

BURBERRY GROUP PLC ANNUAL GENERAL MEETING 2005

This document is important and requires your immediate attention.

If you are in any doubt what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all your shares in Burberry Group plc, please send this document, together with the accompanying form of proxy, as soon as possible to the purchaser or transferee, or to the bank, stockbroker or other agent through whom you made the sale or transfer for transmission to the purchaser or transferee.

Morgan Stanley & Co. International Limited is acting exclusively for Burberry Group plc and no-one else in connection with the proposed Share Repurchase Programme described in this document and will not be responsible to any person other than Burberry Group plc for providing the protections afforded to clients of Morgan Stanley & Co. International Limited or for providing advice in relation to the programme or any other matter described in this document.

BURBERRY GROUP PLC

SECTION A: LETTER FROM THE CHAIRMAN

Registered in England and Wales (No. 3458224)

Registered Office:
18-22 Haymarket
London SW1Y 4DQ

14 June 2005

To holders of the Company's Ordinary Shares

Dear Shareholder

Annual General Meeting: 14 July 2005

This letter accompanies the Annual Report and Accounts of Burberry Group plc ("the Company") for the year ended 31 March 2005. The Notice of the Annual General Meeting ("AGM") of the Company and the resolutions to be proposed at the Meeting are set out on pages 13 and 14 of this document.

In keeping with the Company's practice, it is intended to call a poll on each of the resolutions set out in the Notice of Meeting.

Resolutions 1 to 6 inclusive deal with the receipt of the accounts and the reports of the Directors and auditors of the Company for the year ended 31 March 2005, together with the approval of the Directors' remuneration report, the declaration of a final dividend and the election of Brian Blake, and re-election of Rose Marie Bravo and Philip Bowman as Directors.

In accordance with paragraph A.7.2 of the Combined Code on Corporate Governance published by the Financial Reporting Council in July 2003 I can confirm that, following the evaluation process adopted by the Board, the Company continues to benefit from Philip's presence on the Board as a non-executive Director. Philip demonstrates commitment to the role and his extensive experience of working in senior financial positions of UK listed companies ensures the effective chairmanship of the Company's Audit Committee.

Biographical details of the Directors, including those seeking re-election, are set out on page 18 of the Annual Report and Accounts.

Auditors

Resolution 7 deals with the re-appointment of PricewaterhouseCoopers LLP as auditors and Resolution 8 seeks authorisation for the Directors to determine the auditors' remuneration for the year ending 31 March 2006.

Political donations and expenditure

Resolution 9, which will be proposed as an Ordinary Resolution, seeks authority from shareholders for the Company to make donations or incur expenditure which would otherwise be prohibited by Part XA of the Companies Act 1985 ("the Act"), (as amended by the Political Parties, Elections and Referendums Act 2000). This resolution seeks authority for the Company to exercise this power up to a maximum amount of £25,000 during the period ending on the date of the Company's Annual General Meeting in 2006. Resolution 10, which will also be proposed as an Ordinary Resolution, seeks a corresponding authority from shareholders for £25,000 for the same period, in relation to expenditure and donations by the Company's wholly owned subsidiary, Burberry Limited.

It is the Company's policy not to make donations to political parties and the Company has no intention of altering this policy. However, the definitions in the Act of "donation", "EU political organisation" and "EU political expenditure" are broadly drafted. Accordingly, the Company wishes to ensure that neither it nor its subsidiary company inadvertently commits any breaches of the Act through the undertaking of routine activities, which would not normally be considered to result in the making of political donations. The Act requires a separate resolution of the Company to be passed with respect to each subsidiary company concerned.

Purchase of own shares

Following a review of its capital structure, the Company announced in November 2004, that it would return excess capital to shareholders by implementing a Share Repurchase Programme, comprising two elements; repurchases of the Company's Shares on the Main Market of the London Stock Exchange ("On-market Repurchases") and repurchases made off-market from GUS plc. The Share Repurchase Programme commenced in January 2005 whereby On-market Repurchases were made pursuant to the general authority given at the AGM in 2004 which authorised the Company to make market purchases of just under 10 per cent. of its issued ordinary share capital. Off-market repurchases were made pursuant to an agreement with GUS plc which was approved by Shareholders at an Extraordinary General Meeting held on 20 December 2004.

The authority to make On-market Repurchases expires at the forthcoming AGM and the Company wishes to continue with the Share Repurchase Programme for the reasons set out by the Company's Senior Independent Non-Executive Director, Philip Bowman, in Section B of this Circular. Given this, the Company proposes that its usual authority to make On-market Repurchases be renewed and that Resolution 11 be passed by shareholders. This Special Resolution seeks shareholder approval for the Company to make market repurchases of up to 48,224,669 Ordinary Shares, being just under 10 per cent. of the issued ordinary share capital of the Company as at 18 May 2005.

In addition to, and separately from, repurchasing shares for cancellation as part of the Share Repurchase Programme, the Company may wish to repurchase some shares to be held as treasury shares. Treasury shares are essentially shares which have been repurchased by the Company and which it is allowed to hold pending either reselling them for cash, cancelling them or, if authorised, using them for the purposes of its employee share plans. The Directors believe that it is desirable for the Company to have this choice. Holding the repurchased shares as treasury shares would give the Company the ability to resell or transfer them quickly and cost-effectively and would provide the Company with additional flexibility in the management of its capital base. No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares. Shares held as treasury shares will not automatically be cancelled and will not be taken into account in future calculations of earnings per share (unless they are subsequently resold or transferred out of treasury).

The total number of options to subscribe for Ordinary Shares, which are outstanding as at 18 May 2005, is 8,796,683 representing approximately 1.8 per cent. of the issued ordinary share capital at that date. If the full authority being sought was utilised, so reducing the issued ordinary share capital by an equivalent amount, the figure of 8,796,683 would represent approximately 2 per cent. of the issued ordinary share capital.

