

For the year ended 31 March 2004



The Scotch House Limited

Directors' Report for the year ended 31 March 2004

The directors present their report and the audited financial statements for the year ended 31 March 2004.

Principal activities

The Scotch House Limited brand is primarily traded through a licence in Japan.
The directors anticipate that the company's trading activities will continue in the future.

Results and dividends

The profit for the year after taxation amounted to £1,440,000 (2003: £1,517,000). The directors paid no dividend during the year (2003: £Nil).

The retained results for the year have been transferred to reserves. The directors do not recommend the payment of a final dividend.

Directors and their interests

The directors who held office during the year were as follows:

R M Bravo
S L Cartwright (appointed 1 March 2004)
M E Metcalf (resigned 31 March 2004)
Viscount Suirdale (resigned 31 August 2003)
C A Gibbons

The interests of S L Cartwright, M E Metcalf and R M Bravo who are also directors of Burberry Group plc, are shown in the annual report of that company.

The interests of C A Gibbons who is also a director of Burberry Limited, are shown in the annual report of that company.

The Scotch House Limited

Directors' Report for the year ended 31 March 2004 (Continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they complied with the above requirements in preparing the financial statements.

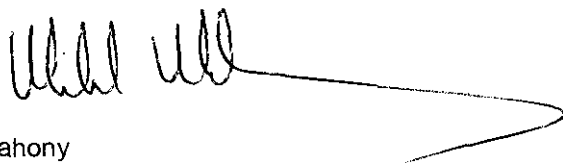
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The company has passed elective resolutions dispensing with the need to hold an Annual General Meeting and annually reappoint auditors. Accordingly, PricewaterhouseCoopers LLP are deemed to have been re-appointed as auditors for the forthcoming year.

By order of the board

27 January 2005

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

M Mahony
Secretary

The Scotch House Limited

Independent auditors' report to the members of The Scotch House Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

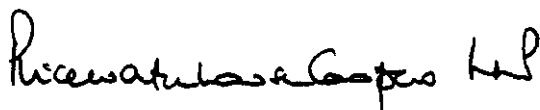
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

27 January 2005

The Scotch House Limited

Profit and Loss Account for the year ended 31 March 2004

	Note	2004 £'000	2003 £'000
Turnover	2	1,041	988
Cost of Sales		-	-
Gross Profit		1,041	988
Other Operating Income	3	1,038	1,179
Operating Profit			
Continuing operations		2,079	2,043
Discontinued operations		-	124
Total operating profit and profit on ordinary activities before taxation	4	2,079	2,167
Tax on profit on ordinary activities	6	(639)	(650)
Profit on ordinary activities after taxation and retained profit for the year	12, 13	1,440	1,517

The above activities relate to continuing operations.

The company has no recognised gains or losses during the period other than those reflected in the above profit and loss account.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

The notes on pages 6 to 13 form part of these financial statements.

The Scotch House Limited

Balance Sheet as at 31 March 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	7	11	50
Current assets			
Debtors	8	6,615	5,307
Deferred tax	9	152	203
		6,767	5,510
Creditors – amounts falling due within one year	10	(1,836)	(2,058)
Net current assets		4,931	3,452
Total assets less current liabilities and net assets		4,942	3,502
Capital and Reserves			
Called-up share capital	11	-	-
Profit and loss account	12	4,942	3,502
Equity shareholders' funds	13	4,942	3,502

The notes on page 6 to 13 form part of these financial statements.

The financial statements were approved by the board of directors on 27 January 2005 and were signed on its behalf by:


C A Gibbons
Director

27 January 2005

The Scotch House Limited

Notes to the financial statements for the year ended 31 March 2004

1 Accounting policies

The principal accounting policies of the company are detailed below.

(a) Basis of accounting

These financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom, which have been applied on a consistent basis.

The company has adopted FRS 5 Application Note G in relation to turnover recognition during the year. There has been no material impact on the company's financial statements in either the current or prior year.

(b) Turnover

Turnover, which is stated excluding VAT, relates to royalties received.

Royalties receivable from licences are accrued as earned on the basis of the terms of the royalty agreement.

(c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation of fixed assets is calculated to write off the cost of the asset in equal instalments over their estimated useful lives at the following rates:-

Leaseholds – less than 50 years unexpired	Over the unexpired term of the lease
Plant, machinery, fixtures and fittings	3 – 8 years

(d) Properties

Leasehold properties are carried at original cost and are amortised over the remainder of the lease term on a straight-line basis.

(e) Taxation including deferred taxation

Deferred taxation has been recognised as a liability or asset in full on all timing differences that had occurred by the balance sheet date, which result in an obligation to pay more tax or a right to pay less tax at a future date. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

The Scotch House Limited

Notes to the financial statements for the year ended 31 March 2004

1 Accounting policies (Continued)

(f) Foreign currency translation

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. Exchange differences on monetary assets and liabilities are taken to the profit and loss account.

(g) Operating leases

Rental income and expenditure in respect of operating leases is recognised on a straight line basis over the period of the leases.

(h) Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Burberry Group plc and is included in the consolidated financial statements of Burberry Group plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1 ("FRS1") (revised 1996).

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. The company has taken advantage of the exemption under the terms of FRS 8, not to disclose details of transactions with entities that are part of Burberry Group plc.

The Scotch House Limited

Notes to the financial statements for the year ended 31 March 2004

2 Turnover

	2004 £'000	2003 £'000
Turnover by origin and destination:		
Japan	1,041	988

3 Other operating income

Other operating income arises from sub-letting certain leasehold properties.

