shareholders. Two share options schemes and the Ted Baker Performance Share Plan are currently in operation, all of which are applicable to Mr R S Kelvin and Mr L D Page and carry the same performance conditions:

* The 1997 Executive Share Option Scheme – under which options to subscribe for new shares are issued.

* The 1997 Unapproved Share Option Scheme – under which options were issued prior to flotation. The Ted Baker Group Employee Trust holds shares to satisfy options granted under this scheme.

The receipt of rewards under the 1997 Executive Share Option Scheme is subject to earnings per share growth in three consecutive accounting periods commencing on or after 26 January 1997 which have been fully satisfied. If growth is at least 10 per cent per annum above the rate of inflation then one third of the options will be exercisable rising to the maximum if growth exceeds 15 per cent per annum above the rate of inflation.

The Ted Baker Performance Share Plan was approved by the Company at an Extraordinary General Meeting on 10 November 1998. Awards under the Plan are subject to the growth of the Company's earnings per share over a three year period. No award will vest unless earnings per share growth is at least 12.5 per cent per annum compounded annually at which point 25 per cent of the award will vest, rising to 100 per cent at 20 per cent annual compound growth. Shares awarded will normally be received in two equal tranches, one following the end of the three year performance period and the second tranche one year later. Earnings per share growth is the chosen performance criteria because it is seen as a key driver of shareholder value.

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 its business;

– the geographical spread of its business; and

– its growth and expansion profile.

The Company has extended the opportunity to participate in the Company to more employees and has introduced an Inland Revenue approved savings - related share option scheme.

CONTRACTS OF SERVICE

Each executive director has a service contract with a notice period of 12 months subject to retirement, normally at the age of 65.

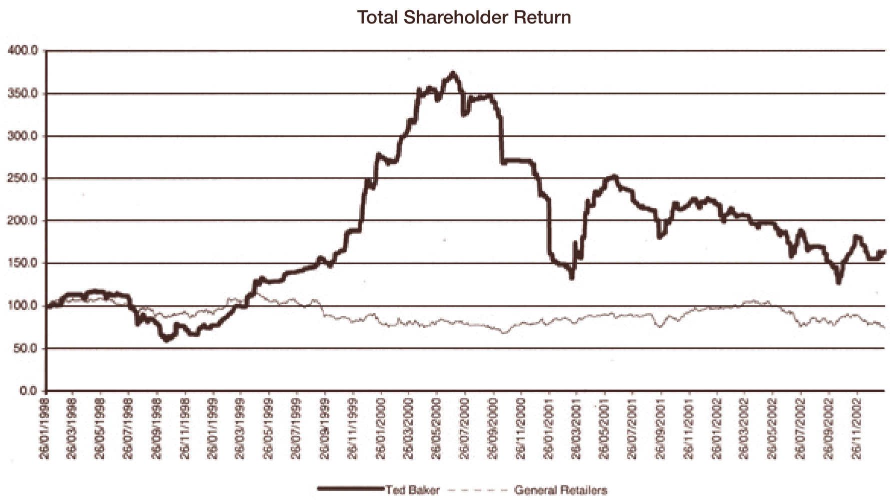
Non-executive directors' fees are set by the Board and each non-executive director has a contract with a notice period of 6 months.

There are no provisions in these contracts for compensation payable upon early termination of any of these contracts.

	Date of Service Contract
Robert Breare	1 November 2001
David Bernstein	24 January 2003
David B Hewitt	17 July 1997
Lord Stone of Blackheath	24 January 2003
Raymond S Kelvin	17 July 1997
Lindsay D Page	17 July 1997

TOTAL SHAREHOLDER VALUE

The following charts the total cumulative shareholder return of the company since 26 January 1998.



The index selected was the FTSE General Retailers as it was considered to be the most appropriate comparative against Ted Baker Plc.

AUDITED INFORMATION

INDIVIDUAL ASPECTS OF REMUNERATION

The auditor is required to report on this section of the report. Full details of the remuneration packages of individual directors and information on share options, the long term incentive plan and pension benefits are set out in note 6 to the accounts.

David Hewitt, Chairman of the Remuneration Committee.

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

We have audited the financial statements on pages 27 to 46. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions that we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors are responsible for preparing the Annual Report and the directors' remuneration report. As described on page 12, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on page 17 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and the unaudited part of the directors' remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

AUDIT OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 25 January 2003 and of the profit of the Group for the 52 weeks then ended; and
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc Chartered Accountants - Registered Auditor, 8 Salisbury Square, London, EC4Y 8BB

24 March 2003

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FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 52 weeks ended 25 January 2003	Notes	52 weeks ended 25 January 2003 £'000	52 weeks ended 26 January 2002 £'000
Turnover	2	70,188	62,095
Cost of sales	2	(28,252)	(27,166)
Gross profit	2	41,936	34,929
Other operating expenses (net) before impairment	3	(30,475)	(24,974)
Impairment of fixed assets	3	(1,551)	–
Other operating expenses (net)	3	(32,026)	(24,974)
Operating profit		9,910	9,955
Interest receivable		55	62
Interest payable		(480)	(581)
Profit on ordinary activities before taxation	2,4	9,485	9,436
Tax on profit on ordinary activities	7	(3,033)	(2,942)
Profit on ordinary activities after taxation		6,452	6,494
Minority interest – equity		104	21
Profit for the financial year	8	6,556	6,515
Dividends paid and proposed	9	(3,600)	(3,220)
Retained profit for the period	19	2,956	3,295
Earnings per share	10		
Basic earnings per share		15.9p	15.9p
Adjusted basic earnings per share		18.6p	16.5p
Diluted basic earnings per share		15.6p	15.5p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the 52 weeks ended 25 January 2003	£'000	£'000
Profit on ordinary activities after taxation	6,452	6,494
Exchange rate movement	34	(1)
Prior year adjustment recognised in the 52 weeks ended 26 January 2002	–	(456)
Total recognised gains relating to the year	6,486	6,037

The accompanying notes are an integral part of this consolidated profit and loss account.

There are no differences between the Company's historical cost profit and that recorded in the profit and loss account (2002: £nil).

A statement of movements on reserves is given in note 19 to the financial statements. The profit for the current and prior period was entirely derived from continuing activities.

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[P.T.O.