C&J CLARK LIMITED

Clarks

ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY 2016

WHAT WE KNOW AND HOW WE THINK. WHO WE ARE, WHERE WE'RE FROM AND HOW WE BEHAVE.

THESE ARE THE INSPIRATIONS THAT WE VALUE AS WE BUILD THE BRAND AND BUSINESS.

Leonardo da Vinci described the human foot as "a masterpiece of engineering and a work of art." And to make sure we can look after it better than anyone else, we've studied it. From the cradle to old age. We've looked at the way it develops. We've scrutinised its biomechanics, the way it moves at work, rest and play. What we know is what makes us experts. What we know is what we will always use to get things right.

The right shoes may not help you conquer the world, as someone once suggested, but they can help you take life's ups and downs in your stride. So, stylish or comfortable or an effortless combination of both; fashionable or functional or a seamless blend of the two, we will always make the right shoes, good shoes, available; to as many people as possible in as many places as possible.

Times change. Today's headline story is tomorrow's old news. Fashions come and go. In the blink of a cursor, technology transforms what we do and how we think. But Clarks will always be about the shoes. They're in our DNA. They're the bedrock of what sets us apart; a symbol of who we are and what we do best.

Stand still and the world moves on without you. That's why we will always innovate. That's why we will continually seek out new ways to be better and to do better. We will never just keep pace, we will set the pace. The benchmarks will be ours and while we lead where others may follow, our ambition must be that they will always be one step behind.

We've been established for almost 200 years. And we're still going strong, evolving as a brand and as a business. To our consumers in all four corners of the globe, to our employees and to our shareholders we will deliver lasting value as an essential ingredient of sustainable, responsible growth, always handing on brand and business in a better place.

There is no doubt that this year has been one of the more challenging for Clarks in its recent history. With trading conditions around the world affected by a number of headwinds ranging from economic uncertainty to social and political unrest, as well as having to address several substantial internal issues, this has led to a significant period of change for the business.

In this annual report we look back at the factors that have influenced our trading performance and at the ways in which we have restructured and reorganised in order to enable us to continue to build our brand and move the business forward.

We also look forward to the planned developments to ensure that our employees are fully equipped to enable us to continue that growth journey, which we will do through strengthening our leadership, engagement and culture.

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SUMMARY

RESULTS AT A GLANCE

		2016	2015 Restated
Group turnover		**£1,533.6m**	£1,494.4m
Group operating profit		**£45.8m**	£112.7m
Basic earnings per ordinary share		**60.7p**	134.6p
Dividends paid per ordinary share	special dividend (paid April 2015)	**–**	25.0p
	interim (paid October 2015)	**11.5p**	11.5p
	final (payable April 2016)	**21.0p**	35.0p
Net borrowings		**(£183.3m)**	(£66.8m)

2015 has been restated to reflect the transition to FRS 102. The graphs below have not been restated for 2012, 2013 and 2014. The calculation method used for the four graphs below can be found on page 107.

Basic earnings per ordinary share (pence)

2012	130.5
2013	137.8
2014	149.3
2015 (restated)	134.6
2016	60.7

Group turnover (£m)

2012	1,398.1
2013	1,460.6
2014	1,541.0
2015 (restated)	1,494.4
2016	1,533.6

Pre-tax profits (£m)

2012	106.1
2013	113.6
2014	119.8
2015 (restated)	98.8
2016	35.0

Return on capital employed (%)

2012	22.3
2013	20.3
2014	19.3
2015 (restated)	16.6
2016	5.9

Group turnover (%)

UK and ROI	42.7
Americas	37.1
Europe	9.3
Asia Pacific	10.9

Total regional controllable profit (%)

UK and ROI	47.0
Americas	23.6
Europe	11.4
Asia Pacific	18.0

SUMMARY OF TRADING RESULTS

Group turnover

	2016 £m	2015 restated £m
UK and ROI	**654.4**	637.4
Americas	**568.3**	559.6
Europe	**143.4**	159.7
Asia Pacific	**167.7**	135.6
Group Items	**(0.2)**	2.1
Total	**1,533.6**	1,494.4

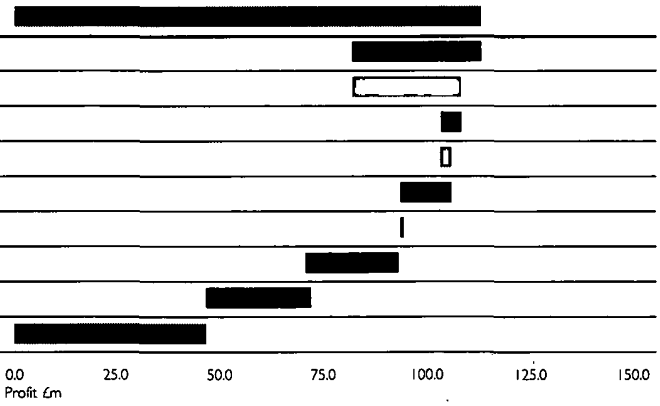
Group operating profit

	2016 £m	2015 restated £m
UK and ROI	**106.0**	103.6
Americas	**53.3**	72.1
Europe	**25.8**	35.2
Asia Pacific	**40.6**	35.6
Total regional controllable profit	**225.7**	246.5
Group and enabling overheads	**(149.0)**	(148.5)
Group trading profit	**76.7**	98.0
Non trading items	**(12.4)**	3.4
Underlying Group operating profit	**64.3**	101.4
Excess inventory – below cost provision	**(18.7)**	–
Foreign exchange movements	**0.2**	11.3
Group operating profit	**45.8**	112.7

Comparatives in the table above have been restated as a result of the transition to FRS102. Non trading items comprise central Group overheads, holding company activity and central pension costs. Included within the Non trading items 2015 comparative was the expected insurance recovery of £19.9m for the losses incurred during the year in respect of damage to a key supplier in Vietnam.

Key profit drivers of Group operating profit

	£m
January 2015 Group operating profit	112.7
Decrease in pairage volume sold	(24.4)
Increase in average selling price	18.8
Increase in other product costs	(6.2)
Decrease in brand marketing investment	2.4
Increase in region overheads	(11.4)
Increase in group and enabling overheads	(0.5)
Decrease in Non trading items	(15.8)
Decrease in Non-underlying items	(29.8)
January 2016 Group operating profit	**45.8**



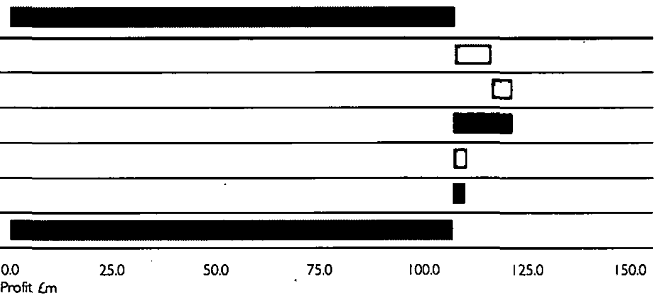
Profit Positive variances Negative variances

The diagram depicts the variances, both positive and negative, that drive the movement from the January 2015 Group operating profit to the January 2016 Group operating profit.

Key profit drivers of regional trading results

UK and ROI Region

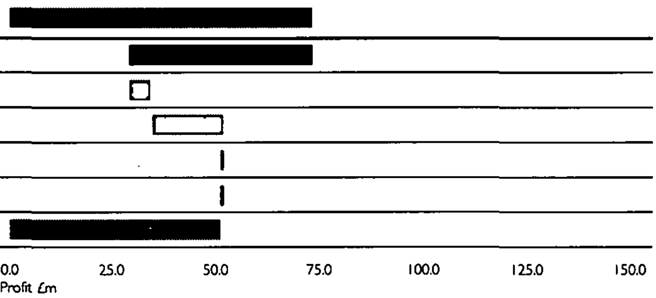
	£m
January 2015 regional controllable profit	103.6
Increase in pairage volume sold	9.2
Increase in average selling price	7.4
Increase in other product costs	(14.3)
Decrease in brand marketing investment	2.2
Increase in other region overheads	(2.1)
January 2016 regional controllable profit	**106.0**



Profit   Positive variances   Negative variances

Americas region

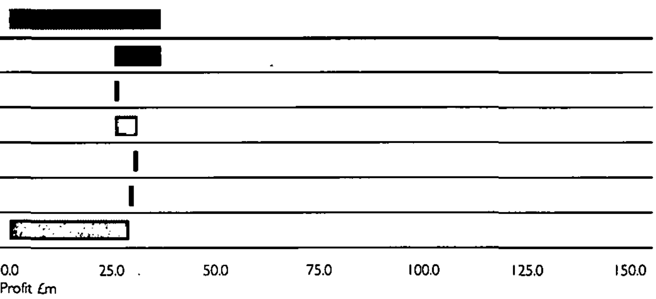
	£m
January 2015 regional controllable profit	72.1
Decrease in pairage volume sold	(39.8)
Increase in average selling price	4.5
Decrease in other product costs	15.2
Decrease in brand marketing investment	1.5
Increase in other region overheads	(0.2)
January 2016 regional controllable profit	**53.3**



Profit   Positive variances   Negative variances

Europe region

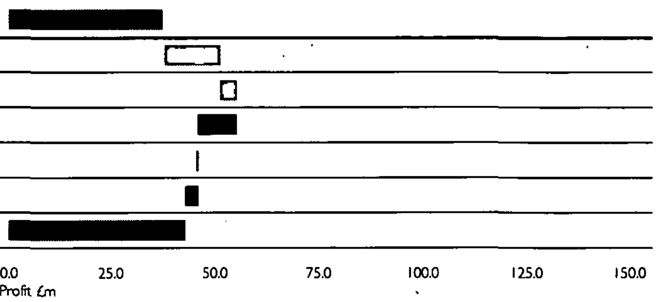
	£m
January 2015 regional controllable profit	35.2
Decrease in pairage volume sold	(12.1)
Decrease in average selling price	(0.5)
Decrease in other product costs	4.9
Increase in brand marketing investment	(0.6)
Increase in other region overheads	(1.1)
January 2016 regional controllable profit	**25.8**



Profit   Positive variances   Negative variances

Asia Pacific region

	£m
January 2015 regional controllable profit	35.6
Increase in pairage volume sold	18.3
Increase in average selling price	7.4
Increase in other product costs	(12.0)
Increase in brand marketing investment	(0.7)
Increase in other region overheads	(8.0)
January 2016 regional controllable profit	**40.6**



Profit   Positive variances   Negative variances

STRATEGIC REPORT

EXECUTIVE CHAIRMAN'S STATEMENT

This year we have confronted and dealt with considerable challenges in our business. Difficult trading environments in the UK, Europe and the Americas, a lengthy stabilisation period in our new distribution centre in Hanover in the United States of America (US) and changes of Executive Management in early September were all significant. Directly related to the last two points was a requirement to address three key fundamental underlying issues in the business: the need to restructure the business; the need to address a high cost base; and the need to work through a sizable overstock position in the US, the UK and, to a lesser extent, in Asia Pacific.

On a consolidated basis, turnover has improved slightly over last year from £1,494.4m to £1,533.6m or +2.6% for the same period. Group operating profit, which includes this year a significant one off inventory provision, is less than was planned and at £45.8m is below last year's restated profit for the same period of £112.7m.

When reporting the interim results for the six months ended 31st July 2015, I stated that it looked likely that the Group would deliver a result for the second half-year less than was planned and more in line with last year and that the key to the second half of the year would be our ability to catch up on the backlog of wholesale despatches in the Americas as we continued to transition and stabilise the Hanover distribution centre. Whilst we are now confident that the problems at Hanover have been addressed, and any adverse impact on despatches for the first half of the new financial year is likely to be minimal, the second half of the year was further disrupted. This disruption, combined with the continued challenging trading conditions in the UK, Europe and the Americas, means that the results for the full year to 31st January 2016 are below the expectations we had in September, and below last year.

In September 2015, and as reported in the interim statements, I accepted the Board's invitation to undertake the role of Executive Chairman until a new Chief Executive Officer is appointed. A Governance Committee was also formed by the Board with Nigel Hall (Senior Independent Director) and Hugh Clark (Family Non-Executive Director) supporting, advising and challenging me in the performance of my temporary executive role. During October, November and early December, the Governance Committee undertook an intensive programme of listening sessions covering a very broad cross section of management and staff in all regions. At the same time, the Committee has worked closely with the Executive Management Team to review the performance of the business and to identify the critical areas where changes are needed. Two key areas for action within the Group have been identified to address the underlying issues.

Firstly, inventory management. As a consequence of over ambitious business plans and excessive focus on short-term performance, the business accumulated a significant amount of excess inventory in 2015, particularly during the second half of the year. This was compounded by the operational problems in the Americas relating to the Hanover distribution centre. The financial effect of this build-up of inventory is that borrowing levels and financial gearing at 31st January 2016 at £183.3m and 28.2% respectively are substantially higher than is normal for the Group; importantly however, well within the Group's committed bank facilities at that date. The immediate requirement to aggressively liquidate excess inventory required the Group to book a financial provision against the cost value of part of that excess of £18.7m at the 31st January 2016 year end date. There is also likely to be a further impact on future margins in the financial year to 31st January 2017 as we dispose of elements of the excess inventory at above the cost of the product but significantly lower than we would ordinarily have planned. On an ongoing basis, steps are being taken to match our future inventory buying to our turnover expectations and to recognise that we need to more actively clear excessive inventory in season rather than carry them forward to be dealt with in the future, which was the practice in the more recent past. A full review of the controls and reporting around inventory management is taking place and will be considered by the Board.

