



**BURBERRY**  
**ESTABLISHED 1856**

# **INTERIM REPORT 2009**

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## HIGHLIGHTS

- Solid business performance
  - Total revenue of £572m (2008: £539m)
  - Comparable store sales growth of 2% (Q2: 5%)
  - Adjusted profit before tax of £83m (2008: £95m)
    - Improved Q2 retail and gross margin performance
  - Profit before tax of £78m (2008: £97m)
- Strong financial position at 30 September
  - Net cash of £56m (2008: net debt of £114m)
  - Tight management of inventory
    - Down 40% year-on-year at constant FX, to £215m
  - Interim dividend increased by 4% to 3.50p
- Good progress on key growth strategies
  - Non-apparel 34% of revenue, up from 32% in H1 2008
  - Childrenswear 5% of revenue, up from 3%
  - Retail 54% of revenue, up from 45%
  - Emerging Markets 10% of revenue, up from 9%
- Further progress on corporate initiatives
  - Japanese apparel licence amended to reduce term by five years and increase royalty income
  - Joint venture in India proposed, subject to government approval
  - Global cost efficiency programme fully implemented, resulting in full year savings of about £50m

# INTERIM MANAGEMENT REPORT

## Group financial highlights

**Revenue of £572m**, up 6% reported, down 5% underlying excluding a £60m benefit from exchange rates.

**Adjusted retail/wholesale operating margin of 9.1%** (2008: 12.9%). Gross margin down only 30 basis points; operating expenses up as guided; consistent with revenue shift to retail from wholesale which will continue in H2.

**Adjusted profit before tax of £82.6m** (2008: £95.3m), including a £6.7m benefit from exchange rates.

**Reported profit before tax of £78.4m** (2008: £97.0m), after balance of restructuring charges.

**Tax rate of 27%** estimated for the full year.

**Adjusted diluted EPS of 13.6p**; reported diluted EPS of 12.9p.

**Interim dividend increased by 4% to 3.50p**, reflecting strong financial position and momentum in business.

**Net cash of £56m at 30 September 2009** (2008: net debt of £114m), with working capital inflow of £15m in first half (2008: £76m outflow).

£ million	Six months to 30 September		% change	
	2009	2008	reported	underlying
Revenue	572.4	539.1	6	(5)
Cost of sales	(229.7)	(216.0)	(6)	
Gross margin	342.7	323.1	6	
Adjusted operating expenses	(256.4)	(224.7)	(14)	
<b>Adjusted operating profit</b>	<b>86.3</b>	<b>98.4</b>	<b>(12)</b>	<b>(19)</b>
Restructuring costs	(4.2)	–		
Negative goodwill	–	1.7		
<b>Operating profit</b>	<b>82.1</b>	<b>100.1</b>		
Net finance charge	(3.7)	(3.1)		
<b>Profit before taxation</b>	<b>78.4</b>	<b>97.0</b>		
Taxation	(21.1)	(22.2)		
Minority interests	(0.5)	–		
Attributable profit	56.8	74.8		
<b>Adjusted EPS (pence)</b>	<b>13.6</b>	<b>15.3</b>		
EPS (pence)	12.9	17.0		
Weighted average number of ordinary shares (millions)	439.2	439.9		

EPS is calculated on a diluted basis

"Adjusted" refers to profitability measures (pre and post tax) calculated excluding:

1. Restructuring costs of £4.2m (2008: nil) relating to the Group's cost efficiency programme.
2. Credit of £1.7m in 2008 representing negative goodwill on the formation of the Burberry Middle East joint venture.
3. Impact of prior year tax adjustment in 2008.

Underlying change is calculated at constant exchange rates.

Certain financial data within this announcement have been rounded.

## INTERIM MANAGEMENT REPORT CONTINUED

**During the first half, Burberry made further progress against its original five key strategies in what remained challenging markets.**

### **Leveraging the franchise**

Burberry continued to shift marketing investment to drive brand momentum. Digital marketing initiatives leveraged seasonal advertising imagery, PR and events, such as the Spring/Summer 2010 runway show, across a range of platforms to access new customers and reinforce the brand's position with existing customers.

Burberry brought greater definition to its brand segments, through relabelling the tailored and casual components of the women's and men's apparel lines. From Spring/Summer 2010, the Burberry London label and the Burberry Brit label will designate, respectively, the more formal and more casual parts of the collection. The first freestanding concept stores for these labels will open in New York this month.

Childrenswear revenue increased nearly 50% underlying during the half, in line with the brand's opportunities in this category.

The amendment to the apparel licence in Japan, announced in October 2009, increases Burberry's profitability in the short term. With the licence now expiring in 2015 (previously 2020), Burberry is better positioned to optimise its presence in Japan and the high growth Asian region over the intermediate term.

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

Non-apparel was the strongest performing major division in the first half, contributing 34% of retail/wholesale revenue, up from 32% a year ago.

Continued innovation drove growth in non-apparel, especially in large leather goods (which now account for 50% of non-apparel sales), small leather goods and soft accessories. Replenishment and the ability to fulfil reorders quickly also contributed to growth.

The Japanese non-apparel joint venture is fully operational, with the new Tokyo headquarters opened this month and the newly refurbished Omotesando, Tokyo store re-opened last month. Although Japan remains a difficult market for luxury goods, Burberry has an opportunity to gain share in non-apparel as this is the first time the global collection is available in a significant way inside Japan.

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

Retail accounted for 54% of sales in the first half, up from 45% a year ago.

Burberry continued to improve the quality of its retail portfolio. During the first half, 23 directly-operated stores and concessions were opened, while major stores including Bond Street, London, 57th Street, New York and Ocean Centre, Hong Kong were renovated.

The Burberry Experience, the sales and service programme, was extended to stores in Europe, Asia and the Americas in the first half, to be followed by the Middle East in the second half. Laptops linking to the e-commerce site are being introduced into 60 stores to elevate customer service.

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

Sales in Emerging Markets accounted for 10% of sales in the first half - up from 9% in the same period last year. There are over 90 Burberry stores in Emerging Markets, the majority of which are currently operated under franchise.

China continued to perform strongly, with 44 franchise stores now, following seven openings in the first half, including the first standalone childrenswear store in this market.

A joint venture is in the process of being established in India, subject to government approval, and new franchise agreements have been signed in Lebanon and Mongolia, to increase further the brand's presence in high growth Emerging Markets.

