



**TED BAKER PLC**

**COMPANY NUMBER: 03393836**

**FINANCIAL STATEMENTS FOR THE 53 WEEKS ENDED 31 JANUARY 2015**

THURSDAY



\*A4C88K4P\*

A13

23/07/2015

#334

COMPANIES HOUSE

## Contents

	Page
<b>Chairman's Statement</b>	3
<b>Strategic Report</b>	
Business model and strategy	5
Business review	7
Financial Review	10
Principal Risks and Uncertainties	12
<b>Directors' Report: Governance</b>	
Corporate Governance Statements	14
Sustainability and the Environment	20
People	22
<b>Directors' Report: Other Statutory Disclosures</b>	
Board of Directors	24
Remuneration Report	25
Other Disclosures	41
Statement of Directors' Responsibilities	44
<b>Independent Auditors' Report to the Members of Ted Baker PLC</b>	45
<b>Financial Statements</b>	
Group and Company Primary Financial Statements	48
Notes to the Financial Statements	55
Five Year Summary	86

### Ted's advisers

Registered Office:	The Ugly Brown Building, 6a St. Pancras Way, London NW1 0TB
Secretary:	Charles Anderson ACMA
Financial Advisers and Stockbrokers:	Liberum Capital Limited, 25 Ropemaker St, London, EC2Y 9LY
Solicitors:	Jones Day, 21 Tudor Street, London EC4Y 0DJ
Auditors:	KPMG LLP, 15 Canada Square, Canary Wharf, E14 5GL
Bankers:	Barclays Bank PLC, 1 Churchill Place, London E14 5HP
	The Royal Bank of Scotland PLC, 62-63 Threadneedle Street, London EC2R 8LA
Registrars:	Capita Registrars, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Ted Baker PLC - Registered in England No: 03393835

## Chairman's Statement

I am pleased to report another strong year in the global development of the Ted Baker brand. We delivered a strong performance across all channels and territories during the 53 weeks to 31 January 2015 (the "period"), resulting in a 20.4% increase in Group revenue to £387.6m (2014: £321.9m) (22.5% in constant currency) and a 23.7% increase in profit before tax and exceptional items to £49.5m (2014: £40.0m).

The retail division performed well, delivering an increase in revenue of 18.4% to £306.9m (2014: £259.1m) (20.8% in constant currency) on an increase in average square footage of 9.3%. Performance across our established territories was strong and we continue to invest in our newer markets and build brand awareness for the long term development of the brand. We have continued our geographic expansion with openings across all territories and successfully migrated our US e-commerce site onto our new platform in July 2014, following the launch of the new UK site in the prior year.

Wholesale sales for the Group increased by 28.5% to £80.7m (2014: £62.8m) (29.8% in constant currency), reflecting a good performance from our UK wholesale business, which includes the supply of goods to our licensed stores and our export business, as well as a strong performance from our North American wholesale business.

Licence income from our territorial and product licences increased by 31.2% to £11.7m (2014: £8.9m). During the period, our licence partners opened stores in Abu Dhabi, Dubai, Saudi Arabia, Panama and Turkey and our joint venture in Australasia opened a further two stores.

We continue to invest in our infrastructure and successfully launched the first phase of the Microsoft Dynamics AX business system at the start of February 2015, as planned. We will continue to roll out this system globally across the Group over the next year to enhance the efficiency of the business, streamline our operations and support our long term growth strategy.

### Financial Results

Group revenue for the period rose by 20.4% to £387.6m (2014: £321.9m). The composite gross margin decreased to 60.7% (2014: 61.7%), mainly as a result of a change in sales mix between wholesale and retail sales, and partly due to a slight decrease in the retail and wholesale margins.

Profit before tax and exceptional items increased by 23.7% to £49.5m (2014: £40.0m) and profit before tax increased by 25.3% to £48.8m (2014: £38.9m). Adjusted basic earnings per share, which exclude exceptional items, increased by 20.6% to 83.2p (2014: 69.0p) and basic earnings per share increased by 22.0% to 82.0p (2014: 67.2p).

Exceptional costs in the period of £5.3m (2014: £1.0m) relate to a legal dispute with a previous insurer, details of which were previously disclosed in the prior year annual accounts.

Exceptional income for the period of £4.7m (2014: £nil) is comprised of £3.7m in relation to the early termination of a licence agreement and £1.0m relating to settlement of an intellectual property dispute.

The Group's net borrowing position at the end of the period was £18.8m (2014: £8.8m). This reflected the on-going significant investment in capital expenditure during the year and increased inventory in line with the Group's growth. The estimated net borrowing position at the end of week 52 was £15.4m (2014: £8.8m).

### Dividends

The Board is recommending a final dividend of 29.0p per share (2014: 24.2p), making a total for the year of 40.3p per share (2014: 33.7p per share), an increase of 19.6% on the prior period. Subject to approval by shareholders at the Annual General Meeting to be held on 12 June 2015, the final dividend will be paid on 19 June 2015 to shareholders on the register on 22 May 2015.

### People

I would like to take this opportunity to thank all of my colleagues across the world for their continued commitment and contribution. This strong performance is testament to our talented teams, whose creativity and passion are key to our success as we continue to grow the business and develop Ted Baker as a global lifestyle brand.

## **Current Trading and Outlook**

### **Retail**

Our retail business has started the new financial year well, and we are encouraged by the positive reaction to our Spring/Summer collections. We continue to develop Ted Baker in the UK with store openings planned in Stansted and in Spitalfields, London, which will showcase our licenced product range. We will further develop our e-commerce site to enhance customer experience and advance the local content provided to our European customers, including language options specific to key countries. In Europe we plan to open a new store in Amsterdam, our first Spanish outlet in Barcelona and further concessions in France, Germany, the Netherlands and Spain during the year.

In North America, our growth will continue with the opening of four new stores and three outlets, a relocation of our store in Los Angeles and further concessions through a leading department store. Our new US e-commerce site is proving successful following its launch in July 2014, delivering improved design, performance and personalised content. Towards the end of 2014, we launched our Canadian e-commerce site and are pleased by its performance at this early stage.

In Asia, we remain focused on building brand awareness in this market where we are in the relatively early stages of development. We are opening our first street level store in Hong Kong at the end of April and further concessions in China and South Korea.

### **Wholesale**

Our wholesale business is delivering a strong performance that is in line with our expectations. We anticipate further growth across our wholesale businesses, which should result in high single digit growth in sales in the coming year.

### **Licence Income**

Our product and territorial licences continue to perform well, with further openings planned in Azerbaijan, Dubai, Egypt, Saudi Arabia, Singapore, Taiwan and Thailand in the new financial year.

### **Group**

The Group continues to perform well in a competitive trading environment and we remain focused on the long term development of the brand globally. Further openings are planned across all of our markets. In our newer markets, where we are investing for the longer term, we are working to further enhance brand awareness.

We continue to invest in people and infrastructure to support the future growth of Ted Baker. The Group is well positioned to deal with the challenges and opportunities ahead, particularly during the implementation of the new Microsoft Dynamics AX business systems across the Group. While there will be an element of additional costs while we run down our existing systems, we will continue to monitor and control associated costs. Capital expenditure in the new financial year is anticipated to be at the same level as last year at some £26.0m, due to further store openings and the on-going investment in new systems across the business.

We intend to make our next interim management statement, covering trading since the start of the financial year, in mid June 2015.

*David Bernstein CBE*  
Non-Executive Chairman  
19 March 2015

# Strategic Report

## Business Model and Strategy

Ted Baker is a global lifestyle brand that operates through three main distribution channels: retail, which includes e-commerce; wholesale; and licensing, which includes territorial and product licences.

The brand has grown steadily from its origins as a single shirt specialist store in Glasgow to the global lifestyle brand 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.

We offer a wide range of collections including: Menswear; Womenswear; Global; Phormal; Endurance; Accessories; Lingerie and Sleepwear; Childrenswear; Fragrance and Skinwear; Footwear; Neckwear; Eyewear; Watches, Luggage, Audio and Homewear.

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

- considered expansion of the Ted Baker collections. We review our collections continually to ensure we anticipate and react to trends and meet our customers' expectations. In addition, we look for opportunities to extend the breadth of collections and enhance our offer;
- 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; and
- 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 skill of our teams, licence partners and wholesale customers ("trustees").

## Key Performance Indicators

We review the on-going performance of the business using key performance indicators for our global business and each of our distribution channels.

These have been detailed below and considered further throughout the strategic report.

	Key performance indicator	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014	Variance	Constant currency variance
Group	Revenue	£387.6m	£321.9m	20.4%	22.5%
	Gross margin	60.7%	61.7%	(1.0)	
	Profit before tax (excluding exceptional items) as a % of revenue	12.8%	12.4%	0.4	
Retail	Revenue	£306.9m	£259.1m	18.4%	20.8%
	Gross margin	65.5%	66.1%	(0.6)	
	Operating contribution %*	13.0%	12.6%	0.4	
	Average square footage **	332,089	303,951	9.3%	
	Closing square footage **	344,898	316,648	8.9%	
	Sales per square foot***	£814	£780	4.4%	6.6%
Wholesale	Revenue	£80.7m	£62.8m	28.5%	29.8%
	Gross margin	42.4%	43.4%	(1.0)	
Licence income	Revenue	£11.7m	£8.9m	31.2%	-
Group	Operating cashflow per share ****	68.7p	73.1p	(6.0)%	
	Working capital*****	£90.9m	£69.9m	30.0%	

\*Operating contribution is defined as operating profit before exceptional items as a percentage of revenue.

\*\*Excludes licensed partner stores

\*\*\* Excludes online sales

\*\*\*\* Operating cashflow per share is defined as net cash generated from operating activities divided by the weighted number of ordinary shares (diluted)

\*\*\*\*\* Working capital comprises inventories, trade and other receivables and trade and other payables.

## **Business Review**

### **Global Group Performance**

#### **Retail**

Ted Baker operates stores and concessions across the UK, continental Europe, North America and Asia and an e-commerce business based in the UK, primarily serving the UK and Europe, with separate US and Canadian websites dedicated to the Americas. We also have e-commerce businesses with some of our concession partners.

The retail division performed well with sales up 18.4% (20.8% in constant currency) to £306.9m (2014: £259.1m). Average retail square footage rose by 9.3% over the period to 332,089 sq ft (2014: 303,951 sq ft). Total retail square footage at 31 January 2015 was 344,898 sq ft (2014: 316,648 sq ft), an increase of 8.9% on the prior year. Retail sales per square foot rose 4.4% (6.6% in constant currency) from £780 to £814.

The performance of our e-commerce business was strong and sales increased by 58.2% to £36.7m (2014: £23.2m) driven by growth across all areas of our e-commerce business. Our UK site continues to benefit from the re-launch of our UK platform in late 2013, providing a more relevant customer experience through improved design, performance and personalised content. This was followed by the successful migration of our US site in July 2014 and we are pleased with its performance.

The retail gross margin reduced slightly to 65.5% (2014: 66.1%), largely reflecting an increase in our outlet sales as a proportion of total sales. Retail operating costs increased 17.4% in line with our expectations, to £143.5m (2014: £122.2m) and as a percentage of retail sales, decreased slightly to 46.8% (2014: 47.1%).

#### **Wholesale**

We currently operate a wholesale business in the UK serving countries across the world, particularly in Europe, as well as supplying products to our licensed stores. In addition, we operate a wholesale business in North America.

Group wholesale sales increased by 28.5% (29.8% in constant currency) to £80.7m (2014: £62.8m), reflecting a good performance from both our UK wholesale business, with sales increasing by 25.3% to £64.9m (2014: £51.8m), and our North American wholesale business, with sales increasing by 39.1% (45.0% in constant currency) to £15.3m (2014: £11.0m) as the brand continues to gain traction.

Gross margins were down from last year at 42.4% (2014: 43.4%), which was principally the result of a greater proportion of wholesale sales to our licensed stores, which carry a lower margin.

#### **Licence income**

We operate both territorial and product licences. Our territorial licences cover Europe, South America, the Middle East, Asia and Australasia, where our partners operate licensed retail stores and in some territories, wholesale operations. Our product licences cover fragrance and skinwear, watches, footwear, eyewear, men's suits, neckwear, jewellery, childrenswear, lingerie and sleepwear, homeware, luggage and audio.

Licence income was up 31.2% to £11.7m (2014: £8.9m), with both territorial and product licences performing well. There were notable performances from our product licencees in footwear, eyewear, neckwear, skinwear and lingerie. In September, we opened our first store in Panama with our licence partner and we are encouraged by performance so far. Our licensed stores in the Middle East, operated by our territorial partner, RSH Limited, also performed particularly well during the period with further openings planned as a result.

#### **Collections**

Ted Baker Womenswear delivered a good performance with sales up 22.6% to £219.3m (2014: £178.9m). Womenswear benefited from a greater proportion of new space added during the period and as a result represented 56.6% of total sales (2014: 55.6%).

Ted Baker Menswear performed well with sales up 17.7% to £168.3m (2014: £143.0m). Menswear represented 43.4% of total sales in the period (2014: 44.4 %).

## Geographic Performance

### United Kingdom and Europe

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014	Variance	Constant currency variance
Retail revenue*	£231.8m	£198.6m	16.7%	17.8%
Average square footage *	228,584	212,745	7.4%	
Closing square footage *	233,387	218,622	6.8%	
Sales per square foot**	£869	£834	4.2%	5.4%
Wholesale revenue	£64.9m	£51.8m	25.3%	25.3%
Own stores	37	35	2	
Concessions	214	203	11	
Outlets	12	11	1	
Partner stores	3	2	1	
Total	266	251	15	

\* Excludes licensed partner stores

\*\* Excludes online sales

Sales in our UK and Europe retail division were up 16.7% to £231.8m (2014: £198.6m) (17.8% in constant currency), reflecting a good performance in our established UK market and a very good performance in continental Europe where we continue to expand.

In the UK we opened new stores during the year in Glasgow, Heathrow Terminal 2, Heathrow Terminal 4 and relocated our Birmingham store. We closed our store in Heathrow Terminal 1 due to the closure of the terminal and closed one further store. Our European expansion continued as we opened a new store in Marseille and a new outlet in Paris, France. We also opened further concessions with premium department stores in France, Portugal, Spain and the Netherlands. We are pleased with their performances and remain positive about growth opportunities for the brand in these markets. We also opened a further store with our licence partner in Istanbul, Turkey.

Our e-commerce business performed very well during the period with sales increasing by 54.2% to £33.3m (2014: £21.6m), reflecting continuing growth in the UK.

Sales from our UK wholesale division increased by 25.3% to £64.9m (2014: £51.8m) reflecting a good performance from our UK wholesale business, including the supply of product to our licensed stores, and continued growth in our wholesale export business.

### North America

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014	Variance	Constant currency variance
Retail revenue	£63.3m	£50.7m	24.9%	31.3%
Average square footage *	82,360	72,326	13.9%	
Closing square footage *	89,240	76,867	16.1%	
Sales per square foot**	£726	£687	5.7%	11.3%
Wholesale revenue	£15.3m	£11.0m	39.1%	45.0%
Own stores	20	16	4	
Concessions	48	42	6	
Outlets	6	5	1	
Partner Stores	1	0	1	
Total	75	63	12	

\* Excludes licensed partner stores

\*\* Excluding online sales



We are very pleased with our progress across the retail and wholesale channels in North America, both of which performed very well and we are confident that the Ted Baker brand is continuing to gain traction and recognition in this territory.

Sales from our retail division increased by 24.9% to £63.3m (2014: £50.7m) (31.3% in constant currency). During the period we continued our expansion in North America with new stores in Las Vegas, Miami Philadelphia and Toronto, an outlet in Desert Hills, California and six further concessions through a leading department store.

Our e-commerce business delivered a strong performance, following the successful migration of our US e-commerce website onto our new platform in July 2014 with sales increasing 115.7%.

Our licensee successfully launched our first store in Panama.

Sales from our North American wholesale business increased by 39.1% to £15.3m (2014: £11.0m) (45.0% in constant currency) reflecting the continued growth of our business.

#### **Middle East, Asia and Australasia**

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014	Variance	Constant currency variance
Retail revenue	£11.8m	£9.9m	19.2%	26.1%
Average square footage *	21,145	18,880	12.0%	
Closing square footage *	22,271	21,159	5.3%	
Sales per square foot	£559	£525	6.5%	12.6%
Wholesale revenue	£0.5m	-	100%	100%
Own stores	7	7	-	
Concessions	7	7	-	
Outlets	2	1	1	
Partner stores	41	33	8	
Total	57	48	9	

\* Excludes licensed partner stores

We continue to develop the Ted Baker brand across Asia, Australasia and the Middle East through our retail and licensing channels. We work closely with our territorial partners to ensure the visual merchandising of the licensed stores and training of the teams is reflective of the Ted Baker culture.

In Asia we remain encouraged by reactions to the brand and whilst we still remain in the relatively early stages of development, we are positive about the long term opportunities in this territory. Retail sales in Asia increased 19.2% to £11.8m (2014: £9.9m) (26.1% in constant currency). In China, we opened a further outlet store. In Japan, we opened two concessions through a leading department store and closed one. In South Korea, we opened one concession and closed two concessions.

During the period, our Middle East licence partners opened further stores in Abu Dhabi, Dubai, Egypt and three in Saudi Arabia, and all are performing very well. As at 31 January 2015, our licence partners operated 34 stores and concessions across the rest of the world. (2014: 28).

The joint venture with our Australasian licence partner Flair Industries Pty Ltd continues to perform well, during the period, we opened two new stores in Brisbane and Melbourne, Australia. As at 31 January 2015, we operated 7 stores in Australasia (2014: 5 stores).

## Financial Review

### Revenue and Gross Margin

Group revenue increased by 20.4% to £387.6m (2014: £321.9m), driven by an 18.4% increase in retail sales to £306.9m (2014: £259.1m) and a 28.5% increase in wholesale sales to £80.7m (2014: £62.8m).

