

C&J Clark Limited

Annual Report & Financial
Statements for the Year
Ended 31st January 2010

Company number 3314066

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For Clarks, the enduring strength of our brand allied with slowly improving market conditions and the continued commitment of our employees and trading partners, means we can look back on a year of significant achievement.

This annual report reviews 2009 and anticipates further meaningful steps, not only in the Group's financial performance but in the successful evolution of its business plan.

Annual Report and Financial Statements

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Results at a Glance

	2010	2009
Total Group turnover	£1,173.5m	£1,122.0m
Operating profit*	£97.4m	£93.3m
Basic earnings per ordinary share**	101.6p	102.6p
Dividends per ordinary share		
– interim 31st January 2010	8.0p	8.0p
– final 31st January 2010 (payable in April 2010)	20.0p	19.5p
Special dividend per ordinary share – payable March 2010	10.0p	–
Net cash/(borrowings)	£77.4m	(£29.5m)
Return on capital employed*	27.6%	21.0%

*Before exceptional items

**After exceptional items

Basic earnings per ordinary share after exceptional items (pence)	
2006	79.0
2007	78.5
2008	84.7
2009	102.6
2010	101.6

Group turnover from continuing operations (£m)	
2006	885.4
2007	939.3
2008	1,035.6
2009	1,122.0
2010	1,173.5

Turnover from the Elefanten group and Rival have been excluded from all years

Pre-tax profits after exceptional items (£m)	
2006	71.9
2007	69.4
2008	75.1
2009	86.8
2010	85.1

Return on capital employed before exceptional items (%)	
2006	24.3
2007	22.5
2008	23.7
2009	21.0
2010	27.6

Group turnover from continuing operations by trading division (%)	
Clarks International	66.6
Clarks Companies	
North America	33.4
Group footwear items	0.0

Total footwear profits (%)	
Clarks International	85.9
Clarks Companies	
North America	26.3
Group footwear items	(12.2)

Summary of Trading Results

Summary of trading results for the year ended 31st January 2010

	Turnover 2010 £m	Turnover 2009 £m	Operating profit before exceptional items 2010 £m	Operating profit before exceptional items 2009 £m	Capital employed 2010 £m	Capital employed 2009 £m
Clarks International	782.1	771.1	94.2	74.4	246.7	282.5
Clarks Companies North America	391.4	350.9	28.8	23.9	106.4	161.0
Group footwear items	-	-	(13.3)	(0.2)	-	-
Total footwear	1,173.5	1,122.0	109.7	98.1	353.1	443.5
Non-footwear items	-	-	(12.3)	(4.8)	-	-
Total	1,173.5	1,122.0	97.4	93.3	353.1	443.5

Non footwear items comprise long term incentive scheme charges of £12.1m (2009 – £3.6m) holding company activity and central pension costs

Key profit drivers of divisional trading results

	Clarks International £m	Clarks Companies North America £m
January 2009 divisional profit	74.4	23.9
Decrease in package volume sold	(35.5)	(20.0)
Increase in average selling price	43.5	10.0
Decrease in other product costs	3.4	10.1
Increase in retail overheads	(2.9)	(2.7)
Decrease in brand marketing investment	6.1	3.3
Decrease in other overheads	5.2	4.2
January 2010 divisional profit	94.2	28.8

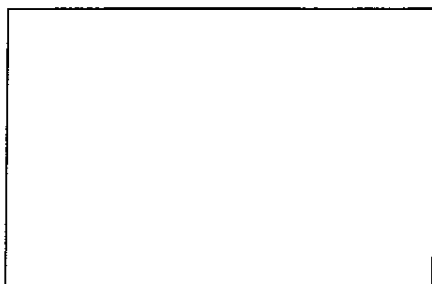
profit
 positive variances
 negative variances

00 200 400 600 800 1000 00 100 200 300
 Profit £m Profit £m

The diagram depicts the variances both positive and negative that drive the movement from the January 2009 divisional profit to the January 2010 divisional profit

Review of Activities

Chairman's Statement



The year ended January 2010 has been another successful year for your Company. The Group's financial performance remained pleasingly robust despite the ongoing effects of the global recession. Total sales grew by 4.6% to £1.17bn, whilst operating profits before exceptional charges rose by 4.4% to £97.4m. As detailed in the Chief Executive's report, management made good progress in improving the profitability in the Group. However, we incurred a large increase in the imputed cost of financing our UK pension deficit, resulting in a small reduction in pre-tax profits from £86.8m last year to £85.1m, and a fall in earnings per share from 102.6 pence per share in 2008/9 to 101.6 pence.

Our balance sheet and cash flow position this year are stronger than for many years. Whilst the good trading results have played a part in this, in addition we have been more conservative in our capital investment plans in relation to stores and projects, and have also achieved tighter control of working capital across the business. Together these factors have resulted in a net positive cash flow of £106.9m.

Our normal modest year end borrowings have been replaced with a positive cash balance of £77.4m, a turnaround of more than £100m compared with last year. The Group's return on year end capital employed has also gone up from 21.0% to 27.6%.

In last year's statement, I said that I expected economic recovery around the world to be slow and weak and I see no reason to be more optimistic this year. Many of the countries where we trade are struggling with significant budget deficits and high levels of unemployment. We remain cautious but confident that our strategy is sound and that management continue to make good progress in delivering the key initiatives.

During the year, I announced that Peter Bolliger would be retiring this year and that a process to identify his successor as Chief Executive was under way. The Nominations Committee considered a strong field of candidates and I was delighted to be able to announce, in January, that Melissa Potter had been appointed as the new Chief Executive. Melissa joined Clarks in 1988 as a graduate trainee and has developed her career through roles in manufacturing and retail. She led the children's business for three years before moving to head up UK Operations. Melissa played a key role in the successful implementation of SAP and in 2006 was appointed to the Board as Managing Director of the combined UK and International business. I am sure that you will all join me in wishing Melissa every success in her new role.

Peter Bolliger joined Clarks in 1994 and became Chief Executive in 2002. In his 16 years with the Company, Peter has overseen the transfer of manufacturing operations from the UK, the transformation of our UK retail operation into the market leader, the investment in the modernisation of our infrastructure and systems and the launch of the vision for Clarks to become a global brand. Peter has also been instrumental in helping develop a strong internal candidate as his successor. It is fitting that Peter retires at a time when the Group's Balance Sheet is strong, the sales and profits are robust and the dividend and the dividend cover are healthy.

This year's Annual General Meeting also marks the retirement from the Board of Harriet Hall as Non Executive Director and Deputy Chairman. Harriet has been on the Board since May 1999 and before that was Chairman of the Family Shareholder Council for six years. I would like to thank Harriet for her contribution and dedication and to wish her well in the future. The Board will miss Harriet's experience and wise counsel. Tim Campbell has been nominated by the Family Council as Harriet's successor as Non Executive Director, and his formal election to the Board takes place at the forthcoming Annual General Meeting. Stanley Kravetz will also be retiring from the Board ahead of this year's Annual General Meeting. Stanley joined the Board as a Non Executive Director in May 2007 and since that time the Group has made significant progress in the development and implementation of its strategy of international growth. I would like to thank Stanley for his contribution and commitment to the Board during this period.

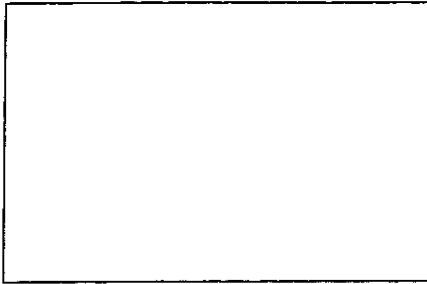
At last year's Annual General Meeting the Board sought shareholder approval for a three year cycle of share buybacks of between 1% and 2% of the issued share capital per year. A 1% buy back was completed in July 2009 and reported on in the half year report. Approval for the second year's buyback programme will be sought at this year's Annual General Meeting.

The final dividend due for payment in April 2010 has been set by the Board at 20.0 pence per share. Together with the interim payment of 8.0 pence, this will make a combined annual dividend of 28.0 pence per share, 1.8% above last year. At this level, the dividend is covered 3.7 times. In addition, in recognition of the Group's continued strong trading performance and the strength of its balance sheet and cash position the Board has resolved to make a one-off special dividend payment this year of 10.0 pence per share. This payment will be made before the normal final dividend at the end of March. Including the special dividend, the aggregate of the three dividend distributions for the year of 38.0 pence per share results in a dividend cover of 2.7 times.

Peter Davies
Chairman

24th March 2010

Chief Executive's Report



Viewed in the round, the past year presents a story of persistently challenging trading conditions across all our major markets and distribution channels. However as the global economy has begun to emerge slowly and uncertainly from recession, so the first signs of improvement in business conditions have become apparent. In North America in particular, where our fortunes have been dented most strongly over the past two years, we have benefited from a more stable trend in market demand and a measure of recovery in consumer confidence. The Group has consequently enjoyed a strong second half, with record profits in Clarks International and a much improved position in North America. I am pleased to be able to look back on a year of solid achievement in 2009/10, a year marked by continued progress in the execution of our business strategy and by further advances in both top-line sales and operating earnings.

Group sales rose by 4.6% to £1.17bn. This growth was flattered somewhat by the positive impact of exchange translation on our reported US turnover, since underlying Group sales would have been level with the previous year at consistent rates of exchange. Operating profits before exceptional charges grew in line with turnover, advancing by 4.4% from £93.3m in 2008/9 to £97.4m. Exchange translation again played some part in this, contributing a positive £3.5m in the form of enhanced US profits when compared with those profits translated at the average Dollar-Pound rate prevailing in the preceding year. However as highlighted in my half-year report, the influence of exchange rates on our reported earnings has not been entirely benign since we have seen the partial reversal of previously realised spot rate retranslation gains on Dollar-denominated assets and Euro liabilities, producing a net exchange loss of £5.1m in the current financial year.

We have recognised an exceptional charge of £3.3m in the profit and loss account relating to the costs of offering a voluntary redundancy programme in North America. This is offset by an exceptional profit of £3.9m on the disposal of a thirteen-acre tranche of land on the Houndwood site in Street, the second phase of a long-term project for promoting environmentally sustainable housing development on the site. The resultant increase of 5.4% in profit before interest is however entirely absorbed by a sharp rise in interest costs. Although the trend in borrowings has been much lower than normal and our external interest costs have fallen, the imputed cost of financing the UK pension fund deficit has escalated from £4.5m in the previous year to £11.8m. This increase results from independent actuarial assumptions about the expected return on assets in the scheme and the interest on net scheme liabilities, the latter based on a discount rate derived from high quality corporate bonds. Post-tax profits have consequently reduced from £62.0m in 2008/9 to £60.8m this year, with earnings per share also edging lower from 102.6 pence to 101.6 pence. It seems a little unfortunate that the good progress achieved in footwear profits has been negated, in terms of shareholder returns, by the legacy costs associated with pension provision.

The Group's balance sheet and cash flow position have continued to strengthen. Vigorous action has been taken to mitigate any stock risks arising from softer market demand so that working capital has reduced by almost a quarter compared with last year. At the same time our approach to capital investment has naturally been more conservative in an uncertain trading environment, both in relation to stores and infrastructure projects, with the result that fixed assets have also been on a reducing trend. With these features prominent capital employed ended the year at £353.1m, 20.4% below 2008/9. On the strength of this reduction combined with our improved trading performance the Group's return on year end capital employed has increased appreciably, from 21.0% to 27.6%.

Our net cash flow for the year was a positive £106.9m, a figure unparalleled in the recent history of the Company and which is moreover stated after absorbing a planned pension deficit funding contribution of £20.3m. Whilst the pattern of our net borrowings has tended to be relatively stable and would normally produce a modest level of debt at the end of January, our current balance sheet reflects a net cash positive of £77.4m. My expectation is that our borrowing levels will revert to a more normalised pattern as our investment in working capital and capital expenditure picks up over the coming months in response to renewed trading growth. I am pleased that the Board has resolved to pay an additional special dividend to shareholders in recognition of this excellent balance sheet and cash flow position.

The following sections highlight some of the key factors which influenced our trading results in Clarks International and North America.

Clarks International

The economic climate has changed little, in its fundamentals, from those I have described in previous reports. Whilst the UK high street has been marked by consumer caution and intensified price competition, in many of our international wholesale markets customers have proved reluctant to make forward order commitments in the face of tightening credit conditions and a weaker sales out performance. To deliver real and profitable trading growth in this environment has remained truly challenging. It has demanded a determined focus on maximising opportunities across all distribution channels together with great vigilance in managing costs. I am delighted to report that in spite of an overall decline of 4.7% in pairs sold, the division increased its net turnover by 1.4% and that operating profits improved by 26.6% from £14.4m in the previous year to £42m. I would like to thank Melissa Potter and her team for this hugely impressive achievement.

The cornerstone of our efforts has been continued market leadership in the UK footwear retail sector. Founded on our dominant brand position and the enduring success of our children's school shoe offer, the retail division delivered comparative store sales growth of +0.6%. This was well below the BRC sector index of +5.5%, which we consider was strongly influenced by high levels of promotional activity. In contrast our own achieved retail margins held up well, average prices rose by 4.7% on the strength of a more premium product mix and some selective category price changes whilst cash margin also advanced by 2.6% on the previous year. Strong operational standards and effective control of fixed costs also played an important part, helping to drive retail profitability up by more than 6% in comparison with 2008/9.

Our other main distribution channels in the UK and Republic of Ireland have experienced mixed fortunes. Conditions facing wholesale customers have been notably challenging, with major accounts such as Brantano running well below historic order volumes and the independent sector held down by weaker market demand and continuing concerns over credit availability. The Irish Republic has proved a particularly tough market for us in the face of widespread economic turmoil, resulting in despatches to Eire independent customers falling by more than 20% on last year and comparative sales performance in owned stores averaging -13.6%. In aggregate our UK and Eire wholesale despatch volume declined by 22.7%, however the ongoing benefit of a positive product sales mix and strong average prices served to cushion the impact on the bottom line so that controllable profits fell less severely by £4.7m.

Chief Executive's Report

Continued

In contrast, I am pleased with the encouraging progress of our new multi-channel retailing operation in its first full year. Taking together the orders delivered direct to home and those collected by customers from stores, this business generated volume of more than 600,000 pairs worth £20.7m in sales value and £6.9m in profit, a return which considerably outstripped our initial expectations. Key operational metrics such as site visitor numbers, conversion and returns rates all beat targets. In confirmation of this success we were deserved recipients of an industry sector award as multi-channel retailer of the year.

In total across all our distribution channels we succeeded in protecting the profitability of our UK and Republic of Ireland operations despite the demanding economic conditions. Although pairage sales fell in this region by 3%, net achieved margin showed a 1.8% improvement on 2008/9.

In the critical arena of international sales we have battled throughout the year to sustain the momentum of growing profitability against a background of softer market conditions and reduced despatch volumes. Although we believe we have maintained or grown our brand share in most key markets the overall despatch total fell by 11.9% to 6.1m pairs, a statistic exacerbated by some phasing factors which resulted in 0.2m pairs being advanced into the previous year. Despite the lower volume base average prices grew by 15.5% on the strength of a favourable Euro exchange translation rate and enhanced product mix, enabling net turnover to exceed last year by 0.4% and controllable profits to advance by 7.6%. This is a creditable result in such a difficult economic climate and reflects the improvement in resilience arising from our wider geographical spread and more balanced distribution model.

Sales performance varied by region but showed some relative decline in all cases. Hardest hit were our distributor markets in the Middle East and South America, where our key partners were faced with weak demand, higher than ideal stock levels and lack of credit. In Europe we saw robust trading in the more mature markets such as Benelux and Germany, but Spain proved more vulnerable to the wider economic malaise and in the Central and Eastern Europe region our order position was severely disrupted by financial instability. In the China region our despatches in mainland China grew encouragingly by 26% but were offset by reduced sales in Hong Kong and Korea, whilst profits declined slightly in response to the planned strengthening of our people organisation and an increased investment in distribution and brand marketing. In Japan sales demand remained flat but profits rose strongly with the benefit of a favourable exchange rate.

