TED BAKER
LONDON

TED BAKER PLC

COMPANY NUMBER: 03393836

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 JANUARY 2020

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Ted Baker Plc - Registered in England No: 03393836

Cautionary statement regarding forward-looking statements

This document contains certain forward-looking statements. These forward-looking statements include matters that are not historical facts and 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.

Strategic Report

Chair's Statement

Introduction

In Financial Year 2020 (FY20) the Group's performance was impacted by very difficult trading conditions throughout the period, amplified by heightened levels of consumer uncertainty across many of its global markets. The external retail market has presented, and continues to present, unprecedented trading conditions, digital disruption, changing customer behaviour and demand and intense pressures on retail which has led to a dramatic increase in promotional activity and an intense level of discounting. In 2019, these pressures were exacerbated in the UK by the significant impact on consumer sentiment and spending from Brexit and political uncertainty. Consequently, several of the Group's distribution channels have witnessed declining sales, while a number of important product segments, including formalwear and women's occasion wear, have experienced falling demand.

The Group has also faced some difficult internal issues in the last year. As previously announced, the Group experienced some challenges with its 2019 Spring/Summer collections and trading over November 2019 and the Black Friday period was below expectations, with lower than anticipated margins and sell through. In addition, the store estate underperformed driven by sales pressure and high costs, with continued high cost store expansion. The Group was also negatively impacted by high working capital driven by a three-year stock cycle that is no longer relevant in a fast-moving fashion market. The Group also experienced high levels of operating expenditure and operating expenditure growth across the business as a result of a failure to properly control costs and increase the share of eCommerce. The Group's free cash flow diminished as a result of continued high levels of dividend and significant capital expenditure spend despite lower EBITDA[1]. In addition, several members of the Group's senior management left the Group.

As a result of the Group's weaker financial performance, the Group was required to revise down guidance for FY20 first in June 2019 and again in December 2019. The Directors expect trading conditions to be difficult for some time, especially in light of the significant challenges presented by the coronavirus.

The business was refinanced in September 2019 with a £180 million Revolving Credit Facility maturing in September 2022. However, the soft trading performance through the weeks including Black Friday meant our full year outlook deteriorated to a point where we had to provide a second update to the market on 11 December 2020 on our guidance on underlying profit before tax (PBT). The weaker trading put pressure on cash flow and EBITDA[1] performance and our revised view in December 2019 was that the covenants agreed only a few months previously may not be met, and we were facing medium term liquidity issues. As a result, we immediately engaged our banking partners to look at ways we may start to recapitalise the business and, as a result of these issues we instigated a strategic asset review and a re-financing of our business.

We actively pursued the sale and leaseback of our Head Office property, the Ugly Brown Building, to de-risk our Balance Sheet and this, combined with the additional short term borrowings which were subsequently announced, provided the Group with much needed liquidity to ensure the Group's immediate survival, enabling the Group to continue to work on a transformation strategy and design a way to correct the capital structure of the Group and to target a balance sheet that will allow the Group to deliver profitable growth.

As we look towards Financial Year 2021 (FY21), and facing additional challenges arising from COVID-19, we do so from the perspective of already having outlined a significant number of necessary and positive changes for the business. We have completed our root and branch review of the business and we have a transformation strategy in action. We have new leadership under Rachel Osborne, our recently appointed Chief Executive Officer (CEO) and we have a refreshed leadership team in place. We are focussed on what we need to do to ensure the viability of Ted Baker Plc as a going concern and we must thank our banking partners and other stakeholders for their support and co-operation in helping us to find a successful way through these issues.

We are focussed on positioning the Group to participate in a retail market place that will evolve rapidly as consumer habits change either because of the continued move to online sales, the requirement to address sustainability of resources used in our industry or through the changing habits we may witness from COVID-19. We will build on the brand strength of Ted Baker and, working collaboratively with our colleagues and suppliers, put our business in a position to return to profitable growth in the future.

A deeply challenging external retail environment impacting trading

The external Retail market has, and continues, to present unprecedented trading conditions; digital disruption, changing customer behaviour and demand, and intense pressures on physical retailing. All of this has led to a dramatic increase in promotional activity and the most intense level of discounting seen in well over a decade. As mentioned above, in 2019 these pressures were exacerbated in the UK by the significant impact on consumer sentiment and spending from Brexit and political uncertainty. Consequently, several of the Group's distribution channels have witnessed declining sales, whilst a number of important product segments namely formalwear and women's occasion wear have experienced falling demand.

Internal disruption and investigations

In addition to an array of external pressures on the business, we have also faced difficult internal issues in the last year.

The Board instigated two much-publicised independent reviews in FY20. Not only were both investigations entirely necessary, they provided the Board with valuable insights upon which we have acted as required.

The first looked into allegations of misconduct by our former CEO, Mr Ray Kelvin, which resulted in the Board accepting Mr Kelvin's resignation from the Company in March 2019. The outcome of the investigation provided the Board with a wide-ranging review of our People policies, procedures and handling of HR-related complaints. This review produced a significant piece of work called Programme 15, a range of policy and process changes which has consequently provoked a healthy, productive dialogue with our teams and has enabled us to move forward in a more collaborative, consultative way. You can read more about the impact Programme 15 has had on our organisation in the Our People section on page 33.

The second investigation was launched following the discovery of a significant overstatement of inventory. In December 2019, the Group identified that the value of inventory held on its balance sheet at that time had been overstated following an internal review. As a result of these findings, the Group engaged Deloitte LLP (Deloitte) to undertake an independent review of this issue. In January 2020, the Group announced that the independent review had found that the Group's inventories, as reported at the end of FY19, were overstated by £58 million. Following the conclusion of Deloitte's review and the completion of the year-end process and audit, the Group has restated the balance of inventory at 26 January 2019 from £225.8 million to £205.6 million, a £20.2 million restatement. The restatement was due to inappropriate cost values being attributed to inventory, inventory reflected on the balance sheet which did not physically exist and intercompany profit in stock that was not adjusted for in previous calculations. In addition, through this exercise the Group has reviewed its approach to estimating the carrying value of stock and adopted a more prudent methodology which resulted in a £32.4 million reduction in stock value being accounted for as a change in estimate booked as a non-underlying expense in the income statement for the period ended 25 January 2020. The Group also initiated an internal review into potential misconduct relating to the overstatement, which review is still ongoing.

The Group also engaged Deloitte to conduct an independent review of the changes needed to address the causes of the overstatement. This review has concluded and the Group is now in the process of updating its accounting processes, bolstering controls and implementing Deloitte's recommendations. Deloitte's recommendations include

- greater segregation of duties in key areas such as journals entries, for which a monthly detective journal review is being implemented;
- an assessment of general IT controls across the business (including revenue, procure to pay, inventory and record to report) to ensure they are designed and implemented effectively and increase reliance on system-generated reports;
- manual spreadsheet controls to increase the reliability and quality of information and reduce the risk of error and deficiency;
- implementing simplified, standardised and centralised processes to enable increased automation across the business, derive cost efficiencies and ensure a periodic review is performed to confirm changes are captured timely and controls are operating effectively; and
- a training programme across finance to increase the understanding of accounting processes, the financial risks to the business and what the key controls are with the aim of reducing key person risk and improving the overall maturity of the finance environment.

We expect to complete this process in the second half of the year. Further details can be found in the Financial Results section below on page 5 and within Note 1(y) to the Financial Statements on pages 131 to 133.

Implementing new processes and systems can be costly, difficult and disruptive and requires significant time, resources and management attention and could have an adverse effect on the Group's financial condition.

The Group will continue to provide information to and respond to enquiries from regulatory and other agencies, including the FCA. Although the Group has not received notification of any formal investigations, the inventory overstatements could result in a regulatory or other investigation which could result in regulatory, civil or criminal actions, including against the Group, and all consequent outcomes including censure, fines and compensation, which could have a material adverse effect on the Group's business, results of operations, financial condition and reputation. There can be no assurance about the timing or outcome of any such action.

We also launched a strategic asset review, a cost review and a prioritisation of cashflow, which resulted in us suspending the dividend and reducing capital expenditure at the end of the second half, in order to respond to trading difficulties that the business was experiencing as well as the widely publicised internal disruptions and investigations. Following this review, in March 2020 we entered into a Sale & Leaseback Arrangement with regards to our Head Office, realising a premium valuation for the building. We also entered into additional borrowing of £13.5m with our lenders, which was announced at the same time.

Contemporaneously, in December 2019, we saw the departure of a number of other long-standing senior members of our Board and leadership team including Lindsay Page, David Bernstein and Ron Stewart.

The Board acted quickly following these departures, to assemble a new leadership team to face into the exceptional circumstances we found ourselves in.

After the end of the financial year, the Board was pleased to appoint Rachel Osborne as CEO, following a full and proper external search. Rachel first joined the business in November 2019 as Chief Financial Officer (CFO), becoming acting CEO in December 2019. Her significant customer and retail experience, combined with the incredible impact she has made on the business since joining, made her the ideal candidate for the full-time CEO position.

Rachel had already outlined a set of strategic priorities for the business as Acting CEO, and now, supported by an appropriate mix of new talent and experienced employees, will drive our transformation strategy forward.

In January 2020, Jennifer Roebuck was appointed as Chief Customer Office (CCO). As CCO, Jennifer will develop a customer and digital strategy across the business and explore new digital partnership opportunities to drive accelerated growth. Jennifer was previously a Non-Executive Director of Ted Baker Plc and stepped down from the Board in April 2020.

In May 2019, we announced the appointment of Helena Feltham as an independent Non-Executive Director to the Board, and in December 2019 we announced the appointment of Jon Kempster as Audit & Risk Chair and Non-Executive Director succeeding Ron Stewart as he retired from this role. Both Helena and Jon bring a wealth of experience to the Board and at the time of writing we have also announced the appointment of John Barton as our new Chairman, who will join the Board in July 2020 and David Wolffe who was appointed CFO on 18 May 2020. I would like to take this opportunity to welcome all of the new Board members.

While so much change could be unsettling for an organisation's employees, ours have shown great resilience throughout this period. Your Board would like to recognise and thank you for that. We are hugely grateful for your continued enthusiasm and commitment to the business.

Financial Results[2]

Group revenue decreased by 1.4% to £630.5 million in FY20 (2019: £639.6 million, including licence revenue). Total retail sales including eCommerce decreased by 4.6% to £439.9 million (2019: £461.0 million) for FY20 and average retail square footage rose by 2.6% to 442,790 sq. ft (2019: 431,646 sq. ft). ECommerce sales decreased by 2.4% and represented 27.0% of total retail sales (2019: 26.4%). Further non-underlying charges in the year related to £14 million in regards to change in accounting estimate for stock provision, £16 million relating to the impairment of stores, and a £8 million loss on disposal of the Asian businesses. As at 25 January 2020 the Facility Agreement of £180 million was fully drawn.

In FY20, the Group's reported loss before tax was £79.9 million (2019: profit of £30.7 million). The underlying profit before tax[3] was £9.8m (2019: £63.0m). The reported basic loss per share was 158.0p (2019: earnings per share 55.05p). Underlying earnings per share[3], which exclude non-underlying items and IFRS 16[4], decreased to 6.7p (2019: 114.2p).

Further detail on Ted Baker's financial performance can be found in Rachel's statement and throughout this document.

COVID-19

Whilst this document primarily covers FY20, it would be a remiss of us to not acknowledge here the ongoing COVID-19 pandemic which has resulted in significant disruption globally, particularly across the non-food Retail industry. It has impacted all areas of our business across every territory we operate in. During the course of COVID-19 all of our stores and concessions have been closed at some point during the pandemic in line with relevant Government guidance.

A significant number of the Group's wholesale partners have also cancelled or delayed orders, impacting wholesale revenue, and the Group's licence partners have also been affected by the pandemic, thereby impacting licence income. While some of these sales may migrate to the Group's eCommerce operations, with the Group's eCommerce channel sales in the first sixteen weeks of the financial year up approximately 30% on last year, it is not possible that all of these sales will fully replace revenue lost due to store and concession closures. While in some jurisdictions the Group has been able to take advantage of Government relief measures that have, for example, allowed it to suspend business rates payments during the pandemic, the Group's physical stores will still incur costs. In addition, the Group may experience increased levels of stock obsolescence to the extent economic conditions and/or restrictions on retail operations do not recover in time for the autumn/winter season, and social distancing restrictions may adversely impact the ability of the Group's key personnel to collaborate effectively.

We responded to the challenges presented by COVID-19, including taking a series of steps to reduce costs and protect cashflow and ensure the wellbeing of our global teams. We have had to take difficult decisions with regards to furloughing many of our global teams, approximately 85.3%. We have also had to suspend all discretionary capital expenditure, temporarily reduce remuneration as set out at page 11, rephase product orders and negotiate rent deferrals and rent reductions with landlords. The Group will also benefit from a twelve-month business rates holiday in the United Kingdom (which cost the Group £6.2 million in FY20). However, these measures will not be sufficient to offset the full impact of reduced sales due to COVID-19, which will have a material adverse effect on the Group's business, results of operations, financial condition and liquidity.

Rachel provides further details of the business impacts in her statement, along with the decisive actions we have taken to ensure the safety of our teams and to protect cashflow. For my part I would like to express my heartfelt thanks to our teams across the globe for their ongoing commitment and their determination to do the best for the business, our customers and each other in what are truly unprecedented circumstances.

Looking ahead

We move into FY21 with a comprehensive programme of transformation underway.

These activities will reinforce our ongoing commitment to strengthening our financial position and build on the steps already taken to address cashflow, costs and balance sheet flexibility towards the end of last year and early this year.

We have a solid foundation to build upon and see significant strategic growth opportunities available to us.
In the face of the unprecedented circumstances presented by the COVID-19 pandemic, it is clear that we will need to take further bold, decisive actions over and above those outlined above.

As a Board, we are confident that the strategic asset review, additional borrowing and the equity raise, announced after the year end, will deliver the right capital structure, appropriate levels of liquidity and cash to invest in the business, and deliver the transformation strategy and strategic plan. In doing so, we can navigate these complex times and emerge stronger, more agile and even better equipped to achieve our ambition of being the most engaging global British lifestyle brand.

Sharon Baylay
Acting Non-Executive Chair
1 June 2020

[1] EBITDA represents earnings before interest, taxation, depreciation, amortisation.

[2]Constant currency comparatives are obtained by applying the exchange rates that were applicable for the 52 weeks ended 26 January 2019 to the financial results in overseas subsidiaries for the 52 weeks ended 25 January 2020 to remove the impact of exchange rate fluctuations. The Directors believe this measure provides a consistent and comparable view of the underlying performance of the Group's ongoing business. Further details can be found at page 170.

[3] Profit before tax and non-underlying items and IFRS 16 is a non-GAAP measure, adjusted for non-underlying items and IFRS 16. Further details can be found at page 137.

[4]Underlying earnings per share is a non-GAAP measure, adjusted for non-underlying items and IFRS 16 (see Note 9 of the financial statements).

Our Purpose, Goal and Strategy

The Ted Baker brand DNA is rooted in over 30 years of rich and colourful creativity. Our purpose is to 'Love a Life Less Ordinary' and our goal is to be the most engaging British lifestyle brand. This goal can be achieved by executing our transformation strategy, which we are calling 'Ted's Formula for Growth'. This sets out our clear ambition and has well defined priorities for growth and operational excellence.

'**Ted's Formula for Growth**' strategy comprises the following core priorities, which are set out in detail on page 8.

- Attract more customers
- Be 'no ordinary brand'
- Expand product and its relevance.
- Be forward thinking
- Profitably be where the customer is

Transformation Programme

The Group has developed 'Ted's Formula for Growth', a strategic transformation programme to improve efficiencies across the wider Group and address the key drivers of underperformance. 'Ted's Formula for Growth' strategy is the culmination of six-months' rigorous analysis, assessment work and the bringing together of insights from across the Executive team, industry trends and external experts. This transformation strategy will see the business pivot towards a customer-centric, digital and territory approach and away from the previously adopted channels-based approach. The strategy focuses on three building blocks, which, combined, the Directors believe should enable the Group to successfully deliver its strategic ambition of a more profitable, more cash generative and higher return on capital employed business.

Building Block 1: Stabilise the Group's Foundations

The Group's initial focus has been on putting stable foundations in place to alleviate the impact of poor trading performance and to manage cash flow requirements and increasing the Group's flexibility to deliver its 'Return to Profitable Growth' strategy. This has involved a number of steps:

- Refresh and strengthening the Group's leadership. The Group has spent the last nine months building the talent and capability of the Board and the Executive team to ensure it has the skills, diversity, experience and ambition to deliver and execute the strategy and transform the business. The appointment of the new Chair, CEO, CFO, the newly created Chief Customer Officer and Chief People Officer roles and appointment of a CEO North America bring new experience and depth to the Board and the Executive team. The Board now has three new Non-Executive Directors making the Board now independent. The changes to the Executive team have resulted in a smaller and focused team with clear accountability. With these new hires and with the capabilities of longer serving colleagues who understand the history and DNA of the Ted Baker brand, the Group has a diverse and creative team committed to delivering the transformation strategy.

- Recapitalisation of the business. A restructuring of debt, the sale and leaseback of the Group's Head Office to reduce debt as well as the proposed equity raise will deliver the balance sheet and increase financial flexibility over the medium term.

- The Executive team has undertaken a full operational and efficiency review. The Group has taken action to reduce Head Office costs, both in the UK and North America, which has allowed it to simplify the organisation and reset the business for greater collaboration and cost savings. After year end, the Group announced that this reorganisation will achieve £5 million of cost savings for the current financial year, with £2.7 million exceptional cash costs to achieve these savings which will result in £7 million of annualised savings.

- Rethinking the Group's vision and commercial strategy. The creation of an organisational structure that pivots the focus away from channel centricity, towards a customer-centric, digital and global approach with the potential to deliver faster and more profitable growth at greater return on capital employed. The Group's brand vision has been reset so that the brand strength and relevance becomes a key enabler of its future success.

- Respond effectively to the COVID-19 pandemic. The Group has taken swift action to protect the business, its customers and its global teams. The Group has responded dynamically to the challenges presented by COVID-19, including taking a series of steps to reduce costs and protect cashflow and ensure the wellbeing of its global teams. As the Group re-opens its stores in line with Government guidance, it is taking strong precautions to ensure the safety of its customers and teams.

Building Block 2: Growth Drivers

The Group will invest in product, creative content and new eCommerce and digital platforms to operate a 'digital first' retail strategy and drive future profitable growth. This strategy is based on five primary growth drivers:

- **Attract more customers**; deliver a deeper and broader relationship with new and existing customers, leading to higher share of wallet and lifetime value.
- **Be 'no ordinary brand'**; reenergise the brand and creative direction for all consumer touch points, strengthening the 'no ordinary', unconventional and aspirational position through innovation and consistency to increase awareness and purchase consideration.
- **Expand product and its relevance**; make clothing more relevant to all day / week occasions; drive accessories, footwear and large licence partner categories.
- **Be forward thinking**; retaining relevance for business model, industry trends, internal R&D function and capability.
- **Profitably be where the customer is**; reach customers in prioritised territories through the appropriate distribution and service models, in a profitable way.

Building Block 3: Operational Excellence

Going forward, the Group will operate under the core philosophy of 'Simpler, Smarter, Together'. By getting the basics rights and operating more efficiently and collaboratively the Group sees significant scope to improve profitability and cash generation. Initiatives in this building block are focused on creating a digital and data led operating model, creating a high-performance business culture, and creating a commercial and agile business, enabled by a more effective organisation. The Group has established a transformation team, with proven operational expertise to help support the delivery of these initiatives and to achieve the potential benefits.

There are significant opportunities across the business to lower costs, improve efficiency and tighten controls, including:

- **Scope for significant improvement in gross margin through a series of structural bought-in margin improvements.**
    - The Group plans to change how it buys goods (streamlining its critical path and reducing sampling), who it buys from (consolidation of its supplier base) and where it buys from (relocation of sourcing markets). Product margin can be further enhanced through the purchase of products throughout the season in response to customer preferences, reworked margin on outlet products and more sophisticated promotional activity.
- **Continued focus on working capital efficiency.**
    - Historically, the Group has operated with too much inventory, which has negatively impacted cash flow. Despite improvements in working capital efficiency over the last twelve months (with an improvement in underlying net working capital to sales ratio from 27.5% to 15.8%) the Group is highly confident it can achieve a further material improvement through shortening its product lifecycle from three years to two.
- **Reduce operating expenditure.**
    - The Group's recent cost review concluded the business is carrying high costs in several areas, including logistics and distribution, the Head Office and retail stores. As a result, it intends to renegotiate carrier arrangements, reduce requirements for air freight and implement productivity improvements in its Derby and Atlanta Distribution Centres which will further reduce the cost base within the business.
- **Improve retail store profitability.**
    - The Group has conducted a thorough review of retail stores across all territories, with a critical focus on rental costs and payroll. It has identified significant cost saving potential on store payroll driven by new ways of working. In addition, the transformation team is in ongoing discussions with landlords across all territories and Directors remain confident in the Group's ability to reduce rental costs. The Group has already taken the decision to close one store in Italy ahead of its lease expiry due to financial and strategic considerations.
- **Upgrade and enhance IT systems.**
    - Going forward, capital expenditure and investment will be restricted to focus on critical systems enablers such as an upgraded eCommerce platform and new payment service provider gateway to enable a much broader set of payment options for customers.

Financial Implications

The Directors believe the successful implementation of this transformation strategy should result in a more profitable business, operating on a lower level of capital employed.

Improved product margin, lower operating expenses and prioritisation of capital expenditure-light distribution should all contribute to driving greater return on capital employed and ultimately greater shareholder value. At the end of this initial three-year journey, and based on current expectations for the economic recovery post the coronavirus, Directors are targeting, based on current expectations for their recovery, the following financial metrics:

- Medium-term revenue growth of approximately 5%;
- EBITDA margin of 7% to 10% by FY23;
- Free cash flow generation, after capital expenditure, of at least £30 million by FY23; and
- Net debt to EBITDA below 1.0x or less by the end of FY23.

These targets are not intended as a profit forecast and no statement in this document should be interpreted to mean that underlying earnings per share for the current or future financial years would necessarily match or exceed the historical published underlying earnings per share.

Chief Executive Officer's Statement

I joined Ted Baker in November 2019, during an extraordinary point in the Company's history. The retail industry was already tackling the structural transition from physical stores to digital retail alongside a cyclical downturn; both were causing significant strain and dislocation for several of our distribution partners and calling into question the ongoing suitability of more traditional fashion business models in the sector.

Alongside this, Ted Baker has faced its own internal issues and has seen something of a 'changing of the guard' in senior leadership of the business. There are many reasons why I joined and am now proud to be leading Ted Baker, but if I could list just a few I would highlight the incredibly strong brand, our strong partnerships, our exceptional teams and a culture of caring about our customers and product. I see huge potential for the business in the future.

Following a comprehensive strategic review, at the start of FY21, the new Executive team agreed to take decisive action to tackle a long list of issues, with the aim of returning the business to profitable growth. Many of these issues had impacted performance during the last few years. We also made significant strategic progress, outlining and agreeing a clear Purpose, Goal and new strategic priorities to deliver them. We have pulled this together into a transformation strategy, which internally we are calling 'Ted's Formula for Growth'.

We have more recently witnessed the spread of COVID-19 and have had to respond to the pandemic in real-time with decisive leadership and actions which I cover later in this review. I am certain that our success in the year ahead will be measured not just by how our business performs through this global crisis, but also by the extent to which we have transformed the Group to deliver on the strategic priorities outlined. It is this work which will enable Ted Baker to achieve its full potential and return to growth.

Financial Performance

Our financial performance in FY20 was significantly below our original expectations and what Ted Baker has the potential to deliver.

Macroeconomic indicators signalled well-publicised weakness in our markets, and the consequent declining demand pressures, paired with a shift from physical to digital retailing both led to unprecedented levels of promotional activity and widespread discounting.

Internal complexities, such as our slow response to adjust our cost base, working capital inefficiencies and siloed organisational structure, contributed to the disappointing performance.

We also announced on 2 December 2019 an independent investigation by Deloitte into inventory overstatement and a further statement was announced on 22 January 2020 confirming the extent of the overstatement. Further details can be found in the Chair's Statement on page 4 and within Note 1(y) to the Financial Statements on pages 131 to 133.

The business was refinanced in September 2019 with a £180 million Revolving Credit Facility maturing in September 2022. However, the soft trading performance through the weeks including Black Friday meant our full year outlook deteriorated to a point where we had to update the market on 11 December 2020 on our guidance on underlying PBT. The weaker trading put pressure on cash flow and EBITDA performance and our revised view in December 2019 was that the covenants agreed only a few months previously may not be met, and we were facing medium term liquidity issues. As a result, we immediately engaged our banking partners to look at ways we may start to recapitalise the business.

Looking at our trading performance, our womenswear fashion business has been particularly disappointing, with sales 3.1% lower versus last year, with missteps on both design and buying following changes in the team. These were amplified due to unseasonal weather patterns.

New creative talent was brought in towards the end of the year, to address the product shortcomings, and their impact is already being felt across our design teams.

While trading was broadly difficult, we fundamentally believe that Ted Baker has significant potential, particularly in our eCommerce channel which remains a major growth channel for Ted Baker and, reassuringly, our menswear fashion business grew 10.1% on TedBaker.com, giving us reason for confidence in the future. As we have outlined, eCommerce will be a core area of capital investment for us in the year ahead to ensure we deliver further meaningful growth in online sales.

There were also a number of strategically important developments during the year:

- The reorganisation of our Asian fashion business, whereby 50% of our existing business was acquired by Shanghai LongShang Trading Company Ltd, forming our China JV and the conversion of our Japanese business to a retail licence model. Both markets had been investment markets and we now have strong local partners to drive these markets and deliver growth and better financial performance.
- The transition of two licence categories in childrenswear and watches to new, globally ambitious partners in Next and Timex respectively. Both partners bring greater capability to optimise these categories and we remain confident in the growth potential.
- The launch of 'Ship from Store' (SFS) in the UK in July 2019 with encouraging performance ahead of our expectations. More importantly, it has highlighted the robustness of IT systems and accuracy of stock availability in stores. The implementation of SFS in the UK completes our full omni-channel capabilities, combining click and collect, order online/return to store and iPad enabled selling in stores. We will look to roll out this capability globally in due course.
- Implementation of speed to market process, which has shortened some of our lead times to eight to ten weeks from up to fourteen months. We trialled 'Speed to Market' across a number of product lines for both our menswear and womenswear fashion collections and will be materially increasing the use of the process in the new financial year.
- Full integration of the 'No Ordinary Shoe' business, which we acquired on 1 January 2019. As seen across the retail sector, the shoe business has faced demand challenges. We have seen positive momentum in our performance within our Retail channels, but some challenges within the wholesale channel. We have spent much of the year embedding the business into the Group, reworking the product offering and supply chain. We remain confident on the outlook for the category and are excited by the new collections.

Our response to the COVID-19 pandemic

The Group has faced the severe challenge of the COVID-19 pandemic across all of its trading markets, with our customers, partners, suppliers and employees all impacted.

The business has responded quickly focusing on two key objectives – the safety of our teams across the globe and the protection of cashflow. All of our stores and concessions have been closed following advice from Governments across our global markets. The Group has taken advantage of a variety of Government schemes to protect employees from redundancy, resulting in the maintenance of a skeleton team with the majority of our employees being furloughed. The Non-Executive Directors and the Executive Directors have taken a voluntary pay cut of 15% of their salary until further notice and senior management members have made a voluntary pay cut of 10% of their salary.

We have kept our eCommerce operations open so far, and intend to continue doing so, with strict health and safety guidelines being followed in our distribution centres to ensure the wellbeing of our teams. In the fourteen weeks to 2 May, our eCommerce business is up 50.3% (49.1% constant currency) versus the same period last year. This compares to FY20 eCommerce performance of -2.4% (-3.1% constant currency) year on year.

To protect cashflow, non-essential capital expenditure and discretionary operating expenses have been stopped and the business has worked closely with our partners, landlords and suppliers to defer and reduce payments as much as possible. Furthermore, the Group will benefit from tax holidays and deferrals on business rates, employee taxes and VAT.

There is material uncertainty around when normality will resume, but we are working tirelessly to ensure that we are fully prepared to reopen our stores as soon as it is safe to do so.

It is important to highlight that as a result of COVID-19 liquidity is a key concern. With the additional liquidity from the proposed underwritten share issue and the additional facility provided by the lending bank syndicate, the Group expects to have sufficient financial resources to continue to trade as a going concern. Without the additional liquidity, the Group would likely have become insolvent in August 2020 based on current forecasts. There also remains a risk of further lockdowns (including during the key Christmas trading period) and uncertainty remains over what strategy various governments may put in place for opening non-essential stores and over the broader implications of the COVID-19 global pandemic, which makes outcomes more difficult to model and more uncertain. As a result of this uncertainty, even with the additional liquidity available, the Group's liquidity could be exhausted before the end of FY22. See page 45 to 46 for the Group's Viability and Going Concern Statement.

Our Vision for the Future

While these are unprecedented times for the global economy, the retail industry and our business, I remain optimistic about our ability to weather the current storm and come through the other side stronger.

The equity raise, in addition to further funding from our lenders and the sale and leaseback of our Head Office, will all provide much needed support to the Group at a time when internal disruption, leadership change and external pressures, have coalesced to create significant disruption and uncertainty for the Group. These actions will have significantly strengthened and right-sized our balance sheet, giving flexibility to fund our 'Formula for Growth' transformation strategy. It will also ensure we are able to commence a key capital expenditure project – the implementation of a new eCommerce platform, as well as fund other key initiatives that are critical to ensuring Ted Baker's bright future.

As a senior leadership team, we must continue to take bold and decisive actions and make the necessary structural changes to the way the business operates. Consequently, as a result of COVID-19 we have accelerated the transformation that our 'Formula for Growth' strategy requires for us to succeed. As a newly formed Executive team, we are resolute in our determination to execute our plan well and create a structurally more profitable and cash generative business in the years to come.

Lastly, I'd like to thank the whole Ted Baker team for their extraordinary commitment to the business and ongoing support through these challenging times.

Rachel Osborne
Chief Executive Officer
1 June 2020

Stakeholders and our Engagement

As a global brand, stakeholder engagement is central to how we understand global and local perspectives and developing trends that help to provide insight and inform our approach to how we do business.

This is our Section 172 disclosure describing how the Directors considered matters set out in section 172(1) (a) to (f) of the Companies Act 2006 (the Act). It also forms the Directors' statement required under section 414CZA of the Act.

Our key stakeholders are:

- Customers
- Employees
- Suppliers and Partners
- Shareholders
- Society

Please see the following pages for:

1. How we engage with our teams to understand their interests – pages 33 to 35.
2. How we engage with society and our ethics and sustainability – pages 27 to 32.
3. Details on how the Board engages directly with shareholders and other stakeholders can be found in pages 55 to 56. Examples are included in this section.

This section also forms our key non-financial disclosures in relation to sections 414CA and 414B of the Act and can be found from page 15.

Customers

Our customers are at the heart of our business and everything we do. During the year, the Board receives updates on key customer issues at its regular board meetings. In addition, the Board and in particular the Chair and CEO seek feedback from customers during store visits which provide the opportunity to obtain a greater understanding of customer thoughts and feedback on a range of topics from the product, service and environment. The Board also review customer feedback from the customer service desk, online and via direct communication.

Employees

Details about how the Board engages with its workforce is set out in the Remuneration Committee report and the Our People section of this document. Most recently we have established the Fresh Eyes employee forum. This forum was established to cover all our workforce following a vote to set up an employee forum with elected representatives from across the business. The forum meets regularly throughout the year with a remit to provide engagement with and feedback to, the Board and in particular Sharon Baylay our Non-Executive Director for employee engagement. The establishment of the forum followed a 'listening group' exercise during the year which allowed employees the opportunity to give feedback to an independent consultant that could then be fed back to the Board anonymously. This valuable opportunity provided much needed insight after a difficult period of change. Outputs from the listening groups have helped to influence the Board's thinking on topics including how we need to evolve our culture, values and ways of working. The Non-Executive Directors of the Board also get the opportunity to meet with employees on a regular basis when at the Head Office and other locations, season launches or other Group events. Engaged employees with an inclusive culture helps us make better business decisions, deliver our business strategy and to live our values. You can read more about this on page 33 of this report.

Suppliers

The Board recognises the key role that suppliers play in ensuring we deliver fabulous and quality product and services to our customers and partners efficiently and sustainably. During the year, we undertook further work to enhance our ethics and sustainability standards which is described in more detail on page 27 of this document. The Group has enjoyed relationships with many long-term suppliers and consistently reviews the onboarding of new suppliers as the business requires. Our suppliers are engaged on the terms of our supplier manual which sets out such issues as ethics, anti-corruption, human rights and environmental standards. The Group's policy is to settle the terms of payment with suppliers when agreeing the terms of transaction and to ensure that suppliers are made aware of the terms of payments. As a standard, the Group's policy is to settle payment to terms which is typically 30 days. In FY20, the average was 49 days (FY19 average was 36 days).

Partners

Our partners critically represent the Ted Baker brand directly to customers, contributing to the business through wholesale, retail, product and service licences and are key stakeholders to our business. The Board met with many of our partners during the year and received regular feedback from the Executive Directors about performance, challenges and opportunities to develop the business. The Board carefully considers the interaction of the partners with the business and how this can work to mutual benefit. Partners are engaged on terms that also support the purpose of the business and to reflect its values and ethics.

Shareholders

All shareholders have the opportunity to ask questions at our Annual General Meeting (AGM) and any other general meetings which may be held. During FY20 Sharon Baylay, as Acting Chair sought feedback specifically from shareholders on the process to appoint a new Chairperson including communication with the Company's largest shareholders, Mr Ray Kelvin, Toscafund Asset Management, Shroeder Investment Management and Columbia Threadneedle Investments. In addition, the socialisation of a new Remuneration Strategy involved significant consultation on behalf of Andrew Jennings, our Remuneration Chair, and input was gratefully received from our top 10 shareholders, the results of which helped to formulate the new Remuneration policy which you can find details about within the Directors' Remuneration Report on page 70.

Society

We strive to operate a sustainable and responsible Company. We operate with a significant number of partners and suppliers and also work to ensure that the ethics and sustainability deliver on our requirements and expectations. During FY20 we further expanded our 'Fashioning a Better Future' strategy and details are set out in the ethics and sustainability section of this document on pages 27 to 32. More recently we have launched Ted's Bazaar, an online portal showcasing a range of products where the profit on the sale will go to support a local Camden charity in the locale of our Head Office. We are pleased to report that this has got off to a great start. Ted's Bazaar will evolve to support a variety of causes. During FY20 we introduced to our UK employees the chance to take an additional day of annual leave to volunteer to support their local community, which the Board believes helps to provide a positive social and economic contribution.

Non-Financial Information Statement

The table below sets out where the information required to be disclosed under sections 414CA and 414CB Companies Act 2006 can be found in this document.

Reporting Requirement	Reference to where information can be found	Policies and Standards
Employees	Our People section – page 33	• Employee Handbook
Environmental Matters	Ethics and Sustainability section – page 27	• Ethical Code of Conduct • Responsible Sourcing Policy • Animal Welfare Policy
Social Matters	Ethics and Sustainability section – page 27	
Respect for Human Rights	Modern Slavery Act 2015 – page 29 Ethics and Sustainability section – page 27	• Ethical Code of Conduct
Anti-Bribery and Anti-Corruption Matters	Audit & Risk Committee Report – page 57	• Employee Handbook • Anti-Corruption and Anti-Bribery standards within our Supplier Manual • Whistleblowing Policy • Code of Ethics and Behaviour
Business Model	Business Model and Review - Page 18	
Principal Risks and Business	Principle Risks and Uncertainties – page 36	• Risks Register • Customer Data Privacy Policy • Data Retention Policy
Non-Financial Key Performance Indicators	Key Performance Indicators – page 16	

More information regarding our employees, social, community, human rights and environmental matters can be found on our corporate website at tedbakerplc.com.

Key Performance Indicators

We review the ongoing performance of the business using key performance indicators (KPIs). The Group uses certain measures that are not separately disclosable under IFRS or the Companies Act. The Directors believe that these additional measures, which are used internally, are useful to the users in helping them understand the underlying business performance. Reconciliations of the reported numbers to alternative performance measures are shown in Note 3 to the Financial Statements and the Appendix to this Report on page 170.

The KPIs that the Directors judge to be most effective in assessing progress against the Group's objectives and strategy have been detailed below and are considered throughout the Strategic Report.

1. Financial KPIs

	Key Performance Indicator	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019	Variance	Constant currency variance[1]
Group	Brand Sales[2]	£1,230.0m	£1,300.2m	(5.4%)	
	Revenue	£630.5m	£639.6m	(1.4%)	(2.4%)
	Underlying gross margin[3]	55.6%	59.8%	(420 bps)	
	Gross margin	48.7%	56.6%	(790 bps)	
	Profit before tax, IFRS 16 and non-underlying items as a % of revenue[4]	1.6%	9.8%	(820 bps)	
	Profit before tax, after IFRS 16 impact and non-underlying items as a % of revenue[4]	(12.7%)	4.8%	(1750 bps)	
Retail	Total revenue	£439.9m	£461.0m	(4.6%)	(5.4%)
	Store revenue	£321.2m	£339.3m	(5.3%)	(6.3%)
	eCommerce revenue	£118.7m	£121.7m	(2.5%)	(3.1%)
	Underlying gross margin[3]	59.9%	63.1%	(320 bps)	
	Average square footage[5]	442,790	431,646	2.6%	
	Closing square footage[5]	438,483	443,049	(1.0%)	
	Sales per square foot excluding eCommerce sales	£725	£786	(7.7%)	(8.6%)
Wholesale	Revenue	£171.5m	£156.5m	9.6%	8.1%
	Underlying gross margin[3]	39.8%	44.1%	(430 bps)	
Licence Income	Revenue	£19.0m	£22.1m	(14.1%)	-
Group	Working capital[6]	£99.6m	£175.6m	(43.3%)	-

Notes:

[1] Constant currency comparatives are obtained by applying the exchange rates that were applicable for the 52 weeks ended 26 January 2019 to the financial results in overseas subsidiaries for the 52 weeks ended 25 January 2020 to remove the impact of exchange rate fluctuations.
[2] Estimated worldwide brand sales are calculated by converting wholesale sales and licence income to their equivalent retail value
[3] Underlying gross margin is calculated using gross profit before non-underlying items.
[4] Profit before tax and non-underlying items and IFRS 16 is a non-GAAP measure, adjusted for non-underlying items and IFRS 16. For information about non-underlying items please refer to Note 1(y) and Note 3 to the Financial Statements.
[5]Excludes licensed partner stores.
[6] Working capital comprises inventories, trade and other receivables and trade and other payables.

2. Ethics and Sustainability KPIs

	Key Performance Indicator/ Goal	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019
Ethics & Sustainability	Sustainability: 100% sustainable cotton by 2024	52%	30%* *2019 does not include footwear figures
	Waste Reduction: 100% terminal/ damaged stock donated to charity* *See figures set out within the Ethical and Sustainability section of this Report.	100% donated (38 tonnes) from which £1,041,040 raised	100% donated (24 tonnes) from which £330,000 raised
	Carbon Emission Reduction: increase Science Based Targets each year	All UK sites switched to renewable electricity sources	N/A
	Business Governance and Transparency: increase transparency in our supply chain each year	Published first tier factory list	N/A

Business Model and Review

Territory and Distribution

The Ted Baker brand operates globally through three main distribution routes: retail, which includes concessions and eCommerce; wholesale; and licensing, which includes territorial and product licences. As part of our strategy we shall review by territory our optimal customer proposition and routes to market. This will enable Ted Baker to optimise and to grow our territory presence through a joined up and collaborative channel approach, while ensuring the controlled distribution of our product.

Retail

Our retail comprises stores, concessions and eCommerce, providing an omni-channel experience. We operate stores and concessions across the UK, Europe, North America and the Rest of the World, and localised eCommerce sites in the UK, continental Europe, the US, Canada and Australia. We also have eCommerce businesses with some of our concession partners. Our unique stores showcase the Ted Baker brand and are key to the growth and success of our eCommerce business. The relatively low number of our own stores and higher number of concession locations allows us to maintain a flexible store business model.

Retail sales decreased by 4.6% (decrease of 5.4% in constant currency)[1] to £439.9m (2019: £461.0m). We continue to experience unprecedented trading conditions within the retail industry which has heavily impacted our performance. The structural transition from physical stores to digital retail, alongside a cyclical downturn, has resulted in intense pressures on physical retail, changing customer behaviour and declining demand. This has led to a dramatic increase in promotional activity and the most intense level of competitive discounting across the retail sector.

The overall decline in retail sales of 4.6% (decline of 5.4% in constant currency)[1] compares to an increase in average retail square footage of 2.6% to 442,790 sq ft (2019: 431,646 sq ft). Retail sales per square foot (excluding eCommerce) decreased 7.7% (decrease of 8.6% in constant currency)[1] to £725 (2019: £786) demonstrating the challenging external trading conditions together with changing customer behaviour as customers continue to shift from physical to digital retailing.

The retail gross margin decreased to 59.9% (2019: 63.1%) as a result of increased promotional activity and deeper discounting in response to the extremely difficult trading conditions experienced during the period.

Retail operating costs increased by 0.1% (an increase of 0.5% in constant currency)[1] to £232.2m (2019: £231.9m) and as a percentage of retail sales, increased to 52.8% (2019: 50.3%).

Wholesale

Our wholesale business sells to the UK, Europe and North America, as well as supplying products to stores operated by our territorial licence partners and our joint venture partners.

Group wholesale sales increased by 9.6% (increase of 8.1% in constant currency)[1] to £171.5m (2019: £156.5m). The period benefited from incremental footwear revenue, following the acquisition of No Ordinary Shoes Limited and No Ordinary Shoes USA LLC, which completed on 1 January 2019. On a comparable basis (excluding footwear), wholesale sales decreased by 3.7% (decrease of 5.0% in constant currency)[1]. UK & Europe sales decreased by 7.1% (decrease of 7.1% in constant currency) to £92.5m (2019: £99.5m), and North America sales increased by 2.3% (decrease of 1.4% in constant currency)[1] to £58.0m (2019: £56.7m). This disappointing performance reflects the very challenging trading conditions which are also impacting both our UK and North America trustees as well as our territorial licence partners across the world.

The wholesale gross margin decreased to 39.8% (2019: 44.1%). This was partly as a result of the introduction of footwear, which carries a lower margin, as well as a more proactive approach to inventory sell through as part of our working capital initiatives resulting in a higher mix of off-price sales compared to the prior year.

Collections

Ted Baker womenswear sales decreased by 3.1% to £370.4m (2019: £382.2m) and represented 60.6% (2019: 61.9%) of total sales. Our womenswear product performance has been particularly disappointing with missteps on both buying and design as a result of changes in the team. This has since been addressed with new creative talent being brought in towards the end of year and their impact is already being felt across our design teams. Performance was further affected by unseasonal weather patterns. Ted Baker menswear sales were up 2.5% to £241.1m (2019: £235.2m) and represented 39.4% of total sales (2019: 38.1%).

Licence Income
We operate both territorial and product licences. Our licence partners are carefully selected as experts in their field and share our passion for unwavering attention to detail and firm commitment to quality. Our product licence partners manufacture and distribute their products independent to Ted Baker but with our careful overview and sign off on the product design and style so as to balance and enhance each other and our business.

Product licences include bedding, beauty, watches, underwear & lingerie, phone cases and luggage. We look to expand our lifestyle licence product ranges to complement our apparel business and customer aspirations.

On 1 January 2019, we acquired the issued share capital of No Ordinary Shoes Limited and No Ordinary Shoes USA LLC from Pentland Group. Pentland previously held the exclusive global licence to manufacture and distribute footwear under the Ted Baker brand and therefore the licence income earned ceased from the acquisition date.

Licence income decreased by 14.1% to £19.0m (2019: £22.1m). However, underlying growth in licence income was 1.8%, adjusting for the acquisition of the footwear licence. We saw a steady growth in both our product and territory licences during the period despite a number being impacted by the external trading conditions. During the period, two new product licensees commenced trading: a new men's underwear and loungewear global licence with Delta Galil and a global watch licence with Timex Group. Both partners reflect our commitment to working with the best product specialists who support our status as a global lifestyle brand.

In August 2019, the Group was pleased to announce a new product licence agreement with Next Plc to accelerate the expansion of Ted Baker's childrenswear collections given the significant growth potential we see in this area. Next will create and sell Ted Baker childrenswear products spanning baby, boys' and girls' clothing, shoes and accessories in collaboration with the creative team at Ted Baker. The new collections launched in Spring 2020 and are being sold through Next's retail channels and wholesale relationships as well as through Ted Baker's websites.

Geographic Performance

United Kingdom and Europe

	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019	Variance	Constant currency variance[1]
Total revenue	£422.6m	£436.8m	(3.3%)	(3.1%)
Total retail revenue*	£296.9m	£315.0m	(5.7%)	(5.5%)
Store revenue	£202.3m	£217.0m	(6.8%)	(6.4%)
eCommerce revenue	£94.6m	£98.0m	(3.5%)	(3.4%)
Average square footage*	284,533	272,554	4.4%	
Closing square footage*	291,557	279,312	4.4%	
Sales per square foot including eCommerce sales	£1,043	£1,156	(9.8%)	(9.5%)
Sales per square foot excluding eCommerce sales	£711	£796	(10.7%)	(10.4%)
Wholesale revenue	£106.7m	£99.7m	7.0%	7.0%
Licence income	£19.0m	£22.1m	(14.1%)	(14.1%)
Own stores	46	40	6	
Concessions	242	254	(12)	
Outlets	22	21	1	
Partner stores	11	8	3	
Total	321	323	(2)	

** Excludes licensed partner stores*

Retail sales in UK and Europe decreased by 5.7% (decrease of 5.5% in constant currency) to £296.9m (2019: £315.0m) as a result of the deeply challenging external retail environment. In the UK, these pressures have been exacerbated by the significant impact on consumer sentiment and spending from Brexit and political uncertainty during the period.

ECommerce sales decreased by 3.5% to £94.6m (2019: £98.0m) with sales impacted by the unprecedented trading conditions detailed above as well as the performance of the Group's UK trading partners. As a percentage of UK and Europe retail sales, eCommerce sales represented 31.9% (2019: 31.1%). Our eCommerce channel will be a core area of capital investment for us in the year ahead to ensure we drive revenue growth in online sales. We also plan to optimise the new CRM system which we implemented at the end of 2019. The new system provides us with a complete single view of our customers across channels enabling us to further personalise content and experiences for each customer, ultimately generating increased customer lifetime value and helping us to grow our customer base.

Sales per square foot excluding eCommerce decreased 10.7% (decrease of 10.4% in constant currency)[1] to £711 (2019: £796) reflecting changing customer behaviour as customers move to online. However, our stores remain key to the success of the eCommerce business through initiatives such as order in store and click and collect as well as showcasing the brand and the collections and contribute a healthy financial return.

During the year, our expansion continued across the UK and Europe. We opened three short term leases in the UK in Stratford, Lakeside and Cardiff, all with encouraging starts. We also continued our expansion in Europe with store openings in Hamburg, Madrid and Antwerp. We have made several strategic decisions to exit underperforming concession stores during the period, the majority of which were in Spain and France. After the period, we closed our outlet store in Serravalle, which represented our only store in Italy. We opened licence partner stores in Croatia, Ukraine and Malta. We are pleased with the performance of the new openings and remain positive about further growth opportunities for our brand across these markets.

Sales from our UK wholesale business, which include our wholesale export business and the supply of product to our retail licence partners, increased by 7.0% to £106.7m (2019: £99.7m), reflecting footwear sales following the acquisition of the footwear business in January 2019. Excluding this, sales from our UK wholesale business decreased by 7.1%, with our trustees and licence partners also having been impacted by the very difficult trading conditions.

North America

	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019	Variance	Constant currency variance[1]
Total revenue	£194.6m	£182.4m	6.7%	2.9%
Total retail revenue*	£129.8m	£125.7m	3.3%	(0.3%)
Store revenue	£107.7m	£105.1m	2.5%	(1.1%)
eCommerce revenue	£22.1m	£20.6m	7.3%	3.4%
Average square footage*	138,152	131,678	4.9%	
Closing square footage*	139,822	137,031	2.0%	
Sales per square foot including eCommerce sales	£940	£955	(1.6%)	(5.0%)
Sales per square foot excluding eCommerce sales	£780	£798	(2.3%)	(5.7%)
Wholesale revenue	£64.8m	£56.8m	14.1%	10.0%
Own stores	38	37	1	
Concessions	64	61	3	
Outlets	12	12	-	
Partner Stores	26	20	6	
Total	140	130	10	

** Excludes licensed partner stores*

We are confident that the Ted Baker brand is becoming more established and continues to gain recognition in this territory as reflected by the steady growth seen in the eCommerce and wholesale channels despite trading in a tough external retail environment and unseasonable weather experienced across North America in the early part of the period.

Sales from our retail division in North America increased by 3.3% (decrease of 0.3% in constant currency)[1] to £129.8m (2019: £125.7m) with sales per square foot (excluding eCommerce sales) decreasing by 5.7% in constant currency[1]. Performance was impacted by unseasonable weather across North America in the early part of the period and the very difficult trading conditions experienced throughout the period.

In the period, we opened a new store in Detroit and three further concession stores.

Our eCommerce business delivered an encouraging performance with sales increasing by 7.3% (3.4% in constant currency)[1] to £22.1m (2019: £20.6m). As a percentage of North America retail sales, eCommerce sales represented 17.0% (2019: 16.4%).

Sales from our North American wholesale business increased by 14.1% (10.0% in constant currency)[1] to £64.8m (2019: £56.8m), reflecting the acquisition of the footwear business. Excluding this, sales increased by 2.3% (decrease of 1.4% in constant currency)[1] with our performance being impacted by key trustees taking a more cautious stance with their order books.

