

# Directors' report

The directors present their Annual Report together with the audited financial statements for the year ended 31 March 2004.

## Principal activities and business review

GUS is a retail and business services group. Its activities comprise general merchandise retailing through Argos Retail Group; business information and customer relationship management services globally through Experian; and luxury goods through its majority shareholding in Burberry. GUS also owns a retailing business in South Africa. The review of the results for the year and an indication of future developments appear on pages 2 to 29.

## Profit and dividends

The profit for the financial year amounts to £473m (2003: £251m). An interim dividend of 8.0p was paid to the Ordinary shareholders of the Company on 6 February 2004 and, on 24 May 2004, the directors recommended the payment, on 6 August 2004, of a final dividend of 19.0p, giving a total dividend for the year of 27.0 (2003: 23.3p). The final dividend, once approved, will be paid to those persons on the Register of Members at the close of business on 9 July 2004.

## Directors

The names and biographical details of the directors holding office at the date of this report are shown on pages 30 and 31. Particulars of directors' emoluments, service contracts and their interests in the shares of the Company and its subsidiaries are shown in the Report on directors' remuneration and related matters on pages 41 to 50. Lord Harris acquired a further 2,522 shares on 4 May 2004. With this exception, there were no changes in the directors' interests in shares between the end of the financial year and 25 May 2004.

Andy Hornby was appointed a director on 21 January 2004. As the appointment was made after the date of the last Annual General Meeting, he will retire in accordance with the Company's Articles of Association and a resolution proposing his re-election will be proposed at this year's Annual General Meeting.

The directors retiring by rotation at this year's Annual General Meeting are Sir Victor Blank, Sir Alan Rudge, Alan Smart and David Tyler who, being eligible, offer themselves for re-election.

Lord Harris will retire from the Board at the conclusion of this year's Annual General Meeting and, accordingly, he will not be offering himself for re-election.

During the year, the Company maintained liability insurance for its directors and officers.

## Corporate governance

The Company's Statement on Corporate Governance is set out on pages 34 to 39.

## Acquisitions and disposals

As disclosed in last year's Annual Report, on 27 May 2003 the Group announced the disposal of its home shopping businesses in the UK, Ireland and Sweden together with Reality, its logistics and customer care business in the UK. Although the contract for the disposal was unconditional, it can be reported that regulatory clearances have now been given. The businesses were sold for about £590m, of which approximately £140m is due to be received in 2006.

On 2 October 2003, it was announced that First American Real Estate Solutions LLC, Experian's 20 per cent owned associate in the United States, had acquired Transamerica Finance Corporation's real estate tax service and flood hazard certification businesses. The net purchase price was \$375m in cash of which GUS' contribution amounted to \$75m. The balance of the consideration came from The First American Corporation which owns the remaining 80 per cent of the associate company.

In addition, Experian made several acquisitions, including CheetahMail, a specialist e-mail marketing company, and continued the programme of acquiring its 38 affiliate bureaux in North America.

On 17 November 2003, GUS announced the sale of its 50 per cent equity stake in its property joint venture to The British Land Company PLC, its joint venture partner, for £120m. In addition, GUS received £43m from the repayment of loans it had made to the joint venture.

As reported last year, the partial flotation of Burberry was successfully completed on 12 July 2002 through an Initial Public Offering which saw approximately 23 per cent of Burberry shares pass to external investors. On 19 November 2003, GUS sold a further 57.5 million shares at a price of £3.60 per share. These transactions, which reduced GUS' holding in the issued share capital of Burberry to approximately 66 per cent, generated net proceeds of £204m.

## Substantial shareholdings

As at 25 May 2004, the Company had been notified of the following interests in the nominal value of its issued share capital:

	Nominal Value of Issued Share Capital £	Percentage of Nominal Value of Issued Capital
Legal & General Investment Management Limited	10,086,667	4.0
Barclays plc	9,051,115	3.6
Aviva plc	7,655,769	3.0

Save for the above, no person at that date has reported any material interest of 3 per cent or more or any non-material interest equal to or more than 10 per cent of the nominal value of the issued share capital of the Company.

