

# Chief executive's review

## Financial summary

For the years ended 31 March	Sales		Profit before taxation	
	2004 £m	2003 £m	2004 £m	2003 £m
Argos Retail Group	5,162	3,523	415.5	249.8
Experian	1,286	1,201	282.2	256.4
Burberry	676	594	141.2	116.7
Other	155	117	23.6	16.4
<b>Continuing operations</b>	<b>7,279</b>	<b>5,435</b>	<b>862.5</b>	<b>639.3</b>
Discontinued operations	269	1,673	18.0	61.2
<b>Total</b>	<b>7,548</b>	<b>7,108</b>	<b>880.5</b>	<b>700.5</b>
Net interest			(53.9)	(58.1)
<b>Profit before amortisation of goodwill, exceptional items and taxation</b>			<b>826.6</b>	<b>642.4</b>
Amortisation of goodwill			(192.6)	(142.9)
Exceptional items			58.3	(90.1)
<b>Profit before taxation</b>			<b>692.3</b>	<b>409.4</b>
<b>EPS before amortisation of goodwill and exceptional items</b>			<b>60.7p</b>	<b>47.8p</b>
<b>Reported EPS</b>			<b>47.4p</b>	<b>25.1p</b>

The profit figure shown against each business above is operating profit which is defined as profit before interest, taxation, exceptional items and goodwill amortisation. The same definition of operating profit is used throughout this annual report.

2003 sales have been restated for FRS 5. Discontinued operations include home shopping, Reality and Property.

GUS has delivered another strong set of results, with all of our businesses contributing to this success.

Sales in the year to March 2004 increased by 6% and profit before amortisation of goodwill, exceptional items and taxation by 29% to £827m. Argos, Experian and Burberry each reported record profits.

### Continuing strategic focus

It has been a year of both strategic and operational progress, which has seen significant investment throughout the Group.

We have continued to reposition the Group around three major businesses – Argos Retail Group, Experian and Burberry – and to focus on fewer activities.

At the start of the year, we disposed of the home shopping businesses in the UK, Ireland and Sweden, together with Reality, the UK logistics and customer care business, for approximately £590m. We also sold GUS' 50% stake in the property joint venture with British Land for £163m.

In November 2003, we reduced the Group's holding in Burberry by a further 11.5%, in order to improve liquidity in its shares. GUS remains a committed investor in Burberry through its 66% holding.

In calendar year 2004, subject to market conditions, we are planning a partial flotation of The Lewis Group, our South African Retailing business. The transaction will enable GUS to release value for shareholders, while enhancing the development opportunities for Lewis.

### Investing across the Group

The release of capital from disposals enabled us to make significant investments during the year in our major businesses.

Argos continued its £120m supply chain programme with the opening of a new central distribution centre, enabling it to buy more from low cost regions such as China and the Far East. There were also 33 new Argos stores opened during the year.

Homebase invested in a range of measures to improve retail disciplines across the chain, including better stock availability and enhanced customer service. All 17,000 staff participated in a culture change programme called The Homebase Way. Further mezzanine floors were also introduced to create additional space for kitchens, bathrooms and home furnishings.

ARG Financial Services made further investment in its loan book, almost doubling the amount lent to customers during the year. The Argos store card was in strong demand and now funds 9% of all Argos sales. The year also saw the launch of the Homebase store card and a range of personal loan products.

## *GUS finished the year strongly, with record profits again at Argos, Experian and Burberry*

Experian continued to invest successfully in new solutions for clients and to expand its reach, both geographically and by industry sector. It also undertook a number of infill acquisitions of high growth businesses to leverage its assets and skills around the world. In North America, Experian continued to acquire its affiliated regional credit bureaux, spending \$118m during the year in order to gain a greater share of the value chain for credit products.

Burberry opened nine new directly operated stores, including its first in Italy, increasing its overall selling space by about 12%.