Rest of the World

	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019	Variance	Constant currency variance[1]
Total retail revenue*	£13.3m	£20.3m	(34.5%)	(35.2%)
Store revenue	£11.2m	£17.2m	(34.9%)	(35.4%)
eCommerce revenue	£2.1m	£3.1m	(32.3%)	(33.9%)
Average square footage*	20,105	27,414	(26.7%)	
Closing square footage*	7,104	26,706	(73.4%)	
Sales per square foot including eCommerce sales	£662	£740	(10.5%)	(11.6%)
Sales per square foot excluding eCommerce sales	£558	£627	(11.0%)	(12.0%)
Own stores	4	11	(7)	
Concessions	0	11	(11)	
Outlets	0	1	(1)	
Partner stores	98	84	14	
Total	102	107	(5)	

** Excludes licensed partner stores*

During the period, we completed two strategic deals to accelerate Ted Baker's expansion in the Asian market, completing the reorganisation of our operations in the region.

In October 2019, the Group entered into a joint venture agreement with Shanghai LongShang Trading Company Ltd, where they would acquire 50% of our existing business to further develop the brand in People's Republic of China including Hong Kong S.A.R. and Macau S.A.R. This joint venture will drive the long-term growth of Ted Baker in these markets, combining extensive local knowledge with the proven global buying, merchandising, training and brand-building expertise of Ted Baker.

Secondly, in August 2019, the Group announced the appointment of a new licence partner in Japan, Sojitz Infinity ("Infinity"). Infinity represents a strong partner to drive the long-term expansion of the Ted Baker brand in Japan, bringing significant local expertise, in particular within the department store sector.

Total retail revenue decreased as sales in Hong Kong, China and Japan ceased following these transactions and this explains the reduction in revenue against the prior year.

The joint venture with our Australasian licence partner, Flair Industries Pty Ltd, continued to perform well. As at 25 January 2020, we operated nine stores in Australasia (2019: nine stores). We also continue to operate in South Africa via a wholly owned subsidiary and in the year opened two stores to now trade from four stores.

Notes:
[1] *Constant currency comparatives are obtained by applying the exchange rates that were applicable for the 52 weeks ended 26 January 2019 to the financial results in overseas subsidiaries for the 52 weeks ended 25 January 2020 to remove the impact of exchange rate fluctuations.*

The Directors believe this measure provides a consistent and comparable view of the underlying performance of the Group's ongoing business.

Financial Review

Revenue and gross margin

Group revenue decreased by 1.4% (decrease of 2.4% in constant currency)[1,5] to £630.5m (2019: £639.6m), driven by a 4.6% decrease (decrease of 5.4% in constant currency)[1] in retail sales to £439.9m (2019: £461.0m), a 14.1% decrease in licence income[5] to £19.0m (2019: £22.1m), offset by a 9.6% increase (8.1% in constant currency)[1] in wholesale sales to £171.5m (2019: £156.5m). On a comparable basis (excluding footwear), wholesale sales decreased by 3.7% (decrease of 5.0% in constant currency)[1]. As mentioned above in the Financial Results, within the Chair's Statement, at page 5, revenue was impacted by several factors during the year including challenging trading conditions characterised by changing customer behaviour, weak consumer spending, intense pressure on physical retailing and unseasonal weather across our global markets. These pressures have been further exacerbated by macroeconomic uncertainty in many of our global markets, particularly in the UK where political uncertainty caused by Brexit has affected customer demand.

The Group's underlying gross margin was lower at 55.6% (2019: 59.8%), with the retail margin of 59.9% (2019: 63.1%) and wholesale margin of 39.8% (2019: 44.1%) both significantly lower than the prior year. The difficult trading environment resulted in lower margins primarily due to an unprecedented and sustained level of promotional activity across the sector, with distressed discounting from some brands and retailers, and heightened competition. The wholesale gross margin was further impacted by the annualised effect of the acquisition of the footwear business which carries a lower gross margin.

Operating expenses

Distribution costs, which comprise the cost of retail operations and distribution centres increased by 7.5% to £268.5m (2019: £249.8m). Distribution costs excluding non-underlying costs and IFRS 16[2] increased by 2.9% (1.9% in constant currency)[1] to £247.4m (2019: £240.5m) and as a percentage of sales increased to 39.2% (2019: 37.6%). The increase is due to inflationary cost increases, higher warehouse and depreciation costs and a result of the annualisation of costs associated with operating the footwear business which was acquired in January 2019.

Administrative costs increased by 26.5% to £100.9m (2019: £79.8m). Administration expenses excluding non-underlying costs[2] increased by 14.8% (13.9% in constant currency)[1] to £88.3m (2019: £76.9m). This increase is due to inflationary cost increases, higher headcount costs arising from the continued investment in our people, including the additional headcount to support the footwear business which was acquired in January 2019, as well as a higher depreciation and amortisation charge from prior year investments in systems.

During the period, the Group adopted IFRS 16 'Leases' for the first time. IFRS 16 specifies how to recognise, measure, present and disclose leases and replaces IAS17 'Leases'. The Group adopted IFRS 16 from 27 January 2019 using a simplified modified retrospective transition approach, under which the comparative information presented for the 52 weeks ended 26 January 2019 has not been restated and therefore continues to be shown under IAS17. The net impact on profit before tax for the period was a net expense of £5.0m. Further information is provided in Note 1(a) to the Financial Statements.

Profit before tax and non-underlying items and IFRS 16[3] and Loss/profit before tax

The loss before tax was £79.9m (2019: profit of £30.7m). Profit before tax and non-underlying items and IFRS 16[3] was £9.8m (2019: £63.0m).

Non-underlying items[2]

Non-underlying items before tax in the period amounted to £84.6m (2019: £32.3m) and comprised of the following items expenses/(income):

	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019
	£'000	£'000
Changes in estimates for inventory	32,351	-
Change to inventory obsolescence provision from change in commercial strategy	13,539	-
Inventory errors or misstatements	-	20,201
Loss on disposal of Asian business	7,585	-
Impairment of property, plant and equipment and right-of-use assets	16,200	8,717
Other (net)	739	-
Provision for specific trade and other receivables	-	557
Acquisition costs and unwind of fair value accounting adjustments	4,710	1,740
Legal and professional costs	6,484	1,094
Foreign exchange on the translation of intercompany balances	3,026	-
Non-underlying items	**84,634**	**32,309**

Further details can be found in Note 1(w) and Note 3 to the Financial Statements.

Finance income and expenses

Net finance expense payable was £15.5m (2019: £4.2m). The IFRS 16 interest expense for the period was £8.3m. As the Group applied the simplified modified retrospective transition approach to IFRS 16, the 2019 comparatives have not been restated. Excluding the impact of IFRS 16 and non-underlying items, net interest payable was £4.1m (2019: £3.6m).

Taxation

The Group tax credit for the period was £9.4m (2019: charge of £6.2m), an effective tax rate of 11.8% (2019: 20.2%). This effective tax rate is lower than the UK tax rate for the period of 19% due, primarily, to the Group being loss making in territories where it has major market operations and due to the utilisation of previously unrecognised tax losses in territories with higher tax rates.

Earnings per share and dividends

The basic loss per share was 158.0p (2019: earnings per share 55.0p). Underlying earnings per share, which exclude non-underlying items and IFRS 16[4], decreased to 6.7p (2019: 114.2p).

The final dividend for the year has been temporarily suspended by the Board. An interim dividend of 7.8p per share was paid during the period, compared to a total dividend per share for the prior period amounting to 58.6p.

Cash Flow

Net cash and cash equivalents increased by £38.3m to £52.9m as at 25 January 2020 as the Group drew down on its borrowing facilities. In light of the lower profitability, the Directors took actions to manage cash by reducing capital expenditure, managing working capital primarily by reducing stock levels and temporarily suspending dividends. Accordingly, net debt increased by £3.3m from £123.8m to £127.1m.

Overstatement of inventory

We announced on 2 December 2019 an independent investigation by Deloitte into inventory overstatement and a further statement was announced on 22 January 2020 confirming the extent of the overstatement. Further details can be found in the Chair's Statement on page 4 and within Note 1(y) to the Financial Statements on pages 131 to 133.

Borrowing facilities

The Group's net debt balance at 25 January 2020 was £127.1m (2019: net debt £123.8m). In September 2019, the Group refinanced its borrowing facilities. The existing revolving credit facility of £135m and the term loan of £47m were refinanced into a new three-year revolving credit facility of £180m (Facility A), with a lending bank syndicate of four banks. The facility contains quarterly covenant testing for the Group's leverage ratio, fixed cover charge and a net assets test. On 23 March 2020, the Group announced that its lending bank syndicate agreed to increase the headroom under the Group's revolving credit facilities by a further £13.5m until 18 December 2020 (Facility B). On 20 May 2020, the lending bank syndicate agreed to increase the headroom under Facility B by a further £11.5m, taking the total Facility B facility to £25m, with a revised Facility B expiry date of 18 January 2022.

The additional facility announced on 23 March 2020 was made available in conjunction with the exchange of contracts for the sale of Big Lobster Limited, a wholly owned Group subsidiary, which owns the Group's Head Office in London. In connection with the sale, the Group has entered into a short-term lease of the property for a period following completion from 1 June 2020 to 31 March 2023. The consideration from the sale will be £78.75m (subject to completion of a customary completion accounts adjustment mechanism) and will be paid in cash by the buyer on completion, expected to take place in June 2020 following shareholder approval. The net proceeds of the sale of at least £72m, after fees and taxes, will be applied to repay existing indebtedness under Facility A to significantly de-lever the Group.

Treasury risk 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, which allows for foreign currency to be hedged for up to twenty-four months in advance. The balance of purchases is hedged naturally as the business operates internationally and income is generated in the local currencies. The Group is also exposed to movements in foreign exchange rates on intercompany balances denominated in a foreign currency. These are not hedged. In April 2020, the Group exited its foreign exchange contracts to crystallise a cash gain of £6.9m, and as a result, the Group's foreign exchange risk is unhedged for FY21.

The Group is exposed to movements in UK interest rates as the revolving credit facility accrues interest based on floating LIBOR plus a margin. Prior to the refinancing in September 2019, the Group partially mitigated interest rate risk by entering into interest rate swap agreements, fixing a proportion of the floating rate net debt. However post-refinancing, it has not taken out any new interest rate risk hedges.

Notes:

[1] *Constant currency variances are calculated by applying the exchange rates for the 52 weeks ended 26 January 2019 to financial results in overseas subsidiaries for the 52 weeks ended 25 January 2020 to remove the impact of exchange rate fluctuations.*

[2] *For information about non-underlying items and IFRS 16 please refer to Note 1 to the Financial Statements.*

[3] *Profit before tax and non-underlying items and IFRS 16 is an adjusted performance, adjusted for non-underlying items and IFRS 16.*

[4] *Underlying earnings per share is an alternative performance measure, adjusted for non-underlying items and IFRS 16.*

[5] *Revenue includes licence income, which in 2019 was shown below gross profit. The 2019 comparative has been restated accordingly.*

Fashioning a Better Future: Our commitment to Ethics and Sustainability

At Ted Baker, we are committed to 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.

Three very important areas of sustainability make up our global sustainability strategy:

PLANET – Manage and reduce our impact on the environment.
- Own Operations
- Product Waste
- Packaging and Transport

PEOPLE - Look after those who create, make and wear our product.
- Ted's Team
- Supply Chain
- Communities

PRODUCT - Produce beautiful, more sustainable product.
- Raw Materials
- Manufacturing Processes
- Use and Durability

We set targets within each area to ensure steady progress is made. Knowing that many practices in the fashion industry are unsustainable we want to work with our supply chains to continually improve our processes.

PLANET

Our industry has a large impact across the globe as it is resource intensive. This means change must begin with how we use our resources.

We have a responsibility to reduce the environmental impact of our operations. Single-use packaging, fast fashion and wastefulness has left its mark on the planet. Looking at more sustainable alternatives to the materials in our collections is one way we can address this. We are beginning to address other impacts too, with efforts being made to reduce our carbon and waste footprints.

OWN OPERATIONS

Climate Strategy
With the help of experts Carbon Intelligence, we've been developing our climate strategy, focusing on areas we have direct influence over. Roughly 30% of our carbon emissions come from the operating and running of our stores, headquarters, warehouses and transport. We realise this is a significant percentage, so we're working towards bringing the impact of that percentage down.

A key part of any Climate Strategy is data, so we're ramping up our efforts to collect accurate data from all sources. Once collated, we'll be able to go about making what we do even more efficient.

Science Based Targets (SBTs)
As part of our Climate Strategy, Ted Baker has committed to setting SBTs, putting in place greenhouse gas emission reduction targets that align with climate science and The Paris Climate Agreement.

To give some context, The Paris Climate Agreement was signed by 195 of the world's governments to try and limit global warming to below two degrees Celsius. SBTs will give us a clearly defined path to future-proof growth, mainly by specifying how much and how quickly they need to reduce greenhouse gas emissions.

We will be setting SBTs in the first half of 2020/21.

Carbon Disclosure Project (CDP)
Since 2010, we've been reporting to the CDP. The CDP is a not-for-profit organisation that runs a carbon disclosure system for companies to help them manage their environmental impacts. By reporting to the CDP, we are able to focus on areas of carbon risk within our business. Our most recent CDP report can be found at: https://www.cdp.net/en and search for Ted Baker.

CDP has issued Ted Baker two grades (gradings given range from A to D). For our 2019 submission Ted Baker scored a B for Climate Change and an A- for Supplier Engagement. A- falls within the leadership band.

Product Waste
According to the Waste and Resources Action Programme (WRAP), the UK is responsible for 350,000 tonnes of textile waste going to landfill every year. As well as this, the Ellen MacArthur Foundation states that less than 1% of clothing is recycled at the end of its lifespan. It's fair to say fashion can be wasteful.

Circularity
The discussion around waste has become more urgent in recent years and circularity is now a big part of the conversation. But what does it mean to us at Ted Baker?

Circular fashion means making sure every part of a product's lifespan is extended. From the longevity and timelessness of the design, through to ensuring production methods are fair, the focus is on producing ethical, high-quality products. But it doesn't stop there. The customer then cares for and enjoys the item; repairing it when necessary and makes sure it is passed on, swapped or sold when no longer wanted. Only once the product has truly reached the end of its original life should it be 'recycled'.

We have a long way to go before we have full circularity at Ted Baker, but we are working hard to find ways we can do this in the future. In the meantime, we have worked with our Production team to create 'Taking Care of Ted', guidance for our customers on how to care for their garments, in turn prolonging the life of their beloved clothing. Ted Baker's products are built to last and designed to be worn for many seasons, which means they stay in circulation for longer.

STOCK DONATIONS TO CHARITY
At Ted Baker, we combat product waste in many ways. To avoid contributing to the huge quantity of textiles sent to landfill each year in the UK, we donate our terminal stock to reputable charities. Two of our key charity partners are Oxfam and Age UK, who sell our stock in their UK stores, raising money for their important work.

Oxfam
Oxfam believes we can live in a world without poverty. They save lives in disasters, help people build better lives for themselves and challenge the big issues that keep people poor. http://www.oxfam.org.uk/

In 2019 Ted Baker donated approximately 10.1 tonnes (30,225 items), this raised an estimated £604,500.

Age UK
Age UK's vision is for a world where everyone can love later life. They support older people in the UK, with the advice, companionship and support they need to make the most of later life. https://www.ageuk.org.uk

In 2019 Ted Baker donated approximately 22,151 items, this raised an estimated £286,636

Newlife
Since 2014 we have been donating our returned faulty products to Newlife; a charity based in Cannock that helps children with disabilities and terminal illness. https://newlifecharity.co.uk. These products are then sold as second-hand.

We also work with multiple charities around the world to ensure that our terminal stock goes to good homes.

In 2019 Ted Baker donated approximately 62,000 faulty and terminal stock items, this raised an estimated £149,904.

In addition to our UK charities, we also donate terminal stock to our international charity partners, to include:

- Heart to Heart - a Shanghai based charity that provides corrective surgery for Chinese children from all over China with congenital heart disease whose parents are unable to afford the surgery.
- Crossroads - a Hong Kong based, non-profit organisation which has served global need since 1995 who's aim is to be a 'crossroads' in a broken world, connecting people in need with those who can help.
- St Vincent de Paul – US based charity whose aim is to tackle poverty in all its forms through the provision of practical assistance to those in need.

Bees
In 2011, we learnt about the plight of the honey bee. Being a fan of the furry pollinators, Ted Baker teamed up with Urban Beekeeping to install two hives on the roof of our London headquarters. We have been reaping the rewards ever since with successful honey crops every year.

Packaging
Part of the Group's commitment to reducing our environmental impact is to take a look at our packaging. We're working across the business and with licensed and strategic partners, to ensure that all packaging is recyclable or reusable. This takes time, but we have seen many positive changes already. So far, we've launched a full-scale redesign of our eCommerce packaging, eliminating all laminated cardboard and making sure our carrier bags and eCommerce packaging are fully recyclable.

The ribbon handles on our retail bags have also been replaced by a material that looks, and feels like rope; but is in fact made out of paper. Our eCommerce boxes are reusable too, thanks to a clever reversible sleeve. Plastic windows on our packaging are being phased out, with apertures being left uncovered to display the product inside. Increasingly, we are looking to manufacturers in the UK and EU, meaning our carbon footprint will also be reduced.

PEOPLE

We're committed to looking after those who create, make and wear our products. From the supply chain and wider communities, to the team at Ted Baker's global headquarters, ambitious targets have been set to address working practice and ensure continuous improvement.

From creating opportunities to empowering people and communities across the world, fashion can be a force for good. For this, work, people and processes must be respected. Our business impacts the lives of thousands of people around the world, meaning we must be proactive in our approach to advancing positive working conditions and protecting human rights.

Discrimination and exploitation can be common in the fashion industry, which is why all the factories and suppliers that we work with go through a rigorous screening process. Once part of the team, we set out to form lasting relationships with all our partners, which in turn encourages better working practices. All partners, new or old, must conduct annual social audits of their factories and processes, making sure continuous improvements are being made, standards are up to scratch and things are ticking over as they should. This falls under the responsibility of Ted's Ethical Trade and Production teams, who regularly visit suppliers all over the world.

Transparency & Supply Chain Mapping

At Ted Baker, we believe that certain things must be put in place to work towards positive change: transparency and honesty are two of them. With that in mind, we are beginning to map our complex supply chain and have committed to making sure our processes, practices and ways of working are more transparent. This is an important step towards ensuring unethical practices, such as modern slavery, has less chance of occurring in our supply chain.

Modern Slavery Act 2015

During the year, we issued our fourth statement in compliance with the Modern Slavery Act which is available at www.tedbakerplc.com. The statement sets out the Group's policies for assessing the risk of modern slavery within its supply chain and the steps taken to improve transparency. The Group's cross-functional committee, the Modern Slavery Act Working Group ("MSAWG"), was established to critically assess and address our modern slavery objectives. During the period, we have continued to train our team members who have direct contact with our suppliers to understand the warning signs of modern slavery and how our practices can directly impact suppliers and their workforces.

From wallets to waistcoats, it's important to know where Ted Baker products are made, which is why we've partnered with Segura; an industry leading supply chain mapping platform. We are working with Segura to develop an online platform that will enhance our existing supply chain management systems. The MSAWG will continue to develop the Group's policies in line with the evolving business and landscape, with a focus on supply chain management and compliance.

Our Modern Slavery Statement can be found on our website at: http://www.tedbakerplc.com/teds-responsibilities/supply-chain-transparency-and-modern-slavery-statement

Facts about Ted's Supply Chain

a) We have over 165 first-tier factories in 19 different sourcing countries.
b) 100% of our first-tier factories have agreed to the Modern Slavery Code and have an ethical audit.
c) Over 60,000 workers are employed in the first-tier of our supply chain.
d) 69% of these workers are women.

We are committed to achieving greater supply chain transparency, which includes plans for mapping our raw materials too. For now, we have put together a complete list of all first-tier factories, where our finished goods are made and shipped from. This includes factory names, addresses, as well as some additional information about the facilities. We see this as an important first step, with the second step being to continue mapping our second-tier facilities and beyond. This will include all the facilities and people that support our first-tier, such as subcontractors and mills.

Ted Baker's first-tier factory list can be found at https://www.tedbaker.com/uk/about-ted/factory-list?int_cmpid=about-ted_factory-list.

Working with our Supply Chain

The most important part of our supply chain are the people who work within it. It's our responsibility to ensure all workers are respected and protected. Accordingly, we require all our partners and factories to agree to Ted Baker's standards on working conditions.

Our Ethical Code of Conduct is based on international conventions such as the Ethical Trading Initiative Base Code, the UN Universal Declaration of Human Rights, the ILO Core Conventions and more.

Alongside this, this year we have also developed our own Vulnerable Workers policy to ensure that vulnerable workers in our supply chains have more protection. The policy includes but is not limited to migrant workers, homeworkers and child and young workers.

Ted Baker's Ethical Code of Conduct, ethical policies, annual audits as well as a rigorous screening process and supplier relationships, mean ethical challenges can be addressed and steps towards positive change can be made. This process minimises the risk of falling short of our own exacting expectations and standards. We work closely with our suppliers to continuously improve conditions, making sure that any issues are addressed by getting to the root cause.

We understand that there are territory challenges in our sourcing countries and we carry out due diligence when it comes to regional issues. We have produced toolkits for engaging and informing our internal teams and help make business decisions too. These toolkits highlight worker related challenges and broader social issues that could impact our supply chain.

We are very selective about the suppliers we work with and are committed to being open, constructive and transparent. We also expect this attitude from our suppliers so that our supply chain and the wider fashion industry can continuously improve. It is our suppliers' responsibility to enforce Ted Baker's ethical standards within their own supply chain, and we are always available for advice and support.

If a supplier is found to be in breach of our standards and expectations, we'll work with them to ensure appropriate solutions are found and implemented. Our close relationships with our suppliers are key to how we operate. Being understanding and supportive to our suppliers gives us a better chance of ensuring that our products are created in facilities committed to providing fair and safe environments for their workers. We find our suppliers are more open to change when working in partnership with us.

Projects with Suppliers
Over the past two years we have been working with workers' rights specialists, The Reassurance Network, with a key focus on our suppliers in Turkey. This project is specifically designed to address the issues that have arisen around the Syrian crisis and the resulting influx of refugees and migrants in the Turkish workforce. They have conducted a training and monitoring programme with our Turkish subcontractors to improve their systems and ensure that all migrant workers are paid appropriately and are afforded all the rights that Turkish workers are entitled to.

In 2019 we expanded our partnership with The Reassurance Network and started working with a selection of key Chinese suppliers to address and remedy more systemic issues within the supply chain.

Social Responsibility and Communities
Whilst much is being done to address poor practice across the global industry, we are also inspired by the positive and progressive changes being made closer to home.

As a business, we have an active role in the local community in a number of ways. We create and deliver education-focused challenges, masterclasses, talks and presentations to local partners and schools. We also nurture local talent through mentoring, networking and workshops. Through this, we've been inspiring people to consider careers in the creative and business worlds, while providing work experience opportunities.

Through the imaginative use of terminal stock, the repurposing of equipment and technology for community use, we've aligned our commitment to sustainability with our work within the community.

One way of doing this was to team up with C4WS, to assist them in helping to rebuild the lives of homeless people. Since 2018, we have donated our tailor-made formalwear to the shelter for the users of their service to wear to job interviews. We are all very proud of the small difference these clothes-drops have made so far.

Another of our highlights was the 'Shirtfather' design workshop with New River College; a consortium of three Pupil Referral Units. For this initiative, students were asked to create products and garments using Ted Baker fabrics, with the best designs getting hand-picked to go in to production. The pupils then visited the Head Office to present their creations to our Production Director.

We are also especially proud of the work done with Camden STEAM. This collaboration involved local council, schools and youth organisations connecting with businesses and cultural organisations to create opportunities for young people. We hosted a 5-day Business Challenge for students, tasking them to choose an inspirational theme and design a pair of trainers. They then pitched to a panel of our trusty experts, with the winning team now working with our footwear designers to have their shoes made.

Whether half way across the globe or a little closer to home, we are pledging to take care of the people at the very core of our community.

Number of activities Ted's Team are involved in	Number of People from our community Influenced	Total Hours invested	Number of Ted's Team involved in projects
22	1,718	629	53

In December 2014, we started to collect donations of leftover restaurant food. Those proceeds are donated to Magic Breakfast, a charity that provides underprivileged school children in London with much needed breakfasts before school. During the period, we raised enough money to help provide 5326 Magic Breakfasts.

PRODUCT

Here at Ted Baker, we're committed to producing beautiful clothing whilst reducing our environmental impact. High on the list of our priorities is finding ways to reduce our carbon, water and waste footprint. Fibre and fabric selection and the way we use materials has a huge role to play. Accordingly, we've set some ambitious targets to set us on the path towards continuous improvement in the years to come.

RAW MATERIALS

The biggest environmental impact is at fibre selection so we have committed to make the switch to 100% more sustainable materials in all our collections by 2030. What does *more* sustainable mean? Given the often wasteful and resource-intensive nature of the fashion industry, being '100% sustainable' can never be a truly honest claim.

Instead, we use the term *more* sustainable. This means finding a fibre or material which has a reduced environmental impact and using it to replace a more conventional material or process. In choosing alternative materials and processes, we will use less water, less energy and fewer chemicals and resources.

All our sustainability claims are backed up with industry best practice certification. This is currently the only way to prove something is truly more sustainable.

To reach our target, we've identified the materials we source to replace with more sustainable alternatives. This is an ongoing discussion, with these commitments and targets being developed as new life cycle-assessment data and reports are published.

Some of our most used materials include cotton, wool, polyester, leather and regenerated cellulosic – the technical name for fibres like viscose and lyocell.
To ensure we are using 100% more sustainable fibres by 2030 we have set, specific targets:
Some of our targets for the next few years include making sure:

a) 100% of our cotton is organic, recycled or BCI Cotton by 2024.
b) 100% of our leather is to come from LWG or equivalent certified tanneries by 2025.
c) 100% of our regenerated cellulosic will come from FSC or PEFC Certified forests, with a further 50% produced through sustainable production methods by 2025.

As the industry evolves, we will continuously review these targets to make sure they stay as ambitious as can be.

In 2017 we made a public commitment to source 50% of our cotton as "more sustainable cotton" by 2020. More sustainable cotton includes Better Cotton through the Better Cotton Initiative, Organic Cotton and Recycled Cotton. We are pleased to announce that we have reached this one year early! In our 2019 collections, 53% of our cotton was sourced as more sustainable. An excellent effort that we hope to continue as we push towards new 100% target in 2024.

Better Cotton Initiative

We became a member of the Better Cotton Initiative (BCI) in 2016. The aim of the BCI is to make global cotton production better for the people who produce it, better for the environment it grows in and better for the cotton industry's future. Through education and training the farmers learn more sustainable farming methods and pool their resources with the aim of reducing environmental impacts, using less water and harmful pesticides, and increasing yields.

Since 2012 we have been 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.

The SCAP 2020 commitment will come to an end at the end of 2020. To ensure we stay on track we have also joined the Textiles 2030 advisory group to help inform the development of a UK Textiles 2030 Voluntary Agreement which will continue to be run by WRAP.

GREENHOUSE GAS EMISSIONS

This section has been prepared in accordance with our regulatory obligation to report greenhouse gas ('GHG') emissions pursuant to The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the Government's policy on Streamlined Energy and Carbon Reporting.

The Group has adopted a GHG reporting policy and management system based on the Greenhouse Gas Protocol, which has been used to calculate Scope 1 and 2 emissions for the period for activities within the operational control of the Group. In measuring the Group's GHG emissions, all stores, warehouses and Head Offices globally were considered. 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 CDP response. In some cases, missing data has been estimated using either extrapolation of available data from the reporting period or data from previous years as a proxy.

The Group's GHG emissions during the period ending 31 January are disclosed in the table below. In this FY, our emissions intensity has increased slightly by 3% when looking at emissions per thousand GBP of sales, and 1% when looking at emissions per square foot.

Greenhouse gas emissions (tCO2e)		FY20	FY19
Scope 1	Combustion of fuel and operation of facilities	**369**	**199**
Scope 2 (location-based)	Electricity, heat, steam and cooling purchased for our own use	**3,553**	**3,715**
tCO2e per square foot		**0.009**	**0.009**
tCO2e per thousand GBP sales		**0.007**	**0.006**

We have restated our total Scope 1 figures FY20 due to improved data availability and quality and accuracy. GHG emissions for the period ended 31 January 2020 have been calculated using the appropriate 2018 UK Government Conversion Factors for Company Reporting and, for energy consumed outside of the UK, the International Energy Agency Emission Factors.

In order to reduce our climate change impacts, we are expanding the number of zero emission sources of electricity across the Group and at the end of 2019 switched to renewable electricity sources for all our UK sites. At our Luton Airport store, we have fitted energy efficient LED lighting. Additionally, we are keen to engage our employees in sustainable initiatives; every year all employees at Ted Baker set a green objective that they would like to achieve in the next twelve months. Through this initiative, we hope to engage employees in Ted Baker's efforts to reduce its impact on the environment. The table below shows our energy consumption for the past two years as well as year-on-year change.

Energy consumption (MWh)	FY20	FY19	Year-on-year % change
Electricity	**11,409.56**	**11,576.60**	**-1%**
Fuels	**1,728.48**	**507.21**	**69%**
Total	**13,138.04**	**12,083.81**	**8%**

Commit.TED to doing the right thing
At Ted Baker, we have been working hard with our teams to make more responsible choices. We are proud of what we have achieved so far, however, we recognise we are still at the beginning of our journey and have a long way to go.

As a result, we have reviewed our entire Ethics & Sustainability programme to look at ways in which we can work better in the future to protect our product, our people, and our planet. We have reflected on how we can make small changes, which will have a big impact. This year we have decided we need to look at what we have, and how we can make it better.

We have highlighted some key areas which we would like to focus on over the next twelve to eighteen months;

Our 2030 fibre targets – Our fibre targets are the cornerstone of our sustainability programme. Over the next twelve months we aim to provide substantial guidance and training materials for our Production, Buying and Design teams in helping us to achieve these goals.

Policies & processes – Over the next twelve months we intend to publish our key policies on our website, to include our updated Ethical Code of Conduct, Responsible Sourcing policy and our Animal Welfare policy.

Traceability – We have fully mapped our tier one (Cut, Make and Trim) factories and this year we have made progress on mapping our leather finishing tanneries. However, our next aim is to go further by fully mapping our tier 2 factories, and subcontracting units.

What's next?
The world of ethics and sustainability is an ever-evolving industry. We are already setting our sights on how we can fully implement circular design in to our collections, as well as creating social programmes for our factories who need our support. We would love to roll out fully sustainable collections and have a Vintage Ted Baker platform, to recycle our clothing preventing clothing going to landfill.

This year, however, we want to nail the basics, but to continue with the activities that we have described and to fashion a better future for all.

Our People

Last year was a transformative year for Ted Baker. It was a year that saw several changes in our leadership team, including the departure of a number of long-standing Executives, and it was also the year in which we embarked on the first stages of our transformation journey to set the business on a new trajectory for future growth.

Throughout this period, we have asked our teams to take on board a considerable amount of change. They have done so with the energy, commitment and good humour we've come to expect from our global team, alongside an unmistakable passion for being the very best we can be for our customers

Customer Excellence as a way of life

We are nothing without our customers. We work hard at Ted Baker to ensure we differentiate our service and make a noticeable difference in all our customer interactions.

In September 2019, we celebrated Ted's 5th Annual Excellence Day, with our global Retail teams demonstrating how little touches of excellence behind the scenes can make a big difference to what our customers experience.

We pride ourselves in how we embed customer excellence into our employee experience. Our colleague induction programme, called 'Freshly Baked' reached more than 100 new team members in our UK Head Office through the course of the year, providing an immersive introduction to life at Ted Baker.

In addition, last year 14 Retail team members embarked upon the first year of our 'B-Ted' learning programme, which is based on a Foundation Degree in Retail Management in partnership with the Fashion Retail Academy. Meanwhile, our emerging talent programme saw three new cohorts of high potential Retail Managers from across our UK, Europe and North America go through a year-long, experiential learning programme.

Recognising talent at every level

Those members of the team who have chosen to build their careers at Ted Baker are the heart and soul of our global team. Their knowledge and experience are an inspiration to us all. In 2019, we presented 17 long service awards globally, recognising those team members who have dedicated upwards of five years of service to Ted Baker.

Through the year, we've also continued to support young talent. Our popular 'Ted's Extras' apprenticeship scheme – now in its fifth year – has seen 29 apprentices graduate, several of whom have gone on to secure permanent positions within the business.

We continue to offer paid placements too in our Menswear Design, Brand Communications and Special Projects teams, providing invaluable insights into the world of retail. Again, a number went on to secure permanent roles in the company. We also opened our doors to more than 150 work experience placements, and several have since joined the business.

Strength in diversity

We are a truly global organisation. We feel passionately that the diversity of our team should reflect that of our customer base. We now have a presence in 50 countries, including our recent joint ventures in the Peoples' Republic of China. Our team members represent more than 68 nationalities worldwide, including 44 in our London headquarters alone.

In terms of gender diversity, Ted Baker has made a number of significant female senior appointments. Rachel Osborne joined as our Chief Financial Officer in November 2019 and has since been promoted to Chief Executive Office. Jennifer Roebuck is now Chief Customer Officer and our Acting Chair is Sharon Baylay. We also appointed Helena Feltham as a Non-Executive Director in May 2019. We recognise that we need to do more to develop and grow our own female Senior leaders from within and have plans to do so in the coming year.

Global Overview as of 25/1/2020 by Territory	**UK**			**US & Canada**			**Europe inc. Ireland**			**Asia**			**South Africa**			**Total**
	Males	**Females**	**Total**	**Males**	**Females**	**Total**	**Males**	**Females**	**Total**	**Males**	**Females**	**Total**	**Males**	**Females**	**Total**	
Plc Directors at TED	0	1	**1**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**	**1**
Non-Exec Directors	2	3	5	0	0	0	0	0	0	0	0	0	0	0	0	**5**
Executive Committee and Company Secretary	9	2	11	1	0	1	0	0	0	0	0	0	0	0	0	**12**
Senior Management	27	40	67	5	4	9	0	0	0	0	1	1	0	0	0	**77**
Other Global employees	628	1,313	1,941	293	576	869	161	493	654	8	20	28	14	20	34	**3,526**
Total Global employees	666	1,359	2,025	299	580	879	161	493	654	8	21	29	14	20	34	**3,621**

Our mean Gender Pay Gap at 6 April 2019 was 18.9%, slightly better than the previous year. Whilst this compares well against other high-end fashion retailers, we are working hard to improve this. Our median pay gap has moved from 1.3% to -1.1%. Our goal remains zero and we are working toward this.

We're keen to do more to look at diversity in its widest sense. We are building frameworks to ensure that everyone is paid fairly based on talent and performance. We want to be renowned as a place where talented individuals can thrive and be at their best, combining all aspects of diversity and representation including areas such generation, background, gender and sexual orientation.

The Board has recently committed to several initiatives to launch in the next twelve to twenty-four months to help attract, grow and retain the best talent. These include:

- **Female to female coaching & mentoring -** coaching and mentoring from female leaders to more junior females who are looking to progress their career.
- **Family friendly policies -** reviewing our suite of family friendly policies with a view to enhancing them in 2021 and beyond.
- **Development of career levelling framework -** introducing a career levelling framework which will assist with ensuring equity in our approach to pay and rewards, as well as supporting people in their longer-term career progression. We plan to level all UK roles in the first half of 2020 and the rest of the world by the end of the year.
- **Diversity & Inclusion/Unconscious Bias training –** introducing a mandatory training programme for UK line managers by the end of 2020 and for roll out across the rest of the world thereafter.
- **Flexible working –** reviewing our flexible working policy, not just for those with caring responsibilities, but to enable and encourage everyone at Ted to work in a way that maximises their potential, works for the business and builds a company work ethic to be proud of.

Employees with Disabilities

All applications for employment within the Group are considered based on merit alone. Should an applicant inform the Company that they have a disability their application will continue to be considered in exactly the same way, focusing on the aptitudes and abilities of the applicant concerned. Any reasonable adjustments that may be required to employ the applicant will be considered based on its practical application. In the event of a team member becoming disabled during their employment, every effort is made to ensure that their employment with the Group continues and that where practical 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 aligned with that of all team members.

Our Culture

Ted Baker's culture is defined by its dedicated people and its culture of caring about its customers, its products and our planet. It is a culture we have adopted throughout Ted Baker's history and it is something we continue to address and develop given the internal disruptions, leadership changes and external pressures faced over the last year.

We acknowledge that Ted Baker's culture needs to be one of transparency and authenticity from the ground up as well as beyond the business itself, to consumers and stakeholders for Ted Baker to succeed in its transformation strategy. Our aim is make Ted Baker a transparent and special place to work, a place where everyone is treated fairly and with the utmost dignity and respect. We believe this culture is central to the success of the business and we have taken significant steps towards embracing a more transparent and authentic culture through the revision of, and mandatory compliance training in key policies, the launch of independently run Listening Groups and the creation of the Fresh Eyes employee forum, details of which are set out below.

More on our commitment to adopting an open and honest culture in the way we do business and throughout our supply chain to ensure we operate in a fair and sustainable manner can be found within the Ethics and Sustainability section at page 27.

Creating Committed teams

We strive to be an ethical business in everything we do. We have a long way to go but the journey has begun. As well as encapsulating our ambitions for sustainability and responsible behaviour, our communities programme encourages team members to give something back to the communities we live and work in. Whether through volunteering, supporting young fashion designers or engaging with local schools, youth groups and charities, we're proud of the difference we are starting to make. You can read more about the great work our teams are doing in the community in the Ethics & Sustainability part of this report.

Transforming the business through our teams

From a difficult starting position, early in the year, we've made significant in-roads to creating a more transparent and authentic culture. Programme 15 was initiated in response to the findings of last year's independent investigation by Herbert Smith Freehills (HSF) into allegations of misconduct and the Group's policies, procedures and handling of HR-related complaints. Sharon Baylay, one of our Non-Executive Directors, was appointed by the Board as the independent chair of the review. Through Sharon's visible leadership and active engagement with our teams, Programme 15 delivered a wide-ranging programme of initiatives in response to the investigation's recommendations.

They included:

- The revision of, and mandatory compliance training in, our key people policies including Equality, Diversity and Discrimination; Disciplinary, Grievance and Appeal; and Whistleblowing. To date, all our UK teams have completed the training with other territories to follow.
- The introduction of a Whistleblowing Champion and our confidential helpline, Expolink, enabling team members to raise a grievance or complaint in confidence, but with the knowledge that a thorough and independent process is in place by which all of these are reviewed, actioned and responded to appropriately.
- A series of Listening Groups independently run by the Involvement & Participation Association (IPA). These involved 151 team members across 19 focus groups and encompassing all our global territories. They became a catalyst for a far more open and honest dialogue with our teams and have helped to improve the way we communicate across the business.
- The creation of Fresh Eyes, our UK elected representative forum, which has been a turning point for our business this year, giving our teams a voice on the issues that matter most to them. We are delighted to see how the forum has stepped up to become an important part of the way we consult with the business, not least on significant change pieces like the recent reorganisation of our Head Office teams.

Working together through the COVID-19 pandemic

Like many organisations worldwide, the COVID-19 outbreak has required us to rethink the way we operate and has tested our flexible working practices on a far greater scale than originally envisaged. We've introduced wide-scale remote working for our core team of office-based essential workers. We've been encouraged by how quickly our teams have embraced new collaboration tools and techniques to ensure we operate effectively in these uncertain times. The crisis situation has also prompted us to try out useful learning interventions and social channels as a means of helping our teams to stay connected and manage their health and wellbeing while working remotely or on furlough.

With our stores closed worldwide, we have furloughed approximately 85% of our employees globally. We have utilised Government support where this is available in the different territories which we operate. We are pleased to have been able to work in close partnership with our third-party suppliers, XPO and Future, who manage our UK and US Distribution Centre respectively, to continue to fulfil customer orders without compromising the safety and wellbeing of our teams.

We have taken action on Head Office costs, both in the UK and North America, which has allowed us to simplify the organisation and reset the business for greater collaboration and cost savings. After year end, the Group announced that this reorganisation will achieve £5m of cost savings for FY21, with £2.7m exceptional cash costs to achieve these savings which will result in £7m of annualised savings.

The creation of an organisational structure that pivots the focus away from channel centricity, towards a customer-centric, digital and global approach and has the potential to deliver faster and more profitable growth at greater return on capital employed.

Throughout the crisis, it's been inspiring to see how quickly the business has pulled together to find new ways of handling change on this scale. With COVID-19 likely to have far-reaching implications for society and our business, the way the business has adapted bodes well as we face into the next financial year.

A workplace for the future

As we continue to navigate the impacts of the COVID-19 pandemic on the business and the dislocation that will inevitably follow, we are also very focused on building skills for the 'future of work'.

While the outlook may be uncertain, we know that more than ever our teams will differentiate us from the competition. The skills we need to perform brilliantly in the future may be very different to what we have today. As we continue to transform the business we will look to hire and, develop our teams with the specialist knowledge and skills required to deliver on our strategic priorities.

Our goal is to build the Ted Baker team of the future; one that is customer-focused, agile and highly collaborative, underpinned by an international mindset, and always a force for good in the communities we operate in.

Principal Risks and Uncertainties

The Board is ultimately responsible for the Group's system of risk management and internal control and for reviewing its effectiveness, and for determining the Group's risk appetite. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant and emerging risks faced by the Group, which has been in place for the period and up to the date of approval of these financial statements, and that this process is regularly reviewed by the Board helping to also identify emerging risk and to assess the risk status of existing risks. However, such systems are 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.

As you will read later in the Audit & Risk Committee report the activities of the Audit & Risk Committee were overtaken as events towards the latter part of the financial year became a priority. The focus of the Board and the Executive team became the investigation of the stock misstatement and the corrections necessary to ensure that such a material event cannot happen again. A key focus for us in FY21 will be a newly constituted Audit & Risk Committee following the completion of the year end and a revitalised approach to risk and internal controls. Under the initiative of the new team and in order to address concerns around how certain things were allowed to happen in the course of the financial year, Deloitte were commissioned to assist us in undertaking a phased project to review and make recommendations to strengthen the existing internal control framework. Phase one of the project has focused on key business cycles which have a greater inherent risk. These are Revenue, Purchase to Pay, Inventory and Record to Report. An assessment of the current state of these key business cycles was performed to identify areas requiring improvement. As part of Phase two, general IT Controls will be assessed, in addition to the remaining business cycles, Payroll, Treasury and Financial Instruments, Fixed Assets, Tax Management and Budgeting and Forecasting. Following this, a programme to review operating effectiveness will be undertaken. The work to date has highlighted some deficiencies in the control environment which have existed and are in need of improvement. The principal outcome of this work will be in the creation and implementation of a leading indicator internal control environment.

Risk Management Process

In order to help manage the Group's risks and uncertainties, the Board delegates responsibility for monitoring the effectiveness of the Group's systems of internal control and risk management to the Audit & Risk Committee.

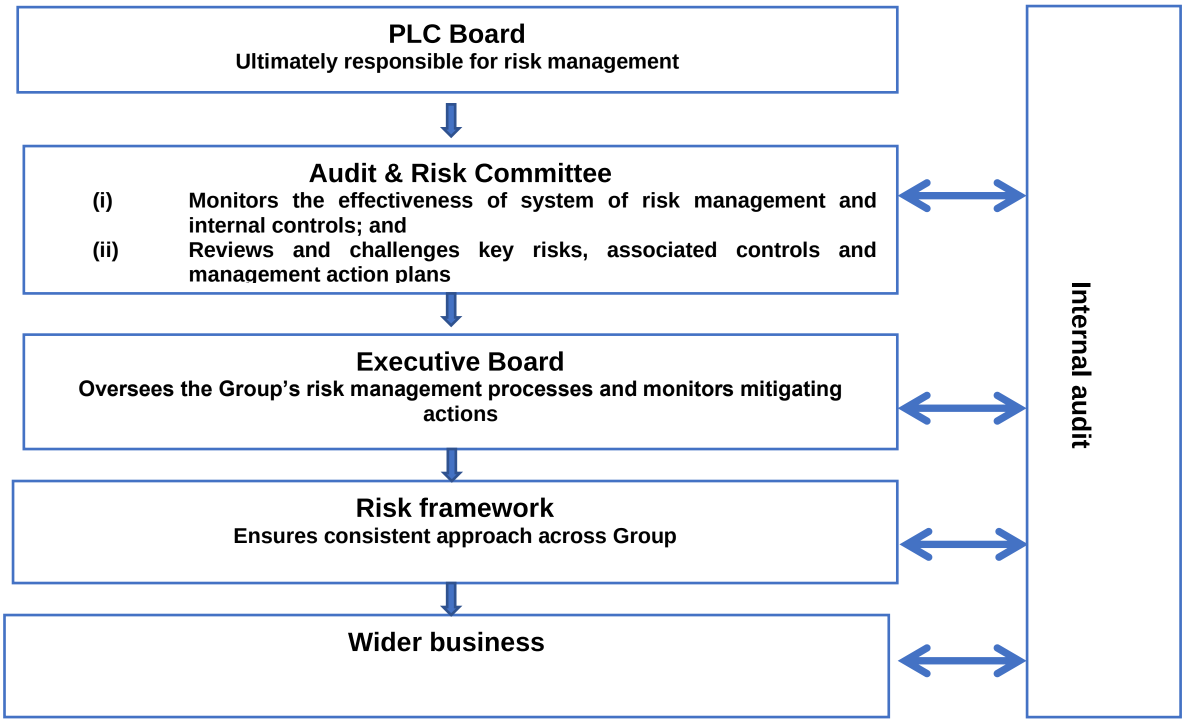
The Group had established an Audit & Risk Committee that includes the Chairman of the Audit & Risk Committee, the Chief Financial Officer, other relevant members of the Executive Board and heads of department. The Audit & Risk Committee helped the Executive Board review the risk management and control process in each key business area on an ongoing basis, and provided a platform for management to drive improvement across the business. The Audit & Risk Committee 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;
- the ability to raise awareness of potential emerging risks and their assessment; and
- the annual reporting procedures.

The Group operated as it had done historically for three quarters of the year. As stated above the changes and impacts in the last quarter have seen some of the traditional practices suspended or amended. One very positive outcome of the need to correct the balance sheet and through the announced equity raise, is that we have looked very critically at the Group and the risks that we face.

A revitalised Audit & Risk Committee will be an important part of the transformation plan that the Group undertakes moving forwards, with oversight being delivered as part of the Audit & Risk Committee under Jon Kempster as Committee Chair. The Committee's priority is to ensure that within a newly constructed control environment the risks facing the Group can be monitored, managed and controlled. Agility and adaptability will be a key focus for the new Committee.

An overview of the Group's Risk Management Process is set out below:



The Chief Financial Officer, having considered the key risks inherent in the business and the system of control necessary to manage such risks, will present the Audit & Risk Committee's findings to the Audit & Risk Committee and the Board on a regular basis. In addition, the Chief Executive Officer will report to the Board on changes in the business and the external environment that affect significant risks.

In turn, the Audit & Risk Committee will assess the findings and recommendations of the Audit & Risk Committee and the Group's external and internal audit processes and looks critically at how the business responds, as well as investigating material issues and what actions they implement or supplement to prevent future issues.

On behalf of the Board, the Audit & Risk Committee will review the effectiveness of the system of risk management and internal control during the period, covering all material controls, including financial, operational and compliance controls. The work undertaken by the management team to finalise the year end accounts including key measures taken to consider our controls, systems and processes, and the way we have been audited, has provided the Audit & Risk committee with comfort that the accounts and the results depicted therein have been subject to a stringent review, test and examination. As we have stated above the control environment for much of the year has been to found to be less than adequate in the context of the deteriorating financial performance, stock misstatements and senior management changes in the period, the additional work to undertake working capital reports, devise and deliver a new three year business transformation plan alongside the proposed equity raise have all been positive steps in our commitment to identify our failings and deficiencies and to start to build a robust system of internal controls.

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 should be 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 catastrophes and regulatory requirements, and also with reference to the Group's three year strategic and financial plan. The new Audit & Risk Committee will build on this discipline which does exist in the Group and we will as a Board continue to place significant focus on risk management.

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

The Chief Executive Officer and Chief Financial Officer provide the Board with monthly financial information which includes updates by reference to the Group's key performance indicators.

The Board has carried out a robust assessment of the principal and emerging risks facing the Group during the year, including those that would threaten its business model, future performance, solvency or liquidity. The following list highlights the principal risks identified by the Group (which are not shown in order of importance). Additional risks and uncertainties not presently known, or currently considered to be less material, may also have an adverse effect on the Group.

