

Burberry Group plc

2004/05 Preliminary Results

24 May 2005. Burberry Group plc reports preliminary results for its financial year to 31 March 2005.

Financial Highlights

- Total revenues increased 10% on an underlying⁽¹⁾ basis, 6% reported
 - Retail sales increased 8% underlying, 3% reported
 - Wholesale sales increased 9% underlying, 6% reported
 - Licensing revenue increased 19% underlying, 17% reported
- Gross profit margin increased from 57.9% to 59.3%
- EBITA⁽²⁾ margin expanded from 21.1% to 23.1%
- EBITA increased by 16% to £165.5 million
- 19% increase in diluted EPS (before goodwill amortisation and exceptional gain) to 23.0p
- 50% increase in final dividend to 4.5p per ordinary share (6.5p for full year)
- Commenced £250 million share repurchase programme with £58 million completed as of 31 March 2005

Strategic and Operating Highlights

- Launched major infrastructure redesign initiative
 - £18 million investment in year one
 - £50 million aggregate investment over three years
 - £20 million annual benefits by year three
- Enhanced design authority and brand presence through critically acclaimed Prorsum collections
- Opened 12 directly operated retail locations and completed important store renovations
- Extended presence in China and other emerging markets with 10 franchise store additions
- Finalised plans with respect to non-apparel licences in Japan
- Launched highly successful *Burberry Brit for Men* and *Burberry Brit Red* fragrances under attractive new licensing agreement

Summary of Results

	Year to 31 March	
	2005	2004 (Restated ⁽³⁾)
	£m	£m
Turnover	715.5	675.8
Operating profit before goodwill amortisation and exceptional gain (EBITA)	165.5	142.6
Exceptional gain ⁽⁴⁾	0.8	2.2
Profit before taxation	164.4	140.3
Profit after taxation	109.9	93.0
Diluted EPS before goodwill amortisation and exceptional gain	23.0p	19.4p
Diluted EPS	21.8p	18.4p

NOTES:

⁽¹⁾ Underlying figures are calculated at constant exchange rates

⁽²⁾ EBITA represents operating profit before interest, taxation, exceptional gain and goodwill amortisation

⁽³⁾ The results for 2003/04 have been restated following the adoption of FRS 17, "Retirement Benefits" relating to pensions accounting

⁽⁴⁾ The £0.8 million pre-tax exceptional gain in the year ended 31 March 2005 relates to lapsed awards under the IPO Senior Executive Restricted Share Plan (2003/04: £2.2 million)

John Peace, Chairman of Burberry, commenting on the preliminary results: *"This marks another successful year for Burberry. Over Burberry's almost three years as a public company, revenue has grown over 40% while EBITA increased in excess of 80%."*

Rose Marie Bravo, Chief Executive, stated: *"Burberry and its management team succeeded across a broad range of strategic and financial objectives during 2004/05. Together, we look forward to the current year with confidence while continuing to execute our growth strategies and launching a major infrastructure redesign initiative in order to generate value for shareholders over the long term."*

Management will discuss these results during a presentation to analysts and institutional investors at 1:00pm 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 020 7081 7194 (UK) and 866 432 7186 (US). The webcast and telephone call will be available for replay. Telephone replay: +44 (0) 20 7081 9440, replay access number 299766.

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

This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares. Past performance is not a guide to future performance and persons needing advice should consult an independent financial adviser.

Chief Executive's Review

Burberry delivered a strong performance for the year to 31 March 2005. The Group increased diluted EPS (before goodwill amortisation and exceptional gain) by 19% on a 10% gain in underlying revenues (ie. at constant exchange rates). While progressing its strategic and operational priorities, the Group continued to enhance profitability through close attention to margin. These results reflect the sustained efforts of Burberry's management team and the balance and diversity of the Group's business across products, channels and regions.

Strategic and Operating Progress

Key strategic highlights include:

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

- **Womenswear.** The Prorsum collection was the highlight of the year in Burberry's womenswear business. Both the Spring and Autumn 2005 Collections won outstanding critical acclaim – both rated among the top ten collections of the season by *Women's Wear Daily*, a leading fashion industry publication. Prorsum's distinctive style statement and the substantial editorial presence it generates assert Burberry's design authority and strengthen the brand's presence among luxury consumers. In the core London collection, the Group continued to refine the balance among classic and fashion styles and develop greater product depth to serve Burberry's expansion in warm-weather regions of the world. Responding to the strong consumer appetite for a continuous selection of new merchandise, the womenswear team further structured the collections to increase the frequency of fresh product flowing to retail selling floors. Womenswear revenue increased 11% underlying during the year and comprised 34% of revenue.
- **Accessories.** New styles drove the 8% underlying growth in accessories for the year. New contemporary handbag designs, including the highly successful Prorsum Cinda bag, led growth in this category. Updated styling, including the Candy and Blue Bell adaptations of Burberry's iconic check pattern, refreshed Burberry's classic handbag collection. Efforts to expand and update small leather goods and gift categories produced strong sales gains in the year. The Group increased its investment in shoe design and technical resources, and is excited about the sizeable opportunity the women's shoe category presents for Burberry. Accessories comprised 26% of revenue for the period.
- **Menswear.** Consistent with Burberry's research on shopping patterns within its stores, menswear product design and development concentrated on intensification of key merchandise classifications during the year. The team added options in colour, pattern, silhouette and fabric in core menswear categories, including jersey and knitwear. Similarly, in line with the brand's heritage, the menswear team upgraded and expanded the selection of performance and technical outerwear through the development of new fabrics and broader selections of styles and colours. The Group is adjusting its in-store merchandise presentation to reflect these classification intensification strategies. Menswear sales also benefited from the broad trend toward more

sartorial dressing. Menswear revenue increased 6% underlying during the year and comprised 27% of revenue.

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

- **Retail.** Investment in retail growth continued on plan. The Group opened five Burberry stores in the year, including stores in the US (4), Europe (1), and seven concessions. The opening of the Rome location, on Via Condotti, in autumn 2004 was a highlight. In combination with the Milan store, Burberry now has an excellent retail presence in the important Italian market. Several key stores underwent refurbishment during the year, including the San Francisco, Boston and Paris stores. Three additional US stores commenced refurbishment activity in January and are scheduled to reopen by June 2005. At March 31 2005, approximately 80% of Burberry's retail selling space had either been newly added or refurbished in the past four years. This global network of 157 directly operated retail locations provides a powerful platform to showcase the depth of Burberry's luxury offering, respond quickly to consumer demand trends and gain market intelligence through testing and customer interaction. On a year on year basis, total selling space increased approximately 7%, 9% on average.
- **Wholesale.** Through Burberry's wholesale operations, the Group extended its presence in both emerging and developed markets. In China, among Burberry's most dynamic markets, the Group in conjunction with its local partner added six franchise stores in the year, including a 6,200 square foot flagship store in Beijing's Oriental Plaza. At 31 March 2005, 35 franchise stores, spanning 22 cities were operating in China. Outside Asia, four franchise stores were added across developing regions, including Russia, Latin America and the Middle East. In developed markets, Burberry continued to concentrate on its key accounts and selectively to add fashion retailers consistent with the brand's increasing visibility. Going forward, in light of ongoing retail expansion, the Group will continue to evaluate wholesale distribution with the objective of maintaining an optimal balance with Burberry's retail network.
- **Licensing.** The Group works closely with its licence partners to facilitate the coherent expression of the Burberry brand across product categories. In watches, that collaboration produced excellent results during the year. The iconic charm bracelet watch was a notable success, while the watch line overall achieved strong sales and editorial presence. Fragrance had another successful year. Outstanding response to the launches of *Burberry Brit for Men* and *Burberry Brit Red* fragrances, augmented by ongoing strength from existing fragrance lines, drove strong revenue gains. In recognition of these efforts, the Group received six international Fragrance Industry Foundation awards. Also during the year, Burberry entered into a new fragrance licence with its existing partner. The terms of the new agreement provide for a substantially enhanced royalty rate and an increased marketing commitment on the part of the partner relative to the previous agreement. The new agreement also defines an organisational structure more aligned with Burberry's requirements, which will enable future development of this successful business.

Regions. Burberry continued to extend its global reach and achieved strong results across its trading regions during the year.

- **US.** US revenues increased 11% underlying, fuelled by the addition of four stores in Charlotte, North Carolina; King of Prussia, Pennsylvania; Scottsdale, Arizona; and Boca Raton, Florida. Wholesale sales growth resulted primarily from continued intensification with Burberry's key accounts. The launch of Burberry's ecommerce site in the lead up to the holiday season experienced a favourable response, with iconic products and gift categories proving popular. This new channel extends Burberry's reach into smaller markets and broadens the brand's customer base.
- **Europe.** Growing 4% underlying, Europe's revenue performance varied by market. Strong gains in Continental European markets were balanced by softer sales in the more developed markets of Spain and the UK. Italy, a large market for the Group, benefited from the recently opened Burberry stores in Milan and Rome. In Spain, the management team undertook several key initiatives designed to strengthen brand positioning in the domestic market. The team reorganised the sales function and opened new and expanded showrooms to improve service to wholesale customers. The team also opened five accessory concessions in the department stores of its core customer. Response to these concessions is encouraging, and the Group plans to open additional locations in 2005/06. In the ongoing evolution of its relationship with this primary customer, the Group will also explore opening apparel concessions in the future.
- **Asia.** Growing 19% underlying, sales in Asia benefited from recent store openings, including partner operated franchise stores, and strong demand from Chinese consumers. Greater China, comprising China and Hong Kong achieved strong gains, accounting for approximately 6% of Burberry's revenues for the year. In Korea, newly opened Burberry children's (3) and golf (1) concessions performed well, and the Group plans to open a similar number of concessions in this market in 2005/06.
- **Japan.** Burberry achieved good progress in Japan during the year. Recent efforts to upgrade brand positioning have demonstrated tangible results in terms of enhanced product design and quality and improved distribution. This work is ongoing, particularly with respect to distribution. Licence transitions initiated previously are beginning to gain momentum. In watches, for example, products from Burberry's global partner replaced local products. At the same time, Burberry finalised plans with respect to its non-apparel licenses in this market. The Group renewed licenses in domestically oriented categories, including home products and hosiery, often on improved terms. Burberry is also looking forward to its plans to launch direct distribution of imported accessories in Japan. In autumn 2006, Burberry plans to distribute selectively a limited range of accessories from its international collection, including women's handbags, small leather goods and silks. This strategy offers attractive opportunities for Burberry over the long-term in Japan's substantial luxury market.

Financial Highlights

Burberry achieved strong financial performance during the year. Turnover increased 6%, 10% at constant exchange rates, to £715.5 million. Gross margin expanded from 57.9% to 59.3%. This gross margin increase coupled with expense leverage resulted in EBITA* margin expansion from 21.1% to 23.1%. EBITA before exceptional gain increased 16% to £165.5 million and diluted EPS (before goodwill and exceptional gain) grew 19% to 23.0p. The directors have proposed a 50% increase in the final dividend to 4.5p, resulting in a total dividend for 2004/05 of 6.5p, a 44% increase.

Plans for 2005/06

In line with the ongoing execution of its core growth strategies, Burberry's plans for the 2005/06 financial year include:

- An approximate 8% increase in net retail selling area through the addition of new stores and concessions and expansion of existing stores. In the first quarter to date, consumer response to spring collections continues to be muted in certain markets.
- First half wholesale sales broadly flat relative to the previous year based upon orders received to date for the Autumn/Winter 2005 season.
- More moderate licensing revenue growth relative to the second half of 2004/05. Revenues from Japan are expected to decline moderately for the year as a result of Burberry's programme to reduce selectively the distribution of certain products in this market, a soft apparel environment and planned licensee cancellations/transitions. Global licensees are expected to continue to produce strong gains.
- Capital expenditures are planned to total between £35 and £40 million.

