

C. & J. CLARK INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2016

Company Registration No: 141015



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C. & J. CLARK INTERNATIONAL LIMITED**Company information**

Directors	M Coley T J O'Neill N Sherman
Secretary	D Wakeford
Lawyer	D Wakeford
Company number	141015
Auditor	KPMG LLP Bristol

C. & J. CLARK INTERNATIONAL LIMITED**Strategic report**

The directors present their strategic report and the audited financial statements for the year ended 31 January 2016.

Principal activity and business review

The principal activities of the Company during the year were shoe retailing and wholesaling.

The key financial and other performance indicators during the year were as follows:

	2016	2015	Change
	£m	£m	%
Turnover	935.4	894.7	+5%
Operating Profit	72.6	106.2	-32%
Profit after Tax	57.3	86.4	-34%
Equity shareholder's funds	363.3	266.5	+36%

Turnover for the year has increased by 5% to £935.4m. Pairs were marginally higher than last year but the footwear market remained highly promotional, with significant challenges to footfall outside of sale or promotional periods. This compromised our ability to drive average selling price growth and the proportion of product that we were able to sell at full price.

Operating profit decreased from £106.2m to £72.6m, a decrease of 32% on the prior year. The company faced difficult trading environments in the year which meant that performance was down on last year. In addition during the year a £8.2m inventory provision was booked in recognition of a sizable element of excess inventory at the year-end date valued below cost. In the previous year the company also benefited from a favourable exchange gains compared to much smaller gains in the current year.

Profit after tax declined by 34% on the prior year. The decline in Profit after tax has been driven by the lower levels of trade as discussed above and the higher costs of financing the company's debt which has increased during the year.

Equity shareholder's funds increased by 36% to £363.3m as a result of an actuarial gain of £82.4m in the year in addition to the profit after tax of £57.3m, this was partially offset by a dividend of £25.0m being paid during the year ended 31 January 2016 (2015: £71.5m).

For further review of the business and results for the year please refer to the Strategic Report on pages 23 to 41 in the Group financial statements.

C. & J. CLARK INTERNATIONAL LIMITED**Strategic report (continued)**

Principal Risks and Uncertainties

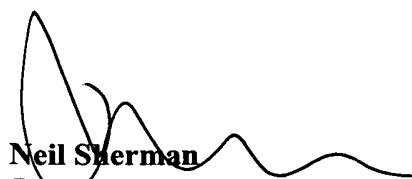
There is an ongoing process for identifying, evaluating and managing the significant risks faced by the C & J Clark Group. One key risk that affects C & J Clark International Limited is the impact of economic trends. In the UK and ROI, whilst at the macro level there might be growing positive signs of recovery, discretionary spending has seen slower growth. Accepting that there will never be a uniformly favourable set of external conditions given the broad geographic span of our business, we remain optimistic that there will be improved growth prospects for our brand in 2016.

The business will continue to face risks from our competitors. We will continue to differentiate ourselves from the competition and to adapt to the continual changes in the structure of the shoe market.

C & J Clark International Limited is exposed to currency risk. The main currencies in order of transactional value are US Dollar, Euro and Japanese Yen. The US Dollar is used primarily for sourcing footwear outside of the USA. The Treasury Committee manages the currency exposure at a Group level by entering into a combination of financial instruments.

The United Kingdom European Union membership referendum, known within the United Kingdom as the EU referendum and the Brexit referendum, took place on Thursday 23 June 2016. The referendum resulted in an overall vote to leave the EU. The company and the Clarks Group are currently reviewing the impact of the vote to leave the EU and planning accordingly.

By order of the Board



Neil Sherman
Director
40 High Street
Street
Somerset
BA16 0EQ

Date: 28 July 2016

C. & J. CLARK INTERNATIONAL LIMITED**Directors' report**

Directors

The directors who held office during the year were:

M Coley (Appointed 11 September 2015)

R Beacham (Resigned 16 October 2015)

M Potter (Resigned 16 October 2015)

T J O'Neill

N Sherman (Appointed 29 October 2015)

Dividends

During the year an interim dividend of £25.0m (2015 – £71.5m) was paid relating to the year ended 31 January 2016. The directors do not recommend a final dividend.

Political Donations

The Company made no political donations or incurred any political expenditure during the year.

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 that will be taken into account in making decisions about employees are those which relate directly to actual or potential performance.

Throughout the Company, procedures for consultation with, and 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 Company recognises that care and concern for the environment and the community is a fundamental part of the Company's strategy. It is the Company'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.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has 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.

