

# BURBERRY GROUP PLC ANNUAL GENERAL MEETING 2004

**This document is important and requires your immediate attention.**

If you are in any doubt as to the action to be taken, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent adviser.

If you have sold or otherwise transferred all of your shares in Burberry Group plc, please forward this document and the accompanying Proxy Card at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

# BURBERRY GROUP PLC

(incorporated and registered in England and Wales No. 3458224)

Registered Office:  
18-22 Haymarket  
London SW1Y 4DQ

16 June 2004

To holders of the Company's Ordinary Shares

Dear Shareholder

## **Annual General Meeting: 20 July 2004**

This letter accompanies the Annual Report and Accounts of Burberry Group plc ("the Company") for the year ended 31 March 2004. The Notice of the Annual General Meeting of the Company and the resolutions to be proposed at that Meeting are set out on pages 7 and 8 of this document.

The Chairman intends, in accordance with the recommendation in the Myners' Report to the Shareholder Voting Working Group 2004, 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 2004, together with the approval of the Directors' remuneration report, the declaration of a final dividend and the election and re-election of Directors.

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 2005.

## **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 2005. 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**

At the Annual General Meeting of the Company held on 15 July 2003, authority was given for the Company to make market purchases of up to 5% of its issued ordinary share capital. Since this authority expires at this year's Annual General Meeting, Resolution 11, which will be proposed as a Special Resolution, seeks shareholder approval for the Company to make market purchases of up to 50,069,116 Ordinary Shares, being just under 10% of the issued ordinary share capital of the Company as at 21 May 2004. The Company has no present intention to exercise this authority other than buying treasury shares for the purposes of employee share plans. Authority to repurchase this higher number of Ordinary Shares is being sought to maintain maximum flexibility and will only be exercised after careful consideration and in circumstances where, in the light of market conditions prevailing at the time, it is satisfied that it is in the best interests of the Company and of its shareholders generally to do so. Furthermore, the power would only be exercised where there would be an expected resulting increase in earnings per share.

Pursuant to the Act, the Company has the choice of cancelling shares which have been repurchased or holding them as treasury shares (or a combination of both). 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 21 May 2004, is 15,123,925 representing approximately 3% 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 15,123,925 would represent approximately 3.4% of the issued ordinary share capital.

This authority will expire on the earlier of 19 October 2005 and the conclusion of the Company's Annual General Meeting to be held in 2005.

#### **Powers to allot shares and disapply pre-emption rights**

Resolution 12, which will be proposed as an Ordinary Resolution, seeks to renew the authority conferred on Directors by shareholders at the Annual General Meeting in 2003 to allot unissued share capital. This authority is limited to the allotment of 166,896,000 Ordinary Shares in the Company, having an aggregate nominal value of £83,448 (referred to in the resolution as the "Section 80 Amount") and which is just under one-third of the issued ordinary share capital of the Company as at 21 May 2004.

Resolution 13, which will be proposed as a Special Resolution, renews the authority conferred on Directors by shareholders at the 2003 Annual General Meeting to allot shares for cash in connection with a Rights Issue without offering those shares pro rata to existing shareholders.

Resolution 14, which will be proposed as a Special Resolution, seeks a similar authority to that contained in Resolution 13 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 25,034,000 Ordinary Shares having an aggregate nominal value of £12,517 (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 21 May 2004.

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 19 July 2009 and the conclusion of the Company's Annual General Meeting to be held in 2009.

#### **Proposed Senior Executive Restricted Share Plan 2004**

Resolution 15, which will be proposed as an Ordinary Resolution, seeks shareholder approval for a new restricted share plan ("the Plan").

Luxury goods companies operate in a global marketplace. At the time of the IPO in July 2002 a Restricted Share Plan was implemented with the aim of retaining and motivating a world-class management team. To help Burberry attract, retain and motivate the talent it needs beyond the period of the IPO awards, the Company now proposes that shareholders approve the Plan, under which awards will only vest if Burberry out-performs its peers and achieves stretching profit growth targets, and if the executive remains in employment for 3–5 years following the award.

The Company believes the proposed Plan will help support the retention of key executives following the vesting of the IPO incentives. It is also worth noting that during the past year, two Executive Directors left the Company.

The Plan is more in keeping with UK best practice whilst at the same time retaining the aims of attracting, motivating and retaining executive talent.