There is continued investment in the Americas across all channels, following the high demographic retail cluster strategy with additional openings in Toronto, for example; and further real estate gains in wholesale partners, including five shop-in-shops in New York.

### **Pursuing operational excellence**

Burberry continued to drive benefits in sourcing, logistics and distribution.

The SAP conversion process is well underway in Asia.

There were further process improvements in assortment planning and replenishment, facilitated by better data from SAP and investment in teams to optimise this.

The global cost efficiency programme was fully implemented, resulting in full year savings of about £50m. Along with the efficiencies announced in January 2009 (including the closure of Thomas Burberry, the rationalisation of internal manufacturing and driving benefits from investments made in supply chain, IT and infrastructure), six underperforming stores were closed in the period. Total headcount has been reduced by over 1,000. Benefits in the first half amounted to about £22m.

# INTERIM MANAGEMENT REPORT CONTINUED

## Revenue analysis

Total revenue in the first half was £572m, an increase of 6% reported and a decline of 5% underlying.

## Revenue by channel of distribution

£ million	Six months to 30 September		% change	
	2009	2008	reported	underlying
Retail	311.6	245.0	27	14
Wholesale	216.1	254.4	(15)	(23)
Licensing	44.7	39.7	13	(6)
Total	572.4	539.1	6	(5)

The Burberry Middle East joint venture was formed on 30 September 2008. This transaction marginally increased total underlying sales in the half (slight positive impact in retail; slight negative impact in wholesale)

## Retail

Retail sales, which accounted for 54% of total revenue in the first half, increased by 14% on an underlying basis (up 27% reported). Within this, comparable store sales increased by 2% (or up 4% excluding Spain). New space and Burberry Middle East contributed 8% and 4% respectively to the 14% growth.

Total comparable store sales accelerated in the half (Q1: flat; Q2: +5%), due primarily to a positive response from consumers to the Autumn/Winter 2009 collections. In mainline stores, footfall improved throughout the period and average selling prices were marginally higher year-on-year, helped by outperformance from non-apparel, especially handbags, as well as casual outerwear. By region, Europe and Asia again showed double-digit comparable store sales growth, while the United States and Spain were down double-digit. E-commerce, which is now live in over 25 countries, grew by about 50% in the period, albeit from a small base.

## Wholesale

Wholesale revenue for the first half of the year declined by 23% on an underlying basis (down 15% reported). This is slightly ahead of guidance of down about 25% given in April 2009.

Of the underlying decline, 10% resulted, as planned, from Burberry's own actions. These included the closure of Thomas Burberry as part of the global cost efficiency programme, the continued planned rationalisation of many small specialty accounts in Europe and the conversion of Burberry Middle East from wholesale to retail.

The balance (-13%) reflects lower shipments of the Autumn/Winter 2009 collections in all regions of the world. These ranges were ordered from late November 2008, which was the first opportunity for wholesale customers to reduce their inventory levels for all brands following the economic slowdown. Excluding Spain, the weakest market, the decline was 10% rather than 13%.

In conjunction with local franchisees, Burberry opened a net nine stores during the half, bringing the total number of franchise stores at 30 September 2009 to 90. The openings included two in Bahrain and seven in China, of which one was a freestanding childrenswear store in Beijing.

## Licensing

Total licensing revenue in the first half decreased by 6% on an underlying basis and was up 13% on a reported basis, reflecting primarily the strength of the Yen, which is largely hedged 12 months forward.

In October 2009, Burberry announced an amendment to its apparel licence with Sanyo Shokai Ltd and Mitsui & Co. Ltd in Japan. The main change was that the licence agreement now terminates in June 2015 (previously 2020) with no right of renewal. Burberry will also receive higher royalty payments than previously planned and enhanced performance criteria based on higher levels of production have been introduced from 1 January 2011 until the expiry of the licence agreement.

For the half, with this amendment, Japanese royalty income was down only mid-single digits year-on-year in what remains a challenging environment for department stores, the licensees' main channel to market. Growth from global product licences, especially fragrances, was more than offset by the planned termination of local menswear licences. Notice has been served to terminate the last two remaining licences, allowing Burberry to develop and offer a fully cohesive mens' tailored or London collection for Autumn/Winter 2010.

Burberry continues to work more closely with its global licensees to capitalise on its brand momentum in fragrance, eyewear and timepieces. New product initiatives include the relaunch of the Burberry Brit fragrance available now in-store to support the segmentation of the Brit collection, as well as the launch of a Burberry Sport fragrance for Spring/Summer 2010.

# INTERIM MANAGEMENT REPORT CONTINUED

## Retail/wholesale revenue by destination

£ million	Six months to 30 September		% change	
	2009	2008	reported	underlying
Europe*	194.8	177.7	10	2
Spain	49.1	70.7	(31)	(37)
Americas#	138.6	128.7	8	(9)
Asia Pacific	117.2	103.2	14	3
Rest of world#	28.0	19.1	47	36
Total retail/wholesale	527.7	499.4	6	(5)

\* Excluding Spain

# Central and South America have been reclassified from Rest of world to Americas

### Europe (37% of revenue)

Revenue in the first half in Europe increased by 2% on an underlying basis, up 10% reported.

Retail, which accounted for over half of the region's sales, increased strongly, driven by exceptional growth in the London stores, which have benefited from favourable currency and increased tourism since late 2008. A new mainline store was opened in Amsterdam, three concessions were added in premier department stores, while two stores were closed as part of the cost efficiency programme. Wholesale declined double-digit in Europe. This was impacted in part by Burberry's decision to reduce the number of specialty accounts it sells to by over 200. This will also impact the second half.

### Spain (9% of revenue)

Revenue in Spain was down 37% underlying (down 31% reported), with over half of the decline reflecting the closure of Thomas Burberry.

The economic environment in Spain remained extremely challenging. Retail, which is over half of Spain's revenue, declined double-digit on a comparable basis. Excluding Thomas Burberry, wholesale was down by around 30%, as the number of domestic independent retail customers again declined by more than 10%. Wholesale is also expected to remain weak in the second half.

During the first half, as part of its global cost efficiency programme, Burberry significantly reduced the cost base in Spain, with headcount down by over 300 – almost halving the workforce in the Spanish headquarters. The focus in Spain remains on improving the collections, driving local efficiencies and working ever more closely with the teams in London.