Secondly, our work has revealed that the costs associated with the operations of the business have increased at a rate greater than the rate of growth in margin. More importantly, the growth in costs has introduced considerable complexity into processes and decision making and made accountabilities in many areas of the business unclear. As a result, confidence and clarity – especially with regard to product – were compromised.

In response, the Board has authorised a significant reorganisation of the business. The Board's primary focus is the creation of a Group which is concentrated around a global brand function and one that makes best use of the extraordinary shoemaking talent we have in Street and in Boston. The Group will adopt a channel-led operating model focused around retail, wholesale, outlets and e-commerce, replacing the old model of gender specific product developed in each region and marketed through largely independent regional operating businesses. In addition, the decision was taken to merge the UK and ROI and Europe regions into a single consolidated European region trading alongside the Americas and Asia Pacific, thus simplifying our global organisational structure.

The way we distribute our product to market has posed challenges that intensified over the past year. The reorganisation will address this by removing duplication and inefficiency across the Group. It will also simplify and accelerate decision making and clearly define accountabilities for every part of the business. The reorganisation, which was announced to the business on the 10th February 2016, resulted in a significant number of employees leaving the business. The associated costs will be borne in the fiscal year ended 31st January 2017, in line with accounting conventions. The changes being made are extensive in reach with 170 people leaving the business, and an additional 300 employees asked to take on new roles inside the business. The Board has not taken this decision lightly, recognising the significant impact it will have on individuals affected, many of whom have worked in the business for a long time. The reorganisation was considered seriously, planned with great care and undertaken professionally. The Group offered a full package of support for those affected, including assistance to help them find new employment.

A full review of trading performance by region for the year can be found in the Chief Commercial Officer's review. Group operating profit of £45.8m was £66.9m below last year's restated comparator of £112.7m. In the fiscal year ended 31st January 2016 profitability included small foreign exchange gains of £0.2m whereas in the prior year the result was buoyed by foreign exchange gains of £11.3m.

In addition, a provision of £18.7m, as previously referenced, was booked within Group operating profit in recognition of a sizable element of the excess inventory at the year end date valued below cost. Full explanations are provided in the Chief Commercial Officer's and Chief Financial Officer's reviews.

Since the introduction of FRS 102 for this financial year the Group has chosen to use an internal measure of underlying Group operating profit (please see the Results at a Glance page for further details); being a true reflection of the ongoing performance of the Group before the effects of volatile foreign exchange and other one-off items. Underlying Group operating profit of £64.3m for the year ended 31st January 2016 is £37.1m or 36.6% below last year's restated comparative of £101.4m.

I am very pleased to report that the Vietnam insurance claim has been settled. It was first brought to your attention in the July 2014 interim statement and to remind you, it was triggered by a major disruption to a key supplier in Vietnam in May 2014. A rather complex business insurance claim had been in progress right through to the date of settlement, on the 3rd February 2016. As the settlement was agreed with our insurer immediately after the fiscal year end date an amount of £6.7m remains in the accounts at 31st January 2016 with the final settlement payment from insurers received on the 18th February 2016.

The Board is actively progressing its search for a new Chief Executive Officer. A long list of potential candidates has been drawn up, from which the Board has shortlisted a number of candidates for further evaluation. We will take the time necessary to ensure that the best person is found to take on this crucial role at a very important time for Clarks.

At the half year I advised you that our Board was planning to add additional directors with specific skills to strengthen the oversight of our growing business and to prepare for the departure of board members as their terms of service expire. The Board is therefore pleased to announce the appointment of three new Independent Non-Executive Directors to the Clarks Board.

Walker Boyd is a chartered accountant with extensive experience of working both in listed and family-owned companies in the United Kingdom and in the US. These include the international jewellery business, Signet, which owns many readily recognised brands in the UK and the USA. Walker was also Executive Director at Grattan, owned by Next, with responsibility for Finance and Planning, and has served as Non-Executive Chairman at both W.H. Smith and Spirit Plc. Walker will assume the role of Chair of the Audit Committee following the Annual General Meeting in May, succeeding Nigel Hall who will remain as Senior Independent Director.

Lucien Alziari's background is in human resources (HR). He is currently the Chief Human Resources Officer at the Maersk Group, a worldwide, family-controlled organisation specialising in shipping and logistics. Lucien has held senior HR roles in the US at Avon Products Inc., PepsiCo Inc. and with the family-owned Mars Confectionery Group in the UK. Lucien will assume the role of Chair of the Remuneration Committee following the Annual General Meeting, succeeding Hugh Clark.

The Board have also approved the appointment of a further independent Non-Executive Director, Wayne Kulkin. Wayne has served as an executive in the footwear business for many years. Currently Wayne is the Chief Executive Officer of Stuart Weitzman where he has spent more than 25 years in key executive roles. He started in the shoe business as a salesman at Nordstrom's department store in California and worked his way up to shoe buyer where he was recruited by Stuart Weitzman. Wayne's familiarity with both the technical aspects of shoe making and the development of a successful shoe brand, brings a welcomed expertise to the Board. At the time of writing this statement, I envisage that Wayne will join the Board in early May 2016,

With the appointments of Walker and Lucien in January, and Wayne joining the Board in May, the Board will then be comprised of an Executive Chairman, a Senior Independent Director, four independent Non-Executive Directors, and two family appointed Non-Executive Directors. Later in the year, the new Chief Executive Officer and Chief Financial Officer will join to bring the Board up to its planned capacity.

In accordance with the Articles, share valuations are prepared twice a year by an independent firm of chartered accountants. In September 2015 the shares were valued at £11.80 unchanged from May 2015.

In May 2015, 281,450 Ordinary Shares were offered for sale at £11.80 and all shares were sold.

In October 2015, 670,079 Ordinary Shares were offered for sale at £11.80 and 90,357 shares were sold at that price.

In November the Company bought back 367,613 Ordinary shares at £11.80.

On 30th June 2015, 78,594 shares were appropriated for participants in the C&J Clark Limited All Employee Share Incentive Plan. The Board places value on continuing this program for our employees. To this end the company continues to buy shares. In 2011 the Board obtained shareholder approval to extend the issued share capital by a maximum of 500,000 shares. This authority expires this year. We will again seek shareholder approval to extend the issued share capital by shares to meet the C&J Clark All Employee Share Incentive Plan, should the need arise.

After careful consideration the final dividend due for payment in April 2016 has been set by the Board at 21.0 pence per share. On a per share basis, together with the interim dividend of 11.5 pence, this will make a combined annual dividend of 32.5 pence; a 30% reduction on last year. The dividend cover – calculated by dividing adjusted earnings per share (see page 107) of 65.0p by the annual dividend of 32.5 pence per share, was 2.0 times. Your Board understands the importance of a progressive dividend policy to shareholders but is also mindful that dividend cover needs to be maintained at a sustainable level if investment in the Group is to continue.

This past year had been rather tumultuous for our employees. They have remained motivated, loyal and focused on the success of our business going forward. I would like to acknowledge their dedication and to thank each employee on behalf of the Board and all shareholders.

Over the past several months the Board of Directors and I have carefully observed the state of the business. We have identified areas in need of remediation, the most significant of which I have identified in this report. Rest assured that our Group remains profitable and on solid financial ground. We have put in place an organisation that will bring the Group forward with a focus on product, marketing, innovation and sustainable profit.

Thomas J. O'Neill
Executive Chairman
8th April 2016

CHIEF COMMERCIAL OFFICER'S REVIEW

Tough global trading conditions together with headwinds across all markets were driven by a combination of economic factors, exchange rates and socio-political instability, all of which led to caution across the wholesale customer base. Wholesale orders did not recover from the 2014 Vietnam supply disruption as we had expected, while many of our wholesale customers used this opportunity to clear inventory positions. In addition, the retail environment in developed markets remains discount driven with consumers continually waiting for reduced price activity, a behaviour reinforced by the continuing shift online.

Our regional performances were mixed, with a continuation of our strong growth in Asia Pacific and a solid performance in a mature UK market contrasting with another very challenging year in the Americas and in Europe. Total regional controllable profit (net margin less directly controllable costs within the regions) declined by 8% against last year. However, if the recovery of the Vietnam losses were added back to the four regions in 2015, then regional controllable profit would have declined by 15.3% with the main drivers being the fall in Americas profitability and the decision to re-phase our Spring Summer 2016 wholesale orders to align more to customer demand.

During the course of the year our inventory holding level increased significantly to a level that we consider to be far too high. This resulted from a combination of the trading conditions, early commitment of purchases at too high a level and a failure to clear inventory at the end of each trading period. We have acted to address the situation, which will take effect over the next eighteen months. We remain focussed on the need to liquidate excess inventory at pace and to ensure we have appropriate management processes in place to avoid repetition in the future.

The following review is intended to highlight some of the principal factors which have influenced our trading performance in the regions.

UK and Republic of Ireland (ROI)

The UK and ROI remains a core market for our business. In a challenging retail environment we have continued our investment programme, making creditable progress. Turnover grew by 2.7% to £654.4m and regional controllable profit grew by 2.3% to £106.0m.

In common with recent trends, the UK and ROI footwear market remained highly promotional, with significant challenges to consumer footfall outside sale or promotional periods. This compromised our ability to drive average selling price growth and the proportion of product that we were able to sell at full price. However, in contrast to last year, all the promotional activity going forward is fully planned as part of the trading calendar.

Our children's Back To School trading period was very strong with growth in volume, value and gross margin for the first time in several years and a strengthening of market share. The second half of the year was particularly difficult, with mild weather impacting the footwear and apparel sectors as consumers did not find reasons to buy product at full price. Women's and children's categories were hardest hit. However, despite the footfall trends, Clarks outperformed the footwear market in the second half of the year with comparative store sales growth of 6.9% in comparison to the lower British Retail Consortium growth of 0.9%. Despite the trading conditions, we exited the Autumn Winter 2015 sales period with low levels of retail inventory.

We continued our investment in upgrading our retail stores, especially in key brand building and premium classic locations, and we undertook refits in 39 stores during the year. Our e-commerce growth continued strongly through the year, although again it was in the context of a highly promotional market, which led to pressure on pricing and margin delivery. We maintained our position as online market share leader and online now accounts for 16.3% of total retail sales compared with 14.4% last year. Our new e-commerce platform remains a key priority and, although the UK website won't re-platform until 2017, we made positive steps forward during the year. These included the introduction of Wi-Fi and tablets into stores and the development of the click and collect business, which drove most growth within the channel.

The wholesale channel encountered a number of headwinds including a slow recovery from the 2014 Vietnam supply disruption, and ongoing issues with key partners such as Brantano who have gone through administration. The channel continued striving to address these issues and in developing a more premium wholesale business.

The UK and ROI region delivered significant cost savings through the year and payroll productivity in the second half in particular was outstanding. The team demonstrated its ability to drive sales forward in a challenging retail environment amid significant discounting. That trading focus, alongside the very tight operational control within the business, allowed the region to increase profitability.

Americas

Americas performance was dominated by our distribution issues. These have been stabilised as we exit the year but there was a significant impact on regional profit as a result. Turnover excluding the impact of foreign exchange fell by 7.1% to £539.7m and regional controllable profit fell by 26.1% to £53.3m.

Whilst the US footwear market performed well in the first half of the year, the second half of the year was characterised by weak trading conditions across the sector. The mild weather, in keeping with Continental Europe, meant that consumer need driven purchases for seasonal products were limited, and this dynamic resulted in poor sell-through rates across the sector despite heavy discounting. As a consequence, many retailers finished the Autumn Winter 2015 season with abnormally high levels of inventory.

Our performance in the year was significantly impacted by the distribution service disruption that we faced. A difficult transition to the Spring Summer 2015 season was followed by an even worse Autumn Winter 2015 performance, when the business failed to deliver large volumes of wholesale orders to customers on a timely basis. This resulted from operational issues at our Hanover distribution centre and a great deal of focused work has taken place involving both regional and global supply chain teams to stabilise performance going into 2016.

The most critical operational issues have been addressed and we can expect service levels to improve, pending a more strategic solution to the network design for implementation in 2017 and beyond.

During this period, the sales teams have done a great job in maintaining a strong relationship with both key accounts and independent customers. There is a huge amount of goodwill towards our brand and this goodwill should be rewarded progressively as we trade through 2016/17.

The impact on wholesale channel performance has been significant, with net turnover 12% lower than last year. Against this backdrop, some accounts traded extremely well with Macy's for example, delivering double digit improvement on last year during the second half. The introduction of new, market appropriate styles such as Cloudstepper were also a significant positive, with net sales of over £7m in the year.

Against this backdrop, a new leadership team has been recruited and foundations established in key operational areas, such as demand forecasting, wholesale planning and supply chain visibility.

Inventory remains a challenge, with significant volumes of inventory to clear as a result of overly ambitious sales targets, the distribution issues and the weak retail trading performance. Inventory reduction actions are being taken against a backdrop of difficulties selling excess inventory through our normal customer clearance accounts, following the high inventory positions being experienced in the customer base.

Retail performed well in the first half, but slowed in the second as a result of the distribution challenges as well as the heavily promotional nature of the market. Net turnover was 1% lower than last year, driven by a lower average selling price. The outlet channel performance was also slightly below last year, with net turnover down by 3%, due to lower volume, while margin rates were actually ahead as less distressed inventory was cleared through the outlet stores.