If trading in the traditional wholesale channel remained under pressure, we continued to make good progress with the roll out of our international franchise store (IFS) format, with 57 new stores opened during the year bringing the total open to 196. With more than 1.3m pairs per year now traded through the IFS channel accounting for around one third of international profits, IFS growth has become one of the most important determinants of our success in international markets. The IFS trading base has certainly helped to protect us in the current year from the full impact of the downturn in wholesale. To maintain our aggressive programme of new store openings over the next few years and at the same time maximise the operating performance of the existing franchise estate, we recognise that it is vital to invest in strengthening the support infrastructure both at the centre and in local markets. These investments in people, processes and systems are ongoing and will naturally draw on the extensive retailing expertise we have built up over many years in our UK home market.

We have continued to invest in our Supply Chain Integration (SCIP) programme. Various improvements to the internal processes governing product development and range building have been implemented during the year, in addition to initiatives aimed at improving customer service levels across our international markets. The programme team has also made good progress with developing a new technology based solution to our demand and supply planning and merchandise assortment planning needs. We will need to maintain our focus on these challenging areas to ensure that we maximise the value of our existing substantial investments in SAP supply chain technology.

In India, we continue to make satisfactory progress with the preparations for our market entry. We are in the process of establishing a Joint Venture (JV) company with a large successful Indian retail organisation, the Future Group, who I am sure will prove to be a highly valuable partner to our business in future years. The Joint Venture will be called Clarks Future Footwear Limited and will be based at Gurgaon near New Delhi. We have also appointed a Chief Executive to head the JV business. We have begun to build up our sourcing capabilities in the country in order to support both our core international product range and our local requirements. We currently anticipate that our new trading entity will be fully open for business in the Spring of 2011. I am excited by the long-term potential of India as a market for the Clarks brand but recognise of course that it will take some years for this particular investment to transform itself into a material profit contributor to the Group.

North America

Whilst the first half of the year saw a continuation of the turbulent economic conditions which first emerged at the onset of the worldwide financial crisis in September 2008, the second half of the current year has been characterised by a progressive improvement. The recovery effect is still modest relative to the pre-recession experience, as the return to greater stability in the wider economy has not precluded high unemployment or lower levels of consumer spending. What is particularly pleasing is how our own business performance has bounced back strongly as the US economy has begun to improve. Following a disappointing Spring/Summer season which culminated in a 61% fall in first half profits, Clarks Companies North America has enjoyed one of its most successful ever Autumn seasons and ended the year on a high note. Turnover for the full year was 2.3% below 2008/9 at \$617.0m whilst divisional profits recovered to \$46.6m, 8.9% ahead of last year.

Wholesale despatches for the year fell 6.8% on 2008/9, with net sales 5.4% lower at \$351.5m. The rebound in wholesale demand in the Autumn season included a 30% improvement on last year's full priced at once orders and a \$12m increase in overall sales value. In addition lower markdown costs and a reduced mix of closeouts in the second half supported stronger margins, whilst selling expenses were also tightly controlled. This contributed to an appreciable jump in full year wholesale trading profits, which rose by 26.3% to \$39.2m. The recovery in demand was driven by the dominant Clarks segment in both men's and women's, with solid improvement in key account business as the year progressed leaving an overall 5% shortfall confined to the Spring season. The continued success of the Unstructured comfort casual group was instrumental in delivering growth. Within the sales organisation our Canadian division was the star performer, securing an 8.2% lift in sales and 37.8% rise in trading profits, much of it coming from an increased presence in department stores and "big box" discount distribution.

The performance of the retail division has closely mirrored the pattern in wholesale demand, a faltering Spring season giving way to a healthy rebound in the later months. After suffering a first half comparative store sales decline of 7.8% the trend began to improve in September as sales went up against the start of the US economic downturn, whilst a particularly strong final quarter left comparatives only just in negative territory at -0.5% for the year. This compares favourably with the FDRA industry sector average of -1%. Outlet stores performed strongest in recording a 3.5% sales advance as consumers remained price sensitive and sought out bargains. Although retail gross margins came under pressure as we sought to drive transaction volumes through increased promotional activity in a difficult first half climate, branch expenditure was tightly managed at all levels enabling the division to report an annual profit* of \$9.9m, 4.8% above the previous year.

Chief Executive's Report

Continued

A key theme of the year has been continuous reduction in working capital. Aggressive clearance of inventory in the first half coupled with conservative purchases for the Autumn and recovering market demand have left year end inventories at their lowest level for a number of years. Trade debtors averaged 14% below last year, lower than the decline in wholesale demand, whilst collection rates and the risk of bad debts were managed in an effective way. With average capital employed in the business down 3.4% on 2008/9, the improved profit performance pushed ROCE up to 20.0%, comfortably better than the 17.7% return achieved last year. We are continuing to review the timing and scope of future capital investment in the systems and supply chain areas, a number of key planning activities having already been completed in preparation for this work.

Trading Outlook

It is of course heartening that we have begun to see a measure of improved stability in the economic conditions prevailing in our key markets, especially in North America. There remains nonetheless a good deal of uncertainty surrounding the pace and sustainability of global economic recovery. Various factors such as the poor state of public finances in our home UK market, high unemployment in the US and many European states and the risks of a so-called double dip recession as governments withdraw the various fiscal support mechanisms which have so successfully supported economic activity all give ample cause for caution when it comes to assessing our prospects for the medium term. The worst of the recession may be behind us, but we cannot rely on a strong resurgence of consumer confidence and discretionary spending to kick-start our own trading growth.

Despite the uncertainties surrounding the macroeconomic climate I believe we are very well positioned to take advantage of any improvements which do emerge and that 2010 will see a further meaningful step forward in our business performance. The stronger trends in wholesale and retail demand feeding through in the latter months of last year are already enabling us to restore our market position in North America. I am confident that in Clarks International the excellent groundwork carried out over the past two or three years in expanding the global reach of the Clarks brand and securing profitable new markets and distribution channels will enable us to drive renewed growth. Our international franchise store programme and multi-channel retailing operation should play a key role in securing this growth, although shareholders should always recognise that it is the continued healthy performance of the UK retail business which forms the bedrock on which our future expansion plans are built.

The new financial year has begun relatively well. Retail trading conditions in the UK have not been easy, with fragile consumer confidence still to the fore, combining with wintry weather conditions across most of Europe to produce lower footfall than a year ago. In North America we have continued to enjoy solid comparative sales growth in owned stores. In the first few weeks, the mood of optimism engendered by the past few months looking set to continue into the Spring. We have been encouraged by a moderate strengthening trend in our wholesale forward order position for the Spring/Summer season, both in North America and internationally. Together with a partial recovery of in-season replenishment demand in comparison with the depressed activity levels seen in the early months of 2009, this suggests further evidence that retailers are more confident in making inventory commitments even if underlying credit restrictions have barely eased. We anticipate that trading conditions in the wholesale channel will continue to improve and have factored in some moderate further growth in transaction levels in the second half of 2010.

What is abundantly clear from the mixed economic news is that we must continue to execute consistently and strongly the key elements of our strategy. Finding new innovative product categories, developing exciting new market opportunities in emerging economies such as China and India, and delivering the Clarks brand proposition convincingly across all our distribution channels worldwide are in the end the challenges which will define our success over the coming years. The onset of global recession has impeded our progress to an extent but has not changed this strategic intent in any fundamental aspect. Indeed as our business model has matured and our delivery capability has grown stronger, our commercial fortunes may perhaps become less directly dependent on the external economic climate, although we can never be completely insulated from wider trends occurring in the outside world. On the whole therefore, I feel reasonably confident about our growth prospects for the coming year and would anticipate that shareholders will see a further solid advance in Group sales and profits.

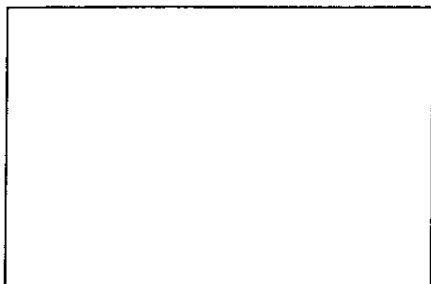
Since this is my last report as Chief Executive, I would like to take the opportunity to place on record my sincere thanks to all employees across the Company who have contributed so much to making the past few years a highly successful period in the long history of Clarks. For me this has been an enjoyable and challenging sixteen years. I have seen many changes in the focus and direction of the business in that time, with the closure of domestic manufacturing, the rejuvenation of our UK retailing operations, our dramatic growth in North America and, most recently, the integration of our UK and international businesses into a coherent expression of the Clarks brand globally. This has all been achieved with the support of an extremely dedicated and talented management team to whom again I offer my special thanks.

I am pleased and proud to leave behind a Company which is in robust financial health, with strong recurring cash flows and an excellent balance sheet. I believe shareholders can look forward to many more years of strong financial performance and sustained returns which stand comparison with the best in the global footwear industry. I am very confident that Melissa will take the business forwards to a new level of achievement. I wish her and the Board and the entire management team every success for the future.

Peter Bolliger
Chief Executive

24th March 2010

Financial Review



Results for the year

Group turnover increased to £1,173.5m from £1,122.0m, an increase of 4.6%

Group profit before interest rose by 5.4% to £98.9m and profit before interest and exceptional items rose by 4.4% to £97.4m. Profit before tax fell by 2.0% to £85.1m due to increased pension financing costs of £11.8m compared to £4.5m in the prior year. Profit after tax of £60.8m is 1.9% below last year's comparative of £62.0m. Post exceptional earnings per share declined to 101.6 pence per share from 102.6 pence last year.

A detailed review of trading performance for each business division is provided in the Chief Executive's report on pages 10 to 15.

Accounting Policies

In my report last year I stated that having evaluated the benefits of adopting International Financial Reporting Standards (IFRS) compared to the costs involved in transitioning to the new standards, the Board decided that it would not be in the best interests of the Shareholders to adopt IFRS last year. I also explained that the decision would be reviewed on an ongoing basis. I can confirm that the Board's view remains unchanged, that it would not be in the best interests of the Shareholders to adopt IFRS in the coming year. The decision will continue to be reviewed at least annually.

Presentation of Results

In line with previous years, we have adopted a columnar format for the Group profit and loss account in order to distinguish as clearly as possible between the performance of the core footwear operations and the impact of exceptional expenditure and income.

We have again chosen to report on the face of the Group profit and loss account the costs of providing long-term incentive schemes to Executive Directors and senior management as a separate item charged in arriving at operating profit. In the current year the profit and loss charge has increased to £12.1m (2008/09: £3.6m) in consequence of the increasing profitability of the Group and the fact that we are recognising costs in respect of three concurrent performance cycles for the first time. Please refer to 'Long-term Incentive Plan' on page 32 for a full description.

Exceptional Items

In order to secure long term growth and drive the business forwards we have this year made some changes to the business. An exceptional charge of £3.3m (2008/09: £nil) has been recognised as part of operating profits and relates to the costs of offering a voluntary severance programme to employees in North America.

This exceptional charge is offset by profits on disposal of fixed assets of £0.9m (2008/09: £0.5m) representing a small number of low value property disposals and by a profit of £3.9m on the disposal of a second tranche of land on the Houndwood site in Street for residential development. These disposal profits are shown below operating profits in accordance with FRS 3 (Reporting Financial Performance) Paragraph 20.

An exceptional gain before taxation of £1.5m is reported (2008/09: a gain of £0.5m).

Financing Costs

Financing costs of £13.8m (2008/09 – £7.0m) comprise bank interest charges of £2.0m (2008/09 – £2.5m) which reflect the impact of lower interest rates and reduced external borrowings, and net pension financing costs of £11.8m (2008/09 – £4.5m). Pension financing is an imputed charge calculated in accordance with FRS 17, and represents the difference between the interest charge on the Group's pension liabilities and the expected return on the pension assets, the former based on a discount rate derived from high quality corporate bonds.

Taxation

The effective rate of tax on earnings before exceptional items is 29.7% (2008/09 28.7%). The tax charge on current year profits, excluding prior year adjustments, is 28.9% (2008/09 30.3%). Around 1% of this 1.4% reduction is due to a lower tax charge on North American earnings, with a greater proportion of these earnings arising in Canada where the tax rate is lower. The balance of the reduction is due to the full year effect of the reduction in UK corporate tax rate to 28%.

The proportion of Group profits taxed in North America remained relatively low, as in the prior period. As the US business recovers from the economic downturn the group tax rate is expected to increase, to around 30%, as US and Canadian earnings are taxed at around 40% and 33% respectively. The higher North American tax rates and the fact UK tax relief is not obtained for commercial building depreciation and some lease exit costs are the main factors causing the Group tax rate to exceed the standard 28% UK tax rate.

The additional 0.7% of prior year tax charge is mainly due to increased American state taxes in prior periods. However, a number of US states have announced reductions in state tax rates and consequently this cost is expected to decrease in future periods. The current year post exceptional tax rate of 28.6% is 1.1% less than the pre-exceptional rate due to part of the profit on the disposal of the old Houndwood warehouse site being available for relief against other property expenditure.

Balance Sheet

Capital employed has decreased by £90.4m or 20.4% to £353.1m at 31 January 2010. Our working capital levels in Clarks International are £37.0m lower than last year with reduced inventory levels of £134.0m (£154.3m 2008/09) being the main driver. In the US our year end working capital levels are in line with last year.

Our fixed asset base has reduced by 7.4% to £189.9m as a result of lower capital investment levels compared with the prior year. However we have continued to invest in retail stores both in the UK and the US and have continued to roll out our international franchise store programme. Group capital expenditure of £19.0m (£32.7m 2008/09) fell below the level of depreciation charged of £27.5m (£28.3m 2008/09).

We have relocated and opened 6 new owned stores in the UK at a cost of £1.7m (previous year being 21 stores at a cost of £5.9m). We have also refitted a further 30 stores at a cost of £2.9m (previous year being 40 stores at a cost of £5.0m). In addition we have invested during the year in 57 international franchise stores at a cost of £1.5m (previous year being 65 stores at a cost of £1.6m).

We have relocated and opened 11 new stores in the US at a cost of \$4.0m (previous year 19 stores at a cost of \$6.5m). We have also refitted a further 2 stores at a cost of \$0.5m (previous year 3 stores at a cost of \$0.6m).

Provisions of £21.8m have increased by £12.8m on last year as we are holding higher provisions for long-term incentives for Executives and senior managers.

Due to the increased profits, significant reductions in working capital and lower levels of capital investment we are reporting a net cash position of £77.4m, £106.9m better than last year's net borrowing position of £29.5m. Cash flow generated from operating activities of £171.2m was £101.7m higher than last year's £69.5m driven predominantly by the reduced working capital levels, increased provisions and higher levels of profits before interest, whilst cash outflows from investing activities of £19.6m were lower than the prior year's comparative of £33.1m. Tax paid of £20.4m was £5.9m lower than 2008/09's level due to some changes in the phasing of payments in North America.

Shareholders' funds stand at £322.5m, £34.0m higher than last year's comparative. Net assets of £422.7m were £20.0m higher than last year and the reduction of £14.0m in the pension deficit as outlined in my following paragraph has further contributed to the improved balance sheet position.

Financial Review

Continued

Pensions

The deficit in the Company's defined benefit pension scheme continues to have a significant impact on the Group's trading results and balance sheet. The deficit has decreased to £100.2m from £114.2m at 31st January 2009.

The cost of all Group pension schemes is shown in Note 22 to the financial statements.

Actuarial gains and losses are shown in the Statement of Total Recognised Gains and Losses on page 49. These financial statements recognise a modest improvement in the level of pension deficit in both the UK and North American schemes. The positive impact of recovery in equity markets was largely offset by lower corporate bond rates which increased our net liabilities.

During the financial year cash contributions into the main UK fund by way of deficit funding amounted to £16.5m (£5.0m in 2008/09) and \$6.0m (\$nil in 2008/09) into the main US fund. As highlighted in last year's Financial Review the new programme of deficit funding agreed in November 2008 included a commitment to contribute annually a minimum of £17.0m with effect from the year ended 31st January 2010. The Group made accelerated payments of £5.0m in the year ended 31st January 2009 which did not fall due until the year ended 31st January 2010.

Treasury Operations

The Group's funding, liquidity, currency and interest rate risks are managed by a Treasury Committee working within a framework of policies authorised by the Board. The policies are reviewed and updated annually where necessary.

