Ted Baker Plc

(“Ted Baker”, the “Group”)

Interim Results for the 28 weeks ended 8 August 2020

7 December 2020

Chief Executive Officer's Statement

There is little doubt that 2020 will go down in history as a year without precedent. We have all faced challenges not seen before and we have been required to take actions previously almost unthinkable. COVID has created a major demand shock across the global economy, most especially in consumer sectors, that few, if any, have been able to avoid. It has been an unforgettable period mostly for the wrong reasons, during which Ted Baker has had to navigate a challenging demand environment while also addressing the problems of our past.

Over the last 12 months, there has been significant change at the top of Ted Baker, including well documented changes at PLC Board level and within the Executive Leadership team. I joined Ted Baker as Chief Financial Officer in November 2019. Within a few weeks, we launched an inventory review and reduced profit guidance. Within three months, the COVID pandemic was hitting the UK and European markets.

I was appointed Acting Chief Executive in December 2019 and confirmed as Chief Executive Officer in March 2020. David Wolffe was appointed as Interim Chief Financial Officer in January 2020 and confirmed as Chief Financial Officer in May 2020. Together with the Executive leadership team, we launched a thorough review of our business model, accounting policies and practices, our weakened operational performance and confronted our historic challenges. Though painful and challenging for the team, this diagnostic was critical to understand the actions that would be required to improve our business and enable us to drive towards world class operational performance.

It was clear early on that our brand is strong and our opportunities are great, but to execute a sustainable recovery it would require a significantly stronger balance sheet. Accordingly, in June we announced Ted's Growth Formula, our detailed strategy to return Ted Baker to growth over the next three years. This strategy addressed our balance sheet issue with the sale of our headquarters for gross proceeds of £77.8m and the issuance of new equity, raising gross proceeds of £105.0m. Both the sale of the building and the capital raise received overwhelming support from our shareholders.

With the generous support of our shareholders, many of who maintained or increased their shareholding, and new investors who joined our share register through the capital raise, we can look ahead with confidence with an exciting strategic plan for recovery. Our confidence remains despite the prolonged negative impact from COVID which continues to ravage most of the markets in which the brand is sold. We entered this financial year in an operationally and financially weak position and COVID has only served to amplify some of these weaknesses and consequently our financial results. The Board remains very confident that Ted's Growth Formula will generate material shareholder value over the medium term.

Our financial statements for the first half of the year do not yet reflect the progress we have made on execution against our strategic plan. Progress made to date, despite the challenges caused by COVID, have allowed us to fix our foundations. We cannot fix all our problems overnight and due to the nature of our lead times, we still expect that it will take another 12-18 months for the hard work and effort of hundreds of people internally to become visible to our customers and consequently improved financial results. I am encouraged by how much the team has achieved in the first six months of the year and we're delivering against all our operational KPIs for the current financial year and remain on track to deliver our medium-term targets.

We are behind where we want to be on revenue. A slow recovery in consumer demand due to COVID, the latest round of government lock-down measures and the well-publicised heavy discounting online across global markets by many of our peers has led to many of our shops closing for a second time, severely impacted footfall into city centres and a heightened level of promotional activity. This has also impacted our margins and we have taken additional inventory provisions at the half to reflect the impact of COVID. We have worked hard to offset these shortfalls through cost savings and here we are ahead of our plans. Higher cost savings and the ongoing tight control of cash have resulted in a far stronger balance sheet than we envisaged this early in the plan, with significant cash balances and liquidity to see us through the COVID crisis and beyond. Despite reporting material operating losses as expected this year, underlying free cash flow will be positive for the year. I am extremely pleased to see this level of agility in our cash management.

I would like to take a moment to reflect on the impact of our plan, as well as COVID, on the team at Ted Baker. At the peak of lockdown measures in the Spring, we had over 2,600 team members on furlough at every level across head offices, warehouses and stores. I know being on furlough will have led to anxiety and created lots of challenges for many. For those working from home, colleagues were required to juggle a combination of family schedules, sometimes unusual working hours and a lack of human interaction. We have worked hard to improve 'at home' working environments, but we understand that it has been a very difficult period for some colleagues. Finally, we have had to make 953 of our colleagues redundant across head offices and stores. This was an extremely hard but necessary decision and wherever possible we have tried to protect customer facing roles. I want to thank all my colleagues during this difficult period for their hard work and efforts that have helped to maintain such a strong brand.

Ted’s Growth Formula – strong execution

Our strategic transformation programme, Ted’s Growth Formula, which was launched in June 2020, was the culmination of six months of rigorous analysis, assessment work and the bringing together of insights from the business, industry trends and external experts.

Our immediate priority at the start of Ted’s Growth Formula was to stabilise the Group’s foundations. We have made rapid and successful progress against this objective. Our foundations are now solid and fit for purpose. Key achievements included:

- Refreshing and strengthening of the Group’s leadership. John Barton was appointed as Chairman of the PLC Board in July 2020 bringing a wealth of experience. I would like to thank Sharon Baylay for her significant contribution to the board during a challenging time. We continued to strengthen our Executive Leadership team with the appointments of Anthony Cuthbertson as Global Creative Officer and Helen Costello Group Commercial and Business Development Director.
- Full operational and efficiency review. The Group has acted to reduce Head Office costs, both in the UK and North America, which has allowed us to simplify the organisation, start to remove previous silo working practices and reset the business for greater collaboration. Working with skeleton team structures during the peak of COVID lock-down over the early summer, gave us confidence to be more ambitious on cost savings
- Enhanced and strengthened the operational and financial controls. A full programme of remedial actions to improve controls across the Group has been initiated with the support of Deloitte, the structure of the Finance team has been reshaped to increase control and governance, and risk management processes have been upgraded.
- Reset the Group’s vision and commercial strategy. The creation of an organisational structure that focuses on customer, digital and scale markets, enabling us to deliver faster and more profitable growth at a greater return on capital employed.
- Rapid and effective response to COVID. The Group took swift action to ensure the safety of our colleagues, customers and all stakeholders. We have ensured full compliance with guidance on re-opening stores and our head offices. Furthermore, we have taken a series of steps to structurally reduce costs and protect cashflow.

A critical component of stabilising the Group’s foundations was strengthening our balance sheet, which had seen net debt rising steadily over several years. We engaged with all our stakeholders to rebuild the balance sheet and in aggregate we raised a gross £105.0m from the issuance of new equity, agreed to an additional £25m facility from our lending banks, sold our London HQ for £77.8m gross proceeds, stopped all non-essential capex, renegotiated payment terms across our suppliers and took advantage of available government schemes. The aggregate result of these measures and ongoing active cash management is our net cash position of £60.8m at the end of the first half and £58.5m as of 28 November. Based on our latest cash flow forecasts, our cash headroom at the low point in our cash flow cycle of September/October 2021 will be materially higher than previously expected.

I am pleased to report that the business has made solid progress during the first half of the financial year on each of our strategic priorities.

Refresh and re-energise the product and brand
Significant work has been underway behind the scenes in the Ugly Brown Building on refreshing our product and reenergising our brand. Much of this work will start to become apparent to our existing and new customers during our financial year 2021/2022. Anthony Cuthbertson, our new Chief Creative Officer, joined the business in November and has hit the ground running, bringing a new energy and creative vision to Ted. Anthony's first full collection from design ideas to the shop floor, will be Autumn/Winter 2021, though customers should start to see the creative direction improve during the Spring/Summer 2021 collections.

The design teams have been working towards our new product pyramid, as presented as part of Ted's Growth Formula. The team has been designing to this new pyramid and A/W21 will be the first full collection under this new approach. Most of the collection will sit within the core and trend product categories – product with proven characteristics of selling well for the business. A new sub-brand was launched in early November – MIB (Mad(e) in Britain) – that sits at the top of the Ted Baker product pyramid. MIB will set the creative tone for the upcoming collections. MIB is a concept collection inspired by the eclectic creativity and culture of Britain that will drop four times per year in partnership with well-known talent, energizing creativity and help to elevate the brand holistically.

That's not to say the design team haven't been busy moving Ted forward. Refreshed product ranges have started flowing into the business from October, including a deeper and wider offer on more casual product, such as loungewear and modernised prints on Womenswear. We have reviewed and implemented new pricing structures for Autumn/Winter 2020 collections across both our Womenswear and Menswear business. This has included increasing the weighting of some entry priced product, building on the success we saw in Spring/Summer 2020, as well as new higher priced product. Within the Men's Tops range we introduced a £29 price point and already had 80% sell through on these options. We bought more heavily into nylon bags after seeing a strong sales reaction and our core wool coat now has a new entry price point of £299 from £339 last year. In the Womenswear range we have moved our entry price point mix from 10% to 20%. We have also had a great reaction to our £89 joggers and to sweat tops.

To re-energise our brand, the team has been working closely with an external agency to update how we engage with customers across all our touch points. Our tone of voice and visual expression has evolved across our social media channels and engagement has seen a positive reaction. The shooting of our campaign imagery and talent selection has changed. We are hard at work updating our internal showrooms, which will represent our new brand vision for our next wholesale selling campaign in January 2021. On a similar theme, our store design team is working on delivering our store of the future concept which we aim to trial in 2021. These initiatives closely link with the product evolution and new creative direction.

Fashioning a Better Future, a programme with purpose – solid progress
Alongside the dramatic effect COVID has had across our industry there has been an intense spotlight on how and where product is sourced. Media coverage and exposure to some high-profile inappropriate practices has been a wake-up call to some in the industry. We are fully confident in our factory audit process and conduct social compliance audits on 100% of our tier one factories globally, measured against our Code of Conduct. We are currently working with nine factories in the UK and are working with all of them to map their subcontracting units. Ted Baker has always been proud of our leadership in environmental and social policies and a year ago we combined all our initiatives into launching our 'Fashioning a Better Future' programme. This year we have expanded this programme into a fuller ESG initiative and are developing a vision of the role we want our brand and company to play in the world. The three pillars of this programme align with the World Economic Forum pillars of People, Prosperity and Planet.

We have made good progress in each area and remain firmly on track to achieve our medium-term sustainability objectives while we develop our long-term vision.