The online channel continued its recent growth, with full year turnover 20% higher than last year. The e-commerce re-platform which went live in February 2015 had a number of difficulties initially, however a series of operational improvement releases recovered top KPIs, notably conversion, and performance was markedly improved in the last few months of the year. Online sales represent 10% of our non-wholesale net turnover. Significant site developments are planned for 2016 which will help to develop the channel further.

Good cost control was maintained throughout the year notably during the second half as distribution issues impacted gross margin achievement.

Whilst this was an extremely disappointing regional result overall, we strongly believe that we have addressed the most critical issues and put in place the correct changes to drive the business forward from this low point.

Europe

Our trading performance in Europe was below our expectations this year as external conditions weighed heavily and we also saw the impact in the financial period of our decision to re-phase our Spring Summer 2016 wholesale orders as mentioned earlier in my review. The weaker Euro adversely impacted our average selling price and margin rates when translated into Sterling. Turnover fell by £16.3m to £143.4m and regional controllable profit fell by 26.7% to £25.8m

On the face of it, the level of profitability decline in Europe appears significant, however this needs to be placed in context as the underlying business performance, whilst challenging, was not as sluggish as first appears. Our volumes were 7% lower, and this lower level of course impacted regional profit, which was then also exacerbated by the exchange rate impact.

Being a predominantly wholesale business, Europe was significantly impacted by the Vietnam supply issue for Autumn Winter 2014 and our expected recovery in our order book in the Autumn Winter 2015 selling season did not materialise. Our key German market experienced lower footfall across the footwear sector although our own performance held up relatively well. The markets in Russia and Ukraine, which are managed by distributors, also proved particularly challenging as currency devaluations resulted in cash flow and credit issues for partners, which inevitably led to a reduction in shipments. In the Netherlands, Belgium and Luxembourg progress was impacted by our key partner, the Macintosh Group, going into administration. Autumn Winter 2015 repeat in-stock orders were well ahead of last year and wholesale forward orders for Spring Summer 2016 season were slightly ahead of last year, which was encouraging after the challenging Autumn Winter 2015 selling journey.

Retail performance was strong in the second half after a difficult Spring Summer season, with positive like-for-like sales growth as we focussed on improving our retail operations performance.

We also increased our online activity in the region, primarily through third parties and established a marketplace presence with the fast growing online retailer Zalando as well as a new pan European trading basis with Amazon.

Asia Pacific

Our business in Asia continued to achieve significant growth in an increasingly difficult trading environment. Turnover grew by 23.7% to £167.7m and regional controllable profit grew by 14.0% to £40.6m.

Economic slowdown in China did not directly impact on our trading in the market, however there was a knock-on effect for Clarks in other Asian markets, particularly South East Asia as key trading partners struggled with the impact of currency devaluation and exchange rate volatility.

China continues to grow well, with total sales 29% up on last year. China is now 47% of total region turnover and 54% of region profit. We opened 45 stores this year, including outlet stores and owned retail continues to grow comparative sales by 20%. Wholesale continues strongly through key accounts. Our franchisee has opened 15 stores and helped us establish a children's presence in the market. We have opened three Originals stores in China and will evaluate the success of these pending further roll out.

The Middle East region saw difficult trading in our key markets of United Arab Emirates and Saudi Arabia. The weaker oil price and the absence of Russian tourists destabilised the retail economy while the recent socio-political situation in Saudi Arabia has made the market cautious. Turkey continues to be a challenge following the imposition in 2014 of high tariff duties on imported footwear.

India remains a market with much potential but with growth difficult to access. The lack of new mall development has hindered retail expansion, and like-for-like sales, whilst growing, have been below expectation. Online presence and franchise/wholesale growth outside key cities were positive, but it is still a patient strategy, managing costs carefully until we can see the joint venture achieve profitability.

Japan has grown well for us this year, but the overall market is still flat. The business has stabilised and we should see growth continuing next year and moving closer to the levels we have seen in recent years.

South East Asia was volatile throughout the year. We struggled to recover our lost Vietnam volumes, suffered from a new sales tax regime in Malaysia, and foreign exchange pressures in Indonesia. We have taken initial steps in the region to develop owned distribution, opening a retail store in Singapore as well as a first Originals standalone store.

In New Zealand we saw a successful brand relaunch with a new partner. Whilst our Australian business grew, our store opening schedule is running behind plan and will now run into 2016/17.

Outlook for 2016/17

As we enter into the new financial year we believe that we have taken a balanced approach to planning in what will continue to be a challenging and potentially volatile trading environment.

Economic fundamentals in the UK, US, mainland Europe and China have all shown indications that these key markets are not quite as robust as previously appeared. Wider political factors such as ongoing tensions in the Middle East and Russia and now the uncertainty caused by the upcoming referendum in the UK on its relationship with the European Union will inevitably cause some volatility in investor, business and consumer confidence.

It also appears clear that the retail environment, particularly in the UK and US, will continue to be challenging for full price sales, and will again be heavily influenced by online retail behaviours.

The new financial year has begun in line with our expectations. The transition in our retail stores to the new season builds through to Easter, and product has moved effectively through the supply chain to date. Spring Summer 2016 wholesale orders across Europe, Asia Pacific and Americas are encouraging and reflect a strong product offering. The emerging order book for Autumn Winter 2016 also indicates a positive customer response to the new ranges.

More effective distribution service levels are critical to our Americas growth plans. While we are seeing early operational improvements, we need to consistently deliver to customer expectations through the second half of the year, when much of our growth is planned.

Having seen recent strong growth in the US from our e-commerce platform we are confident that we can continue to build on that performance. Our new e-commerce platform in the UK and rest of Europe remains a key priority and, there are significant service improvements planned for 2016 in the UK website leading up to a significant re-platform in 2017. In the meantime we have built on the improved service developed for customers in 2015, brought forward last order times for next day, and offered shorter delivery cycles for all consumers.

2015 was a difficult year and very much a year of two halves. In the second half of the year the newly formed Governance Committee, the Executive Management Team and the Board has worked collectively to review performance, identify the issues where change is needed and ensure that the budget plan for 2016/17 has the right balance of challenge, risk and opportunity and underlying growth and is built solidly around a realistic set of trading assumptions.

We believe that despite the external factors at play, we have put the foundations in place to deliver moderate improvements in trading results this year, whilst we set ourselves up for stronger growth in the future.

Steve Finlan
Chief Commercial Officer
8th April 2016

CHIEF BRAND OFFICER'S REVIEW

In order to have a seamless consumer journey, we are building a singular, unified Brand. This will create integration through product proposition, marketing and communications and the commercial environments (both physical and digital) in which the consumer can interact with the brand in a consistent and connected way.

Core Brand competencies

In the second half of the year we examined capabilities in the core competencies that make up and defend our focus as a brand. We need to be good at the basics if we are going to be able to integrate the creative operations, build a seamless organisation and create a brand foundation that supports sustainable commercial growth.

The common denominator of all powerful brands is that they offer a unique and clear positioning. They are recognisable both visually and in the consumer's mind, and they clearly stand for something, defining and defending their category in all actions – therefore becoming the benchmark of the category and a destination brand to the consumer. Our success is linked to strength in design, development, innovation, product line management, marketing, communication, retail, e-tail and digital socialisation that support the making and trading of great shoes.

Putting the product engine at the heart of Clarks clarifies ambiguities around the purpose of product, recognising that to be fully competitive, Clarks will be a destination because of our product proposition. Product, more than ever, is the purest form of brand expression and therefore the start point of Clarks consumer proposition.

The Group has fundamental strength in design and product line building. Fully independent and functional product engines exist in both Street, UK and Newton, USA, these engines are capable of autonomous operation across the entire product development lifecycle. Design as a function is deeply innovative and creative. It has a strong working knowledge of shoe construction and commercialisation, an ingrained and powerful comprehension of the Clarks code and a healthy belief in using design to challenge the boundaries and stimulate the creation of newness that will resonate with consumers.

We have strong internal shoe-making expertise. It is a deeply impressive and rare organisation that begins the process of design commercialisation by hand, integrating high level digital capabilities in data transfer, 3D model making and rendering with the age old skills of the last maker. We will protect and expand this unique aspect of our business which is at the heart of our shoe-making philosophy. It combines time honoured craftsmanship with new technologies and techniques, capturing data to give us a competitive edge in production quality and manufacture. Our knowledge and expertise in comfort delivery is second to none. We design and develop shoes that deliver an unparalleled fit proposition through our hand crafted lasts; effortless mobility through our understanding of foot physiology; softness through innovative footbed design and construction, and protection through careful development and selection of materials.

Our marketing organisation has impressive internal skill sets and we strongly believe that nurturing internal capability is always of benefit to the comprehension and defence of our distinctive brand personality. The work produced internally starting with Spring Summer 16 has been received well both internally and by consumers. We are seeing positive trading results as well as positive consumer reaction.

Building a brand function

From the start of the 2016 financial year, the Product and Marketing functions have been merged into a singular Brand organisation. It is responsible for creating the product, marketing and consumer interaction propositions for the Group. The new structure reflects two major changes in direction:

Firstly, we will be building ranges and marketing specifically to channel, with a dedicated global wholesale product engine based in Boston. The global retail product engine located in Street will define the brand and drive new product introductions in our own controlled physical and digital retail environments.

In addition, we recognise the opportunity presented by the increasingly sophisticated outlet market place. In addition to and beyond the immediate focus on inventory liquidation, we recognise the opportunity to build a product engine in the future when excess inventory will not fulfil demand.

Secondly we recognise the need to develop a portfolio of sub-brands that have clear consumer target. It will reduce the possibility of confusion between distribution channels or ultimately on the retail shelf. In a world where we increasingly see generalist give way to specialist it is important for Clarks that the brand reinforces its original position as an authentic and specialist maker of shoes. Being all things to all people under the banner of one brand name is unrealistic. The platform for a portfolio of sub-brands allows us to avoid unsustainable brand stretch and create clarity for our consumers.

We will be increasingly specific about the design language, essence and positioning, image creation, product attributes, retail, digital presence and marketing of Clarks for men's and women's, Clarks children's, Clarks originals and Bostonian.

Creating this clear differentiation between our portfolio of sub-brands in the eyes of our customers and consumers creates platforms for future commercial growth.

The creative future

A renewed focus on Brand puts the creative process at the heart of our business. We will focus our efforts on defining the future through design, innovation and creativity. To be a desirable brand, we know that we can never stand still and must continually innovate.

Innovation is as much a collective mind-set as it is an investment program. It is our nature to always innovate across all functions of the brand from design to consumption across materials, manufacturing techniques, fit and comfort technologies. The effect is continued high quality footwear that releases our internal design capability and delivers shoes that look, feel and wear as modern, contemporary products fit for today's markets.

Retail design is a central area of focus and investment for Clarks. This is the format where both the role of retail for Clarks in a world of changing product consumption and creating a clear articulation of the portfolio of sub-brands comes together for the consumer.

Digital is a major brand focus area for Clarks, where we have a clear ambition to show our business in a meaningful way. Our actions will be aligned globally to create both a single, clear image as well as ensuring we optimise the huge commercial opportunity.

Going forward we will maintain tight control of our brand image. All regions will use global assets to promote the brand, allowing us to create a globally recognised presence.

Internally our work place nurtures and encourages attributes and behaviours that re-inforce our brand meaning. At the end of 2015 we created and distributed a set of Lasting Principles to all employees. Twelve cultural rules that are intended to guide how we think, create and work – expressed in simple language, yet deep in meaning. Bringing the organisation together around a set of principles forms a foundation of a company culture for many years to come.

Now that we have repositioned the structures of the creative organisation to align around a singular brand proposition we are able to accelerate the process of building and strengthening our brand equity.

With the ability and resources we have within the organisation, and the celebration around what makes Clarks unique, we feel incredibly confident that we have a brand filled with power, resonance and sustainability.

Jason Beckley
Chief Brand Officer
8th April 2016

CHIEF PEOPLE OFFICER'S REVIEW

Our intent is to deliver sustainable growth by creating a great place for our people to contribute their best work. We believe this is achieved through high quality leadership, sustained engagement of our colleagues, investing in developing talent and valuing the contributions of a diverse global workforce.

Leadership

Since 2011 we have been focusing our efforts on developing our leaders and managers to engage every member of their teams through a leadership initiative 'Step Forward', a bespoke, highly interactive, two-day workshop. It equips line managers to drive better engagement with their people and provides a simple, effective toolkit to help them understand themselves as leaders. The target audience is all our leaders and managers around the world. In 2015 another 400 leaders and managers attended the workshop which means that so far we have reached approximately 2,500 participants. Feedback has been very positive and we have seen the benefits of the learning particularly in the way our retail store managers lead and engage their teams.

Engagement and Culture

Our employees around the world are fundamental to our business. We are committed to investing in them and ensuring they are fully motivated and energised to deliver strong performance. To monitor their engagement, a Group-wide approach to measuring employee feedback was defined in 2010, and has provided a consistent baseline for tracking progress on a 14–18 month basis since. As part of this progress monitoring our Global People Survey was deployed across the Group at the end of 2014, with over 12,000 employees (79%) participating.

The People Survey showed that engagement within Clarks is currently 67% (up 2% from the survey in 2012), with the highest levels of engagement shown in our retail store teams within the UK and Americas. We've continued to work with leaders across the organisation to improve on this again through 2015. Collecting feedback from our people enables us to understand what factors drive engagement, and helps shape our future people strategy and plans.

