C&J CLARK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 FEBRUARY 2018

Clarks

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RESULTS AT A GLANCE

		2018 £m	2017 £m Restated
Group turnover		**£1,539.9m**	£1,654.7m
Group operating profit		**£29.3m**	£41.4m
Basic earnings per ordinary share		**(53.0p)**	44.9p
Dividends per ordinary share	interim	**0.0p**	7.0p
	second interim	**10.0p**	14.0p
Net borrowings		**£27.3m**	£133.7m

Group turnover (£m)

2014	1,541.0
2015	1,494.4
2016	1,533.6
2017	1,654.7
2018	**1,539.9**

Group operating profit (£m)

2014	128.4
2015	112.7
2016	45.8
2017	41.4
2018	**29.3**

Profit after tax (£m)

2014	88.7
2015	80.0
2016	36.0
2017	26.5
2018	**(31.3)**

Adjusted profit after tax (£m)*

2014	88.7
2015	85.3
2016	38.6
2017	34.5
2018	**12.3**

Dividend per share on a declared basis (pence)

2014	44.0
2015	46.5
2016	32.5
2017	21.0
2018	**10.0**

Adjusted earnings per share (pence)*

2014	149.3
2015	143.5
2016	65.0
2017	58.3
2018	**20.8**

Net borrowings (£m)

2014	59.7
2015	66.8
2016	183.3
2017	133.7
2018	**27.3**

Net borrowings as a percentage of equity (%)

2014	11.8
2015	11.3
2016	28.2
2017	22.3
2018	**5.4**

*Please see glossary on pages 96 to 97.

CHAIRMAN'S STATEMENT

"Your Board of Directors remains confident that Clarks will weather the headwinds and stay the course to a stronger business."

A Climate of Uncertainty

We have been and continue to operate in a climate of uncertainty. The economic recovery following the global financial crisis is still delicate and is fuelling calls for restrictions on trade and immigration. In the UK, following the vote for Brexit, we expect increased uncertainty both in the UK and the Eurozone. In the US, we expect the pressure on "bricks and mortar" retail to continue and to feel the impact of tax reform and growing trade protectionism.

However, despite this uncertainty, we believe the demand for good quality, comfortable shoes that offer good value to consumers will continue to increase, with a persistent demand for "athleisure" products in our more developed markets. The new segmented brand strategy will allow us to target each part of our portfolio of products at a specific customer and/or consumer group. This will support our ambition to achieve pricing and sales sufficient to generate revenue and sustain the need for constant and persistent innovation. We need to work hard across the entire business to continue to improve productivity, by carefully selecting those opportunities that offer the best returns, as well as controlling costs.

Returns to Shareholders

Our business in 2017/18 was disappointing and we need to do better. Our shareholders have seen the share price fall and the dividend reduced. It is unacceptable to the Board and to management. Despite the challenges in 2017/18, management successfully steered the Group to an expected underlying profit position. However, when tax and currency are factored into the results, the business recorded a non-cash, after-tax loss for 2017/18 of £31.3m, representing a decrease of £57.8m from the previous year. A full explanation of these impacts is given in the Financial Review on pages 20 to 27.

The factors behind the poor performance were both internal and external. The Board of Directors has challenged management to turn the business around with aggressive actions and management has taken up the challenge with a strategic reset for the business. In it, management has developed a plan to restore the business to after-tax profitability and a sustainable dividend.
Externally, the business continues to struggle with the currency impact triggered by the Brexit decision and populist politics, particularly in the United States, where it has erupted into tax policies that have negatively affected Clarks consolidated business results. The after-tax loss for 2017/18

was wholly accounted for by US tax reform without which the business would have reported a modest profit after tax. Following the re-negotiation of the Group's banking facilities in September 2017, the impact of US tax reform was excluded from the calculation of dividend payments. As a result, the fact that the adjustments leading to the loss after tax are non-cash based has allowed the Board to issue an interim dividend for 2017/18 of 10 pence with confidence. The Board's assessment is that this is behind us now and management will move forward to strengthen shareholder value, producing sensible and meaningful shareholder returns.

Progressing Our Strategy

In 2017/18, the Board of Directors oversaw the development of a new strategy, led by the new leadership team built by Mike Shearwood, our Chief Executive Officer, as well as ensuring that our progress was underpinned by good governance. During the year, we continued to sharpen focus to our recovery programme, with the delivery of a significant reduction in inventory levels, while at the same time reducing the number of days on sale in our retail network – this was a particular achievement. We encountered, as was to be expected, some setbacks on the way but our underlying business is in better health and a stronger Clarks is emerging, driven by a renewed focus on business fundamentals in our established markets of the UK and the US, augmented by growth in China.

Our Chief Financial Officer, Paul Kenyon, has outlined in his Financial Review that our results for 2017/18 were in line with expectations at the underlying operating profit level. It was not possible to fully offset the impact of currency headwinds on the business following the Brexit vote and hence results at the profit after tax level fell short of our expectations. The fall in product sales revenue was primarily due to the successful delivery of the Group's strategic ambition to reduce the level of price promotion in the business. The significant inventory clearance programme carried out in the prior year, which had significantly boosted sales at the cost of margin, was not repeated this year. The Board is confident that the new business strategy has the potential to deliver a sustainable improvement in business performance, as the Group moves through the "rebase" and "build" phases of the strategy to deliver growth in sales, margin and cash generation going forward, particularly in 2020 and beyond.

Sound Governance

The Directors take very seriously their responsibility to have a robust governance structure in place, ensuring that we are able properly to discharge our responsibilities in approving a strategy, as well as monitoring and reviewing progress as it is implemented, and ensuring that we manage our risks and carry out business responsibly.

We are also very conscious that, as Directors, we are accountable to our shareholders and must have regard to other stakeholders such as employees, consumers, suppliers, the communities in which we do business and the environment. We welcome the opportunity at our Annual General Meeting to meet and answer shareholders' questions. We also maintain an active dialogue with shareholders throughout the year via meetings with the family shareholder council, as well as through regular communication with the Chair of the family shareholder council and the council's various sub-committees. The views of other stakeholders are also important and I have engaged with many shareholders over the past year.

Board Changes

I am grateful to all the Directors for their contribution during 2017/18, especially those of my colleagues who have additional responsibilities or who chair Board committees: Stella David, our Senior Independent Non-Executive Director; Walker Boyd, who chairs the Audit Committee; and Lucien Alziari, who chairs the Remuneration Committee.

During the year, we welcomed three new members onto the Board. Tanya Cordrey, who has a strong background in digital development; and Tobias Zimmerer, who has spent his entire career in the shoe industry. Both joined as Non-Executive Directors in July 2017. Paul Kenyon joined in August 2017 as an Executive Director and Chief Financial Officer. Brief biographies for all the Directors can be found on page 33 and 34.

The Articles of Association require that one third of the Board Directors stand for re-election at each Annual General Meeting. In addition, the Board, through its Nomination Committee, reviews business needs against the skills of the current Directors and makes adjustments to Board composition where beneficial. This serves as the basis for sound succession planning at the Board level, and as recently communicated to shareholders, as I approach 15 years on the Board, it is the right time to commence the search for a successor with the ambition of proposing the successful candidate for election at the 2019 AGM. Walker Boyd has also indicated his intention to retire at the 2019 AGM, and the search for his successor will commence shortly. Lastly, Tim Campbell has informed the Board that he plans to step down in November 2018 in order to focus on a new professional role. The Board will seek a recommendation for a family-appointed Director from the family council to replace Tim.

A Sustainable Business

In an increasingly connected world where businesses are under more scrutiny than ever, Clarks remains driven both by a responsibility to address the expectations of our shareholders, and an opportunity to realise the commercial value that building a global brand with a strong corporate reputation can bring.

Our intent is to fully embed corporate responsibility into a complex global business with regional entities. This means that our focus on being a responsible business will be at the heart of every decision we make and will underpin the commercial success for which we strive.

In 2017/18, we took further important steps in this direction. We have built on the solid progress made by our behaving responsibly programme and have evolved it into a broader corporate social responsibility approach. A strengthened and robust governance structure with ownership from our Senior Leadership Team, plus support from our Corporate Responsibility Governance Committee, has helped us define what a responsible business looks like, now and in years to come.

We have also recently pledged our support to the British Retail Consortium's Better Retail, Better World initiative until 2020. This allows us to integrate the way we do business into key UN Sustainable Development Goals that are relevant to our industry and our operations.

I am pleased to report that we have made good progress in key areas of corporate responsibility including the environment, suppliers and community. We will continue to embed corporate responsibility into the business in a robust, impactful way which creates commercial value for Clarks.

Outlook

The external environment in 2018/19 is expected to remain challenging, with further Brexit-related currency headwinds to be absorbed. Management is working hard to mitigate these challenges and the progress made in 2017/18 puts the Group in a better place to absorb these impacts. Currently, the developing trade dispute between the U.S. and China has explicitly excluded footwear from targeted tariff increases. If this were to change our American business would be impacted. Your Board of Directors remains confident that Clarks will weather the headwinds and stay the course to a stronger business, with corrections made where necessary over the next 12 to 18 months. In the end, our shareholders will be rewarded for their patience and support during the concentrated development of our Company with higher, sustainable returns.

Lastly, the dedication of our employees through a very difficult time has been a critical factor in turning around the business and I would like to thank them for their support on behalf of management, the Board and shareholders.

Thomas J O'Neill
Chairman
6 April 2018

CHIEF EXECUTIVE OFFICER'S REVIEW

2017/18: a transitional phase

2017/18 was a crucial year in our journey as we sought to rebuild the business on solid full-price selling whilst completing the sell-off of excess inventory from previous years. We significantly reduced the number of days where our products were available at a discount with the objective of rebuilding brand credibility and improving the net margin. This switch in trading strategy, as expected resulted in reduced net turnover, but increased average selling prices and improved margins.

In terms of performance across the Group, more detailed regional reviews are contained in the Business Review section but in summary: Europe remains a tough market, with profitability heavily impacted by the devaluation of sterling (see below) and steep declines in footfall – we have a new team in place to raise performance standards but progress will inevitably be hard-won given the macro-economic environment and the ongoing uncertainty regarding Brexit; Americas has seen a good recovery from the operational issues that impacted performance in the prior year, but the retail side of the business (where we also have new leadership) will take some time to reposition given the quality of the store estate (albeit the trends in the outlet side of the business are improving); in Asia Pacific, China remains the stand-out growth performer with the highlight being the performance on Singles Day with T-Mall (Alibaba's digital marketplace) while legacy issues across the other Asian markets are steadily being addressed, again by new management.

Unfavourable currency movements were a significant headwind for Clarks in 2017/18: notably the decline in value of sterling versus the US Dollar. The hedges in place at the time of the Brexit vote provided cover to the end of the Spring/Summer 2017 season, so the Group faced a significant increase in cost of goods for the UK market in the Autumn/Winter 2017 season. While a number of actions were taken on pricing, cost of goods reduction and overhead cost control, it was not possible to mitigate the full impact of Brexit, and on a reported basis, underlying operating profit for the Group fell by £18.5m year-on-year. We continue to work hard to rebuild the profitability of the business, with further action plans on pricing, cost of goods and overheads all planned for roll-out in 2018.

US tax reform has also significantly impacted the Group's performance at the Profit After Tax level: a full explanation is given in the Financial Review section but, in summary, the value of the Group's historic losses have been reduced by £44.7m in this year's accounts and as a result, the Group has recorded a loss after tax of £31.3m. As noted elsewhere in the report, the renegotiation of the Group's banking facilities agreements in September 2017 excluded the impact of US

Tax Reform and the revaluation of deferred tax assets from the dividend calculation and as a result the business is able to declare a second interim dividend of 10 pence per share.

The business has placed a significant focus on improving cash generation in the year and the results have been extremely encouraging: working capital has been closely managed to deliver a significant inflow for the second successive year, with inventory reduction again a key driver but this year. whilst delivering increased margins, better management of debtors and creditors also played an important role. Capital Expenditure was also kept under tight control, and the net borrowing position at the end of the year was a creditable £27.3m, a reduction of £106.4m from the prior year.

The new strategy will not properly start to impact the business until 2018, however we have seen successful sales and marketing initiatives in a number of areas and these give us confidence that our strategy is well-founded. These are covered in more detail in the regional sections of the Business Review, but from a Group perspective the highlights were a record back to school result in the UK, a successful execution of Black Friday and Cyber Monday in the US and the record Singles Day performance in China where Clarks out-performed Ecco for the first time.

2018 and beyond: our transformation strategy

Our longer-term approach to sustainably returning the Group onto a sound financial footing is laid out below:

Our transformation strategy – plan on a page

OUR PURPOSE	**TO DEFINE COMFORT IN MOVEMENT THROUGH INNOVATION**			
OUR AMBITION	**TRANSFORM AND GROW CLARKS. CREATING AN AGILE, RELEVANT, AND BRAND-LED COMPANY**			
OUR GOALS	Activating a segmented brand portfolio to targeted consumer groups (existing, lapsed and new)	Build a future focused digital business to engage customers, consumers and enable an omni-channel experience	Create an agile business model that is responsive, cost efficient and lean	Embed a never stand still culture and make Clarks a great place to work again
KEY INITIATIVES	1. Build consumer and customer insight capacity 2. Develop brand portfolio 3. Implement segmented distribution 4. Build strategic sales planning capability	1. Build digital distribution 2. Improve online consumer experience 3. Create seamless omni-channel 4. Build digital capability	1. Implement MFP 2. Implement seasonless 3. Implement Lean/Hub 4. Improve supply chain network and optimisation	1. Implement Target Operating Model 2. Process compliance and governance 3. Leadership development 4. Performance management and reward

Activating a segmented brand portfolio

1. We have increased investment into our customer and consumer insight capability in order to ensure that we better understand their motivations, interests and buying habits and occasions.
2. We have segmented our portfolio into seven sub-brands, each one carefully targeted to a specific consumer group or consumption occasion. The seven sub-brands are: Clarks; Kids; School; Bostonian; Originals; Cloudsteppers; Unstructured.
3. We are using the new sub-brands to support the implementation of our segmented distribution strategy, with the aim of ensuring that each of our sub-brands gets the distribution appropriate to its target consumer and price point.
4. We are in the design phase of building a strategic sales planning capability, underpinned by the roll-out of standard systems to support improved merchandise financial planning, product line management and operational demand forecasting.

Building a future-focused digital business

1. We are in the building phase of our digital distribution via the roll-out of an improved e-Commerce platform in our existing digital markets, with increased reach across the European region and plans to launch further owned sites in the Americas and Asia Pacific regions into 2019.
2. We have completed a significant amount of insight work to validate our customers' online experience, and have built these learnings into the latest e-Commerce platform release. Consumer response post-launch will be monitored closely to ensure that the predicted improvements are realised.
3. We have also been working hard to provide a seamless omni-channel experience via the implementation of Wi-Fi and tablets in our UK stores back in 2016, enhanced by the provision of store inventory availability and visibility in 2017 and by the end of the 2018/19 financial year our ambition is that the UK will operate a single pool of inventory and the ability to fulfil an e-Commerce order from store inventory as well as from the distribution centre in Street.

4. We have taken the decision to build our own digital engineering capability to improve our responsiveness to changes in the e-Commerce landscape and to speed up improvements to our websites.

Creating an Agile Business Model

1. As noted above, the Group has commenced the process of implementing a modern merchandise financial planning tool over the next three years to significantly improve the quality and capability of the Group's planning functions.
2. We are also working on plans to reduce the seasonal peaks inherent in the Group's current operating model by flowing product into the retail channels at the right time in the right location.
3. We have announced the creation of a single sourcing hub in Singapore, which is tasked with creating a leaner sourcing structure to deliver savings in cost of goods through consolidation and simplification of the Group's sourcing arrangements.
4. We are also working to optimise the Group's supply chain network via a detailed network analysis to ensure that inventory is held at the right level in the network and is flowed into the markets in the most cost-optimal way.

Embedding a never stand still culture

1. We have defined a new-simpler operating model for the business which will be progressively implemented alongside the necessary process and system improvements.
2. We place great focus on developing a continuous improvement mindset that enables us to hone our processes, at the same time improving compliance with, and governance of, our Group standards.
3. We are continuing our focus on developing a broad bench of leaders whose diversity reflects the diversity of our business, its' customers and consumers.
4. In order to ensure that we can attract the talented people that we need to deliver success for our shareholders, we remain committed to rigorous performance management and competitive reward levels.

The first phase in our journey should complete in 2018 with our sub-brands clearly defining our proposition which will be segmented and targeted to appropriate consumers, rebasing Clarks onto a sustainable core portfolio sold across a sustainable set of markets.

Investing for the future

As we look ahead to 2018 and beyond, it is important to recognise our continued commitment to invest in how we present our products and our brand to consumers. This is critical if we are to deliver sustainable growth in line with our targets. Examples of how we are investing for the future include the development of our "Pure" store concept, which has completed its concept testing in the UK and is now moving into a full 25-store test across the Group from Q2 onwards. We believe that the "Pure" concept is one that allows us to retain our existing customers, re-engage our lapsed customers and importantly attract a new generation of consumers.

It is critical in the digital age to ensure that consumers see a consistent presentation of our brand and products across all channels (digital; wholesale; retail and outlet) and the age and design of our existing store formats is an increasing issue as we seek to bring new consumers into the brand. Having successfully implemented the Hybris-based "Pangaea" platform into Europe and the UK during 2017 we will continue to rapidly develop our e-Commerce capability with further developments and improvements scheduled for roll-out in 2018. These have started in the US with the launch of the latest Pangaea platform and will be followed by roll-out across the Group later in the year. We will also be launching an improved business-to-business platform that enables us to work much more collaboratively with our wholesale trade partners, as well as leverage our third-party deployment capability. This will help to combat the reduction in bricks and mortar department stores in the US.

In order to create an agile brand-led business it is essential for us to access and interpret timely information. Therefore, we are starting on the journey to modernise our information technology platforms under the leadership of our newly-appointed Chief Information Officer Guy Mason, who brings a broad range of expertise having worked at J. Sainsbury and the TNT logistics company. The first major steps in remediating the historic under-investment in IT systems is the transition of the Group's SAP platform onto the latest HANA operating system. This is a major investment that will deliver enhanced reporting and analytical capability at a competitive cost level. It will also enable us to retire part of our legacy systems base that is coming out of support. To give some idea of the scale of the challenge that lies ahead on IT, our current expectation is that it will take 5 years to complete the transition to a modern, fully-competitive IT platform.

Turning to the Supply Chain, in the first quarter of 2018, we look forward to the first production of shoes from our new, highly-automated Morelight production facility based in Street. One of the priorities for 2018 will be to test fully the capabilities of this unit to improve our supply chain agility and to allow us to manufacture at a competitive cost. We are also investing in new systems and operational capability at our Westway and Hanover distribution centres in order to meet the challenge of handling sales via the digital channel in a cost-effective way.

We have also invested during 2017 in a significant uplift in the capability of our teams across the business, with 36.5% of the top 70 management positions being changed, including the recruitment of a new Chief Financial Officer, and Regional Presidents for both the European and Asia Pacific regions.

Looking ahead

Our financial results for 2017/18, while a reduction in absolute terms year-on-year, were in line with expectations at the underlying operating profit level thanks to the cost control measures put in place to mitigate the margin miss due to the reduced number of days spent on promotion and reflected our ongoing transition. We have started on the journey to deliver our new strategy, with encouraging progress having already been made in building the foundations for sustainable growth. There is, however, much more to do in 2018 and beyond.

Although the external environment is expected to remain extremely challenging, 2018/19 should be a turning point in our journey as we complete the rebasing phase of our strategy and start to see the early benefits of the new strategy. It promises to be an exciting time as we roll out our new sub-brand plans, improve our digital platforms, drive a lean approach across the organisation and lastly, bring shoemaking back to Street, our spiritual home.

Finally, it would be remiss of me not to acknowledge that the progress we have made towards achieving our strategic objectives would not have been possible without our people. We want to ensure Clarks continues to be a great place to work and I am very grateful to every employee for all their efforts throughout the year.

Mike Shearwood
Chief Executive Officer
6 April 2018

BUSINESS REVIEW

Overview

The first, "Rebase," phase of Clarks' strategy is focused on returning the business to a sustainable base in terms of pairs sold, time on/depth of price promotion, inventory levels, cost base and cash generation. Clarks has made good progress in all of these areas in 2017 as well as commencing investment in the four strategic pillars that will underpin future growth.

Our progress

- Reduction in pairs sold of 4.8 million pairs or 9%
- Reduction in time on sale equates to 15 days or 6% in our European retail business
- Reduction in depth of promotion evidenced by improved average selling price (ASP) up by £1.00 per pair or 4%
- Reduction in inventory levels of 3.5 million pairs or 12%
- Cost base in line with prior year despite significant investment in improved capability
- Cash generation of £114.9m, a conversion rate of 129% enabling net borrowings to be reduced by £106.4m to £27.3m versus the prior year-end position of £133.7m
- Investment commenced in a modern merchandise financial planning capability and system (£14m over 3 years) as well as improved e-commerce fulfilment capability at our distribution facilities in the UK and the US (£5m over 3 years).

Re-basing the business

The re-basing process has been led by the leadership teams in each of our three regions: Europe, Americas and Asia Pacific. These teams have built locally appropriate plans taking into account a variety of factors, such as the external environment we operate in, the strength and positioning of the Clarks brand, the relative importance of the individual distribution channels and so on.

At the same time, we have taken action in a number of territories to renegotiate or change our distribution arrangements as part of the process of positioning Clarks for future growth. Progress in each region is described in the following sections.

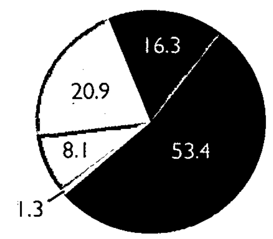
GEOGRAPHIC REVIEW
EUROPE

Overview

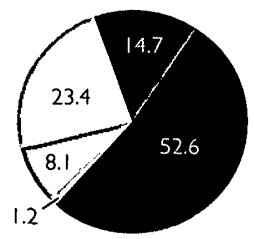
	2017/18	2016/17	Variance	Variance %	CER growth* %
Pairs sold – millions	22.2	25.7	(3.5)	(13.6)	–
Net turnover £m	722.8	784.7	(61.9)	(7.9)	(8.0)
Average sellling price	£32.55	£30.53	£2.02	6.6	6.5
Net margin £m	351.4	387.6	(36.2)	(9.3)	(9.3)
Year-end inventory pairs – millions	12.7	14.4	(1.7)	(11.8)	

*For a definition of CER please see the glossary on pages 96 to 97.

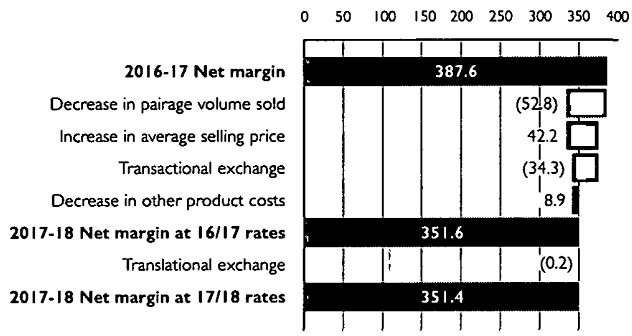
2017/18 Net turnover by channel (%)



2016/17 Net turnover by channel (%)



■ Retail □ Franchise □ Digital □ Wholesale ■ Outlet



Top five styles sold in 2017/18

Style	Category/Brand	Pair sold	Image in top selling colour
Mariel Wish	Children's/School	561k	
Maris Fire	Children's/School	404k	
Selsey Cool	Children's/School	381k	
Hamble Oak	Women's/Clarks	359k	
Desert Boot	Men's/Originals	291k	

The Trading Environment

The European market, and the UK in particular, saw significant volatility and declining consumer confidence in 2017/18, driven mainly by geopolitical and macro-economic factors. The apparel and footwear market appear to have been disproportionately affected, with consumers prioritising technology and experiential purchases. This materialised in a competitive environment evidenced by a fierce level of discounting on the high street and declining levels of footfall generally.

2017/18 European key priorities

1. A shift towards a more 'premium' full price driven business.
2. A trading plan where we run fewer promotions and trade more of the season cleaner.
3. Grow digital through stabilising technology (Pangaea) supporting our websites.
4. Implementing the outputs of the retail productivity initiative to deliver significant savings in hours to help mitigate the impact of business rates and pay inflation increases in our retail business
5. Rebuild relationships with key wholesale customers to drive future seasons trading.
6. Tight management of the regional cost base.

Against that background a significant achievement of 2017/18 has been to rebase the trading stance, with 15 less days on discount in comparison to the prior year, despite the external environment. This has resulted in full price mix increasing from 62% in 2016/17 to 65% in 2017/18 and gross margin increasing by 2.1% over the last 12 months. Whilst this has led to an inevitable decrease in volume and cash margin, it has begun the process of re-setting the consumer's expectation that they can always buy from Clarks on discount and is a key step in setting the foundation for the future.

Our channels

Full-price retail

The retail business was subject to the same economic and market pressures as outlined in the above overview, particularly evidenced by an 8.4% decrease in comparative store footfall compared to the prior year. As a consequence of the regional approach to rebasing our trading stance, full price (FP) mix increased by 4% in comparison to 2016/17 and gross margin (GM) increased by 110 basis points, this has come at the cost of 1.4m fewer pairs and £25m less turnover in the year.

This year-end result has been delivered against a backdrop of significantly reduced levels of employment in the retail chain and management of overheads, reducing hours by circa 10% from the early part of 2017. The execution of this piece of work was smooth and well managed and resulted in little visible disruption in service levels both during the changes and after. The commercial highlight of the year was delivering an 18th record Back to School, despite ASP increases and the operational challenges of delivering the complex trading period with constrained hours. Delivering that result was fundamental to hitting the regional and Group profit number for the year, so was a key success.