- People – We are working with the BRC to develop Social Mobility in retail; developing our Diversity & Inclusion strategy; developing our wellness programme and have launched our wellbeing hub; developing our Learning Experience Platform – all for launch during 2021.
- Prosperity – 12% of our collection is now sustainable; 52% of our cotton is now from sustainable sources, on track for 100% by 2024; we joined Leather working group to aid mapping of 100% of tanneries; 26% of our leather is

now coming from Leather Working Group and on track for our 100% target by 2025; Launched Conscious Shop, listing all Ted products with more than 50% sustainable attributes

- Planet – developing Carbon net zero strategy; joined BRC Climate Action Road Map; we are a founding signatory of WRAP Textile 2030 initiative; we diverted 38 tonnes of terminal stock to charities rather than go to landfill; we have 100% renewable energy in our UK stores and Ugly Brown Building.

Prioritise digital & asset light growth

The business has made good progress on this key component of Ted's Growth Formula. On digital growth, I am very pleased to see the material improvement in our eCommerce performance during the first half. eCommerce growth was up materially year-on-year before COVID negatively impacted the performance of our stores and this momentum accelerated and was maintained throughout the first half. Encouragingly, all our key metrics relating to eCommerce and digital improved year-on-year in H1, including new customer acquisition, total customers, online conversion rate, social media engagement, and retention. Our UK business benefitted from ship-from-store, the fulfilment of online demand from store-based inventory, which was fully rolled out by August 2019.

Our digital business has clearly benefited from the market dynamics of both more working from home as well as stores being closed during the period, and in a fast-moving market we have made significant enhancements to our digital experience. Key initiatives delivered during the period include a major upgrade of our payment options, including Apple Pay, Google Pay, Klarna and local payment options; the introduction of live chat/text and virtual appointments (via Hero) with store colleagues and online pre-booking of store appointments. We have implemented cross-merchandise shopping capabilities and sharpened our trading mechanics. There has been an increase in digital marketing spend to drive customer acquisition, but we have maintained and achieved healthy ROI on this spend.

Our licencing business is another key driver for delivering asset light growth. Licencing delivered £19.1m of gross profit in FY20 and has immense potential for us. Building on the momentum we had last year, we have signed 2 new product licence deals since the start of the financial year. Building on the successful start to our new Childrenswear licence, NEXT has been appointed as our new licence partner for lingerie and nightwear. Second, we have appointed Baird Group as our new licence partner on men's formalwear for the UK & Ireland. This deal mirrors the successful relationship we have with Jack Victor in North America. Following the start of this agreement with Baird, Ted Baker will no longer supply formalwear, thus reducing our inventory risk for this product category and leveraging our partners' expertise in sourcing and distribution.

Significant cost out programme
One of the key issues identified in our diagnostic of past challenges was that operating expenses had been growing faster than our gross profit and that both central costs and store costs were above benchmark levels. The Group had commenced a full cost review at the start of the year, which was increased in scope and scale during the COVID pandemic, as the business implemented new ways of working and started to reap the benefits of more cross-functional working.

The cost saving programme has delivered material savings across our central costs and retail store costs which will become apparent in the second half of this year and beyond. Annualised savings across both functions will be £31.0m per annum at a cash cost of £3.9m, lower than the £6.0m we expected in July. Combined, we have achieved higher savings than previously outlined. This has been a very challenging programme of work and difficult decisions have had to be made.

We delivered a series of mechanisation projects in our Derby warehouse to drive improvements in our inbound and outbound boxed throughput by a factor of 10. We continue to evaluate further opportunities for mechanisation across our warehousing facilities as well as opportunities for automation across other functions and processes.

Like many brands, our store footprint was not designed for an event such as COVID, which effectively changed consumer behaviour overnight. Our store estate is predominantly large city centre based, in prime footfall locations with some limited presence in outlet centres but minimal presence on out-of-town retail parks. We are on track to deliver £7.0m in fixed rent savings for the current financial year, as well as £20.0m of turnover-related rent savings, reflecting the flexible nature of a large amount of our Retail space. We will be continuing our programme of rent renegotiations in the months ahead to reflect the new commercial realities.

Market challenges and legacy issues amplified by COVID
As a business, we are going through a transformation programme at the same time as navigating through the challenges of COVID. At the time of launching Ted's Growth Formula, we highlighted a series of historical challenges that had been negatively impacting financial and operational performance. Issues included a lack of operational agility in the business, exposure to product categories that were losing market share and elevated market pressures and discounting. We have made good progress in the first half in addressing our organisational complexity and heavy operating expenses to ensure much more agility both operationally and in our supply

chain, the benefits of which will start to flow in the second half and beyond, but we had not expected all of the challenges to be quick fixes. Several of the inherited challenges have been amplified by COVID and the rapid changes in consumer behaviour that have been triggered.

- *Product.* Our over-reliance on formalwear and occasionwear has hurt sales performance during the first half and will continue to drag in the second half. We are expanding our product offer into more versatile and casual product, but as we flagged at the full year, our lead times mean positive impact of these changes will not be tangible until Summer 2021 and the full new creative direction under our new creative team will not be until Autumn/Winter 2021.
- *Store footprint.* Footfall has been significantly down across all our directly operated markets since the start of government mandated store closures and restrictions on movement in the Spring. Our physical store locations, which have been the right footprint over the last decade, has been the most impacted by consumer reaction to government restrictions. Our business is heavily exposed to city centre locations, tourist-based locations and high traffic travel retail – all of which have seen the greatest hit to footfall, and conversely has limited out of town presence, which have proven more resilient locations for other retailers. We are in active discussions with landlords around restructuring rental agreements.
- *Demand and discounting.* Restrictions on consumer movement have lasted longer than anticipated back in the summer, creating greater consumer uncertainty and negatively impacting consumer confidence. The negative impact on demand has triggered a more intense promotional backdrop across the market. The recently announced series of second lockdowns across the UK and EU has further increased this pressure. Ted Baker has not led this, but we have been forced to participate, and inventory has had to be cleared, these factors have had a negative impact on gross margin.
- *Legacy inventory.* As we move to a 2-year stock lifecycle from the previous 3-year cycle, we have been more aggressively clearing through aged inventory. This commercial stance is the right thing to do. Alongside changes to our buying process and more active use of open to buy, we anticipate to end the current financial year in a clean inventory position, which would be a great achievement position us well for the new collections that we will be introducing under Anthony Cuthbertson’s creative leadership.

Fundamentals remain strong

It seems almost an understatement when I say a lot has happened in my first year at Ted Baker. The external market has been far more challenging than expected, which has made life harder, but we have achieved a huge amount during that time and there are plenty of reasons to be optimistic about the future.

As an example, we have seen in our Chinese joint venture what life can look like after COVID. Overall sales have recovered quickly and sales through full-price channels are up 48% year-on-year in China for our Q3. The team has done a fantastic job to ramp up our eCommerce capabilities as well as optimising our online to offline customer journey.

Inevitably the competitive landscape will evolve post COVID. We also expect our landlords to adapt to the new economic reality which means Ted Baker will have structurally lower and more variable rent. Underpinning all of this, I am very confident we have the right strategy in place with Ted's Growth Formula and that the Ted brand remains strong. Our social media followers have grown over 12% versus last year, our prompted brand awareness in the UK remains extremely high and we ranked highly in social media buzz. We are on track or ahead on all our operational KPIs for the current year and we will deliver on the transformation plan. We can achieve significant change and have the right team and people in place to deliver. It's been a hugely challenging year for everyone at Ted and I want to thank every single one of my team for coming to work every day with the right attitude to get stuff done.

Rachel Osborne
Chief Executive Officer

Chief Financial Officer's Statement

I joined Ted Baker as Interim Chief Financial Officer in January 2020 and faced an immediate set of complex challenges, including the inventory review that ultimately led to £54m of non-cash adjustments, the need to significantly bolster our liquidity and balance sheet strength, the need to implement much greater financial controls across the business and resource gaps in key roles in the finance team. I am pleased with the progress we have made on fixing all these issues.

The financial performance of the Group in the first half is not reflective of our potential in terms of revenues and profits, but the business has shown great ability to deliver cash flow. Our net cash position of £60.8m at the end of the period is well ahead of management expectations. Combining our net cash position and our banking facilities, we have material headroom to deliver our transformation plan and weather the ongoing COVID headwinds. We remain on track to deliver on our three-year financial targets as set out in Ted's Growth Formula, and today have upgraded our target of Net Debt/EBITDA of 1x or less by FY2023 to now be achieved by FY2022.

Strategic financial priorities

When I was appointed Chief Financial Officer in May 2020, I laid out five strategic financial priorities for the Group, as detailed below. As a team, we are at different stages of progress against each of these priorities, but I am pleased to report solid progress against each.

- *Cash management and strengthen balance sheet.* The Group started the financial year with £127.1m of net debt and a mixed track record of free cash flow generation. We have pulled all the levers available to us that demonstrate much greater agility in our cash management and despite significant operating losses during the half, our underlying operating cash generation has been strong. We end the half with a materially stronger balance sheet due to four main drivers:
    - Strong cost & cash management. At the start of the year, we suspended all non-essential capex and renegotiated payment terms with all groups of suppliers and business partners. We have maintained this operational discipline and embedded new processes to ensure ongoing compliance.
    - Government programmes. We utilised all local and national Government support programmes, including the UK Job Retention scheme and similar schemes across our EU business, UK property rate relief, and deferment of VAT (and other tax) payments.

- Recapitalisation of the business. The combination of additional banking facilities from our existing lending group, sale of our HQ and issuance of new equity deleveraged the business, created adequate liquidity headroom to deliver the transformation even in a downside scenario and increased the resilience of the Group.
- Inventory management. We took robust action to reduce stock levels in a controlled way, clearing aged stock to generate cash, as well as reducing or cancelling orders with our suppliers to realign intake with likely demand and to conserve cash.

The Group has made material progress in improving cash management, as demonstrated by our net cash balance of £58.5m as of 28 November, and we anticipate ending the current financial year with a higher level of net cash. The Group is running ahead of management's expectations in terms of our cash position and has sufficient liquidity to deliver Ted's Growth Formula and manage the negative demand impact from COVID.