We remain firmly committed to creating the right conditions for our people to thrive as we progress on our journey to build the Clarks brand globally. In 2015, we used the insight gained from the People Survey as well as a whole business, focus group style, listening exercise conducted during the autumn of 2015 to inform our focus and action in three key areas:

- Capitalising on our people's desire to increase their sense of pride and confidence in the brand, its heritage and our products
- Improving the way teams collaborate and work cross-functionally – most importantly across our product, marketing and commercial region and market based teams
- Increasing the speed of decision making, pace and energy within the business through providing clarity of accountability and decision making authority and removing duplicative activities.

These focus areas have provided context for broader organisational changes and ways of working which will be introduced in early 2016.

To ensure we have the capability and leadership resources we will need to achieve our strategic objectives, we conducted our first comprehensive Global Talent and Succession review in 2015.

Succession Planning and Talent Management

The review highlighted that 75% of senior leadership roles have successors ready to provide emergency cover but less than 10% of senior leadership roles have successors who are 'ready now' or 'within one year' to step into roles. We have stronger coverage in the 'ready in two to four years' category. Our focus therefore will continue to be in developing the strength and depth of our leadership talent pipeline and in 2015 we introduced the 'Step Up' programme, a development programme designed to strengthen the entry level management pipeline. Our focus in 2016 will be to continue to support and monitor the development of our highest potential leadership talent to increase their succession readiness and also focus attention on strengthening our pipeline of specialist talent in product design and development.

A very small number (3%) of our leaders are occupying developmental roles outside their home country. Increasing talent mobility is a key focus, as building global capability is crucial to our sustained success. We are focusing our attention on increasing the number of global moves at more junior levels, when a desire for international working and development is highest.

Diversity

We need to access the broadest possible talent pool, so we can drive innovation and meet the needs of our consumers around the world. Our objective is to create an environment in which everyone can flourish, irrespective of their gender, ethnicity, thinking style, experience, age, sexual orientation, physical ability and economic background.

This aligns directly with our values of responsibility, integrity and care and the inclusiveness and sense of belonging our people tell us is what makes working in Clarks feel good. During 2015, in recognition of our 190-year milestone, we encouraged our people from across the world to tell their Clarks story to their colleagues through an extensive online sharing initiative.

We are increasingly aware of our generational diversity and are working to shape how we 'futureproof' our culture, so we attract and retain the best Millennial/Generation Y talent (people born between 1980 and 1999), and assure our future leadership pipeline. 70% of our people are classed as Millennial/Generation Y.

Of our global employee base, 67% are female and 33% are male.

Belinda Deery
Chief People Officer
8th April 2016

CHIEF FINANCIAL OFFICER'S REVIEW

Overview
A comprehensive review of the year is outlined in the Executive Chairman's Statement on pages 24 to 26 and the Chief Commercial Officer's Review on pages 27 to 30.

The impacts caused by the challenges, on our profitability, our balance sheet and our cash flow and, in particular, our net borrowings position have been significant. As a result, we end this year more highly geared than we have been used to and as we head into the new financial year, we are focused on improving our cash conversion and our working capital positions and in particular our elevated inventory levels.

Group transition to FRS 102
During this year the Group adopted FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland; this financial year ending 31 January 2016 being our first full year of reporting under FRS 102.

As explained in the Financial Review in the Interim Report and Financial Statements for the six months ended 31 July 2015, the key areas of reporting and accounting recognition changes impacting the Group under FRS 102 relate to the following areas:

- Onerous leases, store impairments & lease incentives
- Pensions
- Foreign currency transactions
- Financial derivatives
- Deferred tax

A detailed explanation of these changes was included in the Interim Report and Financial Statements; however, for completeness and clarity we have replicated those words from that statement here. In summary the key changes impacting the Group are:

Onerous leases and store impairments are significant changes to the measurement of provisions within the financial statements. The requirement under FRS 102 is to conduct an impairment review of associated retail stores at an individual store level (previously at portfolio level). From an accounting view a store is considered to be impaired if the future net cash generated by that store is not enough to fund the current assets of that store. If impairment is indicated, then a provision must be created for any fixed asset write downs and an onerous lease provision created to cover the future rent costs, until the first contractual opportunity to break the lease. This review is required to be carried out annually at the 31st January and the provision will be discounted to reflect the future value.

Pension changes under FRS 102 include the re-classification of administration costs of running the scheme, which under old UK GAAP were presented in Finance Costs in the Profit & Loss statement. Under FRS 102 these costs are now reported within Group operating profit. In addition to this, FRS 102 also requires that the return on assets is calculated using the liability discount rate. Under UK GAAP the interest on expected return on assets was calculated based on an expected return discount rate.

Foreign currency transactions measured under UK GAAP were valued at our hedged rates of exchange as this was considered to be a fair representation of the true value of those transactions at a reporting date. Under FRS 102 foreign currency transactions must be valued at the rate of exchange prevailing at the date of the transaction.

Financial derivatives should be recognised at fair value at each reporting date under FRS 102. The key change is to recognise the fair value of financial instruments on the Statement of Financial Position where previously under UK GAAP financial instruments were disclosed in the notes to the financial statements with no requirement to recognise them on the Balance Sheet.

Under FRS 102 after the initial recognition of derivatives any movements in the fair value of the instruments must be recorded either in other comprehensive income (the equivalent of the STRGL in UK GAAP) and are subsequently recycled to the income statement when the underlying transaction (having been hedged) occurs; or if the financial instrument is not deemed hedge friendly, then any gain or loss is taken immediately to net finance costs.

It should be recognised that this area of FRS 102 has the potential to be volatile in the financial statements as it is influenced by the rates of exchange at the reporting date. It should be noted that the financial instruments are long term in nature to reduce foreign exchange risk and give certainty over the commercial value of transactions. This underlying commercial position may not therefore be represented by the valuation at a particular date.

In addition to the changes outlined above, terminology has also changed under FRS 102. The table below highlights the terminology under UK GAAP and its equivalent under FRS 102:

UK GAAP	**FRS 102**
Profit and Loss Account	Income Statement
Statement of Recognised Gains and Losses	Other Comprehensive Income Statement
Balance Sheet	Statement of Financial Position
Reconciliation of Movements in Shareholders' Funds	Statement of Changes in Equity
Cash Flow Statement	Statement of Cash Flow

Throughout this Report and Accounts comparisons against the prior year will now be against the restated comparative year. In line with previous practice we have continued to apply the exemption not to present a separate parent company Statement of Cash Flow with related notes.

Financial Overview

Income Statement

Group turnover of £1,533.6m in the year was 2.6% above last years restated comparative of £1,494.4m.

Underlying Group operating profit, which is an internal measure of our underlying business performance and excludes FRS 102 related volatile currency translations and significant items regarded as one-off in nature was £64.3m, compared to £101.4m in the restated prior year. Included below underlying Group operating profit were two items. Firstly, crystallised exchange movements, comprising translation gains and losses on hedge friendly financial instruments, transactional currency gains and losses and the retranslation of sterling denominated balance sheets to year-end currency spot rates, which generated a small gain in the year of £0.2m compared to a gain in the prior year of £11.3m. Secondly, and with no comparative in the prior year and fully outlined in the Executive Chairman's Statement we have recognised a below cost provision of £18.7m in relation to the value of the excess inventory holding. These one-off items are reported within Group operating profit.

Group operating profit for the year of £45.8m was £66.9m below last year's restated profit of £112.7m.

Reconciliation of Underlying Group operating profit to Group operating profit:

	2016 £'m	2015 £m
Underlying Group operating profit	**64.3**	101.4
Excess inventory – below cost provision	**(18.7)**	–
Foreign exchange movements	**0.2**	11.3
Group operating profit	**45.8**	**112.7**

Net financing costs of £10.2m was £3.1m lower than the restated comparative and comprise bank interest charges, pension financing costs, onerous lease discounting charges and fair value movements on non-hedge accounted financial instruments.

The costs of financing our external borrowings increased this year to £4.5m from £2.8m in the prior year, as a direct consequence of our increased average borrowings throughout the year. The imputed financing charge associated with our net pension surplus eased significantly to a charge of £1.3m compared to a charge last year of £3.1m. As reported in the interim statements at 31st July 2015 a new item this year (as a result of FRS 102) within financing costs is the introduction of fair value adjustments on non-hedge accounted derivatives. This fair value adjustment is a negative variance of £3.1m compared with a negative variance of £6.4m in the restated comparative for last year.

Profit before taxation of £35.0m was 64.6% below the restated £98.8m in the prior year. As a result of lower profits generated in North America, the Group's effective corporation tax rate for the year is negative 2.8% with the resultant tax credit of £1.0m, this compared to a tax charge in the restated comparative of £18.8m.

The current year tax rate, excluding prior year items is 2.1% (2015 – 22.2%), this significant reduction primarily reflects the mix of trading results, in particular the US performance giving rise to tax credits recognised at the US effective tax rate of 38.3%, which more than offsets the tax charge at lower tax rates on other earnings. In addition, the standard UK corporate tax rate applicable in 2015/16 has decreased by 0.9% to 20.2% resulting in a 2.1% decrease in the group effective rate.

The overall group effective rate of tax, including prior year items is a negative 2.8% (2015 – 22.0%), resulting in a tax credit of £1.0m to the profit and loss account. The 4.9% point decrease in the tax rate from the current year to the overall tax rate is due to prior year tax credits arising on two items: the UK deferred tax rate for balances that will not reverse in the short term has decreased by 2% points to 18%, following the enactment of further reductions in UK corporate tax rate, giving rise to a 3.3% reduction in the group tax rate; and the remaining decrease of 1.6% relates to 'trueing up' the prior year tax charge for submitted 2014 tax returns and resolution of tax audits.

Profit after taxation of £36.0m is £44.0m below a restated prior year comparative of £80.0m. Adjusted profit after taxation is a non-GAAP measure used by many businesses to provide clarity to the reader by providing an additional profitability measure whereby the volatile elements of FRS 102 hedge accounting and in particular the fair value adjustments accounted for in finance costs are excluded. This measure is included by means of memorandum on the face of the Income Statement.

The Group's adjusted profit after taxation of £38.6m is £46.7m lower than last year's restated comparative of £85.3m. The fair value losses of £3.1m and the tax impact of those losses of £0.5m have been adjusted. In the restated comparative year adjusted profit after tax was £85.3m having adjusted for £6.4m of foreign exchange losses and £1.1m of tax impact.

Earnings per share have fallen to 60.7 pence per share from a restated 134.6 pence per share last year.

Statement of Financial Position

The Group statement of financial position remains strong but does reflect very clearly the consequences of reduced profitability and increased working capital growth.

Net assets before pensions fell by 6.4% to £601.1m with net borrowings rising to £183.3m, an increase of £116.5m over last year's £66.8m. Consequently, gearing now stands at 28.2% compared to 11.3% last year. These numbers bring into stark focus the recognition that we have to more actively manage our working capital including of course the key priority to liquidate our considerable inventory position with pace. Off the back of an increase in working capital in 2014 of £26.6m, working capital increased this year by a further £61.7m.

The Group continues to invest to support our underlying infrastructure and to drive future growth. This year our focus has increasingly been directed towards consumer facing investments as the more recent large infrastructure projects such as the Hanover distribution centre project have concluded. We continue to invest in our digital capabilities through Project Pangaea. This will deliver a new platform by which we can transition our current e-commerce and multi-channel propositions on to and subsequently launch new markets and channels on a globally consistent platform providing a key part of the foundations required for seamless 'all-channels' personalised retailing in the future. Our American website transitioned to this platform in 2015. We invested £8.8m in 2015/16 and will invest a further £7.5m in 2016/17 in the project.

We invested £16.5m in our store portfolio globally in 2015, opening 5 new stores across the UK & ROI, 11 in the Americas, 10 in Europe and 93 in Asia Pacific. In addition, we re-fitted 67 stores globally at a cost of £9.0m. In addition to our capital investments, we have as a result of the commissioning issues at our Hanover distribution centre through the Autumn invested a further £3.5m in the form of additional temporary processing capacity through a third party logistics partner. During the year the Group completed the sale of the land, buildings and plant and machinery of our previous logistics centre in Hanover. The sale proceeds of £5.3m generated no gain or loss on disposal.

During the year we were required to impair the goodwill generated upon the purchase of C & J Clark Ticaret ve Pazarlama A.S. our subsidiary in Turkey in 2013. In our opinion, the carrying value of goodwill could not be supported due to the on-going losses generated within that business driven primarily by increased duties on footwear imported into Turkey.

Under FRS 102 the Group is also required to conduct an impairment review of retail stores at an individual store level and from an accounting view a store is considered to be impaired if the future net cash generated by that store is insufficient to fund the current assets of that store. In total 9 stores were identified as impaired during the year and an impairment provision of £0.3m was made.

Provisions for liabilities and charges (excluding deferred tax) of £42.2m have reduced by £10.8m from £53.0m in the restated prior year. The main movements in provisions relate to the reversal of long term incentive plan provisions, the utilisation of previously recognised onerous lease provision as rental payments are made, and additional onerous leases booked for 18 stores technically impaired during the year.

Statement of Cash Flow
Cash outflows from operating activities of £24.1m compare to cash inflows in the comparative year of £89.9m. In addition to funding the ongoing operational requirements of the Group we continue to provide pension deficit funding during the year to the UK defined benefit pension scheme, with the aim of continuing to mitigate the Group's long term pension risks.