From a property perspective, the landmark events of the year were the new Pure store launches throughout the estate, which set the foundation for future property activity. Whilst we are still reviewing the commercial results of the new format, we have seen positive signs in ASP and FP mix, which are encouraging for our future initiatives.

Wholesale

The trading environment in Europe remained difficult with continued declines in footfall, despite some recovery in the wider economy. Several smaller wholesale account closures, the Brantano/Jones insolvency, a lack of confidence with our existing customers and the inability to drive sufficient new business to compensate, resulted in a contraction in both Spring/Summer and Autumn/Winter orders.

Later phasing of Spring/Summer despatches across this year-end also resulted in a slower end to the year compared to 2016/17. The net impact of all these factors was a dramatic 21% decline in wholesale volumes year-on-year. As a result of this anticipated shortfall in performance, a number of measures have already been activated this year, which are expected to result in a marked improvement in fortunes going forward.

e-commerce

2017/18 saw the e-commerce team relaunch the .co.uk site on the Pangaea platform, driving an enhanced view of the brand online. Along with this re-platforming exercise, in line with the regional overview, the most significant change has been the reduction in reduced price and promotional activity, moving the FP mix to 50% of all volume, compared to 44% in 2016/17, while also increasing the overall ASP by 8%.

An increasingly price competitive market saw online prices average a 6% decline, while we drove prices higher. This impacted the ability to deliver growth, since large numbers of lines were available at a reduced price from competitive wholesale partners and online pure players seeing larger cut-through. This has been seen across all channels, from consumer research through to marketplace purchases. A major focus of the seasonal planning process has been to align across the regional wholesale and digital channels to ensure that we do not range the same lines across all channels. This work is expected to continue into 2018/19, laying the foundations for a consistent approach to ranging across channels.

Outlet

Outlet have had a successful 2017/18, which saw the end of the inventory clearance initiative and a shift of focus back towards driving profitability, resulting in a trading plan which saw Outlet deliver a 10% decrease in pairs and 20% more profit per pair.

General trading conditions impacting the Outlet business in 2017/18 were challenging, seeing a slowdown of footfall as the high street discounted heavily which eroded the Outlet business' unique selling proposition. Clarks own outlets were driving ASP growth and focusing on less discounting, enabling Outlet to benefit from trade related cost savings as well as richer margins.

Outlet retail stores underwent a restructure at the start of 2017/18 to mitigate the pressures from cost inflation such as the cost of living pay rise as well as the business rates revaluation. Close management of the store team hours ensured delivery of the planned savings and achieved an excellent sales performance, including a record Back to School. A key highlight was the performance of our Bicester store which delivered 6% turnover growth.

Outlet's second year of trading online delivered 55% turnover growth thanks in part to three key factors: the addition of kids' out of school product, the extended availability project and a targeted discounting trade strategy in alignment with our overall trading strategy.

Continued focus on managing inventory through tighter buying controls resulted in Outlet reducing its inventory holding by 0.5m fewer items (15%).

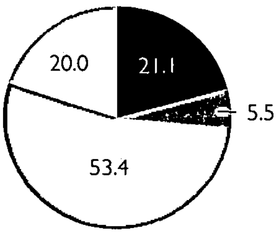
GEOGRAPHIC REVIEW AMERICAS

Overview

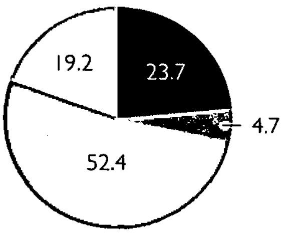
	2017/18	2016/17	Variance	Variance %	CER growth* %
Pairs sold – millions	20.7	21.7	(1.0)	(4.6)	–
Net turnover £m	639.8	654.5	(14.7)	(2.2)	(4.6)
Average selling price	£30.91	£30.16	£0.75	2.5	0.0
Net margin £m	257.1	222.9	34.2	15.3	3.9
Year-end inventory pairs – millions	10.1	11.7	(1.6)	(13.7)	

*For a definition of CER please see the glossary on pages 96 to 97.

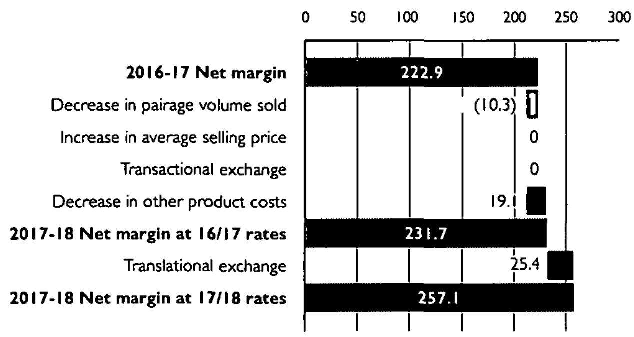
2017/18 Net turnover by channel (%)



2016/17 Net turnover by channel (%)



■ Retail ▩ Digital ◘ Wholesale ☐ Outlet



Top five styles sold in 2017/18

Style	Category/Brand	Pair sold	Image in top selling colour
Breeze Sea	Women's/ Cloudsteppers	561k	
Arla Glison	Women's/ Cloudsteppers	404k	
Sillian Paz	Women's/ Cloudsteppers	381k	
Bushacre 2	Men's/Clarks	359k	
Cotrell Step	Men's/Clarks	291k	

The trading environment

The Americas region performance was much improved over the prior year, despite difficult market conditions in 2017/18. Controllable profit grew by 72% over 2016/17. This performance was delivered despite multiple significant external negative conditions. These market factors include:

- A severe hurricane season in the southeast US with the most significant impact in Puerto Rico. The total negative impact on the region was approximately $1.4m profit
- Sears Canada filed for bankruptcy. This impacted our revenue by $3m, however our team managed the receivable exposure to a minimal balance.
- A general significant decrease in mall traffic as a result in continued shifts in consumer behaviour.

The Americas leadership team has consistently described the financial turnaround in the region as a three-step process, with 2016/17 fixing existing problems and establishing controls, 2017/18 re-baselining the business, and future years focused on enabling growth. 2017/18 was in fact a re-baselining year as total net revenue decreased by £14.7m to £639.8m, while the region still delivered the strong profitability noted above. In addition to the improvements in profitability, the Americas region was cash flow positive for the first time in over five years. Also notable in regard to the financial controls implemented, is that the region had no additional excess inventory exposure and met or exceeded its financial target for five straight quarters.

2017/18 Americas key priorities

1. Cleaning up inventory.
2. Improving financial control over the business.
3. Strengthening the team through introducing new leadership talent, removing silos, improving culture.
4. Regaining share in wholesale, while managing risk in buying and merchandising channels.
5. Implementing foundational technical capabilities in e-commerce (re-platforming, customer relationship management).
6. Setting the stage for product segmentation within commercial channels by defining and implementing format segmentation.

Our channels

Wholesale

The Wholesale business in the Americas continues to be the biggest driver of profit for the region. 2017/18 delivered an additional 24.1% in channel profit over the prior year with significantly all of the increase coming from the United States. The improvements within the channel were driven by tight operational plans, focused on alignment cross-functionally to deliver for our customers. This alignment was grounded on operational efficiencies driven by clearly defined Key Performance Indicators. This has allowed the sales team to be better informed and prepared to drive at once sales through-out the selling seasons.

Full-price retail

2017/18 was a challenging year for our full-price business, as we faced significant economic headwinds and needed to wean ourselves off a promotional strategy that was driving down our ASP and gross margin. Net turnover was down 14% and channel profit decreased 152% compared to the prior year. There were a significant number of stores opened in 2012 and 2013 which have had a negative impact on our portfolio. For most of 2017/18, the region employed a tactical approach to exiting under-performing stores or negotiating short-term rent reductions to offset exit costs. In the latter part of the year, a new retail leader was hired to add a long-term strategy and needed operational focus, on top of the tactical approach to drive improved portfolio performance going forward.

Outlet

Where our full-price business suffered in 2017/18 our Outlet business was able to remain flat to the previous year, despite many of the same headwinds described above. Outlet was still burdened with the tail end of the inventory reduction from 2016/17 and prior in the current year. This burden decreased the ability of the outlets to be used strategically, as a less than ideal volume of old inventory needed to be sold through. Looking forward, outlet stores will benefit from the long-term strategic view and improved operational focus similar to our full-price business.

e-commerce

E-commerce business throughout the United States continues to grow, outpacing traditional bricks and mortar retail. Despite starting a few years behind our competitors Clarks e-commerce business is beginning to track with the larger economic trend. E-commerce continues to be a significant growth channel for the Americas, driving an increased channel profit of 18.6%, compared to the prior year. This year, e-commerce saw significant increases in volume (15%), net turnover (11%), and margin (17%) and is poised for even greater growth next year. As our digital capabilities increase – through the combination of our regional management and our global platforms – we should be able to continue the impressive growth in this channel.

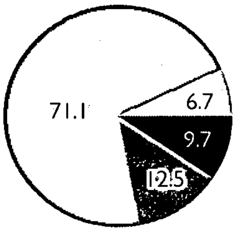
GEOGRAPHIC REVIEW
ASIA PACIFIC

Overview

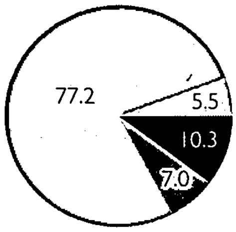
	2017/18	2016/17	Variance	Variance %	CER growth* %
Pairs sold – millions	4.7	5.0	(0.3)	(6.0)	–
Net turnover £m	180.6	180.6	–	–	(1.4)
Average selling price	£38.43	£36.12	£2.31	6.4	4.9
Net margin £m	95.6	88.0	7.6	8.6	7.2
Year-end inventory pairs – millions	2.3	2.6	(0.3)	(11.5)	

*For a definition of CER please see the glossary on pages 96 to 97.

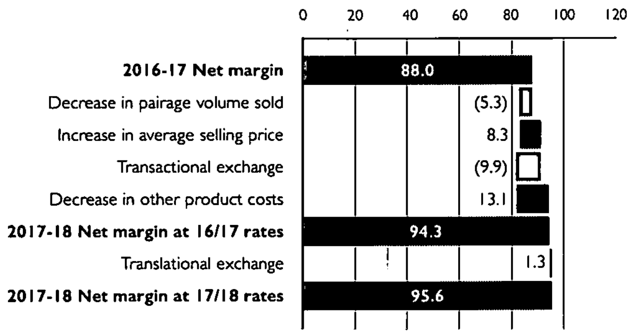
2017/18 Net turnover by channel (%)



2016/17 Net turnover by channel (%)



■ Retail ▣ Digital □ Wholesale □ Outlet



Top five styles sold in 2017/18

Style	Category/Brand	Pair sold	Image in top selling colour
Trigenic Flex	Women's/Originals	30k	
Trigenic Flex	Men's/Originals	30k	
Freckle Ice	Women's/ Unstructured	30k	
Trifri Lace	Men's/Clarks	28k	
Reazor Drive	Men's/Clarks	26k	

The trading environment

Asia continues to be an engine of growth, albeit growing at a slower pace than previously with China and India stabilising at more modest growth rates.

In China in particular, we are seeing a shift away from department stores to shopping malls. We also saw our biggest customer Belle being bought out by private equity firms. Belle are rationalising their business with store closures in particular department stores.

Digital continues to be an area of growth, with strong growth across China, India and Japan. The investment by Alibaba in Lazada provides new opportunities across South East Asia (SEA).

In India, we saw the implementation of the new Goods and Service Tax, aimed at simplifying tax structures. While this brought disruption during 2017/18, it is a positive change for the long term. The trading environment continues to be challenging across the Middle East and Africa, with increased levels of promotional sales.

2017/18 Asia Pacific key priorities

1. Establish our Asia operations out in Asia, based out of Singapore.
2. Expand our retail presence through franchise stores across the region.
3. Invest and grow digital and e-commerce, including bringing the right capability to the team.
4. Clear old inventory (pre-2015) and achieve a sustainable inventory position.
5. Deliver new market development in Korea and Taiwan to move the business model forward.
6. Right-size overheads and set up the region for scalable growth.

Our Channels

Retail
We have implemented a new dashboard for monitoring and reviewing our sales out across retail, franchise, outlet and marketplaces across the region. We have put in place a new retail connectivity project to further improve connectivity and reporting during 2018/19.

Through 2017/18, we have opened 48 new franchise stores in the region. We have also closed and exited several non-profitable retail and franchise stores during the year, as we continue to rationalise the retail/franchise portfolio. Asia Pacific had 492 trading stores at the end of 2017/18.

Outlet
We have successfully managed to clear old inventory from prior to 2015 during the year. We have a much cleaner ageing profile to continue to build on margin development and achieving self-sustainability in outlet clearance.

e-commerce
We have continued to grow the digital business. The multi-channel retail business now contributes over £3m in profit, having grown by 60%. There have been a number of significant initiatives through the year, with highlights being Collections Day and Singles Day with TMall in China. We are building new capability to support the continued growth of this channel with the new Asia Head of Digital now in place.

Distribution Markets
We have successfully transitioned Korea from a sole distributor to a sub-branded and segmented wholesale distribution model with multiple customers. We have implemented the segmented distribution strategy with separate customers for adult's, Originals and children's. We have begun the process of partner change in the key market of Indonesia.

In Taiwan too, we have managed to smoothly transition distributor arrangements from Kong Tai to a new customer.

FINANCIAL REVIEW

Overview

The business environment was extremely challenging throughout 2017/18, with the continued shift towards internet shopping (where Clarks is relatively underdeveloped) putting significant pressure on "bricks & mortar" retailing (where Clarks is relatively over-weighted). Against that background, executing our strategic shift away from high levels of discounting saw volumes fall sharply by 9.3%, however the corresponding improvement in average selling prices (due to lower levels of discounting) meant that performance at Net Margin level was ahead of last year.

The Group's financial performance was also impacted by adverse foreign exchange rate movements (notably Sterling versus US Dollar) in the second half of the year as we moved beyond the period covered by the foreign exchange hedges in place at the time of the Brexit vote. The net impact of the devaluation of Sterling against major currencies was considerable, and while the business was able to mitigate an element of that impact through actions including overhead cost control, product cost discounts and selective price increases in the UK market, it was not possible to respond quickly enough to fully offset the currency hit versus the prior year. However, when comparing performance versus expectations at the start of the financial year, which included the impact of the Brexit-related currency devaluation, the business delivered an underlying profit performance modestly ahead of expectations despite a shortfall in sales and absolute margin.

Below underlying operating profit, performance is significantly impacted by the recently-enacted US tax reforms which have reduced the value of our brought-forward historic losses in the US, again negatively impacting the Group's results.The value of US historic tax losses had previously been calculated at 38.4%, 35% Federal tax rate and 3.4% blended net State tax rate. US tax reform was enacted on 22 December 2017 reducing the Federal tax rate from 35% to 21% from 1 January 2018. It also introduced new tax ('BEAT') targeted at companies with perceived high proportion of connected party payments and many other tax changes.The interaction between Federal tax losses and the BEAT legislation will result in significantly lower value being received for our losses carried forward so we have chosen to take our BEAT position into account to ensure the deferred tax asset recognised on the balance sheet reflects the value that will be received.The lower US tax rate reduces value of Federal losses to 21%, with the impact of BEAT reducing the value further, to nil. Our State tax losses are spread across 49 States and Cities. US Tax reform introduces complex legislation at a Federal level that individual States need to determine how they will implement. Implementation of our group strategy with increasing focus on digital and changes to our retail store footprint will also impact profitability at individual State level. These factors make it difficult to reliably forecast the future profitability at individual State/City level so a deferred tax asset for State losses carried forward will not be recognised. The impact of rate change from US tax reform, introduction of BEAT and uncertainty on the State tax position result in us recognising no value for the losses carried forward and a non-cash income statement charge for the year ended 3 February 2018 of £44.7m but gives a more realistic carrying value of our losses in future periods.

As a result of the above factors, the Group recorded a loss after tax for the 2017/18 financial year of £31.3m. However, I am happy to report that following the renegotiation of the Group's facilities agreements in September 2017 (which included agreement to exclude the impact of US tax reform and the revaluation of our deferred tax assets from the dividend calculation), the Group is able to declare a second interim dividend of 10p per share.

By far the most positive aspect of the Group's financial performance in 2017/18 has been the significant reduction in borrowings: a combination of tight capital discipline and rigorous focus on working capital management (most notably inventory reduction) has resulted in the business ending the year with Net Borrowings of £27.3m, a reduction of £106.4m year-on-year and the lowest level since 2012.

Lastly, the financial year 2017/18 contained a 53rd week, which occurs every 5 to 6 years to ensure that the Group's year-end date remains aligned to the weekend closest to the 31st January. The Group chooses to close the year at a weekend rather than the actual date of 31st January due to the fact that the year-end reporting and stocktaking processes are greatly simplified by closing the books at a weekend. This is not unusual for retail businesses and the last time Clarks reported a 53rd week was 2012/13. Given the significant variation in despatch patterns, notably in wholesale, it is not possible to isolate the results for the 53rd week.

Key figures from the income statement

	2017/18 £m	2016/17 £m	Movement vs LY as reported £m	%	CER growth %
Group turnover	**1,539.9**	**1,654.7**	**(114.8)**	**(6.9)**	**(6.0)**
Underlying operating profit	**45.2**	**63.7**	**(18.5)**	**(29.0)**	**(31.7)**
Foreign currency impact	(10.9)	9.6	(20.5)	(213.5)	
Non-underlying items	(3.5)	(33.3)	29.8	89.5	
Senior Managers Long Term Incentives	(2.0)	–	(2.0)	(100.0)	
Joint venture elimination adjustment	0.5	1.4	(0.9)	(64.3)	
Group operating profit	**29.3**	**41.4**	**(12.1)**	**(29.2)**	
Share of operating loss in Joint Venture	(0.5)	(1.4)	0.9	64.3	
Profit before interest and tax	**28.8**	**40.0**	**(11.2)**	(28.0)	
Finance costs	(9.1)	(17.8)	8.7	48.9	
Profit before tax	**19.7**	**22.2**	**(2.5)**	(11.3)	
Tax	(51.0)	4.3	(55.3)	(1,286.0)	
(Loss)/profit for the financial year	**(31.3)**	**26.5**	**(57.8)**	**(218.1)**	

Adjusted profit after tax

(Loss)/profit after tax as reported	**(31.3)**	**26.5**	**(57.8)**	**(218.1)**
Fair value of financial derivatives	(1.4)	10.0	(11.4)	(114.0)
Tax on fair value of financial derivatives	0.3	(2.0)	2.3	(115.0)
Reduction in US deferred tax asset	44.7	–	44.7	100.0
Adjusted profit after tax	**12.3**	**34.5**	(22.2)	(64.3)
EPS	(53.0p)	44.9p	(97.9p)	(218.0)
Adjusted EPS	20.8p	58.4p	(37.6p)	(64.4)

Group turnover of £1,539.9m in the year was 6.9% below last year's comparative of £1,654.7m on a reported basis and 6.0% lower against last year on a constant exchange rates (CER) basis (see glossary on pages 96 to 97).

The decline in reported turnover is due to the reduction in levels of discounting in 2017/18 versus the prior year, which inevitably impacted volumes, most notably in the US business where 2016/17 saw significant volumes of excess inventory traded through discount channels.

Like-for-like sales, which is an alternative performance measure (APM) used by the Group (see glossary on pages 96 to 97 for details) were down 8.0%.

As a result of the Group's focus on reducing discount levels, 2017/18 saw a marked improvement in average selling price across the business:

Average selling price growth

By region	2017/18 vs 2016/17 (as reported) %	2017/18 vs 2016/17 (CER) %
Rest of Europe	+6.6	+6.5
Americas	+2.4	+0.0
Asia Pacific	+6.4	+4.9

Underlying operating profit, (see glossary on pages 96 to 97 for details) of £45.2m was £18.5m; 29.0% behind last year. The results in 2017/18 were heavily influenced by the Brexit-related currency impact, particularly the weaker GBP versus USD which impacted the business in the second half of the year as the Group moved beyond the period for which hedging was in place at the time of the referendum vote. While short-term actions were taken to offset this impact, it did not prove possible to fully offset the currency hit versus the prior year on a reported basis.

Underlying operating profit is shown at our internal management exchange rates to allow management to review the underlying performance of the business without the impact of fluctuating exchange rates. Foreign currency gains and losses shown below underlying operating profit includes the gain or loss on converting the underlying operating profit from management exchange rates to spot rates. The impact of realised and unrealised foreign currency translation gains and losses resulted in a loss for the year of £10.9m versus a gain of £9.6m reported at 28 January 2017. The key movement in foreign currency from last year relate to:

1. The macro-economic movements in GBP against other global currencies in particular USD which depreciated 13% against sterling over the 12 month period reducing the value of USD assets when held in UK entities,
2. The impact of translating our subsidiary results into GBP compared to the rates used in our internal reporting within underlying operating profit,
3. The transactional gains and losses realised on crystallising forward contracts in place when translating monetary transactions other than in GBP in our UK based entities,
4. The transactional losses relating to the transfer of the Canadian legal entity to the Clarks International entity, crystallising a loss on the subsequent repayment of a USD inter-company loan.

Non-underlying items of £3.5m were £29.8m lower than the previous year. Items treated as non-underlying for the year were:

1. Costs associated with the business reorganisation announced in April 2017 amounted to £6.2m (prior year: £16.7m).
2. Costs associated with the accelerated depreciation of the first generation of e-commerce assets of £8.4m (prior year: zero).
3. A charge of £0.8m, representing the net change in estimate arising from a new, more detailed property lease review process: this process resulted in an increase in the store asset impairment provision of £20.2m offset by a reduction in the onerous lease provision of £19.4m (prior year: zero).
4. A net gain of £8.5m relating to the changes to the US pension arrangements announced to the members of the US defined benefit pension scheme in January. This one-off gain is due to the permanent reduction in future liabilities which crystallised on announcement in line with the contractual obligations under that scheme (prior year: zero).
5. The Group reviewed its inventory valuation principles and changed its policy on the components of costs absorbed into inventory. The impact of the change was a gain of £3.4m (prior year: £2.3m gain).
6. The prior year comparative also includes two charges not repeated in the current financial year: £7.2m relating to the impairment of a global product development system and £11.7m related to the margin erosion costs associated with clearing down excess inventory.

A provision of £2.0m was recognised below underlying operating profit in relation to the Group's Long-Term Incentive Plan (prior year: zero). The provision represents one third of the on-target award under the scheme running from 29 January 2017 to 1 February 2020.

Group operating profit of £29.3m was £12.1m below last year.

The Group's share in the losses in Clarks Future Footwear, its joint venture business in India was £0.5m, an improvement of £0.9m over the prior year, demonstrating an improving trading environment driven by the implementation of Goods and Service Tax (GST) in India.

Finance costs of £9.1m were £8.7m lower than the prior year. Finance costs are made up of a number of items:

1. Interest and other costs associated with servicing our borrowing facilities were £11.0m compared to a charge of £7.8m for the comparative year. Much of the increase is associated with the higher interest rate on the new facilities compared to the expired facilities. The average drawn facilities in the year were much lower than the prior year, which has gone some way to mitigating the increased costs of accessing funds.
2. The imputed pension financing income, calculated on the FRS102 surplus in the defined benefit pension schemes was £0.9m, a reduction of £0.8m due to the average surplus through the 2017/18 financial year being lower than the 2016/17 financial year.
3. The unwinding of discounting associated with long-term provisions of £0.4m represents a £1.3m reduction in the cost versus the prior year, due to the lower onerous lease provisions following the change in estimate described above.
4. A gain of £1.4m was recognised on the fair value of non-hedge accounted financial derivatives at the 3 February 2018. This compares to a fair value loss of £10.0m recognised in the prior year.

Tax

The Group tax charge of £51.0m is significantly impacted by US tax reform and the revaluation of our deferred tax assets. The Group adjusted tax rate before the impact of these changes is 31.2%, resulting in a tax charge of £6.2m, there being no exceptional items in the year. The main factors resulting in the Group tax rate in excess of the UK tax rate of 19.2% are the recognition of withholding tax on unremitted earnings, the tax charge arising on transfer of C&J Clark Canada Limited, the increase in the Group transfer pricing provision and the mix of Group profits arising in higher tax rate jurisdictions partially offset by unrealised and non-taxable FX gains. On 26 January 2018, to reduce the impact of foreign exchange on the Group, the ownership of C & J Clark Canada Limited was transferred from Clarks Americas Inc to C & J Clark International Limited resulting in a tax charge of £1.1m but through utilisation of US tax losses there is no cash impact.

The current year tax rate is 37.2% (2017 -6.7%) excluding prior year items to reflect the changes in blended US state tax rate and 'trueing up' the prior years to reflect the submitted 2016 tax returns. The impact of US tax reform and revaluation of our US deferred tax assets has increased the tax charge by £44.7m. This is a non-cash impact.

Cashflow and liquidity

Key figures from Statement of Cash Flow

By function	2017/18 £m	2016/17 £m	Movement vs LY as reported £m	%
EBITDA	97.5	92.3	5.2	5.6
Unlevered free cash flow	125.5	93.6	31.9	34.1
Net cash flow	114.9	48.5	66.4	136.9
Closing net debt	(27.3)	(133.7)	106.4	79.6
Cash conversion	129%	101%	28bps	27.7

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (see glossary on pages 96 to 97) was £97.5m, 5.6% above the prior year on a reported basis. The Group's ability to turn its cash profits into unlevered free cash flow (see glossary on pages 96 to 97) is represented by the cash conversion rate, which was 28bps ahead of last year, and still above 100% as the Group again turned significant amounts of old inventory into cash.