Funding and Liquidity

The Group's borrowing facilities comprise a Revolving Credit Facility with a syndicate of five major banks and a total facility amount of £136.5m. This facility is due to expire in June 2012. The Group also has UK and other overseas short-term facilities amounting to £33.6m (2008/09 – £69.5m).

Interest Rate Risk

The Group is exposed to interest rate risk principally in relation to borrowings and deposits denominated in Sterling, US Dollar and the Euro.

Currency Risk

The Treasury Committee manages currency exposure relating to the Group's trading operations by entering into a combination of fixed forward dated and structured instruments, at key points throughout each season based on detailed forecasts of future transaction flows. The main currencies in order of transactional value are US Dollar, Euro and Japanese Yen. The US Dollar is used primarily for sourcing footwear from outside the USA, examples being Brazil and the Far East. Contracts are placed competitively with relationship banks. Income and expenditure flows in the same currency are offset as far as possible through natural hedging and as a result sales and purchasing activity within the Euro zone is consolidated.

At the balance sheet date, the Group's estimated currency exposure for the Autumn/Winter 2010 season was covered in line with policy and for earlier seasons 100% covered. The total value of fixed dated sale and purchase currency contracts at 31st January 2010 was £455.7m (2008/09 – £476.4m).

Share Market

In accordance with the Articles, share valuations are prepared twice a year by an independent firm of chartered accountants

In May 2009, 733,018 Ordinary Shares were offered for sale at £6.50 and 103,455 shares were purchased at that price

In July 2009 the Company bought back 601,974 shares at £6.50 (1% of the total shares in circulation) from a total of 947,858 shares offered for sale to the Company

In October 2009, 254,380 Ordinary Shares were offered for sale at £6.50 which were all purchased at that price

On 30th June 2009 87,730 shares were appropriated for participants in the C&J Clark Limited All Employee Share Incentive Plan

Robin Beacham

Finance Director

24th March 2010

Corporate Policies

'Live your style'

Bold, declarative messaging from Clarks Companies North America for Spring/Summer 2010 hits home with consumers. Building on the seasonal campaign, warm and spontaneous images bring Clarks footwear to life.

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Corporate Governance

Introduction

The Group is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Group supports the principles laid down in the revised Combined Code on Corporate Governance ('the Code') as issued by the Financial Reporting Council in June 2006. As a private limited company the Group is not required to adhere to the Combined Code but does so on a voluntary basis. This statement describes how the principles of the Code are applied and reports on the Group's compliance with the Code's provisions throughout the year ended 31st January 2010. Where the Group has not complied with the provisions the Directors have disclosed the fact and their reasons for believing that these omissions do not compromise the high standards of corporate governance. In furtherance of the principles of good corporate governance, the Board and Board Committees operate in the following ways

Board of Directors

The Board currently consists of the Non-Executive Chairman, five other Non-Executive Directors and four Executive Directors. The biographical details of the Board members are set out on pages 38 and 39. The Directors bring strong independent judgement and considerable knowledge and experience to the Board's deliberations. The Code stipulates that at least half of the Board, excluding the Chairman, should comprise independent Non-Executive Directors. The Code defines independent Non-Executive Directors as those who do not represent a significant shareholding or have material business with the Company. Three Non-Executive Directors are independent within this definition. The Board also feels that it is in the interests of the shareholders as a whole that there are two representatives of the Family Shareholder Council on the Board.

The Board meets regularly throughout the year and on additional occasions as required. The Company Secretary maintains a record of attendance at Board meetings and Committee meetings, further details of which are disclosed in the table opposite. The Board has a schedule of matters specifically reserved to itself for decision, such as the approval of annual and interim report and accounts and annual budgets and the declaration of dividends. The Board is committed to ensuring that proper standards of corporate governance are maintained throughout the Group.

The Code advocates the appointment of a separate Nominations Committee comprising a majority of independent Non-Executive Directors. Currently the Board assembles Nomination Committees to deal with specific nominations as necessary. Members of the Board and recruitment consultants, who are also used to assist the process, suggest possible new Executive and Non-Executive Directors. Candidates are considered by all Directors and the Company Secretary. Whenever a new Director is appointed to the Board, he or she is provided with access to appropriate training if necessary. During the year the Chairman formed a Nomination Committee comprising himself, Nigel Hall, Tom O'Neill and Hugh Clark to carry out a process to appoint the new Chief Executive. The Committee carried out a comprehensive search using recruitment consultants and considered both external and internal candidates for the role.

The Code recommends that Non-Executive Directors should serve two three-year terms. However, in accordance with the Articles of Association, Non-Executive Directors (excluding the Non-Executive Chairman) can serve until the conclusion of the next Annual General Meeting after they have completed nine years of service or such other period as the Company agrees by special resolution. At the first Annual General Meeting following their appointment, Directors must retire and seek re-election. In addition, Directors retire by rotation, and are eligible for re-election, at least every three years.

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Group's expense. This is in addition to the access which every Director has to the Company Secretary. The Company Secretary is charged by the Board with ensuring that Board procedures are followed. Any concerns relating to the executive management of the Group or the performance of the other Non-Executive Directors can be raised with the Deputy Chairman, Harriet Hall, if for any reason it is inappropriate to raise them with the Chairman.

To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters. The performance is continually monitored by the Chairman. Full details of Directors' emoluments and a statement of the Group's remuneration policy is set out in the Remuneration Report on pages 30 to 35. The Non-Executive Directors receive a fee, but do not participate in any bonus or incentive schemes or qualify for pension benefits.

Membership of Board and sub committees

	Main Board		Audit Committee		Remuneration Committee		Share Valuation Committee		Board Pensions Committee	
	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance
Number of meetings		6		3		4		2		2
Executive Directors										
Peter Bolliger	yes	6	no	3 ²	no	—	yes	2	yes	2
Robin Beacham	yes	6	no	3 ²	no	—	yes	2	yes	2
Bob Infantino	yes	6	no	2 ²	no	—	yes	2	no	—
Melissa Potter	yes	6	no	2 ²	no	—	yes	2	no	—
Non-Executive Directors										
Peter Davies	Chair	6	yes	3	yes	4	yes	2	Chair	2
Harriet Hall ¹	yes	6	yes	3	yes	4	yes	2	no	—
Hugh Clark ¹	yes	6	yes	3	Chair	4	yes	2	no	—
Thomas J O'Neill	yes	6	yes	3	yes	4	yes	2	no	—
Nigel Hall	yes	6	Chair	3	yes	4	Chair	2	no	—
Stanley Kravetz	yes	6	yes	3	yes	4	yes	2	no	—

¹ Representatives of the Family Shareholder Council

² Attended the meeting at the invitation of the Committee

Board Committees

The Board has appointed the following Committees to deal with specific aspects of the Group's affairs. The Committees all have formal Terms of Reference that have been approved by the Board and are held at the registered office; however these Terms of Reference are not available on the Group's website and in this respect, the Group is not in compliance with the Code. The Group feels that making Committee Terms of Reference available at its registered office is sufficient for those shareholders that require to see the Terms of Reference. A table showing attendees and chairs of each Committee is shown above. The Code advises that no single Non-Executive Director should sit concurrently on all three of the principal Board Committees: Audit, Share Valuation and Remuneration. Due to the size of the Board, the Board does not believe that this would be feasible or beneficial to the Group.

Audit Committee

The Committee has formal Terms of Reference covering all the points recommended by the Code. It meets at least three times a year and its duties include the review of internal controls and risks throughout the Group, approving the Group's accounting policies and reviewing the annual and interim report and accounts before submission to the Board. The independence and objectivity of the external auditors and the effectiveness of the external audit process are also considered. It is a specific responsibility of the Audit Committee to ensure that an appropriate relationship is maintained between the Group and its external auditors. The Group controls the provision of non-audit services to safeguard the external auditor's objectivity and independence. The split between audit and non-audit fees for the year under review appears on page 54. The Finance

Director, other Executive Directors, external auditors and company managers are invited to attend the meetings of the Committee as appropriate.

Remuneration Committee

The Committee meets at least twice a year and its responsibilities are to approve the remuneration and other benefits of the Executive Directors. The Committee also receives reports on the terms and conditions of other senior executives. The Group Chairman sits on, but does not chair, this Committee as the Group considers that, on appointment, the Chairman was independent. This is in accordance with the provisions of the Code.

Share Valuation Committee

The Committee meets twice a year with representatives of the valuers of the Company's shares, together with other advisers, to review the general trading background and other appropriate information to assist in valuing the shares.

Board Pensions Committee

The Committee reviews and agrees any proposal for changes to pension schemes for employees. All significant changes are recommended to the Board for approval.

Family Shareholders' Council

Family shareholders holding some 80.3% of the ordinary shares of the Company have formed a Council to aid communication between shareholders and the Board. The Council assists in the implementation of corporate governance policies and works with the Board in matters affecting the marketability of shares. The Council may nominate two persons for appointment as Non-Executive Directors of the Group.

Corporate Governance

Continued

Shareholder Relations

The Group places a great deal of importance on communication with its shareholders and employees. The full annual and interim report and accounts are available to all shareholders. All shareholders have the opportunity to ask questions at the Company's Annual General Meeting which all Directors attend. At the meeting the Chief Executive will give a statement on the Group's performance during the financial year. Both the Chair of the Audit Committee and the Chair of the Remuneration Committee are available for questions at the Annual General Meeting. The Chairman will advise shareholders on proxy voting levels.

Audit and Internal Control

The Board, through the Audit Committee, is responsible for the system of internal controls maintained by the Group. It also has responsibility for carrying out a review of the status of those internal controls on an annual basis and reporting that it has done so. This system provides reasonable, but not absolute, assurance against material loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation and mitigation of business risks. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. Key elements of the Group's system of internal control are as follows:

- The Directors have put in place an organisation structure with clearly defined lines of responsibility and delegation of authority.
- The Group has a comprehensive system of financial reporting.
- The annual budget of each operating unit is approved by the Executive Directors and the Board approves the overall Group budget.
- Performance against budget is reviewed by the Board each month and any significant variances are examined. Detailed performance reviews are carried out by management.
- There are clearly defined policies for capital expenditure approval including appropriate authorisation levels. Large capital projects and company acquisitions require Board approval.

- A number of functions, which operate within policies and delegated authority limits established by the Board, report to the Board periodically. These include treasury operations, corporate taxation, pension fund and risk management.
- Group and operational management are responsible for the identification, evaluation and management of key risks applicable to their areas of the business. In the UK this is supported by the role of Risk Manager.

These risks may be associated with a variety of internal or external events including control breakdowns, regulatory requirements and natural catastrophe. Each operating unit is responsible for establishing and operating the required detailed control procedures to manage these risks.

The systems detailed above have been in place for the year under review and up to the date of approval of the financial statements. They are regularly reviewed by the Directors and accord with the Turnbull guidance on internal control. There are two Internal Control Committees, one in the UK and one in the US, which are responsible for monitoring and reviewing the internal control environment within the Group on behalf of the Audit Committee. A business wide review of internal controls and risk management systems is carried out every year and reviewed by the Audit Committee on behalf of the Board. The review indicates areas in which the system of internal control could be further improved. Detailed reviews of the most significant of these areas are conducted during the following year and the results reported to the Audit Committee. The Audit Committee have reviewed the need for an internal audit function and consider that the current systems provide adequate assurance at this time. This decision will continue to be regularly reviewed.

Health & Safety Summary

2009 was an encouraging year and the groundwork was laid for further improvements in the future

Training was a key theme of the year and senior managers in Head Office, Retail and Logistics attended courses focussing on accountability. Line managers in Logistics at both Westway and Watercreek have received additional training on subjects relevant to their particular roles. Each sales area in Retail now has a competent Area Health & Safety Specialist to induct new Store Managers and work alongside the Area Sales Managers to achieve our objectives.

Across the UK and Republic of Ireland retail business there was a total of 889 accidents, on a par with last year. However, the more serious reportable accidents showed a 27% reduction from 37 in 2008 to 27 in 2009. There were 36 visits to our retail premises by the enforcement agencies and in 8 of these no action at all was required. There was no enforcement action taken against the Company.

Supply Chain also made good progress and reduced the total number of accidents at the two Logistics sites by 30% to 46.

Accidents in total across the UK and Republic of Ireland business reduced by 8.8% and reportable incidents were down by 23%. However, reported cases of violence or verbal abuse to our retail staff increased by 3 to 21.

The insurance claims history has shown a steady and significant improvement over the last five years, perhaps the best indicator of the health and safety culture of the business.

The Health and Safety Steering Group, chaired by the Finance Director, again met twice during the year to review progress, agree areas requiring action and set divisional objectives.

In Clarks Companies North America, reportable accidents reduced by 9% to 77. Training has also featured in the efforts of the US business during the year together with a number of initiatives focussing on improving compliance and reducing insurance claims.

Corporate Social Responsibility Summary

Clarks Social Responsibility (CSR) Strategy

Clarks takes responsibility for the way in which our operations affect people and the planet we inhabit. Our strategy is to measure aspects of the business that reflect our impact and, where beneficial, direct the business to improve. We also address risk where it is found to be significant.

Our integrated approach to CSR aims to provide global consistency and to ensure CSR is taken into account as part of our normal business practices. In the three years since we launched, the key governance elements have been delivered and constitute the bedrock upon which we can build.

Times change and inevitably our strategy changes with them. New goals present themselves and need to be met in order to maintain progress. So, in addition to establishing internal governance, Clarks is addressing the growing concerns of customers, employees and shareholders. We also benchmark our approach against external criteria, continually reviewing it in direct comparison to the performance of our competitors and peers.

To reflect this shift in emphasis, our 2010 CSR summary includes our longer-term ambitions, details of significant risks and activity against each area of Social Responsibility.

Environment

Clarks strive to minimise the adverse environmental impact of our business activities, to comply with all relevant environmental legislation and to promote a caring attitude to the environment amongst our employees.

Materials

The leather tanning process is the significant social responsibility risk in this area. This, after all, uses a by-product of slaughterhouses and tanning requires use of hazardous materials to treat, dye and finish the leather. If appropriate controls, protection and waste treatment are not in place, these compounds can cause immediate and long-term health complaints.

To counter this risk, our Leather Buying team have established Clarks as a leader in the selection of tanneries. It is a position that serves us well. For example, our membership of the Leather Working Group, a global organisation which has established new standards for tannery performance, gave us the opportunity to sit down with Greenpeace and discuss their concerns over the de-forestation of the Amazon.

As a result of those discussions, and in conjunction with partners including Nike, Timberland and New Balance, we have set up the Hides Working Group. This applies the successful Leather Working Group formula to the challenge of hide traceability and is working to ensure hides for Clarks' leather is from farms that support efforts to preserve the Amazon.

Beyond raw materials, the key challenge is to reduce the negative impact of the goods we design and to maximise the opportunity for end-of-life recycling and re-use.

Addressing this challenge requires integration with our design and development process and an understanding of the opportunities for reuse when our products reach the end of their life.

Our Product teams are currently making changes in design processes to reflect the increasing global nature of our business. Remaining true to our principles of integration, these changes will incorporate a revised approach to CSR.

Energy, Waste & Recycling

In terms of end-of-life opportunities, we continue to work with other footwear and recycling partners to support the SMART Centre at Loughborough University. This work is into its second year and, having identified viable markets for end-of-life products, is now focussing on developing technology and machinery to break footwear down into component materials.

Elsewhere in the business we underline our commitment by building CSR into decision-making processes. In 2009 two working groups were established. These are charged with improving performance and setting standards - one covering recycling and waste reduction, the other energy efficiency.

The impact of the Waste and Recycling group is gradual and improvements will be long-term. We are sharing the lessons from our Westway distribution centre which recycled 99.3% of its total of 2,892 Tonnes of waste, a stunning result. Our Head Office and Retail Operations present their own challenges, currently managing to recycle around 70% and 30% of waste respectively. In the coming year we will incorporate additional waste reporting for Clarks North America.

The Energy Efficiency group has already had an impact through briefing a new operating policy to our UK shops and Head Office, and specifying minimum standards for our new shop design.

As with the waste group, progress will be gradual. Initial benefits of the group are seen in our readiness for the UK Government's Carbon Reduction scheme in 2011 and progress with our CO₂ model. This model now tracks approximately 19,000 Tonnes of Carbon Dioxide that result from Clarks' direct use of fuel, air travel and grid energy in the UK. This represents an estimated 90% of Clarks' direct UK emissions. In 2010 we will incorporate US data into our model.