This authority will expire on the earlier of 13 October 2006 and the conclusion of the Company's Annual General Meeting to be held in 2006.

Proposed agreement with GUS plc for off-market repurchases

Resolution 12, which will be proposed as a Special Resolution, seeks to renew the off-market purchase element of the Share Repurchase Programme referred to above. For further information, please see the letter from the Company's Senior Independent Non-Executive Director, Philip Bowman, in Section B of this Circular.

Powers to allot shares and disapply pre-emption rights

Resolution 13, which will be proposed as an Ordinary Resolution, seeks to renew the authority conferred on Directors by shareholders at the Annual General Meeting in 2004 to allot unissued share capital. This authority is limited to the allotment of 160,744,000 Ordinary Shares in the Company, having an aggregate nominal value of £80,372 (referred to in the resolution as the "Section 80 Amount") and which is just under one-third of the issued ordinary share capital (excluding treasury shares) of the Company as at 18 May 2005.

Resolution 14, which will be proposed as a Special Resolution, renews the authority conferred on Directors by shareholders at the 2004 Annual General Meeting to allot shares for cash in connection with a Rights Issue without offering those shares pro rata to existing shareholders.

Resolution 15, which will be proposed as a Special Resolution, seeks a similar authority to that contained in Resolution 14 but relates to the allotment of the Company's shares otherwise than in connection with a Rights Issue. This authority would be limited to the allotment of a maximum of 24,112,000 Ordinary Shares having an aggregate nominal value of £12,056 (referred to in the resolution as the "Section 89 Amount"), and which represents approximately 5% of the issued ordinary share capital of the Company as at 18 May 2005.

The Directors consider that it is in the best interests of the Company and its shareholders generally that they should have the flexibility conferred by the above authorities to make small issues of shares for cash as suitable opportunities arise, although they have no present intention of exercising any of these authorities. These authorities will expire on the earlier of 13 July 2010 and the conclusion of the Company's Annual General Meeting to be held in 2010.

CREST Proxy Voting Service

Resolution 16, which will be proposed as a Special Resolution, seeks authority from shareholders to amend the Articles of Association to enable the Company to offer the use of the Crest Electronic Proxy Voting Service to those shareholders holding their shares in CREST. This service allows, among other things, the appointment and instruction of proxies within the CREST system. The proposed alterations to the Articles of Association will, if approved, confirm that the Directors may permit a proxy to be appointed using the service and confer upon the Directors authority to regulate appointments of proxies made using the CREST system.

Recommendation

With the exception of Resolution 12, where it is not considered appropriate for the entire Board to make such a recommendation, the Directors consider that the resolutions in the Notice of Meeting are in the best interests of shareholders as a whole and recommend that you vote in favour of each of them, as they intend to do in respect of their own beneficial holdings, where appropriate.

A recommendation by the Company's Independent Directors in relation to Resolution 12 is given on page 7 of this Circular.

Yours faithfully



John Peace
Chairman

BURBERRY GROUP PLC

SECTION B: LETTER FROM THE SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Registered in England and Wales (No. 3458224)

Registered office:
18-22 Haymarket
London SW1Y 4DQ

14 June 2005

To holders of the Company's Ordinary Shares

Dear Shareholder

Proposal to authorise the Company to renew the agreement to repurchase its own shares from GUS plc in conjunction with On-market Repurchases

1. Share Repurchase Programme and Dividend Policy

In the Autumn of 2004, the Company conducted a review of its capital structure with the objective of ensuring an appropriate balance between capital efficiency and financial flexibility. At that time, based upon the Company's strong performance and cash flow generation since its July 2002 initial public offering and future prospects, the Board believed the Company was in a position both to return excess capital to Shareholders and to operate with a more efficient capital structure going forward. Following consideration of alternatives, on 16 November 2004 the Company announced its intention to commence a Share Repurchase Programme with the objective of achieving a broadly cash-neutral position by March 2006. Based upon the Company's capital resources, operating trends and foreseeable capital requirements, the Board expected to repurchase a total of approximately £250 million of Shares to achieve this objective.

The Company also announced plans to maintain its progressive dividend policy, increasing the Payout Ratio to approximately 30 per cent. over time.

The Board wished to implement the Share Repurchase Programme in a manner which allowed all Shareholders to participate, to maintain GUS' current percentage ownership and to minimise any impact on share trading liquidity. Accordingly the Board proposed to Shareholders that the Company enter into an agreement with GUS which allowed it to repurchase Shares from GUS on an off-market basis alongside On-market Repurchases. Under this agreement, the Company's On-market Repurchases trigger corresponding repurchases from GUS, which are completed on the same trading day and calibrated so as to maintain GUS' percentage ownership in the Company at the same level as it held prior to the corresponding On-market Repurchases. In addition, the purchase price of the Shares repurchased from GUS is equal to the average price of the On-market Repurchases made that same day. As GUS was and continues to be a "related party" as defined in the Listing Rules, the Company required Shareholder approval to enter into this agreement with GUS. This approval was given by Shareholders at the 2004 EGM.

2. Implementation of Share Repurchase Programme and Dividend Policy

Share repurchases began on 13 January 2005 and as at 7 June 2005 (the latest practical date before publication of this document) the Company had repurchased £85 million of Shares at an average price of 391 pence per Share.

Consistent with the progressive dividend policy, the Company paid an interim dividend of 2p per Share on 2 February 2005 and the Directors have recommended the payment of a final dividend of 4.5p per Share subject to approval by Shareholders at the forthcoming AGM. This represents a Payout Ratio of 27 per cent. compared to 23 per cent. in the prior year.

