

TED BAKER  
LONDON

# FASH IONO MICS

*Natty numbers that look  
as fine as Ted's clothes*

**ANNUAL REPORT AND ACCOUNTS 2012/13**



## WELCOME TO THE FOLD

*In Fashionomics, Ted shows how he has made it his business to fashion a global success story out of precision planning, distinctive designs, quality fabrics... and a steady pair of hands.*

*Be it the dimensions of an exquisite new suit or the details of an important business contract, every element of Ted Baker (much like an artful piece of origami) has been carefully structured and considered to ensure everything is right on the money.*

*While Ted always starts with a clean sheet of paper, he never cuts corners.*

## IT'S WHAT'S INSIDE THAT COUNTS

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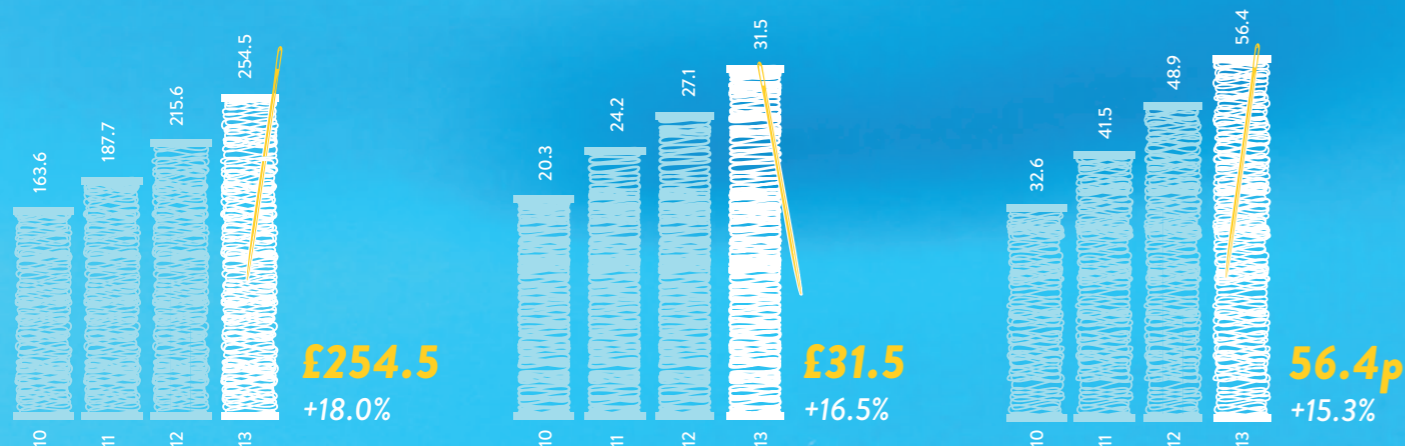
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Group revenue (£m)

Profit before tax and exceptional costs (£m)

Adjusted basic earnings per share (p)

Ted's advisors  
Registered Office:  
Secretary:  
Financial Advisors and Stockbrokers:  
Solicitors:  
Auditors:  
Bankers:

Registrars:

The Ugly Brown Building, 6a St. Pancras Way, London NW1 0TB  
Charles Anderson ACMA  
Espirito Santo Investment Bank, 10 Paternoster Square, London EC4M 7AL  
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KPMG Audit Plc, 15 Canada Square, Canary Wharf, London E14 5GL  
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Capita Registrars, 34 Beckenham Road, Beckenham, Kent BR3 4TU  
Ted Baker PLC - Registered in England No: 03393836

Established in 1988 as a shirting specialist of some repute, Ted Baker London is a global lifestyle brand offering menswear, womenswear, accessories and everything in between.

A quintessentially British brand, Ted is famed for his quirky yet commercial fashion offering, high quality design detailing and distinctive use of pattern and colour.

The brand's unconventional approach to fashion, irreverent sense of humour and, above all, unswerving attention to detail appeals to style-conscious men and women who trust Ted to deliver something out of the ordinary.

In order to protect the ethos and persona for which we have gained an enviable reputation, we always ask ourselves the question... 'Would Ted do it that way?'

## NO ORDINARY DESIGNER LABEL

### THREE CHANNELS

Ted carefully manages distribution through three main channels:

#### RETAIL

**£208.0m**

#### WHOLESALE

**£46.5m**

#### LICENSING

**£7.5m**

Details on the performance of each can be found in our Business Review, starting on page 12.

### WORLDWIDE TED

Ted is focused on a multi-channel distribution strategy and is looking forward to the further expansion of the brand in new and existing international markets.



**96 STORES/OUTLETS + 220 CONCESSIONS IN A TOTAL OF 22 COUNTRIES (AS AT 26 JANUARY 2013)**

**OUR GROUP REVENUE INCREASED FROM £215.6M TO £254.5M (THAT'S AN 18.0% INCREASE)**

20  
12



APRIL – JUNE

**TRÈS EXCLUSIVE**

Ted opens a posh Knightsbridge address on London's Brompton Road

**A TRUE DIAMOND**

Celebrating HM the Queen's Diamond Jubilee

**JAKARTA**

Ted opens the doors to his Plaza Senayan store in Jakarta

**BLOOMING MARVELLOUS**

Bloomingdales and Ted continue to flourish

**KING KONG**

A third store for Ted in Hong Kong at Harbour City

**MALAY OF THE LAND**

Ted's Kuala Lumpur store is unveiled

**GOLDEN WONDER**

Supporting charity Childline, Ted's BT ArtBox 2012 glitters in gold



JULY – SEPT

**TAKE FIVE**

Manhattan makes room for Ted's Grand House on Fifth Avenue

**NEVER MEDAL WITH A WINNING FORMULA**

Ted celebrates the Olympics in London town

**OTTOMAN TO GENTLEMAN**

The "appointment only" Ottoman Lounge puts the man into manicure

**SLING WHEN YOU'RE WINNING**

Ted opens in Singapore's ION mall

**SURVIVAL OF THE FITTEST**

Ted's AW12 collection takes a bow

**IN COD WE TRUST**

Ted celebrates Vogue Fashion Night Out with fish and chips

**TIGHT LINES!**

Ted's new collection of traditional styles and fabrics casts off in style

**BED TAKER**

"In Bed with Ted" bedding range launches in John Lewis



OCT – DEC

**FULL OF EASTERN PROMISE**

Ted makes his debut in mainland China (Beijing)

**SPARE PARTS FOR DAPPER GENTS**

Ted Baker's Workshop opens in Selfridges

**ANOTHER CLOSE SHAVE**

Ted's Grooming Room opens in London's Fitzrovia

**WHO'S THE RAREST OF THEM ALL?**

Ted's Tux collection is unveiled in Harrods' window

**TREES ON WATER**

Ted's first Canadian store opens in Toronto

**ILLUSTRATED**

Top British talents create 13 limited edition illustrations of British pastimes for A Baker's Dozen – a unique gift with purchase

**STYLE HIGH CLUB**

A new store in Heathrow's T3 takes off

**OUTLET IT BE**

Ted opens a premium outlet store close to New York City in Woodbury Common

20  
13



JAN – MARCH

**TED'S FINE CHINA**

Ted's first store in Shanghai, L'Avenue, opens for business

**BE THE EXCEPTION, NEVER THE RULE**

Ted opens his SS13 Finishing School: a sartorial establishment dedicated to putting the "man" into manners and the "cor" in decorum

**THAT'S A WRAP**

Celebrating British film, Ted's Kuwait Al Hamra store premieres

**SQUINTESSENTIAL**

Ted's recollection of classic vintage eyewear blinks into life

**BEST CELLARS**

Ted's got fashion down to a vine art as he uncorks his first store in Adelaide





Bringing his innovative and distinctive British designs to Tokyo's prestigious shopping area of Omotesando, Ted Baker's debut store in Japan celebrates digital communication and looks back at the analogue era of 1950s Britain.

A home from home for Ted's collections, the store's beautiful interior is embellished with oak and limestone parquet flooring, mirrored surfaces and retro teak furniture. Customer opportunities to engage with Ted in store include being transported on a trip around 1950s London (via digital film footage) inside a black cab.



For Autumn/Winter 2012, Ted created a 'how to' survival guide to offer sophisticated ladies and dapper gents a choice selection of tactics, techniques and tricks to ensure they never blend in with their surroundings.

After all, while having outdoor survival skills may be useful, Ted's always said that making a stylish and fashionable statement is absolutely essential.





An English Rose in the heart of Beijing, Ted's first store in mainland China is a unique interpretation of an idyllic country garden with features influenced by William Morris, a leading member of the Arts and Crafts movement.

Combining elements of old and new, the storefront offers a beautiful contrast against the city's modern steely backdrop and features intricate rose garden patterns and quirky British objects such as gnomes, foxes and badgers. The store's chandeliers comprise 540 handmade coloured glass leaves and help to define its modern day English country garden design.



For Spring Summer 13, Ted opened his Finishing School: a sartorial establishment dedicated to putting the 'man' into manners and the 'cor' in decorum.

Underlining the importance of old-fashioned manners and exceptional style, Ted's SS13 collection's bright colours, bold prints, simple fabrics and smart silhouettes teach a fashionable lesson in life: to be the exception, never the rule.

S/S XIII  
v. (FINISHING)  
SCHOOL

1. (pr.) Prop·a·fash·uhn

## CHAIRMAN'S STATEMENT

*The Group has delivered a strong result across all areas of our business. This performance resulted in an 18.0% increase in Group revenue to £254.5m (2012: £215.6m) and a 16.5% increase to £31.5m (2012: £27.1m) in profit before tax and exceptional costs.*

*The retail division performed strongly in a competitive trading environment and delivered an increase in revenue of 19.4% to £208.0m (2012: £174.2m), on an increase in average square footage of 14.0%. Gross margins increased to 66.2% (2012: 65.2%).*

*Wholesale sales for the Group increased by 12.2% to £46.5m (2012: £41.4m). This reflected continued growth in our US wholesale business and a good performance from our UK wholesale business, which also includes the results of our UK export business.*

*Licence income from our territorial and product licences increased by 11.5% to £7.5m (2012: £6.7m).*

*This has been a significant year for the Group as we have further established the brand in existing markets and invested in newer markets for the longer term.*

### RESULTS

Group revenue for the 52 weeks ended 26 January 2013 rose by 18.0% to £254.5m (2012: £215.6m). The composite gross margin increased to 62.4% (2012: 61.3%), reflecting less promotional activity compared to the same period last year.

Profit before tax and exceptional costs increased by 16.5% to £31.5m (2012: £27.1m) and profit before tax increased by 19.2% to £28.9m (2012: £24.3m).

Exceptional costs incurred during the year of £2.6m (2012: £2.8m) included £1.6m of rental costs incurred in the first half of the year in our stores on Fifth Avenue, New York and in Tokyo, Japan for the periods before they commenced trading. The balance of £1.0m includes an impairment charge of £0.8m in respect of some retail assets, notably a retail development in the UK that has failed to deliver on its potential. The remaining £0.2m primarily relates to set up costs incurred for our expansion into China.

Adjusted basic earnings per share, which exclude exceptional costs increased by 15.3% to 56.4p (2012: 48.9p) and basic earnings per share increased by 22.0% to 51.5p (2012: 42.2p).

The Group's net borrowing position at the end of the year was £10.0m (2012: net cash of £1.8m). As anticipated, the reduction in cash was due to the significant investment in capital expenditure during the year and increased inventory to support both the growth and expansion of the Group in the coming year.

### DIVIDENDS

The Board is recommending a final dividend of 18.7p per share (2012: 16.25p), making a total for the year of 26.6p per share (2012: 23.4p per share), an increase of 13.7% on the prior year. Subject to approval by shareholders at the 2013 AGM, the final dividend will be paid on 21 June 2013 to shareholders on the register on 10 May 2013.

### PEOPLE

I would like to take this opportunity to thank all of my colleagues around the world. This performance and the continued development of the brand in new and existing markets are testament to the passion, enthusiasm and commitment of the Ted Baker team.

It was announced on 9 January 2013 that Robert Breare, who had been Non-Executive Chairman since 2002, was stepping down from the Board. I would like to thank Robert for his extraordinary contribution to Ted Baker over the last 11 years. His retail and business experience has greatly benefited the Group during this period of growth and we wish him all the best with his future endeavours.

Following Robert stepping down, I have taken over his duties as Non-Executive Chairman and I will also chair the Board's Nomination Committee. I am incredibly proud to have been associated with Ted Baker since joining the Board in 2003 and I look forward to continuing to work with the Ted Baker team to deliver the exciting opportunities ahead. Ron Stewart, an independent non-executive director since 2009, has become Senior Independent Non-Executive Director and Anne Sheinfeld, an independent non-executive director since 2010, has become Chairman of the Remuneration Committee.

It is with great sadness that I have to report that David Hewitt, a colleague and fellow director, passed away at the end of last year. David was a non-executive director of the Company from its flotation in July 1997 until retirement in July 2009. He was passionate about the product and worked closely with the team across the business, providing valuable advice that greatly benefited the Company over his twelve year tenure. He will be sadly missed by his colleagues.

### CURRENT TRADING AND OUTLOOK

The Ted Baker brand continues to perform strongly and we are pleased by the initial positive reaction to our Spring/Summer collections. We continue to build brand awareness in our newer markets, where we are investing for the longer term, and further retail openings are planned across all of our markets.

### RETAIL

The new financial year has started well at this early stage, particularly in the UK, where we will be opening two stores within Gatwick Airport: an accessory only store in the Gatwick North terminal in June and a store in the Gatwick South terminal towards the end of the year. We will be launching a new e-commerce platform in the second half of the year to support our anticipated growth, including the opportunity for local language sites as we expand internationally. This will also include more localised and personalised content, based upon browsing and shopping behaviours, including currency and delivery options specific to each country.

In Europe, we will be opening our first outlet store in Belgium in July. We are also looking to open further concessions in Germany, Spain, France and the Netherlands.

In the US, we plan to open a further eight concessions during the year. We also plan to open our first outlet store in Toronto, Canada later in the year.

In Asia, we have very recently opened a second store in Shanghai, China and a further concession through a leading department store in Tokyo, Japan. We will be opening another store in Shanghai in the middle of the year, as well as our first outlet store in Shanghai in April.

### WHOLESALE

Trading in our wholesale business has started well and in line with our expectations. We anticipate further growth in our US wholesale business and export business in the coming year, with sales from our UK wholesale business slightly above last year. Overall, this should result in single digit growth in our wholesale business in the coming year.

### LICENCE INCOME

Our product and territorial licences continue to perform well and are in line with expectations.

Our licence partners plan to open stores in Beirut, Adelaide, Abu Dhabi and Kuwait during the coming year.

### GROUP

We have continued to deliver a good performance in an uncertain trading environment and, through maintaining our focus on the long term development of the brand, we believe that we are well placed to deal with the challenges and opportunities ahead. We continue to ensure that our costs and commitments are controlled and in line with trends anticipated for the coming year.

We will continue to develop our retail, wholesale and licensing distribution strategy across new and existing markets.

We intend to make our next interim management statement, covering trading since the start of the financial year, in mid June 2013.



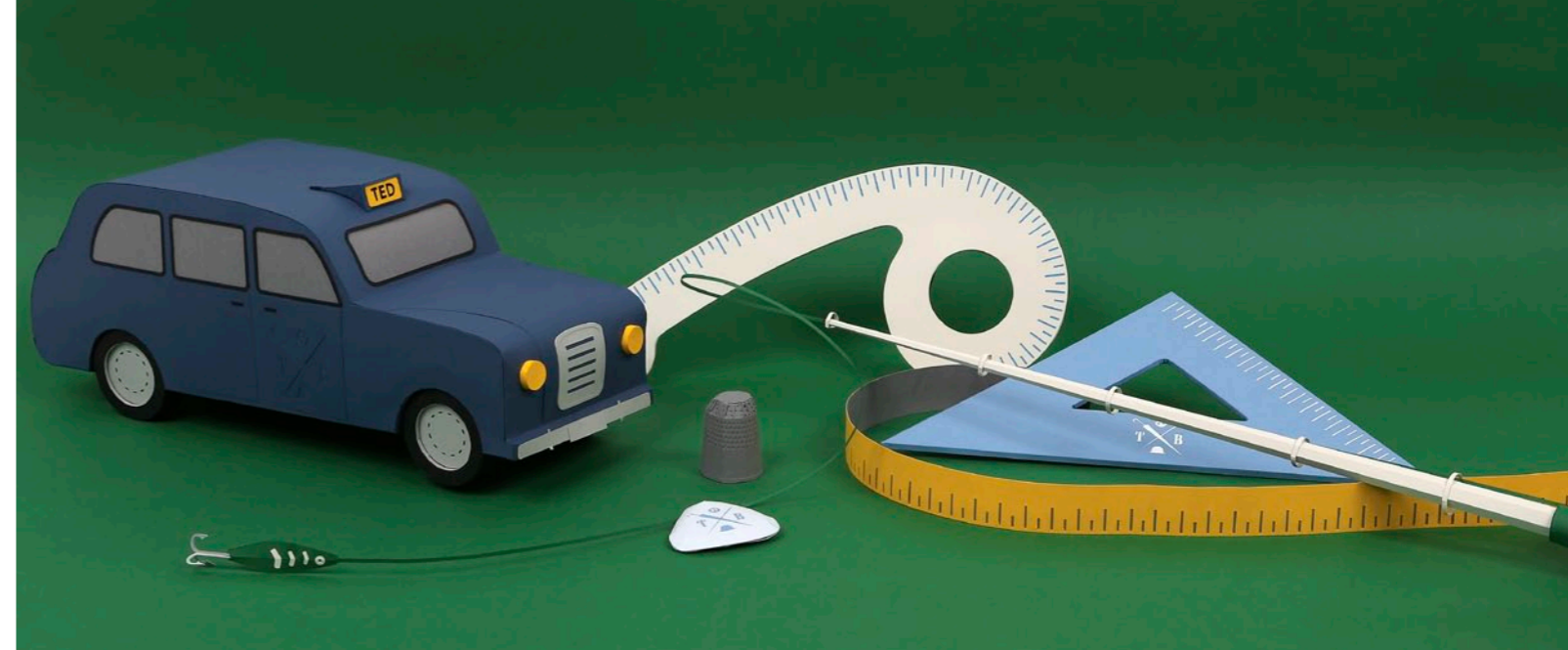
David Bernstein

Non-Executive Chairman

21 March 2013

## BUSINESS REVIEW

*Ted Baker is a leading designer brand that operates through three main distribution channels: retail; wholesale; and licensing. We offer a wide range of collections including: Menswear; Womenswear; Global; Phormal; Endurance; Born by Ted Baker; Accessories; Lingerie and Sleepwear; Childrenswear; Fragrance and Skinwear; Footwear; Neckwear; Eyewear; and Watches.*



### OUR BUSINESS

The brand has grown steadily from its origins as a single shirt specialist store in Glasgow to the global business it is today. We distribute through our own and licensed retail outlets, leading department stores and selected independent stores in Europe, North America, the Middle East, Asia and Australasia.

Our strategy is to become a leading global designer brand, based on three main elements:

- 1. CONSIDERED EXPANSION OF THE TED BAKER COLLECTIONS.**  
We review our collections continually to ensure we react to trends and meet our customers' expectations. In addition, we look for opportunities to extend the breadth of collections and enhance our offer.
- 2. CONTROLLED DISTRIBUTION THROUGH THREE MAIN CHANNELS:** retail; wholesale; and licensing. We consider each new opportunity to ensure it is right for the brand and will deliver margin led growth.
- 3. CAREFULLY MANAGED DEVELOPMENT OF OVERSEAS MARKETS.** We continue to manage growth in existing territories while considering new territories for expansion.

Underlying our strategy is an emphasis on design, product quality and attention to detail, which is delivered by the passion, commitment and dedication of our teams, licence partners and wholesale customers ("trustees").

### GLOBAL GROUP PERFORMANCE

#### Retail

We operate stores and concessions across the UK, Europe, North America and Asia, an e-commerce business based in the UK, primarily serving the UK and Europe, with a separate site dedicated to the Americas and an e-commerce business with some of our concession partners.

The retail division delivered a strong performance with sales up 19.4% to £208.0m (2012: £174.2m). Average retail square footage rose by 14.0% over the year to 274,531 sq ft (2012: 240,815 sq ft). Total retail square footage at 26 January 2013 was 294,329 sq ft (2012: 253,635 sq ft), an increase of 16.0% on the prior year. Retail sales per square foot rose 2.6% from £685 to £703.

Sales through our e-commerce business increased by 63.7% to £14.9m (2012: £9.1m). In April, we launched a mobile optimised transactional site and the response from our customers has been very positive. Our e-commerce business continues to benefit from the enhancements to our UK based transactional site.

The retail gross margin increased to 66.2% (2012: 65.2%), reflecting a lower level of promotional activity in our markets compared to the same period last year.

Retail operating costs increased in line with our expectations to £100.1m (2012: £81.2m) and as a percentage of retail sales rose to 48.1% (2012: 46.6%), primarily driven by our expansion into new international markets. This resulted in a slight decrease in retail operating contribution to 18.1% (2012: 18.5%).