Employment and Working Conditions

Clarks attach real importance to the welfare of our employees, those employed by our suppliers, and to the wider communities in which we operate. We have minimum standards for the treatment of our people wherever we operate around the world and, where products are manufactured by Clarks' business partners, we operate a well-established comprehensive audit programme.

Third-party Welfare

Factory audits are the linchpin around which we manage our significant CSR risks in this area. Covering factories that make our footwear in high-risk areas, we have written results and personal observations from our audit team regarding the effectiveness of the current process.

As evidence of our commitment to our audit programme, in 2009 the Social Responsibility Steering Group approved a new formal process to escalate issues should a factory not address urgent audit concerns.

This year we also tested revised audit reporting to reflect the importance of a factory in terms of production volume. This successfully identified areas of improvement, however the complexity of cross-referencing supplier details from our Clarks International, Clarks North America, and Factory Shopping operations against audit results requires more work over the coming year to allow this to be adopted in the long term.

We currently audit approximately 80% of our worldwide footwear production. A further 15% is considered to be from low risk countries so is not audited, whilst the remainder, for Factory Shopping and from Agents, is not currently audited, but will be reviewed.

The audit function is effective and remains best placed in the countries in which we source products. Nonetheless, we recognise the limitations of audits, particularly where suppliers do not share our values, where we are a lone voice, or where our custom is a relatively small part of the supplier's overall business.

To this end, we are undertaking a full strategic review of the role of the audit team, their operation, and their long-term objectives within our overall CSR programme.

This review will be completed early in 2010 and recommendations implemented during the year.

This year we again contributed to the 'Let's Clean up Fashion' survey. This is run by the 'Labour behind the Label' campaigning group and attempts to grade UK High Street retailers' efforts on living wages overseas.

The findings of this survey, internal benchmarking and our new membership of 'Business for Social Responsibility' will inform our strategic review to drive improved factory standards.

Employee Welfare & Development

Inside our business, Human Resources have introduced and rolled-out a new competency and personal development process for Clarks International. This is a major step towards our ambition of developing a culture of personal development for all employees.

We maintain our ambition to develop internal measures of our success in treating our own employees fairly around the world. Given that this area is lower risk than third-party factories, availability of resources to create such reports will be reviewed in coming years.

Consumer Responsibility and Ethics

We are inspired by selling quality, stylish and comfortable shoes that people love. We also strive to maintain consumers' trust by constantly evolving and moving forward to uphold our values of fothealth and straightforward business dealing.

Employee Guidance & Compliance

As mentioned in the Strategy introduction, the coming year will see a shift in emphasis. In this area this shift manifests itself as a new ambition to create a code of conduct. This code will reference relevant policies and communicate them, creating a document that is both a guide and a source of information and instruction relevant to all employees.

The scope of this code of conduct is broad, so work in 2010 will focus on defining global governance and how we wish to support employees to do the right thing. The code will interlock with plans to promote the core values of Clarks and is expected to be rolled out from 2011.

Product Quality & Conformance

Maintaining the quality of and qualities inherent in - our products remains paramount. Any lessening of control in this area presents significant risk.

We maintain our excellent record in providing safe products for our customers and have a wide ranging programme underway to increase our controls over design and development.

In 2009 we made two highly precautionary recalls on our children's product. These were in response to concerns raised by customers and involved the possibility of small parts becoming detached from shoes and becoming a choking hazard. Although the causes of the two recalls were not related, and chances of failure are very low, we have revised advice to designers to ensure the risk of repetition is reduced.

The ever-changing and different product standards of global markets, and the testing procedures used to enforce these, continues to be a concern. Our Restricted and Banned Substances Policy was reviewed two years ago. However, such is the pace of change in this area that our Sourcing Team will be looking again at the current approach to confirm its fitness for purpose and to recommend any required changes.

Corporate Social Responsibility Summary

Continued

Away from product, all suppliers of Non-Resale goods and services for our Clarks International business are asked to sign up to our 'Sourcing Principles' before starting work for Clarks. In shops bearing the Clarks name, International Franchise Partners are to sign up to fair treatment of all shop employees.

Communication & External Projects

Work to communicate our ethical position within the business will be boosted as part of the Code of Conduct implementation. In the meantime we continue to develop our Social Responsibility intranet site to allow employees to view information on a range of previously unreported activity.

Looking outside Clarks, we now have a process to ensure ongoing review of 'Multi stakeholder Groups' – to identify those whose objectives and approach is similar to Clarks. As a result we are in conversation with several groups and are now members of 'Business for Social Responsibility' (BSR). BSR has a global network of more than 250 member companies which develop sustainable business strategies, see www.bsr.org for more information.

We continue to support the 'HER' women's reproductive health awareness project in Vietnam, and are pleased that this project has secured longer-term funding to allow it to grow in coming years.

Charity and Community

Clarks, our employees and shareholders, have a long heritage of charitable works. In 2009 the Group made a total of £787,408 in donations – in the form of both cash and value of goods donated.

In 2009 we completed a full review of our approach to supporting good causes to ensure policy continues to fully reflect our values.

This work validated our current two-level approach of supporting a few key causes whose values tally with our own, whilst also maintaining a large number of small-scale donations.

This year we give an insight into two of the key causes we have supported for many years. 'Triangle', a charity supported by our Boston operation, and 'Soul of Africa', supported globally.

Soul of Africa, a charity in South Africa that trains unemployed and unskilled women to handstitch shoes, received £375,000 from Clarks during the year through both the purchase of those products and by the donation of a percentage of the sales in our retail stores both in the UK and America. The money is used locally in South Africa to develop projects that help disadvantaged children affected by AIDS.

Triangle empowers people with disabilities, helping them to lead rich, fulfilling lives.

With Triangle, Clarks Companies North America pioneered the 'First Step' program which offers work internships and valuable career training to people with disabilities. Since 2004, 15 people have graduated from First Step – with 11 of these graduates finding permanent employment.

In addition to First Step, Clarks Companies North America sells Triangle-made products, such as shoe care kits, through retail stores. They also receive donations from customers, and provide direct contributions and support.

As well as these highlights, during the course of the year Clarks and our employees have been involved giving time and effort in fundraising activities for a range of charities including UNICEF and Children in Need.

Elsewhere in the community, the first phase of the Houndwood housing scheme in Street achieved the national Building for Life gold standard award, with the highest score achieved to date by any development in the UK. The award is from the Government's advisor on architecture, urban design & public space, it is for well designed homes and neighbourhoods, consultation, the environment and community.

Clarks' Family Trusts

There are various Clarks' Family Trusts which have been set up principally for the benefit of Clarks' employees, past employees and their families.

The Clark Foundation makes grants for the benefit of communities in the areas of education, health, recreation and community welfare. Grants are mainly for capital projects where large numbers of Clarks current and past employees and their families are located, in the UK and Worldwide. Organisations such as schools, sports clubs, children's groups, environmental projects and hospital facilities are typical beneficiaries. Grants are also given for projects promoted by retail employees.

The Clark Foundation also makes overseas grants in countries where substantial numbers of non-Clark employees make our shoes. Examples include schools, libraries and medical services.

Other Clarks Trusts make grants for employees' further education and for higher education for their families. Last year support was given to approximately 90 students on courses at University. Grants are also available in the event of hardship or at a time of crisis.

The total grants described above for the year to 31st Jan 2010 is over £600,000.

Awareness of the various grants available is via Clarks intranet, posters and Pension bulletins.

Governance

Our aim is to maintain a Steering Group that champions, monitors and reports on CSR strategy and objectives, with a longer-term ambition to develop a truly global influence on Clarks' operations – along with increased insight into the performance of competitors and peers.

Key activity to deliver this ambition has been the re-instatement of our benchmarking exercise (last carried out in 2007) and the commitment to a strategic review of our factory audit programme. This review is detailed in preceding text, and will recommend how the audit team becomes more aligned to the CSR Steering Group. This significant operational change will establish enhanced oversight and improved governance.

The benchmarking exercise of 2007 has been refreshed and updated to become an annual review, carried out by a third-party independent from Clarks. The findings of this benchmark review broadly support the actions outlined in these pages.

In summary, the review found that Clarks perform better than average amongst footwear brands/retailers, and less well in direct comparison to other UK firms that have high reputations for integrity: John Lewis Partnership, The Cooperative Group, Boots and Marks & Spencer.

This benchmarking highlighted the following as areas of particular importance and supports our own internal conclusions all of which form the platform for continual improvement and review through 2010/11:

- Ongoing management of CSR risk from leather tanning, factory working conditions and product governance
- Implementation of systematic improvements to written policies and procedures needs to continue
- Current work to develop increased and more robust levels of reporting for key measures should also incorporate the setting of targets for performance
- Evolve Clarks CSR ambitions and strategy of integration, now we have established governance, reporting and monitoring

Remuneration Report

Remuneration Committee (the Committee)

The Committee comprises all of the Non-Executive Directors and is chaired by Hugh Clark. The Committee is responsible for approving an appropriate level of remuneration for the Executive Directors within the principles the Committee has determined. The Committee keeps itself fully informed of all relevant developments and best practice in the field of remuneration and seeks advice where appropriate from external advisers and from the HR Director and the Company Secretary.

Remuneration Policy

It is the policy of the Committee to consider and approve remuneration packages and other contractual terms that attract, retain and motivate managers of the calibre required to successfully manage an international Group of the size and complexity of C&J Clark Limited. In doing so the Committee aims to ensure that such packages are balanced, but not excessive, and that incentive schemes are structured so that they reflect the levels generally paid to such executives.

Directors' Remuneration

Emoluments, compensation and long-term incentives in respect of qualifying services of each person who served as a Director during the year are listed in the two tables below.

Information subject to audit

The auditors are required to report on the information in the following sections of the report:

- Directors' remuneration, including descriptions of the long-term incentives schemes
- Defined benefit pension schemes
- Directors' pension entitlements

Directors' emoluments

	Salaries £ 000	Salary Supplements £ 000	Performance related bonuses £ 000	Benefits £ 000	Total 2010 £ 000	Total 2009 £ 000
Executive Directors						
Peter Bolliger*	630	309	378	39	1,356	1,283
Robin Beacham*	375	166	225	13	779	662
Bob Infantino	546	–	287	20	853	485
Melissa Potter*	390	158	234	2	784	643
Non-Executive Directors						
Peter Davies	162	–	–	–	162	162
Hugh Clark	42	–	–	–	42	39
Harriet Hall	62	–	–	1	63	66
Thomas O'Neill	36	–	–	–	36	36
Nigel Hall	44	–	–	–	44	44
Stanley Kravetz	36	–	–	–	36	36

Benefits arising from employment by the Company relate mainly to the provision of company cars and life assurance.

* Peter Bolliger, Robin Beacham and Melissa Potter's salary supplements compensate for restrictions introduced under the 1989 Finance Act on pensions provided through the Fund: please see page 34.

Long-term incentive plans

	Provision brought forward £ 000	Provision made over £ 000	Paid in the year £ 000	Provision carried forward £ 000
Executive Directors				
Peter Bolliger	1,064	2,784	–	3,848
Robin Beacham	633	1,413	–	2,046
Bob Infantino	258	490	–	748
Melissa Potter	787	1,250	–	2,037

The Combined Code

The Board considers that they have complied with the Combined Code provisions relating to Directors' remuneration and have followed the provisions of Schedule A to the Combined Code

Directors' Service Contracts

It is the policy of C&J Clark Limited to issue all new Executive Directors with twelve month rolling service contracts. There are no provisions in Directors' service contracts for compensation in respect of early termination of a contract. There is however, an obligation to pay for any notice period waived by the Company. All Executive Directors' service contracts require the Company to give 12 months notice to terminate the contracts until the age of 60, when no notice period is required. Dates of serving Directors' service contracts are as follows

- Peter Bolliger 1st August 1994
- Robin Beacham 1st July 2001
- Bob Infantino 26th October 1992
- Melissa Potter 1st June 1999

Salaries and Benefits

Salaries and benefits for Executive Directors are reviewed annually and external advice taken as appropriate. Directors' remuneration packages are benchmarked against companies of a similar size and complexity.

Performance Related Bonuses

Peter Bolliger and Robin Beacham participate in an annual bonus scheme dependent on the financial performance of the Group compared with budget. Awards are made on a sliding scale up to 60% of salary, based on footwear profits less 15% notional interest on a notional debt amount of 40% of Group average operating capital. For achievement of 90% of budgeted footwear profits less notional interest, a bonus of 15% of salary is payable. No bonus is payable if the result is lower. The bonus payable increases by 1 percentage point for every additional £608,000 by which the actual result exceeds the minimum performance target. For achievement of the budgeted footwear profits less notional interest, a bonus of 30% of salary is payable. Thereafter, a 1% increase in bonus award is payable for every additional £456,000 increase in the profit after notional interest up to the maximum 60% of salary at a result 15% above budget. The target is derived from the published budget of the Group for the year. This method has been in use for thirteen years and was chosen as the most consistent measure of underlying trading growth in the business including the effect of changes in operating capital employed within the Group.

Melissa Potter participates in an annual bonus scheme dependant on the financial performance of Clarks International compared with budget. Awards are made on a sliding scale up to 60% of salary, based on Clarks International profits less 15% notional interest on a notional debt amount of 40% of Clarks International average operating capital. For achievement of 90% of budgeted Clarks International profits less notional interest, a bonus of 15% of salary is payable. No bonus is payable if the result is lower. The bonus payable increases by 1 percentage point for every additional £487,000 by which the actual result exceeds the minimum performance target. For achievement of the budgeted Clarks International profits less notional interest, a bonus of 30% of salary is payable. Thereafter, a 1% increase in bonus award is payable for every additional £365,000 increase in the profit after notional interest up to the maximum 60% of salary at a result 15% above budget. The target is derived from the published budget of Clarks International for the year.

Clarks Companies North America Annual Management Bonus Programme

Provision is made for bonus awards to Bob Infantino contingent on the financial performance of Clarks Companies North America compared with budget. Awards are made on a sliding scale. For the achievement of a minimum performance target, a bonus of 15% of salary is payable. No bonus is payable if the result is lower. The minimum target is calculated at 90% of targeted trading profits less notional interest on average capital employed. Notional interest is calculated at an effective rate of 6%. The bonus rate increases anywhere from 10% to 15% for each 10% improvement in actual versus targeted trading profit. The maximum bonus rate is 60% of salary payable at a result of 20% above budget. The target is derived from the published budget of the division for the year.

Remuneration Report

Continued

Long-term Incentive Plan

Peter Bolliger, Robin Beacham, Melissa Potter and Bob Infantino are participants in this scheme which provides a benefit of up to a maximum of 3.5 times annual salary dependant on the financial performance of the Group, Clarks International or Clarks Companies North America compared with the five year strategic plan over a three year period. Peter Bolliger and Robin Beacham participate in a scheme based on Group profit after tax, Melissa Potter participates in a scheme based 25% on Group profit after tax and 75% on Clarks International profits and Bob Infantino participates in a scheme based 25% on Group profit after tax and 75% on Clarks Companies North America profits. The maximum award is payable if actual profits exceed 120% of strategic plan profits over the three year performance period. No award is payable if actual profits are less than 85% of strategic plan profits. For profit performance exactly in line with the strategic plan over the performance period, each of the Executive Directors will receive a payment of 1.25 times annual salary.

Performance periods, each of a three year duration, have commenced annually on 1st February since 2007. The first performance period came to an end 31st January 2010 and awards relating to this scheme will be made in March. There are now three schemes running concurrently for the three year periods commencing 1st February 2008, 1st February 2009 and 1st February 2010. Peter Bolliger was not granted a Long-term Incentive Plan for the period 2009–2012 due to his impending retirement. As compensation, an alternative arrangement was set up which provides a benefit up to 1.46 times annual salary dependent on the financial performance of the Group during the year 2009–2010 compared with the five year strategic plan.