C. & J. CLARK INTERNATIONAL LIMITED**Directors' report (continued)**

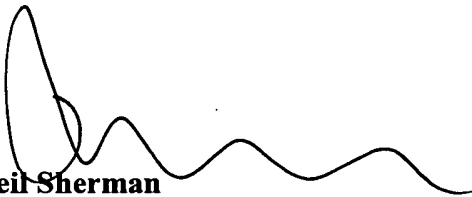
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company'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 Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



Neil Sherman

Director

40 High Street

Street

Somerset

BA16 0EQ

Date: 28 July 2016

C. & J. CLARK INTERNATIONAL LIMITED**Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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.

Independent auditor's report to the members of C. & J. Clark International Limited

We have audited the financial statements of C. & J. Clark International Limited for the year ended 31 January 2016 set out on pages 10 to 35. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 (*The Financial Reporting Standard applicable in the UK and Republic of Ireland.*)

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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, and express an opinion on, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2016 and of its 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

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of C. & J. Clark International Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.



Andrew Campbell-Orde (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

100 Temple Street
Bristol
BS1 6AG

Date: 28 July 2016

C. & J. CLARK INTERNATIONAL LIMITED**Income Statement for the year ended 31 January 2016**

	Notes	2016 £m	2015 restated £m
Turnover	2	935.4	894.7
Costs less other income	3(a)	(862.8)	(788.5)
Operating profit		72.6	106.2
Profit on disposal of assets	4	-	1.0
Profit before interest		72.6	107.2
Net interest payable	5	(1.3)	2.8
Profit on ordinary activities before taxation		71.3	110.0
Taxation on profit on ordinary activities	6	(14.0)	(23.6)
Profit for the financial year		57.3	86.4

The turnover and operating result of the Company derive wholly from continuing activities.

The notes on pages 14 to 35 form part of the financial statements.

C. & J. CLARK INTERNATIONAL LIMITED**Other Comprehensive Income Statement for the year ended 31 January 2016**

	2016	2015 restated
	£m	£m
Profit for the year	57.3	86.4
Other comprehensive income		
Currency Translation Adjustments	4.1	(0.3)
Actuarial gain on pension schemes (note 19)	82.4	49.2
Deferred tax on actuarial gain on pension schemes	(15.3)	(9.7)
Effective portion of changes in fair value of cash flow hedges	(8.7)	37.0
Deferred tax on fair value of cash flow hedges	1.7	(7.4)
	64.2	68.8
Other Comprehensive income for the year, net of income tax		
Total comprehensive income for the year	121.5	155.2

The notes on pages 14 to 35 form part of the financial statements.

C. & J. CLARK INTERNATIONAL LIMITED**Statement of Financial Position as at 31 January 2016**

		2016		2015 restated	
	Notes	£m	£m	£m	£m
Fixed assets					
Intangible fixed assets	8		0.5		0.5
Tangible fixed assets	9		191.5		179.3
Investments	10		8.4		8.2
Other			3.9		5.5
			<u>204.3</u>		<u>193.5</u>
Current assets					
Inventory	12	230.8		198.0	
Debtors falling due within one year	13	149.8		160.0	
Cash at bank and in hand		44.8		20.9	
		<u>425.4</u>		<u>378.9</u>	
Creditors:					
amounts falling due within one year	14	<u>(301.9)</u>		<u>(260.6)</u>	
Net current assets			<u>123.5</u>		<u>118.3</u>
Total assets less current liabilities			327.8		311.8
Creditors:					
amounts falling due after more than one year			(4.4)		(0.2)
Provisions for liabilities	15		(6.4)		(16.2)
Deferred tax liability	16		<u>(28.6)</u>		<u>(6.7)</u>
Net assets before pension asset/(liability)			288.4		288.7
Pension asset/(liability)	19		<u>74.9</u>		<u>(22.2)</u>
Net assets including pension asset/ (liability)			<u>363.3</u>		<u>266.5</u>
Capital and reserves					
Called up share capital	17		18.0		18.0
Revaluation reserve			0.6		0.6
Profit and loss account			324.1		220.3
Cash flow hedge reserve			<u>20.6</u>		<u>27.6</u>
Shareholders' funds			<u>363.3</u>		<u>266.5</u>

The financial statements of C&J Clark International Limited, registered number 141015, were approved by the Board of Directors and signed on its behalf by:


Neil Sherman
 Director

Date: 28 July 2016

The notes on pages 14 to 35 form part of the financial statements.