#### Wholesale

We currently operate a wholesale business in the UK serving countries across Europe and a wholesale business in the US.

Group wholesale sales increased by 12.2% to £46.5m (2012: £41.4m) and the gross margin was in line with last year at 45.2% (2012: 45.1%). The increase in sales predominantly reflects a good performance from our UK wholesale business and continuing growth in both our wholesale export business and our US wholesale business.

#### Licensing

We operate both territorial and product licences. Our territorial licences cover the Middle East, Asia and Australasia, through which we operate licensed retail stores and, in some territories, wholesale operations. Our product licences cover lingerie and sleepwear, fragrance, watches, footwear, eyewear, neckwear, skinwear and childrenswear.

Licence income was up 11.5% to £7.5m (2012: £6.7m). We have seen particularly good performances from our footwear collection with our licensed partner, Pentland Group, and from our childrenswear collection and lingerie and sleepwear collections with Debenhams. Our licensed stores in the Middle East and Asia performed well during the period.

#### Collections

Ted Baker Womenswear delivered a strong performance with sales up 27.7% to £137.1m (2012: £107.4m). Womenswear benefited from a greater proportion of the space added during the period and as a result represented 53.9% of total sales (2012: 49.8%).

Ted Baker Menswear performed well with sales increasing by 8.4% to £117.4m (2012: £108.3m). Menswear represented 46.1% of total sales in the period (2012: 50.2%).

**UNDERLYING OUR STRATEGY IS AN EMPHASIS ON DESIGN, PRODUCT QUALITY AND ATTENTION TO DETAIL. THIS IS DELIVERED BY THE PASSION, COMMITMENT AND DEDICATION OF OUR TEAMS, LICENCE PARTNERS AND WHOLESALE CUSTOMERS.**



## GEOGRAPHIC PERFORMANCE

### UNITED KINGDOM AND EUROPE

Sales in our UK and Europe retail division were up 11.1% to £165.1m (2012: £148.6m). This good performance was delivered in a competitive trading environment.

Average retail square footage rose by 5.7% over the period to 204,331 sq ft (2012: 193,389 sq ft). At 26 January 2013 total retail square footage was 210,768 sq ft (2012: 201,223 sq ft), representing an increase of 4.7%. Retail sales per square foot increased by 2.1% from £723 to £738.

During the year, we opened stores on the Brompton Road, London and in Heathrow Terminal Three, both of which performed well. We also opened concessions with leading department stores in Germany, the Netherlands, Ireland and Spain and are pleased with their performances.

At 26 January 2013, we operated 35 stores (2012: 33), 183 concessions (2012: 169) and 10 outlet stores (2012: 10).

Our e-commerce business performed exceptionally well during the period with sales increasing by 62.5% to £14.3m (2012: £8.8m)

Sales from our UK wholesale division increased by 10.1% to £39.1m (2012: £35.5m), reflecting a good performance from our UK wholesale business and continued growth in our wholesale export business.

### US AND CANADA

Sales from our US and Canadian retail division increased by 68.3% to £36.7m (2012: £21.8m).

In support of our strategy to build our multi-channel business and raise brand awareness, during the year we opened a flagship store on Fifth Avenue, New York, a further 22 concessions throughout a leading department store and an outlet store in Woodbury Common, New York. We continue to make good progress and are confident that our prominent store on Fifth Avenue is helping to raise brand awareness of Ted Baker in the US and internationally. We also opened our first store in Toronto, Canada in November and its performance has been good.

Average square footage rose by 38.9% to 59,384 sq ft (2012: 42,761 sq ft) and retail sales per square foot increased 20.9% from £502 to £607. This reflects both higher sales densities in the concessions opened during the year and an improvement in consumer confidence in this market. As at 26 January 2013, we had 16 stores (2012: 14), 33 concessions (2012: 11) and 4 outlet stores (2012: 3).

Sales from our US wholesale business increased by 25.3% to £7.5m (2012: £6.0m) reflecting the continued growth of our business.

### MIDDLE EAST, ASIA AND AUSTRALASIA

We continue to develop the Ted Baker brand across the Middle East, Asia and Australasia. In Asia, with the help of our licence partners, we are in the early stages of investing in new markets for the longer term development of the brand. As at 26 January 2013, we, together with our licence partners, operated a total of 35 stores (2012: 26) across these territories.

Our licensed stores across the Middle East performed particularly well during the period and as a result our partners are seeking further opportunities to expand in the region. One of our licence partners opened another store in Kuwait during the year. As at 26 January 2013, our licence partners operated 8 stores across the Middle East (2012: 7).

Our expansion into new international markets continued with an opening in Tokyo, Japan in February 2012 and four concessions through leading department stores in South Korea in March and November 2012. We also opened our first store in Beijing, China in September. These openings reflect our strategy to invest for the longer term development of the brand and we have been encouraged by the initial reaction to the brand and our collections in these new markets.

In June, our licence partner opened stores in the Plaza Senayan Mall in Jakarta, Indonesia, the Suria Mall in Kuala Lumpur, Malaysia and the ION Mall in Singapore. In July, we opened a third store in Hong Kong under our own management and the brand continues to be well received in the region. During the period two existing stores were closed and, as a result, as at 26 January 2013, we, together with our licence partners, operated a total of 23 stores across the Middle East and Asia (2012: 15).

The joint venture with our Australasian licence partner, Flair Industries Pty Ltd, continues to perform in line with our expectations. As at 26 January 2013, we operated 4 stores in Australasia (2012: 4).

**THIS HAS BEEN A SIGNIFICANT YEAR FOR THE GROUP AS WE HAVE FURTHER ESTABLISHED THE BRAND IN EXISTING MARKETS AND INVESTED IN NEWER MARKETS FOR THE LONGER TERM.**

## FINANCIAL REVIEW

### REVENUE AND GROSS MARGIN

Group revenue increased by 18.0% to £254.5m (2012: £215.6m), driven by a 19.4% increase in retail sales to £208.0m (2012: £174.2m) and a 12.2% increase in wholesale sales to £46.5m (2012: £41.4m).

The composite gross margin for the Group was 62.4% (2012: 61.3%). This increase reflects a lower level of promotional activity in our markets compared to the same period last year.

### OPERATING EXPENSES PRE-EXCEPTIONAL COSTS

Distribution costs increased in line with our expectations to £101.4m (2012: £82.4m) and as a percentage of sales increased to 39.8% (2012: 38.2%), which was primarily driven by our expansion into new international markets and included pre-opening costs of £0.4m (excluding exceptional costs discussed below) in respect of stores before they commenced trading.

Administration expenses increased by 11.3% to £33.0m (2012: £29.6m). Excluding the employee performance related bonus of £nil (2012: £3.1m), administration expenses rose by 24.5%, reflecting growth in the US team to support the growth in our retail and wholesale businesses, growth in other central functions and the continued development of our distribution and information technology infrastructures to support our expansion into international markets.

### EXCEPTIONAL COSTS

The exceptional costs, which include both distribution costs and administration expenses, incurred during the year of £2.6m (2012: £2.8m) included £1.6m of rental costs incurred in the first half of the year in our stores on Fifth Avenue, New York and in Tokyo, Japan for the periods before they commenced trading. The balance of £1.0m includes an impairment charge of £0.8m in respect of some retail assets, notably a retail development in the UK that has failed to deliver on its potential. The remaining £0.2m primarily relates to set up costs incurred for our expansion into China.

The prior year figure was in respect of rent for stores that did not commence trading until 2012, set up costs in relation to our expansion into China and a provision for bad and doubtful debts in respect of our exposure in Greece.

### PROFIT BEFORE TAX

Profit before tax and exceptional costs increased by 16.5% to £31.5m (2012: £27.1m) and profit before tax increased by 19.2% to £28.9m (2012: £24.3m).

### FINANCE INCOME AND EXPENSES

Net interest payable during the year was £612,000 (2012: £201,000). This increase reflects higher Group borrowing compared to the prior year due to significant capital expenditure and increased working capital to support the Group around the world.

The foreign exchange loss during the year of £178,000 (2012: gain of £38,000) was due to the retranslation of monetary assets and liabilities denominated in foreign currencies.

### TAXATION

The Group tax charge for the year was £7.3m (2012: £6.7m), an effective tax rate of 25.3% (2012: 27.6%). This reduction from the prior year reflects the fall in the UK corporation tax rate from 1 April 2012. This effective tax rate is higher than the UK rate of 24.32% largely due to the non-recognition of losses in overseas territories where the businesses are still in their development phase. The Autumn Statement on 5 December 2012 confirmed that the main corporation tax rate from 1 April 2013 will fall to 23% with a further reduction to 21% from 1 April 2014. In the Budget Statement on 20 March 2013, a further cut in corporation tax rate to 20% was announced which will take effect from 1 April 2015. We would expect to see a future reduction in our effective tax rate in line with these changes although the rate will be impacted where future overseas profits arise in jurisdictions with higher tax rates than the UK.

### CASH FLOW

The net decrease in cash and cash equivalents was the same as for last year at £11.9m (2012: £11.9m). An increase in net cash generated from operating activities of £6.2m was offset by an increase in financing and investing activities.

Total working capital as per the Group balance sheet, which comprises inventories, trade and other receivables and trade and other payables, increased by £13.8m to £61.0m (2012: £47.2m), principally as

a result of an increase in year-end inventory levels reflecting the underlying growth of our business and the earlier phasing of deliveries into the business to ensure smooth transition to the Spring/Summer season across all our markets.

Capital expenditure of £19.8m as per the Group cash flow (2012: £15.0m) reflected the opening and refurbishment of stores, concessions and outlets and the continued investment in the infrastructure of the business. Included within this figure is £1.6m (2012: £3.7m) of expenditure which relates to stores that are due to open in 2013.

### SHAREHOLDER RETURN

Basic earnings per share increased by 22.0% to 51.5p (2012: 42.2p). Adjusted earnings per share, which exclude exceptional costs of £2.6m (2012: £2.8m), increased by 15.3% to 56.4p (2012: 48.9p).

The proposed final dividend of 18.7p per share will make a total for the year of 26.6p per share (2012: 23.4p per share), an increase of 13.7% on the previous year.

Free cash flow per share, which is calculated using the net cash generated from operating activities, was 41.0p (2012: 26.7p) and reflected an increase in cash generated from operating activities.

### CURRENCY MANAGEMENT

The most significant exposure to foreign exchange fluctuation relates to purchases made in foreign currencies, principally the US Dollar and the Euro.

A proportion of the Group's purchases is hedged in accordance with the Group's risk management policy, typically 12 months in advance. The balance of purchases is hedged naturally as the business operates internationally and income is generated in the local currencies.

At the balance sheet date, the Group had hedged its projected commitments in respect of the year ending January 2014.

### BORROWING FACILITIES

The Group has a three year committed borrowing facility of £40.0m (2012: £40.0m), which is due to expire on 1 March 2015. The facility is a multi-currency revolving credit facility with The Royal Bank of

Scotland and Barclays. The facility is used as necessary to fund capital expenditure to support the Group's growth strategy.

The facilities contain appropriate financial covenants and are tested on a quarterly basis. The Group monitors actual and prospective compliance with these on a regular basis.

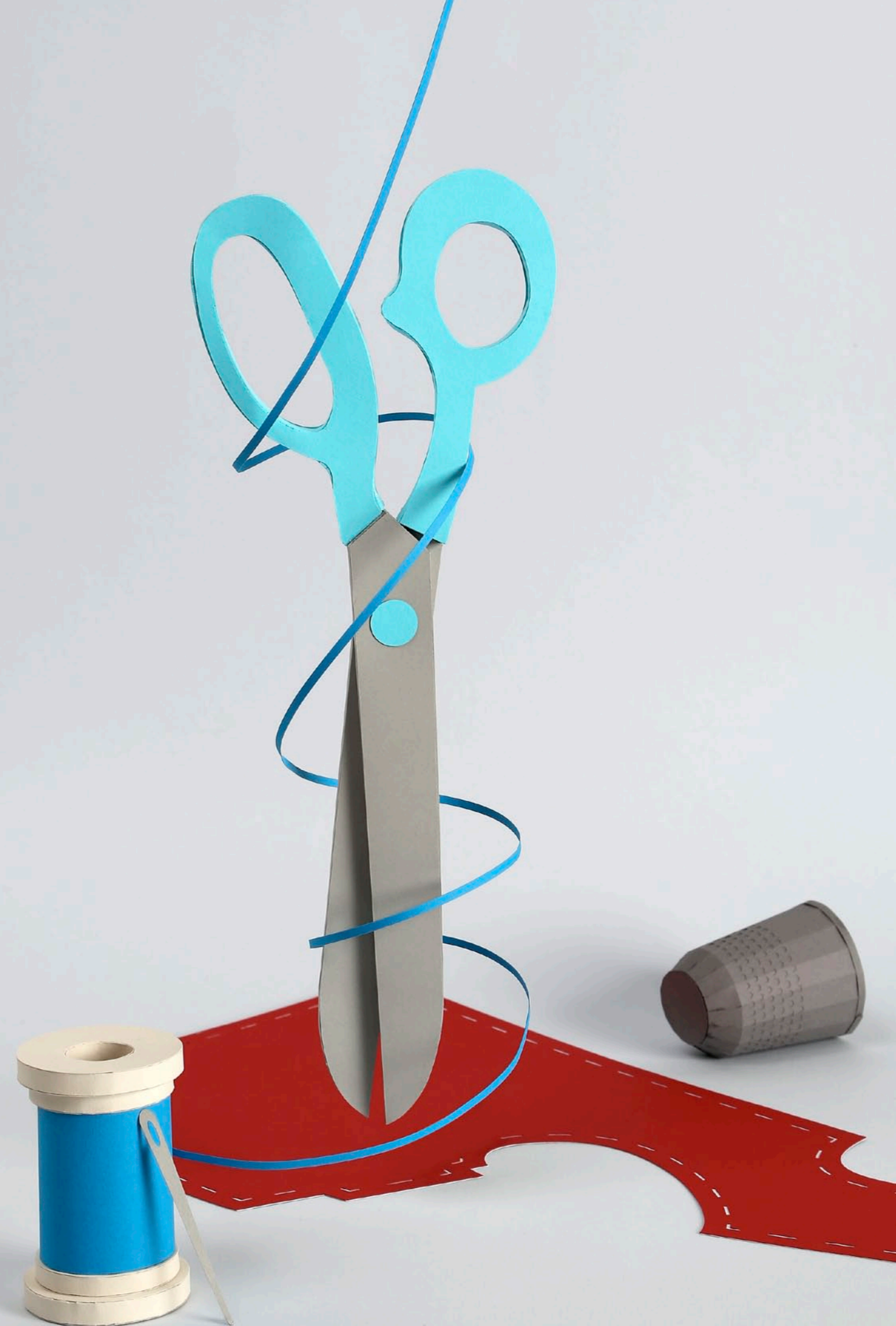
### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

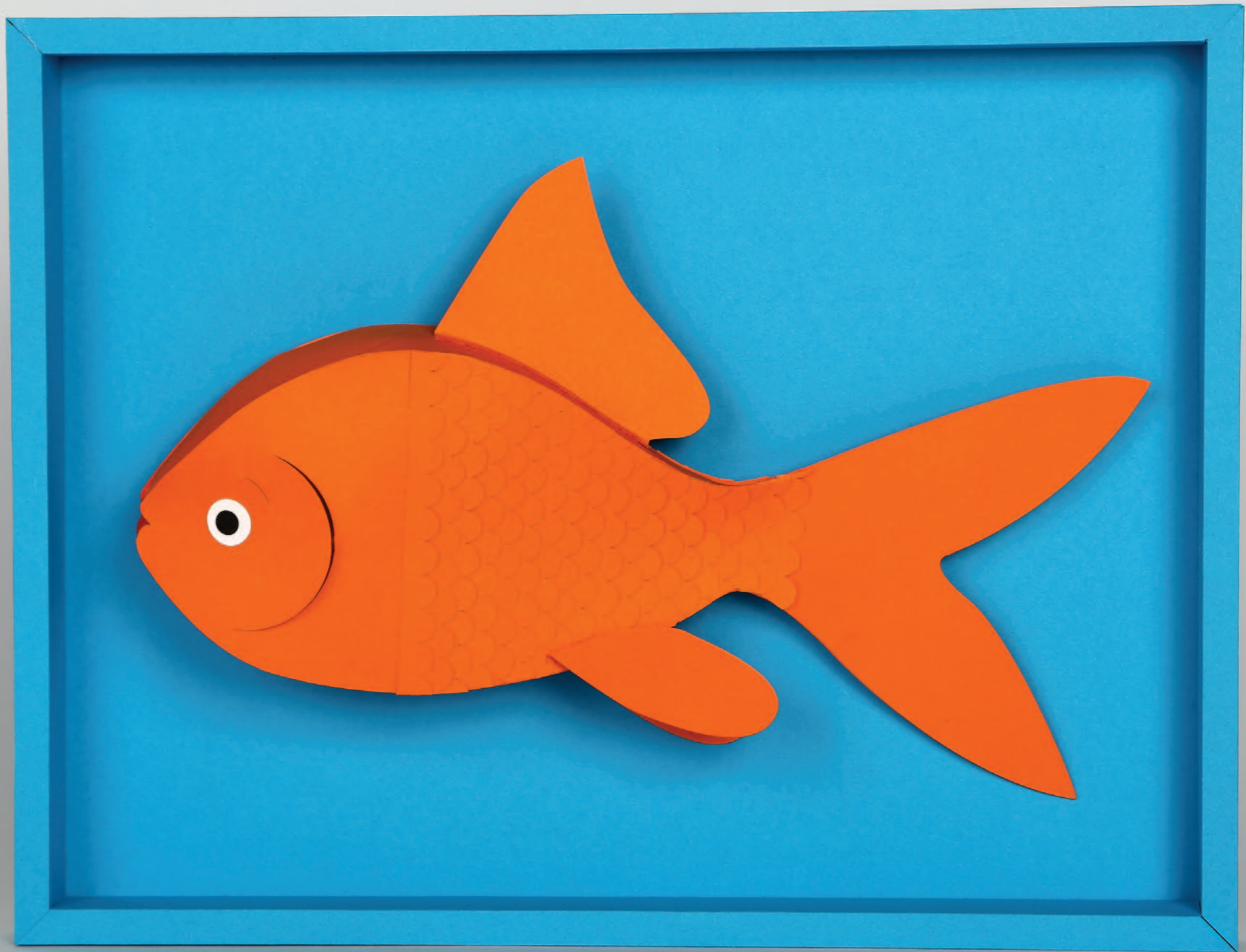
This document contains certain forward-looking statements. These forward-looking statements include matters that are not historical facts or are statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies, and the industries in which the Company operates. Forward-looking statements are based on the information available to the directors at the time of preparation of this document and will not be updated during the year. The directors can give no assurance that these expectations will prove to be correct. Due to inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board recognises there are a number of risks and uncertainties that face the Group. The Board, with the help of the Chief Executive, the Finance Director and subsidiary directors (the “Executive Committee”), has established a structured approach to identify, assess and manage these risks and this is regularly monitored and updated by the Risk Committee. Although not exhaustive, the following list highlights some of the principal risks which are not shown in order of importance:

	Issue	Potential impact	Mitigation
Strategic risks	External events	External events may occur which may affect the global, economic and financial environment in which we operate. These events can affect our suppliers, customers and partners, risking an increase in our cost base and adversely affecting our revenue	All factors affecting these stakeholders are monitored closely on an ongoing basis ensuring that we are prepared for and can react to changes in the external environment, allowing us to reduce our exposure as early as possible. The spread of our business and supply chain also helps to mitigate these risks
	Brand and reputational risk	The strength of our brand and its reputation are important to the business. There is a risk that our brand may be undermined or damaged by our actions or those of our partners	We carefully consider each new opportunity and each wholesale customer and partner with whom we do business. These are monitored on an ongoing basis to ensure they remain appropriate to the brand
	Fashion and design	As with all fashion brands there is a risk that our offer will not satisfy the needs of our customers, resulting in lower sales and reduced market share	The Group maintains a high level of market awareness and an understanding of consumer trends and fashion to ensure that we remain able to respond to changes in consumer preference
Operational risks	Supply chain	If garments do not reach us on time and to specification, there is a risk of a loss of revenue and customer confidence	Our supply chain is diversified across a number of suppliers in different regions, reducing reliance on a small number of key suppliers. Suppliers are treated as key business partners and we work closely with them to mitigate these risks
	Cost inflation	We may face increases in our operating costs due to growth in raw material, labour, property and other costs, placing pressure on our pricing strategy, margins and profitability	Operating costs are monitored regularly to ensure that any cost pressures are quickly identified and appropriate action is taken
	Infrastructure	There is a risk of operational problems, including disruption to the infrastructure that supports our business, which may lead to a loss of revenue, data and inventory	The business continuity plan is constantly reviewed and updated by the Risk Committee. In addition, business disruption is covered by our insurance policies
	Social responsibility	We are committed to operating in a responsible and sustainable manner as regards our supply chain, environment and community. If we fail to operate in a manner that supports our philosophy, this could damage the trust and confidence of our stakeholders	Four members of the Executive Committee have been tasked with overseeing specific areas of our social responsibility agenda. The Group has an employee whose sole responsibility is to monitor this agenda and ensure our practices fall in line with it
	IT security	Advances in technology have resulted in more data being transmitted electronically, posing an increased security risk. There is also the possibility of unintentional loss of controlled data by authorised users	Commitment of additional specialist resources and the continual upgrading of security equipment and software mitigate these risks
	People	The Group's performance is linked to the performance of our people and, in particular, to the leadership of key individuals. The loss of a key individual whether at management level or within a specialist skill set could have a detrimental effect on our operations and, in some cases, the creative vision for the brand	Retention of key talent is important and we take active steps to provide stability and security to the key team. We carry out an annual benchmarking review to ensure that we provide competitive remuneration and total reward packages. We also utilise long-term incentive schemes to retain key talent. Employee engagement through our culture and environment strengthen the commitment of team members and has a positive impact on our attrition rate
	Regulatory and legal framework	The Group operates within many markets globally and must comply with various regulatory requirements. Failure to do so could lead to financial penalties and/or reputational damage	The Group closely monitors changes in the legal and regulatory framework within the markets in which it operates. We work closely with specialists in each market to ensure compliance with local laws and regulations
	Financial risks	Currency, interest, credit and counterparty credit risks, including financial covenants under the credit facilities	In the course of its operations, the Group is exposed to these financial risks which if they were to arise may have material financial impacts on the Group
		The Group's policies for dealing with these risks are discussed in detail in note 22 on pages 68 to 74	





# CORPORATE GOVERNANCE STATEMENTS



## Statement of Compliance with the Code

The Board notes that, during the financial year ended 26 January 2013, it entered the FTSE 350 index of companies and acknowledges that additional requirements are placed on the constituents of this index under the provisions of the Code. Whilst the Company has endeavoured to comply with these additional requirements, there are a number of areas in which full compliance has not as yet been achieved, and the Board is of the view that the Company's compliance against the Code during the year under review should be fairly assessed against the provisions applying to smaller companies. The Board will seek to achieve compliance with the enhanced provisions for larger Companies during its next financial year and the areas in which the Company is not currently compliant are outlined and explained below.