- *Structural cost improvement.* A core part of Ted's Growth Formula is to structurally improve our operating cost structure. As part of our diagnostic of past performance, we identified that operating costs had been running ahead of gross profit for several years. The Group commenced an efficiency programme at the start of the year to improve both central and store cost structures. We suspended the programme during the Spring due to COVID. The programme was broadened and made more far reaching and was concluded in June. The annualised cost saving equates to £31.0m in central and store payroll, across the UK, Europe and North America, up from £27.0m announced in July. The increased savings have come from store payroll, as we have found ways of reducing effort in stores without impacting the focus on customers. The associated cash cost is £3.9m, down from the previous estimate of £6.0m.

- *More flexible property portfolio and cost structure.* The Group has successfully been evolving its property portfolio towards more variable rental structures, shorter lease lengths without minimum guarantees to reflect the more uncertain economic environment. Over the last 6 months, we have been negotiating with landlords in the US, UK and Europe to secure immediate rent savings, in the light of the current economic conditions, without increasing lease lengths. This round of tactical negotiations will generate £7m of rent savings this financial year. In addition, where lease renewals have arisen, we have been moving from fixed rent to turnover rent.

COVID has accelerated the urgency to change commercial lease terms. The Group has deferred rental payments of £10.4m during the first half. Progressive landlords have used the backdrop of the pandemic to reflect the new economic reality in new rental terms which is welcome. Some landlords still must recognise the new landscape. The Group expects to renegotiate more of our lease agreements in the months ahead, but there is the possibility of store closures if we are unable to agree commercially acceptable terms.

- *Inventory clean up.* The Group has seen inventory grow faster than sales for several years and that has restricted free cash flow generation. Progress was made in improving our inventory position during FY2019/20 with more active clearance of aged stock. Progress has continued in the first half of this financial year, despite the challenges created by COVID, and improving net working capital to sales ratio is a key component to structurally improving our free cash flow generation.

  As part of our transformation programme, we have moved to a two-year stock cycle from a three-year stock cycle. In practice, this means only selling stock in our outlet stores for one year. Consequently, discount levels have been higher than in prior years as we transition to this new lifecycle. In addition, we have been more dynamic in using other clearance channels for aged stock.

  The other operational change that will deliver an improved inventory position on a sustainable basis is the implementation of open to buy within our buying process. This allows the Group to be more responsive to demand trends as we are not fully committed on inventory ahead of the season.

- *Greater controls.* I inherited a finance function with key resource and controls gaps and a clear need for process and governance improvements following the uncovering of the overstatement of inventory value. A comprehensive internal review, with external support, has led to the implementation of several measures to strengthen our control environment. We have reorganised the Finance function with clearer responsibilities, greater focus, and more senior and experienced leaders. We have introduced increased and detailed detective review by senior management of journal entries, balance sheet reviews and revenue-impacting balances, as well as the documentation of correct stock accounting procedures.

  The Group intends to further strengthen its control environment in the second half. We will continue the implementation of our controls remediation programme, under the auspices of the Audit Committee. More generally, we are making improvements to spreadsheet controls, segregation of duties, system logs and approval matrices. These measures will be followed by the progressive simplification, standardisation and automation of reporting processes.

Rebuilding gross margin

Our gross margin has been under pressure over the last couple of years on the back of elevated promotional activity and discounting due to demand challenges across the industry as well as internal issues of product relevance and requirement to clear excess inventories. These issues have become more acute during the first half on account of the pandemic.

The Group had been making good progress in correcting its elevated inventory position coming into this year, but we found ourselves over-stocked as COVID created a demand shock for the consumer sector. As a result of three months of lockdown with a season of stock now displaced, we had too much stock, of the wrong product type, with an excess of aged stock to clear. This would have been a challenge under normal trading conditions but was made much harder under COVID. We took aggressive, but wholly necessary, actions to convert excess stock into cash during the first half as a self-help measure to improve our cash position during the period before securing our recapitalisation. Product mix added further negative margin pressure, with our highest margin product categories underperforming due to overnight changes in demand trends. We have a strong reputation in formal and occasionwear, which have not been consumer priorities during lockdown. Finally, we have continued to actively clear through aged stock in our outlet channels and other off-price distribution.

While gross margin is behind plan due to the factors noted above, all the levers that were identified as part of Ted's Growth Formula remain in place and will be executed on. We are delivering on our supplier consolidation targets for the current year which will allow us post COVID to drive more volume with fewer suppliers. Our new product and pricing pyramid has a base of non-discounted continuity product. New product at the top of the pyramid will enhance brand relevance and re-establish consumer excitement, driving full price. Finally, our new buying approach of less upfront commitment, greater use of speed to market and introduction of open to buy combined with faster lead times will enable us to have more relevant product when the customer wants it and should improve achieved margin.

Financial Highlights

The Group's performance was significantly impacted by COVID, which depressed demand in all territories and resulted in stores remaining closed for a significant proportion of the period. As a result Group revenue decreased by 45.9% (46.2% decrease in constant currency[1]) to £169.5m (2019: £313.3m) for the 28 weeks ended 8 August 2020. The gross margin before non-underlying items[2] decreased to 50.3% (2019: 55.7%), as the Group was forced to react to the market becoming highly promotional, as retailers sought to stimulate demand and generate cash.

The Group reacted rapidly to unprecedentedly challenging conditions of rapidly shrinking sales by reducing operational expenditure, furloughing staff in both stores and head office, taking advantage of support schemes offered by the British and other governments, and initiating cost control and restructuring programmes. This brought total operating expenditure before non-underlying items down by 28.8% to £124.3m (2019: £174.6m).

Non-underlying before tax items during the period were £48.1m (2019: £17.4m). This included £45.8m of impairment charges to PPE and right-of-use assets, as a result of the weaker trading environment and profit forecasts from the retail estate; £10.1m of restructuring and other costs associated with refinancing and the redundancy programme; £6.1m of inventory changes in estimates as we simplified and standardised our inventory accounting to exclude certain logistics and freight costs as at the period close date; and £4.4m as a provision against the liability for materials relating to cancelled orders. This was partially offset by a gain of £17.6m on the disposal of the Ugly Brown Building.

We took prompt action to support the Group's cash position, to ensure it has sufficient resources to trade through a continuing period of weak demand and to invest in profitable growth. As highlighted above, we brought in additional financing through the sale of the Ugly Brown Building for gross proceeds of £77.8m and the issuance of £105.0m new equity (gross). As a result, despite challenging trading conditions, the Group's net cash rose to £60.8m at 8 August 2020 (2019: net debt £127.1m).

The Group made a net foreign exchange gain of £1.9m during the period (2019: £0.7m). Net interest payable, excluding the impact of IFRS 16, during the period was £1.8m (2019: £2.0m), as cash from the refinancing was used to repay the Revolving Credit Facility.

The loss before tax, non-underlying items and IFRS 16[2] deteriorated to £39.0m (2019: a loss of £2.7m) and the loss before tax worsened to £86.4m (2019: a loss of £23.0m). Adjusted earnings per share[3], which excludes non-underlying items and

IFRS 16, decreased to a loss per share of 28.6p (2019: loss per share of 4.5p) and basic earnings per share deteriorated to a loss per share of 64.1p (2019: loss per share of 46.1p).

The forecast effective tax rate in respect of continuing operations (2019 full year effective rate: 11.8%) is 17.4%. The income tax credit on non-underlying items at half year is calculated and disclosed separately. This has a significant impact on the total effective tax rate at the half year given the significant number of non-underlying items. Our future effective tax rate is expected to remain above the UK tax rate as a result of the proportion of overseas results in jurisdictions with higher tax rates than the UK.

Total working capital, which comprises inventories, trade and other receivables and trade and other payables, decreased since 25 January 2020 by £51.1m to £51.7m (25 January 2020: £102.7m)

This was mainly driven by a decrease in inventories of £41.9m to £89.8m (25 January 2020: £131.7m), reflecting increased sell-through of stock as the Group liquidated older, excess stock to improve its cash position and maintain liquidity, significant intake reductions to align stock levels with demand, and the £6.1m change in estimates to exclude certain logistics and freight costs as at the period close date.

Trade and other receivables decreased by £13.3m to £54.0m (25 January 2020: £67.3m).as our concession partners, wholesale trustees and license partners also saw demand impacted by COVID.

Trade and other payables decreased by £4.1m to £92.1m (25 January 2020: £96.2m). This reflects the significant reduction in orders with our suppliers as inventory was aligned with the lower level of demand in the market. This is largely offset by the extension in payment terms we agreed with our suppliers as disruption relating to COVID impacted our sales, as well as deferrals in rent payments, as we managed the Group's cash position.

Group capital expenditure of £3.1m (2019: £17.2m) relating to refurbishment of stores, concessions and outlets and the ongoing investment in business-wide IT systems, has been significantly reduced. We are continuing to invest in systems and infrastructure to support our digital businesses and improve efficiency, but investment on physical locations has been limited only to essential works. We expect full year capital expenditure of £8.0m, below previous guidance of £10.0m.

Dividends
Given current trading conditions and the high level of uncertainty about the future, the Board has determined that no interim dividend is to be paid (2019: 7.8p).

Global Group Performance

		28 weeks ended 8 August 2020	28 weeks ended 10 August 2019	Variance	Constant currency variance[1]
Group	Revenue	£169.5m	£313.3m	(45.9)%	(46.2)%
	Gross margin (excluding non-underlying items)	50.3%	55.7%	(550) bps	
	Operating contribution (excluding non-underlying items and IFRS 16[4]) *	0.9%	0.1%	(80) bps	
	Operating (loss)/ contribution**	(48.3)%	(5.4)%	(4,290) bps	
	(Loss)/Profit before tax (excluding non-underlying items and IFRS 16[2]) as a % of revenue	(23.0)%	(0.8)%	(2,220) bps	
	(Loss)/Profit before tax as a % of revenue	(51.0)%	(7.3)%	(4,370) bps	
Retail	Revenue	£124.0m	£214.5m	(42.2)%	(42.5)%
	Ecommerce	£74.2m	£52.3m	41.8%	41.1%
	Gross margin	54.6%	61.3%	(663) bps	
	Average square footage***	432,175	444,134	(2.7)%	
	Closing square footage***	419,797	448,440	(6.4)%	
	Sales per square foot including eCommerce	£287	£483	(40.6)%	(40.9)%
	Sales per square foot excluding eCommerce	£115	£365	(68.4)%	(68.6)%
Wholesale	Revenue	£39.5m	£89.3m	(55.7)%	(56.1)%
	Gross margin	28.9%	37.6%	(867) bps	
Licensing	Revenue	£6.0m	£9.4m	(36.6)%	(36.6)%

**Operating contribution/(loss) (excluding non-underlying items and IFRS 16) is defined as operating profit/(loss) before non-underlying items and IFRS 16 adjustments as a percentage of revenue.*

***Operating contribution is defined as operating profit/(loss) as a percentage of revenue.*

****Excludes licence partner stores.*

Retail

Our retail channel comprises stores, concessions and eCommerce, providing an omni-channel experience. We operate stores and concessions across the UK, Europe, North America and South Africa, and localised eCommerce sites in the UK, continental Europe, the US, Canada and Australia. We also have eCommerce businesses with many of our concession partners. Our stores are key to the success of our digital businesses through supporting brand awareness and showcasing our products. The relatively high number of concession locations and short lease length on our stores (averaging 4 years) allow us to maintain a flexible business model.