The composite gross margin for the Group decreased to 60.7% (2014: 61.7%) mainly as a result of a change in sales mix between wholesale and retail sales.

### Operating Expenses Pre-Exceptional items

Distribution costs increased by 17.3% in line with our expectations to £144.6m (2014: £123.2m) and as a percentage of sales decreased to 37.3% (2014: 38.3%).

Administration expenses increased by 17.6% to £51.0m (2014: £43.4m). Excluding the employee performance related bonus of £4.9m (2014: £3.9m), administration expenses rose by 16.7% due to our growth in central functions, both in the UK and overseas, and the continued deployment of our distribution and information technology infrastructures to support our growth.

### Profit Before Tax

Profit before tax and exceptional items increased by 23.7% to £49.5m (2014: £40.0m) and profit before tax increased by 25.3% to £48.8m (2014: £38.9m).

### Exceptional items

Exceptional income for the period of £4.7m (2014: £nil) comprises £3.7m in relation to the early termination of a licence agreement and £1.0m in relation to the settlement of an intellectual property dispute. The early termination relates to the mutual agreement in February 2014 to terminate a licence agreement earlier than anticipated due to a variation in that licence partner's long-term strategy following a change in senior management.

Exceptional costs for the period of £5.3m (2014: £1.0m) relate to a legal dispute with a previous insurer. The Group received a judgement in October 2014 that its claim against this previous insurer for loss of profit arising from the theft of inventory from its warehouse from 2004 to 2008 had not been upheld by the court. In line with accounting standards, a full provision has been made for all costs incurred and judged payable by the Company.

The prior year's exceptional costs of £1.0m included £0.7m for impairment charges in respect of a retail store in the Meatpacking District, New York and a retail store in Paris, both locations failed to deliver on their potential. The balance of £0.3m relates to an onerous lease for our retail store in Liverpool, where we ceased trading following the expansion of our Liverpool One Store in Merseyside.

### Finance Income and Expenses

Net finance costs payable during the period were £1.2m (2014: £1.1m). This increase reflects higher Group borrowing compared to the prior year as a result of the on-going significant investment in capital expenditure and increased working capital to support our long-term expansion.

The net foreign exchange loss during the year of £0.3m (2014: a gain of £0.1m) was due to the retranslation of monetary assets and liabilities denominated in foreign currencies.

### Taxation

The Group tax charge for the year was £12.9m (2014: £10.1m), an effective tax rate of 26.5% (2014: 25.9%). This effective tax rate is higher than the UK tax rate for the period of 21.32% largely due to higher overseas tax rates and the non-recognition of losses in overseas territories where the businesses are still in their development phase. On 1 April 2014, the UK corporation tax rate fell from 23% to 21% and will fall to 20% from 1 April 2015. Our closing deferred tax assets and liabilities have therefore been measured at this rate.

Our future effective tax rate is expected to be higher than the UK tax rate as a result of overseas profits arising in jurisdictions with higher tax rates than the UK.

### 53<sup>rd</sup> Week Impact

The inclusion of an additional week does not have a material impact on profit before tax for the period, but does mean that inventories include an additional week of Spring/Summer intake compared to the previous year. The net borrowing position at the end of the period includes a quarterly payment of VAT, which is

payable on 31<sup>st</sup> January each year and usually falls in the first week of a new financial year. Excluding the impact of the additional week would reduce net borrowings by £3.4m.

#### **Cash Flow**

The net decrease in cash and cash equivalents of £10.1m (2014: £1.7m increase) primarily reflected an increase in working capital and further capital expenditure to support our long term development.

Total Group working capital, which comprises inventories, trade and other receivables and trade and other payables, increased by £21m to £90.9m (2014: £69.9m). This was mainly driven by an increase in inventories of £30.7m to £111.1m (2014: £80.4m) reflecting the growth of our business, stock on hand for our wholesale customers and licence partners and an additional £6m of Spring/Summer intake due to the 53<sup>rd</sup> week.

Group capital expenditure amounted to £25.7m (2014: £18.1m) reflecting the opening and refurbishment of stores, concessions and outlets, investment in business wide systems to support our future growth and a new e-commerce platform for the US site.

The Group's net borrowing position at the end of the period was £18.8m (2014: £8.8m) and the estimated position at the end of week 52 was £15.4m (2014: £8.8m).

#### **Shareholder Return**

Basic earnings per share increased by 22.0% to 82.0p (2014: 67.2p). Adjusted earnings per share, which exclude net exceptional items, increased by 20.6% to 83.2p (2014: 69.0p).

The proposed final dividend of 29.0p per share will make a total for the period of 40.3p per share (2014: 33.7p per share), an increase of 19.6% on the previous year.

Operating cash flow per share, which is calculated using the net cash generated from operating activities, was 68.7p (2014: 73.1p) and reflected a decrease 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 are 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 30 January 2016.

#### **Borrowing Facilities**

In September 2014, the Group increased its borrowing facility to £65.0m (2014: £50.0m). The facility is a multi-currency revolving credit facility with The Royal Bank of Scotland and Barclays which is due to expire on 1 March 2018. The increase is a function of the growth in our business and is necessary to fund capital expenditure to support the Group's long term 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 and subsidiary directors (the "Executive Committee") have established a structured approach to identify, assess and manage these risks and this is regularly monitored and updated by the Risk Committee. The Risk Committee includes the Chief Operating Officer and various subsidiary directors and heads of department. Although not exhaustive, the following list highlights some of the principal risks which are not shown in order of importance:

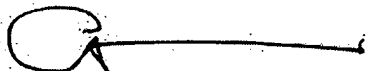
	Issue	Potential impact	Mitigation
<b>Strategic Risks</b>	Brand and reputational risk	<p>The strength of our brand and its reputation are important to the business. There is a risk that our brand may be undermined or damaged by our actions or those of our partners.</p> <p>Incorrect management of social media interactions could have an adverse effect on our reputation.</p>	<p>We carefully consider each new opportunity and each such customer and partner with whom we do business. Such partners are monitored on an ongoing basis to ensure they remain appropriate to the brand.</p> <p>Our dedicated team closely monitors social media channels and addresses any issues in accordance with our protocol.</p>
	Development of overseas markets	Failure in growing the international business through franchise operations, licensee's and e-commerce. Risk that the group fails to prioritise the right territories or investment.	We perform extensive due diligence on all potential partners and to assess our appropriate route to market. We operate in a range of international markets, which helps to mitigate over reliance and exposure to any one territory.
	Fashion and Design	As with all fashion brands there is a risk that our offer will not satisfy the needs of our customers or we fail to correctly identify trends, both resulting in lower sales and reduced market share.	We maintain 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.
	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 geographic spread of our business and supply chain also helps to mitigate these risks.
<b>Operational Risks</b>	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.
	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	We are committed to operating in a	Four members of the Executive

	Responsibility	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.	Committee have been tasked with overseeing specific areas of our social responsibility agenda. We have an employee whose sole responsibility is to monitor this agenda and ensure our practices fall in line with it.
	IT and Cyber 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.
	Implementation of new ERP system	We are in the process of implementing Microsoft Dynamics AX across the business. With any project of this scale, there is a risk of a poorly managed implementation or take up of new systems, which could lead to business disruptions.	The Group's IT Steering Committee meets on a two weekly basis to review the implementation and all other major IT projects. The Committee comprises members of the Executive Committee and the Board and is advised by external professional advisers.  Robust change management and project governance with professional project managers recruited to oversee the project team which includes key business stakeholders.
	People	Our 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.  Succession plans are in place and have been reviewed during the period.
	Regulatory and legal framework	We operate 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.

<b>Financial Risks</b>	Currency, interest, credit and counterparty credit risks, including financial covenants under the credit facilities	In the course of its operations, we are 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 78 to 84.
------------------------	---	--	---

Our disclosures, as required under Companies Act 2006, in relation to environmental matters, employees (including diversity data), social and community are discussed on pages 20 to 23.

The Strategic Report was approved by the Board of Directors on 19 March 2015 and signed on its behalf by:



C F Anderson,  
Secretary

Registered office - The Ugly Brown Building, 6a St. Pancras Way, London NW1 0TB  
Company No. 03393836

## Directors' Report: Governance

### Corporate Governance Statements

#### Statement of compliance with the Code

During the period the Company was subject to the UK Corporate Governance Code dated September 2012 (the "Code"). The Code was issued by the Financial Reporting Council and is available for review on the Financial Reporting Council's website <https://www.frc.org.uk/>. The Board confirms that the Company has complied with the provisions set out in the Code throughout the year, except in respect of Code Provisions C.3.1 and D.2.1 (audit and remuneration committees to have at least three independent non-executive directors).

#### Statement about applying the Main Principles of the Code

The Company has applied the Main Principles set out in the Code. The UK Corporate Governance Code dated September 2014 (which will apply to the Company during its next financial year ending 30 January 2016) is being reviewed by the Board and the Company will report on its compliance in the next financial year. Further explanation of how the Main Principles have been applied is set out in this section of the Directors' Report and, in connection with directors' remuneration, in the Directors' Remuneration Report on pages 25 to 40.

#### The Board

The Board currently comprises a non-executive chairman, the chief executive, the chief operating officer and three independent non-executive directors. Biographies of these directors appear on page 24. 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.

The Board considers non-executive directors Ronald Stewart, Anne Sheinfield and Andrew Jennings to be independent for the purposes of the Code. The Board also considers Chairman David Bernstein to be independent notwithstanding that, prior to his appointment as Chairman in January 2013, he had served on the Board for more than nine years from the date of his first election and therefore did not satisfy the criteria under Provision B.1.1 of the Code. The Board considers David Bernstein to be independent in character and judgement, taking into account his extensive experience, and to be a valuable member of the Board.

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.

The Code requires that the Board provides a fair, balanced and understandable assessment of the Company's position and prospects in its external reporting. The directors were responsible for the preparation and approval of the Annual Report and Accounts and consider them, taken as a whole, to be fair, balanced and understandable and believe that this provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

During the period, the Board undertook an informal evaluation of its own performance, its committees' performance and the performance of its directors, with continuing assessment undertaken throughout the year in review. Informal evaluations and assessments conducted by the Board and its committees covered a range of issues around board and committee membership, board and committee roles and responsibilities and board and committee processes. Pursuant to Code Provision B.6.2, which provides that the evaluation board of FTSE 350 companies should be externally facilitated at least every three years, the Board has instructed an independent external adviser to evaluate the Board during the financial year

ending 30 January 2016.

### Board and committee attendance

The table below details the number of Board and committee meetings held during the year ended 31 January 2015 and the attendance record of each director.

	Board meetings	Audit committee	Remuneration committee	Nomination committee
<b>Number of meetings held</b>	<b>10</b>	<b>3</b>	<b>3</b>	<b>1</b>
Raymond S Kelvin	8	n/a	n/a	n/a
Lindsay D Page	10	n/a	n/a	n/a
David Bernstein	10	3	3	1
Anne Sheinfield	10	n/a	3	1
Ronald Stewart	10	3	3	1
Andrew Jennings	10	3	3	n/a*

\*Meeting was held on 8 July 2014 before Andrew Jennings was appointed to the Nomination Committee on 30 September 2014.

### Audit Committee Statement

During the period, Ronald Stewart was Chairman of the Audit Committee (the "Committee"). The other Committee members were David Bernstein and, following his appointment to the Committee on 14 March 2014, Andrew Jennings.

Provision C.3.1. of the Code provides that the Committee should comprise of at least three independent non-executive directors, and that the Chairman should not be a member of the Committee. The Board recognises that the Company has not been compliant with Provision C.3.1 of the Code during the year but considers David Bernstein, notwithstanding his appointment as Chairman, to be a valuable member of the Committee because of his recent and extensive relevant financial experience.

A summary of the key matters considered by the Committee during the year are set out below:

Agenda items	March	July	September
Full year report / Interim report			
KPMG Audit Committee paper	Y		Y
KPMG Management Letter	Y		
Group Audit Plan			Y
Internal Audit			
Findings of internal audit reviews		Y	
Key tax risks and approach	Y	Y	Y
Risk management		Y	Y
Policies			
Impairment policy review		Y	
Terms of reference of the Committee		Y	
Whistle blowing		Y	
Non-audit services provided by KPMG		Y	
Employment of former KPMG staff		Y	
Non-audit spend		Y	
Other matters			
Materiality	Y		
Resourcing	Y	Y	Y
Succession planning		Y	
Cyber Risk Review			Y
Post investment appraisal (stores)		Y	

The main areas of judgement and estimation are set out in the accounting policies on pages 55 to 60.

The Committee received, reviewed and challenged reports from management and the external auditors setting out the significant issues in relation to the 2015 Financial Statements which related to the carrying value of inventory and the carrying value of retail fixed assets.

These issues were discussed and challenged with management during the year. They were also discussed with the auditors at the time the Committee reviewed and agreed the auditors' group audit plan, when the auditors reviewed the half year interim financial statements in October 2014, and also at the conclusion of the audit of the 2015 Financial Statements.

#### 1) Carrying value of inventory

Inventory is carried in the financial statements at the lower of cost and net realisable value. The fashion industry can be extremely volatile with consumer demand changing significantly based on current trends. As a result there is a risk that the cost of inventory exceeds its net realisable value.

Management confirmed to the Committee that there have been no significant changes to the approach used to estimate inventory provisions from the prior year. The auditors explained to the Committee the work they had conducted during the year. On the basis of their audit work, the auditors reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole; and in our view this supports the appropriateness of our methodology.

#### 2) Carrying value of retail fixed assets

The Group has invested a significant amount of capital outside the UK in its retail store portfolio. Given the relative immaturity of the brand outside the UK, the payback period is typically longer and it is not uncommon for new stores to make losses in their starting phase. The Committee challenged management on the evidence on which they based their assessment as to when an indicator exists for loss making stores and needs to be formally tested. This included an assessment of performance of retail stores to the original business case, comparing relative performance of stores within each region and confirming that management's assessment was in line with the Committee's understanding of the maturity of the brand in each location. The auditors explained to the Committee the work they had conducted during the year. On the basis of their audit work, the auditors reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole; and in our view this supports the appropriateness of our methodology.

#### 3) Misstatements

Management confirmed to the Committee that they were not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. The auditors reported to the Committee the misstatements that they had found in the course of their work and no material amounts remain unadjusted. The Committee confirms that it is satisfied that the auditors have fulfilled their responsibilities with diligence and professional scepticism.

After reviewing and challenging the presentations and reports from management and consulting where necessary with the auditors, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

#### 4) Future IFRS developments

The Committee has discussed future accounting developments likely to affect the presentation of the Group's Financial Statements.

#### External Audit

The Committee oversees the Company's relationship with the external auditors and makes recommendations to the Board in relation to their appointment, re-appointment 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. During the period audit fees paid to KPMG LLP were £0.2m while non-audit fees totalled £0.7m. Of this £0.6m related to forensic services on a one-off project that the committee believed that KPMG was best placed to carry out.

The Committee has formally reviewed the independence of the auditors during the review year. KPMG LLP has provided a letter to the Committee confirming that it remains independent within the meaning of the regulations on this matter and in accordance with professional standards.

To assess the effectiveness of the external auditors, the Committee reviewed:

- the external auditors' fulfilment of the agreed audit plan and variations from it;
- reports highlighting the major issues that arose during the course of the audit;



- feedback from the businesses evaluating the performance of each assigned audit team; and
- a report from the Audit Quality Review Team of the Financial Reporting Council on Materiality.

The Committee holds meetings with the external auditors before each Committee meeting to review key issues within their sphere of interest and responsibility. To fulfil its responsibility for oversight of the external audit process, the Committee reviewed:

- the terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditors' engagement letter for the forthcoming year;
- the external auditors' overall work plan for the forthcoming year;
- the external auditors' fee proposal;
- the major issues that arose during the course of the audit and their resolution;
- key accounting and audit judgements;
- the level of errors identified during the audit; and
- recommendations made by the external auditors in their management letters and the adequacy of management's response.

Consideration is also given by the Committee to the need to include the risk of the withdrawal of the external auditors from the market in its risk evaluation and planning.

The Committee considers the reappointment of the external auditors each year and assesses their independence on an ongoing basis. KPMG has been the Company's external auditors since 2001, with a competitive audit tender process carried out in 2012. The Committee will next tender the position for external auditor in accordance with the UK Corporate Governance Code dated September 2014.

#### **Whistleblowing**

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.

#### **Nomination Committee**

During the year the Nomination Committee (the "Committee") was chaired by David Bernstein and its other members were Ronald Stewart, Anne Sheinfeld and Andrew Jennings (who was appointed as a member of the Committee on 30 September 2014). The composition of the Committee during the year complied with Provision B.2.1 of the Code.

The Committee is responsible for nominating candidates for appointment to the Board. On 8 July 2014 Lindsay Page was appointed as Chief Operating Officer of the Group, in addition to his role as Group Finance Director.

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

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

#### **Appointments to the Board**

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, in line with Provision B.7.1 of the Code, the Board has determined that all directors must retire and stand for re-election on an annual basis.

#### **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 22-23, 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**

The Company's Articles of Association 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 authorize 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.

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 'Internal Control: Guidance for Directors on the Code' (the "Tumbull Guidance").

The Risk Committee includes the Chief Operating Officer and various subsidiary directors and 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 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 their 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 Chief Operating Officer 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 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, this includes doing the right thing by all of our stakeholders throughout our supply chain and operating in a fair and sustainable manner. We approach our social, environmental and ethical commitments ("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 designed a three pronged plan, named Ted3, in 2012.

In 2015 we are developing our sustainability strategy to include every department.