Principal Risks and Uncertainties

	Issue	Potential Impact	Mitigation	Change in level of risk
Strategic Risks	COVID-19	Economic conditions globally have been severely and negatively impacted by the coronavirus pandemic and the Group expects this emerging risk to negatively affect its retail sales and supply chain. Due to the spread of the coronavirus and in line with government guidance, the Group closed its retail stores and concessions. It is impacting all areas of the business from supply chain to revenue to our team members. There remains a risk of further or multiple lockdowns (including during the key Christmas period) and uncertainty remains over what strategy various governments may put in place for opening non-essential stores and over the broader implications of the COVID-19 global pandemic, which makes outcomes more difficult to model. As a result of this uncertainty, even with the additional liquidity available, the Group's liquidity could be exhausted before the end of FY22.	While some of these sales may migrate to the Company's eCommerce operations, it is unlikely that such sales through the Group's eCommerce distribution channel will fully replace revenue lost due to store and concession closures. The Group will need to explore all UK Government schemes and take a series of steps to reduce costs and protect cashflow, including suspending all non-essential capital expenditure, stopping discretionary operating expenses, furloughing team members and severely restricting travel.	New and increased risk
	Key Personnel	The Group's results and success in delivering its strategy are dependent on its capacity to attract and retain effective personnel. The loss of key personnel or managers, including as a result of the coronavirus pandemic, without the prompt addition of appropriate replacements could therefore adversely affect the Group's operations and prospects.	Rachel Osborne appointed CEO, David Wolffe appointed CFO, Jennifer Roebuck as CCO, Peter Collyer as CPO and Ari Hoffman as CEO North America and John Barton appointed Chair. The Group's existing senior management have been bolstered by adding individuals who bring external perspectives and substantial experience and expertise in the retail industry and have made significant contributions to the Group's continuing growth and success thereby reducing the risk.	Reduced risk
	Significant borrowings and liabilities	The Group has significant and increased borrowings and liabilities, the amount and terms of which may limit its financial and operational flexibility. Following the profit warnings in the financial year, the bank covenants did not match the underlying performance of the Group despite the refinancing of the facility only occurring in September 2019. As a result, the Group immediately had to enter in to a dialogue with our banking partners in order to prevent an event of default.	The Group has taken action to reduce borrowings through the sale and leaseback of its Head Office, raised additional borrowings from its lender group and announced a capital raising exercise the success of which is critical to the Group. The actions being required of the Group to mitigate the risk have increased the risk. For more details, refer to the Viability and Going Concern Statement below on page 45 to 46.	Increased Risk

	External events	External events such as the COVID-19 pandemic and related Government and regulatory guidelines will affect the global, economic and financial environment in which we operate. These events can affect our suppliers, customers and partners, increasing our cost base and adversely affecting our revenue and increase the risk. A majority of our revenue is derived from store sales (c80%) and our geographic footprint is such that the majority of our revenue derived this way are in markets that have been seriously impacted by the COVID-19 virus. The challenge that we face in getting our revenue back to historic levels will depend on the policies and practises deployed in each territory and these may differ by geography.	These risk factors 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 Action to strengthen the balance sheet and to utilise government support where available globally have been actioned to seek to lessen the global impact of COVID-19	Increased Risk
	Brand and reputational risk	The strength and reputation of the Ted Baker brand is important to the business. There is a risk that our brand may be undermined or damaged by our actions or those of our partners or supply chain. There is an additional risk from the way reputational matters arise. Unmanaged exposure through user-generated content platforms may augment the impact of reputational matters.	We carefully consider each new partner with whom we do business. Such partners are subject to due diligence and are monitored on an ongoing basis to ensure they remain appropriate to the brand. We have a dedicated team to focus on reputational matters relating to the company composed of internal stakeholders and external consultants. Any reputational issues are dealt with in a considered and swift manner. As our strategy is implemented and actioned there is an increased risk.	Increased Risk
	Execution of new strategy	As the Group seeks to deliver and implement its new strategy there is a risk that the Group does not deliver on the plans to stabilise our foundations in building block 1 or adequately drive operational performance required in building block 2 which means the Group does not achieve its plans.	The Group led by its Directors and Executive Board have put in place regular reviews to monitor and assess the ongoing delivery of the new strategy and detailed execution plans to seek to successfully execute the new strategy and thereby seek to reduce the new risk.	New and increased risk
	Development of eCommerce business	Channel shifts from stores and concessions to eCommerce could lead to higher operational costs within the eCommerce channel and lower profitability, or even impairment, of store assets, all of which could impact the Group's ability to compete effectively.	The Group also plans to continue to develop its eCommerce strategy in order to remain competitive and is investing in a new eCommerce platform to improve its conversion rate.	Increased Risk
	Development of overseas markets	Failure in growing the international business through franchise operations, licensees, eCommerce and JV partnerships. Risk that the Group fails to prioritise the right territories or investment or fails to support these markets with systems and supply chain capability. The risk has increased as a result of changes during the year.	We perform extensive due diligence on all potential partners and territories and assess our appropriate routes to market. We operate in a range of international markets, which helps to mitigate over-reliance and exposure to any one territory.	Increased Risk

	Competitive Environment	The Group operates in the retail industry, a competitive environment. The Group's competitors included general retailers that compete with a number of product groups, specialist retailers that compete only in certain product categories, local independent retailers and eCommerce retailers. Furthermore, if the Group fails to price products competitively customers may elect to purchase the products of other retailers which would lower the Group's sales. The Group may also face market pressure to hold promotions and sales due to aggressive discounting strategies of its competitors. Excessive promotions and sales by the Group may lower the Group's profit margin and may have an adverse impact on the brand's reputation.	We regularly review performance, product, price and competitors to ensure we are best placed to succeed in a competitive market. We have made further investment into online business including the appointment of a Chief Customer Officer	No material change
	Fashion and design	As with all fashion brands there is an increased risk that our offer will not satisfy the needs of our customers or we fail to correctly identify trends in an increasingly competitive market, 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. We use customer data to develop targeted marketing and promotional activity. We continue to focus on product design, quality and attention to detail.	Increased Risk
	Downturn in the economy, the retail industry or consumer confidence in Company's chosen markets	The Group is particularly affected by trends in the retail industry which has recently faced an increasingly challenged trading environment. Many factors affect the level of consumer spending in the retail industry, including the state of the economy as a whole, stock market performance, interest rates, currency exchange rates, recession, inflation, deflation, political uncertainty, the availability of consumer credit, taxation, unemployment, COVID-19 and other matters that influence consumer confidence. These trends also affect the Group's wholesale, concession and licensing partners, which in turn has an adverse impact on the Group's revenue from these distribution channels. The Group will also be affected by a downturn in the economy due to the COVID-19 and quarantine measures in place.	We carefully manage costs and regularly update the board on performance. We seek to ensure that our fixed costs are managed appropriately. We seek to ensure that we are 'no ordinary' company and that our product reflects that position and is attractive to customers	Increased Risk
	Publicity and media speculation	The media and others have speculated negatively from time to time about the Group and certain of its previous senior management team, which could adversely affect its reputation, potentially affecting the Group's ability to attract the best talent, disrupting the Group's ability to do business with counterparties, distracting the Group's senior executive officers from their other management responsibilities, and adversely affecting the trading price of the Company's Shares. Matters underlying such speculation could also lead to private actions which could adversely affect the Group.	The business has appointed a new PR agency which closely monitors and advises the Group on media and press relations. As a result, the Group has adopted a proactive strategy to internal and external communications.	No material change

	Defaults under the facility agreement	If the disposal of our Head Office and the capital raising projects are not successfully completed, this will constitute events of default under the Facility Agreement, which could result in Shareholders losing all or substantially all of the value of their investment in the Group. If the Group is unable to avoid a breach of its financial covenants, Shareholders could lose all or substantially all of the value of their investment in the Group. As a result, this risk has increased.	If the disposal of our Head Office and capital raising projects do not proceed and the Directors anticipate that an Event of Default would be likely to occur, the Group expects that it would ask the Lenders to further amend the Group's Facility Agreement or to seek alternative financing.	Increased Risk
Operational Risks	Supply chain	Other than Brexit referenced below. If garments do not reach us on time and to specification, there is a risk of a loss of revenue and customer confidence. Over-reliance on key suppliers could also have an impact on our business. COVID-19, particularly if there is a future resurgence, may impact on supply of products.	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. The Group continues to improve and evolve its supply chain.	Increased Risk
	Retail sector outlook	Outlook in the retail sector remains uncertain, with increasing pressures on the Group's customers.	The Group's Credit Committee closely monitors any outstanding debts and takes appropriate action where necessary. The Group manages its credit risk through insurance, standby letters of credit or other supplier financing products wherever possible.	Increased risk
	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 Audit & Risk Committee. In addition, business disruption is covered by our insurance policies.	No material change
	Social responsibility	We are committed to operating in a responsible and sustainable manner as regards our supply chain, environment and community. If we fail to operate in a manner that supports our philosophy, this could damage the trust and confidence of our stakeholders.	A sub-committee of the Executive Committee has been tasked with overseeing specific areas of our social responsibility agenda. Ted's Conscience Team is responsible for monitoring this agenda and ensure our practices fall in line with it. More information is set out on page 27 (Ethics & Sustainability).	No material change
	Cybersecurity	The business is subject to threats from hacking or viruses or other unauthorised data breaches. This risk has become more prevalent with heightened frequency and sophistication of attacks. There is the possibility of unintentional loss of controlled data by authorised users.	The Group has invested in additional specialist IT resources. The continual upgrading of security equipment and software also mitigates these risks. Tightly controlled security, an extensive penetration testing programme, and data recovery and business continuity plans have been implemented with the support of specialist third parties.	Increased risk
	IT infrastructure	The Group's IT infrastructure is key to the operation of its business. We have now implemented the final phase of Microsoft Dynamics AX across the business. With any project of this scale, there is a risk of a poorly managed take-up of new	The Group's IT Steering Committee meets on a two-weekly basis to review the implementation and all other major IT projects. This Committee comprises members of the Executive Committee and is advised by external professional advisers. The IT Steering Committee has established a Design Authority charged	No material change

		systems, which could lead to business disruptions. This, and the implementation of other new business systems, has potential to impact interdependent systems and the business.	with overseeing the scheduling of the implementation of any new system. Robust change management and professional project managers recruited to oversee the project team which includes key business stakeholders.	
	Privacy	Direct privacy breaches or any failure to protect clients' confidential information could harm the Group's reputation and expose it to litigation.	The Group operates a dedicated privacy inbox and continually delivers training to key business units.	No material change
	People	Our performance is linked to the performance of our people and, in particular, to the leadership of key individuals in delivering our strategy. 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.	Identification and 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 retention rate. Succession plans are in place and have been reviewed during the period. The Group has implemented policies and procedures to detect and deal with human resource matters. This includes robust reporting channels through an independent helpline.	Increased Risk
	Regulatory and legal framework	We operate in a range of international markets 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 specialist advisers in each market to ensure compliance with local laws and regulations. For example, the Group has established a cross-functional GDPR steering committee that has worked with external advisers to ensure the Group's policies and procedures are GDPR compliant.	No material change
	Infringement of the Group's intellectual property	Unauthorised use of the Group's designs, trademarks and other intellectual property rights could damage the Ted Baker brand and the Group's reputation.	The Group, with its external advisers, rigorously manages and defends its intellectual property. The Group deals with counterfeit goods in accordance with its robust enforcement strategy.	No material change
	Investigations as to the value of inventory held on Group's balance sheet and People practices and policies	The Group has conducted several external and internal reviews related to its inventory position, and further adjustments could adversely impact the Group's financial condition and liabilities. It has also conducted investigations into people policies and practices. These investigations during the year have increased the risk.	The Group is in the process of implementing new accounting processes, systems and controls that address the causes of the inventory overstatement. The people policies and practices investigations led to a series of recommendations that have been actioned.	No material change

	Regulatory or other investigations as to the inventory overstatement	Although the Group has not received notification of any formal investigations, the inventory overstatements could result in a regulatory or other investigation which could result in regulatory, civil or criminal actions, including against the Group, and all consequent outcomes including censure, fines and compensation, which could have a material adverse effect on the Group's business, results of operations, financial condition and reputation. There can be no assurance about the timing or outcome of any such action.	The Group will continue to provide information to and respond to enquiries from regulatory and other agencies, including the FCA. The Group has not received notification of any formal investigations.	New and increased risk
Financial Risks	Currency, interest, credit and counterparty credit risks, including financial covenants under the Group's credit facilities	In the course of its operations, the Group is exposed to these financial risks which, if they were to arise, may have material financial impacts on the Group.	The Group's policies for dealing with these risks are discussed in detail in Note 23 to the Financial Statements.	No material change
	Control environment	The Group does not have sufficiently robust financial controls policies and practices in place to appropriately manage the business as identified further during the year leading to an increased risk.	The Group has instructed a review of its controls and has appointed Deloitte to do this. The report will be adopted and actioned.	Increased Risk
Brexit Risks	Political uncertainty	The lack of clarity arising from the UK leaving the European Union has increased the levels of economic and consumer uncertainty. This uncertainty is increased if the UK's withdrawal at the end of the transition period due on 31 December 2020 is on any basis that is not subject to a free trade agreement.	The Group has established a Brexit working group which, together with its external advisors, carefully monitors the potential impact of plans put in place prior to the end of the transition period. The Group has undertaken a business review to identify the likely impacts of a no-deal transition period. Scenario planning includes the additional customs duties, VAT and customs duty declarations and the restriction on the free movement of people.	No material change
	Changes in VAT and customs duty regimes	Following the UK's withdrawal from the European Union, goods being imported to and exported from the Community may be subject to different VAT and customs duty regimes. This may lead to an increase in costs across the business.	The Brexit working group has reviewed the supply chain and routes to market to identify where costs are likely to be incurred. In the short term, the impact of increased customs duty has been stress tested and we have considered immediate steps that can be taken to alter the supply routes to goods. In the long term the business is considering alternative solutions including implementing a customs warehouse in the UK and a supplementary warehouse facility in the EU 27.	No material change
	Trade arrangements with third countries	The UK's ability to trade with a number of nations is reliant on its membership with the European Union. There is a risk that the UK will not have trade agreements with countries that supply a large proportion of goods to the Group. HM Government has already announced that the trade agreement with Turkey, where a large proportion of our suppliers are domiciled, will no longer apply from 1 January 2021 and the UK will operate on Most Favoured Nation terms under World Trade Organization (WTO).	We continue to follow guidance provided by HM Government and consider alterations that can be made to the supply chain and the routes of transportation to mitigate additional costs arising from a no deal Brexit. We also recognise that the UK will be able to negotiate trade agreements with other countries following the UK's withdrawal from the European Union. We will continue to monitor the political developments to identify strategic opportunities to the business.	No material change

	Supply chain delays	Withdrawal from the European Union without a free trade agreement and the resulting additional customs requirements may delay the movement of goods between the EU27 and the UK affecting both suppliers and customers. This will impact our ability to supply our wholesale and licensee distributors as well as our own outlets.	We have reviewed opportunities to expedite the delivery of stock from suppliers ahead of the UK's withdrawal to reduce the volume of goods being delivered in the early weeks following Brexit. We have also contacted relevant distributors who may be impacted by any delay. In the long term, we are considering logistics solutions as set out above that could mitigate the risk of delay.	No material change
	Employment of EU nationals in the UK	EU nationals residing in the UK may no longer have automatic leave to remain. This reduces the potential talent pool the business is able to recruit from. This could restrict the Group's access to key talent.	Assistance has been provided to ensure all team members who are EU nationals and wish to remain in the UK can benefit from settled status and continue working in their current positions. Following analysis, we do not expect loss of any key talent. The Group continues to recruit from a number of sources and provide training to ensure there are the requisite skills in the Group.	No material change
	Regulatory and Legal Compliance	There is a risk arising from the increased complexity in the regulatory framework surrounding the manufacture and sale of products should the UK deviate from existing regulations derived from EU legislation.	The Group continues to take advice in this area from legal advisors and work with professional bodies for high-risk areas to establish robust procedures to ensure continued compliance with both UK and EU industry standards.	No material change
	Procurement and Contractual Arrangements	Certain terms in contractual arrangements may have an adverse commercial effect following Brexit such as delivery terms or price clauses.	The Group has considered commercial tolerances so that it can continue to trade in a commercially viable manner.	No material change

Emerging Risks and Uncertainties				
	Issue	**Potential impact**	**Mitigation**	**Change in level of risk**
Operational Risks	COVID-19	Economic conditions globally have been severely and negatively impacted by the coronavirus pandemic and the Group expects this to negatively affect its retail sales and supply chain. Due to the spread of COVID-19 and in line with Government guidance, the Group has closed the vast majority of its retail stores and concessions (as of the date of this Report, approximately 390 retail stores, outlets and concessions remain closed in line with Government guidance). It is impacting all areas of the business from supply chain to revenue to our team members.	While some of these sales may migrate to the Company's eCommerce operations, it is unlikely that such sales through the Group's eCommerce distribution channel will fully replace revenue lost due to store and concession closures. The Group will need to explore all UK Government schemes and take a series of steps to reduce costs and protect cashflow, including suspending all non-essential capital expenditure, stopping discretionary operating expenses, furloughing team members and severely restricting travel.	Increased Risk
	Sustainability and Climate Change	Our business depends on our suppliers being able to maintain continuity of service to provide a consistent supply of goods to customers. Natural events and increasing changes to governmental policy may impact our suppliers' ability to do this.	We have a diversified supply chain across the globe and continually assess our sourcing strategy,	No Material Change

Viability Statement
In accordance with Provision 31 of the UK Corporate Governance Code dated July 2018 (the "Code"), the Directors have assessed the prospects and viability of the Group over a three-year period, taking into account the Group's current position and the potential impact of the principal risks documented above.

The Group's objective remains the same; to continue to grow and develop the Ted Baker brand through the Formula for Growth described above and supported by the actions being undertaken with regard to supporting the balance sheet in the sale and leaseback of our Head Office and equity raise.

The Group operates a three-year plan, which is updated and reviewed regularly by the Board. Within the three-year plan, detailed scenario planning and stress testing has been carried out over a three-year period. The Directors therefore consider the three-year period to 27 January 2024 to be the appropriate period to assess the viability and prospects of the Group with a high level of certainty. The key assumptions made in the formulation of the three-year plan are the increased exposure and promotion of the Ted Baker brand through digital, geographical diversification of sales, growth of eCommerce and turnover projections.

The Directors' assessment has been further enhanced by analysing the current and future risks, controls and assurances available, resulting in a clear picture of the risk profile across the whole business. The principal risks, including specific operational risks, that could affect the future viability of the Group over the next three years are identified on pages 38 to 44 in Principal Risks and Uncertainties.

In making this assessment the Directors have considered the resilience of the Group to the occurrence of these risks in severe but plausible scenarios, including by reference to certain principal risks, and taking into account the effectiveness of any mitigating actions. In addition, the Board has considered the impact on the Group's cash flows, headroom, covenants and other key financial ratios having stress tested the potential impact of these scenarios, both individually and in combination. The Board has considered the Group's refinancing and covenants within the Financial Review section at page 26 and above within the Principal Risks & Uncertainties Table, and Going Concern below and at page 46.

Sensitivity analysis was also used to stress test the Group's strategic plan and to confirm that sufficient headroom would remain available under the Group's credit facilities. The resilience of the Group has also been tested within the context of the implementation of the Formula for Growth strategy.

The Group has also stressed tested the Group's strategic plans in light of COVID-19 and the impact on the business and global trade. The situation is rapidly evolving which in turn is creating uncertainty across most of the Group's markets.

The Group has also set out the risks associated with the required to raise additional equity. The Board is satisfied that the Group can maintain its financial commitments in each respective scenario as well as a combination of the scenarios. The Board also considers that under each scenario tested, the mitigating actions would be effective and sufficient to ensure the continued viability of the Group and there would be no impact on any covenants. The directors have also considered the severe but plausible downside scenario and the associated uncertainty expanded on in Going Concern below.

For the reasons stated above, based on the robust assessment undertaken, the Directors confirm they have a reasonable expectation that the Group will be able to continue in operation, and meet its liabilities as they fall due, over the period of assessment.

Going Concern
Notwithstanding net current liabilities of £57.9m as at 25 January 2020, a loss after tax for the 52-week period then ended of £70.4m and net debt of £127.1m as at 25 January 2020, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons. The financial position of the Group, and borrowing facilities are described in Note 17. In addition, Note 23 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 exposure to credit risk and liquidity risk.

The Group's net debt balance at 25 January 2020 was £127.1m (2019: net debt £123.8m), which comprised of a fully-drawn three year £180m GBP revolving credit facility (Facility A), which was entered into in September 2019, and cash balances of £52.9m. The revolving credit facility includes quarterly covenant testing for the Group's leverage ratio, fixed cover charge and a net assets test. On 23 March 2020, the Group announced that its lending bank syndicate has agreed to provide an additional revolving credit facility of up to £13.5m until 18 December 2020 (Facility B) taking the total available facilities to £193.5m. The additional facility was made available in conjunction with the exchange of contracts for the sale of Big Lobster Limited, a wholly owned Group subsidiary, which owns the Group's head office in London. In connection with the sale, the Group has entered into a short-term lease of the property for a period following completion from 1 June 2020 to 31 March 2023. The consideration from the sale will be £78.75m (subject to completion of a customary completion accounts adjustment mechanism) and will be paid in cash by the buyer on completion, expected to take place in June 2020 following shareholder approval. The net proceeds of the sale of at least £72m, after fees and taxes, will be applied to repay existing indebtedness under Facility A to significantly de-lever the Group. On 20 May 2020, the Group announced that its lending bank syndicate agreed to further increase Facility B by £11.5m to an aggregate of £25m, taking the total available bank credit facilities to £205m, which will reduce to £133m following application of the net proceeds of the sale of Big Lobster Limited. Additionally, on 1 June 2020, the Group announced that it will seek to raise at least £70m via an underwritten share issue.

The sale of Big Lobster Limited and the share issue are both conditional on approval by the shareholders of Ted Baker Plc at a general meeting which will take place on 15 June 2020. The proceeds from the share issue and the additional amounts under the credit facility will be used to provide liquidity for the Group primarily for working capital purposes and capital expenditure.

The Directors are responsible for the Group's forecasts and projections which take account of a wide range of reasonably possible changes in trading performance and other factors as set out below.

External environment

The significant uncertainty as to the future impact on the Group of the COVID-19 global pandemic has been considered as part of the Group's adoption of the going concern basis. In March 2020, all of the Group’s retail stores, and those of its concession partners, closed to protect its employees and customers, in accordance with various national government requirements. The e-commerce channel has continued to trade during this period, albeit at a level of sales significantly below that previously generated from retail stores. A significant number of the Group’s wholesale partners have also cancelled or delayed orders, impacting wholesale revenue, and our licence partners have also been affected by the pandemic, thereby impacting licence income.

It is not yet known when the retail stores, or those of the Group’s concession partners will partially or fully re-open, what the level of consumer demand will be, when wholesale revenue and licence income will recover, or the extent that the e-commerce channel will continue to trade throughout this period. It is also not known if a further lockdown could follow once existing restrictions are lifted.

The lack of clarity arising from the UK leaving the European Union has also increased the levels of economic and consumer uncertainty and the longer-term impact this will have on the Group remains uncertain.

Measures to maintain liquidity
The Directors have taken a number of measures to maintain liquidity including temporarily suspending dividends, scaling back capital expenditure, utilising government support measures, including the subsidised furloughing of approximately 85% of the Group’s employees globally, deferring payment of taxes and business rates, agreeing rent deferrals with landlords and agreeing revised payment terms and discounts with suppliers.

Base case scenario
Taking account of the above, a base case scenario has been modelled under which the Group’s retail stores and concessions remain closed for a period of three months to the end of June 2020 with a significant impact on wholesale and licence income during this period. At the end of the three months, the base case assumes a gradual recovery throughout the rest of the financial year and into 2021, although at levels below those in the prior year. The Group’s cost base is assumed to be significantly lower than normal through to the end of June 2020 primarily due to the employee furlough measures and lower property costs and overhead spend and increase thereafter as the level of trading increases.

Without the additional liquidity, the Group will become insolvent in August 2020 based on current forecasts.

With the additional liquidity from the proposed share issue and the additional facility provided by the lending bank syndicate, the Group expects based on the above base case scenario to have sufficient financial resources to continue to be viable.

An additional downside scenario has also been modelled under which the Group’s retail stores and concessions remain closed for a six-month period until September 2020 with a significant impact on wholesale and licence income also during this period. At the end of the six months, under this scenario a recovery slower than that of the base case is assumed and the cost containment measures mentioned above would continue for a longer duration. The Group would continue to be able to access the measures to maintain liquidity set out above. With these measures, and the additional liquidity from the proposed share issue and the additional facility provided by the lending bank syndicate, the Group expects to have sufficient financial resources to continue to be viable under the additional downside scenario, albeit with limited headroom.

Severe but plausible downside scenario
However, a severe but plausible downside scenario has been considered further to the additional six-month scenario set out above. There remains a risk of further or multiple lockdowns (including during the key Christmas period) and uncertainty remains over what strategy various governments may put in place for opening non-essential stores and over the broader implications of the COVID-19 global pandemic, which makes outcomes more difficult to model. As a result of this uncertainty, even with the additional liquidity available, the Group’s liquidity could be exhausted before the end of FY22.

Basis of preparation conclusion
Based on all of the above indications the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business.

The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

The Strategic Report was approved by the Board of Directors on 1 June 2020 and signed on its behalf by:

Peter Hearsey-Zoubie
Company Secretary
1 June 2020

Governance

We have faced a challenging year and we will continue to respond to new challenges ahead as we seek to action our Formula for Growth strategy. We are confident that these actions, together with our plans to reduce debt and strengthen the balance sheet, will re-energise Ted Baker Plc. Good governance will remain critically important in delivering our strategy and our purpose.

This year has seen significant change and implementation of several reviews. The Board has delivered substantial change which has resulted in a full complement of independent Non-Executive Board Directors and several critical additions to the leadership of the business, including a new CEO and CFO. Full details of the board and executive changes can be found in the Nominations Committee report on pages 62 to 66. As a strong champion of diversity, I am pleased to report that female Directors comprise 34% of our Board. During the year, we were fully compliant with the UK Corporate Governance Code 2018 ("the Code"), save for the period where David Bernstein held the position of Executive Chair and a month without a nominated Non-Executive Director for workforce engagement.

In the last twelve months, the Board has overseen two investigations. One into people, policies and practises and a further into inventory. Whilst the details in relation to the investigations can be found on pages 3 and 4 the investigations have further highlighted the importance of governance within the Group, the requirement for good controls, practices and procedures and the involvement of the Board and its committees in best practices. The outcomes of the investigations will strengthen governance within the business.

The Board committees have also had a very active year. The Nomination Committee undertook a significant review of succession, including of the Board itself and senior leadership team and have worked hard to implement the recommendations from Programme 15, which also led to the creation of the Fresh Eyes employee forum. Together with the Remuneration Committee, we have undertaken recruitment of significant new talent, reviewed and adopted the recommendations from Programme 15 and developed significant talent from our existing employee base within the Group. Full details of the Remuneration and Nominations Committees activities in the year can be found on pages 62 to 94.

You will also find the range of topics discussed, considered and reviewed by the Board during the year on page 55. The Audit & Risk Committee has also reviewed its activities on pages 57 to 61. As a result of the investigation into inventory a further review of controls and governance is being undertaken and that insight will be reviewed and actioned. In the meantime, further controls have been put in place with additional management oversight.

In December 2019, when we announced the full year outlook and trading update we took the difficult decision to suspend dividend payments temporarily together with immediate actions to review costs and strategic assets. Details of the strategic asset review have been updated to the market with the sale and leaseback of the Head Office and the planned equity raise. These actions, together with the Formula for Growth strategy, will lead to a more sustainable and long term successful business.

Engagement with all our stakeholders is a key and essential part of our governance. Open conversations with our stakeholders and listening to our teams via our new Fresh Eyes people forum will help to ensure that we fully understand the challenges and opportunities that we face and help ensure that we have a healthy culture within the business in light of the recent investigations. My role as designated Non-Executive Director for workforce engagement has allowed me to spend time within the business specifically seeking views and feedback and the key topics for the Fresh Eyes forum to focus upon. The Board has also taken the opportunity to re-assess our performance through an externally facilitated Board evaluation performed for us by Korn Ferry, which provided insight on areas for Board improvement and details of this can be found on page 54. We also undertook direct shareholder meetings in the year to help focus on specific areas of our succession strategy and to encourage and invite feedback.

Sharon Baylay
Acting Chair
1 June 2020

Directors' Report

Board of Directors

Current Directors:

Sharon Baylay – Non-Executive Director and Acting Chair

Sharon was appointed as a Non-Executive Director on 15 June 2018 and acting Chair on 10 December 2019. Sharon has substantial experience in the digital industry. She is a highly experienced digital and marketing executive who spent 16 years at Microsoft, latterly as General Manager of the Advertising and Online division for Microsoft UK. After Microsoft, Sharon became the Director of Marketing, Communications and Audiences at the BBC, where she also served as a member of the board and as a Non-Executive Director of BBC Worldwide. Sharon is also Director of Restore Plc, Hyve Group Plc, Indigo Blu Investments Ltd, Elements Talent Consultancy Ltd and Unique X Ltd.

Committee membership: Sharon is a member of the Nomination Committee. Sharon is the designated Non-Executive Director for workforce engagement.

Rachel Osborne, ACA – Chief Executive Officer

Rachel joined Ted Baker as Chief Financial Officer on 11 November 2019 and was appointed Acting Chief Executive Officer on 10 December 2019 and Chief Executive Officer on 30 March 2020. Rachel is a Chartered Accountant with more than 20 years' brand and retail sector experience. Rachel joined Ted Baker from Debenhams Retail Limited, where she held the role of Chief Financial Officer. Rachel has a broad experience of consumer-facing brands in her previous positions as Chief Financial Officer at Domino's Pizza Group Plc, Finance Director of Group Enterprise at Vodafone and Finance & Strategy Director at John Lewis. She has also held senior positions with Sodexo, Kingfisher and PepsiCo.

Committee membership: not applicable

David Wolffe – Chief Financial Officer

David joined as interim Chief Financial Officer on 2 January 2020 and was appointed Chief Financial Officer on 18 May 2020. David has over twenty years' experience in finance roles for both public and private businesses, including the Group CFO role at HMV Group Plc. He has held senior financial and executive positions at leading global consumer and media businesses, including the roles of Finance Director of ITV Studios, CFO at AOL Europe, and Finance Director, BBC Magazines and Consumer Publishing. Since 2018 he has been Interim CFO in a series of private equity backed retail and technology businesses.

Committee membership: not applicable

Andrew Jennings – Non-Executive Director

Andrew was appointed as a Non-Executive Director on 1 February 2014. His experience in the international retail industry for over 40 years at some of the world's most respected high-end speciality and department stores. Previously, 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 President Saks Fifth Avenue in the USA; Group MD, Woolworths (SA); Holt Renfrew in Canada; General Manager, Harrods; CEO, House of Fraser in the UK; and Director, Brown Thomas in Ireland.

Committee membership: Andrew is the Chair of the Remuneration Committee. Andrew is also a member of the Audit & Risk Committee and Nomination Committee. Andrew is an Independent Director.

Helena Feltham – Non-Executive Director

Helena was appointed as Non-Executive Director with effect from 1 May 2019. She has over 30 years' experience in Retail and Human Resource Leadership. She was formerly People Director at B&Q and, prior to that, held the role of Human Resources Director at Jack Wills Ltd, Marks & Spencer, Topshop and Woolworths South Africa. She has also spent a number of years of her career in executive search with Odgers Berndtson, covering senior appointments across public and private sectors.

Committee membership: With effect from 10 December 2019 Helena is Chair of the Nomination Committee and a member of the Audit & Risk Committee and Remuneration Committee. Helena is the Senior Independent Director.

Jon Kempster – Non-Executive Director

Jon was appointed as a Non-Executive Director on 17 December 2019. Jon is a chartered accountant and his career has included Board positions at Delta Plc, Fii Group Plc, Linden Plc, Low & Bonar Plc, Frasers Group Plc, Utilitywise plc and Wincanton Plc. He has been a Non-Executive Director and Audit & Risk Committee Chair at Redcentric plc since January 2019 and is a Trustee of the Delta plc pension scheme. Jon qualified as a Chartered Accountant with Price Waterhouse in 1990 and has a BA (Hons) in Business Studies from the University of Liverpool. Jon's broad experience brings additional knowledge and support to strengthen the Board and in particular his financial background as Chairman of the Audit & Risk Committee. Jon is an independent Director.

Committee membership: Jon is Chairman of the Audit & Risk Committee and a member of the Remuneration Committee

Directors Who Resigned After the Period:

Jennifer Roebuck – Non-Executive Director

Jennifer was appointed as a Non-Executive director on 29 September 2017. Following the announcement on 29 January 2020 that Jennifer would be taking up the executive position of Chief Customer Officer, Jennifer resigned her position as a Non-Executive Director and left the board from 1 April 2020.

Committee Membership: Jennifer was a member of the Nominations Committee.

Directors Who Resigned During the Period:

Raymond Stuart Kelvin CBE – Chief Executive Officer

Ray was the founder of Ted Baker and resigned on 4 March 2019, having held the position since the start of the business over 30 years ago.

Committee membership: not applicable

David Alan Bernstein CBE, FCA – Executive Chairman

David was appointed as Executive Chairman on 4 March 2019 having previously served as Non-Executive Chairman since his appointment in January 2003. David resigned on 10 December 2019.

Committee membership: not applicable

Lindsay Dennis Page, MA, ACA –Acting Chief Executive Officer (since 7 December 2018)

Lindsay joined Ted Baker as Finance Director in February 1997 and as the Chief Operating Officer in addition to his role as Group Finance Director on 8 July 2014. Lindsay was appointed acting Chief Executive Officer on 7 December 2018. Lindsay resigned on 10 December 2019.

Committee membership: not applicable

Ron Stewart, FCIB – Non-Executive Director

Ron was appointed as a Non-Executive director on 25 February 2009 and resigned on 17 December 2019

Committee membership: Ron was chairman of the Audit & Risk Committee and a member of the Nomination and Remuneration Committees. Ron was the Senior Independent Director.

Corporate Governance Statement

Ted Baker's culture and values are central to the success of the business. During the year and following completion of the investigation, the Board accepted in full the recommendations from HSF about its HR policies and practices and put in place a detailed programme of change under the name Programme 15 which has been detailed more in the Our People section on page 33. The Board is confident that there are robust processes and practices in place within the Group to promote our values and protect the interests of our team members and stakeholders.

The UK Corporate Governance Code

The UK 2018 UK Corporate Governance Code published by the Financial Reporting Council (the '2018 Code') sets out standards of good practice in relation to: board leadership and company purpose; division of responsibilities; composition, succession and evaluation; audit, risk and internal control; and remuneration. The 2018 Code is available from the Financial Reporting Council's website: www.frc.org.uk.

Throughout the financial year and to the date of this report, the Company has complied with all Provisions of the Code, with the exception of the following: Provision 5 – Engagement with the workforce Sharon Baylay was appointed as the designated Non-Executive Director for workforce engagement in March 2019. The Company was therefore not compliant with Provision 5 in February 2019. Further information regarding the Board's engagement with the workforce can be found on page 13. Provision 38 – Pensions. In addition, the appointment of David Bernstein as Executive Chairman on 4 March 2019 until his resignation on 10 December 2019. During the year, the Remuneration Committee considered the pension arrangements in place for the Executive Directors and how these compare to the wider workforce. The Committee has agreed that any new Executive Director hire will have pension benefits in line with wider workforce and will review the approach for incumbent Executive Directors as part of the review of the Remuneration Policy (which will be submitted to shareholders for approval at the 2020 AGM). Further information can be found in the Annual remuneration statement on page 67.

This section describes how the Board has applied the Principles of the Code.

Board leadership, company purpose and goal

Purpose and culture

The Board is collectively responsible for the long-term success of the Company and for delivering value to shareholders. The Board provides strategic leadership and effective oversight of the Group's operations, either directly or through the work of its principal Committees. It has ultimate responsibility for the oversight and monitoring of the Group's governance, principal risks and control framework. Further information regarding the Group's internal financial control and risk management systems can be found in the Audit & Risk Committee Report on page 57.

The Board's primary focus is to support and further the Group's purpose which is to 'Love a life less ordinary' and its goal to be the most engaging global British lifestyle brand. The Board establishes the Group's purpose, goal, values and strategy. There is an ongoing review of the Group's values and culture to ensure they remain appropriate and valid. It anticipates the outcome of that review to be clarified during the year ahead. The Board also reviews financial and operational performance, risk management and appetite, the Group's capital structure and plans proposed by management to implement agreed strategy. The Board ensures that sufficient resources are available to meet the objectives set. In light of the recent asset review, in particular the sale and leaseback of the Head Office and the equity raise the Board has carefully considered the need for an appropriate debt structure and liquidity during the year to ensure the long-term success of the business.

During the year, the Board considered the results of a wide-ranging listening group sessions with the Group team members which was implemented after the people and policies investigation. The results of the listening groups were reported to the Board by an independent consultant, IPA. The listening groups provided an opportunity for employees to give feedback about the business to IPA in 18 group sessions with people from across all parts of the business. The Board noted that engagement levels remained high and, despite the events and uncertainty of the year, the Group's culture remained strong and closely aligned to the Group's purpose and mission. However, it also highlighted a number of areas for improvement not least in the ways of working to ensure all areas were aligned and working together in a unified approach. Following the listening groups the Board moved to establish the Fresh Eyes employee forums with elected representatives participating in these forums from across the business. The Chair led on the listening groups as the Non-Executive Director for workforce engagement and will also receive feedback on the Fresh Eyes forum at a Group level. The Executive board also received workplace training from Lewis Silkin to ensure that the Executive team always act with integrity, lead by example and promote our desired culture. We also revisited certain policies and undertook mandatory training for everyone in those new policies. Further information regarding the Board's engagement with the team members is set out page 14.

Stakeholder engagement

As part of decision-making processes, the Board considers the interests of shareholders, key stakeholders and wider society. Further information regarding the Board's stakeholder engagement activities can be found in the stakeholder engagement statement set out on pages 13 to 14 of the Strategic Report and in the 'communication with shareholders' section on page 56. Further information regarding the Board's activities during the year, including examples of how it considered the interests of stakeholders, is provided on page 13 and page 55. Details on the Group Ethics & Sustainability can be found on page 27 which helps the business in understanding its impact and how the business can contribute to wider society.

Workforce policies and practices

The Board keeps workforce policies and practices under review to ensure they are consistent with the Group's values and support the long-term sustainable success of the Group. During the year, the Board reviewed and endorsed the revised policies and practices and details are set out on page 35 which include a whistle blower hotline. During the year, an update on the Group's ethics and sustainability was provided details of which are set out on page 27. The Board has ultimate responsibility for the Group's confidential reporting facility and there is a process in place for promptly escalating significant reports. The Remuneration Committee is responsible for reviewing workforce remuneration and related policies and the alignment of incentives with culture. Further information regarding the Remuneration Committee's review in the year can be found on page 67.

Division of responsibilities

Board Composition

The Board currently comprises the Acting Chair, Chief Executive, Chief Financial Officer, a Senior Independent Director and two independent Non-Executive Directors. Biographies of these Directors and resignations from the Board appear on pages 49 to 50. The Board is of the view that its current membership and recent appointments provides an appropriate balance across a range of skills, experience, independence and knowledge, which enables it to discharge its responsibilities effectively. Further details of each Director's skills and experience can be found in their biographies on page 49 to 50. The Board allows sufficient time for all directors present to express an opinion, meet regularly and in addition the Non-Executive Directors meet with the Chief Executive Officer present. The Board announced the appointment of John Barton as a new Chairman on 22 April 2020 and he will join the Company on 1 July 2020. The Board also announced the appointment of David Wolffe as Chief Financial Officer on 18 May 2020.

Chair of the Board

The Chair leads the Board and is responsible for ensuring its overall effectiveness. The Acting Chair was considered independent on appointment, continues to demonstrate objective judgment and promotes a culture of openness and constructive debate. She works with the Chief Executive Officer and the Company Secretary to ensure that all Directors receive, timely and clear information. Throughout the term of appointment during the year, the Acting Chair worked closely with the Senior Independent Director and the Non-Executive Directors. A part of each Board meeting is reserved for a meeting of the Chair and the Non-Executive Directors, without executive management present.

Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day leadership of the business. She is supported in this role by the Executive board. The Acting Chair and the Chief Executive Officer work closely together to set the Board's agenda.

Chief Financial Officer

The Chief Financial Officer is responsible for the financial governance of the Group and business providing regular and timely information and reports to the Board to enable them to understand the business performance and performance to plans. He reports to the Chief Executive Officer.

Senior Independent Director

The Senior Independent Director, acts as a sounding board for the Chair and can act as an intermediary for the other Directors and shareholders when required. She also leads the other Non-Executive Directors in the annual performance evaluation of the Chair. She provides an alternative point of contact for shareholders on matters where the usual channels of communication are deemed inappropriate.

Board balance and independence

There is a clear division of responsibilities between the leadership of the Board and executive leadership of the business. The roles of Chair, Chief Executive Officer, Chief Financial Officer and Senior Independent Director are clearly separated and set out in writing. Their division of responsibilities, plus the matters reserved for the Board and the terms of reference for each principal Committee, ensure that no single individual can have unfettered powers of decision-making. All Non-Executive Directors are considered independent in accordance with Provision 10 of the 2018 Code. Details of the Board's composition and the biographical details for each of the Directors, setting out the skills and expertise they bring to the Board, are set out on pages 49 to 50. At its meeting in February 2020, the Board considered the independence of each of the Non-Executive Directors and determined that all remain independent of management and free from any relationship that could interfere with their judgment. The Non-Executive Directors bring an external perspective to Board discussion. The Company has benefited from the broad range of skills and experience which the Non-Executive Directors provide from different businesses and fields, including the financial, retail, marketing and other business sectors. They offer specialist advice, constructive challenge and strategic guidance to the Chief Executive Officer and wider executive team as well as holding them to account. Throughout the year, they have helped to shape the Group's strategy, scrutinized the performance of management, agreed goals and objectives, and monitored the Group's risk profile and reporting of performance.

The Board considers Non-Executive Directors Andrew Jennings, Helena Feltham and Jon Kempster to be independent for the purposes of the Code. This is reviewed annually as part of the annual review and the Board keeps a record of the terms of service of the Chair and non-executive directors to ensure that they continue to meet the requirements of the Code. The Acting Chair was considered independent on appointment.

Board processes and the role of the Company Secretary
The Company Secretary ensures that the Board receives appropriate and timely information and provides advice and support to the Chair, Board and senior management on regulatory and governance matters. All Directors have access to the Board portal, which is used to distribute Board and Committee materials, governance materials and analysts' notes. Board meetings are scheduled well in advance. Where it is necessary to call meetings at short notice, efforts are made to find suitable times when all Directors can attend; where this is not possible, Directors are provided with briefing materials and can discuss any agenda item with the Chair of the Board, Chief Executive Officer or relevant Committee Chair. All Directors have direct access to the advice and services of the Company Secretary. Directors may also obtain independent professional advice as required at the Company's expense.

Time commitment
The letters of appointment for the Chair and Non-Executive Directors state the expected time commitment to fulfil their roles. The Chair and Non-Executive Directors are expected to set aside sufficient time to prepare for meetings. Directors provide the time commitment required of them to prepare and attend board meetings and additional ad-hoc meetings that take place during the year. The Board is therefore satisfied that all Directors continue to devote sufficient time to discharge their duties effectively.

Composition, succession and evaluation
Appointment and re-appointment of Directors There is a formal, rigorous and transparent procedure for the appointment of new Directors. The process for new appointments is led by the Nomination Committee, which makes its recommendations to the Board. In accordance with Provision 18 of the 2018 Code, all Directors will stand for re-appointment at the forthcoming Annual General Meeting (the '2020 AGM'). The Notice of 2020 AGM will include a biography for each Director setting out the skills they bring to the Board and why their contribution is, and continues to be, important to the long-term success of the Group. Further information regarding the process for the appointment of Non-Executive Directors can be found in the Nomination Committee Report on pages 62 to 66.

Succession planning and diversity
The Nomination Committee is responsible for developing and overseeing the succession plans for the Board and senior management and, as part of this review, takes consideration of the length of service of each Director. The Committee also considers the skills and experience of each of the Directors and maintains a skills matrix. Appointments and succession plans are based on merit and objective criteria and, within this context, are intended to promote diversity. Further information regarding the review of succession planning and diversity and inclusion in 2019 can be found in the Nomination Committee Report.

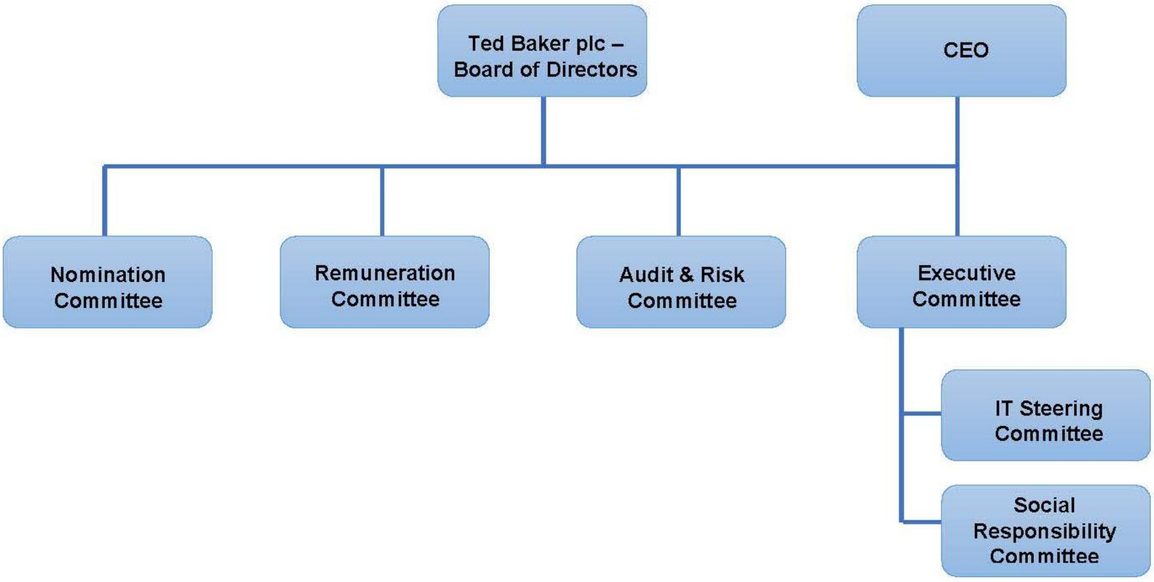
Audit, risk and internal control
Further information about the role and work of the Audit & Risk Committee is set out in the Audit & Risk Committee Report on pages 57 to 61. Further information regarding the Group's approach to risk management, including the management of principal and emerging risks can be found on pages 38 to 44.
Remuneration

Further information about our approach to remuneration and the role and work of the Remuneration Committee is set out in the Directors' Remuneration Report on pages 67 to 94.

Board Operation
The Board meets regularly throughout the year. It considers, with the support of the Board Committees and the Executive Committee, all issues relating to its purpose, values and 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. These include decisions on the Group's strategy, financial budgets, major capital expenditure and transactions, appointment of territorial and product licence partners, store openings, dividend policy, Group bonus and risk profile. The requirement for Board approval on these matters is understood and communicated widely throughout the Group. The Non-Executive Directors also have sufficient time to meet with the Chair separately during the year. In addition, the Non-Executive Directors meet without the Chair present to appraise the Chair's performance.

Operational decision making, operational performance and the formulation of strategic proposals to the Board are controlled by the Group's Executive Committee, which is comprised of the Board of Directors of No Ordinary Designer Label Limited (one of the Group's operating subsidiaries) together with relevant heads of department as required.

The Executive Committee meets regularly throughout the year.



In addition to the Committees set out above, the Board established three working groups in the period to act as sub-committees. One sub-committee was established to facilitate HSF's investigation. The then Audit Committee established a second sub-committee to act as a Brexit working group to review the impact of the UK's withdrawal from the European Union on the business. Lastly, a further sub-committee of the Board was established to consider the stock inventory investigation.

The Company maintains an appropriate level of Director and Officer liability insurance cover 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. Indemnities are in place for directors who ceased to be in office during the year. Save for such indemnity provisions in the Company's Articles of Association and in the Directors' terms of appointment (which were in force for the benefit of all directors in office throughout the period and remain in force at the date of this report), there are no qualifying third-party indemnity provisions in force.

Board Evaluation
Following amendments to the UK's Corporate Governance Code, the Board has assessed its composition and a number of changes have been made during the year, particularly with regard to the length of tenure. The Board took steps in relation to its Nomination Committee to ensure its ongoing compliance with the Code and updated its terms of reference.

The board also undertook externally facilitated evaluation of the Board and Committees' effectiveness with support from Dominic Schofield of Korn Ferry, an independent external adviser, who also provided recruitment consultancy services but with no other connection to the Company, in this financial period. Further details of Korn Ferry's connection with the Company, and how the review was conducted, are described in the Nomination Committee's report on page 62.

There had been an external Board evaluation concluded at the end of 2018 that had concluded the Board was working well with an engaged management team and Non-Executive Directors who were regarded as being conscientious. Given the on-going recruitment of a new Chair and the significant challenges during the year it was felt appropriate to review again and to reflect of the future strategic and cultural needs of the board. Korn Ferry have made a number of recommendations to the Board some of which have been adopted with immediate effect and others are slightly longer term and being implemented but mindful of the on-going recruitment of a new Chairman. An area of focus for the Non-Executive Directors was to continue to enhance Board engagement with the Executive Committee and building on steps taken within the current period in relation to the existing long-term succession planning throughout the Group. To this end the Non-Executive directors have spent a significant amount of time in the Group Head Office meeting with the executive team and each other outside of formal board meetings to greater understand the business and support the strategic challenges faced during the year.

Board Agenda in 2019/20 and section 172
The following section offers some insight into how the Board uses its meetings as mechanisms for discharging its duties under s.172 of the Companies Act 2006, including the variety of matters it discussed and debated during the year and the key stakeholder groups that were central to those discussions.

Each Board meeting follows a carefully tailored agenda agreed in advance by the Chairman, CEO and Company Secretary. A typical meeting will comprise reports on current trading and financial performance from the CEO and CFO, legal and governance updates, a review of the strategic transformation programmes and detailed presentations on area of particular strategic importance. Details of the Directors' attendance at the scheduled meetings that took place during the year can be found on page 56. Whilst during the year the Board held 10 scheduled meetings, there were in addition further Board meetings and discussions regarding the investigations referred to above and changes in directors amongst other topics of discussion.