## Statement About Applying the Main Principles of the Code

The Company has applied the Main Principles set out in the Code. Further explanation of how the principles have been applied is set out below and, in connection with directors' remuneration, in the Directors' Remuneration Report on pages 32 to 37.

## The Board

The Board currently comprises a non-executive Chairman, the Chief Executive, one other executive director and two independent non-executive directors. Biographies of these directors appear on page 29. The Board is of the view that its current membership provides an appropriate balance of skills, experience, independence and knowledge, which enables it to discharge its responsibilities effectively.

On 9 January 2013, Robert Breare stepped down as Non-Executive Chairman of the Company, having served in that role for more than 11 years, and David Bernstein, who previously held the position

of Senior Independent Director, was appointed as his successor. Following this change, Ronald Stewart was appointed as Senior Independent Director and Anne Sheinfeld as Chairman of the Remuneration Committee. Mr Stewart and Mrs Sheinfeld are considered by the Board to be independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement.

The Board meets regularly throughout the year. It considers all issues relating to the strategy, direction and future development of the Group. The Board has a schedule of matters reserved to it for decision that is regularly updated. The requirement for Board approval on these matters is understood and communicated widely throughout the Group. The non-executive directors meet with the Chairman separately during the year. In addition the non-executive directors meet without the Chairman present to appraise the Chairman's performance.

Operational decision making, operational performance and the formulation of strategic proposals to the Board are controlled by the Executive Committee. The Executive Committee meets regularly throughout the year.

To enable the Board to function effectively and the directors to discharge their responsibilities, full and timely access is provided to all relevant information. There is an agreed procedure for directors to take independent professional advice, if necessary, at the Company's expense. This is in addition to the access every director has to the Company Secretary.

The Company maintains an appropriate level of director and officer liability insurance cover in place and, through the Articles of Association and directors' terms of appointment, has agreed to indemnify the directors against certain liabilities to third parties and costs and expenses incurred as a result of holding office as a director. Save for such indemnity provisions in the Company's Articles of Association and in the Directors' terms of appointment, there are no qualifying third party indemnity provisions in force.

## Board and Committee attendance

The table below details the number of Board and committee meetings held during the year ended 26 January 2013 and the attendance record of each director.

	Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
<b>Number of meetings held</b>	<b>12</b>	<b>3</b>	<b>3</b>	-
Robert Breare	10	3	3	-
David A Bernstein	7	3	2	-
Ronald Stewart	10	3	3	-
Anne Sheinfeld	9	-	-	-
Raymond S Kelvin	11	-	-	-
Lindsay D Page	12	-	-	-

## Audit Committee

During the year, Ronald Stewart was chairman of the Audit committee (the "Committee"). The other committee members were Robert Breare (until resignation on 9 January 2013) and David Bernstein.

Provision C.3.1. of the Code sets out differing requirements for smaller companies and larger companies in relation to the membership of the Company's Audit Committee. As noted above, the Company entered the FTSE 350 index of companies only part way through the financial year under review; the Board is therefore of the view that its compliance with the Code for the year ended 26 January 2013 should be assessed against the provisions applying to smaller companies.

Following the resignation of Robert Breare in January 2013, and in light of the enhanced requirements of the Code applying to larger companies, the Board is in the process of reviewing the membership of the Committee, but is satisfied that all members have recent and relevant financial experience.

During the year ended 26 January 2012, the Committee undertook a formal evaluation of its own performance, which has been revisited informally during the current year. Given the company's entry into the FTSE 350, the Board is reviewing the evaluation process around performance for the year ending January 2014.

The Committee meets at least twice a year to review and recommend the interim and annual financial statements, before submission for approval by the Board, and consider any matters raised by the auditors. The Committee considers all significant financial reporting judgements contained in the financial statements, including accounting policies and compliance, areas of management judgements and estimates and the effectiveness of financial reporting and controls.

The Committee oversees the Company's relationship with the external auditors, makes recommendations to the Board in relation to their appointment, reappointment and removal and approves their remuneration and terms of engagement. The Board and Committee also review the independence of the external auditors and consider the engagement of the external auditors to supply non-audit services.

The Company has adopted a formal policy on the supply of non-audit services by the external auditors. They may only provide such services on condition that such advice does not conflict with their statutory responsibilities and ethical guidance. The Committee Chairman's pre-approval is required before the Company uses non-audit services that exceed financial limits set out by that policy and the aggregate spend is also reviewed by the Committee on an annual basis. Details of the auditors' remuneration for audit and non-audit fees are disclosed in note 3 to the financial statements.

The Committee recognises that the independence of the auditors is an essential part of the audit framework and the assurance that it provides. The Committee monitors any non-audit work that is undertaken by the external auditors to ensure that their objectivity and independence is not compromised.

The Committee has formally reviewed the independence of the auditors during the year as part of the 2012 review. KPMG Audit Plc have provided a letter to the Committee confirming that the remain independent within the meaning of the regulations on this matter and in accordance with their professional standards.

The Committee is responsible for the review of the Company's procedures for responding to the allegations of whistleblowers and

the arrangements by which staff may, in confidence, raise concerns about possible financial reporting irregularities.

During 2012 the Committee, supported by the senior management team, conducted a rigorous tender process in respect of the external audit contract (in line with Provision C.3.7. of the Code). The incumbent auditors, KPMG Audit Plc, plus four other firms (PricewaterhouseCoopers LLP, Ernst & Young LLP, Deloitte LLP and BDO LLP) were invited to submit proposals to the Committee and, of those five, two were short-listed and invited to present to the Committee in further detail. Having carefully considered the proposals and presentations put forward by all applicants, the Committee determined that the reappointment of KPMG would be in the best interests of the Company. The Audit Committee is satisfied that KPMG are independent of the Company and that the external audit has been conducted in an objective and effective manner.

The Financial Reporting Council recently issued a revised UK Corporate Governance Code and revised guidance for audit committees. The Board and the Audit Committee have scheduled time in 2013 to discuss how the Company can best comply with these new requirements.

## Nomination Committee

During the year the Nomination Committee (the "Committee") was chaired by Robert Breare and its other members were David Bernstein and Ronald Stewart. The composition of the Committee during the year complied with Provision B.2.1. of the Code, however, following the resignation of Robert Breare, the Board is in the process of reviewing the Committee's membership. It is noted that the appointment of David Bernstein as Chairman, following the resignation of Robert Breare, was determined to be an issue most appropriately considered and decided upon by the Board as a whole, as Mr Stewart was the only independent member of the Nomination Committee in respect of such matter.

The Committee is responsible for nominating candidates for appointment to the Board. The Board has been satisfied that the size and composition of the Board has been appropriate throughout the year and it has been unnecessary for the Committee to meet during the year.

All non-executive directors are advised of the time commitment considered necessary to enable them to fulfil their responsibilities prior to appointment.

The terms of reference for the Committee are available on request from the Company Secretary.

## Appointments to the Board

Newly appointed directors are given training appropriate to the level of their previous experience. Non-executive directors meet regularly with members of the Executive Committee and other personnel within the organisation. In addition, site visits ensure that the non-executive directors gain first-hand experience of developments within the Group.

Any director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek re-election by the shareholders at the next Annual General Meeting.

The Company's Articles of Association require one third of the directors for the time being to retire, and each director to retire from office at least once every three years. However, as reported last year, the Board previously determined that the directors would retire and stand for re-election on an annual basis, in line with Provision B.7.1. of the Code.

### Diversity

We strongly support the principle of boardroom diversity, of which gender is one element. Anne Sheinfeld has been on the Board since June 2010 and the Board is very pleased to benefit from her valuable contribution.

Boardroom diversity, including gender, is an important consideration when assessing a candidate's ability to contribute to, and complement the abilities of, a balanced Board.

Our Board appointments will always be made on merit against objective criteria, and this will continue to be the priority rather than aiming to achieve an externally prescribed diversity target.

As noted in the People report on page 28, the continued expansion of the Company means that Ted Baker's workforce is becoming increasingly more diverse. The Company will continue to support the development and progression of all employees, with the aim of maintaining and achieving diversity throughout all levels of the organisation.

### Communication with Shareholders

The Group attaches considerable importance to the effectiveness of its communication with its shareholders. The full report and accounts are sent to all shareholders and further copies are distributed to others with potential interest in the Group's performance.

The directors seek to build on a mutual understanding of objectives between the Company and its institutional shareholders by making general presentations after the interim and preliminary results; meeting shareholders to discuss long-term issues and gather feedback; and communicating regularly throughout the year. All shareholders have access to these presentations, as well as to the Annual Report and Accounts and to other information about the Company, through the website at [www.tedbakerplc.com](http://www.tedbakerplc.com). They may also attend the Company's Annual General Meeting at which they have the opportunity to ask questions.

Non-executive directors are kept informed of the views of shareholders by the executive directors and are provided with independent feedback from investor meetings.

### Conflicts of Interests

Following approval at the 2008 Annual General Meeting, the Company's Articles of Association were amended to take account of certain provisions of the Companies Act 2006 relating to directors' conflicts of interest. These provisions permit the Board to consider, and, if thought fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company. The Board has adopted procedures for the approval of such conflicts. The Board's powers to authorise conflicts are operating effectively and the procedures are being followed.

### Internal Control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Following publication of guidance for directors on internal control "Internal Control: Guidance for Directors on the Code" (the "Turnbull guidance"), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the year under review and up to the date of approval of the Annual Report and Accounts, and that this process is regularly reviewed by the Board and accords with the Turnbull guidance.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed. Management is responsible for the identification and evaluation of significant risks applicable to its areas of the business together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

The Group has an independent internal audit function whose findings are regularly reviewed by the Executive Committee and the Board. The Audit Committee monitors and reviews the effectiveness of the internal audit activities.

Management reports regularly on its review of risks and how they are managed to the Risk Committee, whose main role is to review, on behalf of the Board, the key risks inherent in the business and the system of control necessary to manage such risks, and to present their findings to the Board. The Chief Executive reports to the Board on behalf of the Executive Committee on significant changes in the business and the external environment which affects significant risks.

The Finance Director provides the Board with monthly financial information which includes key performance indicators. Where areas for improvement in the system are identified, the Board considers the recommendations made by the Risk Committee and the Audit Committee.

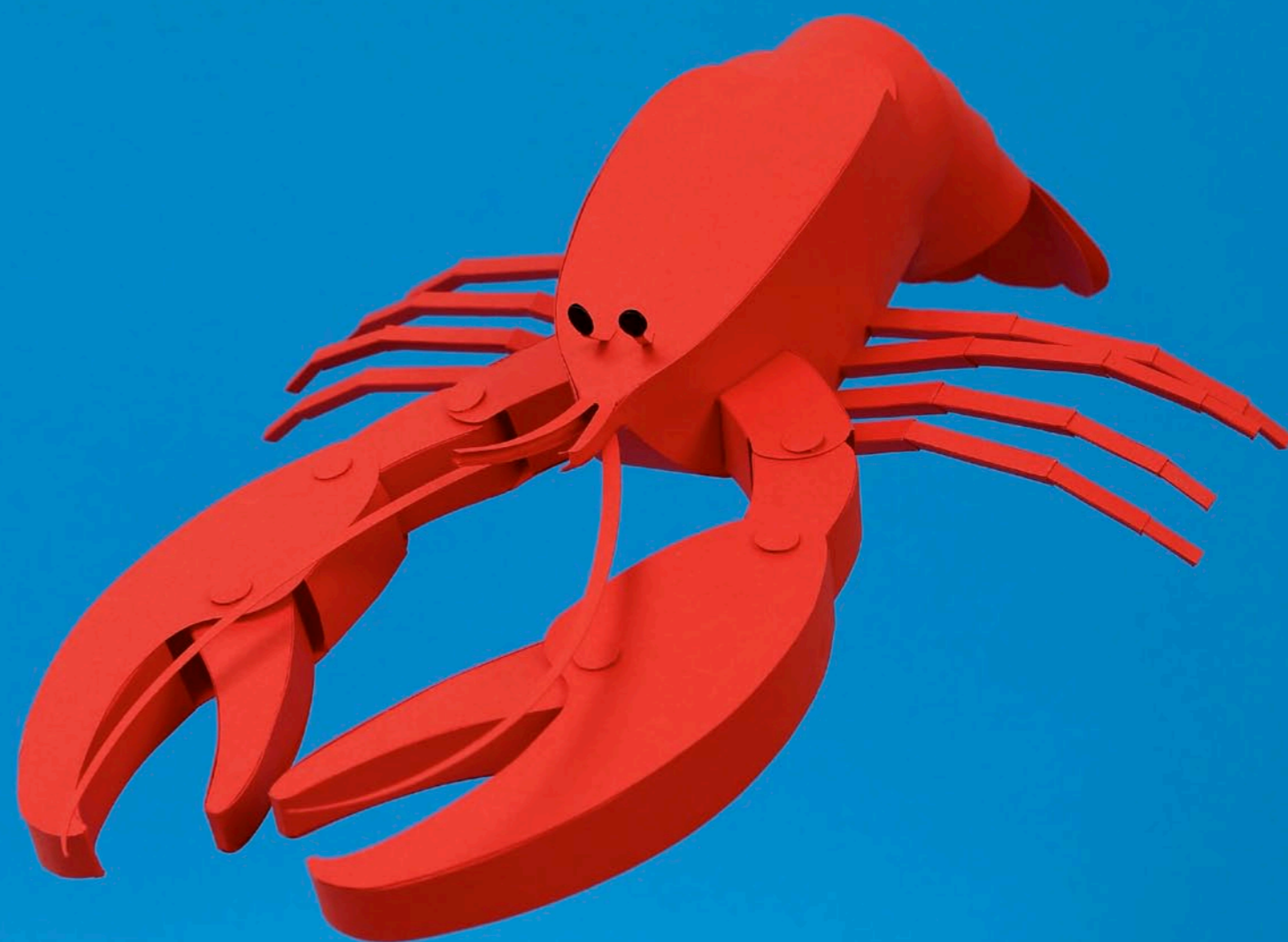
The Risk Committee includes the Finance Director and various heads of department. It reviews, on a twice yearly basis, the risk management and control process and considers:

- the authority, resources and co-ordination of those involved in the identification, assessment and management of significant risks faced by the Group;
- the response to the significant risks which have been identified by management and others;
- the maintenance of a controlled environment directed towards the proper management of risk; and
- the annual reporting procedures.

Additionally, the Risk Committee keeps abreast of all changes made to the systems and follows up on areas that require improvement. It reports to the Board at twice yearly intervals or more frequently should the need arise.

### The Bribery Act 2010

The Board continues to proactively review the Group's procedures to ensure they are sufficiently robust to prevent corruption.



## SUSTAINABILITY AND THE ENVIRONMENT

*At Ted Baker we believe in being open and honest in the way we do business and doing the right thing by all of our stakeholders; by operating in a responsible and sustainable manner. We approach our social, environmental and ethical matters (“SEE”) with the same focus and attention to detail that permeates the rest of the business. To ensure that we continue to meet our responsibilities in these important areas we formulated a three pronged plan, named Ted<sup>3</sup>, in 2012.*

### How we work

Lindsay Page has been given specific responsibility for overseeing the formulation of the Group’s policies and procedures for managing risks arising from social, environmental and ethical matters. In addition, the Board has tasked four members of the Executive Committee to oversee specific areas of our SEE agenda for the Group. These Executive Committee members participate because of the relevance of their departments to our ongoing commitment in these areas – Brand Communication, Product Design, Production and Special Projects (Interior Design). Our full time Green Guardian manages these areas and the Group’s cross-functional team which is responsible for addressing SEE concerns of the Group (the “Ted’s Conscience Team”).

### Our Key Focus

We believe in three very important strands of work:

**Protect:** The Group is committed to protecting the environment within our properties and throughout our entire supply chain by reducing the use of resources and increasing efficiencies wherever possible.

**Product:** The Group is committed to purchasing the best possible products for use and sale within and throughout Ted and associated businesses.

**Practise:** This section of our strategy focuses on putting in place a framework to achieve our goals and targets by educating and inspiring our teams.

### Environmental Impacts

As part of our commitment to “Protect”, the Group has engaged in a number of environmental projects during the course of the year:

- We continue to participate in the Carbon Disclosure Project to measure and disclose our greenhouse gas emissions and climate change strategies. We received a score of 66% and disclosed many of our Scope 3 emissions for the first time.
- All of our business travel within Scopes 1 and 3 is CarbonNeutral®. This means that the unavoidable emissions generated by air, road and rail journeys required to visit our stores and suppliers have

been reduced to net zero through purchasing carbon credits from Voluntary Carbon Standard (“VCS”) validated projects.

- We are constantly reviewing the waste our business generates in an effort to achieve our overall aim of sending no waste to landfill. We participate in the Wastepack Compliance Scheme as part of the Producer Responsibility Obligations (Packaging Waste) Regulations 1997 and continue to reduce unnecessary packaging.
- We work with the National Industrial Symbiosis Programme (“NISP”) to recycle as much waste as we can through their network of charities, such as Scrapstores.
- Through relationships with charities Oxfam, Newlife and World Jewish Relief we have been able to ensure that our end of life garments are utilised in the best way, raising over £300,000 and diverting 18 tonnes of waste from landfill.

### Ethical and Sustainable Sourcing

As part of our commitment to “Product”, we place great importance on ethical and sustainable sourcing within the Group. We believe our products should be produced in factories that are committed to providing a fair and safe environment for their workers. Our trusted partners within the supply chain are one of our most valuable assets.

- All Ted Baker suppliers are governed by our Company Code of Conduct, which is based on the Social Accountability International Code, an internationally recognised benchmark for ethical excellence, and can be found at [http://externalresources.tedbaker.com/legaldocs/codes\\_of\\_conduct.pdf](http://externalresources.tedbaker.com/legaldocs/codes_of_conduct.pdf).
- Through our partnership with MADE-BY, a non-profit multi-stakeholder initiative set up to improve sustainability within the fashion industry, we have been able to set long-term internal targets for the amount of sustainable fibres we use in our collections. Our Social Scorecard for 2011 was released during the period and can be found at <http://www.made-by.org/partner-brand/34/ted-baker/scorecard>. This shows the improvement we have made in sourcing from more sustainable factories and we worked to further improve this in our 2012 scorecard. Our third Scorecard will be released during the period.
- During the period we continued two long-term social improvement programmes with key suppliers as part of our partnership with MADE-BY and started a third. These projects

involve working closely with these suppliers to improve their social and working practices.