### How we work

The Chief Operating Officer 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 Ted's Conscience department coordinates 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 Sustainability Focus

We believe in three very important areas of sustainability;

1. **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;
2. **Product:** The Group is committed to purchasing the best possible products for use and sale within and throughout Ted and associated businesses at the same time as ensuring that the people and environment within the supply chain are treated well; and
3. **Practise:** The Group is committed to practising what it preaches by implementing a robust strategy 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. Our score increased from 71% in the previous year to 89%;
- 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, trustees and suppliers, have been offset in full through the purchase of 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 from head office as we can through their network of charities, such as Scrapstores;
- We have been working with charity Newlife to ensure that all faulty garments returned to store do not end up in landfill. Since March 2014 all faulty returned garments are sent to Newlife for re-sale as secondhand garments;
- Through relationships with charities Oxfam and Newlife we have been able to ensure that our end of life garments are utilised in the best way, raising over £415,000 and diverting over 35 tonnes of waste from landfill;
- We are part of the Sustainable Clothing Action Plan ("SCAP"), a DEFRA sponsored action plan, organised to improve the sustainability of clothing throughout its lifecycle by bringing together industry, government and third parties. SCAP members collaborate to develop sector-wide targets along with the tools and guidance necessary to achieve them. As a SCAP 2020 signatory, we are challenged to reduce carbon, water and the amount of waste generated or consumed by our products by 15% by 2020; and
- As part of SCAP, we participate in the Metrics group. The group identifies the key industry metrics that businesses should measure and is working on a tool to measure baseline carbon, water and waste footprints. It also identifies improvement actions that business could take in this area.

### Ethical and Sustainable Sourcing

As part of our commitment to "Product", we place great importance on ethical and environmental sourcing within the Group. We believe that 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 standard, an internationally recognised benchmark for ethical excellence, and can be found at;  
[http://www.tedbakerpromotions.co.uk/legal\\_documents/Ted\\_Baker\\_Code\\_of\\_Conduct.pdf](http://www.tedbakerpromotions.co.uk/legal_documents/Ted_Baker_Code_of_Conduct.pdf)
- Through our partnership with MADE-BY, a non-profit multi-stakeholder initiative set up to improve sustainability within the fashion industry, our Social Scorecard for 2013 was released during the year and can be found at <http://www.made-by.org/partner-brand/34/ted-baker/scorecard>. The scorecard shows an increase in the percentage of product sourced from MADE-BY benchmarked factories. A key focus for the forthcoming year will be for us to continue to work with these suppliers to improve social certification through the implementation of a Ted Baker specific audit program. Our 5th Scorecard will be released in May 2015. This will be our final scorecard with MADE-BY as they are changing their grading system.
- During the period we completed a social improvement program with a key supplier as part of our partnership with MADE-BY. As a result of this project we have seen a marked improvement in the participating factories social practices and working environments.

### Community

In order to "Practise" our goals and achieve our targets we place great importance on the education 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. To make the most of their innovation we have Ted's Conscience team to encourage colleagues to be more environmentally and socially aware in both their jobs and their personal lives.
- Our Ted's Conscience Manager gives twice yearly store team training sessions to ensure our sustainability agenda is communicated across the business.
- We release a quarterly Ted's Conscience Newsletter for the warehouse and retail teams to advise members on our policies, plans, targets and partners.
- Ted's Conscience Manager issues a monthly "DO SOMETHING" email initiating sustainable and environmental activities and competitions to inspire everyone in our head office.
- We continue to encourage our employees to donate unwanted items through our 'Oxfam Collects' Collection Point.
- As of December 2014 we have started to collect donations for the leftover restaurant food that will go to Magic Breakfast a charity that provides underprivileged school children in London with much needed breakfast before school.
- We donated product and raised money for other charities during the year including The Tope Project, a charity that organises Christmas dinners for young care leavers in London.
- We keep two Buckfast bee colonies on the roof of our London head office from which we had a hugely successful honey harvest for the fifth year running.

### Greenhouse Gas Emissions

The Group has for a number of years participated in the Carbon Disclosure Project and is now required, in accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (the "Regulations"), to report its greenhouse gas emissions ("GHG").

The Group has adopted a greenhouse gas reporting policy and a management system based on the ISO 14064-1:2006 methodology, which has been used to calculate the Group's Scope 1 and 2 emissions in the period for activities within the financial control of the Group.

In measuring the Group's greenhouse gas emissions, all the Group's stores, warehouses and head offices around the world were taken into account. The space occupied by the Group within concession stores is excluded from Scope 1 and 2 calculations because the Group has neither financial nor operational control over a concession area. Such emissions are included in the Group's scope 3 figures which are published in our annual Carbon Disclosure Project Report.

The Group's GHG emissions during the period are disclosed in the table below.

	2015	2014
Scope 1 – Direct CO <sub>2</sub> emissions (tonnes CO <sub>2</sub> e)	220	238
Scope 2 – Indirect CO <sub>2</sub> emissions (tonnes CO <sub>2</sub> e)	4,538	3,125
Total tonnes CO <sub>2</sub> e emissions	4,758	3,363
tCO <sub>2</sub> e per sq foot	0.014	0.011
tCO <sub>2</sub> e per thousand GBP sales	0.012	0.010

GHG emissions have been calculated using the appropriate 2014 UK Government Conversions Factors for Company Reporting.

## People

The incredible talent, enduring commitment and passion of the Ted Baker team are key factors in the success of the Group. We encourage team members with learning and development opportunities, nurture their growth and potential, and recognise and reward their contributions. This is illustrated by the energy and inspired performance of our team who drive innovation and the Group's growth.

### Reward and Recognition

Remuneration is reviewed annually and a benchmarking analysis is undertaken against market intelligence to ensure we remain competitive and commensurate across all areas of the business. Our reward packages includes bonus schemes linked to sales targets and individual and corporate performance. We encourage all employees to join our Save As You Earn scheme which provides Ted with confidence in the commitment of its team. Ted also provides a Long Term Incentive Plan ("LTIP") for key senior employees throughout the business spanning a three year award period. The LTIP is currently in its second tranche of issue and it is anticipated that this will continue on a rolling yearly award basis to enhance annual total reward mechanisms following the maturity of the first scheme. During the period we celebrated the fourth year of Wisdom Awards, our scheme that recognises long serving members of the team and provides a chance for them to celebrate and share their Ted stories.

### Learning and Development

Individual performance is reviewed bi-annually with each team member to discuss personal and career development and to set, and assess performance against, goals and objectives linked to personal growth and business development, as well as Ted's environmental and social commitments. We invest in training which ranges from outsourced specialist and technical skills training, to in-house developed 'Hand Made by Ted' bespoke courses focusing on management and leadership skills, brand awareness and self-awareness. Distinct career paths exist across the Group and inter-departmental and international transfers play a large part in retaining and growing talent as well as ensuring the Ted story translates across the Globe. Our manpower and succession plans are monitored and evaluated regularly to highlight skills and learning gaps, anticipate vacancies and harness talent. During the period we launched the Ted Academy, our platform for Learning and Development across the business, and new initiatives will be introduced in the next financial year including a Ted Diploma to develop cross functional knowledge.

### Diversity

The Group believes in respecting individuals and their rights in the workplace, and that diversity supports the dynamic of our team to deliver success. With this in mind, specific policies are in place setting out our stance and commitment to managing harassment and bullying, whistle blowing and equality and diversity. Our team represents a wide and diverse workforce from all backgrounds, sexual orientation, nationality, 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 difference and actively seek to learn about each territory we operate within.

Our commitment to diversity across the Group continues and consideration to diversity and gender is given with a view to appointing the best placed individual for each new role. The charts below demonstrate the gender split across the Board of Directors, the Groups' leadership and senior management teams and global employees as at 31 January 2015.

	2015			2014		
	Male	Female	Total	Male	Female	Total
Ted Baker Plc Directors	2	-	2	2	-	2
Executive Committee and other senior managers	30	40	70	25	25	50
Global employees	995	1,842	2,837	882	1,642	2,524

	UK		North America		Europe		Asia		Total
	M	F	M	F	M	F	M	F	
Plc Directors	2	-	-	-	-	-	-	-	2
Executive Committee and other senior managers	30	40	6	7	1	6	2	4	96
Team members	665	1,107	170	339	104	309	61	86	2,841

### 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 Tedquarters. We also run a Childcare Voucher Scheme. An Employee Assistance Programme 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. In addition, the Group employs a dedicated Health & Safety team member to strengthen our knowledge and commitment in this area of the business.

### Employees with Disabilities

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

### Culture

Our brand values are important in everything we do and are instilled in team members at their initial induction and at Teduction sessions with the Founder and Chief Executive telling the story behind the brand. Employees are encouraged to always ask: 'Would Ted do it that way?' We continue employee's cultural journeys through a host of events including our well attended Family Days at Tedquarters where we open our doors to family and friends to experience life at Ted's home.

### Employee Engagement

The Group places considerable value on the involvement of its team members and continues to keep them informed on matters affecting them and the Group, communicating in a way that aligns with the brand tone of voice and actively encourages feedback. This is achieved through formal and informal meetings, BroadcastTED communications and e-postcard messages from Ted. Team representatives are consulted regularly on a wide range of matters affecting team members' current and future interests. Team members are regularly informed of the Group's performance and any factor affecting its performance during the year, in addition to business development initiatives to maintain interest and encourage participation.

## Directors' Report – Other Statutory Disclosures

### Board of Directors

#### **David Alan Bernstein, CBE – Non-Executive Chairman (71)**

David is Chairman of the British Red Cross. Previously he was joint Managing Director of Pentland Group Plc, Chairman of Blacks Leisure Plc, Manchester City Plc and the Football Association. He is chairman of the Nomination Committee and a member of the Audit and Remuneration Committees. David is an independent director. In the New Year Honours' List of 2014 David was appointed Commander of the Order of the British Empire (CBE) for services to football.

#### **Raymond Stuart Kelvin, CBE – Chief Executive (59) ('Closest Man To Ted')**

Ray, the founder of Ted Baker, has worked in the fashion industry for over 40 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 – Chief Operating Officer (56)**

Lindsay joined Ted Baker as Finance Director in February 1997. He joined Binder Hamlyn in 1981, 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. Lindsay was appointed as the Group's Chief Operating Officer in addition to his role as Group Finance Director on 8 July 2014.

#### **Ronald Stewart, FCIB – Non-Executive Director (67)**

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 Independent Director.

#### **Anne Sheinfeld – Non-Executive Director (49)**

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 and a member of the Nomination Committee. Anne is an Independent Director.

#### **Andrew Jennings – Non-Executive Director (66)**

Andrew was appointed as a non-executive director on 1 February 2014. He has worked in the international retail industry for over 40 years at some of the world's most respected high-end department stores. Previously he was Chief Executive Officer of the Karstadt Group in Germany and prior to this has held a number of senior executive positions at leading UK and international retailers including Saks Fifth Avenue in the USA; Holt Renfrew in Canada; Harrods and House of Fraser in the UK; and Brown Thomas in Ireland. He is a member of the Audit, Nomination and Remuneration Committees. Andrew is an Independent Director.



## Directors' Remuneration Report

### Part A: Annual Statement

Dear Shareholder,

The Directors' Remuneration Report has been prepared on behalf of the Board by the Remuneration Committee (the "Committee") in accordance with the requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended, and meets the relevant requirements of the Listing Rules of the Finance Conduct Authority and the UK Corporate Governance Code.

The Remuneration Report is split into two parts:

- The *directors' remuneration policy* which sets out the Company's policy on directors' remuneration which was approved at the Annual General Meeting ("AGM") held on 10 June 2014, and the key factors that were taken into account in setting the policy. The directors' remuneration policy is subject to a binding shareholder vote at least every third year following its approval.
- The *annual report on remuneration* sets out payments and awards made to executive directors and non-executive directors and details the synergy between Company performance and remuneration for the 2014/2015 financial year.

#### 2014/15 – A Year in Review

2014/15 has delivered another strong performance for the Group. Our unique and talented teams continue to exceed expectations and drive momentum as the Group continues to expand in new and existing markets. Their commitment to take on diverse and complex challenges with passion and professionalism has further strengthened the foundations of the Ted Baker brand. I am therefore pleased to announce that 100% of the maximum potential annual bonus has been achieved and will be paid to executive directors and eligible employees across the Group.

Following the announcement in July 2014, I am also pleased to take this opportunity on behalf of the Committee to acknowledge and congratulate Lindsay Page on his appointment as the Group's Chief Operating Officer in addition to his role as Group Finance Director.

Following shareholder approval and the successful implementation of the scheme in 2013/14, a second award of options was made under the Ted Baker Plc Long Term Incentive Plan 2013 (the "2013 LTIP") in May 2014. This award of options carries the same performance conditions as the first award and will vest in May 2017.

Last year's Directors' Remuneration Report was approved by 99.13% of shareholders and the Directors' Remuneration Policy was approved by 97.21% of shareholders. This demonstrates our reasonable approach to remuneration.

#### 2015/16 – The Year Ahead

In arriving at the proposed base salaries payable for 2015/16, the Committee commissioned an external benchmark report during 2014/15 and also took into account general economic and market conditions. Accordingly, and consistent with the Company's policy to deliver total remuneration at the median level, the resulting proposal for base salaries payable to executive directors in the year ahead is higher than the base salary increase proposed for employees across the Group, which is broadly in line with inflation. Further details can be found in the *Statement of implementation of Remuneration Policy in the following financial year on p38*.

The Committee also undertook an internal review of the consistency of remuneration policy across all employees in the Group and is satisfied that an appropriate reward structure exists below board level to recognise and retain our top talent, particularly while we continue through a period of change management with the implementation of business systems to support our future growth.

#### In Conclusion

The annual report on remuneration provides further details and the directors' remuneration policy sets out how we are continuously building for the future.

I would like to thank you for your support in approving the current remuneration policy and hope that we can rely on your vote in favour of the Directors' Remuneration Report at this year's AGM.

**Anne Sheinfield**  
Chairman

## Part B: Directors Remuneration Policy

### Remuneration Policy

The policy described in this section was approved by shareholders on June 10 2014 at the Company's Annual General Meeting and applies for the three years commencing on that date. No changes have been made to the policy since it came into effect on that date. The original approved version of the policy can be found in the Group's annual accounts for the year ended 25 January 2014 at [www.tedbakerplc.com](http://www.tedbakerplc.com).

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.

We use target performance to estimate the total potential reward and benchmark it according to the criteria outlined above. External benchmarking analysis is commissioned every two years to make sure that we remain competitive within the broader retail comparator groups. The latest benchmarking report was carried out during the year and the results presented to the Committee in February 2015. The next report will be commissioned for 2017.

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

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

#### Short and Long-term remuneration

Group policy is to use fixed annual elements of remuneration such as salary, pension and benefits to recognise the status of our executives and to ensure current and future market competitiveness.

The use of short term annual bonus incentives and Long Term Incentive Plans ("LTIPs") provides a direct link between remuneration and Key Performance Indicators. It also creates a synergy between the executive directors' personal return and the return to investors.

Both the short and long-term incentives are used to motivate and reward them for sustaining and growing the success of the Ted Baker Group.

### Remuneration Policy Table – Executive Directors

Element	Maximum Potential	Operation & Link to Strategy	Performance Targets & Time Period
Base Salary	No maximum salary but annual increases will be broadly consistent with increase in base salary of wider employee population and generally no higher than the increase in RPI unless there is a change in role or responsibility.*	Salary reviewed annually and reflects the role and sustained value of the individual in terms of skills, experience and contribution. Increases will be applied to reflect inflation and are in line with wider employee	N/A

		increases.	
<b>Annual Bonus</b>	Up to 100% of base salary.	<p>Drives and rewards annual performance.</p> <p>Profit targets are reviewed annually at the start of the financial year.</p> <p>Payment is determined by the Committee following the end of the financial year.</p>	<p>Achievement of profit before tax, annual bonus and exceptional / non-recurring items against targets** for the financial year.</p> <p>The Committee reserves the right to make adjustments if the outcome does not reflect underlying performance.</p> <p>Threshold vesting is 0%.</p> <p>Annual Bonus policy does not contain any claw-back or malus provisions.</p>
<b>LTIPs</b>	Up to 150% of base salary per annum. The Committee has the right to award up to 200% of basic salary in exceptional circumstances.	<p>Annual award of shares which vest dependent on the achievement of profit targets with a share price underpin.</p> <p>Drives the overall business strategy and objectives, and aligns the interests of shareholders and the executive team over the longer term.</p>	<p>25% vesting if compound annual growth of profit before tax per share of 10% over the 3 year performance period beginning with the financial year in which the awards are made, rising to 100% vesting at 15% growth.***</p> <p>Share awards will only vest if the share price has risen by 10% over the 3 year period commencing on the date that the awards are made.</p> <p>No dividends are payable on unvested or unexercised LTIP options.</p> <p>No clawback or malus provisions are included in the LTIP rules.</p> <p>In the event of a change in control of the Group prior to the end of the period set for achievement of performance</p>

			<p>targets the performance period will be shortened to the date of change of control and awards will vest on change of control based on the extent to which any performance conditions are satisfied by reference to that shortened performance period. If the change of control occurs after the end of the performance period, awards will vest on change of control to the extent that the performance conditions have been satisfied.</p> <p>Performance conditions for future awards may vary but the Committee will consult with shareholders on any major changes proposed.</p>
<b>The Ted Baker Sharesave Scheme</b>	All executive directors excluding Mr R S Kelvin have the option to save up to the statutory limit towards options over shares in Ted Baker Plc over any 3 or 5 year period.	To align the interests of executive directors with the long term interests of the shareholders.	None.
<b>Retirement Benefits</b>	All executive directors excluding Mr R S Kelvin are entitled to pension contributions to a money purchase scheme of up to 12.5% of base salary.	Positioned to ensure broad competitiveness with market practice.	N/A
<b>Other Benefits</b>	Entitlements include car allowance and medical expense insurance.	Maximum Car allowance entitlements are based on the estimated costs of running a private car.	N/A

#### Notes to the Executive Directors' Policy table

**\*Chief Operating Office & Group Finance Director – change in role**

With effect from 8 July 2014 Lindsay Page was appointed to the role of Group Chief Operating Officer in addition to his

role as Group Finance Director. Accordingly, and in line with our stated policy, his remuneration was adjusted to reflect his augmented responsibilities and his basic salary was increased from £350,000 to £370,000 per annum, pending a further review once the external benchmarking report was available. Proportionate increases to pension contributions and annual bonus entitlements result from the increased basic salary but otherwise no additional benefits accrued to Mr Page in the year as a result of the change in his role.