The inventory clearance process is now largely complete, following the overstocked position the Group faced in recent financial years. Hence the rate of cash conversion will fall in the future as the Group aims to maintain a stable working capital position (resourcing sales growth through more efficient inventory management) whilst increasing capital expenditure to ensure that the Group's retail estate and e-commerce platforms are fit for purpose, also the Group's operational information systems and facilities such as the two principle fulfilment centres.

Closing net debt of £27.3m was £106.4m lower than 2016/17 and £156.0m lower than the 2015/16 financial year end. The end of January is historically a low point in our borrowing cycle with summer being the peak as we build inventory for back to school, so borrowings will rise through the Group's normal cash flow cycle to the half-year results before falling again in the second half of the year.

Funding and liquidity

On 27 February 2017 the Group entered into new borrowing facilities made up of:

- $75.0m private placement with Prudential Insurance Company of America, maturing 29 April 2022.
- $150.0m syndicated term loan, maturing in 30 April 2020 (with option to extend to 30 April 2021).
- $155.0m syndicated revolving credit facility (RCF), maturing in 30 April 2020 (with option to extend to 30 April 2021).

The Group's banking syndicate comprises Lloyds Bank Plc, The Royal Bank of Scotland Plc, Bank of America, N.A., HSBC Bank Plc and Barclays Bank Plc.

In addition to the above facilities the Group has further working capital facilities and overdrafts for subsidiaries totalling £25.5m.

The Group has also provided a corporate guarantee covering 50% of the amount drawn by its Indian joint venture Clarks Future Footwear Pvt. Ltd on their INR 2bn working capital facility (the remaining 50% is guaranteed by Future Group, the joint venture partner). The Group's liability under this guarantee at 3 February 2018 was £7.6m.

At the 3 February 2018, funds available to the Group including borrowing facilities and cash balances was £294.5m.

Financial position

Key figures from Statement of Financial Position

	2017/18 £m	2016/17 £m	Movement vs LY as reported £m	%
Fixed assets	308.4	424.3	(115.9)	(27.3)
Debtors	145.0	187.7	(42.7)	(22.7)
Inventory	376.2	420.6	(44.4)	(10.6)
Creditors	(298.2)	(270.7)	(27.5)	(10.2)
Provisions	(32.5)	(55.9)	23.4	41.9
Borrowings	(27.3)	(133.7)	106.4	79.6
Pension	32.3	28.4	3.9	13.7
Net assets attributable to shareholders'	**503.9**	**600.7**	(96.8)	(16.1)
Gearing	5.4%	22.3%	16.9ppt	75.8
Return on capital employed (ROCE)	(6.0%)	4.0%	(10bps)	(250.0)
Adjusted ROCE	2.3%	5.2%	(2.9bps)	(55.8)

The statement of financial position remains strong. The net asset position has reduced on a reported basis by £96.8m, the key drivers being the exchange rate movements, reductions in working capital and the adjustment to carrying values of deferred tax.

An adjusted ROCE measure is considered the most appropriate as the loss after tax position is driven by the reduction in the US deferred tax asset. Adjusting for this, ROCE would be 2.3%.

Fixed assets and capital expenditure

The Group continues to prioritise capital expenditure that provides the maximum returns for shareholders. During the year the Group made a conscious decision to slow down its capital investment programme pending approval of the new strategy by the Board. As a result, capital expenditure of £28.8m was £13.0m; 31.1% lower than the £41.8m invested in 2016/17.

During the year, a review of our e-commerce platforms was undertaken and as a result of the accelerated roll-out, a number of assets originally commissioned at the beginning of the Pangaea programme had their useful lives reduced. This resulted in additional depreciation of £8.4m being recognised. We also invested £0.8m in our IT digital engineering environment to bring down the total cost of ownership of our digital platforms by reducing our reliance on external consultancy.

We invested £2.0m in a new store concept called Pure, this is currently still in trial but if successful is expected to be rolled out across the estate in phases to replace the existing store formats. We also opened 5 new stores across Europe, 55 in Asia Pacific and 1 in our European Outlet business. In addition we re-fitted 17 stores globally in 2017 at a cost of £2.1m whilst continuing to consolidate the estate and close loss making stores where possible.

We invested £2.0m relating to our merchandise financial planning tool which is a key enabler of our strategic plan and in addition invested £4.7m in SAP technology. A further £2.5m was invested in a replacement to our Warehouse Management System (WMS) in Westway which goes out of support in 2018/19.

Following the announcement earlier this year, we have invested £2.5m setting up Morelight Manufacturing, our manufacturing centre in Street which includes the building work necessary to re-start UK manufacturing for Clarks.

Store onerous lease and impairment provisions

As previously reported, a first half charge of £6.3m was recognised relating to store onerous lease and impairment provisions. During the second half of the year, the Group conducted a further review of all retail stores for impairments and onerous leases with a resultant additional net charge of £0.2m.

As at 3 February 2018 there are 236 (2017:323) stores that have an impairment provision and 78 (2017: 60) stores that have an onerous lease provision.

The prior year store numbers referenced above have been adjusted to include the impact of the change in estimate to allow a like-for-like comparison of the movements.

Receivables and customers

The Group takes a risk-based approach to credit and utilises insurance policies to minimise the risk to the Group of a default on a debt.

The Group has key policies in place to ensure compliance with laws and regulations including Board-agreed Credit, Anti-Money Laundering and Sanctions policies.

The Group undertakes a formal on-boarding process for all new customers and vendors to screen for any compliance risks. The Group takes a risk-based compliance approach for any existing customers or vendors.

During the year the Group reviewed payment terms with its customers and created an aligned set of country standard payment terms that have been applied to all new customers throughout 2017/18. In addition, a programme is underway to move existing customers onto the new country standard payment terms throughout 2018/19.

During the year there were two significant insolvencies that impacted Clarks: in February 2017 Brantano and Jones the Boot Maker went into insolvency, however Clarks was able to make a claim on its retention of title clause (contained in its General Terms and Conditions of Trading) to mitigate the majority of risk, and in June 2017, Sears Canada entered into administration with a minimal net loss to Clarks with the account being managed closely for some time, helping to mitigate the impact.

Since the end of the year the US retailer Bon-Ton has taken Chapter 11 protection against creditors. Clarks had been managing the risk of this for some time and as a result the net loss is likely to be minimal and is fully provided for in the financial statements.

Payables and Suppliers

We constantly review our supplier terms to ensure we are obtaining the right balance of working capital benefits. We have terms in line with market standard for all our footwear suppliers and up to 60 days for goods not for resale (GNFR) vendors, benchmarked amongst our peer retailers. We do not seek to take extended payment terms from small businesses. In accordance with the new Payment Practice and Performance Regulations that came into force in April 2017, we will start to report on Clarks payment terms and practices in the UK to the appropriate governing body every 6 months starting September 2018.

The 2018 strategy is focused on supply base simplification and rigorous working capital evaluation across all new and existing suppliers, as well as a greater focus on annual financial health checks of our strategic supply base.

Provisions

Provisions (excluding deferred tax) were £25.1m a reduction of £16.5m from the prior year. During the year, a change in estimate was carried out on the onerous lease provision with the effect of reducing provisions by £19.4m. The movement from the prior year is largely explained by the change in estimate.

Tax

The current tax creditor decreased by £3.5m to £2.9m principally due to the reduced tax charge in the year, partially offset by the increase in the Group transfer pricing provision. The net deferred tax asset has moved from £48.3m to £1.5.m mainly due to the revaluation of our US tax losses. This was partially offset by a reversal of timing differences in relation to fixed assets. Additional information on the movement in deferred tax balances is contained in Note 15.

Pensions

The accounting approach to valuing pension assets and liabilities for disclosure in this Report and Financial Statements are largely prescribed (under FRS 102 section 28). The key aim of this standard is to enable readers to better compare different companies' Financial Positions leading to standardisation across a number of pension assumptions. However, this method takes no account of a number of very important issues which inform our funding and investment policy, including the relative size of the pension fund and the Group, the maturity of the pension fund, the strength of the business and crucially the Shareholders' attitude to risk and the desire to avoid unexpected cash calls on the Group. The major pension risks relate to unpredictable inflation, interest rates, investment returns and increases in life expectancy.

Whilst we continue to report a surplus in line with FRS 102, we would not be able to fund our pension schemes in line with the assumptions under this standard given:

- It will not comply with the statutory funding regulations which require trustees to adopt prudent assumptions in assessing the financial strength of the Fund and agreeing a Statutory Recovery Plan every three years (see below).

- adopting a funding and investment strategy consistent with the FRS 102 reporting standard would make our objective unachievable.

The cost of all Group pension schemes is shown in Note 16 to the financial statements and reflects the demographic assumptions and the in-depth review of the pension liabilities.

Separate to the assessment under FRS 102, we also carried a formal actuarial valuation of the main UK fund as at 31st July 2016 with the results finalised in May 2017. Under the more prudent assumptions required for this valuation which are agreed with the Trustee of this arrangement, we had a deficit of £81m (compared to the surplus position under FRS 102) with a contribution schedule agreed to remove this deficit over the next 8 years. In addition, as part of the agreement with the Trustee, the Company also agreed to enhance the security arrangements in respect of that Fund.

In January 2018, after completion of a strategic review of our pension arrangements in the UK and US, we started a consultation process with our employees in those geographies around closing our existing defined benefit pension arrangements.

Actuarial gains and losses are shown in the Other Comprehensive Income Statement on page 60.

During the financial year cash contributions into the main UK fund by way of deficit funding amounted to £16.0m (2016/17 – £6.4m).

Dividends and dividend cover

Dividends paid during the year amounted to £8.3m relating to the second interim dividend for the 2016/17 financial year. No final dividend was proposed for the 2016/17 year.

During the year the first interim dividend for the 2017/18 financial year was passed. A second interim dividend of 10.0p has been proposed by the Board.

In line with the requirements of our banking covenants, we must ensure that any dividends are at a minimum covered 2 times based on our covenant measure of consolidated profit.

The second interim dividend proposal is covered 2 times on that calculation.

Financial risk management

Insurance

Insured and uninsured risks are reviewed with our insurance providers. Our strategy is to review the cost effective transfer of risk and then decide which risks should be retained and which transferred.

We focus our insurance on the most critical areas or where there is a legal requirement. The company purchases the following insurance – Property Damage, Business Interruption, Public & Products Liability, Employers Liability (Workers Compensation), Directors & Officers Liability, Pension Trustee Liability and Credit. Limits and Self Insured Retentions apply to most policies.

Treasury

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.

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. The Group's practice is to use fixed rate debt (and when appropriate, derivative contracts) to maintain an appropriate mix of fixed and floating rate borrowings to manage this risk.

Currency risk
The Treasury function manages currency exposure on the cash flows arising from the Group's trading operations by entering into forward dated FX contracts which are scheduled to mature throughout the year in line with detailed forecasts of future transaction flows.

Contracts are placed through competitive tendering with relationship banks. Income and expenditure flows in the same currency are offset as far as possible through natural hedging, and the Group hedges the net exposure.

The main currencies in order of transactional value are US Dollar, Euro, Chinese Yuan and Japanese Yen. The US Dollar is used by all regions as the primary currency for sourcing footwear from the Far East.

At the 3 February 2018, the Group's estimated currency exposure for the following financial year is substantially covered in line with policy. The total value of fixed dated sale and purchase currency contracts was £628.0m.

Paul Kenyon
Chief Financial Officer
6 April 2018

The strategic report, as set out on pages 3 to 27 has been approved by the Board.

On order of the Board,

Paul Kenyon
Chief Financial Officer
9 April 2018

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE OVERVIEW

Board

Chairman: Thomas J O'Neill
Senior Independent Non-Executive Director: Stella David
All Directors are collectively responsible for the success of the Clarks Group of companies. The Non-Executive Directors exercise independent judgement in respect of Board decisions, and examine and challenge the proposals and decisions of the Senior Leadership Team (SLT). They also have responsibilities concerning the integrity of financial information, internal controls and risk management.

The Board is responsible for approving our strategy and policies, maintaining risk and corporate governance, and overseeing progress towards meeting objectives and plans. It is accountable to shareholders for the proper conduct of the business and its long-term success, and acts in the interests of all stakeholders.

The Chief Executive Officer (CEO), Chief Financial Officer (CFO) and SLT take the lead in developing our strategy, which is then reviewed, constructively challenged and approved by the Board.

The Board has delegated some of its powers to the CEO and operates with the assistance of five Committees.

Audit Committee

Chairman: Walker Boyd
The Audit Committee provides assurance to the Board in the following areas: the integrity of our financial reporting and internal controls over non-financial matters; compliance with laws and our Code of Business Ethics; the Company's relationship with its external auditor; the role, resources and effectiveness of the Company's internal audit function; and the effectiveness of the Company's risk management framework, in each case with the ultimate aim of protecting our shareholders' interests.

Remuneration Committee

Chairman: Lucien Alziari
The Remuneration Committee considers and sets, on behalf of the Board, the remuneration (including pension rights and compensation payments) of Executive Directors and other members of the SLT. No Director is involved in deciding his or her own remuneration.

Nomination Committee

Chairman: Thomas J O'Neill
The Nomination Committee recommends new Board appointments for decision by the Board and, more broadly, considers succession planning for senior leadership and Board positions. The Nomination Committee also advises the Board on significant developments in corporate governance.

Board Committee membership and meeting attendance in 2017/18

	Main board		Audit committee		Remuneration committee		Share Valuation committee		Nomination committee		Board Pensions committee	
Number of Meetings	8		4		11		2		5		1	
	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance
Thomas J O'Neill	Chair	8(8)	–	–	–	–	–	2	Chair	5(5)	Chair	1(1)
Mike Shearwood	yes	8(8)	–	2	–	–	–	–	–	–	yes	1(1)
Paul Kenyon [1]	yes	4(3)	–	3	–	1	–	1	–	–	yes	1(1)
Nigel Hall [2]	–	2(2)	–	1(1)	–	–	–	–	–	–	–	–
Stella David [3]	yes	7(8)	yes	4(4)	yes	11(11)	–	2(2)	yes	5(5)	–	–
Lucien Alziari	yes	8(8)	–	–	Chair	11(11)	–	–	yes	5(5)	–	–
Walker Boyd	yes	8(8)	Chair	4(4)	–	–	Chair	2(2)	–	–	yes	1(1)
Tim Campbell [4]	yes	8(8)	–	–	yes	11(11)	yes	1(2)	–	–	yes	0(0)
Tanya Cordrey [5]	yes	5(5)	yes	3(3)	–	–	yes	0(0)	–	–	–	–
Ben Lovell [4]	yes	8(8)	yes	4(4)	–	–	yes	2(2)	yes	5(5)	–	–
Tobias Zimmerer [5]	yes	4(5)	–	–	yes	4(4)	–	–	–	–	–	–

[1] Attended meeting in July by invitation of the Chairman
[2] Resigned from the Board 5 May 2017
[3] Appointed Senior Independent Non-Executive Director (SID) 5 May 2017
[4] Nominee of the family shareholder council
[5] Appointed to the Board 1 July 2017

Note: Numbers in brackets denote number of meetings during the year Board members were entitled to attend. Where no bracketed numbers appear, the individuals attended by invitation of the Chairman rather than as of a right. A 'yes' indicates continuing membership. Wayne Kulkin resigned in February 2017 and did not attend any meetings.

Share Valuation Committee

Chairman: Walker Boyd
The Share Valuation Committee provides assurance to the Board regarding the bi-annual independent valuation of the Company's shares pursuant to the provisions of its Articles of Association. It does so, by reviewing, and challenging the methodology and the approach of the appointed valuer.

Pension Committee

Chairman: Thomas J O'Neill
The Pensions Committee considers all new pension schemes and material amendments to existing schemes; any departure from existing pensions or life assurance schemes or practices and generally monitors and develops policy on all aspects of the Company's pension arrangements.

Senior Leadership Team

The members of the SLT are:
- Chief Executive Officer
- Chief Financial Officer
- Chief Brand Officer
- Chief Commercial Officer
- Chief Legal Officer & Company Secretary
- Chief People Officer
- Group Director of Sourcing and Development
- President, Americas Region

The SLT is the body through which the CEO exercises the authority delegated to him by the Board. It usually meets monthly and considers major business issues and makes recommendations to the CEO, and typically reviews matters that are to be submitted to the Board for its consideration. The CEO is responsible for establishing and chairing the SLT.

Key governance roles

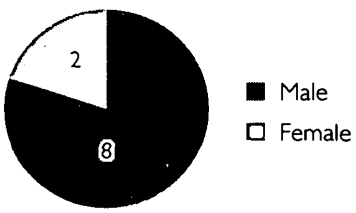
Chairman:
Leadership, operation and governance of the Board, ensuring Board effectiveness.

CEO:
Responsible to the Board for the management, development and performance of the business.

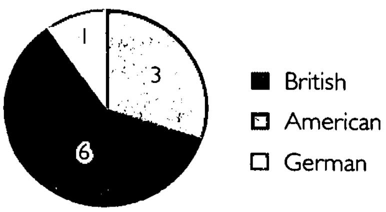
Senior Independent Non-Executive Director:
Acts as a sounding board for the Chairman and an intermediary for other Directors and shareholders when necessary

Company Secretary:
Reports to Chairman on all Board governance matters and, together with the Chairman, periodically reviews the Board and the Company's other governance processes to ensure they remain fit for purpose.

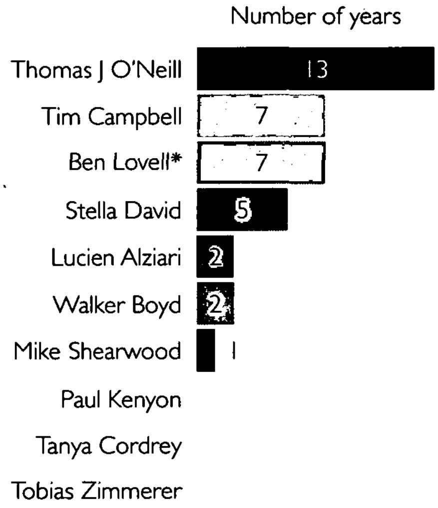
Gender split of Directors as at 3 February 2018



Directors' nationalities as at 3 February 2018



Length of tenure of Non-Executive and Executive Directors



* Ben Lovell's 7 years' service as a Director of the Group includes six years between 1999 and 2005.

BOARD OF DIRECTORS

Mike Shearwood

Mike Shearwood was appointed as Chief Executive Officer (CEO) in September 2016. He has a long and successful track record as a world class leader in brands and retail, most recently as CEO of Karen Millen, the international fashion brand and Aurora Fashions, the owner of Oasis, Coast and Warehouse, where he was CEO between 2009 and 2015, leading Aurora's stores and concessions across 77 countries. At Karen Millen he drove considerable e-commerce initiatives, the repositioning of the brand and the expansion into markets across North America, Asia and Europe. Before joining Aurora, Mike was Deputy CEO of Mosaic Fashions, owner of seven well known international and high street brands, including Shoe Studio Group. Prior to that Mike was the Managing Director of the Inditex Group of brands in the UK and Ireland, including Zara. He has also held senior positions at Industrias de Diseno Textil and Vision Express. He began his career with Dollond and Aitchison in 1983 where he qualified as an Optician.

Paul Kenyon

Paul Kenyon was appointed as Chief Financial Officer (CFO) in August 2017. Paul has more than 30 years' experience in financial management and has held a series of senior finance roles, most recently as CFO of Nomad Foods Limited, where he oversaw the Company's listing on the New York Stock Exchange. Prior to that he served as CFO of Iglo Foods Holdings Limited, a private equity-owned company where he led the sale process to Nomad Foods. Before his time at the Iglo Group, he held a series of senior roles at AstraZeneca plc. He was CFO of AstraZeneca's Global Commercial business, Senior Vice President, Group Finance and for a period held the role of Chairman of AstraTech, AstraZeneca's medical technology subsidiary, concluding with its successful disposal. Paul's early career included a series of senior finance roles at Allied Domecq plc, and other positions at Mars Incorporated, and Courtaulds plc. He is a Fellow of the Chartered Institute of Management Accountants, a Chartered Global Management Accountant and is currently a Non-Executive Director of Nomad Foods Limited.

Thomas J O'Neill

Thomas J O'Neill was appointed to the Board as an Independent Non-Executive Director in May 2004. In December 2013 he was appointed the Non-Executive Chairman of the Company. He has more than 25 years' experience in international retailing and brand management, most recently as Chief Executive and Director of Harry Winston, Inc. where he also concurrently held the position of President and Director of Harry Winston Diamond Corporation. Prior to Harry Winston, he was Worldwide President of Burberry, Chief Executive at LVMH Fashion Division in the Americas, Chief Executive of Marc Jacobs and Executive Vice-President of Tiffany & Company. He currently serves as an Independent Non-Executive Director on the Board of Aurum Holdings Ltd. which owns Mappin & Webb, Goldsmiths and Watches of Switzerland.

Stella David

Stella David was appointed to the Board as an Independent Non-Executive Director in March 2012. She has over 30 years' experience in branded consumer goods, with a focus on strategy and brand management. She retired as CEO of William Grant & Sons, a family-owned, international spirits company in 2016. She is currently Non-Executive Director of HomeServe plc, Bacardi Ltd and Norwegian Cruise Line Holdings Ltd and has also served as Non-Executive Director for Nationwide Building Society.

Lucien Alziari

Lucien is a senior Human Resources executive with over 30 years of experience in major international companies. In June 2017, he was appointed Chief Human Resources Officer of Prudential Financial, a Fortune 50 global financial services company based in the New York area. Prior to this, he served from 2012 to 2017 as Executive Vice-President and Chief Human Resources Officer of AP Moller-Maersk, a global shipping and energy conglomerate located in Denmark, and from 2004 to 2012 as Chief Human Resources Officer and Head of Corporate Responsibility for Avon Products, based in New York City. Previously, he held increasingly responsible roles with Mars Confectionery in the UK and PepsiCo Inc. Lucien is a Fellow and Director of the National Academy of Human Resources in the United States, a founding member of HR50 and Chair of the Board of Advisers of the Center for Executive Succession at the University of South Carolina. He brings expertise in international business, succession planning and executive compensation to the Board.

Walker Boyd

Walker Boyd was appointed as an Independent Non-Executor Director in January 2016. He has extensive retail experience in the UK and US and is a Chartered Accountant. Walker was Group Finance Director of Signet Jewellers Limited, previously Signet Group Plc, from 1995 until his retirement in 2010. He was Non-Executive Chairman of WHSmith Plc from 2010 to 2013 and Non-Executive Chairman of Spirit Pub Company Plc from 2011 to 2015. He has also served as a Non-Executive Director on the Boards of CSR Plc, where he was Senior Independent Director and Chairman of the Audit Committee, and Punch Taverns Plc.

Timothy Campbell

Tim Campbell is a Foreign Service Officer with the US Department of State. He was previously a Strategic Advisor to J.F. Lehman and Company, a private equity firm with offices in New York and Washington DC. Prior to that, Tim was previously Managing Director of Maymont Capital Advisors AG, a Zurich, Switzerland based private equity advisory firm, and was a Managing Director at Richmond Global, a private equity firm focused on emerging technologies. Prior to working in private equity, Tim was an analyst at the Institute for Foreign Policy Analysis in Washington, DC, and at the Centre Français sur les Etats-Unis at the Institut Français des Relations Internationales in Paris. Tim graduated from the College of William and Mary with a BA in Economics and earned a post graduate degree from the Institut d'Etudes Politiques de Paris. Tim has lived and worked in America, Europe and Asia, and currently lives in the United States.

Tanya Cordrey

Tanya Cordrey has built a series of high growth, global, digital businesses. She is the former Chief Digital Officer at Guardian News & Media, where she played a key role in their digital transformation, and during her time on the senior executive team the company won several awards for its innovative digital products and reached record levels of digital revenue and monthly users. She held several senior roles at eBay, Zopa and established award-winning Babycentre.co.uk. In 2015, Tanya was named Chief Digital Officer of the Year, UK. She previously was a Non-Executive Director at Schibsted, an international media and classifieds company, listed on the Oslo Stock Exchange, with 6,800 employees in 30 countries. Tanya is currently a digital adviser to senior executive teams at several large and fast-growing European companies, she is on the Board of Advisers at Palamon Capital Partners, and also works closely with various global start-ups.

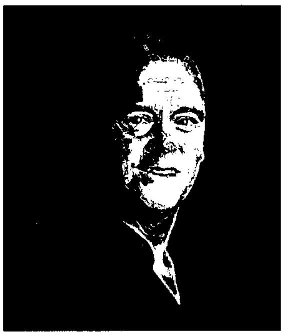
Ben Lovell

Ben Lovell was appointed as a Non-Executive Director in November 2016. He worked for Clarks in the UK for 10 years, first as a trainee manager and then managing various Peter Lord shops, followed by a three-year spell as merchandising manager at Ravel in London. He moved to the US in 1981 and was responsible for inventory control and the customer service function for Clarks of England. In 1988, he established his own eponymous shoe stores in the Greater Philadelphia region. The stores specialise in Euro-comfort and are full service stores. He sold the business in 2016. Ben has been a member of the family shareholder council since its inception and served as a Non-Executive Director from 1999 to 2005.

Tobias Zimmerer

Tobias Zimmerer joined the Board of Directors from 1 July 2017 as an Independent Non-Executive Director. Tobias trained as a bespoke shoemaker and has extensive experience within the shoe industry, notably at Gabor shoes and Schuh-Union. He joined the ARA Group in 2000 and from 2002 until 2012 he served as Chairman of the ARA Group and from 2009 was also CEO of ARA Shoes. He has a global network of clients, suppliers and manufacturers in the footwear industry built up during years of working in the sector. He acts as a consultant for various international companies in industry and commerce, including the Tata Group and Deichmann. Until 2014, he was a member of the executive board at the Test and Research Institute Pirmasens (PFI) and until 2015 he was a member of the executive board at the German Federal Association of the Footwear and Leather Goods Industry (HDS/L). From June 2014 to May 2016 he was a member of the management team at the Josef Seibel Group where he lead the restructuring and realignment of the Josef Seibel Group.