Infrastructure Redesign

Moving into 2005/06 and beyond, Burberry is launching a major programme to redesign its business processes and systems, creating a substantially stronger platform to support the long-term operation and growth of the Group. Scheduled to span five years, the project is designed to address key support areas of the business which have become inconsistent with the substantial expansion of its size and scope across product areas, regions of the world and channels of distribution during the past several years. Areas targeted for upgrading include:

- **Supply chain.** Improving Burberry's supply chain is a key objective of the programme. Burberry sees substantial benefits from upgrading and integrating its spectrum of functions: from raw material procurement, to sourcing of finished goods, to distribution of products to own stores and wholesale customers.
- **Information integration and transparency.** The project involves the installation of a company-wide ERP (enterprise resource planning) system as well as the implementation of a consistent and updated retail information system across Burberry's global store network, replacing a variety of non-integrated information systems today. As a result of these upgrades, employees throughout the organisation will have access to more timely and comprehensive information with which to operate the business.

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

- **Support services.** The programme is also structured to develop more effective tools and organisation structures across the Group's broad range of global support services.

The large majority of required capital is scheduled to be invested during the initial three years of the project. Over that period, the Group expects to invest approximately £50 million in associated expenses and capital expenditures, with approximately £18 million invested in 2005/06. Key areas of investment include hardware and software purchases and related implementation expenses and the addition of people to manage and execute the process and organisation changes. Approximately 85% of the investment is expected to be directly expensed, with the remaining 15% capitalised. In its third year (2007/08), the programme is expected to generate over £20 million annually in direct expense savings across the supply chain and general and administrative costs. These benefits are expected to be greater in future years. Key sources of expense savings include improved supplier management, improved product development processes and more efficient non-stock procurement procedures. Beyond costs, through enhanced decision-making and improved ability to respond to market dynamics, the project is expected to produce substantial revenue and margin benefits.

Costs associated with investment in new business processes and systems will affect reported earnings per share over the next three years. However, existing revenue growth and profitability enhancement initiatives, combined with the impact of the share repurchase programme should allow the Group to continue to deliver strong underlying growth in EPS over the three year period.

Conclusion

Burberry's strong performance in the year reflects the dedication of our management and employees who share a passion for the Burberry brand and its unique position in the luxury goods market, the commitment of licensing partners and the support of wholesale customers. Together, we look forward to the current year with confidence, continuing to execute our growth strategies while investing in business infrastructure in order to generate value for shareholders over the long term.

Financial Review

Group Results

	Year to 31 March 2005 £m	Percentage of turnover %	Year to 31 March 2004 (Restated ⁽¹⁾) £m	Percentage of turnover %
Turnover				
Wholesale	371.9	52.0%	351.4	52.0%
Retail	265.2	37.1%	257.4	38.1%
Licence	78.4	11.0%	67.0	9.9%
Total turnover	715.5	100.0%	675.8	100.0%
Cost of sales	(291.3)	(40.7%)	(284.2)	42.1%
Gross profit	424.2	59.3%	391.6	57.9%
Net operating expenses before goodwill amortisation and exceptional gain	(258.7)	(36.2%)	(249.0)	(36.8%)
EBITA	165.5	23.1%	142.6	21.1%
Goodwill amortisation	(6.8)	(1.0%)	(6.8)	(1.0%)
Exceptional gain ⁽²⁾	0.8	0.1%	2.2	0.3%
Profit before interest and taxation	159.5	22.3%	138.0	20.4%
Net interest income	4.9	0.7%	2.3	0.3%
Profit on ordinary activities before taxation	164.4	23.0%	140.3	20.8%
Tax on profit on ordinary activities	(54.5)	-	(47.3)	-
Profit on ordinary activities after taxation	109.9	15.4%	93.0	13.8%
Diluted EPS before goodwill amortisation and exceptional gain	23.0p		19.4p	
Diluted EPS	21.8p		18.4p	
Basic EPS	22.2p		18.8p	
Diluted weighted average number of Ordinary Shares (millions)	504.6		505.9	

NOTES:

⁽¹⁾ The results for 2003/04 have been restated following the adoption of FRS 17, "Retirement Benefits" relating to pensions accounting

⁽²⁾ The £0.8 million pre-tax exceptional gain in the year ended 31 March 2005 relates to lapsed awards under the IPO Senior Executive Restricted Share Plan (2003/04: £2.2 million)

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 2005, the Group operated 157 retail locations consisting of 59 Burberry stores, 74 concessions and 24 outlet stores. Licence revenue consists of royalties receivable from Japanese and product licensing partners.

Comparison of the year ended 31 March 2005 to the year ended 31 March 2004

Turnover

Total turnover advanced to £715.5 million from £675.8 million in the comparative period, an increase of 6%, or 10% underlying (ie. at constant exchange rates).

Total retail sales increased 3% (8% underlying) to £265.2 million, driven by contributions from newly opened stores. During the year, the Group opened four stores in the US, one in Europe and seven concessions. Sales growth varied by market. As the result of a muted initial response to seasonal collections, particularly outerwear, deliberately restrained outlet stores sales and renovation activity in a number of key stores, sales growth in the US was driven by an increase in retail space. In Europe, Continental markets generally performed well, while the UK was soft. In Asia, Korea posted a modest gain notwithstanding a volatile retail environment. Hong Kong experienced vigorous growth throughout the year, while Southeast Asia, boosted by new stores, achieved strong gains.

Total wholesale sales advanced 6% (9% underlying) to £371.9 million during the year, resulting from the contribution of double digit revenue gains for the Autumn/Winter 2004 season and mid single digit gains for the Spring/Summer 2005 season. The US achieved solid growth, driven by ongoing intensification of key accounts. In Europe, strong gains in the under-penetrated markets of Italy, France, Benelux and Germany were balanced by softer sales in the more developed markets of Spain and the UK, resulting in an overall flat performance for the year. Asia, fuelled by the addition of six new franchise stores in China and strong demand from Chinese travellers, achieved substantial gains. Sales to other emerging markets achieved strong gains, partially driven by the addition of four franchise stores in new and existing markets.

Licensing revenues in the year increased 17% (19% underlying) to £78.4 million, driven by strong gains from global licenses. Fragrance related revenues increased substantially in the period with growth driven primarily by successful new fragrance launches and improved terms under the new licence agreement. In Japan, a decline in volumes arising from the soft apparel spending environment, licensee cancellations/transitions and Burberry's programme to reduce selectively the distribution of certain products was offset by an increase in certain royalty rates and the reduction in management fees payable with respect to specific licenses.

Operating profit

Gross profit as a percentage of turnover expanded to 59.3% in the year from 57.9% in the comparative period. This increase was driven primarily by pricing and sourcing gains and an increase in licensing's share of the revenue mix.

Operating expenses as a percentage of turnover improved to 36.2% from 36.8% in the comparative period. This decrease primarily results from a one-time accelerated depreciation charge in the previous year; in the current year, the Group returned to a more normalised level of depreciation. Burberry also benefited from operating leverage as a result of the Group's expanded and diversified revenue base, partially offset by additional investment in infrastructure and marketing to support growth of the business. Following the adoption of FRS 17, "Retirement benefits", the Group now accounts for its pensions on a defined benefit basis.

Previously the charge to operating expenses was based on contributions made in the various schemes. The impact on 2003/04 is to reduce net operating expenses by £1.4 million.

As a result of these factors, EBITA increased by 16% to £165.5 million, or 23.1% of turnover relative to 21.1% in the previous period. Exchange rate movements reduced reported EBITA by £4.9 million.

Goodwill amortisation was £6.8 million, in line with the comparative period.

In 2004/05, the Group recorded a £0.8 million exceptional gain on the lapsing of share awards under the IPO Senior Executive Restricted Share Plan and employers' National Insurance liability arising on the awards. An equivalent gain of £2.2 million was recorded in the comparative period.

Profit before interest and taxation increased 16% to £159.5 million, or 22.3% of turnover from 20.4% in the comparative period.

Net interest income

Net interest income was £4.9 million in the year to March 2005 compared to £2.3 million in the prior period, as a result of larger cash balances throughout the current year.

Profit before taxation

As a result of the above factors, Burberry reported profit before taxation of £164.4 million in the year to March 2005 compared to £140.3 million in the prior period.

Profit after taxation

The Group reported a 32.0% tax rate (2003/04: 32.3%) on profit before goodwill amortisation and exceptional gain for the full financial year resulting in a £54.5 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 for the period increased 18% to £109.9 million.

Diluted earnings per share before goodwill amortisation and exceptional gain increased 19% to 23.0p in the year compared to 19.4p in the prior period. In the year to March 2005, the Group had 494.1 million (2003/04: 495.6 million) Ordinary Shares in issue on average for the purposes of calculating basic earnings per share and 504.6 million (2003/04: 505.9 million) Ordinary Shares in issue on average for the purposes of calculating diluted earnings per share. An average of 6.2 million (2003/04: 4.6 million) Ordinary Shares held by the Group's Employee Share Ownership Trusts are excluded for the purposes of earnings per share calculations.

Liquidity and Capital Resources

Summary Group Balance Sheet

	As at 31 March 2005	As at 31 March 2004 (Restated) ⁽¹⁾
	£m	£m
Fixed assets		
Intangible fixed assets	107.9	111.4
Tangible fixed assets	166.1	149.8
Fixed asset investments	0.1	0.1
	274.1	261.3
Current assets		
Stock	102.5	89.5
Debtors	135.7	126.2
Cash and short term deposits	169.9	158.7
	408.1	374.4
Creditors – amounts falling due within one year	(207.8)	(163.8)
Net current assets	200.3	210.6
Total assets less current liabilities	474.4	471.9
Creditors – amounts falling due after more than one year	(14.8)	(35.4)
Provisions for liabilities and charges	(3.2)	(5.1)
Pension obligations	(1.8)	(2.0)
Net assets	454.6	429.4
Total Shareholders' Funds	454.6	429.4

NOTES:

⁽¹⁾ The results for 2003/04 have been restated following the adoption of FRS 17, "Retirement Benefits" relating to pensions accounting and for UITF38, "Accounting for ESOP Trusts."

Cash Flow and Net Funds

Historically, Burberry's principal uses of funds have been to support acquisitions, capital expenditures and working capital growth in connection with the expansion of its business. Principal sources of funds have been cash flow from operations and financing from the Group's former 100% owner, GUS. Burberry expects to finance the expansion of its business, capital expenditures including strategic infrastructure investments and share repurchases with existing cash balances, cash generated from operating activities, and where necessary, the use of its credit facilities.

The table below sets out the principal components of cash flow for the years to 31 March 2005 and 31 March 2004 and net funds at the period end:

	Year to 31 March 2005	Year to 31 March 2004 (Restated)
	<i>£m</i>	<i>£m</i>
Operating profit before interest, taxation, goodwill amortisation and exceptional gain	165.5	142.6
Depreciation and related charges	24.4	28.5
(Profit)/loss on disposal of fixed assets and similar items	(1.1)	1.7
Charges in respect of employee share incentive schemes	5.3	3.6
Increase in stocks	(12.8)	(7.5)
Increase in debtors	(7.3)	(1.5)
Increase in creditors	1.5	18.2
Net cash inflow from operating activities	175.5	185.6
Net interest income	4.7	2.2
Taxation paid	(49.5)	(49.5)
Net purchase of fixed assets	(34.1)	(28.8)
Acquisition related payments	-	(2.5)
Net purchase of own shares	(65.3)	(6.6)
Issue of Ordinary Share capital	4.4	0.9
Equity dividends paid	(24.9)	(17.3)
Movement in net funds resulting from cash flows	10.8	84.0
Exchange gains/(losses)	1.2	(5.7)
Movement in net funds	12.0	78.3
Net funds at end of year	169.9	157.9

Cash Flows

Net cash inflow from operating activities was £175.5 million in the year to 31 March 2005 compared to £185.6 million in the previous period. Stock levels grew by £12.8 million, resulting from growth of the business. The £7.3 million increase in debtors was driven by seasonal growth of trade receivables and timing of prepayments.

Depreciation, impairment and related trademark amortisation charges amounted to £24.4 million in 2004/05 compared to £28.5 million in the previous period.

Contributing to this decrease, was an accelerated depreciation charge with respect to certain assets incurred in 2003/04; the Group returned to a more normalised level of depreciation in 2004/05.