3. Continuation of Share Repurchase Programme and Impact of Proposed Demerger

The Board continues to believe that the Company can operate effectively with less capital while maintaining the necessary degree of financial flexibility and therefore the Board has decided to submit the requisite approvals to Shareholders which will ensure the continuation of the Share Repurchase Programme. The Board believes the Share Repurchase Programme offers the best combination of simplicity, flexibility and cost effectiveness as well as allowing Shareholders to determine whether they wish to participate or not. In particular, the Board views the flexibility that the Company has under the Share Repurchase Programme to match the pace of capital return with the strength of future cashflows from the business to be a material advantage over alternative mechanisms. It remains the Company's objective to repurchase a total of approximately £250 million of Shares by March 2006. Having repurchased £85 million of Shares as at 7 June 2005 the Company intends to purchase a further £165 million of Shares.

In order that the Share Repurchase Programme minimises any reduction in trading liquidity of the Company's Shares on the Main Market of the London Stock Exchange, the Board considers it important that the Company's largest Shareholder, GUS, continues to participate in the Share Repurchase Programme on a pro-rata basis. Were GUS not to participate, the repurchase of Shares to this value would increase GUS' percentage shareholding in the Company, and could have a significant negative impact on trading liquidity. Accordingly the Board proposes to continue the execution of the Share Repurchase Programme by way of both ongoing On-market Repurchases on the Main Market of the London Stock Exchange and Off-market Repurchases from GUS subject to the proposed demerger referred to below.

On 25 May 2005, GUS announced its intention to demerge its remaining holding in the Company to GUS shareholders by the end of the year. In order that the Share Repurchase Programme may continue ahead of any demerger, the proposal to enter the New GUS Agreement is still being put before Shareholders. However, the Company will suspend Off-market Repurchases, but not On-market Repurchases, shortly before GUS sends a circular to its shareholders seeking approval to the proposed demerger. If the demerger is approved, following the demerger GUS' shareholding in the Company will be zero and the Share Repurchase Programme will continue through On-market Repurchases only.

The On-market Repurchases will be made subject to the approval of a general repurchase authority to be sought from Shareholders at the Company's forthcoming AGM. In respect of Off-market Repurchases, the Current GUS Agreement expires at midnight on the day of the 2005 AGM. To continue the execution of the Share Repurchase Programme the Company wishes to enter into the New GUS Agreement which will expire at midnight on the day of the Company's annual general meeting in 2006.

The authority sought for On-market Repurchases will, if granted, allow the Company to repurchase up to (slightly less than) 10 per cent. of the Shares in issue as at 18 May 2005 (or 48,224,669 Shares) during the term of the authority. The Board has determined that this limit will apply not only to Shares purchased in On-market Repurchases but to Shares purchased in both On-market Repurchases and Off-market Repurchases.

The New GUS Agreement will work in the same way as the Current GUS Agreement in that it is designed to ensure GUS' percentage shareholding in the Company does not change as a result of the Share Repurchase Programme. To achieve this, the Company will make Off-market Repurchases from GUS Holdings, a subsidiary of GUS and a shareholder of the Company, on each and every trading day on which the Company makes On-market Repurchases. In order to calculate the number of Shares to be repurchased from GUS Holdings, the Company will determine the number of Shares held by GUS Holdings on the relevant trading day immediately before the On-market Repurchases begin and the percentage of the Company's issued share capital that this holding represents. Once the On-market Repurchases for that trading day are complete, the Company will then determine the number of Shares that need to be repurchased from GUS Holdings in order to return the GUS Holdings' stake to the same percentage level as it held before the On-market Repurchases began on that trading day. This means that on any given day the proportion of Shares repurchased which are sourced from GUS Holdings may differ, depending on, for example, whether GUS Holdings has disposed of or acquired Shares independently of the New GUS Agreement or whether the Company has issued new Shares.

As GUS remains a related party for the purposes of the Listing Rules (being a substantial shareholder that owns 65.5 per cent. of the Company's Shares as at the date of this document), the Company requires Shareholder approval to enter into the New GUS Agreement.

It is intended that during the Share Repurchase Programme, both On-market Repurchases and corresponding Off-market Repurchases will be made on a regular basis (which may be as frequent as daily), subject to favourable market conditions.

Announcements relating to the Share Repurchase Programme will be notified to a Regulatory Information Service as soon as possible and in any event no later than 7.30 am on the business day following the calendar day on which dealing occurred. The notification shall include the date of the purchase, the number of Shares purchased and the purchase price for each of the highest and lowest prices paid, where relevant.

4. Further Details of On-market and Off-market Repurchases

The two elements of the Share Repurchase Programme, namely On-market Repurchases from Shareholders other than GUS and Off-market Repurchases from GUS, are described in more detail below.

(a) On-market Repurchases

At the forthcoming Annual General Meeting of the Company to be held on Thursday, 14 July 2005, Shareholder approval will be sought for the Company to complete On-market Repurchases (pursuant to section 166 of the Companies Act) of up to 48,224,669 Shares, being slightly less than 10 per cent. of the Company's issued ordinary share capital as at 18 May 2005. This will allow Burberry to repurchase Shares with a minimum price per Share of 0.05p and a maximum price per Share of an amount equal to 105 per cent. of the average middle market quotations for a Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the relevant Share is purchased.

Further details on this authority are given on page 2 of this document, in the section 'Purchase of own shares'.

The Company will use a panel of brokers to make On-market Repurchases on its behalf with only one broker from the panel being instructed by the Company to act on any given day. The Instructed Broker will act on a "riskless principal" basis in accordance with instructions received from the Company in respect of the number of Shares to be purchased and the price to be paid. This means that the broker will fulfil the Company's order by purchasing Shares through the trading day and selling those Shares to the Company in one trade at the end of the day. The price of the end-of-day trade will be equal to the average price at which the broker has purchased Shares during that day in order to fulfil the Company's order. The Instructed Broker will be remunerated on a commission basis commensurate with normal market rates.

