six months ended 30 September 2011 (six months ended 30 September 2010: Yen 145.4: £1; year ended 31 March 2011: Yen 143.7: £1).

### 18. Business combinations

#### Burberry Saudi Company LLC

On 19 June 2011, the Group formed Burberry Saudi Arabia LLC (Burberry Saudi), a company registered in the Kingdom of Saudi Arabia, with Fawaz Abdulaziz Alhokair & Co SLSC, a third party company registered in the Kingdom of Saudi Arabia. Burberry Saudi will manage the Burberry retail business within the Saudi Arabian market.

Burberry has a 60% interest in the issued share capital of the company, the majority of the voting rights and the power to appoint the majority of the directors. Burberry Saudi has been consolidated as a subsidiary as at 30 September 2011. The non-controlling interest in the consolidated net assets of this company has been identified as a separate component of equity.

On 19 June 2011, the distribution agreement with the existing franchise partner in Saudi Arabia expired, and Burberry Saudi acquired the Burberry retail business from that franchisee.

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

	£m
Cash consideration	10.0
Total purchase consideration	10.0
Fair value of net identifiable assets acquired	3.7
Goodwill	6.3

The goodwill arising on the acquisition, which is included within intangible assets, is attributable to the acquisition of the Saudi Arabian business assets and the benefits expected from further expansion in this region. The goodwill is not tax deductible.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 18. Business combinations (continued)

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

	Fair value £m
Inventories	0.8
Property, plant and equipment	3.0
Liabilities	(0.1)
Net identifiable assets acquired	3.7
Net identifiable assets acquired attributable to non-controlling interest	1.5

The Group incurred transaction costs of £0.1m in respect of the acquisition.

The acquired Saudi Arabian retail assets generated revenues of £3.7m and a profit of £1.5m to the Group for the period from acquisition to 30 September 2011.

#### Pro forma full year information

Had the acquisition occurred on 1 April 2011, it would have contributed approximately £1.8m of additional Group revenue, while the Group operating profit impact would have been neutral for the six months ended 30 September 2011.

### 19. Discontinued operations and assets classified as held for sale

During the year ended 31 March 2011, the production of the local Spanish collection and related operations ceased. The Spanish operations were treated as discontinued for the year ended 31 March 2011 and the results from the discontinued operations have been shown separately from the results of the Group's continuing operations for the six months ended 30 September 2011. The comparative Condensed Group Income Statement and supporting notes for the six months to 30 September 2010 have been re-presented to show the results from the discontinued Spanish operations separately.

An analysis of the results of the discontinued Spanish operations is presented below:

	Six months to 30 September 2011 £m	Six months to 30 September 2010 £m	Year to 31 March 2011 £m
Revenue	–	31.9	49.3
Cost of sales <sup>(1)</sup>	0.6	(17.5)	(24.8)
Gross profit	0.6	14.4	24.5
Net operating expenses <sup>(2)</sup>	–	(24.7)	(30.7)
Operating profit/(loss)	0.6	(10.3)	(6.2)
Net finance charges	–	–	–
Profit/(loss) before taxation for discontinued operations	0.6	(10.3)	(6.2)
Taxation	–	–	–
Profit/(loss) after taxation for discontinued operations	0.6	(10.3)	(6.2)

(1) Cost of sales for the six months ended 30 September 2011 results from a provision release due to more effective than anticipated clearance of residual inventory.

(2) Net operating expenses for the six months ended 30 September 2011 include £nil restructuring costs related to the discontinued Spanish operations (six months ended 30 September 2010: £7.6m; year ended 31 March 2011: £4.1m). Included in the charge for the year ended 31 March 2011 is £3.7m in relation to the write-down of assets held for sale to fair value less costs to sell.

Cash flows generated from the discontinued Spanish operations have been included in the Condensed Group Statement of Cash Flows. The cash flows relating to the discontinued operations for the six months to 30 September 2011 have been presented in the table below, together with the appropriate comparative periods:

	Six months to 30 September 2011 £m	Six months to 30 September 2010 £m	Year to 31 March 2011 £m
Net cash inflow/(outflow) from operating activities	2.8	(9.6)	3.6
Net cash flow from investing activities	–	–	–
Net cash inflow/(outflow) from financing activities <sup>(1)</sup>	0.8	(4.3)	(7.9)
Net increase/(decrease) in cash and cash equivalents	3.6	(13.9)	(4.3)

(1) The net cash inflow/(outflow) from financing activities represents the receipt/(repayment) of intercompany loans from/to Group entities which form part of continuing operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 19. Discontinued operations and assets classified as held for sale (continued)

The earnings per share attributable to the discontinued Spanish operations for the six months ended 30 September 2011 and 30 September 2010, and for the year ended 31 March 2011 are:

	Notes	Six months to 30 September 2011	Six months to 30 September 2010	Year to 31 March 2011
Earnings per share from discontinued operations				
– basic	6	0.2p	(2.4)p	(1.4)p
– diluted	6	0.2p	(2.3)p	(1.4)p

#### Assets classified as held for sale

The carrying value of the assets held for sale at 30 September 2011 is £13.2m (30 September 2010: £17.0m; 31 March 2011 £13.5m) representing the fair value less costs to sell of the freehold properties in Spain.

Despite challenging market conditions, the properties continue to be actively marketed and are available for immediate sale.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining 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 2011. A list of current directors is maintained on the Burberry Group plc website: [www.burberryplc.com](http://www.burberryplc.com).

By order of the Board

John Peace  
Chairman  
14 November 2011

Stacey Cartwright  
Executive Vice President, Chief Financial Officer  
14 November 2011

# INDEPENDENT REVIEW REPORT TO BURBERRY GROUP PLC

## Introduction

We have been engaged by the Company to review the condensed consolidated interim financial statements in the interim report for the six months ended 30 September 2011, 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 information in the condensed consolidated interim financial statements.

## 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 consolidated interim financial statements included in this interim report have 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 consolidated interim financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of 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 consolidated interim financial statements in the interim report for the six months ended 30 September 2011 are 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  
14 November 2011  
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 statements 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

### General shareholder enquiries

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

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

Telephone: 0871 384 2839 (or +44 121 415 7047 from outside the UK).

### Company Website

This Interim Report and other information about the Company, including share price information and details of results announcements, is available on the Company's website [www.burberryplc.com](http://www.burberryplc.com).

### Dividend

The interim dividend of 7.00p per share will be paid on 27 January 2012 to shareholders on the register at the close of business on 30 December 2011.

### Dividend Reinvestment Plan

Burberry'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 or online at [www.shareview.co.uk](http://www.shareview.co.uk). If you would like your interim dividend for 2012 and future dividends to qualify for the DRIP, completed application forms must be received by Equiniti by 6 January 2012.

### 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 shares accounts.

### Electronic Communication

Shareholders may at any time choose to receive all shareholder documentation 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](http://www.shareview.co.uk).

Equiniti offers a range of shareholder information and online at [www.shareview.co.uk](http://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).

### 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. A ShareGift donation form can be obtained from Equiniti Limited.

Further information is available at [www.sharegift.org](http://www.sharegift.org) or by telephone on +44 (0) 20 7930 3737.

### Financial calendar

Interim results announcement	15 November 2011
Dividend record date	30 December 2011
Third quarter trading update	17 January 2012
Dividend payment date	27 January 2012
Second half trading update	April 2012
Preliminary results announcement	May 2012
Annual General Meeting	July 2012

### Registered office

Burberry Group plc  
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London  
SW1P 2AW

Registered in England and Wales  
Registered Number 03458224

[www.burberryplc.com](http://www.burberryplc.com)