### Americas (26% of revenue)

Revenue in the Americas declined 9% underlying, up 8% reported, in a period impacted by logistics issues associated with SAP conversion.

Retail, which contributed about 70% of revenue in the first half, saw a double-digit decline in comparable store sales, with some improvement towards the end of the period. Three mainline stores were opened in the half, including the first in Toronto, as Canada is a focus for growth through both the retail and wholesale channels. In the second half, Burberry expects to open three more stores – a flagship in Toronto and two freestanding concept stores at 444 Madison Avenue, the Americas headquarters – one Burberry London and the other Burberry Brit. These two stores will demonstrate a clearer segmentation of the collections to both consumers and wholesale customers.

Wholesale revenue declined double-digit in the first half, reflecting a cautious buy by major department store customers. For the second half, US wholesale shows relative strength, driven by non-apparel and menswear, the latter helped by licence terminations. Burberry is also gaining real estate with key customers, as the brand continues to outperform peers in core categories and expand new businesses such as childrenswear.

### Asia Pacific (22% of revenue)

Revenue in Asia Pacific increased by 3% on an underlying basis, up 14% reported.

Retail, which was two-thirds of Asian revenue in the half, delivered double-digit comparable store sales growth. This was led again by Korea, Burberry's largest Asian retail market outside Japan, where currency movements encouraged greater spending in Korea. Hong Kong, the second largest market in the region, also performed well, especially in the second quarter. Five mainline stores were opened in the first half, including the region's first flagship in Singapore (Ion Orchard), a further childrenswear store in Hong Kong and two additional stores in Australia – a small but high growth market for Burberry.

Wholesale revenue declined double-digit in the first half, with a fall in sales to travel retail customers throughout the region partly offset by continuing growth in China, where 44 stores are currently operated under franchise. The Burberry brand continues to perform well in China, with strong double-digit comparable store sales growth in the half.

The non-apparel joint venture in Japan is now fully operational, with a strong, local management team. The flagship store in Omotesando, Tokyo (previously run under franchise) has recently been renovated to showcase the global non-apparel collection. Up to ten shop-in-shops with luxury adjacencies will be open for Spring 2010.

# INTERIM MANAGEMENT REPORT CONTINUED

## Operating profit analysis

### Total operating profit

£ million	Six months to 30 September		% change	
	2009	2008	reported	underlying
Retail/wholesale	48.0	64.4	(25)	(24)
Licensing	38.3	34.0	13	(10)
<b>Adjusted operating profit</b>	<b>86.3</b>	<b>98.4</b>	<b>(12)</b>	<b>(19)</b>
<i>Adjusted operating margin</i>	<b>15.1%</b>	<i>18.3%</i>		
Restructuring costs	(4.2)	–		
Negative goodwill	–	1.7		
<b>Operating profit</b>	<b>82.1</b>	<b>100.1</b>	<b>(18)</b>	

Adjusted operating profit was £86.3m in the first half, resulting in a group operating margin of 15.1%. Restructuring costs of £4.2m were incurred, being the final charge relating to the global cost efficiency programme announced in January 2009 (£54.9m was charged in the second half of the last financial year).

### Retail/wholesale adjusted operating profit

£ million	Six months to 30 September		% change
	2009	2008	reported
Revenue	527.7	499.4	6
Cost of sales	(229.7)	(216.0)	(6)
Gross margin	298.0	283.4	5
<i>Gross margin</i>	<b>56.5%</b>	<i>56.8%</i>	
Operating expenses	(250.0)	(219.0)	(14)
<b>Adjusted operating profit</b>	<b>48.0</b>	<b>64.4</b>	<b>(25)</b>
<i>Operating expenses as a % of sales</i>	<b>47.4%</b>	<i>43.9%</i>	
<i>Adjusted operating margin</i>	<b>9.1%</b>	<i>12.9%</i>	

Retail/wholesale adjusted operating profit was £48.0m in the half, resulting in a 9.1% margin. Gross margin was better than expected, reflecting stronger full price sales. Operating expenses as a percentage of sales increased, as indicated at the preliminary results in May 2009. Retail was 54% of sales in the first half compared to 45% in the same period last year. This substantial shift in revenue mix increased gross margin but adversely impacted both the operating expense to sales ratio and the operating margin.

### Gross margin

Gross margin in the first half was down only 30 basis points, better than expected, due primarily to stronger full price sales towards the end of the period.

Year-on-year, the major factors impacting the gross margin percentage were savings from the cost efficiency programme (about £10m, equivalent to about 200 basis points); the switch from wholesale to retail which is a higher gross margin channel (contributing around another 100 basis points); and a favourable exchange rate. These factors were offset by higher markdowns in the first quarter compared to the same period last year.

For the second half, Burberry continues to expect an improvement in the gross margin, helped by the shift to retail, continuing cost efficiencies and higher full price sell-through, given lower procurement of inventory for the period.

### Operating expenses

At the preliminary results in May 2009, Burberry stated that it expected operating expenses as a percentage of sales to increase in 2009/10.

In the first half, operating expenses increased by £31m or 350 basis points as a percentage of sales to 47.4%. Savings of approximately £12m were realised from the global cost efficiency programme. Exchange rate movements added £20m to costs and the shift in revenue mix to retail with new space and new ventures also added about £20m.

For the full year, Burberry expects retail/wholesale operating expenses as a percentage of sales to remain in the high forties.



# INTERIM MANAGEMENT REPORT CONTINUED

## Licensing operating profit

£ million	Six months to 30 September		Six months to 30 September 2009
	2009	2008	At constant FX
Revenue	44.7	39.7	37.2
Cost of sales	–	–	–
Gross margin	44.7	39.7	37.2
<i>Gross margin</i>	100%	100%	100%
Operating expenses	(6.4)	(5.7)	(6.7)
Operating profit	38.3	34.0	30.5
<i>Operating margin</i>	85.7%	85.6%	

Licensing revenue declined by 6% on an underlying basis and the operating margin was broadly flat at 85.7%.

## Taxation

The effective rate of tax on adjusted profit for the full year 2009/10 is estimated to be 27%, which is the rate applied in H1 2009 (2008: 29.5%). The actual tax rate on reported profits for H1 2008 (22.9%) included a benefit from a prior year adjustment.

