FINANCE DIRECTOR'S REPORT

Profit before taxation and one off charges increased by 13.8% to £11.0 million (2002: £9.7m) for the 52 weeks ended 25 January 2003. Including one off charges, profit before taxation increased by 0.5% to £9.5 million (2002: £9.4m). A provision of £1.6 million has been made against our investment in five stores. Four stores will be disposed of in the current year following a decision to relocate to larger stores which can accommodate a broader product range and more effectively present the brand. We have also written down our investment in Langley Court, Covent Garden, following the launch of Floral Street in close proximity.

GROSS MARGIN

Retail gross margins increased by 1.9 percentage points to 66.9% (2002: 65.0%), principally reflecting continued buying efficiencies. The composite wholesale gross margin increased from 38.3% to 43.4% reflecting both buying efficiencies and a change in sales mix with the transfer of lower margin Footwear sales to our licensee income. Underlying margins by collection improved or were maintained. Wholesale sales grew by 5.0% while retail sales increased by 17.0% giving rise to a composite margin of 59.7% (2002: 56.3%) for the period. The underlying retail and wholesale margins are expected to be maintained in the coming year. We anticipate a small increase in retail sales as a proportion of total sales giving rise to a small increase in the composite margin in the coming year.

OPERATING EXPENSES

Operating expenses before one off charges rose by 23.9% to £32.7 million (2002: £26.4m). Including one off charges, operating expenses rose by 28.5% to £34.3 million (2002: 26.7m). Distribution costs, which reflect the opening of new retail stores, increased by 28.3% to £23.6 million (2002: £18.4m) largely in line with the increase in retail selling space. Administration expenses rose by 13.6% to £9.1 million (2002: £8.0m) reflecting continued investment in the development of the team and infrastructure centrally.

One off charges in the 52 weeks ended 25 January 2003 relate to the impairment of fixed assets (£1.6m). In the 52 weeks ended 26 January 2002 one off charges relate to the trading loss on Nigel Cabourn Ltd. (£0.3m).

INTEREST

The net interest charge during the year remained at comparable levels to last year at £0.4 million (2002: £0.5m).

TAXATION

The tax charge for the year was £3.0 million (2002: £2.9m), an effective tax rate of 32.0% (2002: 31.2%). The slight increase was caused by the early development of overseas businesses in the United States and France

SHAREHOLDER RETURN

Adjusted basic earnings per share increased by 12.7% to 18.6p per share (2002: 16.5p per share). Basic earnings per share were unchanged at 15.9 p (2002: 15.9p per share). Free cash flow per share increased from 22.1p to 24.3p.

CASH FLOW AND WORKING CAPITAL

Net cash inflow from operating activities was £13.6 million (2002: £12.3m) reflecting strong trading, continued strong cash management and the fact that the one off charge of £1.6 million is not a cash flow item. Working capital increased from £3.2m to £4.3m as a result of the growth of the business and the extension of credit facilities to a larger number of trustees. We expect to continue to be cash generative over the coming year.

Net capital expenditure was £7.9 million (2002: £2.7m) and largely comprised investment in new retail outlets, both in the UK and overseas, particularly our new store in Floral Street, Covent Garden.

TREASURY AND RISK MANAGEMENT

The principal risks to the Group arise from exchange rate and interest rate fluctuations. The Board reviews and agrees policies for managing these risks on a regular basis. Where appropriate, the Group uses financial instruments to mitigate these risks. All transactions in derivatives, principally forward foreign exchange contracts, are taken solely to manage these risks. No transactions of a speculative nature are entered into. The most significant exposure to foreign exchange fluctuations relates to purchases in foreign currencies.

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. There has been no change since the year-end to the major financial risks faced by the Group or the Group's approach to the management of those risks.

Lindsay Page
Finance Director

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DIRECTORS' REPORT

The directors present their annual report on the affairs of the Group, together with the accounts and auditor's report, for the 52 weeks ended 25 January 2003.

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 childrenswear. The subsidiary undertakings principally affecting the profits and net assets of the Group in the period are listed in note 12 to the accounts.

BUSINESS REVIEW

A review of the Group's activities and prospects is contained in the chairman's statement, the chief executive's review and the finance director's review on pages 2 to 8.

RESULTS AND DIVIDENDS

The audited accounts for the 52 weeks ended 25 January 2003 are set out on pages 27 to 46. The Group profit for the 52 weeks, after taxation and minority interests, was £6,556,000 (2002: £6,515,000). The directors recommend a final dividend of 5.8p per ordinary share (2002: 5.1p) to be paid on 20 June 2003 to ordinary shareholders on the register on 23 May 2003 which, together with the interim dividend of 2.9p (2002: 2.7p) paid on 29 November 2002, makes a total of 8.7p for the year (2002: 7.8p).