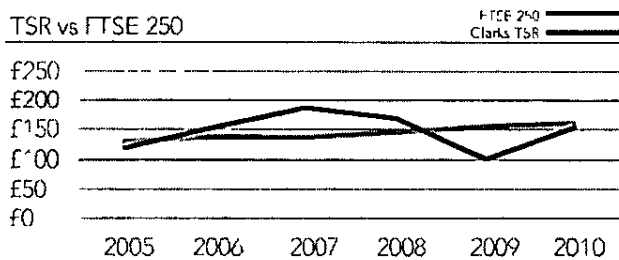
Senior managers and selected managers of Clarks International and Clarks Companies North America are also members of the Clarks International and Clarks Companies North America elements of this scheme which operates in the same way as that of the Executive Directors except that the maximum multiple of salary payable is 2.5 times for senior managers and 1.5 times for managers. For profit performance exactly in line with the strategic plan over the performance period, senior managers will receive a payment of 1.0 times annual salary and managers 0.75 times annual salary. The sliding scale is adjusted accordingly. Performance periods, each of a three year duration, have commenced annually on 1st February since 2007. The first performance period came to an end 31st January 2010 and awards relating to this scheme will be made in March. There are now three schemes running concurrently for the three year periods commencing 1st February 2008, 1st February 2009 and 1st February 2010.

Share Incentive Plan

During the year the Group operated a Share Incentive Plan. Under the plan, eligible employees may save up to 1% of their gross earnings which will be used to purchase ordinary shares in the Company. One matching (free) share will be allocated for every partnership share purchased by an employee. These shares rank for dividend and are held in trust for a minimum of three years before being transferred to the employee.

Total Shareholder Return

Total Shareholder Return (TSR) is a performance measure based on the market value of an investment in shares of a company over a given period, in this case, five years. TSR assumes that all dividends are re-invested and any rights issues taken up. It is assumed that the buyback proceeds were also re-invested in shares. The TSR graph is based on an initial purchase of 100 shares in C&J Clark Limited on 1st February, 2005. Comparison shown is against the movements in the FTSE 250 share index as the market capitalisation, based on the share price calculated bi-annually by PricewaterhouseCoopers, would make C&J Clark Limited a FTSE 250 company.



The comparison shows C&J Clark Limited underperforms the market trend from 2006 to 2008 as the FTSE 250 shows marked growth compared to the TSR. However, in 2009 the TSR continues to show steady growth whilst the FTSE 250 returns to the levels experienced at the beginning of the five year period. At 31st January 2010 the TSR over the previous five years is more than the return given by the FTSE 250. If £100 had been invested in C&J Clark Limited shares in 2005 it would now be worth £161, whereas the same amount invested in FTSE 250 companies over the same period would now, on average, be worth £153.

TSR is a performance measure used predominantly for publicly traded companies and thus may not be an entirely reliable measure for a private company like C&J Clark Limited. The external share valuation conducted by PricewaterhouseCoopers assumes a willing buyer and seller, is based on a minimal volume of transactions, and does not fully take account of external market forces.

Remuneration Report

Continued

Directors' Pension Entitlements

Melissa Potter and Robin Beacham participate in the C&J Clark Pension Fund ('the Fund'). The Fund is contributory and is governed by an independent trust. Their normal retirement age under the scheme is 60 and they accrue retirement benefits at the rate of one fortieth of pensionable pay for each year of pensionable service, subject to certain scheme limits.

Early retirement is permitted at the age of 50 onwards (55 after 5th April 2010), subject to an actuarial reduction to the accrued pension of up to 23%.

The scheme continues to apply the limits introduced under the 1989 Finance Act applicable to members joining HMRC approved schemes on or after 1st June 1989.

For death before retirement, a capital sum equal to four times salary is payable. A spouse's pension is also payable and this is limited by the HMRC Earnings Cap restriction. For death in retirement, a spouse's pension of 50% of the member's pre-commutation pension is payable. In the event of death after leaving service but prior to commencement of pension, a spouse's pension of 50% of the accrued preserved pension is payable. In all circumstances, children's allowances are also payable up to the age of 18. Substantial protection is also offered in the event of serious ill health. Post-retirement pension increases are guaranteed at the rate of price inflation subject to a limit of 8.5% per annum, compound between the date of retirement and each annual pension review.

In addition the Group has awarded salary supplements to reflect the restrictions placed on pensions provided through the Fund by HMRC.

The salary supplements for Melissa Potter and Robin Beacham are included in the Directors' emoluments table on page 30.

In 2005, the Committee extended the pension arrangements for Peter Bolliger as follows:

- The existing salary supplement was continued past age 60.
- The pension benefit from the Fund calculated at age 60 will be increased in the usual way to take account of the period during which payment of the benefit is deferred from age 60 to 65.
- In respect of service after age 60, Peter Bolliger will be entitled to an additional taxable retirement pension according to an agreed formula with a maximum of £20,000 per annum payable in the case of retirement at age 65.

Bob Infantino participates in the US defined benefit pension plan, which is non-contributory and based on years of service. Normal retirement age under the scheme is 65 with benefits payable at 1% of salary, capped at \$230,000. This benefit is reduced for early retirement by 3.33% for each year the pension age is between 60 and 65 and 6.67% for each year the pension age is between 55 and 59, with a minimum retirement age of 55. A capital sum of one year's salary together with a spouse's pension is payable on death before retirement. Post retirement pension increases are discretionary. He is also a participant in two defined contribution schemes. Contributions to these schemes are designed to compensate for the effect of the salary cap.

Defined benefit pension schemes

	Age at 31st January 2010	Pensionable service to 31st January 2010	Accrued pension benefit at 31st February 2009	Increase in accrued pension benefits	Accrued pension benefit at 31st January 2010	Transfer value at 31st February 2009	Transfer value at 31st January 2010	Directors' contributions for the year to 31st January 2010	Increase in transfer value less directors' contributions
	Years	Years	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Peter Bolliger*	65	15	52	6	58	1,028	1,071	-	43
Robin Beacham*	50	20	73	8	81	1,154	1,327	10	163
Bob Infantino	60	17	37	-	37	295	326	-	31
Melissa Potter*	42	10	78	4	82	925	1,016	10	81

*Individuals' benefits under the Group's UK Pension Fund are subject to an Earnings Cap (£123,600 at 31st January 2010).

Money Purchase Pension Schemes

The Group made the following contributions to money purchase schemes during the year

Money Purchase Pension Schemes

	2010 £ 000	2009 £ 000
Rob Infantino	78	76

Non-Executive Directors

The remuneration of the Chairman is determined by the Committee. The Executive Directors determine remuneration of the other Non-Executive Directors of the Company. Remuneration consists of fees for their services in connection with Board and Board committee meetings. They do not have contracts of service and must retire after nine years' service or such other period as the Company agrees by special resolution. They are not eligible for pension scheme membership. They do not participate in the Group's bonus scheme or other incentive schemes.

This report will be laid before the shareholders for approval at the Annual General Meeting to be held on 7th May 2010.

On behalf of the Board

Hugh Clark

Chair of the Remuneration Committee

24th March 2010

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43	Independant Auditors' Report

Board of Directors

Robin Beacham joined the Group in 1990 from Arthur Andersen and carried out a number of financial management roles before becoming Financial Controller in 1996. He was appointed to the Board as Finance Director on 28th June 2001.

Thomas J O'Neill was appointed to the Board as an independent Non-Executive Director on 10th May 2004. He has more than 25 years' experience in international retailing and brand management, most recently as CEO and Director of Harry Winston, Inc. where he also concurrently held the position of President and Director of Harry Winston Diamond Corporation (formerly Aber Diamond Company), the sole owner of Harry Winston Inc. Prior to Harry Winston, he was Worldwide President of Burberry, Divisional President and CEO at LVMH, and Executive Vice-President of Tiffany & Company.

Judith Derbyshire joined the Group in 1989 and she was appointed as Company Secretary in 1991. She is a solicitor, and is Chair of Governors of Millfield School.

Bob Infantino has over 35 years' experience in the footwear industry and was Senior Vice President of Product Development, Merchandising and Marketing at The Rockport Company before joining Clarks in 1992. He is President of Clarks Companies North America and was appointed to the Board on 25th September 2002.

Melissa Potter joined the Group as a graduate in 1988 and carried out various management roles before becoming Managing Director of the UK Division in 2002. She was appointed to the Board as Managing Director, Clarks International on 21st June 2006.

Peter Bolliger worked in the shoe business from 1968-90 before joining Harrods as Managing Director for the period 1990-94. He joined the Group in 1994 and was appointed to the Board on 23rd February 1996. He was appointed Chief Executive on 16th August 2002.

Stanley Kravetz was appointed as a Non Executive Director in May 2007. He has more than 30 years' experience in building Global Brands, as Executive Vice President and Director of Timberland, President of Frye Boot, President of Rockport and Vice President of Reebok and President of Thorlo. Clarks was his first European customer during his tenure at Timberland.

Peter Davies was appointed a Non-Executive Director in September 2005 and became Non-Executive Chairman in May 2006. He has more than 20 years' experience in UK and International retail, most recently as Chief Executive of Rubicon Retail Ltd. Whilst Clarks is his main role, Peter is also Non-Executive Chairman of Whistles Holdings Ltd, a Non-Executive Director of First Friday Ltd and a Partner in Mint Velvet LLP.

Hugh Clark was appointed as a Non-Executive Director in May 2005 and became Chair of the Remuneration Committee in November 2008. He was a member of the Family Shareholder Council from its inception in 1993 until joining the Board. He joined Clarks as a graduate in 1985 and spent eleven years in the business before joining Rohan in 1996. He became a Director in 1997 and was Managing Director of Rohan from 2001 until 2007. Hugh is also a Non-Executive Director of Quba Sails Ltd.

Nigel Hall was appointed as an independent Non-Executive Director on 1st March 2006 and is Chairman of the Audit Committee and of the Share Valuation Committee of the Board. Nigel is a chartered accountant who qualified with Price Waterhouse before joining the fashion retailer The Burton Group plc (renamed Arcadia Group plc in 1998) where he served as Finance Director from 1997 until 2003. Nigel is also the Non-Executive Chairman of Countrywide Farmers plc and a Non-Executive Director of Unite Group plc and Pinewood Shepperton plc.

Harriet Hall was appointed as a Non Executive Director on 7th May 1999 and became Deputy Chairman in May 2006. She was Chair of the Family Shareholder Council from 1993 to 1998. She is a solicitor and a Non-Executive Director of the South London and Maudsley Mental Health Trust.

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31st January 2010

Business review

The principal activities of the Company and its related subsidiaries are worldwide shoe retailing and wholesaling, and related trades. Further details of the operations and the trading results are set out on pages 8 to 19. The profit after tax of the Group for the year was £60.8m. A list of the major overseas subsidiaries of the Company may be found on page 70.

A review of the Group's performance during the year, expected future developments and principal risks and uncertainties facing the Group are contained in the Chairman's Statement, the Chief Executive's Report and the Financial Review. The headings below, as required by a business review, are cross-referred to these statements.

Scene setting – Chief Executive's Report pages 10 to 11

Objectives of the Group – Chief Executive's Report pages 10 to 15

Strategy – Chief Executive's Report pages 11 to 15

Risks and uncertainties – Chief Executive's Report pages 14 to 15

Measurement – Chief Executive's Report pages 10 to 15

Performance – Chief Executive's Report pages 10 to 15

Forward looking – Chief Executive's Report pages 14 to 15

Directors

The current Directors of the Group are listed on pages 38 and 39. There were no changes in the composition of the Board during the year, although Peter Bolliger and Harriet Hall will retire at the impending Annual General Meeting.

In accordance with the Company's Memorandum and Articles, Bob Infantino, Thomas J O'Neill and Melissa Potter retire by rotation at the forthcoming Annual General Meeting. All three seek re-election. We will also be appointing Timothy Drew Campbell. Details of the Directors' service contracts are given in the Remuneration Report on pages 30 to 35.

Share Buyback

On 10th July 2009 the Company repurchased 601,974 £1 ordinary shares at a price of £6.50 per share. These shares represented 1% of the issued share capital at that date and the total cost to the business of the transaction was £3.9m. The repurchased shares were subsequently cancelled.

Fixed Assets

In the opinion of the Directors, the market value of land, on an existing use basis, is not significantly different to book value.

Employees

The Board believes that the principle of equality of treatment and opportunity is of fundamental importance. Its long held aim is to provide just and fair treatment for all employees. In accordance with this policy, the only personal attributes which will be taken into account in making decisions about employees are those which relate directly to actual or potential performance. Throughout the Group, procedures for consultation with, and the involvement of, employees are in operation, as appropriate to the circumstances of the individual businesses. Information on matters of concern to employees is given through a variety of presentations, briefings, bulletins and reports.

The Environment

The Group recognises that care and concern for the environment and the community are a fundamental part of the Group's strategy. It is the Group's intention to strive continuously to minimise any adverse environmental impact of business activities, to comply with all relevant environmental legislation and to promote a caring attitude to the environment amongst its employees. A statement of commitment from the Group in its environmental policy is shown on pages 26 to 29.

Directors' Interests

The interests of the Directors in the share capital of the Company are shown in the table on page 41. A list of transactions with related parties is given in note 24 to the financial statements. There were no changes in Directors' share interests between the end of the year and 13th March 2010 (being one month before the date of the notice of the Annual General Meeting).

Donations

Donations for charitable purposes made by the Group during the year amounted to £0.8m (2009: £0.5m). No donations were made for political purposes.

Creditor Payment Policy

The Group's policy is to use standard payment terms, payment being at the end of the month following the invoice date, except for goods for resale which are generally 30 days. For all trade creditors it is the Group's policy to

- settle terms of payment with suppliers,
- ensure that suppliers are aware of the terms of payment,
- make every effort to meet agreed payment dates provided that the agreed terms and conditions have been met by the suppliers.

Corporate Governance

The Group remains committed to the highest standards of corporate governance. A report is set out on pages 22 to 24.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Interests

	Ordinary Shares*	At 31st January 2010 Executive Share Trust**	Ordinary Shares*	At 31st January 2009 Executive Share Trust**
Peter Bolliger	–	–	6,218	–
Robin Beacham	1,026	–	1,026	–
Bob Infantino	7,107	–	7,107	–
Melissa Potter	2,093	–	2,093	–
Peter Davies	3,500	–	3,500	–
Hugh Clark	323,172	–	323,170	–
Harriet Hall	3,424,293	–	3,658,693	–
Thomas J O'Neill	–	–	–	–
Nigel Hall	3,000	–	3,000	–
Stanley Kravetz	–	–	–	–

* The shareholdings shown do not, in every case, represent the beneficial interests held

** The Executive Directors, as potential beneficiaries under the Company's share schemes, are deemed to be interested in unallocated C&J Clark Limited ordinary shares held by the C&J Clark Executive Share Trust. These do not represent beneficial interests. At 31st January 2010 there were no shares held by the Trust (2009 - nil)

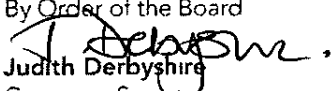
Directors' Responsibilities

So far as the Directors are aware, there is no relevant audit information (information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information

Auditors

In accordance with Section 485 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore remain in office

By Order of the Board


Judith Derbyshire
Company Secretary

24th March 2010

Statement of Directors' Responsibilities

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice)

The Group and Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

The Directors have decided to prepare voluntarily a Directors' Remuneration Report in accordance with Section 421 to the Companies Act 2006, as if those requirements were to apply to the Company. The Directors have also decided to prepare voluntarily a Corporate Governance statement as if the Company were required to comply with the Listing Rules of the Financial Services Authority in relation to those matters

Independent Auditors' Report

We have audited the financial statements of C&J Clark Limited for the year ended 31 January 2010 set out on pages 46 to 70. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

In addition to our audit of the financial statements, the Directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the Directors have decided to prepare (in addition to that required to be prepared) as if the Company were required to comply with the requirements of Schedule 8 to the Companies Act 2006. The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and, in respect of the separate opinion in relation to the Directors' Remuneration Report, on terms that have been agreed. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and, in respect of the separate opinion in relation to the Directors' Remuneration Report, those matters that we have agreed to state to them in our report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 42, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 January 2010 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006 and under the terms of our engagement

In our opinion

- the part of the Directors' Remuneration Report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to the Companies Act 2006. The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as if those requirements were to apply to the Company, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where under the Companies Act 2006 and under the terms of our engagement we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.