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

Funding and Liquidity
The Group's borrowing facilities comprise a Revolving Credit Facility (RCF) with a syndicate of five major banks and a total facility amount of £200.0m. This facility was renewed and extended in 2014 and is due to expire in March 2018. The Group also has UK and other overseas short-term facilities amounting to £97.7m (2015 – £54.9m).

The Group's £200m Revolving Credit Facility allows the Group to request an increase in the facility size if it so requires. On 29th January 2016 the Group submitted a request to its Facility Agent under the terms of facility and £23.6m was taken up by the RCF lenders.

The Group submitted the request because of the higher level of borrowings the Group has reported at 31st January 2016, due primarily to the elevated inventory levels commented upon within the Executive Chairman's report. This additional facility provides the Group with the necessary headroom in its banking facilities for the 2016/17 fiscal year.

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 derivative contracts where appropriate to maintain a mix of fixed and floating rate borrowings to manage this risk.

Currency Risk
The Treasury function manages currency exposure on cash flows relating to the Group's trading operations by entering into forward dated foreign currency contracts and structured instruments maturing at key points throughout each season based on detailed forecasts of future transaction flows.

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

At the year-end date, 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 at the year-end date was £850.7m (2015 – £721.6m).

Pensions
The accounting approach to valuing pension assets and liabilities for disclosure in this Report and Financial Statements are largely prescribed (under accounting standard FRS 102). The key aim of this standard is to enable readers to better compare different companies' Statements of Financial Positions. However, this method takes no account of a number of very important issues which informs 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.

In 2010 the Group chose to adopt a plan to take affordable opportunities to reduce the Group's exposure to risks relating to the C & J Clark Pension Fund, with a long term objective to immunise the Group against these risks by 2025. This means that, although no decision has been made to transfer the liabilities to an insurance company in the future, we believe it is prudent to gradually move towards a position where this option available to us. The major risks relate to unpredictable inflation, interest rates, investment returns and increases in life expectancy.

Achieving this objective relies on our continued commitment to make further planned contributions; without these contributions, we would need to continue to run the pension fund on indefinitely, with the current level of risk. So whilst this report has revealed a surplus of £48.6m (£51.6m deficit in 2014/15) in line with FRS 102, we are persuaded that the pension fund should not be operated in line with its assumptions given:

- this is unlikely to consistently 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.
- adopting a funding and investment strategy consistent with the FRS 102 reporting standard would make our 2025 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 used in the latest formal actuarial valuation of the UK fund carried out as at 5th April 2014.

Actuarial gains and losses are shown in the Other Comprehensive Income Statement on page 72.

During the financial year cash contributions into the main UK fund by way of deficit funding amounted to £16.4m (2015 – £22.5m).

Mike Coley
Chief Financial Officer Interim
8th April 2016

The Strategic report, as set out on pages 23 to 41 has been approved by the Board.

On Order of the Board,

Deborah Wakeford
Company Secretary
8th April 2016

CORPORATE POLICIES

CORPORATE GOVERNANCE

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.

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 31st January 2016, the Board consisted of an Executive Chairman, four independent Non-Executive Directors, one of whom is the Senior Independent Director, and two Non-Executive Directors who are representatives of the Family Shareholder Council. The Executive Chairman is responsible for leading the Company, and also for chairing the Board, and has undertaken this role whilst the Company searches for a permanent Chief Executive Officer. The primary role of the Senior Independent Director is to provide a sounding board to the Chairman and to act as an intermediary to 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. In the case of the Group there are currently three Non-Executive Directors plus the Senior Independent Director who remain independent as defined by the Code, despite the fact the latter will have served on the Board for 9 years at the forthcoming 2016 AGM. The Board considers that it is in the interests of the shareholders as a whole that there are two representatives of the Family Shareholder Council on the Board serving as Non-Executive Directors.

The Board has taken steps during 2015 and early 2016 to increase independent representation amongst its membership. Following an extensive exercise, undertaken with the assistance of three independent, external search consultancies (Russell Reynolds, Egon Zehnder and Floriane de St. Pierre and Associates), three additional Independent Non-Executive Directors, Lucien Alziari, Walker Boyd and Wayne Kulkin were approved and/or appointed to join the Board. They each bring a wealth of knowledge from their previous roles and were chosen to bring a greater balance of skills, experience, independence and knowledge to the Board. Consistent with best practice, each will be proposed for re-election to the Board by shareholder resolution at the forthcoming 2016 AGM.

In accordance with the Company's Articles, Non-Executive Directors are appointed for an initial term of three years, which can be extended for a further two, three-year terms. Any further extension of term would be subject to shareholder approval.

Thomas J. O'Neill, Nigel Hall and Hugh Clark were all appointed, or re-appointed on terms that would require their retirement from the Board at the forthcoming 2016 AGM. Given the circumstances surrounding the constitution of the Board, in particular the ongoing search for a new CEO, the Board proposes that these three Directors are each re-elected by Special Resolutions at the 2016 AGM for a term of between six months and one year. In making this recommendation, the Board has considered their performance over their tenure, and throughout 2015 in particular, and has concluded that each of them continues to contribute effectively to the Board, devoting adequate time to carry out their duties.

Recognising the unique circumstances facing the Board during 2015, a further sub-committee of the Board was established to ensure appropriate governance of the Company through its period of executive management succession. This Governance Committee was established by the Board in September 2015, and its membership consists of the Executive Chairman (Thomas J. O'Neill), the Senior Independent Director (Nigel Hall) and a Director representing the Family Shareholder Council (Hugh Clark). The role of the Governance Committee is 1) to support, advise and provide challenge to the Executive Chairman whilst he remains responsible for the day-to-day management of the Group and 2) provide visibility and transparency of the Group's business to the Board. This Committee will cease to operate upon the appointment of a new Chief Executive Officer.

There will be a continuous focus in the coming year on the governance framework under which the Board and its Committees operate. The Board will continue its search for independent Non-Executive Directors as the need arises particularly in advance of when existing Board members' terms expire enabling the Board to plan and execute effective director rotations on an ongoing basis.

During the year, the existing Director induction programme was reviewed and a full, formal and tailored programme put in place to ensure new members of the Board understand their role and responsibilities, develop an appropriate level of knowledge and familiarity with the business, fulfil their obligations and comply with the law. Membership and composition of Board Committees will remain under constant review to ensure that the correct mix of skills and experience is, and remains, on each. 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 manages the Company through a formal agenda of matters reserved for its decision, and delegates specific responsibilities to the Board Committees.

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. During the year the Company implemented a Board portal system that enables all Board members to receive, read and review Board papers via an online and secure portal.

The Company Secretary is available to support all Directors in the performance of their duties as Directors of the Company and there is an agreed procedure to enable individual Directors to take independent legal and financial advice at the Company's expense.

Board members are encouraged to challenge Company proposals and to bring independent judgement to bear on all matters. The actions and decisions of all the Non-Executive Directors who served during the year and up until the date of this report were considered to be independent.

Decisions of the Board are taken democratically after discussion. Any Director who 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.

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

Board Committees

The Board delegates some of its responsibilities to its Committees that comprise Audit, Remuneration, Governance, Share Valuation, Pensions and Nomination. The terms of reference for each of these Committees are kept under regular review, taking into account 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 with the exception of the Board Pensions Committee which is supported by the Pensions Manager.

Audit Committee

The Audit Committee meets at least three times a year. Its duties include the review of internal controls and risks throughout the Group, approving the Group's accounting policies and reviewing the annual and interim report and accounts before submission to the Board.

The Committee is chaired by the Senior Independent Director, Nigel Hall, and the Board is satisfied he has recent and relevant financial experience that enables him to hold this position. Following the AGM Walker Boyd will replace Nigel Hall as the chairman of the Audit Committee. 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 Group and its external auditors, including periodic tendering for (and best practice rotation of) audit services. This process will allow new auditors to be proposed at the 2017 AGM. Due to the tenure of our existing auditor KPMG, it has been decided not to invite KPMG to participate in this process. KPMG will complete the audit of the financial year ended 31 January 2017 and will then retire as our auditors.

The audit tender process will be taking place through May, June and July of 2016 and a recommendation on the appointment of a new audit firm will be made by the Audit Committee to the Board in September.

The Audit Committee controls the provision of non-audit services to safeguard the external auditor's objectivity and independence. The split between audit and non-audit fees for the year under review is set out on page 83. The Executive Directors, external auditors and Company managers are invited to attend the meetings of the Committee as it deems appropriate.

Remuneration Committee

The Remuneration Committee meets at least three times a year and its responsibilities include the approval of the total remuneration and other benefits of the Executive Directors. The Committee also receives reports on, and reviews the terms and conditions of senior management's remuneration, and approves both short term and longer term incentive plans and targets offered in the business. External advisers are appointed to assist the Committee as it deems appropriate. The Remuneration Committee is currently chaired by Hugh Clark. Following the AGM Lucien Alziari will take over the role of chairman of the Remuneration Committee.

Governance Committee

This Committee was established in September 2015 to ensure the Company was appropriately governed during the current period of executive management succession. Its membership consists of the Executive Chairman (Thomas J. O'Neill), the Senior Independent Director (Nigel Hall) and a Director representing the Family Shareholder Council (Hugh Clark). As previously mentioned, the role of the Governance Committee is twofold: 1) to support, advise and challenge the Executive Chairman whilst he remains responsible for the day-to-day management of the Group and 2) to provide visibility and transparency to the Board of the Group's activities. This Committee will cease to operate upon the appointment of a new Chief Executive Officer.

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. This Committee is chaired by Nigel Hall.

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 chaired by Thomas J. O'Neill.

Nominations Committee

This Committee was constituted as a permanent sub-committee of the Board during 2015, and meets at least once a year, although more frequent meetings are convened when specific Board search activity, such as when the recruitment of a new Chief Executive Officer and Chief Financial Officer (CFO), is underway. It is responsible for Board succession, planning and composition. External advisers are used by the Committee as appropriate.

The Committee is chaired by the Chairman of the Company unless the business under consideration is the recruitment of a new Company Chairman. In such circumstances, the Committee will be chaired by Senior Independent Director, Nigel Hall. Whilst the Chairman is acting in an Executive capacity, and the Senior Independent Director is serving on the Governance Committee, the Nominations Committee is being chaired on a temporary basis in regard to the Chief Executive Officer search by an independent Non-Executive Director, Stella David. This appointment enables the Board to ensure appropriately independent governance in the selection of a new CEO.

Family Shareholders' Council

Family shareholders holding the majority of the ordinary shares of the Company have formed a Council to aid communication between shareholders and the Board. For a summarised breakdown of the share register please refer to page 65. The Council may nominate two persons for appointment as Non-Executive Directors of the Board. Currently, these positions are held by Hugh Clark and Timothy Campbell. It is envisaged that during the upcoming year, Hugh Clark will retire and be replaced by Benjamin Lovell.

Executive Management Team

The Executive Management Team 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 Executive Management Team currently comprises:

- Tom O'Neill – Executive Chairman
- Debbie Wakeford – Group Director of Legal and Company Secretary
- Mike Coley – Interim Chief Financial Officer
- Steve Finlan – Chief Commercial Officer
- Jason Beckley – Chief Brand Officer
- Belinda Deery – Chief People Officer
- Antony Perillo – Group Director of Sourcing and Development

It is currently chaired pro tem by the Executive Chairman, pending the appointment of a new Chief Executive Officer.

Shareholder Relations

The Group 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 Executive Chairman will give a statement on the Group'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, is responsible for determining the nature and extent of significant risks it is willing to take in pursuit of the Group's strategic objectives. It monitors the system of internal controls maintained by the Group and also has responsibility for carrying out a review of the status of those internal controls on an annual basis and reporting that it has done so. This system provides reasonable, but not absolute, assurance against material loss and includes the safeguarding of assets, the maintenance of proper accounting records, appropriate legislation and mitigation of business risks. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

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 Group. 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.

Auditor Independence

The Board is satisfied that the external auditors, KPMG LLP, have adequate policies and safeguards in place to ensure that auditor objectivity and independence are maintained. The external auditors report to the Audit Committee annually on their independence from the Company.

Attendance at Board/Committee meetings

The table on the following page shows the attendance record of individual directors at Board meetings and Committees of which they are member.

Membership of Board and Sub Committees year ending 31st January 2016

Attendance at Board/Committee Meetings

The table below shows the attendance record of individual directors at Board meetings and committees of which they are members.

	Main Board		Audit Committee		Remuneration Committee		Share Valuation Committee		Nomination Committee		Governance Committee		Board Pensions Committee	
	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance
Number of Meetings		13		3		13		2		8		8		2
Executive Directors														
Robin Beacham [1,2]	yes	8	no	1	no	1	no	1	no	1	no	–	yes	1
Melissa Potter [1,2]	yes	8	no	–	no	5	no	1	no	1	no	–	yes	1
Non-Executive Directors														
Thomas O'Neill [3]	chair	13	no	–	no	2	no	1	chair	7	chair	8	chair	2
									yes	1				
Hugh Clark [4]	yes	13	no	–	chair	12	yes	2	no	1	yes	8	no	–
Nigel Hall	yes	12	chair	3	yes	12	chair	2	yes	7	yes	8	no	1
Stella David	yes	13	yes	3	yes	12	yes	1	yes	3	–	–	no	–
									chair	1				
Timothy Campbell [4]	yes	12	yes	3	no	1	no	–	yes	8	no	–	yes	2
Lucien Alziari [5]	yes	1	no	–	yes	1	no	–	no	–	no	–	no	–
Walker Boyd [5]	yes	–	yes	–	no	–	no	–	no	–	no	–	no	–

[1] Attended the Audit, Remuneration and Share Valuation Committee at the invitation of the Committee.
[2] Stood down from role on the Board of Directors on 16 October 2015.
[3] Assumed role of Executive Chairman in September 2015.
[4] Representatives of the Family Shareholder Council.
[5] Joined the Board on 4th January 2016.