## Key features

A full summary of the Plan is set out in the Appendix to this letter. However, the key points are as follows:

- ∕ Participation will be limited initially to senior executives and newly appointed Executive Directors not holding awards under the Senior Executive IPO Restricted Share Plan;
- ∕ The performance targets will be based 50% on relative Total Shareholder Return ("TSR") and 50% on 3-year growth in profit before tax ("PBT");
- ∕ There will be zero vesting for TSR performance below median or PBT growth below 5% p.a.;
- ∕ Full vesting will require both that Burberry's TSR exceeds the 75th percentile of 19 relevant comparator companies and that PBT grows by at least 15% p.a.; and
- ∕ Up to 50% of the shares may be released after 3 years, with the balance being released after 4 and 5 years.

Your Directors believe that the introduction of the Plan will enhance the Company's ability to recruit, motivate and retain quality management. They therefore recommend that you vote in favour of resolution 15 as referred to below.

## Document available for inspection

The full draft rules of the Plan are available for inspection from today's date at the offices of Norton Rose, Kempson House, Camomile Street, London, EC3A 7AN during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until the conclusion of the Annual General Meeting and also at the Meeting from 10.45 am until its conclusion.

## Recommendation

The Directors consider that all 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.

Yours faithfully



John Peace  
Chairman

## APPENDIX

### Summary of the main features of the Burberry Senior Executive Restricted Share Plan 2004

#### General

The operation of the Burberry Senior Executive Restricted Share Plan 2004 (the "Plan") will be supervised by the Company's Remuneration Committee (the "Committee"), all members of which are non-executive directors.

#### Eligibility

All employees (including Executive Directors) of any Burberry company anywhere in the world who are required to devote substantially the whole of their working time to Burberry's business, and are not within six months of retirement, will be eligible to participate in the Plan at the discretion of the Committee.

#### Grant of awards

Awards may only be granted within six weeks of the Plan's approval by shareholders, within six weeks following the announcement by the Company of its results for any period, or, at other times, in circumstances considered by the Committee to be exceptional.

No awards may be granted more than 10 years after the approval of the Plan by shareholders, and the Committee will formally review the operation of the Plan after no more than five years.

No payment will be required for the grant of an award. Awards are neither transferable nor pensionable.

#### Individual limit

The maximum awards that may be made to any participant in any financial year will be limited to shares with a market value, averaged over three dealing days prior to the award date, equal to 200% of the participant's basic annual salary (although awards normally will not exceed 100%).

#### Limit on the issue of shares

The rules of the Plan permit awards to be over new issue shares or existing shares, including treasury shares. The number of new shares that may be issued (or treasury shares transferred) under the Plan or any other employee share scheme, will be restricted to 10% of the issued share capital of the Company over any ten year period. Options granted and awards made before the Company's flotation shall not be taken into account for these purposes.

#### Vesting of awards

Provided all conditions are met, 50% of each award will vest after three years. The remaining 50% will vest in two equal tranches on the fourth and fifth anniversaries of the award date, subject to the same performance conditions.

The shares subject to an award can in normal circumstances only be received if the participant remains employed by the Group. However, if the participant dies or ceases employment through ill-health, injury, disability, redundancy, retirement at normal contractual retirement age, early retirement with the agreement of the Committee, the sale of the subsidiary company or division in which the participant is employed, or otherwise at the discretion of the Committee, shares subject to an award may be received at the usual time but only in respect of a time apportioned number of shares.

In the event of a change in control of the Company, shares subject to an award may be received (subject to the consent of the Committee) taking account of the extent to which the performance conditions (applied over a shortened period) have been satisfied and of any other relevant criteria.

### Performance conditions applying to awards

All share awards will be subject to performance conditions set by the Committee at the beginning of each cycle. For 2004 awards, the performance conditions will require the Company's TSR to exceed the median of a comparator group and for the cumulative PBT to exceed a pre-defined target. The performance period will be the three years commencing at the beginning of the financial year of the Company in which the date of grant falls.

The comparator group comprises the following nineteen companies:

Barneys New York  
Bulgari  
Christian Dior  
Coach  
Compagnie Financiere Richemont  
Hermes  
Hugo Boss  
IT Holding  
LVMH Louis Vuitton Moët Hennessey  
Movado  
Neiman-Marcus  
Pinault-Printemps-Redoute  
Polo Ralph Lauren  
Saks  
Swatch  
Tiffany  
Tod's  
Tommy Hilfiger  
Waterford Wedgwood

For half of each award, the shares will vest as follows:

<b>Burberry TSR versus comparator group</b>	<b>Percentage of shares that vest</b>
Less than median	0%
Median	25%
Between median and 75th percentile	Straight line between 25% and 100%
Above 75th percentile	100%

Total shareholder return will be averaged over the three months prior to the start and end of the three-year performance period, except in the event of a change of control.