## Cash flow and net debt

Net cash at 30 September 2009 was £56.3m, compared to £7.6m at 31 March 2009 and net debt of £114.3m at 30 September 2008. The significant improvement in the last twelve months results primarily from lower inventory (£215m at 30 September 2009 compared to £331m a year ago). This is equivalent to a 40% reduction at constant exchange rates (despite a 12% increase in average selling space) and reflects lower procurement for the current season and a reduction in aged inventory.

In the first half, major cash flow items included a working capital inflow of £15m (2008: £76m outflow), capital expenditure lower at £33m (2008: £40m), depreciation higher at £24m (2008: £20m), with interest, tax and dividends broadly unchanged year-on-year at £48m.

Capital expenditure for the year to 31 March 2010 is now expected to be about £70m, including £3m on the Japanese non-apparel joint venture, compared to the expected depreciation charge of about £50m.

The interest charge was £3.7m, reflecting low interest rates on cash balances, fees relating to early repayment of borrowings and fees incurred on the £260m banking facilities. Burberry expects a full year interest charge of about £5m.

## Outlook

The following revenue guidance is consistent with that given in October 2009.

### Retail

For the full year, average selling space is expected to increase by between 8-10%, after adjusting for around a 1.5% negative impact from those stores closed as part of the global cost efficiency programme. Burberry plans to open around 15 additional mainline stores in the full year, biased towards Asia and the Americas.

Average selling space increased by 12% in the first half, with about 6-7% planned for the second half (net of the impact of the stores closed in the first half).

### Wholesale

For the second half, Burberry expects wholesale revenue to be down by around 15% at constant currency. Of this, about half comes from Burberry's own actions, including the second half impact of closing Thomas Burberry and certain specialty accounts in Europe. The balance of the decline comes mainly from ongoing weakness in Spain. Demand for the global collection is planned to be broadly flat year-on-year.

### Licensing

Reflecting the positive impact of the amendment to the Japanese apparel licence agreement, Burberry expects underlying licensing revenue for the full year to decline by between 5 and 10%. Reported revenue is expected to grow year-on-year due to currency benefits.

## 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 45 to 47 of the Burberry Group plc Annual Report 2008/09. 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. The global economic downturn remains one of the principal risks and, aside from affecting consumers' purchases of luxury items, may have other effects such as changes in the fiscal and regulatory policies in the countries where the Group conducts its business. 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.

## CONDENSED GROUP INCOME STATEMENT - UNAUDITED

	Note	Six months to 30 September 2009 £m	Six months to 30 September 2008 £m	Audited Year to 31 March 2009 £m
<b>Revenue</b>	3	572.4	539.1	1,201.5
Cost of sales		(229.7)	(216.0)	(535.7)
<b>Gross profit</b>		342.7	323.1	665.8
Net operating expenses		(260.6)	(223.0)	(675.7)
<b>Operating profit/(loss)</b>		82.1	100.1	(9.9)
<b>Financing</b>				
Interest receivable and similar income		0.1	3.9	7.2
Interest payable and similar charges		(3.8)	(7.0)	(13.4)
<b>Net finance charge</b>		(3.7)	(3.1)	(6.2)
<b>Profit/(loss) before taxation</b>		78.4	97.0	(16.1)
Taxation	5	(21.1)	(22.2)	11.0
<b>Profit/(loss) for the period</b>		57.3	74.8	(5.1)
<b>Attributable to:</b>				
<b>Equity holders of the company</b>		56.8	74.8	(6.0)
<b>Minority interest</b>		0.5	–	0.9
<b>Profit/(loss) for the period</b>		57.3	74.8	(5.1)
<b>Earnings/(loss) per share</b>				
– basic	6	13.1p	17.3p	(1.4p)
– diluted	6	12.9p	17.0p	(1.4p)
<b>£m</b>				
<b>Non-GAAP measures</b>				
Operating profit/(loss)		82.1	100.1	(9.9)
Restructuring costs	4	4.2	–	54.9
Goodwill impairment charges	4	–	–	116.2
Store impairment and onerous lease provisions	4	–	–	13.4
Negative goodwill	4	–	(1.7)	(1.7)
Relocation of headquarters	4	–	–	7.9
<b>Adjusted operating profit</b>	3	86.3	98.4	180.8
<b>Adjusted earnings per share</b>				
– basic	6	13.8p	15.6p	30.6p
– diluted	6	13.6p	15.3p	30.2p
<b>Dividends per share</b>				
– Proposed interim (not recognised as a liability at 30 September)	7	3.50p	3.35p	3.35p
– Final (not recognised as a liability at 31 March)	7	–	–	8.65p

## CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

	Six months to 30 September 2009 £m	Six months to 30 September 2008 £m	Audited Year to 31 March 2009 £m
Profit/(loss) for the period	57.3	74.8	(5.1)
Other comprehensive income:			
Cash flow hedges	24.1	5.5	(10.7)
Foreign currency translation differences	(28.0)	17.8	116.8
Tax on other comprehensive income:			
Cash flow hedges	(6.8)	(1.5)	3.1
Foreign currency translation differences	1.6	(1.8)	(4.3)
Other comprehensive (expense)/income for the period, net of tax	(9.1)	20.0	104.9
<b>Total comprehensive income for the period</b>	<b>48.2</b>	<b>94.8</b>	<b>99.8</b>
Total comprehensive income attributable to:			
Owners of the company	47.6	94.8	98.8
Minority interest	0.6	-	1.0
	<b>48.2</b>	<b>94.8</b>	<b>99.8</b>