Retail sales decreased by 42.2% (42.5% in constant currency[1]) to £124.0m (2019: £214.5m). Online sales grew by 41.8% (41.1% in constant currency[1]) to £74.2m (2019: £52.3m) to represent 59.8% (2019: 24.4%) of total retail sales. Our own directly operated eCommerce business grew by 56%. Store sales decreased by 69.3% (69.4% in constant currency) to £49.8m (2019: £162.2m). This performance, while disappointing, reflects the unprecedented trading conditions across the world, with stores closed for a significant proportion of the period as different territories went into lockdown and restricted stores selling goods deemed non-essential from opening. In addition, in H2 2020 14 stores in China and Hong Kong transferred to joint ventures and 4 stores in Japan transferred to a license partner. These stores generated £5.8m in sales during H1 2020.

As the period progressed, it became clear that several locations would no longer be viable to operate and could be exited cost-effectively. We closed four stores during the half year, contributing to a reduction in the average retail square footage of 2.7% to 432,175 sq ft (2019: 444,134 sq ft). Retail sales per square foot (excluding eCommerce) decreased 68.4% (68.6% in constant currency[1]) to £115 (2019: £365).

The retail gross margin decreased to 54.6% (2019: 61.3%). The apparel market exhibiting a high level of promotional activity during the period as retailers sought to stimulate demand amongst cash-strapped consumers, who traded into lower-priced product, and it was necessary for us to participate to compete. Margin was further affected by the sell-through of older, discounted product during the period as the Group sought to liquidate aged stock and release cash.

Retail operating costs excluding non-underlying items decreased by 30.5% to £83.2m (2019: £119.7m), as the Group furloughed store colleagues in response to government-imposed lockdowns. This also reflects the benefit of government support, such as business rates holidays and job support schemes, as well as rent savings through negotiations with landlords and reductions in turnover-related rent. As a percentage of sales, retail operating costs increased to 67.1% (2019: 55.8%), reflecting the fixed costs of the distribution channel, principally property, as well as increased marketing expenditure to drive traffic through digital channels.

Wholesale

Our wholesale business in the UK serves countries across the world, primarily in the UK and Europe, as well as supplying products to stores operated by our territorial licence partners. In addition, we operate a wholesale business in North America serving the US and Canada.

Wholesale sales decreased by 55.7% (56.1% in constant currency[1]) to £39.5m (2019: £89.3m) as our wholesale trustees' businesses were also affected by COVID. We offered discounts to support number of key trustee business, which contributed to the reduction in wholesale gross margin to 28.9% (2019: 37.7%) in the period.

Licence Income in revenue

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.

Territorial licences cover specific countries or regions in Asia, Australasia, Europe, the Middle East, Africa and Central America, where our partners operate licensed retail stores and, in some territories, wholesale operations.

Product licences cover Bedding; Childrenswear; Eyewear; Footwear; Fragrance and Skinwear; Gifting and Stationery; Jewellery; Lingerie and Sleepwear; Luggage; Neckwear; Rugs; Suiting; Ted's Grooming Rooms; Technical Accessories; and Watches.

Licence income decreased 36.6% to £6.0m (2019: £9.4m). Income was impacted by the challenging trading environment, with a drop in royalties from our formalwear licence partners, accounting for c.25% of the decline, as the increase in working from home affected sales of men's suits. There were further headwinds from the termination of relationships with Geneva Watch Group and Debenhams Childrenswear, partly offset by new and developing partnerships with NEXT for Childrenswear, Timex for watches and Fulton for umbrellas.

Collections

Ted Baker Menswear sales were down 53.0% to £54.2m (2019: £115.3m) and represented 33.1% of total sales (2019: 38.0%).

Ted Baker Womenswear sales were down 42.0% to £109.3m (2019: £188.5m) and represented 66.9% (2019: 62.0%) of total sales.

Geographic Performance

United Kingdom and Europe

	28 weeks ended 8 August 2020	28 weeks ended 10 August 2019	Variance	Constant currency variance[1]
Total retail revenue	£88.7m	£141.3m	(37.2)%	(37.3)%
ECommerce revenue	£56.2m	£41.2m	36.4%	36.3%
Average square footage*	285,299	280,324	1.8%	
Closing square footage*	276,802	284,312	(2.6)%	
Sales per square foot including eCommerce sales	£311	£504	(38.3)%	(38.4)%
Sales per square foot excluding eCommerce sales	£114	£357	(68.1)%	(68.2)%
Wholesale revenue	£25.2m	£55.6m	(54.7)%	(52.0)%
Own stores	46	41	5	
Concessions	217	250	(33)	
Outlets	21	22	(1)	
Partner stores/concessions	9	10	(1)	
Total	293	323	(30)	

**Excludes licence partner stores*

Retail sales in the period in the UK and Europe decreased by 37.2% (37.3% in constant currency[1]) to £88.7m (2019: £141.3m) due to unprecedentedly challenging trading conditions throughout the period. Lockdowns in several territories meant that our stores had to remain closed for parts of the period. On reopening, footfall remained depressed, particularly in city centres and areas traditionally popular with tourists.

ECommerce sales increased by 36.4% (36.3% in constant currency[1]) to £56.2m (2019: £41.2m), representing 63.4% (2019: 29.2%) of UK and Europe retail sales, as, with stores closed, demand shifted to online channels.

Sales per square foot excluding eCommerce sales decreased by 68.1% (68.2% in constant currency[1]). However, our stores remain key to the long-term success of the eCommerce business through initiatives such as ship-from-store in the UK, order in store and click and collect, as well as showcasing the brand.

Sales from our UK wholesale business decreased by 54.7% to £25.2m (2019: £55.6m), with our trustees and licence partners also having been impacted by the very difficult trading conditions.

North America

	28 weeks ended 8 August 2020	28 weeks ended 10 August 2019	Variance	Constant currency variance[1]
Total retail revenue	£34.4m	£63.8m	(46.1%)	(47.1%)
ECommerce revenue	£17.9m	£9.7m	85.4%	81.6%
Average square footage*	139,772	137,341	1.8%	
Closing square footage*	135,891	138,008	(1.5%)	
Sales per square foot including eCommerce sales	£246	£464	(47.1%)	(48.0%)
Sales per square foot excluding eCommerce sales	£118	£394	(70.1%)	(70.6%)
Wholesale revenue	£14.3m	£33.6m	(57.6%)	(58.4%)
Own stores	35	38	(3)	
Concessions	66	61	5	
Outlets	12	12	-	
Partner stores/concessions	25	25	-	
Total	138	136	2	

**Excludes licence partner stores.*

Sales from our North American retail division decreased by 46.1% (decrease of 47.1% in constant currency[1]) to £34.4m (2019: £63.8m). In comparison to the UK & Europe, disruption to trading in stores started later but was longer lasting, reflecting the varying local responses to COVID across the region, as well as political and social unrest. We closed stores in Malibu, Santa Monica (both CA) and Scottsdale (AZ), where the economics of reopening were unattractive. Sales per square foot excluding eCommerce sales decreased to £118 (2019: £394), a drop of 70.1% (70.6% in constant currency[1]).

Our eCommerce business delivered a strong performance with sales increasing by 85.4% (81.6% in constant currency[1]) to £17.9m (2019: £9.7m). As a percentage of North America retail sales, eCommerce sales represented 52.0% (2019: 15.2%).

Sales from our North American wholesale business decreased by 57.6% (58.4% in constant currency[1]) to £14.3m (2019: £33.6m), reflecting the impact of COVID on our trustees.

Rest of the World

	28 weeks ended 8 August 2020	28 weeks ended 10 August 2019	Variance	Constant currency variance[1]
Total retail revenue	£0.9m	£9.5m	(90.6)%	(89.4)%
ECommerce revenue	£0m	£1.4m	(100.0)%	(100.0)%
Average square footage*	7,104	26,469	(73.2)%	
Closing square footage*	7,104	26,120	(72.8)%	
Sales per square foot including eCommerce sales	£125	£358	(65.0)%	(60.5)%
Sales per square foot excluding eCommerce sales	£125	£306	(59.0)%	(53.7)%
Own stores	4	11	(7)	
Concessions	-	10	(10)	
Outlets	-	1	(1)	
Partner stores/concessions	84	83	1	
Joint venture locations	15	-	15	
Total	103	105	(2)	

**Excludes licence partner stores.*

Sales decreased 90.6% (89.4% in constant currency[1]) to £0.9m (2019: £9.5.m) and sales per square foot excluding eCommerce sales decreased 59.0% (53.7% in constant currency[1]). This performance reflects the evolution of our distribution strategy outside of our core European and North American businesses.

In the second half of FY20, we transitioned our businesses in China (including Hong Kong S.A.R. and Macau S.A.R.) to a joint venture, covering 12 stores and concessions, and eCommerce, with the income from these businesses now reflected in other income.

In China, our venture's expansion plans have been delayed by COVID, but managed to open three stores during the period, and now operates 15 stores and concessions across the region (2019: 14 locations).

In Japan, we announced an agreement with our licence partner Sojitz Infinity in August 2019, and transitioned operations into the partnership during the second half of FY20. Our partner opened two new stores, and now operates five stores and concessions across the region (2019: six locations).