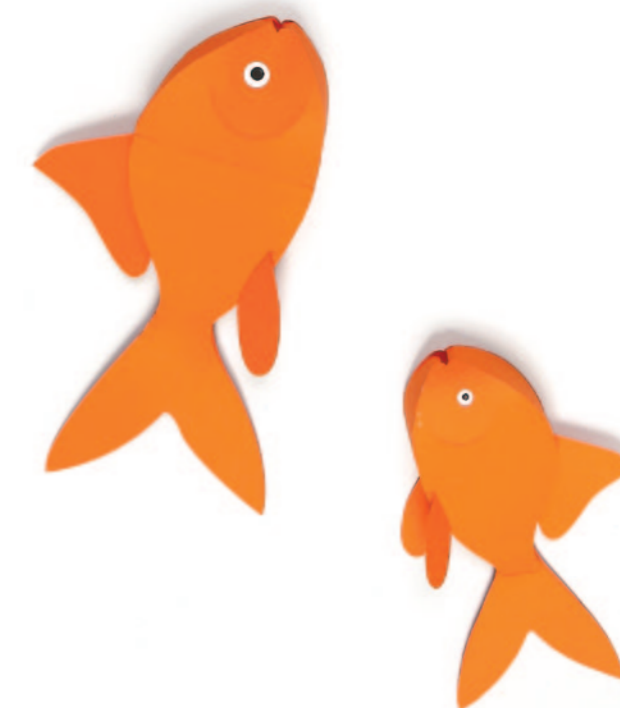
- We participate in the Metrics group, which is responsible for identifying the key hotspots within the industry to measure, as well as working on a tool to measure our baseline carbon, water and waste footprints and what improvement actions are possible to take in this area.
- We are also part of the Sustainable Clothing Action Plan, a Department for Environment, Food, and Rural Affairs sponsored action plan, organised to improve the sustainability of clothing across its lifecycle by bringing together industry, government and third parties to develop sector-wide targets, along with the tools and guidance necessary to reach them.
- Animal welfare is an important issue to many consumers and we have always sourced from the highest quality suppliers. Our Group Animal Welfare Policy was made public this year and can be found at [www.tedbaker.com/about\\_us/our\\_policies/content.aspx#ethical\\_statement](http://www.tedbaker.com/about_us/our_policies/content.aspx#ethical_statement). We have decided not to retail fragrance or skinwear in our Chinese stores to ensure we are able to hold true to our principles of not testing on animals.

### Community

In order to “Practise” our goals and achieve our targets we place great importance on the Teducation of our employees to support the community in a number of ways. Throughout the year we have supported various charities and taken part in valuable and exciting projects.

- Our employees are our greatest asset and we have Ted’s Conscience Team members in every department and store worldwide encouraging colleagues to be more environmentally aware. During 2012/13 we trialled participation in Ted’s Conscience with a number of our concessions and aim to roll this out during 2013/14.
- Our Green Guardian gives twice yearly store team training sessions to ensure our sustainability issues are communicated across the business.
- We released our first Ted’s Conscience Newsletter which has been sent to all areas of the business to advise team members on our policies, plans, targets and partners.
- Movember: We supported the Movember Initiative, asking as many of our teams as possible to grow a moustache to raise awareness and funds for prostate and testicular cancer.
- Oxfam: We continued to encourage our teams to use our inhouse “Oxfam Collects” Collection Point. This enables team members to donate any unwanted items to Oxfam during the course of their usual working week.
- We also donated various garments to other charities and groups during 2012 such as Dress for Success, an agency that assists women getting back into work, Centrepoin, which supports Homeless young people, and Kids Co, a London based charity that supports under privileged children.
- We keep two buckfast bee colonies on the roof of our London head office from which we had a hugely successful honey harvest during 2012.

**WE ARE COMMITTED TO PROTECTING THE ENVIRONMENT AND PURCHASING THE BEST POSSIBLE PRODUCTS FOR USE AND SALE THROUGHOUT THE BUSINESS. WE PLACE GREAT IMPORTANCE ON THE T EDUCATION OF OUR EMPLOYEES TO SUPPORT THE COMMUNITY AND PRACTISE OUR GOALS.**



## PEOPLE

*The talent, commitment and passion of the Ted Baker team are key factors in the success of our business and brand. The value we place on our team is shown in the way we motivate them, encourage learning and development, nurture their growth and potential, and recognise and reward their contributions.*

### Reward and Recognition

Remuneration is reviewed annually and a benchmarking review is undertaken to ensure we remain competitive and fair across all areas of the business. Our rewards include bonus schemes linked to sales targets and individual and corporate performance. We encourage our people to join our Save As You Earn ("SAYE") schemes. This year we celebrated our third year of Wisdom Awards; recognition for the longer serving members of the team and a chance for them to celebrate and share their stories with the rest of the team.

### Learning and Development

Performance is reviewed bi-annually with each team member to discuss personal and career development. Within this process, goals and objectives are set and linked to personal growth and business development as well as Ted's environmental and social commitments. We allow our people to broaden their abilities and knowledge by exposing them to new experiences. We invest in training which ranges from specialist and technical skills training, to in-house developed courses focusing on management skills, leadership skills, brand awareness and self-awareness. Firm career paths exist across the Group and inter-departmental and international moves play a large part in retaining and growing talent.

### Diversity

The Group believes in respecting individuals and their rights in the workplace. With this in mind, specific policies are in place covering harassment and bullying, whistleblowing and equal opportunities. Our team represents a wide and diverse workforce from all backgrounds, sexual orientations, nationalities and ethnic and religious groups. We support sponsorship of visa applications, where appropriate, to retain specific talent within the business. With continued overseas expansion our workforce is becoming more diverse and we respect cultural differences and actively seek to learn about them in each territory we operate.

### Health, Safety and Welfare

Our duty and commitment to the well-being of our team is supported by activity such as private healthcare, occupational health, health seminars and funding for flu jabs. During the period, we conducted a Wellness health assessment day and we offer health and fitness classes to our team members at our head office. We also run a Childcare Voucher Scheme. We launched an Employee Assistance Programme during the year that further supports our genuine concern for the well-being of our team.

The prevention and identification of risks and accidents is supported by an external Health and Safety service provider and ongoing training of management teams. A dedicated Health and Safety focused team member has been appointed and will strengthen our knowledge and commitment in this area of our business.

### Disabled Employees

Applications for employment by disabled persons are always fully and fairly considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of the team becoming disabled every effort is made to ensure that their employment with the Group continues and that where appropriate reasonable adjustments are made and relevant training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### Culture

The spirit in which we conduct our business and interact with our team always takes into consideration "Would Ted do it that way?". We regularly host internal events, including Teducation sessions with the Chief Executive, telling the story behind the brand, and also family days where we open our doors to family and friends.

### Employer Brand

The culture sets the tone for how our "employer brand" speaks to our teams. Aligned to the business brand, our Ted tone of voice is translated through every employee touch point throughout the employee lifecycle. Our Coach Station department leads the way in communicating a unique approach to all people and team orientated activity.

### Employee Engagement

The Group places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them and on the significant factors affecting the performance of the Group. This is achieved through formal and informal meetings and employee representatives are consulted regularly on a wide range of matters affecting employees current and future interests. Employees are regularly informed of the Group's performance and the factors affecting its performance during the year.

## BOARD OF DIRECTORS



### David Alan Bernstein – Non-Executive Chairman (69)

David is Chairman of The Football Association and Non-Executive Director of Wembley National Stadium Limited. Previously he was joint Managing Director of Pentland Group PLC, Chairman of Manchester City PLC, Blacks Leisure PLC and French Connection PLC. He is Chairman of the Nomination Committee and a member of the Audit and Remuneration Committees. David is an independent director.

### Raymond Stuart Kelvin, CBE – Chief Executive (57) ("Closest Man To Ted")

Ray, the founder of Ted Baker, has worked in the fashion industry for over 39 years. In 1973 he founded PC Clothing Limited, a supplier of womenswear to high street retailers. In 1987 Ray developed the Ted Baker brand and has been Chief Executive of Ted Baker since its launch in 1988. In the New Year Honours' List of 2011 Ray was appointed Commander of the Order of the British Empire (CBE) for services to the fashion industry.

### Lindsay Dennis Page, MA, ACA – Finance Director (54)

Lindsay joined Ted Baker as Finance Director in February 1997. He joined Binder Hamlyn in 1981 and became a founder member of the corporate finance department in 1986 and a partner in 1990. Binder Hamlyn subsequently merged with Arthur Andersen in 1994.

### Ronald Stewart – Non-Executive Director (65)

Ron spent all his 39 year banking career at The Royal Bank of Scotland PLC, retiring in 2003 as Deputy Managing Director of its Corporate Banking Department in London. He is a trustee of several Christian charities and a Governor of Reeds School in Surrey. He is Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees. Ron is an independent director and the Senior Non-Executive Director.

### Anne Sheinfeld – Non-Executive Director (47)

Anne was appointed as a non-executive director on 15 June 2010. Anne is a commercial lawyer with more than two decades of post qualification experience in the theatre, TV and music areas of entertainment and has a wealth of intellectual property and commercial legal experience. She is Chairman of the Remuneration Committee. Anne is an independent director.

### Robert Breare – (60) (Resigned 9 January 2013)

Robert has extensive experience of consumer facing businesses and was formerly a founder and chief executive officer of Arcadian International PLC, which included Malmaison Hotels. Robert is Chief Executive Officer of Snoozebox Ltd, a luxury portable events hotel operating both in the UK and internationally. Prior to his resignation Robert served as the Non-Executive Chairman and was Chairman of the Nomination Committee and a member of the Remuneration and Audit Committees.





# DIRECTORS' REMUNERATION REPORT

This report has been prepared in accordance with Section 420 of the Companies Act 2006 and in compliance with the provisions of the Code, as disclosed in the Company's corporate governance statements, and the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 regarding the contents of the report.

## Remuneration Committee

The Remuneration Committee (the "Committee") is chaired by David Bernstein and its other members are Robert Breare (until resignation on 9 January 2013) and Ronald Stewart. David Bernstein and Ronald Stewart are independent non-executive directors as noted in the corporate governance statements. In line with Provision D.2.1. of the Code, Robert Breare, as Non-Executive Chairman, may be a member of but not chair the Committee, as he was considered to be independent on appointment. The Committee met three times during the year with full attendance, apart from one meeting where David Bernstein was unable to attend. Following the resignation of Robert Breare in January 2013, Anne Sheinfeld, an independent non-executive director became Chairman of the Remuneration Committee and David Bernstein will remain a member of the Committee.

During the period, the Committee was assisted in its work by the following external advisors:

Advisor	Appointed by	Service provided to the Committee	Other services provided to the Company
PricewaterhouseCoopers LLP	Company	Advice on share schemes	Tax, legal and accounting services to the Group
Jones Day	Company	Advice on share schemes	General legal advice

The Committee is responsible for setting the remuneration packages of the executive directors of the Board and other senior executives who fall within the scope of the Committee. It approves all service contracts or other contracts between the Company and its executive directors and senior executives and considers and, if thought fit, approves any outside interests and other directorships of the executive directors. The Committee also reviews and approves the design of the

Company's share based incentive schemes and determines the level of awards to be made and approves the performance targets.

The terms of reference for the Committee are available on request from the Company Secretary.

During the period the Committee considered and approved the terms, including the option exercise price, of the 2012 Sharesave Scheme and the conversion of units under the Ted Baker 2009 Value Creation Plan into nil cost options. The Committee considered the salary increases for the executive directors and senior executives having regard to salary levels across the overall Group and the findings of the remuneration report produced by Ernst & Young LLP in the prior year. When reviewing salary benchmarking in respect of Lindsay Page, the Committee recognises that he has a broader role and is considered deputy to the Chief Executive. The Committee also considered Board and Executive Committee training and development plans.

The Remuneration Committee has completed a review of the existing incentive schemes and, with the Ted Baker 2009 Value Creation Plan vesting in August 2012, intends to adopt a new arrangement. The Committee will seek the relevant shareholder approval once details of an appropriate long term incentive plan have been finalised.

## Remuneration Policy

The aim of the Group's remuneration policy is to attract, motivate and retain high quality management and to incentivise them according to the levels of value generated for shareholders.

The total size of the remuneration package is judged by comparison with the value of packages of similar companies, having regard to:

- the size of the company, its turnover, profits and number of people employed;
- the diversity and complexity of the business;
- the geographical spread of the business; and
- the growth and expansion profile.

Non-executive directors are remunerated with fees in line with market rates. They do not receive any pension or other benefits, other than reasonable expenses, and they do not participate in any bonus or share schemes.

## Key Components of Executive Remuneration

	Linkage to strategy	Operation	Maximum potential	Performance metrics and period	Changes to policy since last approved
<b>Basic Salary</b>	N/A	Reviewed annually with regard to competitive market practice and each director's contribution to the business. Increases reflect inflation and in line with wider employee increases	Salary increases will generally be no higher than the increase in RPI	N/A	No change
<b>Annual Bonus</b>	Provides a direct link between the rewards for executives and returns to shareholders	Annual grant condition on achievement of agreed financial targets	100% of salary	Growth in profit before tax*	No change
<b>Long Term Incentive Schemes</b>	Delivery of sustainable value to shareholders	Value Creation Plan delivering value through growth in B ordinary shares or in nil cost options over ordinary shares	Share of pool representing 12.5% of the growth in the Company's market value and share price target	Performance conditions measured over three financial years with 50% vesting at the end of the third year and 50% at the end of the fourth year. Performance conditions are share price per growth, earnings per share and total shareholder return.	No change
<b>Pension and Other Benefits</b>	N/A	Pension contributions, company car, fuel and medical expense insurance	Pension contribution to a money purchase scheme of 12.5% of salary for executive directors other than Raymond S Kelvin	N/A	No change

\* The target was set by reference to Group budgets and consensus market expectations for the financial year and in the event was not met, despite the outcome for the year reflecting strong performance of profit before tax of £28,922,000. Accordingly, no annual bonus has been paid to the Executive Directors or other employees.

## Remuneration Package

Remuneration packages are structured to provide a balance between fixed basic salary and variable remuneration based on individual and Group performance.

## Long Term Incentive Schemes

The Committee strongly believes that executives should participate in equity-based incentives which support the Company's overall business strategy and objectives. In addition, share ownership by executives strengthens the link between their personal interests and those of the shareholders.

This was historically approached through annual grants of conditional share awards under the Performance Share Plan and grants of share options every three to five years under the 1997 Executive Share Option Scheme and/or the Performance Share Plan. These plans impose an aggregate individual limit on the market value of shares which may be subject to options or awards of ten times

that individual's annual remuneration. The Committee's policy was usually to grant share options based on between one and four times an individual's annual remuneration, and to grant conditional awards based on one times an individual's annual remuneration.

Following the Committee's extensive review of the existing conditional share awards and share options in 2009, the Committee introduced the Value Creation Plan. The Value Creation Plan focuses executives on shareholder returns as the rewards earned are directly linked to share price performance and total shareholder return exceeding the return on an appropriate index. Since the introduction of the Value Creation Plan, no awards or options have been granted under the Performance Share Plan or the 1997 Executive Share Option Scheme.

The provisions of long term incentive schemes cannot be altered to the benefit or advantage of participants without prior shareholder approval in a general meeting.

The following schemes are in operation for the benefit of executive directors:

#### The Ted Baker 2009 Value Creation Plan

Under this plan, an award of units is made which has no value at grant but, subject to satisfaction of earnings per share, share price and total shareholder return performance targets, converts into nil cost options to acquire ordinary shares in the Company at the end of the three year performance period. The performance conditions were chosen to support the delivery of sustainable value to shareholders. Conversion of units is based on each unit having a value calculated by reference to a pool of value, being 12.5% of the market value of all issued ordinary shares in the Company above the share price growth target (described in the next paragraph) multiplied by the number of ordinary shares in issue at that date, and then divided by the total number of units awarded. The aggregate value of the units held by an executive is then divided by the market price per share on conversion to determine the number of shares subject to that executive's nil cost options. A nil cost option over 50% of the shares will be granted to the executive at the end of the performance period and a further nil cost option over the balance of the shares after a further year.

The terms and conditions of the awards of units granted on 13 August 2009 are as follows:

- no benefit is provided unless the earnings per share growth over the performance period is greater than 5% per annum compound above the consensus forecasts for the financial year ended January 2010;
- no benefit is provided unless the share price growth is greater than 10% per annum compound over the performance period; and
- no benefit is provided unless total shareholder return exceeds the return on the FTSE General Retail Sector Index over the performance period.

The 2009 awards under the plan have been supplemented, in accordance with the plan rules, with a parallel linked issue of B ordinary shares in the Company's subsidiary, No Ordinary Designer Label Limited, to recipients of the 2009 awards with the aim of delivering the benefits under the 2009 awards in a more tax efficient manner. The award holders purchased the B ordinary shares at fair market value and they will only be able to realise any value in those shares by reference to the value of No Ordinary Designer Label Limited above a predetermined hurdle value at the end of the three year performance period applicable to the 2009 awards described above. At the end of the performance period, an award holder can therefore receive his benefit under the plan either by exercising the nil cost option under the 2009 award or selling B ordinary shares, but the gross benefit to the award holder cannot exceed the gross value realisable under the 2009 award and he cannot receive any benefit earlier than the time described above in relation to the nil cost option.

#### The Ted Baker 1997 Executive Share Option Scheme

Under this scheme, options may be granted to subscribe for new shares and to acquire shares from the Ted Baker Group Employee Benefit Trust. There are currently no options under this scheme.

#### The Ted Baker Performance Share Plan

Under this plan, both conditional share awards and share options may be granted. There are currently no awards or options under this scheme.

#### The Ted Baker Sharesave Scheme

Under this scheme, options are made available to all employees to encourage share ownership. The exercise of options is not subject to performance conditions. Lindsay D Page holds options under this scheme.

#### Contracts of Service

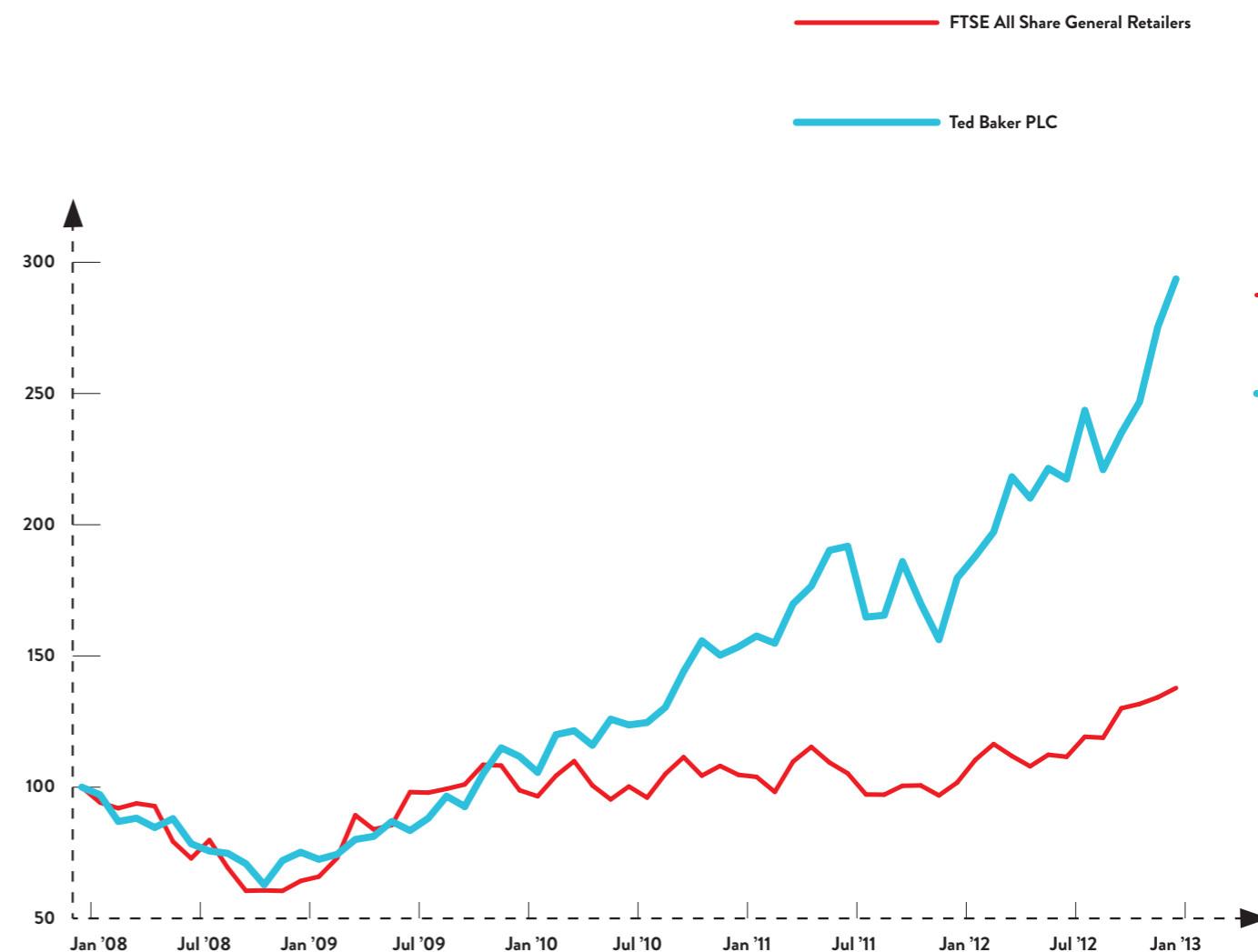
Each executive director has a service contract with a notice period of 12 months. Service contracts and letters of appointment are available for inspection at the registered office. The Board sets non-executive directors' fees.

