Burberry Group plc

2003/04 Preliminary Results

24 May 2004. Burberry Group plc reports preliminary results for its financial year ended 31 March 2004.

Financial Highlights

- Total revenues increased by 15% on an underlying* basis, 14% reported
  - Retail sales up 15% underlying, 13% reported
  - Wholesale sales increased 14% underlying, 14% reported
  - Licensing revenue up 18% underlying, 15% reported
- Gross profit margin increased from 56.0% to 57.9%
- EBITA** margin expanded from 19.7% to 20.9%
- EBITA increased by 21% to £141.2 million
- 28% increase in diluted EPS (before goodwill amortisation, exceptional gain and IPO related charges) to 19.1p
- Strong cash generation reflects profitability and working capital efficiencies
- 50% increase in final dividend to 3.0p per ordinary share (4.5p for full year)

*Underlying figures are calculated at constant exchange rates and exclude the impact of the July 2002 acquisition of the operations of Burberry's distributor in Korea (the "Korea acquisition").

**EBITA represents operating profit before interest, taxation, exceptional items and goodwill amortisation.

Strategic Highlights

- Elevated design content and cohesion across product ranges
- Launched iconic *Burberry Brit* fragrance to strong consumer response
- Opened 9 new directly operated stores with important additions in all regions
- Strengthened wholesale distribution across markets
- Extended reach in emerging markets with franchise store and concession openings in China, Russia and the Middle East
- Enhanced brand management activities in Japan

Summary of Results

	Year ended 31 March 2004	Year ended 31 March 2003		
	As reported	Before IPO related charges	IPO related charges (1)	As reported
	£m	*£m*	*£m*	*£m*
Turnover	675.8	593.6	-	593.6
Operating profit before goodwill amortisation and exceptional gain (EBITA)	141.2	116.7	-	116.7
Exceptional gain	2.2 (2)	-	-	-
IPO related charges	-	-	(22.0)	(22.0)
Operating profit	136.6	110.3	(22.0)	88.3
Profit after tax	91.5	69.5	(17.3)	52.2
Diluted EPS before goodwill amortisation, exceptional gain and IPO related charges	19.1p	14.9p	(3.4p)	11.5p
Diluted EPS	18.1p	13.7p	(3.4p)	10.3p

(1) The charge of £22.0m for IPO related items consists of the exceptional charge in connection with the grant of awards under the Restricted Share Plan and associated national insurance liability, together with the cost of gift of shares to employees under the All Employee Share Plan and other IPO costs.

(2) The £2.2 million exceptional gain relates to lapsed awards and the reversal of associated charges with respect to the Restricted Share Plan.

John Peace, Chairman of Burberry, commenting on the preliminary results:
"2003/04 marks another successful year for Burberry. The strength of the business in the context of this year's challenging trading environment highlights the vibrancy of the Burberry brand and the dedication and talents of its management team."

Rose Marie Bravo, Chief Executive, stated: *"This has been a terrific year for Burberry. The Group achieved 28% EPS growth on a 14% revenue gain backed by double digit growth in each of our businesses. With a favourable response to date to our autumn/winter 2004 merchandise, we look ahead to the current financial year with confidence. My thanks go to the management team which continues to deliver on our goals both strategically and financially."*

Management will discuss these results during a presentation to analysts and institutional investors at 1:30pm today in London at the Merrill Lynch Financial Centre, The Auditorium. The presentation will also be broadcast live on the Internet at www.burberryplc.com and can be accessed by telephone at 0845 245 3471 (UK) and 706 634 5500 (US). The webcast and telephone call will be available for replay. Telephone replay: +44 (0) 1452 55 00 00, Replay Access Number 1417840#.

Enquiries:

Burberry		020 7968 0577
Stacey Cartwright	CFO	
Matt McEvoy	Strategy and IR	
John Scaramuzza	Strategy and IR	

Brunswick		020 7404 5959
Susan Gilchrist		
Sophie Fitton		

Chief Executive's Review

Burberry's performance for the year to March 2004 was excellent. The business delivered strong results and continued strategic progress notwithstanding the many challenges stemming from geopolitical conflict, health risks and macroeconomic factors. Diluted EPS (before goodwill amortisation, exceptional gain and IPO related charges) increased 28% on a 14% revenue gain while management successfully strengthened the product line, refined and expanded distribution and continued to develop targeted regions. This performance reflects the sustained efforts of the talented management team and the balance of Burberry's business across products, channels and regions.

Strategic Progress

Key strategic highlights include:

Products. Burberry's product design, development and merchandising teams produced exciting achievements during the year.

- The brand's transformation from a traditional rainwear manufacturer to a style and luxury leader continued at pace. Under the direction of Creative Director Christopher Bailey, the Group achieved greater cohesion across the women's, men's and accessory product lines and further developed Burberry's distinctive design vocabulary including colour, pattern and thematic detail. The successful linking of the brand's history to the present is well demonstrated by the selection of Burberry Prorsum's Autumn/Winter 2004 women's collection as one of the 10 best of the season by *Women's Wear Daily*, a leading fashion industry publication.

- Womenswear led category development for the year. Its strong performance was driven by the continued creation of an outstanding fashion offering in combination with a range of modern classic lifestyle products, including outerwear, designed for a multi-generational customer base. Burberry's pink trench coat, introduced last autumn in support of breast cancer research, received particularly wide recognition and preceded the prominence of the colour pink and the trench coat revival throughout the industry during the following spring. This product successfully raised awareness for an important social cause, raised funds to support critical research and highlights both Burberry's heritage and design innovation.

- The planned diversification of Burberry's accessories offering from classically to contemporary styled products progressed with important successes in the year. In handbags, Burberry introduced the contemporary-styled leather Shackle collection to favourable consumer response. Candy check, a pink adaptation of Burberry's iconic pattern, was successfully offered across a range of handbags and other accessories.

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

- Investment in retail growth continued on plan. The Group opened nine new stores in the year, including Burberry stores in the US (3), Europe (1) and Asia (4), as well as one outlet store, and four concessions, resulting in a 12% selling space increase. The Milan store opening was a retail highlight of the year. Located in the centre of this fashion capital, the store, Burberry's first in Italy, presents the complete revitalised Burberry brand to the global fashion community and this important local market. The store has had a positive impact on the wholesale business in Italy.

- In wholesale, Burberry continued to concentrate on key accounts, add doors selectively in developed markets and utilise the channel as a primary means to address emerging markets. Among key accounts in developed markets, Burberry continued to improve in-store positioning, add floor space and enhance merchandising. In European markets, Burberry capitalised on the brand's increased visibility by selectively adding high-profile fashion retailers to its account base. And in emerging markets, the Group worked with its wholesale partners to build local brand recognition and sales. In China, for example, where sales grew substantially in the year, Burberry worked with local partners to open six additional points of sale (for a current total of 28 stores and concessions) during the year. Through a local partner, the Group opened the first Burberry store in Russia (Moscow) in February 2004.

- In licensing, *Burberry Brit* for women was the year's highlight. Among the most successful fragrance introductions of the year, *Burberry Brit* was launched worldwide following its autumn 2003 introduction in the US and UK. *Burberry Brit*'s extensive media campaign, global distribution and success among a broad range of consumers accrued important perception and awareness benefits to the Burberry brand broadly.

Regions. Burberry continued to increase the brand's penetration across targeted regions, extending its global reach. On a constant currency basis, the Group achieved solid growth across the US (26%), Europe (10%) and Asia Pacific (17%).

- In the US, the Group added stores in Houston, Las Vegas and Tyson's Corner (Virginia) and continued to work with leading wholesale customers to build Burberry's presence in this substantial and under penetrated market. Important renovations, including the Manhasset store expansion, were also completed during the year. The US achieved strong sales gains throughout the year.

- Europe's performance varied by market. The UK remained soft throughout the year with improving trends late in the period. Benefiting from the ongoing initiatives to upgrade distribution in Continental Europe, the Group generally achieved strong gains across the region. Continuing to build the brand's presence in Italy, Burberry finalised plans to open a store in Rome in autumn 2004. In Spain, sales growth resumed, reflecting the successful repositioning efforts in that market.

- Burberry opened stores in Hong Kong, Kuala Lumpur, Melbourne and Singapore, underscoring the brand's opportunities in Asia outside of Japan. In addition to the impact of these new stores, regional growth was boosted by a rapid rebound in the Hong Kong market following the external shocks early in the year (a rebound in part fuelled by visitors from China) as well as strong demand within China. Korea was adversely affected by a difficult economic and consumer credit environment throughout the year.

- In Japan, Burberry continued its long-term brand enhancement activities. During the year, the Group assumed the role of directly managing and monitoring the non-apparel licensees in this market. Over the past 18 months, several licenses have either expired or been cancelled and the Group is selectively working with existing licensees to upgrade products and distribution. In April 2004, the Group's partners in Japan opened a Burberry store featuring the brand's Prorsum and international London collections in Tokyo's fashionable Omotesando district. This new store, and the extensive media campaign which accompanied the opening, is an important component of Burberry's brand management activities in this market.

Continuing to Build the Management Team
The continued development of the depth and breadth of Burberry's international management team is an important Group objective. This year Burberry welcomed two new members to the senior team. Stacey Cartwright, joined in March as CFO and Brian Blake joins Burberry as President and COO in June. Mike Metcalf, the Group's former COO & CFO, and Tom O'Neill, outgoing President Worldwide, chose to pursue new career opportunities. We thank Mike and Tom for their contributions to the Group and wish them well in their new leadership roles.

Financial Highlights
Burberry achieved strong financial performance during the year. Turnover increased by 14%, 15% underlying, to £675.8 million. The EBITA* margin expanded from 19.7% to 20.9%, driven by strong gross margin gains. Over the past three years, Burberry's EBITA margin has increased from 18.1% to 20.9%. For the 2003/04 financial year, EBITA increased by 21% to £141.2 million and diluted EPS (before goodwill amortisation, exceptional gain and IPO related charges) grew 28% to 19.1p.

Looking Ahead to 2004/05

In line with the ongoing execution of its core growth strategies, Burberry's plans for the 2004/05 financial year include:

- An approximate 8% increase in net retail selling area through the addition of seven stores and concessions and expansion/renovation of existing stores
- High single digit wholesale sales growth driven primarily by increased sales to existing customers. Orders received to date indicate a high single digit percentage increase in sales for the Autumn/Winter 2004 season. While solid sales growth continues in most major markets, the Group's expectations for the Spanish market are cautious.
- More moderate licensing revenue growth relative to 2003/04
    - Revenues from Japan will benefit from an increase in certain royalty rates and a reduction in management fees payable; volumes are expected to be broadly static, affected by Burberry's actions to upgrade brand positioning in this market
    - Global licensees are expected to continue to produce strong gains, although at a more moderate rate; *Burberry Brit* for men will launch later in the year
- Operating margin broadly consistent with the 2003/04 financial year
- Capital expenditures are expected to total £40 to £50 million

*EBITA represents operating profit before interest, taxation, exceptional items and goodwill amortisation.

Financial Review

Group Results

	Year to 31 March 2004 £m	Percentage of turnover %	Year to 31 March 2003: Results before IPO related items £m	Percentage of turnover %	IPO related items (1) £m	Total £m
Turnover						
Wholesale	351.4	52.0%	306.9	51.7%	-	306.9
Retail	257.4	38.1%	228.4	38.5%	-	228.4
Licence	67.0	9.9%	58.3	9.8%	-	58.3
Total turnover	**675.8**	**100.0%**	**593.6**	**100.0%**	**-**	**593.6**
Cost of sales	(284.2)	42.1%	(261.3)	(44.0)%	-	(261.3)
Gross profit	**391.6**	**57.9%**	**332.3**	**56.0%**	**-**	**332.3**
Net operating expenses before goodwill amortisation	(250.4)	(37.0%)	(215.6)	(36.3%)	-	(215.6)
EBITA	**141.2**	**20.9%**	**116.7**	**19.7%**	**-**	**116.7**
Goodwill amortisation	(6.8)	(1.0%)	(6.4)	(1.1%)	-	(6.4)
Employee share ownership plans at IPO	-	-	-	-	(22.0)	(22.0)
Exceptional gain (2)	2.2	0.3%	-	-	-	-
Profit before interest and tax	**136.6**	**20.2%**	**110.3**	**18.6%**	**(22.0)**	**88.3**
Net interest income/(expense)	2.2	0.3%	(0.9)	(0.2%)	-	(0.9)
Currency loss on GUS loans (pre-flotation)	-	-	-	-	(2.3)	(2.3)
Profit on ordinary activities before taxation	**138.8**	**20.5%**	**109.4**	**18.4%**	**(24.3)**	**85.1**
Tax on profit on ordinary activities	(47.3)	-	(39.9)	-	7.0	(32.9)
Profit on ordinary activities after taxation	**91.5**	**13.5%**	**69.5**	**11.7%**	**(17.3)**	**52.2**
Diluted EPS before goodwill amortisation, exceptional gain and IPO related charges	**19.1p**		**14.9p**		**(3.4)p**	**11.5p**
Diluted EPS	18.1p		13.7p		(3.4)p	10.3p
Diluted weighted average number of Ordinary Shares (millions)	505.9		506.2		506.2	506.2

(1) IPO related items in the year ended 31 March 2003 included a £22.0 million exceptional charge related to employee share ownership plans and a £2.3 million pre-IPO foreign exchange loss before attributable tax relief of £7.0 million.
(2) The £2.2 million pre-tax exceptional gain in the year ended 31 March 2004 relates to lapsed awards and the reversal of associated charges with respect to the Restricted Share Plan.

Burberry Group turnover is composed of revenue from three channels of distribution: wholesale, retail and licensing operations. Wholesale revenue arises from the sale of men's and women's apparel and accessories to wholesale customers worldwide, principally leading and prestige department stores and speciality retailers. Retail revenue is derived from sales through the Group's directly operated store network. At 31 March 2004, the Company operated 145 retail locations consisting of 54 Burberry stores, 67 concessions and 24 outlet stores. Licence revenue consists of royalties receivable from Japanese and product licensing partners.