SENIOR LEADERSHIP TEAM



Mike Shearwood
Chief Executive Officer

Please see full biography on page 33

Paul Kenyon
Chief Financial Officer

Please see full biography on page 33

Jason Beckley
Chief Brand Officer

Jason leads the Brand team in defining, developing and delivering all aspects of the brand through product, communications and consumer experience both in-store and online. Before joining Clarks, Jason worked as Senior Vice President for Asia Pacific Marketing, PR and Communications for Ralph Lauren.

Gary Champion
President, Americas Region

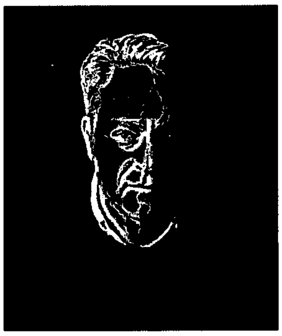
Gary is responsible for our business in the Americas. Having previously spent 25 years with Clarks, rising to the position of Senior Vice President, Gary rejoined us from Earth Footwear, where he was President.

Belinda Deery
Chief People Officer

Belinda's remit is to make sure that we have the necessary skills and talent within the business to be able to implement our strategy. Belinda has worked for Clarks for several years in various senior HR roles including Global Director of Talent and Head of HR in the UK & ROI.

Steve Finlan
Chief Commercial Officer

Steve is responsible for driving Clarks commercial performance, with a focus on shaping our retail businesses across the UK, Europe and Asia. Steve has more than 30 years' international retail experience and has previously held senior roles at Marks & Spencer, Gap Inc and Thomas Cook.



Antony Perillo
Group Director of Sourcing and Development

Antony joined Clarks in 2006, bringing 20 years' international shoe making experience. Before joining us, Antony held various senior Product Development and Sourcing roles in companies around the world including Colorado Group, Ecco Shoes, and his family's business, Perillo Shoes.

Paul Wakefield
Chief Legal Officer and Company Secretary

Paul Wakefield leads our Group Legal and Company Secretary functions, overseeing our legal and compliance teams and providing his expertise to the Group.
Paul has a wealth of experience, which he has gathered in his 20 years in roles for various law firms and companies for whom he provided advice on a wide range of corporate and commercial issues.

CORPORATE GOVERNANCE REPORT

The Company is privately owned and not formally subject to the requirements of the UK Corporate Governance Code (the "Code") published by the Financial Reporting Council. It is, however, committed to maintaining a high standard of corporate governance that reflects the principles of best practice that are set out in the Code, but adapted to the internal governance framework under which it operates as a privately-owned business.

In addition, the Company has a distinctive means of ensuring family shareholder representation as the Board has an informal understanding with the Street Trustee Family Company Limited ("STFC") that it should seek the opinion of family shareholders on certain key items. This is done through communication between the Chairman of the Board and the STFC Council, being a body of directors of the STFC appointed by its members. This does not affect in any way the Board's process with regards to making all decisions in relation to the Company's business, apart from those reserved for shareholders by legal right or otherwise set out in the Company's constitution. The relationship with the STFC continued to be relevant throughout the year under review with respect to the Company's governance practices.

The Company continued to assess its approach to corporate governance throughout the year under review and has met the Code's principles where they are thought to be in the commercial interests of both the Company and its Shareholders. Further information on the Company's work in this area is set out below.

Board of Directors

At 3 February 2018, the Board consisted of a Non-Executive Chairman, five Independent Non-Executive Directors, one of whom is the Senior Independent Director, two Non-Executive Directors who are nominees of the STFC Council and two Executive Directors. The Non-Executive Chairman is responsible for leading the Board, and ensuring its effectiveness in all aspects of its role. During the year 2017/18, Paul Kenyon was appointed as Chief Financial Officer and took his place on the Board alongside Mike Shearwood, as Chief Executive Officer, ensuring a division of responsibilities at the head of the Company between the running of the Board and the running of the Company's business. The primary role of the Senior Independent Director continues to be a sounding board to the Chairman and to act as an intermediary for the other Directors when necessary.

The Code (as it applies to FTSE 350 companies) stipulates that at least half the Board, excluding the Chairman, should be comprised of Non-Executive Directors who are determined by the Board to be independent. The Code defines this to mean those Directors who are independent in character and judgement. Factors that may influence the determination of independence include holding a significant shareholding or having served on the Board for more than nine years. The Nominations Committee reviewed the question of independence at its September meeting and subsequently reported to the Board. It was determined that (excluding the Chairman) of the other Non-Executive Directors, five are considered to be independent as defined by the Code, thereby meeting the Code's stipulation. Both Ben Lovell and Tim

Campbell continue to serve as nominees of the STFC and so are not to be considered independent although the Board considers it remains in the interests of the Company that there are two nominees of the STFC Council appointed to the Board.

The Board pro-actively took steps during 2017/18 to increase independent representation. Additional Independent Non-Executive Directors, Tanya Cordrey and Tobias Zimmerer, were appointed to the Board during July. Respectively, Tanya and Tobias bring digital and shoe making expertise to the Board; skills that had been targeted following the outcome of the last Board effectiveness review. As is provided in the Company's Articles of Association, each of them will hold office until the AGM, where they will each offer themselves for re-election.

At the last AGM shareholders approved an extension to the terms of appointment for one year for Thomas J O'Neill. Having served on the Board since May 2004, Mr O'Neill and the Board have concluded that it is time to commence the process of selecting a successor as Chair of the Board and the search will commence shortly. In order to ensure a smooth and well-organised transition, the Board will be proposing a special resolution at the AGM to extend the appointment of Thomas J. O'Neill for a further one year period. Of the remaining Directors, one-third of them are required to retire from office although they are each eligible for re-election. In this respect, both Stella David and Walker Boyd will retire at the AGM but both will offer themselves for re-election. Walker Boyd has indicated to the Board that for personal reasons he will resign at the end of the 2019 AGM and a search will be launched to ensure a sensible transition.

Lastly, Tim Campbell has informed the Board that he plans to step down in November 2018 in order to focus on a new professional role. The Board will seek a recommendation for a family-appointed Director from the family council to replace Tim.

Board member biographies are set out on pages 33 to 34.

The Board delegates some of its responsibilities to its Committees that comprise Audit, Remuneration, Share Valuation, Pensions and Nomination. The terms of reference for each of these Committees are kept under regular review, considering best practice standards and what is appropriate for the business, as a private company.

Each Committee has access to such information and advice as it deems necessary, at the cost of the Company, which also provides internal resources to enable each to undertake its duties. The Company Secretary acts as secretary to all the Committees, except for the Board Pensions Committee, which is supported by the Pensions Manager.

The Board has a schedule of meetings throughout the year which is set in advance, as well as strategy sessions and Committee meetings. The Board provides oversight of the Company through a formal agenda of matters reserved for its decision.

The Board continues to receive appropriate and timely information prior to each meeting with a formal agenda, and with Board and Committee papers being distributed ahead of any meeting taking place. A Board portal system enables all Board members to receive, read and review Board papers via an online and secure portal.

To ensure appropriate succession during a period in which a successor to the former Company Secretary, Deborah Wakeford, was sought, the Board procured the services of Paul Wakefield as acting Company Secretary on an interim basis. This appointment was made permanent during November and Paul makes himself available to support all Directors in the performance of their duties as Directors of the Company. There is an agreed procedure to enable individual Directors to take independent legal and financial advice at the Company's expense when needed.

Decisions of the Board are taken democratically after discussion. Any Director that feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting. Any specific actions arising from such meetings are agreed by the Board and followed up by the relevant parties.

In keeping with the requirements of the Corporate Governance Code, an internal evaluation of the Board and Committees was undertaken. This was carried out by Thinking Board, a governance self-assessment service operated by an advisory company called Independent Audit Limited (a company with no other commercial relationship with the Company).

The specifics of the process were intended to measure the activities of the Board and Committees against the main principles and provisions of the UK Corporate Governance Code. The review covered all aspects including composition, experience, dynamics, the Chairman's leadership, the role of the Senior Independent Director and the Board's role and responsibilities, with particular regard to strategy, oversight of risk and succession planning.

Feedback from the questionnaires was discussed at the meetings of the Board and Committees at the start of April 2018. Overall it was concluded, in each case, that each continues to operate effectively and in an open manner. No significant problems were raised, although each of the Board and Committees identified specific aspects of their activities for further monitoring, review and in places, improvement.

The Chairman held discussions with each individual Director with regards the outcomes from their respective 360-degree assessments (again, as facilitated by Thinking Board). In these discussions, the Chairman considered each Director's contribution and personal development needs. In respect of the evaluation it was concluded that each Director continues to perform effectively and to demonstrate commitment to the role. Where training needs were identified the Company will facilitate these.

The evaluation of the Chairman by the other Directors, led by the Senior Independent Director, covered: how Board meetings were managed and chaired; the Chairman's broader activities for the Company; his relationship with the shareholders and his relationship with the CEO. It was concluded that overall the Chairman continues to perform effectively, both in respect of Board matters and in relation to other aspects of his Chairmanship role. It was also noted that he continues to devote significant time to the Company for the long-term benefit of shareholders and other stakeholders.

The Chairman led, in consultation with the other Non-Executive Directors, an appraisal of the performance of the Chief Executive Officer.

The Company Secretary has responsibility for ensuring that all Board procedures have been complied with.

Audit Committee

The Audit Committee met four times during the year. All members of the committee are expected to attend all the meetings and attendance at these meetings by the committee members is shown on page 30. The Group Director of Risk Management and Internal Audit, the external Auditors, together with the CFO, Company Secretary and other persons may also attend the meetings by invitation. The Audit Committee is currently chaired by Walker Boyd and a majority of its members are independent. Mr Boyd has competence in accounting and the members as a whole are seen as having competence relevant to the financial aspects of the Company and the footwear sector in general.

Its duties and responsibilities, as set out in its terms of reference, include:

- Monitoring and reviewing the integrity of the annual and interim financial statements of the Company, and reporting to the Board on significant financial reporting issues and judgements, having regard to matters communicated to it by the external auditor.
- Reviewing the policies and processes for identifying and assessing the Company's internal and financial controls and risk management systems.
- Reviewing the internal audit plan and monitoring adherence to the plan during the year.
- Reviewing the Company's policies and processes on whistleblowing, fraud and compliance.
- Making recommendations to the Board in relation to the appointment, reappointment and removal of the Company's external auditor, including approval of their remuneration.
- Reviewing and approving the policy on the use of the external auditor for non-audit services.

The independence and objectivity of the external auditors and the effectiveness of the external audit processes are also considered by this Committee. It is a specific responsibility of the Audit Committee to ensure that an appropriate relationship is maintained between the Company and its external auditors, including periodic tendering for (and best practice rotation of) audit services. After an audit tender process during the summer of 2016, the Audit Committee recommended the appointment of Ernst & Young (EY) as replacement auditors to KPMG. The Company confirmed their appointment by Ordinary Resolution at the 2017 AGM.

The meetings during the year focused on:

- Reviewing the 2017 interim results and 2017/18 Annual Report and Financial Statements. As part of the review, the Committee received reports from management on the key accounting judgement elements (which included reports upon the basis of revenue recognition, overhead absorption, net realisable values, provisions held against onerous leases, treatment of financial derivatives and the basis upon which historic tax losses were retained on the balance sheet), together with the EY Audit Committee report.
- Monitoring the Company's risk management framework and internal controls and policies (for which the Board has overall responsibility). During the year, the Company recruited a Director of Risk and Internal Audit together with a new Head of Compliance. Throughout the year the Committee has received regular reports from these functions which together, have worked towards an improved risk environment throughout the Company. Particular focus was given to planning for business continuity in the face of the business disruptive events and the challenge affecting the Company with regards to cyber security and data privacy as well as considering the risks presented by the external trading environment.
- Reviewing the appropriateness or otherwise of considering the Company as a going concern.
- Reviewing the Risk and Internal Audit functions, including receiving reports on internal audits carried out in 2017/18 and approving the 2018/19 audit plan.
- Monitoring the transition of the Company's external audit firm KPMG to EY and reviewing the external audit plan and the independence and objectivity of the auditors. The Committee will review the effectiveness of EY subsequent to their completion of the 2017/18 audit.

- Regulating the provision of non-audit services to the Company by the external auditor;
- Reviewing the continuing audit of footwear suppliers (to promote compliance with international laws and good practice) and also reports on the Company's Health & Safety operations.
- Reviewing material litigation to which the Company is subject.
- Challenging the effectiveness of the Company's governance in respect of capital expenditure approvals.
- Maintaining management focus upon the accuracy of its accounting for inventory.

As has been noted elsewhere, the Audit Committee evaluated its performance and, whilst noting objectives for the subsequent financial period, concluded it was operating effectively.

Remuneration Committee

The Remuneration Committee met 11 times during the year and its responsibilities include the approval of the total remuneration and other benefits of the Senior Leadership Team. The meetings are supplemented with telephone or video conference meetings through the year when deemed necessary. The Committee also receives reports on, and reviews the terms and conditions of, senior management's remuneration, and approves both short term and long-term incentive plans/targets offered in the business. External advisers are appointed to assist the Committee as it deems appropriate. The Remuneration Committee is currently chaired by Lucien Alziari.

Share Valuation Committee

This Committee meets twice a year with representatives of those advisers responsible for valuing the Company's shares, together with others deemed necessary to review general trading conditions and provide the necessary information to enable a valuation of the Company's shares (in accordance with the provisions of the Company's Articles of Association) by the independent valuer. This Committee is currently chaired by Walker Boyd.

Board Pensions Committee

This Committee reviews and scrutinises all proposals for changes to the Company's employee pension schemes. All significant changes are then recommended to the Board for approval. This Committee is currently chaired by Thomas J O'Neill.

Nominations Committee

This Committee is responsible for Board succession, planning and composition. The Committee meets at least once a year, with more frequent meetings convened as and when specific Board search activity requires. External advisers are used by the Committee as appropriate.

The Committee is typically chaired by the Chairman of the Company unless the business under consideration is the recruitment of a Company Chairman. In such circumstances, the Committee is typically chaired by Senior Independent Director, Stella David.

Senior Leadership Team

The Senior Leadership Team (SLT) is the senior decision-making, executive committee. It is responsible for reviewing overall financial performance, strategy, plans and budgets as approved by the Board. It also oversees daily trading, key risks, management development and corporate responsibility.

The SLT consists of the key senior managers in the business and is chaired by the Chief Executive Officer. It currently comprises:

- Mike Shearwood, Chief Executive Officer
- Paul Kenyon, Chief Financial Officer
- Jason Beckley, Chief Brand Officer
- Gary Champion, President, Americas Region
- Belinda Deery, Chief People Officer
- Steve Finlan, Chief Commercial Officer
- Antony Perillo, Group Director of Sourcing and Development
- Paul Wakefield, Chief Legal Officer and Company Secretary

The Senior Leadership Team reports to the Board through the Chief Executive Officer, who is responsible for the results of the business, and Chief Financial Officer on issues, progress and recommendations for change which come out of the SLT's activities.

Shareholder relations

The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance are understood. The annual and interim report and accounts are available to all shareholders and the Board encourages all shareholders to elect to receive those reports via a secure online portal.

All shareholders have the opportunity to ask questions of the Board at the Company's Annual General Meeting, which all Directors attend. At the meeting, the Non-Executive Chairman will give a statement on the Company's performance during the financial year. The Chairman will advise shareholders on proxy voting levels and the Company encourages all shareholders to attend and participate in the AGM.

Audit and internal control

The Board, through the Audit Committee (as stated earlier), is responsible for determining the nature and extent of significant risks it is willing to take in pursuit of the Company's strategic objectives. It monitors the system of internal controls maintained by the Company and 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, appropriate legislation and mitigation of business risks. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

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

A Group Risk Management Policy has been adopted by the Company. The risk management framework, which is embedded into overall management processes in the business, aims to ensure that:

- Key risks are identified and described,
- Mitigating controls are in place that adequately address the risk(s), and
- The controls in place work as described, and are tested to demonstrate their effectiveness.

Whilst the Board has ultimate responsibility for effective risk management and an appropriate system of controls, all managers are responsible for the identification and evaluation of key risks applicable to their area of the business.

REMUNERATION REPORT

Statement by the Remuneration Committee Chair

The Remuneration Committee is pleased to present its report on the remuneration policy and practice over the financial year ended 3 February 2018.

The Remuneration Committee annually reviews the remuneration policy to ensure that the Company's remuneration arrangements are aligned to its strategy with strong links between long term performance and shareholders' experience.

The Committee's objectives are to ensure that:
- Compensation structures are straightforward and understandable and clearly link performance expectations, outcomes and rewards
- Incentives reward good operational and long-term decisions aligned with the Company's strategy
- Performance measures and targets are transparent and integrated with the Company's strategic objectives
- If discretion is used, it will be well balanced and justified

2017/18 Business performance review
Overall financial performance for 2017/18 was in line with expectations at the underlying operating profit level.

Total sales revenue declined by 6.9% as a direct outcome of the strategy to switch trading stance towards full price and reduce the level of discount and promotional activity across all trading channels. This resulted in significantly improved margins, a reduction in inventory levels, number of days on promotion within retail stores and a resultant cash generation of £114.9m enabling a reduction in net borrowings to £27.3m.

The strategy to increase full price sales in retail and online channels, together with pro-active actions on pricing, costs of goods and overhead cost control proved successful. However, the adverse currency impact of a weak sterling resulting from the uncertainty generated by the UK's decision to leave the European Union was not able to be wholly mitigated within the financial year. This impact, coupled with restructuring costs and unplanned asset write downs meant that profit after tax fell short of expectations.

2017/18 Remuneration outcomes: Overall context
The Group operates two incentive plans – a broad-based annual incentive plan focused on delivering annual objectives and a more selective Long-Term Incentive Plan for senior managers, which is focused on 3-year goals. The performance measures used in our incentives are aligned with the Group's strategy.

The annual incentive is focused on underlying operating profit and free cash generation, whilst the Long-Term Incentive Plan is focused on profit after tax and cumulative cash generation. In line with guidance from our shareholders, 60% of target total compensation for our Executive Directors is tied to the Long-Term Incentive Plan. This is a significant portion of their target remuneration and ensures that their rewards are aligned with the interests of our shareholders.

The Committee is very mindful of the fact that this has been a tough year for shareholders. While progress has been made on the achievement of underlying profit, delivery on our after-tax profit goals has been below expectations, resulting in disappointing dividend payments to shareholders. In determining payouts under the plans, we have sought to balance three objectives:

(i) reward performance when goals have been achieved;

(ii) ensure that we are able to motivate and retain the talent we need during a challenging turnaround period for the company; and

(iii) ensure that total rewards for senior management under both plans are aligned directionally with the experience of our shareholders

Although general merit increases are not within its remit, the Committee is pleased to note that management is intending to make an average 2.6% increase in base salaries across the organisation – actual increases at an individual level will be based upon performance and pay movement in each country.

Annual bonus scheme

Annual bonus scheme performance conditions for 2017/18 were Group underlying operating profit (75% of the award) and free cash generation (25% of the award).

Group underlying operating profit was chosen as a measure in annual bonus as the Group considers this to be the key measure of the profitability of its core operations, before adjustments for foreign exchange movement and one-off items. Free cash generation is the cash that management has generated before interest payments are considered. The Group achieved £45.2m underlying operating profit, meeting target performance conditions and £129.2m free cash generation, meeting target performance conditions.

In meeting both performance conditions, annual bonus payments were awarded at target levels. In approving the award, the Committee took account of the following::

- Bonus funding provision in 2017/18 financial year had been regulated in context of the overall profitability of the Group, reducing the overall available award at target to £5m. This resulted in bonus payments being circa 50% of what would usually be paid upon achievement of target. As a result, CEO, Mike Shearwood earned 25% of salary in bonus. This is half of the normal target level.

- The performance conditions for the scheme were met at the target level. The Committee believes it is important that participants in incentive schemes trust the integrity of the scheme and that when targets are met, they are rewarded accordingly with pay-outs that reasonably reflect achievement.

Long Term Incentive Plan 2017-20

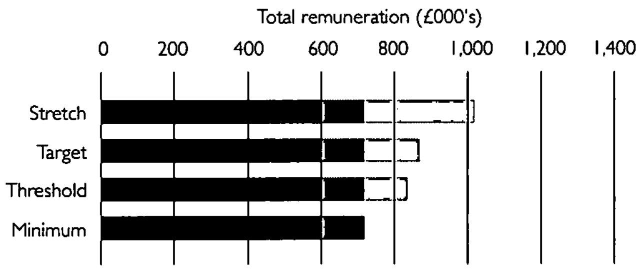
Awards were granted in the year for the 2017-20 Long-Term Incentive Plan (LTIP). The value of these awards will move in line with Clarks share price and dividend payments.

Because the Group did not meet the profit after tax target for 2017/18, **performance tracking for the plan is currently behind target.** Unless the shortfall is made up in years 2 and 3 of the plan, cumulative profit after tax performance targets will not be met and the awards will not vest.

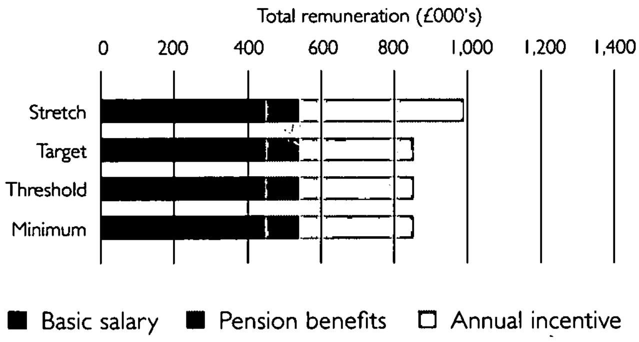
The Committee feels that the determination of payments under the annual bonus and the LTIP appropriately reflects delivery against the annual performance outcomes of underlying operating profit and significant cash generation, whilst recognising that **a significant percentage of senior managers' target compensation is at risk unless the cumulative 3 year goal for profit after tax is achieved.**

Remuneration outcomes for Executive Directors in 2017

Mike Shearwood, CEO



Paul Kenyon, CFO



Long Term Incentive Plan 2015-18

Performance conditions under the LTIP made in the financial year 2015/16 were reviewed by the Committee. The performance period for these plans ended on 3 February 2018. The performance conditions for payment were Group profit after tax, Group return on capital Employed (ROCE) and compound annual growth rate in average selling price metrics over the financial years ending 2015/16, 2016/17 and 2017/18. Since performance thresholds were not met, **no pay outs will be made under the 2015-18 LTIP.**

Remuneration Committee agenda items in 2017/18
During the year, the Committee considered and made decisions on:

Pay arrangements
- Annual review of all Executive Directors' and senior managers' base salaries and benefits in line with policies and approval of any salary increase.
- Review of, and agreement to, remuneration packages for new Executive Directors and senior managers.

Annual bonus scheme
- Review of achievement of annual bonus scheme 2017/18 performance outcomes against targets and approval of any bonus payments due.
- Review of the structural design, performance measures and targets for the 2018/19 annual bonus scheme.

Long-Term Incentive Plan
- Review and approval of awards, measures and targets for the 2017-20 LTIP cycle, considering the total value of all awards made under this plan.
- Half-year and year-end review of all incentive plan performance against targets.
- Review of achievement of the performance outcomes against target set for the 2015-18 LTIP awards.
- Consideration and debate of the Remuneration Policy in the context of external guidance and views on long-term incentives for the future.

Governance and external market insight
- Review of Committee performance in 2017/18.
- Consideration of external market developments and best practice in remuneration.
- Review of remuneration strategy, policy and arrangements for the wider workforce.
- Review of the Group's UK Gender Pay Gap report and action plans
- Approval of the Directors' Remuneration Report for 2017/18

Remuneration Committee action plan 2018/19
- Ensure the continued alignment of incentive arrangements for the Executive Directors and other members of senior management.
- Debate and agree the appropriateness of the Remuneration Policy in the context of the rest of the organisation and emerging requirements for changes in corporate governance of private companies.

We remain committed to ensuring that our remuneration arrangements support our strategy and deliver sustainable value to our shareholders.

Lucien Alziari
Chair of the Remuneration Committee
6 April 2018

Remuneration explained

Overview of remuneration policy in Clarks

Reward principles

All our compensation programmes are designed to align the interests of our employees with those of our shareholders and reflect the values of the Clarks family. To achieve this goal, we use the following principles when determining pay and reward.

- Fairness
- Market-alignment
- Performance driven
- Long-term orientation
- Straight-forwardness

General reward policy

The Group aims to provide a remuneration package for its employees which is market aligned and competitive. Packages are designed to reward, motivate and retain high performers in line with the risk appetite of the Group. Remuneration is considered within the overall context of our sector and the markets in which we operate.

The policy for most employees continues to be to pay around the relevant mid-market range with a competitive package designed to broadly align the interests of employees with those of shareholders with an appropriate proportion of total remuneration directly dependent upon Group and individual performance. Overall compensation packages for Executive Directors and senior management are designed to be weighted towards the long-term performance with typically a 40:60 split between short term and long-term compensation.

Each year, prior to reviewing the remuneration of the Executive Directors and senior management, the Remuneration Committee considers a report prepared by the Chief People Officer detailing remuneration practices across the Group. The report provides an overview of how employee pay compares to the market and includes detailed analysis of basic and variable pay changes within the UK.

Whilst the Company does not directly consult with employees as part of the process of reviewing Executive pay and formulating the Remuneration Policy, Management and the Committee do receive an update and feedback from the broader employee population on a regular basis using an employee opinion survey which includes several questions relating to remuneration.