The joint venture with our Australian licence partner, Flair Industries Pty Ltd, operates nine stores in Australasia (2019: nine stores).

Current trading

The Group provides an update on trading for both its Q3, covering the 12 week period from 9 August to 31 October, and the first 4 weeks of Q4 to 28 November. Overall, Group trading has been resilient, with a particularly strong performance online. The Group has continued to take a more dynamic trading stance, reflecting more sophisticated cross-category merchandising, refreshed social media activity and increased marketing spend. Our promotional stance has been in line with the market. The Group continues to make good progress against the key operational KPIs set for the first year of our three-year transformation programme, Ted's Growth Formula.

Q3 trading highlights:

- Group revenue fell year on year by 40% for Q3, and 37% for the 4 weeks to 28 November. The Group has seen an improvement in performance compared to Q2, reflecting more consistent operating hours and fewer lockdowns, although trading is still affected by ongoing, localised COVID-related restrictions and footfall shift towards out-of-town and neighbourhood retail locations.
- As at 28 November, net cash was £58.5m, ahead of management expectations and reflecting actions taken to maximise cash and reduce expenditure.
- As at 28 November, the Group has a further £133m of available headroom on current bank facilities. The Group did not draw on any bank facilities during the period.
- Online trading has remained significantly ahead of management expectations, with consumer demand shifting online, the uninterrupted operations of our global distribution centres and enhanced trading mechanics introduced during the year. Our eCommerce sales increased 15% and represented 44.6% of total retail sales (2019: 24.5%). Our directly operated eCommerce sales increased 25%. The four weeks to 28 November have seen total online retail sales increase by 22%, with our directly operated eCommerce sales increasing by 30%.

- Our Retail stores have been negatively affected by ongoing restrictions on trade during Q3. Reported sales decreased 53%, reflecting a material decline in footfall and stores being closed for part of the period.
- Wholesale and licence revenue decreased by 46%. The performance reflects cautious ordering from store-based trustees since the beginning of COVID.

Brexit

The Group continues to prepare for a no-deal Brexit on 1 January 2021 at the end of the current transitional period and plan for mitigation strategies to offset the negative impact of higher duties. There is material risk to our future profit if the UK is not successful in signing new trade agreements with the EU and other markets in which we operate. We have made administrative and legal changes to our operational processes, which will improve operational efficiency in both deal and no deal scenarios. The Group has been making good progress in the creation of a customs warehouse in the UK, expected to be in place before the end of 2020. The main operational risk remains the flow of goods into the UK through the ports.

The worst-case scenario full year impact is £16.1m negative profit impact before any mitigation effects, reflecting no new trade deals. The Group anticipates, only to a limited extent, mitigating the extra cost of duties through the introduction of a customs warehouse in the UK, reflowing inventory for our EU stores and selective price increases supported by a detailed benchmarking exercise conducted by an external consultancy.

David Wolffe
Chief Financial Officer

NOTES:
[1] Constant currency comparatives are obtained by applying the exchange rates that were applicable for the 28 weeks ended 10 August 2019 to the financial results in overseas subsidiaries for the 28 weeks ended 8 August 2020 to remove the impact of exchange rate fluctuations.
[2] (Loss)/Profit before tax, non-underlying items and IFRS 16 is a non-GAAP measure. For further information about this measure, and the reasons why we believe it is important for an understanding of the performance of the business, please refer to Note 3 of the Condensed Financial Statements.
[3] Adjusted basic earnings per share is a non-GAAP measure. For further information about this measure, and the reasons why we believe it is important for an understanding of the performance of the business, please refer to Notes 3 and 5 of the Condensed Financial Statements.
[4] Operating (loss)/contribution (excluding non-underlying items and IFRS 16) is a non-GAAP measure. For further information about this measure, and the reasons why we believe it is important for an understanding of the performance of the business, please refer to Note 2 of the Condensed Financial Statements.

Condensed Group Income Statement

For the 28 weeks ended 8 August 2020

	Notes	Unaudited 28 weeks ended 8 August 2020			Unaudited 28 weeks ended 10 August 2019		
		Underlying £'000	Non-underlying items[1] £'000	Reported £'000	Underlying £'000	Non-underlying items[1] £'000	Reported £'000
Revenue[2]	2	169,470	-	169,470	313,271	-	313,271
Cost of sales		(84,311)	(10,461)	(94,772)	(138,712)	(2,449)	(141,161)
Gross profit		**85,159**	**(10,461)**	**74,698**	**174,559**	**(2,449)**	**172,110**
Distribution costs		(87,450)	(45,829)	(133,279)	(126,754)	(11,824)	(138,578)
Administrative costs		(36,888)	(11,299)	(48,187)	(47,825)	(3,120)	(50,945)
Other operating (loss)/income[2]		7,307	17,566	24,873	346	-	346
Operating profit/(loss)		**(31,872)**	**(50,023)**	**(81,895)**	**326**	**(17,393)**	**(17,067)**
Share of post-tax (losses)/profits from joint ventures	13	(566)	(6)	(572)	212	-	212
Finance income	4	82	1,942	2,024	878	-	878
Finance expense	4	(6,001)	-	(6,001)	(7,016)	-	(7,016)
Loss before tax	3	**(38,357)**	**(48,087)**	**(86,444)**	**(5,600)**	**(17,393)**	**(22,993)**
Taxation	7	6,736	7,619	14,355	1,355	1,103	2,458
Loss after tax attributable to owners of the company		**(31,621)**	**(40,468)**	**(72,089)**	**(4,245)**	**(16,290)**	**(20,535)**
Loss before tax, IFRS16 and non-underlying items		**(38,995)**			**(2,652)**	**-**	**-**
Loss per share	5						
Basic				**(64.1p)**			(46.1p)
Diluted				**(64.1p)**			(46.1p)
Adjusted loss per share	5						
Basic				**(28.6p)**			(4.5p)
Diluted				**(28.6p)**			(4.5p)
Dividends per share	6						
Interim				**-**			7.8
Final				**-**			-

[1]More detail on non-underlying items are included in Note 3
[2]Restated for reclassification of license income to revenue

The accompanying notes are an integral part of the financial statements.

Condensed Group Statement of Comprehensive Income
For the 28 weeks ended 8 August 2020

	Unaudited 28 weeks ended 8 August 2020	Unaudited 28 weeks ended 10 August 2019
	£‘000	£‘000
Loss for the period	**(72,089)**	**(20,535)**
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Net effective portion of changes in fair value of cash flow hedges	743	5,427
Exchange differences on translation of foreign operations net of tax	(141)	304
Other comprehensive income for the period, net of tax	**602**	**5,731**
Total comprehensive (expense)/income for the period	**(71,487)**	**(14,804)**

Condensed Group Statement of Changes in Equity – Unaudited

For the 28 weeks ended 8 August 2020

	Share capital £'000	Share premium £'000	Cash flow hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity attributable to equity shareholders of the parent £'000
Balance at 25 January 2020	**2,228**	**10,555**	**(743)**	**6,328**	**130,263**	**148,631**
Prior year restatements*	-	-	-	-	(7,958)	(7,958)
Balance at 25 January 2020 (restated)	**2,228**	**10,555**	**(743)**	**6,328**	**122,305**	**140,673**
Comprehensive income for the period						
Loss for the period	-	-	-	-	(72,089)	(72,089)
Exchange differences on translation of foreign operations	-	-	-	(141)	-	(141)
Effective portion of changes in fair value of cash flow hedges	-	-	765	-	-	765
Deferred tax associated with movement in hedging reserve	-	-	(22)	-	-	(22)
Total comprehensive income for the period	**-**	**-**	**743**	**(141)**	**(72,089)**	**(71,487)**
Other	-	-	-	282	-	**282**
Increase in issued share capital	9,231	88,521	-	-	-	**97,752**
Share-based payment charges	-	-	-	-	415	**415**
Total	**9,231**	88,521	**-**	**282**	**415**	**98,449**
Balance at 8 August 2020	**11,459**	**99,076**	**-**	**6,469**	**50,631**	**167,635**

* See Note 1e) for details of the prior year restatement

Condensed Group Statement of Changes in Equity – Unaudited

For the 28 weeks ended 10 August 2019

	Share capital £'000	Share premium £'000	Cash flow hedging reserve £'000	Translation reserve £'000	Retained earnings (Restated) £'000	Total equity attributable to equity shareholders of the Company (Restated) £'000
Balance at 26 January 2019	**2,228**	**10,555**	**(183)**	**4,856**	**227,262**	**244,718**
Adjustment on initial application of IFRS 16	-	-	-	-	894	894
Balance at 27 January 2019	**2,228**	**10,555**	**(183)**	**4,856**	**228,156**	**245,612**
Comprehensive income for the period						
Loss for the period	-	-	-	-	(20,535)	(20,535)
Exchange differences on translation of foreign operations	-	-	-	1,874	-	1,874
Current tax on foreign currency translation	-	-	-	(1,570)	-	(1,570)
Effective portion of changes in fair value of cash flow hedges	-	-	6,264	-	-	6,264
Deferred tax associated with movement in hedging reserve	-	-	(837)	-	-	(837)
Total comprehensive income for the period	**-**	**-**	**5,427**	**304**	**(20,535)**	**(14,804)**
Net change in fair value of cash flow hedges transferred to cost of inventory	-	-	(1,341)	-	-	(1,341)
Share-based payment charges	-	-	-	-	222	222
Movement on current and deferred tax on share-based payments	-	-	-	-	(25)	(25)
Dividends paid	-	-	-	-	(18,138)	(18,138)
Total	**-**	**-**	**(1,341)**	**-**	**(17,941)**	**(19,282)**
Balance at 10 August 2019	**2,228**	**10,555**	**3,903**	**5,160**	**189,680**	**211,526**