Company Performance

- trading updates were provided at each board meeting with analysis about the performance and actions and decisions to improve on trends
- The Board carefully considered plans for the Far East region and in particular plans for converting the existing business in China to a joint venture and also a licence arrangement in Japan.
- The trading director attended board meetings in the year to provide further insight and analysis to performance and risks together with agreed plans
- Store appraisals of existing locations were provided to the Board as part of the trading review and the Board also considered possible new locations to open retail stores including Madrid and South Africa
- The Board received regular updates on eCommerce given the growth opportunity and in particular an over view of the development plans for eCommerce including the launch of ship from store and new customer relationship management tools.

Financial Updates

- The budget for the year was discussed and agreed by the Board
- The subsequent performance against plan and against budget was provided at each Board meeting
- Stock review formed a large part of the board discussions in light of the announcements about inventory.
- Flowing from the inventory investigation the board also agreed to a full review of controls within the company to ensure tighter approval processes and controls.
- Cash flow and dividend decisions were discussed in detail in particular the decision not to declare a final dividend for the year.
- Review of feedback from the FRC about the provision of non-audit services,
- The Board undertook a review of procurement costs of goods not for resale and costs savings where identified and action along with the agreed recruitment to support this activity
- The Board was provided with regular updates from the Audit & Risk Committee and in particular during the year, the growing concern and risk of a no deal Brexit
- An update is provided to the Board at each meeting where any incidents or relevant health & safety can be discussed. This included concern about a shop fixture that was investigated and subsequently found to be safe. A review was also undertaken of process at the Group warehouse to understand how risk was managed.
- The Board undertook a refinance of the Group bank facilities in the year and approved the proposed new arrangements.

Committee Updates
The Chairs of the Audit, Remuneration and Nomination Committees updated the Board on the proceedings of those meetings at each Board meeting, including key discussion points and areas of particular concern including reviews of the remuneration policy, key recruitments undertaken during the year and investigations undertaken.

Governance and Legal

- Board succession and diversity was discussed, considered and actions agreed
- Reviewed and approved the Annual Report and Accounts, Notice of AGM, Modern Slavery Statement, Gender Pay Gap and the half and full year results announcements.
- Reviewed matters raised at the Annual General Meeting and subsequently obtained shareholder approval for not posting the accounts to all shareholders unless requested
- Board development continued including time also with the executive team and other senior management in the Group for greater involvement and understanding of the business.
- Group team member practices and policies were agreed by the board following the HSF report. A mandatory training programme was rolled out to explain the changes to all team members.

Strategic Updates

- The delayed government decisions around Brexit resulted in significant Board discussion over the impact of a no deal exit and how to maintain continuity of operations. Detailed plans were proposed and put into readiness should they have been required.
- Sale and leaseback of our Head Office, which has now been announced, was reviewed and agreed by the Board for negotiation and action during the year.
- The equity raise was discussed in detail and regularly by the Board with more details on page 7 and page 12.
- Transformation plans for the Group were discussed and are described in more detail in the CEO report on pages 10 to 12.
- Following the HSF investigation Programme 15 was established to implement the recommendations on people practices and policies. The Board received regular updates on the programme of action, made various recommended improvements and ensured it was actioned. The Board now received monthly updates on whistleblowing reporting and more detailed monthly people updates

Board and Committee Attendance

The table below details the number of Board and Committee meetings held during the period and the attendance record of each Director.

	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	**10**	**3**	**10**	**10**
Lindsay Page[1]	9	-	-	-
David Bernstein CBE[2]	9	-	2	-
Ron Stewart[4]	9	3	9	-
Andrew Jennings	10	3	10	8
Jennifer Roebuck [5]	10	3	-	10
Sharon Baylay	10	3	9	10
Rachel Osborne[3]	2	-	-	-
Jon Kempster [7]	1	-	-	-
Helena Feltham [6]	8	-	1	1

1 Lindsay Page resigned from the Board on 10 December 2019.

2 On 4 March 2019 David Bernstein was appointed as Executive Chairman and therefore no longer served on the Remuneration Committee. David resigned from the Board 10 December 2019.

3 Rachel Osborne was appointed to the Board on 11 November 2019.

4 Ron Stewart resigned on 17 December 2019

5 Jennifer Roebuck resigned and left the board on 1 April 2020

6 Helena Feltham was appointed to the board on 1 May 2019

7 Jon Kempster joined the board on 17 December 2019

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 via their expressed preference of digital or hard copy and further copies are distributed to others with potential interest in the Group's performance.

Led by the acting Chair and Chief Executive Officer the Group seeks to build on a mutual understanding of objectives between the Company and its institutional shareholders. The Board will continue to have active dialogue and also to communicate by making general presentations after the interim and preliminary results; meeting shareholders and potential investors to discuss long-term issues and gathering feedback; and communicating regularly throughout the year via its investor relations programme. 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 investor relations website at www.tedbakerplc.com. Shareholders 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 Chair and Chief Executive and are provided with independent feedback from investor meetings.

Conflicts of Interest

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 authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. The Board has adopted procedures for the approval of such conflicts. The Board's powers to authorise conflicts are operating effectively and the procedures are being followed. During the period, no situational conflicts of interest were disclosed by the Directors.

Audit & Risk Committee Report

Dear Shareholder,

The role of the Audit & Risk Committee is to monitor the integrity of the Group's financial statements and reporting responsibilities and to maintain its internal control and compliance procedures.

Audit & Risk Committee Membership

I joined the Group on 17 December 2019 and took up the position of the Audit & Risk Committee Chair. The previous chair Ron Stewart resigned from his roles as Chairman of the Audit Committee and Non-Executive Director of the Board on 17 December 2019. During the period, the other members were Andrew Jennings for the entire period, Sharon Baylay until 10 December 2019 while Helena Feltham joined the Committee on 10 December 2019. Jennifer Roebuck stood down from the committee on 29 January 2020 prior to her taking up a full time executive role as Chief Customer Officer in April 2020.

The expertise of the Audit & Risk Committee members is considered as part of the annual review of the Committee's effectiveness. The Board is satisfied that the Committee possesses recent and relevant financial experience, sectoral competence and appropriate levels of independence, and that its members offer a depth of financial and commercial experience across various industries.

The terms of reference for the Audit & Risk Committee are available on the Company's website, www.tedbakerplc.com.

Immediate priorities

On joining the Group in December 2019, there were two very obvious challenges facing the Group and both required immediate action from the Group and oversight by the Audit & Risk Committee.

Firstly, in early December 2019 the Group announced that it believed the stock to be overvalued in the prior year end balance sheet (January 2019) and a quantum of £20-25m was referred to. The wider Board had acted swiftly and had engaged the assistance of Deloitte and Freshfields to carry out an independent investigation into the overstatement. From the Audit & Risk Committee perspective, the oversight and understanding of this was extremely important. Further details on the Deloitte investigation can be found within the Chair's Statement on page 4 and within Note 1(y) to the Financial Statements on pages 131 to 133.

Secondly, it was apparent that following a refinancing exercise completed in September 2019, subsequent trading updates highlighted that the basis of the Group performance used in agreeing the refinancing were no longer appropriate. The Group was having to work with its banking partners and other stakeholders to look at a capital and financing structure that was more aligned to the underlying performance of the Group.

In addition to the above two priorities, the Group had experienced a challenging year from a trading perspective, seen many Director changes, and then as the year was drawing to a close the Group felt the initial impact of COVID-19 on the supply chain. The latter obviously escalated into a full-blown crisis and for the Ted Baker accounts for the year ended 25 January 2020 it is a non-adjusting post balance sheet event. It is however a theme that has heavily influenced the activities of the Group post year end and has increased the focus the Group already had on the going concern concept and ensuring the Group can survive through to the end of the pandemic.

An associated issue with this is the need for the Audit & Risk Committee and the Board to be comfortable that the system of internal controls and procedures have operated satisfactorily throughout the period. One thing that can be stated with certainty is the change of personnel and departures at various levels through the finance team have not provided a continuity across all levels that allows the newest members of the team to have that continuous insight and knowledge. The misstatement of stock also raises concerns over the effectiveness of the overall control environment operating throughout the period under review.

The above highlights the series of challenges facing the Ted Baker Board and the Audit & Risk Committee from exercising its duties to all our stakeholders. We have expended a lot of effort alongside the hard work and determination of the Committee, the Board and most importantly the wider workforce. Below I have addressed each of these points from an action and conclusion perspective.

Stock misstatement – As stated above we have utilised experts in forensic accounting from Deloitte LLP. They finalised their report in January and we have as part of the year end accounts been through each of the categories identified and applied the rules from IAS 8 and allocated the amounts to the relevant year. Further details on this investigation can be found within the Chair's Statement on page 4 and within Note 1(y) to the Financial Statements on page 131 to 133. The stock issue highlighted adjustments required to the valuation methodology which had been used and existence issues. As part of the work performed and with the assistance of Deloitte the finance team have formulated a revised methodology which will prevent these matters arising again. This will be a key focus in the current year to make sure that the controls, checks, reconciliations and stocktakes are performed regularly and action taken to measure adjustments in order to prevent any re occurrence. We have also shared the report with the Financial Reporting Council (FRC), the Financial Conduct Authority (FCA) and the Serious Fraud Office (SFO). We will work with the regulatory authorities if they have further enquiries and demands related this.

Refinance/recapitalisation – the Group has been very focused on the immediate issue it faced following the deterioration in the trading performance that gave rise to the numerous trading updates in the year. The underlying trading performance was not consistent with the cash generative capabilities needed to service the debt levels which were subject to the refinance in September 2019. The Board and most importantly the new Executive team headed by Rachel Osborne developed a strategy to address these immediate challenges but also to frame these actions within a longer-term strategy that you would have read about earlier in the CEO/Strategic review. The actions announced provide a way forward, including the sale of the Ugly Brown Building and the additional short term funding from our banking partners have both formed an integral part in getting to the overall solution of providing a capital structure that will allow the group to deliver the strategy, culminating in profitable growth and allowing all of our stakeholders to once again see Ted Baker prosper. The impact of COVID-19 has been explained elsewhere in this Annual Report but suffice to say that it layered up an additional challenge to an already difficult set of circumstances.

Control environment - the Audit & Risk Committee and the newly formed finance team led by David Wolffe and Sam Vohra have been very thorough in their work to ensure that the year-end process of finalising the Group's reported numbers has been conducted very thoroughly and supporting evidence for all aspects of the financial statements is thorough and satisfactory. In addition to the work that we have been able to do internally, a review of the Internal Control environment was commissioned and undertaken by Deloitte. This piece of work is a useful guide and reminder on the controls, checks and reconciliations that currently take place and how to improve these going forward so we can over the course of the current year improve the control environment with supporting documentation.

Audit & Risk Committee Agenda
This year, the Audit & Risk Committee met three times. In its meetings, it focused on the Group's risk management, internal controls, tax, and external risk factors.

1. Risk Management

The Audit & Risk Committee regularly reviews how the Board is managing the risks the Group is facing throughout the year. The Audit & Risk Committee is satisfied that the risk management process adopted by the Board was working in identifying the risks and actions required but as stated earlier does require a refresh from the perspective that many personnel changes have occurred and the organisation has been through some major changes.

2. Internal Audit

The Audit & Risk Committee considered the Group's range of internal control systems, including completed reviews in relation to:

- Cyber security;
- Joint ventures; and
- Anti-bribery and corruption.

3. Tax

The Audit & Risk Committee has considered a range of tax matters including:

- the potential impact of any tax matters on the Group's financial statements;
- the Group's tax strategy; and the impact of Brexit on the Group's tax strategy

External Risk Factors

As described in more detail in Principal Risks and Uncertainties set out on pages 36 to 46, the Audit & Risk Committee is responsible for reviewing the effectiveness of the Group's system of risk management and internal controls.

The Audit & Risk Committee has considered the possible impacts of Brexit and it has evaluated the analysis of the potential risks by our Brexit working group. These are set out on page 43 of this document.

Meetings with senior management, internal audit and the external auditors, together with the regular circulation and review of board papers and financial information, have enabled the Audit & Risk Committee to discharge its duties and responsibilities. The Chair of the Audit & Risk Committee and partner responsible for the audit opinion at KPMG also had a number of one-to-one discussions between the Audit & Risk Committee Chair's appointment and finalisation of the accounts.

Significant Issues
The Audit & Risk Committee received and reviewed reports from management and the external auditors setting out the significant issues in relation to the financial statements for the period which related to the carrying value of inventory, the carrying value of retail fixed assets (being leasehold improvements and fixtures and fittings together with the right of use asset recognised following the adoption of IFRS 16), the going concern and related viability concept and the overall control environment with specific focus on the ability of management override.

These issues were discussed and challenged with management during the period outside of and at the Audit and Risk Committee to fully understand the methodology of the points of significant issues, received full details and were able to provide support and insight in making recommendations on the issues. They were also discussed with the external auditors at the conclusion of the audit of the financial statements for the period.

1) Carrying value of 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. In the current year, the valuation methodology was completely reviewed as part of the stock misstatement work. In addition, the new management have reviewed the adequacy and appropriateness of the inventory provision in relation to the net realisable aspects of the stock as it ages. Management calculates the inventory provision on the basis of the ageing profile of what is in stock. Provisions are considered on a seasonal basis taking into consideration the various channels that are available to the Group to sell existing inventory and the estimated prices that can be achieved. Any changes to the prices that can be achieved could impact the provisions that are required to cover the risks associated with holding older season inventory. Adjustments are made where appropriate based on Directors' knowledge and experience to calculate the appropriate inventory carrying values.

2) Carrying value of retail fixed assets (being leasehold improvements and fixtures and fittings and the right of use asset recognised through the adoption of IFRS 16)

Retail fixed assets are identified for further impairment testing primarily on the basis of current and projected performance, with growth assumptions based on Directors' knowledge and experience. 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. Judgement is therefore applied by the Directors in assessing the trigger point for impairment, recognising that losses in the start-up phase are not always indicative of the future performance of a particular store. The future forecasts are inherently judgemental and the key sensitivity includes achieving the growth rates for a particular store and relevant to the specific market. A change in these assumptions will impact the future forecasts and management's assessment of the profitability of each store. The assumptions are continually reviewed against current trading performance and external factors that impact the fashion industry and consumer demand for specific regions, including for example macro-economic conditions that may impact consumer spending patterns and tourism. The Directors use their knowledge of the fashion industry and experience built over many years to set and monitor the assumptions included within the forecasts.

3) Going concern

The Group has organised a strategy to deliver an improved capital structure to enable the Group to trade satisfactorily. If these actions and plans are delivered, then the Group will be better placed to continue the delivery of the strategy that the new Executive team have prepared. Further details can be found within the Principal Risks and Uncertainties section on page 36.

4) Control Environment

Management confirmed to the Audit & Risk Committee that it was not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. In addition, Management, have provided the Audit & Risk Committee with confidence that through the year end accounts preparation and the review of the control environment aided by the Deloitte report that the control environment is adequate but can be improved which as stated above will be a focus for the current year. The external auditors reported to the Audit & Risk Committee the misstatements that they had found in the course of their work and no material amounts remain unadjusted.

After reviewing and challenging the presentations and reports from management and consulting where necessary with the external auditors, the Audit & Risk 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 Audit & Risk 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.

Tax Governance Framework

The Finance Director is responsible for the Group's tax policy which is implemented with the assistance of the senior finance and Group tax team. This is reviewed on an ongoing basis as part of the regular financial planning cycle. In addition, the Group's tax status is reported regularly to the Board and Audit & Risk Committee. The Audit & Risk Committee is responsible for monitoring all significant tax matters including the Group's tax policy.

In accordance with the measures announced in Finance Act 2016, Ted Baker has published on its website details of the Group's tax strategy as it relates to or affects UK taxation. The Group's tax strategy is available on the Company's website at http://www.tedbakerplc.com/investor-relations/tax-strategy.

External Audit

The Audit & Risk Committee considers the reappointment of the external auditors each year and assesses their independence on an ongoing basis. KPMG have been the Company's external auditors since 2001, with a competitive audit tender process last carried out in 2012. Following a competitive tender process, the Audit & Risk Committee has recommended to the Board that it intends to appoint BDO as auditor to the Company. Accordingly, KPMG LLP will not be seeking reappointment at the forthcoming AGM.

The Audit & Risk Committee continues to be of the opinion that KPMG are independent. KPMG have demonstrated their independence through their continued professional scepticism and challenging of management. The Audit & Risk Committee also rely on KPMG's own policies and reviews of independence in reaching its conclusion. The level of non-audit fees is also an indicator of independence and further details are set out below.

The Audit & Risk Committee oversees the Group's relationship with the external auditors and makes recommendations to the Board in relation to their appointment, reappointment and removal and approves their remuneration and terms of engagement. The Board and Audit & Risk 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 Audit & Risk Committee Chairman's pre-approval is required before the Company uses non-audit services. Where fees are expected to be above £50,000, this requires approval from the Audit & Risk Committee Chairman and one other member of the Audit & Risk Committee. The aggregate spend is also reviewed by the Audit & Risk Committee on an annual basis. Details of the auditors' remuneration for audit and non-audit fees are disclosed on page 136 in the Financial Statements for the period. The Company was in compliance with the policy in the period.

To assess the effectiveness of the external auditors, the Audit & Risk 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; and
- feedback from the businesses evaluating the performance of each assigned audit team.

The Audit & Risk Committee held meetings with the external auditors before each Audit & Risk Committee meeting to review key issues within their scope of interest and responsibility. To fulfil its responsibility for oversight of the external audit process, the Audit & Risk 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.

Internal Audit

The Audit & Risk Committee also oversees the Group's internal audit function, including its role, mandate and audit plan. Certain internal audit functions were outsourced to PwC. On joining the Group and as Chairman of the Audit & Risk Committee it was decided to review the function, agenda and scope of the Internal Audit function and the Audit & Risk Committee. With the many challenges facing the Group it was decided that temporarily the key focus of the Group was the recapitalisation effort and that there was temporarily insufficient resource to fulfil the outstanding internal audit work programme.

The stock misstatement meant there was a significant focus on this very important and material balance. The work undertaken by the finance team in support of the independent Deloitte investigation work which was also subsequently subjected to audit by KPMG as part of their year-end audit has been very important. It has usurped any internal audit work that was envisaged to have occurred in the last quarter of the financial year and has provided an invaluable assessment of the most material item in the Group balance sheet.

We will restart the very important internal audit function following the completion of the year end, together with a newly reconstituted risk committee. One major piece of work will be to look at the recommendations and actions arising from the Deloitte review of the internal control environment and to make sure they are enacted and in place in a timely basis.

The focus of the internal audit is influenced by the risks, controls and management action plans identified by the Audit & Risk Committee, which are presented to the Board by the Finance Director at regular intervals. The Audit & Risk Committee assesses the findings of the Audit & Risk Committee and tasks the internal audit with investigating how the Group has responded to them. The Audit & Risk Committee approves the scope of the internal audit function (permitting for this to change in order to remain abreast of any new developments encountered by the Group) and challenges its conclusions. When appointing the Internal Audit team, the Audit & Risk Committee satisfied itself that the people assigned to it have the necessary experience and expertise to effectively fulfil their role. The performance of internal audit is evaluated according not only to the risks it identifies but also to the proposals it offers to remedy those risks.

Whistle Blowing

The Audit & Risk Committee is responsible for the review of the Company's procedures for responding to the allegations of whistle blowers and the arrangements by which staff may, raise concerns in confidence. Any reports made to this service can be anonymous, if the whistle blower so elects, and will be sent to the Group's General Counsel and a member of the Non-Executive team which is reported to the Board at the subsequent board meeting. It is hoped that this service will encourage individuals to speak out without fear of reprisal.

Jon Kempster
Chairman of the Audit & Risk Committee
1 June 2020

Nomination Committee Report

Dear Shareholder,
I am pleased to be able to take this opportunity as Chair of the Nomination Committee to share with you the important work which has been carried out during the year, and our plans for the coming year.

I took over from Sharon Baylay as Chair of the Nomination Committee in December 2019, and throughout both our tenures as Chair, succession planning has been a key area of focus for the Nomination Committee. This has enabled us to embrace the opportunity and change presented through the implementation of the Company's transformation strategy.

During the year, both the Nomination Committee and the Board have closely reflected upon the leadership needs of the Group, together with the skills, knowledge, independence and experience needed from the Board and Senior Management.

The Nomination Committee is focused on the need to build a well-structured Board, with the size and composition that brings diversity of expertise, skills, experience, background, perspectives, and independence of thought and actions. In this regard, we inform ourselves with the perspective of our customers, employees, shareholders and wider stakeholders. For more detail, please refer to the strategic report, which explains how the Company's Directors have had regard to wider stakeholder needs when performing their duties under s172 of the Companies Act 2006.

The Nomination Committee oversaw a number of significant changes to the Board and Senior Management team over the year, requiring them to meet on ten occasions.

The role of the Nomination Committee
The role of the Nomination Committee at Ted Baker Plc is to establish a framework for appointments of three specific groups of people: Non-Executive Directors, Executive Directors, and Senior Management (defined as, the first layer of management below Board level, including the company secretary). In addition, the Nomination Committee oversee the development of a diverse pipeline for succession to the Board and Senior Management roles.

To achieve this, the Nomination Committee regularly reviews the structure, size, diversity and composition (including the skills, knowledge, independence and experience) required of the Board compared to its current position and makes recommendations to the Board with regard to any changes. The Nomination Committee considers succession planning for Directors and other Senior Management in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board and for Senior Management positions in the future.

The terms of reference for the Nomination Committee are available on the Company's website, www.tedbakerplc.com.

Process for Appointments
For Non-Executive Director roles, Executive Director roles and Senior Management positions; the Committee leads the following process for appointments in conjunction with the Chief Executive Officer.

The Nomination Committee agree on:
- specification for the role and potential areas to inform the search including current balance of skills and experience on the Board, this is used to prepare a skills matrix.
- the search agency to support the appointment. A search agency will normally be used for the appointment of the Chair and Non-Executive Directors. Different agencies may be used depending on the role specification.
- the structure of the interview process.
- a list of interviewers, potentially differentiated by the type of interview, and at what stage of the process the interviewer will be required.
- referencing requirements and candidate checks.
- any shareholder consultation required.
- engagement with the Remuneration Committee.

Once the above are agreed, a timetable for the appointment is approved and the process commences.

The skills matrix described above is created for each role, be that a new role or to fill a vacancy. These skills matrices are considered together to inform succession planning for the Board and Senior Management.

As set out in the Diversity section below, appointments will always be made on merit against objective criteria. The Board considers how these criteria can be applied to provide equality of opportunity for candidates from minority groups in relation to appointments made. An example of this ongoing consideration is the Board's initiative for unconscious bias training. You can read about this initiative in the Our People section on page 33.

All Non-Executive Directors are advised of the time commitment considered necessary to enable them to fulfil their responsibilities prior to appointment. For the Chair of the Board, this is expected to be two days a week on average. For other Non-Executive Board members, the time commitment is expected to be 15 days a year. The Nomination Committee will also seek to understand any other significant commitments held by Non-Executive Director candidates to ensure there would be sufficient time for the Non-Executive Director to meet their Board responsibilities.

For this financial year, all the Non-Executive Directors of the Company have put in significant extra hours above the expected time commitment in order to support the business in its transformation.

In line with the recommendation of the 2018 Corporate Governance Code, all Directors will stand for re-election at the AGM.

2019/20 – A Year in Review

In April 2019, Herbert Smith Freehills LLP (HSF) concluded an investigation the Board had commissioned into allegations of misconduct by the former Chief Executive Officer, Mr Ray Kelvin, which resulted in the Board accepting Mr Kelvin's resignation from the Company in March 2019. Sharon Baylay, as the most recently appointed independent Non-Executive Director was appointed by the Board to be the independent chair of the investigation. As a result, Sharon spent a significant amount of time engaging with colleagues both directly and indirectly through HSF to fully understand the issues. The outcome of the investigation provided the Board with a wide-ranging review of our people policies, procedures and handling of HR related complaints. This review produced a significant piece of work called Programme 15, a range of policy and process changes which has consequently provoked a healthy productive dialogue with our teams and has enabled us to move forward in a more collaborative, consultative way. You can read more about the impact that Programme 15 has had on our organisation in the Our People section on page 33. Another important and relevant step taken by the Board was to introduce an external independent reporting tool - Expolink - to give further opportunity to hear the voice of our colleagues. Having been fully involved in all this work, the Board had already announced that Sharon was the most appropriate person to be appointed as the designated Non-Executive Director for workforce engagement. This ensured the business both fulfilled its obligations under the 2018 Corporate Governance Code and was set up to comply with the recommendations set by HSF as part of their investigation.

As part of the response to the recommendations set by HSF, the Nomination Committee agreed upon the requirement for an additional Non-Executive Director who had a strong background in Human Resource leadership and deep experience in retail.

The Nomination Committee were delighted to recommend to the Board the appointment of Helena Feltham as independent Non-Executive Director to be effective from 1 May 2019. Helena's biography can be found on page 49.

To ensure that the Board and its Committees retain the correct balance of skills and experience, the Nomination Committee monitor overall structure, size, diversity and composition. As a result of the directorate changes during 2019/20, the below changes were recommended.

On 10 December 2019 Sharon Baylay was appointed to the role of Acting Chair of the Board, following David Bernstein's immediate resignation. As a result of this, Sharon stepped down from chairing the Nomination Committee and membership of the Remuneration and Audit & Risk Committees. Helena Feltham was then appointed to Chair the Nomination Committee, and became a member of the Remuneration and Audit & Risk Committees. In addition, Jennifer Roebuck stepped down from the Audit & Risk Committee. A search for a new permanent Chair of the Board commenced, and Korn Ferry were appointed to undertake this work.

Ron Stewart had indicated at the 2019 AGM that he would not be standing for re-election. The Nomination Committee specified that the role of Audit Chair for the Board required an individual with a strong track record in the areas of corporate development, strategy implementation, and operational performance transformation. The search agency Ridgeway Partners was used to support the search for this appointment.

The Nomination Committee were delighted to recommend to the Board the appointment of Jon Kempster as independent Non-Executive Director and Audit & Risk Committee Chair. Jon's biography, which deals with the wealth of relevant public company experience in multinational organisations across a range of sectors, can be found on page 50.

On 17 December 2019, Ron Stewart stepped down and Jon Kempster was appointed to the Board. Jon Kempster assumed the role of Chair of the Audit & Risk Committee and also joined the Remuneration Committee. From the same date, Helena Feltham took on the role of Senior Independent Director.

On 1 April 2020, Jennifer Roebuck stepped down from her Non-Executive Director position on the Board (and therefore as a member of the Nomination Committee). Details of her new role within the business are set out in the Senior Management Appointments section below.

For full details of Committee memberships please see pages 49 to 50.

As a result of these directorate changes throughout the year, all of the Non-Executive Board members and the Acting Chair of the Board are independent.

2019/20 – Executive Appointments to the Board
Following a period of performing the role of Acting Chief Executive Officer, on 11 April 2019, Lindsay Page was appointed as the Company's Chief Executive Officer.

To follow this appointment, the Nomination Committee believed it critical to appoint a strong and experienced Chief Financial Officer to join the Board. Ridgeway Partners were appointed to undertake this search. The Nomination Committee agreed the specification for the role, and a number of strong and diverse candidates were put forward and shared with the Nomination Committee.

Meetings led by Sharon Baylay as the Nomination Committee Chair and including Helena Feltham, David Bernstein and the Chief Executive Officer, resulted in a short list being compiled of the preferred candidates who then met with the other Non-Executive Directors of the Group and some members of the Senior Management team. Follow up discussions were had reflecting on the actions required to deliver the Company's strategy to grow the business in the challenging retail environment faced, and the significant brand and retail experience required to deliver this.

The resulting recommendation to the Board was that Rachel Osborne be appointed to the Board as Chief Financial Officer from 11 November 2019. Rachel's biography can be found on page 49.

Following the immediate resignation of Lindsay Page, the Chief Executive Officer, on 10 December 2019 Rachel Osborne was appointed Acting Chief Executive Officer. The Nomination Committee used the search agency Sam Allen Associates to support the search for a permanent Chief Executive Officer. Following a thorough and competitive search process, the Board was delighted to appoint Rachel as Chief Executive Officer on 30 March 2020.

2019/20 – Senior Management Appointments
In line with the Company's transformation strategy, the Nomination Committee in consultation with the Executive Directors have spent significant time and care considering the Senior Management structure. This being the first layer of management below Board level, including the company secretary.

A new structure has been designed to optimise Ted's Senior Management team effectiveness by introducing clear accountability for each Senior Manager reporting to the Chief Executive Officer. It will also ensure greater alignment between Ted Baker's strategic intent and what each function is targeted with achieving, as well as simplifying ways of working. This is the team that will drive forward the significant long-term growth opportunities we see ahead of us, enabling us to optimise:

- Ted Baker's strong, unique brand
- The global reach we have worked so hard to build over the years
- The historical investments we've made in areas like logistics, infrastructure and our store estate
- Other strategic growth opportunities available to us.

<u>Chief Customer Officer</u>
A search was commissioned and undertaken by The Up Group, for the new role of Chief Customer Officer. Jennifer Roebuck, a Non-Executive Director of the Plc Board, participated as a candidate in the search and following a full and independent process was considered the most suitable candidate, and was successful in being appointed to the role.

As Chief Customer Officer, Jennifer will develop a customer and digital strategy across the business and explore new digital partnership opportunities to drive accelerated growth. Jennifer stepped down from her Non-Executive Director position on the Board on 1 April 2020 as a result of joining the Company's Senior Management team.

<u>Chief People Officer</u>
On 6 January 2020 Peter Collyer joined the Company as Chief People Officer. Peter brings a wealth of experience in retail and HR to Ted Baker. Most recently he was People Experience Director at ASOS Plc. Sam Allen Associates were commissioned to undertake the search.

<u>Chief Executive Officer for North America</u>
The Nomination Committee was also pleased to recommend Ari Hoffman in the new role of Chief Executive Officer for North America. While the United States is Ted Baker's second biggest market, our presence is relatively small in terms of market share. Having Ari on board from 2 December 2019, will help us advance our global expansion strategy, tapping into the significant potential for growth we see in the North American market.

Ari has a huge amount of experience of working in the North American retail market. He has held CEO/President positions in the US for a range of retail and prestige fashion brands, most recently he was CEO for Scotch & Soda USA. Janou Pakter were commissioned to undertake the search.

<u>A thank you to Senior Management leavers</u>
Three of our Senior Management team have left the business as a result of implementing the new Senior Management structure. We would like to take the opportunity to thank Donald Browne, Rebecca Rodden and Mat Ashby for their contributions over the years

to Ted Baker Plc.

For some others, the new structure has opened opportunities to step-up, demonstrating our strong internal pipeline.

Board evaluation

For 2019/20, the Acting Chair of the Board commissioned an externally facilitated evaluation of the Board and Committees' effectiveness, given that the Nomination Committee were searching for a new Chair of the Board. This externally facilitated evaluation was designed to inform the development of the skills matrix for the role, and will be shared with the new Chair of the Board to support their leadership and development of the Board.

Given the requirements defined by the Board, the externally facilitated evaluation of the Board and Committees' effectiveness was undertaken by Dominic Schofield of Korn Ferry. Korn Ferry then had a connection with Ted Baker this year, being both the external evaluator, and the search agency for the role of Non-Executive Chair. This decision was actively taken by the Board as the evaluation was designed to inform the search for a new Non-Executive Chair, and having the same company undertake both projects was considered by the Board to be very effective.

Over the course of two months Korn Ferry invited Executive Directors, Non-Executive Directors and Senior Management to respond to a questionnaire, designed by Korn Ferry with input from the Acting Chair of the Board Sharon Baylay. Korn Ferry attended a Board meeting and an Executive Director meeting. Korn Ferry held in person meetings with each Executive Director and Non-Executive Director on a one to one basis. Several one to one meetings also took place with members of the Senior Management team.

The results of the evaluation are set out on page 54 to 55, including the immediate and slightly longer term actions taken to adopt some of the recommendations made to the Board.

Diversity

Boardroom diversity is an important consideration when assessing a candidate's ability to contribute to and complement the abilities of a balanced Board. As a global business, the Group recognises the importance of having a team which represents our target audience to deliver the Group's success and to ensure the brand remains relevant. The Group continues to support the development and progression of all employees, with the aim of maintaining and achieving diversity throughout all levels of the organisation.

The Group's Equality Diversity and Discrimination Policy was reviewed and updated in October 2019. We intend to review the policy annually, with the next review and any update being due October 2020. The objective of the Policy is to ensure a culture exists in Ted Baker which doesn't, in any way or under any circumstances, tolerate or ignore bullying, harassment or victimisation and treats all allegations or situations very seriously. We aim to create an environment and culture where everyone is treated fairly, and with the utmost dignity and respect. The policy is supported by the Company's People Function which provided training to all the workforce. Further details on how the policy is implemented can be found in Our People section on page 33 including the initiatives taken which combine all aspects of diversity and representation including areas such generation, background, gender and sexual orientation.

The Nomination Committee abides by the Group's Equality Diversity and Discrimination Policy when making appointments. 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. The Board will consider how these criteria can be applied to provide equality of opportunity for candidates from minority groups in relation to appointments made.

The Committee welcomes the Hampton-Alexander Review which seeks to improve Board and Senior Management diversity across FTSE350 companies. The gender split of Directors as at 25 January 2020 is 66% female membership. Including the Company's Senior Management (the first layer of management below board level including the company secretary) as at 25 January 2020 is 35% female membership. Including the Senior Management and their direct reports (two layers below the Board), the gender split as at 25 January 2020 is 51% female membership.

2020/21 – The year so far

Following the resignation of David Bernstein, former Executive Chair of the Board, the Nomination Committee commenced a search, supported by Korn Ferry, to appoint a permanent independent Non-Executive Chair of the Board.

The process for appointments was followed for the Non-Executive Chair role, in line with all other Non-Executive appointments. The former Chair, David Bernstein, was not involved in the selection or appointment of their successor.

On 22 April 2020, the Board announced the appointment of John Barton as Non-Executive Chair of the Board. John, who will join the Board in July, brings a wealth of relevant experience to Ted Baker, having held senior non-executive positions across a number of leading consumer-facing businesses.

Following Rachel Osborne's appointment to Chief Executive Officer, the Nomination Committee commenced a search for a permanent Chief Financial Officer.

The search agency Ridgeway Partners was used to support the search for this appointment. Following the process for appointments as set out above, including candidate interviews by Ridgeway Partners, Director interviews, and feedback being sought from our internal candidate, and David Wolffe's team, the Board was delighted to appoint David as Chief Financial Officer on 18 May 2020.

On 20 May 2020, we announced the appointment of Anthony Cuthbertson as Global Creative Director. The Board are very pleased to secure Anthony for such a key role for the business. Underlying Ted Baker's strategy is an emphasis on design, product quality and attention to detail, which we have every confidence will be delivered by Anthony with passion and commitment. Anthony will join Ted Baker later in the year.

2020/21 – The Objectives for the Next Financial Year

As the new Senior Management structure is embedded into the business in 2020/21, the Nomination Committee will seek to review our succession plans for the short, medium and long term, for both the Board and Senior Management positions. A core element to this programme will be to develop the training and resources available to support internal progression to Senior Management positions and the Board. This enhances our current efforts to produce a robust talent pipeline that promotes continuity in the Group's growth and progression in the business' culture.

The succession plans will be created in line with the Nomination Committee's terms of reference. Ensuring the Nomination Committee continues to build a diverse pipeline for succession in line with the Group's Equality Diversity and Discrimination Policy.

The Nomination Committee will keep under review for 2020/21 and beyond the options for workforce engagement. The excellent work Sharon Baylay has undertaken is set out in the Our People section of the Annual Report, and includes the establishment of an employee engagement forum, the Fresh Eyes Forum, which the Board will continue to develop.

Helena Feltham
Chair of the Nomination Committee
1 June 2020

Directors' Remuneration Report

Part A: Annual Statement

Dear Shareholder,

I am delighted to present the Directors' Remuneration Report, which has been prepared on behalf of the Board by the Remuneration 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 Financial Conduct Authority and the UK Corporate Governance Code.

The Remuneration Report is split into three parts:

- Part A: *The Annual Statement.*

- Part B: *The Directors' Remuneration Policy* which sets out the Company's policy on Directors' remuneration that will apply with effect from this year's Annual General Meeting ("AGM"), and the key factors that were taken into account in setting the policy. The Directors' Remuneration Policy, first published in the 2014 Annual Report has been revised to incorporate the changes highlighted below and is subject to a binding shareholder vote at this year's AGM, and after that at least every third year.

- Part C: *The Annual Report on Remuneration* which sets out payments and awards made to Executive Directors and Non-Executive Directors during the 2019/20 financial year and details the synergy between Company performance and remuneration for that period. This is subject to an advisory vote at this year's AGM.

2019/20 – A Year in Review
For the Remuneration Committee, the year has been focused on the continuous improvement of our remuneration policies, in order to continue motivating our talented and committed teams during the difficult process of implementing the Company's Transformation strategy. This year I am pleased to present for your consideration a new Directors Remuneration Policy that has taken much consideration and input from our key shareholders to ensure we have reflected their contribution and have addressed their feedback.

Last period's Directors' Remuneration Report (excluding the Directors' Remuneration Policy) was approved by 91.77% of shareholders, and the Directors' Remuneration Policy in force during the current period was approved by 95.2% of shareholders at the AGM held on 13 June 2017. This high level of shareholder approval confirms our reasonable approach to remuneration.

I hope that we will continue to receive this strong level of support at this year's AGM for the new Remuneration Policy set out in Part B.

There have been a number of key changes to the governance regime in this area since our current Remuneration Policy was approved, with a revised UK Corporate Governance Code and key changes being made to the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. We have reviewed our Remuneration Policy in light of these changes as well as the challenging retail environment in which Ted Baker operates.

The proposed changes reflect the Remuneration Committee's desire to align with UK corporate governance best practice and ensure that we are as transparent as possible with shareholders across all areas of the Remuneration Policy. In particular, in formulating and implementing the Remuneration Policy the Remuneration Committee has considered the following as referred to in the UK Corporate Governance Code:

Clarity - Incentive arrangements are based on clearly defined financial and strategic performance metrics.

Simplicity - Remuneration arrangements are simple, comprising of the fixed elements of base salary, benefits and pension; short term incentives of Annual Bonus; and long term incentives of the LTIP.

Risk - The Remuneration Committee considers that the structure of the Annual Bonus and LTIP does not encourage inappropriate risk-taking. In addition, malus and clawback provisions apply to the Annual Bonus and LTIP.

Predictability - The total remuneration opportunity graphs provide estimates on the potential future reward opportunity including target and maximum performance, as well as incorporating share price appreciation.

Proportionality - The Remuneration Committee may seek to override formulaic outcomes if the outcome does not reflect underlying company and individual performance and the wider business circumstances.

Alignment to culture - In determining executive remuneration, the Remuneration Committee considers a number of wider workforce themes as part of its review, including workforce demographics and the reward, incentives and conditions available to Ted Baker's workforce generally to ensure executive remuneration is appropriate from a cultural perspective.

We believe that now, more than ever, discretion around remuneration to avoid outcomes that do not reflect underlying company and individual performance and the wider business circumstances is vitally important. We also believe that given the turnaround position the Company is in, we need to make sure that executives are motivated to achieve the evolving strategic objectives to bring Ted Baker back to growth. In doing so, we aim to align executives to the shareholder experience. I hope when you read the new Remuneration Policy, you will see that many of the proposed changes reflect these beliefs.

We started our programme of shareholder consultation back in September 2019. And through a changing retail landscape, I have taken great care to meet with a large proportion of our shareholder base, both in person and via conference call. Some of the key changes proposed to the existing Remuneration Policy have been determined after taking into account shareholder feedback. These are summarised below:

- A change in the performance metrics for the Annual Bonus scheme and LTIP to ensure that a range of financial and strategic metrics can be set by the Remuneration Committee in order to target the strategic objectives of the business in this period of transformation.
- Introduction of deferral into shares for a two-year period for any annual bonus exceeding 100% of base salary, thereby aligning executives to the shareholder experience.
- Alignment of the pension contribution rates for Executive Directors (or payments in lieu) with those available to the wider workforce, incorporating this key change to the governance regime.
- Strengthening of the post cessation shareholding guidelines which again, align executives to the shareholder experience.

Bonus and share plan performance
Given the very difficult trading conditions the stretch profit target set at the beginning of the year has not been exceeded. As a result, no annual bonus payment to the Executive Directors or the wider employee population was made.

The fourth award made under the shareholder-approved Ted Baker Plc Long-Term Incentive Plan 2013 (the “2013 LTIP”) was due to vest in April 2019. Again, against very difficult trading, the required performance conditions for our profit growth and share price were not met.

Looking to the future, a seventh award of options was made under the 2013 LTIP in April 2019. This award of options carries the equivalent share price and profit growth performance conditions as the six previous awards and will vest in April 2022.

2019/20 – People Changes
As you will have read in the Nomination Committee report, and to ensure that the Board and its Committees retained the correct balance of skills and experience, there were a number of directorate changes during 2019/20, with the following remuneration implications.

The Board accepted Mr Kelvin’s resignation from the Company in March 2019 and subsequently on 11 April 2019, Lindsay Page was appointed as the Company's Chief Executive Officer. Lindsay received a salary increase of £20,000 to £460,000 per annum for the period he was acting in this capacity, backdated to 7 December 2018.

On 4 March 2019, Non-Executive Chairman, David Bernstein, was appointed as Executive Chairman, to provide additional support to Lindsay Page and received an annual salary of £200,000. David did not receive any of the other benefits usually provided to an Executive Director outlined in the Remuneration Policy given the short-term nature of his appointment.

On 11 November 2019 Rachel Osborne joined the Company as Chief Financial Officer and was appointed to the Board. Rachel received a salary of £440,000 per annum, and in line with the wider workforce, a pension contribution of 3%.

On 10 December 2019, Lindsay Page resigned as Chief Executive Officer and David Bernstein resigned as Executive Chairman.

On 10 December 2019 Sharon Baylay was nominated to the Board to become its independent Acting Chair and received a salary increase of £50,000 to create an Acting Chair salary of £130,000 per annum.

Full details of payments made to Lindsay Page and David Bernstein are contained on pages 85 to 89. In summary, Lindsay receives a payment in lieu of the balance of his 12-month notice period, made in monthly instalments and subject to reduction should Lindsay secure alternative employment. Lindsay was not eligible to receive a bonus for the 2019/20 year and all of his outstanding unvested LTIP awards lapsed. David receives a payment in lieu of his six-month notice period, to be made in monthly instalments and subject to reduction should David secure alternative employment. However, in light of COVID-19 Lindsay agreed to waive the final six monthly instalments and David agreed to defer the final three monthly instalments until a future date to be agreed between the Company and David.

2020/21 – The Year Ahead
We congratulate Rachel Osborne in securing the role of Chief Executive Officer. Rachel’s salary for this role will be £525,000 per annum and in line with the wider workforce, receives a pension contribution of 3%.

We also congratulate David Wolffe in securing the role of Chief Financial Officer. David’s salary for this role will be £375,000 per annum and in line with the wider workforce, receives a pension contribution of 3%.

In light of the current difficult trading conditions, the Remuneration Committee has proposed no increase in base salaries of the Executive Directors payable for 2020/21. This is consistent with the approach for employees across the Group where no increase has been applied, subject to individual objectives being met, and except in cases of exceptional performance, changes in roles or responsibilities, or promotion.

It is currently intended that awards will be made to Executive Directors under the annual bonus scheme and the LTIP following the 2020 AGM, and it is anticipated that these awards will be subject to the performance conditions as set out in the Directors' Remuneration Policy. When making any decisions in relation to LTIP and annual bonus awards in 2020, such as whether to make awards, the timing of awards, awards levels and the performance targets, the Remuneration Committee will consider the impact of the COVID-19 pandemic, and the need to ensure that executives are aligned with the experience of shareholders, employees and other stakeholders.

In light of the COVID-19 pandemic, the Non-Executive Directors and the Executive team have, from 1 April 2020, taken a voluntary pay cut of 15% of their fees/salary until further notice and other senior team members have taken a voluntary pay cut of 10% of their salary.

As set out above the Remuneration Committee has been focused on the continuous improvement of our remuneration policies, in order to continue motivating our talented and committed teams during the difficult process of implementing the Company's transformation strategy.

For this year's AGM you will see that as well as putting forward a new Long-Term Incentive Plan, we are also putting to shareholder vote a new incentive plan, the Ted Baker Incentive Plan.

The Remuneration Committee is responsible for the remuneration of the senior management of the business, as well as the Executive Directors, and the Ted Baker Incentive Plan is designed and intended for the senior management level and their direct reports.

By introducing this plan, the Remuneration Committee hope to engage senior management and their direct reports through aligning their reward with the strategic objectives of the business and aligning them with the shareholder experience. In this regard the Remuneration Committee will support the Nomination Committee in building a strong pipeline for succession.

This Group methodology for rewarding individual performance ensures that each individual employee is challenged on achieving goals linked with their departmental and wider business objectives. While in its infancy, measures directly linked to strategic objectives are providing greater awareness, ownership and contribution. Exceptional increments above the pay for performance increment are reserved for significant change in role or responsibilities, market value at the median level, and relative value to Ted.

The Gender Pay Gap Report will be published on the investor relations website at http://www.tedbakerplc.com. The Remuneration Committee is committed to ensuring equitable pay considerations across gender and relative scaled roles.

In Conclusion
I would like to thank you for your support in approving the outgoing Remuneration Policy and hope that we can rely on your vote in favour of the new Directors' Remuneration Policy and the Annual Report on Remuneration at this year's AGM.

Andrew Jennings
Chair of the Remuneration Committee
1 June 2020

Part B: Directors' Remuneration Policy

Remuneration Policy

The Remuneration Policy described in this section is intended to apply from the date of the 2020 AGM, subject to shareholder approval. We have included an explanation of how our forward-looking policy differs from the policy that was approved at the 2017 AGM and which has been in operation for the three last financial years.

The aim of the Remuneration Policy is to attract, motivate and retain high quality management. The Remuneration Policy is designed to incentivise Executive Directors according to the levels of value generated for shareholders, and to use performance metrics that create a strong linkage between Executive Director remuneration and business performance over the short and the longer term.

The total breadth of the remuneration package is evaluated upon comparison with the individual components and total reward value of packages offered within 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 as and when required to ensure that we remain competitive within the broader retail sector and with other companies of similar size.

Remuneration packages for Executive Directors are structured to provide a balance between fixed base 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

The Remuneration Policy uses fixed annual elements of remuneration such as salary, pension and benefits to recognise the status of our Executive Directors 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 KPI's. It also creates a synergy between the Executive Directors' personal return and the return to investors.

Decision making process regarding Executive Director remuneration

When considering the implementation of the Remuneration Policy, the Remuneration Committee will review the following:

a) base salary;
b) proposed maximum annual bonus opportunity, performance metrics and targets;
c) proposed level of award under the LTIP, performance metrics and targets;
d) LTIP award maximums including in the event of a 50% increase in share price;
e) pension contributions;
f) car allowance;
g) any other benefits and any proposed increases to existing benefits or addition of new benefits.

The Remuneration Committee will consider the above in light of comparison data, including the previous year's remuneration.

When considering each Executive Director's performance, the factors reviewed by the Remuneration Committee include:

a) performance metrics set for the Executive Director and progress against those metrics;
b) any other information in respect of the Executive Director's performance including any in-year feedback, and any disciplinary or performance related proceedings instituted; independent judgement is exercised when receiving views from others.
c) any other external / market factors which could have impacted performance against metrics, specifically where the Remuneration Committee may seek to override formulaic outcomes if the outcome does not reflect underlying company and individual performance and the wider business circumstances; and
d) details of any change in role or nature of the work performed from the previous financial year including any additional or more onerous responsibilities.

The Remuneration Committee considers whether any additional information is required from any third party e.g. advice from remuneration consultants on external comparators. To the extent that advice is received from external third parties, independent judgement is exercised when evaluating such advice.

In addition to the above, the Remuneration Committee will also consider:

a) the Group's financial constraints and the impact of any increases in remuneration for an Executive Director on the overall workforce remuneration costs;
b) the Group's CEO pay ratio disclosures;
c) the Group's gender pay gap disclosures;
d) the reward, incentives and conditions available to Ted Baker's workforce generally; and

e) any additional information which the Remuneration Committee considers relevant.

Remuneration Policy Table – Executive Directors

Element	Maximum potential	Operation and link to strategy	Performance metrics and time period	Changes from current Remuneration Policy
Base salary	No maximum salary, however annual increases will be broadly consistent with increases in base salary of wider employee population unless there is a change in role or responsibility, or where periodic benchmarking demonstrates that the overall remuneration package falls below the Group's policy of the targeted median level.	Salary reviewed annually and reflects the role and sustained value of the individual in terms of skills, experience and contribution. Any increases will be applied taking into account inflation and global economic conditions, and will be in line with wider employee increases, unless the results of benchmarking reports demonstrate a further increase is necessary to achieve targeted median level for any Executive Director or a higher increase is necessary to reflect significant additional roles or responsibilities taken on by the relevant Executive Director. Salaries may be reviewed outside the annual cycle in exceptional circumstances, for example where the role has changed significantly during the financial year or to apply salary progression for new Executive Directors.	N/A	The revised Remuneration Policy gives the Remuneration Committee discretion to amend salaries outside of the annual cycle, to reflect significant changes in role or progression that occur during the financial year.
Annual bonus	A limit in any financial year of 150% of base salary and up to 200% in exceptional circumstances.	Drives and rewards annual performance. Payment is determined by the Remuneration Committee following the end of the financial period. Any bonus over 100% of base salary is deferred into shares for a two-year period (under the Deferred Bonus Plan the rules of which are being put to shareholders for approval at the 2020 AGM and are	Performance measures may include both financial targets and quantifiable strategic objectives. At least 75% of the bonus will be linked to the achievement of financial targets. Financial measures may include, but are not limited to profit. Strategic metrics may include, but are not limited to, net promoter score, inventory management and employee engagement survey score.	There is an increase in the annual bonus opportunity under the revised Remuneration Policy which reflects the need to ensure that the remuneration package remains competitive and there is the ability to attract, retain and motivate Executive Directors. The Remuneration Committee will ensure that the increase in overall opportunity will be aligned with stretching performance targets.