Remuneration Policy overview

Element	Structure
Basic salary Support recruitment and retention of employees with the necessary experience and expertise to deliver the Group's strategy.	Set based on: – Personal performance – Size, scale and impact of the role – Knowledge, skills and experience – Competitive market practice Salaries are reviewed annually in the context of market forecast inflation, market competition, legislative requirements and overall business affordability.
Pension	Employees are given the opportunity to save for the long term in either a Group pension scheme or similar
Benefits Provides a competitive level of benefit provision commensurate with typical market practice	Benefits vary by type and seniority of role and typically include employee discount on products, holiday pay, company car allowance, private medical insurance and life assurance.
Share Incentive Plan	The company operates a Share Incentive Plan. Under this plan, eligible employees may save up to 1% of their gross salary which will be used to purchase ordinary shares. One matching share will be allocated for each share purchased under the plan.
Annual bonus Incentivises employees to deliver in-year goals that are aligned with the Group's strategy and the creation of value for shareholders.	Executive Directors, senior management and most of our employees participate in discretionary bonus plans, dependent upon their role and location with on target earnings ranging between 10 – 50% base salary. The bonus plan with the largest number of participants is the Group's Global Bonus Scheme. Annual bonus plans are set at Group and market level each year focusing on the delivery of critical goals of the Group and the creation of value for shareholders. Bonuses are paid in cash shortly after the end of the financial year to which they relate. Measures are typically determined by the financial objectives for the coming year in line with our budget and strategic plan. Targets are set to reward stretching performance. The Remuneration Committee has ultimate discretion over all bonus plans.
***Long Term* Incentives (LTIP)** Incentivises key individuals towards long-term sustainable financial results and encourages their retention by increasing their stake in the future of the business.	*Participation in LTIPs is offered to Executive Directors* and a small number of senior management each year in recognition of the strategic and influential role that they hold in terms of driving company performance as well as their individual contribution. Participation in one LTIP cycle does not guarantee participation in future years. Where appropriate, LTIP awards may also be made to new employees who join the Group in key roles during the year. Vesting is subject to the achievement of financial performance targets, which are set in accordance with the financial objectives and shareholder value creation expected over the term of the plan. The award is delivered in cash with actual pay-outs being adjusted in line with the movement in Clarks' share price and dividends over the term of the awards. The Remuneration Committee has discretion to operate a holding period of 2 years during which time any amounts earned will be held and linked to the movement in Clarks' share price and dividends. Malus and Clawback apply to awards made under the LTIP for a total period of 5 years from the date of grant.

Recruitment policy

Component	Policy
General	Our approach to remuneration in recruitment is to attract appropriate candidates to the role, but not to overpay. Any new Executive Director's ongoing package would be consistent with our remuneration policy as set out in this report.
Replacement awards	We seek to structure any replacement awards such that they are no more generous in terms of quantum or vesting period than the awards due to be forfeited. In determining quantum and structure of these commitments, we seek to replicate the fair value and, as far as practicable, the timing and performance requirements of remuneration foregone.
Sign-on payments/ recruitment awards	Our policy is not to provide sign on compensation. However, in exceptional circumstances, the Remuneration Committee may make a sign on payment to an individual. Payment will be subject to performance conditions and / or a holding period and good and bad leaver provisions.
Relocation	In instances where an individual is required to move within the UK or internationally to carry out their role, the Company will pay relocation benefits in accordance with its relocation policies.

Loss of office policy

Component	Policy
General	When determining any loss of office payment for a departing individual we will always seek to minimise cost to the company whilst seeking to reflect the circumstances in place at the time. Therefore, the Remuneration Committee retains overriding discretion to make loss of office payments appropriate to the circumstances and applying the overriding principle that we should avoid paying for failure.
Basic salary, pension and benefits	Salary, pension and benefits will be paid during the notice period. The Remuneration Committee has discretion to make a lump sum payment on termination equal to the value of salary, pension and benefits payable during the notice period.
Annual bonus	Should an individual leave during the annual bonus performance period, entitlement to all the annual bonus is forfeited, except in good leaver circumstances (e.g. retirement with agreement of the employer, ill health, injury, disability, redundancy). For a good leaver during the annual bonus performance period, the payment will be pro-rated and payable after the end of the financial year. If the employing entity is sold during the performance period, the Committee may pay a bonus for the portion of the year passed.
Long-Term Incentive Plan	Should an individual leave during the vesting period, awards are forfeited, except in good leaver circumstances (e.g. retirement with agreement of the employer, ill health, injury, disability, redundancy). For a good leaver, awards will normally vest at the end of the normal vesting period. However, awards would be time pro-rated (over the period from grant to cessation compared to three years). If the employing entity is sold during a performance period, all payments due and in train under the LTIP scheme would become payable at the point of completion of sale.

Remuneration policy for Non-Executive Directors

Element	**Non-Executive Director fees** Reflects level of responsibilities and time commitments required for Board and Board sub-committee meetings. Supports recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.
Structure	Non-Executive Director Compensation consists of fees for their services regarding the Board and Board committees. Additional fees are payable where additional responsibilities are required, for example where Non-Executive Directors Chair Board Committees. Fees are reviewed annually. Non-Executive Directors are not eligible for pension scheme membership and do not participate in the Group's bonus scheme or other incentive schemes. The Chairman is also entitled to reimbursement of the costs for private medical insurance.
Opportunity	Fees for Non-Executive Directors are set at broadly the median of the comparator group of similar sized companies. Any fee increase for the Non-Executive Directors is determined by taking account of current market practice, whilst being mindful of the overall pay award to the broader employee population. The company pays reasonable expenses incurred by the Chairman and Non-Executive Directors.

Executive Director service contracts

It is policy 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. However, there is an obligation to pay for any notice period waived by the company. Executive Directors' service contracts require the company to give 12 months' notice to terminate the contracts. Dates of service contracts for Executives who have served over the year are as follows:

- Mike Shearwood from 30 September 2016
- Paul Kenyon from 7 August 2017

Remuneration Policy application in 2018/19

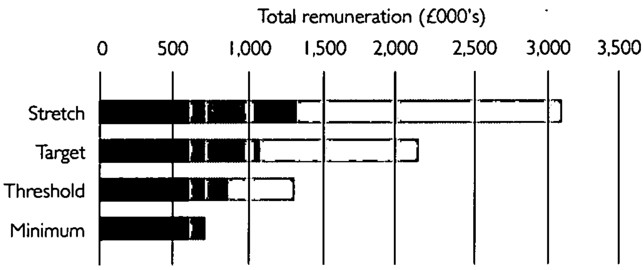
The table outlines the Remuneration Policy and how it will be implemented for Executive Directors in 2018/19.

Element	Opportunity in 2018/19	Change from 2017/18
Basic salary	In line with the general increase in salaries of 2.6% base salaries from 1 April 2018 have been adjusted as follows: Mike Shearwood (CEO) £615k Paul Kenyon (CFO) £459k	 2.5% increase 2.0% increase
Pension/salary supplement	Salary supplement	No change
Benefits	As determined by the cost from year to year	No change
Annual bonus	**Mike Shearwood, CEO** Target: 50% base salary Maximum: 100% base salary **Paul Kenyon, CFO** Target: 50% base salary Maximum: 100% of base salary	No change
Long Term Incentive Plan (LTIP)	**Mike Shearwood, CEO** Target: 110% base salary Maximum: 280% of base salary **Paul Kenyon, CFO** Target: 100% base salary Maximum: 250% of base salary	No change

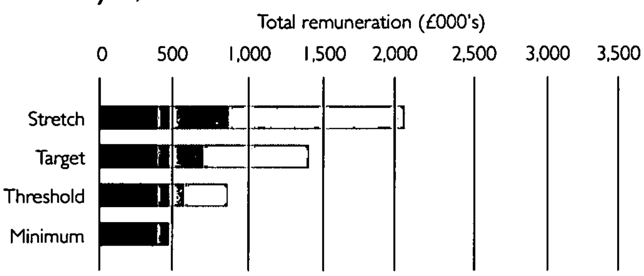
Illustration of potential remuneration outcomes through application of the policy in 2018/19

The below charts illustrate potential annual total compensation outcomes for each Executive Director, dependent upon achievement of performance outcomes.

Mike Shearwood, CEO



Paul Kenyon, CFO



■ Basic salary ■ Pension benefits □ Annual incentive

The charts reflect remuneration scenarios using the following assumptions:

- Threshold, target and stretch performance achievements translate into annual bonus pay-outs of 15%, 50% and 100% of maximum earnings potential respectively
- Threshold, target and stretch performance achievements translate into long term incentive pay-outs of 15%, 40% and 100% of maximum earnings potential respectively
- Salary increases over the period are not included
- There is no change in share price between the time at which the Long-Term Incentive is granted and when it vests.

Remuneration outcomes in detail for 2017/18

Executive Directors' pay in 2017/18

Single total figure of remuneration for Executive Directors for 2017/18.

	Mike Shearwood[1]	Paul Kenyon[2]
Salary (£000s)	600	215
Salary supplement (£000s)	120	43
Benefits (£000s)	115	5
Annual bonus (£000s)	150	314
LTI (£000s)	–	–
Total 2017/18 (£000s)	985	577
Total 2017/18 (£000s)	348	–

1 Mike Shearwood was appointed to the Board on 30 September 2016 and FY16/17 figures reflect a reduced period of service.

2 Paul Kenyon was appointed to the Board on 7 August 2017 and the figures in the above table reflect this. On joining Paul was awarded £205k to compensate for plans which he forfeited because of leaving his previous employment.

Base salaries

Mike Shearwood's salary was not increased during 2017/18 financial year. This was consistent with the decision taken to not apply an increase to the salaries of the corporate employee population during 2017.

Paul Kenyon's salary was set at £450,000 when he joined the Board on 7 August 2017. No increase has since been applied.

Salary supplements

Salary supplements in the above table relate to payments made in lieu of pension contributions.

As part of their service contracts, Mike Shearwood and Paul Kenyon were eligible to join the Clarks' Flexible Pension Scheme or take a salary supplement of 20% of salary. Both opted to take the salary supplements, which are subject to statutory deductions.

Benefits

Benefits arising from employment by the Company mainly relate to the provision of company cars, health insurance, life assurance and relocation assistance in the case of Mike Shearwood.

Annual bonus

Annual bonus awards accrued in 2017 were those made in the financial year 2017/18.The performance period for the Group bonus plan ended on 3 February 2018.The performance conditions for payment were Group underlying operating profit and unlevered free cash flow.Target performance for both measures was achieved, triggering target payment.

The below table sets out bonus opportunity and outcomes over the year.

Metric	Weighting	Proportion of maximum earned	Outcome (000's)
Group underlying operating profit	75%	50%	£4,125
Free Cash Flow	25%	100%	£1,375

Individual	Salary (000's)	Target opportunity (% of salary)	Maximum opportunity (% of salary)	Outcome (000's)
Mike Shearwood	£600	25%	100%	£150
Paul Kenyon	£450	50%	100%	£314[1]

1 Paul Kenyon's bonus includes £205k to compensate for the forfeiture of annual bonus in his previous employment.

Long-Term Incentives (LTIs)

LTIP awards for payment in 2017 were those made in the financial year 2015/16.The performance period for these plans ended on 3 February 2018.The performance conditions for payment were Group profit after tax, Group return on capital employed (ROCE) and compound annual growth rate in average selling price metrics over the financial years ending 2015, 2016 and 2017.Awards under these plans **will not vest** as threshold performance levels have not been met. Neither Mike Shearwood, nor Paul Kenyon were participants in this cycle.

Long-Term Incentive awards granted during the year 2017/18

Long term incentive awards were granted to 45 individuals including the Executive Directors and senior management during 2017/18. Full vesting is achieved above the performance range and no vesting is achieved below this range. For outcomes within the performance range, vesting outcome will be measured linearly between 15% (threshold), 40% (on target) and 100% (maximum)

For the 2017/18 award, the Committee determined that performance targets should be set over the one-year period during 2017/18 initially, pending the development and approval of a strategic plan for the Group with a further two-year performance period over 2018/19 and 2019/20. Actual payment will be determined over the cumulative three year period.

The performance conditions that apply are:
- 70% Group Cumulative profit after tax, before exceptional items
- 30% Cumulative Cash generated less asset investment before interest and tax payments

No holding period will apply to the 2017/18 award.

Replacement awards made

Paul Kenyon was granted a Long-Term Incentive award of £300,000 on recruitment to compensate for the forfeiture of accrued awards in his previous employment.This award was mitigated for performance conditions and will vest in full at the end of the performance year 2019/20 subject to 95% achievement of the Clarks 2017-20 LTIP performance targets. Should Paul leave Clarks voluntarily before the date of vesting, usual leaver provisions apply.

Appointment of new Executive Directors and senior management

The Remuneration Committee used in-depth competitor and market comparator benchmarking information provided by their external advisors, PwC, to construct an overall compensation packages for each of these appointments, with each element appropriately positioned against the market.

Paul Kenyon was appointed into the role of CFO on 7 August 2017.

Ben Fletcher was appointed into the role of Regional President, European Region on 3 July 2017

Jack Quinlan was appointed into the role of Region President, Asia Pacific on 7 August 2017

Paul Wakefield was appointed into the role of Chief Legal Officer and Company Secretary on 9 July 2017

Changes in CEO pay in 2017/18 compared to that of the UK workforce

In 2017, management took the difficult decision of only approving pay awards for its front-line employees across the Group – those employed in stores, distribution centres and contact centres. No pay award was therefore made to employees in corporate roles in offices and management roles 2017.

The average pay increase to the UK workforce during 2017/18 was 4.1%, largely driven by the statutory uplift in the National Minimum Wage and National Living Wage rates. Neither Mike Shearwood, or Paul Kenyon received a base salary uplift in 2017.

It is not within the Committee's terms of reference to determine annual pay awards but it understands management intends to apply a pay award across the Group for 2018. For the corporate UK workforce, the pay award budget has been set at 2.6%. For employees in the UK stores, the pay award budget was set at 4.4%, driven largely by the 2018 uplift in National Living Wage.

National Living Wage

The Group implemented the 'age 25 and over' Living Wage rate from 1 April 2016, to all eligible employees, even those under the age of 25. This has been at a cost to the Group of £3.2m in 2017 and is of benefit to 1,500 employees. The Group intends to continue to implement the Living Wage on this basis going forward, in line with the rates set by the UK government, the next rise being in April 2018 to £7.83 per hour and a cost to the Group of £3.4m.

Gender Pay

The committee has noted that the Group has published its Gender Pay figures as at 5 April 2017 and will publish it annually thereafter at or before 4 April on the following year. The Group has published these figures on its website.

The Committee notes that the reported Gender Pay Gap for the Group is consistent with the national average and for the retail sector where the flexibility of part time working in stores attracts a predominantly female employee base. The Committee is however committed to working with the Executive team in reducing the gap and of the business to optimise gender balance at each work level.

Non-Executive Director fees

The table below sets out Non-Executive Director fees paid over the year 2017/18.

(£000's)	Basic fees	Additional fees and benefits	Total fees 2017/18	Total fees 2016/17
Thomas J O'Neill[1]	206	39	245	1,035
Lucien Alziari[2]	46	8	54	51
Walker Boyd[3]	46	10	56	63
Timothy Campbell	46	0	46	46
Stella David[4]	46	5	51	52
Nigel Hall[5]	10	2	12	151
Wayne Kulkin[6]	1	0	1	34
Tobias Zimmerer[7]	27	0	27	0
Tanya Cordrey[8]	27	0	27	0
Hugh Clark[9]	0	0	0	136
Ben Lovell[10]	46	0	46	11

[1] Thomas J. O'Neill's 2016/17 total reflects the fact that he served as Executive Chairman whilst a new CEO was being recruited and transitioned into the business.

[2] Lucien Alziari' s remuneration includes £8k (2016/17 – £5k) for his role as Chair of the Remuneration Committee.

[3] Walker Boyd's remuneration includes £10k (2016/17 – £7k) for his roles as Chair of the Audit and Share valuation committees and £0k (2016/17 – £10k) in respect of additional duties performed.

[4] Stella David's remuneration includes £5k (2016/17 – £0k) for her role as Senior Independent Director.

[5] Nigel Hall's remuneration includes £1.8k (2016/17 – £95k) for his role as Senior Independent Director.

[6] Wayne Kulkin resigned from the Board on 10 February 2017.

[7] Tobias Zimmerer was appointed to the Board on 1 July 2017.

[8] Tanya Cordrey was appointed to the Board on 1 July 2017.

[9] Hugh Clark resigned from the Board on 17 November 2016.

[10] Ben Lovell was appointed to the Board on 17 November 2016.

Having taken external advice from their advisors, PwC, the Remuneration Committee noted that the Non-Executive Director fees of the company were below market median levels. The company intends to adjust fees to reflect market median levels.

Additional fees to Non-Executive Directors

Fees payable to Non-Executive Directors for various Board activities are as follows:
- Chairman's fee: £206,000
- Non-Executive Director basic fee: £46,350
- Senior Independent Director fee: £7,000
- Audit and Share Valuation Committee Chair fee: £10,000
- Remuneration Committee Chair fee: £8,240

Non-Executive Directors' agreements for service

Non-Executive Directors are required by the Company's constitution to resign after three years of service, but may be re-elected by an Ordinary Resolution at the AGM. After nine years' service any re-election is for one year only and must be by Special Resolution of the shareholders.

Service can also be terminated by either the Director or the Company giving notice to the other.

The table below sets out the dates of appointment for current members of the Board.

Director	Date of appointment
Thomas J O'Neill	10 May 2004
Lucien Alziari	4 January 2016
Walker Boyd	4 January 2016
Timothy Campbell	6 May 2010
Stella David	1 March 2012
Tobias Zimmerer	1 July 2017
Tanya Cordrey	1 July 2017
*Ben Lovell**	*17 November 2016*

* Ben Lovell previously served on the board, 1999-2005.

Performance and CEO remuneration comparison

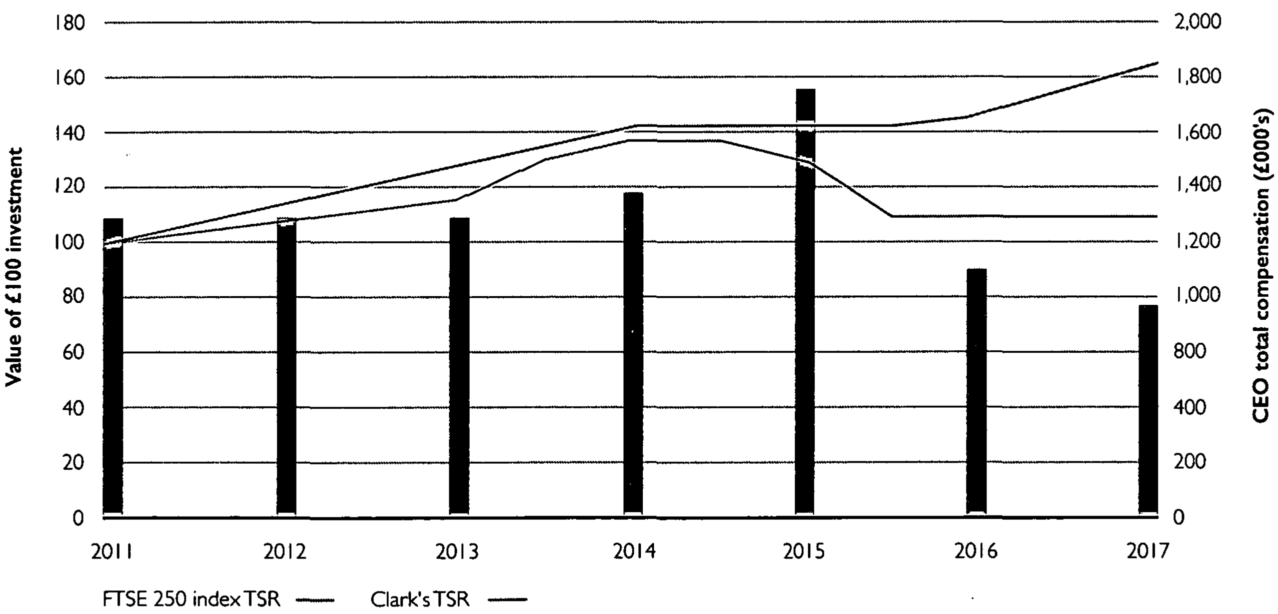
Total Shareholder Return ("TSR") represents the return on investment in shares of a company over a given period if all dividends are re-invested and any rights issues were taken up.

TSR is a metric used predominantly for publicly traded companies to allow comparisons between public companies' performance and therefore is not an entirely comparable measure for a private company such as Clarks. However, a comparison provides a useful indication of how an investment in a share in Clarks compares to a share in the public capital market. The external share valuation for Clarks conducted by PwC assumes a willing buyer and seller, is based on a minimal volume of transactions and does not fully account for external market forces.

The below chart is based on the purchase of £100 of shares in both Clarks and the FTSE250 index in September 2011 and uses share valuations between this date and September 2017.

In addition to TSR information, the chart illustrates the total annual compensation paid to the CEO during the last 7 years.

Total annual compensation for CEO over seven years



Remuneration Committee meetings

The following independent Non-Executive Directors were members of the Committee during 2016/17:

Member	Member since	Meetings during the year	Number attended
Lucien Alziari (Chair)	Jan 2016	11	11
Timothy Campbell	Nov 2016	11	11
Stella David	Mar 2012	11	11
Tobias Zimmerer	July 2017	4	4
Wayne Kulkin[1]	Nov 2016	0	0

[1]Wayne Kulkin resigned on 10 February 2017

Committee advisers

In carrying out its responsibilities, the Committee is independently advised by external advisers. The Committee was advised by PwC during the year.

PwC provides independent commentary on matters under consideration by the Committee and updates on legislative requirements, best practice and market practice. PwC's fees are typically charged on an hourly basis with costs for work agreed in advance. During the year, PwC charged £55,200 for Remuneration Committee matters. This is based on an agreed fee for business as usual support with additional work charged at hourly rates. PwC has provided tax, consultancy and risk consulting services to the Group in the financial year.

The Committee also seeks internal support from the CEO, CFO, Company Secretary, Chief People Officer and the Head of Performance & Reward as necessary.

All may attend the Committee meetings by invitation but are not present for any discussions which relate directly to their own remuneration.

The Committee also reviews external survey and bespoke benchmarking data including that published by Mercer, PwC and Willis Towers Watson.

This report will be laid before shareholders for approval at the Annual General Meeting to be held on 22 May 2018.

On behalf of the Board

Lucien Alziari
Chair of the Remuneration Committee
6 April 2018

DIRECTORS' REPORT

The Directors present their Annual Report to shareholders together with the audited financial statements for the year ended 3 February 2018.

Registration Number
The Company is a private company limited by shares and has the registered number 3314066.

Principal activities
The principal activities of the Company and its subsidiaries are worldwide shoe retailing and wholesaling and related trades. Further details of the operations and the trading results are set out on pages 3 to 27. The loss after tax for the Group for the year was £31.3m. A list of all subsidiaries of the Group can be found on pages 92 and 93.

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 Chief Executive's Report and the Financial Review.

Dividends
The Board recommend a dividend payment of 10.0p per share. This sum will be paid as an interim dividend in April 2018.

Directors
The current Directors of the Group are listed on pages 33 to 34. During the year we have seen the appointment of a new Chief Financial Officer (CFO), Paul Kenyon and two new Independent Non-Executive Directors: Tanya Cordrey and Tobias Zimmerer. Resolutions proposing their re-election will be proposed at the Annual General Meeting (AGM). Wayne Kulkin and Nigel Hall resigned from the Board in 2017.

At the last AGM shareholders approved an extension to the terms of appointment for one year for Thomas J O'Neill. Having served on the Board since May 2004, Mr O'Neill and the Board have concluded that it is time to commence the process of selecting a successor as Chair of the Board and the search will commence shortly. In order to ensure a smooth and well-organised transition, the Board will be proposing a special resolution at the AGM to extend the appointment of Thomas J. O'Neill for a further one year period. Of the remaining Directors, one-third of them are required to retire from office although they are each eligible for re-election. In this respect, both Stella David and Walker Boyd will retire at the AGM but both will offer themselves for re-election. Walker Boyd has indicated to the Board that for personal reasons he will resign at the end of the 2019 AGM and a search will be launched to ensure a sensible transition.

Lastly, Tim Campbell has informed the Board that he plans to step down in November 2018 in order to focus on a new professional role. The Board will seek a recommendation for a family-appointed Director from the family council to replace Tim.

Share register

As at 3 February 2018 the composition of the share register of C & J Clark Limited was:

	Number of shares	%
Family	51,271,746	86.8%
Institutions	747,812	1.3%
Share schemes	660,909	1.1%
Trusts associated with CJC	1,604,846	2.7%
Employees (including ex-employees and families)	4,763,484	8.1%
Non-family board members	17,600	0.0%
	59,066,397	**100%**

Directors' interest

The share interests of the Directors in office at 3 February 2018.

	As at 3 February 2018	As at 28 January 2017
Thomas J O'Neill	10,000	10,000
Timothy Campbell	2,621,361	2,620,591
Stella David	100	100
Walker Boyd	2,500	2,500
Lucien Alziari	5,000	5,000
Ben Lovell	2,050,893	2,027,615
Mike Shearwood	–	–
Tanya Cordrey	–	–
Tobias Zimmerer	–	–
Paul Kenyon	–	–
Total	**4,689,854**	**4,665,806**

Events since the balance sheet date

There have been no events since the balance sheet date.

Donations

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

Financial instruments

Details of financial instruments are provided in the Financial Review on page 20 to 27.