#### **\*\*Annual bonus**

Profit targets are set by the Committee at the start of the financial year by reference to internal budgets and taking account of consensus market expectations for profit before tax and exceptional / non-recurring items. Market expectations for profit are considered a key measure of business performance for our shareholders; in considering these, the highest and lowest expectations from the range are excluded to help reduce the risk of distortion. The funds available for payment of the annual bonus are determined by the achievement of profit before tax, annual bonus and exceptional / non-recurring items in a financial year in excess of the target. The maximum bonus payable to staff is capped as a percentage of base salary which varies according to individual contracts. The maximum annual bonus payable to an executive director is capped at 100% of base salary.

#### **\*\*\*LTIPs**

In arriving at the performance criteria for the 2013 LTIP, the comparator group used for benchmarking purposes consisted of listed companies with similar enterprise value to Ted Baker. The group included retail and other service sector businesses and was approved by the Committee.

This scheme was introduced in July 2013 for executive directors and other senior executives across the Group. The criteria used to measure performance are growth targets based on adjusted profit before tax per share over the performance period and share price growth over the award period. The profit per share growth targets were set following consideration of consensus market analyst expectations and the share price growth target was agreed in consultation between the Committee and shareholders.

The Committee felt that these criteria were appropriate for the Group in view of its recent investment in expansion and should encourage management to focus on longer term profitable growth. The share price growth target has been favoured over a TSR based measure because the unique profile of the Group's business means that a readily comparable TSR benchmark was not available. A commitment has, however, been made to apply the existing dividend policy consistently.

#### **Remuneration Policy Table – Non-Executive Directors**

The Board aims to recruit high-calibre non-executive directors ("NEDs") with broad commercial, international or other relevant experience. The remuneration policy for NEDs is set by the Board having taken account of the fees paid by other companies of a similar size and complexity.

When recruiting NEDs, the remuneration arrangements offered will generally be in line with those set out in the non-executive Directors' Remuneration Policy Table below.

<b>Approach to setting fees</b>	<b>Basis of fees</b>	<b>Other Items</b>
Fees are reviewed at appropriate intervals taking into account the time commitment expected and practice in peer companies of a similar size, sector and complexity.	Each NED is paid a basic fee for undertaking non-executive director and Board duties. A higher fee is typically paid to the Chairman of the Board.  Non-executive director fees are not subject to claw-back or withholding arrangements.	The NEDs do not participate in the Company's annual bonus scheme, long-term incentive plans, health care arrangements or employee share schemes and do not receive any retirement benefits.  The Group provides each NED with relevant liability insurance for the duration of their appointment.  All NEDs stand for reappointment on an annual basis at every AGM.

#### **Differences in Remuneration Policy for all Employees**

A consistent remuneration approach is applied at all levels throughout the Group, except as outlined below to make sure that business strategy and performance are aligned and that the total reward is sufficient to attract and retain high -performing and talented individuals.

All employees of Ted Baker are entitled to a base salary, annual or periodic bonus and benefits dependent upon their role within the Group. The maximum opportunity available for a base salary increase is consistent across all employees. The maximum opportunity for bonus and benefits is based on seniority, responsibility and function of the role.

Conditional long term share awards are only available to executive directors and other members of senior

management across the Group. Share option grants under the Save As You Earn scheme are available to all UK employees.

#### Statement of Consideration of Employment Conditions elsewhere in the Company

The Group Head of Human Resources presents to the Committee at its meeting in February each year on proposed salary increases for the general employee population and on any changes to remuneration policy within the Company. The Committee limits any increases in base salary for executive directors so that they are broadly in line with the inflationary increase to be applied across the general employee population unless there has been a change in role, or if the salary and total reward falls below the targeted median range.

Proposed remuneration arrangements are discussed with employee communication groups and senior management. The Committee does not specifically invite employees to comment on the executive directors' remuneration policy but any comments made by employees are taken into account.

As well as benchmarking the remuneration packages of an executive director peer group, the benchmarking exercise performed during the year ended January 2013, which informed the current policy, included a separate analysis of salaries paid to other senior executives.

The Committee's conclusion following that report was that the Group should commit to target total remuneration levels for senior management across the Group within the median range in order to retain and reward key individuals.

A further benchmarking report was conducted during the 53 weeks ended 31 January 2015. Again, the report considered the remuneration packages of both executive directors and senior management and the findings confirmed the current strategy of targeting a median level total remuneration package.

The next benchmarking report will be performed in the 52 weeks ending January 2017.

#### Service Contracts and Policy of Payments for Loss of Office

Standard Provision	Policy	Details	Other Provisions in service contracts
Notice periods in executive director Service Contracts	12 months' notice from the Company.  12 months' notice from the executive director.	Executive directors may be required to work during their notice period, be placed on gardening leave for all or part of the notice period or be provided with pay in lieu of notice if not required to work the full period of notice.	Executive directors' service contracts include non-compete and non-poaching provisions
Compensation for loss of office in service contracts	No more than 12 months' salary, pension and benefits (excluding bonus).	Payable monthly and adjusted if the executive director obtains alternative employment.	
Treatment of annual bonus on termination	No payment unless employed on the date of payment of bonus except for "good leavers". The Committee retains discretion to determine whether an executive director is a "good leaver" taking account of circumstances including in particular death, disability and redundancy.	"Good leavers" are entitled to a bonus pro-rated to the period of service during the year provided the financial targets have been achieved and all necessary conditions have been met.  The Committee has discretion to reduce the entitlement of a "good leaver" in line with performance and the circumstances of the termination.	

Treatment of unvested and deferred share awards on termination under plan rules

All awards lapse except for "good leavers" (e.g. on death, disability, ill health, injury, retirement, redundancy). The Committee retains discretion to treat an executive director as a "good leaver" in other circumstances.

For "good leavers", the extent of vesting is at the discretion of the Committee taking account of performance to date of leaving and pro-rated for period of employment in the vesting period for the award.

The Committee's discretion to treat an executive director as a "good leaver" will take into account the particular circumstances of the executive director's departure.

Outside appointments

Executive directors may accept one Board appointment in another listed company.

The Committee Chairman's approval must be sought before accepting appointment. Fees may be retained by the executive director.

Non-executive directors

NEDs have letters of appointment with the Company which provide:

3 - 6 months' notice from the Company

3 - 6 months' notice from the NED.

NEDs may be required to work during the notice period, be placed on gardening leave for all or part of the notice period or may be provided with pay in lieu of notice if not required to work the full period of notice.

#### Contracts of Service & Letters of Appointment

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 NEDs' fees.

	Date of Service Contract / Letter of Appointment	Unexpired term	Notice period	Provision for compensation
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	3 months	3 months	None
Anne Sheinfeld	15 June 2010	3 months	3 months	None
Andrew Jennings	1 February 2014	3 months	3 months	None

### Recruitment Remuneration

The Group's strong brand identity, cultural and family ethos attract a high calibre of candidate. If needed external recruitment agencies are engaged to recruit for specialist roles.

The Committee's approach to recruitment remuneration is to pay at the comparable internal rate and no more than is necessary to attract candidates with the appropriate level of skill and experience to the role. The committee retains the principle of a median level total remuneration package when benchmarking for new and senior roles.

In order to attract key talent to Ted Baker the Committee will, in exceptional circumstances, consider compensating a candidate for losses incurred by leaving a previous employer to join the Group. This will not be considered as regular practice and nor will the Committee commit to matching any expected value of awards.

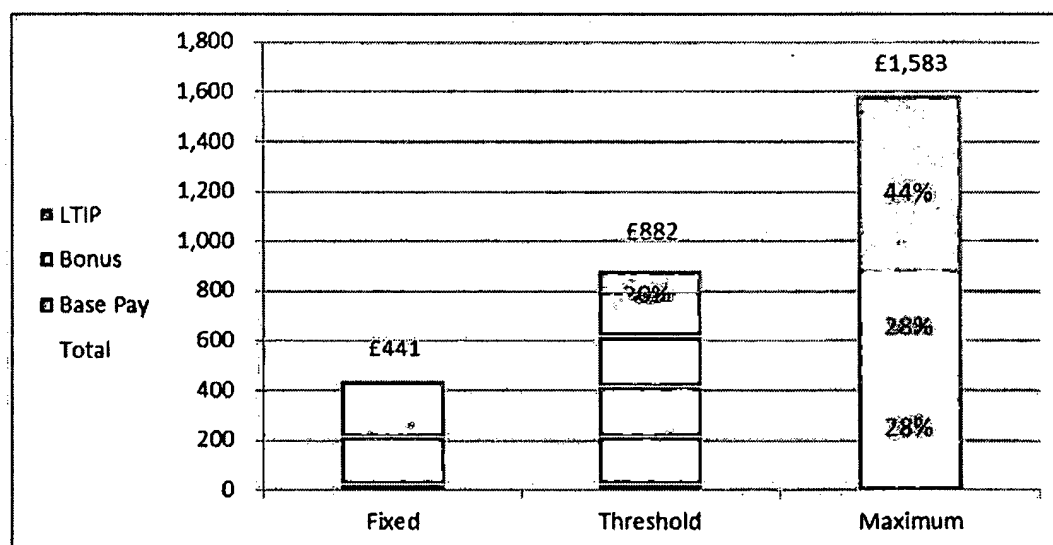
A relocation package within HMRC guidelines will be offered to executive directors who are required to relocate to take up their appointment within the Group.

The remuneration package for any new executive directors would be made up of the same or broadly similar components to those used to reward existing executive directors of the Group as described in the Remuneration Policy Table for Executive Directors above. The remuneration package would comprise an appropriate mixture of fixed and variable remuneration as was required to attract a candidate of appropriate skill and level of qualification.

### Total Remuneration Opportunity

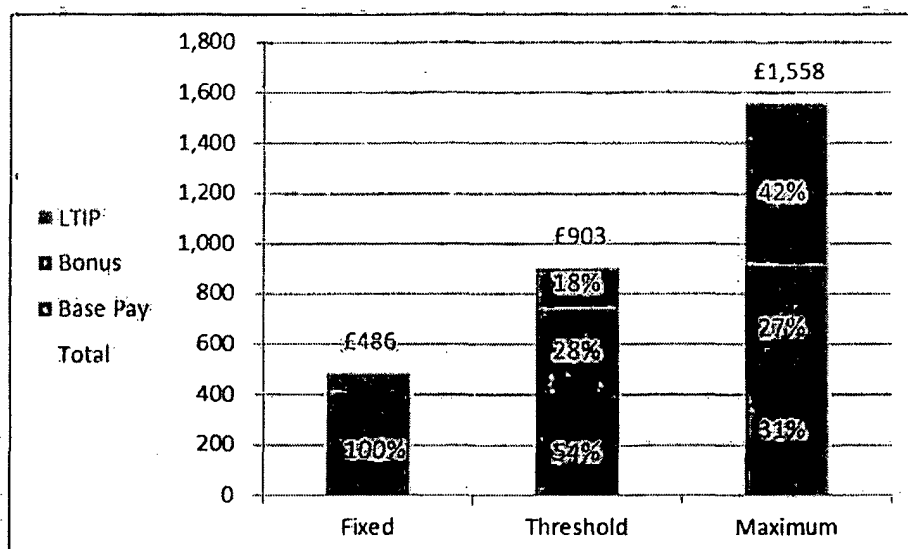
The total remuneration for each of the executive directors that could result from the remuneration policy in 2015/16 under three different performance scenarios is shown below

#### Raymond S Kelvin



(Note: Figures are stated in £'000s)





(Note: Figures are stated in £'000s)

**Notes:**

Fixed pay is base salary plus pension & benefits for 2015/16.

Target performance is the level of performance required to deliver 60% of the maximum bonus and 25% of the full LTIP award and the scenario assumes that the share price growth target of 10% is met at the vesting date. The LTIP variable amount relates to awards granted in July 2013 which will not vest until July 2016. LTIP awards granted in May 2014 will not vest until May 2017.

Maximum performance would result in the maximum bonus payment of 100% of salary and 100% vesting of the LTIP award. Again, this assumes that the share price growth target is also met.

For the purpose of the scenarios illustrated above the share price used in calculating the value of the LTIP variable is the average of the Company's share price over the last quarter of the year ending 31 January 2015.

Mr Raymond S Kelvin has the right to receive £15,000 by way of car allowance during the 52 weeks ended 30 January 2016. At the date of signing the Company's accounts, he has chosen, as he did during the 53 weeks ended 31 January 2015 to claim only £5,400. This position is reflected in the illustration above; however, Mr Raymond S Kelvin has the right to claim the full value of the allowance at a future date, prior to the year end, if he chooses.

**Statement of Consideration of Shareholder Views**

The Committee consults with key shareholders and seeks feedback on any major changes to executive remuneration, including the level of awards to be made and the performance targets in respect of the Company's long term incentive schemes.

In May 2013 the Committee consulted with key shareholders on the design of the Ted Baker Plc Long Term Incentive Plan 2013. The consultation included consideration of the move from a single performance period spanning three years to rolling annual awards, performance metrics and conditions, and the level of awards. A number of meetings were held with key shareholders to discuss their comments and feedback before the scheme was finalised and approved at the General Meeting on 20 June 2013.

**Part C: Annual Report on Remuneration**

The table below sets out in a single figure the total amount of remuneration, including each element, received by each of the executive and non-executive directors for the year ended 31 January 2015 and 25 January 2014.

**Directors' Single Total Figure of Remuneration (Audited)**

Year ended 31 January 2015	Salary	Benefits*	Performance -related bonus	Long-Term Incentive Plans	Pension	Total 2015
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Executive</b>						
R S Kelvin	374	8	375	-	-	757
L D Page	360	26	370	-	44	800
<b>Non-executive</b>						
D A Bernstein	60	-	-	-	-	60
R Stewart	40	-	-	-	-	40
A Sheinfield	40	-	-	-	-	40
A Jennings	40	-	-	-	-	40
	914	34	745	-	44	1,737

Year ended 25 January 2014	Salary	Benefits	Performance -related bonus	Long-Term Incentive Plans	Pension	Total 2014
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Executive</b>						
R S Kelvin	364	8	329	-	-	701
L D Page	338	17	306	-	42	703
<b>Non-executive</b>						
D A Bernstein	60	-	-	-	-	60
R Stewart	40	-	-	-	-	40
A Sheinfield	40	-	-	-	-	40
A Jennings	-	-	-	-	-	-
	842	25	635	-	42	1,544

\* Benefits comprise private medical insurance, car benefits and the discount on SAYE options granted during the year.

## Annual rates of salary in force during the year

£'000

### R S Kelvin

27 January 2014-31 March 2014 366

1 April 2014-31 January 2015 375

### L D Page

27 January 2014-31 March 2014 339

1 April 2014 – 7 July 2014 350

8 July 2014 – 31 January 2015 370

## Annual Bonus (Audited)

For the financial year ended 31 January 2015 100% of the maximum potential bonus pool was achieved.

## Actual Performance against Performance Targets (Audited)

### Performance – related Bonus

KPI	Target	Actual	% Max achieved	R S Kelvin		L D Page	
				Max £'000	Actual £'000	Max £'000	Actual £'000
Profit target	54.0m	54.4m	100%	375	375	370	370

The profit target is arrived after adjusting Profit before tax for exceptional / non-recurring items and annual bonus as explained earlier in the Directors' Remuneration Policy.

## Long Term Incentive Schemes (Audited)

### Awards under the Ted Baker Plc Long-Term Incentive Plan 2013 (Audited)

On 3 July 2013, the Committee awarded options over 220,226 Ordinary Shares in Ted Baker Plc under the Ted Baker Plc Long Term Incentive Plan 2013 to the Executive Committee and other members of senior management, subject to a three year performance period ending 30 January 2016 and a 3 year award period ending 2 July 2016.

Further to the first award made on 3 July 2013, a second award of options over 254,141 Ordinary shares in Ted Baker Plc was made under the Ted Baker Plc Long Term Incentive Plan to the executive directors and other members of senior management on 1 May 2014. The awards are subject to a three year performance period ending on 28 Jan 2017 and a three year award period ending 30 April 2017.

Awards granted to executive directors under the Ted Baker Plc Long Term Incentive Plan 2013 were as follows:

	Type of Interest	No. of shares	Basis of Award	Face Value £'000	% vesting at threshold	Performance period
Raymond S Kelvin	LTIP 2013 share awards Award 2	30,421	150% of salary	562	25%	3 year period ending 30 April 2017
Lindsay D Page	LTIP 2013 share awards Award 2	28,393	150% of salary	525	25%	3 year period ending 30 April 2017

LTIP awards granted in respect of Mr Raymond S Kelvin and Mr Lindsay D Page represent 23% of the total number of LTIP awards granted during the year (2014: 28%). The balance included other senior executives across the Group. Face value has been calculated by multiplying the maximum number of share

awards that may vest by the share price used for purposes of the grant.

The award made under the 2013 LTIP is subject to performance conditions of compound annual growth in profit before tax and exceptional items per share over the three year performance period and share price growth over the three year award period as detailed below.

Performance Conditions	Threshold	Target	Stretch	Superstretch
Adjusted profit before tax per share	10%	12%	13.5%	15%
Share price	10%	10%	10%	10%

The closing share price on the day immediately prior to the grant and the share price used for determining the number of awards made 1 May 2014 was £18.49 (awards made 3 July 2013: £17.10). The share price used for the basis of the share price growth target was £21.03 (awards made 3 July 2013: £13.18), being the average closing price for the 6 month period ending immediately before the date the awards were made.

