

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) The tax charge comprises:	52 weeks ended 25 January 2003	52 weeks ended 26 January 2002
	£'000	£'000
UK corporation tax 2003: 30% (2002: 30%)	3,505	2,937
Adjustment in respect of prior periods	(134)	–
	3,371	2,937
Deferred tax – origination and reversal of timing differences	(338)	5
	3,033	2,942

b) Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30.0%). The differences between the standard rate of corporation tax in the UK and the tax charge for the Group are explained below.

	2003	2002
	£'000	£'000
Profit on ordinary activities before taxation	9,486	9,436
Corporation tax in the UK of 30.0% (2002: 30.0%)	2,846	2,831
Effects of:		
Expenses not deductible for tax purposes (primarily impairment charge)	450	102
Capital allowances in excess of depreciation	61	(5)
Foreign losses for which no tax relief is available	148	9
Adjustment in respect of prior periods	(134)	–
Current tax charge for period	3,371	2,937

c) Factors that may affect future years tax charges

Based on current capital investment plans, the Group expects to continue to be able to claim capital allowances in excess of depreciation in future years. No deferred tax asset has been recognised on the foreign losses while these businesses are in their development phase. A recoverable deferred tax asset will be recognised once the businesses are more established. The amount not recognised is £148,000.

8. PROFIT ATTRIBUTABLE TO TED BAKER PLC

The profit on ordinary activity before taxation dealt with in the accounts of Ted Baker PLC was £3,736,000 (2002: £3,198,000).

9. DIVIDENDS PAID AND PROPOSED	52 weeks ended 25 January 2003	52 weeks ended 26 January 2002
	£'000	£'000
Interim dividend paid of 2.9p per ordinary share (2002: 2.7p)	1,202	1,114
Final dividend proposed of 5.8p per ordinary share (2002: 5.1p)	2,404	2,106
Over provision in prior period	(6)	–
Total dividend proposed of 8.7p per ordinary share (2002: 7.8p)	3,600	3,220

10. EARNINGS PER SHARE

	52 weeks ended 25 January 2003	52 weeks ended 26 January 2002
	No	No
Number of shares:		
Weighted number of ordinary shares outstanding	40,994,540	40,762,651
Effect of dilutive options	889,034	1,036,695
Weighted number of ordinary shares outstanding – diluted	41,883,574	41,799,346
	£'000	£'000
Earnings:		
Profit for the financial year	6,556	6,515
Less: dividends on own shares	(40)	(41)
Profit – basic and diluted	6,516	6,474
One off charges	1,551	262
Taxation impact of one off charges	(451)	–
Profit – adjusted	7,616	6,736
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

Own shares held by the Ted Baker Group Employee Benefit Trust and the Ted Baker 1998 Employee Benefit Trust have been eliminated from the weighted average number of ordinary shares. Dividend income received by the Company as a result of holding these own shares has been eliminated from the profit on ordinary activities after taxation and minority interests. The options exercised during the year and long-term incentive scheme awards distributed were of shares held by these Trusts.

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 and the Ted Baker Performance Share Plan.

One off charges in the 52 weeks ended 25 January 2003 relate to the impairment of fixed assets (£1,551,000). In the 52 weeks ended 26 January 2002 one off charges relate to the trading loss on Nigel Cabourn Ltd. (£262,000).

11. TANGIBLE FIXED ASSETS	Short leasehold properties	Fixtures, fittings & office Equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 26 January 2002	9,140	8,270	225	17,635
Additions	5,377	2,494	–	7,871
Disposals	–	(14)	(42)	(56)
Exchange rate movement	(6)	(29)	–	(35)
At 25 January 2003	14,511	10,721	183	25,415
Depreciation				
At 26 January 2002	1,666	3,710	92	5,468
Charge for the year	1,014	2,024	55	3,093
Impairment of fixed assets	1,242	309	–	1,551
Disposals	–	(6)	(42)	(48)
Exchange rate movement	(6)	(18)	–	(24)
At 25 January 2003	3,916	6,019	105	10,040
Net book value				
At 25 January 2003	10,595	4,702	78	15,375
At 26 January 2002	7,474	4,560	133	12,167

Impairment of fixed assets relates to a provision made during the year in relation to the relocation of a number of stores.