Net fixed asset purchases of £34.1 million (2003/04: £28.8 million) primarily reflect continued investment in the Group's retail and wholesale operations including the opening of new stores and refurbishment activity. While the Group maintained the pace of store openings as in the comparative period, the increase 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 between £35 and £40 million in 2005/06.

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 revenue and Euro denominated product purchases and sales.

During 2004/05, Burberry invested £65.3 million in its own shares, comprising £58.4 million for the purchase of shares under the share repurchase programme, and net £6.9 million in its own shares as a contribution to funding the Group's Employee Share Ownership Trusts (2003/04: net £6.6 million).

Consistent with the share repurchase programme announced in November 2004, Burberry commenced the repurchase of shares in January 2005. By 31 March 2005 the Group repurchased 14.7 million shares for a total cost of £58.4 million. Burberry is targeting a broadly cash neutral position by March 2006. Based upon shares repurchased to date, existing cash resources, operating trends and foreseeable capital requirements, Burberry expects to repurchase shares with a total aggregate value of approximately £250 million by that date.

Burberry entered into a new £200 million five year multi currency revolving facility with a syndicate of banks on 30 March 2005. This facility replaces the previous £75 million facility with GUS plc.

Dividends

The Group paid an interim dividend of 2.0p per share on 2 February 2005. A final dividend of 4.5p per share is proposed and would be payable in August 2005. As a result, the total dividend for 2004/05 would increase by 44% to 6.5p per share (£31.7 million aggregate amount), and represent a payout ratio of 27%. As previously stated,

the Group plans to maintain a progressive dividend policy, increasing the payout ratio to approximately 30% over time.

International Financial Reporting Standards

For periods commencing on or after 1 January 2005, the consolidated financial statements of all European Union listed companies are required to be reported in accordance with International Financial Reporting Standards (IFRS).

The application of IFRS will not change management's approach to operations and will have no impact on cash flow. It will, however, be likely to lead to increased volatility in the profit and loss account and balance sheet, with the presentation of the financial statements also affected.

Burberry has largely completed its preparations for the adoption of IFRS. The most significant impact on net assets and profit is likely to result from changes to the accounting treatment of goodwill amortisation and impairment, share based remuneration, financial instruments, lease incentives, proposed dividends, tax and deferred tax.

Burberry will publish unaudited results for the year to 31 March 2005 restated under IFRS on 10 June 2005.

The financial statements for the year to 31 March 2006 will be reported under IFRS, as will the interim results for the six months to 30 September 2005.

Group profit and loss account

	Note	Year to 31 March	
		2005 £m	2004 (Restated)* £m
Turnover	4	715.5	675.8
Cost of sales		(291.3)	(284.2)
Gross profit		424.2	391.6
Net operating expenses		(264.7)	(253.6)
Operating profit	5	159.5	138.0
Operating profit before goodwill amortisation and exceptional items		165.5	142.6
- goodwill amortisation	6	(6.8)	(6.8)
- exceptional credit relating to IPO Employee Share Plans	7	0.8	2.2
Interest and similar income	9	5.5	2.4
Interest expense and similar charges	10	(0.6)	(0.1)
Profit on ordinary activities before taxation	4,6	164.4	140.3
Tax on profit on ordinary activities**	11	(54.5)	(47.3)
Profit on ordinary activities after taxation		109.9	93.0
Dividend – interim	13	(10.0)	(7.4)
Dividend – final	13	(21.7)	(14.9)
Retained profit for the year	25	78.2	70.7
Pence per share			
Earnings			
- basic	14	22.2p	18.8p
- diluted	14	21.8p	18.4p
Earnings before goodwill amortisation and exceptional items			
- basic	14	23.4p	19.8p
- diluted	14	23.0p	19.4p
Dividends			
- dividend per share – interim	13	2.0p	1.5p
- dividend per share – final	13	4.5p	3.0p

All the Group's operations in both years are continuing.

*Restated to reflect prior period adjustments, see note 3.

**Tax on profit on ordinary activities includes tax credited on goodwill amortisation and exceptional items of £0.1m in the year to 31 March 2005 (2004: charged £0.5m).

Statement of total recognised gains and losses

	Note	Year to 31 March	
		2005 £m	2004 (Restated)* £m
Retained profit for the year	25	78.2	70.7
Currency translation differences		5.3	(22.4)
Tax impact of currency translation differences		(0.1)	(1.4)
Net impact of currency translation differences	25	5.2	(23.8)
Actuarial (loss)/gain recognised in the pension scheme	33	(1.5)	1.8
Movement in deferred tax relating to pension scheme	33	(0.3)	(1.2)
Total recognised gains and losses for the year		81.6	47.5
Prior year adjustments (see note 3)		(1.4)	
Total gains since last annual report		80.2	

*Restated to reflect prior period adjustments, see note 3.

Note of historical cost profits and losses

	Year to 31 March	
	2005 £m	2004 (Restated)* £m
Reported profit on ordinary activities before taxation	164.4	140.3
Difference between actual and historical cost depreciation charge	0.5	0.6
Historical cost profit on ordinary activities before taxation	164.9	140.9
Tax on profit on ordinary activities	(54.5)	(47.3)
Dividend – interim	(10.0)	(7.4)
Dividend – final	(21.7)	(14.9)
Historical cost retained profit for the year after taxation and dividends	78.7	71.3

*Restated to reflect prior period adjustments, see note 3.

Reconciliation of movement in Group Shareholders' Funds

	Year to 31 March	
	2005 £m	2004 (Restated)* £m
Profit on ordinary activities after taxation	109.9	93.0
Dividend – interim	(10.0)	(7.4)
Dividend – final	(21.7)	(14.9)
Retained profit for the year	78.2	70.7
Shares issued under Burberry share incentive schemes	11.4	2.5
Exercise of IPO Restricted Share Plan and IPO share option awards	(7.0)	-
Lapse of IPO Restricted Share Plan awards	(0.8)	(0.8)
Net purchase of own shares by ESOPs	(6.9)	(6.6)
Charges in respect of employee share incentive schemes	5.3	3.6
Purchase of own shares under share buy back programme	(58.4)	-
Movement in pension scheme obligations	(1.8)	0.6
Net impact of currency translation differences	5.2	(23.8)
Net addition to Shareholders' Funds	25.2	46.2
Opening Shareholders' Funds – as previously reported	437.1	390.0
Prior period adjustments	(7.7)	(6.8)
Opening Shareholders' Funds – as restated	429.4	383.2
Closing Shareholders' Funds	454.6	429.4

*Restated to reflect prior period adjustments, see note 3.

Balance sheets

	Note	Group		Company	
		As at 31 March		As at 31 March	
		2005	2004 (Restated)*	2005	2004 (Restated)*
		£m	£m	£m	£m
Fixed assets					
Intangible fixed assets	15	107.9	111.4	-	-
Tangible fixed assets	16	166.1	149.8	-	-
Fixed asset investments	17	0.1	0.1	1,047.2	1,047.3
		274.1	261.3	1,047.2	1,047.3
Current assets					
Stock	18	102.5	89.5	-	-
Debtors	19	135.7	126.2	668.9	668.0
Cash and short term deposits	20	169.9	158.7	0.7	0.1
		408.1	374.4	669.6	668.1
Creditors – amounts falling due within one year	21	(207.8)	(163.8)	(172.4)	(56.3)
Net current assets		200.3	210.6	497.2	611.8
Total assets less current liabilities		474.4	471.9	1,544.4	1,659.1
Creditors – amounts falling due after more than one year	22	(14.8)	(35.4)	(686.1)	(713.4)
Provisions for liabilities and charges	23	(3.2)	(5.1)	-	-
Pension obligations	33	(1.8)	(2.0)	-	-
Net assets		454.6	429.4	858.3	945.7
Capital and reserves					
Called up share capital	24	1.1	1.1	1.1	1.1
Share premium account	25	136.1	124.7	136.1	124.7
Revaluation reserve	25	23.4	23.5	-	-
Capital reserve	25	39.4	42.9	-	-
Profit and loss account	25	254.6	237.2	721.1	819.9
Equity Shareholders' Funds		453.8	428.6	857.5	944.9
Non-equity Shareholders' Funds	24	0.8	0.8	0.8	0.8
Total Shareholders' Funds		454.6	429.4	858.3	945.7

*Restated to reflect prior period adjustments, see note 3.

Approved by the Board on 23 May 2005 and signed on its behalf by:

John Peace
Chairman

Stacey Cartwright
Chief Financial Officer

Group cash flow statement

	Note	Year to 31 March	
		2005 £m	2004 (Restated)* £m
Operating activities			
Operating profit after goodwill amortisation and exceptional items		159.5	138.0
Exceptional credit		(0.8)	(2.2)
Goodwill amortisation		6.8	6.8
Operating profit before goodwill amortisation and exceptional items		165.5	142.6
Depreciation, impairment and trademark amortisation charges		24.4	28.5
(Profit)/loss on disposal of fixed assets and similar non-cash charges		(1.1)	1.7
Charges in respect of employee share incentive schemes		5.3	3.6
Increase in stocks		(12.8)	(7.5)
Increase in debtors		(7.3)	(1.5)
Increase in creditors		1.5	18.2
Net cash inflow from operating activities		175.5	185.6
Returns on investments and servicing of finance			
Interest received		5.3	2.3
Interest paid		(0.6)	(0.1)
Net cash inflow from returns on investments and servicing of finance		4.7	2.2
Taxation paid		(49.5)	(49.5)
Capital expenditure and financial investment			
Purchase of tangible and intangible fixed assets		(37.2)	(28.8)
Sale of tangible fixed assets		3.1	-
Net cash outflow from capital expenditure and financial investment		(34.1)	(28.8)
Acquisitions			
Deferred consideration for purchase of businesses		-	(2.5)
Net cash outflow from acquisitions		-	(2.5)
Net cash inflow before dividends and financing activities		96.6	107.0
Dividends			
Equity dividends paid		(24.9)	(17.3)
Net cash inflow before management of liquid resources and financing		71.7	89.7
Management of liquid resources			
Decrease/(increase) in short term deposits**	26,27	9.9	(69.2)
Financing			
Issue of Ordinary Share capital		4.4	0.9
Receipts from sale of own shares by ESOPs		1.8	0.4
Purchase of shares through share buy back	25	(58.4)	-
Purchase of own shares by ESOPs		(8.7)	(7.0)
Net cash outflow from financing		(60.9)	(5.7)
Increase in cash during the year	26,27	20.7	14.8

*Restated to reflect prior period adjustments, see note 3.

**Increase in short term deposits has been restated to include movements in net balances due from GUS group (2004: £15.8m).

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.

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 to 31 March 2005 and 2004.

Burberry Group Reorganisation

Immediately prior to the flotation on the London Stock Exchange in July 2002, 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 Financial Reporting Standard 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, by loan repayment out of the proceeds of the Company’s flotation on the London Stock Exchange and by the waiver of the remaining debt 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 arose 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.

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 and the Companies Act 1985.

The principal accounting policies, which have been consistently applied, 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 is typically on the basis of production volumes.

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.

Notes to the financial statements (continued)

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

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 Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17").

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. Variation from regular cost is allocated over the expected remaining service lines of current scheme members. Any difference between the cumulative amounts charged against profit and contributions paid is included as an asset or liability as appropriate in the balance sheet.

The asset or liability recognised in the balance sheet in respect of defined benefit schemes represents Burberry's share of the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and part service costs. A full actuarial valuation of the scheme is carried out every 3 years with interim reviews in intervening years. The latest full actuarial valuation of the scheme was carried out as at 31 March 2004 by independent, qualified actuaries, using the projected unit method.

Actuarial gains and losses are recognised directly to equity through the statement of total recognised gains and losses.

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.

Notes to the financial statements (continued)

2 Accounting policies (continued)

h) Share schemes

Incentive plans

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 adopted the provision of the revised UITF Abstract 17 "Employee Share Schemes" concerning the recognition of the cost of employee share incentive schemes. The cost of Employee Share Schemes is charged to the profit and loss account using the quoted market price of the shares at the date of the grant less the exercise price of the share options granted. The charge is accrued over the performance period of the awards.