Condensed Group Balance Sheet

At 8 August 2020

	Note	Unaudited 8 August 2020 £'000	Audited 25 January 2020 (Restated)* £'000
Non-current assets			
Intangible assets	8	33,921	42,265
Property, plant and equipment	9	53,125	127,429
Right-of-use assets	10	93,400	137,987
Investment in equity accounted investee		5,730	5,088
Deferred tax assets		22,998	17,638
Prepayments		611	634
		209,785	**331,041**
Current assets			
Inventories		89,786	131,663
Trade and other receivables		54,007	67,271
Amount due from equity accounted investee		5,077	4,462
Derivative financial assets	12	-	203
Income tax receivable		9,393	2,343
Cash and cash equivalents		60,752	52,912
		219,015	**258,854**
Current liabilities			
Trade and other payables		(92,125)	(96,202)
Bank overdraft		-	(180,000)
Lease liabilities		(38,511)	(36,381)
Derivative financial liabilities	12	-	(1,095)
		(130,636)	**(313,678)**
Non-current liabilities			
Deferred tax liabilities		(3,685)	(3,588)
Provisions		(4,408)	-
Lease liabilities		(122,436)	(131,956)
		(130,529)	**(135,544)**
Net assets		**167,635**	**140,673**
Equity			
Share capital		11,459	2,228
Share premium		99,076	10,555
Other reserves		-	(743)
Translation reserve		6,469	6,328
Retained earnings		50,631	122,305
Total equity		**167,635**	**140,673**

* *The prior period restatements are detailed further in Note 1(e).*

Condensed Group Cash Flow Statement

For the 28 weeks ended 8 August 2020

	Unaudited 28 weeks ended 8 August 2020	Unaudited 28 weeks ended 10 August 2019*
	£'000	£'000
Cash generated from operations		
Loss for the period	(72,089)	(20,535)
Adjusted for:		
Income tax (credit)/expense	(14,355)	(2,458)
Non-cash adjustments/profit on disposal of property, plant and equipment and intangibles	(19,188)	-
Depreciation and amortisation	30,811	37,686
Amortisation of reacquired right	1,182	-
Impairments	45,777	-
Fair value adjustments on assets held for sale	-	11,016
Loss on disposal of property, plant and equipment	80	106
Share-based payments charge/(credit)	417	222
Net finance expense	5,919	6,138
Net change in derivative financial assets and liabilities carried at fair value	(151)	(383)
Share of profit in joint venture	566	(212)
Decrease/(increase) in non-current prepayments	23	67
Decrease/(increase) in inventory	43,095	15,946
(Increase)/decrease in trade and other receivables	14,016	(330)
(Decrease)/increase in trade and other payables	224	850
Income taxes received/ (paid)	2,097	(4,817)
Net cash generated from operating activities	**38,424**	**43,296**
Cash flow from investing activities		
Purchases of property, plant and equipment and intangibles	(3,199)	(16,904)
Proceeds from sale of property, plant and equipment	77,782	-
Business acquisition (net of cash acquired)	-	475
Interest received	81	94
Dividends received from joint venture	-	278
Payments to joint venture	(642)	-
Net cash from investing activities	**74,022**	**(16,057)**
Cash flow from financing activities		
Repayment of term loan/overdraft	(180,000)	(2,000)
Drawdown of overdraft	-	16,642
Repayment of capital element of leases	(16,467)	(19,144)**
Repayment of interest element of leases	(4,080)	(4,903)**
Interest paid	(1,921)	(1,953)
Dividends paid	-	(18,138)
Proceeds from issue of shares	105,003	-
Cost of issue of shares	(7,251)	-
Net cash from financing activities	**(104,716)**	**(29,496)**
Net increase (decrease) in cash and cash equivalents	**7,730**	**(2,257)**
Cash and cash equivalents at the beginning of the period	52,912	14,654
Exchange rate movement	110	1,015
Net cash and cash equivalents at the end of the period	**60,752**	**13,412**
Cash and cash equivalents at the end of the period	60,752	11,689
Cash and cash equivalents included in assets held for sale	-	1,723
Net cash and cash equivalents at the end of the period	**60,752**	**13,412**

**10 August 2019 has been restated to exclude overdrafts from cash and cash equivalents and include £16,642k drawdown of overdraft within financing activities*

***Interest element of leases in the 28 weeks to 10 August 2019 has been separately identified from the capital element*

Notes to the Unaudited Condensed Interim Financial Statements
For the 28 weeks ended 8 August 2020

1. Basis of preparation

a. Reporting entity
Ted Baker Plc (the "Company") is a company domiciled in the United Kingdom. The condensed interim financial statements ("interim financial statements") of Ted Baker Plc as at, and for the 28 weeks ended, 8 August 2020 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group financial statements as at, and for the 52 weeks ended 25 January 2020 are available upon request from the Company's registered office at Ted Baker Plc, The Ugly Brown Building, 6a St. Pancras Way, London NW1 0TB and at www.tedbakerplc.com.

b. Statement of compliance
These condensed interim financial statements have been prepared in accordance with "IAS 34 Interim Financial Reporting" as adopted by the EU and the requirements of the Disclosures and Transparency Rules. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Group financial statements as at, and for the 52 weeks ended 25 January 2020. These interim financial statements were approved by the Board of Directors on 7 December 2020.

The comparative figures for the 52 weeks ended 26 January 2019 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's previous auditor and delivered to the registrar of companies. The report of the previous auditor was (i) unqualified; (ii) included a reference to draw attention to the Directors' conclusion that a material uncertainty existed that may cast significant doubt of the Group's ability to continue as a going concern; and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. These sections address whether proper accounting records have been kept, whether the Company's accounts are in agreement with these records and whether the auditor has obtained all the information and explanations necessary for the purposes of the audit.

The financial information in this document is unaudited but has been reviewed by the auditor in accordance with the Auditing Practices Board guidance on Review of Interim Financial Information.

c. Going concern
In light of the current economic uncertainty caused by the COVID-19 pandemic, the Directors have reviewed the current financial performance and liquidity of the business, and assessed its resilience to a reduction in sales through a series of scenarios. The Group has modelled a Base Case forecast alongside a Severe but Plausible downside scenario based on further waves of the pandemic and a no deal Brexit.

The Base Case forecast includes prudent growth assumptions, factoring a continued challenge to physical retail, wholesale and licence channels, with only moderate growth in online sales. This scenario assumes there is no break from intermittent lockdowns until vaccination becomes effective for vulnerable groups assumed to be not before May 2021 and a slow return to global economic recovery thereafter. Compared with FY20, the FY22 Base Case scenario assumes a 35% decrease in H1 and 14% decrease in H2 physical retail, wholesale and licence channels, and a 36% increase in full year online sales.

The Severe but Plausible downside scenario includes significant reductions against FY22 Base Case trade assumptions, including a 30% reduction in H1 and 15% reduction in H2 physical retail, wholesale and licence channels, and a 15% reduction in full year online sales. Compared with FY20, the FY22 Severe but Plausible scenario assumes a 55% decrease in H1 and 27% decrease in H2 physical retail, wholesale and licence channels, and a 16% increase in full year online sales. In this scenario, H1 trade is forecast to be materially worse than observed since the end of full global lockdown. The Severe but Plausible scenario also assumes a significant increase in Brexit related duty costs and minimal changes to operating expenditures.

As part of the going concern assessment, the Group have modelled both cash and covenant headroom over the next 12 months. Under both the Base Case and Severe but Plausible downside

1. Basis of preparation (continued)

scenario, the Group would have adequate cash headroom without the need to draw on any of the existing loan facilities. This is the result of milestones achieved in the first half, including the successful completion of equity fundraising, the sale and leaseback of the Ugly Brown Building and significant cash conservation efforts around overhead costs and working capital. As sufficient cash headroom exists to operate without any loan facilities during the 12 month going concern period, the Directors believe there is a reasonable expectation that the Group has adequate liquidity headroom and so they continue to adopt the going concern basis in preparing the financial statements.

Under the Severe but Plausible scenario, the covenant tests for the quarter ended April 2021, reported in June 2021 would not be passed. The Directors note that they hold a good relationship with their lenders and anticipate their continued support due to the significant deleverage of the Group, forecast performance and forecast to remain cash positive. A refinancing in the normal course of events is planned to commence in Q1 of FY22 and therefore will precede any of the covenant test dates.

d. Significant accounting policies

The interim financial statements for the 28 weeks ended 8 August 2020 have been prepared on a basis consistent with the accounting policies published in the Group's financial statements for the 52 weeks ended 25 January 2020.

1. Basis of preparation (continued)

e. Changes in accounting estimates, errors or misstatements

Changes in accounting estimates

In the prior accounting period, our inventory accounting basis of estimating inventory cost included certain logistics and freight costs in getting stock from the distribution centre to its final location. The Directors now believe that this basis of estimating is not suitable due to an increasingly multi-channel business in which purchases may reach the consumer through a variety of different routes. As a result of these changes, the estimation of costs relating to this has become less reliable. The amount capitalised in respect of these costs at 26 January 2020 was £6.1m which has been expensed in the current period with no similar amounts capitalised in the 28 weeks ended 10 August 2019.

Flagship stores
In previous accounting periods flagship stores were considered corporate assets and were considered to support the wider business in the geographic territory in which that store was located. The Directors now believe that this treatment is not suitable due to an increasingly multi-channel business which has reduced the significance of flagship stores. Therefore, the impairment estimation basis has been revised in the current period to align it with the remainder of the store portfolio. This has resulted in an impairment in the period of £9.0m.

IFRS16 – rent concessions
The Group has applied the practical expedient for the application of rent concessions provided as a response to the COVID-19 pandemic, as allowed by the amendment to IFRS16.

Significant accounting judgments or estimates

Taxation
Deferred tax assets are recognised to the extent it is probable that future taxable profits (including the future release of deferred tax liabilities) will be available, against which the deductible temporary differences can be utilised, based on management's assumptions relating to the amounts and timing of future taxable profits. Estimates of future profitability on an entity basis are required to ascertain whether it is probable that sufficient taxable profits will arise to support the recognition of deferred tax assets relating to the corresponding entity.

Onerous contract provision
In the period £4.4m has been provided in relation to onerous contracts in relation to cancelled purchase orders due to the COVID-19 pandemic. This is management's best estimate of the unavoidable costs in meeting their obligations under these contracts.