The Board intends to repurchase Shares from Shareholders on the Main Market of the London Stock Exchange on the basis of this proposed authority.

(b) Off-market Repurchases – New GUS Agreement

The Board proposes that the Company enters into the New GUS Agreement, to purchase Shares off-market in a series of transactions, each of which will follow relevant On-market Repurchases.

Consistent with the current arrangements, the terms of the New GUS Agreement provide that:

- (i) when Shares are purchased in On-market Repurchases on any business day, GUS will procure that GUS Holdings sells to the Company and the Company will buy from GUS Holdings the number of Shares which will maintain the GUS Group's holding of Shares at the same percentage level held immediately before the On-market Repurchases on that business day; and
- (ii) the purchase price for the Shares repurchased by the Company from GUS Holdings in each Off-market Repurchase will be the average price paid for the Shares purchased in the relevant On-market Repurchases on that business day.

Where Shares are purchased in On-market Repurchases on a given business day the provisions of the proposed New GUS Agreement set out in (i) and (ii) above will automatically be triggered and accordingly GUS Holdings shall have no discretion not to sell, and the Company shall have no discretion not to buy, the number of Shares which maintain the GUS Group's holding of Shares at the same percentage level as held immediately before the On-market Repurchases on that business day.

The Off-market Repurchases will be a direct sale of Shares from GUS Holdings to the Company and will not be transacted through the Instructed Brokers. A detailed summary of the terms and conditions of the New GUS Agreement is set out in paragraph 4 of the Additional Information section of this document.

As Shares repurchased by the Company will be cancelled, the On-market Repurchases and Off-market Repurchases will result in a reduction of the issued ordinary share capital of the Company. An amount equivalent to the nominal value of any Shares repurchased will, in accordance with the Companies Act, be transferred from retained earnings to a capital redemption reserve. There will be no reduction in the Company's authorised share capital.

On 25 May 2005, GUS announced its intention to demerge its remaining holding in the Company to GUS shareholders by the end of the year. In order that the Share Repurchase Programme may continue ahead of any demerger, the proposal to enter the New GUS Agreement is still being put before Shareholders. However, the Company will suspend Off-market Repurchases, but not On-market Repurchases, shortly before GUS sends a circular to its shareholders seeking approval to the proposed demerger. If the demerger is approved, following the demerger GUS' shareholding in the Company will be zero and the Share Repurchase Programme will continue through On-market Repurchases only.

5. Consideration of the Proposal at the Annual General Meeting

The Proposal will be considered as special business at the Annual General Meeting. The notice of the AGM is set out at the end of this document. The meeting will be held at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED on Thursday, 14 July 2005 at 11.00 am. In addition to the other resolutions to be put to Shareholders, further details of which are given on pages 2 to 3 of this document, a special resolution will be proposed, as required by the Companies Act, to approve the terms of the New GUS Agreement and, as GUS is a related party of the Company for the purposes of the Listing Rules, for the Company to enter into a related party transaction with GUS.

As required in these circumstances, GUS has undertaken to the Company that it will not vote, and will take all reasonable steps to ensure that its Associates abstain from voting, on the Resolution. Further, the directors of GUS (including John Peace and David Tyler) and members of the GUS Group will abstain from voting on the Resolution.

As stated on page 2 of this document and in paragraph 4(a) of this letter, Shareholders will be voting at the AGM to renew the Company's authority to make On-market Repurchases.

This document does not constitute an offer by the Company to purchase Shares and Shareholders will not, by virtue of their votes at the AGM, be agreeing to sell Shares.

6. Action to be taken

Shareholders will find enclosed a form of proxy for use in relation to the AGM.

Whether or not you propose to attend the AGM, you are urged to complete and return the form of proxy in accordance with its printed instructions as soon as possible. The completion and return of the form of proxy will not prevent you from attending and voting in person if you wish to do so. The form of proxy should be returned to the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL so as to arrive no later than 11.00 am on Tuesday, 12 July 2005.

7. Recommendation and Voting Intentions

In addition to the undertakings not to vote on the Resolution referred to in paragraph 5 above, neither of the GUS Directors voted at the Board meeting on the decision of the Board to put the Proposal to Shareholders as they have been nominated to the Board by GUS.

The Board considers that the Proposal is in the best interests of the Company and its Shareholders as a whole. Further, the Independent Directors consider that the Proposal is fair and reasonable so far as the Shareholders are concerned and the Independent Directors have been so advised by Morgan Stanley & Co. International Limited.

In providing advice to the Independent Directors, Morgan Stanley & Co. International Limited has taken into account the Independent Directors' commercial assessment of the Proposal.

The Independent Directors unanimously recommend all Shareholders to vote in favour of the Resolution, as they intend to do in respect of their own beneficial holdings of Shares, amounting in aggregate to 94,522 Shares representing approximately 0.02 per cent. of the Company's existing issued ordinary share capital (excluding treasury shares).

Yours faithfully

A handwritten signature in black ink, appearing to read 'Philip Bowman', with a horizontal line underneath it.

Philip Bowman
Senior Independent Non-Executive Director

ADDITIONAL INFORMATION

1. GUS

GUS Holdings, a wholly-owned subsidiary of GUS, holds 65.5 per cent. of the Shares and 1,600,000,000 redeemable preference shares (being 100 per cent. of the issued preference shares) in the Company as at the date of this document.

2. Documents for inspection

A copy of the New GUS Agreement will be available for inspection by any Shareholder at the Company's registered office at 18-22 Haymarket, London SW1Y 4DQ, during normal business hours on any weekday (not Saturdays, Sundays and public holidays) from the date of this document up to and including the date of the AGM and also at the AGM.