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		As at 31 March	
	2005	2004	2005	2004
Euro	1.47	1.44	1.45	1.50
US dollar	1.85	1.70	1.88	1.84
Hong Kong dollar	14.40	13.20	14.69	14.31
Korean won	2,041	2,016	1,920	2,106

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 184.3: £1 in the year to 31 March 2005 (2004: Yen 182.3: £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 intercompany 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.

2 Accounting policies (continued)

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

The Burberry Group is both a lessee and lessor of property. 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 Changes in accounting policy and presentation

The results for the year to 31 March 2004 have been restated following the adoption of FRS 17 "Retirement Benefits", UITF Abstract 38 "Accounting for ESOP Trusts" and UITF Abstract 17 "Employee Share Schemes".

Impact of adopting FRS 17 "Retirement Benefits"

Following the actuarial valuation of the GUS defined benefit pension scheme as at 31 March 2004 it has become possible to identify the liabilities that arise from Burberry employees who participate in the scheme. This valuation was completed in January 2005 and Burberry Group has decided to adopt FRS 17. The allocation of assets held, in an independently administered fund, have been allocated in proportion to the liabilities arising and the net impact is recorded in pension obligations. The impact of adopting FRS 17 on the profit and loss account for the year to 31 March 2005 is not material. Previously the Group accounted for pension costs under SSAP 24 "Accounting for Pension Costs".

The impact of the above treatment is to:

- a) Reduce accruals and provisions by £0.9m as at 31 March 2004;
- b) Increase pension obligations by £2.0m as at 31 March 2004;
- c) Increase operating profit by £1.4m for the year to 31 March 2004;
- d) Increase interest and similar income by £0.1m for the year to 31 March 2004; and
- e) Reduce the profit and loss reserve account by £1.4m as at 31 March 2004.

Notes to the financial statements (continued)

3 Changes in accounting policy and presentation (continued)

Impact of adopting UITF Abstract 38 “Accounting for ESOP Trusts”

Shares held by the Burberry Group plc ESOP Trust and the Burberry Group Share Incentive Plan (“the Burberry Group ESOPs”), previously shown in the balance sheet as fixed asset investments, are now required to be shown as a deduction from Shareholders’ Funds. The consideration paid and the related allocations of these shares to employees, are included as an adjustment to the profit and loss reserve account.

The impact of the treatment above is to:

- a) Reduce fixed asset investments by £8.7m as at 31 March 2004;
- b) Reduce accruals and deferred income by £2.4m as at 31 March 2004; and
- c) Reduce the profit and loss reserve account by £6.3m as at 31 March 2004.

There is no impact on the profit and loss account as a result of adopting UITF 38 in either the current or comparative year. The consolidated cash flow statement has been restated to reflect the reallocation of the cash payments relating to the purchase of shares from “Capital expenditure and financial investment” to “Financing”.

The impact of the treatment for the Company is to:

- a) Reduce fixed asset investments by £8.7m as at 31 March 2004; and
- b) Reduce the profit and loss reserve account by £8.7m as at 31 March 2004.

The impact of adopting UITF Abstract 17 “Employee Share Schemes”

The Group has also adopted the provision of the revised UITF Abstract 17 “Employee Share Schemes” concerning the recognition of the cost of employee share incentive schemes. The cost of Employee Share Schemes is now charged to the profit and loss account using the quoted market price of the shares at the date of the grant less the exercise price of the share options granted. Previously the amount charged was calculated with reference to the cost of own shares. The charge is accrued over the performance period of the awards. There is no material effect on profit before taxation in either the current or the prior periods.

4 Segmental analysis

(i) Geographical analysis – analysis by origin

(a) Turnover – analysis by origin

	Year to 31 March	
	2005 £m	2004 £m
Europe	535.6	498.9
Less: European inter-segment turnover to other regions	(126.4)	(78.5)
	409.2	420.4
North America	157.8	156.2
Asia Pacific	149.1	99.9
Less: Asia Pacific inter-segment turnover to Europe	(0.6)	(0.7)
	148.5	99.2
Total	715.5	675.8

Notes to the financial statements (continued)

4 Segmental analysis (continued)

(i) Geographical analysis – analysis by origin (continued)

(b) Profit before taxation – analysis by origin

	Year to 31 March	
	2005 £m	2004 (Restated) £m
Europe	140.5	114.1
North America	7.0	15.6
Asia Pacific	18.0	12.9
	165.5	142.6
Net interest income	4.9	2.3
Profit before goodwill amortisation, exceptional items and taxation	170.4	144.9
Goodwill amortisation - Europe	(5.4)	(5.5)
- Asia Pacific	(1.4)	(1.3)
Exceptional items - Europe	0.8	2.1
- North America	-	0.1
Profit before taxation	164.4	140.3

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	
	2005 £m	2004 (Restated) £m
Europe	136.0	119.9
North America	95.7	82.7
Asia Pacific	3.2	3.9
Net operating assets	234.9	206.5
Goodwill - Europe	82.4	85.4
- Asia Pacific	24.7	25.2
Deferred consideration for acquisitions - Europe	(22.7)	(21.7)
- Asia Pacific	(10.0)	(10.0)
Cash at bank, short term deposits, less bank overdrafts	169.9	157.9
Taxation (including deferred taxation)	(2.9)	1.0
Dividends payable – GUS group	(14.4)	(9.9)
Dividends payable – other shareholders	(7.3)	(5.0)
Net assets	454.6	429.4

Notes to the financial statements (continued)

4 Segmental analysis (continued)

(ii) Geographical analysis – turnover by destination

	Year to 31 March	
	2005 £m	2004 £m
Europe	356.4	346.8
North America	165.9	162.4
Asia Pacific	186.6	162.6
Other	6.6	4.0
Total	715.5	675.8

(iii) Analysis by class of business

(a) Turnover – analysis by class of business

	Year to 31 March	
	2005 £m	2004 £m
Wholesale	371.9	351.4
Retail	265.2	257.4
Wholesale and Retail	637.1	608.8
Licence	78.4	67.0
Total	715.5	675.8

An analysis of turnover by product category is shown below:

	Year to 31 March	
	2005 £m	2004 £m
Womenswear	242.1	225.7
Menswear	194.5	190.1
Accessories (including childrens)	197.6	189.0
Other	2.9	4.0
Wholesale and Retail	637.1	608.8
Licence	78.4	67.0
Total	715.5	675.8
Number of directly operated stores, concessions and outlets open at 31 March	157	145

Notes to the financial statements (continued)

4 Segmental analysis (continued)

(iii) Analysis by class of business (continued)

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

	Year to 31 March	
	2005	2004 (Restated)
	£m	£m
Wholesale and Retail	98.5	86.6
Licence	67.0	56.0
	165.5	142.6
Net interest income	4.9	2.3
Profit before goodwill amortisation, exceptional items and taxation	170.4	144.9
Goodwill amortisation - Wholesale and Retail	(6.8)	(6.8)
Exceptional items - Wholesale and Retail	0.6	1.6
- Licence	0.2	0.6
Profit before taxation	164.4	140.3

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	
	2005	2004 (Restated)
	£m	£m
Wholesale and Retail	240.9	212.1
Licence	(6.0)	(5.6)
Net operating assets	234.9	206.5
Goodwill – Wholesale and Retail	107.1	110.6
Deferred consideration for acquisitions – Wholesale and Retail	(32.7)	(31.7)
Cash at bank, short term deposits, less bank overdrafts	169.9	157.9
Taxation (including deferred taxation)	(2.9)	1.0
Dividends payable – GUS group	(14.4)	(9.9)
Dividends payable – other shareholders	(7.3)	(5.0)
Net assets	454.6	429.4

Notes to the financial statements (continued)

5 Turnover and operating profit

	Year to 31 March	
	2005	2004 (Restated)
	£m	£m
Turnover	715.5	675.8
Cost of sales	(291.3)	(284.2)
Gross profit	424.2	391.6
Distribution costs	(111.2)	(102.5)
Administrative - expenses*	(148.9)	(145.5)
- goodwill amortisation	(6.8)	(6.8)
Property rental income under operating leases	1.1	1.3
Profit/(loss) on disposal of fixed assets	1.1	(0.1)
Operating profit	159.5	138.0

*Administrative expenses include exceptional credit of £0.8m (2004: credit of £2.2m), see note 7.

Property rental income arises from subletting certain surplus leasehold properties. Burberry Group's right to sublet these properties expired at various dates up to 2 January 2005, mainly due to the reversion of headlease interests.

6 Profit on ordinary activities before taxation

	Year to 31 March	
	2005	2004 (Restated)
	£m	£m
Profit before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	21.1	25.6
Fixed asset impairment charge relating to certain retail assets	3.2	2.8
Amortisation of goodwill	6.8	6.8
Amortisation of trademarks and other intellectual property	0.1	0.1
Employee costs (see note 8)	127.7	115.6
(Profit)/loss on disposal of fixed assets	(1.1)	0.1
Operating lease rentals – land and buildings	38.4	33.5
Operating lease rentals – other	0.6	0.8
Auditors' remuneration (including £3,255 for the Company, 2004: £3,100)	2.1	1.9
Net exchange (gain)/loss on trading items	(0.7)	0.7

Auditor's remuneration is further analysed as follows:

		Year to 31 March	
		2005	2004
		£m	£m
Audit services	- statutory audit	0.8	0.8
	- audit related services	0.3	0.1
Further assurance services		0.3	0.1
Tax services	- compliance services	0.2	0.2
	- advisory services	0.5	0.7
Total		2.1	1.9

Notes to the financial statements (continued)

7 Exceptional items

The exceptional credit arising in the year to 31 March 2005 and 2004 consisted of the following amounts:

	Year to 31 March	
	2005 £m	2004 £m
Lapse of awards under the IPO Senior Executive Restricted Share Plan (the "IPO RSP")	0.7	0.8
Credit in respect of employers' National Insurance liability arising on the IPO RSP awards	0.1	1.4
Total	0.8	2.2

An exceptional credit of £0.7m arose in the year to 31 March 2005 (2004: £0.8m) on the lapsing of share awards, which had previously been granted to individuals in the year to 31 March 2003. A further credit of £0.1m relating to National Insurance, arose in the year to 31 March 2005 (2004: £1.4m) from the lapse of awards and in the year to 31 March 2004 the confirmation of the tax jurisdiction in which certain employees will be taxed when the IPO RSP awards vest.

The associated tax charge relating to these exceptional items was £0.2m in the year (2004: charge £0.7m) and there was no cash outflow during the year in relation to these items (2004: £nil).

8 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 does not include gains arising on the exercise of share options.

	Year to 31 March	
	2005 £m	2004 (Restated)* £m
Wages and salaries	112.7	100.9
Social security costs	12.4	12.1
Other pension costs (see note 33)	2.6	2.6
Total	127.7	115.6

*Comparative amounts have been restated to include share scheme and related social security costs of £3.6m and £1.3m respectively.

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

	Year to 31 March	
	2005 Number of employees	2004 Number of employees
Europe	2,788	2,657
North America	837	747
Asia Pacific	506	465
Total	4,131	3,869

Notes to the financial statements (continued)

8 Employee costs (continued)

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 to 31 March 2001, with a further option scheme offered to all UK employees of GUS plc in the year to 31 March 2003. The number of GUS plc ordinary shares subject to option held by Burberry Group employees as at 31 March 2005 were as follows:

Period to exercise	Exercise price	Number of shares under option as at 31 March	
		2005	2004
From 01/05/2004 to 31/10/2004	384.0p	-	191,415
From 01/05/2006 to 31/10/2006	384.0p	122,406	142,260
From 01/09/2005 to 28/02/2006	523.0p	36,184	39,512
From 01/09/2007 to 29/02/2008	523.0p	29,301	31,071
Total		187,891	404,258

John Peace and David Tyler are employed by GUS plc and their interests are disclosed in the GUS Annual Report.

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 plc 1998 Approved and Non-Approved Executive Share Option Schemes during the years to 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 shares under option as at 31 March	
		2005	2004
From 07/04/2003 to 07/04/2010	375.7p	40,458	40,458
From 11/06/2004 to 11/06/2011	612.7p	421,717	1,107,845
From 17/12/2004 to 17/12/2011	635.0p	37,832	180,526
Total		500,007	1,328,829

John Peace and David Tyler are employed by GUS plc and their interests are disclosed in the GUS Annual Report.