### **Positioned for growth**

GUS is building a strong and consistent track record of profitable growth. Each of our major businesses is pursuing a clear strategy and is well positioned in its markets.

Argos Retail Group is the largest general merchandise retailer in the UK. Its multi-brand, multi-channel approach and central infrastructure continue to open up new market opportunities and to deliver significant cost efficiencies.

Experian is the largest company in the information solutions marketplace, offering the broadest range of services. Its worldwide infrastructure and global product development programme are enabling it to support clients wherever they do business and to deliver wide-ranging solutions.

Burberry has become a global leader in the market for accessible luxury fashions and accessories. Its continuing geographical expansion and product diversification are supported by the brand's international recognition and broad appeal.



**John Peace**  
Group Chief Executive

*The new 60,000 square metre central distribution centre in Barton is part of a £120m investment in the Argos supply chain*



## Argos Retail Group

Argos Retail Group (ARG) has made further excellent progress this year, establishing itself as the UK's leading general merchandise retailer.

ARG comprises principally Argos and Homebase, two of the strongest brand names in UK retailing. With the disposal of its home shopping and logistics businesses in May 2003, ARG has been able to focus principally on the sale of general merchandise. In addition, it provides customers with a range of financial products through ARG Financial Services and owns the leading home shopping retailer in Holland, Wehkamp.

During recent years, ARG has invested strongly in developing its multi-brand, multi-channel offer, supported where appropriate by a central infrastructure. The emphasis is on continuous improvement in product range, availability and price, while offering customers multiple ways to order products, convenient methods of payment and home delivery options.

In the year under review, ARG's sales increased by 10% and its profits by 19% on a pro forma basis. Capital investment totalled £160m and will increase to about £250m in the current year.

### Argos

Argos has continued to outperform its market by offering customers the most compelling combination of choice, value and convenience. Sales were up 12% and profits up 24%.

The latest Spring/Summer catalogue, which was launched in January 2004, contains 13,000 lines, which is 12% more than a year ago. Lines that were re-included from last year had prices averaging 3% lower.

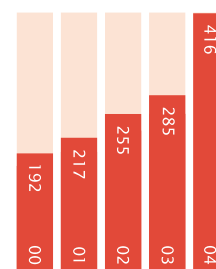
The Argos Extra catalogue, which has 30% more lines than the main catalogue, has been successfully trialled in a number of larger Argos stores and will be in about 150 stores by July 2004. Argos Extra increases consumer choice with new and extended product ranges in leisure, home and electricals.

The number of Argos stores was increased by 33 during the year and a similar number will be opened in the current year. The store refurbishment programme has also been largely completed. Quick pay kiosks, which reduce the time it takes for customers to purchase goods, were in 230 stores by the year-end and are being rolled out further.

Argos continued to invest strongly in its supply chain, with the opening of a 60,000 square metre central distribution centre in Barton and a similarly sized warehousing facility for Argos Direct, the delivery to home operation.

Argos customers are increasingly appreciating the flexibility of being able to order or reserve products by telephone, text messaging or over the Internet and to have products delivered direct to their home or office. Argos Direct accounted for 20% of sales during the year, up 21% on the previous year, while Internet orders increased by over 50%.

For the second year running, Argos was named Multi-Channel Retailer of the Year by Retail Week at the UK retail industry awards. Argos was also ranked the number one European online retailer in a survey conducted by Forrester Research.



ARG operating profit  
£ million

*Argos opened 33 new stores and has plans to open a further 35 in the current year*





*Homebase Ideas became the UK's highest circulation home interest title and was voted Customer Magazine of the Year*

**Homebase**

Homebase has made good progress since its acquisition in December 2002 and is now being successfully positioned as the UK's leading home enhancement retailer.

The priority during the last year has been to create a successful platform for growth. Key initiatives have been to improve the in-store experience and increase the sales of high-value items such as bathrooms and kitchens. This has included new ranges, improved stock availability and enhanced customer service.