Employees

The Board subscribes to the principle of fairness through equality of treatment and opportunity and believes it to be 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 considered 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. Details of matters of concern to employees is given through a variety of presentations, briefings, bulletins and reports.

Disabled persons

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

The environment

The Group recognises that care and concern for the environment and the community are fundamental parts of the Group's strategy. It is the Group's intention to strive continuously to minimise any adverse environmental impact of its business activities, to comply with all relevant environmental legislation and to promote a caring attitude to the environment amongst its employees.

Creditor payment policy

The Group's policy is to use standard payment terms, payment typically being 60 days from the date of invoice. For all trade creditors it is the Group's policy to:

- Agree payment terms prior to receipt of goods or services
- Ensure that suppliers are aware of those agreed payment terms through a signed written contract or other legally binding documents
- Adhere to agreed payment dates provided that the supplier complies with its contractual obligations.

Corporate governance

The Group remains committed to maintaining high standards of corporate governance. As a privately-owned company, it adopts what it considers to be a best-practice approach to corporate governance on a voluntary basis.

Going concern

The Directors consider 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.

Director's responsibilities
So far as each of the Directors is aware, there is no relevant audit information (information needed by the Group's auditors regarding their report) of which the Company's auditors are unaware. Each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of The Companies Act 2006.

Auditors
A resolution to re-appoint EY as auditors of the Company and a resolution to enable the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting
The Annual General Meeting of the Company will be held at 11.30am on 22nd May at the Company's offices at 40 High Street, Street, Somerset, BA16 0EQ.

By Order of the Board.

P Wakefield.

Paul Wakefield
Company Secretary
6 April 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 they have elected to prepare the Group and parent Company 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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INDEPENDENT REVIEW REPORT TO C&J CLARK LIMITED

Opinion
We have audited the financial statements of C&J Clark Limited ('the parent Company') and its subsidiaries (the 'Group') for the year ended 3 February 2018 which comprise the consolidated income statement, other comprehensive income statement, statement of financial position, statement of changes in equity, statement of cash flow, and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:
- give a true and fair view of the Group's and of the parent Company's affairs as at 3 February 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report
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.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- 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; and
- the strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which 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 parent Company 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

Responsibilities of directors
As explained more fully in the Directors' responsibilities statement set out on page 55, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Ernst & Young LLP

Julie Carlyle (Senior statutory auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor,
London
9 April 2018

FINANCIAL STATEMENTS

Consolidated Income Statement

	Notes	53 weeks to 3 February 2018 £m	52 weeks to 28 January 2017 £m Restated
Group turnover	1(b)	**1,539.9**	1,654.7
Cost of sales		**(812.3)**	(943.0)
Gross profit		**727.6**	711.7
Distribution costs		**(469.3)**	(486.6)
Administrative costs		**(229.0)**	(183.7)
Group operating profit		**29.3**	41.4
Share of operating loss in Joint Venture	2 (e)	**(0.5)**	(1.4)
Profit before interest	1(a)	**28.8**	40.0
Interest receivable and other similar income	3(a)	**2.1**	0.4
Interest payable and other similar charges	3(b)	**(11.2)**	(18.2)
Profit before taxation		**19.7**	22.2
Tax on profit	4	**(51.0)**	4.3
(Loss)/profit for the financial year		**(31.3)**	26.5
Earnings per ordinary share	6	**(53.0p)**	44.9p

Non-GAAP measures: adjusted profit after tax			
(Loss)/profit after tax		**(31.3)**	26.5
Adjusted for:			
Fair value of non-hedge accounted derivatives		**(1.4)**	10.0
Tax on fair value of non-hedge accounting derivatives		**0.3**	(2.0)
Reduction in US deferred tax asset		**44.7**	–
Adjusted profit after tax		**12.3**	34.5
Adjusted Earnings per ordinary share	6	**20.8p**	58.4p

Other Comprehensive Income Statement

	Notes	53 weeks to 3 February 2018 £m	52 weeks to 28 January 2017 £m Restated
(Loss)/profit for the year		**(31.3)**	26.5
Other comprehensive income			
Currency translation adjustments		**(12.7)**	7.6
Actuarial loss on pension schemes	16	**(24.1)**	(20.0)
Deferred tax on actuarial loss on pension schemes		**(3.6)**	3.8
Effective portion of changes in fair value of cash flow hedges		**(21.1)**	(32.6)
Deferred tax on fair value of cash flow hedges		**4.0**	6.8
Other comprehensive income for the year, net of income tax		**(57.5)**	(34.4)
Total comprehensive income for the year		**(88.8)**	(7.9)

Statement of Financial Position

	Notes	Group 3 February 2018 £m	Group 28 January 2017 Restated £m	Company 3 February 2018 £m	Company 28 January 2017 £m
Fixed assets					
Intangible assets	7	**55.2**	75.4	**–**	–
Tangible assets	8	**243.6**	286.1	**–**	–
Investments	9	**–**	–	**80.3**	80.0
Deferred tax asset	15	**8.9**	62.6	**–**	0.7
Financial derivatives		**0.7**	0.2	**–**	–
		308.4	424.3	**80.3**	80.7
Current assets					
Inventory	10	**376.2**	420.6	**–**	–
Debtors due within one year	11	**145.0**	187.7	**102.5**	344.5
Cash at bank and in hand		**137.1**	89.1	**70.2**	15.0
		658.3	697.4	**172.7**	359.5
Creditors – amounts falling due within one year	12	**(300.2)**	(338.3)	**(133.4)**	(158.1)
Net current assets		**358.1**	359.1	**39.3**	201.4
Total assets less current liabilities		**666.5**	783.4	**119.6**	282.1
Creditors – amounts falling due after more than one year	13	**(162.4)**	(155.2)	**–**	(152.9)
Deferred tax liability	15	**(7.4)**	(14.3)	**–**	–
Provisions for liabilities and charges	14	**(25.1)**	(41.6)	**–**	–
Net assets excluding pension asset		**471.6**	572.3	**119.6**	129.2
Pension asset	16	**32.3**	28.4	**–**	–
Net assets including pension asset		**503.9**	600.7	**119.6**	129.2
Capital and reserves					
Called up share capital	17	**59.1**	59.1	**59.1**	59.1
Share premium account	18	**0.8**	0.8	**0.8**	0.8
Capital redemption reserve	18	**18.4**	18.4	**18.4**	18.4
Merger reserve	18	**15.1**	15.1	**–**	–
Cash flow hedge reserve		**(21.6)**	(4.5)	**–**	–
Profit and loss account		**432.1**	511.8	**41.3**	50.9
Equity shareholders' funds		**503.9**	600.7	**119.6**	129.2

The notes on pages 71 to 93 form part of these financial statements.

The financial statements of C&J Clark Ltd, registered number 3314066, were approved by the Board of Directors on 6 April 2018 and signed on their behalf on 9 April 2018.

Paul Kenyon
Chief Financial Officer

Group Statement of Changes in Equity

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Cash flow hedge reserve £m	Profit and loss account £m	**Total equity £m**
Balance at 31 January 2016 (Restated)	59.1	0.8	18.4	15.1	21.3	510.1	**624.8**
Total comprehensive income for the period							
Profit for the period (Restated)	–	–	–	–	–	26.5	**26.5**
Other comprehensive income (Restated)	–	–	–	–	(25.8)	(8.6)	**(34.4)**
Total comprehensive income for the period	–	–	–	–	(25.8)	17.9	**(7.9)**
Transactions with owners, recorded directly in equity							
Equity-settled share based payment transactions	–	–	–	–	–	0.3	**0.3**
Dividends	–	–	–	–	–	(16.5)	**(16.5)**
Total contributions by and distributions to owners	–	–	–	–	–	(16.2)	**(16.2)**
Balance at 28 January 2017 (Restated)	**59.1**	**0.8**	**18.4**	**15.1**	**(4.5)**	**511.8**	**600.7**

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Cash flow hedge reserve £m	Profit and loss account £m	**Total equity £m**
Balance at 29 January 2017 (Restated)	59.1	0.8	18.4	15.1	(4.5)	511.8	**600.7**
Total comprehensive income for the period							
Loss for the period	–	–	–	–	–	(31.3)	**(31.3)**
Other comprehensive income	–	–	–	–	(17.1)	(40.4)	**(57.5)**
Total comprehensive income for the period	–	–	–	–	(17.1)	(71.7)	**(88.8)**
Transactions with owners, recorded directly in equity							
Equity-settled share based payment transactions	–	–	–	–	–	0.3	**0.3**
Dividends	–	–	–	–	–	(8.3)	**(8.3)**
Total contributions by and distributions to owners	–	–	–	–	–	(8.0)	**(8.0)**
Balance at 3 February 2018	**59.1**	**0.8**	**18.4**	**15.1**	**(21.6)**	**432.1**	**503.9**

Company Statement of Changes in Equity

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total equity £m
Balance at 31 January 2016	59.1	0.8	18.4	66.1	**144.4**
Total comprehensive income for the period					
Profit for the period	–	–	–	1.0	**1.0**
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the period	–	–	–	1.0	**1.0**
Transactions with owners, recorded directly in equity					
Equity-settled share based payment transactions	–	–	–	0.3	**0.3**
Dividends	–	–	–	(16.5)	**(16.5)**
Total contributions by and distributions to owners	–			(16.2)	**(16.2)**
Balance at 28 January 2017	**59.1**	**0.8**	**18.4**	**50.9**	**129.2**

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total equity £m
Balance at 29 January 2017	59.1	0.8	18.4	50.9	**129.2**
Total comprehensive income for the period					
Loss for the period	–	–	–	(1.6)	**(1.6)**
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the period	–	–	–	(1.6)	**(1.6)**
Transactions with owners, recorded directly in equity					
Equity-settled share based payment transactions	–	–	–	0.3	**0.3**
Dividends	–	–	–	(8.3)	**(8.3)**
Total contributions by and distributions to owners	–			(8.0)	**(8.0)**
Balance at 3 February 2018	**59.1**	**0.8**	**18.4**	**41.3**	**119.6**

Statement of Cash Flow

	Notes	53 weeks to 3 February 2018 £m	52 weeks to 28 January 2017 £m
Net cash flows from operating activities	19	**132.1**	**117.1**
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**0.3**	–
Additions to investments	14	**(2.4)**	–
Acquisition of tangible fixed assets		**(22.7)**	(40.0)
Acquisition of intangible fixed assets		**(2.3)**	(1.1)
Net cash flows from investing activities		**(27.1)**	(41.1)
Cash flows from financing activities			
Increase/(decrease) in expired banking facility	20	**41.4**	(11.0)
Repayment of expired banking facility	20	**(194.3)**	–
Drawdown of new banking facility	20	**180.8**	–
Decrease in new banking facility	20	**(7.4)**	–
Dividends paid	5	**(8.3)**	(16.5)
Transaction costs relating to financing		**(2.3)**	–
Net cash flows from financing activities		**9.9**	(27.5)
Net increase in cash and cash equivalents		**114.9**	48.5
Cash and cash equivalents at 29 January		**19.2**	(31.1)
Effect of exchange rate fluctuations on cash held	20	**(4.4)**	1.8
Cash and cash equivalents at 3 February	20	**129.7**	19.2

Opening net borrowings	20	**(133.7)**	(183.3)
Net increase in cash and cash equivalents		**114.9**	48.5
Currency translation adjustments on cash held and bank loans	19	**9.7**	(9.9)
(Increase)/decrease in bank loans		**(20.5)**	11.0
Transaction costs relating to financing		**2.3**	–
Closing net borrowings	20	**(27.3)**	(133.7)

ACCOUNTING POLICIES

Statement of Compliance
C&J Clark Limited (the "Company") is a company limited by shares and incorporated and domiciled in England. The registered office is 40 High Street, Street, Somerset, BA16 0EQ.

The financial statements are prepared on the historical cost convention as modified to include the revaluation to fair value of certain financial instruments, in accordance with the Companies Act 2006 and Financial Reporting Standard 102 (FRS 102) applicable in the UK and Republic of Ireland.

Basis of preparation and change in accounting policy
All amounts in the financial statements are in Pounds Sterling (£) being the Group's functional currency and rounded to the nearest £million.

During the year the Group made two changes to accounting policy. Details of which are shown in note 7 and note 10.

Basis of consolidation
The Group financial statements consolidate the financial statements of C & J Clark Limited and all its subsidiary undertakings drawn up to the nearest Saturday to the 31 January each year in line with retail industry practice.

The year to 3 February 2018 constitutes a 53 week period and referred to in headings as 2018 (prior year to 28 January 2017 – 52 week period and referred to in headings as 2017). No income statement is presented for C & J Clark Limited as permitted by section 408 of the Companies Act 2006.

The parent Company is included in these consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The Company has elected to take the exemption available under FRS 102 in respect of certain disclosures for parent Company financial statements not to present separate parent Company Statement of Cash Flow with related notes.

Basis for preparation of financial statements on a going concern basis
Information on the business environment the Group operates in, including factors underpinning the shoe industry's future growth prospects, is included in the strategic report on page 3 to 27.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 20 to 27.

As at 3 February 2018, the Group has £129.7m in cash balances and a further £294.4m of undrawn and committed bank facilities that are available until 2020.

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

Alternative performance measures
Alternative performance measures are measures not prescribed by FRS 102 and deemed as non-GAAP. They are used by the Directors throughout the Annual Report and Accounts and are fully defined in the glossary on pages 96 to 97. The key measures are:

Underlying operating profit
Underlying operating profit is the profitability of the Group that is considered comparable from year to year as it is reported before translation foreign exchange movements, non-underlying items, Senior Managers Long-Term Incentives and includes 100% share of the joint venture results.

Non-underlying items
Non-underlying items includes items which are one-off in nature, large and unusual or would distort the interpretation of the underlying business performance. All non-underlying items are agreed by the Audit Committee.

Adjusted profit after tax
Adjusted profit after tax excludes the financial impact including tax of the fair value adjustment of financial derivatives that do not qualify for hedge accounting and other one-off adjustments relating to tax (either deferred or current tax as a result of government tax policy changes) or any other material one off items that in the Directors opinion would positively or negatively impact the year on year comparison.

Constant exchange rate (CER) growth rates
This measure removes the effects of currency movements by retranslating the current year's performance at the previous year's management exchange rate and presenting the subseqent outcome as a % CER growth rate from the prior years reported results at management rate.

Key accounting policies

Revenue
The Group's revenue relates to the supply of products direct to consumer within stores, online or through third party sales concessions, and to wholesale customers. It also includes royalties from franchisees.

Revenue is recognised when the significant risks and rewards of ownership of products sold have transferred to the third party, generally in exchange for consideration in stores or based on despatch from a warehouse or specific customer delivery terms for wholesale sales.

The following general measurement principles apply:
- Sales are recorded net of (i.e. reduced by) returns and returns provisions
- Sales are net of (i.e. reduced by) unconditional discounts
- Sales exclude VAT and other sales-related taxes

Other income
Income received as rental income is accounted for on a straight line basis net of the cost associated with the head lease rental payments made by the Group (if any) and included within administrative costs unless material.

Profit/(loss) on the sale of property are recognised on completion. Income from sales of Property, Plant and Equipment is shown net of the residual asset value and included within administration costs.

Income from insurance recoveries is recognised once receipt of monies is virtually certain. Insurance receipts are accounted for as a net position against the costs the insurance recovery relates to, unless the insurance recoveries are received in a future period, in which case the income will be disclosed separately.

Joint ventures
The Group has ventures over which it has joint control under a contractual arrangement and which qualify as a joint venture under FRS 102 (Section 15). In the Group financial statements, joint ventures are accounted for using the equity method with the net liabilities of the joint venture recognised in provisions. In the parent company financial statements investments in joint ventures are accounted for at cost less impairment.

Employee benefits
The Group accounts for pensions under FRS102 (section 28).

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.

Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group'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.

The Group 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 Group obligations. A valuation is performed by a qualified actuary using the projected unit credit method. The Group 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 (OCI).

Share-based payments

The Group operates a Share Incentive Plan (SIP). Under the scheme employees are given a free matching share for each share purchased at market value. This has been accounted for under FRS 102 (section 26). Under the standard the matching shares qualify as equity-settled share-based payments to be recognised at the date of grant. The fair value of a matching share is equal to the market value of share purchased. 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 three years.

The Group also operates a cash settled Long-Term Incentive Plan. Vesting is subject to the achievement of financial performance targets, which are set in accordance with the financial objectives and shareholder value creation expected over the term of the plan. The award is delivered in cash with actual pay-outs being adjusted in line with the movement in Clarks' share price over the term of the awards. Costs will be provided for over the term of the provision based on actual performance against targets. Please see the remuneration report on pages 42 to 51 for further details.

Taxation

The tax on 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 OCI, in which case the tax impact of those items is also recognised directly in equity or OCI.

The current tax payable or receivable is based on the taxable profit or loss for the year. Taxable profit or loss may differ from reported profit or loss because of items that are not taxable or due to timing differences. The Group's current tax assets and liabilities are calculated using tax rates that have been enacted by the reporting date. Current tax may also include adjustments to tax payable for previous reporting periods.

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 year-end date. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. We have elected to take the impact of BEAT in to account when determining the value that will be realised for our tax losses.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and impairments. Such cost includes costs directly attributable to making the asset capable of operating as intended. The Group's policy is to write off the difference between the cost of each item of property, plant and equipment and its residual value over its estimated useful life on a straight line basis. Assets under construction are not depreciated.

Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear. Under this policy it becomes impractical to average lives exactly. However the total lives ranges from approximately 30 to 50 years for buildings, 15 – 20 years for plant, 5 – 15 years for shop-fits and office-fits and 3 – 7 years for computer hardware and other equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, for example land is treated separately from buildings.

All items of property, plant and equipment are tested for impairment where there are indications that the carrying value may not be recoverable. Any impairment losses are recognised immediately in the income statement. An impairment loss recognised for all assets is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Intangible assets

Software

Where software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Capitalised software costs include external direct costs of goods and services, as well as internal payroll related costs for employees who are directly associated with the project.

Capitalised software development costs are amortised on a straight line basis over their expected useful lives, normally between 3 and 20 years. Computer software under development is held at cost less any recognised impairment loss. Any impairment in value is recognised within the income statement.

Trademarks

Acquired trademarks are initially recognised at cost and amortised on a straight line basis over the expected useful life of 20 years.

Inventories

Inventories are valued on a weighted average cost basis and carried at the lower of cost or net realisable value. Cost includes the direct expenditure and other direct import costs incurred in bring inventories to their present location and condition. Certain purchases of inventories may be subject to cash flow hedges for foreign exchange risk. The Group applies a basis adjustment for those purchases in a way that cost is initially established by reference to the hedged exchange rates and not the spot rate at the day of purchase.

Borrowing costs

The Group has no borrowing cost with respect to the acquisition or construction of qualifying assets. Borrowing costs includes the transaction costs associated with the current borrowing facilities. These fees are amortised over the term of the facility and reported against long term loans. All other borrowing costs are recognised in the income statement as incurred.

Leases

Rentals payable under operating leases are recognised in the income statement on a straight line basis over the lease term. The value of any lease incentive received upon taking up an operating lease (for example a rent free period or capital contribution) are released to the income statement over the lease term, except where the incentive was received before 31 January 2014, in which case, in line with the exemption contained in FRS 102 (section 35) for first time adopters of FRS 102, the incentive is taken to the break point of the lease.

Investments in subsidiaries

A subsidiary is an entity controlled directly or indirectly by C & J Clark Limited. Control is regarded as the exposure or rights to the variable returns of the entity when combined with the power to affect those returns.

The financial results of subsidiaries are consolidated from the date control is obtained to the date that control is ceded and significant influence ceases.

Investments in subsidiaries are held at historical cost less provisions for impairment.

Trade and other payables and receivables

Trade and other payables and receivables with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Financial instruments

The Group's financial instruments include interests in leases, trade and other receivables and trade and other payables.

The Group's other financial instruments comprise:

- cash and cash equivalents
- bank and other borrowings
- derivatives

Cash and cash equivalents

Cash and cash equivalents comprise cash in-hand, current balances with banks and similar institutions and highly liquid investments which are readily convertible into known amounts of cash and are held at amortised cost. For the purpose of the consolidated cash flow statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Bank and other borrowings

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.

Derivatives

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The Group also uses interest rate swaps to adjust interest rate exposures. In both cases the derivatives used are not designated as hedges and are measured at fair value through the income statement.

Cash flow hedges
Derivative financial instruments and hedging derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered in to and then subsequently measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement, except where derivatives qualify for hedge accounting, in which case recognition of any resultant gain or loss depends on the recognition of item being hedged.

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

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves.

The hedging gains or losses recognised in OCI are reclassified to the income statement when the hedged item is recognised or when the hedging relationship ends.

Foreign currency
Foreign currency transactions, being transactions denominated in a currency other than an individual Group entity's functional currency, are translated at the weekly average foreign exchange rates, which approximates to actual rates. Where a material transaction occurs, the spot rate is used or a hedged rate of exchange, if the transaction is expressly hedged by a derivative financial instrument and that hedge had been deemed effective.

In the case of transactions within subsidiaries, transactions are translated into the Group's functional currency using a monthly average rate of exchange. 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, or measured at the hedged rates where the non-monetary transaction was originally hedged by a derivative financial instrument and that hedge has been deemed effective.

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 OCI. Foreign exchange differences arising on consolidation are recognised in OCI.

Provisions
A provision is recognised when the Group 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 and are discounted to present value where the effect is material.

Critical judgements and estimates
The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the date of the financial statements and the amounts reported for revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

The following items are considered the key sources of estimation uncertainty:

Revenue recognition
Accruals for sales returns for all channels are based on historical trends, confirmed returns authorisations or contractual obligations. Estimated provision for unconditional rebates and other wholesale customer deductions are based on historical trends, contractual obligations or aged deductions on receivables ledgers.

Impairments
Property, plant and equipment are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carry amount may not be recoverable. When an asset review is conducted the recoverable amount is determined based on value in use calculations. This method requires the Group to determine the period over which to assess future cashflows, the value of the cash flows and their growth, nature and value of overhead to allocate to the cash generating unit and the discount rate assumptions.

Inventory provisioning
Inventory provisions are recognised where the net realisable value from the sale of inventory is estimated to be lower than its carrying value, requiring estimation of the expected future sale price. The estimation includes judgement and estimate on a number of factors including historic sales patterns, expected sales profiles potential obsolescence and shrinkage.

Onerous lease provisions
Provisions relating to onerous leases are reviewed in tandem with the impairment review of property, plant and equipment. This requires the Group to determine, the value of the cash flows, the growth rates of cashflows, the unavoidable costs associated with the lease and the discount rate assumptions.

Post-retirement 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.

Taxation
The Group 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.

The following items are considered key accounting judgements:

Operating lease commitments
The Group enters 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 Group 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.

Change in accounting policy
Intangible assets
During the year, the Group reviewed its tangible and intangible assets split and changed its policy on the classification of software. Previously, all software was classified as a tangible asset. The Group has now revised its policy so that any software that is linked directly to hardware (operating systems as an example) will continue to be classified as a tangible asset. All other software will be classified as an intangible asset. This is a change in accounting policy and is considered to provide a more accurate reflection of the nature of the asset.

	As reported 2016/17 £m	Restated 2016/17 £'m	Movement 2016/17 £'m
Intangible assets	0.4	75.4	75.0
Tangible assets	361.1	286.1	(75.0)
Net assets	**625.5**	**625.5**	**–**
Depreciation	48.8	39.3	(9.5)
Amortisation	–	9.5	9.5
Profit before tax	**(9.5)**	**25.0**	**–**

Overheads absorbed into inventory
During the year, the Group reviewed its inventory valuation principles and changed its policy on the components of cost absorbed into inventory. In order to improve the efficiency of our inventory valuation processes and in line with general market practice, only direct costs associated with product sourcing will be absorbed into inventory going forward. Previously, and in line with accounting standards, all the costs associated with the conversion of inventory to a saleable condition and location were included. This is considered a change in accounting policy.

	As reported 2016/17 £m	Restated 2016/17 £'m	Movement 2016/17 £'m
Inventory	455.1	420.6	(34.5)
Net assets	**624.5**	**600.7**	**(23.8)**
Operating profit	39.1	41.4	2.3
Profit after tax	**24.5**	**26.5**	**2.0**

Changes in material accounting estimates
Asset impairment and onerous lease provision
Due to improvements in the rigour and level of detail associated with the review of the Group's property leases a more robust estimate was made on the store impairment and store onerous lease provisions. The result of this updated estimate was a reduction in the onerous lease provision of £19.4m and an increase in the store impairment provision of £20.2m.

1. Analysis of turnover and profit

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

a) Analysis of profit/(loss) by ultimate geographical market

	2018 £m	2017 £m Restated
UK & ROI	**77.4**	93.1
Americas	**52.3**	57.3
Europe	**24.0**	33.2
Asia Pacific	**45.8**	42.1
Group Items	**(170.2)**	(184.3)
Group operating profit	**29.3**	41.4
Share of Joint Venture		
Asia Pacific	**(0.5)**	(1.4)
Profit before interest and tax	**28.8**	40.0

Group items comprise central logistics and supply chain costs, global brand strategy and product range development costs, global IT costs and other global administrative functions (finance and HR).

b) Analysis of turnover

	Turnover by ultimate geographical market 2018 £m	Turnover by ultimate geographical market 2017 £m	Turnover by geographical area of origin 2018 £m	Turnover by geographical area of origin 2017 £m
UK & ROI	**585.6**	632.3	**683.7**	722.2
Americas	**639.8**	654.5	**639.9**	677.2
Europe	**137.2**	152.4	**81.1**	81.1
Asia Pacific	**180.6**	180.6	**138.5**	139.3
Group Items	**(3.3)**	34.9	**(3.3)**	34.9
Group turnover	**1,539.9**	1,654.7	**1,539.9**	1,654.7
Share of Joint Venture				
Asia Pacific	**9.2**	7.1	**9.2**	7.1
Turnover	**1,549.1**	1,661.8	**1,549.1**	1,661.8

c) Reconciliation of Group operating profit and underlying Group operating profit

	2018 £m	2017 £m Restated
Group operating profit	**29.3**	41.4
Foreign exchange movements	**10.9**	(9.6)
Non underlying items	**3.5**	33.3
Senior managers long term incentive	**2.0**	–
Joint venture trading elimination	**(0.5)**	(1.4)
Underlying Group operating profit	**45.2**	63.7

The breakdown of non underlying items is disclosed in the Financial Review on pages 20 to 27.