C. & J. CLARK INTERNATIONAL LIMITED**Statement of Changes in Equity for the year ended 31 January 2015**

	Called up Share Capital £m	Revaluation Reserve £m	Profit and Loss Account £m	Cash Flow Hedge Reserve £m	Total Equity £m
Balance at 1st February 2014 (restated)	18.0	0.6	165.9	(2.0)	182.5
Total comprehensive income for the period					
Profit for the year	-	-	86.4	-	86.4
Other comprehensive income	-	-	39.2	29.6	68.8
Total comprehensive income for the period	-	-	125.6	29.6	155.2
Equity Settled share based payment transactions	-	-	0.3	-	0.3
Dividends Paid	-	-	(71.5)	-	(71.5)
Balance at 31st January 2015 (restated)	18.0	0.6	220.3	27.6	266.5

Statement of Changes in Equity for the year ended 31 January 2016

	Called up Share Capital £m	Revaluation Reserve £m	Profit and Loss Account £m	Cash Flow Hedge Reserve £m	Total Equity £m
Balance at 1st February 2015 (restated)	18.0	0.6	220.3	27.6	266.5
Total comprehensive income for the period					
Profit for the year	-	-	57.3	-	57.3
Other comprehensive income	-	-	71.2	(7.0)	64.2
Total comprehensive income for the period	-	-	128.5	(7.0)	121.5
Equity settled share based payment transactions	-	-	0.3	-	0.3
Dividends Paid	-	-	(25.0)	-	(25.0)
Balance at 31st January 2016 (restated)	18.0	0.6	323.1	20.6	362.3

The notes on pages 14 to 35 form part of the financial statements.

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016**

1. Accounting policies**Statement of compliance**

C&J Clark International Limited is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS102 issued in July 2015 and effective immediately have been applied. An explanation of how the transition to FRS 102 has affected the financial position and performance of the company is included in note 23.

Basis of Presentation

The financial statements are prepared on the historical cost basis except that derivative financial instruments and financial instruments classified at fair value through the Income Statement are stated at their fair value. All amounts in the financial statements are in GBP and rounded to the nearest £million.

The financial statements for the Company are drawn up to the nearest Saturday to the 31st January, in line with retail industry practice. The year to 31st January 2016 constitutes a 52 week period (2015 – 52 week period).

The company is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12 and has therefore taken the following exemptions:

- Not to prepare a separate Statement of Cash Flow
- Reduced Financial instrument disclosures
- Not to disclose key management compensation

These financial statements have been prepared under the going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Operating lease commitments

The company has entered leases as a lessee from which it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)**

1. Accounting policies (continued)

The following are the company's key sources of estimation uncertainty:

Pension and other post-employment benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 19.

Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to Other Comprehensive Income (OCI).

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 Other Comprehensive Income.

Basic financial instruments***Trade and other debtors***

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in subsidiaries and jointly controlled entities

Investments in subsidiaries and jointly controlled entities are carried at cost less impairment.

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)****1. Accounting policies (continued)****Other financial instruments*****Interest-bearing borrowings classified as basic financial instruments***

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank overdrafts that are repayable on demand. These form an integral part of the company's cash management.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Where the hedged risk is the cash flow risk in a firm commitment or a highly probable forecast transaction, the company recognises the effective part of any gain or loss on the derivative financial instrument in Other Comprehensive Income. Any ineffective portion of the hedge is recognised immediately in the income statement.

The hedging gain or loss recognised in OCI is reclassified to the Income Statement when the hedged item is recognised or when the hedging relationship ends.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated.

The estimated useful lives are 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

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)**

1. Accounting policies (continued)**Tangible assets (continued)**

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

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

Intangible assets

Trademarks are stated at purchase cost, less amortisation and accumulated impairment losses. When a franchisee enters into an agreement with the company to operate an international franchise store, under the terms of the agreement the company 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.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Trademarks	20 years
Franchise License	Over the length of the agreement which is 5 years

Inventory

Inventory is stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventory, production or conversion costs and other costs in bringing them to their existing location and condition.

Employee benefits***Defined contribution plans and other long term employee benefits***

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement in the periods during which services are rendered by employees.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted.

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)**

1. Accounting policies (continued)**Employee benefits (continued)*****Defined contribution plans and other long term employee benefits (continued)***

The company's determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the year end date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the company's obligations. A valuation is performed by a qualified actuary using the projected unit credit method. The company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the income statement in the period in which it occurs.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income.

Share-based payment transactions

The company 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 the share based payment standard. Under the standard the matching shares qualify as equity-settled share-based payments to be recognised 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 share is four years. This has resulted in a current year charge of £0.3m (2015 – £0.3m).

Provisions

A provision is recognised in the Statement of Financial Position when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Turnover

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.

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)**

1. Accounting policies (continued)**Expenses*****Operating lease***

Payments (excluding costs for services and insurance) made under operating leases are recognised in the income statement as incurred. Lease incentives received are recognised in the income statement over the term of the lease.