Together these have contributed to a 5% increase in sales during the 12 months to 28 February 2004 (Homebase's year-end). Profit was at a similar level to last year, reflecting significant investment in positioning Homebase for growth.

A key investment was to accelerate the roll out of mezzanine floors, bringing the total to 67 out of the 278 Homebase stores. These floors provide an attractive return on investment and are being used to showcase bathrooms, kitchens and furniture without reducing space for Homebase's core DIY products. A further 35 new mezzanines are planned for the current year, together with 10 new stores.

A new furnishings range called miHome was launched in September to provide affordable fashion for the home. miHome has been well received by customers in the 10 trial stores and elements will be extended across the Homebase chain in time for Easter 2005.

Supporting these initiatives has been a major culture change programme involving all 17,000 Homebase staff. It is designed to help Homebase to deliver a consistently excellent customer experience with the goal of 'making it easy for our customers to create a better home'.

**ARG Financial Services**

ARG Financial Services works closely with Argos and Homebase to provide their customers with credit facilities to help drive product sales. In doing so, it is building a customer base for a range of financial products, including personal loans, cards and insurance.

The total amount on loan to customers almost doubled during the year. This was helped by the launch of the new Homebase store card and personal loan products, which already account for 10% of lending, and by the continuing success of the Argos store card, which now finances 9% of Argos sales.

**Wehkamp**

Wehkamp is the main home shopping brand in Holland and the leading Internet retailer. It has a multi-channel model, with a third of its merchandise sales coming from the website.

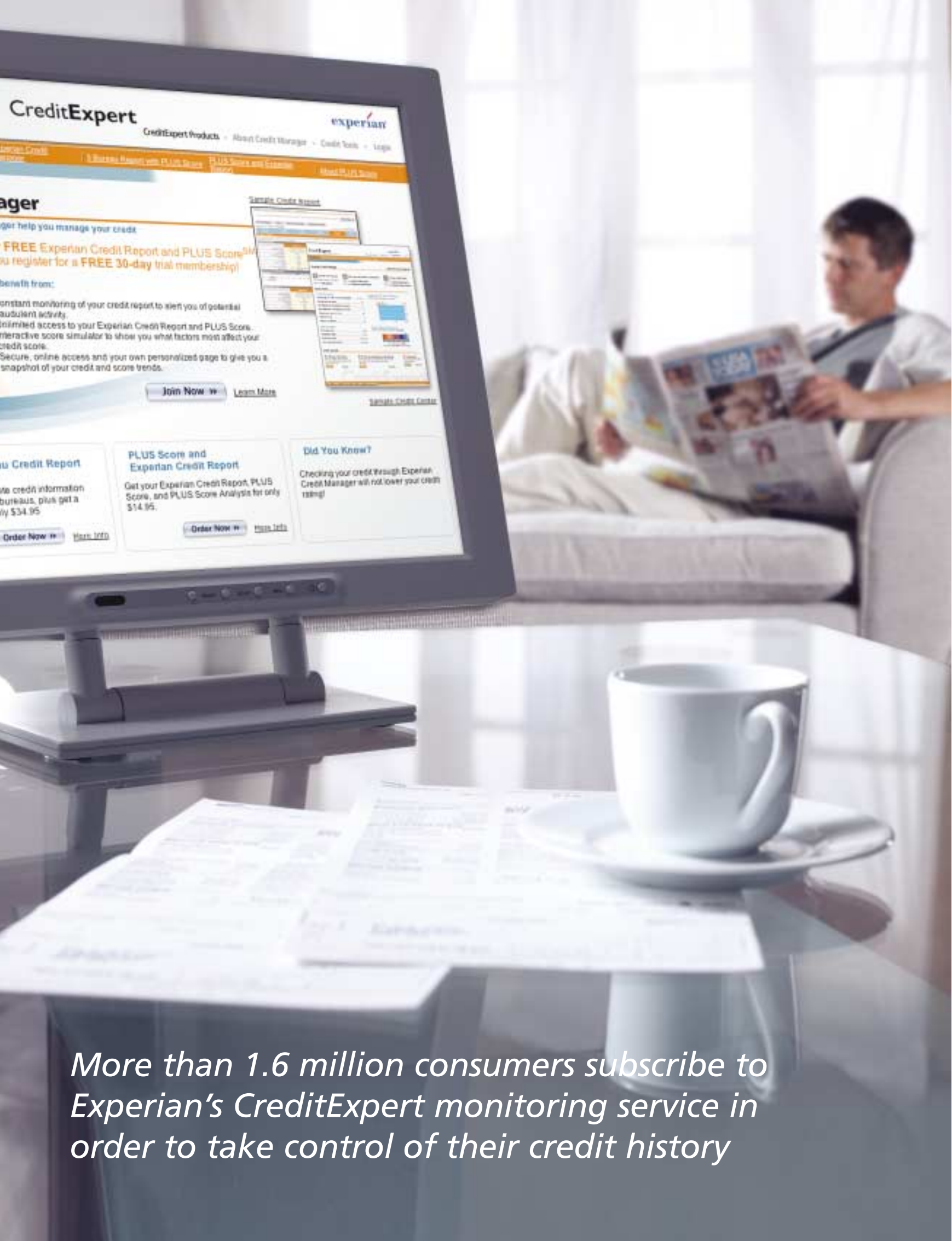
The challenging Dutch economy and increased competition resulted in Wehkamp's sales being 3% lower in euros. However, tight control of operating costs and a move towards higher margin fashions brought an improved operating margin.