## Purchase of own shares

At last year's Annual General Meeting, authority was given for the Company to purchase, in the market, up to 100 million of its shares, representing approximately 9.9 per cent of its issued Ordinary share capital.

The authority to make market purchases expires at this year's Annual General Meeting when shareholders will be asked again to give a similar authority. Details are contained in the accompanying Circular to Shareholders.

As indicated in the Financial review on page 26, the Board has decided to initiate a share buyback programme over the next twelve months aimed at purchasing approximately £200m of GUS shares.

## Interests in own shares

Details of the Company's interests in its own shares are set out in note 16(b) to the financial statements on page 70.

## Annual General Meeting

The eighty-sixth Annual General Meeting of the Company will be held at the Marriott Grosvenor Square, Grosvenor Square, London W1A 4AW at 11.30am on Wednesday, 21 July 2004. The Notice of Meeting is included in a separate Circular to Shareholders which accompanies this Annual Report. It is also available on the Company's website: [www.gusplc.com](http://www.gusplc.com).

## Corporate Social Responsibility

The Company's 2004 Corporate Social Responsibility Report is published on its website, with a briefer report, in hard copy form, available on request from the Company Secretary. In addition, there is a section on Corporate Social Responsibility on pages 51 and 52.

## Donations

The Group's support for charitable causes is channelled through the work of the GUS Charitable Trust. The Trust's income from the Company in respect of the year ended 31 March 2004 was £1,240,000.

In addition, charitable donations made by Burberry during the year under review amounted to £198,000.

The Group made no political donations and incurred no items of political expenditure.

## Employment policies

The GUS Group consistently endorses practices that demonstrate its commitment to a diverse employment base but which allows each of its businesses to adopt employment processes that reflect the needs of their own business sector. The Group is committed to ensuring that career opportunities are offered without discrimination and that:

- All employees receive fair and equal treatment irrespective of gender, ethnic origin, age, nationality, marital status, religion, sexuality or disability;
- The working environment is conducive to providing a safe and encouraging arena for all employees to develop at their own pace, to be treated with respect and to be free from sexual harassment and intimidation;
- Disabled persons, whether registered or not, have equal opportunities when applying for vacancies, with due regard to their aptitudes and abilities. In addition to complying with legislative requirements, procedures ensure that disabled employees are fairly treated and that their training and career development needs are carefully managed. For those employees becoming disabled during the course of their employment, the Group is supportive, whether through retraining or redeployment, so as to provide an opportunity for them to remain with the Group; and
- The assessment of training needs and the provision of appropriate training is delivered to its employees.

## Health and safety

Group companies actively work to identify and minimise all risks. They ensure that all reasonable precautions are taken to provide and maintain working conditions for employees and visitors alike, which are safe, healthy and in compliance with statutory requirements and appropriate codes of practice.

In addition, to ensure that these objectives are met, the Group's trading divisions employ health and safety advisers and occupational health staff on all major sites and ensure that up-to-date policies and statements of intent are regularly circulated to all employees and visitors as appropriate.

## Employee involvement

Group companies are intent on motivating and keeping their staff informed on matters that concern them in the context of their employment and involve them through local consultative procedures. In those Group companies where there are recognition agreements with trade unions the consultation process is established through national and local trade union representatives and through joint consultation committees.

Information on matters of concern to employees is also disseminated through conferences, meetings, publications and electronic media.

## Creditor payment

For all trade creditors, it is Group policy to:

- Agree and confirm the terms of employment at the commencement of business with that supplier;
- Pay in accordance with contractual and other legal obligations; and
- Continually review the payment procedures and liaise with suppliers as a means of eliminating difficulties and maintaining a good working relationship.

Trade creditors of the Group at 31 March 2004 were 28 days (2003: 29 days) based on the ratio of Group trade creditors at the end of the year to the amounts invoiced during the year by trade creditors. The Company has no trade creditors.

## Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the Annual General Meeting.

By Order of the Board

David Morris  
Secretary  
25 May 2004

Registered Office:  
One Stanhope Gate  
London  
W1K 1AF