Comparison of the year ended 31 March 2004 to the year ended 31 March 2003

Burberry Group has completed two transactions that affect the comparability of results for the year ended 31 March 2004 relative to the year ended 31 March 2003. On 1 July 2002, the Group purchased the operations and certain assets of its distributor in Korea, which largely operated as a retail business consisting primarily of 46 concessions at acquisition date (the "Korea acquisition"). On 17 July 2002, Burberry Group completed a reorganisation in connection with its initial public offering and admission to the London Stock Exchange (the "IPO"). In determining "underlying" performance, financial results are adjusted to exclude the impact of the Korea acquisition, and to reflect prior financial year exchange rates.

Turnover

Total turnover advanced to £675.8 million from £593.6 million in the comparative period, an increase of 14%, or 15% on an underlying basis (i.e. excluding an £11.3 million reduction attributable to exchange rate movements and excluding the incremental contribution from the Korea acquisition). At constant exchange rates, turnover increased by 16%.

Total retail sales increased by 13% in the year to £257.4 million. On an underlying basis, retail sales increased by 15%, driven by sales from newly opened stores with a modest contribution from existing stores. Sales gains at existing stores accelerated in most markets late in the year. The US market achieved strong gains throughout the year. In Asia, the Hong Kong market quickly rebounded from the external shocks early in the financial year, while Southeast Asia, boosted by new stores, achieved significant gains in the second half. Korea was adversely affected by a volatile macro environment throughout the year. A slow first half in Continental Europe was more than offset by vigorous growth in the second half of the year. The soft UK market saw improving trends late in the year. During the year, the Group opened nine new stores, including Burberry stores in the US (3), Europe (1) and Asia (4), as well as one outlet store and four concessions. Burberry also completed several store renovations and expansions in the year. Total retail selling space expanded 12% to approximately 410,000 square feet at year end.

Total wholesale sales advanced 14% (14% underlying) to £351.4 million during the year. The Group achieved double-digit sales gains for both the autumn/winter and spring/summer seasons, driven by solid gains across the US, Europe and Asia. Burberry achieved particularly strong increases in the US, Continental Europe and emerging markets, including China. Sales growth resumed in Spain, reflecting the successful repositioning efforts in that market

Licensing revenues in the year increased by 15%, 18% underlying, to £67.0 million. The majority of the increase was driven by royalty gains in Japan which reflected increases in certain royalty rates and a reduction in management fees payable with respect to specific licenses. Volumes in Japan were limited to modest gains, partially as a result of Burberry's brand enhancement activities in this market. The licensing revenue increase also reflected outstanding sales gains at global product licenses, particularly fragrance, which benefited from the highly successful *Burberry Brit* launch.

Operating Profit
Gross profit as a percentage of turnover expanded to 57.9% in the year from 56.0% in the comparative period. This increase was driven primarily by improved stock management, complemented by pricing and sourcing gains.

Operating expenses as a percentage of turnover rose to 37.0% from 36.3% in the comparative period. This increase primarily reflects continued investment in people and infrastructure in connection with future growth of the business.

As a result of these factors, EBITA increased by 21% to £141.2 million, or 20.9% of turnover relative to 19.7% in the earlier period. Exchange rate movements reduced reported EBITA by £3.8 million.

Goodwill amortisation increased to £6.8 million from £6.4 million in the comparative period as a result of a full year of amortisation expense associated with the Korean acquisition, partially offset by exchange rate movements.

In 2003/04, the Group experienced a £2.2 million exceptional gain relating to lapsed awards and the reversal of associated charges with respect to the employee share ownership plans.

Profit before interest and tax and IPO related items increased 23.8% to £136.6 million, or 20.2% of turnover from 18.6% in the comparative period.

Net interest income/expense
Net interest income was £2.2 million in the year to March 2004 compared to net expense of £0.9 million (excluding IPO related charges) in the prior period. The improvement reflects strong cash generation in the current period.

Prior year IPO related charges
In connection with the initial public offering, the Group incurred a £22.0 million exceptional charge in the year to March 2003 largely relating to its employee share ownership plans.

During the year to March 2003, the Group also incurred a £2.3m foreign exchange loss on borrowings held on behalf of the GUS group; these borrowings were eliminated as part of the reorganisation prior to the flotation.

Profit before taxation
As a result of the above factors, Burberry reported profit before taxation of £138.8 million in the year to March 2004 compared to £109.4 million (excluding IPO related charges) in the prior period.

Profit after taxation
The Group reported a 32.6% tax rate (2002/03: 34.7%) on profit before goodwill amortisation for the full financial year resulting in a £47.3 million tax charge. The rate continues to be above the UK statutory tax rate primarily as a result of the Group's operations in higher tax rate jurisdictions. Profit after tax (before IPO related charges in the prior year) for the period increased 32% to £91.5 million.

Diluted earnings per share before goodwill amortisation, exceptional gain and IPO related charges increased 28% to 19.1p in the year compared to 14.9p (excluding IPO related charges) in the prior period. In the year to March 2004, the Group had 495.6 million (2002/03: 498.1 million) Ordinary Shares in issue on average for the purposes of calculating basic earnings per share and 505.9 million (2002/03: 506.2 million) Ordinary Shares in issue on average for the purposes of calculating diluted earnings per share. An average of 4.6 million Ordinary Shares held by the Group's Employee Share Ownership Trusts are excluded for the purposes of the basic and diluted earnings per share calculations.

Liquidity and Capital Resources

Summary Group Balance Sheet

	As at 31 March 2004 *£m*	As at 31 March 2003 *£m*
Fixed assets		
Intangible assets	111.4	123.7
Tangible fixed assets	149.8	161.4
Investments	8.8	3.4
	270.0	288.5
Current assets		
Stock	89.5	83.8
Debtors	120.8	122.0
Cash and short term deposits	158.7	86.6
	369.0	292.4
Creditors – amounts falling due within one year	(161.2)	(151.1)
Net current assets	**207.8**	**141.3**
Total assets less current liabilities	477.8	429.8
Creditors – amounts falling due after more than one year	(35.4)	(35.2)
Provisions for liabilities and charges	(5.3)	(4.6)
Net assets	**437.1**	**390.0**
Total Shareholders' Funds	**437.1**	**390.0**

Cash Flow and Net Funds

	Year to 31 March 2004 *£m*	Year to 31 March 2003 *£m*
Operating profit before interest, taxation, goodwill amortisation and exceptional/IPO-related items	141.2	116.7
Depreciation and related charges	28.5	19.0
Loss on disposal of fixed assets and similar items	1.7	1.5
(Increase)/decrease in stocks	(7.5)	5.2
Increase in debtors	(1.5)	(2.4)
Increase in creditors	23.2	25.0
Net cash inflow from operating activities	**185.6**	**165.0**
Returns on investments and servicing of finance	2.2	(0.5)
Taxation paid	(49.5)	(30.6)
Net purchase of fixed assets	(28.8)	(55.5)
Acquisition related payments	(2.5)	(26.8)
Net purchase of own shares	(6.6)	(4.5)
Net cash inflow before dividends, IPO related and financing activities	**100.4**	**47.1**
Net funds at end of year	**157.9**	**79.6**

Burberry's principal uses of funds have been to support capital expenditures, acquisitions, and working capital growth in connection with the expansion of its business. Since its IPO in July 2002, the Group expects to finance operations, capital expenditures and acquisitions with cash generated from operating activities and, as necessary, the use of its credit facility.

Net cash inflow from operating activities increased to £185.6 million in the year ended 31 March 2004 from £165.0 million in the comparative period. The increase in depreciation and related charges primarily reflects the larger fixed asset base associated with expansion of the business. The 21% increase in operating profit before interest, taxation, goodwill amortisation and exceptional/IPO related items was augmented by working capital efficiencies. Stock levels increased moderately relative to turnover in 2003/04. The small modest decrease in trade debtors reflects improved credit management. The increase in creditors was in line with the increase in turnover.

Net fixed asset purchases of £28.8 million primarily reflects continued investment in the Group's retail and wholesale operations. The decrease compared to 2002/03 largely reflects differences in the actual timing of cash outlays and types of retail investments between the two periods. Capital expenditures are expected to total £40-50 million in the 2004/05 financial year.

Net cash outflow for acquisition purposes in the period was £2.5 million in 2003/04, relating to deferred payments with respect to previous transactions. In 2002/03, this amount largely related to the Korea acquisition.

During 2003/04 the Company invested £6.6 million net in its own shares as a contribution to funding the Group's employee share ownership trusts.

The Company paid an interim dividend of 1.5p per share on 4 February 2004. A final dividend of 3.0p per share is proposed and would be payable in August 2004. As a result, the total dividend for 2003/04 would increase by 50% to 4.5p per share (£22.3 million aggregate amount).

In line with its risk management policy, Burberry has continued to hedge its principal foreign currency transaction exposures arising in respect of Yen denominated royalty income and Euro denominated product purchases and sales. On the basis of forward foreign exchange contract rates secured with respect to the year to 31 March 2005, Burberry expects that the average Yen/Sterling exchange rate applicable to its licence revenue for that financial year will be broadly consistent with that of 2003/04.

Burberry maintains a £75 million credit facility which matures in July 2006.

International Financial Reporting Standards

It will become mandatory for the consolidated financial statements of all EU listed companies to be reported under International Financial Reporting Standards (IFRS) for periods commencing after 1 January 2005.

The areas of greatest impact for the Group have been identified and work is underway to ensure the required compliance with IFRS for the year ending 31 March 2006.

An impact assessment has identified that changes in accounting treatment for property, pensions, share-based payments, deferred tax, financial instruments and segmental disclosure may have the greatest impact for the Group.

Group profit and loss account

	Note	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Turnover	3	**675.8**	**593.6**
Cost of sales		(284.2)	(261.3)
Gross profit		**391.6**	**332.3**
Net operating expenses		(255.0)	(244.0)
Operating profit	4	**136.6**	**88.3**
Operating profit before goodwill amortisation and exceptional items		**141.2**	**116.7**
- goodwill amortisation	5	(6.8)	(6.4)
- exceptional credit/(charge) relating to IPO employee share plans	6	2.2	(22.0)
Interest and similar income	8	2.3	1.8
Interest expense	9	(0.1)	(2.7)
Foreign currency loss on loans with GUS group (pre-flotation)	9	-	(2.3)
Interest expense and similar charges		(0.1)	(5.0)
Profit on ordinary activities before taxation	3, 5	**138.8**	**85.1**
Tax on profit on ordinary activities*	10	(47.3)	(32.9)
Profit on ordinary activities after taxation		**91.5**	**52.2**
Equity dividend			
- to GUS group (pre-flotation)	12	-	(219.0)
- interim paid	12	(7.4)	(5.0)
- final proposed	12	(14.9)	(10.0)
Retained profit/(loss) for the year	24	**69.2**	**(181.8)**
Pence per share			
Earnings			
- basic	13	18.5p	10.5p
- diluted	13	18.1p	10.3p
Earnings before goodwill amortisation and exceptional items			
- basic	13	19.5p	14.9p
- diluted	13	19.1p	14.6p
Dividends			
- dividends per share - interim	12	1.5p	1.0p
- dividends per share - final	12	3.0p	2.0p

All the Group's operations in both years are continuing.
*Tax on profit on ordinary activities includes tax charged on goodwill amortisation and exceptional items of £0.5m in the year to 31 March 2004 (2003: credit £6.5m).

Statement of total recognised gains and losses

	Note	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Retained profit/(loss) for the year	24	69.2	(181.8)
Currency translation differences		(22.4)	1.1
Tax impact of currency translation differences		(1.4)	(0.4)
Net impact of currency translation differences	24	(23.8)	0.7
Total recognised gains and losses for the year		**45.4**	**(181.1)**

Note of historical cost profits and losses

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Reported profit on ordinary activities before taxation	138.8	85.1
Difference between actual and historical cost depreciation charge	0.6	0.2
Historical cost profit on ordinary activities before taxation	139.4	85.3
Tax on profit on ordinary activities	(47.3)	(32.9)
Dividend		
- to GUS group (pre-flotation)	-	(219.0)
- interim paid	(7.4)	(5.0)
- final proposed	(14.9)	(10.0)
Historical cost retained profit/(loss) for the year after taxation and dividends	**69.8**	**(181.6)**

Reconciliation of movement in Group Shareholders' Funds

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Profit on ordinary activities after taxation	91.5	52.2
Dividend		
- to GUS group (pre-flotation)	-	(219.0)
- interim paid	(7.4)	(5.0)
- final proposed	(14.9)	(10.0)
Retained profit/(loss) for the year	69.2	(181.8)
Net impact of currency translation differences	(23.8)	0.7
Pre-flotation		
Issue of preference share capital	-	0.8
Issue of Ordinary Share capital	-	486.7
Deemed distribution arising on reorganisation	-	(704.1)
Capital reserve arising on reorganisation	-	6.6
On and post-flotation		
Issue of Ordinary Share capital	2.5	250.5
Waiver of GUS group balances	-	37.6
Movement in capital reserve arising on Restricted Share Plan	(0.8)	18.5
Net change in Shareholders' Funds	47.1	(84.5)
Opening Shareholders' Funds (2003: GUS investment in Burberry Group)	390.0	474.5
Closing Shareholders' Funds	**437.1**	**390.0**