Mr L D Page was granted 1,875 options under the Company Sharesave scheme during the year. These options carry no performance criteria and were granted with an exercise price of £16.00, which represented a discount of 20% to the prevailing market rate. The vesting period for these awards ends on 1 July 2019.

#### Directors' Shareholding (Audited)

	No. of shares owned (Including connected persons)	No. share awards granted under LTIP 2013	No. share awards granted under Ted Baker Sharesave Scheme*
Raymond S Kelvin	15,540,280	62,527	-
Lindsay D Page	81,039	58,172	1,875

\* The earliest date on which options acquired by Mr L D Page under the Ted Baker Sharesave Scheme will vest is 1 July 2019 at a price of £16.00 each.

#### Options exercised by Directors during the year (Audited)

	No. share options exercised during the year	Option type	Share Price on date of exercise	Option Price	Aggregate Gain
Raymond S Kelvin	202,382	Ted Baker 2009 Value Creation Plan	£23.00	-	£4,654,786
Lindsay D Page	5,165	Ted Baker Sharesave Scheme	£18.28	£3.03	£78,766

On 13 January 2015 Mr R S Kelvin exercised the remaining 202,382 options due to him under the Ted Baker Plc 2009 Value Creation Plan which vested in full in August 2012. Due to the size of his shareholding in Ted Baker Plc, these share options were subject to pre-placement on the London Stock Exchange and immediately sold in line with take-over panel rules. Future exercises of options by Mr R S Kelvin will be subject to the same procedure until any such time that his shareholding in the Group falls below 30%.

#### Payments for loss of office (Audited)

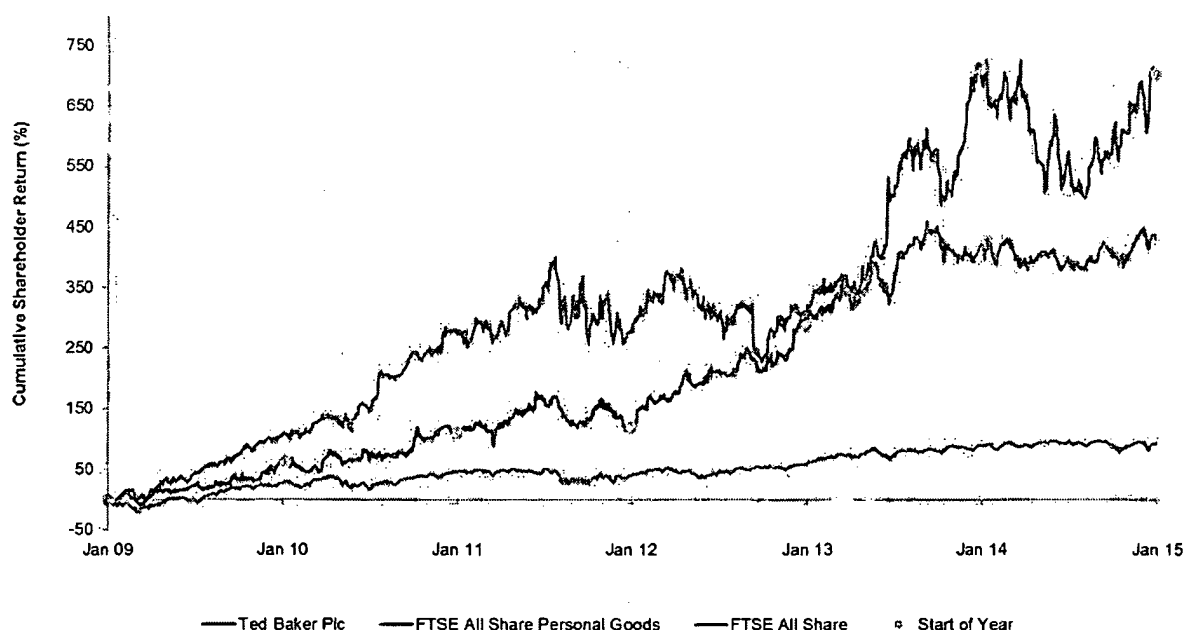
No payments were made in the year for loss of office.

#### Payments to past directors (Audited)

No payments were made in the year to past directors.

### Performance Graph and Table

The following graph charts the total cumulative shareholder return of the Company from January 2010 to January 2015.



The graph above shows the Company's performance against the FTSE All Share Personal Goods index, the sector against which it is tracked by market analysts, and also against the FTSE All Share index to illustrate the Company's performance in the general market.

### CEO Remuneration

	2010	2011	2012	2013	2014	2015
Total Remuneration	493	527	569	4,126	701	757
% of maximum performance-related bonus paid	Note 1	Note 1	Note 1	Note 2	90%	100%
% of maximum LTIP vesting	0%	0%	0%	100%	0%	0%

*Note 1: The performance criteria in respect of LTIP schemes due to vest in these years were not met and therefore no value was crystallised under these schemes.*

*Note 2: The amount included in Total Remuneration in respect of variable LTIP awards in 2013 comprises the number of nil-cost option awards vesting under the Ted Baker 2009 Value Creation Plan in August 2012 at the share price on the date the awards first became exercisable. Under this scheme awards converted into a number of options which was dependent upon the satisfaction of various performance targets. These options were exercisable over two tranches, the first in October 2012 and the second in October 2013.*

#### Percentage change in CEO's Remuneration

The table below shows how the percentage change in the CEO's total remuneration excluding share based payments in 2014 and 2015 compares with the percentage change in the average remuneration for all employees within the Group. The Remuneration Committee has selected the Group's entire staff population (excluding the CEO) as this represents the most appropriate comparator.

	Salary & Benefits			Pensions			Annual Bonus		
	2015	2014	Increase	2015	2014	Increase	2015	2014	Increase
CEO R S Kelvin (£'000)	382	372	2.69%	-	-	-	375	329	13.98%
Global Employees' Remuneration (£'000)	50,723	43,164		1,030	778		3,933	3,098	
Number of Employees	2,803	2,376		2,803	2,376		2,803	2,376	
Average Remuneration (£'000)	18.10	18.17	-0.39%	0.37	0.33	12.12%	1.40	1.30	7.69%

#### Relative importance of spend

The following table sets out the percentage change in dividends and employee remuneration for the year ended 31 January 2015, compared to the year ended 26 January 2014.

	2015	2014	Percentage change
Dividends*	17,679	14,708	20.2%
Employee Remuneration (£'000s)	68,701	56,193	22.3%

\*The value of dividends disclosed is the total interim dividend paid during the year and the final dividend proposed for the respective year.

#### Statement of implementation of Remuneration Policy in the following financial year

The Remuneration Policy was approved at the Annual General Meeting on 10 June 2014 and took effect for the three years commencing on that date.

The base salaries proposed for the 52 weeks ended 30 January 2016 by the Group are £433,000 for the Company Chief Executive Officer, £416,000 for the Chief Operating Officer & Group Finance Director, £60,000 for the Chairman and £40,000 for the other NEDs.

The Committee approved an increase in the base salary of the Chief Operating Officer & Group Finance Director to recognize the breadth of his new role. This decision followed the conclusions of the external benchmarking report carried out in 2015 and the increase is consistent with Company policy to remunerate at a median level.

The Committee approved an increase in the base salary of the Chief Executive Officer to maintain the relative position of his role in relation to the Chief Operating Officer & Group Finance Director. The base salary remains in the lower quartile established by the external benchmarking report.

Due to the reasons above, the increases in the base salary of the Chief Executive Officer and Chief Operating Officer are at a higher percentage level than the average increase for all employees across the Group.

The target profit before tax, annual bonus and exceptional items on which the 2015/16 annual bonus is based is derived after considering consensus market analyst expectations and maximum bonus pool thresholds in line with existing annual bonus policy. The target for the 52 weeks ended 30 January 2016 is not disclosed for reasons of commercial sensitivity, but will be disclosed in the annual accounts for that year.

A further award of options under the Ted Baker Plc Long Term Incentive Scheme 2013 will be made in the 52 weeks ending 30 January 2016. Awards to executive directors under this scheme will likely be based on up to 150% of basic salary. However, the Board has approval from shareholders to grant awards of up to 200% of basic salary under this scheme in exceptional circumstances. The performance criteria for the next round of 2013 LTIP awards will be the same as those applied to the first two sets of awards made under the 2013 LTIP.

## Remuneration Committee and Advisers

### Remuneration Committee

The Remuneration 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 and other contracts between the Company and its executive directors and senior executives 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 long term incentive schemes and determines the level of awards to be made and approves the performance targets.

The Committee is chaired by Anne Sheinfeld and its other members are David Bernstein, Ronald Stewart and Andrew Jennings (appointed with effect from 30 September 2014). David Bernstein, Ronald Stewart and Andrew Jennings are independent NEDs as noted in the corporate governance statements. In line with Provision D.2.1 of the Code, David Bernstein, as Non-Executive Chairman, may be a member, but not chair the Committee, as he was considered to be independent on appointment.

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

### Advisers

During the period, the committee was assisted in its work by Jones Day and PricewaterhouseCoopers LLP ("PwC"), both of whom were appointed by the Company in consultation with the Committee. PwC is retained by the Committee as its independent executive remuneration advisers. The Committee assesses advice provided by PwC and Jones Day from time to time to consider whether it is independent. Comfort is obtained from PwC's adherence to the Remuneration Consultants Group Code of Conduct.

Adviser	Appointed by	Service provided to the Committee	Fees based on hourly rates	Other services provided to the Company
PricewaterhouseCoopers LLP	Company	Advice on share scheme implementation. Attendance at Remuneration Committee meetings. Independent benchmarking report for executive directors and senior management.	£63,140	Tax, legal and accounting services to the Group
Jones Day	Company	Advice on share schemes. Review of Remuneration Report.	£4,500	General legal advice

### Statement of voting at General Meeting

At the last Annual General Meeting, votes on the remuneration report were cast as follows.

	For % Number	Against % Number	Withheld % Number	Reasons for votes against, if applicable	Action taken by Committee
Approval of the 2014 Directors' Remuneration Report	99.13% 39,078,336	0.21% 83,400	0.66% 260,696	The number of votes against the Remuneration Report was not considered to be significant	N/A
Approval of Directors' Remuneration Policy included within the 2014 Directors' Remuneration Report	97.21% 38,322,794	2.79% 1,099,638	0.00% -	The number of votes against the LTIP was not considered to be significant	N/A

The directors' remuneration report was approved on behalf of the Board on 19 March 2015 and signed on its behalf by:

*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 53 weeks ended 31 January 2015. The comparative period is for the 52 weeks ended 25 January 2014.

### 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 and Portugal.

### 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 3 to 9.

The contents of this Directors' Report together with:

- the Chairman's Statement on pages 3 to 4;
- the Business Review on pages 7 to 9;
- the Principal Risks and Uncertainties on pages 12 to 13;
- the Sustainability and the Environment report on pages 20 to 21; and
- the People report on pages 22 and 23

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

### Results and Dividends

The audited accounts for the 53 weeks ended 31 January 2015 are set out on pages 48 to 86. The Group profit for the 53 weeks, after taxation, was £35.9m (2014: £28.9m). The directors recommend a final dividend of 29.0p per ordinary share (2014: 24.2p) payable on 19 June 2015 to ordinary shareholders on the register on 22 May 2015 which, together with the interim dividend of 11.3p per share (2014: 9.5p per share) paid on 21 November 2014, makes a total of 40.3p per share for the period (2014: 33.7p per share).

### Directors

The directors during the period were those listed on page 24. Details of the directors' beneficial interests in the shares of the Company are shown on page 36. Details of their options are given in the Directors' Remuneration Report on page 36. Brief details of the career of each director are set out on page 24.

### Substantial Shareholdings

On 18 March 2015, 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.

Name of Holder	Number	% Held
R S Kelvin	15,540,280	35.38
Capital Research & Management	3,672,155	8.36
Standard Life Investments	3,275,062	7.46
BlackRock	3,169,500	7.22

### Share Capital and Control

As at 31 January 2015, the Company's authorised share capital was 80,000,000 ordinary shares of 5 pence each (in nominal value). Details of the Company's share capital are shown in Note 19 to the consolidated financial statements on page 74. On 31 January 2015 there were 43,926,288 ordinary shares in issue. 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 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, 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 31 January 2015 had interests in the shares of Ted Baker Plc as shown in the table below.

	<b>% of share capital</b>	<b>31 January 2015 Beneficial</b>	<b>25 January 2014 Beneficial</b>
R S Kelvin	35.4	15,540,280	15,540,280
L D Page	0.2	81,039	120,454
D Bernstein	-	6,000	0
R Stewart	-	313	313

#### **Controlling Shareholder**

Pursuant to LR 9.8.4R(14)(a), the directors confirm that the Company entered into a written and legally binding relationship agreement with R S Kelvin on 14 November 2014 which is intended to ensure that R S Kelvin complies with the independence provisions set out in LR 6.1.4D R (the "Relationship Agreement").

Pursuant to LR 9.8.4R(14)(c)(i), the directors confirm that the Company has complied with the independence provisions set out in the Relationship Agreement during the period. In addition, pursuant to LR 9.8.4R(14)(c)(ii), the directors confirm that, so far as the Company is aware, R S Kelvin and his associates have complied with the independence provisions set out in the Relationship Agreement during the period.

This paragraph sets out all information required by LR9.8.4R that is applicable to the Company during the period.

#### **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 42 days (2014: 35 days). At the year end the Company had no trade creditors.

#### **Donations**

The value of charitable donations made during the period was £18,504 (2014: £30,072).

#### **Social Responsibility**

Details of the Group's social, ethical and environmental responsibility initiatives are set out in the Sustainability and the Environment statement on pages 20 to 21.

#### **People**

Details of the Group's policies with respect to people and employees are set out in the People statement on page 22 and 23.

**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 adviser, reviews and resolves any health and safety issues.

**Risk Management**

The Company's policies on currency and interest rate risk are outlined in Note 22 of the Financial Statements on pages 78 to 84.

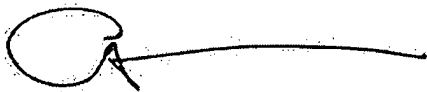
**Directors' Statement Regarding Disclosure of Information to Auditors**

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 have expressed their willingness to continue in office as auditors. The Audit committee has recommended to the board that KPMG LLP be appointed as the Company's external auditors for 2015/16.

The report was approved by the Board of Directors on 19 March 2015 and signed on its behalf by:

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a horizontal line extending to the right.

*C F Anderson,*  
Company Secretary

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

## Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the 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 are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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 Strategic Report, 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.

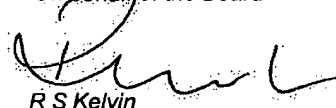
### Responsibility statement of the directors in respect of the annual financial report

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

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report/directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

On behalf of the Board



R S Kelvin  
Chief Executive

19 March 2015



L D Page  
Chief Operating Officer

19 March 2015

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TED BAKER PLC ONLY

## Opinions and conclusions arising from our audit

### 1 *Our opinion on the financial statements is unmodified*

We have audited the financial statements of Ted Baker PLC for the 53 week period ending 31 January 2015 set out on pages 48 to 85.

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 31 January 2015 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and as applied in accordance with 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.

### 2 *Our assessment of risks of material misstatement*

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

#### **Valuation of inventory**

Refer to page 16 (Audit Committee statement), page 59 (accounting policy note) and page 73 (financial statement disclosures).

**The risk:** Inventory is carried in the Financial Statements at the lower of cost and net realisable value. Sales in the fashion industry can be extremely volatile with consumer demand changing significantly based on current trends. As a result there is a risk that the carrying value of inventory exceeds its net realisable value.

**Our response:** Our audit procedures were designed to challenge the adequacy of the Group's provisions against inventory by seasonal collection and included:

- Corroborating on a sample basis that items on the stock ageing listing by season were classified in the appropriate ageing bracket;
- Assessing the appropriateness of the provision percentages applied to each season and challenged the assumptions made by the Directors on the extent to which old inventory can be sold through various channels; and
- Considered the historical accuracy of provisioning and used the information obtained as evidence for evaluating the appropriateness of the assumptions made in the current year including how these compare to the experience in previous years.

We have also considered the adequacy of the Group's disclosures in respect of the levels of provisions against inventory.

#### **Valuation of retail fixed assets**

Refer to page 16 (Audit Committee statement), page 59 (accounting policy note) and pages 68-69 (financial statement disclosures).

**The risk:** The Group has invested a significant amount of capital (included in non-current assets on the balance sheet) outside the UK in its retail store portfolio. Given the relative immaturity of the brand outside the UK, the payback period is typically longer than for UK stores. The Group had 333 (2014:310) stores and 20 (2014:17) outlets at the 31 January 2015.

There is a risk that the carrying value of retail fixed assets in these territories could be overstated if the profitability expectations are adversely impacted by trading and other conditions that were not anticipated in the initial business case.

The level of judgment involved in assessing impairment indicators on recently opened retail stores in foreign markets is one of the key judgemental areas that our audit is concentrated on.

**Our response:** Our audit procedures included challenging the Directors on the evidence on which they based their assessment as to when an impairment indicator exists for loss making stores and therefore a need for impairment testing arises. This included comparing the performance of retail stores to the original business case, comparing relative performance of stores within each region and considering whether the Directors' assessment was in line with our overall understanding of the maturity of the brand in each location and available external data on future economic prospects of the respective market.

We have also considered the adequacy of the Group's disclosures in respect of impairment of retail fixed assets.