Notes to the financial statements (continued)

8 Employee costs (continued)

Share options and awards (continued)

ii) The Burberry IPO Senior Executive Restricted Share Plan (the "IPO 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 IPO RSP.

During the year to 31 March 2005 1,035,000 Ordinary Shares were issued in respect of IPO RSP awards.

The outstanding awards granted under this plan (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 shares awarded as at 31 March	
		2005	2004
From 11/07/2005 to 11/07/2012	nil	2,687,499	3,859,446
From 11/07/2006 to 11/07/2012	nil	1,826,251	1,929,724
From 11/07/2007 to 11/07/2012	nil	1,826,250	1,929,724
Total		6,340,000	7,718,894

Obligations under this plan may be met by the issue of Ordinary Shares of the Company.

Equity swaps have been entered into to cover future employer's National Insurance liability (or overseas equivalent) that may arise in respect of this plan.

On 2 August 2004 Brian Blake was granted a nil-cost option to acquire 231,640 shares with an exercise price of nil on the same terms as those under the IPO RSP except that this option will be satisfied by shares held in the Burberry Group plc ESOP Trust.

iii) The Burberry 2004 Senior Executive Restricted Share Plan (the "2004 RSP")

On 2 August 2004 awards in respect of a total of 1,367,592 Ordinary Shares were made to directors and senior management under the 2004 RSP. Shares have been purchased by the Burberry Group plc ESOP Trust to meet obligations under this plan. No Ordinary Shares have been transferred to employees during the year to 31 March 2005 in respect of the 2004 RSP.

The outstanding awards granted under this plan (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 shares awarded as at 31 March	
		2005	2004
From 02/08/2007 to 02/08/2014	nil	671,296	-
From 02/08/2008 to 02/08/2014	nil	335,648	-
From 02/08/2009 to 02/08/2014	nil	335,648	-
Total		1,342,592	-

Equity swaps have been entered into to cover future employer's National Insurance liability (or overseas equivalent) that may arise in respect of this plan.

Notes to the financial statements (continued)

8 Employee costs (continued)

Share options and awards (continued)

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

On 11 July 2002 options in respect of a total of 5,955,198 Ordinary Shares were granted to directors and senior management under the IPO Option Scheme. Obligations under this scheme may be met by the issue of Ordinary Shares of the Company. During the year to 31 March 2005 1,906,349 (2004: 691,166) Ordinary Shares were issued following the exercise of options granted under the IPO Option Scheme.

The unexercised options 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 shares under option as at 31 March	
		2005	2004
From 11/07/2003 to 11/07/2012	230.0p	245,010	706,301
From 11/07/2004 to 11/07/2012	230.0p	483,341	1,928,399
From 11/07/2005 to 11/07/2012	230.0p	1,728,332	1,831,298
Total		2,456,683	4,465,998

Equity swaps have been entered into to cover future employer's National Insurance liability (or overseas equivalent) that may arise in respect of this scheme.

v) The Burberry Group plc Executive Share Option Scheme 2002

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 Executive Share Option Scheme. During the year to 31 March 2005 682,813 (2004: nil) Ordinary Shares were transferred to participants following the exercise of options under the scheme.

The unexercised options 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 shares under option as at 31 March	
		2005	2004
From 12/06/2004 to 12/06/2013	258.0p	334,198	1,000,345
From 12/06/2005 to 12/06/2013	258.0p	931,777	969,344
From 12/06/2006 to 12/06/2013	258.0p	915,113	969,344
Total		2,181,088	2,939,033

Notes to the financial statements (continued)

8 Employee costs (continued)

Share options and awards (continued)

During the year to 31 March 2005 a total of 2,002,290 options were granted to employees in respect of Ordinary Shares in the Company under the Executive Share Option Scheme. No Ordinary Shares were transferred to participants during the year in respect of the options granted.

The unexercised options 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 shares under option as at 31 March	
		2005	2004
From 02/08/2005 to 02/08/2014	378.0p	667,430	-
From 02/08/2006 to 02/08/2014	378.0p	667,430	-
From 02/08/2007 to 02/08/2014	378.0p	667,430	-
Total		2,002,290	-

Shares have been purchased by the Burberry Group plc ESOP Trust to meet obligations under this scheme. Equity swaps have been entered into to cover future employer's National Insurance liability (or overseas equivalent) that may arise in respect of this scheme.

vi) The Burberry Group plc Co-investment Plan

During the year to 31 March 2005 awards were made under this plan in respect of 221,703 Ordinary Shares in the Company (2004: nil). As at 31 March 2005 a total of 221,703 Ordinary Shares remain outstanding. Shares have been purchased by the Burberry Group plc ESOP Trust to meet obligations under this plan.

vii) All Employee Share Plan

During the year to 31 March 2005 all employees were offered a total of 471,050 (2004: 412,400) Ordinary Shares at a nil exercise price under an All Employee Share Plan.

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

The Ordinary Shares in the Company granted and remaining outstanding under this plan as at 31 March 2005 (including those granted to directors of the Company) were as follows:

Period of exercise	Exercise price	Number of Ordinary Shares as at 31 March	
		2005	2004
From 19/07/2005 to 19/10/2005	nil	176,700	208,300
From 25/10/2005 to 18/07/2082*	nil	105,850	128,291
From 07/07/2006 to 07/10/2006	nil	121,200	148,500
From 18/07/2006 to 18/10/2006	nil	81,450	85,350
From 05/08/2006 to 18/07/2082*	nil	119,750	147,350
From 30/07/2007 to 30/10/2007	nil	252,400	-
From 20/08/2007 to 18/07/2082*	nil	171,750	-
Total		1,029,100	717,791

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

Notes to the financial statements (continued)

8 Employee costs (continued)

Fair value of awards

On the transition to International Financial Reporting Standards (IFRS) it will be necessary to fair value the awards made. In order to recognise the full charge on adoption of IFRS it is necessary to disclose the fair values of the awards at the date of grant prior to the adoption of IFRS.

The fair values of the awards made on grant date, determined using the Black-Scholes valuation model, are:

Scheme	Grant Date	Fair Value
The Burberry IPO Senior Executive Restricted Share Plan	11 July 2002	£2.18
The Burberry 2004 Senior Executive Restricted Share Plan	2 August 2004	£3.11
The Burberry Senior Executive IPO Share Option Scheme	11 July 2002	£0.75
The Burberry Group plc Executive Share Option Scheme 2002	12 June 2003	£0.87
The Burberry Group plc Executive Share Option Scheme 2002	2 August 2004	£1.07
The Burberry Group plc Co-investment Plan	29 July 2004	£3.80
All Employee Share Plan	July / October 2002	£2.25
All Employee Share Plan	July / August 2003	£3.25
All Employee Share Plan	July / August 2004	£3.75

9 Interest and similar income

	Year to 31 March	
	2005 £m	2004 (Restated) £m
Bank interest income	4.4	2.0
Interest income receivable from GUS group	0.9	0.3
Other interest income	0.2	0.1
Total	5.5	2.4

10 Interest expense and similar charges

	Year to 31 March	
	2005 £m	2004 £m
On bank loans and overdrafts	0.4	-
Interest expense payable to GUS group	0.2	0.1
Total	0.6	0.1

Notes to the financial statements (continued)

11 Taxation

Analysis of charge for the year

	Year to 31 March	
	2005	2004 (Restated)*
	£m	£m
Current tax		
UK corporation tax		
Current tax on income for the year to 31 March 2005 at 30% (2004: 30%)	37.3	32.6
Double taxation relief	(7.4)	(7.0)
Adjustments in respect of prior years	1.2	1.1
	31.1	26.7
Foreign tax		
Current tax on income for the year	21.0	24.4
Adjustments in respect of prior years	(1.1)	(2.7)
Total current tax	51.0	48.4
Deferred tax		
UK deferred tax		
Origination and reversal of timing differences	1.4	(0.3)
Adjustments in respect of prior years	(0.4)	(1.3)
	1.0	(1.6)
Foreign deferred tax		
Origination and reversal of timing differences	1.5	(2.2)
Adjustments in respect of prior years	1.0	2.7
Total deferred tax	3.5	(1.1)
Tax on profit on ordinary activities	54.5	47.3

*Prior year amounts have been restated to include amounts in corporation tax.

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	
	2005	2004 (Restated)
	£m	£m
Tax at 30% on profit before taxation	49.3	42.1
Rate adjustments relating to overseas profits	(1.4)	0.2
Permanent disallowables	2.7	1.6
Tax losses not utilised	-	0.5
Goodwill amortisation not deductible	2.0	2.0
Adjustments in respect of prior years	0.1	(1.6)
Timing differences	(2.9)	2.5
Other	1.2	1.1
Total current tax	51.0	48.4

Burberry has commenced a review with the Competent Authorities with regard to resolving transfer pricing of internal sales between the UK and US. 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 matters as none is anticipated overall.

Notes to the financial statements (continued)

12 Profit on ordinary activities after taxation

Profit on ordinary activities after taxation but before dividends payable includes a loss of £1.8m (2004: loss £4.9m) which is dealt within 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.

13 Dividends

Ordinary dividends (Equity)

		Year to 31 March	
		2005 £m	2004 £m
Interim dividend paid (2.0p per share, (2004: 1.5p))	- GUS group	6.6	5.0
	- other shareholders	3.4	2.4
Final dividend proposed (4.5p per share, (2004: 3.0p))	- GUS group	14.4	9.9
	- other shareholders	7.3	5.0
Total dividend – 6.5p per share (2004: 4.5p)		31.7	22.3

Preference dividends (Non-Equity)

During the year Burberry Group paid a total preference dividend of £30,070 (0.001p per preference share) (2004: £21,450 (0.001p per preference share)) to GUS group on the redeemable preference shares issued prior to flotation (see note 24 for further details).

14 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. Basic earnings per share before amortisation of goodwill and exceptional items is disclosed to indicate the underlying profitability of the Group.

Diluted earnings per share is based on the weighted average number of Ordinary Shares in issue during the year. In addition, account is taken of any awards made under the RSP and share option schemes which will have dilutive effects when exercised (full vesting of all outstanding awards is assumed).

Supplementary earnings per share figures are presented. These exclude the effects of exceptional items and goodwill amortisation to allow comparison of underlying trading performance on a consistent basis.

	Year to 31 March	
	2005 £m	2004 (Restated) £m
Profit on ordinary activities after taxation, but before goodwill amortisation and exceptional items	115.8	98.1
Effect of goodwill amortisation (net of attributable taxation)	(6.5)	(6.6)
Effect of exceptional items (net of attributable taxation)	0.6	1.5
Profit on ordinary activities after taxation	109.9	93.0

Notes to the financial statements (continued)

14 Earnings per share (continued)

The weighted average number of Ordinary Shares represents the weighted average number of Burberry Group plc Ordinary Shares in issue throughout the period, excluding Ordinary Shares held in the Burberry Group's ESOPs.