Element	Maximum potential	Operation and link to strategy	Performance metrics and time period	Changes from current Remuneration Policy
		summarised in the AGM notice). Deferred bonuses will be awarded in the form of share options. Malus and clawback provisions apply. Malus can be applied up to the date of payment. Clawback can be applied for a period of two years after the date of payment.	For 2020/21, 75% of the bonus will be based on profit targets with reference to internal and external forecasts. 25% of the bonus will be based on delivering our transformation objectives. Performance is measured over the financial year. 0% of the bonus will vest at threshold performance with 100% of the bonus vesting at stretch performance. The Remuneration Committee reserves the right to override formulaic outcomes if the outcome does not reflect underlying company and individual performance and the wider business circumstances. This is set out in the bonus plan rules. Where exercised, the rationale for the use of this discretion will be fully disclosed in the Directors' Remuneration Report.	The revised Remuneration Policy ensures that the majority of the bonus will be subject to financial metrics, whilst allowing for the use of strategic metrics which can help to drive key areas of business performance. This is in line with market practice in the UK. The increase in opportunity is matched with the introduction of annual bonus deferral which will provide greater alignment between shareholders and Executive Directors and bring the Remuneration Policy in line with corporate governance best practice.
LTIP	A limit in any financial year of up to 150% of base salary. The Remuneration Committee has the right to award up to 300% of base salary in exceptional circumstances. In the case of new joiners, a double award may be granted in the year following their recruitment if no award was granted in the first year of their employment. For 2020 the maximum opportunity will be 300% of salary. .	Drives the overall business strategy and objectives and aligns the interests of shareholders and the executive team over the longer term. The rules of the new LTIP are being put to shareholders for approval at the 2020 AGM and are summarised in the AGM notice. Award of options over shares, or conditional awards, which vest dependent on the achievement of financial targets. 25% vesting if threshold performance	The financial performance condition may be based on underlying earnings per share, profit before tax, share price growth or other financial targets such as total shareholder return measured against a peer group. For the 2020 award, performance will be measured against Relative TSR and Cash Flow targets with an underlying EPS underpin. Equal weightings will apply to the Relative TSR and Cash Flow targets. In respect of the Relative TSR measure, threshold vesting will be	There is a higher LTIP opportunity in exceptional circumstances under the revised Remuneration Policy, which reflects the need to ensure that there is the ability to attract and retain Executive Directors. The financial performance conditions allow the Remuneration Committee to set the targets for awards made under the LTIP in line with Company strategy and the business environment. The stretching performance targets ensure maximum payout only for consistent levels of outperformance.

Element	Maximum potential	Operation and link to strategy	Performance metrics and time period	Changes from current Remuneration Policy
		over the three-year performance period, rising to 100% vesting at stretch performance. Once vested, the LTIP shares are subject to a two-year holding period. Dividends are only paid on shares which are acquired and retained following the exercise or vesting of an award. Malus and clawback provisions apply to awards under the LTIP. Malus applies during the three-year performance period up to the vesting date, and clawback applies for two years following vesting.	at median performance against the comparator group, with maximum vesting for upper quartile performance. Cash Flow targets will be set in line with three year internal and external forecasts. The underlying EPS underpin will be set with reference to internal and external forecasts. Performance conditions for future awards may vary but the Remuneration Committee will consult with shareholders on any major changes proposed. The Remuneration Committee reserves the right to override formulaic outcomes if the outcome does not reflect underlying company and individual performance and the wider business circumstances. This is set out in the LTIP rules. Where exercised, the rationale for the use of this discretion will be fully disclosed in the Directors' Remuneration Report.	New features under the revised Remuneration Policy are the combined vesting and holding period of at least five years as well the requirement that the Remuneration Committee should have the ability to override formulaic outcomes, both of which reflect the provisions of the revised UK Corporate Governance Code.
The Ted Baker Sharesave Scheme	All Executive Directors may save up to the statutory limit (currently £500 per month) towards options over shares in Ted Baker Plc (at an exercise price of not less than 80% of market value) over any three or five-year period, in line with invitations to the wider workforce.	Due to the expiry of the current Sharesave Scheme, the rules of the new Sharesave Scheme are being tabled for approval by shareholders at the 2020 AGM and are summarised in the AGM notice. The purpose of the Sharesave Scheme is to align the interests of the Executive Directors with the long-term interests of shareholders and the wider workforce.	None.	None.
Share ownership guidelines	N/A	Any new Executive Director is encouraged	N/A	The post-cessation shareholding

Element	Maximum potential	Operation and link to strategy	Performance metrics and time period	Changes from current Remuneration Policy
		to hold at least 100% of base salary in shares. Shareholdings for new Executive Directors can be acquired over five years. If an Executive Director has not met this guideline on the fifth anniversary of their appointment, they will be required to retain all shares arising from exercised LTIP awards (other than shares sold to pay tax liabilities) or any other share plan as determined by the Remuneration Committee until such time as the guideline is met. Shares in which an Executive Director, their spouse/ civil partner and/or minor children have either a legal or full and unconditional beneficial interest count towards the shareholding guidelines. In addition: • shares subject to vested but unexercised awards under the LTIP (including any vested shares subject to a further holding period) reduced by the number of shares that would need to be sold to fund the tax liability arising on exercise or vesting; and • shares subject to vested but unexercised SAYE options will also count towards the guideline. Following cessation of employment, a former Executive Director is required to retain 100% of shares which form part of the shareholding guideline set out above		requirement is a new component in the revised Remuneration Policy. This is in line with emerging UK market practice and ensures that Executive Directors remain aligned with shareholders post cessation.

Element	Maximum potential	Operation and link to strategy	Performance metrics and time period	Changes from current Remuneration Policy
		and which were obtained following the vesting of LTIP awards (including any awards that vest following cessation of employment) for a period of one year following cessation of employment, and 50% for an additional year.		
Retirement benefits	Existing Executive Directors are entitled to pension contributions to a money purchase scheme (or a cash allowance in lieu of a contribution into a pension scheme) at a rate aligned with the majority of the wider UK workforce. This is currently 3% of base salary. When recruiting a new Executive Director, the pension opportunity offered will also be at a rate aligned with the majority of the wider UK workforce.	Positioned to ensure broad competitiveness and comply with current market practice.	N/A	The reduction in pension contributions in the revised Remuneration Policy is to reflect the provisions of the revised UK Corporate Governance Code and emerging UK market practice.
Other benefits	None	Current entitlements include car allowance and medical expense insurance. The Remuneration Committee has discretion to provide additional benefits which it considers necessary in order to attract or retain Executive Directors and which are commensurate with market practice. Such additional benefits may include, for example, reasonable relocation costs in respect of a new Executive Director. Executive Directors are also offered a number of other benefits in line with other employees such as participation in the Ted Clothing Purchase Scheme.	N/A	The revised Remuneration Policy gives the Remuneration Committee the ability to offer a competitive remuneration package in line with market practice and within agreed maximum limits.

Notes to the Executive Directors' Remuneration Policy Table

Annual bonus

Profit targets are set by the Remuneration Committee by reference to internal and external forecasts. Market expectations for profit are considered a key measure of business performance for our shareholders.

Strategic measures are chosen by the Remuneration Committee with reference to the strategic objectives of the business in this period of turnaround, so that the Executive Directors are incentivised to drive the Company's transformation strategy and ensure they are rewarded for delivering that strategy.

Details of the profit targets and strategic measures applicable to the 2020/21 bonus will be disclosed in the next Directors' Remuneration Report.

The maximum bonus payable to employees is capped as a percentage of base salary which varies according to individual contracts (within the limits specified above).

LTIP

In arriving at the performance criteria for the LTIP, the comparator group used for benchmarking purposes consisted of listed companies in the retail sector and other companies with similar enterprise value to Ted Baker.

The criteria used to measure performance for the 2020/21 year are TSR and Cash Flow targets together with an EPS underpin. Relative TSR will be measured against a group of other UK listed retail companies which are, in the view of the Remuneration Committee, comparable with Ted Baker in size or nature of their business. Details of the TSR, Cash Flow and EPS targets applicable to the 2020 award will be disclosed in the next Directors' Remuneration Report.

The Remuneration Committee felt that these criteria were appropriate for the Group as they should encourage management to focus on longer-term profitable growth and align them with the shareholder experience. In arriving at the performance measures, the Remuneration Committee also took into account the views of shareholders expressed during the shareholder consultation exercise, who felt that TSR and EPS measures would be more appropriate compared to current PBT measure.

Ted Baker Sharesave Scheme

In accordance with HMRC rules, the Sharesave scheme does not permit the application of performance conditions.

Malus and clawback provisions

Awards under both the annual bonus and the LTIP are subject to malus and clawback provisions. In respect of the annual bonus, the malus provisions apply up to the date of the payment of the bonus and the clawback provisions apply for a further two years from that date. In respect of the LTIP, the malus provisions apply during the three-year performance period until the vesting date and the clawback provisions apply for two years following vesting.

The circumstances in which malus or clawback may apply are wide ranging and include:

- individual conduct (such as the participant participating in or being responsible for conduct which resulted in significant losses to a group company, the participant failing to meet appropriate standards of fitness and propriety; and where the Company has reasonable evidence of fraud or material dishonesty by the participant or has become aware of any material wrongdoing on the part of the participant);
- material failure of risk management in a group company or business unit that employs or employed the participant, or for which the participant is responsible;
- where a group company or business unit has materially mis-stated any financial information (whether or not audited) for any part of any financial year; and
- corporate failure.

Remuneration Committee discretion

In addition to the discretion set out in this Remuneration Policy, the Remuneration Committee may apply discretion in operating the Remuneration Policy as it applies to the annual bonus and the LTIP in the following matters:

- The timing of any payments.
- Any adjustments to performance conditions or awards required as a result of events such as a variation in share capital, special dividend, rights issue or corporate restructuring.
- The operation of malus and clawback provisions.
- Minor administrative matters to improve the efficiency of operation of the plans or to take account of local tax law or regulation.

Discretion regarding the treatment of leavers and on corporate events is set out in the 'Service contracts and the policy on payments for loss of office and on corporate events' section. In relation to the annual bonus and LTIP, the Remuneration Committee retains the ability to amend the performance conditions and/or targets in respect of any award or payment if one or more events have occurred which would lead the Remuneration Committee to consider that it would be appropriate to do so, provided that such an amendment should generally not make the performance conditions and/or targets materially less difficult to satisfy. Any exercise of discretion by the Remuneration Committee would be in line with the relevant plan rules or other applicable contractual documentation.

If the Remuneration Committee used any of the discretions set out in this Remuneration Policy, these would, where relevant, be disclosed in the next Directors' Remuneration Report and the views of major shareholders may also be sought.

Payments under the Remuneration Policy

Remuneration payments and payments for loss office may only be made if they are consistent with the approved Remuneration Policy or if an amendment to the Remuneration Policy authorising the payment has been approved by shareholders. However, the Remuneration Committee may make remuneration payments and payments for loss of office (and exercise any discretions available to it in connection with such payments) notwithstanding that they are not consistent with this Remuneration Policy where the terms of the payment were agreed either (i) before this Remuneration Policy came into effect provided that the payment was consistent with the shareholder approved Directors' Remuneration Policy in force at the time it was agreed or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes "payments" includes the Remuneration Committee satisfying annual bonus or LTIP awards, and in the case of share awards the terms of the payment are "agreed" at the time the award is granted.

Differences in remuneration policy for All Employees

A consistent remuneration approach is applied at all levels throughout the Group, except as outlined below, to ensure 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, access to a discretionary corporate and individual performance based annual or periodic bonus and a range of benefits dependent upon their role within the Group. The maximum potential annual base salary increase in any one year is consistent across all employees via a pay for performance scheme. Any exceptional increase to base salary is structured around specific criteria linked to significant change in role or level of responsibility, market value at a median level, value to Ted Baker and cross departmental equality for like roles. The maximum opportunity for bonus and benefits is based on seniority, responsibility and function of the role.

LTIP awards are only available to Executive Directors and other members of senior management across the Group. Awards under the Ted Baker Incentive Plan are available to members of senior management and their direct reports. Share option grants under the Ted Baker Sharesave scheme are available to all UK employees.

Malus and clawback provisions for Executive Director annual bonus payments and LTIP awards are similarly applied to senior members of the Group management team.

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.

Approach to setting fees	**Additional fees**	**Other items**	**Changes from current Remuneration Policy**
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 NED and Board duties. A higher basic fee is typically paid to the Chair of the Board. The fees for the Chair of the Board are determined by the Remuneration Committee and the fees for the other NEDs are determined by the Chair of the	NEDs are also paid an additional fee for being a member of a Board Committee, for acting as a chair of a Board Committee or for acting as the senior independent director. The Board reserves the right to pay additional fees to NEDs for taking on extra responsibilities outside of their normal duties.	NED fees are not subject to clawback or withholding arrangements. The NEDs do not participate in the Group’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. NEDs are reimbursed for reasonable expenses.	The ability to pay additional fees for being a member of a Board Committee, for acting as a chair of a Board Committee and for acting as the senior independent director were approved by shareholders at the 2019 AGM. This change is now being formally incorporated into the revised Remuneration Policy. The revised Remuneration Policy gives the Board greater ability (within the maximum aggregate fee limit) to recruit and retain high-calibre NEDs.

Approach to setting fees	Additional fees	Other items	Changes from current Remuneration Policy
Board and the Executive Directors. There is no prescribed maximum fee for a NED, but the aggregate fees for NEDs will not exceed the maximum aggregate fee limit set out in the Company's Articles of Association.			

Service contracts and policy on payments for loss of office and on corporate events

Provision	Policy	Details
Notice periods and other provisions in Executive Director service contracts	Subject to a longer initial notice period as set out below, a maximum of twelve months' notice from the Company and a maximum of twelve months' notice from the Executive Director. The Remuneration Committee retain discretion to allow for a longer initial notice period for an externally recruited Executive Director. The notice period will be reduced to no more than twelve months after the initial longer period. Executive Directors' service contracts include non-compete and non-poaching provisions.	The new ability under the revised Remuneration Policy to offer an initial notice period of longer than twelve months will only be offered in exceptional circumstances. If the Remuneration Committee uses its discretion to allow for a longer initial notice period it will set out the full details and explanation of this in the next Directors' Remuneration Report. 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.
Compensation for loss of office in Executive Director service contracts	No more than twelve months' salary, pension and benefits (excluding bonus).	Payable monthly and adjusted if the Executive Director obtains alternative employment. If a longer initial notice period is offered, as set out above, compensation for loss of office during the initial period will be linked to the length of the initial period. Executive Directors are under a contractual duty to mitigate their loss.
Treatment of annual bonus and deferred bonus on termination and corporate events	**Annual bonus** No payment unless employed on the date of payment of bonus except for "good leavers". The Remuneration Committee retains discretion to determine whether an Executive Director is a "good leaver"	**Annual bonus** "Good leavers" are entitled to a bonus pro-rated to the period of service during the period provided the financial targets have been achieved and all necessary conditions have been met.

Provision	Policy	Details
	taking account of the relevant circumstances. **Deferred bonus** No vesting unless employed on the vesting date or a "good leaver". "good leaver" circumstances, include death, disability, ill-health, injury, redundancy, retirement or otherwise at the discretion at the Remuneration Committee	The Remuneration Committee has discretion to reduce the entitlement of a "good leaver" in line with performance and the circumstances of the termination. **Deferred bonus** For good leavers, a deferred bonus award will vest either on the normal vesting date, or if the Remuneration Committee decides, on termination of employment. If the Executive Director is not a "good leaver" the deferred bonus award will lapse. If there is a change of control or other corporate event such as a demerger or special dividend which the Remuneration Committee considers would have a material effect on the share price, deferred bonus awards will vest early.
Treatment of unvested LTIP awards on termination	All awards lapse except for "good leavers" (which include death, disability, ill health, injury, retirement and redundancy). The Remuneration 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 Remuneration Committee taking account of performance to the date of leaving and pro-rated for the period of employment in the vesting period for the award. The Remuneration 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. Where good leavers have retained their LTIP awards following cessation of employment, following vesting the shares will be subject to a two-year holding period other than in exceptional circumstances as determined by the Remuneration Committee (which may include death or financial hardship).
Treatment of unvested LTIP awards on a corporate event	In the event of a change in control of the Company prior to the end of the performance period, 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.	The Remuneration Committee will have absolute discretion to waive or adjust the performance targets in the event of a change of control. 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. The two-year holding period will cease to apply on a change of control. Following other corporate events such as a demerger or special dividend some or all of an award may vest early if the

Provision	Policy	Details
		Remuneration Committee considers that the share price would be materially affected by the corporate event.
Other potential payments on termination	The Remuneration Committee has the discretion to make additional payments on termination of employment that are in line with market practice. These may include reimbursement of reasonable legal fees, professional outplacement services, consideration for entering into additional restrictive covenants and payments to compromise any legal claims.	Any payment to compromise a legal claim will only be made after obtaining appropriate legal advice. The Remuneration Committee will ensure that it does not exercise any discretion it has in such a way as to reward poor performance. This brings the Remuneration Policy into line with market practice and ensures that the Remuneration Committee has the necessary discretions to enable it to protect the business in the event of the termination of employment of an Executive Director.
Outside appointments	Executive Directors may accept one board appointment in another listed company.	The Remuneration Committee Chair'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: • Three to six months' notice from the Company • Three to six 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 and Letters of Appointment

Each Executive Director has a service contract. Service contracts and letters of appointment are available for inspection at the registered office.

	Date of service contract/letter of appointment	Duration of contract/appointment	Unexpired term	Notice period	Provision for compensation
David Bernstein[1]	24/01/2003	Contracts are of unlimited duration	N/A	6 months	None
Ray Kelvin[2]	17/07/1997	Contracts are of unlimited duration	N/A	12 months	None
Lindsay Page[3]	17/07/1997	Contracts are of unlimited duration	N/A	12 months	None
Rachel Osborne[4]	11/11/2019	Contracts are of unlimited duration	N/A	12 months	None
Ron Stewart[5]	01/04/2017	Three years	N/A	3 months	None
Andrew Jennings[6]	01/04/2017	Three years	2 months	3 months	None
Jennifer Roebuck[7]	29/09/2017	Three years	N/A	3 months	None
Sharon Baylay	15/05/2018	Three years	1 year 3 months	3 months	None
Helena Feltham	01/05/2019	Three years	2 years 3 months	3 months	None
Jon Kempster	17/12/2019	Three years	2 years 11 months	3 months	None
David Wolffe	18/05/2020	Contracts are of unlimited duration	N/A	12 months	None

[1] David Bernstein resigned as Executive Chairman on 10 December 2019.

[2] Ray Kelvin resigned as Chief Executive Officer on 4 March 2019.

[3] Lindsay Page resigned as Chief Executive Officer on 10 December 2019.

[4] As part of Rachel's employment contract, it was agreed that her annual bonus for FY20-21 would be subject to a minimum of £70,000, provided she has not left the company by reason of gross misconduct before the time of payment.

[5] Ron Stewart resigned as Non-Executive Director on 17 December 2019.

[6] A new service contract was put in place for Andrew Jennings from 01/04/2020 for a three-year term.

[7] Jennifer Roebuck resigned as Non-Executive Director on 31 March 2020.

Recruitment Remuneration

The Group's strong brand identity attracts talented candidates of a high calibre. If required, external recruitment agencies are engaged to support the search for specialist roles. The Remuneration Committee's approach to recruitment remuneration is to set pay levels 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 Remuneration Committee retains the principle of a median level total remuneration package when benchmarking for new and senior roles.

Buy-out awards

In order to attract key talent to Ted Baker, the Remuneration Committee will, in certain circumstances, consider making a buy-out award to compensate a candidate for losses incurred by leaving a previous employer to join the Group.

The specifics of any buy-out award would be dependent on the individual circumstances of recruitment and would not be considered as regular practice and nor would the Remuneration Committee commit to matching any expected value of awards.

If a buy-out award were made, the Remuneration Committee would seek to make them on a like-for-like basis to ensure that the value awarded would be no greater than the value forfeited by the individual.

Any buy-out award can be made in cash and/or shares and the Company may put in place a bespoke arrangement under Listing Rule 9.4.2(2) in order to facilitate a buy-out award.

The Remuneration Committee may choose to apply performance conditions to these buy-out awards.

Recruitment awards

In exceptional circumstances, the Remuneration Committee may make a one-off recruitment award (payable in either shares or cash) to a new Executive Director in order to attract an individual of the required calibre. A recruitment award will be subject to such conditions as the Remuneration Committee determines which may be linked to future performance and/or retention. Any such recruitment award would be capped at 100% of salary. This is a new provision in the Remuneration Policy and gives the Remuneration Committee additional ability to enable it to recruit high calibre Executive Directors.

Other elements of package

A relocation package may 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. The pension contribution rate will be aligned with the rate of the majority of the wider UK workforce.

The remuneration package would comprise an appropriate mixture of fixed and variable remuneration as may be required to attract a candidate of appropriate skill and level of qualification.

Minimum shareholding guidelines would be set for all new Executive Directors joining the Group.

Consistent with the policy applied to existing Executive Directors, the maximum variable pay elements for any new recruit would comprise annual bonus of up to 150% of base salary (and up to 200% in exceptional circumstances), and awards under the LTIP of up to 150% of base salary (300% in exceptional circumstances).

Statement of Consideration of Employment Conditions Elsewhere in the Company

The Chief People Officer presents to the Remuneration Committee at its meeting in February of each year on proposed pay for performance salary increment potential for the general employee population and on any changes to remuneration policy within the Group. The Remuneration Committee limits any increases in base salary for Executive Directors so that they are broadly in line with the mechanics applied across the general employee population for pay for performance and exceptional increases as detailed above. This includes the ability to make incremental changes 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 Remuneration 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 part of the Remuneration Committee's annual workload, it has a calendar of employee engagements in order to explain how executive remuneration aligns with wider company pay policy. In FY2019/20 Andrew Jennings has attended an Executive Board meeting, a Senior Retail team meeting and a Development Board meeting. Opportunities will be identified for further employee engagement in FY 2020/21.

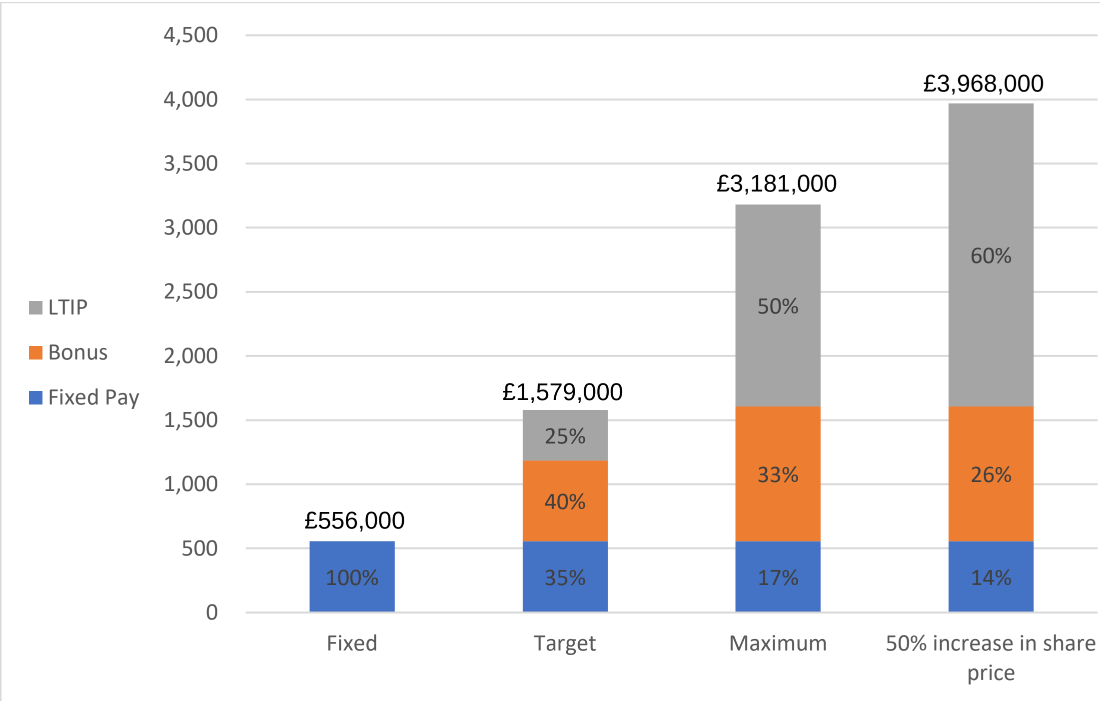
As well as benchmarking the remuneration packages of an Executive Director peer group as and when required, any benchmarking exercise undertaken which subsequently underpins the Remuneration Policy for Executive Directors also takes into account the remuneration levels of other senior executives within the Group.

The Remuneration Committee continues to support its established commitment to the Group policy of targeting total remuneration levels for senior management and employees across the Group within the median range in order to retain and reward key individuals.

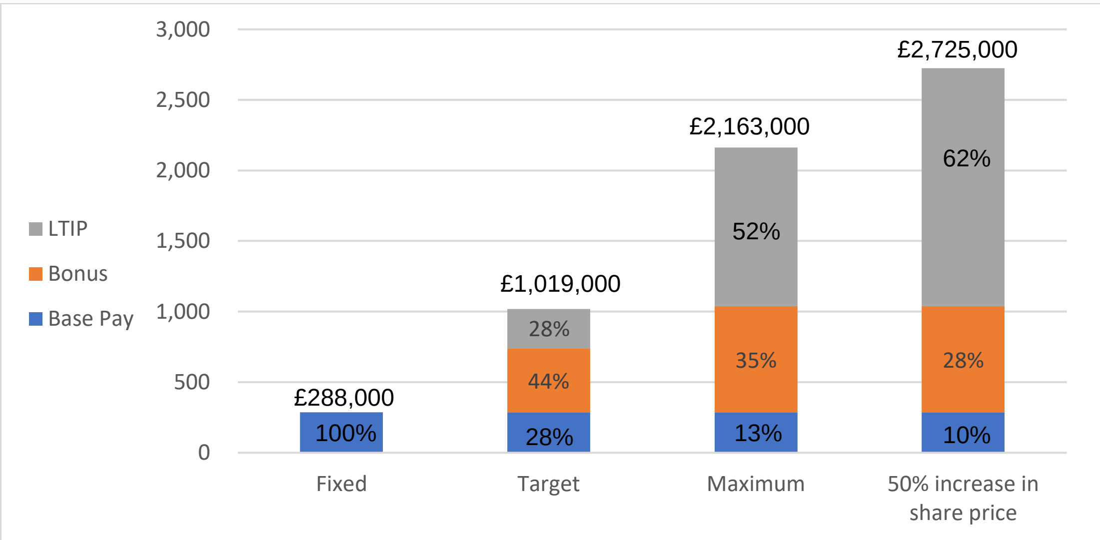
Total Remuneration Opportunity

The total remuneration opportunity for Rachel Osborne and David Wolffe that could result from the remuneration policy in 2020/21 are shown below. It is currently intended that awards will be made to Executive Directors under the annual bonus scheme and the LTIP following the 2020 AGM, and it is anticipated that these awards will be subject to the performance conditions as set out in the Directors' Remuneration Policy. As a result of this, the Group have applied 'theoretical' performance scenarios, defined in the notes below the charts.

Rachel Osborne
Appointed as Acting Chief Executive Officer on 10 December 2019 and appointed as Chief Executive Officer on 31 March 2020.



David Wolffe
Appointed as interim Chief Financial Officer on 2 January 2020 and appointed as Chief Financial Officer on 18 May 2020.



Notes:
Fixed pay is base salary plus pension and benefits.

Target performance is the level of performance required to deliver 60% of the theoretical maximum bonus, defined as 200% of basic salary, and 25% of the theoretical maximum LTIP award at the vesting date, defined as 300% of basic salary.

Maximum performance would result in a bonus payment of the theoretical maximum of 200% of basic salary and of the theoretical maximum LTIP award at the vesting date, defined as 300% of basic salary.

A theoretical 50% increase in share price would result in a bonus payment of 200% of basic salary and full LTIP award at the vesting date, defined as 450% of basic salary.

For Rachel Osborne, the remuneration opportunity includes the salary she received as Acting Chief Executive Officer and the increased salary she received from her appointment to Chief Executive Officer to £525,000 from 31 March 2020.

For David Wolffe, the remuneration opportunity includes the salary he received from his appointment to Chief Financial Officer from 18 May 2020.

Statement of Consideration of Shareholder Views

The Remuneration Committee reviews annual shareholder feedback on the Directors' Remuneration Report to ensure their views are given due consideration in forming and implementing the Directors' Remuneration Policy. Feedback is sought from key shareholders on any major changes to components of executive remuneration, including the level of awards to be made and the performance metrics in respect of the Company's long-term incentive schemes.

In September 2019, we kicked off a shareholder consultation process and engaged with key shareholders to discuss a proposed Remuneration Policy and build consensus ahead of the shareholder vote at the 2020 AGM. Following on from a productive initial shareholder consultation, we revised the proposed Remuneration Policy to reflect the feedback received and engaged in further consultation with shareholders. As a result of feedback from shareholders as part of this consultation process, the following changes were made to the proposed Remuneration Policy:

- A change in the performance metrics for the Annual Bonus scheme and LTIP to ensure that a range of financial and strategic metrics can be set by the Remuneration Committee in order to target the strategic objectives of the business in this period of transformation.
- Introduction of deferral into shares for a two-year period for any annual bonus exceeding 100% of base salary, thereby aligning executives to the shareholder experience.
- Alignment of the pension contribution rates for Executive Directors (or payments in lieu) with those available to the wider workforce.
- Strengthening of the post cessation shareholding guidelines, again aligning executives to the shareholder experience.

Part C: Annual Report on Remuneration

The tables below set 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 periods ended 25 January 2020 and 26 January 2019.

Directors' Single Total Figure of Remuneration (Audited)

52 weeks ended 25 January 2020	Salary	Benefits[7]	Performance-related bonus	Long-Term Incentive Plans	Pension	Other items	Total 2020[8]
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executive							
Ray Kelvin[1]	40	2	-	-	-	-	42
Lindsay Page[2]	398	17	-	-	50	-	465
Rachel Osborne[3]	99	5	-	-	5	15	124
David Bernstein[4]	158	-	-	-	-	-	158
Non-Executive							
David Bernstein[4]	9	-	-	-	-	-	9
Ron Stewart	77	-	-	-	-	-	77
Andrew Jennings	76	-	-	-	-	-	76
Jennifer Roebuck	67	-	-	-	-	-	67
Sharon Baylay	83	-	-	-	-	-	83
Helena Feltham[5]	37	-	-	-	-	-	37
Jonathan Kempster[6]	9	-	-	-	-	-	9
	1,053	24	-	-	55	15	1,147

Notes:

[1] *Ray Kelvin resigned from the Board on 4 March 2019.*

[2] *Lindsay Page resigned from the Board on 10 December 2019.*

[3] *Rachel Osborne was appointed to the Board on 11 November 2019 as Chief Financial Officer and on 10 December 2019 Rachel was appointed to Acting Chief Executive Officer. Rachel received a salary increase of £55,000 per annum for the period she was acting in this capacity and this has been reflected in her remuneration detailed above. As a result of resigning from her previous employer, Rachel incurred certain losses due to her being required to repay part of a bonus she had received. Under her service contract, Rachel is entitled to be compensated by the Company in respect of such losses up to a maximum amount of £200,000. The total amount that Rachel will be required to repay to her previous employer is £35,821.37, which is to be repaid in 9 monthly instalments. The amounts shown in the table reflect the gross payments to Rachel during the 52 weeks ended 25 January 2020 to compensate her (on an after-tax basis) for the repayments she has made. The remaining payments due to Rachel will be included in next year's Remuneration Report.*

[4] *David Bernstein was Non-Executive Director from 26 January 2019 to 3 March 2019 and then appointed to Executive Chairman on 4 March 2019. David resigned from the Board on 10 December 2019. During the period, he performed the role of Executive Chairman, David received a salary of £200,000 per annum and this has been reflected in his remuneration detailed in the 'Executive' section of the table above.*

[5] *Helena Feltham was appointed to the Board on 1 May 2019.*

[6] *Jonathan Kempster was appointed to the Board on 17 December 2019.*

[7] *Benefits comprise private medical insurance and car benefits.*

[8] *There has been no benefit relating to share price appreciation during the year or discretion exercised regarding any award where that discretion was influenced by share price appreciation or depreciation.*

52 weeks ended 26 January 2019	Salary	Benefits[3]	Performance-related bonus	Long-Term Incentive Plans[4]	Pension	Other Items	Total 2019
	£'000	£'000	£'000	£'000	£'000		£'000
Executive							
Ray Kelvin	459	22	-	530	-	-	1,011
Lindsay Page[1]	441	24	-	506	55	-	1,026
Non-Executive							
David Bernstein	85	-	-		-	-	85
Ron Stewart	60	-	-		-	-	60
Andrew Jennings	55	-	-		-	-	55
Anita Balchandani[2]	-	-	-		-	-	-
Jennifer Roebuck	55	-	-		-	-	55
Sharon Baylay	34	-	-		-	-	34
	1,189	46	-	1,036	55		2,326

[1] *Lindsay Page was appointed as acting Chief Executive Officer on 7 December 2018. Lindsay received a salary increase of £20,000 to £460,000 per annum for the period he is acting in this capacity, backdated to 7 December 2018. This has been included within his remuneration for the 52 weeks ended 26 January 2019.*
[2] *Anita Balchandani resigned as Non-Executive Director on 19 February 2018.*
[3] *Benefits comprise private medical insurance and car benefits.*
[4] *The value of LTIPs included in the Directors' single total figure of remuneration table above relates to Award 3 of the 2013 LTIP which vested to* 85% of *maximum on 29 April 2018. The value included is calculated using the number of options that vested at the share price on the date the award vested (£26.70), less the cost of exercise (nominal cost of 5p per ordinary share).*

Annual rates of salary in force during the period

	£'000
Ray Kelvin	
27 January 2019 – 4 March 2019	460
Lindsay Page	
27 January 2019 – 10 December 2019	460
Rachel Osborne	
11 November 2019 - 10 December 2019	440
11 December 2019 - 25 January 2020	495

Annual Bonus (Audited)

For the 52 weeks ended 25 January 2020, the financial targets set at the beginning of the period were not exceeded, and therefore no bonus was achieved.

Actual Performance Against Performance Targets (Audited)
Performance Related Bonus

The profit targets for the annual bonus and the extent of their achievement are summarised in the table below (straight-line interpolation between points in the range).

	Threshold Bonus 2020	Maximum Bonus 2020	Actual Performance 2020
Profit target[1]	£72.5m	£76.5m	£9.8m[2]
Percentage of bonus payable to Ray Kelvin	0%	100%	0%
Percentage of bonus payable to Lindsay Page	0%	100%	0%
Percentage of bonus payable to Rachel Osborne	0%	100%	0%

[1] *The profit target is an underlying profit target (excluding the impact of IFRS 16)*
[2] *Actual performance includes the impact of adding back net costs associated with IFRS 16*

Long-Term Incentive Schemes (Audited)

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

During the period, the fourth award granted under the 2013 LTIP was due to vest on 4 May 2019. The table below summarises actual outcomes against the performance conditions set for that Award.

	Performance conditions	
	Share price increase underpin[1]	**Profit per share growth[2]**
Threshold performance target	10.0%	10.0%
Maximum performance target	10.0%	15.0%
Actual performance achieved	(37.2%)	2.4%
Percentage of maximum achieved	Share price underpin not achieved	0%

[1]*Based on base average six month share price at the award date of £27.44 and the six-month average at the vesting date of £17.21.*
[2]*Based on base profit per share in 2015/16 of 132.9p and final profit per share of 142.9p in 2018/19.*

Awards made under the 2013 LTIP are subject to performance conditions of compound annual growth in profit before tax and non-underlying 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**	**Super-stretch**
Non-underlying profit before tax per share	10%	12%	13.5%	15%
Share price growth[1]	10%	10%	10%	10%

[1]*Share awards will only vest if the share price has risen by 10% over the three-year period commencing on the date that the awards are made.*

Executive Directors' Interests in the Company's Share Schemes (Audited)

	Date of grant	Maximum receivable at 26 Jan 2019	Awarded during the year	Exercised during the year	Lapsed during the year	Maximum receivable at 25 Jan 2020	Option Price (p)	Share price on date of grant (p)	Share price on date of exercise (p)	Face value of maximum receivable at 25 January 2020 (£'000)	Exercise period / Vesting date
Ray Kelvin											
2013 LTIP	30 April 2015	19,873	-	-		19,873	5	2,855.0	-	567	29 April 2018 - 29 April 2025
	05 May 2016	28,236	-	-	(28,236)	-	5	2,364.0	-	-	04 May 2019 - 04 May 2026
	06 April 2017	24,574	-	-	(24,574)	-	5	2,757.0	-	-	05 April 2020 - 05 April 2027
	03 April 2018	27,600	-	-	(27,600)	-	5	2,544.0	-	-	02 April 2021 - 02 April 2028
	16 April 2019	-	-	-		-	5	1,520.0	-	-	15 April 2022 - 15 April 2029
TOTAL		100,283			(80,410)	19,873				567	
Lindsay Page											
2013 LTIP	30 April 2015	18,979	-	-		18,979	5	2,855.0	-	542	29 April 2018 - 29 April 2025
	05 May 2016	26,967	-	-	(26,967)	-	5	2,364.0	-	-	04 May 2019 - 04 May 2026
	06 April 2017	23,469	-	-	(23,469)	-	5	2,757.0	-	-	05 April 2020 - 05 April 2027
	03 April 2018	26,400	-	-	(26,400)	-	5	2,544.0	-	-	02 April 2021 - 02 April 2028
	16 April 2019	-	46,000	-	(46,000)	-	5	1,520.0	-	-	15 April 2022 - 15 April 2029
SAYE	20 May 2014	1,875	-	-	(1,875)	-	1,600	2,000.0	-	-	01 July 2019 - 01 January 2020
TOTAL		97,690			(124,711)	18,979				542	

LTIP awards granted in respect of Lindsay Page represented 11% of the total number of the LTIP awards granted during the period (2019: 21%). The balance included other senior executives across the Group.

Following the resignation of Ray Kelvin and Lindsay Page during the period, the LTIP awards granted between 2016 and 2019 have lapsed.

No other person who served as a director of the Company during the financial year was awarded, or holds, interests in the Company's share schemes.

Directors' Shareholding (Audited)
The Directors who held office during the period had the following interests, including family interests, in the shares of the Company.

		Unvested		Vested but unexercised	
Director	Shares beneficially owned as at 25 January 2020	Share options granted under 2013 LTIP subject to performance conditions[1]	Share options granted under Ted Baker Sharesave Scheme without performance conditions[1]	LTIP 2013 share options	Sharehol ding guideline met
Ray Kelvin[1]	15,540,280		-	19,873	Yes
Lindsay Page[1]	81,532		-	18,979	Yes
David Bernstein	6,000	-	-	-	N/A
Ron Stewart	334	-	-	-	N/A
Rachel Osborne	-	-	-	-	No
Andrew Jennings	5,005	-	-	-	N/A
Jennifer Roebuck	-	-	-	-	N/A
Sharon Baylay	-	-	-	-	N/A
Helena Feltham	-	-	-	-	N/A
Jonathan Kempster	-	-	-	-	N/A

[1]*Following the resignation of Ray Kelvin and Lindsay Page, the unvested LTIP awards granted to Ray Kelvin and Lindsay Page have lapsed.*

No LTIP awards were exercised during the period.

The shareholding guidelines under the current Directors' Remuneration Policy encourage existing Executive Directors to hold a minimum of 200% of base salary in shares and for any new Executive Director (Rachel Osborne and David Wolffe) to be encouraged to hold at least 100% of base salary in shares. Shareholding for new Executive Directors can be acquired over five years.

Payments for Loss of Office (Audited)

On 10 December 2019, Lindsay Page resigned as Chief Executive Officer and David Bernstein stepped down as Executive Chairman.

Lindsay's contractual notice period commenced on 10 December 2019. Lindsay receives a payment in lieu of the balance of his 12 month notice period, calculated by reference to his annual salary (£460,000), annual pension supplement (£57,500) and the cost of contractual benefits (excluding bonus) (the figure for this element disclosed in the single total figure table for the 52 weeks ended 26 January 2019 was £24,000). This payment continues to be made in monthly instalments and subject to reduction should Lindsay secure alternative employment.

Lindsay received a payment in respect of any accrued but untaken holiday for the 2019/20 year, along with a payment in respect of any accrued but unpaid pension supplement.

Lindsay was not eligible to receive a bonus for the 2019/20 year.

Lindsay's 2017, 2018 and 2019 LTIP awards lapsed. Lindsay's vested 2015 LTIP award, which vested over 18,979 ordinary shares in the Company, will remain exercisable for a period of twelve months.

Save as set out above, Lindsay did not receive any other compensation or payment for the termination of his employment or his ceasing to be a director of the Company or any other group company.

In light of the COVID-19 pandemic, Lindsay has agreed to waive the last six months' notice payments and his restrictive covenants will be reduced by the same time frame.

David Bernstein receives a payment in lieu of his six-month notice period, calculated by reference to his annual salary (£200,000). This payment continued to be made in monthly instalments (subject to reduction should David secure alternative employment).

David received a payment in respect of any accrued but untaken holiday for the 2019/20 year.

Save as set out above, David did not receive any other compensation or payment for the termination of his employment or his ceasing to be a director.

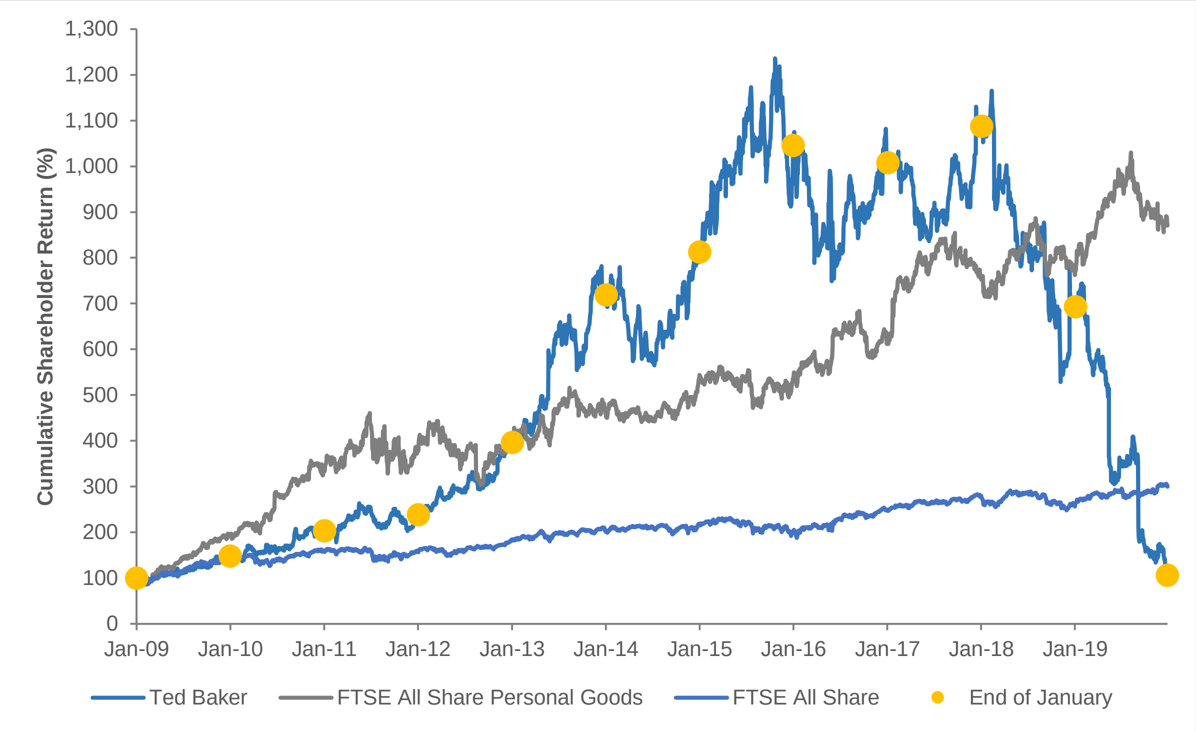
In light of the COVID-19 pandemic, David Bernstein has agreed to suspend the last three months' notice payments until a future date to be agreed between the Company and David.

Payments to past Directors (Audited)

No payments were made in the period to past Directors (2019: £nil).

Performance Graph and Table

The following graph charts the total cumulative shareholder return of the Company from January 2010 to January 2020.



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

For the financial periods ended:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Remuneration	527	569	4,126	701	757	665	1,217	1,321	1,011	485
	Note 1	***Note 1***	***Note 2***				***Note 3***	***Note 4***	***Note 5***	***Note 1***
% of maximum performance-related bonus paid	76%	67%	0%	90%	100%	50%	0%	0%	0%	0%
% of maximum LTIP vesting	0%	0%	100%	0%	0%	0%	100%	100%	85%	0%

Note 1: The performance criteria in respect of LTIP schemes due to vest in these years were not met and therefore no value 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.
Note 3: The first of the awards made under the Ted Baker Plc Long-Term Incentive Plan 2013 vested in full in July 2016.
Note 4: The second of the awards made under the Ted Baker Plc Long-Term Incentive Plan 2013 vested in full in April 2017.
Note 5: The third of the awards made under the Ted Baker Plc Long-Term Incentive Plan 2013 partially vested in April 2018.

Subsequent awards will vest, dependent on performance conditions being met, annually in future years.

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 2019 and 2020 compares with the percentage change in the average remuneration for all employees within the Group over the same period.

Year on year change %	Salary	Benefits	Bonus
Chief Executive Officer	1.3%	-8.7%	0%[1]
All Employees	10.2%	-16.9%	0%[1]

[1]The percentage change is 0% as no bonus was paid in either year.

CEO Pay Ratio

The table below compares the 2019/20 single total figure of remuneration for the Chief Executive Officer with that of the employees who are paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile) of our UK employee population.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019/20	Option B	28:1	26:1	18:1

The remuneration figures for the employee at each quartile were determined with reference to the financial year ending on 25 January 2020.

Option B was used to calculate these figures. The Committee believes that this approach provides a fair representation of the CEO to employee pay ratios and is appropriate in comparison to alternative methods, balancing the need for statistical accuracy with internal operational constraints. Under this option, the latest available gender pay gap data, that from April 2019 was used to identify the best equivalent for three Group UK employees whose hourly rates of pay are at the 25th, 50th and 75th percentiles for the Group. A full-time equivalent total pay and benefits figure for the 2019/20 financial year was then calculated for each of those employees. This was also sense checked against a sample of employees with hourly pay rates either side of the identified individuals to ensure that the identified employees reflect the best equivalents for each quartile. The pay ratios outlined above were then calculated as the ratio of the CEO's single figure (see below) to the total pay and benefits of each of these employees.

The value of each employee's total pay and benefits was calculated using the single figure methodology consistent with the CEO. No elements of pay have been omitted. Where required, remuneration was approximately adjusted to be full-time and full-year equivalent basis based on the employee's average full-time equivalent hours for the year and the proportion of the year they were employed.

As required by the regulations, the CEO single figure used to determine the 2019/20 pay ratios is based on the sum of the total single figures of remuneration for the financial year for Lindsey Page and Rachel Osborne, but with remuneration in respect of Rachel's service as CFO excluded. This gives a total of £537,196 for 2019/20.

The table below sets out the salary and total pay and benefits for the three-identified quartile point employees:

	25th percentile (P25)	Median (P50)	75th percentile (P75)
Salary	£18,923	£20,547	£29,802
Total pay and benefits	£18,987	£20,606	£30,418

The Committee considers that the median CEO pay ratio is consistent with the relative roles and responsibilities of the CEO and the identified employee. Ted Baker is committed to offering its employees a competitive remuneration package targeted at the median range for the role. Base salaries for employees, including our Executive Directors, are determined with reference to a range of factors including the role and sustained value of the individual in terms of skills, experience and contribution, market value at the median level, and relative value to Ted Baker. Due to the nature of the role, the CEO's remuneration package has higher weighting on performance-related pay (including the annual bonus and LTIP) compared to the majority of the workforce. This means the pay ratios are likely to fluctuate depending on the outcomes of incentive plans in each year.

The Committee also recognises that, due to the nature of a company's business and the flexibility permitted within the regulations for identifying and calculating the total pay and benefits for employees, the ratios reported above may not be comparable to those reported by other companies.

Relative Importance of Spend
The following table sets out the percentage change in dividends and employee remuneration for the 52 weeks ended 25 January 2020, compared to the 52 weeks ended 26 January 2019.

	2020 £'000	**2019 £'000**	**Percentage change**
Dividends[1]	3,477	26,110	-86.7%
Employee Remuneration	103,180	96,283	7.2%

[1] The value of dividends disclosed is the total interim dividend paid during the period and the final dividend proposed for the respective period.

Statement of Implementation of Remuneration Policy in the Following Financial Period
The Remuneration Policy in effect during the period was approved at the Annual General Meeting on 13 June 2017 and took effect for the three years commencing on that date. The revised Remuneration Policy outlined in section B of the Directors' Remuneration Report, will be voted upon at the 2020 Annual General Meeting and, provided it is approved, will take effect from that date.

The Remuneration Committee have confirmed that there will be no increase in the base salary of £525,000 for the Chief Executive Officer from 1 April 2020. This was determined after considering global economic factors, and is consistent with the approach for employees across the Group where no increase has been applied, subject to individual objectives being met, and except in cases of exceptional performance, changes in roles or responsibilities, or promotion.

The salary on appointment for the Chief Financial Officer will be £375,000 per annum.

There is no increase in the fees payable to Non-Executive Directors in 2020/21.