	Date of service contract	Unexpired term	Notice period	Provision for compensation
Robert Breare*	1 November 2001	6 months	6 months	None
David A Bernstein	24 January 2003	6 months	6 months	None
Raymond S Kelvin	17 July 1997	12 months	12 months	None
Lindsay D Page	17 July 1997	12 months	12 months	None
Ronald Stewart	25 February 2009	6 months	6 months	None
Anne Sheinfield	15 June 2010	6 months	6 months	None

\*Resigned 9 January 2013.

#### Total Shareholder Value

The following graph charts the total cumulative shareholder return of the Company from January 2008 to January 2013.



**Audited Information**

The auditors are required to report on the individual aspects of remuneration, which may be found in the following section of this report.

**Directors' Remuneration, Interests and Transactions**

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
Emoluments	898	1,269
Money purchase pension contributions	41	40
	<b>939</b>	<b>1,309</b>

**Directors' Emoluments**

	Fees/basic salary	Benefits	Performance related bonus	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000	£'000	£'000	£'000
<b>Executive</b>					
Raymond S Kelvin	354	8	-	362	569
Lindsay D Page	338	3	-	341	530
<b>Non-executive</b>					
R Breare*	75	-	-	75	50
D A Bernstein	40	-	-	40	40
R Stewart	40	-	-	40	40
A Sheinfield	40	-	-	40	40
	<b>887</b>	<b>11</b>	<b>-</b>	<b>898</b>	<b>1,269</b>

Performance related bonuses are determined by the Committee based on achievement of targets by reference to agreed financial performance measures and external expectations namely profit before tax and growth in earnings per share. Bonuses are capped at 100% of basic salary.

\* Mr Breare was willing to serve his contractual notice period but the Board determined that it would be preferable to bring in the new Chairman effective immediately and chose to make a payment in lieu of notice.

**Directors' Pensions**

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
Lindsay D Page	41	40

**Directors' Long Term Incentive Schemes****Awards and nil cost options under the Ted Baker 2009 Value Creation Plan**

On 13 August 2009, the Committee made the award of 100,000 units under the Ted Baker 2009 Value Creation Plan (the "VCP") to the Executive Directors and other employees, subject to a three year performance period ending 12 August 2012. Awards under the VCP were subject to growth in earnings per share, share price and total shareholder return over a three year period, details of which may be found on page 34.

	Average share price at award date	No. of units awarded
Raymond S Kelvin	376.1p	17,900 (17.9% of total issued units)
Lindsay D Page	376.1p	15,600 (15.6% of total issued units*)

Based on the achievement of performance conditions, the units awarded on 13 August 2009 converted into options to acquire 2,177,115 ordinary shares in the Company. In accordance with the rules of the VCP, 50% of these options were exercisable immediately, and the remaining 50% are exercisable on 8 October 2013.

Performance Conditions	Target	Achieved	% Vesting
Earnings per share	31.0p	49.9p	100%
Share Price	10.0% per annum	33.0%	100%
Total Shareholder Return	Exceeds FTSE General Retail Sector Index	Yes	100%

Nil cost options granted to Directors under the VCP were as follows:

	28 January 2012 No. of shares	Nil cost options granted No. of shares	Nil cost options exercised No. of shares	26 January 2013 No. of shares	Option price	Expiry Date
Raymond S Kelvin	-	404,763	-	404,763	930.0p	7 October 2019
Lindsay D Page	-	353,206	(176,603)	176,603	930.0p	7 October 2019

Nil cost options granted in respect of Raymond S Kelvin and Lindsay D Page represent 34.8% of the total number of nil cost options granted. The balance included other senior executives across the Group.

**Share Options**

Share options granted to directors under the Ted Baker Sharesave Scheme were as follows:

	28 January 2012 No. of shares	Options (exercised) or granted No. of shares	26 January 2013 No. of shares	Option price	Earliest date of exercise	Expiry date
Lindsay D Page	5,165	-	5,165	303.0p	1 July 2014	1 July 2015

Anne Sheinfield

Chairman of the Remuneration Committee

## OTHER DISCLOSURES

*The directors present their Annual Report on the affairs of the Group, together with the Accounts and Auditors' report, for the 52 weeks ended 26 January 2013. The comparative period is for the 52 weeks ended 28 January 2012.*

### Principal Activities

Ted Baker is a leading designer brand and the principal activities of the Group comprise the design, wholesale and retail of menswear, womenswear and related accessories. The subsidiary undertakings principally affecting the profits and net assets of the Group in the period are listed in note 12 to the accounts. The Group also has branches operating in Eire, Portugal and Hong Kong and a representative office in Italy.

### Business Review and Future Prospects

A commentary on the Group's progress during the period and its future prospects are set out in the Chairman's Statement and Business Review on pages 10 to 15.

The contents of this Directors' Report together with:

- the Chairman's Statement on pages 10 to 11;
- the Business Review on pages 12 to 13;
- the Principal Risks and Uncertainties on page 18;
- the Sustainability and the Environment report on pages 26 to 27; and
- the People report on page 28

constitute the Business Review and are incorporated into this report by reference.

Name of Holder	Number	% Held
Raymond S Kelvin	16,537,899	38.83
Schroder Investment Management	3,116,198	7.32
BlackRock	2,319,363	5.45
Standard Life Investments	2,144,479	5.04

### Share Capital and Control

As at 26 January 2013, the Company's authorised share capital was 80,000,000 ordinary shares of 5p each (in nominal value). Details of the Company's share capital are shown in note 19 to the consolidated financial statements on page 65. On 26 January 2013 there were 43,198,033 ordinary shares in issue of which the Company holds 608,991 ordinary shares in treasury. The rights and obligations attaching to the Company's shares, in addition to those conferred on their holders by law, are set out in the Articles

### Results and Dividends

The audited accounts for the 52 weeks ended 26 January 2013 are set out on pages 44 to 74. The Group profit for the 52 weeks, after taxation, was £21,597,000 (2012: £17,557,000). The directors recommend a final dividend of 18.7p per ordinary share (2012: 16.25p) payable on 14 June 2013 to ordinary shareholders on the register on 10 May 2013 which, together with the interim dividend of 7.9p per share (2012: 7.15p per share) paid on 23 November 2012, makes a total of 26.6p per share for the period (2012: 23.4p per share).

### Directors

The directors during the financial year were those listed on page 29. Details of the directors' beneficial interests in the shares of the Company are shown on page 39. Details of their options are given in the Directors' Remuneration Report on pages 34 to 37. Brief details of the career of each director are set out on page 29.

### Substantial Shareholdings

On 21 March 2013, the Company had been notified, in accordance with the Disclosure Rules and Transparency Rules (DTR5), of substantial interests in the ordinary share capital of the Company. For details see the table below.

of Association. The holders of ordinary shares are entitled to receive all shareholder documents, attend and speak at general meetings of the Company, exercise all voting rights and to receive dividends and participate in other distributions of assets. The Company may not exercise any rights (such as voting rights) in respect of the treasury shares and the treasury shares carry no right to receive dividends or other distributions of assets. The Company is not aware of any agreements between shareholders restricting the voting rights or the right to transfer shares in the Company.

The rules about the appointment and replacement of directors are contained in the Company's Articles of Association.

Changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force from time to time. The powers of the directors are determined by legislation and the Articles of Association of the Company in force from time to time. Powers relating to the issuing and buying back of shares are included in the Company's Articles of Association and shareholder approval of such authorities may be sought, if considered appropriate by directors, at the Annual General Meeting.

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid,

	% of share capital	26 January 2013 Beneficial	28 January 2012 Beneficial
Raymond S Kelvin	38.83	16,537,899	16,537,276
Lindsay D Page	-	43,851	43,851
R Stewart	-	300	300

### Going Concern

The directors have reviewed the Group's budgets and long term projections. After making enquiries, the directors have a reasonable expectation that the Company and the Group have 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 financial statements.

### Creditor Payment Policy

The Company's policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Company does not follow any code or statement on payment practice. The number of days' purchases outstanding for payment by the Group at the end of the year was 44 days (2012: 40 days). At the year end the Company had no trade creditors.

### Donations

The value of charitable donations made during the period was £30,266 (2012: £33,293).

### Social Responsibility

Details of the Group's social, ethical and environmental responsibility initiatives are set out in the Sustainability and the Environment report on pages 26 and 27.

### People

Details of the Group's policies with respect to people and employees are set out in the People report on page 28.

### Health and Safety

The Group remains committed to providing a safe place to work and shop for all employees and customers. Annual risk assessments are carried out at all locations and a committee, comprised of representatives within the business and an external advisor, reviews and resolves any health and safety issues.

such as commercial contracts, bank loan agreements and employee share schemes. None of these is deemed to be significant in terms of its potential impact on the business of the Company.

The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover, save that the Company's share schemes contain provisions which may cause options and awards granted to employees to vest on a takeover.

### Directors' Interests

The directors who held office at 26 January 2013 had interests in the shares of Ted Baker PLC as shown in the table below.

### Risk Management

The Company's policies on currency and interest rate risk are outlined in note 22 of the financial statements on pages 68 to 74.

### Directors' Statement Regarding Disclosure of Information to Auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. Further, each director has taken all the steps that he ought to have taken as a director to ensure the Board is aware of any relevant audit information and to establish that the Company's auditors are aware of any such information.

### Auditors

KPMG Audit Plc have expressed their willingness to continue in office as auditors and a resolution will be proposed to reappoint them at the Annual General Meeting.

The report was approved by the Board of Directors on 21 March 2013 and signed on its behalf by:

*Charles F Anderson,*

### Secretary

Registered office – The Ugly Brown Building, 6a St. Pancras Way, London NW1 0TB

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements.

The directors are responsible for preparing the Annual Report and Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company 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;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### *Responsibility statement of the directors in respect of the Annual Report*

We, the directors of the Company, confirm that to the best of our knowledge:

- (a) the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit for the Group and the undertakings included in the consolidation taken as a whole; and
- (b) pursuant to Chapter 4 of the Disclosure and Transparency Rules, the Group's Annual Report contains a fair review of the development and performance of the business and the position of the Group, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board:

Raymond S Kelvin  
Chief Executive  
21 March 2013

Lindsay D Page  
Finance Director  
21 March 2013

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TED BAKER PLC

We have audited the financial statements of Ted Baker PLC for the 52 weeks ended 26 January 2013 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Changes in Equity, the Group and Parent Company Balance Sheets, the Group and Parent Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### *Respective responsibilities of directors and auditor*

As explained more fully in the Directors' Responsibilities Statement set out on page 40, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### *Scope of the audit of the financial statements*

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### *Opinion on financial statements*

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 26 January 2013 and of the Group's profit for the period then ended;

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

### *Opinion on other matters prescribed by the Companies Act 2006*

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### *Matters on which we are required to report by exception*

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

### *Under the Listing Rules we are required to review:*

- the directors' statement, set out on page 40, in relation to going concern;
- certain elements of the report to shareholders by the Board on directors' remuneration.

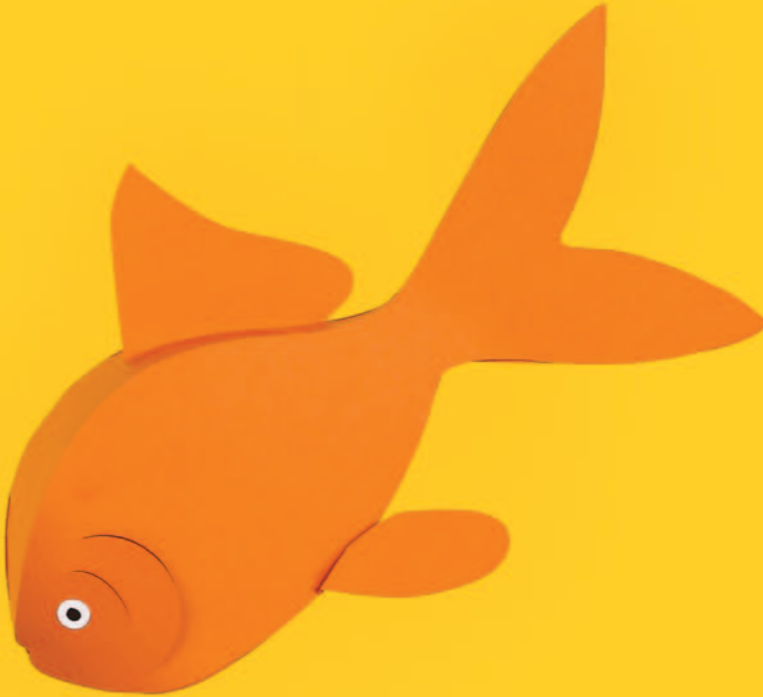
Mike Barradell

Senior Statutory Auditor

for and on behalf of KPMG Audit Plc, Statutory Auditors:

Chartered Accountants  
15 Canada Square, London E14 5GL

21 March 2013



# FINANCIAL STATEMENTS

## Group Income Statement

For the 52 weeks ended 26 January 2013

	Note	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
		£'000	£'000
Revenue	2	254,466	215,625
Cost of sales		(95,740)	(83,419)
<b>Gross profit</b>		<b>158,726</b>	<b>132,206</b>
Distribution costs		(101,357)	(82,358)
Administrative expenses		(32,984)	(29,640)
Exceptional costs		(2,614)	(2,814)
Licence income		7,509	6,733
Other operating income		234	142
<b>Operating profit</b>		<b>29,514</b>	<b>24,269</b>
Finance income	4	34	45
Finance expenses	4	(824)	(208)
Share of profit of jointly controlled entity, net of tax	12	198	149
<b>Profit before tax</b>	<b>3,6</b>	<b>28,922</b>	<b>24,255</b>
Income tax expense	6	(7,325)	(6,698)
<b>Profit for the period</b>		<b>21,597</b>	<b>17,557</b>
<b>Earnings per share</b>	<b>9</b>		
Basic		51.5	42.2p
Diluted		49.9	40.6p

## Group Statement of Comprehensive Income

For the 52 weeks ended 26 January 2013

		52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
		£'000	£'000
<b>Profit for the period</b>		<b>21,597</b>	<b>17,557</b>
<b>Other comprehensive income</b>			
Net effective portion of changes in fair value of cash flow hedges		(320)	(190)
Net change in fair value of cash flow hedges transferred to profit or loss		723	26
Exchange rate movement		152	(92)
<b>Other comprehensive income for the period</b>		<b>555</b>	<b>(256)</b>
<b>Total comprehensive income for the period</b>		<b>22,152</b>	<b>17,301</b>

## Group Statement of Changes in Equity

For the 52 weeks ended 26 January 2013

	Share capital £'000	Share premium £'000	Cash flow hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity attributable to equity shareholders of the parent £'000	Non-controlling interest £'000	Total equity £'000
<b>Balance at 28 January 2012</b>	<b>2,160</b>	<b>9,137</b>	<b>(312)</b>	<b>144</b>	<b>74,056</b>	<b>85,185</b>	-	<b>85,185</b>
<b>Comprehensive income for the period</b>								
Profit for the period	-	-	-	-	21,597	21,597	-	21,597
Deferred tax associated with movement in hedging reserve	-	-	(131)	-	-	(131)	-	(131)
Effective portion of changes in fair value of cash flow hedges	-	-	(189)	-	-	(189)	-	(189)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	723	-	-	723	-	723
Exchange rate movement	-	-	-	152	-	152	-	152
<b>Total comprehensive income for the period</b>	-	-	<b>403</b>	<b>152</b>	<b>21,597</b>	<b>22,152</b>	-	<b>22,152</b>
<b>Transactions with owners recorded directly in equity</b>								
Share options/awards charge	-	-	-	-	240	240	-	240
Movement on current/deferred tax on share options/awards	-	-	-	-	1,225	1,225	-	1,225
Disposal of own/treasury shares	-	-	-	-	222	222	-	222
Dividends paid	-	-	-	-	(10,131)	(10,131)	-	(10,131)
<b>Total transactions with owners</b>	-	-	-	-	<b>(8,444)</b>	<b>(8,444)</b>	-	<b>(8,444)</b>
<b>Balance at 26 January 2013</b>	<b>2,160</b>	<b>9,137</b>	<b>91</b>	<b>296</b>	<b>87,209</b>	<b>98,893</b>	-	<b>98,893</b>

## Group Statement of Changes in Equity

For the 52 weeks ended 28 January 2012

	Share capital £'000	Share premium £'000	Cash flow hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity attributable to equity shareholders of the parent £'000	Non-controlling interest £'000	Total equity £'000
<b>Balance at 29 January 2011</b>	<b>2,160</b>	<b>9,137</b>	<b>(148)</b>	<b>236</b>	<b>64,639</b>	<b>76,024</b>	-	<b>76,024</b>
<b>Comprehensive income for the period</b>								
Profit for the period	-	-	-	-	17,557	17,557	-	17,557
Deferred tax associated with movement in hedging reserve	-	-	50	-	-	50	-	50
Effective portion of changes in fair value of cash flow hedges	-	-	(240)	-	-	(240)	-	(240)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	26	-	-	26	-	26
Exchange rate movement	-	-	-	(92)	-	(92)	-	(92)
<b>Total comprehensive income for the period</b>	-	-	<b>(164)</b>	<b>(92)</b>	<b>17,557</b>	<b>17,301</b>	-	<b>17,301</b>
<b>Transactions with owners recorded directly in equity</b>								
Share options/awards charge	-	-	-	-	446	446	-	446
Movement on current/deferred tax on share options/awards	-	-	-	-	275	275	-	275
Disposal of own/treasury shares	-	-	-	-	69	69	-	69
Dividends paid	-	-	-	-	(8,930)	(8,930)	-	(8,930)
<b>Total transactions with owners</b>	-	-	-	-	<b>(8,140)</b>	<b>(8,140)</b>	-	<b>(8,140)</b>
<b>Balance at 28 January 2012</b>	<b>2,160</b>	<b>9,137</b>	<b>(312)</b>	<b>144</b>	<b>74,056</b>	<b>85,185</b>	-	<b>85,185</b>



**Company Statement of Changes in Equity**

For the 52 weeks ended 26 January 2013

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 28 January 2012</b>	<b>2,160</b>	<b>9,137</b>	<b>15,339</b>	<b>21,285</b>	<b>47,921</b>
<b>Profit for the period</b>	-	-	-	<b>14,183</b>	<b>14,183</b>
<b>Transactions with owners recorded directly in equity</b>					
Share options/awards charge	-	-	-	37	37
Share options/awards granted to subsidiary employees	-	-	203	-	203
Disposal of own shares	-	-	-	222	222
Dividends paid	-	-	-	(10,131)	(10,131)
<b>Total transactions with owners</b>	-	-	<b>203</b>	<b>(9,872)</b>	<b>(9,669)</b>
<b>Balance at 26 January 2013</b>	<b>2,160</b>	<b>9,137</b>	<b>15,542</b>	<b>25,596</b>	<b>52,435</b>

**Company Statement of Changes in Equity**

For the 52 weeks ended 28 January 2012

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 29 January 2011</b>	<b>2,160</b>	<b>9,137</b>	<b>14,962</b>	<b>15,954</b>	<b>42,213</b>
<b>Profit for the period</b>	-	-	-	<b>14,123</b>	<b>14,123</b>
<b>Transactions with owners recorded directly in equity</b>					
Share options/awards charge	-	-	-	69	69
Share options/awards granted to subsidiary employees	-	-	377	-	377
Disposal of own shares	-	-	-	69	69
Dividends paid	-	-	-	(8,930)	(8,930)
<b>Total transactions with owners</b>	-	-	<b>377</b>	<b>(8,792)</b>	<b>(8,415)</b>
<b>Balance at 28 January 2012</b>	<b>2,160</b>	<b>9,137</b>	<b>15,339</b>	<b>21,285</b>	<b>47,921</b>