BEHAVING RESPONSIBLY

Our Behaving Responsibly programme plays an important role in helping us to manage our social, environmental and ethical responsibilities and live up to the expectations of our stakeholders.

Great progress was made with the launch of new Corporate Responsibility webpages on www.clarks.com, continued reductions in energy use and waste sent to landfill within our UK operations and the launch of a new charitable match-giving programme for employees in the Americas. It was also a year of increased external interest with responses provided to UK and German TV documentaries and a new Non Government Organisation (NGO) campaign 'Change Your Shoes'.

The following sections outline progress in 2015/16 within the following areas:

- Our Operations
- Our People
- Our Community
- Our Products
- Our Suppliers.

Our Operations

Energy

Work to improve the energy efficiency of Clarks' stores, offices and distribution centres in the UK continued in 2015. For example:

- At our historic HQ building, the installation of more efficient gas boilers has been completed and roll out of LED lighting and secondary glazing continues. As part of our roof replacement programme, insulation is being upgraded and single glazed roof lights replaced with more energy efficient double-glazed units. To date 6,000m^2 of the total 12,000m^2 roof span has been refurbished
- LED lighting solutions have been integrated as standard into our C7+ retail store concept. For all stores in the C7+ scheme in 2015, this has delivered a 59% reduction in energy for lighting resulting in 156,994kg of CO_2 emissions saved.

In 2015, across our UK operations[1] we have achieved the following reductions in energy use and related emissions, compared to our 2011 baseline:

- 8% reduction in our kWh per m^2 of floor space
- 7% reduction in our kWh per m^2 of floor space when normalised for weather impacts
- 11% reduction in our emissions per m^2 of floor space (measured as $kgCO_2e/m^2$)
- 7% reduction in our emissions per m^2 of floor space ($kgCO_2e/m^2$) when normalised for weather impacts.

[1] Includes offices, distribution centres and own retail but excludes franchise stores

Clearly the weather conditions have a significant impact on our total energy use. In 2015, the UK heating demand was broadly similar to that of 2011 but about 10% higher than in 2014. To account for these variations, we have normalised the data to remove the weather impacts and present a clearer picture of our energy and emissions performance.

Due to business prioritisation and people resource, it was not possible to develop an equivalent energy baseline or reduction calculation for other Clarks regions in 2015.

Waste

Our UK ROI stores continued to achieve high standards of waste management, with 90% of material being recycled and an impressive 99.7% diverted from landfill. This compares to 97% landfill diversion in 2014.

In 2016, we aim to:

- Undertake a major lighting programme in our Westway Distribution Centre (DC) replacing over 3000 lights with LEDs
- Complete a survey of on-site renewable energy generation cost-benefits at Street HQ and Westway DC. Ensure that the new Americas HQ continues to work towards LEED Silver status
- Push to achieve greater levels of sustainability within our retail store concept solutions. Drive energy costs down and explore options for healthier and more sustainable store environments.

Our People

A number of key people across the organisation deliver the achievements outlined within the Behaving Responsibly programme as part of their main job function. In addition, it's important that all our employees across the globe have the opportunity to hear about achievements, submit ideas and help to deliver improvements within their daily work environments.

In 2015, this was enabled via a variety of channels including:

- Yammer talkback – employees globally had the opportunity to post questions and submit ideas via a live online chat with the Behaving Responsibly workstream leads
- Footprints magazine – reaches our UK retail staff with articles on charitable donations, waste and recycling and the UNICEF ShoeSHARE partnership
- Behaving Responsibly employee network – open to all employees this group meets once a quarter to receive updates and volunteer to implement ideas ranging from lunchtime yoga for health and wellbeing through to Fairtrade Fortnight.

In 2016, we will:

- Continue to involve our employees via multiple communication channels to build awareness and obtain input on improvements they'd like to see
- Work to develop the Behaving Responsibly Employee Network outside of our UK geography.

Speak Up

Clarks continues to provide a confidential global Speak Up service. This enables employees to report concerns about wrongdoing or inappropriate behaviour to an independent third party.

Our Community

Contributing positively to the communities that we're part of is a core part of Clarks heritage.

In 2015:

- Clarks continued key charity partnerships with Miraclefeet, UNICEF, Triangle, the Two Ten Footwear Foundation, the Retail Trust and Soul of Africa
- Donations were made in response to emergency events such as the Nepal Earthquake Appeal (£20,000) and the Cumbria Foundation Flood appeal (£10,000)
- Numerous small scale donations were made to organisations proposed by our employees via the Clarks cash charitable giving programme. This enables all our people to have a voice in choosing the good causes that we support.

Miraclefeet

Miraclefeet, our corporate charity partner, works to give children in developing countries access to inexpensive and effective treatment for clubfoot. Clubfoot is a congenital birth defect that causes one or both feet to turn inwards and backwards, making it difficult or impossible to walk. Untreated, it's one of the leading causes of physical disability.

In 2015, Clarks donated $150,000 to Miraclefeet. This contribution combined with support from the Clarks foundation has supported the treatment of 1,518 children with clubfoot during 2015 – a big step towards changing their quality of life and future outcomes. In clinics in India and the Philippines, children born with clubfoot have been provided with high quality care, brace supplies and family health education.

UNICEF

Clarks UK ROI has a corporate charitable partnership with UNICEF focused around our joint ShoeSHARE programme. This scheme provides a channel for extending the life of unwanted usable footwear whilst at the same time raising valuable funds for UNICEF. ShoeSHARE was rebranded at the start of 2015 with improved consumer touch points including store window stickers and the creation of a short video explaining the partnership (available on YouTube).

2015 was the partnership's most successful year yet, resulting in a total contribution of over £207,000 to UNICEF, including a £20,000 donation to their Children's Emergency Fund to help provide support for refugees. Over the lifetime of the partnership, these funds have helped support thousands of children to go to school and fulfil their potential. Just £100 can provide 10 children with the exercise books, pens, pencils, textbooks and other school items that they need to support their education for a whole year.

Two Ten Footwear Foundation

In 2015, Clarks Americas donated approximately $152,000 from the cash charitable giving budget to support a range of causes including:

- The Two Ten Footwear Foundation, a charitable foundation offering financial assistance, counselling, community resources and scholarships to those working in the footwear industry
- The Clarks Companies Foundation, which works with motivated students to provide access to education in certificate programs, college and/or university study
- Cradle to Crayons, a Boston based charity that provides clothing and other necessities to families with children in need; and
- A new match funding programme, Clarks Cares, launched to support a broad range of causes selected by our employees.

Triangle

In addition, Clarks Americas retail teams did an amazing fund-raising effort in stores to raise over $500,000 for Triangle, a non-profit that helps people with disabilities lead more independent lives.

The Retail Trust

Clarks UK ROI has been a long standing supporter of the Retail Trust which provides a wide range of support for people working in UK retail, including debt advice, counselling, hardship grants, career development and retirement housing. This continued in 2015 with the decision that all funds received from the mandatory carrier bag charges in our own stores in England, Wales and Scotland would be donated to the Retail Trust.

Soul of Africa

Soul of Africa funds projects which provide education and care for orphans and vulnerable children in Africa. Clarks sells Soul of Africa shoes in selected stores in the UK, ROI and USA to raise funds for the charity. In UK and ROI, this is comprised of an agreed percentage for every pair made plus a fixed donation.

In 2015/16, the combined contribution to Soul of Africa from Clarks UK ROI amounts to just over £90,000. In addition, Clarks personnel worked with Soul of Africa to create a product range that has a unique identity distinctive and true to its African origins.

Trusts Associated with C&J Clark Ltd.

The principal purpose of the Trusts is to benefit current and past employees, their families and the communities in which they live. They were established by the Company but are now funded independently.

Across all the trusts, grants in excess of £1.5 million have been made or offered in the year ending 31st January 2016. The Clark Foundation makes capital grants for the benefit of communities in the areas of education, health, community resources and recreation. In 2015/16 over 170 grants have been made, totalling in excess of £800,000.

Other trusts support employees with grants towards education costs for themselves or their children. In this area, over 700 grants have been made in 2015/16, totalling more than £750,000. Support for Pensioners is also available.

In addition, one trust has been assisting those in Kendal who were severely affected by flooding in December 2015.

Employee Volunteering

There are some great examples of employee volunteering in Clarks including:

- UK – giving time to support local children and education bodies in Street as part of Crispin School's Raising Aspirations programme
- USA – volunteering at a local non-profit as part of Footwear Cares, an annual event coordinated by the
- Two Ten Footwear Foundation
- Canada – volunteering at Halton Women's Place.

In 2015, an internal consultation exercise was undertaken to inform a new draft global employee volunteering policy with the ultimate aim of ensuring that all permanent employees have the option of undertaking some form of volunteering. Pilots are being planned for 2016 to test the practicalities of this policy across our operations, including retail.

In 2016, we will:
- Maintain our key corporate charity partnerships with Miraclefeet and UNICEF
- Promote the new match-giving programme for employees in the Americas
- Recognise that as a major employer in Somerset, the company has a role in supporting our local communities.
- An employee vote will be held in Street HQ and Westway DC to select a local Somerset charity for Clarks to support.
- Pilot and refine a global employee volunteering policy.

Our Products

We're committed to developing products that deliver style with comfort and at the same time need to consider the environmental and social impacts of the materials we use.

Leather

Animal hides remain one of our most important raw materials but the tanning process can have negative environmental impacts if not properly managed. In 2015, environmental pollution from tanneries was the focus of several NGO campaigns. To reduce these risks, the Leather Working Group (LWG), of which Clarks is a founding member, provides an industry-leading Environmental Stewardship Protocol against which tanneries can be audited and rated.

Clarks actively promotes LWG certification to our main leather suppliers. In 2013, approximately 55% of leather specified for our footwear was sourced from tanneries that have been audited against the LWG Environmental Stewardship Protocol. For the Autumn-Winter 2015 and Spring-Summer 2016 collections, it is estimated that 80% of leather specified for our footwear achieved LWG bronze, silver or gold certification.

Based on best available data[2], this means that we have achieved the target to source 80% of leather specified for our footwear globally from tanneries achieving at least LWG bronze certification by the end of 2016, one year early which is a great achievement.

Packaging

Our new global shoebox with 95% recycled content made up virtually all the total entering stores globally in 2015, resulting in significant savings of virgin pulp. Progress was also made on our transit packaging. The cardboard boxes used to ship product from Clarks managed factories into the distribution centres will now be made from 100% recycled content under a new global supply contract. The new boxes will be introduced in Spring Summer 17 deliveries.

Our internal shoe packaging continues to be made predominantly from wood fibre-based sources (tissue paper, cardboard support shells, cardboard stiffeners) which facilitates high levels of recycling. The question of how to reduce the volume of internal shoe packaging remains. During 2015, the project looking at this issue developed a phase II prototype but work continues to identify the practicalities and cost implications of this potential solution.

In 2016, we will:

- Adopt a formal policy on the Responsible Sourcing of Animal Skins and Wool
- Ensure that at least 80% of the leather specified for our footwear globally is sourced from LWG medal rated tanneries
- Build on initial work for non-leather materials as, due to resource availability, work to develop minimum standards did not progress to plan in 2015
- Consider options to improve the environmental impact of packaging provided at point of sale (carrier bags)
- Continue to investigate how to improve the sustainability of our internal support packaging (i.e. packaging used within shoeboxes), with the aim of reducing volumes of material, their recyclability and/or recycled content.

Our Suppliers

We attach real importance to the welfare of our employees and those employed by our suppliers.

While most of the design and development of our products takes place within the Clarks business, we outsource all of the manufacturing. We believe it's our responsibility to understand the welfare and working conditions of those who make our products, and we do this by auditing our supplier factories.

Clarks Code of Practice sets the standards that we expect of suppliers manufacturing our products. The Code of Practice requires compliance with all legal and regulatory requirements, and supports the core principles of the United Nations International Labour Organisation (ILO) conventions. It is publicly available on the Clarks website.

Our vendor audit activities are a crucial part of giving our consumers, customers, shareholders and other stakeholders the confidence that our products are made in conditions that align with their expectations as reflected in our Code of Practice.

Our audit programme covers factories producing the majority of Clarks footwear and handbags as well as selected goods not for resale suppliers in locations around the world. This includes assessment of social, labour and health and safety standards.

In 2015, we audited factories that produce 99.7% of our footwear pairage, including that made for our Outlet stores, exceeding the target of 99% set for the year.

During the year we also included a number of second tier material and component suppliers nominated by the Clarks business within our audit programme. The initial focus has been on tanneries and sole unit suppliers as these materials together represent the largest proportion of materials by volume used in Clarks footwear. The audits have covered those who produce approximately 80% of the volume of these materials from Clarks nominated suppliers.

In addition to social audits based on Clarks Code of Practice, security audits were undertaken at finished goods factories producing over 99% of Clarks footwear and handbags to support customs trade requirements.