## CONDENSED GROUP BALANCE SHEET - UNAUDITED

	Note	As at 30 September 2009 £m	As at 30 September 2008 £m	Audited As at 31 March 2009 £m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	8	57.2	151.7	57.5
Property, plant and equipment	9	247.8	209.6	258.6
Deferred tax assets		58.6	28.0	57.7
Trade and other receivables	10	12.0	8.3	9.5
		<b>375.6</b>	397.6	383.3
<b>Current assets</b>				
Inventories		215.1	330.7	262.6
Trade and other receivables	10	204.2	196.6	187.2
Derivative financial assets		6.2	13.7	23.2
Income tax receivables		16.8	10.4	17.1
Cash and cash equivalents		267.4	158.4	252.3
		<b>709.7</b>	709.8	742.4
<b>Total assets</b>		<b>1,085.3</b>	1,107.4	1,125.7
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Trade and other payables	11	(23.9)	(16.4)	(23.8)
Deferred tax liabilities		(2.2)	(6.4)	(2.3)
Derivative financial liabilities		-	-	(0.4)
Retirement benefit obligations		(0.5)	(0.4)	(0.6)
Provisions for other liabilities and charges	12	(9.3)	(3.7)	(7.9)
		<b>(35.9)</b>	(26.9)	(35.0)
<b>Current liabilities</b>				
Bank overdrafts and borrowings	13	(211.1)	(272.7)	(244.7)
Derivative financial liabilities		(6.3)	(26.6)	(57.1)
Trade and other payables	11	(178.6)	(167.8)	(162.4)
Provisions for other liabilities and charges	12	(16.9)	-	(33.5)
Income tax liabilities		(67.8)	(64.1)	(49.1)
		<b>(480.7)</b>	(531.2)	(546.8)
<b>Total liabilities</b>		<b>(516.6)</b>	(558.1)	(581.8)
<b>Net assets</b>		<b>568.7</b>	549.3	543.9
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
Ordinary share capital		0.2	0.2	0.2
Share premium account		178.3	175.5	175.9
Capital reserve		27.2	27.2	27.2
Hedging reserve		3.9	(1.8)	(13.4)
Foreign currency translation reserve		123.7	53.8	150.2
Retained earnings		228.0	292.3	199.2
		<b>561.3</b>	547.2	539.3
Minority interest		7.4	2.1	4.6
<b>Total equity</b>		<b>568.7</b>	549.3	543.9

## 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	Minority Interest £m	Total equity £m
<b>Balance as at 1 April 2008</b>	<b>0.2</b>	<b>174.3</b>	<b>58.6</b>	<b>262.2</b>	<b>495.3</b>	<b>–</b>	<b>495.3</b>
Profit for the period	–	–	–	74.8	74.8	–	74.8
Other comprehensive income:							
Cash flow hedges – losses deferred in equity	–	–	(3.4)	–	(3.4)	–	(3.4)
Cash flow hedges – losses transferred to income	–	–	8.9	–	8.9	–	8.9
Foreign currency translation differences	–	–	17.8	–	17.8	–	17.8
Tax on other comprehensive income	–	–	(3.3)	–	(3.3)	–	(3.3)
Total comprehensive income for the period	–	–	20.0	74.8	94.8	–	94.8
Transfer between reserves	–	–	0.6	(0.6)	–	–	–
Transactions with owners:							
Employee share option scheme							
– value of share options granted	–	–	–	1.3	1.3	–	1.3
– tax on share options granted	–	–	–	(1.7)	(1.7)	–	(1.7)
– exercise of share options	14	1.2	–	–	1.2	–	1.2
– price differential on exercise of shares	–	–	–	(6.9)	(6.9)	–	(6.9)
Purchase of own shares by ESOPs	–	–	–	(5.4)	(5.4)	–	(5.4)
Sale of own shares by ESOPs	–	–	–	5.8	5.8	–	5.8
Minority share of acquisition	–	–	–	–	–	2.1	2.1
Dividend paid in the period	–	–	–	(37.2)	(37.2)	–	(37.2)
<b>Balance as at 30 September 2008</b>	<b>0.2</b>	<b>175.5</b>	<b>79.2</b>	<b>292.3</b>	<b>547.2</b>	<b>2.1</b>	<b>549.3</b>
<b>Balance as at 1 April 2009</b>	<b>0.2</b>	<b>175.9</b>	<b>164.0</b>	<b>199.2</b>	<b>539.3</b>	<b>4.6</b>	<b>543.9</b>
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	–	–	2.4	–	2.4
– price differential on exercise of shares	–	–	–	(1.6)	(1.6)	–	(1.6)
Sale of own shares by ESOPs	–	–	–	0.4	0.4	–	0.4
Capital contribution by minority interest	–	–	–	–	–	2.2	2.2
Dividend paid in the period	–	–	–	(37.4)	(37.4)	–	(37.4)
<b>Balance as at 30 September 2009</b>	<b>0.2</b>	<b>178.3</b>	<b>154.8</b>	<b>228.0</b>	<b>561.3</b>	<b>7.4</b>	<b>568.7</b>

## CONDENSED GROUP STATEMENT OF CASH FLOWS - UNAUDITED

	Note	Six months to 30 September 2009 £m	Six months to 30 September 2008 £m	Audited Year to 31 March 2009 £m
<b>Cash flows from operating activities</b>				
Operating profit		82.1	100.1	(9.9)
Depreciation		21.0	17.3	44.8
Amortisation		3.1	2.2	4.8
Net impairment charge		2.5	–	126.8
Negative goodwill		–	(1.7)	(1.7)
Loss on disposal of property, plant and equipment		0.7	0.1	2.0
Fair value (gains)/losses on derivative instruments		(7.8)	2.3	10.7
Charges in respect of employee share incentive schemes		7.7	1.3	4.5
(Increase)/decrease in inventories		33.6	(43.8)	55.7
(Increase)/decrease in receivables		(25.2)	(23.9)	2.1
Increase/(decrease) in payables		7.1	(8.1)	2.2
Cash generated from operations		124.8	45.8	242.0
Interest received		0.1	3.8	7.7
Interest paid		(3.8)	(7.1)	(13.6)
Taxation paid		(7.4)	(7.6)	(26.3)
<b>Net cash inflow from operating activities</b>		<b>113.7</b>	<b>34.9</b>	<b>209.8</b>
<b>Cash flows from investing activities</b>				
Purchase of tangible and intangible fixed assets		(32.5)	(40.3)	(89.9)
Proceeds from sale of property, plant and equipment		–	0.1	0.1
Capital contribution by minority interest		2.2	–	–
Acquisition of subsidiaries		–	(1.7)	(0.3)
<b>Net cash outflow from investing activities</b>		<b>(30.3)</b>	<b>(41.9)</b>	<b>(90.1)</b>
<b>Cash flows from financing activities</b>				
Dividends paid in the year		(37.4)	(37.2)	(51.7)
Issue of ordinary share capital		0.7	–	–
Sale of own shares by ESOPs		0.4	0.1	0.2
Purchase of own shares by ESOPs		–	(5.4)	(5.4)
Repayment of borrowings		(39.7)	–	(109.0)
Proceeds from borrowings		–	34.5	35.5
Derivatives matured during the year and remaining in equity		(2.2)	–	5.7
<b>Net cash outflow from financing activities</b>		<b>(78.2)</b>	<b>(8.0)</b>	<b>(124.7)</b>
Net increase/(decrease) in cash and cash equivalents		5.2	(15.0)	(5.0)
Effect of exchange rate changes on opening balances		(1.9)	(0.6)	13.2
Cash and cash equivalents at beginning of period		53.0	44.8	44.8
<b>Cash and cash equivalents at end of period</b>		<b>56.3</b>	<b>29.2</b>	<b>53.0</b>