A.C. Campbell-Orde (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Bristol

24th March 2010

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Group Profit and Loss Account

For the year ended 31 January 2010

	Notes	Before exceptional items 2010 £m	Exceptional items 2010 £m	Total 2010 £m	Before exceptional items 2009 £m	Exceptional items 2009 £m	Total 2009 £m
Turnover	1 (b)	1,173.5	–	1,173.5	1,122.0	–	1,122.0
Costs less other income	2 (a)	(1,064.0)	(3.3)	(1,067.3)	(1,025.1)	–	(1,025.1)
		109.5	(3.3)	106.2	96.9	–	96.9
Long-term incentive schemes	2 (a)	(12.1)	–	(12.1)	(3.6)	–	(3.6)
Operating profit	2 (a)	97.4	(3.3)	94.1	93.3	–	93.3
Profit on disposal of fixed assets	3 (a)	–	0.9	0.9	–	0.5	0.5
Profit on disposal of land held for resale	3 (b)	–	3.9	3.9	–	–	–
Profit before interest		97.4	1.5	98.9	93.3	0.5	93.8
Other net finance costs	4	(13.8)	–	(13.8)	(7.0)	–	(7.0)
Profit before taxation		83.6	1.5	85.1	86.3	0.5	86.8
Taxation	5	(24.8)	0.5	(24.3)	(24.8)	–	(24.8)
Profit for the financial year		58.8	2.0	60.8	61.5	0.5	62.0
Earnings per ordinary share	7	98.3p	3.3p	101.6p	101.8p	0.8p	102.6p

The notes on pages 50 to 77 form part of these financial statements


Balance Sheets

As at 31st March 2010

		Group 2010	Group 2009	Company 2010	Company 2009
	Notes	£m	£m	£m	£m
Fixed assets					
Intangible assets	8	0.6	0.6	–	–
Tangible assets	9 (a)	186.9	202.6	–	–
Investments	10	2.4	1.9	78.0	77.8
		189.9	205.1	78.0	77.8
Current assets					
Land held for resale	11	1.3	4.3	–	–
Stock	12	231.6	272.5	–	–
Debtors	13	127.2	131.8	195.0	224.9
Cash at bank and in hand		123.4	56.8	50.3	18.8
		483.5	465.4	245.3	243.7
Creditors – amounts falling due within one year	14	(210.1)	(179.4)	(233.7)	(152.1)
Net current assets		273.4	286.0	11.6	91.6
Total assets less current liabilities		463.3	491.1	89.6	169.4
Creditors – amounts falling due after more than one year	15	(11.0)	(68.1)	–	(55.9)
Provisions for liabilities and charges	16	(29.6)	(20.3)	–	–
Net assets excluding pension liability		422.7	402.7	89.6	113.5
Pension liability	22	(100.2)	(114.2)	–	–
Net assets including pension liability		322.5	288.5	89.6	113.5
Capital and reserves					
Called-up share capital	18	59.6	60.2	59.6	60.2
Share premium account	19	0.4	0.4	0.4	0.4
Capital redemption reserve	19	17.9	17.3	17.9	17.3
Merger reserve	19	15.1	15.1	–	–
Profit and loss account	19	229.5	195.5	11.7	35.6
Equity shareholders' funds		322.5	288.5	89.6	113.5

The notes on pages 50 to 70 form part of these financial statements

The financial statements of C&J Clark Ltd, registered number 3314066, were approved by the Board of Directors and signed on their behalf on 24th March 2010

Peter Davies

 Robin Beacham



Group Cash Flow Statement

For the year ended 31st January 2010

	Notes	2010 £m	2009 £m
Cash flow from operating activities	25	171.2	69.5
Returns on investments and servicing of finance	26(a)	(1.9)	(2.5)
Taxation		(20.4)	(26.3)
Capital expenditure and financial investment	26(b)	(19.6)	(33.1)
		129.3	7.6
Equity dividends paid		(16.5)	(16.1)
Net cash inflow/(outflow) before financing		112.8	(8.5)
Financing	26(c)	(64.0)	11.1
Increase in cash in the year		48.8	2.6

Reconciliation of Net Cash Flow to Movement in Net Borrowings

For the year ended 31st January 2010

	Notes	2010 £m	2009 £m
Increase in cash in the year		48.8	2.6
Cash flow from decrease/(increase) in debt	26(c)	60.1	(14.9)
Change in net borrowings resulting from cash flows		108.9	(12.3)
Currency translation adjustments		(2.0)	1.9
Decrease/(increase) in net borrowings in the year		106.9	(10.4)
Opening net borrowings		(29.5)	(19.1)
Closing net cash/(borrowings)	27	77.4	(29.5)

The notes on pages 50 to 70 form part of these financial statements

Group Statement of Total Recognised Gains and Losses

For the year ended 31st January 2010

	2010 £m	2009 £m
Profit for the financial year	60.8	62.0
Currency translation adjustments	(12.5)	29.5
Actuarial gain/(loss) on pension schemes (net of deferred taxation)	5.5	(52.5)
Deferred tax on pension liability arising from change in tax rate	0.4	—
Total recognised gains and losses arising during the financial period	54.2	39.0

Reconciliation of Movements in Equity Shareholders' Funds

For the year ended 31st January 2010

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Total recognised gains and losses arising during the financial year	54.2	39.0	(3.5)	(3.6)
Dividends paid	(16.5)	(16.1)	(16.5)	(16.1)
Share-based payment	0.2	0.2	0.2	0.2
Share buyback	(3.9)	(3.9)	(3.9)	(3.9)
	34.0	19.2	(23.9)	(23.4)
Disposal of shares in relation to employee share schemes	—	0.1	—	—
Net increase/(decrease) in equity shareholders' funds during the financial period	34.0	19.3	(23.9)	(23.4)
Opening equity shareholders' funds	288.5	269.2	113.5	136.9
Closing equity shareholders' funds	322.5	288.5	89.6	113.5

Group Note of Historical Cost Profits and Losses

For the year ended 31st January 2010

	2010 £m	2009 £m
Profit on ordinary activities before taxation	85.1	86.8
Difference between historical cost depreciation charge and actual depreciation charge for the year	—	—
Historical cost profit on ordinary activities before taxation	85.1	86.8
Historical cost profit for the year retained after taxation	60.8	62.0

The notes on pages 50 to 70 form part of these financial statements

Accounting Policies

Basis of Preparation

The financial statements have been prepared under the historical cost convention as modified to include the revaluation of freehold and long leasehold land and buildings and in accordance with applicable accounting standards

The financial statements for the Company and all material subsidiaries are drawn up to the nearest Saturday to the 31st January in line with retail industry practice. The year to 31st January 2010 comprises 52 weeks (2009 – 52 weeks)

These financial statements have been prepared under the going concern basis as discussed in the Directors' Report

The following accounting policies have been applied consistently throughout the year. There have been no changes in accounting policies since last year

Basis of Consolidation

The Group financial statements comprise a consolidation of the financial statements of the Parent Company and all of its subsidiaries. The principal subsidiaries are listed on page 70

Investments in Subsidiary Companies

Investments in subsidiary companies are stated at cost less provisions for any impairment in value

Revenue Recognition

Sales during the normal course of business are recognised on legal transfer of title, and are accounted for net of sales discounts, sales taxes and returned goods

Profits on sales of property are recognised on completion, unless the exchange of contracts is unconditional in which case the profit is recognised at that stage. Rental income is accounted for on a receivable basis

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Profit and losses of overseas subsidiaries are translated into sterling at average rates of exchange

Exchange differences arising on the retranslation of the opening net assets of overseas subsidiaries, less exchange differences arising on related foreign currency borrowings, are taken to reserves and disclosed in the Group Statement of Total Recognised Gains and Losses on page 49, together with any related tax charges or credits. All other exchange differences are recognised in the Profit and Loss Account

Financial Instruments

The Group uses financial instruments to manage its exposure to fluctuations in foreign currency exchange rates. Currently the only instruments used are forward currency contracts and currency option contracts. Gains and losses on forward contracts and options, entered into as hedges of future purchases and sales denominated in foreign currency, are carried forward and taken to the Profit and Loss Account on maturity to match the underlying transactions. The Group has taken advantage of the exemption available for short-term debtors and creditors

Fixed Assets and Depreciation

Depreciation is provided on all tangible fixed assets excepting freehold land and assets in the course of construction, in order to write off the original cost, less estimated residual value, evenly over the average expected useful life of the asset as follows:

Freehold and long leasehold buildings	50 years
Short leasehold property	lower of 14 years or the life of the lease or the period to the first rent review
Plant, machinery and fixtures	3 – 20 years
Motor vehicles	3 – 5 years
Computer hardware	3 – 10 years

Capitalisation of Software Costs

Software costs are capitalised and amortised over 3 to 10 years. Where appropriate these costs include elements of fees paid to external consultants

Leased Assets

Fixed assets held under finance leases have been capitalised and depreciated over their expected useful lives. The related lease obligations have been included in creditors. The finance charges have been charged to the Profit and Loss Account over the primary period of the lease. Operating lease rentals have been charged to the Profit and Loss Account as incurred

Intangible Fixed Assets

Trademarks are stated at purchase cost and amortised over a period of 20 years

When a franchisee enters into an agreement with the Group to operate an international franchise store, under the terms of the agreement the Group may pay the franchisee a contribution as consideration for agreeing to the terms of the agreement in respect of the opening and operation of the store, including a minimum purchasing requirement. This contribution is capitalised as a franchise licence and the cost is amortised over the length of the agreement which is 5 years

Lease Incentives

Where the Group receives an incentive to take on a property lease by way of a capital contribution or a discounted or free rental period, the benefit is spread over the earlier of the period to the first rent review or to the end of the lease as a reduction in rental costs

Research and Development

All expenditure on research and development is written off in the year in which it is incurred

Stock

Stock has been stated at the lower of cost and net realisable value

Land held for Resale

Land held for resale represents the cost of land at Houndwood. The Group has made a decision to control the design and development of the Houndwood site for sustainable residential housing and as such will incur general site infrastructure expenditure, undertake design work and package the land for sale to third party developers in phases. The asset is treated as a current asset held for resale.

Deferred Taxation

Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. Deferred tax is not recognised on permanent differences such as revaluation gains, gains rolled over into new assets and unremitted overseas earnings.

Pension Costs

The cost of providing pension benefits has been charged to the Profit and Loss Account in accordance with the requirements of FRS 17 'Retirement Benefits'.

Share-based Payments

The Group operates an All Employee Share Incentive Plan (SIP). Under the scheme employees are given a free matching share for each partnership share purchased at market value. This has been accounted for under FRS 20 'Share-based payments'. Under the standard the matching shares qualify as equity settled share-based payments to be recognised at fair value at the date of grant. Effectively the fair value of a matching share is the cost of the partnership share. The cost of the share based payments must be spread over the period until the shares are owned by the employee (the vesting period). The vesting period for the matching shares is four years. This has resulted in a current year charge of £0.2m (2009 – £0.2m).

Company Profit and Loss Account

In accordance with Section 282 of the Companies Act 2006, a separate Profit and Loss Account has not been published for the Company.

Notes to the Financial Statements

In these notes to the financial statements the headings '2010' refer to the year ended 31st January 2010 or the balance sheet as at 31st January 2010 and the headings '2009' refer to the year ended 31st January 2009 or the balance sheet as at 31st January 2009

Analysis of turnover, profit and capital employed

The turnover and profits of the Group derive from its activities in the shoe trade

a) Analysis of profit/(loss) by geographical area of origin

	Profit before exceptional items 2010 £m	Exceptional items 2010 £m	Profit before interest and taxation 2010 £m	Profit before exceptional items 2009 £m	Exceptional items 2009 £m	Profit before interest and taxation 2009 £m
UK	75.7	4.8	80.5	75.4	0.5	75.9
North America	17.0	(3.3)	13.7	13.8	–	13.8
Europe	1.2	–	1.2	2.3	–	2.3
Rest of the World	3.5	–	3.5	1.8	–	1.8
	97.4	1.5	98.9	93.3	0.5	93.8

b) Analysis of turnover and capital employed

	Turnover by geographical area of origin 2010 £m	Turnover by geographical area of origin 2009 £m	Turnover by ultimate geographical market 2010 £m	Turnover by ultimate geographical market 2009 £m	Capital employed by geographical area 2010 £m	Capital employed by geographical area 2009 £m
UK	691.2	691.6	591.1	585.2	237.4	257.3
North America	391.4	350.9	396.5	357.6	106.4	161.0
Europe	57.5	55.6	120.6	119.4	12.7	14.1
Rest of the World	33.4	23.9	65.3	59.8	3.6	6.6
Total footwear	1,173.5	1,122.0	1,173.5	1,122.0	360.1	439.0
Unallocated items	–	–	–	–	(7.0)	4.5
	1,173.5	1,122.0	1,173.5	1,122.0	353.1	443.5

c) Reconciliation of capital employed and net assets

	2010 £m	2009 £m
Capital employed – (see note 1(b))	353.1	443.5
Net cash/(borrowings) – (see note 27)	77.4	(29.5)
Deferred taxation – (see note 17)	(7.8)	(11.3)
Pension liability – (see note 22)	(100.2)	(114.2)
Net assets	322.5	288.5

Operating profit and costs

a) Costs less other income

	Before exceptional items 2010	Exceptional items 2010	Total 2010	Before exceptional items 2009	Exceptional items 2009	Total 2009
	£m	£m	£m	£m	£m	£m
Turnover	1,173.5	–	1,173.5	1,122.0	–	1,122.0
Cost of sales	(603.5)	–	(603.5)	(590.4)	–	(590.4)
Gross profit	570.0	–	570.0	531.6	–	531.6
Distribution costs	(298.3)	–	(298.3)	(287.4)	–	(287.4)
Administrative costs	(174.3)	(3.3)	(177.6)	(150.9)	–	(150.9)
Operating profit	97.4	(3.3)	94.1	93.3	–	93.3

Administrative expenses include the cost of long-term incentive schemes as follows

	2010	2009
	£m	£m
Long-term Incentive Plan	11.0	4.4
Clarks Companies North America Incentive Plan	1.1	(0.8)
	12.1	3.6

These schemes are detailed in the Remuneration Report on pages 30 to 35

b) Exceptional items charged in arriving at operating profit are

	Cost of sales	Distribution costs	Administrative expenses	Total 2010
	£m	£m	£m	£m
Costs of voluntary severance programme in North America	–	–	(3.3)	(3.3)
	–	–	(3.3)	(3.3)

Notes to the Financial Statements

Continued

2 Operating profit and costs (continued)

c) Other costs charged in arriving at operating profit include

	2010	2009
	£m	£m
Depreciation and impairments of owned assets	27.5	28.3
Auditors' remuneration		
Audit of these financial statements	0.5	0.5
Amounts receivable by auditors in respect of		
Other services relating to taxation	0.1	0.1
Other services	0.2	0.8
Operating lease rentals		
Land and buildings	88.1	87.9
Plant and equipment	2.0	1.3
Operating lease rental income		
Land and buildings	(5.9)	(6.1)
Share-based payment		
Equity-settled	0.1	0.2

Parent Company audit fees were £nil (2009 – £nil)

d) Average number of full-time and part-time employees

	2010	2009
	Number	Number
Sales and distribution	12,122	12,241
Administration	1,242	1,184
	13,364	13,425

The average number of employees has been calculated on a monthly weighted average. The total number of employees at the year-end was 13,426 (2009 – 13,308).

e) Employment costs in respect of the foregoing

	2010	2009
	£m	£m
Wages and salaries	190.8	181.7
Social security costs	19.4	20.1
Pension current service cost – defined benefit scheme (see note 22)	6.8	7.7
Pension contributions – defined contribution scheme (see note 22)	0.5	0.4
Long-term incentive schemes – (see note 2(a))	12.1	3.6
	229.6	213.5

2. Operating profit and costs (continued)

i) Aggregate emoluments of the Directors

	2010	2009
	£m	£m
Non-Executive Directors' fees and benefits	0.4	0.4
Executive Directors' services – Salaries and benefits	3.8	3.1
– Long-term incentives	5.9	1.7
	10.1	5.2
Pension contributions – money purchase pension scheme	0.1	0.1
	10.2	5.3

More detailed information concerning Directors' share entitlements and emoluments, including long-term incentive schemes, is shown in the Remuneration Report on pages 30 to 35.