DIRECTORS

The directors who served during the period were as follows:

Brian S North	Non-executive chairman, audit committee chairman, remuneration committee member, nomination committee chairman (resigned 11 June 2002)
Robert Breare	Non-executive chairman, audit committee chairman, remuneration committee member, nomination committee chairman (appointed chairman 11 June 2002)
David Bernstein	Non-executive director, remuneration committee member, audit committee member, nomination committee member (appointed 24 January 2003)
David B Hewitt	Senior non-executive director, remuneration committee chairman, audit committee member, nomination committee member
Lord Stone of Blackheath	Non-executive director, remuneration committee member, audit committee member, nomination committee member (appointed 24 January 2003)
Tony Campbell	Non-executive director, remuneration committee member, audit committee member, nomination committee member (appointed 29 January 2002, resigned 16 August 2002)
Raymond S Kelvin	Chief executive
Lindsay D Page	Finance director (resigned as Company Secretary 24 January 2003)

Details of the directors' beneficial interests in the shares of the Company and their options are given in note 6 to the accounts. Brief details of the career of each director are set out on page 10.

Mr R S Kelvin, Mr D Bernstein, Mr D B Hewitt and Lord Stone of Blackheath will retire by rotation at the next annual general meeting and, being eligible, will offer themselves for re-election.

SUBSTANTIAL SHAREHOLDINGS

On 24 March 2003, the Company had been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in the ordinary share capital of the Company:

Name of Holder	Number	% Held
R S Kelvin	18,587,276	44.8 %
Standard Life Group	2,996,067	7.2 %
Scottish Widows Investment Partnership Ltd	1,354,079	3.27 %
FMR Corp. and Fidelity International Ltd	1,257,147	3.03 %
Legal & General Investment Management Ltd	1,255,253	3.02 %

DIRECTORS' INTERESTS

The directors who held office at 25 January 2003 had the following interests in the shares of Ted Baker PLC:

	% of share capital	25 January 2003 Beneficial	26 January 2002 Beneficial
R S Kelvin	44.8	18,587,276	18,587,276
L D Page		271,615	228,230
D B Hewitt		1,666	1,666

No changes took place in the interests of directors between 25 January 2003 and 24 March 2003.

GOING CONCERN

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.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period.

In preparing the financial statements, the directors are required to:

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business;
– select suitable accounting policies and then apply them consistently;
– make judgements and estimates that are reasonable and prudent; and
– state whether applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a 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.

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 52 days (2002: 43 days). At the year end the Company had no trade creditors.

DISABLED EMPLOYEES

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

EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

SOCIAL RESPONSIBILITY

The Board has identified and assessed the significant risk to the Group's short term and long term value arising from social, environmental and ethical ('SEE') matters and the formal schedule of matters reserved to the Board takes account of SEE matters. L D Page, Finance Director, has been given specific responsibility for overseeing the formulation of the Group's policies and procedures for managing risks arising from SEE matters. The Group is continually reviewing systems to reduce the effect on the environment of waste generated on the Group's sites. The Group complies with the Producer Responsibility Obligation (packaging waste) Regulations 1997 and is a member of the Wastepak Compliance Scheme.

AUDITOR

The directors will place a resolution before the annual general meeting to re-appoint KPMG Audit Plc as auditor for the ensuing year.

SHARE PLANS

The Company has always believed that share ownership by executive directors and senior executives strengthens the link between their personal interests and those of the shareholders. In promoting share plans, the Company has always recognised the need to comply with best practice. The Company currently operates the following schemes:

– The 1997 Executive Share Option Scheme (the Executive Scheme) - under which options may be granted to subscribe for or purchase new shares on a more selective basis subject to performance conditions.
– The 1997 Group Share Option Scheme (the Group Scheme) - under which options to subscribe for or purchase shares may be made available to employees on a wider group basis.
– The Sharesave Scheme - under which options to subscribe for or purchase shares must be made available to all employees in the Group who are eligible to participate.
– The Performance Share Plan - under which awards of shares may be made to selected executives which will only vest subject to attainment of performance conditions.

All the plans were implemented with shareholder approval between 1997 and 2000 and took account of the then current institutional investor limits in the guidelines published by the Association of British Insurers. The guidelines have since been updated and refined and the board proposes to amend the rules of the

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