### **3 Our application of materiality and an overview of the scope of our audit**

The materiality for the group financial statements as a whole was set at £2.4 million determined with reference to a benchmark of group profit before tax of which it represents 4.9%.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £120,000 impacting the income statement and £240,000 for balance sheet reclassifications only, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 22 reporting components, the group audit team subjected the 2 UK components to an audit for group reporting purposes and the 3 US components to specified risk-focused audit procedures performed by component auditors in the US.

The components within the scope of our work accounted for the following percentages of the group's results:

	Number of components	Group revenue	Group profit before tax	Total assets
Audits for group reporting purposes	2	67%	90%	76%
Specified risk focused audit procedures	3	20%	8%	21%
<b>Total</b>	<b>5</b>	<b>87%</b>	<b>98%</b>	<b>97%</b>

For the remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors in the US as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the components materialities which ranged from £2.1 million- £2.3million, having regard to the mix of size and risk profile of the Group across the components.

Telephone conference meetings were held with component auditors in the US. At these meetings the Group team discussed the audit strategy and the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

### **4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified**

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **5 We have nothing to report in respect of the matters on which we are required to report by exception**

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy; or
- the Corporate Governance section of the annual report describing the work of the Group Audit and Risk Committee does not appropriately address matters communicated by us to the audit committee.

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.

Under the Listing Rules we are required to review:

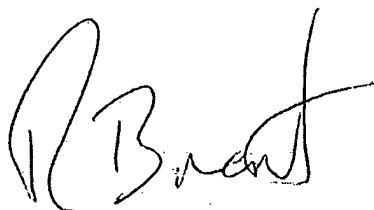
- the directors' statement, set out on page 42, in relation to going concern; and

- the part of the Corporate Governance Statement on page 14 in the Corporate Governance section of the annual report relating to the company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

*Scope and responsibilities*

As explained more fully in the Directors' Responsibilities Statement set out on page 44, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate). This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at [www.kpmg.com/uk/auditscopeukco2014a](http://www.kpmg.com/uk/auditscopeukco2014a), which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.



**Robert Brent (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL  
19 March 2015

# Group Income Statement

For the 53 weeks ended 31 January 2015

	Note	53 weeks ended 31-Jan 2015 £'000	52 weeks ended 25-Jan 2014 £'000
Revenue	2	387,564	321,921
Cost of sales		(152,359)	(123,451)
<b>Gross profit</b>		<b>235,205</b>	<b>198,470</b>
Distribution costs		(144,584)	(123,211)
Administrative Expenses		(56,373)	(44,427)
Administrative expenses before exceptional costs		(51,034)	(43,381)
Exceptional costs	3	(5,339)	(1,046)
Licence income		11,665	8,888
Other operating Income		3,846	(132)
Other operating income/(expense) before exceptional income		(812)	(132)
Exceptional income	3	4,658	-
<b>Operating profit</b>		<b>49,759</b>	<b>39,588</b>
Finance income	4	108	316
Finance expenses	4	(1,621)	(1,312)
Share of profit of jointly controlled entity, net of tax	12	525	331
<b>Profit before tax</b>	3	<b>48,771</b>	<b>38,923</b>
<b>Profit before tax and exceptional items</b>		<b>49,452</b>	<b>39,969</b>
Exceptional costs		(5,339)	(1,046)
Exceptional income		4,658	-
Income tax expense	6	(12,921)	(10,071)
<b>Profit for the period</b>		<b>35,850</b>	<b>28,852</b>
<b>Earnings per share</b>	9		
Basic		82.0p	67.2p
Diluted		81.0p	66.3p



## Group Statement of Comprehensive Income

For the 53 weeks ended 31 January 2015

	53 weeks ended 31-Jan 2015	52 weeks ended 25-Jan 2014
	£'000	£'000
<b>Profit for the period</b>	<b>35,850</b>	<b>28,852</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to the Income Statement</b>		
Net effective portion of changes in fair value of cash flow hedges	1,328	(2,486)
Net change in fair value of cash flow hedges transferred to profit or loss	1,890	545
Exchange differences on translation of foreign operations net of tax	2,692	(3,276)
<b>Other comprehensive income for the period</b>	<b>5,910</b>	<b>(5,217)</b>
<b>Total comprehensive income for the period</b>	<b>41,760</b>	<b>23,635</b>

## Group Statement of Changes in Equity

For the 53 weeks ended 31 January 2015

	Share capital	Share Premium	Cash flow hedging reserve	Translation Reserve	Retained earnings	Total equity attributable to equity shareholders of the parent
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 25 January 2014</b>	<b>2,194</b>	<b>9,139</b>	<b>(1,850)</b>	<b>(2,980)</b>	<b>105,561</b>	<b>112,064</b>
<b>Comprehensive income for the period</b>						
Profit for the period					35,850	35,850
Exchange differences on translation of foreign operations	-	-	-	3,475	-	3,475
Current tax on foreign currency translation	-	-	-	(783)	-	(783)
Effective portion of changes in fair value of cash flow hedges	-	-	2,132	-	-	2,132
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	1,890	-	-	1,890
Deferred tax associated with movement in hedging reserve	-	-	(804)	-	-	(804)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>3,218</b>	<b>2,692</b>	<b>35,850</b>	<b>41,760</b>
<b>Transactions with owners recorded directly in equity</b>						
Increase in issued share capital	2	192	-	-	-	194
Share based payments charges	-	-	-	-	1,390	1,390
Movement on current and deferred tax on share based payments	-	-	-	-	672	672
Disposal of own / treasury shares	-	-	-	-	-	-
Dividends paid	-	-	-	-	(15,506)	(15,506)
<b>Total transactions with owners</b>	<b>2</b>	<b>192</b>	<b>-</b>	<b>-</b>	<b>(13,444)</b>	<b>(13,250)</b>
<b>Balance at 31 January 2015</b>	<b>2,196</b>	<b>9,331</b>	<b>1,368</b>	<b>(288)</b>	<b>127,967</b>	<b>140,574</b>

## Group Statement of Changes in Equity

For the 52 weeks ended 25 January 2014

	Share capital	Share premium	Cash flow hedging reserve	Translation Reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
<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>Comprehensive income for the period</b>						
Profit for the period	-	-	-	-	28,852	28,852
Exchange differences on translation of foreign operations	-	-	-	(4,391)	-	(4,391)
Current tax on foreign currency translation	-	-	-	1,115	-	1,115
Effective portion of changes in fair value of cash flow hedges	-	-	(2,976)	-	-	(2,976)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	545	-	-	545
Deferred tax associated with movement in hedging reserve	-	-	490	-	-	490
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(1,941)</b>	<b>(3,276)</b>	<b>28,852</b>	<b>23,630</b>
<b>Transactions with owners recorded directly in equity</b>						
Increase in issued share capital	34	2	-	-	(34)	2
Share based payments charges	-	-	-	-	606	606
Movement on current and deferred tax on share based payments	-	-	-	-	967	967
Disposal of own / treasury shares	-	-	-	-	71	71
Dividends paid	-	-	-	-	(12,110)	(12,110)
<b>Total transactions with owners</b>	<b>34</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>(10,500)</b>	<b>(10,464)</b>
<b>Balance at 25 January 2014</b>	<b>2,194</b>	<b>9,139</b>	<b>(1,850)</b>	<b>(2,980)</b>	<b>105,561</b>	<b>112,064</b>

## Company Statement of Changes in Equity

For the 53 weeks ended 31 January 2015

	Share capital	Share premium	Other reserves	Retained earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000
Balance at 25 January 2014	2,194	9,139	16,073	30,295	57,701
Profit for the period	-	-	-	18,013	18,013
<b>Transactions with owners recorded directly in equity</b>					
Increase in issued share capital	2	192	-	-	194
Share based payments charges	-	-	-	176	176
Share based payments charges for awards granted to subsidiary employees	-	-	1,214	-	1,214
Disposal of own shares	-	-	-	-	-
Dividends paid	-	-	-	(15,506)	(15,506)
<b>Total transactions with owners</b>	<b>2</b>	<b>192</b>	<b>1,214</b>	<b>2,683</b>	<b>4,091</b>
Balance at 31 January 2015	2,196	9,331	17,287	32,978	61,792

## Company Statement of Changes in Equity

For the 52 weeks ended 25 January 2014

	Share capital	Share premium	Other reserves	Retained earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000
Balance at 26 January 2013	2,160	9,137	15,542	25,596	52,435
Profit for the period	-	-	-	16,697	16,697
<b>Transactions with owners recorded directly in equity</b>					
Increase in issued share capital	34	2	-	(34)	2
Share based payments charges	-	-	-	75	75
Share based payments charges for awards granted to subsidiary employees	-	-	531	-	531
Disposal of own shares	-	-	-	71	71
Dividends paid	-	-	-	(12,110)	(12,110)
<b>Total transactions with owners</b>	<b>34</b>	<b>2</b>	<b>531</b>	<b>4,699</b>	<b>5,266</b>
Balance at 25 January 2014	2,194	9,139	16,073	30,295	57,701

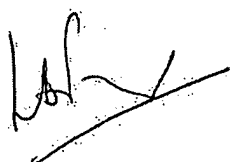
# Group and Company Balance Sheet

At 31 January 2015

	Note	Group 31-Jan 2015 £'000	Group 25-Jan 2014 £'000	Company 31-Jan 2015 £'000	Company 25-Jan 2014 £'000
Intangible assets	10	12,855	6,080	-	-
Property, plant and equipment	11	51,804	45,083	-	-
Investments in subsidiary	12	-	-	19,709	18,162
Investment in equity accounted investee	12	1,290	1,024	-	-
Deferred tax assets	13	5,659	4,450	-	-
Prepayments		461	564	-	-
<b>Non-current assets</b>		<b>72,069</b>	<b>57,201</b>	<b>19,709</b>	<b>18,162</b>
Inventories	14	111,114	80,432	-	-
Trade and other receivables	15	36,873	34,793	41,510	39,111
Amount due from equity accounted investee	12	679	164	-	-
Derivative financial assets	16	3,547	499	-	-
Cash and cash equivalents	17	7,380	28,521	583	440
<b>Current assets</b>		<b>159,593</b>	<b>144,409</b>	<b>42,093</b>	<b>39,551</b>
Trade and other payables	18	(57,046)	(45,289)	(10)	(12)
Bank overdraft	17	(26,204)	(37,282)	-	-
Income tax payable		(7,202)	(3,857)	-	-
Derivative financial liabilities	16	(636)	(3,118)	-	-
<b>Current liabilities</b>		<b>(91,088)</b>	<b>(89,546)</b>	<b>(10)</b>	<b>(12)</b>
<b>Net assets</b>		<b>140,574</b>	<b>112,064</b>	<b>61,792</b>	<b>57,701</b>
<b>Equity</b>					
Share capital	19	2,196	2,194	2,196	2,194
Share premium	19	9,331	9,139	9,331	9,139
Other reserves	19	1,368	(1,850)	17,287	16,073
Translation reserve	19	(288)	(2,980)	-	-
Retained earnings	19	127,967	105,561	32,978	30,295
<b>Total equity attributable to equity shareholders of the parent company</b>		<b>140,574</b>	<b>112,064</b>	<b>61,792</b>	<b>57,701</b>
<b>Total equity</b>		<b>140,574</b>	<b>112,064</b>	<b>61,792</b>	<b>57,701</b>

These financial statements were approved by the Board of Directors on 19 March 2015 and were signed on its behalf by:

L D Page  
Director



# Group and Company Cash Flow Statement

For the 53 weeks ended 31 January 2015

	Group 53 weeks ended 31 January 2015 £'000	Group 52 weeks ended 25 January 2014 £'000	Company 53 weeks ended 31 January 2015 £'000	Company 52 weeks ended 25 January 2014 £'000
<b>Cash generated from operations</b>				
Profit for the period	35,850	28,852	18,013	16,697
Adjusted for:				
Income tax expense	12,921	10,071	-	-
Depreciation and amortisation	12,536	10,889	-	-
Net impairment	-	725	-	-
Loss on disposal of property, plant & equipment	462	308	-	-
Share based payments	1,390	606	176	75
Net finance losses	1,513	996	-	-
Net change in derivative financial assets and liabilities	(1,507)	463	-	-
Share of profit in joint venture	(525)	(331)	-	-
Decrease in non-current prepayments	71	91	-	-
Increase in inventory	(29,131)	(12,215)	-	-
Increase in trade and other receivables	(1,815)	(3,787)	(2,401)	(4,735)
Increase in trade and other payables	11,653	4,780	-	-
Interest paid	(1,594)	(1,169)	-	-
Income taxes paid	(11,419)	(8,470)	-	-
<b>Net cash generated from operating activities</b>	<b>30,405</b>	<b>31,809</b>	<b>15,788</b>	<b>12,037</b>
<b>Cash flow from investing activities</b>				
Purchases of property, plant & equipment and intangibles	(25,476)	(18,082)	-	-
Proceeds from sale of property, plant & equipment	5	73	-	-
Investment in subsidiaries	-	-	(333)	-
Dividends received from joint venture	259	-	-	-
Interest (paid)/received	1	(43)	-	-
<b>Net cash from investing activities</b>	<b>(25,211)</b>	<b>(18,052)</b>	<b>(333)</b>	<b>-</b>
<b>Cash flow financing activities</b>				
Proceeds from option holders for exercise of options	-	71	-	71
Dividends paid	(15,506)	(12,110)	(15,506)	(12,110)
Proceeds from issue of shares	194	2	194	2
<b>Net cash from financing activities</b>	<b>(15,312)</b>	<b>(12,037)</b>	<b>(15,312)</b>	<b>(12,037)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(10,118)</b>	<b>1,720</b>	<b>143</b>	<b>-</b>
Cash and cash equivalents at the beginning of the period	(8,761)	(10,039)	440	440
Exchange rate movement	55	(442)	-	-
<b>Net cash and cash equivalents at the end of the period</b>	<b>(18,824)</b>	<b>(8,761)</b>	<b>583</b>	<b>440</b>
Cash and cash equivalents at the end of the period	7,380	28,521	583	440
Bank overdraft at the end of the period	(26,204)	(37,282)	-	-
<b>Net cash and cash equivalents at the end of the period</b>	<b>(18,824)</b>	<b>(8,761)</b>	<b>583</b>	<b>440</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 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 3 to 11. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chairman's Statement on pages 3 to 4. 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.

As highlighted in note 22 to the financial statements, the company meets its day-to-day working capital requirements through an overdraft facility which was renewed during the year in September 2014. The Group agreed a three and a half year committed borrowing facility which is due to expire on 1 March 2018. 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'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 certain 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*

The Group has considered the impact of the new standard, not yet effective, in relation to IFRS 15 'Revenue from Contracts with Customers'. The Group does not consider this to be significant to the Group's financial statements in the future.

There were no other new standards, interpretations or amendments to standards issued and effective for the year which materially impacted the Group's financial statements.

### b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 31 January 2015. 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. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve.

#### **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 licencees 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 granted under the Sharesave scheme and the Ted Baker Plc Long Term Incentive Plan are measured at fair value at the date of grant using the Black-Scholes and Monte Carlo pricing models respectively. The pricing models take 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 fulfilling 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.

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. Key Money is not amortised but systematically tested for impairment at each balance sheet date as the directors are of the opinion the residual value of the asset is in excess of the carrying value. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Key money: No amortisation charged

Computer Software: 4 years

#### **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 intangible assets**

Assets that are subject to depreciation or 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 judgments**

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

**Impairment**

Stores are identified for further impairment testing primarily on the basis of current performance, with growth assumptions based on directors' knowledge and experience. Judgement has been used to determine that a greater level of leniency is applied to newly opened stores and to stores in new territories for the brand. Given the relative immaturity of the brand outside the UK, the payback period is typically longer and it is not uncommon for new stores to make losses in their start up phase. The directors have used forecast models and an appropriate pre-tax weighted average cost of capital in its property, plant and equipment impairment calculations.

**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. Inventory is carried in the financial statements at the lower of cost and net realisable value. Sales in the fashion industry can be extremely volatile with consumer demand changing significantly based on current trends. As a result there is a risk that the cost of inventory exceeds its net realisable value. Management calculate the inventory provision on the basis of the ageing profile of what is in stock. Adjustments are made where appropriate based on directors' knowledge and experience to calculate the appropriate inventory carrying values.

**w) Non-GAAP performance measures**

Exceptional items are those items which, in the opinion of the directors, should be excluded in order to provide a consistent and comparable view of the underlying performance of the Group's ongoing business. Generally this will include those items that are largely one-off and material in nature. Exceptional items are identified and presented on a consistent basis each year and a reconciliation of PBT before exceptional items to profit before tax is included in the financial statements.

Exceptional items and their related tax impacts are added back/deducted from profit attributable to the owners of the Company to arrive at adjusted earnings per share.

Exceptional items in the current year include:

- costs in relation to a legal dispute with a previous insurer;
- income for an early termination of a licence partner agreement; and
- receipt for a settlement of an intellectual property dispute.

Exceptional items in the prior year include:

- impairment charge in respect of two retail stores; one in the New York's Meatpacking District, and one in Paris; and
- Onerous lease in relation to a retail store in Liverpool we are no longer trading due to store relocation. This space was sub-let.

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.

## 2. Segment information

The Group has three reportable segments; retail, wholesale and licence income.