## ANALYSIS OF CASH AND CASH EQUIVALENTS

	As at 30 September 2009 £m	As at 30 September 2008 £m	Audited As at 31 March 2009 £m
Cash and cash equivalents as per the balance sheet	267.4	158.4	252.3
Bank overdrafts	13 (211.1)	(129.2)	(199.3)
<b>Cash and cash equivalents as per the cash flow statement</b>	<b>56.3</b>	<b>29.2</b>	<b>53.0</b>
Bank borrowings	13 –	(143.5)	(45.4)
<b>Net cash/(debt)</b>	<b>56.3</b>	<b>(114.3)</b>	<b>7.6</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate information

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

## 2. Accounting policies and basis of preparation

The financial information contained in this report is unaudited. The Condensed Group Income Statement, Condensed Group Statement of Comprehensive Income, Condensed Group Statement of Changes in Equity and Condensed Group Statement of Cash Flows for the interim period to 30 September 2009, and the Condensed Group Balance Sheet as at 30 September 2009 and related notes have been reviewed by the auditors and their report to the Company is set out on page 21. These 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 2009 were approved by the Board of Directors on 18 May 2009 and filed with the Registrar of Companies. The report of the auditors on the statutory accounts for the year ended 31 March 2009 was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 237 of the Companies Act 1985.

These condensed consolidated financial statements for the six months ended 30 September 2009 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 2009, which have been prepared in accordance with IFRSs as adopted by the European Union.

Accounting policies and presentation are consistent with those applied in the Group's financial statements for the year ended 31 March 2009, as set out on pages 80 to 84, with the exception of the adoption of IAS 1(Revised) Presentation of financial statements and IFRS 8 Operating segments, both of which are discussed below.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2009:

### IAS 1 (Revised) Presentation of financial statements

Requires the presentation of items of income and expenses (that is 'non-owner changes in equity') in either a single performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income) and requires such items to be presented separately from owner changes in equity in the statement of changes in equity. The Group has elected to present this information in the format of two performance statements – an income statement and a statement of comprehensive income, in line with the revised disclosure requirements.

### IFRS 8 Operating segments

Requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes and regularly reviewed by the Board, in its capacity as the Chief Operating Decision Maker, in order to allocate resources to the segment and assess its performance. In order to comply with the requirements of this new standard, the Group has amended its segmental reporting information, restating comparative information as appropriate.

The new standards, amendments and interpretations issued and effective for the financial period commencing on or after 1 April 2009 which have not had a material impact on the financial statements of the Group include:

IAS 23 (Revised) Borrowing costs

IFRS 2 (Amendment) Share-based payments

IAS 1 (Amendment) Presentation of financial statements

IAS 39 (Amendment) Financial instruments: Recognition and measurement

IFRS 1 (Amendment) First time adoption of IFRS and IAS 27 (Amendment) Consolidated and separate financial statements

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

IFRIC 16 Hedges of a net investment in foreign operations

The following new standards, amendments and interpretations have been issued, but are not yet effective for the financial period beginning 1 April 2009, and have not been early adopted:

### IFRS 3 (Revised) Business combinations

The standard will continue to apply the acquisition method to business combinations, but with certain significant changes. All payments to purchase a business will be 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 will be expensed. The amendments will take effect for annual periods beginning on or after 1 July 2009, and will be applied by the Group to all business combinations with effect from 1 April 2010.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 2. Accounting policies and basis of preparation (continued)

#### Non-GAAP measures

Non-GAAP measures are those items that are largely one-off and material in nature and are presented 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 and outlets as well as Burberry franchisees and prestige department stores globally. 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 earnings before interest and tax (EBIT). This measurement basis excludes the effects of non-recurring events. 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 expenditure are not included in the result for each operating segment that is reviewed by the Board. Comparative information has been restated on the adoption of IFRS 8.

	Retail / Wholesale		Licensing		Total	
	Six months to 30 September 2009	Six months to 30 September 2008 (restated)	Six months to 30 September 2009	Six months to 30 September 2008 (restated)	Six months to 30 September 2009	Six months to 30 September 2008 (restated)
	£m	£m	£m	£m	£m	£m
Total segment revenue	527.7	499.4	53.7	51.3	581.4	550.7
Inter-segment revenue	–	–	(9.0)	(11.6)	(9.0)	(11.6)
Revenue from external customers	527.7	499.4	44.7	39.7	572.4	539.1
Adjusted EBIT (reportable segments)	48.0	64.4	38.3	34.0	86.3	98.4
Non-GAAP measures <sup>(1)</sup>					(4.2)	1.7
Net finance charge					(3.7)	(3.1)
Profit before taxation					78.4	97.0

Year to 31 March 2009 (restated)	Retail / Wholesale	Licensing	Total
	£m	£m	£m
Total segment revenue	1,118.9	107.5	1,226.4
Inter-segment revenue	–	(24.9)	(24.9)
Revenue from external customers	1,118.9	82.6	1,201.5
Adjusted EBIT (reportable segments)	110.1	70.7	180.8
Non-GAAP measures <sup>(1)</sup>			(190.7)
Net finance charge			(6.2)
Loss before taxation			(16.1)

(1) Refer to Condensed Group Income Statement for details of non-GAAP measures

	Six months to 30 September 2009	Six months to 30 September 2008 (restated)	Year to 31 March 2009 (restated)
Revenue by destination	£m	£m	£m
Europe	194.8	177.7	379.8
Spain	49.1	70.7	144.5
Americas	138.6	128.7	308.9
Asia Pacific	117.2	103.2	240.0
Rest of the world	28.0	19.1	45.7
Retail/Wholesale	527.7	499.4	1,118.9
Licensing	44.7	39.7	82.6
Total	572.4	539.1	1,201.5



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 4. Non-GAAP measures

Included in operating profit for the six months ended 30 September 2009 are net restructuring charges of £4.2m associated with the Group's cost efficiency programme which was announced in the year to 31 March 2009.