The profit targets, on which the 2020/21 annual bonus will be based, will be derived after considering internal and external forecasts. Strategic measures will be chosen by the Remuneration Committee with reference to the strategic objectives of the business in this period of transformation. The profit targets and strategic measures for the 52 weeks ending 24 January 2021 will be disclosed in the annual accounts for that period.

An award of options under the 2020 LTIP may be made during the current financial year. Awards to Executive Directors under this scheme will likely be based on up to 150% of base salary. However, the Board is requesting approval from shareholders under the new Remuneration Policy to grant awards of up to 300% of base salary under the 2020 LTIP in exceptional circumstances. The performance criteria for the 2020 LTIP awards granted in the financial year 2020/21 will be TSR, and Cash Flow targets together with an EPS underpin. The TSR and Cash Flow targets will have equal weighting. Relative TSR will be measured against a group of other UK listed retail companies which are, in the view of the Remuneration Committee, comparable with Ted Baker in size or nature of their business. Details of the TSR, Cash Flow and EPS targets applicable to the 2020 award will be disclosed in the next Directors' Remuneration Report.

Unvested awards under the Ted Baker Plc Long-term incentive plan 2013

Date of Award	Vesting date	Average six month share price at award date	Share price performance target	Profit per share at award date	Threshold profit per share growth target	Maximum profit per share growth target
06-Apr-17	05-Apr-20	£27.12	£29.83	148.3p	197.4p	225.6p
03-Apr-18	02-Apr-21	£28.09	£30.90	164.6p	219.1p	250,4p
16-Apr-19	15-Apr-22	£17.52	£19.27	151.5p	207.8p	231.1p

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 Remuneration 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 Remuneration 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 metrics and targets.

The Remuneration Committee is chaired by Andrew Jennings and its other members are Helena Feltham and Jon Kempster. The Chair and members are independent NEDs as noted in the corporate governance statements.

The terms of reference for the Remuneration Committee are available on the Company's website at www.tedbakerplc.com.

Advisers

During the period, the Remuneration Committee was assisted in its work by PricewaterhouseCoopers LLP (PwC) who was appointed by the Company in consultation with the Remuneration Committee. PwC is retained by the Remuneration Committee as its independent executive remuneration adviser. The Remuneration Committee assesses from time to time whether it considers PwC to continue to be independent. In assessing PwC's independence, comfort is obtained from PwC's adherence to the Remuneration Consultants Group Code of Conduct.

Adviser	Appointed by	Service provided to the Remuneration Committee	Fees based on hourly rates	Other services provided to the company
Pricewaterhouse Coopers LLP	Company	Review of the directors' remuneration policy, in particular short and long term incentive arrangements, design and performance conditions	£50,500	Tax, legal, project management, accounting and internal audit services to the Group.

The Remuneration Committee was also assisted in its work by the Group's Chief Executive Officer and Chief People Officer. Attendance at all Remuneration Committee meetings is extended as a matter of course by the Chair, Andrew Jennings, to Remuneration Committee members only. The Group's Chief Executive Officer and Chief People Officer are requested to attend and present their views with regards to specific points of enquiry by the Remuneration Committee, for example to be updated with regards to any changes to the wider workforce remuneration. To avoid conflicts of interest, the Chief Executive Officer and Chief People Officer are not present when the Remuneration Committee are discussing agenda items which could impact the remuneration of the Chief Executive Officer and Chief People Officer.

Statement of Voting at General Meeting

At the last Annual General Meeting, votes on the Remuneration Report (excluding the Directors' Remuneration Policy) were cast as follows.

	For % Number	Against % Number	Withheld	Reasons for votes against, if applicable	Action taken by Remuneration Committee
Approval of the 2019 Directors' Remuneration Report	91.77% 36,625,946	8.23% 3,283,005	246,655	The number of votes against the Remuneration Report was not considered to be significant	N/A

The Directors' Remuneration Policy is subject to a binding vote by shareholders every three years and was last approved at the Annual General Meeting held on 13 June 2017.

	For % Number	Against % Number	Withheld Number	Reasons for votes against, if applicable	Action taken by Remuneration Committee
Approval of Directors' Remuneration Policy included within the 2017 Directors' Remuneration Report	95.23% 35,496,307	4.77% 1,777,901	1,492,305	The number of votes against the updated policy was not considered to be significant	N/A

The Directors' Remuneration Report was approved on behalf of the Board on 1 June 2020 and signed on its behalf by:

Andrew Jennings
Chair of the Remuneration Committee
1 June 2020

Other Statutory and Regulatory Disclosures

Director's Report
The Directors' Report is required to be produced by law. The Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTRs) and Listing Rules (LRs) also require the Company to make certain disclosures.

The information on pages 95 to 98 of this document, together with the information on pages 49 to 56 (Board of Directors), page 50 (Corporate Governance Statement) and pages 57 to 66 (Audit and Nominations Committee Reports) constitute a Directors' Report that has been drawn up and presented in accordance with applicable law and regulation.

The following information which would otherwise be required to be included in the Directors' Report has been included in other parts of the Annual report as indicated:

- information on greenhouse gas emissions (on page 31 of the Strategic Report);
- information on future developments in the business (on page 7 to 9 of the Strategic Report);
- information on people policies and employees and the employment of disabled persons (on page 33 of the Strategic Report);
- information on engagement with its employees (on page 13 of the Strategic Report);
- information on our regard for its business relationships with suppliers, customers and others (on pages 13 to 14 of the Strategic Report);
- information on the use of financial instruments (Note 23 to the Financial Statements on page 160).

Such information is deemed to form part of the Directors' Report.

Management Report
For the purpose of DTR 4.1.5R(2) and DTR 4.1.8, the Directors' Report and the Strategic report comprise the Management Report.

Subsidiary Undertakings
The subsidiary undertakings of the Group in the period are listed in Note 12 to the accounts. The Group also has branches operating in Eire, Portugal and Hong Kong.

Results and Dividends
The audited accounts for the 52 weeks ended 25 January 2020 are set out on pages 112 –168. For the 52 weeks ended 25 January 2020 the Group's loss before tax was £79.9m (2019: profit of £30.7m). The Directors are not recommending a final dividend.

Directors
The Directors during the period were those listed on pages 49 to 50. Details of the Directors' beneficial interests in the shares of the Company are shown on page 89. Details of their interests in share options are given in the Directors' Remuneration Report on page 85. Brief details of the career of each Director are set out on pages 49 to 50.

Substantial Shareholdings
As at 25 January 2020, the Company had been notified, in accordance with the Disclosure Guidance 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
Ray Kelvin	15,540,280	34.87%
Toscafund Asset Management	5,744,195	12.89%
Columbia Threadneedle Investments	4,136,410	9.28%
Schroder Investment Management	2,416,020	5.42%
Aviva Investors	1,259,675	2.83%

Pursuant to LR9.8.6(2) there has been the following change in the interests disclosed to the Company between the end of the period and 26 May 2020.

Name of holder	Number	% held
Ray Kelvin	15,540,280	34.85%
Toscafund Asset Management	6,412,776	14.38%
Columbia Threadneedle Investments	4,802,509	10.77%
Schroder Investment Management	2,423,379	5.44%
Hargreaves Lansdown Asset Mgt	1,629,918	3.66%

Share Capital and Control
As at 25 January 2020, the Company's authorised share capital was 80,000,000 ordinary shares of 5p each (in nominal value). Details of the Company's share capital are shown in the Group's Financial Statements on page 114 to 118. As at 25 January 2020 there were 44,566,689 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. Subject to 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. Other than as set out in the Articles of Association, the Company is not aware of any agreements between shareholders restricting the voting rights or the right to transfer shares in the Company.

The Directors were granted authority at the 2019 Annual General Meeting (the "2019 AGM") to allot shares in the capital of the Company up to an aggregate nominal amount of £742,754 (being approximately 33% of the total ordinary share capital in issue prior to the 2019 AGM). This authority is due to lapse at the Annual General Meeting in 2020 (the "2020 AGM"). At the 2019 AGM, shareholders will be asked to grant a similar allotment authority. The Directors were also empowered at the 2019 AGM to make non pre-emptive issues for cash up to an aggregate nominal amount of £111,413 (which, in line with the Pre-Emption Group Statement of Principles (the "Principles"), reflecting the customary disapplication power over 5% of the issued ordinary share capital as it stood prior to the 2019 AGM), together with a further 5% of the issued ordinary share capital provided that this additional element could only be used in connection with acquisitions and specified capital investments (as defined in the Principles). Both powers are due to lapse at the 2020 AGM at which shareholders will be asked to grant similar powers in line with best practice and the Pre-Emption Group's Principles. The Company did not seek an authority at the 2019 AGM to buy back its own shares and there was no authority in place as at the end of the period.

Appointment and removal of directors and Articles of Association
The Articles of Association provide that the Company's shareholders may appoint any person to act as a Director or, on special notice, remove any Director from office by passing an ordinary resolution at a general meeting. The Articles also empower the Board to appoint any person as a Director. The Articles set out when a Director must leave office. These include where a Director resigns, becomes bankrupt or is prohibited from acting as a director for other reasons, is absent from the business for the long term or where a Director is required to resign by all the other Directors.

The Articles provide that any Director who was appointed by the Board during the period shall retire at the next Annual General Meeting following his or her appointment, but that Director may then stand for election by the Company's shareholders. Additionally, at each Annual General Meeting one third of the Directors must retire from office and each Director must retire at least once every three years. Retiring Directors may stand for re-election by the Company's shareholders. Notwithstanding the provisions of the Articles, the Company's current practice, in accordance with the recommendations of the Code, is to require each Director to stand for election or re-election by the Company's shareholders on an annual basis. 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.

The Articles can only be amended, or new Articles adopted, by a special resolution passed by shareholders in general meeting by at least three quarters of the votes cast.

Changes of Control
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 25 January 2020 and their connected persons had interests in the shares of the Company as shown in the table below.

	% of share capital	27 January 2020 Beneficial Number	27 January 2019 Beneficial Number
Sharon Baylay	-	-	-
Helena Feltham	-	-	-
Jennifer Roebuck	-	-	-
Andrew Jennings	0.01%	5,005	5,005
Rachel Osborne	-	-	-
Jon Kempster	-	-	-
David Wolffe	-	-	-

Pursuant to LR9.8.6R(1) there has been no change in the beneficial interests of the Directors or their connected persons between the end of the reporting period and 1 June 2020.

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 Ray Kelvin on 14 November 2014 which is intended to ensure that Ray Kelvin complies with the independence undertakings set out in LR 6.5.4 R (the "Relationship Agreement").

Pursuant to LR 9.8.4R(14)(c)(i), the Directors confirm that the Company has complied with the independence undertakings 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, Ray Kelvin and his associates have complied with the independence undertakings 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.

Donations
The value of charitable donations made during the period was £17,527 (2019: £116,783) and a total of 38 tonnes of stock was donated to various charities from which £1,041,040 was raised (2019: 24 tonnes from which £330,000). There were no political donations made during the period (2019: £nil).

Social Responsibility
Details of the Group's social, ethical and environmental responsibility initiatives are set out in the Sustainability and the Environment statement at page 27.

Risk Management
The Company's policies on financial risk management are outlined in Note 23 to the Financial Statements. Such information is incorporated into this Directors' Report by reference.

Post Balance Sheet Events
Rachel Osborne has been appointed as Chief Executive Officer with effect from 30 March 2020. John Barton will join the Board as Non-Executive Chair in July 2020. The Company has also announced on 18 May 2020 that David Wolffe will join the Board with immediate effect as Chief Financial Officer.

During the year, on 10 December 2019, the Company announced that expectations for the period ending on 25 January 2020 had been reduced to a minimum profit before tax of £5m, with a potential of up to £10m dependant on Christmas trading and final year-end review. The Group further announced on 23 March 2020 the sale and lease back of its Head Office, additional bank lending of

£11.5m and details about the impact of COVID-19. The Company also provided at that time guidance that the Group anticipated underlying pre-tax profit to be within the £5m to £10m range for the year ending 25 January 2020. It was announced on 1 June 2020 that the Company had launched an equity raise and agreed with the lending bank syndicate to increase the headroom under Facility B by a further £11.5m, taking the total Facility B facility to £25m, with a revised Facility B expiry date of 18 January 2022.

Directors have waived part of their salary and details can be found on page 11.

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.

The report was approved by the Board of Directors on 1 June 2020 and signed on its behalf by:

Peter Hearsey-Zoubie
Company Secretary
1 June 2020

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 International Financial Reporting Standards as adopted by the European Union (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, relevant and reliable;
    - state whether they have been prepared in accordance with IFRSs as adopted by the EU;
    - assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
    - use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Directors have waived part of their salary and details can be found on page 11.

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

We, being the Directors as at the date of this Report, whose names and functions are set out on pages 49 to 50, 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 Management report, which comprises the Strategic report and the 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

Chief Executive Officer	Acting Chair
1 June 2020	1 June 2020

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

1 OUR OPINION IS UNMODIFIED

We have audited the financial statements of Ted Baker Plc ("the Company") for the 52 week period ended 25 January 2020 which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group Statement of Changes in Equity, Company Statement of Changes in Equity, Group and Company Balance Sheet, Group and Company Cash Flow Statement, and the related notes, including the accounting policies in Note 1.

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 25 January 2020 and of the Group's loss for the 52 weeks 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 IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor for the 52 week period ended 27 January 2001. The period of total uninterrupted engagement is for the 20 financial years ended 25 January 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1(a) to the financial statements which indicates that the Group's net debt has increased from £123.8m at 26 January 2019 to £127.1m at 25 January 2020.

The Group has announced a number of measures to raise liquidity, including the sale of the Group's subsidiary that owns its head office in London (Big Lobster Limited) and the announced underwritten share issue. Both the sale of Big Lobster and the share issue are subject to approval by the shareholders of Ted Baker PLC.

There is also significant uncertainty as to the future impact on the Group of the COVID-19 global pandemic, with all of the Group's retail stores and those of its concession partners closed at some point since March 2020.

These events and conditions, along with the other matters explained in note 1(a) to the financial statements, constitute a material uncertainty that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. This may be exacerbated by ongoing uncertainties around the longer term impact of Brexit.

Our opinion is not modified in respect of this matter.

THE RISK: DISCLOSURE QUALITY

There is little judgment involved in the directors' conclusion that risks and circumstances described in note 1 to the financial statements represent a material uncertainty over the ability of the Group and company to continue as a going concern for a period of at least a year from the date of approval of the financial statements.

However, clear and full disclosure of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.

OUR RESPONSE

Our procedures included assessing transparency: over the completeness and accuracy of the matters covered in the going concern disclosure by:

- **Our restructuring expertise:** involving KPMG restructuring specialists to assess the key assumptions in the forecasts used by the Director's in assessing the Going Concern assumptions and considering the reasonableness of their risks and sensitivities to these assumptions;
- **Evaluating assumptions:** evaluating whether the assumptions used by the Directors relating to revenue forecasts, gross margin and actions such as capital expenditure forecasts are realistic and achievable and consistent with the external and/or internal environment and other matters identified in the audit. We considered how these assumptions impact on the sensitivities performed by the Directors;
- **Completeness of factors:** considering that key factors identified by the Directors in their evaluation of Going Concern were included in the Financial Statements.

OUR RESULTS

We found the disclosure of the material uncertainty to be acceptable (2019: Going Concern disclosure with no material uncertainty: acceptable).

3 KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a significant key audit matter and is described in section 2 of our report. We summarise below the other key audit matters (which have changed from 2019), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

3.1 – MANAGEMENT OVERRIDE OF CONTROLS

Refer to pages 58 - 60 (Audit & Risk Committee Report).

THE RISK: EFFECT OF IRREGULARITIES

The Group has made adjustments of £20.2m for errors or misstatements to inventories as at 26 January 2019. There is a risk that the weaknesses in controls which allowed for these items to remain uncorrected in the prior year financial statements could persist in similar or other areas.

In addition there is evidence that senior finance management were able to override the controls that were in place during and subsequent to the 52 weeks ended 26 January 2019 and there is a risk that this situation continues.

As a result there is a risk that controls may not prevent or detect material misstatements more broadly in the financial statements for the 52 weeks ended 25 January 2020.

The risk has been identified as a key audit matter for the first time this year.

OUR RESPONSE

Our procedures included:

- **Our Forensic expertise:** involving KPMG Forensic specialists in our audit to shadow the independent investigations commissioned by the Board, and to provide input to the scope of our test work. Their work included shadowing the independent investigation work commissioned by the Board and using their expertise to suggest additional audit procedures to be included in our audit work on inventory and other areas;
- **Approach:** reassessing our whole audit approach to identify any areas where we planned to rely on controls where the risk of them failing to identify errors was unacceptably high or areas where we might place undue reliance on management explanations or representations. As a result we revised our audit approach as necessary, adopting a largely substantive approach, with no reliance on management review controls;
- **Analytic sampling:** performing further analysis of journal entries with higher risk criteria, and extending the scope of our analytical procedures world-wide in specific areas such as revenue, or identifying journal entries posted by key management personnel in a position to override controls;
- **Extended scope:** performing additional procedures in the Group's components outside the UK, US and Canada, for example; additional analytical procedures over inventory locations; testing samples of additions to Property Plant and Equipment; analysing other receivables and prepayments and other payables in these components, and obtaining external confirmations or performing other procedures over all cash balances across the Group;
- **Lowered materiality:** for reporting components with the highest occurrence of prior period errors or misstatements, we lowered our materiality used in testing;
- **Extended scope:** throughout the audit, deepening our enquiries, and applying additional challenge, iteration and scepticism;
- **The Group's response:** assessing the Group's response to the risks that arise from the prior period errors or misstatements, also as it relates to individuals that were involved in areas where adjustments are now made, and who are still involved in financial reporting, including requesting additional procedures to be performed where in our judgment this was necessary;
- **Alternative representations:** seeking alternative representations and requiring additional procedures to be performed where, in our judgment, these were necessary in particular where there are now concerns over representations made to us in the prior year.

OUR RESULTS

From the evidence obtained, we considered the risk of management override of control to have been appropriately addressed for the reported financial position at 25 January 2020, and for the financial results of the 52 weeks then ended (2019: acceptable).

3.2 – PRIOR PERIOD ERRORS OR MISSTATEMENTS (£20.2M BEFORE TAX, £16.3M AFTER TAX) (2019:NIL)

Refer to page 57 (Audit & Risk Committee Report), page 130 (Accounting Policy) and pages 131 and 132 (financial disclosures in note 1(y) "Changes in accounting estimates, errors or misstatements").

THE RISK: ACCOUNTING TREATMENT

The Group has restated the inventory value originally reported at 26 January 2019 of £225.8m to £205.6m, a £20.2m restatement, with a resulting reduction in profit after tax for the 52 weeks ended 26 January 2019 of £16.3m. This adjustment reflects errors or misstatements in physical quantities on hand; calculations used to recognise duties in closing inventory; and parts of intercompany profits in stock that was not adjusted for in previous calculations.

Prior period errors are omissions from, and misstatements in, financial statements from a failure to use, or misuse of reliable information that was available when financial statements for those periods were authorised for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Verifying such adjustments which relate to the position more than a year ago, also where there have been changes in the management team, is more challenging than the more contemporaneous assessments that are typically made during an audit.

This is particularly acute in assessing whether any prior period errors or misstatements relate wholly to the 52 weeks ended 26 January 2019 or impact earlier periods as well or instead. As a result we have assessed this as an area of risk in our audit.

The distinction between prior period errors or misstatements and changes in estimates often includes an element of subjectivity and so there is a risk that prior period items are over or understated as a result of this distinction not been appropriately made.

Changes in accounting estimates have been separately considered in 3.3 below.

This risk has been identified as a key audit matter for the first time this year.

OUR RESPONSE

Our procedures included:

- **Our Forensic expertise:** involving KPMG Forensic specialists in our audit to shadow the independent investigations commissioned by the Board, and to provide input to the scope of our test work. Their work included shadowing the independent investigation work commissioned by the Board and using their expertise to suggest additional audit procedures to be included in our audit work on inventory and other areas;
- **Testing application:** for errors or misstatements, obtaining further contemporaneous evidence that had not been made available to us during last year's audit such as quantifications of amounts and internal communications to support that the criteria in IAS8 set out above was met as relevant;
- **Testing application:** analysing the Group's classification of all underlying individual adjustments aggregating to the total amounts based on the criteria laid down in IAS8, drawing distinction between items based on their nature;
- **Test of detail:** testing the accuracy of adjustments calculated with reference to the Group's previously reported amounts, and their revised amounts;
- **Tracing differences:** tracing adjustments made as a consequence of our procedures through to final reported numbers;
- **Assessing transparency:** assessing the transparency of the disclosure of amounts and descriptions, and the judgments and estimates included in the financial statements.

OUR RESULTS

From the evidence obtained, we considered the treatment of prior period errors or misstatements to be acceptable, and the disclosures included in the financial statements to be appropriate (2019: not applicable).

3.3 – CARRYING AMOUNT OF INVENTORIES £131.7 (2019: £205.6M)

Refer to pages 57 – 59 (Audit & Risk Committee Report), pages 128 and 129 (Accounting Policies note 1(o) "Inventories" and note 1(w) "Significant accounting judgements and estimates") and page 152 (financial disclosures).

THE RISK: PHYSICAL QUANTITIES, COSTING METHODOLOGY AND FORECAST BASED VALUATION

PHYSICAL QUANTITIES

Inventories comprise large numbers of individual items across the Group's warehouses and stores, as well as in transit locations. Inventories are counted on a rolling or rotational basis to confirm quantities on hand support system quantities.

The Group has made adjustments to physical quantities previously reported as existing at 26 January 2019, for errors or misstatements in quantities related to locations where there were weaknesses in the controls in place over stock locations and the correct recording of items in these locations.

The effect of these matters is that we determined there is a risk that inventory locations may contain reported quantities that do not physically exist.

This risk has been included in this key audit matter for the first time this year.

OUR RESPONSE

Our procedures over physical quantities included:

- **Count design:** evaluating the design of inventory counts, including the use of third party counters;
- **Count attendance:** attending a sample of inventory counts at warehouses and at stores;

- **Count vs system reconciliation:** for counts attended, reconciling recounted items to the Group's physical count result and system quantities;
- **External confirmation:** obtaining external confirmations from warehouse logistics providers of inventory quantities on hand at 25 January 2020;
- **Extended scope:** extending the scope of inventory counts by attending a sample of counts in countries not scoped in for other aspects of reporting within the overall Group audit;
- **Analytics:** analysing system quantities by location and comparing findings to other data sources, for example identifying inventory locations without revenue, identifying new inventory locations since the previous year or locations that no longer exist, and obtaining supporting explanations for the stock levels held at these locations;
- **Tracing differences:** tracing adjustments made as a consequence of our procedures through to final reported numbers.

OUR RESULTS

From the evidence obtained, we considered the physical quantities of inventories to be acceptable.

COSTING METHODOLOGY

The cost of inventories comprise costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are carried at standard cost during the year and adjustments are made to account for standard to actual variances at reporting dates. This involves the estimation of standard cost to actual cost variances and results in adjustments being made to arrive at the reported carrying amounts.

During the financial 52 weeks ended 26 January 2019 the Group largely completed the migration of inventory from the legacy CIMs stock system to AX Dynamics. As more information became available from the new ERP system, a revised stock costing methodology was adopted during the period ended 25 January 2020 to estimate and account for differences between standard cost and actual costs as reported.

As a result, there is a risk that the revised methodology developed to estimate the actual cost of inventories is not appropriate and leads to inaccurate costing of inventories.

This risk has been included in this key audit matter for the first time this year.

OUR RESPONSE

Our procedures over the costing methodology for inventories included:

- **Methodology choice:** evaluating the methodology, completeness and accuracy of the Group's inventory costing processes and testing for consistency of methodology between reporting periods;
- **Recalculation:** testing the accuracy of the Group's calculations by recalculating and testing the inputs and techniques used by the Group independently and comparing the results to their outputs;
- **Test of detail:** testing on a sample basis that the reported carrying amounts of inventories are supported by underlying documents for the costs of purchase, costs of conversion and other costs, for example by testing amounts to supplier invoices;
- **Reperformance:** testing the logic of calculations driving the underlying estimates of standard to actual adjustments, and reperforming these calculations;
- **Evaluating differences:** where differences were identified, considering the impact on further procedures and tracing adjustments to final reported numbers.

OUR RESULTS

From the evidence obtained, we considered the revised methodology developed to estimate the actual cost of inventories to be acceptable (2019: not applicable).

FORECAST-BASED VALUATION

Sales in the fashion industry can be extremely volatile with consumer behaviour changing significantly based on evolving trends.

Historically, the Group determined the inventory provision on the basis of the ageing profile of inventory on hand, calculating the provision using percentages based on this ageing profile.

As set out in the Strategic Report on page 8, the Group plans to shorten its product lifecycle from three years to two. This change in the expected product lifecycle led to a change in the way the Group estimates the provision required against inventory carrying values. The Group now forecasts the inventory it expects will remain on hand after two full trading seasons; one season in own stores, and one season in outlet stores (referred to as “terminal stock”). The inventory provision recognised at 25 January 2020 is for inventories on hand that the Group forecasts will become terminal stock.

As a result of this forecast based valuation, there is a risk that the inventory provision may not reflect all the amounts and adjustments necessary to appropriately provide for net realisable value.

Our assessment is that as a result of the change of methodology set out above the risk has reduced since last year.

OUR RESPONSE

Our procedures over forecast-based valuation of inventories included:

- **Methodology choice:** evaluating the methodology, completeness and accuracy of the Group’s inventory provision calculation;
- **Our restructuring expertise:** involving KPMG restructuring specialists in assessing the key assumptions used in forecast sales as included in the directors’ business plans and approved at the period end-date as used to estimate terminal stock;
- **Test of detail:** testing the accuracy of relevant amounts included in the inventory provision calculation to underlying information included in the directors’ business plans;
- **Test of detail:** testing the accuracy of amounts included in the inventory provision calculation to underlying data included in the inventory ledgers;
- **Evaluating directors' intent:** assessing, based on our knowledge of the Group and the market and with reference to the approved forecasts, that the inventory provision is only raised for terminal stock, and excludes the extent to which inventory is planned to be sold through alternative channels;
- **Tracing differences:** tracing adjustments made as a consequence of our procedures through to final reported numbers.

OUR RESULTS

From the evidence obtained, we considered the provision for inventory obsolescence to be acceptable (2019: acceptable).

3.4 – VALUATION OF STORE ASSETS (INCLUDED IN LEASEHOLD IMPROVEMENT AND FIXTURES AND FITTINGS - £69.8M (2019:£72.0M) AND RIGHT OF USE LEASE ASSETS - £149.0M (2019: NIL))

Refer to page 59 (Audit & Risk Committee Report), pages 127 and 129 (Accounting Policies note 1(m) and 1(w)) and page 146 and 155 (financial disclosures).

THE RISK: INCOMPLETE TRIGGER TEST AND FORECAST-BASED VALUATION

INCOMPLETE TRIGGER TEST

At 25 January 2020, the Group had 88 own stores, 306 concessions and 34 outlets. At 25 January 2020, the Group recognised £69.8m of leasehold improvements, and fixtures and fittings, relating to significant capital invested; and £149.0m for right of use lease assets relating to property leases now accounted for under IFRS16 (Leases). These include balances related to stores and are carried at cost less impairment charges.

There is a risk that store assets are overstated if future cash generated from individual stores do not support their carrying amounts.

The Group performs an impairment trigger test for all stores to identify those performing below expectations based on actual historical performance and accordingly store assets being at greater risk of impairment.

There is a risk that all store assets at risk are not identified by the Group's impairment trigger test if:

- The Group's criteria for trigger testing is not appropriate. The Group's criteria includes identifying stores with a historic cash contribution of less than 10% of turnover, and exclude stores that are early in their lifecycle (opened for less than 2 years in the United Kingdom and less than 3 years in the rest of the world);
- The Group's trigger test calculations contain inaccurate or incomplete data, or computation errors.

Where stores meet the above criteria, the Group excludes stores from further testing if an individual store's assets have a carrying value of less than £0.25m. There is a risk that stores are inaccurately excluded from further testing if the total store assets are not complete.

Our assessment is that the risk has increased since last year.

OUR RESPONSE

Our procedures to address the risk that the Group's impairment trigger test does not identify all store assets at risk included:

- **Methodology choice:** evaluating the methodology, completeness and accuracy of the Group's impairment trigger test;
- **Recalculation:** testing the accuracy of the Group's calculations by independently reperforming those calculations and comparing our results to the Group's outputs;
- **Test of detail:** on a sample basis, testing the accuracy of amounts included in the impairment trigger test to underlying financial information;
- **Test of detail:** for all stores excluded for further store-by-store impairment testing by virtue of being early in the lifecycle, testing the accuracy of the store opening dates;
- **Test of detail:** for all stores excluded for further testing by virtue of low store asset values, testing the completeness of store assets with reference to the amounts included for leasehold improvements and right of use lease assets included in the Group's impairment trigger test;
- **Independent reperformance:** we independently aggregated the value of stores from the Group's testing due to having a carrying value of less than £0.25m to ascertain if these aggregate to material amounts.

We repeated relevant procedures where we requested updates to be made to the impairment trigger test, including to properly take account of right of use lease assets.

OUR RESULTS

The results of our testing were satisfactory and we found the outcome of the Group's impairment trigger test to be acceptable (2019: acceptable).

FORECAST-BASED VALUATION

For stores identified by the Group as being at higher risk of impairment by the above trigger test, full store-by-store impairment tests are performed.

The assessment of whether there are impairments in store assets is one of the key judgmental areas that our audit is concentrated on. The Group's estimate around the expected trading performance of each relevant store is the assumption which gives rise to the greatest level of estimation uncertainty in this area.

As a result, we determined that there is a high degree of estimation uncertainty in relation to the appropriate level of total impairments required, with a potential range of reasonably possible outcomes greater than our materiality for the financial statements as a whole.

Our assessment is that the risk has increased since last year.

OUR RESPONSE

Where stores were identified for full store-by-store impairment testing, our procedures included:

- **Our restructuring expertise:** involving KPMG restructuring specialists in assessing the key assumptions (including growth rates in turnover and margin expectations) as included in the directors' business plans and approved at the period end-date;
- **Sensitivity analysis:** applying sensitivity analysis on the key assumptions used in the cash flow forecasts to assess the possible range of outcomes and the overall risk of any material impairment;

- **Test of detail:** testing the accuracy of amounts included in the impairment tests to underlying information included in the directors' business plans;
- **Test of detail:** testing the completeness of store assets included in the Group's store-by-store impairment tests;
- **Testing application:** assessing the impact of the newly adopted standard IFRS16 on Leases for full consideration in the Group's store-by-store impairment tests;
- **Tracing differences:** tracing adjustments made as a consequence of our procedures through to final reported numbers;
- **Assessed transparency:** assessing the transparency of the disclosure about the judgments and estimates made, the impairments recorded and the sensitivity of those impairments to reasonable possible changes in key assumptions included in the financial statements.

We repeated relevant procedures for updates made to the store-by-store impairment tests following our initial findings.

OUR RESULTS

The results of our testing were satisfactory and we found the carrying value of store assets to be acceptable (2019: acceptable). We found the disclosures included in the financial statements to be appropriate (2019: acceptable).

3.5 – RECOVERABILITY OF PARENT COMPANY'S INVESTMENT IN SUBSIDIARIES £25.2M (2019: £25.0M) AND RECOVERABILITY OF PARENT'S DEBT DUE FROM GROUP ENTITIES £27.1M (2019: £55.8M)

Refer to pages 149 and 152 (financial disclosures).

THE RISK: HIGH RISK, HIGH VALUE

The carrying amount of the parent company's investments in subsidiaries represents 47% (2019: 31%) of the parent company's total assets. The carrying amount of the intra-group debtor balance represents 51% (2019: 69%) of the parent company's total assets. Their recoverability is at risk of significant misstatement should the forecast future cash flows of the Group's subsidiaries not be sufficient to repay the debts, or support the value of the investment.

The risk is further increased due to the material uncertainties associated with the Group's going concern, as set out earlier in this report.

Due to their materiality in the context of the parent company financial statements, they are also considered to be the area that had the greatest effect on our overall parent company audit.

Our assessment is that the risk has increased since last year.

OUR RESPONSE

Our procedures included:

- **Our restructuring expertise:** involving KPMG restructuring specialists in assessing the key assumptions used in forecast cash flows of the Group as per the directors' business plans and approved at the period end-date;
- **Recalculation:** recalculating the Group's impairment assessment based on a value in use present value of future cash flows model, and agreeing underlying information to the Group's forecasts used in this calculation;
- **Tests of detail:** comparing the carrying amount of 100% of investments with the relevant subsidiaries' trial balance to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been sufficiently profit-making;
- **Tests of detail:** assessing 100% of the parent's debt due from group entities to identify, with reference to the relevant debtor's trial balance, whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been sufficiently profit-making;
- **Assessing subsidiary audits:** assessing the work performed by the subsidiary audit team, and considering the results of that work, on those net assets, including assessing the ability of the subsidiary to obtain liquid funds and therefore the ability of the subsidiary to fund the repayment of the receivable.

OUR RESULTS

We found the parent company's assessment of the recoverability of the investment in subsidiaries and the parent's debt due from group entities to be acceptable (2019: acceptable).

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. We continue to perform procedures over Brexit. However, as a result of developments (including the Group's own preparation for Brexit) the relative significance of this matter on our audit work has reduced (including in relation to going concern, which is now a key audit matter). Accordingly, we have not assessed Brexit as one of the most significant risks in our current year audit and it is therefore not separately identified in our report, but is considered as a secondary factor in our going concern key audit matter.

4 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 £5.0m (2019: £2.5m). In determining materiality, we considered the significant elements of inherent uncertainty related to the prior period errors or misstatements. We further compared materiality to the Group's gross benchmark of Total Assets (of which it represents 0.8% (2019: 0.5%)) and net benchmark of reported profit or loss before tax of which it represents 6.3% (2019: 8.2%)).

Materiality for the parent company financial statements as a whole was set at £0.6m (2019: £0.6m), determined with reference to a benchmark of company total assets (of which it represents 1.1% (2019: 0.7%)). The Group audit team set the components' materialities which ranged from £0.4m - £3.0m (2018: £0.6m – £2.3m), having regard to the mix of size and risk profile of the Group across the components.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £150,000 (2019 £170,000) in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 26 reporting components (2019: 26 reporting components), we subjected 4 components to an audit for Group reporting purposes (3 UK components and 1 US component) and 1 component (Canada) to specified risk focused audit procedures over revenue, cash and inventory. The latter was not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

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

2020	**Number of Components**	**Total Group revenue**	**Total profits and losses that made up Group profit before tax**	**Total Group assets**
Audits for group reporting purposes	4	84%	87%	90%
Specified risk focused audit procedures	1	4%	2%	2%
Total	5	88%	89%	92%
2019				
Audits for group reporting purposes	4	83%	83%	89%
Specified risk focused audit procedures	1	4%	1%	2%
Total	5	87%	84%	91%

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 where relevant the risks detailed above and the information to be reported back. The UK components audits, and consolidation-type adjustments impacting the rest of the Group were covered by the Group team. The work on 2 components (2019: 2 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

On account of the travel restrictions in place during the performance of the audit, the Group team has not visited the component auditor in the US and instead held virtual conference meetings with the US component auditor.

At these meetings the Group team discussed the audit strategy, the ongoing audit efforts and focus areas, and the findings reported to the Group audit team in more detail. Any further work required by the Group audit team was then performed by the US component auditor.

5 WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, other than the material uncertainty related to going concern referred to above, we have nothing further to add or draw attention to in relation to:

- the directors' confirmation within the viability statement that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6 WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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.

We have nothing to report in these respects.

7 RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 99, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. Further detail in respect of management override of controls and Prior Period Errors or Misstatements are set out in the key audit matter disclosures in section 3 of this report.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8 THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

Lourens de Villiers
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

1 June 2020

Group Income Statement

For the 52 weeks ended 25 January 2020

	Notes	52 weeks ended 25 January 2020 Underlying £'000	52 weeks ended 25 January 2020 Non-underlying items[4] £'000	52 weeks ended 25 January 2020 Reported £'000	52 weeks ended 26 January 2019 (Restated)[3] Underlying £'000	52 weeks ended 26 January 2019 (Restated)[3] Non-underlying items[4] £'000	52 weeks ended 26 January 2019 (Restated)[3] Reported £'000
Revenue[1]	2	630,478	-	630,478	639,554	-	639,554
Cost of sales		(279,719)	(43,669)	(323,388)	(257,347)	(20,201)	(277,548)
Gross profit		**350,759**	**(43,669)**	**307,090**	**382,207**	**(20,201)**	**362,006**
Distribution costs[2]		(244,124)	(24,388)	(268,512)	(240,479)	(9,281)	(249,760)
Administrative costs		(88,345)	(12,562)	(100,907)	(76,926)	(2,827)	(79,753)
Other operating (loss)/income		144	-	144	1,808	-	1,808
Operating profit/(loss)		**18,434**	**(80,619)**	**(62,185)**	**66,610**	**(32,309)**	**34,301**
Share of post-tax (losses)/profits from joint ventures	12	(1,229)	(989)	(2,218)	538	-	538
Finance income	4	138	-	138	280	-	280
Finance expense[2]	4	(12,565)	(3,026)	(15,591)	(4,463)	-	(4,463)
Profit/(loss) before tax	3	**4,778**	**(84,634)**	**(79,856)**	**62,965**	**(32,309)**	**30,656**
Taxation	6	(1,804)	11,243	9,439	(12,089)	5,911	(6,178)
Profit/(loss) after tax attributable to owners of the company	3	**2,974**	**(73,391)**	**(70,417)**	**50,876**	**(26,398)**	**24,478**
Profit before tax, IFRS16 and non-underlying items	3	**9,798**			**62,965**		
(Loss) / earnings per share	9						
Basic				(158.0p)			55.0p
Diluted				(157.8.p)			55.0p
Dividends per share							
Interim				7.8p			17.9p
Final				-			40.7p

[1] Revenue for the 52 weeks ended 26 January 2019 has been restated to include licence income (see Note 1(e)).
[2] The Group has initially applied IFRS 16 at 27 January 2019, using the simplified modified retrospective transition approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings as at the date of application (see Note 1 (a) ii).
[3] The prior period errors or misstatements relating to stock are detailed further in Note 1(y)).
[4] More detailed on non-underlying items are included in Note 3 and a reconciliation of Alternative Performance Measures is included in the Appendix on page 170.

The accompanying notes are an integral part of the financial statements.

Group Statement of Comprehensive Income

For the 52 weeks ended 25 January 2020

	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019 (Restated)[1]
	£'000	£'000
(Loss)/profit for the period	**(70,417)**	**24,478**
Other comprehensive (loss)/income		
Items that may be reclassified to the Income Statement		
Net effective portion of changes in fair value of cash flow hedges	2,227	2,665
Exchange differences on translation of foreign operations net of tax	1,472	4,891
Other comprehensive income/for the period	**3,699**	**7,556**
Total comprehensive (loss)/income for the period	**(66,718)**	**32,034**

[1] *The prior period errors or misstatements relating to stock are detailed further in Note 1(y)).*

The accompanying notes are an integral part of the financial statements.

Group Statement of Changes in Equity

For the 52 weeks ended 25 January 2020

	Note	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Retained earnings (Restated)[1]	Total equity attributable to equity shareholders of the Company (Restated)[1]
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 26 January 2019		**2,228**	**10,555**	**(183)**	**4,856**	**211,012**	**228,468**
Adjustment on initial application of IFRS 16[2]						11,083	**11,083**
Balance at 27 January 2019		2,228	10,555	(183)	4,856	222,095	**239,551**
Comprehensive income for the period							
Loss for the period		-	-	-	-	(70,417)	**(70,417)**
Exchange differences on translation of foreign operations		-	-	-	1,764	-	**1,764**
Current tax on foreign currency translation		-	-	-	(173)	-	**(173)**
Foreign exchange differences on disposal of subsidiaries		-	-	-	(119)	-	**(119)**
Effective portion of changes in fair value of cash flow hedges		-	-	2,205	-	-	**2,205**
Deferred tax associated with movement in hedging reserve		-	-	22	-	-	**22**
Total comprehensive income for the period		**-**	**-**	**2,227**	**1,472**	**(70,417)**	**(66,718)**
Transactions with owners recorded directly in equity							
Net change in fair value of cash flow hedges transferred to cost of inventory		-	-	(2,787)	-	-	**(2,787)**
Share-based payment charges	12	-	-	-	-	225	**225**
Movement on current and deferred tax on share-based payments	13	-	-	-	-	(25)	**(25)**
Dividends paid	8	-	-	-	-	(21,615)	**(21,615)**
Total transactions with owners		**-**	**-**	**(2,787)**	**-**	**(21,415)**	**(24,202)**
Balance at 25 January 2020		**2,228**	**10,555**	**(743)**	**6,328**	**130,263**	**148,631**

[1] *The prior period errors or misstatements relating to stock are detailed further in Note 1(y)).*

[2] *The Group has initially applied IFRS 16 at 27 January 2019, using the simplified modified retrospective transition approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings as at the date of application (see Note 1 (a) ii).*

The accompanying notes are an integral part of the financial statements.

Group Statement of Changes in Equity

For the 52 weeks ended 26 January 2019

	Note	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Retained earnings (Restated)[1]	Total equity attributable to equity shareholders of the company (Restated)[1]
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 27 January 2018		**2,224**	**10,487**	**(3,002)**	**(35)**	**214,376**	**224,050**
Comprehensive income for the period							
Profit for the period		-	-	-	-	24,478	24,478
Exchange differences on translation of foreign operations		-	-	-	6,323	-	6,323
Current tax on foreign currency translation		-	-	-	(1,432)	-	(1,432)
Effective portion of changes in fair value of cash flow hedges		-	-	3,335	-	-	3,335
Deferred tax associated with movement in hedging reserve		-	-	(670)	-	-	(670)
Total comprehensive income for the period		**-**	**-**	**2,665**	**4,891**	**24,478**	**32,034**
Transactions with owners recorded directly in equity							
Net change in fair value of cash flow hedges transferred to cost of inventory		-	-	154	-	-	**154**
Increase in issued share capital	20	4	68	-	-	-	**72**
Share-based payment charges	12	-	-	-	-	145	**145**
Movement on current and deferred tax on share-based payments	13	-	-	-	-	(637)	**(637)**
Dividends paid	8	-	-	-	-	(27,350)	**(27,350)**
Total transactions with owners		**4**	**68**	**154**	**-**	**(27,842)**	**(27,616)**
Balance at 26 January 2019		**2,228**	**10,555**	**(183)**	**4,856**	**211,012**	**228,468**

[1] *The prior period errors or misstatements relating to stock are detailed further in Note 1(y)).*

The accompanying notes are an integral part of the financial statements.

Company Statement of Changes in Equity

For the 52 weeks ended 25 January 2020

	Note	Share capital	Share premium	Other reserves	Retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000
Balance at 26 January 2019		**2,228**	**10,555**	**22,556**	**44,791**	**80,130**
(Loss) for the period	7	-	-	-	(5,590)	(5,590)
Transactions with owners recorded directly in equity						
Share-based payments charges for awards granted to subsidiary employees	12	-	-	225	-	225
Dividends paid	8	-	-	-	(21,615)	(21,615)
Total transactions with owners		**-**	**-**	**225**	**(21,615)**	**(21,390)**
Balance at 25 January 2020		**2,228**	**10,555**	**22,781**	**17,586**	**53,150**

Company Statement of Changes in Equity

For the 52 weeks ended 26 January 2019

	Note	Share capital	Share premium	Other reserves	Retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000
Balance at 27 January 2018		**2,224**	**10,487**	**22,371**	**45,883**	**80,965**
Profit for the period	7	-	-	-	26,298	26,298
Transactions with owners recorded directly in equity						
Increase in issued share capital	20	4	68	-	-	72
Share-based payments credit	12	-	-	-	(40)	(40)
Share-based payments charges for awards granted to subsidiary employees	12	-	-	185	-	185
Dividends paid	8	-	-	-	(27,350)	(27,350)
Total transactions with owners		**4**	**68**	**185**	**(27,390)**	**(27,133)**
Balance at 26 January 2019		**2,228**	**10,555**	**22,556**	**44,791**	**80,130**

The accompanying notes are an integral part of the financial statements.

Group and Company Balance Sheet

At 25 January 2020

	Note	Group 25 January 2020	Group 26 January 2019 (Restated)[1]	Company 25 January 2020	Company 26 January 2019
		£'000	£'000	£'000	£'000
Intangible assets	10	42,265	43,673	-	-
Property, plant and equipment	11	127,429	131,865	-	-
Right-of-use assets	19	149,034	-	-	-
Investment in subsidiary	12	-	-	25,203	24,978
Investment in equity accounted investee	12	5,088	1,874	-	-
Deferred tax assets	13	17,638	8,388	943	-
Prepayments		634	773	-	-
Non-current assets		**342,088**	**186,573**	**26,146**	**24,978**
Inventories	14	131,663	205,648	-	-
Trade and other receivables	15	67,271	78,604	27,096	55,824
Amount due from equity accounted investee	12	4,462	263	-	-
Derivative financial assets	16	203	316	-	-
Income tax receivable		2,343	-	-	-
Cash and cash equivalents	17	52,912	14,654	21	99
Current assets		**258,854**	**299,485**	**27,117**	**55,923**
Total assets		**600,942**	**486,058**	**53,263**	**80,901**
Trade and other payables	18	(99,291)	(108,628)	(113)	(771)
Borrowings	17	(180,000)	(95,496)	-	-
Income tax payable		-	(4,859)	-	-
Lease liabilities	19	(36,381)	-	-	-
Derivative financial liabilities	16	(1,095)	(689)	-	-
Current liabilities		**(316,767)**	**(209,672)**	**(113)**	**(771)**
Deferred tax liability	13	(3,588)	(4,918)	-	-
Borrowings	17	-	(43,000)	-	-
Lease liabilities	19	(131,956)	-	-	-
Non-current liabilities		**(135,544)**	**(47,918)**	**-**	**-**
Total liabilities		**(452,311)**	**(257,590)**	**(113)**	**(771)**
Net assets		**148,631**	**228,468**	**53,150**	**80,130**
Equity					
Share capital	20	2,228	2,228	2,228	2,228
Share premium	20	10,555	10,555	10,555	10,555
Other reserves	20	(743)	(183)	22,781	22,556
Translation reserve	20	6,328	4,856	-	-
Retained earnings[2]	20	130,263	211,012	17,586	44,791
Total equity attributable to equity shareholders of the parent company		**148,631**	**228,468**	**53,150**	**80,130**
Total equity		**148,631**	**228,468**	**53,150**	**80,130**

Group and Company Balance Sheet (continued)
At 25 January 2020

Notes

[1] *The prior period errors or misstatements relating to stock are detailed further in Note 1(y)).*
[2] *The Group has initially applied IFRS 16 at 27 January 2019, using the simplified modified retrospective transition approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings as at the date of application (see Note 1 (a) ii).*

These financial statements were approved by the Board of Directors on 1 June 2020 and were signed on its behalf by:

Rachel Osborne
Director
Company number: 03393836

The accompanying notes are an integral part of the financial statements.

Group and Company Cash Flow Statement

For the 52 weeks ended 25 January 2020

	Group 52 weeks ended 25 January 2020 £'000	Group 52 weeks ended 26 January 2019 (Restated)[1] £'000	Company 52 weeks ended 25 January 2020 £'000	Company 52 weeks ended 26 January 2019 £'000
Cash generated from operations				
(Loss)/Profit for the period	(70,417)	24,478	(5,590)	26,298
Adjusted for:				
Income tax (credit) / expense	(9,439)	6,178	(943)	-
Depreciation and amortisation[1]	65,058	25,266	-	-
Amortisation of reacquired right	1,890	-	-	-
Impairments	16,200	8,717	-	-
Loss on disposal of property, plant and equipment	447	53	-	-
Loss on disposal of Asian business	7,585	-	-	-
Share-based payments charge / (credit)	225	145	-	(40)
Net finance expense	15,453	4,183	-	-
Inventory error or misstatement	-	20,201	-	-
Change in accounting estimates for inventory	45,890	-	-	-
Net change in derivative financial assets and liabilities carried at fair value through profit or loss	(44)	(142)	-	-
Share of loss / (profit) in joint venture	2,218	(538)	-	-
(Increase)/decrease in non-current prepayments	127	(436)	-	-
Increase/(decrease) in inventory	21,715	(24,503)	-	-
Decrease/(increase) in trade and other receivables	10,700	1,122	28,728	(592)
Increase/(decrease) in trade and other payables	(2,202)	16,262	(658)	771
Income taxes paid	(6,953)	(13,963)	-	-
Net cash generated from operating activities	**98,453**	**67,023**	**21,537**	**26,437**
Cash flow from investing activities				
Purchases of property, plant and equipment and intangibles	(25,823)	(30,262)	-	-
Proceeds from sale of property, plant and equipment	227	-	-	-
Investment in equity accounted investee	(5,710)	-	-	-
Disposal of cash on disposal of Asian business	(865)	-	-	-
Business acquisition (net of cash acquired)	-	(18,695)	-	-
Dividends received from joint venture	278	557	-	-
Interest received	138	133	-	-
Net cash from investing activities	**(31,755)**	**(48,267)**	**-**	**-**
Cash flow financing activities				
Repayment of term loan	(47,000)	(5,500)	-	-
Proceeds from borrowings	88,504	15,453	-	-
Repayment of capital element and interest of leases	(41,337)	-	-	-
Interest paid[2]	(4,256)	(3,791)	-	-
Dividends paid	(21,615)	(27,350)	(21,615)	(27,350)
Proceeds from issue of shares	-	72	-	72
Net cash from financing activities	**(25,704)**	**(21,116)**	**(21,615)**	**(27,278)**
Net increase/(decrease) in cash and cash equivalents	**40,994**	**(2,360)**	**(78)**	**(841)**
Net cash and cash equivalents at the beginning of the period	**14,654**	**16,712**	99	940
Exchange rate movement	(2,736)	302	-	-
Net cash and cash equivalents at the end of the period	**52,912**	**14,654**	**21**	**99**
Cash and cash equivalents at the end of the period	52,912	14,654	21	99
Borrowings at the end of the period	(180,000)	(138,496)	-	-
Net debt at the end of the period	**(127,088)**	**(123,842)**	**21**	**99**

Group and Company Cash Flow Statement (continued)
For the 52 weeks ended 25 January 2020

Notes

[1] *The prior period errors or misstatements relating to stock are detailed further in Note 1(y)).*
[2] *The Group has initially applied IFRS 16 at 27 January 2019, using the simplified modified retrospective transition approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings as at the date of application (see Note 1 (a) ii).*

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

1) Summary of Significant Accounting Policies

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

a) Basis of preparation
Both the consolidated and Company 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 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 and for certain other assets and liabilities recognised at fair value on business combinations. The consolidated and parent financial statements have been prepared in Pounds Sterling, which is the Group's presentation currency and are rounded to the nearest thousand Pounds Sterling.