Copies of the following documents will also be available for inspection at the above address from the date of this document during normal business hours on any weekday (not Saturdays, Sundays and public holidays) up to and including the date of the AGM:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts, the summaries of which are set out in paragraph 5 below;
- (c) the consolidated audited accounts and interim accounts of the Group for each of the two financial years preceding the publication of this document, including all notes, reports or information required by the Companies Act; and
- (d) details of the Directors' service contracts.

3. Major Interests in Shares

In so far as it is known to the Company, the following persons (other than Directors) are directly or indirectly interested in 3 per cent. or more of the Company's Shares (excluding Shares held by the Company as treasury shares) as at the date of this document:

GUS Holdings Limited	65.5 per cent.
Janus Capital Management LLC	4.4 per cent.

4. Terms of New GUS Agreement

Under the terms of the New GUS Agreement which is on substantially the same terms as the Current GUS Agreement with the exception of the expiry date and additional provisions relating to the proposed demerger referred to below, between the Company and GUS (to be entered into on or after the date of the AGM following approval from Shareholders), if the Company undertakes one or more On-market Repurchase(s) on any business day during the term of the New GUS Agreement, GUS agrees that at the end of that business day it will procure that GUS Holdings sells to the Company and the Company agrees to buy from GUS Holdings (GUS Holdings having no discretion not to sell and the Company having no discretion not to buy) the number of Shares necessary after giving effect to the On-market Repurchase(s) to retain GUS Group's shareholding at the "Specified Percentage" ("Sale Shares"). The Specified Percentage means, as at the date of the New GUS Agreement, the percentage of the issued ordinary share capital of the Company held by the GUS Group and at any other date shall mean such percentage of the issued ordinary share capital of the Company as equals the aggregate interest of the GUS Group in such share capital from time to time, disregarding the effect of the relevant On-market Repurchases.

The purchase price per Sale Share will be the average price of the Shares purchased from Shareholders in the relevant On-market Repurchases on the relevant business day, as contained in a repurchase notice to GUS.

Completion of each repurchase of Sale Shares shall be effected on the same business day as the relevant On-market Repurchases by GUS Holdings executing and delivering to the Company the stock transfer forms to transfer to the Company legal title to the Sale Shares together with the share certificate(s) representing the Sale Shares and the Company paying to GUS Holdings the aggregate amount owing for the Sale Shares as set out in the repurchase notice. The Sale Shares shall then be cancelled in accordance with sections 160(4) and 162(2) of the Companies Act.

GUS shall procure GUS Holdings to enter into a power of attorney in favour of the Instructed Brokers to enable the Instructed Brokers to complete, execute and deliver the stock transfer forms and to procure the issue of and deliver the share certificates on behalf of GUS Holdings and to take any other steps necessary to effect the sale and settlement of the Sale Shares.

The Company acknowledges that it cannot initiate an On-market Repurchase at any time when it would be prohibited from doing so by virtue of applicable law or the Listing Rules of the UKLA (unless the On-market Repurchase is completed pursuant to a contract agreed in advance with the Instructed Brokers and in a form approved by the UKLA). It therefore warrants to GUS that it shall only issue a repurchase notice to GUS in circumstances where it is permitted to do so. Therefore, GUS acknowledges that it is obliged to sell Sale Shares following the issue of and on the terms of the repurchase notice.

GUS undertakes that it shall not, and that it shall procure that each member of the GUS Group and each of its and their directors shall not, vote on any decision of the Board in relation to any On-market Repurchase.

The New GUS Agreement shall continue until midnight on the day of the 2006 annual general meeting of the Company. Either party may terminate the New GUS Agreement by one business day's written notice to the other party once Shares have been purchased by way of On-market Repurchases and Off-market Repurchases for an aggregated total consideration of £250 million (including those Shares purchased pursuant to the Current GUS Agreement).

In order that GUS can accurately calculate the entitlement of its shareholders to shares in the Company in the proposed demerger, provision has been made in the New GUS Agreement for Off-market Repurchases to be suspended shortly before the posting of the shareholder circular convening the GUS extraordinary general meeting to approve the demerger. If the posting of the GUS EGM circular is delayed by more than five business days, Off-market Repurchases may be resumed by the Company on three business days' notice.

If the demerger is approved by GUS shareholders, following demerger, GUS' shareholding in Burberry will be zero. The New GUS Agreement shall be terminated with effect from completion of the demerger and the Company will continue to repurchase its Shares through On-market Repurchases only.

If GUS does not obtain approval from its shareholders for the demerger or the demerger is not completed within a certain amount of time of shareholder approval having been given, the Company may resume Off-market Repurchases on one business day's notice.

5. Material Contracts

In addition to the Current GUS Agreement, the terms and conditions of which are similar to the terms of the New GUS Agreement which will be a material contract once executed by the Company and is summarised in paragraph 4 above, the following is a summary of the principal contents (including particulars of dates, parties, terms and conditions and any consideration passing to or from the Company or any other member of the Group) of:

- (a) each material contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the publication of this document; and
- (b) any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Group which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

Relationship Agreement

On 11 July 2002, the Company entered into an agreement with GUS that regulates the on-going relationship between the Group and the GUS Group (the "Relationship Agreement"). The Relationship Agreement ensures that the Company carries on its business independently of GUS and any Associate of GUS and that all transactions and relationships between the Company and GUS are at arm's length. The rights and obligations of GUS under the Relationship Agreement depend on the percentage of issued voting share capital held by the GUS Group. The Relationship Agreement continues until the GUS Group ceases to hold at least 15 per cent. of the Company's issued ordinary share capital (the "Minimum Shareholding").

Minimum Shareholding

If the GUS Group holds the Minimum Shareholding then GUS has agreed to procure, so far as it reasonably can, that:

- the Company's independence in accordance with the Listing Rules is maintained and that the majority of the Non-Executive Directors on the Board are otherwise unconnected with and independent of both the GUS Group and the Company;
- two-thirds of the Company's Executive Directors are independent of the GUS Group, except for their executive directorships with the Company; and
- all transactions and relationships between the Company and the GUS Group are and will be conducted at arm's length.