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting) :

	2004 £'000	2003 £'000
Depreciation of tangible fixed assets	39	43
Property rental income under operating leases	(995)	(1,055)
Operating lease rentals – land and buildings	25	26
Auditors' remuneration	2	8

5 Directors and staff costs

The company had no employees in the year (2003: nil). Consequently no staff costs were incurred in either year.

The emoluments of R M Bravo, S L Cartwright and M E Metcalf are paid by a fellow subsidiary, which makes no recharge to the company. Their emoluments are included in the Report on Directors Remuneration in the financial statements of Burberry Group plc.

The emoluments of C A Gibbons and Viscount Suirdale are paid by a fellow subsidiary, which makes no recharge to the company. Their emoluments are included in the aggregate directors' emoluments disclosed in the financial statements of Burberry Limited.

The number of directors to whom retirement benefits are accruing under the GUS plc defined benefit scheme in respect of qualifying services is 2 (2003: 2)

The number of directors to whom retirement benefits are accruing under defined contribution schemes in respects of qualifying services is 1 (2003: 0).

The number of directors to whom retirement benefits are accruing under a section 401(K) scheme operated by Burberry in the US in respect of qualifying services is 2 (2003: 2).

The number of directors to whom retirement benefits are accruing under a funded unapproved retirement benefits scheme in respect of qualifying services is 2 (2003: 2).

The Scotch House Limited

Notes to the financial statements for the year ended 31 March 2004

6 Taxation

	2004 £'000	2003 £'000
Current Tax		
UK Corporation Tax at 30% (2003: 30%)	588	662
Double taxation relief	(104)	(100)
Overseas taxation	104	100
Total current tax	588	662
	2004 £'000	2003 £'000
UK Deferred Tax		
Origination and reversal of timing differences	43	(12)
Adjustment in respect of prior year	8	-
Total deferred tax	51	(12)
Tax on profit on ordinary activities	639	650

The rate of current tax on profit on ordinary activities varies from the standard rate of corporation tax in the UK. The difference is explained below:

	2004 £'000	2003 £'000
<i>Profit on ordinary activities before taxation</i>	2,079	2,167
Profit on ordinary activities multiplied by the standard rate in the UK: 30% (2003: 30%)	624	650
Effects of:		
Permanent disallowables	7	-
Other timing differences	(43)	12
Total current tax	588	662

The Scotch House Limited

Notes to the financial statements for the year ended 31 March 2004

7 Tangible Assets

	Leasehold less than 50 years £'000	Fixtures and other equipment £'000	Total £'000
Cost			
At 1 April 2003	481	803	1,284
Disposals	-	(710)	(710)
At 31 March 2004	481	93	574
Depreciation			
At 1 April 2003	460	774	1,234
Provided in the year	10	29	39
Disposals	-	(710)	(710)
At 31 March 2004	470	93	563
Net book value at 31 March 2004	11	-	11
Net book value at 31 March 2003	21	29	50

8 Debtors

	2004 £'000	2003 £'000
Due within one year:		
Prepayments and accrued income	226	191
Amounts owed by group undertakings - Fellow subsidiaries	6,389	5,116
	6,615	5,307

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

The Scotch House Limited

Notes to the financial statements for the year ended 31 March 2004

9 Deferred tax asset

	£'000
At 1 April 2003	203
Credit to the profit and loss account	(51)
At 31 March 2004	152

The analysis of the deferred tax balance is shown below:

	2004 £'000	2003 £'000
Accelerated capital allowances	42	60
Short term timing differences	110	143
Deferred tax asset	152	203

The deferred tax asset is likely to reverse as it is recorded in operations that are currently profitable.

The deferred tax asset is not discounted.

10 Creditors

	2004 £'000	2003 £'000
Amounts falling due within one year:		
Bank overdraft	-	16
Amounts owed to group undertakings – Parent company	795	795
Corporation tax	300	623
Other creditors	32	16
Value added tax	109	61
Accruals and deferred income	600	547
	1,836	2,058

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

11 Share capital

	2004 £	2003 £
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, issued and fully paid:		
100 ordinary shares of £1 each	100	100

The Scotch House Limited

Notes to the financial statements for the year ended 31 March 2004

12 Reserves

	Profit and Loss account £'000
At 1 April 2003	3,502
Retained profit for the year	1,440
At 31 March 2004	4,942

13 Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
Profit on ordinary activities after taxation	1,440	1,517
Net addition of shareholders' funds	1,440	1,517
Opening shareholders' funds	3,502	1,985
Closing shareholders' funds	4,942	3,502

14 Operating lease commitments

	2004 Land and buildings £'000	2003 Land and buildings £'000
Payments committed to be made in the next year analysed between those in which the leases expire:		
Within two to five years	19	25
	19	25

The commitments for operating lease amounts payable calculated as a percentage of turnover have been based on the minimum payment that is required under the term of the lease. As a result the amounts charged to the profit and loss account could be different to the previous year's commitment disclosed where turnover exceeds the prescribed minimum.

The Scotch House Limited

Notes to the financial statements for the year ended 31 March 2004

15 Immediate and ultimate parent company

The immediate parent undertaking is Burberry Group plc which is registered in England and Wales and is the parent undertaking of the smallest group to consolidate these financial statements. Copies of the consolidated accounts can be obtained from the Company Secretary at Burberry Group plc, 18-22 Haymarket, London, SW1Y 4DQ.

The ultimate parent undertaking and controlling party is GUS plc which is the parent company of the largest group to consolidate these financial statements. Copies of GUS plc consolidated financial statements can be obtained from the Company Secretary at GUS plc, One Stanhope Gate, London W1K 1AF.