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

The accounting policies of the reportable segments are the same as described in note 1 on pages 55 to 60. 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 before exceptional items 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 53 weeks ended 31 January 2015

	Retail	Wholesale	Licence income	Total
	£'000	£'000	£'000	£'000
Revenue	306,914	80,650	-	387,564
Cost of sales	(105,940)	(46,419)	-	(152,359)
<b>Gross profit</b>	<b>200,974</b>	<b>34,231</b>	<b>-</b>	<b>235,205</b>
Operating costs	(143,484)	-	-	(143,484)
<b>Operating contribution</b>	<b>57,490</b>	<b>34,231</b>	<b>-</b>	<b>91,721</b>
Licence income	-	-	11,665	11,665
<b>Segment result</b>	<b>57,490</b>	<b>34,231</b>	<b>11,665</b>	<b>103,386</b>

### Reconciliation of segment result to profit before tax

<b>Segment result</b>	<b>57,490</b>	<b>34,231</b>	<b>11,665</b>	<b>103,386</b>
Other operating costs	-	-	-	(52,134)
Exceptional costs	-	-	-	(5,339)
Exceptional income	-	-	-	4,658
Other operating expense	-	-	-	(812)
<b>Operating profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,759</b>
Net finance expense	-	-	-	(1,513)
Share of profit of jointly controlled entity, net of tax	-	-	-	525
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,771</b>
Capital expenditure	16,550	42	-	16,592
Unallocated capital expenditure	-	-	-	9,112
<b>Total capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,704</b>
Depreciation and amortisation	10,392	116	-	10,508
Unallocated depreciation and amortisation	-	-	-	2,028
<b>Total depreciation and amortisation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,536</b>
Segment assets	165,790	44,253	-	210,043
Other assets	-	-	-	21,619
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>231,662</b>
Segment liabilities	(65,926)	(17,324)	-	(83,250)
Other liabilities	-	-	-	(7,838)
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(91,088)</b>
<b>Net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,574</b>

Wholesale sales are shown after the elimination of inter-company sales of £54,541,000 (2014: £38,397,000).

52 weeks ended 25 January 2014	Retail	Wholesale	Licence income	Total
	£'000	£'000	£'000	£'000
Revenue	259,143	62,778	-	321,921
Cost of sales	(87,909)	(35,542)	-	(123,451)
Gross profit	171,234	27,236	-	198,470
Operating costs	(122,176)	-	-	(122,176)
Operating contribution	49,058	27,236	-	76,294
Licence income	-	-	8,888	8,888
Segment result	49,058	27,236	8,888	85,182
<b>Reconciliation of segment result to profit before tax</b>				
Segment result	49,058	27,236	8,888	85,182
Other operating costs				(44,416)
Exceptional costs				(1,046)
Other operating expense				(132)
Operating profit				39,588
Net finance expense				(996)
Share of profit of jointly controlled entity, net of tax				331
Profit before tax				38,923
Capital expenditure	13,009	281	-	13,290
Unallocated capital expenditure				4,578
Total capital expenditure				17,868
Depreciation and amortisation	8,433	183	-	8,616
Unallocated depreciation and amortisation				2,273
Total depreciation and amortisation				10,889
Segment assets	153,844	37,803	-	191,647
Other assets				9,963
Total assets				201,610
Segment liabilities	(66,469)	(16,102)	-	(82,571)
Other liabilities				(6,975)
Total liabilities				(89,546)
Net assets				112,064

**b) Geographical information**

	UK & Europe	US & Canada	Asia	Total
	£'000	£'000	£'000	£'000
<b>53 weeks ended 31 January 2015</b>				
Revenue	296,765	78,546	12,253	387,564
Non-current assets*	44,196	19,436	2,778	66,410
<b>52 weeks ended 25 January 2014</b>				
Revenue	250,314	61,703	9,904	321,921
Non-current assets*	34,747	14,447	3,557	52,751

\*Non-current assets exclude deferred tax assets.

**c) Revenue by collection**

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	£'000	£'000
Menswear	168,310	143,044
Womenswear	219,254	178,877
	387,564	321,921

### 3. Profit before tax

Profit before tax is stated after charging/(crediting);	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	£'000	£'000
Depreciation and amortisation	12,536	10,889
Exceptional costs	5,339	1,046
Exceptional income	(4,658)	-
Operating lease rentals for leasehold properties	28,375	27,710
Loss on sale of property, plant & equipment	462	308
Auditors remuneration		
Audit of these financial statements	10	9
Audit of financial statements of subsidiaries of the company	179	126
Interim financial statements review	17	17
Audit related assurance services	21	21
Taxation compliance and other advisory services	114	81
All other services (forensic services)	569	218

Exceptional income for the period of £4.7m (25 January 2014: £nil) comprises £3.7m in relation to the early termination of a licence partner agreement and £1.0m in relation to the settlement of an intellectual property dispute. The early termination relates to the mutual agreement in February 2014 to terminate our licence agreement earlier than anticipated due to a variation in that licence partner's long-term strategy following a change in senior management.

Exceptional costs for the period of £5.3m (25 January 2014: £1.0m) relate to a legal dispute with a previous insurer. The Group received a judgement in October 2014 that its claim against a previous insurer for loss of profit arising from the theft of inventory from its warehouse from 2004 to 2008 had not been upheld by the court. In line with accounting standards, a full provision has been made for all costs incurred and judged payable by the Company.

The exceptional costs of £1.0m incurred during the 52 weeks to 25 January 2014 included £0.7m of impairment charges in respect of the retail assets of a store in the Meatpacking district, New York and a store in Paris, both of which locations had failed to deliver on their potential. The balance of £0.3m relates to an onerous lease for one of our Liverpool based stores, where we have ceased trading following the expansion of our Liverpool One store in Merseyside.

### 4. Finance income and expenses

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	£'000	£'000
Finance income		
- Interest receivable	7	146
- Foreign exchange gains	101	170
	108	316
Finance expenses		
- Interest payable	(1,184)	(1,279)
- Foreign exchange losses	(437)	(33)
	(1,621)	(1,312)

## 5. Staff numbers and costs

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

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	No.	No.
Sales	2,206	1,869
Design	49	39
Administration	549	469
	<b>2,804</b>	<b>2,377</b>
Their aggregate remuneration comprised:	£'000	£'000
Wages and salaries	60,055	49,931
Share based charge	1,390	606
Social security costs	6,226	4,878
Pension costs	1,030	778
	<b>68,701</b>	<b>56,193</b>

The figures stated above are Group staff costs and as such include the costs for Mr R 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 page 25 - 40.

### Directors' Remuneration

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	£'000	£'000
Directors' remuneration	1,513	1,362
Amounts received under long term incentive schemes	4,734	6,443
Company contributions to money purchase pension plans	44	42

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £5,412,000 (2014: £4,141,000). In both years amounts received under long term incentive schemes related to the exercise of options due to Mr R Kelvin under the Ted Baker 2009 VCP, a long term incentive scheme which vested in full in August 2012 and became exercisable in two tranches in October 2012 and October 2013. No amounts in relation to pension contributions to a money purchase scheme were made on his behalf during the 53 weeks ended 31 January 2015 or the 52 weeks ended 25 January 2014.

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
Retirement benefits are accruing to the following number of directors under money purchase schemes	1	1



## 6. Income tax expense

### a) The tax charge comprises

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	£'000	£'000
Current tax	14,351	8,999
Deferred tax	(779)	1,873
Prior year (over)/under provision		
- Current Tax	869	1,376
- Deferred Tax	(1,520)	(2,177)
	12,921	10,071

### b) Deferred tax movement by type

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	£'000	£'000
Property, plant & equipment	(94)	(520)
Share based payments	32	22
Overseas losses	20	2,516
Inventory	514	(248)
Other	307	103
	779	1,873

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.

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	£'000	£'000
Profit before tax	48,771	38,923
Profit multiplied by the standard rate in the UK – 21.32%, (2014: standard rate in the UK of 23.16%)	10,398	9,015
Income not taxable/expenses not deductible for tax purposes	902	(55)
Overseas losses not recognised	912	1,068
Movement in current and deferred tax on share awards and options	210	(7)
Prior year (over)/under provision	(651)	(801)
Effect of rate change on corporation tax	-	(255)
Difference due to overseas tax rates	1,150	1,106
Total income tax expense	12,921	10,071

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

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	£'000	£'000
Current tax on share awards and options	(1,201)	(1,245)
Deferred tax on share awards and options	529	278
Deferred tax associated with movement in hedging reserve	804	(490)
Current tax associated with foreign exchange movements in reserves	783	(1,115)
	915	(2,572)

There will be a reduction in the UK corporation tax rate from 21% to 20% with effect from 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 on UK operations have been recognised at a rate of 20%. Those assets and liabilities arising on foreign operations have been recognised at the applicable overseas tax rates.

**7. Profit attributable to Ted Baker Plc**

The profit after tax for the 53 weeks ended 31 January 2015 of Ted Baker Plc, the parent company was £18,013,000 (2014: £16,697,000). The directors have approved the income statement for the parent company.

**8. Dividends per share**

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	£'000	£'000
Final dividend paid for prior year of 24.2p per ordinary share (2014: 18.7p)	10,566	7,965
Interim dividend paid of 11.3p per ordinary share (2014: 9.5p)	4,940	4,145
	15,506	12,110

A final dividend in respect of 2015 of 29.0p per share, amounting to a dividend payable of £12,738,624, is to be proposed at the Annual General Meeting on 16 June 2015.

**9. Earnings per share**

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
Number of shares:	No.	No.
Weighted number of ordinary shares outstanding	43,703,369	42,960,023
Effect of dilutive options	542,027	537,103
Weighted number of ordinary shares outstanding – diluted	44,245,396	43,497,126
Earnings:	£'000	£'000
Profit for the period basic and diluted	35,850	28,852
Profit for the period adjusted *	36,372	29,627
Basic earnings per share	82.0p	67.2p
Adjusted earnings per share *	83.2p	69.0p
Diluted earnings per share	81.0p	66.3p

Treasury shares have been eliminated from the weighted average number of ordinary shares. Options relating to the 2009 VCP exercised during the year were covered by shares held in Treasury. All treasury shares were used by the year end.

Diluted earnings per share have been calculated using additional ordinary shares of 5p each available under the 1997 Unapproved Share Option Scheme, the 1997 Executive Share Option Scheme, the Ted Baker Performance Share Plan and the Ted Baker Plc Long Term Incentive Plan 2013.

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

\* Adjusted profit for the period and adjusted earnings per share are shown before the net exceptional costs (net of tax) of £522,000 (2014: £775,000).

#### 10. Intangible assets

	Key Money	Computer software	Computer software under development	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 25 January 2014	949	2,670	2,598	6,217
Additions	-	999	6,680	7,679
Exchange rate movement	(84)	-	-	(84)
At 31 January 2015	865	3,669	9,278	13,812
<b>Amortisation</b>				
At 25 January 2014	-	137	-	137
Charge for the year	-	811	-	811
Exchange rate movement	-	9	-	9
At 31 January 2015	-	957	-	957
<b>Net book value</b>				
At 25 January 2014	949	2,533	2,598	6,080
At 31 January 2015	865	2,712	9,278	12,855

	Key Money	Computer software	Computer software under development	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 26 January 2013	983	-	-	983
Additions	-	2,670	2,598	5,268
Exchange rate movement	(34)	-	-	(34)
At 25 January 2014	949	2,670	2,598	6,217
<b>Amortisation</b>				
At 26 January 2013	-	-	-	-
Charge for the year	-	137	-	137
Exchange rate movement	-	-	-	-
At 25 January 2014	-	137	-	137
<b>Net book value</b>				
At 26 January 2013	983	-	-	983

At 25 January 2014

949	2,533	2,598	6,080
-----	-------	-------	-------

The key money brought forward relates 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 no amortisation is charged each year as the residual value of the asset is considered to be in excess of the carrying value. 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 is foreseen.

The additions during the year relate to IT systems for the new e-commerce platform for the US site which was ready for use in July 2014, and for the Microsoft Dynamics AX systems which will be implemented across the group. The e-commerce costs are being amortised over 4 years from when the new platform was ready for use. The Microsoft systems project remained in its development phase during the year, therefore no amortisation has been charged during the year.

# 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 25 January 2014	60,905	49,813	110	2,839	113,667
Additions / transfers	12,010	8,095	-	(2,080)	18,025
Disposals	(711)	(218)	-	-	(929)
Exchange rate movement	1,243	470	-	31	1,744
At 31 January 2015	73,447	58,160	110	790	132,507
<b>Depreciation</b>					
At 25 January 2014	30,791	37,692	101	-	68,584
Charge for the year	6,375	5,348	2	-	11,725
Disposals	(465)	(52)	-	-	(517)
Exchange rate movement	537	374	-	-	911
At 31 January 2015	37,238	43,362	103	-	80,703
<b>Net book value</b>					
At 25 January 2014	30,114	12,121	9	2,839	45,083
At 31 January 2015	36,209	14,798	7	790	51,804

	Leasehold improvements	Fixtures, fittings & office equipment	Motor vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 26 January 2013	57,439	45,384	101	1,637	104,561
Additions / transfers	5,744	5,603	9	1,244	12,600
Disposals	(973)	(634)	-	-	(1,607)
Exchange rate movement	(1,305)	(540)	-	(42)	(1,887)
At 25 January 2014	60,905	49,813	110	2,839	113,667
<b>Depreciation</b>					
At 26 January 2013	25,781	33,269	99	-	59,149
Charge for the year	5,677	5,073	2	-	10,752
Impairment	671	54	-	-	725
Disposals	(847)	(392)	-	-	(1,239)
Exchange rate movement	(491)	(312)	-	-	(803)
At 25 January 2014	30,791	37,692	101	-	68,584
<b>Net book value</b>					
At 26 January 2013	31,658	12,115	2	1,637	45,412
At 25 January 2014	30,114	12,121	9	2,839	45,083

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 £20,995,000 (2014: £11,022,000) whilst additions into this category were £18,915,000 (2014: £12,223,000).

#### Impairment of property, plant and equipment

The Group has determined that for the purposes of impairment testing, each store and outlet is 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.

There was no impairment charge for the 53 weeks ended January 2015.

The impairment charge of £0.7m for the 52 weeks ended 25 January 2014 relates to the carrying value of a retail store in the Meatpacking district, New York and a retail store in Paris.

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

\*held directly by Ted Baker Plc

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

	Company
	£'000
At 25 January 2014	18,162
Increase in cost of investment for share options / awards granted to subsidiary employees	1,214
Increase in cost of investment in UK subsidiary	333
At 31 January 2015	19,709

	Company
	£'000
At 26 January 2013	17,631
Increase in cost of investment for share options / awards granted to subsidiary employees	531
At 25 January 2014	18,162

### c) Interest in Joint Venture

The Group has a 50% interest in a joint venture with Flair Industries Pty Ltd which is represented by six stores in Australia and one store in New Zealand (2014: three stores in Australia and one store in New Zealand).

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	£'000	£'000
Opening Investment in Joint Venture	1,024	693
Share of profit of jointly controlled entity	525	331
Dividend received	(259)	-
Closing Investment in Joint Venture	1,290	1,024

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 31 January 2015.

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	£'000	£'000
Amounts due from equity accounted investee	679	164

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 31 January 2015 are as follows:

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	£'000	£'000
Non-current assets	2,591	1,872
Current assets	1,854	1,545
Non-current liabilities	-	-
Current liabilities	(2,413)	(1,698)
<b>Net assets</b>	<b>2,032</b>	<b>1,719</b>
Share capital	27	27
Retained earnings	1,021	1,121
Current year profit, net of tax	1,050	662
Exchange rate movement	(66)	(91)
<b>Total equity</b>	<b>2,032</b>	<b>1,719</b>

### 13. Deferred tax assets and liabilities

	Asset / (liability) brought forward	Credit to Income Statement	Charge to Equity	Foreign exchange on retranslation	Asset / (liability) carried forward
	£'000	£'000	£'000	£'000	£'000
<b>Deferred tax asset / (liability) on UK operations arising from:</b>					
<b>Assets</b>					
Share based payments	1,427	184	(529)	-	1,082
Property, plant & equipment	(232)	430	-	-	198
Other	185	36	-	-	221
<b>Liabilities</b>					
Derivative financial instruments	463	-	(804)	-	(341)
<b>Net deferred tax asset/ on UK operations</b>	<b>1,843</b>	<b>650</b>	<b>(1,333)</b>	<b>-</b>	<b>1,160</b>

#### Deferred tax asset on foreign operations arising from:

Foreign trading losses	1,557	228	-	92	1,877
Inventory	654	514	-	98	1,266
Property, plant and equipment	(122)	563	-	40	481
Other	518	344	-	13	875
<b>Net deferred tax asset on foreign operations</b>	<b>2,607</b>	<b>1,649</b>	<b>-</b>	<b>243</b>	<b>4,499</b>
	<b>4,450</b>	<b>2,299</b>	<b>(1,333)</b>	<b>243</b>	<b>5,659</b>

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 £ 2,576,000 (2014: £2,120,000).



#### 14. Inventories

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	£'000	£'000
Raw materials and packaging	6,780	5,736
Work in progress	1,406	922
Finished goods and goods for resale	102,928	73,774
	<b>111,114</b>	<b>80,432</b>
Cost of inventories recognised as an expense	150,286	110,658
Inventories written down and recognised as an expense in the period	5,979	2,317

#### 15. Trade and other receivables

	Group 31 January 2015	Company 31 January 2015	Group 25 January 2014	Company 25 January 2014
	£'000	£'000	£'000	£'000
Trade receivables	25,823	-	23,105	-
Amounts owed by Group undertakings	-	41,510	-	39,111
Prepayments and accrued income	11,050	-	11,688	-
	<b>36,873</b>	<b>41,510</b>	<b>34,793</b>	<b>39,111</b>

#### 16. Derivative financial instruments

	Assets 31 January 2015	Liabilities 31 January 2015	Assets 25 January 2014	Liabilities 25 January 2014
	£'000	£'000	£'000	£'000
Forward foreign exchange contracts	3,547	(636)	499	(3,118)

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 (2014: £nil).