*Wehkamp is the leading home shopping brand in Holland*



*New kitchen and bathroom ranges were introduced to over 200 Homebase stores during the year*



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**Did You Know?**  
Checking your credit through Experian Credit Manager will not lower your credit rating!

*More than 1.6 million consumers subscribe to Experian's CreditExpert monitoring service in order to take control of their credit history*



*Experian's vehicle history reports have become an integral element in the buying, selling, insuring and financing of previously owned vehicles*

## Experian

Experian has continued to build momentum as a global leader in the market for information solutions. It is the largest business in its sector, with the widest range of solutions, and supports clients in over 60 countries.

Experian has a clear strategy for growth that is based on continuing to build on its core businesses, while developing new solutions for its clients and undertaking acquisitions that strengthen its global capabilities.

Worldwide sales for the year from Experian's continuing businesses were up 14% and profit was up 20%. This was driven by major contract wins, including many outside the main US and UK markets, and by significant product developments.

### Experian North America

Experian North America achieved consistent growth during the year, with sales from continuing activities up by 10% and profit up 18%.

Credit information and solutions sales increased 12%. Demand was particularly strong for fraud solutions, which was given further impetus by the USA Patriot Act requiring financial services organisations to verify the identity of customers.

In the business-to-business sector, Experian captured market share by focusing on key niches such as information on small businesses and their owners, scoring and decisioning, and international information.

Experian continued the programme of acquiring its 38 affiliate bureaux, which is giving Experian direct control of an important distribution channel in North America. By the year-end, Experian had acquired 21 of the bureaux at a total cost of \$166m.

Marketing information and solutions sales increased 6%, with sales improving throughout the year, despite difficult conditions within the direct marketing industry. This was helped by new product developments, such as Totalvue Express, which provides a hosted database-marketing service that can be quickly

deployed to give retailers a comprehensive view of customers, whether they are buying through the catalogue, in-store or on the web.

The acquisition of CheetahMail, a specialist e-mail marketing company, has strengthened Experian's position in the fast growing web-based marketing sector. It will ensure that Experian can deliver highly integrated, multi-channel campaigns for its clients, many of whom now see e-mails as an essential element of their marketing strategies.