Notes to the Financial Statements

Continued

3 Extraordinary items

a) Profit on disposal of fixed assets	2010	2009
	£m	£m
Property disposals surplus over net book value	0.9	0.5

b) Profit on disposal of land held for resale	2010	2009
	£m	£m
Disposal profit on sale of Houndwood land	3.9	–

4 Other net finance costs

	2010	2009
	£m	£m
Interest payable on bank loans and overdrafts	2.2	3.2
Interest receivable	(0.2)	(0.7)
Net interest cost on assets and liabilities of pension scheme (see note 22)	11.8	1.5
	13.8	7.0

5 Taxation on profit on ordinary activities

a) Analysis of charge in the year

	2010 £m	2009 £m
Current taxation		
UK taxation		
UK corporation tax at 28.0% (2009 – 28.3%)	18.0	22.2
Adjustments in respect of prior years	0.2	(1.1)
Total UK taxation	18.2	21.1
Overseas taxation		
Current taxation on income for the year	6.2	5.4
Adjustments in respect of prior years	0.1	–
Total overseas taxation	6.3	5.4
Total current taxation	24.5	26.5
Movement in deferred taxation		
Net pension liability origination and reversal of timing differences (see note 22)	3.0	0.1
Other origination and reversal of timing differences (see note 17)	(3.2)	(1.8)
Taxation on profit on ordinary activities	24.3	24.8

b) Factors affecting tax charge

The taxation assessed for the year is higher than the standard rate of corporation tax in the UK which is 28.0% (2009 – 28.3%)

The differences are explained below

	2010 £m	2009 £m
Profit on ordinary activities before taxation	85.1	86.8
At standard rate of corporation tax in the UK	23.8	24.6
Higher taxation rates on overseas earnings	0.7	0.9
Depreciation on items not qualifying for capital allowances	0.8	0.7
Profit on disposal of assets not qualifying for capital allowances	–	(0.1)
Overseas taxation losses	(0.7)	(0.6)
Adjustments in respect of prior years	0.7	(1.3)
Other	(1.0)	0.6
	24.3	24.8
Movement in deferred taxation	0.2	1.7
Total current taxation (see note 5 (a))	24.5	26.5

Notes to the Financial Statements

Continued

6 Dividends paid

	2010 £m	2009 £m
Equity dividends paid in the year		
Final ordinary share dividend for the year ended 31st January 2009 of 19.5p (2008 – 18.5p)	11.7	11.3
Interim ordinary share dividend for the year ended 31st January 2010 of 8.0p (2009 – 8.0p)	4.8	4.8
	16.5	16.1

The final ordinary share dividend proposed for the year ended 31st January 2010 is 20.0p per share (2009 – 19.5p). In addition, a special dividend has been proposed of 10.0p per share (2009 – nil) payable in March 2010.

7 Earnings per ordinary share

Basic earnings per ordinary share have been calculated by dividing the profit after taxation of £60.8m (2009 – £62.0m) by the weighted average number of ordinary shares in issue during the year of 59,846,283 (2009 – 60,444,964).

8 Fixed assets – Intangible assets

	Trademark £m	Total £m
Cost or valuation		
At 1st February 2009	0.6	0.6
Capital expenditure	–	–
Disposals	–	–
At 31st January 2010	0.6	0.6
Depreciation		
At 1st February 2009	–	–
Charge for the year	–	–
Disposals	–	–
At 31st January 2010	–	–
Net book value		
At 31st January 2010	0.6	0.6
At 1st February 2009	0.6	0.6

The trademark relates to the Clarks brand name in Brazil.

Land and buildings and plant and equipment

a) Summary

	Land and buildings Freehold £m	Land and buildings Long leasehold £m	Land and buildings Short leasehold £m	Plant and equipment £m	Total £m
Cost or valuation					
At 1st February 2009	55.1	0.8	41.2	266.2	363.3
Reclassification	0.7	–	(0.1)	0.2	0.8
Exchange rate adjustments	(1.3)	–	(3.4)	(5.3)	(10.0)
Capital expenditure	0.3	–	2.6	15.5	18.4
Disposals	(0.3)	–	(0.6)	(7.5)	(8.4)
At 31st January 2010	54.5	0.8	39.7	269.1	364.1
Depreciation					
At 1st February 2009	5.7	0.1	16.9	138.0	160.7
Reclassification	–	–	0.2	0.1	0.3
Exchange rate adjustments	(0.1)	–	(1.2)	(3.1)	(4.4)
Charge for the year	1.0	–	3.6	22.9	27.5
Impairment	–	–	–	–	–
Disposals	(0.1)	–	(0.5)	(6.3)	(6.9)
At 31st January 2010	6.5	0.1	19.0	151.6	177.2
Net book value					
At 31st January 2010	48.0	0.7	20.7	117.5	186.9
At 1st February 2009	49.4	0.7	24.3	128.2	202.6

b) Valuation of land and buildings

	Freehold £m	Long leasehold £m	Short leasehold £m	Total £m
Land and buildings are stated at				
Valuation less depreciation	5.6	0.7	–	6.3
Cost less depreciation	42.4	–	20.7	63.1
	48.0	0.7	20.7	69.4
At historical cost, the comparable amounts would be				
Cost	53.0	0.6	39.3	92.9
Depreciation	(6.6)	(0.1)	(18.6)	(25.3)
Net book value	46.4	0.5	20.7	67.6

In accordance with the transitional provisions of FRS 15, freehold and long leasehold land and buildings are shown at valuation on adoption of FRS 15 and will not be updated. The gross book value of freehold land and buildings includes £14.7m (2009 – £14.8m) of land which is not depreciated.

c) Leased assets

Plant and equipment includes leased assets with a net book value of £nil (2009 – £nil).

Notes to the Financial Statements

Continued

10 Fixed assets - Investments

a) Group

	Listed investments	Unlisted investments	Total
	£m	£m	£m
Net book values at 1st February 2009	18	0.1	19
Exchange rate adjustments	(0.2)	—	(0.2)
Additions	0.7	—	0.7
Net book values at 31st January 2010	2.3	0.1	2.4

b) Company

	Shares in subsidiary undertakings 2010	Share in subsidiary undertakings 2009
	£m	£m
Net book values at 1st February 2009	77.8	77.6
Addition/increase in net assets	0.2	0.2
Disposals	—	—
Net book values at 31st January 2010	78.0	77.8

11 Land held for resale

	2010	2009
	£m	£m
Land held for resale	1.3	4.3
	1.3	4.3

Land held for resale represents Houndwood land which is currently under development for resale

12 Stock

	2010	2009
	£m	£m
Finished goods and goods held for resale	231.6	272.5
	231.6	272.5

13 Debtors

	Group 2010	Group 2009	Company 2010	Company 2009
	£m	£m	£m	£m
Trade debtors	101.6	106.7	1.5	—
Amounts owed by Group undertakings	—	—	193.5	224.9
Other debtors	1.4	1.3	—	—
Prepayments and accrued income	24.2	23.2	—	—
Amounts falling due within one year	127.2	131.2	195.0	224.9
Trade debtors falling due after more than one year	—	0.1	—	—
Other debtors falling due after more than one year	—	0.5	—	—
Amounts falling due after more than one year	—	0.6	—	—
	127.2	131.8	195.0	224.9

14 Creditors – amounts falling due within one year

	Group 2010	Group 2009	Company 2010	Company 2009
	£m	£m	£m	£m
Bank loans and overdrafts	46.0	30.4	—	—
Trade creditors	88.8	95.7	—	—
Amounts owed to other Group undertakings	—	—	233.7	152.1
Current taxation	11.2	7.5	—	—
Social security	3.0	2.5	—	—
Other creditors	14.6	8.1	—	—
Accruals and deferred income	46.5	35.2	—	—
	210.1	179.4	233.7	152.1

15 Creditors – amounts falling due after more than one year

	Group 2010	Group 2009	Company 2010	Company 2009
	£m	£m	£m	£m
Long-term loans	—	55.9	—	55.9
Other creditors	11.0	12.2	—	—
	11.0	68.1	—	55.9
Amounts falling due between				
one and two years	—	55.9	—	55.9
two and five years	2.4	—	—	—
after five years	8.6	12.2	—	—
	11.0	68.1	—	55.9

Notes to the Financial Statements

Continued

16. Provisions for liabilities

	At 1st February 2009	Exchange rate adjustment	Provision released in year	Utilised	At 31st January 2010
	£m	£m	£m	£m	£m
Long-term Incentive Plan	6.7	–	11.0	(0.2)	17.5
Clarks Companies North America Incentive Plan	0.3	–	1.1	–	1.4
Restructuring	0.5	–	3.0	(2.9)	0.6
Dilapidation provision	0.3	–	0.7	(0.2)	0.8
Onerous lease provision	0.8	–	0.3	(0.3)	0.8
Other	0.4	0.1	0.3	(0.1)	0.7
	9.0	0.1	16.4	(3.7)	21.8
Deferred taxation (see note 17)	11.3	(0.3)	(3.2)	–	7.8
	20.3	(0.2)	13.2	(3.7)	29.6

17. Deferred taxation

	Group 2010 £m	Group 2009 £m
Accelerated capital allowances	10.0	11.2
Holdover relief, capital gains taxation losses	0.3	–
Liquidation of LIFO inventory reserves in North America and Japan	4.4	5.0
Short-term timing differences	(6.9)	(4.9)
	7.8	11.3
		Group £m
Provision at 1st February 2009		11.3
Exchange rate adjustment		(0.3)
Deferred taxation charge in the profit and loss account for the year (see note 5(a))		(3.2)
Provision at 31st January 2010		7.8

Deferred tax assets of £13.1m (2009 £13.0m) have not been provided for on the basis that the Directors do not assess them as being recoverable in the foreseeable future. The main component of the deferred tax asset is unutilised German losses.

18. Share capital

	Authorised 2010 £m	Issued and fully paid 2010 £m	Authorised 2009 £m	Issued and fully paid 2009 £m
Ordinary shares of £1 each	92.3	59.6	92.3	60.2

19 Reserves

	Share premium account Group & Company	Capital redemption reserve Group & Company	Merger reserve Group	Profit and loss account Group	Profit and loss account Company
	£m	£m	£m	£m	£m
At 31st January 2009 as previously reported	0.4	17.3	15.1	195.5	35.6
Currency translation adjustments (net of corporation tax)	–	–	–	(12.5)	–
Share buyback *	–	–	–	(3.9)	(3.9)
Cancellation of shares *	–	0.6	–	–	–
Profit for the year	–	–	–	60.8	(3.5)
Actuarial gain on pension scheme	–	–	–	8.2	–
Associated deferred tax on actuarial gain	–	–	–	(2.3)	–
Share-based payment	–	–	–	0.2	0.2
Dividends paid	–	–	–	(16.5)	(16.5)
At 31st January 2010	0.4	17.9	15.1	229.5	11.7

The merger reserve of £15.1m (2009 £15.1m) arises from the adoption of merger accounting in the year ended 31st January 1998 in relation to the Group reconstruction which followed the demerger of the Factory Outlet Centres. The capital redemption reserve was originally created in 2003 as a result of the ordinary share buy back.

The loss for the year dealt within the profit and loss account of the Company amounts to £20.1m (2009 - £19.7m). The cumulative total of goodwill written off against Group profit and loss account reserves in respect of acquisitions prior to the 1st February 1988, when FRS 10 'Goodwill and Intangible Assets' was adopted, amounts to £2.1m (2009 - £2.1m). This relates to acquisitions since 1st February 1985 as information prior to this date is not available.

* On 10th July 2009 the Company repurchased 601,974 ordinary shares at a price of £6.50 per share. These shares represented 1% of the total share capital and the total cost to the business of the transaction was £3.9m. The repurchased shares were subsequently cancelled.

20 Financial commitments

Commitments by the Group for capital expenditure not provided in the financial statements are

	2010	2009
	£m	£m
Contracted but not provided for	5.2	2.9

Annual commitments by the Group in respect of non-cancellable operating leases are

	Land and buildings 2010	Land and buildings 2009	Plant and equipment 2010	Plant and equipment 2009
	£m	£m	£m	£m
Expiring within one year	4.3	4.5	–	0.2
Expiring between two and five years	30.8	29.0	0.1	0.8
Expiring after five years	50.2	53.9	–	–
	85.3	87.4	0.1	1.0

Notes to the Financial Statements

Continued

27 Financial risk management

The Group's treasury management policies are outlined in the Financial Review on pages 16 to 19

a) Currency profile and interest rates

	Gross borrowings 2010	Cash at bank and in hand 2010	Net borrowings 2010	Gross borrowings 2009	Cash at bank and in hand 2009	Net borrowings 2009
	£m	£m	£m	£m	£m	£m
Currency						
Sterling	2.4	(77.8)	(75.4)	17.2	(5.9)	11.3
US dollar	–	(27.3)	(27.3)	1.3	(28.5)	(27.2)
Euro	37.2	(8.6)	28.6	17.5	(14.2)	3.3
Other	6.4	(9.7)	(3.3)	12.2	(8.2)	4.0
	46.0	(123.4)	(77.4)	48.2	(56.8)	(8.6)
Borrowings for hedging purposes						
US dollar	–	–	–	38.1	–	38.1
	46.0	(123.4)	(77.4)	86.3	(56.8)	29.5

The Group's cash deposits comprise deposits placed on money markets at call and overnight rates. The Group's entire borrowing facilities amounting to £170.2m (2009 – £219.5m) are available at floating rates. These include the Revolving Credit Facility of £136.5m (2009 – £150.0m) and overdraft facilities in the UK and overseas totalling £33.7m (2009 – £69.5m). Under the Revolving Credit Facility interest rates are based upon LIBOR, fixed depending on the tenor of the loan. The interest rates on overdraft facilities in the UK are based on the UK base rate for sterling borrowings and the relevant LIBOR rate for currency borrowings. The interest rates on short term facilities in the USA and Japan are based on local base rates. Bank borrowings are secured by a floating charge over the assets of the Group.

Exchange gains on foreign currency borrowings less deposits were £2.0m (2009 – gain £1.9m) including a gain of £nil (2009 – £nil) relating to exchange movements on loans providing a hedge to offset currency movements arising on retranslation of overseas subsidiaries.

The maturity of the Group's gross borrowings at 31st January was as follows:

	2010	2009
	£m	£m
In one year or less or on demand	46.0	48.2
In more than one year but not more than two years	–	38.1
In more than two years but not more than five years	–	–
	46.0	86.3

At 31st January the Group had the following undrawn net committed borrowings facilities available:

	2010	2009
	£m	£m
Expiring in one year	28.1	59.5
Expiring in more than one year but not more than two years	136.5	94.1
	164.6	153.6

The above table reflects the undrawn net borrowing facility, whereas in 2009 these were disclosed gross.

b) Currency exposures, fair values and hedges

The Group has used foreign currency contracts to cover the currency exposures on cash flows up to two years forward.

The Group does not engage in foreign currency speculation but covers its future trading requirements through forward exchange contracts and options. By necessity, this results in some forward currency commitments at the year end which have been entered into at exchange rates likely to be relevant at the contract date. Due to short-term fluctuations in exchange rates, the year end rates will always be different from contract rates.

2 Financial instruments and risk management (continued)

At 31st January 2010, the foreign currency forward contracts held a theoretical fair value gain of £6.1m (2009 – gain £8.3m). The fair value gain on options at 31st January 2010 was £9.1m (2009 – gain £42.9m). Thirty-seven of the forty-seven contracts held will mature during the year ended 31st January 2011. The sterling value of the deals held is £455.7m (2009 – £476.4m). Sixty-three of the seventy-four contracts held at 31st January 2009 have matured and have been recognised in the profit and loss account.

22 Retirement benefits

The Group operates two defined benefit schemes in the UK, the C&J Clark Pension Fund (the Fund) and the Clarks Flexible Pension Scheme (the Scheme). A full actuarial valuation of the Fund was carried out at 5 April 2008 and an actuarial report of the Scheme was carried out at 5 April 2008. These were updated to 31st January 2010 by a qualified independent actuary. The Group operates a single defined benefit scheme in the USA, the C&J Clark Company Pension Plan (the Plan). A full actuarial valuation of the Plan was carried out at 1st January 2008 and updated to 31st January 2010 by a qualified independent actuary.