**Group and Company Balance Sheet**

At 26 January 2013

	Note	Group 26 January 2013	Company 26 January 2013	Group 28 January 2012	Company 28 January 2012
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Intangible assets	10	983	-	968	-
Property, plant and equipment	11	45,412	-	35,680	-
Investments in subsidiary	12	-	17,631	-	17,428
Investment in equity accounted investee	12	693	-	494	-
Deferred tax assets	13	4,523	-	3,418	-
Prepayments		674	-	695	-
		<b>52,285</b>	<b>17,631</b>	<b>41,255</b>	<b>17,428</b>
<b>Current assets</b>					
Inventories	14	67,673	-	51,872	-
Trade and other receivables	15	34,124	34,376	30,587	30,053
Amount due from equity accounted investee	12	225	-	407	-
Derivative financial assets	16	544	-	411	-
Cash and cash equivalents	17	9,823	440	8,560	444
		<b>112,389</b>	<b>34,816</b>	<b>91,837</b>	<b>30,497</b>
<b>Current liabilities</b>					
Trade and other payables	18	(40,793)	(12)	(35,281)	(4)
Bank overdraft	17	(19,862)	-	(6,790)	-
Income tax payable		(4,360)	-	(3,353)	-
Derivative financial liabilities	16	(269)	-	(1,063)	-
		<b>(65,284)</b>	<b>(12)</b>	<b>(46,487)</b>	<b>(4)</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	13	(497)	-	(1,420)	-
		<b>(497)</b>	<b>-</b>	<b>(1,420)</b>	<b>-</b>
<b>Net assets</b>		<b>98,893</b>	<b>52,435</b>	<b>85,185</b>	<b>47,921</b>
<b>Equity</b>					
Share capital	19	2,160	2,160	2,160	2,160
Share premium	19	9,137	9,137	9,137	9,137
Other reserves	19	91	15,542	(312)	15,339
Translation reserve	19	296	-	144	-
Retained earnings	19	87,209	25,596	74,056	21,285
<b>Total equity attributable to equity shareholders of the parent company</b>		<b>98,893</b>	<b>52,435</b>	<b>85,185</b>	<b>47,921</b>
Non-controlling interest		-	-	-	-
<b>Total equity</b>		<b>98,893</b>	<b>52,435</b>	<b>85,185</b>	<b>47,921</b>

These financial statements were approved by the Board of Directors on 21 March 2013 and were signed on its behalf by:

Lindsay D Page  
Director

**Group and Company Cash Flow Statement**

For the 52 weeks ended 26 January 2013

	Group 52 weeks ended 26 January 2013	Company 52 weeks ended 26 January 2013	Group 52 weeks ended 28 January 2012	Company 52 weeks ended 28 January 2012
	£'000	£'000	£'000	£'000
<b>Cash generated from operations</b>				
Profit for the period	21,597	14,183	17,557	14,123
Adjusted for:				
Income tax expense	7,325	-	6,698	-
Depreciation	9,040	-	7,656	-
Net impairment/(credit)	765	-	(352)	-
Loss on disposal of property, plant and equipment	102	-	30	-
Share options/awards charge	240	37	446	69
Net finance losses/(gains)	789	(5)	201	(4)
Net change in derivative financial assets and liabilities	(1,461)	-	85	-
Share of profit in joint venture	(198)	-	(149)	-
Decrease in non-current prepayments	29	-	62	-
Increase in inventory	(15,762)	-	(9,302)	-
Increase in trade and other receivables	(2,570)	(4,324)	(3,720)	(5,341)
Increase/(decrease) in trade and other payables	5,586	8	242	(10)
Interest paid	(633)	-	(192)	-
Income taxes paid	(7,122)	-	(7,738)	-
<b>Net cash generated from operating activities</b>	<b>17,727</b>	<b>9,899</b>	<b>11,524</b>	<b>8,837</b>
<b>Cash flow from investing activities</b>				
Purchases of property, plant and equipment	(19,774)	-	(14,993)	-
Proceeds from sale of property, plant and equipment	9	-	451	-
Interest received	8	6	8	4
<b>Net cash generated from investing activities</b>	<b>(19,757)</b>	<b>6</b>	<b>(14,534)</b>	<b>4</b>
<b>Cash flow from financing activities</b>				
Proceeds from option holders for exercise of options	222	222	69	69
Dividends paid	(10,131)	(10,131)	(8,930)	(8,930)
<b>Net cash used in financing activities</b>	<b>(9,909)</b>	<b>(9,909)</b>	<b>(8,861)</b>	<b>(8,861)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(11,939)</b>	<b>(4)</b>	<b>(11,871)</b>	<b>(20)</b>
<b>Cash and cash equivalents at 28 January 2012/29 January 2011</b>	<b>1,770</b>	<b>444</b>	<b>13,536</b>	<b>464</b>
Exchange rate movement	130	-	105	-
<b>Net cash and cash equivalents at 26 January 2013/28 January 2012</b>	<b>(10,039)</b>	<b>440</b>	<b>1,770</b>	<b>444</b>
Cash and cash equivalents at 26 January 2013/28 January 2012	9,823	440	8,560	444
Bank overdraft at 26 January 2013/28 January 2012	(19,862)	-	(6,790)	-
<b>Net cash and cash equivalents at 26 January 2013/28 January 2012</b>	<b>(10,039)</b>	<b>440</b>	<b>1,770</b>	<b>444</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and parent financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### a) Basis of preparation

Both the consolidated and parent financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the consolidated financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 10 to 18. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chairman's Statement on pages 10 to 11. In addition note 22 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group has sufficient financial resources. As a consequence the directors have a reasonable expectation that the Company and the Group are well placed to manage their business risks and to continue in operational existence for the foreseeable future, despite the current uncertain global economic outlook. Accordingly, the directors continue to adopt the going concern basis in preparing the consolidated financial statements.

The consolidated and parent financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities (including derivative instruments), which are held at fair value.

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The Group's significant judgement areas relate to inventory provisions and impairment of assets.

#### Revised and amended standards and interpretations

There were no revisions to Adopted IFRSs that became applicable in the period which had a significant impact on the Group's financial statements.

The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements in future years.

#### b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 26 January 2013. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the venturers' unanimous consent for strategic financial and operating

decisions. Jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost.

The consolidated financial statements include the Group's share of the total recognised income and expense and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to £nil and recognition of further losses is discounted except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

#### c) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to functional currency at foreign exchange rates ruling at the dates the values were determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at average foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation since the transition date are recognised directly in a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

#### d) Revenue recognition

Revenue represents amounts receivable for goods provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Retail revenue is recognised when a Group entity sells a product to the customer. Wholesale revenue is recognised when goods are delivered and title has passed. Licence income receivable from licensees is accrued as earned on the basis of the terms of the relevant licence agreement, which is typically on the basis of a minimum payment and a variable amount based on turnover.

The Group sells retail products with the right of return and experience is used to estimate and provide for the value of such returns at the time of sale when considered significant. Credit notes or exchanges are available to customers returning unwanted products with proof of purchase within 28 days of the date of purchase.

Sale of gift vouchers are treated as future liabilities and revenue is recognised when the gift vouchers are redeemed against a later transaction.

#### e) Leases

Rentals under operating leases are charged as incurred, unless there are pre-determined rental increases in the lease, in which case they are recognised on a straight-line basis over the lease term. Leasehold incentives received are recognised as an integral part of total lease expense, over the term of the lease.

Certain rental expense is determined on the basis of revenue achieved in specific retail locations and is accrued for on that basis.

The Group's intangible asset, as shown in note 10, relates to leased premises which have a guaranteed residual value. The guaranteed value arises because the next tenant, based on current market conditions, will pay this amount to the Group. Due to the likelihood that the money will be recoverable, the asset is not amortised.

#### f) Pension costs

Contributions payable to defined contribution schemes in respect of pension costs and other post retirement benefits are charged to the consolidated income statement in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### g) Share based payments

The Group operates an equity settled share based compensation plan.

#### Share options and conditional share awards

Share options and conditional share awards are measured at fair value at the date of grant using the Black-Scholes pricing model, taking into account the terms and conditions of the options/awards vesting. The grant date fair value is expensed on a straight line basis over the vesting period (i.e. the period in which the employees become unconditionally entitled to share options/awards) based on an estimate of shares that will eventually vest. Shares of Ted Baker PLC held by the Company for the purpose of filling obligations in respect of employee share plans are deducted from equity in the balance sheet. Any surplus or deficit arising on the sale of the Ted Baker PLC shares held by the Company is included as an adjustment to reserves.

#### Value Creation Plan

The Group also operates a Value Creation Plan ("VCP") which awards entitlements to certain employees and directors of the Group. These entitlements are convertible into options over ordinary shares subject to the Group's share price reaching certain targets. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in equity. The fair value

is initially recognised at the date of the award of the entitlements and spread over the period during which the entitlements are convertible into ordinary shares. The fair value of the entitlements is based on a Monte Carlo valuation model, taking into account the terms and conditions upon which the instruments were granted.

Transactions of the Company-sponsored Employee Benefit Trust ("EBT") are treated as being those of the Company and are therefore reflected in the parent company and Group financial statements. In particular, the EBT's purchases and sales of shares in the Company are debited and credited directly to equity.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

#### h) Derivatives

The Group holds derivative financial instruments to hedge its foreign currency exposure. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

#### Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

#### i) Taxation

Corporation tax payable is recognised on taxable profits using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than

a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is not recognised for temporary differences relating to investments in subsidiaries to the extent they will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Income tax comprises current and deferred tax.

#### j) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group and Company financial statements in the period in which it is declared.

#### k) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

#### l) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, on the following bases:

- Leasehold improvements:  
Straight line over the period of the lease.
- Fixtures, fittings and office equipment:  
20% to 25% per annum on a straight-line basis apart from computer equipment, which is 33% per annum on a straight-line basis.
- Motor vehicles:  
25% per annum on a straight-line basis.
- Assets under construction:  
Assets in the course of construction are stated at cost less any provision for impairment and transferred to completed assets when substantially all of the activities necessary for the asset to be ready for use have occurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

#### m) Investments

Investments in subsidiaries by the Company are shown at cost less accumulated impairment losses which are recognised in the income statement.

#### n) Impairment of property, plant and equipment and indefinite life intangible assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Recoverable amounts for cash-generating units are based on value in use, which is calculated from cash flow projections using data from the Group's latest internal forecasts, the results of which are reviewed by the Board.

The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in margins. Management use a pre-tax discount rate derived from the Group's weighted average cost of capital. Internal forecasts reflect the current market assessment and risks specific to the cash-generating units. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market.

Impairment losses are recognised in the income statement. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but so that the increased carrying value does not exceed the carrying value that would have been determined if no impairment loss had been recognised for the asset in prior years. A reversal of an impairment loss is recognised in income immediately.

#### o) Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and inward transportation costs. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

#### p) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and money market deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

#### r) Finance income and expenses

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date.

#### s) Segment reporting

A segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Board to make decisions about resources to be allocated to a segment and assess its performance, and for which discrete financial information is available (see note 2).

#### t) Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

#### u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly incremental costs (net of income taxes), is deducted from retained earnings in equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

#### v) Accounting estimates and judgements

The directors have made significant accounting estimates and judgements in applying the Group's accounting policies in the following areas:

Impairment – the directors have used forecast models and an appropriate pre-tax weighted average cost of capital in its property, plant and equipment impairment calculations. Growth assumptions are based on directors' knowledge and historical experience.

Inventory valuation – the directors have used their knowledge and experience of the fashion industry in determining the level and rates of provisioning required to calculate the appropriate inventory carrying values.

Deferred taxes assets – the recognition of deferred tax assets is dependent on assessments of probable future taxable income in the relevant countries concerned in the time period available for utilisation of the respective losses. Judgement is involved in determining the profitability expectations when assessing the recovery of the asset. The directors have used their knowledge and expectations of future performance for each jurisdiction in forming this assessment.

#### w) Non-GAAP performance measures

The directors believe that the profit before exceptional items and adjusted earnings per share measures provide additional useful information for shareholders on the underlying performance of the business. These measures are consistent with how underlying business performance is measured internally.

The exceptional profit before tax measure is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies.

Exceptional items in the current year include:

- significant pre opening costs (including rental) for new store openings;
- an impairment charge in respect to some retail assets, notably

a retail development in the UK that has failed to deliver on its potential; and

- costs incurred in relation to expansion into new markets.

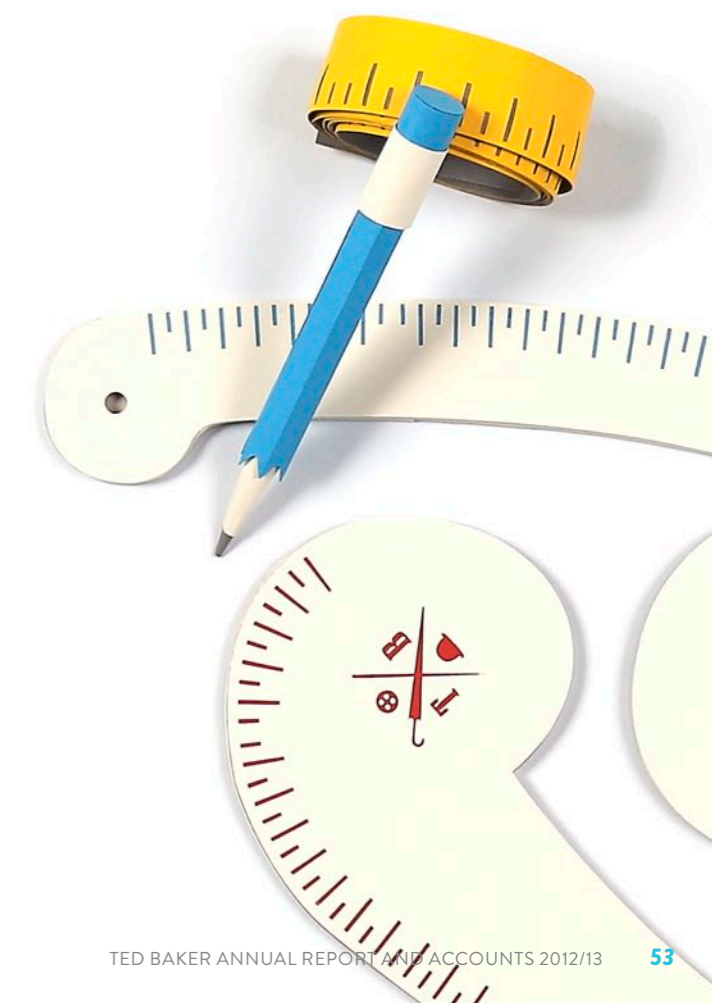
## 2. Segment information

The Group has three reportable segments: retail, wholesale and licensing.

For each of the three segments, the Group's chief operating decision maker (the Board) reviews internal management reports on a four weekly basis.

Information regarding the results of each reportable segment is included below. Performance for the retail segment is measured based on operating contribution, whereas performance of the wholesale segment is measured based on gross profit and performance of the licence segment is measured based on royalty income, as included in the internal management reports that are reviewed by the Board.

Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the performance of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.



## a) Segment revenue and segment result

52 weeks ended 26 January 2013	Retail	Wholesale	Licensing	Total
	£'000	£'000	£'000	£'000
Revenue	207,953	46,513	-	254,466
Cost of sales	(70,268)	(25,472)	-	(95,740)
<b>Gross profit</b>	<b>137,685</b>	<b>21,041</b>	<b>-</b>	<b>158,726</b>
Operating costs	(100,121)	-	-	(100,121)
<b>Operating contribution</b>	<b>37,564</b>	<b>21,041</b>	<b>-</b>	<b>58,605</b>
Licence income	-	-	7,509	7,509
<b>Segment result</b>	<b>37,564</b>	<b>21,041</b>	<b>7,509</b>	<b>66,114</b>
<b>Reconciliation of segment result to profit before tax</b>				
Segment result	37,564	21,041	7,509	66,114
Other operating costs				(34,220)
Exceptional costs				(2,614)
Other operating income				234
<b>Operating profit</b>				<b>29,514</b>
Net finance expense				(790)
Share of profit of jointly controlled entity, net of tax				198
<b>Profit before tax</b>				<b>28,922</b>
Capital expenditure	17,358	194	-	17,552
Unallocated capital expenditure				2,305
<b>Total capital expenditure</b>				<b>19,857</b>
Depreciation	6,814	199	-	7,013
Unallocated depreciation				2,027
<b>Total depreciation</b>				<b>9,040</b>
Segment assets	126,688	26,842	-	153,530
Other assets				11,144
<b>Total assets</b>				<b>164,674</b>
Segment liabilities	(49,568)	(11,087)	-	(60,655)
Other liabilities				(5,126)
<b>Total liabilities</b>				<b>(65,781)</b>
<b>Net assets</b>				<b>98,893</b>

Wholesale sales are shown after the elimination of inter-company sales of £28,714,000 (2012: £20,348,000).

52 weeks ended 28 January 2012	Retail	Wholesale	Licensing	Total
	£'000	£'000	£'000	£'000
Revenue	174,185	41,440	-	215,625
Cost of sales	(60,667)	(22,752)	-	(83,419)
<b>Gross profit</b>	<b>113,518</b>	<b>18,688</b>	<b>-</b>	<b>132,206</b>
Operating costs	(81,207)	-	-	(81,207)
<b>Operating contribution</b>	<b>32,311</b>	<b>18,688</b>	<b>-</b>	<b>50,999</b>
Licence income	-	-	6,733	6,733
<b>Segment result</b>	<b>32,311</b>	<b>18,688</b>	<b>6,733</b>	<b>57,732</b>
<b>Reconciliation of segment result to profit before tax</b>				
Segment result	32,311	18,688	6,733	57,732
Other operating costs				(30,791)
Exceptional costs				(2,814)
Other operating income				142
<b>Operating profit</b>				<b>24,269</b>
Net finance expense				(163)
Share of profit of jointly controlled entity, net of tax				149
<b>Profit before tax</b>				<b>24,255</b>
Capital expenditure	12,178	159	-	12,337
Unallocated capital expenditure				2,752
<b>Total capital expenditure</b>				<b>15,089</b>
Depreciation	5,460	157	-	5,617
Unallocated depreciation				2,039
<b>Total depreciation</b>				<b>7,656</b>
Segment assets	100,512	23,691	-	124,203
Other assets				8,889
<b>Total assets</b>				<b>133,092</b>
Segment liabilities	(33,986)	(8,085)	-	(42,071)
Other liabilities				(5,836)
<b>Total liabilities</b>				<b>(47,907)</b>
<b>Net assets</b>				<b>85,185</b>

## b) Geographical information

	UK & Europe	US & Canada	Asia	Total
	£'000	£'000	£'000	£'000
<b>52 weeks ended 26 January 2013</b>				
Revenue	204,146	44,134	6,186	254,466
Non-current assets*	27,877	16,498	3,387	47,762
<b>52 weeks ended 28 January 2012</b>				
Revenue	184,094	27,787	3,744	215,625
Non-current assets*	25,474	9,210	3,153	37,837

\*Non-current assets exclude deferred tax assets.

## c) Revenue by collection

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
Menswear	117,355	108,252
Womenswear	137,111	107,373
	<b>254,466</b>	<b>215,625</b>

## 3. Profit before tax

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
Profit before tax is stated after charging:		
Depreciation	9,040	7,656
Exceptional costs	2,614	2,814
Net impairment reversal of property, plant and equipment	-	(352)
Operating lease rentals for leasehold properties	22,430	18,915
Audit of these financial statements	9	9
Loss on sale of property, plant & equipment	102	30
Audit of financial statements of subsidiaries of the Company	101	76
Interim financial statements review	20	20
Audit related assurance services	18	20
Taxation compliance services	9	-
Other tax advisory services	31	-
All other services (forensic services)	165	-

The exceptional costs incurred during the year of £2.6m (2012: £2.8m) are in respect of £1.6m rent paid in advance for stores that did not commence trading until the first half of the period. The balance of £1.0m includes an impairment charge of £0.8m in respect of some retail assets, notably a retail development in the UK that has failed to deliver on its potential. The remaining £0.2m relates primarily to set up costs incurred for our expansion into China.

The exceptional costs incurred during the 52 weeks to 28 January 2012 were in respect of rent paid in advance for stores that did not commence trading until the first half of 2012, set up costs in relation to our expansion into China and provision for bad and doubtful debts in respect of our exposure in Greece.

## 4. Finance income and expenses

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
<b>Finance income</b>		
- Interest receivable	34	7
- Foreign exchange gains	-	38
	<b>34</b>	<b>45</b>
<b>Finance expenses</b>		
- Interest payable	(646)	(208)
- Foreign exchange losses	(178)	-
	<b>(824)</b>	<b>(208)</b>

## 5. Staff numbers and costs

The average number of employees (including executive directors) was:

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	No.	No.
Sales	1,867	1,706
Design	38	37
Administration	280	236
	<b>2,185</b>	<b>1,979</b>
Their aggregate remuneration comprised:	£'000	£'000
Wages and salaries	40,456	34,782
Share based charge	240	446
Social security costs	4,062	3,252
Pension costs	623	549
	<b>45,381</b>	<b>39,029</b>

The figures stated above are Group staff costs and as such include the costs for Raymond S Kelvin, who is the only salaried employee of the parent company for both years. Further details of his remuneration may be found in the Directors' Remuneration Report on pages 32 to 37.

## 6. Income tax expense

a) The tax charge comprises:

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
Current tax	8,550	7,155
Deferred tax	(1,510)	(692)
Prior year under provision	285	235
	<b>7,325</b>	<b>6,698</b>

b) *Deferred tax movement by type*

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
Property, plant and equipment	466	(380)
Share based payments	80	(151)
Overseas losses	(1,957)	(192)
Inventory	(51)	(35)
Other	(48)	66
	<b>(1,510)</b>	<b>(692)</b>

For further details please refer to note 13.

c) *Factors affecting the tax charge for the period*

The tax assessed for the period is higher than the tax calculated at domestic rates applicable to profits in the respective countries. The differences are explained below.