12. FIXED ASSET INVESTMENTS

a) Subsidiary undertakings – the Company and the Group have shares in the following subsidiary undertakings:

Subsidiary Undertaking	Country of Incorporation & Operation	Principal Activity	Holding Ordinary Shares
+ No Ordinary Designer Label Ltd (formerly Ted Baker Limited)	UK	Design, wholesale and retail of designer clothing and accessories	100%
+ Ted Baker Investments (Jersey) Ltd	Jersey	Investment holding company	100%
Ted Baker Limited	US	Retail of designer clothing and accessories	100%
Ted Baker (New York) Inc	US	Retail of designer clothing and accessories	51%
Ted Baker (France) SARL	France	Retail of designer clothing and accessories	100%

+ held directly by Ted Baker PLC

Subsidiary undertakings: Cost and net book value	Company £'000
At 25 January 2003	15,237
At 26 January 2002	15,237

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b) Other investments: Cost and net book value	Group	Company
	£'000	£'000
At 25 January 2003	–	–
At 26 January 2002	–	–

Other investments relates to 8,793,000 1p ordinary shares in Actif Group plc which is listed on the Alternative Investment Market. At 25 January 2003 the market value of the shares held by the Group was £549,563 (2002: £527,580).

c) Own shares: Cost and net book value	Group	Company
	£'000	£'000
At 26 January 2002	446	529
Additions	–	–
Disposals	(58)	(58)
Movement in provisions	(39)	–
At 25 January 2003	349	471

The investment in own shares relates to the Ted Baker Group Employee Benefit Trust ("Employee Trust") which holds 43,240 5p ordinary shares and the Ted Baker 1998 Employee Benefit Trust ("1998 Trust") which holds 400,782 5p ordinary shares in Ted Baker PLC. The Employee Trust holds the shares to meet options granted on 15 April 1997 and 20 November 2000 to employees of the Group over 43,240 5p ordinary shares under the Unapproved Share Option Scheme. Options are exercisable after 15 April 2000 but on or before 14 April 2004. The 1998 Trust holds the shares to meet shares awards made under the Ted Baker Performance Share Plan.

The net assets of the Employee Trust which are included in the accounts are:

	25 January 2003 £'000	26 January 2002 £'000
Ted Baker PLC shares at cost	10	10
Other net assets	56	46
	66	56

The trustees of the Employee Trust have agreed to provide the shares required to satisfy the options granted under the Ted Baker 1997 Unapproved Share Option Scheme. The market value of the shares owned by the Employee Trust, based on the mid-market price at 25 January 2003 was £94,047.

The net assets of the 1998 Trust which are included in the accounts are:

	25 January 2003 £'000	26 January 2002 £'000
Ted Baker PLC shares at cost	461	519
Other net assets	63	84
	524	603

The Trustees of the 1998 Trust have agreed to provide the shares required to satisfy the awards made under the Ted Baker Performance Share Plan. The market value of the shares owned by the 1998 Trust, based on the mid-market price at 25 January 2003 was £871,701. Neither the Employee Trust nor the 1998 Trust waived any dividend entitlements during the period.

13. STOCKS	25 January 2003 £'000	26 January 2002 £'000
Raw materials and packaging	1,938	1,986
Work-in-progress	732	403
Finished goods and goods for resale	11,267	9,929
	13,937	12,318

14. DEBTORS	Group 25 January 2003 £'000	Group 26 January 2002 £'000	Company 25 January 2003 £'000	Company 26 January 2002 £'000
Amounts falling due within one year				
Trade debtors	4,148	2,423	–	–
Amounts owed by Group undertakings	–	–	5,534	4,532
Other debtors	–	15	45	15
Prepayments and accrued income	2,827	3,273	–	–
	6,975	5,711	5,579	4,547

15. CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR	Group 25 January 2003 £'000	Group 26 January 2002 £'000	Company 25 January 2003 £'000	Company 26 January 2002 £'000
Trade creditors	6,517	4,829	–	–
Taxation and social security	3,935	4,300	10	–
Accruals and deferred income	3,600	3,087	47	27
Proposed dividends	2,404	2,117	2,404	2,117
	16,456	14,333	2,461	2,144

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	Group 25 January 2003 £'000	Group 26 January 2002 £'000
Bank Loan	4,000	4,000

The bank loan relates to No Ordinary Designer Label Limited and is repayable by 6 December 2004.