	Group 2010	Group 2009
	£m	£m
Change in benefit obligation for defined benefit sections		
Benefit obligation at 1st February 2009	674.6	698.9
Current service cost	6.8	7.7
Interest cost	42.8	40.8
Plan participants' contributions	1.8	2.9
Past service costs	–	–
Actuarial gains	87.0	(55.4)
Transfer from defined contribution section of the Fund	0.2	–
Curtailments	–	0.2
Benefits paid	(37.0)	(36.0)
Exchange rate adjustment on US scheme	(5.7)	15.5
Benefit obligation at 31st January 2010	770.5	674.6

Analysis of benefit obligation for defined benefit sections

Plans that are wholly or partly funded	770.2	674.6
Plans that are wholly unfunded	0.3	–
Total	770.5	674.6

Change in plan assets for defined benefit sections

Fair value of plan assets at 1st February 2009	511.8	614.1
Expected return on plan assets	31.0	36.3
Actuarial gains/(losses)	95.1	(131.0)
Employer contribution	28.6	12.9
Member contributions	1.8	2.9
Benefits paid	(37.0)	(36.0)
Exchange rate adjustment on US scheme	(2.9)	12.6
Fair value of plan assets at 31st January 2010	628.4	511.8
Funded status	(142.1)	(162.8)
Unrecognised past service cost (benefit)	–	–
Net amount recognised	(142.1)	(162.8)

Notes to the Financial Statements

Continued

22 Retirement benefits (continued)

In addition, the value of the assets and liabilities held in the defined contribution section of the UK Fund amounted to £17.8m as at 31st January 2010 (2009 – £14.7m) and the value of assets and liabilities held in the defined contribution section of the UK Scheme amounted to £2.2m as at 31st January 2010 (2009 – £1.1m). Defined contribution schemes in the US held assets of £38.3m as at 31st January 2010 (2009 – £18.5m).

	Group 2010 £m	Group 2009 £m
Components of pension cost		
Current service cost – defined benefit scheme	6.8	7.7
Contribution – defined contribution scheme	0.5	0.4
Interest cost	42.8	40.8
Expected return on plan assets	(31.0)	(36.3)
Past service cost	0.2	–
Effect of curtailments	–	0.2
Total pension cost recognised in the Profit and Loss Account	19.3	12.8
Actuarial (gains)/losses immediately recognised	(8.1)	75.6
Total pension cost recognised in the Statement of Total Recognised Gains and Losses	(8.1)	75.6
Cumulative amount of actuarial gains immediately recognised since 1 February 2005	65.4	73.5
Movement in deficit during the year		
Deficit in the scheme at 1st February 2009	(162.8)	(84.8)
Current service cost	(6.8)	(7.7)
Contributions	28.6	12.4
Past service costs/curtailments	(0.2)	(0.2)
Net (interest cost)/return on assets	(11.8)	(4.5)
Actuarial gain/(loss)	8.2	(75.6)
Exchange rate adjustment on US scheme	2.7	(2.9)
Deficit in the scheme at 31st January 2010	(142.1)	(162.8)
Associated deferred tax asset		
Deferred tax asset at 1st February 2009	48.6	24.6
Movements in the year – Profit and Loss Account (see note 5(a))	(3.0)	(0.1)
Movements in the year – Reserves	(0.4)	–
Movements on actuarial (gain)/loss	(2.3)	23.1
Exchange rate adjustment on US scheme	(1.0)	1.0
Deferred tax asset at 31st January 2010	41.9	48.6
Net pension liability at 1st February 2009	(114.2)	(60.2)
Net pension liability at 31st January 2010	(100.2)	(114.2)

22 Retirement benefits (continued)

Plan assets

The weighted average asset allocations at the year end were as follows

Asset category	UK plan assets 2010	UK plan assets 2009	North America plan assets 2010	North America plan assets 2009
Equities	54.70%	50.00%	64.25%	57.50%
Bonds	44.70%	49.00%	35.75%	42.50%
Cash	0.60%	1.00%	—	—
	100.00%	100.00%	100.00%	100.00%

Amounts included in the fair value of assets for

Financial instruments	—	—	—	—
Property occupied or other assets used	—	—	—	—

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, the expectation for future returns of each asset class and the expected expenses of operating the schemes. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 5.9% assumption for the year ended 31 January 2010 for the UK scheme and 8.5% for the US scheme.

	Group 2010 £m	Group 2009 £m
Actual return on plan assets	105.5	(90.7)

	UK 2010	UK 2009	North America 2010	North America 2009
Weighted average assumptions used to determine benefit obligations				
Discount rate	5.75%	6.50%	6.00%	6.50%
Rate of increase in salaries				
— Senior Executives	5.50%	5.40%	5.00%	5.00%
— Others	5.00%	4.90%	5.00%	5.00%
Rate of increase in pensions in payment				
Fund	3.40%	3.30%	n/a	n/a
— Scheme	2.25%	2.25%	n/a	n/a
Rate of increase in pensions in deferment	3.50%	3.40%	n/a	n/a
Inflation assumption	3.50%	3.40%	2.50%	2.50%

Weighted average assumptions used to determine net pension cost for the year end

Discount rate	6.50%	5.90%	6.25%	6.25%
Expected long-term return on plan assets	5.90%	5.80%	8.50%	8.50%
Rate of increase in salaries				
— Senior Executives	5.40%	5.50%	5.00%	5.00%
— Others	4.90%	5.00%	5.00%	5.00%
Rate of increase in pensions in payment				
Fund	3.30%	3.50%	n/a	n/a
— Scheme	2.25%	2.25%	n/a	n/a
Rate of increase in pensions in deferment	3.40%	3.50%	n/a	n/a
Inflation assumption	3.40%	3.50%	2.50%	2.50%

Notes to the Financial Statements

Continued

22 Retirement benefits (continued)

	UK 2010	UK 2009	North America 2010	North America 2009
Weighted average life expectancy for mortality tables used to determine benefit obligations				
Member age 65 (current life expectancy) – Male	20.3	20.3	17.9	17.9
– Female	23.2	23.2	21.3	21.3
Member age 45 (life expectancy at age 65) – Male	21.3	21.3	17.9	17.9
– Female	24.1	24.1	21.3	21.3

Five year history

	UK 2010	UK 2009	UK 2008	UK 2007	UK 2006
	£m	£m	£m	£m	£m
Benefit obligation at 31st January 2010	(710.0)	(617.9)	(658.9)	(663.3)	(671.7)
Fair value of plan assets at 31st January 2010	590.0	482.9	582.0	559.9	543.3
Deficit in the scheme	(120.0)	(135.0)	(76.9)	(103.4)	(128.4)
Related deferred tax asset	33.6	37.8	21.5	29.0	36.0
Net pension liability	(86.4)	(97.2)	(55.4)	(74.4)	(92.4)

	North America 2010	North America 2009	North America 2008	North America 2007	North America 2006
	£m	£m	£m	£m	£m
Benefit obligation at 31st January 2010	(60.5)	(56.7)	(40.0)	(38.2)	(41.6)
Fair value of plan assets at 31st January 2010	38.4	28.9	32.1	31.5	31.2
Deficit in the scheme	(22.1)	(27.8)	(7.9)	(6.7)	(10.4)
Related deferred tax asset	8.3	10.8	3.1	2.6	4.0
Net pension liability	(13.8)	(17.0)	(4.8)	(4.1)	(6.4)

	Group 2010	Group 2009	Group 2008	Group 2007	Group 2006
	£m	£m	£m	£m	£m
Benefit obligation at 31st January 2010	(770.5)	(674.6)	(698.9)	(701.5)	(713.3)
Fair value of plan assets at 31st January 2010	628.4	511.8	614.1	591.4	574.5
Deficit in the scheme	(142.1)	(162.8)	(84.8)	(110.1)	(138.8)
Related deferred tax asset	41.9	48.6	24.6	31.6	40.0
Net pension liability	(100.2)	(114.2)	(60.2)	(78.5)	(98.8)

Actual return less expected return on scheme assets	(131.0)	(131.0)	(20.4)	(2.6)	69.9
Percentage of year-end scheme assets	(20.8%)	(25.6%)	(3.3%)	(0.4%)	12.2%
Experience (losses)/gains arising on scheme liabilities	5.5	5.5	(4.9)	1.1	(5.7)
Percentage of year-end scheme liabilities	0.7%	0.8%	(0.7%)	0.2%	(0.8%)

Contributions

Under the current schedule of contributions the Group expects to contribute £12.5m to the UK schemes and \$3.0m to the US schemes in the year ended 31 January 2011.

23. Contingent liabilities

	Group 2010	Group 2009	Company 2010	Company 2009
	£m	£m	£m	£m
Other guarantees and indemnities	0.4	0.3	–	–
	0.4	0.3	–	–

24. Related party transactions

Control

The Group holding company is C&J Clark Limited. As indicated in the Corporate Governance statement on pages 22 to 23, family members hold 80.3% of the company's ordinary shares.

Transactions with directors and officers

There were no transactions with directors and officers during the year.

Transactions with subsidiaries

The Group has taken advantage of the exemptions in FRS 8 'Related Party Transactions' in respect of transactions with subsidiaries, agents, distributors and franchisees.

25. Reconciliation of operating profit items to operating cash flows

	2010 £m	2009 £m
Operating profit before exceptional items	97.4	93.3
Exceptional costs	(3.3)	–
	94.1	93.3
Depreciation and impairments	27.5	28.3
Decrease/(increase) in land held for resale	2.9	(1.1)
Decrease/(increase) in stocks	28.2	(13.4)
Decrease/(increase) in debtors	4.2	(4.4)
Increase/(decrease) in creditors	19.0	(26.1)
Increase/(decrease) in provisions	12.9	(2.8)
Exchange losses/(gains) on currency bank accounts	2.0	(1.9)
Loss on sale of tangible fixed assets	1.9	1.8
Loss on sale of fixed asset investments	–	0.8
Pension deficit funding	(20.3)	(5.0)
Difference between pension charge and cash contributions	(1.2)	–
Net cash inflow from operating activities	171.2	69.5

Notes to the Financial Statements

Continued

26 Analysis of cash flows or dealings netted in the Group cash flow statement

	2010 £m	2009 £m
a) Returns on investments and servicing of finance		
Interest received	-	0.7
Interest paid	(1.9)	(3.2)
Net cash outflow for returns on investments and servicing of finance	(1.9)	(2.5)
b) Capital expenditure and financial investment		
Purchase of tangible fixed assets	(19.0)	(32.7)
Sale of tangible fixed assets	0.1	(0.4)
Additions to investments (see note 10a)	(0.7)	-
Net cash outflow for capital expenditure and financial investment	(19.6)	(33.1)
c) Financing		
(Decrease)/increase in long-term bank loans	(41.9)	22.9
Decrease in bank loans	(18.2)	(8.0)
(Decrease)/increase in debt	(60.1)	14.9
Sale of own shares	-	0.1
Share buyback	(3.9)	(3.9)
Net cash (outflow)/inflow from financing	(64.0)	11.1

27 Analysis of net borrowings

	At 1st February 2009 £m	Cash flow £m	Translation differences £m	At 31st January 2010 £m
Cash at bank and in hand	56.8	63.5	3.1	123.4
Bank overdrafts	(30.4)	(14.7)	(0.9)	(46.0)
	26.4	48.8	2.2	77.4
Bank loans	(17.8)	18.2	(0.4)	-
Long-term loans	(38.1)	41.9	(3.8)	-
	(29.5)	108.9	(2.0)	77.4

C&J Clark Limited and Subsidiaries

The following subsidiaries are those contributing most significantly to the profits and the assets of the Group and is not a complete list of all subsidiaries. All are wholly-owned and are engaged in the shoe trade.

	Country of incorporation	Ordinary shares
Owned via subsidiary undertakings		
C&J Clark International Limited trading as Clarks International	England	£ each
Clarks Companies North America	USA	US \$ each
Clarks Shoes Vertriebs GmbH	Germany	€ each
Clarks Shoes Benelux BV	Holland	€ each
Clarks Japan Company Limited	Japan	¥ each

Group Financial Record

	Notes	2010 £m	2009 £m	2008 (restated) £m	2007 (restated) £m	2006 (restated) £m
Group trading results for the year ended 31st January						
Total Group turnover		1,173.5	1,122.0	1,053.0	972.7	921.4
Turnover from continuing activities	1	1,173.5	1,122.0	1,035.6	939.3	885.4
Profit before interest and exceptional items		97.4	93.3	85.2	80.9	82.1
Exceptional items before taxation		1.5	0.5	(6.0)	(4.9)	(3.9)
Profit before interest and after exceptional items		98.9	93.8	79.2	76.0	78.2
Net interest		(13.8)	(7.0)	(4.1)	(6.6)	(6.3)
Profit before tax and after exceptional items		85.1	86.8	75.1	69.4	71.9
Profit after tax		60.8	62.0	51.7	48.3	48.9

Group financial position at 31st January

Capital employed		353.1	443.5	360.1	358.8	337.8
Net (cash)/borrowings		(77.4)	29.5	19.1	33.7	25.6
Equity shareholders' funds		322.5	288.5	269.2	235.7	201.3

Ratios

Return on sales	2	8.3%	8.3%	8.2%	8.6%	9.3%
Return on capital employed ¹	3	27.6%	21.0%	23.7%	22.5%	24.3%
Net assets per ordinary share	4	£5.41	£4.79	£4.43	£3.84	£3.25
Net borrowings/equity		(24.0%)	10.2%	7.1%	14.3%	17.7%
Basic earnings per ordinary share	5	101.6p	102.6p	84.7p	78.5p	79.0p
Basic earnings per ordinary share before exceptional items		98.3p	101.8p	93.2p	84.3p	84.4p
Dividends paid during the year per ordinary share	6	27.5p	26.5p	24.0p	24.0p	24.0p
Dividend cover	7	3.7	3.9	3.5	3.3	3.3
Interest cover	8	7.2	13.4	19.3	11.5	12.4

- 1 Turnover from continuing operations in all years excludes the turnover generated by the Elefanten group of companies and Ravel
- 2 Return on sales is the profit before interest and exceptional items expressed as a percentage of turnover from continuing activities
- 3 Return on capital employed is the profit before interest and exceptional items expressed as a percentage of capital employed at the year end
- 4 Net assets per ordinary share is the amount of the equity shareholders' funds divided by the number of ordinary shares in issue
- 5 Basic earnings per ordinary share have been calculated as per note 7 in the notes to the financial statements
- 6 Dividends paid during the year per ordinary share reflect the actual payments made during the year rather than the dividend declared in respect of the year in accordance with FRS 21 'Events after the Balance Sheet date'
- 7 Dividend cover is profit after tax divided by dividends paid
- 8 Interest cover is the profit before interest divided by net interest
- 9 2006, 2007 and 2008 restatements relate to Elefanten, Ravel and FRS17 'Retirement Benefits' adjustments made in prior periods

Facts at your Fingertips

	UK 2010	America 2010	Europe 2010	Rest of the World 2010	Group 2010
Turnover (£millions)	591	397	121	65	1,174
Employees (number at year-end)*	11,380	1,827	75	144	13,426
Pairs sold (millions)	28.3	15.7	1.7	0.7	46.4
Shops					
Clarks	398	–	1	–	399
Concessions	57	–	–	–	57
Factory shopping outlets	42	83	2	–	127
Bostonian/Hanover	–	34	–	–	34
Clarks of England	–	125	–	–	125
Total owned shops	497	242	3	–	742
Franchise stores	107	–	–	–	107
International Clarks shops **	–	–	122	74	196
Total shops	604	242	125	74	1,045

	UK 2009	America 2009	Europe 2009	Rest of the World 2009	Group 2009
Turnover (£millions)	585	358	119	60	1,122
Employees (number at year-end)*	11,350	1,821	72	65	13,308
Pairs sold (millions)	30.2	16.7	1.7	0.6	49.2
Shops					
Clarks	399	–	1	–	400
Concessions	58	–	–	–	58
Factory shopping outlets	44	82	2	–	128
Bostonian/Hanover	–	36	–	–	36
Clarks of England	–	117	–	–	117
Total owned shops	501	235	3	–	739
Franchise stores	103	–	–	–	103
International Clarks shops **	–	–	101	57	158
Total shops	604	235	104	57	1,000

* Including part time employees

** Monobranded partnership stores using the 'global' shopfit format

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