Gains and losses in equity of forward exchange contracts at 31 January 2015 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 53 weeks ended 31 January 2015	Company 53 weeks ended 31 January 2015	Group 52 weeks ended 25 January 2014	Company 52 weeks ended 25 January 2014
	£'000	£'000	£'000	£'000
Cash and cash equivalents per balance sheet	7,380	583	28,521	440
Borrowings per balance sheet	(26,204)	-	(37,282)	-
Net cash and cash equivalents cash flow statement	(18,824)	583	(8,761)	440

#### 18. Trade and other payables

	Group 31 January 2015	Company 31 January 2015	Group 25 January 2014	Company 25 January 2014
	£'000	£'000	£'000	£'000
Trade payables	32,241	-	22,049	-
Accruals and deferred income	20,316	10	16,901	12
Other taxes and social security	4,489	-	6,339	-
	57,046	10	45,289	12

#### 19. Capital and reserves

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	£'000	£'000
Authorised – 80,000,000 ordinary shares of 5p each	4,000	4,000
Allotted, called up and fully paid – 43,926,288 ordinary shares of 5p each (2014: 43,880,588)	2,196	2,194

At 31 January 2015, 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 (2014: Employee Trust - £Nil, 1998 Trust - £Nil).

After using its remaining treasury shares to satisfy awards of employee share options exercised during the year, the Company held nil shares in treasury at 31 January 2015 (2014: 231,495).

#### 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 are 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 31 January 2015 the changes in fair value of financial instruments that are designated as hedging instruments recorded in equity was a gain of £1,368,000 (2014: losses of £1,850,000).

##### 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 Limited, 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.

## 20. Share based payments

### Sharesave Scheme

Share options are granted at an option price equal to 80 per cent. of the Company share price at the grant date. The share options vest and are exercisable either three or five years after the date of grant, and they expire six months after the end of the vesting period. The options will also expire if the employee leaves the Group prior to the exercise or vesting date.

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

	Weighted average exercise price 2015	Number of options / awards 2015	Weighted average exercise price 2014	Number of options / awards 2014
At beginning of period	872.8p	144,952	550.8p	131,841
Granted during the period	1,600.0p	51,078	1,001.0p	49,386
Exercised during the period	435.5p	(45,700)	433.5p	(16,993)
Lapsed during the period	1092.4p	(9,652)	956.8p	(19,282)
Outstanding at the end of period	1081.1p	140,678	872.8p	144,952

The charge for the year to the income statement in respect of Sharesave scheme options amounted to £146,000 (2014: £92,000). The weighted average share price at the date of exercise of share options exercised during the year was 1,813.5p (2014: 1,650.9p).

Share options and awards outstanding under the Sharesave Scheme 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 31 January 2015	Number of options / awards at 25 January 2014
15 May 2009	1 January 2015	303.0p	84.6p	-	22,826
14 May 2010	31 January 2015	432.0p	124.6p	-	-
14 May 2010	31 January 2017	432.0p	129.4p	4,675	4,675
16 May 2011	1 July 2015	552.0p	168.8p	653	23,108
16 May 2011	1 January 2017	552.0p	189.0p	5,363	6,480
17 May 2012	1 January 2016	722.0p	193.0p	38,459	40,525
17 May 2012	1 January 2018	722.0p	226.3p	5,232	5,232
19 May 2013	1 January 2017	1,001.0p	221.7p	31,022	34,951
19 May 2013	1 January 2019	1,001.0p	370.9p	7,155	7,155
20 May 2014	1 January 2018	1,600.0p	564.5p	39,890	-
20 May 2014	1 January 2020	1,600.0p	662.8p	8,229	-
				140,678	144,952

The fair value of employee share options under the Sharesave Scheme was calculated using the Black-Scholes model.

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

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
Weighted average share price	1,351.2p	1,090.7p
Weighted average exercise price	1,081.1p	872.8p
Risk free interest rate	0.43% - 2.77%	0.43% - 2.77%
Expected life of options	3-5 years	3-5 years
Share price volatility	12.4% - 31.0%	12.4% - 29.5%
Dividend yield	1.72% - 4.69%	1.84% - 4.69%

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.

#### Long Term Incentive Plan

Share awards are made in the form of nil-cost options over Ordinary shares in Ted Baker Plc under the Long Term Incentive Plan 2013 ("LTIP 2013"), which was approved by the shareholders at the general meeting held on 20 June 2013. The options will be exercisable three years after the date of grant subject to the satisfaction of profit before tax per share and share price performance targets, each measured over a three year period. The profit before tax per share target is calibrated so that the percentage of awards that vests is linked to the level of profit growth achieved.

The terms and conditions of the award of the LTIP 2013 grants made during the year ended 31 January 2015 and the year ended 26 January 2014 are as follows:

Grant date	Type of award	Number of options	Vesting conditions	Vesting period
1 May 2014	LTIP 2013	254,141	Adjusted profit before tax per share growth of 10-15% per annum and 10% share price growth over the vesting period	Up to 100% after 3 years
3 July 2013	LTIP 2013	220,226	Adjusted profit before tax per share growth of 10-15% per annum and 10% share price growth over the vesting period	Up to 100% after 3 years

The charge for the year to the income statement in respect of options issued under the LTIP 2013 amounted to £1,244,000 (2014: £514,000). Of the 474,367 (2014: 220,226) options granted under the awards made in July 2013 and May 2014, 462,074 remain at year end.

In respect of R S Kelvin, who is employed by the Company, there is a charge of £176,215 in the year (2014: 75,079).

The Monte-Carlo valuation methodology has been used as the basis of measuring the fair value of both sets of awards made under the LTIP 2013. The range of inputs into the Monte-Carlo model was as follows:

Share price at grant	1,705.0p - 1,849.0p
Share price at grant (based on 6 month average) for share price performance condition	1,318.0p - 2,103.0p
Risk free interest rate	0.73% - 1.18%
Expected life of options	3 years
Share price volatility	29.0%
Dividend yield	1.60% - 1.82%

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

No further awards were made under the Ted Baker 2009 Value Creation Plan ("2009 VCP") in the 53 weeks ended 31 January 2015 or the 52 weeks ended 25 January 2014 and no amounts charged to the income statement in either period. As at 31 January 2015 no VCP options remained unexercised (2014: 231,495).

## 21. Financial commitments

### a) Capital commitments

The Group has capital commitments of £14,923,000 at 31 January 2015 (2014: £7,259,000) which were not provided in the financial statements.

### b) Operating leases

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

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	£'000	£'000
Within one year	29,052	24,656
Between one and five years	84,488	81,202
Later than five years	57,639	53,321
	171,179	159,179

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.

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 £31,304,701 (2014: £26,240,446).

### 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 £1,030,000 (2014: £778,000). Contributions totalling £16,808 (2014: £36,854) 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 31 January 2015	Fair value 31 January 2015	Carrying amount 25 January 2014	Fair value 25 January 2014
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Trade receivables	25,823	25,823	23,105	23,105
Accrued income	1,290	1,290	1,474	1,474
Amount due from equity accounted investee	679	679	164	164
Derivative financial assets	3,547	3,547	499	499
Cash and cash equivalents	7,380	7,380	28,521	28,521
<b>Total financial assets</b>	<b>38,719</b>	<b>38,719</b>	<b>53,763</b>	<b>53,763</b>
<b>Financial liabilities</b>				
Trade and other payables	(52,557)	(52,557)	(38,950)	(38,950)
Derivative financial liabilities	(636)	(636)	(3,118)	(3,118)
Bank overdraft	(26,204)	(26,204)	(37,282)	(37,282)
<b>Total financial liabilities</b>	<b>(79,397)</b>	<b>(79,397)</b>	<b>(79,350)</b>	<b>(79,350)</b>
<b>Net financial assets / (liabilities)</b>	<b>(40,678)</b>	<b>(40,678)</b>	<b>(25,587)</b>	<b>(25,587)</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 31 January 2015	Fair value 31 January 2015	Carrying amount 25 January 2014	Fair value 25 January 2014
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Amounts owed by group undertakings	41,510	41,510	39,111	39,111
Cash and cash equivalents	583	583	440	440
<b>Total financial assets</b>	<b>42,093</b>	<b>42,093</b>	<b>39,551</b>	<b>39,551</b>
<b>Financial liabilities</b>				
Trade and other payables	(10)	(10)	(12)	(12)
<b>Total financial liabilities</b>	<b>(10)</b>	<b>(10)</b>	<b>(12)</b>	<b>(12)</b>
<b>Net financial assets</b>	<b>42,083</b>	<b>42,083</b>	<b>39,539</b>	<b>39,539</b>

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

1. Cash and cash equivalents have been stated at their book values due to their short maturities or immediate or short-term access.
2. The fair values of trade receivables, amount due from equity accounted investee and amounts owed by Group undertakings have been stated at their book value due to their short maturities.
3. 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.
4. The fair values of trade and other payables have been stated at their book values due to their short maturities.
5. 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 31 January 2015	Assets 31 January 2015	Liabilities 31 January 2015	Contractual/ notional amounts 25 January 2014	Assets 25 January 2014	Liabilities 25 January 2014
	£'000	£'000	£'000	£'000	£'000	£'000
Currency derivatives	52,190	3,547	(636)	49,017	499	(3,118)
	52,190	3,547	(636)	49,017	499	(3,118)

#### c) Cash flow hedging reserve movements

The following table indicates the cash flow hedging reserve balance at 31 January 2015 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 31 January 2015	Currency derivatives 25 January 2014
	£'000	£'000
Within six months	200	(801)
Between six months and one year	534	(529)
Between one and two years	634	(520)
Unrecognised losses	1,368	(1,850)

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 31 January 2015	Currency derivatives 25 January 2014
	£'000	£'000
Opening balance	(1,850)	91
Gains / (losses) recognised in hedging reserve	2,132	(2,976)
Amounts recovered from hedging reserve and recognised in income statement	1,890	545
Deferred tax associated with movement in the hedging reserve	(804)	490
Unrecognised gain /(losses)	1,368	(1,850)

#### **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 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 12 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 of its subsidiaries to financial assets and liabilities that are not denominated in their functional currency is as follows:



	US Dollar 31 January 2015	Euro 31 January 2015	Other 31 January 2015
	£'000	£'000	£'000
<b>Financial assets</b>			
Trade receivables	2,616	6,564	471
Cash and cash equivalents	184	158	706
	<b>2,800</b>	<b>6,722</b>	<b>1,177</b>
<b>Financial liabilities</b>			
Trade and other payables	(5,974)	(2,851)	(2,050)
	<b>(5,974)</b>	<b>(2,851)</b>	<b>(2,050)</b>
	<b>(3,174)</b>	<b>3,871</b>	<b>(873)</b>

	US Dollar 25 January 2014	Euro 25 January 2014	Other 25 January 2014
	£'000	£'000	£'000
<b>Financial assets</b>			
Trade receivables	2,841	4,353	404
Cash and cash equivalents	2,571	(3,250)	340
	<b>5,412</b>	<b>1,103</b>	<b>744</b>
<b>Financial liabilities</b>			
Trade and other payables	(3,559)	(1,979)	(1,666)
	<b>(3,559)</b>	<b>(1,979)</b>	<b>(1,666)</b>
	<b>1,853</b>	<b>(876)</b>	<b>(922)</b>

The following significant exchange rates applied during the year:

	Average Rate 31 January 2015	Closing rate 31 January 2015	Average Rate 25 January 2014	Closing rate 25 January 2014
US dollar	1.639	1.518	1.568	1.659
Euro	1.246	1.338	1.178	1.219

#### *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 31 January 2015. 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% (2014: 10%) strengthening or weakening of the sterling against the following currencies at 31 January 2015 would have increased / (decreased) equity and profit by the amounts shown in the following table:

	Impact on profit 31 January 2015	Impact on equity 31 January 2015	Impact on profit 25 January 2014	Impact on equity 25 January 2014
Test of 10% (2014: 10%) strengthening in sterling against other currencies	£'000	£'000	£'000	£'000
US Dollar	(289)	(289)	168	168
Euro	352	352	(80)	(80)
	<b>63</b>	<b>63</b>	<b>88</b>	<b>88</b>
Test of 10% (2014: 10%) weakening in sterling against other currencies				
US Dollar	353	353	(206)	(206)
Euro	(430)	(430)	97	97
	<b>(77)</b>	<b>(77)</b>	<b>(109)</b>	<b>(109)</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:

Financial assets and liabilities subject to interest rate risk	Group 31 January 2015	Group 25 January 2014	Company 31 January 2015	Company 25 January 2014
	£'000	£'000	£'000	£'000
Sterling	(24,619)	(16,667)	583	440
US Dollar	1,865	5,743	-	-
Euro	627	(1,535)	-	-
Other	3,215	3,644	-	-
	<b>(18,912)</b>	<b>(8,815)</b>	<b>583</b>	<b>440</b>

There were no fixed rate financial assets or liabilities at 31 January 2015 and 25 January 2014.

#### **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 31 January 2015. The Group considers its maximum exposure to credit risk to be:

	53 weeks ended 31 January 2015	52 weeks ended 25 January 2014
	£'000	£'000
Cash and cash equivalents	7,380	28,521
Trade receivables	25,823	23,105
Accrued income	1,290	1,474

Amount due from equity accounted investee	679	164
Derivative financial assets	3,547	499
	<u>38,719</u>	<u>53,763</u>

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

As at 31 January 2015, 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/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 (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	Contracted amount less than 1 year	Carrying amount less than 1 year
	£'000	£'000	£'000
<b>At 31 January 2015</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	52,557	52,557	52,557
<b>Derivative financial liabilities</b>			
Derivative financial instruments	636	636	636
Bank Overdraft	26,204	26,204	26,204

At 25 January 2014

**Non-derivative financial liabilities**

Trade and other payables	38,950	38,950	38,950
--------------------------	--------	--------	--------

**Derivative financial liabilities**

Derivative financial instruments	3,118	3,118	3,118
Bank Overdraft	37,282	37,282	37,282

***Borrowing facilities***

In September 2014, the Group agreed a three and a half year committed borrowing facility of £65.0m (2014: £50.0m), which is due to expire on 1 March 2018. 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 £26.0m (2014: £34.0m) of the £65 million credit facility as at 31 January 2015.

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 31 January 2015.

**e) Capital management**

The Board's policy is to maintain a strong capital base, defined as total shareholders' equity, totalling £140,574,000 at 31 January 2015 (2014: £112,064,000), 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 2 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 35.6% per cent of the voting shares of the Company.

At the 31 January 2015, No Ordinary Designer Label Limited ("NODL"), the main trading company owed Ted Baker Plc £41,510,000 (2014: £39,111,000). NODL was owed £50,025,000 (2014: £59,184,000) from the other subsidiaries within the Group.

Transactions between subsidiaries were priced on an arm's length basis.

The Group has a 50% interest in a joint venture, with Flair Industries Pty Ltd. As at 31 January 2015, the joint venture owed £679,000 to the main trading company (2014: £164,000). In the period the value of sales made to the joint venture by the Group was £2,507,000 (2014: £1,336,000).

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

#### **24. Post balance sheet events**

On 10 March 2015 the Company entered into an agreement to provide a trade mark licence and certain design services to THAT Bournemouth Company Limited ("THAT BCL") (the "THAT Group Agreement"). R S Kelvin and L D Page are both directors of, and shareholders in, THAT BCL and as such, THAT BCL is a related party of the Company for the purposes of Chapter 11 of the Listing Rules.

Under the Agreement, Ted Baker will provide THAT BCL with design services for the development of apartments in Bournemouth and a licence for marketing those apartments as "Styled by Ted Baker" for a fee of £250,000.

The THAT Group Agreement falls within Listing Rule 11.1.10R and a sponsor's written confirmation has been obtained stating that the arrangements are fair and reasonable as far as the Company's shareholders are concerned.

## Five Year Summary

	52 weeks ended 29 January 2011 £'000	52 weeks ended 28 January 2012 £'000	52 weeks ended 26 January 2013 £'000	52 weeks ended 25 January 2014 £'000	53 weeks ended 31 January 2015 £'000
<b>Results</b>					
Revenue	187,700	215,625	254,466	321,921	387,564
Operating profit	24,132	24,269	29,514	39,588	49,759
Profit before tax	24,228	24,255	28,922	38,923	48,771
Profit before tax and impairment	24,228	23,903	29,687	39,648	48,771
Profit before tax and exceptional items	24,228	27,069	31,536	39,969	49,452
<b>Profit for the period</b>	<b>17,280</b>	<b>17,557</b>	<b>21,597</b>	<b>28,852</b>	<b>35,850</b>
<b>Assets employed</b>					
Property, plant and equipment	28,368	35,680	45,412	45,083	51,804
Non-current assets	4,589	5,575	6,873	12,118	20,265
Net current assets / (liabilities)	44,614	45,350	47,105	54,863	68,505
Non-current liabilities	(1,547)	(1,420)	(497)	-	-
<b>Net assets</b>	<b>76,024</b>	<b>85,185</b>	<b>98,893</b>	<b>112,064</b>	<b>140,574</b>
<b>Financed by</b>					
Shareholders' funds	76,024	85,185	98,893	112,064	140,574
Non-controlling interest	-	-	-	-	-
	<b>76,024</b>	<b>85,185</b>	<b>98,893</b>	<b>112,064</b>	<b>140,574</b>
<b>Key statistics</b>					
Basic earnings per share	41.5p	42.2p	51.5p	67.2p	82.0p
Adjusted earnings per share	41.5p	48.9p	56.4p	69.0p	83.2p
Diluted earnings per share	41.4p	40.6p	49.9p	66.3p	81.0p
Dividends per share	20.6p	23.4p	26.6p	33.7p	40.3p
Dividend cover	2.0 times	1.8 times	1.9 times	2.0 times	2.0 times
Dividend cover before exceptional costs	2.0 times	2.1 times	2.1 times	2.0 times	2.1 times
<b>Pre-tax return on capital employed before exceptional items</b>	<b>38.9%</b>	<b>32.6%</b>	<b>29.7%</b>	<b>33.9%</b>	<b>32.0%</b>
<b>Post-tax return on capital employed before exceptional costs</b>	<b>27.7%</b>	<b>23.6%</b>	<b>22.2%</b>	<b>25.1%</b>	<b>23.5%</b>