Also:

- GUS is entitled to nominate one of the Directors;
- the Directors shall not be entitled to vote at meetings of the Board on matters in which they have a conflict of interest as a result of being directors or officers of any member of the GUS Group (other than their directorships or officerships with the Company and any members of the Group); and
- the Company has agreed to provide certain legal and regulatory information to GUS.

Controlling Shareholding

For so long as the GUS Group holds 30 per cent. or more of the Company's issued ordinary share capital, in addition to the terms described above that apply where the GUS Group holds the Minimum Shareholding:

- GUS can appoint up to one-third of the Directors;
- the Company will provide GUS with information at specified times, including management accounts, board minutes and press releases; and
- GUS agrees not to take any action (or omit to take any action) which could prejudice the Company's listing on the Official List of the UKLA and the Main Market of the London Stock Exchange.

Majority Shareholding

For so long as the GUS Group holds 50 per cent. or more of the Company's issued ordinary share capital, in addition to the terms described above that apply where the GUS Group holds the Controlling Shareholding:

- GUS has the right to appoint the chairman of the Board; and
- the Company will provide GUS with the Company's business plan within eight business days after the approval of the plan by the Board.

Facility Agreement

On 30 March 2005 the Company entered into a facility agreement with (1) Barclays Capital, (2) HSBC Bank plc, (3) Lloyds TSB Bank plc, Capital Markets, (4) The Royal Bank of Scotland plc and (5) Société Générale with (6) HSBC Bank plc acting as agent (the "Facility Agreement").

The facility provided under the Facility Agreement is a revolving credit facility of an amount of up to £200,000,000 to be provided to the Company and Burberry Limited and each other subsidiary of the Company which accedes to the Facility Agreement (the "Facility").

The Facility may be used for the general corporate purposes of each borrower.

The Facility must be finally repaid on 30 March 2010. The Facility Agreement contains provisions as regards drawdown, repayment (including early voluntary repayment and cancellation and mandatory prepayment and cancellation) and timing for payment of interest customary for a Facility Agreement of this type.

The interest rate for any borrowings of the Facility is determined on the basis of a margin (which is set at a market rate usual for facilities of this type) plus LIBOR plus the mandatory costs of the lenders (if any). Interest in the event of the borrowers' default is payable at a rate which is 1% higher than the rate which would have ordinarily applied to the relevant borrowing.

The Company has paid HSBC Bank plc as the coordinator of the facility an arrangement fee. It is also paying the lenders a commitment fee and is paying HSBC Bank plc as the agent an agency fee. The amounts and timings of payment of such fees are on market terms and are standard for facilities of this type. There is also a provision in the Facility Agreement that for each day on which the aggregate amount of all borrowings exceeds half of the total commitments of the lenders, the Company is under an obligation to pay to the lenders an utilisation fee computed at the rate of 0.05 per cent. per annum on such excess.

The Facility Agreement contains various representations, warranties and undertakings including certain restrictions on the manner in which the Company and certain of its subsidiaries can conduct their business and certain financial ratio covenants, including guarantor cover and interest cover.

The Facility Agreement contains a number of customary default clauses, and provides that if there is an event of default, as defined in the Facility Agreement, and the default, if capable of being cured, is not cured within the specified period, the lenders may require that any loans under the Facility Agreement be repaid in full immediately.

The Facility is unsecured, but the Company, Burberry Limited, Burberry (Spain), S.A. and Burberry Asia Limited have guaranteed the performance of the borrowers' obligations under the Facility Agreement.

6. No Significant Changes

There has not been any significant change in the financial or trading position of the Group which has occurred since the end of the last financial period for which audited annual financial statements were prepared, i.e. 31 March 2005.

7. Adviser's Consent

Morgan Stanley, as adviser to the Independent Directors, has given and has not withdrawn its written consent to the inclusion of the reference to its name in the form and context in which it is included.