Errors or misstatements

i) Incorrect classification of lease incentives - £13.3m
During the prior period £10.2m of creditor balances relating to lease incentives were taken to reserves as an IFRS16 adjustment, when they should have been offset against the right of use asset for the lease they relate to. In addition, £3.1m of lease incentives were held in other creditors at transition, when they should have been offset against the right of use asset for the lease they relate to.
Accordingly, £13.3m has been corrected retrospectively by restating the right of use asset, other creditors has been restated by £3.1m and retained earnings by £10.2m on the balance sheet as at 25 January 2020. There was no impact on earnings for the period or EPS.

ii) Incorrect impairment of assets - £2.2m
At 25 January 2019 the impairment of right of use assets was overstated as a result of the above incorrect classification.
Accordingly, the £2.2m impact has been corrected retrospectively by restating the income statement for the period to 25 January 2020 and the corresponding increase to right of use assets and retained earnings. The Income Statement for the period to 10 August 2019, and EPS for August 2019 was not impacted.

iii) Adjustments to the carrying amount of inventory at 26 January 2019 - £20.2m
As previously described in the Annual Report 2020, 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.
Following the conclusion of Deloitte's review and the completion of the year-end process and audit, the Group 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 treatment for the items identified from the inventory review were classified as changes in accounting estimates or errors or misstatements, and is governed by IAS 8 'Accounting policies, changes in accounting estimates and errors.'

(i) Stock that did not physically exist - £6.5m
The adjustments primarily related 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 were 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.

(ii) Adjustments to correct calculations - £13.7m
Adjustments were 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.

Management are unable to reliably estimate the impact of this restatement on inventory values at 10 August 2019 and the resulting impact on the Income Statement for the 28 week period then ended without significant expense and effort. Given that the impact is in respect of comparative financial information the Directors consider that the significant expense and effort to determine this impact would not materially benefit the users of the accounts or the Group.

In addition, the Group 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.

2. Segment information

Segment revenue and segment result

Unaudited – 28 weeks ended 8 August 2020	Retail	Wholesale	Licensing	Total
	£'000	£'000	£'000	£'000
Revenue	123,975	39,511	5,984	169,470
Cost of sales	(56,251)	(28,060)	-	(84,311)
Gross profit before non-underlying items	**67,724**	**11,451**	**5,984**	**85,159**
Operating costs	(83,161)	-	-	(83,161)
Operating contribution	**(15,437)**	**11,451**	**5,984**	**1,998**
Reconciliation of segment result to profit before tax				
Segment result before non-underlying items	**(15,437)**	**11,451**	**5,984**	**1,998**
Other operating costs	-	-	-	(41,177)
Other operating (expense)/income	-	-	-	7,307
Operating profit before non-underlying items				**(31,872)**
Finance income	-	-	-	82
Finance expense	-	-	-	(6,001)
Share of losses from joint ventures	-	-	-	(566)
Profit before tax before non-underlying items				**(38,357)**
Non-underlying items before tax				**(48,087)**
Loss before tax				**(86,444)**
Capital expenditure	1,141	-	-	1,141
Additions to right of use assets	-	-	-	8,413
Unallocated capital expenditure	-	-	-	2,286
Total capital expenditure and additions to right of use assets				**11,840**
Depreciation and amortisation	(1,325)	(122)	-	(1,447)
Unallocated depreciation and amortisation	-	-	-	(14,717)
Depreciation of right of use assets	(15,829)	-	-	(15,829)
Total depreciation and amortisation				**(31,993)**
Segment assets	270,662	72,103	-	342,765
Property, plant and equipment – central	-	-	-	3,180
Intangible assets – central	-	-	-	33,041
Deferred tax assets	-	-	-	22,998
Income tax receivable	-	-	-	9,393
Other assets[1]	-	-	-	17,423
Total assets				**428,800**
Segment liabilities	(230,737)	(23,226)	-	(253,963)
Lease liability - central	-	-	-	-
Current tax liability	-	-	-	-
Other liabilities[2]	-	-	-	(7,202)
Total liabilities				**(261,165)**
Net assets				**167,635**

[1] Other assets include prepayments, derivatives and central allocations of inventory, cash and cash equivalents and other receivables.
[2] Other liabilities include derivatives and central allocations of trade and other payables and borrowings.

2. Segment information (continued)

Unaudited – 28 weeks ended 10 August 2019	Retail	Wholesale	Licensing	Total
	£'000	£'000	£'000	£'000
Revenue	**214,538**	**89,290**	9,443	**313,271**
Cost of sales	(82,847)	(55,865)	-	(138,712)
Gross profit	**131,691**	**33,425**	9,443	**174,559**
Operating costs	(119,697)	-	-	(119,697)
Operating contribution before non-underlying items	**11,994**	**33,425**	9,443	**54,862**
Segment result	**11,994**	**33,425**	**9,443**	**54,862**
Reconciliation of segment result to profit before tax				
Segment result	**11,994**	**33,425**	**9,443**	**54,862**
Other operating costs	-	-	-	(54,882)
Other operating income	-	-	-	346
Operating profit	-	-	-	**326**
Finance income	-	-	-	878
Finance expenses				(7,016)
Share of profit of jointly controlled entity, net of tax	-	-	-	212
Loss before tax before non-underlying items	-	-	-	**(5,600)**
Non-underlying items before tax				(17,393)
Loss before tax				**(22,993)**
Capital expenditure	10,545	277	-	10,822
Additions to right of use assets	7,366			7,366
Unallocated capital expenditure	-	-	-	6,404
Total capital expenditure and additions to right of use assets	-	-	-	**24,592**
Depreciation and amortisation	(8,564)	(304)	-	(8,868)
Unallocated depreciation and amortisation	-	-	-	(6,782)
Depreciation of right of use assets	(22,034)	-	-	(22,034)
Total depreciation and amortisation				**(37,686)**
Segment assets	420,641	108,318	-	528,959
Deferred tax assets	-	-	-	6,791
Derivative financial assets	-	-	-	5,514
Intangible assets – head office	-	-	-	38,177
Plant, property and equipment – head office	-	-	-	80,592
Other assets	-	-	-	2,881
Total assets	-	-	-	**662,914**
Segment liabilities	(336,703)	(63,828)	-	(400,531)
Income tax payable	-	-	-	(810)
Term loan	-	-	-	(45,000)
Other liabilities	-	-	-	(5,941)
Total liabilities	-	-	-	**(452,282)**
Net assets				**210,632**

3. Reconciliation of profit before tax to profit before tax, non-underlying items and IFRS 16 and profit before tax

	Note	Unaudited 28 weeks ended 8 August 2020	Unaudited 28 weeks ended 10 August 2019
		£'000	£'000
Loss before tax		**(86,444)**	**(22,993)**
Included in cost of sales:			
Inventory changes in estimates	1	(6,065)	-
Onerous contract provision	2	(4,408)	-
Other		12	-
Included in Gross Profit		**(10,461)**	**-**
Included in distribution costs:			
Gain/(Loss) on disposal of business	3	-	(11,824)
Impairment of intangible assets, property, plant and equipment and right-of-use assets	4	(45,829)	-
Included in administrative costs:			
Acquisition costs and unwind of fair value accounting adjustments	5	(1,182)	(3,535)
Reorganisation cost, restructuring costs and other legal and professional costs	6	(10,117)	(2,034)
Included in Other operating (loss) / income			
Gain/(Loss) on disposal of business	7	17,566	-
Included in operating profit		**(50,023)**	**(17,393)**
Included in share of post-tax profits from joint venture:			
Unwind of fair value adjustments		(6)	-
Foreign exchange on the translation of monetary assets and liabilities denominated in foreign currencies	8	1,942	-
Non-underlying items		**(48,087)**	**(17,393)**
Loss before tax and non-underlying items		**(38,357)**	**(5,600)**
Impact of IFRS 16		(638)	2,948
Loss before tax, non-underlying items and IFRS 16		**(38,995)**	**(2,652)**

Notes
1. Further details surrounding the changes in accounting estimates for inventory can be found in Note 1e)
2. Details of the onerous contract provision can be found in note 1e)
3. In the prior period the Group reorganisation of distribution partners and related operations in Asia (Hong Kong, China and Japan), resulted in a loss on disposal.
4. The Group impaired a number of assets in retail stores resulting in a charge of £45.8m, including leasehold improvements, fixtures and fittings, intangible assets and right-of-use assets.
5. Charges in the current and prior period relate to amortisation of reacquired rights, fair value and accounting adjustments in relation to the acquisition of the footwear business in financial year 2019.
6. Costs relate to the refinancing and restructuring of the business previously announced and include redundancy costs, legal and professional fees. Prior period costs relate to further costs incurred in relation to the investigation into the allegations of misconduct of the former Chief Executive Officer and the Group's policies, procedures and handling of HR-related complaints and other legal matters
7. Relates to the sale of the corporate head office building.
8. Foreign exchange gain on re-translation of intercompany balances denominated in foreign currencies

4. Finance income and expenses

	Unaudited 28 weeks ended 8 August 2020	Unaudited 28 weeks ended 10 August 2019
	£'000	£'000
Finance income		
– Interest receivable	81	94
– Foreign exchange gains	1,943	784
	2,024	878
Finance expenses		
– Interest payable	(1,921)	(2,078)
– Interest on lease liabilities	(4,080)	(4,903)
– Foreign exchange losses	-	(35)
	(6,001)	(7,016)

5. Earnings per share

	Unaudited 28 weeks ended 8 August 2020*	Unaudited 28 weeks ended 10 August 2019
Number of shares:	No.	No.
Weighted number of ordinary shares outstanding	112,416,515	44,564,951
Effect of dilutive options	28,518	61,275
Weighted number of ordinary shares outstanding – diluted	112,445,033	44,626,226
Earnings:		
(Loss)/Profit for the period – basic and diluted	(72,089)	(20,535)
(Loss)/Profit for the period – adjusted*	(32,148)	(2,011)
Basic earnings per share	(64.1p)	(46.1p)
Adjusted earnings per share*	(28.6p)	(4.5p)
Diluted earnings per share	(64.1p)	(46.1p)
Adjusted diluted earnings per share	(28.6p)	(4.5p)

Diluted earnings per share and adjusted 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.