2. Group operating profit and costs

a) Other costs charged in arriving at operating profit include:

	2018 £m	2017 £m Restated
Depreciation and impairments of tangible assets	**49.4**	42.8
Amortisation of intangible assets	**19.3**	9.5
Loss/(profit) on disposal of tangible assets	**3.6**	9.1
Auditor's remuneration		
Audit of Group financial statements	**0.3**	0.3
Audit of subsidiaries financial statements	**0.3**	0.4
Other services relating to taxation	**–**	0.1
Other services	**–**	0.9
Operating lease rentals		
Land and buildings – Fixed	**101.2**	99.9
Land and buildings – Variable	**14.7**	16.7
Plant and equipment	**1.1**	1.9
Operating lease rental income		
Land and buildings	**(1.6)**	(1.7)
Share-based payment		
Equity-settled	**0.3**	0.3
Realised foreign exchange gain/(loss)	**13.2**	(7.9)
Unrealised foreign exchange (loss)/gain	**(29.4)**	13.6

Parent Company audit fees were paid by a subsidiary undertaking in both years.

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

	2018 Number	2017 Number
Sales and distribution	**11,834**	13,123
Administration	**2,062**	1,713
Manufacturing	**1**	–
	13,897	14,836

The average number of employees has been calculated on a monthly weighted average. The total number of employees at the year end was 13,127 (2017 – 13,828).

2. Group operating profit and costs (continued)

c) Employment costs in respect of the foregoing:

	2018 £m	2017 £m
Wages and salaries	**238.8**	257.4
Social security costs	**30.4**	31.3
Pension current service cost – defined benefit scheme (see note 16)	**10.5**	11.8
Pension contributions – defined contribution scheme (see note 16)	**2.0**	2.4
Long-Term Incentive Plans – (see note 14)	**2.0**	–
	283.7	302.9

Included within wages and salaries are £7.6m (2017 – £16.7m) of costs relating to the business reorganisation announced in April 2017.

d) Aggregate emoluments of the Directors

	2018 £m	2017 £m
Non-Executive Directors' fees and benefits	**0.6**	1.3
Executive Directors' services		
Salaries and benefits	**1.6**	0.2
Long-term incentives	**–**	–
Pension paid to past directors	**0.1**	0.1
	2.3	1.6

In respect of the highest paid director:

	2018 £m	2017 £m
Salaries and benefits	**0.9**	1.0
Long-term incentives	**0.3**	–
	1.2	1.0

More detailed information concerning Directors' share entitlements and emoluments is shown in the Remuneration Report on pages 42 to 51.

e) Share of operating loss in joint venture

	2018 £m	2017 £m
Share of operating loss of Indian joint venture, Clarks Future Footwear Limited	**(0.5)**	(1.4)
	(0.5)	(1.4)

Share of operating loss in the joint venture represents 50% of the results of Clarks Future Footwear Limited. Clarks Future Footwear Limited began trading in April 2011.

During the year £2.4m (2017 – £0.5m) of capital was injected in to the joint venture. The investment has been impaired in full within C&J Clark International Limited.

3. Interest receivable and payable

a) Interest receivable and other similar income

	2018 £m	2017 £m
Interest receivable on bank loans and overdrafts	**0.7**	0.4
Fair Value of non-hedge accounted derivatives	**1.4**	-
	2.1	0.4

b) Interest payable and other similar charges

	2018 £m	2017 £m
Interest payable on bank loans and overdrafts	**(10.8)**	(7.5)
Net interest cost on assets and liabilities of pension scheme (see note 16)	**0.9**	1.7
Unwind discount on Provisions	**(0.4)**	(1.7)
Fair value of non-hedge accounted derivatives	**-**	(10.0)
Group	**(10.3)**	(17.5)
Joint Venture	**(0.9)**	(0.7)
	(11.2)	(18.2)

4. Taxation on profit

a) Analysis of charge in the year:

	2018 £m	2017 £m Restated
Current taxation:		
UK taxation		
UK corporation tax at 19.2% (2017 – 20.0%)	**1.3**	9.0
Adjustments in respect of prior years	**(0.7)**	(1.1)
Total UK taxation	**0.6**	7.9
Overseas taxation		
Current taxation on income for the year	**5.5**	5.7
Adjustments in respect of prior years	**0.5**	0.6
Total overseas taxation	**6.0**	6.3
Total current taxation	**6.6**	14.2
Movement in deferred taxation		
Effective change in tax rate	**12.4**	(0.1)
Adjustment in respect of prior years (see note below)	**-**	(2.1)
Other origination and reversal of timing differences	**32.0**	(16.3)
Total deferred taxation (see note 15)	**44.4**	(18.5)
Taxation on profit	**51.0**	(4.3)

4. Taxation on profit (continued)

	2018 Current Tax £m	2018 Deferred Tax £m	2018 Total Tax £m	2017 Current Tax £m	2017 Deferred Tax £m Restated	2017 Total Tax £m Restated
Recognised in Income Statement	**6.6**	**44.4**	**51.0**	14.2	(18.5)	(4.3)
Recognised in other comprehensive income	**-**	**(0.4)**	**(0.4)**	–	(10.6)	(10.6)
Total tax	**6.6**	**44.0**	**50.6**	14.2	(29.1)	(14.9)

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 19.2% (2017 – 20.0%). The differences are explained below:

	2018 £m	2017 £m Restated
Profit before taxation	**19.7**	22.2
At standard rate of corporation tax in the UK	**3.8**	4.4
Higher taxation rates on overseas earnings	**(0.1)**	(8.1)
Depreciation on items not qualifying for capital allowances	**0.4**	0.4
Profit on disposal of assets not qualifying for capital allowances	**(0.1)**	–
Overseas taxation losses	**(1.1)**	–
Impact of US tax reform and revaluation of deferred tax assets	**44.7**	–
Gain on Canadian transfer	**1.1**	–
Adjustments in respect of prior years	**(0.2)**	(2.6)
Other	**2.5**	1.6
Total tax (see note 4 (a))	**51.0**	(4.3)

The Group tax charge is £51.0m for the year ended 3 February 2018 which includes the impact of US tax reform and revaluation of our deferred tax assets of £44.7m. The Group Adjusted tax rate was 31.2% resulting in an underlying tax charge of £6.2m.

The cash tax paid for the year was £10.0m. Cash tax was slightly lower than the prior year due to reduction of tax payments on account for the current year noting that repayments of tax are due in a number of territories.

Taxation has been provided at current rates on the profits earned for the periods covered by Group Financial Statements. The prior period current tax adjustments relate to the tax accrual to tax return adjustments and movements in the provisions for tax contingencies.

To the extent that dividends remitted from overseas subsidiaries are expected to result in additional taxes, appropriate amounts have been provided for. Deferred tax of £2.8m has been provided on unremitted earnings of China and Canada on the basis that earnings are expected to be remitted in the near future.

A reduction in the UK corporate tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015 and an additional rate reduction to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. US tax reform enacted on 22 December 2017 reduced the US federal rate from 35% to 21% from 1 January 2018 and introduced new taxes on intercompany transactions effective from 1 February 2018. The deferred tax asset and liabilities at 3 February have been calculated on this basis.

5. Dividends paid

	2018 £m	2017 £m
Equity dividends paid in the period		
Second Interim ordinary share dividend for the period ended 28 January 2017 of 14.0p (2017 – 21.0p)	**8.3**	12.4
First interim ordinary share dividend for the period ended 3 February 2018 of 0.0p (2017 – 7.0p)	**–**	4.1
Ordinary dividends paid	**8.3**	16.5

The second interim ordinary share dividend proposed for the year ended 3 February 2018 is 10.0p per share (2017 – 14.0p).

6. Earnings per ordinary share

Basic earnings per ordinary share have been calculated by dividing the loss after taxation of £31.3m (2017 – restated profit £26.5m) by the weighted average number of ordinary shares in issue during the year of 59,066,397 (2017 – 59,066,397).

Adjusted earnings per ordinary share have been calculated by dividing the adjusted profit after taxation of £12.3m (2017 – restated profit £34.5m) by the weighted average number of ordinary shares in issue during the year of 59,066,397 (2017 – 59, 066,397).

7. Fixed assets – Intangible assets

	Software costs £m Restated	Trademark £m	Total £m Restated
Cost or valuation			
At 29 January 2017	110.6	0.7	111.3
Exchange rate adjustment	(4.3)	–	(4.3)
Capital expenditure	2.3	–	2.3
Disposals	(0.4)	–	(0.4)
Impairment	–	–	–
At 3 February 2018	**108.2**	**0.7**	**108.9**
Amortisation			
At 29 January 2017	35.6	0.3	35.9
Exchange rate adjustment	(1.1)	–	(1.1)
Charge for the year	19.3	–	19.3
Disposals	(0.4)	–	(0.4)
At 3 February 2018	**53.4**	**0.3**	**53.7**
Net book value			
At 3 February 2018	**54.8**	**0.4**	**55.2**
At 28 January 2017	75.0	0.4	75.4

The trademark relates to the Clarks brand name in Brazil.

a) On 12 August 2013 C&J Clark Overseas Limited acquired 100% of the share capital of EFA Ticaret ve Pazarlama A.S, a company incorporated in Turkey. The acquisition resulted in goodwill of £0.7m being recognised in the Group accounts. There were no fair value adjustments to book values on acquisition. The goodwill was impaired to a nil value in 2015.

During the year, the Group reviewed its tangible and intangible assets split and changed its policy on the classification of software. Previously, all software was classified as a tangible asset. The Group has now revised its policy so that any software that is linked directly to hardware (operating systems as an example) will continue to be classified as a tangible asset. All other software will be classified as an intangible asset. This change is a change in accounting policy and is considered to provide a more accurate reflection of the nature of the asset.

8. Fixed assets – Tangible assets

	Land and buildings £m	Plant and equipment £m Restated	Total £m Restated
Cost or valuation			
At 29 January 2017	173.4	394.0	567.4
Exchange rate adjustments	(12.4)	(14.9)	(27.3)
Capital expenditure	2.7	23.8	26.5
Reclassification	(0.2)	0.2	–
Disposals	(7.2)	(12.6)	(19.8)
At 3 February 2018	**156.3**	**390.5**	**546.8**
Depreciation			
At 29 January 2017	52.7	228.6	281.3
Exchange rate adjustments	(4.4)	(6.9)	(11.3)
Charge for the year	7.5	24.6	32.1
Impairment	–	17.3	17.3
Disposals	(5.7)	(10.5)	(16.2)
At 3 February 2018	**50.1**	**253.1**	**303.2**
Net book value			
At 3 February 2018	**106.2**	**137.4**	**243.6**
At 28 January 2017	120.7	165.4	286.1

Impairment loss and subsequent reversal

The improved rigour and level of detail inherent in the Group's property lease review process has allowed a more robust estimate to be made of store asset impairments. The impact of this change in estimate was to increase the store asset impairment provision by £20.2m. The increase was partially offset by a reduction in the onerous lease provision disclosed in note 14.

During the year impairment losses of £6.7m have been subsequently reversed within administrative expenses in the consolidated Income Statement as a result of retail stores previously impaired returning to profitability. Additional impairment of £24.0m has been recorded within administrative expenses as a result of new retail stores becoming impaired and the change in estimate discussed above.

Land and Buildings

The net book value of land and buildings comprises:

	2018 £m	2017 £m
Freehold	**75.7**	88.6
Long leasehold	**9.3**	2.5
Short leasehold	**21.2**	29.6
	106.2	120.7

9. Fixed assets – Investments

	Company Shares in subsidiary undertakings 2018 £m	Company Shares in subsidiary undertakings 2017
Net book values at 29 January 2017	**80.0**	79.7
Addition/increase in net assets	**0.3**	0.3
Disposals	**–**	–
Net book values at 3 February 2018	**80.3**	80.0

10. Inventory

	2018 £m	2017 £m Restated
Finished goods and goods held for resale	**376.2**	420.6
	376.2	420.6

Included within inventory in 2018 are inventory provisions of £6.8m (2017 – £7.0m) relating to inventory shrink losses and inventory being sold at net realisable value. Inventory recognised as an expense during the year totalled £752.8m.

During the year, the Group reviewed its inventory valuation principles and changed its policy on the components of cost absorbed into inventory. In order to improve the efficiency of our inventory valuation processes and in line with market practice, only direct costs associated with product sourcing will be absorbed into inventory going forward. Previously, and in line with accounting standards, all the costs associated with the conversion of inventory to a saleable condition and location were included. This is considered a change in accounting policy.

11. Debtors

	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Trade debtors	**102.8**	121.8	**1.8**	0.3
Amounts owed by Group undertakings	**–**	–	**100.7**	344.2
Amounts owed by joint venture undertakings	**2.3**	2.4	**–**	–
Prepayments	**25.3**	29.6	**–**	–
Other debtors	**13.0**	13.2	**–**	–
Financial derivatives	**1.6**	20.7	**–**	–
	145.0	187.7	**102.5**	344.5

12. Creditors – amounts falling due within one year

	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Bank loans and overdrafts	**7.4**	69.9	**–**	60.5
Trade creditors	**200.1**	169.4	**–**	–
Amounts owed to other Group undertakings	**–**	–	**133.2**	91.9
Current taxation	**2.9**	6.4	**–**	–
Social security	**0.5**	2.9	**–**	–
Other creditors	**17.3**	20.4	**–**	–
Accruals	**47.5**	49.0	**0.2**	1.8
Financial derivatives	**24.5**	20.3	**–**	3.9
	300.2	338.3	**133.4**	158.1

13. Creditors – amounts falling due after more than one year

	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Long-term loans	**157.0**	152.9	–	152.9
Financial derivatives	**5.4**	2.3	–	–
	162.4	155.2	–	152.9

14. Provisions for liabilities and changes

	At 29 January 2017 £m Restated	Exchange rate adjustment £m	Provided in year £m	Unwind discounting £m	Released £m	Utilised £m	At 3 February 2018 £m
Long-Term Incentive Plan	–	–	2.0	–	–	–	**2.0**
Dilapidation provision	1.0	–	–	–	(0.2)	–	**0.8**
Onerous lease provision	32.1	(1.7)	6.8	0.4	(19.4)	(2.1)	**16.1**
Joint venture liability	3.7	–	–	–	(1.0)	–	**2.7**
Other	4.8	(0.4)	1.0	–	(0.3)	(1.6)	**3.5**
	41.6	(2.1)	9.8	0.4	(20.9)	(3.7)	**25.1**

Long-Term Incentive Plan

Participation in long-term incentive plans (LTIPs) is offered to Executive Directors and a small number of senior management each year. Vesting is subject to the achievement of financial performance targets, which are set in accordance with the financial objectives and shareholder value creation expected over the term of the plan. The award is delivered in cash with actual pay-outs being adjusted in line with the movement in Clarks' share price over the term of the awards. Costs will be provided for over the term of the provision based on actual performance against targets. The provision will be utilised at the end of the plan. Further detail can be found in the remuneration report on pages 42 to 51.

Dilapidation provision

A provision is recognised for expected costs required to restore leased properties to their original condition. It is expected that these costs will be incurred at the end of the lease agreement.

Onerous lease provision

A provision has been recognised for the unavoidable net cash losses of leased stores. The provision will be utilised in line with the forecasted cash losses.

The improved rigour and level of detail inherent in the Group's property lease review process has allowed a more robust estimate to be made of store onerous lease provisions. The impact of this change in estimate was a reduction in the provision of £19.4m. The reduction partially offset an increase in the asset impairment provision disclosed in note 8.

Joint venture liability

Provision for the net liability for the Group's joint venture, Clarks Future Footwear Limited.The movement in the year has been driven by improved profitability. During the year the Group made a capital injection of £2.4m.

15. Deferred Taxation

	Assets 2018 £m	Assets 2017 £m Restated	Liabilities 2018 £m	Liabilities 2017 £m Restated	Net 2018 £m	Net 2017 £m Restated
Accelerated capital allowances	**(11.3)**	(28.0)	**1.2**	(3.7)	**(10.1)**	(31.7)
Holdover relief	**–**	–	**(4.2)**	(4.2)	**(4.2)**	(4.2)
Pension fair value and timing differences	**2.7**	11.8	**(7.7)**	(10.2)	**(5.0)**	1.6
Liquidation of LIFO inventory reserves	**1.8**	2.2	**–**	–	**1.8**	2.2
Overseas trading losses	**1.3**	59.1	**–**	–	**1.3**	59.1
Short-term timing differences	**14.4**	17.5	**3.3**	3.8	**17.7**	21.3
	8.9	62.6	**(7.4)**	(14.3)	**1.5**	48.3

	Group £m
Provision at 29 January 2017 (Restated)	48.3
Exchange rate adjustment	(2.8)
Deferred taxation charge in other comprehensive income (see note 4(a))	0.4
Deferred taxation charge in the profit and loss account for the year (see note 4(a))	(44.4)
Provision at 3 February 2018	**1.5**

A deferred tax asset has not been provided for £134.8m of tax losses carried forward, including US losses totalling £114.4m.

A deferred tax asset has not been recognised for US Federal losses because we have chosen to take BEAT into account when considering the value that will be realised for our US Federal tax losses.

An asset has not been recognised for our State tax losses due to uncertainty over level of State taxable profits in each of the 49 States/ Cities where we have losses.

A deferred tax asset has not been provided for losses in other territories primarily Australia £12.3m and Germany £5.2m on the basis that Directors do not assess them as being recoverable in the foreseeable future.

16. 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 31 July 2016 and an actuarial report of the Scheme was carried out at 5 April 2015. These were updated to 31 January 2018 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 2017 and updated to 3 February 2018 by a qualified independent actuary.

	Group 2018 £m	Group 2017 £m
Change in benefit obligation for defined benefit sections		
Benefit obligation at the beginning of the year	**1,192.6**	1,021.8
Current service cost	**10.5**	11.8
Administration costs	**1.6**	2.1
Interest cost	**34.5**	37.4
Plan participants' contributions	**0.5**	0.5
Past service costs	**0.1**	0.4
Actuarial loss/(gain)	**44.5**	156.3
Curtailments	**(14.1)**	–
Benefits paid	**(56.5)**	(52.5)
Exchange rate adjustment on US scheme	**(13.9)**	14.8
Benefit obligation at the end of the year	**1,199.8**	1,192.6
Analysis of benefit obligation for defined benefit sections		
Plans that are wholly or partly funded	**1,199.6**	1,192.3
Plans that are wholly unfunded	**0.2**	0.3
Total	**1,199.8**	1,192.6

	Group 2018 £m	Group 2017 £m
Change in plan assets for defined benefit sections		
Fair value of plan assets at the beginning of the year	**1,221.9**	1,070.4
Expected return on plan assets	**35.5**	39.1
Actuarial gain/(loss)	**20.5**	136.3
Employer contribution	**26.5**	17.4
Member contributions	**0.5**	0.5
Curtailments	**(4.0)**	–
Benefits paid	**(56.5)**	(52.5)
Administration costs	**(0.4)**	(0.3)
Exchange rate adjustment on US scheme	**(11.1)**	11.0
Fair value of plan assets at the end of the year	**1,232.9**	1,221.9
Funded status	**33.1**	29.3
Unrecognised past service cost (benefit)	–	–
Net amount recognised	**33.1**	29.3

16. Retirement Benefits (continued)

	Group 2018 £m	Group 2017 £m
Components of pension cost		
Current service cost – defined benefit scheme	**10.5**	11.8
Administration costs	**2.7**	2.4
Contribution – defined contribution scheme	**2.0**	2.4
Interest cost	**34.5**	37.4
Expected return on plan assets	**(35.5)**	(39.1)
Past service costs	**0.1**	0.4
Effect of curtailments	**(10.2)**	–
Total pension cost recognised in the Income Statement	**4.1**	15.3
Actuarial losses immediately recognised	**(24.1)**	(20.0)
Total pension cost recognised in other comprehensive income	**(24.1)**	(20.0)
Cumulative amount of actuarial losses immediately recognised since 1 February 2005	**29.7**	10.1

	Group 2018 £m	Group 2017 £m
Movement in surplus during the year		
Surplus in the scheme at the beginning of the year	**29.3**	48.6
Current service cost	**(10.5)**	(11.8)
Administration costs	**(2.0)**	(2.4)
Contributions	**26.5**	17.4
Past service costs/curtailments	**10.1**	(0.4)
Net return/(interest cost) on assets	**0.9**	1.7
Actuarial (loss)/gain	**(24.1)**	(20.0)
Exchange rate adjustment on US scheme	**2.9**	(3.8)
Surplus in the scheme at the end of the year	**33.1**	29.3
Unfunded unapproved retirement benefit scheme	**(0.8)**	(0.9)
Pension asset at the end of the year	**32.3**	28.4

16. Retirement Benefits (continued)

Plan assets

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

Asset category	UK plan assets 2018 %	UK plan assets 2017 %	North America plan assets 2018 %	North America plan assets 2017 %
Equities	**22.4**	24.5	**70.7**	31.2
Bonds	**72.1**	72.4	**28.8**	68.8
Real estate	**4.1**	2.7	**–**	–
Cash	**1.4**	0.4	**0.5**	–
	100.0	100.0	**100.0**	100.0

	Group 2018 £m	Group 2017 £m
Actual return on plan assets	**56.0**	(37.1)

Weighted average assumptions used to determine benefit obligations		UK 2018 %	UK 2017 %	North America 2018 %	North America 2017 %
Discount rate		**2.60**	2.85	**3.90**	4.00
Rate of increase in salaries	Senior Executives	**3.20**	3.95	**2.50**	3.50
	Others	**3.20**	3.45	**2.50**	3.50
Rate of increase in pensions in payment	Fund	**3.10**	3.30	**n/a**	n/a
	Scheme	**1.80**	1.90	**n/a**	n/a
Rate of increase in pensions in deferment		**2.20**	2.45	**n/a**	n/a
Inflation assumption		**3.10**	3.30	**2.50**	2.50

Weighted average assumptions used to determine net pension cost for the year end		UK 2018 %	UK 2017 %	North America 2018 %	North America 2017 %
Discount rate		**2.85**	3.65	**3.90**	4.25
Expected long-term return on plan assets		**2.85**	3.65	**3.90**	4.25
Rate of increase in salaries	Senior Executives	**3.95**	4.45	**3.50**	3.50
	Others	**3.45**	3.95	**3.50**	3.50
Rate of increase in pensions in payment	Fund	**3.30**	2.90	**n/a**	n/a
	Scheme	**1.90**	1.80	**n/a**	n/a
Rate of increase in pensions in deferment		**2.45**	1.95	**n/a**	n/a
Inflation assumption		**3.30**	2.90	**2.50**	2.50

16. Retirement Benefits (continued)

		UK 2018	UK 2017	North America 2018	North America 2017
Weighted average life expectancy for mortality tables used to determine benefit obligations					
Member age 65 (current life expectancy)	Male	**22.3**	22.9	**21.5**	22.0
	Female	**24.1**	24.2	**23.7**	24.3
Member age 45 (life expectancy at age 65)	Male	**22.3**	23.1	**23.3**	23.4
	Female	**24.7**	25.3	**25.4**	25.6

	UK 2018 £m	UK 2017 £m	UK 2016 £m	UK 2015 £m	UK 2014 £m
Five year history					
Benefit obligation at the end of the year	**(1,095.3)**	(1,059.3)	(910.5)	(1,030.5)	(903.8)
Fair value of plan assets at the end of the year	**1140.7**	1,119.4	985.4	1008.3	817.5
Surplus/(deficit) in the scheme	**45.4**	60.1	74.9	(22.2)	(86.3)

	North America 2018 £m	North America 2017 £m	North America 2016 £m	North America 2015 £m	North America 2014 £m
Benefit obligation at the end of the year	**(104.5)**	(133.3)	(111.3)	(119.2)	(91.1)
Fair value of plan assets at the end of the year	**92.2**	102.5	85.0	89.8	72.8
Deficit in the scheme	**(12.3)**	(30.8)	(26.3)	(29.4)	(18.3)

	Group 2018 £m	Group 2017 £m	Group 2016 £m	Group 2015 £m	Group 2014 £m
Benefit obligation at the end of the year	**(1,199.8)**	(1,192.6)	(1,021.8)	(1,149.7)	(994.9)
Fair value of plan assets at the end of the year	**1,232.9**	1,221.9	1,070.4	1,098.1	890.3
Surplus/(deficit) in the scheme	**33.1**	29.3	48.6	(51.6)	(104.6)

Actual return less expected return on scheme assets	**20.5**	136.3	(69.3)	137.9	(0.3)
Percentage of year-end scheme assets	**1.7%**	11.2%	(6.5%)	12.6%	(0.0%)
Experience losses arising on scheme liabilities	**(44.5)**	(156.3)	(132.3)	(139.0)	(16.4)
Percentage of year-end scheme liabilities	**(3.7%)**	(13.1%)	(12.9%)	(12.1%)	(1.6%)

Contributions

Under the current schedule of contributions, the Group expects to make contributions towards pension deficits of £nil to the UK schemes and $nilm to the US schemes in the year ended 2 February 2019.