DEFINITIONS

“2004 EGM”	the Extraordinary General Meeting of the Company held on 20 December 2004
“Annual General Meeting” or “AGM”	means the annual general meeting of the Company convened for 11.00 am on Thursday, 14 July 2005, notice of which is attached to this document
“Associate”	means in relation to GUS, which is a substantial shareholder in the Company: <ul style="list-style-type: none">(i) any other company which is a subsidiary undertaking or parent undertaking or fellow undertaking of the parent undertaking of GUS Holdings;(ii) any company whose directors are accustomed to act in accordance with GUS’ directions or instructions; and(iii) any company in the capital of which GUS, and any other company under (i) or (ii) taken together is (or would on the fulfilment of a condition or the occurrence of a contingency be) directly or indirectly interested (or have a conditional or contingent entitlement to become interested) so that they are (or would on the fulfilment of the condition or the occurrence of the contingency be) able:<ul style="list-style-type: none">– to exercise or control the exercise of 30 per cent. or more of the votes able to be cast at general meetings on all, or substantially all, matters; or– to appoint or remove directors holding a majority of voting rights at board meetings on all, or substantially all, matters
“Companies Act”	means the Companies Act 1985 (as amended)
“Company”	means Burberry Group plc, registered in England and Wales (No. 3458224) of 18-22 Haymarket, London SW1Y 4DQ
“Current GUS Agreement”	means the agreement dated 20 December 2004 between the Company and GUS, which authorised the Company to make Off-market Repurchases
“Directors” or “Board”	means the board of directors of the Company
“Group”	means the Company and its subsidiaries and subsidiary undertakings
“GUS”	means GUS plc, registered in England and Wales (No. 146575) of One Stanhope Gate, London W1K 1AF
“GUS Directors”	means John Peace (Chairman) and David Tyler who are directors of the Company appointed by GUS to the Board and hence not considered independent for the purposes of this Proposal to Shareholders
“GUS Group”	means GUS and its subsidiaries and subsidiary undertakings (other than the Group)
“GUS Holdings”	means GUS Holdings Limited, registered in England and Wales (No. 03496850), a wholly-owned subsidiary of GUS
“Independent Directors”	means all of the Directors other than the GUS Directors
“Instructed Broker(s)”	means the broker(s) appointed by the Company to make repurchases of Shares on the London Stock Exchange on its behalf as described in paragraph 4(a) of the letter from the Senior Independent Non-Executive Director
“Listing Rules”	means the listing rules made by the UKLA (the Competent Authority under Part VI of the Financial Services and Markets Act 2000)
“London Stock Exchange”	means the London Stock Exchange plc
“New GUS Agreement”	means the agreement with GUS, which will authorise the Company to make Off-market Repurchases, on the terms set out in paragraph 4(b) of the letter from the Senior Independent Non-Executive Director and in section 4 of the Additional Information section of this document
“Off-market Repurchase(s)”	means one or more repurchases of Shares from GUS following and made on the same trading day as one or more On-market Repurchases and in the amount which will maintain the GUS Group’s holding in the Company at the percentage held immediately before the On-market Repurchases on that trading day
“On-market Repurchase(s)”	means one or more repurchases of Shares from Shareholders on the Main Market of the London Stock Exchange pursuant to the authority to be sought in accordance with section 166 of the Companies Act at the AGM to repurchase up to 48,224,669 Shares (at a price not more than 5 per cent. above the average of the market values of those Shares for the 5 business days before the purchase is made), through its Instructed Brokers, excluding Shares repurchased and held in treasury by the Company for the purposes of its employees’ share schemes as defined in section 743 of the Companies Act
“Payout Ratio”	means the total dividend paid divided by profit after tax before goodwill amortisation and exceptional items
“Proposal”	means the entry into the New GUS Agreement by the Company and GUS
“Resolution”	means the Shareholder resolution to approve the Proposal as set out in resolution 12 in the notice of AGM attached to this document
“Shareholder”	means a registered holder of Shares
“Share Repurchase Programme”	means the programme consisting of On-market Repurchases and Off-market Repurchases allowing the repurchase of a combined total of up to 50,069,116 Shares which is currently authorised until the 2005 annual general meeting of the Company and, if Resolutions 11 and 12 are approved at the AGM, allowing the repurchase of an aggregate total of up to 98,293,785 Shares from the commencement of the programme on 13 January 2005 until the 2006 annual general meeting of the Company
“Shares”	means ordinary shares (of which there are 482,323,363 in issue at 7 June 2005, the latest practical date before publication of this document) of 0.05p each in the capital of the Company
“UKLA”	means the United Kingdom Listing Authority, a division of the Financial Services Authority

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Burberry Group plc ("the Company") will be held at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED on Thursday, 14 July 2005 at 11.00 am to transact the following business:

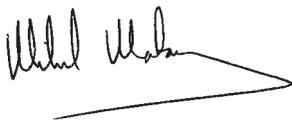
- 1 To receive the Company's accounts for the year ended 31 March 2005 and the reports of the Directors and auditors thereon.
- 2 To approve the Directors' remuneration report for the year ended 31 March 2005, set out on pages 26 to 37 of the Company's Annual Report and Accounts.
- 3 To declare a final dividend of 4.5p per Ordinary Share.
- 4 To elect Mr B E Blake as a Director of the Company.
- 5 To re-elect Ms R M Bravo as a Director of the Company.
- 6 To re-elect Mr P Bowman as a Director of the Company.
- 7 To re-appoint PricewaterhouseCoopers LLP as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
- 8 To authorise the Board to determine the auditors' remuneration.

To consider and, if thought fit, pass resolutions 9, 10 and 13 as Ordinary Resolutions and resolutions 11, 12, 14, 15 and 16 as Special Resolutions:

- 9 That, pursuant to the Political Parties, Elections and Referendums Act 2000, the Company be and it is hereby authorised to make donations to EU political organisations and to incur political expenditure (within the meaning of Part XA of the Companies Act 1985 (the "Act"), as amended by the Political Parties, Elections and Referendums Act 2000) in an aggregate amount not exceeding £25,000 during the period ending on the date of the Company's Annual General Meeting in 2006.
- 10 That, pursuant to the Political Parties, Elections and Referendums Act 2000, Burberry Limited be and it is hereby authorised to make donations to EU political organisations and to incur political expenditure (within the meaning of Part XA of the Act, as amended by the Political Parties, Elections and Referendums Act 2000) in an aggregate amount not exceeding £25,000 during the period ending on the date of the Company's Annual General Meeting in 2006.
- 11 That the Company be and it is hereby generally and unconditionally authorised for the purpose of Section 166 of the Act to make market purchases (as defined in Section 163 of the Act) of Ordinary Shares of 0.05p each in the capital of the Company provided that:
 - i) the maximum number of Ordinary Shares of 0.05p each in the capital of the Company which may be purchased is 48,224,669 being just under 10 per cent. of the Company's issued ordinary share capital as at 18 May 2005;
 - ii) the minimum price which may be paid for each such share is 0.05p;
 - iii) the maximum price which may be paid for each such share is an amount equal to 105 per cent. of the average middle market quotations for an Ordinary Share of 0.05p in the capital of the Company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the relevant share is purchased; and
 - iv) the authority hereby conferred shall expire on the earlier of 13 October 2006 and the conclusion of the Annual General Meeting of the Company to be held in 2006 (except in relation to the purchase of shares the contracts of which are concluded before such expiry and which are executed wholly or partly after such expiry) unless such authority is renewed prior to such time.
- 12 THAT, subject to the passing of Resolution 11 above, the Company be generally and unconditionally authorised for the purposes of section 165 of the Companies Act 1985 and Chapter 11 of the Listing Rules of the United Kingdom Listing Authority (or Chapter 11 of the new Listing Rules to be made by the United Kingdom Listing Authority to come into effect from 1 July 2005, as the case may be) to enter into an agreement with GUS plc, a copy of which was tabled by the chairman of the meeting, pursuant to which the Company shall repurchase ordinary shares of 0.05p each in the capital of the Company from GUS plc (which number of ordinary shares repurchased, when aggregated with on-market repurchases during the term of the agreement, shall not exceed 48,224,669, being slightly less than 10 per cent. of the ordinary shares in issue as at 18 May 2005) in accordance with the terms and conditions of the agreement, provided that this authority shall expire at midnight on the day of the 2006 annual general meeting of the Company, and that the Board be authorised to execute all documents and to do all things the Board considers necessary or desirable in connection with that agreement (except that no variations or material amendments will be made to the agreement).