Net finance costs

Interest payable and similar charges include interest payable and finance leases recognised in the income statement using the effective interest method, unwinding of the discount of provisions and net foreign exchange losses that are recognised in the income statement.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the year end date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)****2. Analysis of turnover**

The turnover of the Company derives from its activities in the shoe trade.

The geographical source of turnover is principally the UK and ROI and the turnover by ultimate geographical market is: -

	2016 £m	2015 restated £m
UK and ROI	642.4	598.9
Americas	9.0	10.3
Europe	135.7	177.0
Asia Pacific	132.6	106.8
Group Items	15.7	1.7
	<u>935.4</u>	<u>894.7</u>

3. Operating profit and costs**a) Costs less other income**

	2016 £m	2015 restated £m
Turnover	935.4	894.7
Cost of sales	<u>(519.7)</u>	<u>(450.0)</u>
Gross profit	415.7	444.7
Distribution costs	(296.5)	(258.3)
Administrative expenses	(63.7)	(119.4)
Other Income	<u>17.1</u>	<u>39.2</u>
Operating profit	<u>72.6</u>	<u>106.2</u>

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)****3. Operating profit and costs (continued)****b) Other costs charged/(credited) in arriving at operating profit includes:**

	2016	2015
	£m	restated £m
Amortisation of intangible assets	-	0.1
Depreciation of owned assets	22.7	20.7
Operating lease rentals		
- land and buildings	60.1	65.3
- plant and equipment	1.2	1.3
Auditors remuneration		
- audit of these financial statements	0.4	0.2
Operating lease rental income		
- land and buildings	(1.9)	(2.3)
Share-based payment		
- Equity-settled	<u>0.3</u>	<u>0.3</u>

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, C&J Clark Limited.

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

	2016	2015
	Number	Number
Sales and distribution	9,600	10,241
Administration	<u>1,539</u>	<u>1,282</u>
	<u>11,139</u>	<u>11,523</u>

The average number of employees has been calculated on a monthly weighted average. The total number of employees at year end was 9,714 (2015 – 10,742).

d) Employment costs in respect of the foregoing:

	2016	2015
	£m	restated £m
Wages and salaries	125.0	137.0
Social security costs	9.2	9.0
Pension current service cost – defined benefit schemes (see note 19)	9.1	9.9
Pension contributions – defined contribution scheme	<u>2.3</u>	<u>2.0</u>
	<u>145.6</u>	<u>157.9</u>

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)****3. Operating profit and costs (continued)****e) Aggregate emoluments of the directors:**

	2016	2015 restated
	£m	£m
Directors' services		
- salaries and benefits	1.7	2.2
- long-term incentives charge for the year	(0.4)	0.9
- compensation for loss of office	1.6	-
	<u>2.9</u>	<u>3.1</u>

The emoluments of the highest paid director totalled £1.3m (2015 - £1.7m). Further details on the compensation for the loss of office can be found in the remuneration report within the C&J Clark Annual report and accounts. As at 31st January 2016 accrued pension for directors was £0.2m, during the year £2,000 was contributed to this accrual.

4. Exceptional items

a) Profit on disposal of assets	2016	2015
	£m	£m
Disposal of assets relating to Latin Americas business	<u>-</u>	<u>1.0</u>

5. Net finance costs

	2016	2015 restated
	£m	£m
Interest payable	3.3	0.2
Net interest cost on assets and liabilities of pension scheme (see note 19)	0.3	3.1
Unwind Discount on Provisions	0.2	0.2
Net gain on financial instruments measured at fair value through profit and loss	(2.5)	(6.3)
	<u>1.3</u>	<u>(2.8)</u>

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)****6. Taxation on profit on ordinary activities****a) Analysis of charge in the year:**

	2016	2015 restated
	£m	£m
Current taxation:		
UK corporation tax at 20.2% (2015 – 21.3%)	7.2	19.6
Overseas taxation on income for the year	0.2	0.2
Group relief	(1.7)	(0.2)
Adjustments in respect of prior periods	-	(0.4)
Total current taxation (see note 6(b))	<u>5.7</u>	<u>19.2</u>
Movement in deferred taxation:		
Effective change in tax rate	(1.0)	-
Adjustments in respect of prior periods	0.1	0.2
Other origination and reversal of timing differences	9.2	4.2
Total deferred tax (see note 16)	<u>8.3</u>	<u>4.4</u>
Taxation on profit on ordinary activities	<u>14.0</u>	<u>23.6</u>

b) Factors affecting tax charge:

The tax assessed for the year is higher than the standard rate of Corporation Tax in the UK, which is 20.2% (2015 – 21.3%). The differences are explained below:

	2016	2015 restated
	£m	£m
Profit on ordinary activities before tax	<u>71.3</u>	<u>110.0</u>
At the average standard rate of Corporation Tax for the year in the UK of 20.2% (2015 – 21.3%)	14.4	23.5
Depreciation on items not qualifying for Capital Allowances	0.4	0.8
Deferred tax rate reduction	(0.4)	(0.3)
Adjustments in respect of prior periods	0.1	(0.2)
Other	(0.5)	(0.2)
	<u>14.0</u>	<u>23.6</u>
Movement in deferred taxation	<u>(8.3)</u>	<u>(4.4)</u>
Total current taxation (see note 6(a))	<u>5.7</u>	<u>19.2</u>

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)****7. Dividends paid and proposed**

	2016 £m	2015 £m
Equity dividends:		
Ordinary Share dividends paid	<u>25.0</u>	<u>71.5</u>

8. Intangible fixed assets

	Trademark £m
Cost or valuation	
At 31 January 2015	0.7
Additions	-
At 31 January 2016	<u>0.7</u>
Amortisation	
At 31 January 2015	(0.2)
Amortisation for the year	-
At 31 January 2016	<u>(0.2)</u>
Net Book Value	
At 31 January 2015 and 31 January 2016	<u>0.5</u>

The trademark relates to the Clarks brand name in Brazil.

9. Fixed assets - tangible assets

a) Summary	Land and Buildings £m	Plant & Equipment £m	Total £m
Cost at 1st February 2015 (restated)	64.1	292.9	357.0
Capital Expenditure	2.5	36.8	39.3
Disposals	-	(10.7)	(10.7)
Exchange adjustment	-	(0.4)	(0.4)
At 31 January 2016	<u>66.6</u>	<u>318.6</u>	<u>385.2</u>
Depreciation at 1st February 2015 (restated)	17.0	160.7	177.7
Charge for the year	1.4	21.3	22.7
Impairment	-	-	-
Disposals	-	(6.7)	(6.7)
At 31 January 2016	<u>18.4</u>	<u>175.3</u>	<u>193.7</u>
Net book value			
At 31 January 2016	<u>48.2</u>	<u>143.3</u>	<u>191.5</u>
At 31 January 2015 (restated)	47.1	132.2	179.3

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)****9. Fixed assets - tangible assets (continued)****Land and Buildings**

The net book value of land and buildings comprises:

	2016 £m	2015 restated £m
Freehold	43.7	42.7
Long leasehold	2.6	2.6
Short leasehold	1.9	1.8
	48.2	47.1

10. Investments

	Total £m
Cost	
At 31 January 2015	8.5
Additions	0.2
At 31 January 2016	8.7
Provision for impairment	
At 31 January 2015 and 31 January 2016	0.3
Net book value	
At 31 January 2016	8.4
At 31 January 2015	8.2

11. Shares in Group undertakings

The Company holds the following investments of the Group:

Name of company	Country of Incorporation	Proportion held by Company
Subsidiaries		
Hallco 367 Limited	England	100%
Clarks Shoes Australia Limited	Australia	100%
Clarks Shoes Limited	Australia	100%
Clarks Dongguan Footwear Services Company Limited	China	100%
Clarks Shoes Limited	New Zealand	100%
Clarks India Services Private Limited	India	100%
C&J Clark Latin America Inc	United States of America	100%
Clarks Americas Canada Retail Limited	Canada	100%
C&J Clark Hong Kong Limited	Hong Kong	100%
Joint Ventures		
Clarks Future Footwear Limited	India	50%

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)****12. Inventory and work in progress**

	2016	2015 restated
	£m	£m
Finished goods and goods for resale	<u>230.8</u>	<u>198.0</u>

Write down of inventory to net realisable value amounted to £8.2m.

13. Debtors

	2016	2015 restated
	£m	£m
Trade debtors	45.9	57.1
Amounts due from Group undertakings	43.6	34.6
Other debtors	7.9	8.5
Prepayments and accrued income	21.8	23.4
Financial Derivatives	<u>30.6</u>	<u>36.4</u>
	<u>149.8</u>	<u>160.0</u>

14. Creditors: amounts falling due within one year

	2016		2015 restated
	£m	£m	£m
Bank loans and overdrafts		38.9	37.4
Trade creditors		82.2	73.8
Amounts owed to Group undertakings		155.4	83.6
Taxation and social security:			
Corporation tax	4.1		12.2
Other taxes	7.8		6.1
PAYE & national insurance	<u>3.5</u>		<u>3.7</u>
		15.4	22.0
Other creditors		0.1	3.7
Accruals and deferred income		6.2	26.2
Financial derivatives		<u>3.7</u>	<u>13.9</u>
		<u>301.9</u>	<u>260.6</u>