The other half of each award will vest as follows:

<b>Burberry 3-year cumulative PBT</b>	<b>Percentage of shares that vest</b>
Less than 5% p.a.	0%
5% p.a.	25%
Between 5% p.a. and 15% p.a.	Straight line between 25% and 100%
Above 15% p.a.	100%

In addition, none of the shares subject to the TSR performance condition will vest unless the Committee is satisfied that there has been a sustained improvement in the underlying financial performance of the Company over the performance period.

**Shareholder rights**

Awards of restricted shares shall not confer any shareholder rights until the awards have vested. However, a participant who receives vested shares will also be paid a cash sum equal to the value of the dividends which would have been received had the vested shares been owned by the participant since the date of grant of the award.

**Variation of capital**

In the event of any variation in the Company's share capital the Committee may make such adjustments as it considers appropriate to the number of shares subject to awards.

**Alterations to the Plan**

The Committee may, at any time, amend the rules of the Plan in any respect, provided that prior shareholder approval is obtained for any amendment to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limit on the issue of shares, terms of exercise, the rights attaching to the shares acquired and the adjustment of awards. Shareholder approval will not, however, be required for any minor amendment to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Burberry Group.

The Committee can set a different performance condition(s) from that described above for future awards or select a different comparator group for the TSR measurement for future awards, but it is intended that any new condition(s) should be no less challenging in the circumstances than the original condition. Similarly, the Committee can vary the terms of existing awards to take account, for example, of changes in accounting standards or the takeover of a company in the comparator group. Again, the effect of the change should not be to make the condition any less challenging than when it was originally set.

The right to make amendments to the proposed Plan is reserved up to the forthcoming Annual General Meeting, provided that such amendments do not conflict in any material respect with this summary of the Plan.

# 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 Tuesday, 20 July 2004 at 11.00 am to transact the following business:

- 1 To receive the Company's accounts for the year ended 31 March 2004 and the reports of the Directors and auditors thereon.
- 2 To approve the Directors' remuneration report for the year ended 31 March 2004, set out on pages 25 to 36 of the Company's Annual Report and Accounts.
- 3 To declare a final dividend of 3p per Ordinary Share.
- 4 To elect Ms S L Cartwright as a Director of the Company.
- 5 To re-elect Mr J W Peace as a Director of the Company.
- 6 To re-elect Mr G Peyrelongue 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, 12 and 15 as Ordinary Resolutions and resolutions 11, 13 and 14 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 2005.
- 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 2005.



- 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 50,069,116 being just under 10% of the Company's issued ordinary share capital as at 21 May 2004;
  - 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% 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 19 October 2005 and the conclusion of the Annual General Meeting of the Company to be held in 2005 (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 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 2009 or on 19 July 2009, whichever is the earlier, and for such period the "Section 80 Amount" shall be £83,448, being just under one-third of the issued ordinary share capital of the Company as at 21 May 2004. 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).
- 13** That, subject to the passing of Resolution 12 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.
- 14** That, subject to the passing of Resolution 12 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 £12,517, being approximately 5% of the issued ordinary share capital of the Company as at 21 May 2004. Such authority shall be in substitution for all previous powers pursuant to paragraph 10.3(G) 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).
- 15** That the Burberry Senior Executive Restricted Share Plan 2004 ("the Plan") (the main features of which are summarised in the Appendix to the Chairman's letter to shareholders dated 16 June 2004 and the rules of which, initialled by the Chairman for the purposes of identification, are produced to the meeting) be and is hereby approved and the Directors be and are hereby authorised to do such acts and things as may be necessary or expedient to carry the same into effect, including making such modifications to the Plan as may be necessary to ensure compliance with such statutory, fiscal or securities regulations as may apply to the Plan or any participant.

By order of the Board



Michael Mahony  
General Counsel and Secretary  
16 June 2004

## 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 18 July 2004 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 4 August 2004 to those persons on the Register of Members at the close of business on 23 July 2004. Dividend warrants will be posted on 3 August 2004.
- 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.