Balance sheets

		Group		Company	
		As at 31 March 2004	As at 31 March 2003	As at 31 March 2004	As at 31 March 2003
	Note	*£m*	*£m*	*£m*	*£m*
Fixed assets					
Intangible assets	14	111.4	123.7	-	-
Tangible fixed assets	15	149.8	161.4	-	-
Investments	16	8.8	3.4	1,056.0	971.3
		270.0	**288.5**	**1,056.0**	**971.3**
Current assets					
Stock	17	89.5	83.8	-	-
Debtors	18	120.8	122.0	668.0	169.2
Cash and short term deposits	19	158.7	86.6	0.1	-
		369.0	**292.4**	**668.1**	**169.2**
Creditors - amounts falling due within one year	20	(161.2)	(151.1)	(56.3)	(62.8)
Net current assets		**207.8**	**141.3**	**611.8**	**106.4**
Total assets less current liabilities		477.8	429.8	1,667.8	1,077.7
Creditors - amounts falling due after more than one year	21	(35.4)	(35.2)	(713.4)	(98.6)
Provisions for liabilities and charges	22	(5.3)	(4.6)	-	-
Net assets		**437.1**	**390.0**	**954.4**	**979.1**
Capital and reserves					
Called up share capital	23	1.1	1.1	1.1	1.1
Share premium account	24	124.7	122.2	124.7	122.2
Revaluation reserve	24	23.5	25.2	-	-
Capital reserve	24	42.9	47.1	-	-
Other reserve	24	-	704.1	-	704.1
Profit and loss account	24	244.9	(509.7)	828.6	151.7
Equity Shareholders' Funds		436.3	389.2	953.6	978.3
Non-Equity Shareholders' Funds	23	0.8	0.8	0.8	0.8
Total Shareholders' Funds		**437.1**	**390.0**	**954.4**	**979.1**

Approved by the Board on 23 May 2004 and signed on its behalf by:

John Peace
Chairman

Stacey Cartwright
Chief Financial Officer

Group cash flow statement

	Note	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Operating activities			
Operating profit after goodwill amortisation and exceptional items		136.6	88.3
Exceptional (credit)/charge		(2.2)	22.0
Goodwill amortisation		6.8	6.4
Operating profit before goodwill amortisation and exceptional items		141.2	116.7
Depreciation, impairment and trademark amortisation charges		28.5	19.0
Loss on disposal of fixed assets and non-cash charges		1.7	1.5
(Increase)/decrease in stocks		(7.5)	5.2
Increase in debtors		(1.5)	(2.4)
Increase in creditors		23.2	25.0
Net cash inflow from operating activities		185.6	165.0
Returns on investments and servicing of finance			
Interest received		2.3	0.8
Interest paid		(0.1)	(1.4)
Dividend received from investment		-	0.1
Net cash inflow/(outflow) from returns on investments and servicing of finance		2.2	(0.5)
Taxation paid		(49.5)	(30.6)
Capital expenditure and financial investment			
Purchase of tangible and intangible fixed assets		(28.8)	(55.7)
Sale of tangible fixed assets		-	0.2
Purchase of own shares		(7.0)	(4.5)
Sale of own shares by ESOP		0.4	-
Net cash outflow from capital expenditure and financial investment		(35.4)	(60.0)
Acquisitions			
Deferred consideration for purchase of businesses		(2.5)	(2.5)
Purchase of businesses in year		-	(24.3)
Net cash outflow from acquisitions		(2.5)	(26.8)
Net cash inflow before dividends, IPO related and financing activities		**100.4**	**47.1**
Dividends			
Equity dividends paid (including in the year ended 31 March 2003 £219m to GUS group pre-flotation)		(17.3)	(224.0)
Deemed distribution arising on reorganisation (net of capital reserve)		-	(697.5)
Net cash inflow/(outflow) before management of liquid resources and financing		**83.1**	**(874.4)**
Management of liquid resources			
Increase in short term deposits with banks	26	(53.4)	(47.3)
Financing			
Issue of Ordinary Share capital		0.9	249.5
Issue of Ordinary Shares to GUS group (pre-flotation)		-	486.7
Issue of preference shares to GUS group (pre-flotation)		-	0.8
Decrease in external borrowings	26	-	(7.9)
Funds received on GUS group balances (pre-flotation)		-	446.1
Settlement of GUS group balances (on flotation)		-	(250.5)
Funds on deposit with GUS group companies (post-flotation)		(15.8)	-
(Increase)/decrease in net balances due from GUS group	26	(15.8)	195.6
Net cash (outflow)/inflow from financing		(14.9)	924.7
Increase in cash during the year	**25, 26**	**14.8**	**3.0**

Notes to the financial statements

1 Basis of preparation

Burberry Group is a luxury goods manufacturer, wholesaler and retailer in Europe, North America and Asia Pacific; licensing activity is also carried out, principally in Japan. All of the companies, which comprise the Burberry Group are owned by Burberry Group plc ("the Company") directly or indirectly. Prior to the completion of the initial public offering in July 2002, ownership of these companies was transferred to Burberry Group plc (formerly Burberry Group Limited), which was incorporated on 30 October 1997 in England and Wales.

The financial information has been prepared by consolidating the historical financial information for each of the companies that comprise Burberry Group from applicable individual financial returns of these companies for the years ended 31 March 2004 and 2003.

Prior to flotation, on 17 July 2002, the net assets of Burberry Group were represented by the cumulative investment of GUS group in Burberry Group (shown as "GUS investment in Burberry Group"). All non-trading transactions between Burberry Group and GUS group were reflected as movements in "GUS investment in Burberry Group", which was comprised of:

a) Assets and liabilities not forming part of Burberry Group after flotation. These assets and liabilities were transferred on or before flotation to GUS group companies in part settlement of the loans outstanding between GUS group and Burberry Group;

b) Loans due to and from GUS group companies. These amounts were settled fully either as part of the Burberry Group reorganisation with shares issued to GUS group and loan repayments, or by the waiver of such loans by GUS group; and

c) Share capital and reserves of Burberry Group companies.

The balances in (a) and (b) above are referred to as "GUS group balances" in the "Reconciliation of movement in Group Shareholders' Funds", the "Group cash flow statement" and the "Reconciliation of net cash flow to movement in net funds".

Burberry Group Reorganisation

Immediately prior to the flotation on the London Stock Exchange, a reorganisation of Burberry Group took place resulting in Burberry Group directly owning all Burberry Group companies. Prior to this, a number of Burberry Group entities and certain Burberry-related assets and liabilities (together "the Net Assets") were held underneath GUS group companies although Burberry Group indirectly controlled them and had the economic rights to, and was exposed to the risks in, the Net Assets. The Net Assets were accounted for as quasi-subsidiaries in accordance with FRS 5, "Reporting the substance of transactions" and were thus consolidated as if their legal ownership rested with Burberry Group.

The reorganisation involved the acquisition by Burberry Group of the legal ownership of the Net Assets and the disposal to GUS group of those assets and liabilities which did not form part of the Burberry Group post flotation. Burberry Group financed this reorganisation using loans from GUS group; such loans were repaid by a rights issue of ordinary share capital to GUS group (£486.7m), by loan repayment out of the proceeds of the Company's flotation on the London Stock Exchange (£250.5m) and by the waiver of the remaining debt (£37.6m) by GUS group.

These transactions created a premium on the legal acquisition of the Net Assets of £704.1m ("the Premium"). The accounting treatment required by Schedule 4A to the Companies Act 1985 would recognise the Premium as goodwill. However, the directors consider that, in substance, the Premium represents the value that has been transferred outside of Burberry Group as a result of these transactions. In effect, Burberry Group made a payment to GUS group for assets that it already controlled prior to the reorganisation. Consequently, in order to meet the overriding requirement of the Companies Act 1985 to show a true and fair view, the Premium has been treated as a distribution to GUS group out of the consolidated reserves of Burberry Group ("the Deemed Distribution"). The directors consider that it is not meaningful to quantify the effects of this departure from the requirements of the Companies Act 1985.

As a result of the Deemed Distribution, a net deficit arises on the accumulated profit and loss account in the Burberry Group consolidated balance sheet. In order to eliminate this deficit on consolidation an other reserve of £704.1m was created in the Company's own balance sheet by the transfer of this sum from the share premium account, following High Court approval of the capital reduction, shortly before the admission of the Company's ordinary shares to trading by the London Stock Exchange.

This other reserve was reclassified as distributable, and included in the profit and loss account reserve, when all the Company's creditors in existence on 17 July 2002 (the date of approval of the capital reduction) were settled in full, on 31 December 2003. A capital reserve of £6.6m was also created as part of the reorganisation.

2 Accounting policies

The consolidated financial information has been prepared under the historical cost convention, modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards in the UK.

The principal accounting policies are:

a) Turnover

Turnover, which is stated excluding VAT and other sales taxes, is the amount receivable for goods supplied (less returns, trade discounts and allowances) and royalties receivable.

Wholesale sales are recognised when goods are despatched to trade customers, with provisions made for expected returns and allowances as necessary. Retail sales, returns and allowances are reflected at the dates of transactions with consumers, in addition provisions are made for expected returns as necessary. Royalty receivable from licensees is accrued as earned on the basis of the terms of the relevant royalty agreement which, in the case of Japanese licenses, is on the basis of production volumes.

The Group has complied with Financial Reporting Standard 5 Application Note G - "Revenue Recognition" published during the year. There has been no material impact as a consequence of adopting this standard in the year ended 31 March 2004.

b) Intangible fixed assets

Goodwill

For acquisitions of companies or businesses made on or after 1 April 1998, goodwill (being the excess of purchase consideration over the fair value of net assets acquired) is capitalised as an intangible fixed asset. Fair values are attributed to the identifiable assets and liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are also made to bring the accounting policies of acquired businesses into alignment with those of Burberry Group.

Goodwill on acquisitions prior to 1 April 1998 was written off to reserves in the year of acquisition. On the disposal of a business, any goodwill previously written off against reserves in Burberry Group is included in the profit or loss on disposal.

Goodwill on acquisitions after 1 April 1998 is capitalised and amortised by equal annual instalments over its estimated useful economic life, not exceeding 20 years, taking into account the nature of the business acquired and other competitive considerations. The useful economic life of goodwill arising is determined on a case by case basis.

Impairment reviews are performed if events or changes in circumstances indicate that the carrying value may not be recoverable.

Trademarks and other intellectual property

The cost of securing and renewing trademarks and other intellectual property is capitalised as an intangible fixed asset and amortised by equal annual instalments over its useful economic life, typically 10 years. The useful economic life of trademarks and other intellectual property is determined on a case by case basis, in accordance with the terms of the underlying agreement.

Impairment reviews are performed if events or changes in circumstances indicate that the carrying value may not be recoverable.

c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or revalued amount where relevant, less depreciation.

Depreciation

Depreciation of tangible fixed assets is calculated to write-off the cost or revalued amount, less residual value, of the assets in equal annual instalments over their estimated useful lives at the following rates:

Land	Not depreciated
Freehold buildings	Up to 50 years
Leaseholds - less than 50 years expired	Over the unexpired term of the lease
Plant, machinery, fixtures and fittings	3 - 8 years
Retail fixtures and fittings	2 - 5 years
Office equipment	5 years
Computer software and equipment	3 - 5 years

Lease premiums

Amounts paid to acquire the rights to a lease (“Lease Premiums”) are written off in equal annual instalments over the life of the lease or to the next rental review.

Valuations

Burberry Group has adopted a policy of not revaluing properties as permitted under Financial Reporting Standard 15 “Tangible Fixed Assets”. Previously revalued properties are included at their valuation at 31 March 1996, less depreciation. Leasehold properties are carried at original cost and are amortised over the remainder of the lease term on a straight line basis.

Impairment

Impairment reviews are undertaken when performance trends or changes in circumstances suggest that the net book value of a fixed asset is not fully recoverable.

Profit/loss on disposal of fixed assets

Profits and losses on disposal of tangible fixed assets represent the difference between the net proceeds and net book value at the date of sale. Disposals are accounted for when the relevant transaction becomes unconditional.

d) Investments in group companies

Investments held by the Company are carried at cost less amounts written off in respect of impairment. When investments are fully or partially hedged by means of foreign currency borrowings, the hedged proportion of those investments is retranslated at the relevant exchange rate and the resulting exchange difference taken to reserves along with the matching exchange difference on the foreign currency borrowings.

e) Stock

Stock and work in progress are valued on a first-in-first-out basis at the lower of cost (including an appropriate proportion of production overhead) and net realisable value. Provision is made to reduce cost to no more than net realisable value having regard to the age and condition of stock, as well as its anticipated saleability.

f) Deferred tax

Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the realisation of economic benefits in the future is uncertain. Deferred tax assets and liabilities are not discounted.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries. Deferred tax would be provided where remittance is anticipated and is expected to result in a charge to taxation.

g) Pension costs

The pension costs in the consolidated financial statements are determined in accordance with Statement of Standard Accounting Practice 24 “Accounting for pension costs” (“SSAP 24”). The transitional disclosure requirements required by Financial Reporting Standard 17 “Retirement benefits” (“FRS 17”) are set out in note 32.

GUS defined benefit schemes

Eligible employees of Burberry Group participate in a number of GUS defined benefit schemes throughout the world; the principal defined benefit schemes are in the UK. The assets covering these arrangements are held in independently administered funds.

The cost of providing defined pension benefits to participating Burberry employees is charged to the profit and loss account of Burberry Group over the anticipated period of employment, in accordance with recommendations made by independent qualified actuaries.

Defined contribution schemes

Burberry Group eligible employees also participate in GUS group defined contribution pension schemes, the principal one being in the UK with its assets held in an independently administered fund. The cost of providing these benefits to participating Burberry employees is recognised in the profit and loss account of Burberry Group and comprises the amount of contributions payable to the schemes in respect of the year.

h) Share schemes

Incentive plans

The cost of shares acquired by the Burberry Group Employee Share Ownership Trusts ("ESOTs") or the fair market value of the shares at the date of the grant, less any consideration receivable from the participating Burberry employee, is charged to the profit and loss account. Where awards are contingent upon future events (other than continued employment), an assessment of the likelihood of these conditions being achieved is made at the end of each reporting period and an appropriate accrual made over the period to which the participating Burberry employee's performance relates. Where awards are not contingent upon future events a full accrual is made immediately in the profit and loss account.