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
Profit before tax	28,922	24,255
Profit multiplied by the standard rate in the UK – 24.32% (2012: standard rate in the UK – 26.32%)	7,034	6,384
Expenses not deductible for tax purposes	655	55
Overseas losses not recognised offset by previously unrecognised losses	123	408
Movement in current and deferred tax on share awards and options	(62)	(61)
Prior year under provision	285	235
Effect of rate change on corporation tax	(169)	(131)
Difference due to overseas tax rates	(541)	(192)
<b>Total income tax expense</b>	<b>7,325</b>	<b>6,698</b>

d) *Deferred and current tax recognised directly in equity*

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
Deferred tax credit on share awards and options	(1,225)	(275)
Deferred tax associated with movement in hedging reserve	131	(50)
	<b>(1,094)</b>	<b>(325)</b>

There was a reduction in the UK corporation tax rate from 26% to 24% with effect from 1 April 2012. There are further proposed reductions such that the headline rate will decrease to 20% by 1 April 2015.

As the deferred tax assets and liabilities should be recognised based on the corporation tax rate substantively enacted at the balance sheet date, the assets and liabilities have been recognised at a rate of 23%. In the Budget on 20 March 2013, the Chancellor announced a further cut in corporation tax rate to 20% from 1 April 2015. Had this tax rate change been substantively enacted before the balance sheet date, it would have had the effect of reducing the net deferred tax liability on UK operations by a further £65,000.

7. *Profit attributable to Ted Baker PLC*

The profit after tax for the 52 weeks ended 26 January 2013 of Ted Baker PLC, the parent company, was £14,183,000 (2012: £14,123,000). The directors have approved the income statement for the parent company.

8. *Dividends per share*

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
Final dividend paid for prior year of 16.25p per ordinary share (2012: 14.3p)	6,767	5,953
Interim dividend paid of 7.9p per ordinary share (2012: 7.15p)	3,364	2,977
	<b>10,131</b>	<b>8,930</b>

A final dividend in respect of 2013 of 18.7p per share, amounting to a dividend payable of £7,964,151, is to be proposed at the Annual General Meeting on 20 June 2013.

9. *Earnings per share*

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
Number of shares:	No.	No.
Weighted number of ordinary shares outstanding	41,939,012	41,637,410
Effect of dilutive options	1,343,134	1,571,313
<b>Weighted number of ordinary shares outstanding – diluted</b>	<b>43,282,146</b>	<b>43,208,723</b>
Earnings:	£'000	£'000
Profit for the period basic and diluted	21,597	17,557
Profit for the period adjusted*	23,635	20,371
<b>Basic earnings per share</b>	<b>51.5p</b>	<b>42.2p</b>
Adjusted earnings per share*	56.4p	48.9p
Diluted earnings per share	49.9p	40.6p

\* Adjusted profit for the period and adjusted earnings per share are shown before the exceptional costs of £2,038,000 (2012: £2,814,000).

Own shares, if held by the Ted Baker Group Employee Benefit Trust, the Ted Baker 1998 Employee Benefit Trust and treasury shares are eliminated from the weighted average number of ordinary shares. The options exercised during the year, and conditional share awards distributed, if they vest, are covered by shares held either in treasury or by these trusts.

Diluted earnings per share have been calculated using additional ordinary shares of 5p each available under the Ted Baker Sharesave Scheme, the 1997 Executive Share Option Scheme, the Ted Baker Performance Share Plan and the Ted Baker 2009 VCP.

There were no share related events after the balance sheet date that may affect earnings per share.

## 10. Intangible assets

Cost and net book value	£'000
At 28 January 2012	968
Exchange rate movement	15
<b>At 26 January 2013</b>	<b>983</b>
Cost and net book value	£'000
At 29 January 2011	997
Exchange rate movement	(29)
<b>At 28 January 2012</b>	<b>968</b>

The intangible assets brought forward relate to the right to lease stores that have a guaranteed residual value. The guaranteed value arises because the next tenants, based on current market conditions, are required to pay these amounts to the Group. Due to the nature of this, the assets are considered recoverable and therefore not amortised. The current market rate rents, for both stores included within the intangible assets, continue to be above the rent under the lease terms and hence no decline in values are foreseen.

## 11. Property, plant and equipment

	Leasehold improvements	Fixtures, fittings & office equipment	Motor vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 28 January 2012	44,279	37,358	126	3,725	85,488
Additions	13,302	8,431	-	(1,876)	19,857
Disposals	(120)	(395)	(25)	-	(540)
Exchange rate movement	(22)	(10)	-	(212)	(244)
<b>At 26 January 2013</b>	<b>57,439</b>	<b>45,384</b>	<b>101</b>	<b>1,637</b>	<b>104,561</b>
<b>Depreciation</b>					
At 28 January 2012	21,282	28,410	116	-	49,808
Charge for the year	4,098	4,941	1	-	9,040
Impairment	513	252	-	-	765
Disposals	(84)	(327)	(18)	-	(429)
Exchange rate movement	(28)	(7)	-	-	(35)
<b>At 26 January 2013</b>	<b>25,781</b>	<b>33,269</b>	<b>99</b>	<b>-</b>	<b>59,149</b>
<b>Net book value</b>					
At 28 January 2012	22,997	8,948	10	3,725	35,680
<b>At 26 January 2013</b>	<b>31,658</b>	<b>12,115</b>	<b>2</b>	<b>1,637</b>	<b>45,412</b>

	Leasehold improvements	Fixtures, fittings & office equipment	Motor vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 29 January 2011	37,657	34,358	126	1,031	73,172
Additions	7,396	4,992	-	2,701	15,089
Disposals	(841)	(1,989)	-	-	(2,830)
Exchange rate movement	67	(3)	-	(7)	57
<b>At 28 January 2012</b>	<b>44,279</b>	<b>37,358</b>	<b>126</b>	<b>3,725</b>	<b>85,488</b>
<b>Depreciation</b>					
At 29 January 2011	18,615	26,078	111	-	44,804
Charge for the year	3,628	4,023	5	-	7,656
Impairment	(305)	(47)	-	-	(352)
Disposals	(706)	(1,671)	-	-	(2,377)
Exchange rate movement	50	27	-	-	77
<b>At 28 January 2012</b>	<b>21,282</b>	<b>28,410</b>	<b>116</b>	<b>-</b>	<b>49,808</b>
<b>Net book value</b>					
At 29 January 2011	19,042	8,280	15	1,031	28,368
<b>At 28 January 2012</b>	<b>22,997</b>	<b>8,948</b>	<b>10</b>	<b>3,725</b>	<b>35,680</b>

Additions included within the assets under construction category are stated net of transfers to other property, plant and equipment categories. Transfers from the assets under construction category in the period amounted to £3,725,000 (2012: £1,031,000) whilst additions into this category were £1,637,000 (2012: £3,725,000).

*Impairment of property, plant and equipment*

The Group has determined that for the purposes of impairment testing, each store and outlet is a cash-generating unit. Cash-generating units are tested for impairment if there are indications of impairment at the balance sheet date.

Recoverable amounts for cash-generating units are based on value in use, which is calculated from cash flow projections using data from the Group's latest internal forecasts, the results of which are reviewed by the Board. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in margins. Management estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the cash-generating units. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market.

The pre-tax discount rate used to calculate value in use is derived from the Group's weighted average cost of capital.

The impairment losses relate to stores whose recoverable amounts (value in use) did not exceed the asset carrying values. In all cases, impairment losses arose due to stores performing below projected trading levels.

The impairment charge for the 52 weeks ended 26 January 2013 includes a charge in respect to some retail assets, notably a retail development in the UK that has failed to deliver on its potential.

The net impairment credit of £352,000 in the 52 weeks ended 28 January 2012 relates to the reversal of an impairment charge of £743,000 incurred during the 52 weeks ended 30 January 2010 in relation to the carrying value of retail assets in Eire and offset by an impairment charge relating to retail assets in the year of £391,000.



## 12. Investments (Company)

### a) Subsidiary undertakings

The Company and Group have shares in the following subsidiary undertakings. All of the subsidiaries have been included in the consolidated accounts.

Subsidiary undertaking	Country of incorporation and operation	Principal activity	Holding ordinary shares
No Ordinary Designer Label Ltd (formerly Ted Baker Limited)*	UK	Design, wholesale & retail of designer clothing and accessories	100%
Ted Baker Investments (Jersey) Ltd*	Jersey	Investment holding company	100%
Ted Baker Limited	US	Retail and wholesale of designer clothing and accessories	100%
Ted Baker (New York) Inc	US	Retail of designer clothing and accessories	100%
Ted Baker (France) SARL	France	Retail of designer clothing and accessories	100%
Ted Baker Japan KK	Japan	Retail of designer clothing and accessories	100%
Ted Baker Hong Kong Limited	Hong Kong	Retail of designer clothing and accessories	100%
Ted Baker Spain, S. L.	Spain	Retail of designer clothing and accessories	100%
Ted Baker Korea Yuhan Hoesa	Korea	Retail of designer clothing and accessories	100%
Ted Baker Netherlands B. V.	The Netherlands	Retail of designer clothing and accessories	100%
Ted Baker (Beijing) Commercial Company	The People's Republic of China	Retail of designer clothing and accessories	100%
Ted Baker Canada Inc	Canada	Retail of designer clothing and accessories	100%
Ted Baker Germany GmbH	Germany	Retail of designer clothing and accessories	100%

\*Held directly by Ted Baker PLC.

### b) Subsidiary undertakings - cost and net book value

	Company
	£'000
At 28 January 2012	17,428
Increase in cost of investment for share options/awards granted to subsidiary employees	203
<b>At 26 January 2013</b>	<b>17,631</b>
	Company
	£'000
At 29 January 2011	17,051
Increase in cost of investment for share options/awards granted to subsidiary employees	377
<b>At 28 January 2012</b>	<b>17,428</b>

### c) Interest in joint venture

The Group has a 50% interest in a joint venture with Flair Industries Pty Ltd which is represented by three stores in Australia and one store in New Zealand (2012: three stores in Australia and one store in New Zealand).

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
<b>Investment in joint venture</b>	<b>693</b>	<b>494</b>

The above carrying value represents the initial cost of the investment undertaken, as well as any subsequent change in net assets of the venture, as at 26 January 2013.

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
<b>Amounts due from equity accounted investee</b>	<b>225</b>	<b>407</b>

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself. The joint venture's assets, liabilities and profit at 26 January 2013 are as follows:

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
Non-current assets	1,720	1,935
Current assets	1,450	1,201
Non-current liabilities	-	-
Current liabilities	(1,686)	(1,993)
<b>Net assets</b>	<b>1,484</b>	<b>1,143</b>
Share capital	23	23
Retained earnings	1,085	762
Current year profit, net of tax	396	298
Exchange rate movement	(20)	60
<b>Total equity</b>	<b>1,484</b>	<b>1,143</b>

## 13. Deferred tax assets and liabilities

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
<b>Deferred tax asset on UK operations arising from:</b>		
<b>Assets</b>		
Share based payments	1,727	900
Derivative financial instruments	-	104
<b>Liabilities</b>		
Property, plant and equipment	(155)	(144)
Derivative financial instruments	(27)	-
Other*	(2,042)	(2,280)
<b>Net deferred tax liability</b>	<b>(497)</b>	<b>(1,420)</b>
<b>Deferred tax asset on foreign operations arising from:</b>		
Foreign trading losses	4,443	2,675
Inventory	438	389
Property, plant and equipment	(524)	305
Other - vacation accrual	166	49
<b>Net deferred tax asset</b>	<b>4,523</b>	<b>3,418</b>

\*Other includes a deferred tax liability for UK tax payable on US operations for which no double tax relief will be available.

Recognition of deferred tax assets is based on the generation of future taxable profits that will allow utilisation of losses.

Deferred tax assets are only recognised on the foreign trading losses when these businesses pass their development phase and when management considers it probable that future taxable profits will be available against which they can be utilised.

The tax effect of the unused cumulative tax losses for which no deferred tax asset has been recognised in the balance sheet is £2,200,000 (2012: £1,155,000).

#### 14. Inventories

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
Raw materials and packaging	4,027	2,547
Work in progress	935	760
Finished goods and goods for resale	62,711	48,565
	<b>67,673</b>	<b>51,872</b>
Cost of inventories recognised as an expense	79,939	72,715
Inventories written down and recognised as an expense in the period	1,744	1,949

#### 15. Trade and other receivables

	Group 26 January 2013	Company 26 January 2013	Group 28 January 2012	Company 28 January 2012
	£'000	£'000	£'000	£'000
Trade receivables	19,529	-	19,744	-
Amounts owed by Group undertakings	-	34,376	-	30,053
Prepayments and accrued income	14,595	-	10,843	-
	<b>34,124</b>	<b>34,376</b>	<b>30,587</b>	<b>30,053</b>

#### 16. Derivative financial instruments

	Assets 26 January 2013	Liabilities 26 January 2013	Assets 28 January 2012	Liabilities 28 January 2012
	£'000	£'000	£'000	£'000
Forward foreign exchange contracts	544	(269)	411	(1,063)

Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates that arise in the normal course of the Group's business.

The ineffective portion recognised in the income statement that arises from cash flow hedges amounts to a loss of £nil (2012: £nil).

Gains and losses in equity of forward exchange contracts at 26 January 2013 will be released to the income statement at various dates within 12 months of the balance sheet date, as the hedged forecast transactions occur.

#### 17. Reconciliation of cash and cash equivalents per balance sheet to cash flow statement

	Group 52 weeks ended 26 January 2013	Company 52 weeks ended 26 January 2013	Group 52 weeks ended 28 January 2012	Company 52 weeks ended 28 January 2012
	£'000	£'000	£'000	£'000
Cash and cash equivalents per balance sheet	9,823	440	8,560	444
Borrowings per balance sheet	(19,862)	-	(6,790)	-
<b>Net cash and cash equivalents per cash flow statement</b>	<b>(10,039)</b>	<b>440</b>	<b>1,770</b>	<b>444</b>

#### 18. Trade and other payables

	Group 26 January 2013	Company 26 January 2013	Group 28 January 2012	Company 28 January 2012
	£'000	£'000	£'000	£'000
Trade payables	22,097	-	15,910	-
Accruals and deferred income	13,111	12	15,260	4
Other taxes and social security	5,585	-	4,111	-
	<b>40,793</b>	<b>12</b>	<b>35,281</b>	<b>4</b>

#### 19. Capital and reserves

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
Authorised – 80,000,000 ordinary shares of 5p each	4,000	4,000
Allotted, called up and fully paid – 43,198,033 ordinary shares of 5p each (2012: 43,198,033)	2,160	2,160

At 26 January 2013, the Ted Baker Group Employee Benefit Trust ("Employee Trust") and the Ted Baker 1998 Employee Benefit Trust ("1998 Trust") did not hold any ordinary shares in Ted Baker PLC (2012: Employee Trust – £nil, 1998 Trust – £nil).

The Company held 608,991 shares in treasury at 26 January 2013 (2012: 1,557,111).

#### Other reserves and retained earnings

Other reserves and retained earnings include the following reserve accounts:

##### Cash flow hedging reserve

The effective portion of financial instruments that is designated as hedging instruments and is documented as part of an effective hedge of future cash flows is recognised directly in equity and recycled to the income statement when the underlying cash flows occur, or are no longer expected to occur. At 26 January 2013, the value of financial instruments that are designated as hedging instruments recorded in equity was £91,000 (2012: (£312,000)).

##### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the Group's financial statements of foreign operations.

##### Other reserves – Company

This reserve relates to the premium on equity consideration used in the acquisition of a subsidiary, No Ordinary Designer Label Ltd, by Ted Baker PLC in 1997, which is classified within other reserves under the Companies Act. This reserve also includes the cost of share options and awards granted to subsidiary employees of the parent company. This reduction in other reserves is reflected in retained earnings in the Group Statement of Changes in Equity.

##### Retained earnings

In 2010 the Group acquired an additional 34% in Ted Baker (New York) Inc for £0.6m in cash, increasing its ownership to 100%. The carrying amount of net assets in the Group's financial statements on the date of acquisition was £0.1m. The Group eliminated its non controlling interest of £0.1m and recognised a decrease in retained earnings of £0.7m.

## 20. Share based payments

### Share options and conditional share awards

Equity settled awards are granted to employees in the form of share options or share awards. Share options are granted at an option price equal to the Company's share price at the grant date, or at a discount of up to 20% in the case of SAYE share options. No consideration is payable where share awards vest. The vesting period is generally between three and five years.

Movements in the number of share options and awards outstanding and their related weighted average exercise prices are as follows:

	Weighted average exercise price 2013	Number of options/awards 2013	Weighted average exercise price 2012	Number of options/awards 2012
At beginning of period	382.4p	164,837	344.7p	154,247
Granted during the period	722.0p	53,969	552.0p	42,966
Exercised during the period	303.0p	(72,429)	414.6p	(17,138)
Lapsed during the period	512.4p	(14,536)	441.9p	(15,238)
<b>Outstanding at the end of period</b>	<b>550.8p</b>	<b>131,841</b>	<b>382.4p</b>	<b>164,837</b>
Exercisable at end of period	-	-	-	-

The charge for the year to the income statement amounted to £74,199 (2012: £58,926). The weighted average share price at the date of exercise of share options exercised during the year was 909.5p (2012: 665.0p).

Share options and awards outstanding at the end of the period were as follows:

Grant date	Expiry date	Exercise price	Fair value at grant date	Number of options / awards at 26 January 2013	Number of options / awards at 28 January 2012
27 November 2007	31 January 2014	429.0p	144.6p	3,916	3,916
15 May 2009	1 January 2013	303.0p	82.5p	-	74,963
15 May 2009	1 January 2015	303.0p	84.6p	22,826	23,445
14 May 2010	31 January 2015	432.0p	124.6p	15,523	17,875
14 May 2010	31 January 2017	432.0p	129.4p	6,257	6,832
16 May 2011	1 January 2015	552.0p	168.8p	25,327	29,930
16 May 2011	1 January 2017	552.0p	189.0p	7,318	7,876
17 May 2012	1 January 2016	722.0p	193.0p	45,442	-
17 May 2012	1 January 2018	722.0p	226.3p	5,232	-
				<b>131,841</b>	<b>164,837</b>

The fair value of employee share options and awards were calculated using the Black-Scholes model.

The range of inputs into the Black-Scholes model were as follows:

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
Weighted average share price	688.4p	478.0p
Weighted average exercise price	550.8p	382.4p
Risk free interest rate	0.59% - 4.60%	1.49% - 4.70%
Expected life of options	3 - 5 years	3 - 5 years
Share price volatility	22.8% - 32.1%	22.7% - 32.1%
Dividend yield	2.24% - 4.69%	2.24% - 4.62%

The share price volatility was determined by calculating the historic volatility of the Group's share price over a time period matching the expected life of the option.

### Value Creation Plan

The award of units is made under the Ted Baker 2009 Value Creation Plan ("2009 VCP"), which was approved by shareholders at the general meeting held on 16 June 2009. Units have no value at grant, but subject to the satisfaction of earnings per share, share price and total shareholder return performance targets, can convert and give participants the right to be granted nil - cost options at the end of the performance. Further details of the plan are outlined in the Directors' Remuneration Report on pages 32 to 37.

The terms and conditions of the award of units granted under the 2009 VCP are as follows:

Grant date	Type of award	Number of units	Vesting conditions	Vesting period
13 August 2009	Award of units	100,000	Growth in earnings per share, share price and total shareholder return over a three year performance period	50% after three years and the balance one year later

The VCP awards are valued using a Monte Carlo model. The inputs into the model are as follows:

	13 August 2009
Share price on award date	£3.98
Average share price at award date	£3.76
Number of simulations	10,000
Expected life of options	3 years
Dividend yield	4.18%
Risk free interest rate	2.21%
Ted Baker volatility	25.0%
FTSE index volatility	33.0%
Correlation between Ted Baker and FTSE index	12.0%
Share price hurdle per annum	10.0%
Payout over share price hurdle	12.5%
Vesting percentage for meeting performance conditions	100.0%
Shares in issue	41,618,476

The charge for the year to the income statement amounted to £165,541 (2012: £387,264). Included in the charge for the year is an amount in respect of Raymond S Kelvin, who is employed by the Company, amounting to £37,326 (2012: £69,320).