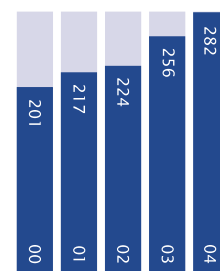
In business-to-business marketing, Experian capitalised on its expanded capabilities in list fulfilment, enabling marketers to build instantaneous, customised lists of their best prospects.

Demand for Experian's automotive solutions was strong throughout the year. Gulf States Toyota, with a network of 144 Toyota dealers, was among the companies to choose Experian's vehicle history reports as an integral element of its previously owned vehicle certification process. The reports have also been integrated into the country's leading automotive sales websites, such as eBay. AutoNation, the largest automotive retailer, presented Experian with its 2003 Supplier Award for Best Technology.

Direct-to-consumer sales increased by over 40% during the year, as Experian Consumer Direct continued to strengthen its lead in this fast growing market. By the year-end, the service had over 1.7m subscribers.

Consumer Direct's market lead was reinforced by exclusive integration agreements with major Internet portals such as AOL, MSN and Yahoo. The acquisition of MetaReward, an Internet loyalty marketing company, is helping Experian to develop additional services for consumers, including the ability to earn gift cards that can be redeemed at leading retailers.

Profit from Experian's 20% holding in FARES, its real estate information associate, increased by 27% to \$63m. FARES' lead in the real estate information market was strengthened by the acquisition of Transamerica Finance Corporation's real estate tax services and flood hazard certification businesses.



Experian operating profit  
£ million



## *Experian-Scorex won a major contract from Kookmin Bank, the largest bank in Korea*

### **Experian International**

Experian International, which accounts for 45% of Experian's sales worldwide, had another excellent year. Sales from continuing businesses increased by 20%, of which 13% came from acquisitions, and profit grew by 24%.

Experian-Scorex, the global decision support business, delivered double-digit sales growth in its first year of full ownership by Experian. It won a major contract from Kookmin Bank, the largest bank in Korea and is working with CIT Group, a leading commercial and consumer finance company, to provide a pan-European solution. The acquisition of Marketswitch, the leader in large-scale optimisation software, expanded Experian-Scorex's analytical and decisioning capabilities.

Sales of credit information and solutions were up 11% and included major new contracts. Under a five-year agreement to support Marks & Spencer's '&more' credit card, Experian began providing a full range of integrated services. Morgan Stanley renewed a four-year partnership for the processing of its credit card and another card issuer, Barclaycard, chose Experian's Strategy Management solution to enhance its decision-making. There was also strong growth in Europe for credit information and solutions, particularly in Spain, Italy and the Nordic region.

The growing threat of fraud remained a high priority for Experian's clients. Orange revealed substantial reductions in mobile phone fraud since implementing Experian's Detect product. Experian also developed an online fraud system for the UK's Department of Work and Pensions.

New products launched during the year included an International Report Service, which provides information on companies in over 220 countries. It further strengthens Experian's position in the international business information market.

In the UK, Experian launched CreditExpert, an online credit monitoring service for consumers to help them quickly identify important changes to their credit report and prevent serious identity fraud.

Sales of marketing information and solutions grew by 11%, despite a difficult background in the UK direct marketing industry. Marketing contracts were won in a range of sectors. The global children's charity, UNICEF, turned to Experian to help reactivate lapsed home shopping customers in the run-up to Christmas. Police forces in the UK began using Experian's Mosaic consumer segmentation system to allocate resources in response to local needs.

Experian's National Business Database became the UK's most comprehensive business information source for direct marketers, helped by the acquisition of Yell Data from the international directories group, Yell.

In Spain, the mobile phone operator, Amena, awarded Experian a major contract to automate its customer recruitment campaigns, using Intravue. In Italy, Experian won a contract with IVECO, the Italian truck manufacturer, to develop and host a business-to-business marketing database.