17. DEFERRED TAXATION	Group 25 January 2003 £'000	Group 26 January 2002 £'000
Accelerated capital allowances	123	461
		Provided Group £'000
At 26 January 2002		461
Charge to profit and loss account		(338)
At 25 January 2003		123

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18. CALLED UP SHARE CAPITAL	25 January 2003	26 January 2002
	£'000	£'000
Authorised – 80,000,000 ordinary shares of 5p each	4,000	4,000
Allotted, called up and fully paid – 41,453,690 ordinary shares of 5p each (2002: 41,287,023)	2,072	2,064

Options have been granted under the 1997 Executive Share Scheme to subscribe for ordinary shares of the Company as follows:

Numbers of shares under option	Subscription price per share	Exercise Period
1,511,111	135p	18 July 2000 to 17 July 2004

19. RESERVES	Share Capital	Share Premium	Profit & loss Account	Minority Interests
	£'000	£'000	£'000	£'000
a) Group				
At 26 January 2002	2,064	978	12,638	43
Retained profit for the year	–	–	2,956	(104)
Shares issued	8	434	(217)	–
Exchange rate movement	–	–	34	1
At 25 January 2003	2,072	1,412	15,411	(60)
a) Company				
At 26 January 2002	2,064	13,978	2,312	
Retained profit for the year	–	–	120	
Shares issued	8	434	–	
Exchange rate movement	–	–	–	
At 25 January 2003	2,072	14,412	2,432	

Cumulative goodwill written off to reserves is £Nil.

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	Group 52 weeks ended 25 January 2003	Group 52 weeks ended 26 January 2002	Company 52 weeks ended 25 January 2003	Company 52 weeks ended 26 January 2002
	£'000	£'000	£'000	£'000
Profit for the financial period	6,556	6,515	3,720	3,179
Exchange rate movement	34	(1)	–	–
Shares issued	225	30	442	69
Dividends paid and proposed	(3,600)	(3,220)	(3,600)	(3,220)
Net addition to shareholders' funds	3,215	3,324	562	28
Opening shareholder funds	15,680	12,356	18,354	18,326
Closing shareholder funds	18,895	15,680	18,916	18,354

21. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS	52 weeks ended 25 January 2003	52 weeks ended 26 January 2002
	£'000	£'000
Operating profit	9,910	9,955
Impairment of fixed assets	1,551	–
Depreciation charges	3,093	2,319
Loss/(profit) on sale of tangible fixed assets	9	(2)
Decrease in own shares	97	–
(Increase)/decrease in stocks	(1,654)	338
(Increase)/decrease in debtors	(1,135)	121
Increase/(decrease) in creditors	1,761	(481)
Net cash inflow from operating activities	13,632	12,250

22. ANALYSIS OF CASH FLOWS	52 weeks ended 25 January 2003	52 weeks ended 26 January 2002
	£'000	£'000
a) Capital expenditure and financial investment		
Purchase of tangible fixed assets	(7,949)	(2,741)
Sale of own shares	–	42
Sale of tangible fixed assets	–	48
Net cash outflow	(7,949)	(2,651)
b) Reconciliation of net cashflow to movement in net debt		
(Decrease)/Increase in cash in the period	(1,067)	7363
Net debt at start of period	(125)	(3,491)
	(1,192)	3,872
Exchange rate movement	(30)	3
Debt due after more than one year	–	(4,000)
Net debt at end of period	(1,222)	(125)

	At 26 January 2002	Cashflow	Exchange Rate Movements	At 25 January 2003
	£'000	£'000	£'000	£'000
c) Analysis of net debt				
Cash at hand and in bank	3,875	(1,067)	(30)	2,778
Debt due after more than one year	(4,000)	–	–	(4,000)
	(125)	(1,067)	(30)	(1,222)

23. FINANCIAL COMMITMENTS

a) Capital commitments

The Group has capital commitments of £nil at 25 January 2003 (2002: £nil) which were not provided in the financial statements.

b) Operating leases

Annual commitments under non-cancellable operating leases are as follows:

	25 January 2003	26 January 2002
	£'000	£'000
Group: Expiry Date		
- within one year	–	124
- between two and five years	353	353
- after five years	4,007	3,368
	<u>4,360</u>	<u>3,845</u>

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.

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 £192,000 (2002: £77,000). Contributions totalling £3,068 (2002: £8,119) are included in debtors at the year end.