	Year to 31 March	
	2005 Million	2004 Million
Weighted average number of Ordinary Shares in issue during the year	494.1	495.6
Dilutive effect of the RSP and share options schemes	10.5	10.3
Diluted weighted average number of Ordinary Shares in issue during the year	504.6	505.9

	Year to 31 March	
	2005 Pence	2004 (Restated) Pence
Basic earnings per share		
Basic earnings per share before goodwill amortisation and exceptional items	23.4	19.8
Effect of goodwill amortisation	(1.3)	(1.3)
Effect of exceptional items	0.1	0.3
Basic earnings per share	22.2	18.8

	Year to 31 March	
	2005 Pence	2004 (Restated) Pence
Diluted earnings per share		
Diluted earnings per share before goodwill amortisation and exceptional items	23.0	19.4
Effect of goodwill amortisation	(1.3)	(1.3)
Effect of exceptional items	0.1	0.3
Diluted earnings per share	21.8	18.4

Notes to the financial statements (continued)

15 Intangible fixed assets

	Goodwill £m	Trademarks and other intellectual property £m	Total £m
Cost			
As at 1 April 2004	132.6	1.2	133.8
Effect of foreign exchange rate changes	4.2	-	4.2
Additions	-	0.1	0.1
As at 31 March 2005	136.8	1.3	138.1
Amortisation			
As at 1 April 2004	22.0	0.4	22.4
Effect of foreign exchange rate changes	0.9	-	0.9
Charge for the year	6.8	0.1	6.9
As at 31 March 2005	29.7	0.5	30.2
Net book value			
As at 31 March 2005	107.1	0.8	107.9
As at 31 March 2004	110.6	0.8	111.4

16 Tangible fixed assets

	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
Cost or valuation					
As at 1 April 2004	84.1	57.7	81.5	1.2	224.5
Effect of foreign exchange rate changes	0.1	(0.4)	0.7	(0.1)	0.3
Additions	1.2	12.3	24.6	4.7	42.8
Reclassifications	-	1.0	0.2	(1.2)	-
Disposals	(1.8)	(4.6)	(8.1)	-	(14.5)
As at 31 March 2005	83.6	66.0	98.9	4.6	253.1
Depreciation					
At 1 April 2004	15.1	14.9	44.7	-	74.7
Effect of foreign exchange rate changes	0.1	(0.1)	0.5	-	0.5
Provided in year	2.6	4.8	13.7	-	21.1
Impairment charge on certain retail assets	-	2.2	1.0	-	3.2
Disposals	(0.2)	(4.6)	(7.7)	-	(12.5)
As at 31 March 2005	17.6	17.2	52.2	-	87.0
Net book value					
As at 31 March 2005	66.0	48.8	46.7	4.6	166.1
As at 31 March 2004	69.0	42.8	36.8	1.2	149.8

During the year to 31 March 2005 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 "Impairment of Fixed Assets and Goodwill". The discount rate used in these calculations was 15% and applied to the pre-tax cash flows attributable to these assets.

Notes to the financial statements (continued)

16 Tangible fixed assets (continued)

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.

	As at 31 March	
	2005 £m	2004 £m
Freehold and leasehold land and buildings held at revalued amount		
Revalued amount	28.8	27.7
Aggregate depreciation	(5.8)	(5.3)
Net book value	23.0	22.4

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

	As at 31 March	
	2005 £m	2004 £m
Freehold and leasehold land and buildings at historical cost		
Historical cost	9.2	8.1
Aggregate depreciation	(4.5)	(4.5)
Net book value based on historical cost	4.7	3.6

17 Fixed asset investments

	Group Trade investment £m	Company Subsidiary companies £m
Cost		
As at 1 April 2004 and 31 March 2005	0.1	1,766.0
Write down in investments		
As at 1 April 2004	-	718.7
Write down in investment in Group undertakings		0.1
As at 31 March 2005	-	718.8
Net book value		
As at 31 March 2005	0.1	1,047.2
As at 31 March 2004	0.1	1,047.3

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 significant influence on the financial and operating decisions of the company.

18 Stock

	As at 31 March	
	2005 £m	2004 £m
Raw materials	13.5	14.6
Work in progress	6.7	7.6
Finished goods	82.3	67.3
Total	102.5	89.5

Notes to the financial statements (continued)

18 Stock (continued)

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.

19 Debtors

	Group		Company	
	As at 31 March		As at 31 March	
	2005	2004 (Restated)*	2005	2004
	£m	£m	£m	£m
Amounts falling due within one year				
Trade debtors	91.6	86.1	-	-
Other debtors	1.5	0.9	-	-
Prepayments and accrued income	19.1	12.0	5.2	1.2
Corporation tax	3.1	2.8	0.2	2.4
Amounts receivable from subsidiary companies	-	-	156.5	15.5
	115.3	101.8	161.9	19.1
Amounts falling due after more than one year				
Other debtors	1.2	1.5	-	-
Deferred tax assets	18.4	22.1	-	-
Corporation tax	0.8	0.8	-	-
Amounts receivable from subsidiary companies	-	-	507.0	648.9
Total	135.7	126.2	668.9	668.0

*Prior period amounts have been reclassified to gross up certain corporation tax balances.

The movement of the deferred tax balance is shown below:

	£m
As at 1 April 2004	22.1
Effect of foreign exchange rate changes	0.2
Charge to the profit and loss account	(3.5)
Other movements	(0.4)
As at 31 March 2005	18.4

The analysis of the deferred tax assets is shown below:

	As at 31 March	
	2005	2004 (Restated)
	£m	£m
Accelerated capital allowances	0.7	(0.4)
Unrealised stock profit and other stock provisions	7.7	8.9
Share schemes	8.9	8.3
Net operating losses	0.2	0.3
Other short term timing differences	0.9	5.0
Undiscounted deferred tax assets	18.4	22.1

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

Notes to the financial statements (continued)

20 Cash and short term deposits

	Group		Company	
	As at 31 March		As at 31 March	
	2005	2004	2005	2004
	£m	£m	£m	£m
Cash	62.4	42.6	0.7	0.1
Short term deposits (see note 32)	107.5	116.1	-	-
Total	169.9	158.7	0.7	0.1

Short term deposits includes £18.3m as at 31 March 2005 (2004: £15.8m) deposited with GUS group companies on standard commercial terms. These deposits were repaid in cash by 29 April 2005.

21 Creditors – amounts falling due within one year

	Group		Company	
	As at 31 March		As at 31 March	
	2005	2004 (Restated)*	2005	2004
	£m	£m	£m	£m
Unsecured:				
Overdrafts (see note 26, 32)	-	0.8	-	-
Trade creditors	27.5	31.2	-	-
Trading balances owed to GUS group	6.8	6.8	-	-
Corporation tax (UK and overseas)	25.2	24.7	-	-
Other taxes and social security costs	6.7	4.2	-	-
Other creditors	24.6	18.7	0.3	-
Accruals and deferred income	72.6	62.5	0.2	0.1
Deferred consideration for acquisitions	22.7	-	-	-
Dividends payable – GUS group	14.4	9.9	14.4	9.9
Dividends payable – other shareholders	7.3	5.0	7.3	5.0
Amounts due to subsidiary companies	-	-	150.2	41.3
Total	207.8	163.8	172.4	56.3

*Prior year amounts have been reclassified to gross up certain corporation tax balances.

Overdrafts as at 31 March 2004 represent unpresented cheques. Deferred consideration due within one year arises from the acquisition of Burberry (Spain) S.A. and Mercader y Casadevall S.A. and is payable in June 2005.

22 Creditors – amounts falling due after more than one year

	Group		Company	
	As at 31 March		As at 31 March	
	2005	2004	2005	2004
	£m	£m	£m	£m
Unsecured:				
Other creditors, accruals and deferred income	4.8	3.7	-	-
Deferred consideration for acquisitions	10.0	31.7	-	-
Amounts due to subsidiary companies	-	-	686.1	713.4
Total	14.8	35.4	686.1	713.4

At 31 March 2005 deferred consideration due after more than one year arises from the acquisition of the trade and certain assets of the Burberry business in Korea.

Notes to the financial statements (continued)

23 Provisions for liabilities and charges

	Pensions obligations £m	Property obligations £m	Other £m	Total £m
As at 1 April 2004 as previously reported	0.2	4.5	0.6	5.3
Adjustment for FRS 17	(0.2)	-	-	(0.2)
As at 1 April 2004 as restated	-	4.5	0.6	5.1
Effect of foreign exchange rate changes	-	0.1	-	0.1
Utilised in the year	-	(3.9)	(0.2)	(4.1)
Credited to the profit and loss account	-	2.2	(0.1)	2.1
Balance as at 31 March 2005	-	2.9	0.3	3.2

Property obligations arise from the portfolio of leasehold obligations which the Group maintains and are expected to be utilised over a two year period, these obligations are discounted, the effect of which is not material. Other provisions primarily relate to amounts payable in respect of redundancies, which are expected to be paid within one year.

24 Called up share capital

Group and Company

	2005 £m	2004 £m
Authorised share capital		
1,999,999,998,000 (2004: 1,999,999,998,000) Ordinary Shares of 0.05p (2004: 0.05p) each	1,000.0	1,000.0
1,600,000,000 redeemable preference shares of 0.05p (2004: 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 (2004: 0.05p) each		
As at 1 April 2004	500,691,166	0.3
Cancellations of purchased Ordinary Shares	(14,715,588)	-
Allotted on exercise of RSP and IPO Option Scheme awards during the year	2,941,349	-
As at 31 March 2005	488,916,927	0.3
Redeemable preference shares of 0.05p each		
As at 1 April 2004 and 31 March 2005	1,600,000,000	0.8
Total called up Ordinary and preference share capital		1.1

During the year 15,585,618 Ordinary Shares were purchased by the Company, for a total cost, including expenses, of £62.0m. Of the total number of Ordinary Shares purchased, 14,715,588 have been cancelled and the remaining 870,030 Ordinary Shares were cancelled after the year end. The Ordinary Shares cancelled were purchased at a cost, including expenses, of £58.4m. The repurchases have been carried out in accordance with the authorisation for on-market purchases granted by Shareholders by the 2004 AGM and, for off-market purchases, by Shareholders at the EGM held on 20 December 2004.

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.

Notes to the financial statements (continued)

24 Called up share capital (continued)

The redeemable preference shares have the right to a non-cumulative dividend at the rate per annum of six-monthly LIBOR minus 1.0% 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.

25 Reserves

Group

	Share premium account £m	Revaluation reserve £m	Capital reserve £m	Profit and loss account £m
As at 1 April 2004 as previously reported	124.7	23.5	42.9	244.9
Prior year adjustments (see note 3)	-	-	-	(7.7)
As at 1 April 2004 as restated	124.7	23.5	42.9	237.2
Effect of foreign exchange rate changes	-	-	(0.3)	5.5
Share premium arising in the year	11.4	-	-	-
Retained profit for the year	-	-	-	78.2
Purchase of own shares under share buy back programme	-	-	-	(58.4)
Net purchase of own shares by ESOPs	-	-	-	(6.9)
Lapse of IPO RSP awards	-	-	(0.8)	-
Exercise of IPO RSP and IPO share option awards	-	-	(2.4)	(4.6)
Charges in respect of employee share incentive schemes	-	-	-	5.3
Movement in pension scheme obligations	-	-	-	(1.8)
Reclassification of reserves	-	(0.1)	-	0.1
As at 31 March 2005	136.1	23.4	39.4	254.6

Company

	Share premium account £m	Profit and loss account £m
As at 1 April 2004 as previously reported	124.7	828.6
Prior year adjustment (see note 3)	-	(8.7)
As at 1 April 2004 as restated	124.7	819.9
Share premium arising in the year	11.4	-
Retained loss for the year	-	(33.5)
Purchase of own shares under share buy back programme	-	(58.4)
Net purchase of own shares by ESOPs	-	(6.9)
As at 31 March 2005	136.1	721.1

Notes to the financial statements (continued)

25 Reserves (continued)

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 £15.8m (2004: £15.7m) 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 (2004: £0.1m).

Investment in own shares

The cost of own shares held in the Burberry Group ESOPs has been offset against the profit and loss reserve account as the amounts paid reduce the profits available for distribution by the Burberry Group and the Company. As at 31 March 2005 the amounts offset against this reserve account are £19.0m (2004: £12.1m).

As at 31 March 2005 investment in own shares represents the cost of 6,480,020 (2004: 4,895,473) of the Company's Ordinary Shares (nominal value £3,240 (2004: £2,448)) which amounts to 1.3% (2004: 1.0%) of the called up share capital. These shares are held to meet the share option award obligations arising on the 2004 RSP, the Executive Share Option Scheme 2002, the Burberry Group plc Co-investment Plan and the All Employee Share Plans.

In the year to 31 March 2005, the Company purchased 2,300,000 shares (2004: 2,700,000), at a cost (excluding expenses) of £8.7m (2004: £7.0m). These shares were acquired by the Burberry Group plc ESOP Trust in the open market using funds provided by Burberry Group companies. In addition, 715,453 shares were used to satisfy awards granted under the Executive Share Option Scheme 2002 and All Employee Share Plans.