15. Provisions for liabilities

	At 31 January 2015 restated £m	Provided in year £m	Released in year £m	Unwind discounting £m	Utilised £m	At 31 January 2016 £m
Long-term incentive plan	8.3	-	(4.1)	-	(4.2)	-
Dilapidation provision	0.6	0.3	-	-	(0.2)	0.7
Onerous lease provision	7.1	0.3	-	0.2	(2.2)	5.4
Other	0.2	0.1	-	-	-	0.3
	<u>16.2</u>	<u>0.7</u>	<u>(4.1)</u>	<u>0.2</u>	<u>(6.6)</u>	<u>6.4</u>

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)****16. Deferred taxation**

	2016	2015 restated
	£m	£m
Accelerated capital allowances	5.4	5.6
Short term timing differences	5.3	0.7
Holdover Relief	4.4	4.8
Pension fair value and timing differences	13.5	(4.4)
	<u>28.6</u>	<u>6.7</u>

	2016
	£m
Provision at start of year (restated)	6.7
Deferred taxation charge in other comprehensive income	13.6
Deferred taxation charge in the profit and loss account for the year (note 6(a))	8.3
	<u>28.6</u>
Provision at end of year	<u>28.6</u>

17. Share capital

	2016	2015
	£m	£m
Authorised, issued, allotted and fully paid 18,028,202 ordinary shares of £1 each	<u>18.0</u>	<u>18.0</u>

18. Financial commitments

Commitments by the Company for capital expenditure not provided for in the financial statements were: -

	2016	2015
	£m	£m
Contracted but not provided for	<u>2.5</u>	<u>3.4</u>

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)****18. Financial commitments**

Total commitments by the Company in respect of non-cancellable operating leases were: -

	Land and buildings		Plant and equipment	
	2016	2015 restated	2016	2015 restated
	£m	£m	£m	£m
Expiring within one year	54.1	56.8	1.1	1.0
Expiring between two and five years	164.9	186.1	2.0	1.4
Expiring after five years	102.1	135.0	-	-
	<u>321.1</u>	<u>377.9</u>	<u>3.1</u>	<u>2.4</u>

19. Pension commitments***Retirement Benefits:***

The Company operates two defined benefit schemes: 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 2014 and an actuarial report of the Scheme was carried out at 5 April 2015. These were updated to 31 January 2016 by a qualified independent actuary.

	2016	2015 restated
	£m	£m
Change in benefit obligation for defined benefit sections		
Benefit obligation at 01 February	1030.5	903.8
Current service cost	9.1	9.9
Administration costs	2.2	2.3
Interest cost	29.2	38.5
Plan participants' contributions	0.6	0.7
Past service costs	0.1	-
Actuarial losses	(112.6)	115.8
Benefits paid	<u>(48.6)</u>	<u>(40.5)</u>
Benefit obligation at 31 January	<u>910.5</u>	<u>1,030.5</u>
Analysis of benefit obligation for defined benefit sections		
Plans that are wholly or partly funded	910.5	1,030.5
Plans that are wholly unfunded	-	-
Total	<u>910.5</u>	<u>1,030.5</u>

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)****19. Pension Commitments (Continued)**

	2016	2015 restated
	£m	£m
Change in plan assets for defined benefit sections		
Fair value of plan assets at 01 February	1008.3	817.5
Expected return on plan assets	28.9	35.4
Actuarial (loss)/gain	(30.2)	165.0
Employer contribution	26.4	30.2
Member contributions	0.6	0.7
Benefits paid	(48.6)	(40.5)
Fair value of plan assets at 31 January	985.4	1,008.3
Funded status	74.9	(22.2)
Unrecognised past service cost	-	-
Net amount recognised	74.9	(22.2)

In addition, the value of the assets and liabilities held in the defined contribution section of the Fund amounted to £27.7m as at 31 January 2016 (2015 - £29.2m) and the value of the assets and liabilities held in the defined contribution section of the Scheme amounted to £15.7m as at 31 January 2016 (2015 - £13.5m)

	2016	2015 restated
	£m	£m
Components of pension cost		
Current service cost – defined benefit scheme	9.1	9.9
Administration costs	2.2	2.3
Contributions – defined contribution scheme	2.3	2.0
Interest cost	29.2	38.5
Expected return on plan assets	(28.9)	(35.4)
Past service cost	0.1	0.0
Total pension cost recognised in the Profit & Loss Account	14.0	17.3
Actuarial gains immediately recognised	(82.4)	(49.2)
Cumulative amount of actuarial gains immediately recognised since 01 February 2005	(53.4)	29.0

	2016	2015 restated
	£m	£m
Movement in deficit during the year		
Deficit in the scheme at 01 February	(22.2)	(86.3)
Current service cost	(9.1)	(9.9)
Administration costs	(2.2)	(2.3)
Contributions	26.4	30.2
Past service costs/curtailments	(0.1)	-
Net interest cost	(0.3)	(3.1)
Actuarial loss	82.4	49.2
Deficit in the scheme at 31 January	74.9	(22.2)