24. FINANCIAL INSTRUMENTS

Details of financial risk management, treasury policies and use of financial instruments are set out in the Financial Director's Report on page 8.

a) Financial assets

The interest rate profile of the financial assets of the Group is as follows:

i) 25 January 2003

	Financial assets on which no interest received	Floating rate financial assets	Total
	£'000	£'000	£'000
Currency			
Sterling	20	1,967	1,987
US Dollar	–	493	493
Euro	–	265	265
Other	–	33	33
	<u>20</u>	<u>2,758</u>	<u>2,778</u>

ii) 26 January 2002

	Financial assets on which no interest received	Floating rate financial assets	Total
	£'000	£'000	£'000
Currency			
Sterling	16	3,484	3,500
US Dollar	–	122	122
Other	–	253	253
	<u>16</u>	<u>3,859</u>	<u>3,875</u>

Financial assets comprise cash and short term deposits. Short term debtors are excluded. There were no fixed rate financial assets at 25 January 2003 or 26 January 2002. Financial assets on which no interest is received are due on demand. Floating rate financial assets attract interest based on local prevailing rates.

b) Financial liabilities

The interest rate profile of the financial liabilities of the Group at 25 January 2003 is as follows:

	25 January 2003	26 January 2002
	£'000	£'000
Loan	4,000	4,000

Sterling overdraft and the loan bear floating rates of interest linked to the UK base rate. Foreign currency overdrafts bear floating rates of interest linked to the relevant country's reference rate. The profile of the loan is matched by a fixed interest rate swap at a fixed rate of interest at 4.99% (excluding bank margin).

c) Currency exposure

Net monetary assets and liabilities of the Group that are not denominated in the local functional currency are as follows:

i) 25 January 2003	Functional currency of operation		
	Sterling	US Dollars	Total
	£'000	£'000	£'000
Net foreign currency monetary assets			
Sterling	–	–	–
US Dollar	498	–	498
Euro	248	–	248
Other	67	–	67
	813	–	813

ii) 26 January 2002	Functional currency of operation		
	Sterling	US Dollars	Total
	£'000	£'000	£'000
Net foreign currency monetary assets			
Sterling	–	–	–
US Dollar	1,660	–	1,660
Euro	2,893	–	2,893
	4,553	–	4,553

d) Borrowing facilities

Committed borrowing facilities of £7,500,000 (2002: £7,500,000) and a loan of £4,000,000 (2002: £4,000,000) were available to the Group at 25 January 2003 in respect of which all conditions precedent have been met. At 25 January 2003 the borrowing facilities were unutilised (2002: unutilised) and the loan was drawn down to the level of £4,000,000 (2002: £4,000,000). The £7,500,000 borrowing facilities expire within one year and the £4,000,000 loan expires within 2 years.

e) Fair values

There is no material difference between the book value and the fair value of the Group's financial assets and liabilities. An unrecognised loss on forward foreign exchange contracts of £74,362 (2002: Gain £52,770) is expected to be recognised in one year or less.

Five Year Summary

	52 weeks ended 30 January 1999	52 weeks ended 29 January 2000	52 weeks ended 27 January 2001	52 weeks ended 26 January 2002	52 weeks ended 25 January 2003
	£'000	£'000	£'000	£'000	£'000
RESULTS					
Turnover	27,430	36,737	46,999	62,095	70,188
Operating profit before exceptional costs	6,482	7,863	8,363	9,955	11,461
Profit on ordinary activities before taxation	6,721	7,871	8,155	9,436	9,485
Profit for the financial year	5,287	5,698	5,673	6,515	6,556
ASSETS EMPLOYED					
Fixed assets	3,542	9,090	12,274	12,613	15,724
Net current assets	3,509	1,061	145	7,571	7,234
Creditors: amounts falling due after more than on year	(200)	(200)	-	(4,000)	(4,000)
Provisions for liabilities and charges	(50)	(35)	-	(461)	(123)
NET ASSETS	6,801	9,916	12,419	15,723	18,835
Financed by:					
Shareholders' funds	6,773	9,871	12,356	15,680	18,895
Minority interest	28	45	63	43	(60)
	6,801	9,916	12,419	15,723	18,835
KEY STATISTICS					
Earnings per share	13.0p	14.1p	13.9p	15.9p	15.9p
Diluted earnings per share	12.7p	13.5p	13.4p	15.5p	15.6p
Adjusted earnings per share	11.3p	14.1p	13.9p	15.9p	18.6p
Dividends per share	5.4p	6.3p	7.0p	7.8p	8.7p
Dividend cover	2.4 times	2.2 times	2.0 times	2.0 times	1.8 times
Return on shareholders' funds	78.1%	57.7%	45.9%	41.6%	34.7%
Return on assets	75.0%	56.1%	45.3%	33.0%	28.6%