In the year to 31 March 2005 the Burberry Group plc ESOP Trust has waived its entitlement to dividends of £254,307 (2004: £167,998). 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 (2004: £0.1m). The market value of all own shares held at 31 March 2005 was £26.5m (2004 £17.5m)

During the year the Company repurchased and subsequently cancelled 14,715,588 Ordinary Shares, representing 3% of the issued share capital, at a total cost of £58.4m. The nominal value of the shares was £7,358, which was transferred to a capital redemption reserve. Profit and loss reserves were reduced by £58.4m. As at 31 March 2005 a further 870,030 Ordinary Shares had been repurchased and were cancelled after 31 March 2005, these Ordinary Shares represent 0.2% of the issued share capital with a nominal value of £435 and were repurchased for a total cost of £3.6m.

26 Analysis of movement in net funds

	As at 1 April 2004 £m	Cash flow £m	Exchange movements £m	As at 31 March 2005 £m
Cash balances	42.6	19.9	(0.1)	62.4
Overdrafts	(0.8)	0.8	-	-
	41.8	20.7	(0.1)	62.4
Liquid resources:				
Short term deposits	116.1	(9.9)	1.3	107.5
Total	157.9	10.8	1.2	169.9

Notes to the financial statements (continued)

26 Analysis of movement in net funds (continued)

Liquid resources as at 31 March 2005 and 31 March 2004 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.

27 Reconciliation of net cash flow to movement in net funds

	Year to 31 March	
	2005 £m	2004 £m
Increase in cash (see note 26)	20.7	14.8
Cash (inflow)/outflow from movement in liquid resources	(9.9)	69.2
Movement in net funds resulting from cash flows	10.8	84.0
Exchange gains/(losses)	1.2	(5.7)
Movement in net funds	12.0	78.3
Net funds at beginning of year	157.9	79.6
Net funds at end of year (see note 26)	169.9	157.9

28 Analysis of net funds

	As at 31 March	
	2005 £m	2004 £m
Cash and short term deposits	169.9	158.7
Overdrafts*	-	(0.8)
Net funds at end of year (see note 26)	169.9	157.9

*Overdrafts at 31 March 2004 represent unrepresented cheques.

29 Financial commitments

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

	As at 31 March 2005			As at 31 March 2004		
	Land and buildings £m	Other £m	Total £m	Land and buildings £m	Other £m	Total £m
Expiry date:						
Within one year	2.5	-	2.5	2.3	0.5	2.8
Between two and five years	8.2	0.4	8.6	6.7	0.2	6.9
After five years	14.8	-	14.8	12.5	-	12.5
Total	25.5	0.4	25.9	21.5	0.7	22.2

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.

30 Capital commitments

Capital commitments contracted but not provided for by Burberry Group as at 31 March 2005 amounted to £9.7m (2004: £14.2m). Contracted capital commitments represent contracts entered into by the year end and major capital expenditure projects where activity has commenced by the year end.

31 Contingent liabilities

Since 31 March 2004 the following changes to contingent liabilities have occurred:

In the year to 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 notified the other party that it was seeking recovery of certain costs incurred because of the late delivery of the store structure. During the year this matter was settled and the Burberry Group made a payment of £0.5m.

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 has been settled for less than £0.1m.

Other contingent liabilities reported at 31 March 2004 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 subcontracting 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.

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 has continued to vigorously defend itself.

Notes to the financial statements (continued)

32 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 where appropriate.

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:

	Book and fair value as at 31 March	
	2005 £m	2004 £m
Primary financial instruments held or issued to finance the Group's operations:		
Investment	0.1	0.1
Cash at bank and in hand	62.4	42.6
Short term deposits	107.5	116.1
Total financial assets	170.0	158.8
Overdrafts	-	(0.8)
Other financial liabilities (see note 32 (d))	(41.0)	(39.6)
Total financial liabilities	(41.0)	(40.4)
Total net financial investments	129.0	118.4
	2005 £m	2004 £m
Derivative financial instruments held to manage the currency profile:		
Forward foreign currency contracts		
- book value	-	-
- fair value	5.7	3.6

Notes to the financial statements (continued)

32 Financial risk management (continued)

(a) Fair values of financial assets and financial liabilities (continued)

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 2005			
Sterling	6.4	63.0	69.4
US dollar	14.1	2.4	16.5
Euro	22.0	34.8	56.8
Other currencies	19.9	7.3	27.2
Total	62.4	107.5	169.9
Floating rate assets	47.7	107.5	155.2
Balances for which no interest is paid	14.7	-	14.7
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

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

Balances for which no interest is paid is made up of Sterling £0.7m, (2004: £0.1m), Euros £1.8m, (2004: £0.1m) Hong Kong dollars £5.2m, (2004: £0.9m), Singapore dollars £1.9m (2004: nil) and Japanese yen £5.1m (2004: nil). These amounts arise principally due to the timing of transactions.

In addition to the above, the investment of £0.1m at 31 March 2005 (2004: £0.1m) meets the definition of a financial asset. No interest is receivable on this Euro denominated financial asset.

Notes to the financial statements (continued)

32 Financial risk management (continued)

(b) Interest rate risk profile (continued)

Financial liabilities

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

Currency	Floating rate financial liabilities £m	Financial liabilities on which no interest is payable £m	Total £m	Weighted average period until maturity for financial liabilities on which no interest is payable Years
As at 31 March 2005				
Sterling	0.8	20.4	21.2	1.3
US dollar	-	3.8	3.8	4.1
Euro	-	15.7	15.7	0.3
Other	-	0.3	0.3	1.3
Total	0.8	40.2	41.0	1.2
As at 31 March 2004				
Sterling	1.6	17.7	19.3	1.7
US dollar	-	2.4	2.4	4.1
Euro	-	18.7	18.7	1.4
Total	1.6	38.8	40.4	1.7

The floating rate financial liabilities as at 31 March 2005 and 2004 incurred interest based on relevant national LIBOR equivalents.

The floating rate financial liabilities at 31 March 2005 include preference shares of a total value of £0.8m (2004: £0.8m) and overdraft balances at 31 March 2005 of £nil (2004: £0.8m). See note 24 for further details regarding the preference shares.

Notes to the financial statements (continued)

32 Financial risk management (continued)

(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.

Functional currency of operation:	Net foreign currency monetary assets/(liabilities)				Total £m
	Sterling £m	US dollar £m	Euro £m	Other currencies £m	
As at 31 March 2005					
Sterling	-	0.3	-	0.9	1.2
Euro	0.4	0.3	-	-	0.7
Other currencies	4.3	2.8	-	-	7.1
Total	4.7	3.4	-	0.9	9.0
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

Notes to the financial statements (continued)

32 Financial risk management (continued)

(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:

	Debt*	Non-equity shares	Deferred consideration	Other financial liabilities	Total
	£m	£m	£m	£m	£m
As at 31 March 2005					
In one year or less, or on demand	-	-	22.7	2.6	25.3
In more than one year but not more than two years	-	-	-	1.5	1.5
In more than two years but not more than five years	-	0.8	10.0	1.0	11.8
In more than five years	-	-	-	2.4	2.4
Total	-	0.8	32.7	7.5	41.0
As at 31 March 2004					
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

*Debt balances as at 31 March 2004 are related to unpresented cheques.

Non-equity shares relate to redeemable preference shares, on which a non-cumulative dividend are paid (see note 24 for further details). All deferred consideration is payable in cash. For details on deferred consideration, see notes 21 and 22.

Other financial liabilities principally relate to accrued lease liabilities £4.2m (2004: (£2.6m)), which are included in other creditors falling due after more than one year, and provisions for certain property obligations £2.9m (2004: (£4.5m)), which are included in provisions.

Notes to the financial statements (continued)

32 Financial risk management (continued)

(e) Borrowing facilities

A £200m five year multi currency revolving facility was agreed with a syndicate of third party banks commencing on 30 March 2005. This facility replaces the previous £75m facility with GUS plc.

(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. There are no material deferred gains or losses as at 31 March 2005 and 2004. 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 as at 1 April 2004	5.0	(1.4)	3.6
Arising before 1 April 2004 included in current year income	(5.0)	1.4	(3.6)
Arising during the year and not included in current year income	8.2	(2.4)	5.8
Gains and losses on hedges as at 31 March 2005	8.2	(2.4)	5.8
To be recognised in 2005/06	8.1	(2.4)	5.7
To be recognised thereafter	0.1	-	0.1

33 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	
	2005 £m	2004 (Restated) £m
Defined benefit schemes		
GUS defined benefit pension scheme UK	0.9	0.9
Supplemental executive retirement plan US*	0.3	0.4
Defined contribution schemes		
GUS money purchase pension plan UK	0.7	0.6
Burberry money purchase plan US	0.6	0.5
Other Burberry pension schemes	0.1	0.2
Total pension costs	2.6	2.6

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

Notes to the financial statements (continued)

33 Post-retirement benefits (continued)

(a) Accounting for pension costs (continued)

Movements in pensions obligations during the year were as follows:

	GUS defined benefit pension scheme UK £m	Supplemental executive retirement plan US £m	Other £m	Total £m
As at 1 April 2004 as previously reported	-	0.7	0.2	0.9
Impact of adopting FRS 17 (see note 3)	1.1	-	-	1.1
As at 1 April 2004 as restated	1.1	0.7	0.2	2.0
Effect of foreign exchange rate changes	-	(0.1)	-	(0.1)
Charged to the profit and loss account	0.9	0.3	-	1.2
Other finance income	(0.2)	-	-	(0.2)
Contributions paid during the year	(2.7)	-	-	(2.7)
Actuarial gain	1.5	-	-	1.5
Other movements	0.1	-	-	0.1
As at 31 March 2005	0.7	0.9	0.2	1.8

(b) Defined benefit schemes

GUS defined benefit scheme UK

Burberry Group companies participate in the GUS defined benefit pension scheme, which offers defined benefits based on service and salary at retirement. Currently, Burberry Group is not permitting new entrants to the GUS defined benefit pension 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 scheme was carried out at 31 March 2004 by independent qualified actuaries, Watson Wyatt LLP, using the projected unit method.

As a result of the 31 March 2004 valuation it has become possible to separately identify the underlying assets and liabilities which relate to the Burberry Group and so FRS 17 "Retirement Benefits" has been adopted during the year with comparative data restated accordingly, see note 3.

As at 31 March 2005 there were 64 (2004: 80) Burberry Group employees in the scheme and Burberry Group contributions represented approximately 7.7% (2004: 7.2%) of total employer contributions to the scheme. Burberry has been contributing 17.9% (2004: 17.9%) in respect of members in the main benefit section.

During the year to 31 March 2005 GUS made a special contribution to the scheme of £26.2m (2004: £30.0m) in order to fund the shortfall disclosed by the interim valuation on the ongoing actuarial assumptions used for funding purposes. Burberry Group's share of this contribution is estimated at £2.0m (2004: £2.3m).

The deficit for the GUS group defined benefit pension scheme as a whole, on the basis set out below, was approximately £6.6m as at 31 March 2005 (2004: £47.9m), after allowing for the £26m (2004: £30m) special contribution paid in March 2005 and before allowing for deferred tax.