C. & J. CLARK INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31 January 2016 (continued)

19. Pension commitments (continued)

Plan Assets

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

	2016	2015
Asset Category		
Equities	22.45%	27.23%
Bonds	77.14%	72.31%
Cash	0.41%	0.46%
	<u>100.00%</u>	<u>100.00%</u>

Amounts included in the fair value of assets for:

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

	2016	2015
		restated
	£m	£m
Actual return on plan assets	(30.2)	165.0

Weighted average assumptions used to determine benefit obligations

	2016	2015
		restated
Discount rate	3.65%	2.90%
Rate of increase in salaries:		
Senior Executives	4.45%	4.25%
Others	3.95%	3.75%
Rate of increase in pensions in payment:		
Fund	2.90%	2.70%
Scheme	1.80%	1.75%
Rate of increase in pensions in deferment	1.95%	1.75%
Inflation assumption	2.90%	2.70%

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

	2016	2015
		restated
Discount rate	2.90%	4.35%
Expected long-term return on plan assets	2.90%	4.30%
Rate of increase in salaries:		
Senior Executives	4.25%	5.40%
Others	3.75%	4.90%
Rate of increase in pensions in payment:		
Fund	2.70%	3.30%
Scheme	1.75%	2.10%
Rate of increase in pensions in deferment	1.75%	2.70%
Inflation assumption	2.70%	3.30%

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)****19. Pension commitments (continued)****Weighted average life expectancy for mortality tables used to determine benefit obligations**

	2016		2015	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	23.2	23.7	23.3	23.8
Member age 45 (life expectancy at age 65)	24.9	25.3	25.1	25.2

Five year history	2016	2015	2014	2013	2012
	£m	£m	£m	£m	£m
Benefit obligation at end of year	(910.5)	(1,030.5)	(903.8)	(870.5)	(822.6)
Fair value of plan assets at end of year	985.4	1,008.3	817.5	790.4	738.8
Deficit in scheme	74.9	(22.2)	(86.3)	(80.1)	(83.8)
Actual return less expected return on scheme assets	(59.1)	129.6	1.3	30.4	62.3
Percentage of year-end scheme assets	(6.0%)	12.9%	0.2%	3.8%	8.4%
Experience gains/(losses) arising on scheme liabilities	112.6	(118.1)	(21.3)	(40.2)	(49.8)
Percentage of year-end scheme liabilities	13.0%	11.5%	0.3%	(1.1%)	(6.5%)

Contributions

Under the current schedule of contributions, the Company expects to contribute £16m to the UK schemes in the year ended 31 January 2016.

20. Contingent liabilities

There were no contingent liabilities at the year end (2015: £Nil).

21. Related party transactions**Control**

As stated in the Annual Report of the Company's ultimate parent company, family shareholders hold 85% of that Company's ordinary shares.

Transactions with subsidiaries

As the Company is a wholly owned subsidiary of C&J Clark Limited, the Company has taken advantage of the exemption contained in FRS102 section 33.1a and has therefore not disclosed transactions or balances with wholly-owned subsidiaries that form part of the Group. The consolidated financial statements of C&J Clark Limited, within which this Company is included, can be obtained from Companies House at the address shown in Note 22.

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)****21. Related party transactions (continued)****Transactions with joint ventures**

During the year, the Company invested £nil (2015 – £0.6m) in Clarks Future Footwear Limited, a joint-venture incorporated in India. During the year, sales to Clarks Future Footwear Limited totalled £5.1m (2015 – £4.8m) and the balance due from Clarks Future Footwear Limited at 31 January 2016 was £2.6m (2015 – £2.6m).

22. Ultimate holding company

The Company's immediate parent undertaking is C&J Clark (Holdings) Limited.

In the directors' opinion, the Company's ultimate parent company and controlling party is C&J Clark Limited, which is incorporated in England. Copies of its consolidated financial statements, which include the Company, are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

23. Transition to FRS 102

The company transitioned to FRS 102 from UK GAAP at 1st February 2014. These are the company's first full year financial statements prepared in accordance with FRS 102. The accounting policies set out on pages 14 to 19 have been applied in preparing the financial statements for the year ended 31st January 2016 and the comparative year ended 31st January 2015

The impact from the transition to FRS 102 on Equity Shareholders funds was as follows:

Reconciliation of Equity Shareholders funds at 1st February 2014.