Audits are only one of the activities undertaken through our Vendor Audit team to ensure appropriate working conditions in facilities producing Clarks products. We piloted the use of extensive worker and supervisor surveys at three supplier factories in Vietnam to support them in building increased worker engagement and internal communication mechanisms.

[2] This figure is calculated using actual leather supply for sourcing via Clarks International and forecast leather supply for sourcing via Clarks Americas.

We continued to deliver and support formal and informal training for our suppliers by both our own people and through 3rd parties on a range of topics and issues in our key sourcing locations.

In 2015, we continued our support of the HER health project which provides health education training to women and initiated programmes at selected suppliers in India and Vietnam. In India this included developing an approach to enable the project to be extended to 17 stitching facilities operated by one of our key suppliers.

Clarks become a member of the Global Social Compliance Programme (GSCP) which supports defining common guidelines based on best practice and strengthens or develops collaborative approaches to remediation. The Clarks business is also a signatory to the Social & Labour Convergence Project. This project seeks to achieve real, sustainable change through the collective development of an industry-wide, standardised methodology for social and labour performance assessment in the apparel and footwear supply chains.

In 2016, we plan to:

- Maintain the current level of coverage of our audit programme against the Clarks Code of Practice to include suppliers producing at least 99% of Clarks branded footwear and non-footwear by volume
- Include additional key Clarks nominated second tier material and component suppliers within our audit programme as appropriate
- Undertake full environmental audits of selected finished goods suppliers as a pilot to inform our future assessment and management of environmental impacts within the manufacturing process
- Introduce a tiered approach to the auditing of our suppliers to enable better use of our resources to help suppliers improve the working conditions in their facilities
- Maintain our support for factory community projects that improve the health and education of those involved in making Clarks products
- Increase the level of information we make publically available on our websites about how we manage supplier working conditions.

Environmental Compliance

We are committed to operating in accordance with all applicable environmental legislation. Where non-compliance incidents do occur, we make every effort to undertake rapid corrective actions and implement improved processes where needed. In 2015, the Behaving Responsibly team received notification that:

- The South Korean Government found higher than allowed levels of Chrome VI (CrVI) in two styles, which were notified to Clarks China and subsequently withdrawn from the South Korean market. The presence of CrVI typically occurs when Chrome III (approved for use in chrome tanning) oxidises into CrVI. This can occur any time before or after the leather making process. Chemists and tanneries agree it is difficult to guarantee total elimination and various actions are taken during tanning to ensure the risk is minimised. The leather industry as a whole is working to find a way to consistently achieve the required standards.

Further information

For more information or to give feedback on our Behaving Responsibly strategy, activities and performance, please visit http://www.clarks.com/CSR/home.html or contact the CSR team via csr@clarks.com

REMUNERATION REPORT

It is the policy of the Remuneration Committee to use its discretion in considering and approving remuneration packages and other contractual terms that attract, retain and motivate managers of the calibre required to successfully manage an international Group of the size and complexity of C & J Clark Limited. The Committee, which is chaired by Hugh Clark, proposed new Terms of Reference during the year which were approved by the Board. These terms of reference provide the Committee with a wider remit and greater visibility as to the remuneration and reward framework in the business.

The Committee is responsible for approving an appropriate level of remuneration for the Executive Directors within the principles the Committee has determined. In doing so the Committee aims to ensure that remuneration packages are balanced, but not excessive, and that incentive schemes are structured so that they reflect the levels generally paid to such executives. To support the Committee in meeting its responsibilities, PricewaterhouseCoopers UK (PwC) have been engaged to provide external salary benchmarking data to ensure that rewards remain industry competitive but not excessive. The Committee will also seek support and guidance from other external providers as appropriate as well as the Chief People Officer and Company Secretary and others within the business.

The Remuneration Committee, in addition to its usual duties, plans to spend time in the new financial year considering the reward framework in the Group, reviewing the recent change to performance-related pay.

Loss of office and Extraordinary payments

On 16 October 2015 both Melissa Potter and Robin Beacham stood down from the Board of Directors. As a result, both Melissa Potter and Robin Beacham were entitled to loss of office payments.

There have been a number of extraordinary matters for the Remuneration Committee to consider during the year following the change in Executive management: Thomas J. O'Neill was appointed by the Board as Executive Chairman of the Company until the recruitment of a new Chief Executive Officer is complete. A Governance Committee was also established (more information regarding this Committee is set out on page 47 of the Corporate Governance Report) which is chaired by the Executive Chairman. Hugh Clark and Nigel Hall are also members of this Committee. Fees for Hugh and Nigel for their Governance Committee work, were discussed and agreed in their absence at a Remuneration Committee meeting chaired by Stella David. Stella David has also taken responsibility for chairing the Nomination Committee in its search for a new Chief Executive Officer. The additional remuneration awarded for these additional services are set out in the table on the subsequent page.

Directors' Remuneration

Emoluments, compensation and long-term incentives in

Directors Emoluments

	Salaries £ 000	Salary Supplements £ 000	Benefits £ 000	Performance related bonuses £ 000	Long Term Incentive Plan £ 000	Compensation for loss of office £ 000	**Total 2016 £ 000**	Total 2015 £ 000
Executive Directors								
Melissa Potter[1] (to 16th October 2015)	472	303	7	–	(261)	724	**1,245**	1,730
Robin Beacham[1] (to 16th October 2015)	360	233	3	–	(185)	908	**1,319**	1,269
Non-Executive Directors								
Thomas O'Neill[2]	228	–	–	–	–	–	**228**	212
Hugh Clark[3]	100	–	–	–	–	–	**100**	53
Nigel Hall[4]	108	–	–	–	–	–	**108**	56
Timothy Campbell	46	–	–	–	–	–	**46**	45
Stella David[5]	52	–	–	–	–	–	**52**	45
Walker Boyd (from 4th January 2016)	4	–	–	–	–	–	**4**	–
Lucien Alziari (from 4th January 2016)	4	–	–	–	–	–	**4**	–

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

1. Robin Beacham and Melissa Potter's salary supplements compensate for restrictions introduced under the 1989 Finance Act on pensions provided through the Fund, please see page 60.
2. Thomas O'Neill's salary excludes an accounting provision of £187k to compensate the Chairman for his Executive duties whilst a new Chief Executive Officer is recruited.
3. Hugh Clark's salary includes £46k (2015 – nil) for additional duties relating to the Governance Committee and £8k (2015 – £8k) for remuneration in his capacity as chair of the Remuneration Committee.
4. Nigel Hall's salary includes £46k (2015 – nil) for additional duties relating to the Governance Committee and £10k (2015 – £9k) for remuneration in his capacity as chair of the Audit Committee and Share Valuation Committee and £7k (2015 – £2k) in his capacity as Senior Independent Director.
5. Stella David's salary includes £6k (2015 – nil) for remuneration in her capacity as chair for the nominations committee in respect of the search for a Chief Executive Officer.

Long Term Incentive Plans

	Provision brought forward	Released in the year	Paid in the year	Provision Carried Forward
Executive Directors				
Melissa Potter (to September 2015)	945	(261)	(684)	–
Robin Beacham (to September 2015)	675	(185)	(490)	–

respect of qualifying services of each person who served as a Director during the year are listed in the tables above.

Information subject to audit

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

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

Directors' Service Contracts

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

- Robin Beacham 1st July 2001
- Melissa Potter 1st June 1999.

Salaries and Benefits

Salaries and benefits for Executive Directors are reviewed annually and external advice taken from PwC UK as appropriate. Advice has been sought externally and from the Chief People Officer on the remuneration package for a new Chief Executive Officer and Chief Financial Officer so as to ensure that Directors' remuneration packages are benchmarked against companies of a similar size and complexity, external market conditions and the level of employee pay. Melissa Potter's annual base salary increased in the year by 2.9% and Robin Beacham's annual base salary increased in the year 3% in line with the average pay increase of UK based employees.

Performance Related Bonuses

Prior to leaving the business both Melissa Potter and Robin

Beacham participated in an annual bonus scheme dependent on the financial performance of the Group compared with budget. Awards were made on a sliding scale up to 100% of salary, based on six measures;

- Group trading profit
- Group trading return on capital employed
- UK and ROI regional controllable profit
- Americas regional controllable profit
- Europe regional controllable profit
- Asia Pacific regional controllable profit.

All measures could trigger independently. If all measures achieved the budgeted target a bonus of 50% of salary was payable. No bonus would be payable if all measures failed to reach target. The target is derived from the published budget of the Group for the year. The scheme was changed in the year to reflect the underlying trading growth in the business including the effect of changes in operating capital employed within the Group. No bonus was payable in respect of the year ended 31 January 2016.

Long-term Incentive Schemes

Melissa Potter and Robin Beacham were participants in the Long-term Incentive Scheme based on Group profit after tax compared with the five year strategic plan, over a three year period. The seventh performance period came to an end on 31st January 2016 and awards relating to this performance period were due to be made in March. The profit after tax element of cycle 7 fell below the achievement rate of 85% minimum target and as a result no award is due on any of the targets in that scheme. Details of the scheme just ended and those currently running are shown below:

Share Incentive Plan

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

Total Shareholder Return

Total Shareholder Return (TSR) is a performance measure based on the market value of an investment in shares of a company over a given period, in this case, five years. TSR assumes that all dividends are re-invested and any rights issues taken up. It is assumed that the buyback proceeds were also re-invested in shares. The TSR graph on the next page is based on an initial purchase of 100 shares in C&J Clark Limited on 1st February 2010. Comparison shown is against the movements in the FTSE 250 share index as the market capitalisation, based on the share price calculated bi-annually by PwC, would make C&J Clark Limited a FTSE 250 company.

The commentary on TSR has been provided in the Annual Report for many years and so we have included it here for consistency. However, please note that the data which makes up the graph uses information up to the last share valuation which in this case was September 2015. The latest valuation does not take account of any valuation impact as a result of the reduction in profitability in the year to 31st January 2016 and does not include changes to the dividend rate payable after the financial year-end.

The comparison shows C&J Clark Limited outperforms the market trend from 2011 to 2016. The TSR shows steady growth whilst the FTSE 250 is more volatile showing a decline in 2012 before returning to growth in subsequent years. At 31st January 2016 the TSR over the previous five years is more than the return given by the FTSE 250. If £100 had been invested in C&J Clark Limited shares in 2011 it would now be worth £229 whereas the same amount invested in FTSE 250 companies over the same period would now, on average, be worth £178.

Long-term Incentive Schemes

Type of scheme	Cycle [1]	Date Range	Max Benefit x salary	Max target benefit [2] Profit	Max target benefit [2] ROCE	On target benefit x salary	Minimum target [3] Profit	Max target benefit [2] ROCE
Executive	7	01/02/2013 – 31/01/2016	3.00	120%	24.5%	1.20	85%	17.3%
Senior Leaders	7	01/02/2013 – 31/01/2016	0.5 – 2.25	120%	24.5%	0.2 – 0.9	85%	17.3%
Senior Leaders	8	01/02/2014 – 31/01/2017	2.25	120%	20.9%	0.2 – 0.9	85%	14.8%
Senior Leaders	9[4]	01/02/2015 – 31/01/2018	0.5 – 2.0	120%	22.1%	0.2 – 0.9	85%	15.7%

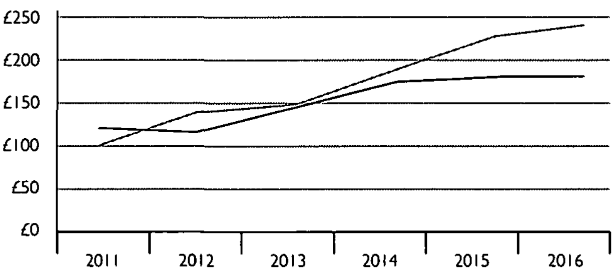
[1] All cycles are for 3 year periods and are cash awards

[2] No benefit is awarded on ROCE measure if profit target is missed

[3] No benefit is awarded below minimum target

[4] In addition to the Profit after tax and ROCE measures cycle 9 had a target average compound growth rate in average selling price (ASP) for each of our four regions. No benefit is awarded if any are missed

TSR vs FTSE 250



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

Directors' Pension Entitlements

The C & J Clark Pension Fund ("the Fund") is a contributory occupational pension scheme governed by an independent trust, the rules of which now include special provisions for Fixed Protection Members.

Melissa Potter and Robin Beacham participated in the Fund until 5 April 2012 when they opted to become Fixed Protection Members and accrue no further benefits. The pensions valued at 5 April 2012 will be increased annually up to the 5 April prior to retirement, by reference to the Consumer Price Index (CPI) measure of inflation.

Their normal retirement age under the Fund is 60 and early retirement is permitted at the age of 55.

For death in retirement, a spouse's pension of 50% of the member's pre-commutation pension is payable. In the event of death after leaving service but prior to commencement of pension, a spouse's pension of 50% of the accrued preserved pension is payable. In all circumstances, children's allowances are also payable up to the age of 18.

Post-retirement pension increases are guaranteed at the rate of price inflation subject to a limit of 8.5% per annum compound between the date of retirement and each annual pension review.

The Group has awarded salary supplements to reflect restrictions placed on pensions provided through the Fund by the continued application of limits introduced under the 1989 Finance Act.

The salary supplement for Melissa Potter and Robin Beacham are included in the Directors' emoluments table on page 58.

Non-Executive Directors

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

This report will be laid before the shareholders for approval at the Annual General Meeting to be held on 13th May 2016.