17. Share capital

	Issued and fully paid 2018 £m	Issued and fully paid 2017 £m
Ordinary shares of £1 each	**59.1**	59.1

18. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve

This reserve records the nominal value of shares. The capital redemption reserve was originally created in 2003 as a result of an ordinary share buy back.

Merger reserve

The merger reserve of £15.1m (2017 – £15.1m) arises from the adoption of merger accounting in the year ended 31 January 1998 in relation to the Group reconstruction which followed the demerger of the Factory Outlet Centres.

19. Reconciliation of operating profit items to operating cash flows

	2018 £m	2017 £m
Operating profit	**29.3**	41.4
Depreciation	**32.1**	39.3
Impairments	**17.3**	3.5
Amortisation	**19.3**	9.5
Decrease in inventory	**41.9**	62.3
Decrease in debtors	**4.2**	0.8
Increase in creditors	**26.2**	37.8
Decrease in provisions	**(13.4)**	(8.1)
Exchange gains/(losses) on currency bank accounts	**(9.7)**	10.0
Unrealised exchange gains/(losses)	**26.2**	(68.1)
Loss on sale of tangible fixed assets	**3.3**	9.1
Pension deficit funding	**(16.0)**	(6.4)
Difference between pension charge and cash contributions	**(8.1)**	3.6
Interest paid	**(10.5)**	(7.1)
Tax paid	**(10.0)**	(10.5)
Net cashflow from operating activities	**132.1**	117.1

20. Analysis of net borrowings

	At 29 January 2017 £m	Cash flow £m	Translation adjustment £m	**At 3 February 2018 £m**
Cash at bank and in hand	89.1	54.6	(6.6)	**137.1**
Bank overdrafts	(69.9)	60.3	2.2	**(7.4)**
Cash and cash equivalents	19.2	114.9	(4.4)	**129.7**
Bank loans	–	–	–	**-**
Long-term loans	(152.9)	(18.2)	14.1	**(157.0)**
	(133.7)	96.7	9.7	**(27.3)**

Included within long-term loans are £2.3m (2017 – £nil) of pre-paid transactions costs relating to financing.

On 28 February 2017 the Group completed the refinancing of its debt facilities. On that date the existing £200m Revolving Credit Facility, the £40m Bilateral loan, the £23.6m Accordion loan and the $50m USD Revolving Credit Facility were repaid in full totalling £194.3m and cancelled. New facilities were drawn down including a $155m multicurrency Revolving Credit Facility and a $150m Term loan facility (both with maturity of 30 April 2020 and extendable at Clarks' option to 30 April 2021), a $75m private placement (maturity 30 April 2022) and a $15m USD Revolving Credit Facility, £180.8m was initially drawn down on these facilities.

21. Interest-bearing loans and borrowings

The nominal value of interest bearing loans and borrowings included within creditors are analysed as follows:

	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Creditors falling due within one year				
Short term loan	**7.4**	69.9	**–**	60.5
	7.4	69.9	**–**	60.5
Creditors falling due more than one year				
Revolving credit facility	**159.3**	152.9	**–**	152.9
	159.3	152.9	**–**	152.9

	Currency	Nominal interest rate	Year of maturity	Group 2018 £m	Group 2017 £m
$155m Revolving Credit Facility	US Dollar	LIBOR plus 2-2.5%	2020	**–**	–
$150m Term Facility	US Dollar	LIBOR plus 2-2.5%	2020	**106.2**	–
$75m Private Placement (PRICOA)	US Dollar	0.054	2022	**53.1**	–
$15m Revolving Credit Facility	US Dollar	LIBOR plus 2-2.5%	2018	**–**	–
£200m Revolving Credit Facility	GBP	LIBOR plus 0.9-1.7%	2018	**–**	152.9
£23.6m Accordion	GBP	LIBOR plus 0.9-1.7%	2017	**–**	–
£40m Bilateral	GBP	LIBOR plus 0.6-1.1%	2017	**–**	40.0
$50m Revolving Credit Facility	US Dollar	LIBOR plus 2.5%	2017	**–**	–
700m JPY Debt Facility	Japan Yen	0.53%	2018	**4.5**	4.8
400m JPY Debt Facility	Japan Yen	0.93%	2018	**2.6**	2.8
20m TRY Loan Facility	Turkish Lira	14.50%	2017	**–**	2.5
				166.4	203.0

Terms shown above are for the Group's debt facilities and do not include bank overdrafts.

On 28 February 2017 the Group completed the refinancing of its debt facilities. On that date the existing £200m Revolving Credit Facility, the £40m Bilateral loan, the £23.6m Accordion loan and the $50m USD Revolving Credit Facility were repaid in full (where drawn) and cancelled. These facilities were replaced by a $155m multi-currency Revolving Credit Facility and a $150m Term loan facility (both with maturity of 30 April 2020 and extendable at Clarks' option to 30 April 2021), a $75m private placement (maturity 30 April 2022) and a $15m USD Revolving Credit Facility. These facilities are secured by a floating charge over the net assets of certain group companies and are also subject to cross company guarantees within the Group. All included within the above financial liabilities. During the year the Group also repaid and cancelled its TRY 20m loan facility in Turkey.

Further guarantees are provided in relation to £5m, $2m and €1m overdraft facilities in the UK, and the Group also provides an INR 1bn corporate guarantee to support 50% of an INR 2bn loan facility for Clarks Future Footwear Private Limited, a 50% owned Joint Venture.

22. Financial Instruments and Risk Management

a) Carrying amount of financial instruments

	Group 2018 £m	Group 2017 £m
Assets measured at fair value through profit or loss		
Swaps and Options	**0.1**	–
Assets measured at fair value through cash flow hedge reserve		
Forward exchange contracts	**2.2**	20.9
Assets measured at amortised cost		
Other debtors	**143.3**	167.0
Liabilities measured at fair value through profit or loss		
Swaps and Options	**–**	(3.9)
Liabilities measured at fair value through cash flow hedge reserve		
Forward exchange contracts	**(29.9)**	(22.6)
Liabilities measured at amortised cost		
Bank overdraft	**(7.4)**	(69.9)
Long term loans	**(157.0)**	(152.9)
Other creditors	**(268.3)**	(248.1)

During the year £17.3m of gains (2017 – £35.5m gain) were recycled from the cash flow hedge reserve to the Income Statement.The change in the fair value of financial instruments recognised through the cash flow hedge reserve in the year was a loss of £38.4m (2017 – £2.9m gain.)

b) Financial instruments measured at fair value

Derivative financial instruments

The Group does not engage in foreign currency speculation but covers its future trading requirements through use of forward exchange contracts and options. Due to short-term fluctuations in exchange rates, the year end rates will always be different from contract rates.

Forward exchange contracts

The fair value of forward exchange contracts is based on their market price on the relevant date. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Options

The fair value of option contracts is based on their market price on the relevant date.

Interest rate swaps

The fair value of interest rate swaps is based on market prices.Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

22. Financial Instruments and Risk Management (continued)

c) Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur:

	1 year or less 2018 £m	1 to<2 years 2018 £m	2 to<5 years 2018 £m	5 years and over 2018 £m	Carrying amount £m	1 year or less 2017 £m	1 to<2 years 2017 £m	2 to<5 years 2017 £m	5 years and over 2017 £m	Expected cash flows £m
Forward exchange contracts										
Assets	**73.2**	**75.2**	**–**	**–**	**148.4**	325.4	29.8	–	–	355.2
Liabilities	**(348.9)**	**(125.7)**	**–**	**–**	**(474.6)**	(168.7)	(61.1)	–	–	(229.8)
	(275.7)	**(50.5)**	**–**	**–**	**(326.2)**	156.7	(31.3)	–	–	125.4

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to affect profit or loss:

	1 year or less 2018 £m	1 to<2 years 2018 £m	2 to<5 years 2018 £m	5 years and over 2018 £m	Carrying amount £m	1 year or less 2017 £m	1 to<2 years 2017 £m	2 to<5 years 2017 £m	5 years and over 2017 £m	Expected cash flows £m
Forward exchange contracts										
Assets	**73.2**	**75.2**	**–**	**–**	**148.4**	384.0	60.5	–	–	444.5
Liabilities	**(280.2)**	**(194.4)**	**–**	**–**	**(474.6)**	(152.1)	(77.7)	–	–	(229.8)
	(207.0)	**(119.2)**	**–**	**–**	**(326.2)**	231.9	(17.2)	–	–	214.7

The Group's treasury management policies are outlined in the Financial Review on pages 20 and 27.

d) Currency profile and interest rates at nominal value

	Gross borrowings 2018 £m	Cash at bank and in hand 2018 £m	Net (cash) / borrowings 2018 £m	Gross borrowings 2017 £m	Cash at bank and in hand 2017 £m	Net (cash) / borrowings 2017 £m
Currency:						
Sterling	**0.1**	**(159.1)**	**(159.0)**	61.5	(52.1)	9.4
US dollar	**–**	**29.2**	**29.2**	1.0	(26.6)	(25.6)
Euro	**0.2**	**40.5**	**40.7**	–	42.2	42.2
Other	**7.1**	**(47.7)**	**(40.6)**	7.4	(52.6)	(45.2)
	7.4	**(137.1)**	**(129.7)**	69.9	(89.1)	(19.2)
Borrowings for financing purposes:						
Sterling	**–**	**–**	**–**	–	–	–
US Dollar liabilities	**159.3**	**–**	**159.3**	149.4	–	149.4
Japanese Yen	**–**	**–**	**–**	3.5	–	3.5
	159.3	**–**	**159.3**	152.9	–	152.9
	166.7	**(137.1)**	**29.6**	222.8	(89.1)	133.7

22. Financial Instruments and Risk Management (continued)

Except for the fixed rate private placement of £53.1m (2017 – £nil), the remainder of the Group's net borrowing facilities amounting to £241.4m (2017 – £326.6m) are available at floating rates. These include the Revolving Credit Facility of £109.7m (2017 – £200.0m), the Term debt of £106.2m (2017 – £nil) and overdraft or other borrowing facilities in the UK and overseas totalling £25.5m (2017 – £103.3m). Under the Revolving Credit Facility interest rates are based upon LIBOR appropriate to the tenor of the loan. The interest rates on 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 are based on LIBOR and those in Japan are based on local rates.

The maturity of the Group's gross borrowings at 3 February was as follows:

	2018 £m	2017 £m
In one year or less or on demand	**7.4**	69.9
In more than one year but not more than two years	**–**	152.9
In more than two years but not more than five years	**159.3**	–
	166.7	222.8

At 3 February the Group had the following undrawn net committed borrowing facilities available:

	2018 £m	2017 £m
Expiring in one year	**18.4**	76.0
Expiring in more than one year but not more than two years	**–**	47.1
Expiring in more than two years but not more than five years	**109.7**	–
	128.1	123.1

23. Financial commitment

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

	2018 £m	2017 £m
Contracted but not provided for	**2.0**	1.8

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

	Land and buildings 2018 £m	Land and buildings 2017 £m	Plant and equipment 2018 £m	Plant and equipment 2017 £m
Expiring within one year	**94.9**	101.6	**1.0**	1.5
Expiring between two and five years	**272.2**	300.6	**1.1**	1.5
Expiring after five years	**127.2**	170.7	**–**	–
	494.3	572.9	**2.1**	3.0

24. Related party transactions

Control

The Group holding company is C&J Clark Limited. Members of the Clark family hold 86.8% of the Company's ordinary shares.

Transactions with directors and officers

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

Transactions with senior management

During the year salaries and social security costs of £2.8m were paid relating to senior management (2017 – £1.8m)

Transactions with subsidiaries and joint venture

The Group has taken advantage of the exemptions in respect of transactions with wholly owned subsidiaries. Therefore, transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Please see note 11 and 12 for balances outstanding at the year end date between the parent Company and its subsidiaries. Transactions between the Group and its joint venture are disclosed below:

	Sales to related parties 2018 £m	Sales to related parties 2017 £m	Amounts Owed by related parties 2018 £m	Amounts Owed by related parties 2017 £m	Injection of equity funding 2018 £m	Injection of equity funding 2017 £m
Clarks Future Footwear Limited	**5.3**	5.1	**2.3**	2.4	**2.4**	0.5

Sales to related parties consist of footwear.

C&J Clark Limited and Subsidiaries

The following is a full list of all subsidiaries of the Group. All are wholly-owned with the exception of the joint venture and are engaged in the shoe trade.

Companies Act 2006 require that the address of the registered office for all undertakings be included in the Annual report. The registered offices have been cross referenced to the footnote on the following page.

Subsidiaries	Registered office	Country of incorporation	Ordinary shares	%
C&J Clark (No 1) Limited	1	England	£ each	100
C&J Clark (Holdings) Limited	1	England	£ each	100
C.&J Clark International Limited (trading as Clarks International)	1	England	£ each	100
C&J Clark Overseas Limited	1	England	£ each	100
C&J Clark Trustee Limited	1	England	£ each	100
C&J Clark (Street) Limited	1	England	£ each	100
Clarks Americas Inc	2	USA	US $ each	100
Clarks Shoes Vertriebs GmbH	3	Germany	€ each	100
C&J Clark Hong Kong Limited	4	Hong Kong	HKD each	100
Clarks India Services Private Limited	5	India	INR each	100
Clarks America Canada Retail Limited	6	Canada	CAD each	100
C&J Clark Latin America Inc	2	USA	US $ each	100
Clarks Dongguan Footwear Services Company Limited	7	China	¥ each	100
C&J Clark Pension Fund Trustees Limited	1	England	£ each	100
Hallco 367 Limited	1	England	£ each	100
C.&J Clark America, Inc.	2	USA	US $ each	100
C.J.C Financial Company	2	USA	US $ each	100
C&J Clark Retail, Inc.	2	USA	US $ each	100
C&J Clark Manufacturing, Inc.	2	USA	US $ each	100
C&J Clark Canada Limited	6	Canada	CAD each	100
Bostonian Shoe Company of New York	2	USA	US $ each	100
Clarks of England, Inc.	2	USA	US $ each	100
Clarks Shoes Benelux BV	8	Holland	€ each	100
Clarks Shoes Handelsgesellschaft m.b.H	9	Austria	€ each	100
C&J Clark China Trading Company Limited	10	China	¥ each	100
C&J Clark Ticaret ve Pazarlama A.S	11	Turkey	TRL each	100
Clarks Shoes Australia PTY Ltd	12	Australia	AUD each	99.99
Clarks Shoes PTY Limited	12	Australia	AUD each	100
Clarks Shoes Australia Superannuation PTY Limited	12	Australia	AUD each	100
Clarks Shoes Limited	13	New Zealand	NZD each	100
C&J Clark (S) Pte. Ltd.	14	Singapore	SGD each	100
C&J Clark Polska Sp. zo.o.	15	Poland	PLN each	100
C&J Clark (M) Sdn. Bhd.	16	Malaysia	MYR each	100
Clarks Shoes Iberia S.A	17	Spain	€ each	100
Clarks Ireland Sales Limited	18	Ireland	€ each	100
Clarks Japan Company Limited	19	Japan	¥ each	100

C&J Clark Limited and Subsidiaries (continued)

Subsidiaries	Registered office	Country of incorporation	Ordinary shares	%
Clarks Properties Limited	1	England	£ each	100
C&J Clark Retail Properties Limited	1	England	£ each	100
Clarks Retail Properties Limited	1	England	£ each	100
C&J Clark Pension Funds (Trustee) Limited	1	England	£ each	100
K Shoes Contributory Pension Scheme (Trustee) Limited	1	England	£ each	100
K Shoes Limited	1	England	£ each	100
Street Estates Limited	1	England	£ each	100
C&J Clark Investment Properties Limited	1	England	£ each	100
C&J Clark Main Pension Fund (Trustees) Limited	1	England	£ each	100
C&J Clark Senior Executive Pension Scheme (Trustees) Limited	1	England	£ each	100
Clarks Limited	1	England	£ each	100
Warners Limited	1	England	£ each	100
Clarks Vietnam Footwear Services LLC	21	Vietnam	VND each	100
C&J Clark Korea	22	South Korea	KRW each	100

Joint Ventures	Registered office	Country of incorporation	Ordinary shares	%
Clarks Future Footwear Limited	20	India	RUP each	50

Registered offices

1. 40 High Street, Street, Somerset, BA16 0EQ
2. 60 Tower Road, Waltham, Massachusetts, 02451
3. Albstraße 16-18, 72764 Reutlingen, Germany
4. Office 05, 18/F., Hip Kwan Commercial Building, 38 Pitt Street, Yau Ma Tei, Kowloon, Hong Kong
5. TVH Beliciaa Towers, Suite905, 9th Floor, Phase II, MRC Nagar, R.A. Puram, Chennai – 600028, Tamil Nadu, India.
6. 2881 Brighton Road, Oakville, Ontario, L6H 6C9 Canada
7. 3A Heng Zheng Plaza, Station Road North, Yuan Wu Bian, Nancheng District, Dongguan City, Guangdong Province, China
8. Chasseveld 15 f, 4811DH Breda, Holland
9. Moosfeldstrasse 1, 5101 Bergheim bei Salzburg, Austria
10. Room 625, 88 Taigu Road, Waigaoqiao Free Trade Zone, Shanghai, China
11. Halil Rifat Pasa mah.Teoman sk.Aksu IsMerk. 2/2 PK34384 Okmeydani, Sisli Istanbul, Turkey
12. 37 Mountain View Road, Balwyn North, VIC 3104, Australia
13. C/O KPMG, 18 Viaduct Harbour Avenue, Maritime Square , Auckland, New Zealand
14. 11 Chang Charn Road, #02-01 Shriro House, Singapore 159640
15. ul. Aleje Jerozolimskie, lokal 56 C, kod 00-803, poczta Warszawa, kraj Poland
16. 38D-2A, Jalan Radin Anum, Bandar Baru Seri Petaling, 57000 Kuala Lumpur, Malaysia
17. Rambla de Catalunya Num. 62, Principal 1 Barcelona 08007, Spain
18. Building 1, Swift Square, Northwood Business Park, Santry, Dublin 9, Ireland
19. 11f, Shin-Aoyama Tokyu Building, 3-11-13 Minami Aoyama, Minato-ku, Tokyo, 107-0062 Japan
20. Future Group, Plot No.82, Sector-32, Gurgaon-122001, Haryana, India
21. 10th Floor, TNR Tower , 180-192 Nguyen Cong Tru Street, Nguyen Thai Binh Ward, District 1, Ho Chi Minh City, Vietnam
22. 4 Floor, 5-3, Eonju-ro 149-gil, Gangnam-gu, Seoul

Group Financial Record

	Notes	2018 £m	2017 £m Restated	2016 £m Restated	2015 £m	2014 £m
Group trading results for the year ended 31 January						
Total Group turnover		1,539.9	1,654.7	1,533.6	1,494.4	1,541.0
Turnover including share of joint venture	1	1,549.1	1,661.8	1,540.0	1,499.8	1,546.6
Profit before interest and Joint Venture		29.3	41.4	45.8	112.7	128.4
Profit before interest		28.8	40.0	45.2	112.1	127.8
Net interest		(9.1)	(17.8)	(10.2)	(13.3)	(8.0)
Profit before tax		19.7	22.2	35.0	98.8	119.8
Profit after tax		(31.3)	26.5	36.0	80.0	88.7
Adjusted profit after tax		12.3	34.5	38.6	85.3	–
Group financial position at 31 January						
Capital employed		525.1	663.2	762.7	674.2	665.6
Net borrowings		(27.3)	(133.7)	(183.3)	(66.8)	(59.7)
Equity shareholders' funds		503.9	600.7	624.8	589.6	505.8
Ratios						
Return on sales	2	1.9%	2.5%	3.0%	7.5%	8.3%
Return on capital employed	3	(6.0%)	4.0%	5.9%	16.6%	19.3%
Net assets per ordinary share	4	£8.53	£10.17	£10.99	£9.93	£8.51
Net borrowings/equity		5.4%	22.3%	28.2%	11.3%	11.8%
Basic earnings per ordinary share	5	(53.0)p	44.9p	60.7p	134.6p	149.3p
Adjusted earnings per share		20.8p	58.4p	65.0p	143.5p	–
Dividends declared during the year excluding special dividend		10.0p	21.0p	32.5p	46.5p	44.0p
Dividends paid during the year per ordinary share excluding special dividend	6	14.0p	28.0p	46.5p	44.5p	41.0p
Dividends paid during the year per ordinary share	6	14.0p	28.0p	71.5p	44.5p	41.0p
Dividend cover on a declared basis excluding special dividend	7	(5.3)	2.1	1.9	2.9	3.4
Adjusted dividend cover on a declared basis excluding special dividend	7	2.1	2.8	1.3	3.0	3.6
Interest cover	8	2.7	5.1	4.4	8.4	16.0

The comparatives before 31 January 2015 have not been restated under FRS102.

1. Turnover includes 100% of the turnover in the Indian Joint Venture.
2. Return on sales is the profit before interest expressed as a percentage of turnover.
3. Return on capital employed is the profit before interest 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 6 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.
7. Dividend cover is profit after tax divided by dividends paid.
8. Interest cover is the profit before interest divided by net interest.

Facts at your Fingertips

	UK	America	Europe	Rest of the World	Group
2018					
Turnover (£millions)†	586	640	137	181	1,544
Employees (number at year-end)*	8,361	3,777	575	414	13,127
Pairs sold (millions)	18.1	20.7	4.1	4.7	47.6
Shops					
Full Price	332	189	9	54	584
Concessions	43	–	–	26	69
Outlets	44	127	17	29	217
Bostonian	–	–	–	–	–
Total owned shops	419	316	26	109	870
Franchise stores	114	–	–	–	114
International Clarks shops**	–	12	135	383	530
Total shops	533	328	161	492	1,514
2017					
Turnover (£millions)†	632	655	152	181	1,620
Employees (number at year-end)*	9,223	3,751	246	608	13,828
Pairs sold (millions)	20.9	21.7	4.8	5.0	52.4
Shops					
Full Price	339	200	9	62	610
Concessions	43	–	–	29	72
Outlets	44	129	16	59	248
Bostonian	–	–	–	–	–
Total owned shops	426	329	25	150	930
Franchise stores	113	–	–	–	113
International Clarks shops**	–	29	151	353	533
Total shops	539	358	176	503	1,576

* Including part time employees.

** Monobranded patnership stores.

† Excluding Group items.

GLOSSARY

Alternative performance measures (APM)

Throughout the report and accounts the Directors use alternative performance measures to allow the true underlying performance and trends to be communicated to stakeholders.
Alternative performance measures may not be defined in FRS102 and may not be calculated and measured in the same way as other companies, but they are consistently applied in these financial statements. Our auditors, do not express an opinion on whether the alternative performance measures are appropriate, but they do ensure that the underlying data for those measures is not misleading and is congruent with the audited financial statements.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Income statement measures			
Earnings per share (EPS)	None	Not applicable	Profit/(loss) after tax of the Group, divided by the weighted average number of shares in issue during the financial year.
Adjusted Earnings per share (AEPS)	Earnings per share	Non-GAAP measures	Profit/(loss) after tax of the Group excluding items included in non-GAAP measures, divided by the weighted average number of shares in issue during the financial year.
Regional net margin and net margin rate (%)	Gross Profit	Outbound distribution costs	A comparable measure of performance across all regions, with each regions margin being made up of the same component elements. We report this in our narrative section on a translation currency neutral basis.
Like-for-like sales	Group turnover	Wholesale sales, non-like-for-like sales and translation currency	Like for like sales are reported for stores that have been opened for at least one full year. This is a measure of sales performance that strips out movements due to openings, closings and relocations of stores, that may otherwise distort the true sales performance.
Constant exchange rate (CER)	None	Not applicable	This measure removes the effects of currency movements by retranslating the current year's performance at the previous year's management exchange rate. and presenting the subseqent outcome as a % CER growth rate from the prior years reported results at management rate.
Adjusted tax rate	Taxation	Non-GAAP measures	Rate of taxation as a % of Profit Before Tax excluding Non-GAAP measures.
Underlying operating profit	Group Operating profit	Non-underlying items	The profitability of the Group before foreign exchange movements, non-underlying items and including 100% share of the Joint venture results
Non-underlying items	None	Not applicable	Items which are one-off in nature, large and unusual or would distort the interpretation of the underlying business performance. All non-underlying items are agreed by the Audit Committee.
Adjusted profit after tax	Profit after tax	Items defined as non-GAAP and the tax effect	Amounts in the income statement, the timing of which does not match with the underlying result, such as fair value adjustments of non-hedge accounted financial derivatives included within finance costs and large one-off tax adjustments relating to government policy changes.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Statement of financial position measures			
Net Debt	Net Borrowings	None	Comprises cash and cash equivalents, unamortised bank facility fees, overdrafts, term loans and revolving credit facilities.
Capital employed	Net assets	Net assets excluding net borrowings, deferred tax, pension asset and fair value of financial derivatives	Items which are one-off in nature, large and unusual or would distort the interpretation of the underlying business performance. All non-underlying items are agreed by the Audit Committee.
Cash flow measures			
Unlevered free cashflow	None	Net cash flow from operating activities adjusted for interest and tax paid less Net cash flow from investing activities	Comprises cash and cash equivalents, unamortised bank facility fees, overdrafts, term loans and revolving credit facilities.
EBITDA	Profit before interest and tax	Adjusted for depreciation and amortisation	Items which are one-off in nature, large and unusual or would distort the interpretation of the underlying business performance. All non-underlying items are agreed by the Audit Committee.
Cash conversion	None	Not applicable	Unlevered free cash flow divided by EBITDA %. This is a measure of the conversion of cash profits into free cash flow, the higher the percentage the better the conversion.
Other measures			
Return on capital employed	None	Not applicable	This is a measure of the profit/(loss) after tax expressed as a percentage of the capital employed in the business.
Capital expenditure	None	Not applicable	Costs of acquiring tangible fixed assets such as property, plant and equipment and intangible fixed assets such as software