In France, Experian continued to extend its range of services. Société Générale took consultancy services to help it assess market, credit and operational risk in line with new international banking legislation. The French Association of Chartered Accountants signed a nine-year contract for the management of its web portal [www.jedeclare.com](http://www.jedeclare.com), dedicated to the electronic transmission of tax returns. And Air France appointed Experian to manage the address data for its loyalty programme.

Experian also continued to win contracts for business process outsourcing, particularly in France, where Experian acquired the document management and cheque processing activities of Atos Origin in September 2003. New contracts included support for card processing for Crédit Lyonnais and cheque processing for BNP Paribas.

One of the highlights of the year for Experian was being named the UK's Business of the Year in the National Business Awards. Other awards included the British Insurance Award for Technology and the ProShare Innovations Award.

*Experian is providing a range of integrated services to Marks & Spencer to support the '&more' credit card*



*Experian's newly opened UK Data Centre is home to its vast resource of information about consumers, businesses, vehicles and property*





*The new Burberry store in Milan was the first in Italy and another milestone for the brand*



*Burberry's new candy check was successfully offered across a range of handbags and small accessories*

## Burberry

Burberry has continued to strengthen its position as a premier international luxury brand, distinguished by its accessible positioning, multi-generational appeal and British sensibility. The brand's products have continued to evolve and its sales to expand globally.

In the year under review, Burberry delivered an excellent performance, with sales up 16% and profit up 24%. This was despite a challenging environment for the luxury goods sector.

### Products

Over recent years Burberry has been transformed from a traditional rainwear manufacturer to a leader in fashion and luxury.

The Burberry Prorsum Autumn/Winter collection was selected as one of the ten best collections by Women's Wear Daily, a leading industry publication. Candy check, a pink adaptation of Burberry's iconic pattern, was successfully offered across a range of handbags and small accessories.

### Channels

Burberry achieved growth across all its distribution channels – retail, wholesale and licensing.

Retail selling space increased by 12%, with nine new stores. This included Burberry's first store in Italy, located in the heart of the fashion capital of Milan.

In wholesale, Burberry continued to concentrate on key accounts in developed markets, while building brand awareness in emerging markets, such as China.

In licensing, the launch of Burberry's new fragrance, Burberry Brit, was supported by an extensive media campaign and received strong consumer response. This was to the benefit of the entire Burberry brand.

### Regions

Burberry continued to extend its global reach, with solid growth across the US, Europe and Asia.

In the US, Burberry added four new stores and worked with wholesale customers to continue building its presence in this substantial market. In Europe, sales growth resumed in Spain, reflecting the brand's successful repositioning efforts. In Japan, Burberry assumed greater control of managing the non-apparel licensees in this market.

### South African Retailing

Our South African Retailing businesses trade as The Lewis Group, a leading retailer of household and electrical goods in Southern Africa.

The Lewis Group delivered a strong performance, with sales in rand up 13% and operating profit up 11%. This was helped by the growth in consumer demand in South Africa and a reduction in over-capacity in the furniture retailing industry. The Group also made good progress with a range of growth initiatives and improvements in operational efficiency.

The Lewis Group has 400 Lewis furniture stores and 47 Best Electric stores. During the year, it also acquired Lifestyle Living, a chain of 18 upmarket furniture and electronic goods stores. Convenience, choice and affordable credit terms are distinctive features of The Lewis Group and encourage customer loyalty.

Subject to market conditions, we plan to arrange a partial IPO of The Lewis Group during the calendar year 2004.

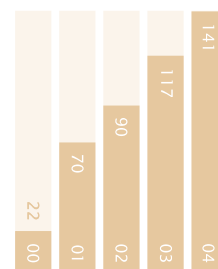
### Summary

It has been another year of excellent progress for GUS. We have strong momentum in all our businesses, which reflects the continuing investment and clear strategies for driving growth. Looking ahead, we can see further scope to increase shareholder value significantly.

**John Peace**

Group Chief Executive

24 May 2004



**Burberry operating profit**  
£ million