

Burberrys Limited

Registered Number: 230931

Directors' Report and Accounts

For the year to 31 March 2006

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Burberrys Limited

Directors' report for the year to 31 March 2006

The directors submit their report and the audited financial statements for the year to 31 March 2006.

Principal activities

The company's principal activity is to act as a holding company.

Results and dividends

The company's loss for the year is £12,339,520 (2005: £nil). The Directors do not recommend the payment of a dividend (2005: £nil).

The company intends to continue to act as a holding company in the foreseeable future.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Directors and their interests

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

| | |
|-----------------|-----------------------------|
| S L Cartwright | |
| C A Gibbons | (resigned 9 February 2006) |
| R J H Kessell | (resigned 21 August 2006) |
| E G Foa | (appointed 12 October 2005) |
| C A Fairweather | (appointed 21 August 2006) |

The interests S L Cartwright, who is also a director of Burberry Group plc, are shown in the annual report of that company.

The interests of C A Gibbons, R J H Kessell and E G Foa, who were also directors of Burberry Limited during the year, are shown in the annual report of that company.

Burberrys Limited

Directors' report for the year to 31 March 2006 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing financial statements for each financial year, which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, 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 judgements and estimates that are reasonable and prudent;
- 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 have complied with the above requirements in preparing the financial statements.


The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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

14 December 2006



C A Fairweather
Director

Burberrys Limited

Independent auditors' report to the members of Burberrys Limited

We have audited the financial statements of Burberrys Limited for the year ended 31 March 2006, which comprise of the Profit and Loss Account and the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibility of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 in to 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

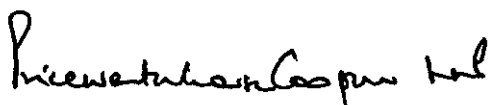
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss 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

14 December 2006

Burberrys Limited

Profit and loss account for the year to 31 March 2006

| | Note | 2006 £ | 2005 £ |
|--|------|--------------|-----------|
| Administrative expenses | 2 | (1,300) | - |
| Operating loss | 2 | (1,300) | - |
| Interest payable and similar charges | 3 | (31,309,948) | - |
| Loss on ordinary activities before taxation | | (31,311,248) | - |
| Taxation on loss on ordinary activities | 4 | 18,971,728 | - |
| Loss on ordinary activities after taxation and retained loss for the year | | (12,339,520) | - |

The notes on pages 6 - 9 form part of these financial statements.

The above activities relate to continuing operations.

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

Burberrys Limited

Balance sheet as at 31 March 2006

| | Note | 2006 £ | 2005 £ |
|---|------|---------------|---------------|
| Fixed asset | | | |
| Investments | 5 | 602,554,722 | 602,554,722 |
| Current assets | | | |
| Debtors | 6 | 18,975,171 | 3,442 |
| Current liabilities | | | |
| Creditors – amounts falling due within one year | 7 | (1,300) | (98,131,977) |
| Net current assets/(liabilities) | | 18,973,871 | (98,128,535) |
| Total assets less current liabilities | | 621,528,593 | 504,426,187 |
| Creditors – amounts falling due more than one year | 7 | (633,864,271) | (504,422,345) |
| Net (liabilities)/assets | | (12,335,678) | 3,842 |
| Capital and reserves | | | |
| Called up share capital | 8 | 5,000 | 5,000 |
| Profit and loss account | 9 | (12,340,678) | (1,158) |
| Equity Shareholders' Funds | 10 | (12,335,678) | 3,842 |

The notes on pages 6 - 9 form part of these financial statements.

Approved by the board on 14 December 2006



E G Foa
Director

Burberrys Limited

Notes to the financial statements for the year to 31 March 2006

1 Accounting policies

The principal accounting policies of the company are:

(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.

(b) Investments

Investments held by the company are carried at cost less amounts written off in respect of impairment.

(c) 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 cash flow statement under the terms of Financial Reporting Standard 1 ("FRS 1") (revised 1996).

The company is also exempt under the terms of Financial Reporting Standard 8 ("FRS 8") from disclosing related party transactions with entities that are part of the Burberry Group.

2 Result for the year

No directors received any remuneration from the company during the year to 31 March 2006 (2005: £nil).