Save As You Earn scheme

GUS plc operates a Save As You Earn scheme (in which certain UK employees of Burberry Group participate) that allows for the grant of GUS plc ordinary shares at a discount to the market price at the date of the grant. Burberry Group has made use of the exemption under UITF Abstract 17 "Employee Share Schemes" not to recognise any compensation charge in respect of this scheme.

i) Foreign currency translation

Translation of the results of overseas businesses

The results of overseas subsidiaries are translated at the average exchange rate for the year. The assets and liabilities of such undertakings are translated at year end exchange rates. Differences arising on the retranslation of the opening net investment in subsidiary companies, and on the translation of their results, are taken to reserves and are reported in the statement of total recognised gains and losses. The principal exchange rates used were as follows:

	Average		Closing	
	Year to 31 March 2004	Year to 31 March 2003	As at 31 March 2004	As at 31 March 2003
Euro	1.44	1.55	1.50	1.45
US dollar	1.70	1.55	1.84	1.58
Hong Kong dollar	13.20	12.05	14.31	12.33
Korean won	2,016	1,880	2,106	1,981

The average exchange rate achieved by Burberry Group on its Yen royalty income, taking into account its use of Yen forward sale contracts on a monthly basis approximately 12 months in advance of royalty receipts, was Yen 182.3: £1 in the year to 31 March 2004 (2003: Yen 174.2: £1).

Transactions in foreign currencies

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the date of the transaction or at the forward contract rate where hedged. Monetary assets and liabilities denominated in foreign currencies which are held at year end are translated into Sterling at the exchange rate ruling at the balance sheet date or at the forward contract rate where specifically hedged. Exchange differences on monetary items are taken to the profit and loss account except where they relate to loans hedging investments in overseas subsidiaries of Burberry Group, in which case such differences (including attributable taxation) are taken directly to reserves and limited to the foreign currency movement on the underlying investment.

j) Financial instruments

Burberry Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates arising on certain trading transactions. The principal derivative instruments used are forward currency contracts taken out to hedge certain future royalty receivables and product purchases. Gains and losses on such forward currency contracts are recognised in the profit and loss account at the same date as the underlying transaction.

The financial instruments used and managed by Burberry Group consist primarily of cash and forward currency contracts used to hedge currency exposures on trading transactions.

Burberry Group has taken advantage of the exemption available under Financial Reporting Standard 13 “Derivatives and Financial Instruments”, in respect of short term debtors and creditors, and details in respect of these balances are excluded from the required disclosures, other than within the currency risk disclosure.

k) Operating leases

Gross rental income and expenditure in respect of operating leases are recognised on a straight line basis over the period of the leases. Certain rental expense is determined on the basis of turnover achieved in specific retail locations and is accrued for on that basis.

l) Related party transactions

Financial Reporting Standard 8, “Related Party Disclosures” (“FRS 8”), requires the disclosure of the details of material transactions between the reporting entity and related parties. Burberry Group has taken advantage of an exemption under FRS 8 not to disclose transactions between Burberry Group companies, which eliminate on consolidation.

3 Segmental analysis

(i) Geographical analysis - analysis by origin

(a) Turnover - analysis by origin

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Europe	498.9	429.9
Less: European inter-segment turnover to other regions	(78.5)	(57.5)
	420.4	372.4
North America	156.2	133.8
Asia Pacific	99.9	88.1
Less: Asia Pacific inter-segment turnover to Europe	(0.7)	(0.7)
	99.2	87.4
Total	**675.8**	**593.6**

(b) Profit before taxation - analysis by origin

		Year to 31 March 2004 £m	Year to 31 March 2003 £m
Europe		112.7	92.6
North America		15.6	8.4
Asia Pacific		12.9	15.7
		141.2	**116.7**
Net interest income/(expense)		2.2	(0.9)
Foreign currency loss on loans with GUS group (pre-flotation)		-	(2.3)
Profit before goodwill amortisation, exceptional items and taxation		**143.4**	**113.5**
Goodwill amortisation	- Europe	(5.5)	(5.1)
	- Asia Pacific	(1.3)	(1.3)
Exceptional items	- Europe	2.1	(20.3)
	- North America	0.1	(1.6)
	- Asia Pacific	-	(0.1)
Profit before taxation		**138.8**	**85.1**

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

(c) Net assets - analysis by origin

	As at 31 March 2004 £m	As at 31 March 2003 £m
Europe	118.9	129.1
North America	82.7	93.4
Asia Pacific	3.9	3.1
Net operating assets	**205.5**	**225.6**
Goodwill - Europe	85.4	94.2
- Asia Pacific	25.2	28.6
Deferred consideration for acquisitions - Europe	(21.7)	(19.2)
- Asia Pacific	(10.0)	(12.5)
Cash at bank, short term deposits, less bank overdrafts	157.9	79.6
Investment in own shares	8.7	3.3
Taxation (including deferred taxation)	1.0	0.4
Dividends payable - GUS group companies	(9.9)	(7.8)
Dividends payable - other shareholders	(5.0)	(2.2)
Net assets	**437.1**	**390.0**

(ii) Geographical analysis - turnover by destination

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Europe	346.8	302.7
North America	162.4	140.5
Asia Pacific	162.6	147.0
Other	4.0	3.4
Total	**675.8**	**593.6**

(iii) Analysis by class of business

(a) Turnover - analysis by class of business

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Wholesale	351.4	306.9
Retail	257.4	228.4
Wholesale and Retail	**608.8**	**535.3**
Licence	**67.0**	**58.3**
Total	**675.8**	**593.6**

An analysis of turnover by product category is shown below:

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Womenswear	225.7	197.9
Menswear	190.1	162.8
Accessories (including Childrens)	189.0	169.5
Other	4.0	5.1
Wholesale and Retail	**608.8**	**535.3**
Licence	**67.0**	**58.3**
Total	**675.8**	**593.6**
Number of directly operated stores, concessions and outlets open at 31 March	145	132

(b) Profit before taxation - analysis by class of business

		Year to 31 March 2004 £m	Year to 31 March 2003 £m
Wholesale and Retail		85.2	64.3
Licence		56.0	52.4
		141.2	**116.7**
Net interest income/(expense)		2.2	(0.9)
Foreign currency loss on loans with GUS group (pre-flotation)		-	(2.3)
Profit before goodwill amortisation, exceptional items and taxation		**143.4**	**113.5**
Goodwill amortisation	- Wholesale and Retail	(6.8)	(6.4)
Exceptional items	- Wholesale and Retail	1.6	(18.3)
	- Licence	0.6	(3.7)
Profit before taxation		**138.8**	**85.1**

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

The Wholesale and Retail business is managed in an integrated manner and therefore internal trading between these operations is not on a third-party basis in certain respects. Accordingly the directors do not consider that an analysis of the profit and loss account within the Wholesale and Retail business would be meaningful.

(c) Net assets - analysis by class of business

	As at 31 March 2004 £m	As at 31 March 2003 £m
Wholesale and Retail	211.1	222.1
Licence	(5.6)	3.5
Net operating assets	**205.5**	**225.6**
Goodwill - Wholesale and Retail	110.6	122.8
Deferred consideration for acquisitions - Wholesale and Retail	(31.7)	(31.7)
Cash at bank, short term deposits, less bank overdrafts	157.9	79.6
Investment in own shares	8.7	3.3
Taxation (including deferred taxation)	1.0	0.4
Dividends payable - GUS group companies	(9.9)	(7.8)
Dividends payable - other shareholders	(5.0)	(2.2)
Net assets	**437.1**	**390.0**

4 Turnover and operating profit

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Turnover	675.8	593.6
Cost of sales	(284.2)	(261.3)
Gross profit	**391.6**	**332.3**
Distribution costs (note 1)	(102.5)	(98.0)
Administrative - expenses (note 2)	(147.0)	(140.8)
- goodwill amortisation	(6.8)	(6.4)
Other operating income	1.3	1.2
Operating profit	**136.6**	**88.3**

Note 1: Distribution costs include exceptional charges of £nil (2003: £3.7m); see note 6.
Note 2: Administrative expenses include exceptional income of £2.2m (2003: charge of £18.3m); see note 6.

Other operating income arises from sub-letting certain surplus leasehold properties. Burberry Group’s right to sub-let these properties has expired or will expire at various dates up to 2 January 2005, mainly due to the reversion of headlease interests.

5 Profit on ordinary activities before taxation

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Profit before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	25.6	16.8
Fixed asset impairment charge relating to certain retail assets	2.8	2.1
Amortisation of goodwill	6.8	6.4
Amortisation of trademarks and other intellectual property	0.1	0.1
Employee costs (see note 7)	112.1	100.2
Loss on disposal of fixed assets	0.1	0.3
Property rental income under operating leases (see note 4)	(1.3)	(1.2)
Operating lease rentals - land and buildings*	33.5	30.5
Operating lease rentals - other	0.8	-
Auditors' remuneration		
- audit services (including £3,100 for the Company, 2003: £3,000)	0.8	0.8
- non-audit services	1.1	0.8
Net exchange loss/(gain) on trading items	0.7	(1.3)
Exchange loss on loans with GUS group (pre-flotation) (see note 9)	-	2.3

*The amount disclosed as operating lease rentals in the year to 31 March 2003 has been restated as a result of a reclassification of charges.

Auditor's remuneration for non-audit services in 2004 included £1.0m (2003: £0.6m) for tax related services and £0.1m (2003: £0.2m) for other matters. Tax related services includes compliance activities, transfer pricing enquiries and other activities where tax advice has been provided. No fees were capitalised in 2004 (2003: £0.1m) in relation to acquisitions.

6 Exceptional items

The exceptional credit arising in the year ended 31 March 2004 (2003: charge) consisted of the following amounts:

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Lapse/(grant) of awards under the Senior Executive Restricted Share Plan (the "RSP")	0.8	(18.5)
Credit/(charge) in respect of employers' National Insurance liability arising on the RSP awards	1.4	(2.1)
Shares gifted to employees under the All Employee Share Plan	-	(1.0)
Other costs relating to the Initial Public Offer	-	(0.4)
Total	**2.2**	**(22.0)**

Awards were made under the Restricted Share Plan ("RSP") to the executive directors and other senior management of Burberry Group in respect of services provided prior to flotation. No previous awards had been made, and no further awards will be made, under the RSP.

An exceptional credit of £0.8m arose in the year to 31 March 2004 on the lapsing of share awards, which had previously been granted to individuals in the year to 31 March 2003. A further credit of £1.4m relating to National Insurance, arose in the year to 31 March 2004 from the lapse of awards and confirmation of the tax jurisdiction in which certain employees will be taxed when the RSP awards vest.

The associated tax charge relating to these exceptional items was £0.7m in the year (2003: credit £6.3m) and the cash outflow during the year in relation to these items was £nil (2003: £0.3m).

7 Employee costs

Staff costs, including directors' emoluments, during the year were as shown below. The directors' emoluments are separately disclosed in the "Report on directors' remuneration and related matters", this includes gains arising on the exercise of share options.

	Year to 31 March 2004 *£m*	Year to 31 March 2003 *£m**
Wages and salaries	97.3	88.3
Social security costs	10.8	9.0
Other pension costs (see note 32)	4.0	2.9
Total	**112.1**	**100.2**

*Costs have been restated to include certain employee costs that had previously been omitted from this disclosure.

The average number of full time equivalent employees (including directors) during the year were as follows:

	Year to 31 March 2004 *Number of employees*	Year to 31 March 2003 *Number of employees**
Europe	2,657	2,594
North America	747	669
Asia Pacific	465	394
Total	**3,869**	**3,657**

* Numbers have been restated to include additional employees that had previously been omitted from this disclosure.

SAYE Share Option Scheme

A Save As You Earn (SAYE) share option scheme offering GUS plc ordinary shares was introduced for employees in the UK by GUS plc in the year ended 31 March 2001, with a further option scheme offered to all UK employees of GUS plc in the year ended 31 March 2003. The number of GUS plc ordinary shares subject to option held by Burberry Group employees as at 31 March 2004 were as follows:

Period to exercise	Exercise price	Number of shares under option as at 31 March 2004	Number of shares under option as at 31 March 2003
From 01.05.2004 to 31.10.2004	384.0p	191,415	210,549
From 01.05.2006 to 31.10.2006	384.0p	142,260	151,833
From 01.09.2005 to 28.02.2006	523.0p	39,512	51,127
From 01.09.2007 to 29.02.2008	523.0p	31,071	34,485
Total		**404,258**	**447,994**

The administrative costs of this scheme have not been borne by Burberry Group and are not considered to be material.

Share options and awards

i) GUS schemes

Share options have been granted to Burberry employees under the GUS 1998 Approved and Non-Approved Executive Share Option Schemes during the years ended 31 March 2001 and 2002 in respect of the ordinary shares of GUS plc. The unexercised options granted to Burberry employees (including those granted to directors of the Company) under these schemes were as follows:

Period of exercise	Exercise price	Number of share options as at 31 March 2004	Number of share options as at 31 March 2003
From 07.04.2003 to 07.04.2010	375.7p	40,458	172,612
From 11.06.2004 to 11.06.2011	612.7p	1,107,845	1,175,381
From 17.12.2004 to 17.12.2011	635.0p	180,526	180,526
Total		**1,328,829**	**1,528,519**

ii) The Burberry Senior Executive Restricted Share Plan (the 'RSP')

On 11 July 2002 awards in respect of a total of 8,100,198 Ordinary Shares were made to directors and senior management under the RSP.

As at 31 March 2004 awards in respect of a total of 7,718,894 (2003: 8,055,198) Ordinary Shares remained outstanding. The cost of the RSP shares has been provided for as an exceptional item in the year to 31 March 2003. No Ordinary Shares were issued during the year in respect of the RSP.