### 5. Taxation

The effective underlying rate of tax on adjusted profit for the full year is estimated to be 27.0% (31 March 2009: 23.8%; 30 September 2008: 29.5%).

### 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 Burberry Group.

	Six months to 30 September 2009 £m	Six months to 30 September 2008 £m	Year to 31 March 2009 £m
Attributable profit for the period before non-GAAP measures <sup>(1)</sup>	59.8	67.2	132.1
Effect of non-GAAP measures <sup>(1)</sup> (after taxation)	(3.0)	7.6	(138.1)
<b>Profit/(loss) attributable for the period</b>	<b>56.8</b>	<b>74.8</b>	<b>(6.0)</b>

(1) Refer to Condensed Group Income Statement for the details of non-GAAP measures

The weighted average number of ordinary shares represents the weighted average number of Burberry Group plc ordinary shares in issue throughout the period, excluding ordinary shares held in Burberry Group's 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 2009 Millions	Six months to 30 September 2008 Millions	Year to 31 March 2009 Millions
Weighted average number of ordinary shares in issue during the period	432.0	431.0	431.3
Dilutive effect of the share incentive schemes	7.2	8.9	6.8
Diluted weighted average number of ordinary shares in issue during the period	439.2	439.9	438.1

	Six months to 30 September 2009 Pence	Six months to 30 September 2008 Pence	Year to 31 March 2009 Pence
Basic earnings per share			
<b>Basic earnings per share before non-GAAP measures<sup>(1)</sup></b>	<b>13.8</b>	<b>15.6</b>	<b>30.6</b>
Effect of non-GAAP measures <sup>(1)</sup> (after taxation)	(0.7)	1.7	(32.0)
<b>Basic earnings per share</b>	<b>13.1</b>	<b>17.3</b>	<b>(1.4)</b>

Diluted earnings per share

<b>Diluted earnings per share before non-GAAP measures<sup>(1)</sup></b>	<b>13.6</b>	<b>15.3</b>	<b>30.2</b>
Effect of non-GAAP measures <sup>(1)</sup> (after taxation)	(0.7)	1.7	(31.6)
<b>Diluted earnings per share</b>	<b>12.9</b>	<b>17.0</b>	<b>(1.4)</b>

(1) Refer to Condensed Group Income Statement for the details of non-GAAP measures

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 7. Dividends

The interim dividend of 3.50p (2008: 3.35p) per share has been approved by the Board of Directors after 30 September 2009. Accordingly, this dividend has not been recognised as a liability at the period end.

The interim dividend will be paid on 4 February 2010 to Shareholders on the Register at the close of business on 8 January 2010.

A dividend of 8.65p (2008: 8.65p) per share was paid during the period ended 30 September 2009 in relation to the year ending 31 March 2009.

### 8. Intangible assets

In the period there were additions to intangible assets of £4.7m (2008: £5.2m) and disposals with a net book value of £0.5m (2008: £nil).

#### Impairment testing

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

Goodwill at 30 September 2009 is £31.6m (2008: £129.6m).

Management has performed a review for indicators of impairment as at 30 September 2009. With the exception of Guam, discussed below, there is no indication that the remaining goodwill balance may be impaired. The annual impairment test will be performed at 31 March 2010.

On 30 August 2008, the Group terminated its franchisee agreement in Guam, thereby settling a pre-existing liability. A new company, Burberry Guam Inc., was incorporated which acquired the retailing business from the terminated franchisee. Based on management's current estimates, the recoverable amount of goodwill in respect of Burberry Guam Inc. does not exceed its carrying value. Consequently, the net book value of £1.4m has been written off in full during the period.

### 9. Property, plant and equipment

In the period there were additions to property, plant and equipment of £28.5m (2008: £37.3m) and disposals with a net book value of £0.2m (2008: £0.2m). Capital commitments contracted but not provided for by the Group amounted to £6.7m (2008: £16.8m).

#### Impairment testing

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. At 30 September 2009, a net impairment charge of £1.1m has been recognised in the income statement in respect of certain retail store assets.

### 10. Trade and other receivables

	As at 30 September 2009 £m	As at 30 September 2008 £m	As at 31 March 2009 £m
<b>Non-current</b>			
Deposits and prepayments	12.0	8.3	9.5
<b>Total non-current trade and other receivables</b>	<b>12.0</b>	<b>8.3</b>	<b>9.5</b>
<b>Current</b>			
Trade receivables	166.3	154.8	146.5
Other receivables	13.3	16.5	13.7
Prepayments and accrued income	24.6	25.3	27.0
<b>Total current trade and other receivables</b>	<b>204.2</b>	<b>196.6</b>	<b>187.2</b>
<b>Total</b>	<b>216.2</b>	<b>204.9</b>	<b>196.7</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 11. Trade and other payables

	As at 30 September 2009 £m	As at 30 September 2008 £m	As at 31 March 2009 £m
<b>Non-current</b>			
Other payables, accruals and deferred income	23.9	16.4	23.8
<b>Total non-current trade and other payables</b>	<b>23.9</b>	<b>16.4</b>	<b>23.8</b>
<b>Current</b>			
Trade payables	59.1	70.5	54.8
Other taxes and social security costs	7.1	7.7	7.8
Other payables	14.3	20.0	16.4
Accruals and deferred income	98.1	69.6	83.4
<b>Total current trade and other payables</b>	<b>178.6</b>	<b>167.8</b>	<b>162.4</b>
<b>Total</b>	<b>202.5</b>	<b>184.2</b>	<b>186.2</b>

### 12. Provisions

	Property obligations £m	Restructuring costs £m	Total £m
As at 1 April 2009	13.9	27.5	41.4
Effect of foreign exchange rate changes	0.1	(1.0)	(0.9)
Created during the period	0.8	4.7	5.5
Utilised during the period	(1.8)	(17.2)	(19.0)
Released during the period	–	(0.8)	(0.8)
<b>As at 30 September 2009</b>	<b>13.0</b>	<b>13.2</b>	<b>26.2</b>
As at 30 September 2008	3.7	–	3.7

### 13. Bank overdrafts and borrowings

	As at 30 September 2009 £m	As at 30 September 2008 £m	As at 31 March 2009 £m
<b>Unsecured</b>			
Bank overdrafts	211.1	129.2	199.3
Bank borrowings	–	143.5	45.4
<b>Total</b>	<b>211.1</b>	<b>272.7</b>	<b>244.7</b>

Bank overdrafts are offset by the Group's positive cash pooling balances arrangement.