No employee costs are included in these financial statements. The auditors received remuneration of £1,300 (2005: £750). In the prior year audit fees were both charged and paid by Burberry Limited.

3 Interest payable and similar charges

Interest expense represents interest on loans from another group companies.

Burberrys Limited

Notes to the financial statements for the year to 31 March 2006 (continued)

4 Taxation on loss on ordinary activities

The corporation tax credit is based on the taxable loss for the year and comprises:

| | 2006 £ | 2005 £ |
|------------------------------------|------------|-----------|
| Corporation tax at 30% (2005: 30%) | 18,971,728 | - |

Factors affecting tax credit for year

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%) (2005: 30%). The differences are explained below:

| | 2006 £ | 2005 £ |
|---|------------|-----------|
| Loss on ordinary activities before taxation | 31,311,248 | - |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% | 9,393,374 | - |
| Effects of: | | |
| Adjustments in respect of prior years | 9,578,354 | - |
| Total current tax | 18,971,728 | - |

The prior year adjustments in 2006 relate to interest charged for tax purposes on previously interest-free loans with other UK group companies.

5 Investments

| | £ |
|--------------------------------------|-------------|
| As at 1 April 2005 and 31 March 2006 | 602,554,722 |

The investments are held at cost.

| Subsidiary undertaking | Place of registration and incorporation | Percentage of holding of ordinary share capital | Nature of business |
|----------------------------|---|---|--------------------|
| Burberry (No. 1) Unlimited | UK | 95% | Finance company |
| Burberry (No. 4) Unlimited | UK | 100% | Finance company |
| Burberry (No. 5) Unlimited | UK | 100% | Finance company |
| Burberry (No. 6) Unlimited | UK | 100% | Finance company |

As permitted under Section 228(2) of the Companies Act 1985 group financial statements have not been prepared as the company is itself a wholly owned subsidiary of another company (see note 11).

Burberrys Limited

Notes to the financial statements for the year to 31 March 2006 (continued)

6 Debtors

| | 2006 £ | 2005 £ |
|--|------------|-----------|
| Amounts receivable from fellow subsidiaries in respect of group tax relief | 14,182,552 | - |
| Amounts due from group undertakings | 4,792,619 | 3,442 |
| | 18,975,171 | 3,442 |

Amounts due from group undertaking are unsecured, interest free and repayable on demand.

7 Creditors

| | 2006 £ | 2005 £ |
|--|-------------|-------------|
| Amounts due to group undertakings falling due within one year | 1,300 | 98,131,977 |
| Amounts due to group undertakings falling due more than one year | 633,864,271 | 504,422,345 |
| Amounts due to group undertakings | 633,865,571 | 602,554,322 |

Amounts due to group undertakings are unsecured and incur interest at LIBOR plus 0.325%. An amount of £103,154,992 was repayable on 26 September 2005. On the 26 September 2005 the repayment date for this loan was extended to 26 September 2008. A further £530,709,279 is repayable on 18 December 2008. The company may, at its option, prepay all or any portion of these amounts without penalty or premium.

8 Called up share capital

| | 2006 Number | 2005 Number | 2006 £ | 2005 £ |
|---|----------------|----------------|-----------|-----------|
| Authorised | | | | |
| Ordinary shares of £1 each | 5,000 | 5,000 | 5,000 | 5,000 |
| Allotted, called up and fully paid | | | | |
| Ordinary shares of £1 each | 5,000 | 5,000 | 5,000 | 5,000 |

9 Reserves

| | Profit and loss account £ |
|----------------------------|---------------------------------|
| As at 1 April 2005 | (1,158) |
| Loss for the period | (12,339,520) |
| As at 31 March 2006 | (12,340,678) |

Burberrys Limited

Notes to the financial statements for the year to 31 March 2006 (continued)

10 Reconciliation of Shareholders' Funds

| | 2006 £ | 2005 £ |
|-------------------------------------|---------------------|--------------|
| Retained loss for the year | (12,339,520) | - |
| Net decrease in Shareholders' Funds | (12,339,520) | - |
| Opening Shareholders' Funds | 3,842 | 3,842 |
| Closing Shareholders' Funds | (12,335,678) | 3,842 |

11 Immediate and ultimate parent company

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