Participants' awards were made in the form of options with an exercise price of nil. The unexercised awards granted under this scheme (including those granted to directors of the Company), in respect of Ordinary Shares of the Company were as follows:

	Exercise price	Number of Ordinary Shares as at 31 March 2004	Number of Ordinary Shares as at 31 March 2003
From 11.07.2005 to 11.07.2012	nil	3,859,446	4,027,600
From 11.07.2006 to 11.07.2012	nil	1,929,724	2,013,799
From 11.07.2007 to 11.07.2012	nil	1,929,724	2,013,799
Total		**7,718,894**	**8,055,198**

Ordinary Shares were purchased at the IPO to cover the Employer's National Insurance liability (or overseas equivalent) arising on these awards. During the year to 31 March 2004 the shares held have been redesignated and are now held to cover future share awards. On 31 March 2004 equity swaps were entered into to cover future Employer's National Insurance liability (or overseas equivalent) that may arise in respect of this scheme.

iii) The Burberry Senior Executive IPO Share Option Scheme ("the IPO Option Scheme")

On 11 July 2002 awards in respect of a total of 5,955,198 Ordinary Shares were made to directors and senior management under the IPO Option Scheme.

As at 31 March 2004 awards in respect of a total of 4,465,998 (2003: 5,830,198) Ordinary Shares remained outstanding. During the year to 31 March 2004 691,166 (2003: nil) Ordinary Shares were issued following the exercise of options under the IPO Option Scheme.

Participants' awards were made in the form of options with an exercise price equal to the price on flotation, £2.30 per Ordinary Share. The unexercised awards granted under this scheme (including those granted to directors of the Company) in respect of Ordinary Shares of the Company were as follows:

Period of exercise	Exercise price	Number of Ordinary Shares as at 31 March 2004	Number of Ordinary Shares as at 31 March 2003
From 11.07.2003 to 11.07.2012	230.0p	706,301	1,943,399
From 11.07.2004 to 11.07.2012	230.0p	1,928,399	1,943,399
From 11.07.2005 to 11.07.2012	230.0p	1,831,298	1,943,400
Total		**4,465,998**	**5,830,198**

Ordinary Shares were purchased at the IPO to cover the Employer's National Insurance liability (or overseas equivalent) arising on these awards. During the year to 31 March 2004 the shares held have been redesignated and are now held to cover future share awards. On 31 March 2004 equity swaps were entered into to cover future Employer's National Insurance liability (or overseas equivalent) that may arise in respect of this scheme.

iv) Awards under the Approved and Non-Approved Executive Share Option Scheme

During the year to 31 March 2004 a total of 3,043,533 options were granted to employees in respect of Ordinary Shares in the Company under the Approved and Non-Approved Executive Share Option Scheme. No Ordinary Shares were issued during the year in respect of the awards granted. The unexercised awards granted to Burberry employees under this scheme (including those granted to directors of the Company) were as follows:

Period of exercise	Exercise price	Number of Ordinary Shares as at 31 March 2004	Number of Ordinary Shares as at 31 March 2003
From 12.06.2004 to 12.06.2013	258.0p	1,000,345	-
From 12.06.2005 to 12.06.2013	258.0p	969,344	-
From 12.06.2006 to 12.06.2013	258.0p	969,344	-
Total		**2,939,033**	**-**

Equity swaps were entered into on 31 March 2004 to cover future Employer's National Insurance liability (or overseas equivalent) that may arise in respect of this scheme.

v) All Employee Share Plan

On flotation all employees were offered shares in the Company under an All Employee Share Plan. A total of 413,700 Ordinary Shares with a value of £1.0m were awarded to employees, and the options over the awards have an exercise price of nil. On flotation the Company purchased 421,450 shares at an aggregate cost of £969,335 in respect of these awards.

During the year to 31 March 2004 all employees were offered a total of 412,400 Ordinary Shares with options over the awards at a nil exercise price under an all Employee Share Plan. In March 2003 the Company purchased 500,000 shares at an aggregate cost of £1,224,550 in respect of these awards.

These Ordinary Shares are held in two trusts, being the Burberry Group Share Incentive Plan and the Burberry Group plc ESOP Trust. The Ordinary Shares must be held in trust between three and five years.

The awards granted and remaining outstanding under this scheme as at 31 March 2004 (nil in respect of the directors of the Company) in respect of Ordinary Shares in the Company were as follows:

Period of exercise	Exercise price	Number of Ordinary Shares as at 31 March 2004	Number of Ordinary Shares as at 31 March 2003
From 19.07.2005 to 19.10.2005	nil	208,300	241,700
From 25.10.2005 to 18.07.2082*	nil	128,291	158,600
From 07.07.2006 to 07.10.2006	nil	148,500	-
From 18.07.2006 to 18.10.2006	nil	85,350	-
From 05.08.2006 to 18.07.2082*	nil	147,350	-
Total		**717,791**	**400,300**

* No date has been specified when awards lapse. The cessation date of the trust in which the awards are held is 18 July 2082.

8 Interest and similar income

	Year to 31 March 2004 *£m*	Year to 31 March 2003 *£m*
Dividend income from trade investment	-	0.1
Bank interest income	2.0	0.8
Interest income receivable from GUS group companies	0.3	0.9
Interest receivable and similar income	2.3	1.7
Total	**2.3**	**1.8**

9 Interest expense and similar charges

	Year to 31 March 2004 *£m*	Year to 31 March 2003 *£m*
On bank loans and overdrafts	-	1.2
Interest expense payable to GUS group companies	0.1	1.5
	0.1	2.7
Foreign exchange loss on loans to GUS group companies (pre-flotation)	-	2.3
Total	**0.1**	**5.0**

In the year to 31 March 2003 the foreign exchange losses on loans to GUS group companies were recorded in the profit and loss account of Burberry Group as loans were made by Burberry Group companies to hedge the net assets of other GUS group companies. These losses related to loans that existed prior to flotation and which were settled before or on flotation.

10 Taxation

Analysis of charge for the year	Year to 31 March 2004 £m	Year to 31 March 2003 £m
<u>Current tax</u>		
UK corporation tax		
Current tax on income for the year ended 31 March 2004 at 30% (2003: 30%)	29.2	23.3
Double taxation relief	(7.0)	(6.5)
Adjustment in respect of prior years	1.1	3.0
	23.3	19.8
Foreign tax		
Current tax on income for the year	24.4	22.4
Adjustments in respect of prior years	(2.7)	-
Total current tax	**45.0**	**42.2**
<u>Deferred tax</u>		
UK deferred tax		
Origination and reversal of timing differences	3.1	(4.1)
Adjustments in respect of prior years	(1.3)	(3.0)
	1.8	(7.1)
Foreign deferred tax		
Origination and reversal of timing differences	(2.2)	(3.0)
Adjustments in respect of prior years	2.7	0.8
Total deferred tax	**2.3**	**(9.3)**
Tax on profit on ordinary activities	**47.3**	**32.9**

The tax rate applicable on profit on ordinary activities varied from the standard rate of corporation tax in the UK due to the following factors:

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Tax at 30% on profit before taxation	41.6	25.5
Rate adjustments relating to overseas profits	0.2	(0.9)
Permanent disallowables	1.6	1.3
Tax losses utilised	-	(0.2)
Tax losses not utilised	0.5	2.8
Goodwill amortisation not deductible	2.0	2.0
Tax arising on exceptional items	-	0.2
Adjustments in respect of prior years	(1.6)	3.0
Timing differences	(0.9)	7.1
Other	1.6	1.4
Total current tax	**45.0**	**42.2**

Burberry has commenced a review with the Competent Authorities with regard to resolving transfer pricing of internal sales between the UK and USA. As part of the agreements with GUS, certain tax liabilities, which arise and relate to matters prior to 31 March 2002 will be met by GUS. From 1 April 2002 any liability will be due from the Burberry Group. No corporation tax provision has been made for additional taxation arising for these proceedings as none is anticipated overall.

11 Profit on ordinary activities after taxation

Profit on ordinary activities after taxation but before dividends payable includes a loss of £4.9m (2003: profit £28.5m) which is dealt with in the financial statements of the Company. As permitted by section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account.

12 Dividends

Ordinary dividends (Equity)

		Year to 31 March 2004 £m	Year to 31 March 2003 £m
Dividend paid to GUS group (pre-flotation)		-	219.0
Interim dividend paid (1.5p per share, (2003: 1.0p))	- GUS group	5.0	3.9
	- other shareholders	2.4	1.1
Final dividend proposed (3.0p per share, (2003: 2.0p))	- GUS group	9.9	7.8
	- other shareholders	5.0	2.2
Total dividend - 4.5p per share (2003: 3.0p)		22.3	15.0
Total		**22.3**	**234.0**

Preference dividends (Non-Equity)

During the year Burberry Group paid a total preference dividend of £21,450 (0.001p per preference share) (2003: £18,454 (0.001p per preference share)) to GUS group on the redeemable preference shares issued prior to flotation (see note 23 for further details).

13 Earnings per share

The calculation of basic earnings per share is based on profit after taxation divided by the weighted average number of Ordinary Shares in issue during the year (2003: during the period from flotation to 31 March 2003).

Basic earnings per share before amortisation of goodwill and exceptional items is disclosed to indicate the underlying profitability of the Group. The calculation of diluted earnings per share reflects the prospective dilutive effect of the Restricted Share Plan ("RSP") and share option schemes.

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Profit on ordinary activities after taxation, but before goodwill amortisation and exceptional items	96.6	74.1
Effect of goodwill amortisation (net of attributable taxation)	(6.6)	(6.2)
Effect of exceptional items (net of attributable taxation)	1.5	(15.7)
Profit on ordinary activities after taxation	**91.5**	**52.2**

The weighted average number of Ordinary Shares as at 31 March 2004 represents the weighted average number of Burberry Group plc Ordinary Shares in issue throughout the period, excluding Ordinary Shares held in the Burberry Group's ESOTs.

The weighted average number of Ordinary Shares at 31 March 2003 represents the number of Burberry Group plc Ordinary Shares in issue at flotation through to 31 March 2003 excluding Ordinary Shares held in Burberry Group's ESOTs.

Diluted earnings per share for the relevant financial period is based on the weighted average number of Ordinary Shares in issue throughout the period (or for the year to 31 March 2003 at flotation through to 31 March 2003) excluding any Ordinary Shares held in Burberry Group's ESOTs. In addition account is taken of any awards made under the RSP and share option schemes which will have a dilutive effect when exercised (full vesting of all outstanding awards is assumed).

	Year to 31 March 2004 *Million*	**Year to 31 March 2003** *Million*
Weighted average number of Ordinary Shares in issue during the year	495.6	498.1
Dilutive effect of the RSP and share options schemes	10.3	8.1
Diluted weighted average number of Ordinary Shares in issue during the year	505.9	506.2

Basic earnings per share	**Year to 31 March 2004** *Pence*	**Year to 31 March 2003** *Pence*
Basic earnings per share before goodwill amortisation and exceptional items	**19.5**	**14.9**
Effect of goodwill amortisation	(1.3)	(1.2)
Effect of exceptional items	0.3	(3.2)
Basic earnings per share	**18.5**	**10.5**

Diluted earnings per share	**Year to 31 March 2004** *Pence*	**Year to 31 March 2003** *Pence*
Diluted earnings per share before goodwill amortisation and exceptional items	**19.1**	**14.6**
Effect of goodwill amortisation	(1.3)	(1.2)
Effect of exceptional items	0.3	(3.1)
Diluted earnings per share	**18.1**	**10.3**

14 Intangible assets

Cost	Goodwill £m	Trademarks and other intellectual property £m	Total £m
As at 1 April 2003	138.9	1.2	140.1
Effect of foreign exchange rate changes	(5.5)	-	(5.5)
Revaluation – relating to the acquisition of the Korean business	(0.8)	-	(0.8)
As at 31 March 2004	**132.6**	**1.2**	**133.8**
Amortisation			
As at 1 April 2003	16.1	0.3	16.4
Effect of foreign exchange rate changes	(0.9)	-	(0.9)
Charge for the year	6.8	0.1	6.9
As at 31 March 2004	**22.0**	**0.4**	**22.4**
Net book value			
As at 31 March 2004	**110.6**	**0.8**	**111.4**
As at 31 March 2003	**122.8**	**0.9**	**123.7**

During the year to 31 March 2004, fair value adjustments relating to the acquisition of the trade and assets of the Korean business acquired on 1 July 2002 were finalised. This has resulted in an increase in the valuation of the assets acquired and a subsequent reduction in the initial cost of goodwill recorded at the time of the acquisition.

15 Tangible fixed assets

Cost or valuation	Freehold land and buildings £m	Leasehold land and buildings less than 50 years £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
As at 1 April 2003	91.2	60.2	85.4	1.0	237.8
Effect of foreign exchange rate changes	(7.7)	(5.9)	(3.8)	(0.1)	(17.5)
Additions	0.6	7.4	20.0	1.8	29.8
Reclassifications	-	0.6	0.9	(1.5)	-
Disposals	-	(4.6)	(21.0)	-	(25.6)
As at 31 March 2004	**84.1**	**57.7**	**81.5**	**1.2**	**224.5**
Depreciation					
At 1 April 2003	13.7	13.8	48.9	-	76.4
Effect of foreign exchange rate changes	(1.1)	(1.6)	(1.9)	-	(4.6)
Provided in year	2.5	5.8	17.3	-	25.6
Impairment charge on certain retail assets	-	1.4	1.4	-	2.8
Disposals	-	(4.5)	(21.0)	-	(25.5)
As at 31 March 2004	**15.1**	**14.9**	**44.7**	**-**	**74.7**
Net book value					
As at 31 March 2004	**69.0**	**42.8**	**36.8**	**1.2**	**149.8**
As at 31 March 2003	**77.5**	**46.4**	**36.5**	**1.0**	**161.4**

During the year ended 31 March 2004 certain retail assets became impaired and the cost of these assets were written down. The impairment charge was based on a review of the value of the assets in use and was determined in accordance with Financial Reporting Standard 11. The discount rate used in these calculations was 15% and applied to the pre-tax cash flows attributable to these assets.