On 16 March 2009, a £200m multi-currency revolving facility was agreed with a syndicate of third party banks. This facility replaced the £200m five year multi-currency revolving facility in place as at 30 September 2008 which was due to mature on 30 March 2010. At 30 September 2009, there were no outstanding drawings (2008: £143.5m drawn down in Sterling and US dollars). Interest is charged on this loan at LIBOR plus 2.00%. The facility matures on 30 June 2012.

On 13 June 2008, bilateral multi-currency revolving credit facilities totalling £60m were agreed with two banks. At 30 September 2009, there were no outstanding drawings (2008: 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 14. Share capital and other reserves

The cost of own shares held in the Burberry Group ESOP Trusts has been offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Group and the Company. As at 30 September 2009 the amount offset against this reserve was £3.4m (2008: £4.5m).

Options exercised during the first half to 30 September 2009 resulted in 579,199 shares being issued (2008: 266,418). 347,573 options had no exercise price (2008: 266,418), with a related weighted average price at the time of exercise of £4.56 (2008: £4.56) per share. 231,626 options had an exercise price of £3.51 per share (2008: nil options), with cash exercise proceeds received of £0.7m.

### 15. Contingent liabilities

There have been no material changes to the Group's contingent liabilities since 31 March 2009.

### 16. Related party disclosures

The Group's significant related parties are disclosed in the Annual Report for the year ended 31 March 2009. 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 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 2009	Six months to 30 September 2008	Year to 31 March 2009
Euro	1.14	1.26	1.12
US dollar	1.60	1.93	1.42
Hong Kong dollar	12.35	15.05	12.79
Korean won	2,019	2,008	1,967

	Closing		
	As at 30 September 2009	As at 30 September 2008	As at 31 March 2009
Euro	1.09	1.26	1.08
US dollar	1.60	1.78	1.43
Hong Kong dollar	12.41	13.83	11.10
Korean won	1,882	2,149	1,967

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 170.4: £1 in the six months to 30 September 2009 (six months to 30 September 2008: Yen 223.2: £1; year to 31 March 2009: Yen 213.1: £1).

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

The directors of Burberry Group plc are listed in the Burberry Group plc Annual Report for the year ended 31 March 2009. A list of current directors is maintained on the Burberry Group website: [www.burberryplc.com](http://www.burberryplc.com).

By order of the Board

John Peace  
Chairman  
17 November 2009

Stacey Cartwright  
Chief Financial Officer  
17 November 2009

# INDEPENDENT REVIEW REPORT TO BURBERRY GROUP PLC

## Introduction

We have been engaged by the Company to review the interim financial information in the half-yearly financial report ('interim report') for the six months ended 30 September 2009, 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 on pages 14 to 19. 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 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP  
Chartered Accountants  
17 November 2009  
London

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

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

## SHAREHOLDER INFORMATION

### Registrar

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

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

### Amalgamating share accounts

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

### Dividends

The interim dividend of 3.50p per share will be paid on 4 February 2010 to shareholders on the register at the close of business on 8 January 2010.

### Dividend Reinvestment Plan

The Group's Dividend Reinvestment Plan (DRIP) enables shareholders to use their cash dividends to buy further shares in the Company. Full details of the DRIP can be obtained from the Registrars. If you would like your interim and future dividends to qualify for the DRIP, completed application forms must be returned by 21 January 2010.

### Electronic Communication

Shareholders may at any time choose to receive all shareholder documentation in electronic form via the internet, rather than through the post in paper format. Shareholders who decide to register for this option will receive an email each time a statutory document is published on the internet. To register to receive electronic communications please register at [www.shareview.co.uk](http://www.shareview.co.uk), you will need your Shareholder Reference Number which can be found on share certificates, dividend vouchers and most other shareholder correspondence.

### 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](http://www.sharegift.org) or by telephone on +44 (0) 20 7930 3737.

### Company Website

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

### Financial calendar

Interim results announcement	17 November 2009
Third quarter trading update	19 January 2010
Dividend record date	8 January 2010
Dividend payment and DRIP purchase date	4 February 2010
Second half trading update	April 2010
Preliminary results announcement	May 2010
Annual General Meeting	July 2010

### Registered office

Burberry Group plc  
Horseferry House  
Horseferry Road  
London  
SW1P 2AW  
Telephone: +44 (0) 20 3367 3000  
Fax: +44 (0) 20 3367 4910

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

Registered in England and Wales  
Registered Number 03458224

## ADDITIONAL INFORMATION

### Retail/wholesale revenue by product category

£ million	Six months to 30 September		% change	
	2009	2008	reported	underlying
Womenswear	<b>187.5</b>	188.2	–	(10)
Menswear	<b>131.5</b>	136.7	(4)	(14)
Non-apparel	<b>181.6</b>	157.0	16	4
Childrenswear/other	<b>27.1</b>	17.5	55	40
Total retail/wholesale	<b>527.7</b>	499.4	6	(5)

### Store portfolio

	Directly-operated stores				Franchise stores
	Mainline stores	Concessions	Outlets	Total	
At 31 March 2009	119	253	47	419	81
Additions	8	13	1	22	11
Closures	(6)	(11)	(1)	(18)	(1)
Transfers	1	–	–	1	(1)
At 30 September 2009	122	255	47	424	90

### Store portfolio by region

At 30 September 2009	Directly-operated stores				Franchise stores
	Mainline stores	Concessions	Outlets	Total	
Europe*	31	23	16	70	13
Spain	4	128	5	137	–
Americas#	59	–	22	81	3
Asia Pacific	18	104	3	125	60
Rest of world	10	–	1	11	14
Total	122	255	47	424	90

\* Excluding 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 2007	650
At 31 March 2008	740
At 30 September 2008	780
At 31 March 2009	845
At 30 September 2009	870