- 13** That the authority to allot the Company's shares, conferred on the Directors pursuant to Article 10 of the Company's Articles of Association, be renewed for the period ending on the date of the Annual General Meeting in 2010 or on 13 July 2010, whichever is the earlier, and for such period the "Section 80 Amount" shall be £80,372, being just under one-third of the issued ordinary share capital of the Company as at 18 May 2005. Such authority shall be in substitution for all previous authorities pursuant to Section 80 of the Act which are hereby revoked, without prejudice to any allotment of securities prior to the date of this resolution (or thereafter pursuant to any offer or agreement made prior thereto).
- 14** That, subject to the passing of Resolution 13 above, the power conferred on the Directors pursuant to paragraph 10.3(b) of Article 10 of the Company's Articles of Association be renewed for the period referred to in that resolution.
- 15** That, subject to the passing of Resolution 13 above, the power conferred on the Directors pursuant to paragraph 10.3(c) of Article 10 of the Company's Articles of Association be renewed for the period referred to in that resolution and for such period the "Section 89 Amount" shall be £12,056, being approximately 5% of the issued ordinary share capital of the Company as at 18 May 2005. Such authority shall be in substitution for all previous powers pursuant to paragraph 10.3(c) of Article 10 of the Company's Articles of Association which are hereby revoked without prejudice to any allotment or sale of securities prior to the date of this resolution (or thereafter pursuant to any offer or agreement made prior thereto).
- 16** That the Articles of Association of the Company be and are hereby amended as set out in the Schedule to the Notice of Annual General Meeting dated 14 June 2005.

By order of the Board

A handwritten signature in black ink, appearing to read 'Michael Mahony', is written above a long, thin horizontal line that tapers to a point on the right side.

Michael Mahony
General Counsel and Secretary
14 June 2005

SCHEDULE

The amendments set out in this Schedule are to take effect upon the passing of Resolution 16:

- 1 Article 2: In the paragraph beginning “The expression “address” shall include”, following the words “any number or address”, insert the words “(including, in the case of any Uncertificated Proxy Instruction permitted under Article 69, an identification number of a participant in the relevant system)”.
- 2 Article 59: Add the following sentence at the end of Article 59:
“Unless the proxy’s appointment otherwise provides, the proxy may vote or abstain at such proxy’s discretion on any matter coming before the meeting on which proxies are entitled to vote.”
- 3 Article 69: Renumber the existing Article 69 as Article 69.1 and remove the sentence which reads “An appointment relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.”
- 4 Article 69: Insert the following paragraph immediately following the existing Article 69 as Article 69.2:
“**69.2** Without limiting the foregoing, in relation to any shares in uncertificated form the Directors may permit a proxy to be appointed by means of an electronic communication in the form of an Uncertificated Proxy Instruction (that is, a properly authenticated dematerialised instruction, and/or other instruction or notification, sent by means of a relevant system to such participant in that system acting on behalf of the Company as the Directors may prescribe, in such form and subject to such terms and conditions as may from time to time be prescribed by the Directors (subject always to the facilities and requirements of the relevant system)); and may permit any supplement to, or amendment or revocation of, any such Uncertificated Proxy Instruction to be made by a further Uncertificated Proxy Instruction. The Directors may in addition prescribe the method of determining the time at which any such instruction or notification is to be treated as received by the Company. The Directors may treat any such instruction or notification purporting or expressed to be sent on behalf of a holder of a share as sufficient evidence of the authority of the person sending the instruction to send it on behalf of that holder.”
- 5 Article 71: Following the words “received by the Company at the” insert the words “address or one of the addresses specified under Article 69 (subject to any conditions attached to the use of a particular address imposed under that Article) or, if no address was specified, at the”.
- 6 Article 135: Following the words “accompanied by such other evidence” insert the words “(including evidence in accordance with the last sentence of Article 69.2)”.

Notes

- 1 A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, to vote in his/her place. A proxy need not be a member of the Company. To be valid, a form appointing a proxy must be lodged with the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZL at least 48 hours before the appointed time of the Meeting or adjourned Meeting or (in the case of a poll taken otherwise than at or on the same day as the Meeting or adjourned Meeting) for the taking of the poll at which it is to be used. The completion and return of a Proxy Card will not preclude members entitled to attend and vote at the Meeting (or at any adjournment thereof) from doing so in person if they so wish.
- 2 The Company specifies, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, that only those persons entered on the Register of Members of the Company as at 6.00pm on 12 July 2005 shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register after that time will be disregarded in determining the rights of any person to attend or vote at the Meeting.
- 3 It is proposed that the final dividend on the Ordinary Shares will be paid on 3 August 2005 to those persons on the Register of Members at the close of business on 22 July 2005. Dividend warrants will be posted on 2 August 2005.
- 4 Copies of the Directors' service agreements are available for inspection during normal business hours at the Company's registered office on any business day and will also be available for inspection at the place of the Meeting for 15 minutes before, and until the conclusion of, the Meeting.