Certain properties were revalued at 31 March 1996 and are included at their valuation at this date less depreciation. Other properties are included at cost. The revaluations performed at 31 March 1996 were carried out by external valuers, Colliers Conrad Ritblat Erdman Limited, Chartered Surveyors, on an open market basis for existing use. This valuation was carried out in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

Freehold and leasehold land and buildings held at revalued amount	**As at 31 March 2004** *£m*	**As at 31 March 2003** *£m*
Revalued amount	27.7	29.4
Aggregate depreciation	(5.3)	(5.3)
Net book value	**22.4**	**24.1**

If the revalued assets were stated on the historical cost basis, the amounts would be:

Freehold and leasehold land and buildings at historical cost	**As at 31 March 2004** *£m*	**As at 31 March 2003** *£m*
Historical cost	8.1	8.6
Aggregate depreciation	(4.5)	(5.1)
Net book value based on historical cost	**3.6**	**3.5**

16 Investments

Group

	Interest in own shares			
	Number of Ordinary Shares *Million*	**Net book value** *£m*	**Trade investment cost and net book value** *£m*	**Total** *£m*
As at 1 April 2003	2.3	3.3	0.1	3.4
Additions	2.7	7.0	-	7.0
Disposals	(0.1)	(0.4)	-	(0.4)
Shares written off (All Employee Share Plan)	-	(1.2)	-	(1.2)
As at 31 March 2004	**4.9**	**8.7**	**0.1**	**8.8**

Company

	Interest in own shares			
	Number of Ordinary Shares	Net book value	Group undertakings cost and net book value	Total
	Million	*£m*	*£m*	*£m*
As at 1 April 2003	2.3	3.3	968.0	971.3
Effect of foreign exchange rate changes	-	-	0.2	0.2
Additions	2.7	7.0	796.1	803.1
Disposals	(0.1)	(0.4)	-	(0.4)
Shares written off (All Employee Share Plan)	-	(1.2)	-	(1.2)
Write down of investment in Group undertakings	-	-	(717.0)	(717.0)
As at 31 March 2004	**4.9**	**8.7**	**1,047.3**	**1056.0**

Group and Company

The Company purchased 2,700,000 shares in the year ended 31 March 2004 (2003: 921,450), for a total cost of £7,002,337 (2003: £2,193,885), to meet its obligations in respect of awards granted during the year to 31 March 2004 under the Approved and Non-Approved Executive Share Option Scheme. These shares were acquired by the Burberry Group plc ESOP Trust in the open market using funds provided by Burberry Group companies.

As at 31 March 2004 investment in own shares represents the cost of 3,438,949 (2003: 1,413,333) of the Company's Ordinary Shares (nominal value of £1,719 (2003: £707)) which amounts to 0.7% (2003: 0.3%) of the called up share capital. These shares have been acquired by the Burberry Group plc ESOP Trust in the open market using funds provided by Burberry Group companies to meet the share option award obligations arising on the RSP and the share option schemes. In the year ended 31 March 2004 the Burberry Group plc ESOP Trust has waived its entitlement to dividends of £167,998 (2003: £16,741).

In addition shares are held by the Burberry Group plc ESOP Trust and the Burberry Group Share Incentive Plan to meet the company's obligations in respect of awards made under an All Employee Share Plan. The total number of shares held for these purposes at 31 March 2004 is 1,456,524 (2003: 921,450). The cost of these shares has been written off as they have been or will be gifted unconditionally to employees.

The costs of funding and administering the trusts of £0.1m are charged to the profit and loss account of Burberry Limited in the period to which they relate (2003: £0.1m). The market value of all own shares held at 31 March 2004 was £17.5m (2003: £5.5m).

The trade investment represents an investment in Suit Spain S.L, a clothing manufacturing company incorporated in Spain in which Burberry Group holds a 21.5% share of the ordinary share capital. Burberry Group does not exercise any significant influence on the financial and operating decisions of the company.

Company

In the year ended 31 March 2004 some of the Burberry Group companies were reorganised resulting in an overall net increase in the cost of investments in subsidiary undertakings held by the Company.

17 Stock

	As at 31 March 2004	As at 31 March 2003
	£m	£m
Raw materials	14.6	13.6
Work in progress	7.6	7.2
Finished goods	67.3	63.0
Total	**89.5**	**83.8**

There is no significant difference between the replacement cost of stock and the amounts shown above, on the basis that stock subject to provisioning would not be replaced, and is therefore excluded from this calculation.

18 Debtors

	Group		Company	
	As at 31 March 2004	As at 31 March 2003	As at 31 March 2004	As at 31 March 2003
	£m	£m	£m	£m
Amounts falling due within one year				
Trade debtors	86.1	86.1	-	-
Other debtors	0.9	1.1	-	-
Prepayments and accrued income	12.0	11.3	1.2	-
Corporation tax	2.8	3.4	2.4	2.1
Trading balances owed by GUS group companies	-	0.2	-	-
Amounts receivable from subsidiary companies*	-	-	15.5	15.5
	101.8	**102.1**	**19.1**	**17.6**
Amounts falling due after more than one year				
Other debtors	1.5	0.8	-	-
Deferred tax assets	16.7	18.3	-	-
Corporation tax	0.8	0.8	-	-
Amounts receivable from subsidiary companies*	-	-	648.9	151.6
Total	**120.8**	**122.0**	**668.0**	**169.2**

*Amounts have been reclassified from within one year to after more than one year.

Deferred tax assets

	£m
As at 1 April 2003	18.3
Effect of foreign exchange rate changes	(0.5)
Charge to the profit and loss account	(2.3)
Other movements	1.2
As at 31 March 2004	**16.7**

The analysis of the deferred tax assets is shown below:

	As at 31 March 2004 £m	As at 31 March 2003 £m
Accelerated capital allowances	(0.4)	0.4
Unrealised stock profit and other stock provisions	8.9	8.2
Share schemes	2.9	6.3
Net operating losses	0.3	0.3
Other short term timing differences	5.0	3.1
Undiscounted deferred tax assets	**16.7**	**18.3**

The deferred tax assets recorded in each year arise from timing differences, which are expected to reverse in the foreseeable future.

19 Cash and short term deposits

	Group		Company	
	As at 31 March 2004 £m	As at 31 March 2003 £m	As at 31 March 2004 £m	As at 31 March 2003 £m
Cash	42.6	37.2	0.1	-
Short term deposits (see note 31)	116.1	49.4	-	-
Total	**158.7**	**86.6**	**0.1**	**-**

Short term deposits includes £15.8m as at 31 March 2004 (2003: £nil) deposited with GUS group companies on standard commercial terms. These deposits were repaid in cash on 1 April 2004.

20 Creditors - amounts falling due within one year

	Group		Company	
	As at 31 March 2004 £m	As at 31 March 2003 £m	As at 31 March 2004 £m	As at 31 March 2003 £m
Unsecured:				
Overdrafts (see note 27, 31)	0.8	7.0	-	-
Trade creditors	31.2	26.9	-	-
Trading balances owed to GUS group companies	6.8	5.1	-	-
Corporation tax (UK and overseas)	19.3	22.1	-	-
Other taxes and social security costs	4.2	4.6	-	-
Other creditors	18.7	18.4	-	-
Accruals and deferred income	65.3	54.5	0.1	0.4
Deferred consideration for acquisitions	-	2.5	-	-
Dividends payable - GUS group	9.9	7.8	9.9	7.8
Dividends payable - other shareholders	5.0	2.2	5.0	2.2
Amounts due to subsidiary companies	-	-	41.3	52.4
Total	**161.2**	**151.1**	**56.3**	**62.8**

Overdrafts as at 31 March 2004 and 2003 represent unpresented cheques.

21 Creditors - amounts falling due after more than one year

	Group		Company	
	As at 31 March 2004	As at 31 March 2003	As at 31 March 2004	As at 31 March 2003
	£m	*£m*	*£m*	*£m*
Unsecured:				
Other creditors, accruals and deferred income	3.7	6.0	-	-
Deferred consideration for acquisitions	31.7	29.2	-	-
Amounts due to subsidiary companies	-	-	713.4	98.6
Total	**35.4**	**35.2**	**713.4**	**98.6**

Deferred consideration due after more than one year arises from the acquisitions of two businesses, Burberry (Spain) S.A. and Mercader y Casadevall S.A., and the trade and certain assets of the Burberry business in Korea.

22 Provisions for liabilities and charges

	Pension obligations	Property obligations	Other	Total
	£m	*£m*	*£m*	*£m*
As at 1 April 2003	0.4	4.0	0.2	4.6
Effect of foreign exchange rate changes	-	(0.2)	-	(0.2)
Utilised in the year	-	(1.4)	-	(1.4)
(Credited)/charged to the profit and loss account	(0.2)	2.1	0.4	2.3
As at 31 March 2004	**0.2**	**4.5**	**0.6**	**5.3**

Information on pension obligations is set out in note 32 and relates to retirement indemnities. Property obligations arise from the portfolio of leasehold obligations which the Group maintains and are expected to be utilised over a three year period. Other provisions primarily relate to amounts payable in respect of redundancies, which are expected to be paid within one year.

23 Called up share capital

Group and Company

Authorised share capital	2004 *£m*	2003 *£m*
1,999,999,998,000 (2003: 1,999,999,998,000) Ordinary Shares of 0.05p (2003: 0.05p) each	1,000.0	1,000.0
1,600,000,000 redeemable preference shares of 0.05p each	0.8	0.8
Total	**1,000.8**	**1,000.8**

Allotted, called up and fully paid share capital	*Number*	*£m*
Ordinary Shares of 0.05p (2003: 0.05p) each		
As at 1 April 2003	500,000,000	0.3
Allotted on exercise of IPO Option Scheme awards during the year	691,166	-
As at 31 March 2004	**500,691,166**	**0.3**
Redeemable preference shares of 0.05p each		
As at 1 April 2003 and 31 March 2004	**1,600,000,000**	**0.8**
Total called up Ordinary and preference share capital		**1.1**

Redeemable preference share capital

Called up redeemable preference shares, which do not carry any voting rights, were issued prior to flotation and are held by GUS group.

The redeemable preference shares have the right to a non-cumulative dividend at the rate per annum of six-monthly LIBOR minus one percent and to a further dividend equal to the dividend per share paid on the Company's Ordinary Shares once the total dividend on those Ordinary Shares that has been paid in any financial year reaches £100,000 per Ordinary Share.

The Company has the right to redeem the preference shares at any time until 14 June 2007. On this date any preference shares outstanding will be redeemed in full for their face value together with any dividends accruing up to 14 June 2007.

On a return of capital on winding-up or otherwise (other than on redemption or purchase of shares), the holders of the preference shares shall be entitled to a sum equal to the nominal capital paid up or credited as paid up on the preference shares held by them respectively. This payment will rank in priority to any payment to the holders of any other class of shares.

24 Reserves

Group

	Share premium account	Revaluation reserve	Capital reserve	Other reserve	Profit and loss account
	£m	*£m*	*£m*	*£m*	*£m*
As at 1 April 2003	122.2	25.2	47.1	704.1	(509.7)
Effect of foreign exchange rate changes	-	(1.7)	(3.4)	-	(18.7)
Share premium arising in the year	2.5	-	-	-	-
Retained profit for the year	-	-	-	-	69.2
Capital reserve reduction on lapse of RSP awards	-	-	(0.8)	-	-
Reclassification of reserves	-	-	-	(704.1)	704.1
As at 31 March 2004	**124.7**	**23.5**	**42.9**	**-**	**244.9**

Company

	Share premium account	Other reserve	Profit and loss account
	£m	*£m*	*£m*
As at 1 April 2003	122.2	704.1	151.7
Share premium arising in the year	2.5	-	-
Loss for the year	-	-	(27.2)
Reclassification of reserves	-	(704.1)	704.1
As at 31 March 2004	**124.7**	**-**	**828.6**

The other reserve represents the amounts transferred from the share premium account within Burberry Group plc as a result of the capital reduction carried out immediately prior to flotation. This reserve was reclassified as distributable, and included in the profit and loss account reserve, when the creditors of the Company as at the date of the capital reduction were settled in full, on 31 December 2003.

Based upon the market price for the Company's shares at the year end, the expected cumulative impact on Burberry Group's consolidated profit and loss account of the RSP and IPO Option Scheme is a charge of £15.7m (2003: £0.8m) which would be taken direct to reserves. However, as this will be offset by an increase in share capital and share premium, there will be no net impact on Burberry Group's consolidated Shareholders' Funds.

Cumulative goodwill charged to reserves on acquisition before 1 April 1998 is £0.1m (2003: £0.1m).

25 Analysis of movement in net funds

	As at 1 April 2003	Cash flow	Exchange movements	As at 31 March 2004
	£m	*£m*	*£m*	*£m*
Cash balances	37.2	8.6	(3.2)	42.6
Overdrafts	(7.0)	6.2	-	(0.8)
	30.2	14.8	(3.2)	41.8
Liquid resources:				
Short term deposits	49.4	69.2	(2.5)	116.1
Total	**79.6**	**84.0**	**(5.7)**	**157.9**

Liquid resources as at 31 March 2004 and 31 March 2003 comprise short term deposits and cash balances (principally denominated in Sterling, US and Hong Kong dollars) placed with banks, liquidity funds and GUS group companies.

26 Reconciliation of net cash flow to movement in net funds

	Year to 31 March 2004	Year to 31 March 2003
	£m	*£m*
Increase in cash (see note 25)	14.8	3.0
Cash outflow from movement in external borrowings	-	7.9
Cash outflow from movement in liquid resources	53.4	47.3
Cash outflow/(inflow) arising from increase/(decrease) in GUS group balances	15.8	(195.6)
Movement in net funds resulting from cash flows	84.0	(137.4)
Non-cash movements on GUS group balances		
- tax and interest	-	(24.8)
- waiver of balances by GUS group	-	37.6
Exchange movements	(5.7)	(9.4)
Movement in net funds	78.3	(134.0)
Net funds at beginning of year	79.6	213.6
Net funds at end of year (see note 25)	**157.9**	**79.6**

27 Analysis of net funds

	As at 31 March 2004	As at 31 March 2003
	£m	*£m*
Cash and short term deposits	158.7	86.6
Overdrafts*	(0.8)	(7.0)
Net funds at end of year (see note 25)	**157.9**	**79.6**

*Overdrafts at 31 March 2004 and 2003 represent unpresented cheques.