**Adjusted (loss)/profit for the period and adjusted earnings per share are shown before* non-underlying *costs and IFRS 16 (net of tax). Non-underlying items net of tax were £40.5m (28 weeks ended 10 August 2019:* non-underlying *costs of 16.3m) and the impact of IFRS 16 net of tax was £0.5m (28 weeks ended 10 August 2019: IFRS 16 impact of £2.2m).*

6. Dividends per share

	Unaudited 28 weeks ended 8 August 2020	Unaudited 28 weeks ended 10 August 2019
	£'000	£'000
Final dividend paid for the prior year (2020: nil; 2019: 40.7p per share)	-	18,138
	-	18,138

The Board has declared an interim dividend of Nil pence per share (2019: 7.8 pence).

7. Income tax expense

An income tax credit is recognised on losses before non-underlying items at the full year forecast effective tax rate of 17.4% for the 28 weeks ended 8 August 2020 (28 weeks ended 10 August 2019: 24.2%). The income tax credit on non-underlying items at half year is calculated and disclosed separately. This has a significant impact on the total effective tax rate at the half year given the significant number of non-underlying items.

Our future effective tax rate is expected to remain above the UK tax rate as a result of the proportion of overseas results in jurisdictions with higher tax rates than the UK.

8. Intangible assets

Intangible asset additions during the period were £1.4m (25 January 2020: £6.4m) in relation to investment in business-wide systems to support the long-term development of the business. £3.1m of depreciation was reclassified in the period from property, plant & equipment to intangible assets.
Impairment in the period was £0.6m.

9. Property, plant and equipment

Property, plant and equipment asset additions during the period were £1.7m (25 January 2020: £19.5m) primarily in relation to store refurbishments and openings. £3.1m of depreciation was reclassified in the period from property, plant & equipment to intangible assets.
Impairment in the period was £11.0m.

10. Right-of-use assets

The Group initially applied IFRS 16 at 27 January 2019, which required the recognition of right-of-use assets for lease contracts that were previously classified as operating leases.

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 centres and head offices.

The Group has applied the practical expedient for the application of rent concessions provided as a response to the COVID-19 pandemic, as allowed by the amendment to IFRS16.

	Right-of-use asset
	£'000
Cost	
At 25 January 2020	201,495
Restatement*	(13,276)
At 25 January 2020	188,219
Gross adjustment**	(2,019)
Additions	6,772
Disposals	(2,474)
At 8 August 2020	**190,498**
Amortisation	
At 25 January 2020	(52,462)
Restatement*	2,230
At 25 January 2020	(50,232)
Gross adjustment**	2,019
Charge for the period	(15,829)
Disposals	866
Impairments	(33,922)
At 8 August 2020	**(97,098)**
Net book value	
At 25 January 2020	137,987
At 8 August 2020	**93,400**

*Details of the restatement can be found in note 1e).
**Gross adjustment between cost and amortisation brought forward to better reflect underlying gross split

11. Inventory provisioning

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.

In previous periods management have not provided for inventory which has been reclassified into a future season ('re-seasoned stock'). During the period, as a result of unusual trading conditions there has been a material increase in the inventory holding that has been re-seasoned. Consequently, management have considered it appropriate to make a provision against this category, amounting to £4.8m at the balance sheet date.

12. Financial instruments

The Group held no financial instruments at 08 August 2020.

The definitions and valuation techniques employed for financial instruments at 25 January 2020 are disclosed in Note 22 on pages 160 to 166 of the Annual Report and Accounts for the 52 weeks ended 25 January 2020.

Level 2 assets and liabilities are shown as:

	Unaudited 8 August 2020 £'000	Audited 25 January 2020 £'000
Assets at fair value:		
Currency derivatives	-	203
Liabilities at fair value:		
Currency derivatives	-	(1,095)

13. Related parties

The Group considers its Executive and Non-Executive Directors as key management and therefore has a related party relationship with them.

Directors of the Company and their immediate relatives control 0.2% (10 August 2019: 0.2%) of the voting shares of the Company.

The Group has a 50% interest in the ordinary share capital of No Ordinary Retail Company Pty, a company incorporated in Australia. As at 8 August 2020, the joint venture owed £126,276 to No Ordinary Designer Ltd (25 January 2020: £530,000). The value of sales made to the joint venture by the Group in the period was £486,584 (10 August 2019: £1,587,000).

The Group also has a 50% interest in the shares in TBHK. As at 8 August 2020, the joint venture owed £4,950,200 to No Ordinary Designer Ltd (25 January 2020: £3,933,000). In the period the value of sales made to the joint venture by the Group was £1,433,654 (2019: £nil).

14. Principal risks and uncertainties

The principal risks and uncertainties affecting the Group were identified as part of the Group Strategic Report, set out on pages 36 to 44 of the Ted Baker Annual Report and Accounts for the 52 weeks ended 25 January 2020, a copy of which is available on the Group's investor relations website at www.tedbakerplc.com.

The Group has established a structured approach to identify, assess and manage these risks and this is regularly monitored and updated by the Risk Committee. The following list highlights some of the principal risks, which are unchanged from the prior year end and remain relevant for the second half of the financial year:

Strategic risks

- COVID-19 making it more difficult to model outcomes as uncertainty remains over what strategy various governments may put in place for opening non-essential stores and over the broader implications
- The loss of key personnel or managers without the prompt addition of appropriate replacements could adversely affect the Group's operations and prospects as success is dependent on its capacity to attract and retain effective personnel
- The Group has significant and increased borrowings and liabilities, the amount and terms of which may limit its financial and operational flexibility
- External events such as the COVID-19 pandemic and related Government and regulatory guidelines pose a challenge to getting our revenue back to historic levels as it depends on the policies and practises deployed in each territory and these may differ by geography.
- Brand and reputational risk as a result of our actions or those of our partners or supply chain plus unmanaged exposure through user-generated content platforms
- Execution of new strategy to stabilise our foundations in building block 1 or adequately drive operational performance required in building block 2
- Development of eCommerce business could lead to higher operational costs and lower profitability
- Development of overseas markets risk has increased as a result of changes during the year
- Competitive Environment leading to the business failing to price products competitively or excessive promotions and sales that will in turn lower the Group's profit margin
- Risk that our offer will not satisfy the needs of our customers or that we fail to correctly identify trends
- Trends in the retail industry which have recently faced an increasingly challenged trading environment
- Negative Publicity and media speculation disrupting the Group's ability to do business with counterparties
- Defaults under the facility agreement, increasing risk to the shareholders of losing value of their investment

Operational risks

- Failure in our supply chain affecting our ability to deliver our offer to customers and/or partners
- Outlook in the retail sector remains uncertain with increasing pressures on the Group's customers
- Operational problems affecting the infrastructure of our business
- Failure to operate in a sustainable and responsible manner
- Cybersecurity or IT breach and unauthorised data access or loss
- Poorly managed implementation or take-up of new systems, leading to business disruptions
- Privacy breaches or any failure to protect clients' confidential information
- Non-compliance with applicable legislation and regulations
- Unauthorised use of our designs, trademarks and other intellectual property rights
- Natural events and governmental policy changes may evolve from climate change effecting supply chain
- Investigations into people policies and practices, including internal reviews related to business' inventory position
- Regulatory or other investigations as to the inventory overstatement

Financial risks

- Currency, interest, credit and counterparty risks
- Insufficient robust financial controls policies and practices in place to appropriately manage the business

Brexit risks

- The lack of clarity arising from the UK leaving the European Union has increased the levels of economic and consumer uncertainty if the UK's withdrawal is on any basis that is not subject to a free trade agreement
- Unpredictable VAT and customs duty regimes
- Trade arrangements at risk with third countries which rely on the UK's membership with the European Union
- Supply chain delays could result from additional customs requirements without a free trade deal
- EU national employees may not have automatic residency
- Increased fluctuations in foreign currencies
- Increased complexity in regulatory and legal compliance surrounding the manufacture and sale of products
- Procurement and contractual arrangements such as delivery terms or price clauses could have an adverse commercial effect

Responsibility statement of the Directors in respect of the interim financial statements

The Directors confirm that to the best of their knowledge:

- the condensed financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as adopted by the EU; and

- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the *Disclosure and Transparency Rules,* being an indication of important events that have occurred during the first 28 weeks of the financial year and their impact on the condensed financial statements, and a description of the principal risks and uncertainties for the remaining 24 weeks of the financial year; and

  (b) DTR 4.2.8R of the *Disclosure and Transparency Rules,* being related party transactions that have taken place in the first 28 weeks of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

The Directors of Ted Baker Plc are listed on pages 49 and 50 of the Annual Report and Accounts as at, and for, the 52 weeks ended 25 January 2020. A list of current Directors is maintained on the Ted Baker Plc website, at: www.tedbakerplc.com.

By order of the Board

J Barton	**R Osborne**
Executive Chairman	Chief Executive Officer
6 December 2020	6 December 2020

Cautionary statement regarding forward-looking statements
This announcement contains certain forward-looking statements. These forward-looking statements include matters that are not historical facts or are statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies, and the industries in which the Group operates. Forward-looking statements are based on the information available to the Directors at the time of preparation of this announcement, and will not be updated during the year. The Directors can give no assurance that these expectations will prove to have been 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.

INDEPENDENT REVIEW REPORT TO TED BAKER PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 28 weeks ended 8 August 2020 which comprises the Condensed Group Income Statement, the Condensed Group Statement of Comprehensive Income, the Condensed Group Statement of Changes in Equity, the Condensed Group Balance Sheet, the Condensed Group Cash Flow Statement and the related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting'', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for our conclusion which is qualified solely in respect of the unaudited comparative figures for the 28 week period ended 10 August 2019

As explained in note 1.e) to the condensed financial statements, the Group recorded, in its financial statements for the 52 weeks ended 25 January 2020, a number of adjustments to inventory values, including amendments to inventory which had been overstated at the previous year end.

It has not been possible for us to determine what the impact of these adjustments would have been on inventory values at 10 August 2019 and 26 January 2019 and consequently on retained profit at those dates and on the income and expenditure and calculated cash flows for the 28 week period ended 10 August 2019.

Accordingly we have been unable to determine whether the unaudited comparative figures shown in the condensed financial statements relating to the 28 week period ended 10 August 2019 are presented on a basis comparable with that applied for the 28 week period ended 8 August 2020.

Qualified Conclusion

Except for the matters described in the Basis for the qualified conclusion section of our report, based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 28 weeks ended 8 August 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
55 Baker Street
London
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Date: 6 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).