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, future budgets and forecasts, 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 and estimates relate to the carrying value of inventory and impairment of store assets and are shown in Note 1(w).

(i) Going concern

Notwithstanding net current liabilities of £57.9m as at 25 January 2020, a loss after tax for the period ended of £70.4m and net debt of £127.1m as at 25 January 2020, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons. The financial position of the Group, and borrowing facilities are described in Note 17. In addition, Note 23 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 exposure to credit risk and liquidity risk.

The Group's net debt balance at 25 January 2020 was £127.1m (2019: £123.8m), which comprised of a fully-drawn three year £180.0m GBP revolving credit facility (Facility A), which was entered into in September 2019, and cash balances of £52.9m. The revolving credit facility includes quarterly covenant testing for the Group's leverage ratio, fixed cover charge and a net assets test. On 23 March 2020, the Group announced that its lending bank syndicate has agreed to provide an additional revolving credit facility of up to £13.5m until 18 December 2020 (Facility B) taking the total available facilities to £193.5m. The additional facility was made available in conjunction with the exchange of contracts for the sale of Big Lobster Limited, a wholly owned Group subsidiary, which owns the Group's head office in London. In connection with the sale, the Group has entered into a short-term lease of the property for a period following completion from 1 June 2020 to 31 March 2023. The consideration from the sale will be £78.8m (subject to completion of a customary completion accounts adjustment mechanism) and will be paid in cash by the buyer on completion, expected to take place in June 2020 following shareholder approval. The net proceeds of the sale of at least £72.0m, after fees and taxes, will be applied to repay existing indebtedness under Facility A to significantly de-lever the Group. On 20 May 2020, the Group announced that its lending bank syndicate agreed to further increase Facility B by £11.5m to an aggregate of £25m, taking the total available bank credit facilities to £205.0m, which will reduce to £133.0m following application of the net proceeds of the sale of Big Lobster Limited. Additionally, on 1 June 2020, the Group announced that it will seek to raise at least £70m via an underwritten share issue. The sale of Big Lobster Limited and the share issue are both conditional on approval by the shareholders of Ted Baker Plc at a general meeting which will take place on 15 June 2020. The proceeds from the share issue and the additional amounts under the credit facility will be used to provide liquidity for the Group primarily for working capital purposes and capital expenditure.

The Directors are responsible for the Group's forecasts and projections which take account of a wide range of reasonably possible changes in trading performance and other factors as set out below.

External environment
The significant uncertainty as to the future impact on the Group of the Covid-19 global pandemic has been considered as part of the Group's adoption of the going concern basis. In March 2020, all of the Group's retail stores, and those of its concession partners, closed to protect its employees and customers, in accordance with various national government requirements. The e-commerce channel has continued to trade during this period, albeit at a level of sales significantly below that previously generated from retail

stores. A significant number of the Group's wholesale partners have also cancelled or delayed orders, impacting wholesale revenue, and our licence partners have also been affected by the pandemic, thereby impacting licence income.

It is not yet known when the retail stores, or those of the Group's concession partners will partially or fully re-open, what the level of consumer demand will be, when wholesale revenue and licence income will recover, or the extent that the e-commerce channel will continue to trade throughout this period. It is also not known if a further lockdown could follow once existing restrictions are lifted.

The lack of clarity arising from the UK leaving the European Union has also increased the levels of economic and consumer uncertainty and the longer-term impact this will have on the Group remains uncertain.

Measures to maintain liquidity
The Directors have taken a number of measures to maintain liquidity including temporarily suspending dividends, scaling back capital expenditure, utilising government support measures, including the subsidised furloughing of approximately 85% of the Group's employees globally, deferring payment of taxes and business rates, agreeing rent deferrals with landlords and agreeing revised payment terms and discounts with suppliers.

Base case scenario
Taking account of the above, a base case scenario has been modelled under which the Group's retail stores and concessions remain closed for a period of three months to the end of June 2020 with a significant impact on wholesale and licence income during this period. At the end of the three months, the base case assumes a gradual recovery throughout the rest of the financial year and into 2021, although at levels below those in the prior year. The Group's cost base is assumed to be significantly lower than normal through to the end of June 2020 primarily due to the employee furlough measures and lower property costs and overhead spend and increase thereafter as the level of trading increases.

Without the additional liquidity, the Group will become insolvent in August 2020 based on current forecasts.

With the additional liquidity from the proposed share issue and the additional facility provided by the lending bank syndicate, the Group expects based on the above base case scenario to have sufficient financial resources to continue to be viable.

An additional downside scenario has also been modelled under which the Group's retail stores and concessions remain closed for a six-month period until September 2020 with a significant impact on wholesale and licence income also during this period. At the end of the six months, under this scenario a recovery slower than that of the base case is assumed and the cost containment measures mentioned above would continue for a longer duration. The Group would continue to be able to access the measures to maintain liquidity set out above. With these measures, and the additional liquidity from the proposed share issue and the additional facility provided by the lending bank syndicate, the Group expects to have sufficient financial resources to continue to be viable under the additional downside scenario, albeit with limited headroom.

Severe but plausible downside scenario
However, a severe but plausible downside scenario has been considered further to the additional six-month scenario set out above. There remains a risk of further or multiple lockdowns (including during the key Christmas period) and uncertainty remains over what strategy various governments may put in place for opening non-essential stores and over the broader implications of the Covid-19 global pandemic, which makes outcomes more difficult to model. As a result of this uncertainty, even with the additional liquidity available, the Group's liquidity could be exhausted before the end of FY22.

Basis of preparation conclusion
Based on all of the above indications the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business.

The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

(ii) New standards and interpretations adopted

In the current year, the Group has applied new standards and amendments to IFRSs issued by the IASB. Details of the new standards that have had a material impact on the Group's Income Statement and the Statement of Financial Position are set out below.

IFRS 16 'Leases'

In the current period, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. The date of initial application of IFRS 16 for the Group is 27 January 2019. IFRS 16 provides a single model for lessees which recognises a right-of-use asset and a lease liability for all leases, with exceptions available for short-term and low-value leases. The impact of IFRS 16 is to recognise a lease liability and a corresponding asset in the Group Balance Sheet for leases previously classified as operating leases. The most significant impact has been that the Group's retail store operating leases are now recognised on the Group Balance Sheet as right-of-use asset representing the economic benefits of the Group's right to use the underlying leased assets, together with the associated future lease liabilities. Previously lease rentals payable under operating leases were not recognised in the Consolidated Balance Sheet and were charged to the Consolidated Income Statement on a straight-line basis over the term of the relevant lease.

The Group adopted IFRS 16 from 27 January 2019 using a simplified modified retrospective transition approach. The comparative information presented for the 52 weeks ended 26 January 2019 has not been restated and therefore continues to be shown under IAS 17 'Leases.'

Accounting policy under IFRS16 'Leases'

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities at the lease commencement date.

The lease liabilities are initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate and this rate is determined on a portfolio basis, in relation to asset type and location. Judgment in used in determining the incremental borrowing rate. Lease liabilities are subsequently measured at amortised cost and are increased by the interest charge and decreased by the lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a renewal or purchase option is reasonably certain to be exercised or a break clause is reasonably certain not to be exercised. The Group has applied judgement to determine the lease term for those lease contracts that include a renewal or break option. The assessment of whether the Group is reasonably certain to exercise a renewal option or reasonably certain not to exercise a break option significantly impacts the value of lease liabilities and right-of-use assets recognised on the balance sheet.

Right-of-use assets are initially measured at cost, which is an amount equal to the corresponding lease liabilities adjusted for any lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses, adjusted for certain re-measurements of the lease liabilities. Depreciation is calculated on a straight-line basis over the expected useful economic life of a lease which is taken as the lease term.

On transition to IFRS 16, the Group elected to apply the following practical expedients on a lease by lease basis:

(i) applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
(ii) to apply the short-term exemption for all asset classes and to apply low value exemptions;
(iii) to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application;
(iv) as onerous lease provisions were not previously assessed, IAS 36 will be applied from date of initial application to adjust the right-of-use assets;
(v) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
(vi) to grandfather the assessment of which transactions are leases, the Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 were not reassessed whether there is a lease under IFRS 16.

Impact of IFRS 16 'Leases'

As explained above, the Group has adopted IFRS 16 'Leases' for the first time in the 52 weeks ended 25 January 2020 using the simplified modified retrospective transition approach. Accordingly, the results for the 52 weeks ended 26 January 2019 have not been restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application. The table below shows the adjustments required to the Consolidated Group Income Statement to reflect the pre-IFRS 16 profit measure.

	52 weeks ended 25 January 2020
	£'000
Add back of operating lease rentals	41,337
IFRS 16 depreciation expense	(38,048)
IFRS 16 operating profit adjustment	**3,289**
IFRS 16 interest charge	(8,309)
IFRS 16 profit before tax	**(5,020)**

The Group's lease portfolio as at 26 January 2019 totalled £259.8m (see Note 22 (b)) principally comprised of property leases of owned stores, distribution centres, head offices and concessions. Concessions have been excluded from IFRS16 due to short term nature of the agreements totalling £5.4m, excluding concessions operating leases totalled £254.4m in the prior period.

The Group considered recognition exemptions for short term leases and low value leases with an impact on the opening lease liability balance of £0.01m. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 27 January 2019. The discount rates applied were determined based on corporate bond yields and vary by territory and lease length resulting in a range between 1.9% to 9.1%.

As a result of the above, the opening balance sheet position as at 27 January 2020 has been restated on transition to IFRS 16. The Group has recognised right-of-use assets £185.4m and lease liabilities of £185.4m. In addition, the Group has recognised a reduction in deferred income within trade and other payables of £11.1m, which relates to base rent. Comparative periods have not been restated.

Accounting policy under IAS 17 'Operating leases'

For the period ended 26 January 2019 and earlier periods, the Group classified its property leases as operating leases under IAS 17.

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

Certain rental expenses were determined on the basis of revenue achieved in specific retail locations and were accrued for on that basis. The Group engages in lease and concession arrangements that include fixed and variable elements, depending on the terms of the underlying agreement.

IFRIC 23 Uncertainty over income tax treatments

IFRIC 23 provides further guidance on how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments. The Group has adopted IFRIC 23 with the cumulative effect of initially applying the Interpretation recognised at the date of initial application of 1 January 2019. The impact of the adoption of IFRIC 23 at 27 January 2019 was £nil.

(iii) New accounting standards and interpretations not yet adopted

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 25 January 2020. 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 period 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.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the ventures' 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) Business combinations

Acquisitions are accounted for using the acquisition method of accounting. The cost of an acquisition is the aggregate of the fair values of the assets transferred, liabilities incurred or assumed, and equity instruments issued at the date of acquisition. The consideration transferred includes the fair value of the asset or liability resulting from a deferred or contingent consideration arrangement, unless that arrangement is dependent on continued employment of the beneficiaries. Costs directly relating to an acquisition are expensed to the income statement. The identified assets and liabilities and contingent liabilities are measured at their fair value at the date of acquisition. The excess of cost of acquisition over the aggregate fair value of the Group's share of the net identified assets plus identified intangible assets is recorded as goodwill.

d) Foreign currency

The consolidated financial statements are presented in Pounds Sterling, which is the Company's presentation 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.

Exchange differences arising from a monetary item receivable from or payable to a foreign entity, 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.

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.

e) 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. The Group also obtains revenue through licences issued to third parties to produce and sell goods using the "Ted Baker" brand name, for which a royalty is received.

Retail revenue is recognised when a Group entity sells a product to a customer. Wholesale revenue is recognised when title has passed in accordance with the individual terms of trade. For retail and wholesale revenue, the primary performance obligation is the transfer of goods to the customer. For retail revenue, this is considered to occur when control of the goods passes to the customer. For store retail revenue, control transfers when the customer takes possession of the goods in store and pays for the goods. For e-commerce retail revenue, control is considered to transfer when the goods are despatched for delivery to the customer. The timing of transfer of control of the goods in wholesale transactions depends upon the terms of trade in the contract. Principally for wholesale revenue, revenue is recognised either when goods are despatched from the Group's distribution centres, or when the Group has delivered the goods to the location specified in the contract.

The Group sells retail products with the right of return and historic levels of 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. Cash refunds are available to customers returning unwanted products with proof of purchase within 14 days of the date of purchase.

The Group has two classes of contractual licensees (or 'licence partners'): product and territorial. Under the terms of the product licence contract, the Company licences the brand name "Ted Baker" to licence partners, and in return receives a royalty based on a contractually specified percentage of sales of the product over the contract period. Under the terms of the contract, the Company typically receives a minimum royalty which is invoiced quarterly in advance and is recognised in the consolidated income statement on a straight-line basis as licence income over the period of the invoice. Any additional royalties due are accrued as earned based on sales statements received from product licence partners.

Territorial licence partners operate retail stores in overseas locations where the Group typically does not have a geographical presence. The Group sells inventory to the licence partner at a contractually specified profit margin, and these sales are recognised as wholesale revenue. In some territories, the Group receives a royalty for use of the brand name by the territorial partner. The royalty earned is similar to that for product licences, i.e. a fixed contractual minimum royalty and a variable amount based on sales of the territorial partner, with the royalty being recognised as licence income in the consolidated income statement. The fixed minimum royalty is recognised in the consolidated income statement on a straight-line basis over the period of the invoice, and the variable amount is accrued as earned based on sales of the territorial partner.

Accrued income is from licence income earned but not billed in the period. There is only one performance obligation for licence income and that is the contractual use of the brand name in return for a royalty fee.

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

In the 52 weeks ended 26 January 2019, licence income was not presented as part of revenue and was a separate line item below gross profit. In the 52 weeks ended 25 January 2020, the Directors have re-presented licence income to be included within revenue as this better represents the substance and nature of the licence performance obligations and transactions with customers for the current and prior periods.

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 period 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.

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 and interest rate exposures. Derivatives are recognised initially at fair value. 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 foreign currency and interest rate derivatives which are designated as effective hedges of future cash flows are recognised in equity in the cash flow hedging reserve and remain there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity 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 the income statement in the same period that the hedged item affects the income statement.

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.

Changes in the fair value of foreign currency derivatives which are ineffective or do not meet the criteria for hedge accounting are recognised in the income statement.

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) Dividends
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. For the Company, dividend income from Group undertakings is recognised in the income statement and in the cashflow statement within operating cashflows.

k) Intangible assets
Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Assets acquired as part of a business combination are recognised at fair value.

Expenditure on development activities is capitalised if the product is technically and commercially feasible and the Group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes direct labour and an appropriate proportion of overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated 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 a deposit held by landlords on taking out a lease which is refundable and is not amortised. Other intangible assets are amortised from the date they are available for use. The useful life over which the reacquired right is amortised in the post-combination period is based on the remaining contractual term of two years, without considering any contractual renewals. The estimated useful lives are as follows:

Key money:	No amortisation charged.
Computer software:	Three to ten years.
Computer software under development:	Assets under development are stated at cost less transfers to completed assets when substantially all of the activities necessary for the asset to be ready for use have occurred.
Reacquired right:	Two years.

l) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided on property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset on the following bases:

Freehold land:	Not depreciated.
Freehold buildings:	Straight line over 50 years.
Leasehold improvements:	Straight line over the shorter of the period of the unexpired term of the lease or the useful economic life of the improvement.
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 or over the expected useful economic life of the asset.
Motor vehicles:	25% per annum on a straight-line basis over the expected useful economic life of the asset.
Assets under construction:	Assets in the course of construction are stated at cost less transfers 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) Impairment of property, plant and equipment, right of use assets and intangible assets

Assets that are subject to depreciation or amortisation are reviewed for impairment when 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 budget and three-year plan, which are approved 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 adjusted weighted average cost of capital. Internal forecasts reflect the market assessment and risks specific to the cash-generating units as at the period end date, as considered in the budgets and forecasts approved by the Board. 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 the income statement immediately.

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

o) Inventories
Inventories and work in progress are stated at the lower of cost and net realisable value or fair value if acquired as part of a business combination. Cost includes materials, direct labour and inward transportation costs, including freight and duty costs, incurred in bringing the inventories to their present location and condition. Where necessary, provision is made to reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated utilisation and saleability. See Note 1(w) for further details.

p) Trade and other receivables
Trade and other receivables are carried at original invoice amount (which is considered a reasonable proxy for fair value) and are subsequently held at amortised cost less provision for impairment. The provision for impairment of receivables is based on lifetime expected credit losses. Lifetime expected credit losses are calculated by assessing historic credit loss experience, adjusted for factors specific to the receivable. The movement in the provision is recognised in the Group Income Statement.

q) Cash and cash equivalents
Cash and cash equivalents comprise 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.

r) 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.

s) 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.

t) 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).

u) 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.

v) 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.

w) Significant accounting judgements and estimates
The preparation of the consolidated Group and Company financial statements requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The significant judgements applied in the preparation of the consolidated financial statements, along with estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Key sources of estimation uncertainty

The Directors consider the following to be the key sources of estimation uncertainty for the Group at the end of the current reporting period due to the risk of causing a material change to the carrying amount of assets and liabilities within the next year.

Impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Management performs an impairment review for each cash-generating unit ('CGU') that has indicators of impairment. When a review for impairment is conducted, the recoverable amount of an asset or CGU is determined based on value-in-use calculations using the Board approved budget and three-year plan at the period end date and are discounted using the weighted average cost of capital. Forecasts beyond the three-year time period are based on management's assumptions and estimates and the value-in-use calculation for store CGUs are based on the remaining lease length of each store. Future events could cause the forecasts and assumptions used in impairment reviews to change with a consequential adverse impact on the results and net position of the Group as actual cash flows may differ from forecasts and could result in further material impairments in future years.

The Directors consider an individual retail store (own stores which includes outlets) to be a CGU, and perform an impairment review if the following impairment triggers are all met: (i) net book value of the CGU's assets (comprising of fixtures and fittings, leasehold improvements, IT equipment, and the right-of-use asset), is greater than £0.25m (2019: £0.5m excluding the right of use asset as IFRS 16 had not been adopted), (ii) cash contribution for the CGU is less than 10%, and (iii) the store is outside of a grace period, as stores may be loss making for an initial period of time after opening. For stores within the UK, the grace period is two years, and for stores outside of the UK, the grace period is three years as the brand is less established in those markets. The discount rate used in the value-in-use calculation is the Group's weighted average cost of capital of 9.1% (2019: 8%).

The carrying value and impairment charge recognised for the period is shown in Note 11 and Note 19. For the period ended 25 January 2020, an impairment charge of £16.2m has been recognised in light of the significantly reduced profitability for the Group for the period, and lower forecasts compared to those used in the prior period impairment review (2019: £8.7m).

Furthermore, sensitivity analysis has been performed as part of the impairment review. If the discount rates used increased by 3% from 9.1% to 12.1%, an additional impairment charge of £1.0m would be recognised. Additional sensitivity analysis has not been performed at 25 January 2020, as the Directors do not consider any reasonable possible change in the discount rate would have led to a material change in the impairment charge. The Directors have determined that at 25 January 2020, the effects of the Covid-19 pandemic are a non-adjusting post balance sheet event and the value-in-use calculations used for the impairment reviews do not include the effects of the various national lockdowns and store closures that commenced in March 2020 or the impact Covid-19 may have on future store profitability in the longer term. Stores that were subject to impairment but partially impaired have a remaining leasehold improvements and right-of-use asset balance of £18.7m at 25 January 2020. The effects of future growth and profitability being below expectations may have a material impact on impairment charges in future years.

Carrying amount of inventories

The carrying value of inventory is recorded at the lower of cost and net realisable value. Management calculates inventory provisions based on forecast sales of stock by season during its lifecycle in determining the level and rates of provisioning required to calculate the carrying value. Sales in the fashion industry can be extremely volatile with consumer demand changing significantly based on trends. Accordingly, there is a risk that the cost of inventory can exceed its net realisable value, with provisioning adjustments being made given management's knowledge and experience, and assumptions around consumer demand, fashion trends and macroeconomic factors.

Inventory is classified by season, by year, with two seasons per year i.e. spring/summer and autumn/winter. At 26 January 2019 and earlier period ends, the inventory obsolescence provisioning commenced on current season inventory at a rate of 5% of cost and increased over time to rates of up to 25% of cost when that seasons inventory has traded as normal through three seasons. At 26 January 2019, the inventory provision amounted to £11.8m, representing 5.2% of the gross carrying value of inventory.

During the period ended 25 January 2020, management has changed the basis of determining the inventory obsolescence provision in line with the board approved change in commercial strategy of reducing the lifecycle of inventory from 3 years to 2 years, i.e. only one trading season in an outlet channel as opposed to two. The new provisioning policy is based on reviewing the current physical stock on hand by season and forward forecasting the expected terminal stock value at the point at which the stock has traded through the outlet channel, i.e. after two years under the new estimate. At that point in time, the inventory is written off and therefore the new provision is based on the estimated inventory on hand that will reach that point. The key estimate made under the new provisioning policy is the forecast sales by season by channel of inventory on hand at the period end over the next two years. Future events could cause the forecasts and assumptions used to change with a consequential adverse impact on the results and net position of the Group as actual sales may differ from forecasts. This could result in further material adjustments in future years.

At 25 January 2020, the inventory provision was £25.7m, representing 16.3% of the gross carrying value of inventory. The amount required to reflect the change in estimate for inventory provisioning was £13.5m, and this has been included as an expense in non-underlying items in the income statement for the 52 weeks ended 25 January 2020.

Sensitivity analysis for the key estimates for inventory obsolescence provisioning indicates if forecast sales for the next two years were 1% lower, then the inventory provision would be £1.2m higher with a corresponding increase in cost of sales in the income statement.

The carrying value of inventory is recorded at the lower of cost and net realisable value. Cost represents the purchase price of the product, and the associated freight, duty and other capitalised costs incurred to bring the product to its final location for sale. All stock is recorded in the ERP system at standard cost, with estimates made at the period end for all stock on hand to estimate the standard to actual variances, using historic actual costs compared to standard costs for product, freight and duty and capitalised overheads. Estimates are made as to the extent to which overheads incurred should be carried in closing inventory amounts. These estimates are not made on a line-by-line inventory item level but instead use approximations based on observable information available.

During the year, the Group has updated its stock costing methodology which it believes provides a more appropriate estimate of the carrying amounts of inventories and a consistent stock costing methodology has been adopted for costing inventory amounts recognised at both the opening balance sheet and closing balance sheet.

Further details on the carrying value of inventory is included in Note 14.

Judgements made in applying accounting policies

Impact of Covid-19
The Covid-19 global pandemic has created significant uncertainty across the Group's markets, and in March 2020, all of the Group's retail stores, and those of our concession partners, closed to protect our employees and customers, in accordance with various national government requirements. The e-commerce channel has continued to trade during this period, albeit at a level of sales significantly below that generated from retail stores. A number of our wholesale partners have also cancelled or delayed orders, impacting wholesale revenue. It is not known when the retail stores, or those of our concession partners, will fully re-open and therefore revenue and profitability in FY21 will be materially impacted by the Covid-19 pandemic.

At 25 January 2020, the impact of Covid-19 could not have been reasonably foreseen as the World Health Organisation did not declare it as a public health emergency of international concern until 30 January 2020. Therefore, the Directors have considered it to be a non-adjusting post balance sheet event. Further details of the impact of Covid-19 on going concern can be found in the going concern Note in 1(a) above and in Note 26 post balance sheet events.

Non-underlying items
Non-underlying items are separately reported within their relevant income statement line as the Directors believe that this helps provide a better indication of the underlying performance of the Group. Judgement is required in determining whether an item should be classified as non-underlying or included within underlying results. This assessment covers the nature, the materiality and the recurrence of the item on reported performance. Reversals of previous non-underlying items are assessed based on the same criteria. Further detail is provided below in Note 1(x).

Impairment of property plant and equipment and right-of-use assets
Not subjecting stores to impairment whilst they are in their grace period is a judgement made by the Group. In the decision to impair or not, stores within their grace period as set out earlier are not impaired, as the brand is less established in those markets and stores may be loss making for initial period of time after opening. In addition, a judgement is made that stores with a cash contribution greater than 10% does not require impairments. These judgements have been informed by the Group's past experience and developed over time.

Changes in accounting estimates, errors or misstatements
Determining if adjustments to inventory were treated as errors or misstatements, or changes in estimates required judgment. The Group considered their understanding of the individual items, the facts and circumstances surrounding each item as supported by documentary and other evidence, internal enquiries and the extent of estimation associated with each item at the end of the prior year. Errors or misstatements have been retrospectively corrected whereas changes in estimates have been prospectively applied in the current period financial statements. The prior period errors or misstatements relating to inventory were determined at £20.2m and changes in estimates at £32.4m, and are detailed further in Note 1(y).

x) Alternative performance measures

In the reporting of financial information, the Group uses certain measures that are not separately disclosable under IFRS or the Companies Act. The Directors believe that these additional measures, which are used internally, are useful to the users of the financial statements in helping them understand the underlying business performance. Non-underlying 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. Non-underlying items include items that are considered by the Directors to be significant and non-recurring. The Directors also exclude foreign exchange gains and losses on the translation of monetary assets and liabilities denominated in foreign currencies.

Non-underlying items are added back/deducted to derive certain alternative performance measures as follows:
- profit attributable to the owners of the Company, to arrive at underlying earnings per share (after the tax effect of non-underlying items); and
- profit before tax, to arrive at profit before tax and non-underlying items.

The Directors believe the alternative performance measures presented along with comparable GAAP measurements is useful to provide information with which to measure our performance, and our ability to invest in new opportunities. Management uses these measures with the most directly comparable GAAP financial measures in evaluating our operating performance and value creation. Alternative financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP. The requirements for identifying non-underlying items are on a consistent basis each period and presented consistently, and a reconciliation of profit before tax and non-underlying items to profit before tax is included in Note 3 to the financial statements.

The profit before tax and non-underlying items and underlying earnings per share are not recognised measures under IFRS and may not be directly comparable with adjusted profit and earnings per share measures used by other companies (see Note 9).

Constant currency comparatives are obtained by applying the exchange rates that were applicable for the period ended 26 January 2019 to the financial results in overseas subsidiaries for the 52 weeks ended 25 January 2020 to remove the impact of exchange rate fluctuations.

y) Changes in accounting estimates, errors or misstatements

(i) Adjustments to the carrying amount of inventory at 26 January 2019

In December 2019, the Group identified that the value of inventory held on its balance sheet at that time had been overstated following an internal review. As a result of these findings, the Group engaged Deloitte LLP to undertake an independent review of this issue. In January 2020, the Group announced that the independent review had found that the Group's inventories, as reported at 26 January 2019, were overstated by £58.0m. Following the conclusion of Deloitte's review and the completion of the year-end process and audit, the Group has restated the balance of inventory at 26 January 2019 from £225.8m to £205.6m, a £20.2m restatement. The restatement was due to inappropriate cost values being attributed to inventory, inventory reflected on the balance sheet which did not physically exist and intercompany profit in stock that was not adjusted for in previous calculations.

The Group also initiated an internal review into potential misconduct relating to the overstatement, which review is still ongoing. The Group will continue to provide information to and respond to enquiries from regulatory and other agencies, including the FCA. Although the Group has not received notification of any formal investigations, the inventory overstatements could result in a regulatory or other investigation which could result in regulatory, civil or criminal actions, including against the Group, and all consequent outcomes including censure, fines and compensation, which could have a material adverse effect on the Group's business, results of operations, financial condition and reputation. There can be no assurance about the timing or outcome of any such action.

In addition, the Group has reviewed its approach to estimating the carrying value of stock and adopted a more prudent methodology which resulted in a £32.4m reduction in stock value, being accounted for as a change in estimate booked as a non-underlying expense in the income statement for the 52 weeks ended 25 January 2020.

The treatment for the items identified from the inventory review have been classified as changes in accounting estimates or errors or misstatements, and is governed by IAS 8 'Accounting policies, changes in accounting estimates and errors.'

Errors or misstatements - £20.2m

(a) **Stock that did not physically exist - £6.5m**

The adjustments primarily relate to inventory held in system locations that were not subject to inventory counts and were not written off despite not physically existing. These balances primarily arose as stock was moved between warehouses, between retail and outlet stores and warehouses over seasons, and due to weaknesses in the control environment over those moves and stock locations.

(b) Adjustments to correct calculations - £13.7m

Adjustments have been identified to correct calculations, including to correct for the capitalisation of duties that should not have been capitalised to inventory, and to eliminate parts of intercompany profit in stock that was not adjusted for in previous calculations.

For items considered to be an error or misstatement, based on the specific evidence and fact patterns, the Directors considered that it is impracticable to determine the period specific effects of the items earlier than 26 January 2019 and hence have not restated the 27 January 2018 position. It was determined that it is impracticable to determine the period specific effect of these adjustments primarily due to the lack of traceability of the specific inventory due to the migration of systems from the legacy stock system to the new stock system, and the inability to retrospectively undertake a physical stocktake.

Accordingly, the errors or misstatements in inventories of £20.2m have been corrected retrospectively by restating the income statement of the period ended 26 January 2019 by £16.2m net of tax. Comparatives have been restated as follows:

Restatement of prior year reported numbers	As previously reported 26 January 2019	Restated 26 January 2019	Restatement
	£'000	£'000	£'000
Group Income Statement			
Cost of sales	(257,347)	(277,548)	(20,201)
Income tax expense	(10,129)	(6,178)	3,951
Profit for the period	**40,728**	**24,478**	**(16,250)**
Group Statement of Changes in Equity			
Retained Earnings, balance at 26 January 2019	**227,262**	**211,012**	**(16,250)**
Group Balance Sheet			
Inventories	225,849	205,648	(20,201)
Deferred tax asset	6,719	8,388	1,669
Income tax payable	(7,141)	(4,859)	2,282
Net Assets and Total equity	**244,718**	**228,468**	**(16,250)**

Basic earnings per share has been restated from 91.5p to 55.0p and diluted earnings per share has been restated from 91.3p to 54.9p.

Changes in estimates - £32.4m

(c) Inventories considered obsolete - £9.4m

The adjustments relate to stock balances such as fabrics, trims and other items that were held at third party suppliers and are no longer considered useable for future production, and stock held in central warehouses and head office locations not previously specifically provided for which have now been written off.

(d) Revised stock costing methodology - £23.0m

During the period ended 26 January 2019 the Group completed the migration of inventory from the legacy stock system to the new ERP system. As more information became available from the new ERP system, a revised stock costing methodology has been adopted for adjusting standard to actual inventory cost variances and to account for differences between standard cost and actual costs as reported. The updated stock costing methodology provides a better estimate of the carrying amounts of inventories, and a consistent stock costing methodology has been adopted for costing inventory amounts recognised at both the opening balance sheet and closing balance sheet.

For changes in accounting estimates relating to inventory amounts recognised at 26 January 2019, the carrying amount of stock has been adjusted for with reference to the opening inventory amounts on hand and are recognised prospectively, and have been recognised in the consolidated income statement in the 52-week period ended 25 January 2020 as a non-underlying item.

It is not possible to accurately determine the effect of the changes in estimates on future periods as it is based on future trading which cannot be reliably estimated, and is therefore considered impracticable.

(ii) Adjustments to the carrying amount of inventory at 25 January 2020

(a) Change to inventory obsolescence provision resulting from change in commercial strategy - £13.5m

As stated in Note 1(w) above, for the period ending 25 January 2020, management has changed the basis of determining the inventory obsolescence provision in line with the change in commercial strategy of reducing the lifecycle of inventory from 3 years to 2 years, i.e. only one trading season in an outlet channel as opposed to two.

The new provisioning policy is based on reviewing the current physical stock on hand by season and estimating the expected terminal stock value at the point at which the stock has traded through the outlet channel. At that point in time, the inventory will be provided for in full.

The change in commercial strategy represents a change in accounting estimate under IAS 8 and has been prospectively applied such that a non-underlying expense of £13.5m has been charged to the consolidated income statement for the period ended 25 January 2020.

(iii) Summary of changes in accounting estimates, errors or misstatements

	Adjustment to non-underlying expense in prior year	Change in accounting estimate through current year non-underlying expense	Total adjustment to inventory
	£'m	£'m	£'m
Adjustments to the carrying amount of inventory at 26 January 2019			
Errors or misstatements			
(a) Existence of stock	6.5	-	6.5
(b) Adjustments to correct calculations	13.7	-	13.7
	20.2	**-**	**20.2**
Changes in estimates			
(a) Inventories considered obsolete	-	9.4	9.4
(b) Revised stock costing methodology	-	23.0	23.0
	-	**32.4**	**32.4**
Total adjustments to the carrying amount of inventory at 26 January 2019	**20.2**	**32.4**	**52.6**
	Adjustment to non-underlying expense in prior year	**Change in accounting estimate through current year non-underlying expense**	**Total adjustment to inventory**
(ii) Adjustments to the carrying amount of inventory at 25 January 2020			
Change to inventory obsolescence provision resulting from change in commercial strategy	**-**	**13.5**	**13.5**
Total adjustment	**20.2**	**45.9**	**66.1**

2. Segment Information

The Group has three reportable segments: retail, wholesale and licensing. For each of the three segments, the Executive Committee (considered to be the Chief Operating Decision Maker) reviews internal management reports on a four-weekly basis.

The accounting policies of the reportable segments are the same as described in Note 1 (t). 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 licensing segment is measured based on royalty income, as included in the internal management reports that are reviewed by the Board.

Segment results before non-underlying 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

52 weeks ended 25 January 2020	Retail	Wholesale	Licensing	Total
	£'000	£'000	£'000	£'000
Revenue[1]	439,941	171,536	19,001	630,478
Cost of sales	(176,520)	(103,199)	-	(279,719)
Gross profit before non-underlying items	**263,421**	**68,337**	**19,001**	**350,759**
Operating costs	(232,175)	-	-	(232,175)
Operating contribution before non-underlying items	**31,246**	**68,337**	**19,001**	**118,584**
Segment result before non-underlying items	**31,246**	**68,337**	**19,001**	**118,584**
Reconciliation of segment result to profit before tax				
Segment result before non-underlying items	**31,246**	**68,337**	**19,001**	**118,584**
Other operating costs	-	-	-	(100,294)
Other operating (expense)/income	-	-	-	144
Operating profit before non-underlying items	-	-	-	**18,434**
Finance income	-	-	-	138
Finance expense	-	-	-	(12,565)
Share of losses from joint ventures	-	-	-	(1,229)
Profit before tax before non-underlying items and IFRS 16	-	-	-	**4,778**
Non-underlying items before tax	-	-	-	(84,634)
Profit before tax				**(79,856)**
Capital expenditure	13,610	515	-	14,125
Unallocated capital expenditure	-	-	-	11,698
Total capital expenditure			-	**25,823**
Depreciation and amortisation	(14,394)	(595)	-	(14,989)
Unallocated depreciation and amortisation	-	-	-	(12,021)
IFRS 16 Depreciation	-	-	-	(38,048)
Total depreciation and amortisation			**-**	**(65,058)**
Segment assets	326,703	94,513	-	421,216
Property, plant and equipment – central	-	-	-	72,695
Intangible assets – central	-	-	-	37,904
Right-of-use assets - central	-	-	-	32,394
Deferred tax assets	-	-	-	17,638
Income tax receivable	-	-	-	2,343
Investment in equity accounted investee	-	-	-	5,088
Amounts due from equity accounted investee	-	-	-	4,462
Other assets[2]	-	-	-	7,202
Total assets				**600,942**
Segment liabilities	(333,557)	(75,989)	-	(409,546)
Lease liability - central	-	-	-	(29,665)
Deferred tax liability	-	-	-	(3,588)
Other liabilities[3]			-	(9,512)
Total liabilities				**(452,311)**
Net assets				**148,631**

[1] *Wholesale sales are shown after the elimination of inter-company sales of £106,966,239 (2019: £86,331,786)*
[2] *Other assets include prepayments, derivatives and central allocations of inventory, cash and cash equivalents and other receivables.*
[3] *Other liabilities include derivatives and central allocations of trade and other payables and borrowings.*

52 weeks ended 26 January 2019 (Restated)[1]	Retail	Wholesale	Licensing	Total
	£'000	£'000	£'000	£'000
Revenue[2]	460,990	156,452	22,112	639,554
Cost of sales	(169,924)	(87,423)	-	(257,347)
Gross profit before non-underlying costs	**291,066**	**69,029**	**22,112**	**382,207**
Operating costs	(231,885)	-	-	(231,885)
Operating contribution before non-underlying costs	**59,181**	**69,029**	**22,112**	**150,322**
Segment result before non-underlying costs	**59,181**	**69,029**	**22,112**	**150,322**
Reconciliation of segment result to profit before tax				
Segment result	**59,181**	**69,029**	**22,112**	**150,322**
Other operating costs	-	-	-	(85,520)
Other operating income	-	-	-	1,808
Operating profit before non-underlying costs	-	-	-	**66,610**
Finance income	-	-	-	280
Finance expense	-	-	-	(4,463)
Share of losses from joint ventures	-	-	-	538
Profit before tax before non-underlying costs	-	-	-	**62,965**
Non-underlying items before tax[1]	-	-	-	(32,309)
Profit before tax				**30,656**
Capital expenditure	20,580	351	-	20,931
Unallocated capital expenditure	-	-	-	13,333
Total capital expenditure	**-**	**-**	-	**34,264**
Depreciation and amortisation	16,565	494	-	17,059
Unallocated depreciation and amortisation	-	-	-	8,207
Total depreciation and amortisation	**-**	**-**	**-**	**25,266**
Segment assets[1]	255,295	103,048	-	358,343
Property, plant and equipment – central	-	-	-	77,064
Intangible assets – central	-	-	-	39,037
Deferred tax assets	-	-	-	8,388
Other assets[1, 3]	-	-	-	3,226
Total assets	-	-	-	**486,058**
Segment liabilities	(149,415)	(50,710)	-	(200,125)
Income tax payable[1]	-	-	-	(4,859)
Term loan	-	-	-	(47,000)
Other liabilities[4]	-	-	-	(5,606)
Total liabilities				**(257,590)**
Net assets				**228,468**

[1] The restatement relates to the prior year stock misstatement (see Note 1(y)).
[2] Revenue for the period ended 26 January 2019 has been restated to include licence income.
[3] Other assets include prepayments, derivatives and central allocations of inventory, cash and other receivables.
[4] Other liabilities include derivatives and central allocations of payables and borrowings.

b) Geographical information

	UK	US	Rest of the World[2]	Total
	£'000	£'000	£'000	£'000
52 weeks ended 25 January 2020				
Revenue	360,281	194,599	75,598	630,478
Non-current assets[1]	202,982	71,707	49,761	324,450
52 weeks ended 26 January 2019				
Revenue	372,722	182,434	84,388	639,544
Non-current assets[1]	130,031	32,150	16,004	178,185

[1]Non-current assets exclude deferred tax assets.
[2] Rest of the World includes Europe, Canada, Asia (up to disposal) and South Africa.

c) Revenue by collection[1]

	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019
	£'000	£'000
Menswear[2]	241,098	235,245
Womenswear[2]	370,379	382,197
	611,477	**617,442**

[1] Revenue by collection includes retail and wholesale revenue and excludes licence income.

3. Profit Before Tax

Profit before tax is stated after charging/(crediting):	**52 weeks ended 25 January 2020**	**52 weeks ended 26 January 2019 (Restated)[1]**
	£'000	£'000
Depreciation and amortisation[2]	64,527	25,266
Non-underlying items (further detail below) [1]	84,634	32,309
Leasehold properties:		
Fixed lease payments[3]	-	41,590
Variable rental payments[3]	5,429	2,626
Concessions:		
Fixed lease payments[3]	9,235	11,791
Variable rental and commission payments[3]	36,222	40,164
Loss on sale of property, plant and equipment and intangibles	447	53
Auditors' remuneration:		
Audit of these financial statements	20	12
Amounts receivable by the Company's auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the Company	1,600	396
Interim financial statements review	20	17
Other assurance services	17	20

[1] The restatement relates to the prior year stock misstatement (see Note 1(y)).
[2] During the period, the Group has applied IFRS 16. Depreciation of right-of-use asset of £38,048,000 has been included within £64,527,000 above. The depreciation charge above excludes the accelerated depreciation included within Note 11 related to the closure of a store in Italy of £531,000 and the amortisation within Note 10 of the reacquired right of £1,890,000. These charges are included within non-underlying costs below.
[3]Disclosed above are the variable rentals charged relating to leasehold properties and fixed and variable rentals charged in relation to concession arrangements. These are either fixed in nature or variable based on revenue levels for a particular store or concession, where relevant, including e-commerce sales with concession partners following the implementation of IFRS 16, Leasehold property fixed lease payments are now included in Note 1 (a) ii).

Reconciliation of profit before tax to profit before tax, non-underlying items and IFRS 16:

	Note	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019(Restated)[1]
		£'000	£'000
(Loss)/Profit before tax		**(79,856)**	**30,656**
Included in cost of sales:			
Inventory changes in estimates	1	(32,351)	-
Change to inventory obsolescence provision from change in commercial strategy	1	(13,539)	-
Inventory errors or misstatements	2	-	(20,201)
Duty drawback income	3	2,221	-
Included in Gross Profit		**(43,669)**	**(20,201)**
Included in distribution costs:			
Loss on disposal of Asian business	4	(7,585)	-
Impairment of property, plant and equipment and right-of-use assets	5	(16,200)	(8,717)
Other closure costs	6	(603)	
Provision for specific trade and other receivables		-	(557)
Included in administrative costs:			
Acquisition costs and unwind of fair value accounting adjustments	7	(4,710)	(1,740)
North America reorganisation costs and other restructuring costs	8	(1,368)	-
Legal and professional costs	9	(6,484)	(1,094)
Included in operating profit		**(80,619)**	**(32,309)**
Included in share of post-tax profits from joint venture:			
Unwind of fair value adjustments	10	(989)	-
Foreign exchange on the translation of monetary assets and liabilities denominated in foreign currencies	11	(3,026)	-
Non-underlying items		**(84,634)**	**(32,309)**
Profit before tax and non-underlying items		**4,778**	**62,965**
Impact of IFRS 16[2]		5,020	-
Profit before tax, non-underlying items and IFRS 16		**9,798**	**62,965**

[1] *The restatement relates to the prior year stock misstatement (see Note 1(y)).*
[2] *During the period, the Group has applied IFRS 16. Depreciation of right-of-use asset of £38,048,000 has been included within £64,527,000 above.*

Notes

1. Further details surrounding the changes in accounting estimates for inventory can be found in Note 1(y).
2. Further details surrounding errors or misstatements of inventory can be found in Note 1(y).
3. Duty Drawback is the refund of duties, certain taxes, and certain fees collected upon the importation of merchandise into the United States.
4. The Group reorganised operations in Asia (Hong Kong, China and Japan), which resulted in a loss on disposal. This includes an impairment of the right of use asset in Japan of £1.9m.
5. The Group impaired a number of assets in retail stores resulting in a charge of £16.2m, including leasehold improvements and right-of-use assets. This excludes an impairment of the right of use asset in Japan of £1.9m which is included in the loss of disposals above.
6. Other closure costs relate to closure of a number of underperforming concessions in Spain, France and the only outlet in Italy.
7. Costs relate to business combinations including advisory costs, one-off integration costs, and the unwinding of fair value acquisition adjustments.

8. The Group appointed new senior leadership positions in North America and incurred reorganisation and restructuring costs to support the Group's future strategic direction.
9. A number of legal and professional costs were incurred during the year, these have been summarised below:

   a. £2.7m for the independent stock investigation.
   b. £1.4m for the allegations of misconduct of the former CEO and the Group's policies and handling of HR related complaints.
   c. £0.8m for financial restructuring advisory fees.
   d. £0.6m in relation to the AXA insurance claim.
   e. £0.5m of professional fees incurred in relation to the sale of Big Lobster Ltd.
   f. £0.5m of professional fees for the transformation programme.

10. Costs in relation to the fair value unwind of inventory acquired by the new joint venture in China.
11. Foreign exchange loss on re-translation of intercompany balances denominated in foreign currencies.

4. Finance Income and Expenses

	52 weeks ended 25 January 2020	**52 weeks ended 26 January 2019**
	£'000	£'000
Finance income		
- Interest receivable	138	133
- Foreign exchange gains	-	147
	138	**280**
Finance expenses		
- Interest payable	(4,256)	(3,777)
- Interest on lease liabilities[1]	(8,309)	-
- Foreign exchange losses	(3,026)	(686)
	(15,591)	**(4,463)**

[1] *The Group has initially applied IFRS 16 at 27 January 2019, using the simplified modified retrospective transition approach. Under this approach, comparative information is not restated (see Note 1 (a) ii).*

5. Staff Numbers and Costs

The average number of employees (including Executive Directors) was:

	52 weeks ended 25 January 2020	**52 weeks ended 26 January 2019**
	Number	Number
Sales	2,800	2,894
Design	77	79
Administration	745	743
	3,622	**3,716**
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	91,162	85,103
Share-based payment charge	225	145
Social security costs	9,563	9,237
Pension costs	2,230	1,798
	103,180	**96,283**

Directors' remuneration

	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019
	£'000	£'000
Executive Directors' remuneration	734	946
Non-Executive Directors' remuneration	358	289
Company contributions to Executive Directors' money purchase pension plans	55	55

The aggregate of remuneration and amounts receivable under long-term incentive schemes of the highest paid Director was £398,000 (2019: £481,000). In the period ended 25 January 2020, no amounts are disclosed as received under long-term incentive schemes as no options were exercised by Ray Kelvin or Lindsay Page under the 2013 LTIP.

No amounts were paid in relation to pension contributions to a money purchase scheme during the period ended 25 January 2020 or the period ended 26 January 2019. Amounts in relation to pension contributions to a money purchase scheme were made on behalf of Lindsay Page and Rachel Osborne during the period totaling £50,000 (2019: £55,000) and £5,161 (2019: £nil) respectively.

	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019
	Number	Number
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:

	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019 (Restated) [1]
	£'000	£'000
Current tax		
United Kingdom Corporation Tax	-	10,756
Overseas Tax	1,804	2,894
Deferred tax		
United Kingdom Corporation Tax	(4,152)	175
Overseas Tax	(5,430)	(4,734)
Prior period (over)/under provision		
Current tax	(414)	(4,378)
Deferred tax	(1,247)	1,465
	(9,439)	**6,178**

[1] *The restatement relates to the prior year stock misstatement (see Note 1(y)).*

b) Current deferred tax movement by type

	52 weeks ended 27 January 2020	52 weeks ended 26 January 2019 (Restated)[1]
	£'000	£'000
Property, plant & equipment	1,024	1,693
Share-based payments	(25)	(389)
Losses	4,906	114
Inventory	329	469
Other	4,593	1,207
	10,827	**3,094**

For further details please refer to Note 13.

c) Factors affecting the tax charge for the period

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

	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019 (Restated)[1]
	£'000	£'000
(Loss)/Profit before tax	(79,856)	30,656
Profit multiplied by the standard rate in the UK – 19%, (2019: standard rate in the UK of 19%)	(15,173)	5,825
Income not taxable/expenses not deductible for tax purposes	8,280	648
Overseas losses not recognised	4,402	2,932
Movement in current and deferred tax on share awards and options	35	178
Prior period over provision	(1,707)	(2,913)
Recognition of losses previously not recognised	(5,466)	-
Effect of rate change on corporation tax	(950)	(350)
Difference due to overseas tax rates	1,140	(142)
Total income tax (credit)/expense	**(9,439)**	**6,178**

d) Deferred and current tax recognised directly in equity

	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019
	£'000	£'000
Current tax credit on share awards and options	-	(176)
Deferred tax charge on share awards and options	25	813
Deferred tax charge associated with movement in hedging reserve	(22)	670
Current tax / charge associated with foreign exchange movements in reserves	173	1,432
	176	**2,739**

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

As the deferred tax assets and liabilities should be recognised based on the corporation tax rate at which they are anticipated to unwind, the assets and liabilities on UK operations have been largely recognised at a rate of 19% (2019:17%). Assets and liabilities arising on foreign operations have been recognised at the applicable overseas tax rates.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will not materiality impact the future current tax charge or deferred tax assets and liabilities.

7. Profit Attributable to Ted Baker Plc

The loss after tax for the 52 weeks ended 25 January 2020 of Ted Baker Plc, the parent company, was £5,590,000 (2019: profit of £26,298,000). This included non-underlying costs of £4,830,000 (2019: £1,094,000) which related to various legal and professional costs disclosed in Note 3. The loss after tax before non-underlying items for the 52 weeks ended 25 January 2020 was £1,703,000 (2019: profit £27,392,000). The Directors have approved the income statement for the parent company.

8. Dividends Per Share

	52 weeks ended 25 January 2020	**52 weeks ended 26 January 2019**
	£'000	£'000
Final dividend paid for prior period of 40.7p per ordinary share (2019: 43.5p)	18,138	19,377
Interim dividend paid of 7.8p per ordinary share (2019: 17.9p)	3,477	7,973
	21,615	**27,350**

The directors have temporarily suspended the dividend, and hence, no final dividend is proposed for the period ended 25 January 2020.

