

Burberry (No. 1) Unlimited

Registered Number: 4452028

Directors' report and Accounts

For the year to 31 March 2006

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Burberry (No. 1) Unlimited

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 finance company.

Results and dividends

The company's profit for the year is £1,851,778 (2005: loss £107,717). This amount has been transferred to reserves. The directors do not recommend the payment of a dividend (2005:£nil).

The company intends to continue to act as a finance company for the foreseeable future.

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 of 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.

Burberry (No. 1) Unlimited

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.

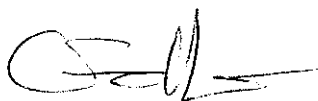
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Burberry (No. 1) Unlimited

Independent auditors' report to the members of Burberry (No. 1) Unlimited

We have audited the financial statements of Burberry (No. 1) Unlimited 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 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

14 December 2006

Burberry (No. 1) Unlimited

Profit and loss account for the year to 31 March 2006

	Note	2006 £	2005 £
Administrative expenses	2	(1,300)	-
Operating loss		(1,300)	-
Interest receivable	3	6,767,911	17,552
Interest payable	4	(749,283)	-
Foreign exchange loss		(729,038)	(171,434)
Profit/(loss) on ordinary activities before taxation		5,288,290	(153,882)
Taxation on profit/(loss) on ordinary activities	5	(3,436,512)	46,165
Profit/(loss) on ordinary activities after taxation and retained profit/(loss) for the year		1,851,778	(107,717)

The notes on pages 6 to 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.

Burberry (No. 1) Unlimited

Balance sheet as at 31 March 2006

	<i>Note</i>	2006 £	2005 £
Current assets			
Debtors – amounts falling due within one year	6	-	108,202,736
Debtors – amounts falling due after one year	6	147,181,468	16,101,785
		147,181,468	124,304,521
Creditors - amounts falling due within one year	7	(3,501,240)	(20,773,665)
Total current assets		143,680,228	103,530,857
Creditors - amounts falling due after one year	8	(38,297,593)	-
Net assets		105,382,635	103,530,857
Capital and reserves			
Called up share capital	9	103,112,986	103,112,986
Profit and loss account	10	2,269,649	417,871
Equity Shareholders' Funds	11	105,382,635	103,530,857

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

Approved by the board on 14 December 2006



E G Foa
Director

Burberry (No. 1) Unlimited

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

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) Foreign currency

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are held at period end are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange differences on monetary items are taken to the profit and loss account. The principal average exchange rate used for translating euros into sterling was 1.46 (2005: 1.47) and the closing rate was 1.43 (2005:1.45).

(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 receivable

Interest receivable represents interest on a loan to another group company.

4 Interest payable

Interest expense represents interest on a loan from another group company.

Burberry (No. 1) Unlimited

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

5 Taxation on profit on ordinary activities

The corporation tax charge/(credit) is based on the taxable profit/(loss) for the year and comprises:

Current tax	2006 £	2005 £
Corporation tax at 30% (2005: 30%)	3,436,512	(46,165)

Factors affecting tax charge for the year

The tax assessed for the year differs to the standard rate of corporation tax in the UK (30%) (2005:30%).

The differences are explained below:

	2006 £	2005 £
Profit/(loss) on ordinary activities before tax	5,288,290	(153,882)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%)	1,586,488	(46,165)
Adjustments in respect of prior years	1,850,024	-
Total current tax	3,436,512	(46,165)

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

6 Debtors

	2006 £	2005 £
Amounts falling due within one year		
Amounts receivable from fellow subsidiaries in respect of group tax relief	-	46,165
Amounts due from group undertakings	-	108,156,571
	-	108,202,736
Amounts falling due after one year		
Amounts due from group undertakings	147,181,468	16,101,785
Total	147,181,468	124,304,521

Amounts due from group undertakings after one year consist of five loans and associated interest. A loan of a principal of £4,980,909 is unsecured, receives interest at LIBOR plus 0.325% and is repayable on 28 August 2008. A loan of a principal of £98,597,785 is unsecured receives interest at LIBOR plus 0.325% and repayable on 26 September 2008. A loan of a principal of £14,635,424 is unsecured receives interest at LIBOR plus 0.325% and repayable on 26 September 2008. A loan of a principal of £10,977,080 is unsecured receives interest at LIBOR plus 0.325% and repayable on 18 December 2008. A loan of a principal of £11,120,876 is unsecured receives interest at LIBOR plus 0.325% and repayable on 18 December 2008.

Burberry (No. 1) Unlimited

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

6 Debtors (continued)

In prior year, the amounts falling due from group undertakings within one year consist of two loans. One loan of £98,597,785 is unsecured, interest free and repayable on 26 September 2005. The other loan of £9,558,787 was repayable on 26 September 2005. On the 26 September 2005 the repayment date for both of these loans was extended to 26 September 2008. This includes a principal sum of £1,346,480 on which interest is payable at 5.45%.

In the year ending 31 March 2005, amounts due from group undertakings after one year consist of two loans. One loan of £11,120,876 is unsecured, interest free and was repayable on 18 December 2008. The other loan of £4,980,909 is also unsecured interest free and repayable on 28 August 2008.

7 Creditors - amounts falling due within one year

	2006 £	2005 £
Amounts due to group undertakings	1,300	20,773,665
Amounts payable to fellow subsidiaries in respect of group tax relief	3,499,940	-
	3,501,240	20,773,665

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

8 Creditors - amounts falling due after one year

	2006 £	2005 £
Amounts due to group undertaking	38,297,593	-

Amounts due to group undertakings consist of two loans and associated interest. One loan of principal £22,572,058 is unsecured, incurs interest at EUROBOR plus 0.325% and is repayable on 18 December 2008. The other loan of principal £14,966,868 is also unsecured, incurs interest at EUROBOR plus 0.325% and is repayable on 26 September 2008.

9 Called up share capital

	2006 Number	2005 Number	2006 £	2005 £
Authorised				
Ordinary shares of £1 each	200,000,000	200,000,000	200,000,000	200,000,000
Allotted, issued and fully paid				
Ordinary shares of £1 each	103,112,986	103,112,986	103,112,986	103,112,986

Burberry (No. 1) Unlimited

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

10 Reserves

	Profit and loss account £
As at 1 April 2005	417,871
Retained profit for the year	1,851,778
As at 31 March 2006	2,269,649

11 Reconciliation of movement in Shareholders' Funds

	2006 £	2005 £
Profit/(loss) for the year	1,851,778	(107,717)
Net addition/(reduction) to Shareholders' Funds	1,851,778	(107,717)
Opening Shareholders' Funds	103,530,857	103,638,574
Closing Shareholders' Funds	105,382,635	103,530,857

12 Immediate and ultimate parent company

The immediate parent undertaking is Burberrys Limited, which is registered in England and Wales.

The ultimate undertaking and controlling party 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.