28 Financial commitments

Burberry Group had annual commitments under non-cancellable operating leases as follows:

	As at 31 March 2004			As at 31 March 2003		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£m	£m	£m	£m	£m	£m
Expiry date:						
Within one year	2.3	0.5	2.8	1.9	-	1.9
Between two and five years	6.7	0.2	6.9	6.3	-	6.3
After five years	12.5	-	12.5	9.4	-	9.4
Total	**21.5**	**0.7**	**22.2**	**17.6**	**-**	**17.6**

The financial commitments for operating lease amounts calculated as a percentage of turnover ("turnover leases"), have been based on the minimum payment that is required under the terms of the relevant lease. Under certain turnover leases, there are no minimums and therefore no financial commitment is included in the table above. As a result, the amounts charged to the profit and loss account may be materially higher than the financial commitment at the prior year end.

29 Capital commitments

Capital commitments contracted but not provided for by Burberry Group as at 31 March 2004 amounted to £14.2m (2003: £6.9m). Contracted capital commitments represent contracts entered into by the year end and major capital expenditure projects where activity has commenced by the year end.

30 Contingent liabilities

Since 31 March 2003 the following changes to contingent liabilities have occurred:

The claim for £2.4m received from a number of the vendors of the Asian distribution businesses acquired on 31 December 2001 was settled in October 2003. The settlement was fully provided for as at 31 March 2003.

The Group has received a claim from the liquidator of Creation Cent Mille SA ("CCM") a former licensee of Burberry Group, seeking to set aside the termination of the licence agreement between Burberry Limited and CCM. Burberry Group believes this claim is without merit and intends to vigorously defend itself.

The Group was named as one of approximately 100 defendants in a class action in California, USA, which alleges that employees' job application processes violated the Californian Labor Code. This action is in the course of being settled for an amount that is not anticipated to be material.

Other contingent liabilities reported at 31 March 2003 remain unchanged and were:

Under the GUS group UK tax payment arrangements, the Group is and will remain jointly and severally liable for any GUS liability attributable to the period of Burberry Group's membership of this payment scheme. Burberry Group's membership of this scheme was terminated with effect from 31 March 2002.

Burberry (Spain) S.A. is liable for certain salary and social security contributions left unpaid by its sole contractors where the amounts are attributable to the period in which sub-contracting activity is undertaken on behalf of Burberry (Spain) S.A. It is not feasible to estimate the amount of contingent liability, but such expense has been minimal in prior years.

In the year ended 31 March 2002, the Group received an invoice for £0.5m in respect of construction works at the Bond Street site from its former lessor. The Burberry Group has notified the other party that it is seeking recovery of certain costs incurred because of the late delivery of the store structure. The Burberry Group has now received a formal claim, for this amount, plus interest, and intends to defend its position.

31 Financial risk management

Burberry Group's policies are as follows:

Liquidity and treasury management

Burberry Group's management seeks to reduce financial risk and to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Burberry Group's treasury function does not operate as a profit centre and transacts only in relation to the underlying business requirements.

Currency risk management

Burberry Group's management has monitored the desirability of hedging the profits and net assets of overseas subsidiaries when translated into Sterling for reporting purposes. It has not entered into any specific transactions for this purpose.

Burberry Group's profit and loss account is affected by transactions denominated in foreign currency. To reduce exposure to currency fluctuations, Burberry Group has a policy of hedging foreign currency denominated transactions by entering into forward exchange contracts.

Burberry Group's principal foreign currency denominated transactions arise from royalty income and the sale and purchase of overseas sourced products. In the UK, Burberry Group manages these exposures, by the use of Yen and Euro forward exchange contracts for a period of 12 months in advance. In addition, Burberry Group's overseas subsidiaries hedge the foreign currency element of their product purchases on a seasonal basis. The hedging activity involves the use of spot and forward currency instruments.

(a) Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of Burberry Group's financial assets and financial liabilities:

	As at 31 March 2004 Book and Fair value	**As at 31 March 2003 Book and Fair value**
	£m	*£m*
Primary financial instruments held or issued to finance the Group's operations:		
Investment	0.1	0.1
Cash at bank and in hand	42.6	37.2
Short term deposits	116.1	49.4
Total financial assets	**158.8**	**86.7**
Overdrafts	(0.8)	(7.0)
Other financial liabilities	(39.6)	(40.2)
Total financial liabilities	**(40.4)**	**(47.2)**
Total net financial investments	**118.4**	**39.5**

	2004	**2003**
	£m	*£m*
Derivative financial instruments held to manage the currency profile:		
Forward foreign currency contracts		
- Book value	-	-
- Fair value	3.6	5.5

Fair value methods and assumptions

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. The principal assumptions are:

i) The fair value of short term deposits, loans and overdrafts approximates to the carrying amount because of the short maturity of these instruments.

ii) The fair value of foreign currency contracts is based on a comparison of the contractual and year end spot exchange rates.

(b) Interest rate risk profile

Financial assets

The interest rate risk profile of Burberry Group's financial assets (excluding investments) by currency is as follows:

Currency	Cash at bank and in hand *£m*	Short term deposits *£m*	Total *£m*
As at 31 March 2004			
Sterling	7.0	77.3	84.3
US dollar	20.4	1.2	21.6
Euro	10.4	33.3	43.7
Other currencies	4.8	4.3	9.1
Total	**42.6**	**116.1**	**158.7**
Floating rate assets	**41.5**	**116.1**	**157.6**
Balances for which no interest is paid	**1.1**	**-**	**1.1**
As at 31 March 2003			
Sterling	5.7	21.8	27.5
US dollar	3.7	7.9	11.6
Euro	20.2	14.3	34.5
Other currencies	7.6	5.4	13.0
Total	**37.2**	**49.4**	**86.6**
Floating rate assets	**36.3**	**49.4**	**85.7**
Balances for which no interest is paid	**0.9**	**-**	**0.9**

Floating rate assets earn interest based on the relevant national LIBID equivalents.

Balances for which no interest is paid is made up of Sterling (£0.1m, 2003: £0.7m), Euros (£0.1m, 2003: £0.2m) and Hong Kong dollars (£0.9m, 2003: £nil).

In addition to the above, the investment of £0.1m at 31 March 2004 (2003: £0.1m) meets the definition of a financial asset. No interest is receivable on this Euro denominated financial asset.

Financial liabilities

The interest rate risk profile of Burberry Group's financial liabilities by currency at 31 March is as follows:

Currency	Floating rate financial liabilities £m	Financial liabilities on which no interest is payable £m	Total £m
As at 31 March 2004			
Sterling	1.6	10.0	11.6
US dollar	-	2.4	2.4
Euro	-	26.4	26.4
Total	**1.6**	**38.8**	**40.4**
As at 31 March 2003			
Sterling	3.1	7.2	10.3
US dollar	0.3	2.4	2.7
Euro	4.4	29.6	34.0
Other currencies	-	0.2	0.2
Total	**7.8**	**39.4**	**47.2**

The floating rate financial liabilities at 31 March 2004 and 2003 incurred interest based on relevant national LIBOR equivalents.

The floating rate financial liabilities at 31 March 2004 and 2003 include preference shares of a total value of £0.8m and overdraft balances at 31 March 2004 of £0.8m (2003: £7.0m). See note 23 for further details regarding the preference shares.

(c) Currency exposures

The tables below show the extent to which Burberry Group has monetary assets and liabilities at the year end in currencies other than the local currency of operation, after accounting for the effect of any specific forward contracts used to manage currency exposure. Monetary assets and liabilities refer to cash, deposits, borrowings and amounts to be received or paid in cash. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account, except where they hedge an investment in an overseas subsidiary of Burberry Group.

	Net foreign currency monetary assets/(liabilities)				
	Sterling	US dollar	Euro	Other currencies	Total
Functional currency of operation:	*£m*	*£m*	*£m*	*£m*	*£m*
As at 31 March 2004					
Sterling	-	0.4	(0.1)	1.8	2.1
US dollar	-	-	(0.3)	-	(0.3)
Euro	-	0.2	-	-	0.2
Other currencies	0.3	-	-	-	0.3
Total	**0.3**	**0.6**	**(0.4)**	**1.8**	**2.3**
As at 31 March 2003					
Sterling	-	(2.2)	29.0	4.7	31.5
US dollar	(0.7)	-	(0.7)	-	(1.4)
Euro	(2.9)	0.1	-	(0.1)	(2.9)
Other currencies	8.0	3.9	(0.1)	-	11.8
Total	**4.4**	**1.8**	**28.2**	**4.6**	**39.0**

(d) Maturity of financial liabilities

The maturity profile of the carrying amount of Burberry Group's financial liabilities, other than short-term trade creditors and accruals at 31 March, was as follows:

As at 31 March 2004	Debt* £m	Non-equity shares £m	Deferred consideration £m	Other financial liabilities £m	Total £m
In one year or less, or on demand	0.8	-	-	2.0	2.8
In more than one year but not more than two years	-	-	21.7	1.8	23.5
In more than two years but not more than five years	-	0.8	10.0	1.7	12.5
In more than five years	-	-	-	1.6	1.6
Total	**0.8**	**0.8**	**31.7**	**7.1**	**40.4**

As at 31 March 2003	Debt* £m	Non-equity shares £m	Deferred consideration £m	Other financial liabilities £m	Total £m
In one year or less, or on demand	7.0	-	2.5	1.3	10.8
In more than one year but not more than two years	-	-	-	1.7	1.7
In more than two years but not more than five years	-	0.8	29.2	3.3	33.3
In more than five years	-	-	-	1.4	1.4
Total	**7.0**	**0.8**	**31.7**	**7.7**	**47.2**

*Debt balances as at 31 March 2004 and 2003 relate to unpresented cheques.

Non-equity shares relate to redeemable preference shares, on which a non-cumulative dividend is paid (see note 23 for further details). All deferred consideration is payable in cash.

Other financial liabilities principally relate to accrued lease liabilities £2.6m (2003: (£2.4m)), which is included in other creditors falling due after one year, and provisions for certain property obligations £4.5m (2003: (£4.0m)), which are included in provisions.

(e) Borrowing facilities

A committed unsecured facility of £150m was agreed with GUS plc commencing on 11 July 2002. This facility has been revised during the year to 31 March 2004, with its amount reduced to £75m, and its committed term extended to July 2006.

(f) Hedging

Under Burberry Group's accounting policy (see note 2), the gains and losses on forward foreign currency contracts are deferred and accounted for when the underlying transaction is recognised. Certain gains and losses on such forward foreign currency contracts will be unrecognised in the financial statements and an analysis of these is shown below:

	Unrecognised gains £m	Unrecognised losses £m	Total net unrecognised gains/(losses) £m
Gains and losses on hedges at 1 April 2003	5.4	(0.2)	5.2
Arising before 1 April 2003 included in current year income	(5.2)	0.2	(5.0)
Arising before 1 April 2003 and not included in current year income	(0.1)	-	(0.1)
Arising during the year and not included in current year income	4.9	(1.4)	3.5
Gains and losses on hedges as at 31 March 2004*	**5.0**	**(1.4)**	**3.6**

*All gains and losses on hedges are expected to be recognised in 2004/05.

There are no material deferred gains or losses.

32 Post-retirement benefits

(a) Accounting for pension costs

Burberry Group provides post retirement arrangements for its employees in the UK and its overseas operations which are both defined benefit and defined contribution in nature. Where arrangements are funded, assets are held in independently administered trusts.

The pension costs charged to the profit and loss account in respect of the main plans were:

	Year to 31 March 2004	Year to 31 March 2003
	£m	*£m*
Defined benefit schemes		
GUS defined benefit scheme UK (including special contribution of £1.5m (2003: 0.5m))	2.3	1.4
Unfunded retirement benefit plans USA*	0.4	0.4
Defined contribution schemes		
GUS money purchase pension plan UK	0.6	0.5
Burberry money purchase plan USA	0.5	0.5
Other Burberry pension schemes**	0.2	0.1
Total pension costs	**4.0**	**2.9**

*The unfunded retirement benefit plans in the USA are classified as defined benefit schemes under SSAP 24 and FRS 17 because their exact cost cannot be quantified as the funds are subject to notional indexation according to specified investment return indices.

**Costs have been restated to include the pension costs of this scheme in the prior year that had been previously omitted from this disclosure.

Defined benefit schemes

GUS defined benefit scheme UK

Burberry Group companies participate in the GUS defined benefit scheme, which offers benefits based on service and salary at retirement. Currently, Burberry Group is not permitting new entrants to the GUS defined benefit scheme.

The GUS scheme has rules which specify the benefits to be paid and is financed accordingly, with assets being held in independently administered funds. A full actuarial valuation of the GUS scheme is carried out every three years with interim reviews in the intervening years.

A full actuarial valuation of the GUS defined benefits scheme was carried out at 31 March 2001 by independent, qualified actuaries, Mercer Human Resource Consulting Limited, using the projected unit method. The principal actuarial assumptions used in that valuation for SSAP 24 purposes were as follows:

	Valuation at 31 March 2001
Valuation rate of interest	
- Pre-retirement	6.0% per annum
- Post-retirement	6.0% per annum
Rate of future earnings growth	4.3% per annum
Pension and inflation increases	2.5% per annum

As at 31 March 2001 the market value of the GUS scheme's assets was £327m. On the above assumptions, this represented 100% of the value of benefits that had accrued to members.

Burberry Group's pension cost represents contributions payable to the GUS defined benefit scheme. Burberry has been contributing 17.9% (2003: 17.9%) in respect of members in the main benefit section. As at 31 March 2004 there were 80 (2003: 90) Burberry Group employees in the scheme and Burberry Group contributions represented approximately 6.1% (2003: 5.6%) of total employer contributions to the scheme.

During the year ended 31 March 2004 GUS made a special contribution to the scheme of £30.0m (2003: £10.0m) in order to fund shortfalls disclosed by the interim valuation on the ongoing actuarial assumptions used for funding purposes. Burberry Group's share of this contribution is estimated at £1.5m (2003: £0.5m) and this amount has been charged in the profit and loss account.