	£m
Equity Shareholders funds at 1st February 2014 under previous UK	208.4
Onerous lease provision	(7.1)
Store impairment	(0.8)
Derivatives	(12.3)
Deferred tax	(4.7)
Foreign exchange adjustment	(1.0)
Equity Shareholders funds at 1st February 2014 under FRS 102	182.5

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)****23. Transition to FRS 102 (continued)****Reconciliation of Equity Shareholders funds at 31st January 2015.**

	Company £m
Equity Shareholders funds at 31 January 2015 under previous UK GAAP	262.2
1st February 2014 opening adjustments	(26.0)
Onerous lease provision	1.4
Store impairment	0.2
Derivatives	33.2
Foreign exchange adjustment	(4.5)
Pension	0.3
Lease incentives	(0.3)
Equity Shareholders funds at 31st January 2015 under FRS 102	266.5

The following were changes in accounting policies arising from the transition to FRS 102:***Onerous lease provision and store impairment***

Previously store impairment reviews were carried out by reviewing the portfolio of stores as the cash generating unit.

The revised accounting policy is to carry out impairment reviews at a store level. A store is considered impaired when the future cash generation of that store is not enough to cover the current carrying value of its fixed assets. If impairment is indicated a provision is created against the value of those fixed assets and a discounted onerous lease provision created to the extent that the future rents costs (until the first contractual opportunity to break the lease) are covered.

The impairment test will be conducted annually on 31st January or sooner, if a material business change occurs to cause doubt to the ability of a store to cover the carrying value of the fixed assets.

Derivatives

Previously financial instruments were not recognised on the balance sheet but were disclosed in the notes to the financial statements. Any gains or losses on settlement were offset against the foreign exchange movements on the related monetary assets and liabilities.

The revised accounting policy is to recognise the movement in fair value of financial instruments on the Statement of Financial Position with any gains or losses recorded in one of two ways:

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)**

23. Transition to FRS 102 (continued)

- If the instrument meets the requirements for hedge accounting the movement will be recorded within Other Comprehensive Income and subsequently recycled to the Income Statement when the underlying transaction is recorded.
- If the financial instrument is deemed not to meet the requirement for hedge accounting the fair value movement will be immediately recognised in the Income Statement within net finance income/costs on the related monetary assets and liabilities.

Foreign exchange adjustment

Previously foreign currency transactions were translated at hedged rates of exchange at the date of the transaction as this was considered to be a fair representation of the true value of those transactions at a reporting date.

The revised accounting policy is for all foreign currency transactions to be valued at the weekly average spot rate of exchange prevailing at the date of the transaction.

Pension

Previously pension administration costs associated with running the scheme were presented in finance costs in the Income Statement; interest on the return on scheme assets was calculated using an expected return discount rate; and deferred tax on pension assets or liabilities were offset against the pension asset or liability.

The revised accounting policy is that administration costs associated with running the scheme are reported within administrative costs within operating profit; interest on the return on scheme assets are calculated using the liability discount rate; and deferred tax relating to the assets and liabilities of the scheme are disclosed on the Statement of Financial Position within deferred tax.

Lease incentives

Previously lease incentives such as rent free periods were released to profit and loss over the lease period to the first break clause of the associated lease. The revised accounting policy is to release any lease incentives to the Income Statement over the entire length of the lease period. Any lease incentives recognised prior to 31st January 2014 are released to the Income Statement over the lease period to the first break clause of the associated lease.

Deferred tax

Previously deferred tax on property rollover relief elections were not recognised. The revised accounting policy is to recognise the future tax payable within deferred tax on property rollover relief.

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 January 2016 (continued)****23. Transition to FRS 102 (continued)**

The impact from the transition to FRS 102 on the Income Statement was as follows:

Reconciliation of Profit after tax at 31st January 2015

	£m
Profit after tax at 31st January 2015 under previous UK GAAP	86.9
Onerous lease provision	1.4
Store impairment	0.2
Derivatives Hedge accounted	(1.3)
Non hedge accounted	5.0
Foreign exchange adjustment	(4.5)
Pension	(1.0)
Lease incentives	(0.3)
Profit after tax at 31 January 2015 under FRS 102	86.4

Transitional Relief

On transition of FRS 102 from previous UK GAAP, the company has taken advantage of transitional relief as follows:

Business Combinations

The Group elected not to apply Section 19 Business Combinations and Goodwill to business combinations that were effected before the date of transition of FRS 102. No adjustment has been made to the carrying value of goodwill and intangible assets subsumed within goodwill have not been separately recognised.

Investments in Subsidiaries

The company has elected to treat the carrying amount of investments in subsidiaries under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.

Lease Incentives

The company has not applied the changes to lease incentives where the lease commenced before the date of transition to FRS 102. The company has continued to recognise any residual benefit or cost associated with these lease incentives on the same basis that applied prior to FRS 102.