Notes to the financial statements (continued)

33 Post-retirement benefits (continued)

(b) Defined benefit schemes (continued)

The principal actuarial assumptions used in the valuation of the Burberry Group portion of the GUS group defined benefit pension scheme are the same as these used for the whole GUS group defined benefit pension scheme and are:

	As at 31 March		
	2005	2004	2003
Rate of inflation	2.9%	2.8%	2.5%
Rate of salary increases	4.7%	4.6%	4.3%
Rate of increase for pensions in payment and deferred pensions	2.9%	2.8%	2.5%
Discount rate	5.4%	5.5%	5.5%

(i) Market value of scheme's assets

The assets of the Burberry Group's portion of the GUS defined benefit scheme and the expected rates of return are summarised as follows:

	As at 31 March					
	Expected long term rate of return		Expected long term rate of return		Expected long term rate of return	
	Fair value 2005 £m	2005 %pa	Fair value 2004 £m	2004 %pa	Fair value 2003 £m	2003 %pa
Market value of schemes' assets:						
Equities	22.7	8.0%	19.5	8.0%	13.4	8.5%
Fixed interest securities	10.4	5.1%	8.8	5.1%	7.6	5.0%
Other	0.9	3.7%	1.1	3.8%	1.2	4.0%
	34.0	7.0%	29.4	7.0%	22.2	7.1%

The following amounts were measured in accordance with the requirements of FRS 17:

	As at 31 March		
	2005 £m	2004 £m	2003 £m
Market value of schemes' assets	34.0	29.4	22.2
Present value of funded schemes' liabilities	(35.0)	(30.9)	(27.8)
Deficit in the funded schemes before impact of taxation	(1.0)	(1.5)	(5.6)
Related deferred tax asset	0.3	0.5	1.7
Net pension liability	(0.7)	(1.0)	(3.9)

Movement in deficit during the year can be analysed below:

	2005 £m	2004 £m
Deficit at start of year	(1.5)	(5.6)
Movement:		
Current service cost	(0.9)	(0.9)
Contributions	2.7	3.1
Other finance income	0.2	0.1
Actuarial (loss)/gain recognised	(1.5)	1.8
Deficit in the funded schemes at end of year before impact of taxation	(1.0)	(1.5)

Notes to the financial statements (continued)

33 Post-retirement benefits (continued)

(b) Defined benefit schemes (continued)

(ii) Profit and loss account

The amounts charged in the profit and loss account comprises of the following:

	2005 £m	2004 £m
Amount charged to operating profit in respect of defined benefit schemes:		
Current service cost	(0.9)	(0.9)
Amount credited/(charged) to net interest:		
Expected return on schemes' asset	1.9	1.6
Interest on schemes' liabilities	(1.7)	(1.5)
Amount credited as other finance income	0.2	0.1
Total charge to profit and loss account (before impact of taxation)	(0.7)	(0.8)

(iii) Statement of total recognised gains and losses

The amount recognised in the statement of total recognised gains and losses comprises the following:

	2005 £m	2004 £m
Actual return less expected return on schemes' assets (see note (iv))	1.4	3.8
Experience losses arising on the schemes' liabilities (see note (iv))	(0.4)	(0.5)
Losses resulting in changes in the assumptions underlying the present value of the schemes' liabilities	(2.5)	(1.5)
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	(1.5)	1.8
Movement in deferred tax relating to pension scheme	(0.3)	(1.2)
Net impact in statement of total recognised gains and losses	(1.8)	0.6

(iv) History of experience gains and (losses)

	2005	2004
Difference between the actual and expected return on schemes' assets:		
Amount (£m)	1.4	3.8
Percentage of the schemes' assets which relate to the Burberry Group	4.1%	11.9%
Experience losses on schemes' liabilities		
Amount (£m)	(0.4)	(0.5)
Percentage of the present value of liabilities which relate to the Burberry Group	1.1%	1.6%
Total amount recognised in the statement of total recognised gains and losses:		
Amount (£m)	(1.5)	1.8
Percentage of the present value of schemes' liabilities which relate to the Burberry Group	4.3%	4.9%

33 Post-retirement benefits (continued)

(b) Defined benefit schemes (continued)

Supplemental executive retirement plan US

Rose Marie Bravo is entitled to these plans as explained in the Report on directors' remuneration and related matters. The adoption of FRS 17, see note 3, 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 2005 was £0.2m (2004: £0.2m). The adoption of FRS 17, see note 3, does not have a material impact on the reported obligation. There are no assets held by Burberry Group companies in relation to this commitment.

(c) Defined contribution schemes

The GUS Money Purchase Pension Plan UK

This scheme was introduced during the year to 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 2005, there were no prepayments or arrears in Burberry Group contributions (2004: £nil).

The Burberry Money Purchase Plan US

Burberry Group administers a Money Purchase Plan in the US (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 2005 there were no Burberry Group contributions in arrears (2004: £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 2005 there were no Burberry Group contributions in arrears (2004: £nil).

Notes to the financial statements (continued)

34 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 purchases and balances have arisen from transactions between Burberry Group and other GUS group companies including 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 cash management, tax management, insurance and insurance management, pension, human resources, employee benefit administration, vehicle hire, property advice, marketing services, credit references, distribution and warehouse facilities, and certain internal audit support.

Related party	Related party's relationship	Purchases from GUS group companies for the year to 31 March	
		2005 £m	2004 £m
Purchases from related parties			
GUS plc and other GUS group companies	Ultimate parent company or 100% subsidiary of GUS plc	2.4	3.3

Related party	Related party's relationship	Amounts due to GUS group companies as at 31 March	
		2005 £m	2004 £m
Related party creditors			
GUS plc and other GUS group companies	Ultimate parent company or 100% subsidiary of GUS plc	6.8	6.8

(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 £18.3m was deposited with GUS at 31 March 2005 (2004: £15.8m). These deposits have been made on standard commercial terms and were repaid in cash by 29 April 2005.

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 2005 of such hedges amounted to £0.5m (2004: £0.4m).

(c) Share repurchase programme

As part of the Share repurchase programme, 10,212,035 Ordinary Shares were purchased by the Company from GUS, representing a total cost, including expenses, of £40.6m. Of the total number of Ordinary Shares purchased, 9,642,005 have been cancelled and the remaining 570,030 Ordinary Shares were cancelled after the year end. The repurchases have been carried out in accordance with the authorisation for off-market purchases approved by Shareholders at the EGM held on 20 December 2004.

Principal subsidiaries

Company	Country of incorporation	Nature of business
Europe		
Burberry Limited	England and Wales	Luxury goods retailer, wholesaler, manufacturer and licensor
Burberry Italy Retail Limited	England and Wales	Luxury goods retailer
The Scotch House Limited*	England and Wales	Luxury goods brand and licensor
Woodrow-Universal Limited*	England and Wales	Textile manufacturer
Burberry France S.A.	France	Luxury goods retailer and wholesaler
Burberry (Suisse) S.A.*	Switzerland	Luxury goods retailer and wholesaler
Burberry Italy SRL*	Italy	Luxury goods wholesaler
Burberry (Deutschland) GmbH	Germany	Luxury goods retailer and wholesaler
Burberry (Spain) S.A.	Spain	Luxury goods retailer and 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 companies are wholly owned as at 31 March 2005 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 65.5% 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, One Stanhope Gate, London, W1K 1AF.

Five year summary

	2001* (Pro forma) £m	2002* (Pro forma) £m	2003* (Restated) £m	2004 (Restated) £m	2005 £m
Turnover by product category					
Womenswear	134.7	165.2	197.9	225.7	242.1
Menswear	142.4	149.4	162.8	190.1	194.5
Accessories (including childrens)	98.0	125.8	169.5	189.0	197.6
Other	6.9	5.3	5.1	4.0	2.9
Licence	45.8	53.5	58.3	67.0	78.4
Total	427.8	499.2	593.6	675.8	715.5

	£m	£m	£m	£m	£m
Turnover by destination					
Europe	259.0	286.7	302.7	346.8	356.4
North America	90.9	110.5	140.5	162.4	165.9
Asia Pacific	74.6	100.1	147.0	162.6	186.6
Other	3.3	1.9	3.4	4.0	6.6
Total	427.8	499.2	593.6	675.8	715.5

	£m	£m	£m	£m	£m
Turnover by operation					
Wholesale	238.8	288.8	306.9	351.4	371.9
Retail	143.2	156.9	228.4	257.4	265.2
Licence	45.8	53.5	58.3	67.0	78.4
Total	427.8	499.2	593.6	675.8	715.5

	£m	£m	£m	£m	£m
Profit by operation					
Wholesale and Retail	29.2	42.7	64.3	86.6	98.5
Licence	39.5	47.6	52.4	56.0	67.0
EBITA**	68.7	90.3	116.7	142.6	165.5
Net interest income/(expense)	5.7	(0.5)	(0.9)	2.3	4.9
Foreign currency gain/(loss) on loans with GUS group (pre-flotation)	6.8	(0.1)	(2.3)	-	-
Goodwill amortisation	(3.6)	(4.9)	(6.4)	(6.8)	(6.8)
Exceptional items	2.9	-	(22.0)	2.2	0.8
Profit on ordinary activities before taxation	80.5	84.8	85.1	140.3	164.4
Tax on profit on ordinary activities	(26.1)	(28.3)	(32.9)	(47.3)	(54.5)
Profit on ordinary activities after taxation	54.4	56.5	52.2	93.0	109.9

	%	%	%	%	%
Margin analysis					
Gross margin as % of turnover	47.8	50.3	56.0	57.9	59.3
EBITA** as % of turnover	16.1	18.1	19.7	21.1	23.1

*Years to 31 March 2001, 2002, 2003 have not been restated to reflect the impact of adopting FRS 17 as the necessary data is not available, see note 3.

**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 to 31 March 2003, 2004 and 2005.

Five year summary (continued)

	2001* (Pro forma) Pence per share	2002* (Pro forma) Pence per share	2003* (Restated) Pence per share	2004 (Restated) Pence per share	2005 Pence per share
Earnings and dividends					
Basic earnings per share	10.9	11.3	10.5	18.8	22.2
Basic earnings per share before goodwill amortisation and exceptional items	11.2	12.3	14.9	19.8	23.4
Diluted earnings per share	10.8	11.1	10.3	18.4	21.8
Diluted earnings per share before goodwill amortisation and exceptional items	11.1	12.1	14.6	19.4	23.0
Dividend per share (post-flotation only)	n/a	n/a	3.0	4.5	6.5
Dividend cover*	n/a	n/a	5.0	4.4	3.7

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

	2001 (Pro forma) £m	2002 (Pro forma) £m	2003 £m	2004 (Restated) £m	2005 £m
Balance sheet					
Fixed assets, investment and other intangible assets	101.0	125.4	162.4	150.7	167.0
Working capital (excluding cash and borrowings)	76.1	87.7	73.8	66.6	77.7
Other long term liabilities	(9.1)	(3.9)	(10.6)	(10.8)	(9.8)
Net operating assets	168.0	209.2	225.6	206.5	234.9
Goodwill	89.2	94.9	122.8	110.6	107.1
Deferred consideration for acquisitions	(12.9)	(22.5)	(31.7)	(31.7)	(32.7)
Cash at bank, net of overdraft and borrowings	5.4	21.3	79.6	157.9	169.9
Taxation (including deferred taxation)	(10.0)	(20.5)	0.4	1.0	(2.9)
Dividends payable	-	-	(10.0)	(14.9)	(21.7)
Net assets	239.7	282.4	386.7	429.4	454.6

	2001 (Pro forma) £m	2002 (Pro forma) £m	2003 £m	2004 (Restated) £m	2005 £m
Cash flow					
Operating profit before goodwill amortisation and exceptional items	68.7	90.3	116.7	142.6	165.5
Depreciation, impairment and trademark amortisation charges	11.1	14.0	19.0	28.5	24.4
Loss/(profit) on disposal of fixed assets and similar non-cash charges	-	0.2	1.5	1.7	(2.3)
Charges in respect of employee share incentive schemes	-	-	-	3.6	5.3
(Increase)/decrease in stocks	(11.9)	(7.0)	5.2	(7.5)	(12.8)
Increase in debtors	(1.0)	(5.2)	(2.4)	(1.5)	(7.3)
Increase/(decrease) in creditors	22.2	(2.2)	25.0	18.2	2.7
Net cash inflow from operating activities before capital expenditure and financial investment	89.1	90.1	165.0	185.6	175.5
Purchase of tangible and intangible fixed assets	(39.3)	(39.4)	(55.7)	(28.8)	(37.2)
Sale of tangible fixed assets	19.1	0.5	0.2	-	3.1
Net cash inflow from operating activities	68.9	51.2	109.5	156.8	141.4

*Years to 31 March 2001, 2002, 2003 have not been restated to reflect the impact of adopting FRS 17 as the necessary data is not available, see note 3.

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 and Annual General Meeting	14 July 2005
Final dividend record date	22 July 2005
Final dividend to be paid	3 August 2005
First half trading update	October 2005
Preliminary announcement of interim results	15 November 2005
Third quarter trading update	January 2006
Second half trading update	April 2006
Preliminary announcement of annual results	May 2006

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