Unfunded retirement benefit plans USA

Rose Marie Bravo and Thomas O'Neill are entitled to unfunded retirement benefit plans as explained in the "Report on directors' remuneration and related matters". FRS 17 does not have a material impact on the reported obligation.

Retirement indemnities (France)

Burberry France S.A. offers lump sum benefits at retirement to all employees that are employed by the company based on the length of service and salary. The balance sheet provision at 31 March 2004 was £0.2m (2003: £0.4m). FRS 17 does not have a material impact on the reported obligation. There are no assets held by Burberry Group companies in relation to this commitment.

Defined contribution schemes

The GUS Money Purchase Pension Plan UK

This scheme was introduced during the year ended 31 March 1999 with the aim of providing pension benefits for those GUS group employees in the UK who, hitherto, had been ineligible for GUS defined benefit pension scheme membership. The assets of the GUS scheme are held separately from those of GUS plc in an independently administered fund. As at 31 March 2004, there were no prepayments or arrears in Burberry Group contributions (2003: £nil).

The Burberry Money Purchase Plan USA

Burberry Group administers a Money Purchase Plan in the USA (a 401(k) scheme), which covers all eligible full-time employees who have reached the age of 21 and have completed one full year of service. The assets of the scheme are held separately from those of Burberry Group in an independently administered fund. As at 31 March 2004 there were no Burberry Group contributions in arrears (2003: nil).

Burberry Asia Limited Retirement Scheme

Burberry Group administers a Money Purchase Plan in Hong Kong, which covers all eligible full-time employees. The assets of the scheme are held separately from those of Burberry Group in an independently administered fund. As at 31 March 2004 there were no Burberry Group contributions in arrears (2003: nil).

(b) FRS 17 - Retirement benefits

GUS defined benefit scheme UK

Burberry Group participates in the GUS defined benefit scheme along with other GUS group companies. It is not possible to identify Burberry Group's share of the underlying assets and liabilities in the GUS defined benefit scheme on a consistent and reasonable basis. In accordance with FRS 17 the scheme is accounted for as a multi-employer scheme and from 1 April 2002 the defined benefit costs in respect of the GUS defined benefit pension scheme reflect the cash contribution that Burberry Group pays to the scheme.

The principal actuarial assumptions used in the valuation for FRS 17 purposes of the GUS group defined benefit scheme were:

	As at 31 March 2004	As at 31 March 2003	As at 31 March 2002
Rate of inflation	2.8%	2.5%	2.5%
Rate of salary increases	4.6%	4.3%	4.3%
Rate of increase for pensions in payment and deferred pensions	2.8%	2.5%	2.5%
Discount rate	5.5%	5.5%	6.0%

The deficit for the GUS group defined benefit scheme as a whole, on the above basis, was approximately £58m at 31 March 2004 (2003: £97m), after allowing for the £30m (2003: £10m) special contribution paid in March 2004 and before allowing for deferred tax.

33 Related party transactions

GUS plc and other GUS group companies are related parties of Burberry Group as GUS plc owns the majority shareholding in Burberry Group plc.

(a) Trading transactions and balances arising in the normal course of business

The following sales/purchases and balances have arisen from transactions between Burberry Group and other GUS group companies including: the sale of merchandise and fabrics to GUS Home Shopping Limited in the prior year only, recharges made and the purchase of services from other GUS group companies, all of which are wholly owned subsidiaries of GUS plc.

The services purchased by Burberry Group include treasury and tax management, cash management, insurance and insurance management, pension, human resources, employee benefit administration, telephone network costs, vehicle hire, property advice, marketing services, credit references, distribution and warehouse facilities, and certain internal audit support.

		Sales to/(purchases from) GUS group companies for the year to 31 March	
		2004	2003
Related party	**Related party's relationship**	*£m*	*£m*
Sales to related parties			
GUS plc and other GUS group companies	Ultimate parent company or 100% subsidiary of GUS plc	-	0.3
Purchases from related parties			
GUS plc and other GUS group companies	Ultimate parent company or 100% subsidiary of GUS plc	(3.3)	(4.1)

		Amounts due from/(to) GUS group companies as at 31 March	
		2004	2003
Related party	**Related party's relationship**	*£m*	*£m*
Related party debtors			
GUS plc and other GUS group companies	Ultimate parent company or 100% subsidiary of GUS plc	-	0.2
Related party creditors			
GUS plc and other GUS group companies	Ultimate parent company or 100% subsidiary of GUS plc	(6.8)	(5.1)
Total		**(6.8)**	**(4.9)**

(b) Funding transactions and balances arising in the normal course of business

Amounts have been deposited with GUS group companies in accordance with Burberry's counterparty risk policy during the year. A total of £15.8m was deposited with GUS at 31 March 2004 (2003: nil). These deposits have been made on standard commercial terms and were repaid in cash on 1 April 2004.

In addition forward currency contracts have been undertaken with GUS group companies, which have been subject to Burberry's counterparty risk policy. The fair value at 31 March 2004 of such hedges amounted to £0.4m (2003: £4.3m).

Five year summary

Turnover by product category	2000 (pro forma) £m	2001 (pro forma) £m	2002 (pro forma) £m	2003 £m	2004 £m
Womenswear	63.4	134.7	165.2	197.9	225.7
Menswear	73.8	142.4	149.4	162.8	190.1
Accessories (including Childrens)	50.2	98.0	125.8	169.5	189.0
Other	7.5	6.9	5.3	5.1	4.0
Licence	30.8	45.8	53.5	58.3	67.0
Total	**225.7**	**427.8**	**499.2**	**593.6**	**675.8**

Turnover by destination	£m	£m	£m	£m	£m
Europe	115.5	259.0	286.7	302.7	346.8
North America	62.3	90.9	110.5	140.5	162.4
Asia Pacific	40.8	74.6	100.1	147.0	162.6
Other	7.1	3.3	1.9	3.4	4.0
Total	**225.7**	**427.8**	**499.2**	**593.6**	**675.8**

Turnover by operation	£m	£m	£m	£m	£m
Wholesale	95.8	238.8	288.8	306.9	351.4
Retail	99.1	143.2	156.9	228.4	257.4
Licence	30.8	45.8	53.5	58.3	67.0
	225.7	**427.8**	**499.2**	**593.6**	**675.8**

Profit by operation	£m	£m	£m	£m	£m
Wholesale and Retail	(6.6)	29.2	42.7	64.3	85.2
Licence	25.1	39.5	47.6	52.4	56.0
EBITA*	**18.5**	**68.7**	**90.3**	**116.7**	**141.2**
Net interest income/(expense)	2.9	5.7	(0.5)	(0.9)	2.2
Foreign currency gain/(loss) on loans with GUS group (pre-flotation)	0.6	6.8	(0.1)	(2.3)	-
Goodwill amortisation	-	(3.6)	(4.9)	(6.4)	(6.8)
Exceptional items	-	2.9	-	(22.0)	2.2
Profit on ordinary activities before taxation	**22.0**	**80.5**	**84.8**	**85.1**	**138.8**
Tax on profit on ordinary activities	(6.6)	(26.1)	(28.3)	(32.9)	(47.3)
Profit on ordinary activities after taxation	**15.4**	**54.4**	**56.5**	**52.2**	**91.5**

Margin analysis	%	%	%	%	%
Gross margin as % of turnover	46.8	47.8	50.3	56.0	57.9
EBITA* as % of turnover	8.2	16.1	18.1	19.7	20.9

*Earnings before interest, taxation, goodwill amortisation and exceptional items.

Pro forma financial information

Pro forma financial information has been extracted from the Listing Particulars of the Company, dated 12 July 2002. The pro forma financial information has been prepared by combining the historical financial information for each of the Companies that comprise the Burberry Group. The pro forma information relates to the financial years prior to the flotation of Burberry Group. On flotation the Burberry Group was reorganised and a legal statutory group was formed, as a consequence statutory consolidations have been performed for the years ended 31 March 2003 and 2004.

Earnings and dividends	2000 (pro forma) *Pence per share*	2001 (pro forma) *Pence per share*	2002 (pro forma) *Pence per share*	2003 *Pence per share*	2004 *Pence per share*
Basic earnings per share	3.1	10.9	11.3	10.5	18.5
Basic earnings per share before goodwill amortisation and exceptional items	3.1	11.2	12.3	14.9	19.5
Diluted earnings per share	3.0	10.8	11.1	10.3	18.1
Diluted earnings per share before goodwill amortisation and exceptional items	3.0	11.1	12.1	14.6	19.1
Dividend per share (post-flotation only)	n/a	n/a	n/a	3.0	4.5
Dividend cover*	n/a	n/a	n/a	5.0	4.3

* Based on profit after taxation before goodwill amortisation and exceptional items.

Balance sheet	2000 (pro forma) *£m*	2001 (pro forma) *£m*	2002 (pro forma) *£m*	2003 *£m*	2004 *£m*
Working capital (excluding cash and borrowings)	42.7	76.1	87.7	73.8	63.8
Fixed assets, investment and other intangible assets	57.5	101.0	125.4	162.4	150.7
Other long term liabilities	(14.2)	(9.1)	(3.9)	(10.6)	(9.0)
Net operating assets	**86.0**	**168.0**	**209.2**	**225.6**	**205.5**
Cash at bank, net of overdraft and borrowings	12.3	5.4	21.3	79.6	157.9
Taxation (including deferred taxation)	0.1	(10.0)	(20.5)	0.4	1.0
Deferred consideration for acquisitions	-	(12.9)	(22.5)	(31.7)	(31.7)
Goodwill	-	89.2	94.9	122.8	110.6
Investment in own shares	-	-	-	3.3	8.7
Dividends payable	-	-	-	(10.0)	(14.9)
Net assets	**98.4**	**239.7**	**282.4**	**390.0**	**437.1**

Cash flow	2000 (pro forma) *£m*	2001 (pro forma) *£m*	2002 (pro forma) *£m*	2003 *£m*	2004 *£m*
Operating profit before goodwill amortisation and exceptional items	18.5	68.7	90.3	116.7	141.2
Depreciation, impairment and trademark amortisation charges	5.6	11.1	14.0	19.0	28.5
Loss on disposal of fixed assets and similar non-cash charges	0.2	-	0.2	1.5	1.7
(Increase)/decrease in stocks	(0.4)	(11.9)	(7.0)	5.2	(7.5)
Increase in debtors	(0.5)	(1.0)	(5.2)	(2.4)	(1.5)
Increase/(decrease) in creditors	4.3	22.2	(2.2)	25.0	23.2
Net cash inflow from operating activities before capital expenditure and financial investment	27.7	89.1	90.1	165.0	185.6
Purchase of tangible and intangible fixed assets	(6.8)	(39.3)	(39.4)	(55.7)	(28.8)
Sale of tangible fixed assets	0.2	19.1	0.5	0.2	-
Purchase of own shares	-	-	-	(4.5)	(7.0)
Sale of own shares by ESOP	-	-	-	-	0.4
Net cash inflow from operating activities	**21.1**	**68.9**	**51.2**	**105.0**	**150.2**

Principal subsidiaries

Company	Country of incorporation	Nature of business
Europe		
Burberry Limited	UK	Luxury goods retailer, wholesaler, manufacturer and licensor
Burberry Italy Retail Limited	UK	Luxury goods retailer
The Scotch House Limited*	UK	Luxury goods brand and licensor
Woodrow-Universal Limited*	UK	Textile manufacturer
Burberry France S.A.	France	Luxury goods retailer and wholesaler
Burberry (Suisse) S.A.*	Switzerland	Luxury goods retailer
Burberry Italy SRL*	Italy	Luxury goods wholesaler
Burberry (Deutschland) GmbH	Germany	Luxury goods retailer and wholesaler
Burberry (Spain) S.A.	Spain	Luxury goods wholesaler
Mercader y Casadevall S.A.	Spain	Luxury goods retailer
Burberry (Spain) Retail S.L.	Spain	Luxury goods retailer
North America		
Burberry Limited	USA	Luxury goods retailer
Burberry (Wholesale) Limited	USA	Luxury goods wholesaler
Hampstead Properties Inc.	USA	Property company
Burberry Realty, Inc.	USA	Property company
Asia Pacific		
Burberry Asia Ltd	Hong Kong	Luxury goods retailer and wholesaler
Burberry (Singapore) Distribution Company Pte Ltd	Singapore	Luxury goods retailer and wholesaler
Burberry Pacific Pty Ltd	Australia	Luxury goods retailer and wholesaler
Burberry Korea Ltd	Korea	Luxury goods retailer and wholesaler
Burberry (Malaysia) Sdn Bhd	Malaysia	Luxury goods retailer
Burberry Japan KK	Japan	Service company

*Held directly by Burberry Group plc

All principal subsidiary undertakings are wholly owned as at 31 March 2004 and operate principally in the country in which they are incorporated with the exception of Burberry Italy Retail Limited, which operates principally in Italy. Non-operating intermediate holding and financing companies are excluded from the above.

Burberry Group plc is 65.9% owned by GUS Holdings Limited, a subsidiary of GUS plc, which is registered in England and Wales. The ultimate parent undertaking and controlling party is GUS plc. Copies of GUS plc consolidated financial statements can be obtained from the Company Secretary at GUS plc, Universal House, Devonshire Street, Manchester, M60 1XA, UK.

Shareholder information

Registrar

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

Share price information

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

Internet

A full range of investor relations information on Burberry Group plc, including latest share price and dividend history, is available at www.burberry.com

Financial calendar

First quarter trading update	19 July 2004
Annual General Meeting	20 July 2004
Final dividend record date	23 July 2004
Final dividend to be paid	4 August 2004
First half trading update	October 2004
Preliminary announcement of interim results	16 November 2004
Third quarter trading update	January 2005
Second half trading update	April 2005
Preliminary announcement of annual results	May 2005

Registered office

Burberry Group plc
18-22 Haymarket
London
SW1Y 4DQ

Telephone: 020 7968 0000