9. Earnings Per Share

	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019 (Restated)[1]
Number of shares:	Number	Number
Weighted number of ordinary shares outstanding	44,565,753	44,532,779
Effect of dilutive options[3]	48,391	59,849
Weighted number of ordinary shares outstanding – diluted	**44,614,144**	**44,592,628**
Earnings:	£'000	£'000
(Loss)/profit for the period basic and diluted	(70,417)	24,478
Underlying profit[2]	2,974	50,876
Basic (loss)/earnings per share	(158.0p)	55.0p
Underlying earnings per share[2]	6.7p	114.2p
Diluted (loss)/earnings per share	(157.8p)	54.9p
Underlying diluted earnings per share[2]	6.7p	114.1p

Diluted earnings per share and underlying diluted earnings per share have been calculated using additional ordinary shares of 5p each available under the Ted Baker Sharesave Scheme and the Ted Baker PLC Long-Term Incentive Plan 2013.

There were no share related events that would affect earnings per share.

[1] *The restatement relates to the prior year stock misstatement (see Note 1(y)).*
[2] *Underlying profit for the period and underlying earnings per share are shown before non-underlying items net of tax of £73,391 (2019: 26,398)*
[3] *The SAYE scheme is considered to be antidilutive.*

10. Intangible Assets

	Reacquired right	Key money	Computer software	Computer software under development	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 26 January 2019	3,781	633	47,957	4,147	56,518
Additions/transfers	-	-	7,636	(1,268)	6,368
Exchange rate movement	-	(16)	14	-	(2)
At 25 January 2020	**3,781**	**617**	**55,607**	**2,879**	**62,884**
Amortisation					
At 26 January 2019	145	-	12,700	-	12,845
Charge for the period[1]	1,890	-	5,876	-	7,766
Exchange rate movement	-	-	8	-	8
At 25 January 2020	**2,035**	**-**	**18,584**	**-**	**20,619**
Net book value					
At 26 January 2019	**3,636**	**633**	**35,257**	**4,147**	**43,673**
At 25 January 2020	**1,746**	**617**	**37,023**	**2,879**	**42,265**

[1]The amortisation charge for the reacquired right of £1,890,000 is included in the acquisition costs and unwind of fair value accounting adjustments in the total non-underlying charge disclosed in Note 3.

	Reacquired right	Key money	Computer software	Computer software under development	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 27 January 2018	-	1,381	27,800	13,115	42,296
Additions/transfers	3,781	-	20,087	(8,968)	14,900
Disposals	-	(744)	-	-	(744)
Exchange rate movement	-	(4)	70	-	66
At 26 January 2019	**3,781**	**633**	**47,957**	**4,147**	**56,518**
Amortisation					
At 27 January 2018	-	-	7,923	-	7,923
Charge for the period	145	-	4,712	-	4,857
Disposals	-	-	-	-	-
Exchange rate movement	-	-	65	-	65
At 26 January 2019	**145**	**-**	**12,700**	**-**	**12,845**
Net book value					
At 27 January 2018	-	**1,381**	**19,877**	**13,115**	**34,373**
At 26 January 2019	**3,636**	**633**	**35,257**	**4,147**	**43,673**

Amounts included within computer software relate to the Group's information technology and ERP systems and further development of our e-commerce platforms and other business systems. The computer software under development category are stated net of transfers to computer software. Internally capitalised costs amount to £718,000 (2019: £495,000).

Transfers from the computer software under development category in the period amounted to £7,636,000 (2019: £20,087,000) while additions into this category were £6,368,000 (2019: £11,119,000).

11. Property, Plant and Equipment

	Freehold land and buildings	Leasehold improvements	Fixtures, fittings and office equipment	Motor vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 26 January 2019	57,973	129,351	101,743	111	3,248	292,426
Additions/transfers	-	6,828	14,624	-	(1,997)	19,455
Disposals	-	(9,788)	(2,802)	-	210	(12,380)
Exchange rate movement	-	296	(310)	-	63	49
At 25 January 2020	**57,973**	**126,687**	**113,255**	**111**	**1,524**	**299,550**
Depreciation						
At 26 January 2019	1,379	82,580	76,494	108	-	160,561
Charge for the period[1]	448	9,225	11,461	-	-	21,134
Disposals[2]	-	(8,385)	(2,421)	-	-	(10,806)
Impairment	-	744	537	-	-	1,281
Exchange rate movement	-	277	(326)	-	-	(49)
At 25 January 2020	**1,827**	**84,441**	**85,745**	**108**	**-**	**172,121**
Net book value						
At 26 January 2019	**56,594**	**46,771**	**25,249**	**3**	**3,248**	**131,865**
At 25 January 2020	**56,146**	**42,246**	**27,510**	**3**	**1,524**	**127,429**

[1]*Depreciation includes £0.5m in relation the closure of our outlet store in Italy. This charged has been included in other closure costs within the non-underlying charge disclosed in Note 3.*

[2]*Disposals include the disposal of property, plant and equipment in Asia of £0.9m following the Asia reorganisation during the year. This charge is included in the total loss on disposal of Asian business of £7.6m within the non-underlying charge disclosed in Note 3.*

	Freehold land and buildings	Leasehold improvements	Fixtures, fittings and office equipment	Motor vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 27 January 2018	57,973	117,750	86,162	111	8,114	270,110
Additions/transfers	-	9,899	15,221	-	(5,012)	20,108
Disposals	-	(1,126)	(536)	-	-	(1,662)
Exchange rate movement	-	2,828	896	-	146	3,870
At 26 January 2019	**57,973**	**129,351**	**101,743**	**111**	**3,248**	**292,426**
Depreciation						
At 27 January 2018	931	65,846	64,150	108	-	131,035
Charge for the period	448	10,247	9,714	-	-	20,409
Disposals	-	(1,120)	(489)	-	-	(1,609)
Impairment	-	6,237	2,480	-	-	8,717
Exchange rate movement	-	1,370	639	-	-	2,009
At 26 January 2019	**1,379**	**82,580**	**76,494**	**108**	**-**	**160,561**
Net book value						
At 27 January 2018	**57,042**	**51,904**	**22,012**	**3**	**8,114**	**139,075**
At 26 January 2019	**56,594**	**46,771**	**25,249**	**3**	**3,248**	**131,865**

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 £21,452,000 (2019: £25,120,000) while additions into this category were £19,455,000 (2019: £20,108,000).

Details on the impairment of property, plant and equipment is shown in Note 1 (w).

12. Investments (Company)

a) Subsidiary undertakings

In August 2019, the Group announced the appointment of a new licence partner in Japan, Sojitz Infinity. Ted Baker Japan KK transferred certain assets which included existing non-current stock, fixed assets and leases to support the successful transition of the operation. Since the appointment of Sojitz, the retail business ceased to trade directly from Ted Baker Japan KK.

On 2 October 2019, the Group disposed of its wholly owned subsidiaries Ted Baker Hong Kong Limited ("TBHK") and Ted Baker (Beijing) Commercial Company Ltd ("TBCN") and entered into a joint venture arrangement, discussed further in part c of this note.

Both subsidiaries have been included in the consolidated accounts, including the results of TBHK and TBCN until the date of disposal where control was lost. The loss on disposal has been disclosed in further detail in Note 3. As at 25 January 2020, the Company and Group had shares in the following subsidiary undertakings

Subsidiary undertaking	Country of incorporation and operation	Address	Principal activity	Holding ordinary shares
No Ordinary Designer Label Ltd (formerly Ted Baker Limited) *	UK	The Ugly Brown Building 6a St Pancras Way London NW1 0TB United Kingdom	Design, wholesale and retail of designer clothing and accessories	100%
Ted Baker Limited	US	1072 North State Street Ukiah, California 95482 USA	Retail and wholesale of designer clothing and accessories	100%
Ted Baker Canada Inc.	Canada	1959 Upper Water Street Halifax, Nova Scotia Canada B3J 3E5	Retail and wholesale of designer clothing and accessories	100%
Ted Baker (France) SARL	France	c/o Regus 9 Rue du 4 Septembre 75002 Paris France	Retail of designer clothing and accessories	100%
Ted Baker Spain S. L.	Spain	c/Arturo Soria 263B 28033 Madrid Spain	Retail of designer clothing and accessories	100%
Ted Baker Netherlands B. V.	The Netherlands	Leidsestraat 64 Amsterdam 1017PD The Netherlands	Retail of designer clothing and accessories	100%
Ted Baker Germany GmbH	Germany	c/o Regus Maximilianstraße 35 Eingang A 80539 Munich Germany	Retail of designer clothing and accessories	100%
Ted Baker Belgium N.V.	Belgium	Huidevettersstraat 42a 2000 Antwerpen Belgium	Retail of designer clothing and accessories	100%
Ted Baker Italy S.r.l.	Italy	Milano (MI) Via Michelengelo Buonarroti 39 Cap. 20145 Italy	Retail of designer clothing and accessories	100%
Ted Baker SA (Pty) Ltd	South Africa	Building 5 Inanda Greens	Retail of designer clothing	100%

		Business Park, 54 Wierda Rd Westwierda Valley Sandton 2146 South Africa	and accessories	
Ted Baker Japan KK	Japan	4-25-14, Jingumae Shibuya-Ku, Tokyo, Japan	Retail of designer clothing and accessories	100%
Big Lobster Limited	UK	The Ugly Brown Building 6a St Pancras Way London NW1 0TB United Kingdom	Property	100%
Little Lobster Limited	UK	The Ugly Brown Building 6a St Pancras Way London NW1 0TB United Kingdom	Dormant	100%
No Ordinary Shoes Limited	UK	The Ugly Brown Building 6a St Pancras Way London NW1 0TB United Kingdom	Design, wholesale and retail of designer footwear	100%
No Ordinary Shoes USA LLC	US	1072 North State Street Ukiah, California 95482 USA	Wholesale of designer footwear	100%
Ted Baker Korea Yuhan Hoesa	Korea	Seoul Finance Center Level 21 136 Sejong-daero Jung-gu Seoul, Korea	Dormant	100%

**Held directly by Ted Baker Plc*

b) Subsidiary undertakings – cost and net book value

	Company
	£'000
At 26 January 2019	24,978
Increase in cost of investment for share options/awards granted to subsidiary employees	225
At 25 January 2020	**25,203**

	Company
	£'000
At 27 January 2018	24,793
Increase in cost of investment for share options/awards granted to subsidiary employees	185
At 26 January 2019	**24,978**

c) Investment in equity accounted investee

The Group has a 50% interest in the ordinary share capital of No Ordinary Retail Company Pty, a company incorporated in Australia through its wholly owned subsidiary, No Ordinary Designer Label Limited. The joint venture is represented by eight stores in Australia and one store in New Zealand (2019: eight stores in Australia and one store in New Zealand).

On 2 October 2019, the Group announced that it had entered into an agreement with Shanghai LongShang Trading Company Ltd ("LS") to create a Joint Venture ("JV") operating in China including Hong Kong S.A.R. and Macau S.A.R through its wholly owned subsidiary No Ordinary Designer Label Limited. Under the JV agreement, the Group issued shares in the share capital of its wholly owned subsidiary ("TBHK") to the JV Partner for a total subscription price of RMB50m (c.£5.7m), in return for a 50% interest in the shares in TBHK. The joint venture is represented by twelve stores in China and three stores in Hong Kong.

	52 weeks ended 25 January 2020	**52 weeks ended 26 January 2019**
	£'000	£'000
Opening investment in joint venture	1,874	1,893
Investment	5,710	-
Share of (loss)/profit of joint venture	(1,229)	538
Share of non-underlying cost of joint venture	(989)	-
Dividend received	(278)	(557)
Closing investment in joint venture	**5,088**	**1,874**

The above carrying value represents the initial cost of the investment undertaken, as well as any subsequent change in net assets of the joint ventures, as at 25 January 2020.

	25 January 2020	**26 January 2019**
	£'000	£'000
Amounts due from equity accounted investee	**4,462**	**263**

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 profit for the period ended 25 January 2020 and its assets and liabilities are as follows:

	25 January 2020	**26 January 2019**
	£'000	£'000
Non-current assets	14,386	2,627
Current assets	6,921	3,079
Current liabilities	(3,619)	(2,609)
Net assets	**17,688**	**3,097**
Share capital	39,995	28
Retained earnings	(19,758)	2,009
Current period profit, net of tax	(2,601)	1,076
Exchange rate movement	52	(16)
Total equity	**17,688**	**3,097**

13. Deferred tax assets and liabilities

As at 25 January 2020	Asset / (liability) brought forward (Restated) [1]	(Charge) / Credit to Income Statement	(Charge) / Credit to Equity	Foreign exchange on retranslation	Asset / (liability) carried forward
	£'000	£'000	£'000	£'000	£'000
Deferred tax asset / (liability) on UK operations arising from:					
Assets					
Share-based payments	151	-	(25)	-	**126**
UK tax losses	-	4,114	-		**4,114**
Other	178	-	-	-	**178**
Derivative financial instruments	35	-	22	-	**57**
Liabilities					
Property, plant and equipment	(4,018)	842	-	-	**(3,176)**
Net deferred tax asset/ (liability) on UK operations	**(3,654)**	**4,956**	**(3)**	**-**	**1,299**
Deferred tax liability arising on acquisition of No Ordinary Shoes Limited:	**(1,264)**	**852**	**-**	**-**	**(412)**
	(4,918)	**5,808**	**(3)**	**-**	**887**
No Ordinary Shoes Limited – Deferred tax asset	**126**	**(37)**	**-**	**-**	**89**
Deferred tax asset on foreign operations arising from:					
Foreign trading losses	352	792	-	-	**1,144**
Inventory	3,481	329	-	-	**3,810**
Other	2,173	2,767	-	(246)	**4,694**
Property, plant and equipment	966	182	-	-	**1,148**
State Taxes	1,290	988	-	-	**2,278**
	8,388	**5,021**		**(246)**	**13,163**
TOTAL	**3,470**	**10,829**	**(3)**	**(246)**	**14,050**

[1] *The restatement of the opening deferred tax asset balance amounts to £1,669,000 (included in 'Inventory' within deferred tax on foreign operations), and relates to the inventory errors or misstatements (see Note 1(y).*

At 25 January 2020, the net deferred tax asset of £14,050,000 (2019: £3,470,000) comprises of a deferred tax asset of £17,638,000 (2019: £8,388,000) and a deferred tax liability of £3,588,000 (2019: £4,918,000).

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 £2,788,000 (2019: £9,097,000). £594,000 losses will expire in 0-5 years. £391,000 losses will expire in 6-10 years. £1,803,000 of losses have no time expiry.

14. Inventories

	Group 25 January 2020	Group 26 January 2019 (Restated)[1]
	£'000	£'000
Raw materials and packaging	3,378	8,978
Work in progress	1,178	1,055
Finished goods and goods for resale	127,107	195,615
	131,663	**205,648**
Cost of inventories recognised as an expense within cost of sales during the period	323,388	277,548
Inventories written down and recognised as an expense in the period	55,712	32,010

[1]*Details of the stock misstatement and change in accounting estimates are in Note 1(y).*

There were no reversals of write downs during the period (2019: £nil).

Inventories written down and recognised as an expense in the period relates to inventory written down to the net realisable value and the net movement in inventory provisions during the period. The write down and any reversal are included in cost of sales. For further details on inventory valuation, key assumptions and sensitivities, see Note 1(w).

15. Trade and Other Receivables

	Group 25 January 2020	Company 25 January 2020	Group 26 January 2019	Company 26 January 2019
	£'000	£'000	£'000	£'000
Trade receivables	47,171	-	54,750	-
Amounts owed by Group undertakings	-	27,096	-	55,824
Prepayments and accrued income	18,887	-	22,272	-
Other taxes and social security	1,213	-	1,582	-
	67,271	**27,096**	**78,604**	**55,824**

Included in prepayments and accrued income are accrued income amounts of £1.7m (2019: £3.8m) in relation to licensing income which has not yet been invoiced.

Expected credit losses
The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ('ECL'). The ECL on trade receivables are estimated with reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the period end date. There has been no change in the estimation techniques or significant assumptions made during the current reporting period. The Group has credit insurance and standby letters of credit in place with several customers to mitigate exposure against customer credit risk. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered bankruptcy or administration proceedings. The Group bad debt provision at 25 January 2020 amounted to £97,000 (2019: £557,000).

The Company has no significant concentrations of credit risk. The amounts owed by Group undertakings balance comprises an interest free intercompany loan with a subsidiary within the Group, which is repayable on demand. The ability of the Group undertaking to repay outstanding balances to the Company is assessed at each reporting date and counterparty credit risk is reviewed on a regular basis using the IFRS 9 expected credit loss impairment model. If a significant increase in the credit risk occurs, credit losses are recorded in the income statement. As at 25 January 2020, and at 26 January 2019, the expected credit loss of the Company's trade and other receivables was negligible and hence no impairment of the receivable was recorded.

16. Derivative Financial Instruments

	Note	Assets 25 January 2020	Liabilities 25 January 2020	Assets 26 January 2019	Liabilities 26 January 2019
		£'000	£'000	£'000	£'000
Derivatives designed as effective as hedging instruments and carried at fair value:					
Forward foreign exchange contracts	23	203	(944)	159	(451)
Interest rate swap	23	-	(68)	118	-
Derivatives that are carried at fair value through profit or loss:					
Foreign currency options	23	-	(83)	39	(238)
		203	**(1,095)**	**316**	**(689)**

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

Following the repayment of the term loan in the period, the interest rate swap has deemed ineffective and has been recycled through the profit and loss account. There were no other ineffective cashflow hedges in the period (2019: £nil).

Gains and losses in equity relating to derivatives in effective hedging relationships at 25 January 2020 will remain there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity 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 the income statement in the same period that the hedged item affects the income statement.

The charge to the income statement in respect of changes in the fair value of foreign currency derivatives that do not meet the criteria for hedge accounting was £116,000 (2019: charge of £521,000).

17. Net debt and borrowings

	Group 25 January 2020	Company 25 January 2020	Group 26 January 2019	Company 26 January 2019
	£'000	£'000	£'000	£'000
Cash and cash equivalents per balance sheet	52,912	21	14,654	99
Borrowings	(180,000)	-	(138,496)	-
Net debt	**(127,088)**	**21**	**(123,842)**	**99**

Net debt excludes lease liabilities arising under IFRS 16 as this aligns with the definition of net debt under the Group's bank covenants (refer to Note 19).

The Group's borrowings have been summarised below:

	Interest Rate	Repayable date	Group 25 January 2020	Group 26 January 2019
Current:			£'000	£'000
Revolving credit facility	2.1% +LIBOR	Sept 2022	180,000	91,496
Term loan[1]	1.75% + LIBOR	-	-	4,000
Total current borrowings			**180,000**	**95,496**
Non-current:				
Term loan[1]	1.75% + LIBOR	-	-	43,000
Total non-current borrowings			**-**	**43,000**
Total current and non-current borrowings			**180,000**	**138,496**

[1] *The term loan was repaid in September 2019.*

Reconciliation of liabilities to cashflow arising from financing activities:

	Group 25 January 2020
	£'000
Balance at 26 January 2019	138,496
Changes from financing cash flows:	
Proceeds from loans and borrowings	88,504
Repayment of borrowings	(47,000)
Interest paid	(4,256)
Total changes from financing cashflows	175,744
Interest expense	4,256
Total changes from financing cashflows	4,256
	180,000

18. Trade and Other Payables

	Group 25 January 2020	Company 25 January 2020	Group 26 January 2019	Company 26 January 2019
	£'000	£'000	£'000	£'000
Trade payables	56,181	-	53,450	-
Accruals and deferred income[1]	22,934	113	33,897	771
Other creditors	9,510	-	9,492	-
Other tax	10,666	-	11,789	-
	99,291	**113**	**108,628**	**771**

[1]*Deferred income previously included rental property accruals is no longer recognised under IFRS 16.*

19. IFRS 16

Right-of-use assets

The Group has initially applied IFRS 16 at 27 January 2019, which requires the recognition of right-of-use assets for lease contracts that were previously classified as operating leases. The Group has applied IFRS 16 using the simplified modified retrospective transition approach, under which comparative information is not restated (see Note 1 (a) ii)).

Right-of-use assets are recognised in relation to the Group's leases, representing the economic benefits of the Group's right to use the underlying leased assets. The Group's lease portfolio is principally comprised of property leases of stores, distribution centers and overseas head offices.

	Right-of-use asset
	£'000
Cost	
At 26 January 2019	-
Restatement for IFRS 16	185,409
At 27 January 2019	185,409
Additions	21,918
Disposals	(5,832)
At 25 January 2020	201,495
Amortisation	
At 26 January 2019	-
Charge for the period	(38,048)
Disposals	2,426
Impairments[1]	(16,839)
At 25 January 2020	(52,461)
Net book value	
At 25 January 2020	149,034

[1]The impairment charge of £16.9m above includes £1.9m relating to the write down of the right of use asset for an owned store in Asia, this has been included within non-underlying costs within the loss on disposal in Note 3.

Lease Liabilities

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 27 January 2019. The discount rates applied range between 1.9% to 9.1%, they have been determined based on comparable bond yields and are lease specific varying by territory and lease length.

Amounts recognised in profit or loss

	Group 25 January 2020	Group 26 January 2019
	£'000	£'000
Interest on lease liabilities[1]	8,309	-

[1]Expenses related to variable rental payments for leasehold properties are included within Note 3.

Lease liabilities included in the statement of financial position

	Group 25 January 2020	Group 26 January 2019
	£'000	£'000
Current	36,381	-
Non-current	131,956	-
Total undiscounted lease liabilities	**168,337**	**-**

Reconciliation of liabilities to cashflow arising from financing activities:

	Group 25 January 2020
	£'000
Balance at 26 January 2019	
Opening balance on transition at 27 January 2019	185,409
Changes from financing cash flows:	
Payment of lease liabilities	(41,337)
Total changes from financing cash flows	(41,337)
Increase in lease liability	21,918
Disposal of lease liabilities	(3,406)
The effect of changes in foreign exchange rates	(2,556)
Interest expense	8,309
Total other changes	24,265
	168,337

Maturity analysis – contractual undiscounted cash flows

	Group 25 January 2020
	£'000
Less than one year	36,379
One to five years	107,024
More than five years	40,786
Total undiscounted lease liabilities	**184,189**

20. Capital and Reserves

	Group 25 January 2020	Group 26 January 2019
	£'000	£'000
Authorised – 80,000,000 ordinary shares of 5p each (2019: 80,000,000)	4,000	4,000
Allotted, called up and fully paid – 44,566,689 ordinary shares of 5p each (2019: 44,563,346)	2,228	2,228

There was an increase of 3,343 shares in issued share capital during the period (2019: 89,138 shares), which related to the exercise of share options, including LTIPs.

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 are documented as part of an effective hedge of future cash flows are recognised directly in equity and recycled to the income statement when the underlying cash flows occur, or are no longer expected to occur.

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the 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 employees of the Group. This reduction in other reserves is reflected in retained earnings in the Group Statement of Changes in Equity.

21. Share-based Payments

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 are 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.

Share options and awards granted under the LTIP 2013 and outstanding at the end of the period were as follows:

Grant date	Expiry date	Number of options granted	Fair value at grant date	Number of awards outstanding at 25 January 2020	Number of awards outstanding at 26 January 2019
1 May 2014	20 April 2024	254,141	695.0p	670	670
30 April 2015	29 April 2025	192,860	1,785.0p	47,721	51,064
5 May 2016	4 May 2026	234,159	875.0p	-	174,160
6 April 2017	5 April 2027	221,234	1,355.0p	85,427	162,169
3 April 2018	2 April 2028	251,786	1,071.0p	133,708	227,947
16 April 2019	15 April 2022	403,600	592.0p	279,983	-
		1,557,780		**547,509**	**616,010**

The terms and conditions of the awards granted during the period ended 25 January 2020 were the same as those for the awards made under the LTIP 2013 in previous periods and are as follows:

Grant date	Type of award	Number of options	Vesting conditions	Vesting period
16 April 2019	LTIP 2013	403,600	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 three years

The credit to the income statement for the period in respect of options issued under the LTIP 2013 amounted to £nil (2019: credit of £229,248). There was no charge for the period in respect of L D Page, who was employed by the Company (2019: amount in respect of R S Kelvin, who was the only employee of the Company at this date, was a credit of £40,000).

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

Share price at grant	1,520.0p–2,855.0p
Share price at grant (based on six-month average) for share price performance condition	1,752.0p–2,809.0p
Risk free interest rate	0.18%–0.87%
Expected life of options	3 years
Share price volatility	29.00%–38.71%
Dividend yield	1.41%–3.86%

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.

22. Financial Commitments

a) Capital commitments

The Group has capital commitments of £3,333,934 related to commitments at 25 January 2020 (2019: £14,977,155) which were not provided in the financial statements.

b) Operating leases

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

	As at 25 January 2020	**As at 26 January 2019**
	£'000	£'000
Leasehold properties:		
Within one year	-	47,282
Between one and five years	-	140,298
Later than five years	-	66,781
Concessions:		
Within one year	3,232	5,258
Between one and five years	-	84
Later than five years	-	99
	3,232	**259,802**

During the period, the Group has applied IFRS 16, operating leases for leasehold properties has been included within Lease Liabilities disclosed in Note 19.

Operating leases for concessions often contain rental expenses based on revenue ("revenue leases"). Under the terms of certain revenue leases there are minimum payments due, together with variable amounts in excess of those minimums which are based on the concession's future revenue levels. For certain other revenue leases, there are no minimum payment conditions within the terms of the lease such that rental charges are contingent wholly on future store revenue levels.

The table above includes only committed minimum payments and excludes the variable or contingent elements of future rental payments. As a result, the amounts charged to the Income Statement may be materially higher than the financial commitment at the prior period end.

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 £2,230,000 (2019: £1,798,000). Contributions totalling £332,000 are included in other payables at the period end (2019: £161,236).

23. 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 25 January 2020	Fair value 25 January 2020	Carrying amount 26 January 2019	Fair value 26 January 2019
	£'000	£'000	£'000	£'000
Financial assets				
Trade receivables	47,171	47,171	54,750	54,750
Accrued income	1,708	1,708	5,431	5,431
Amount due from equity accounted investee	4,462	4,462	263	263
Derivative financial assets	203	203	316	316
Cash and cash equivalents	52,912	52,912	14,654	14,654
Total financial assets	**106,456**	**106,456**	**75,414**	**75,414**
Financial liabilities				
Trade and other payables	(88,625)	(88,625)	(96,839)	(96,839)
Derivative financial liabilities	(1,095)	(1,095)	(689)	(689)
Borrowings	(180,000)	(180,000)	(138,496)	(138,496)
Total financial liabilities	**(269,720)**	**(269,720)**	**(236,024)**	**(236,024)**
Net financial liabilities	**(163,264)**	**(163,264)**	**(160,610)**	**(160,610)**

There are no significant trade debtor balances overdue and no significant amounts impaired at the end of the period. The carrying and fair values of lease liabilities have been disclosed in Note 19.

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 25 January 2020	Fair value 25 January 2020	Carrying amount 26 January 2019	Fair value 26 January 2019
	£'000	£'000	£'000	£'000
Financial assets				
Amounts owed by Group undertakings	27,096	27,096	55,824	55,824
Cash and cash equivalents	21	21	99	99
Total financial assets	**27,117**	**27,117**	**55,923**	**55,923**
Financial liabilities				
Trade and other payables	(113)	(113)	(771)	(771)
Total financial liabilities	**(113)**	**(113)**	**(771)**	**(771)**
Net financial assets	**27,004**	**27,004**	**55,152**	**55,152**

All non-derivative financial assets and liabilities, for the Group and Company, are measured at amortised cost. Their carrying amounts are a reasonable approximation of their fair value due to their short maturities or because interest rates are floating rates where payments are reset to market rates at intervals of less than one year.

Derivative assets and liabilities are held at fair value (see Note 16), which is determined by reference to third-party valuations (usually from a bank) or by reference to readily observable market prices. Derivative assets and liabilities that are not used in hedging relationships are held at fair value through the profit and loss.

The valuation of all financial 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 25 January 2020	Assets 25 January 2020	Liabilities 25 January 2020	Contractual/ notional amounts 26 January 2019	Assets 26 January 2019	Liabilities 26 January 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Forward foreign exchange contracts	67,959	203	(1,027)	50,891	198	(689)
Interest rate swap	30,000	-	(68)	30,000	118	-
	97,959	**203**	**(1,095)**	**80,891**	**316**	**(689)**

The following table indicates the timing of the notional amount of the foreign exchange derivative hedging instruments.

	Contractual/ notional amounts 25 January 2020	Contractual/ notional amounts 26 January 2019
	£'000	£'000
Within six months	19,262	7,942
Between six months and one year	32,465	21,557
Between one and two years	16,232	21,392
Unrecognised gain/(loss)	**67,959**	**50,891**

The £30,000,000 notional amount of the interest rate swap is due to expire in December 2020.

c) Cash flow hedging reserve movements

The following table indicates the cash flow hedging reserve balance at 25 January 2020 and the periods in which the cash flows are expected to occur. The periods in which the cash flows are expected to impact the income statement are materially the same.

	Currency derivatives 25 January 2020	Currency derivatives 26 January 2019
	£'000	£'000
Within six months	150	57
Between six months and one year	(543)	(209)
Between one and two years	(323)	(121)
Unrecognised gain/(loss)	**(716)**	**(273)**

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 risks have been established and are reviewed regularly to reflect changes in the market conditions and the Group's activities.

i) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, 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.

Foreign currency risk

The Group operates internationally and is therefore exposed to foreign currency risk primarily on purchases of inventory 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.

The Group's policy is to hedge substantially all the risks of such currency fluctuations by using forward contracts considering forecast foreign currency cash inflows and outflows. The policy allows for these risks to be hedged for up to 24 months ahead in order to fix the cost in Sterling.

In April 2020, the Group exited its foreign exchange contracts to crystallise a cash gain and as a result, the Group's foreign exchange risk is unhedged for the next financial year.

The vast majority of projected purchases in each major currency qualifies as "highly probable" forecast transactions for hedge accounting purposes.

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. Translation risks are not hedged.

Foreign currency sensitivity analysis
The Group has used sensitivity analysis 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 25 January 2020. 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 equity. The analysis covers currency translation exposures at the period end on the Group's financial assets and liabilities that are not denominated in the functional currencies of those businesses

A 10% (2019: 10%) strengthening or weakening of the Sterling against the following currencies at 25 January 2020 would have increased/(decreased) equity and profit before tax by the amounts shown in the following table:

	Impact on profit 25 January 2020	**Impact on equity 25 January 2020**	**Impact on profit 26 January 2019**	**Impact on equity 26 January 2019**
Test of 10% (2019: 10%) strengthening in Sterling against other currencies	£'000	£'000	£'000	£'000
US Dollar	1,436	1,436	2,019	2,019
Euro	(279)	(279)	48	48
	1,157	**1,157**	**2,067**	**2,067**
Test of 10% (2019: 10%) weakening in Sterling against other currencies				
US Dollar	(1,755)	(1,755)	(2,468)	(2,468)
Euro	341	341	(59)	(59)
	(1,414)	**(1,414)**	**(2,527)**	**(2,527)**

Interest rate risk
The Group's exposure to interest rate risk is limited to floating rate financial assets and liabilities.

The Group's policy is to minimise the impact of adverse interest rate movements, through the use of interest rate management tools, taking into account factors such as the timing of future cash flows and forward yield curves. The use of any interest rate management tools is aligned with timescales of current and forecast net debt for which underlying projections can be accurately made. The Group's interest rate derivatives comprise interest rate swap agreements, fixing a portion of the floating rate net debt to fixed rates.

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

Financial assets and liabilities subject to interest rate risk	Group 25 January 2020	Company 25 January 2020	Group 26 January 2019	Company 26 January 2019
	£'000	£'000	£'000	£'000
Sterling	(185,709)	21	(107,238)	99
US Dollar	14,325	-	4,612	-
Euro	8,364	-	2,502	-
Other	5,766	-	6,138	-
	(157,254)	**21**	**(93,986)**	**99**

The above table does not include the notional value of net debt for which interest rate swaps are in place.

Interest rate sensitivity analysis
The following sensitivity analysis illustrates the impact that a change of 50 basis points in LIBOR interest rates at the balance sheet date would have increased/(decreased) equity and profit before tax by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

	Impact on profit 25 January 2020	Impact on equity 25 January 2020	Impact on profit 26 January 2019	Impact on equity 26 January 2019
	£'000	£'000	£'000	£'000
Interest rate increase of 0.5%	(786)	(786)	(470)	(470)
Interest rate decrease of 0.5%	786	786	470	470

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's principal financial assets are cash, trade and other receivables, and derivative financial assets. The Group's credit risk is primarily attributable to its trade and other receivables.

Trade and other receivables
Credit risk arises on credit exposure to wholesale, license and concession partners including outstanding receivables and committed transactions. The Group substantially mitigates credit risk through credit insurance, standby letters of credit or supplier finance arrangements when possible.

Wholesale partner receivables risk is mitigated by credit 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 daily.

All territorial license partners require a standby letter of credit up to the amount of their credit limit, which is determined based on creditworthiness and volume of business. The Group is not able to protect its license partner income with credit insurance, although it does not consider this a significant credit risk. Forecasts are obtained from all its license partners throughout the period to allow extensive visibility of future income.

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.

iii) Liquidity risk
Refer to Note 1, Basis of Preparation – Going Concern.

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

Management monitors rolling forecasts of the Group's liquidity reserve, (which comprises of the 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.

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 twelve months equal their carrying balances as the impact of discounting is not significant.

	Carrying amount	**Contracted amount less than 1 year**	**Contracted amount 1–2 years**	**Contracted amount 2–5 years**
	£'000	£'000	£'000	£'000
At 25 January 2020				
Non-derivative financial liabilities				
Trade and other payables	88,625	88,625	-	-
Borrowings[1]	180,000	180,000	-	-
Derivative financial liabilities				
Derivative financial instruments	1,095	1,095	-	-
At 26 January 2019				
Non-derivative financial liabilities				
Trade and other payables	96,839	96,839	-	-
Borrowings	138,496	138,496	4,000	39,000
Derivative financial liabilities				
Derivative financial instruments	689	493	196	-

[1] *The gross contractual liability for the £180m revolving credit facility at 25 January 2020 is £180,259,661 as the facility has been rolled over to 13 February 2020. The £47.0m term loan at 26 January 2019 was repaid in September 2019*

The Group manages its liquidity risk using an unsecured revolving credit facility of £180.0m expiring in September 2022. This facility provides the resources to fund the planned working capital requirements and capital expenditure to support the Group's long-term growth strategy. Interest is payable based on LIBOR plus a margin. The Group had utilised £180.0m (2019: £91.3m) of the £180.0m credit facility as at 25 January 2020.

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.

e) Capital management
The Board's immediate actions to capital management are set out in Note 1, Basis of Preparation – Going Concern.

The Board's policy is to maintain a robust capital base, defined as total shareholders' equity, totalling £148,631,000 at 25 January 2020 (2019: £228,468,000), to maintain investor, creditor and market confidence and to sustain future development of the business. From time to time the Company purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily the shares are intended to be used for issuing shares under the Group and Company's share option and award programmes.

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

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

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

24. Related Parties

The Group considers its Executive and Non-Executive Directors as key management and their compensation therefore comprises a related-party transaction.

Total compensation in respect of key management for the period was as follows:

	52 weeks ended 25 January 2020	**52 weeks ended 26 January 2019**
	£'000	£'000
Salaries, fees and short-term benefits	1,092	2,271
Contributions to money purchase pension schemes	55	55
Share-based payment (credit) / charges	-	(76)
	1,147	2,250

Directors of the Company as at 25 January 2020 and their immediate relatives control 35.1% of the voting shares of the Company.

At 25 January 2020, No Ordinary Designer Label Limited ("NODL"), the main trading company owed Ted Baker Plc £27,096,000 (2019: £55,824,000) and owed No Ordinary Shoes Limited £10,070,000 (2019: £11,370,000.) NODL was owed £174,488,000 (2019: £186,546,000) 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 the ordinary share capital of No Ordinary Retail Company Pty*, a company incorporated in Australia, through its wholly owned subsidiary No Ordinary Designer Label Limited. As at 25 January 2020, the joint venture owed £530,000 to the main trading company (2019: £263,000). In the period the value of sales made to the joint venture by the Group was £2,485,000 (2019: £2,081,000).

During the period, the Group announced that it had entered an agreement to create a joint venture resulting in a 50% interest in the shares in TBHK. As at 25 January 2020, the joint venture owed £3,933,000 to the main trading company (2019: £Nil). In the period the value of sales made to the joint venture by the Group was £1,074,000 (2019: £nil).

Ray Kelvin and Lindsay Page are both directors of, and shareholders in, THAT Bournemouth Company Limited*, THAT TopCo Limited* and THAT Bournemouth Big Hotel Limited* and, as such, these entities are related parties of the Company for the purposes of Chapter 11 of the Listing Rules.

Previously the Group provided design services to THAT Bournemouth Company Limited for which licence income fees were charged. No services were provided in the year ended 25 January 2020 (2019: £nil). No amounts were outstanding as at 25 January 2020 (2019: £nil).

During the period the main trading company provided office space and support services to THAT TopCo Limited for which charges were made of £Nil (2019: £130,720) and other miscellaneous charges of £3,666 (2019: £6,450). As at 25 January 2020, THAT TopCo Limited owed £nil to the main trading company (2019: £150,034).

During the period the main trading company supplied support services to THAT Bournemouth Big Hotel Limited for which charges were made of £2,800 (2019: £16,338). As at 25 January 2020, THAT Bournemouth Big Hotel Limited owed £nil to the main trading company (2019: £nil).

*The registered office addresses are as follows:

Related party	**Registered office address**
No Ordinary Retail Company Pty	6 Albert St, Preston VIC 3072, Australia
Ted Baker (Hong Kong) Limited	Room 2001-2, Tower 2, The Gateway, Harbour City, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong

THAT Bournemouth Company Limited	66-67 Newman Street 66-67 Newman Street, Fitzrovia, London, London, England, England, W1T 3EQ
THAT TopCo Limited	66-67 Newman Street 66-67 Newman Street, Fitzrovia, London, London, England, England, W1T 3EQ
THAT Bournemouth Big Hotel Limited	66-67 Newman Street 66-67 Newman Street, Fitzrovia, London, London, England, England, W1T 3EQ

25. Business Combinations

For the period ended 26 January 2019

On 1 January 2019, the Group acquired the entire issued share capital of No Ordinary Shoes Limited and No Ordinary Shoes USA LLC from Pentland Group Plc. Prior to this date, Pentland held the exclusive global licence to manufacture and distribute footwear under the Ted Baker brand. The Group believes that this opportunity will allow it to drive further growth in its footwear business by leveraging the Group's global footprint and well invested infrastructure.

Consideration comprised £20.3m million payable in cash at completion, which was funded using the Group's multi-currency revolving credit facility. Acquisition-related costs of £1.7m are included in non-underlying costs within administrative expenses in the income statement and in operating cash flows in the statement of cash flows.

Details of the consideration paid, and fair value of net assets acquired are as follows:

	£'000
Consideration paid:	
Cash	20,290
Total Consideration	**20,290**
Property, Plant & Equipment	150
Inventories	10,658
Trade and other receivables	12,095
Cash and cash equivalents	1,699
Trade and other payables	(6,801)
Reacquired right	3,781
Deferred tax	(1,292)
Total Assets and Liabilities	**20,290**

The gross contractual amounts of acquired receivables is shown above. There were no changes to the provisional fair values previously disclosed.

From the date of acquisition on 1 January 2019 to 26 January 2019, revenue of £231,000 and profit before tax of £34,000 was included within the Group income statement for the period ended 26 January 2019. If the acquisition had taken place on the first day of the period, Group revenue and profit before tax would have been £37.2m and £11.6m higher respectively.

26. Post balance sheet events

Sale and leaseback of The Ugly Brown Building

On 23 March 2020, the Group announced the exchange of contracts with a wholly owned subsidiary of British Airways Pension Trustees Limited in respect of the sale of the entire issued share capital of Big Lobster Limited. Big Lobster is a wholly owned subsidiary of the Group, and owns the Group's registered head office, The Ugly Brown Building (6a St Pancras Way, London NW1 0TB).

The consideration for the Sale is £78.75 million (subject to completion of a customary completion accounts adjustment mechanism) and will be paid in cash by the buyer on completion, which is expected to take place in June 2020. The net proceeds of the sale of at least £72 million, after fees and taxes, will be applied to repay existing indebtedness to significantly de-lever the Group.

In connection with the sale, the Group has entered a short-term lease of the property for a period following completion from 1 June 2020 to 31 March 2023 at an annual rent of £3.25m, with a break clause after 1 June 2022 on 3 months' notice. Under this new lease, in accordance with IFRS 16, a right-of-use asset and associated lease liability will be recognised.

At completion, the Group will enter into an option with the purchaser of Big Lobster Limited to take a long-term lease of part of the adjacent newly developed property, to be known as Bowline, Tribeca, St Pancras Way.

The sale constitutes a class 1 transaction for the Group under the Financial Conduct Authority's Listing Rules. Completion of the sale is therefore conditional on approval by a simple majority of shareholders of Ted Baker Plc at a general meeting which will take place on 15 June 2020.

Additional loan facility

The Group's net debt balance at 25 January 2020 was £127.1m (2019: net debt £123.8m). In September 2019, the Group refinanced its borrowing facilities. The existing revolving credit facility of £135.0m and the term loan of £47.0m were refinanced into a new three-year revolving credit facility of £180.0m (Facility A), with a lending bank syndicate of four banks. The facility contains quarterly covenant testing for the Group's leverage ratio, fixed cover charge and a net assets test. On 23 March 2020, the Group announced that its lending bank syndicate agreed to increase the headroom under the Group's revolving credit facilities by a further £13.5m until 18 December 2020 (Facility B). On 20 May 2020, the lending bank syndicate agreed to increase the headroom until Facility B by a further £11.5m, taking the total Facility B facility to £25.0m, with a revised Facility B expiry date of 18 January 2022.

Equity raise

On 1June 2020, the Group announced that it is looking to raise at least £70m via an underwritten share issue, and is conditional on approval by the shareholders of Ted Baker plc at a general meeting which will take place in June. The proceeds from the share issue will be used to provide liquidity for the Group for working capital purposes.

Covid-19

The Covid-19 global pandemic has created significant uncertainty across the Group's markets, and in March 2020, all the Group's retail stores, and those of our concession partners, closed to protect our employees and customers, in accordance with various national government requirements. The e-commerce channel has continued to trade during this period, albeit at a level of sales significantly below that generated from retail stores. A number of our wholesale partners have also cancelled or delayed orders, impacting wholesale revenue. It is not known when the retail stores, or those of our concession partners, will partially or fully re-open and therefore revenue and profitability in FY21 will be materially impacted by the Covid-19 pandemic. As at 20 May 2020, it is not possible to reliably determine or quantify the impact of Covid-19 on the Group's significant estimates (Impairment of property, plant and equipment, right of use assets and intangible assets, and carrying amount of inventories – see Note 1(w) and expected credit losses on trade and other receivables).

In April 2020, Debenhams Retail Ltd, a customer of the Group, filed for administration in the UK. At that date, the Group was owed £0.8 million by the company, and this amount will be fully provided for in the FY21 accounts as it is not considered recoverable.

Five Year Summary (unaudited)

	52 weeks ended 30 January 2016	52 weeks ended 28 January 2017	52 weeks ended 27 January 2018	52 weeks ended 26 January 2019 (Restated)[1]	52 weeks ended 25 January 2020
	£'000	£'000	£'000	£'000	£'000
Results					
Revenue[2]	470,553	549,223	613,113	639,554	630,478
Operating profit/(loss)	59,369	62,497	70,727	34,301	(62,185)
Profit/(loss) before tax	58,664	61,271	68,789	30,656	(79,856)
Profit/(loss) before tax, non-underlying items and IFRS 16	58,664	65,784	73,465	62,965	9,798
Profit/(loss) for the period	**44,235**	**46,568**	**52,744**	**24,478**	**(70,417)**
Assets employed					
Property, plant and equipment	123,397	144,354	139,075	131,865	127,429
Other non-current assets	25,615	31,189	40,733	54,708	217,587
Net current assets/(liabilities)	82,143	91,852	92,515	89,813	(57,913)
Non-current liabilities	(58,556)	(56,851)	(48,273)	(47,918)	(138,472)
Net assets	**172,599**	**210,544**	**224,050**	**228,468**	**148,631**
Financed by					
Shareholders' funds	172,599	210,544	224,050	228,468	148,631
	172,599	**210,544**	**224,050**	**228,468**	**148,631**
Key statistics					
Basic earnings per share	100.6p	105.7p	119.0p	55.0p	(158.0p)
Underlying earnings per share	100.6p	114.0p	127.7p	114.2p	6.7p
Diluted earnings per share	99.3p	104.5p	118.3p	55.0p	(157.8p)
Dividends per share	47.8p	53.6p	60.1p	58.6p	7.8p
Dividend cover[3]	2.1 times	2.0 times	2.0 times	.9 times	-20.3 times
Dividend cover before non-underlying costs[3]	2.1 times	2.1 times	2.1 times	1.9 times	1.2 times
Pre-tax return on capital employed before non-underlying items	30.5%	27.3%	26.8%	19.1%	7.3%
Post-tax return on capital employed before non-underlying items	23.0%	20.8%	20.6%	15.3%	6.5%

[1] *The prior period errors or misstatements relating to stock are detailed further in Note 1(y)).*
[2] *Revenue has been restated for all years to include licence income.*
[3] *The dividend in the period 25 January 2020 was temporarily suspended.*

Appendix - Alternative performance measures (unaudited)

As stated in Note 1(x), the Group uses certain measures that are not separately disclosable under IFRS or the Companies Act. The Directors believe that these additional measures, which are used internally, are useful to the users of the financial statements in helping them understand the underlying business performance. Reconciliations of the reported numbers to alternative performance measures are shown below.

Throughout the Annual Report and Accounts, alternative performance measures (APMs) have been reported which are non-GAAP measures and are presented to provide stakeholders with additional financial information on the performance of the Group.

These APMs should not be viewed in isolation or as an alternative to the equivalent GAAP measure. The measures detailed below are not defined by IFRS and therefore may not be directly comparable with other companies' APMs – this includes those in the retail industry.

UK & Europe

	52 weeks ended 25 January 2020	52 weeks ended 25 January 2020	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019	Constant Currency Variance
	Reported	Foreign Exchange Impact	Constant Currency	Reported	
	£'000	£'000	£'000	£'000	
Total revenue	422,571	787	423,358	436,818	(3.1%)
Total retail revenue	296,879	787	297,666	315,036	(5.5%)
Store revenue	202,303	710	203,013	217,004	(6.4%)
E-commerce revenue	94,577	76	94,653	98,032	(3.4%)
Sales per square foot including e-commerce sales	1,043	3	1,046	1,156	(9.5%)
Sales per square foot excluding e-commerce sales	711	2	713	796	(10.4%)
Wholesale revenue	106,692	-	106,692	99,670	7.0%
Licence income	19,001	-	19,001	22,112	(14.1%)

North America

	52 weeks ended 25 January 2020	52 weeks ended 25 January 2020	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019	Constant Currency Variance
	Reported	Foreign Exchange Impact	Constant Currency	Reported	
	£'000	£'000	£'000	£'000	
Total revenue	194,599	(6,909)	187,690	182,434	2.9%
Total retail revenue	129,755	(4,527)	125,228	125,652	(0.3%)
Store revenue	107,690	(3,698)	103,992	105,122	(1.1%)
E-commerce revenue	22,066	(828)	21,238	20,550	3.3%
Sales per square foot including e-commerce sales	939	(33)	906	955	(5.1%)
Sales per square foot excluding e-commerce sales	780	(27)	753	798	(5.6%)
Wholesale revenue	64,844	(2,383)	62,461	56,782	10.0%

Rest of World

	52 weeks ended 25 January 2020	52 weeks ended 25 January 2020	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019	Constant Currency Variance
	Reported	Foreign Exchange Impact	Constant Currency	Reported	
	£'000	£'000	£'000	£'000	
Total retail revenue	13,307	(152)	13,155	20,302	(35.2%)
Store revenue	11,221	(107)	11,114	17,211	(35.4%)
E-commerce revenue	2,086	(44)	2,042	3,091	(33.9%)
Sales per square foot including e-commerce sales	662	(8)	654	740	(11.6%)
Sales per square foot excluding e-commerce sales	558	(5)	553	627	(11.8%)

Group

	52 weeks ended 25 January 2020	52 weeks ended 25 January 2020	52 weeks ended 25 January 2020	52 weeks ended 26 January 2019	Constant Currency Variance
	Reported	Foreign Exchange Impact	Constant Currency	Reported	
	£'000	£'000	£'000	£'000	
Total revenue	630,478	(6,274)	624,203	639,554	(2.4%)
Total retail revenue	439,941	(3,892)	436,050	460,990	(5.4%)
Store revenue	321,214	(3,095)	318,118	339,337	(6.3%)
E-commerce revenue	118,728	(797)	117,931	121,653	(3.1%)
Sales per square foot including e-commerce sales	994	(9)	985	1,068	(7.8%)
Sales per square foot excluding e-commerce sales	725	(7)	718	786	(8.6%)
Wholesale revenue[1]	171,536	(2,383)	169,153	156,452	8.1%
Licence income	19,001	-	19,001	22,112	(14.1%)
Retail operating costs	232,175	905	233,080	231,885	0.5%
Distribution costs excluding non-underlying costs and IFRS16	247,412	(2,449)	244,963	240,479	1.9%
Administration expenses excluding non-underlying costs	88,345	(762)	87,583	76,926	13.9%

[1] On a comparable basis, excluding footwear revenue of £21.0m (£20.8m in constant currency), group wholesale sales decreased by 5.0% in constant currency to £148.4m (2019: £156.2m).