VCP awards outstanding at the end of the period were as follows:

	At 26 January 2013	At 28 January 2012
	No. of entitlements	No. of entitlements
At 28 January 2012/29 January 2011	100,000	100,000
VCP entitlements awarded during the year	-	-
VCP awards converted during the year	(96,280)	-
Lapsed during the year	(3,720)	-
<b>Outstanding at 26 January 2013/28 January 2012</b>	<b>-</b>	<b>100,000</b>

Earnings per share growth exceeded the hurdle rate and total shareholder return exceeded the return on the FTSE General Retail Sector Index over the performance period. Growth in the share price was 33.0% per annum compound over the performance period, which was above the hurdle rate of 10% per annum compound. This resulted in the units awarded on 13 August 2009 converting into nil - cost options to acquire 2,177,115 ordinary shares in the Company. In accordance with the rules of the VCP, 50% of these options were exercisable immediately, and the remaining 50% are exercisable on 8 October 2013. Further details regarding performance are outlined in the Directors' Remuneration Report on pages 32 to 37.

## 21. Financial commitments

### a) Capital commitments

The Group has capital commitments of £4,101,000 at 26 January 2013 (2012: £6,408,000) which were not provided in the financial statements.

### b) Operating leases

Total of future lease payments under non-cancellable operating leases are as follows:

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
Within one year	23,062	17,599
Between one and five years	69,603	64,831
Later than five years	54,988	50,086
	<b>147,653</b>	<b>132,516</b>

The Group leases a number of stores, warehouses and head office facilities under operating leases. The leases are of varied length with the longest lease running until 2031.

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

Certain rental expense is determined on the basis of revenue achieved in specific retail locations and is accrued for on that basis. The total amount paid under these agreements was £16,717,562 (2012: £14,793,000).

### c) Pension arrangements

The Group operates a number of defined contribution schemes for senior management and a stakeholder pension scheme for employees, for which the pension cost charge for the period amounted to £623,000 (2012: £549,000). Contributions totalling £24,741 (2012: £24,474) are included in other receivables at the year end.

## 22. Financial instruments and risk management

### a) Carrying amount and fair values of financial assets and liabilities

#### Financial assets and liabilities – Group

The fair values of financial assets and liabilities of the Group, together with the carrying amounts shown in the balance sheet, are as follows:

	Carrying amount 26 January 2013	Fair value 26 January 2013	Carrying amount 28 January 2012	Fair value 28 January 2012
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Trade receivables	19,529	19,529	19,744	19,744
Accrued income	1,206	1,206	1,092	1,092
Amount due from equity accounted investee	225	225	407	407
Derivative financial assets	544	544	411	411
Cash and cash equivalents	9,823	9,823	8,560	8,560
<b>Total financial assets</b>	<b>31,327</b>	<b>31,327</b>	<b>30,214</b>	<b>30,214</b>
<b>Financial liabilities</b>				
Trade and other payables	(40,793)	(40,793)	(35,281)	(35,281)
Derivative financial liabilities	(269)	(269)	(1,063)	(1,063)
Bank overdraft	(19,862)	(19,862)	(6,790)	(6,790)
<b>Total financial liabilities</b>	<b>(60,924)</b>	<b>(60,924)</b>	<b>(43,134)</b>	<b>(43,134)</b>
<b>Net financial liabilities</b>	<b>(29,597)</b>	<b>(29,597)</b>	<b>(12,920)</b>	<b>(12,920)</b>

### Financial assets and liabilities – Company

The fair values of financial assets and liabilities of the Company, together with the carrying amounts shown in the balance sheet, are as follows:

	Carrying amount 26 January 2013	Fair value 26 January 2013	Carrying amount 28 January 2012	Fair value 28 January 2012
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Amounts owed by Group undertakings	34,376	34,376	30,053	30,053
Cash and cash equivalents	440	440	444	444
<b>Total financial assets</b>	<b>34,816</b>	<b>34,816</b>	<b>30,497</b>	<b>30,497</b>
<b>Financial liabilities</b>				
Trade and other payables	(12)	(12)	(4)	(4)
<b>Total financial liabilities</b>	<b>(12)</b>	<b>(12)</b>	<b>(4)</b>	<b>(4)</b>
<b>Net financial assets</b>	<b>34,804</b>	<b>34,804</b>	<b>30,493</b>	<b>30,493</b>

The methods and assumptions used to estimate fair values of financial assets and liabilities are as follows:

- Cash and cash equivalents have been stated at their book values due to their short maturities or immediate or short-term access.
- The fair values of trade receivables, amounts due from equity accounted investee and amounts owed by Group undertakings have been stated at their book value due to their short maturities.
- The fair value of derivatives is determined by reference to third party valuations (usually from a bank) or by reference to readily observable market prices.
- The fair values of trade and other payables have been stated at their book values due to their short maturities.
- Valuation of all financial derivative assets and liabilities carried at fair value by the Group is based on hierarchy Level 2. Fair value hierarchy levels are defined as follows:
  - Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
  - Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
  - Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### b) Derivative financial instruments

	Contractual/ notional amounts 26 January 2013	Assets 26 January 2013	Liabilities 26 January 2013	Contractual/ notional amounts 28 January 2012	Assets 28 January 2012	Liabilities 28 January 2012
	£'000	£'000	£'000	£'000	£'000	£'000
Currency derivatives	16,547	544	(269)	26,434	411	(1,063)
	<b>16,547</b>	<b>544</b>	<b>(269)</b>	<b>26,434</b>	<b>411</b>	<b>(1,063)</b>

### c) Cash flow hedging reserve movements

The following table indicates the cash flow hedging reserve balance at 26 January 2013 and the periods in which the cash flows are expected to occur. The periods in which the cash flows are expected to impact the profit and loss are materially the same.

	Currency derivatives 26 January 2013	Currency derivatives 28 January 2012
	£'000	£'000
Within six months	91	(312)
Between six months and one year	–	–
Between one and two years	–	–
<b>Unrecognised losses</b>	<b>91</b>	<b>(312)</b>

The following table identifies the movements in the cash flow hedging reserve during the year, including where gains and losses have been recognised in the income statement.

	Currency derivatives 26 January 2013	Currency derivatives 28 January 2012
Opening balance	£'000 (312)	£'000 (148)
Losses recognised in hedging reserve	(189)	(240)
Amounts recovered from hedging reserve and recognised in income statement	723	26
Deferred tax associated with movement in the hedging reserve	(131)	50
<b>Unrecognised gains/(losses)</b>	<b>91</b>	<b>(312)</b>

#### d) Financial risk identification and management

The Group's multinational operations and debt financing requirements expose it to a variety of financial risks. In the course of its business the Group is exposed to:

- market risk;
- credit risk; and
- liquidity risk.

The Group's financial risk management process seeks to enable the early identification, evaluation and effective management of key risks facing the business. Risk management policies and systems have been established and are reviewed regularly to reflect changes in the market conditions and the Group's activities. The Group, through its standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

##### i) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. At the balance sheet date, the only significant market risk to the Group arises from foreign currency risk.

The Group operates internationally and is therefore exposed to foreign currency risk primarily on purchases denominated in US Dollars and Euros.

The Board reviews and agrees policies for managing exchange rate risks on a regular basis. Where appropriate, the Group uses financial instruments to mitigate these risks. All transactions in derivatives, principally forward exchange contracts, are taken solely to manage these risks. No transactions of a speculative nature are entered into. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group's policy is to hedge substantially all the risks of such currency fluctuations by using forward contracts taking into account forecast foreign currency cash inflows and outflows.

The Group's risk management policy is to hedge the vast majority of anticipated cash flows (mainly purchases of inventory) in each major foreign currency for the subsequent 12 months. The vast majority of projected purchases in each major currency qualifies as "highly probable" forecast transactions for hedge accounting purposes.

##### Foreign currency risk

The Group operates internationally and is therefore exposed to foreign currency transaction risk, primarily on purchases denominated in US Dollars and Euros. Where appropriate, the Group uses financial instruments to mitigate these risks. The Group also publishes its financial statements in Sterling and is therefore exposed to foreign currency translation risks due to movements in foreign exchange rates on the translation of the results and underlying net assets of its foreign operations into Sterling.

##### Transaction risk

Currency transaction exposure occurs where a business makes sales and purchases in a currency other than its functional currency. It also arises where monetary assets and liabilities of a business are not denominated in its functional currency and where dividends or surplus funds are remitted from overseas. The Group's policy is to match transaction exposures wherever possible and to hedge actual exposures and firm commitments as soon as they occur by using forward foreign exchange contracts. An element of this risk is mitigated by natural hedges as the Group operates internationally and income is generated in the local currencies.

##### Economic (forecast) risk

The Group also uses forward foreign currency contracts to hedge its exposure to movements in exchange rates on its highly probable forecast foreign currency purchases on a rolling twelve month basis. The Group does not formally define the proportion of highly probable forecast purchases to hedge, but agrees an appropriate percentage on an individual basis with each business by reference to the Group's risk management policies and prevailing market conditions. The Group documents currency derivatives used to hedge its forecast transactions as cash flow hedges. To the extent that cash flow hedges are effective, gains and losses are deferred in equity until the forecast transaction occurs, at which point the gains and losses are recycled either to the income statement or to the non-financial asset acquired.

The majority of the Group's currency derivatives have original maturities of less than one year. The Group's most significant currency transaction exposure is the purchases of inventories which are denominated in a number of currencies, predominantly Euros and US Dollars.

The analysis of the Group's foreign currency exposure to financial assets and liabilities by currency of denomination is as follows:

	US Dollar 26 January 2013	Euro 26 January 2013	Other 26 January 2013
	£'000	£'000	£'000
<b>Financial assets</b>			
Trade receivables	1,893	2,105	72
Cash and cash equivalents*	2,608	2,172	(107)
	<b>4,501</b>	<b>4,277</b>	<b>(35)</b>
<b>Financial liabilities</b>			
Trade and other payables	(10,867)	(3,132)	(1,512)
	<b>(10,867)</b>	<b>(3,132)</b>	<b>(1,512)</b>
	<b>(6,366)</b>	<b>1,145</b>	<b>(1,547)</b>

	US Dollar 28 January 2012	Euro 28 January 2012	Other 28 January 2012
	£'000	£'000	£'000
<b>Financial assets</b>			
Trade receivables	1,602	1,276	44
Cash and cash equivalents*	(5,152)	795	2,362
	<b>(3,550)</b>	<b>2,071</b>	<b>2,406</b>
<b>Financial liabilities</b>			
Trade and other payables	(4,362)	(3,210)	(256)
	<b>(4,362)</b>	<b>(3,210)</b>	<b>(256)</b>
	<b>(7,912)</b>	<b>(1,139)</b>	<b>2,150</b>

\* The US Dollar overdraft forms part of a multi-currency overdraft facility and as such is netted off against other cash balances and is not recognised as an overdraft in its own right.

The following significant exchange rates applied during the year:

	Average rate 26 January 2013	Mid-spot rate 26 January 2013	Average rate 28 January 2012	Mid-spot rate 28 January 2012
US Dollar	1.589	1.579	1.602	1.569
Euro	1.233	1.177	1.154	1.195

##### Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to the income statement and equity of a 10% strengthening or weakening in Sterling against all other currencies, using the rates applicable at 26 January 2013. The analysis assumes that all other variables, in particular, interest rates, remain constant.

The following sensitivity analysis illustrates the impact that a 10% strengthening of the Group's reporting currency against local functional currencies would have had on profit before tax and

non-controlling interest and equity. The analysis covers currency translation exposures at the year end on the Group's financial assets and liabilities that are not denominated in the functional currencies of those businesses.

A 10% (2012: 10%) strengthening or weakening of the Sterling against the following currencies at 26 January 2013 would have increased/(decreased) equity and profit by the amounts shown in the table overleaf.

	Impact on profit 26 January 2013	Impact on equity 26 January 2013	Impact on profit 28 January 2012	Impact on equity 28 January 2012
<b>Test of 10% (2012: 10%) strengthening in Sterling against other currencies</b>	£'000	£'000	£'000	£'000
US Dollar	(579)	(579)	(719)	(719)
Euro	209	209	(104)	(104)
	<b>(370)</b>	<b>(370)</b>	<b>(823)</b>	<b>(823)</b>
<b>Test of 10% (2012: 10%) weakening in Sterling against other currencies</b>				
US Dollar	707	707	879	879
Euro	(256)	(256)	127	127
	<b>451</b>	<b>451</b>	<b>1,006</b>	<b>1,006</b>

#### Interest rate risk

The Group's exposure to interest rate risk is limited to floating rate financial assets and liabilities. The interest rate profile of the financial assets and liabilities of the Group are as follows:

	Group 26 January 2013	Company 26 January 2013	Group 28 January 2012	Company 28 January 2012
Financial assets and liabilities subject to interest rate risk	£'000	£'000	£'000	£'000
Sterling	(19,313)	440	(2,718)	444
US Dollar	3,397	-	(2,220)	-
Euro	3,523	-	1,419	-
Other	2,270	-	5,232	-
	<b>(10,123)</b>	<b>440</b>	<b>1,713</b>	<b>444</b>

There were no fixed rate financial assets or liabilities at 26 January 2013 and 28 January 2012.

#### ii) Credit risk

Credit risk is the risk that counterparties to financial instruments do not perform according to the terms of the contract or instrument. The Group is exposed to counterparty credit risk when dealing with its credit customers, and from certain financing activities.

The immediate credit exposure of financial instruments is represented by those financial instruments that have a net positive fair value by counterparty at 26 January 2013. The Group considers its maximum exposure to credit risk to be:

	52 weeks ended 26 January 2013	52 weeks ended 28 January 2012
	£'000	£'000
Cash and cash equivalents	9,739	1,713
Trade receivables	19,529	19,744
Accrued income	1,206	1,092
Amount due from equity accounted investee	225	407
Derivative financial assets	544	411
	<b>31,243</b>	<b>23,367</b>

All cash balances and derivative financial assets are held with reputable banks or financial institutions.

As at 26 January 2013, there were no significant financial guarantees or third-party obligations that increase the credit risk of the financial assets set out above.

Although the Group has seen no direct evidence of changes to the credit risk of its counterparties that hold cash balances and derivative financial assets, the current focus on financial liquidity in all international markets has introduced increased financial volatility. The Group uses market knowledge, changes in credit ratings and other techniques to identify significant changes to the financial profile of its counterparties.

#### Trade receivables

Credit risk arises on credit exposure to wholesale customers including outstanding receivables and committed transactions. However, this risk is substantially mitigated by insurance being taken out up to the amount of the credit limit.

All new wholesale customers are checked against appropriate trade references and details such as frequency and delinquency. The limits applied to each customer are set in conjunction with our credit insurer's advice. Monitoring of credit limits is undertaken on a daily basis.

No credit limits were exceeded in the reporting period and management will continue with its current approach to credit control to prevent any future losses from non-performance arising.

The Group is not able to protect its royalty income with credit insurance, although it does not consider this a significant credit risk, as a prudent approach to income recognition is taken in the accounts. Forecasts are obtained from all its licence partners throughout the year to allow extensive visibility of future income.

#### iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve (which comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow. This is generally carried out at entity level in the operating companies of the Group in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, and monitoring balance sheet liquidity ratios against internal and external regulatory requirements. Based on current cash flow projections, the Group expects to have sufficient headroom against its borrowing facilities (see section below for further details on the borrowing facilities).

The table below analyses the Group's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date, at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Contracted amount	Carrying amount
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 26 January 2013</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	40,793	-	-	-	40,793	40,793
<b>Derivative financial liabilities</b>						
Derivative financial instruments	269	-	-	-	269	269
Bank Overdraft	19,862	-	-	-	19,862	19,862
<b>At 28 January 2012</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	35,281	-	-	-	35,281	35,281
<b>Derivative financial liabilities</b>						
Derivative financial instruments	1,063	-	-	-	1,063	1,063
Bank overdraft	6,790	-	-	-	6,790	6,790

**Borrowing facilities**

The Group has a three year committed borrowing facility of £40.0m (2012: £40.0m), which is due to expire on 1 March 2015. The facility is a multi-currency revolving credit facility with The Royal Bank of Scotland and Barclays. The facility will be used to the extent necessary to fund capital expenditure to support the Group's growth strategy.

The Group had utilised £14.0m (2012: £nil) of the £40.0m credit facility as at 26 January 2013.

The facilities contain financial covenants which are believed to be appropriate in the current economic climate and tested on a quarterly basis. The Group monitors actual and prospective compliance with these on a regular basis.

The financial covenant tests are based upon the following:

- a ratio of total net debt to EBITDA;
- a fixed charge cover ratio; and
- minimum net tangible assets.

The Group, as part of its regular forecasting process, has a forward looking view of these financial covenant tests and based on current projections there are no indications that any of these covenants will be breached during the term of the agreement. No covenants were breached during the year to 26 January 2013.

**e) Capital management**

The Board's policy is to maintain a strong capital base, defined as total shareholders' equity, totalling £98,893,000 at 26 January 2013 (2012: £85,185,000), so as to maintain investor, creditor and market confidence and to sustain future development of the business.

From time to time the Company purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily the shares are intended to be used for issuing shares under

the Group and Company's share option and award programmes. Buy and sell decisions are made on a specific transaction basis by the Board; the Group and Company do not have a defined share buy-back plan.

It is the Board's intention to achieve a dividend cover ratio of two times every year.

There were no changes in the Group and Company's approach to capital management during the year.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

**23. Related parties**

The Company has a related party relationship with its directors and executive officers.

Directors of the Company and their immediate relatives control 38.8 per cent of the voting shares of the Company.

At 26 January 2013, No Ordinary Designer Label Limited ("NODL"), the main trading company, owed Ted Baker PLC £34,376,000 (2012: £30,053,000). NODL was owed £57,111,000 (2012: £38,987,000) from the other subsidiaries within the Group.

Transactions between subsidiaries were priced on an arms length basis.

The Group has a 50% interest in a joint venture, with Flair Industries Pty Ltd. As at 26 January 2013, the joint venture owed £225,000 to the main trading company (2012: £407,000). In the period the value of sales made to the joint venture by the Group was £808,000 (2012: £726,000).

The Group considers the Board of executive directors as key management.

## FIVE YEAR SUMMARY

	53 weeks ended 31 January 2009	52 weeks ended 30 January 2010	52 weeks ended 29 January 2011	52 weeks ended 28 January 2012	52 weeks ended 26 January 2013
	£'000	£'000	£'000	£'000	£'000
<b>Results</b>					
Revenue	152,661	163,586	187,700	215,625	254,466
Operating profit	17,161	19,782	24,132	24,269	29,514
Profit before tax	17,766	19,504	24,228	24,255	28,922
Profit before tax and impairment	19,552	20,254	24,228	23,903	29,687
Profit before tax and exceptional costs	17,766	19,504	24,228	27,069	31,536
<b>Profit for the period</b>	<b>12,568</b>	<b>13,527</b>	<b>17,280</b>	<b>17,557</b>	<b>21,597</b>
<b>Assets employed</b>					
Property, plant and equipment	28,701	25,508	28,368	35,680	45,412
Non-current assets	2,623	3,245	4,589	5,575	6,873
Net current assets/(liabilities)	31,417	38,793	44,614	45,350	47,105
Non-current liabilities	(575)	(1,316)	(1,547)	(1,420)	(497)
<b>Net assets</b>	<b>62,166</b>	<b>66,230</b>	<b>76,024</b>	<b>85,185</b>	<b>98,893</b>
<b>Financed by:</b>					
Shareholders' funds	62,202	66,315	76,024	85,185	98,893
<b>Non-controlling interest</b>	<b>(36)</b>	<b>(85)</b>	<b>-</b>	<b>-</b>	<b>-</b>
	62,166	66,230	76,024	85,185	98,983
<b>Key statistics</b>					
Basic earnings per share	29.6p	32.6p	41.5p	42.2p	51.5p
Adjusted earnings per share	29.6p	32.6p	41.5p	48.9p	56.4p
Diluted earnings per share	29.6p	32.6p	41.4p	40.6p	49.9p
Dividends per share	16.65p	17.15p	20.6p	23.4p	26.6p
Dividend cover	1.8 times	1.9 times	2.0 times	1.8 times	1.9 times
Dividend cover before exceptional costs	1.8 times	1.9 times	2.0 times	2.1 times	2.1 times
Pre-tax return on capital employed before exceptional costs	34.1%	38.7%	38.9%	32.6%	29.7%
Post-tax return on capital employed before exceptional costs	24.1%	26.8%	27.7%	23.6%	22.2%



**GONE FISHING**



*“Debonair with a touch of flair, Ted Baker’s 2013 Annual Report has taught me a thing or two about sartorial style, elegant earnings and fashionable finances.”*

*The Chartered Institute of Looking The Business*

There are some who believe in tipping points.

Others think nudges are the way to health, wealth and happiness.

Ted Baker believes in Fashionomics,  
where precision planning, distinctive designs, quality fabrics  
and a steady pair of hands combine to fashion  
‘no ordinary designer label’.

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Author of the acclaimed *Hosiery Now? Get Socks Appeal with Ted* and the seminal *Knockout Knitwear*, Ted Baker is a celebrated (albeit shy and retiring) icon whose mission is to bring the world the highest quality clothing, faultless attention to detail and quirky sense of humour. Ted lives in a London townhouse, enjoys fishing, reminisces about his days in Vegas with Elvis and is a stickler for brewing the perfect cup of tea.



TED BAKER PRESS

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[www.tedbaker.com](http://www.tedbaker.com)