On behalf of the Board.
Hugh Clark
Chair of the Remuneration Committee
8th April 2016

	Age at 31 Jan 16 Years	Normal Retirement Age* Years	Accrued pension at 31 Jan 15 £'000 p.a.	**Accrued pension at 31 Jan 16 £'000 p.a.**	**Increase in Accrued pension over the year to 31 Jan 16 £'000 p.a.**	**Increase in Accrued pension over the year to 31 Jan 16 (Excluding Inflation) £'000 p.a.**	Capital value** relating to increase in Accrued pension, less Director's own contributions £'000
Melissa Potter	**48**	60	93	**95**	**2**	**–**	–
Robin Beacham	**56**	60	93	**95**	**2**	**–**	–

* The Normal Retirement Age for the directors is the earliest age at which they can take their benefits without consent and without reduction. There are no additional benefits to which either director would become entitled to on early retirement.

** For the purpose of this disclosure the accrued pension is valued using a fixed factor of 20:1. The increase in capital value excludes any increase which is directly attributable to the revaluation of the pension in recognition of inflation as measured by the Consumer Prices Index (CPI). The base period used for the revaluation is set out in the rules of the C&J Clark Pension Fund and in Statutory Regulations.

THE BOARD

BOARD OF DIRECTORS

(AS AT 31ST JANUARY 2016)

Thomas J. O'Neill

Thomas J. O'Neill was appointed to the Board as an independent Non-Executive Director on 10th May 2004. On 6th December 2013 he was appointed the Non-Executive Chairman of the Company and he is currently acting as Executive Chairman of the Company whilst a search for a permanent Chief Executive Officer is carried out. 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.

Nigel Hall

Nigel Hall was appointed as an independent Non-Executive Director on 1st March 2006 and is Chairman of the Audit Committee and of the Share Valuation Committee. On 1st October 2014 Nigel was appointed Senior Independent Director. Nigel is a chartered accountant who qualified with Price Waterhouse before joining the fashion retailer The Burton Group plc (renamed Arcadia Group plc in 1998) where he served as Finance Director from 1997 until 2003. Nigel is also the Non-Executive Chairman of Countrywide Farmers plc, Non-Executive Director of Michelmores LLP, a Director of Exeter Rugby Group PLC and a Governor of Blundell's School in Tiverton.

Stella David

Stella David was appointed to the Board as an independent Non-Executive Director on 1st March 2012. She has over 30 years' experience in branded consumer goods, with a focus on strategy and brand management. She has recently retired as CEO of William Grant & Sons, a family-owned, international spirits company and prior to that was the Global Chief Marketing Officer of Bacardi Ltd. She is currently a Non-Executive Director of HomeServe plc and has also served as Non-Executive Director for Nationwide Building Society.

Walker Boyd

Walker Boyd was appointed as an independent Non-Executive Director on 4th January 2016. He has extensive retail experience in the UK and US and is a chartered accountant. He 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 W.H. Smith 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.

Lucien Alziari

Lucien Alziari was appointed as an independent Non-Executor Director on 4th January 2016. He is the Chief Human Resources Officer of the Maersk Group, a worldwide conglomerate specialising in shipping, logistics, and the oil and gas industries, based in Denmark. It operates in 130 countries with a workforce of more than 89,000 employees. Prior to Maersk, he held senior HR roles at Avon Products Inc. and PepsiCo Inc. in the United States

Timothy Campbell

Timothy Campbell was appointed as a Non-Executive Director on 6th May 2010. He was a member of the Family Shareholder Council from 2007 until joining the Board. He is Managing Director of Maymont Capital Advisors AG, where he advises venture capital and private equity funds on investments in emerging markets.

Hugh Clark

Hugh Clark was appointed as a Non-Executive Director on 9th May 2005 and is the Chairman of the Remuneration Committee. He was a member of the Family Shareholder Council from its inception in 1993 until joining the Board. He joined Clarks as a graduate in 1985 and spent eleven years in the business before joining Rohan in 1996. He became a Director in 1997 and was Managing Director of Rohan from 2001 until 2007. He was a Director of Quba from 2009 through 2013. He joined the Board of the Institute for Family Business as a Non-Executive Director in 2011.

Deborah Wakeford

Deborah Wakeford joined as Group Director of Legal and Company Secretary on 10th December 2012, having previously worked as in-house counsel for various businesses including Compass Group PLC and RAC PLC. She is a commercial lawyer with international experience and a particular interest in consumer matters, intellectual property and corporate governance.

DIRECTORS' REPORT

The Directors present their Annual Report to shareholders together with the audited financial statements for the year ended 31st January 2016.

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 23 to 41. The profit after tax for the Group for the year was £36.0m. A list of all subsidiaries of the Group can be found on pages 105 and 106. 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 Strategic Report.

Dividends

The Board has approved a dividend payment of 21.0 pence per share which is due for payment in April 2016. Together with the interim dividend of 11.5 pence per share paid in October 2015, the full year dividend is 32.5 pence per share.

Fixed Assets

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

Directors

The current Directors of the Group are listed on pages 62 and 63. On 16th October 2015 Melissa Potter and Robin Beacham stood down from the Board. Two Independent Non-Executive Directors, Lucien Alziari and Walker Boyd were appointed to the Board on 4th January 2016, while Wayne Kulkin's appointment was approved by the Board on 24th March 2016. At the last Annual General Meeting, shareholders approved an extension to the terms of appointment for one year for Thomas J. O'Neill, Hugh Clark and Nigel Hall, all of whom had completed of nine years service. As detailed in the Governance Report on page 46, the Board will be proposing special resolutions at the Annual General Meeting to extend again the appointments of Thomas O'Neill and Nigel Hall for a further one year period, and Hugh Clark for an additional six month period after which Ben Lovell will fill the position of family director currently held by Hugh.

Details of the Directors' service contracts are provided in the Remuneration Report on pages 57 to 60.

Share Register

As at 31st January 2016 the composition of the share register of C&J Clark Limited was:

	£	%
Family	50,204,128	85.0
Institutions	1,269,627	2.1
Share Schemes	712,043	1.2
Trusts associated with CJC	2,411,024	4.1
Employees	4,469,555	7.6
	59,066,377	**100**

Share Buyback
In October 2015, the Company bought back a total of 367,613 shares. The cost to the company, including Stamp Duty, was £4,359,522. Following the completion of this buyback, the issued share capital was reduced to 59,066,397 shares.

Articles of Association
The Company's Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

Directors' Interests
The interests of Directors in the share capital of the Company are shown in the table below. A list of transactions with related parties is set out in the notes to the financial statements. There were no changes to Director's share interests between the end of the financial year and 11th March 2016 (being one month before the date of the notice of the Annual General Meeting).

	As at 31 January 2016	As at 31 January 2015
Nigel Hall	**3,000**	3,000
Thomas J. O'Neill	**10,000**	–
Hugh Clark	**343,120**	335,170
Timothy Campbell	**2,619,264**	2,603,129
Stella David	**100**	–
Walker Boyd	**–**	–
Lucien Alziari	**–**	–
Total	**2,975,484**	2,941,299

Donations
Donations for charitable purposes made by the Group during the year amounted to £0.3 million (2015: £0.4m). No donations were made for political purposes.

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

The Environment
The Group recognises that care and concern for the environment and the community are 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. A statement of commitment from the Group in its environmental policy is shown on pages 51 to 55.

Supplier Payment Policy
The Group's policy is to use standard payment terms, payment being 60 days from the date of invoice, except for goods for resale which are generally 45 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
- 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. A more detailed report on corporate governance is set out on pages 45 to 49.

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 in connection with preparing their report) of which the Company's or the Group's auditors are unaware. Each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's and the Group'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 KPMG LLP 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 11.30 am on Friday 13th May 2016 at the Company's offices at 40 High Street, Street, Somerset, BA16 0EQ.

Debbie Wakeford
Company Secretary
8th April 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Annual Report and the Financial Statements
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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.

The Directors have decided to prepare voluntarily a Remuneration Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No 410) made under the Companies Act 2006, as if those requirements were to apply to the Company.

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of C&J Clark Limited for the year ended 31st January 2016 set out on pages 72 to 106. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland).

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

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 67, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the financial statements:

- Give a true and fair view of the state of the group's and of the parent company's affairs as at 31st January 2016 and of the group's profit for the year then ended
- Have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion:

- The part of the Remuneration Report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to The Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements were to apply to the company, and
- 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.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Andrew Campbell-Orde **(Senior Statutory Auditor)**
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street, Bristol BS1 6AG
8th April 2016

FINANCIAL STATEMENTS

Consolidated Income Statement
For the Year Ending 31st January 2016

	Notes	2016 £m	2015 restated £m
Turnover	1(b)	**1,540.0**	1,499.8
Less: Joint venture	1(b)	**(6.4)**	(5.4)
Group turnover	1(b)	**1,533.6**	1,494.4
Cost less other income	2(a)	**(1,491.8)**	(1,376.4)
		41.8	118.0
Long-term incentive schemes	2(a)	**4.0**	(5.3)
Group operating profit	2(a)	**45.8**	112.7
Share of operating Loss in Joint Venture	2(f)	**(0.6)**	(0.6)
Profit before interest	1(a)	**45.2**	112.1
Other net finance costs	3	**(10.2)**	(13.3)
Profit on ordinary activities before taxation		**35.0**	98.8
Tax on profit on ordinary activities	4(a)	**1.0**	(18.8)
Profit for the financial year		**36.0**	80.0
Earnings per ordinary share	6	**60.7p**	134.6p
Non-GAAP measures: Adjusted profit before tax			
Profit after tax		**36.0**	80.0
Adjusted for:			
Fair value of non-hedge accounted derratives		**3.1**	6.4
Tax on fair value of non-hedge accounting derivatives		**(0.5)**	(1.1)
Adjusted profit after tax		**38.6**	85.3
Adjusted earnings per ordinary share		**65.0p**	143.5p

Other Comprehensive Income Statement
For the Year Ending 31st January 2016

		2016 £m	2015 restated £m
Profit for the year		**36.0**	80.0
Other comprehensive income			
Currency Translation Adjustments		**3.8**	9.8
Actuarial gain on pension schemes	16	**91.9**	36.6
Deferred tax on actuarial gain on pension schemes		**(18.7)**	(5.0)
Effective portion of changes in fair value of cash flow hedges		**(9.1)**	38.1
Deferred tax on fair value of cash flow hedges		**1.9**	(7.8)
Other comprehensive income for the year, net income tax		**69.8**	71.7
Total comprehensive income for the year		**105.8**	151.7

Statement of Financial Position
As at 31st January 2016

	Notes	Group 2016 £m	Group 2015 restated £m	Company 2016 £m	Company 2015 restated £m
Fixed assets					
Intangible assets	7	**0.5**	1.2	–	–
Tangible assets	8	**359.9**	346.0	–	–
Investments Joint Venture		**(1.9)**	(1.1)	–	–
Other	9	–	–	**79.7**	79.4
Deferred tax assets	15	**32.5**	14.3	**1.9**	0.6
Other		**3.9**	5.5	–	–
		394.9	365.9	**81.6**	80.0
Current assets					
Inventory	10	**485.5**	412.1	–	–
Debtors	11	**189.5**	226.6	**282.8**	201.3
Cash at bank and in hand	20	**46.0**	66.6	**5.6**	9.9
		721.0	705.3	**288.4**	211.2
Creditors – amounts falling due within one year	12	**(287.0)**	(283.4)	**(73.4)**	(48.2)
Net current assets		**434.0**	421.9	**215.0**	163.0
Total assets less current liabilities		**828.9**	787.8	**296.6**	243.0
Creditors – amounts falling due after more than one year	13	**(156.6)**	(86.2)	**(152.2)**	(78.1)
Deferred tax liability	15	**(29.0)**	(6.2)	–	–
Provisions for liabilities and charges	14	**(42.2)**	(53.0)	–	–
Net assets excluding pension asset/(liability)		**601.1**	642.4	**144.4**	164.9
Pension asset/(liability)	16	**47.8**	(52.8)	–	–
Net assets including pension asset/(liability)		**648.9**	589.6	**144.4**	164.9
Capital and reserves					
Called-up share capital	17	**59.1**	59.4	**59.1**	59.4
Share premium account	18	**0.8**	0.8	**0.8**	0.8
Capital redemption reserve	18	**18.4**	18.1	**18.4**	18.1
Merger reserve	18	**15.1**	15.1	–	–
Cash flow hedge reserve		**21.3**	28.5	–	–
Profit and loss account		**534.2**	467.7	**66.1**	86.6
Equity shareholders' funds		**648.9**	589.6	**144.4**	164.9

The notes on pages 81 to 106 form part of these financial statements.

The financial statements of C&J Clark Ltd, registered number 3314066, were approved by the Board of Directors and signed on their behalf on 8th April 2016.

Thomas J. O'Neill.

Consolidated Statement of Changes in Equity
For the Year Ending 31st January 2016

	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 1st February 2014 (restated)	59.4	0.8	18.1	15.1	(1.8)	372.4	**464.0**
Total comprehensive income for the period							
Profit for the year	–	–	–	–	–	80.0	**80.0**
Other comprehensive income	–	–	–	–	30.3	41.4	**71.7**
Total comprehensive income for the period	–	–	–	–	30.3	121.4	**151.7**
Transactions with owners, recorded directly in equity							
Equity-settled share based payment transactions	–	–	–	–	–	0.3	**0.3**
Dividends	–	–	–	–	–	(26.4)	**(26.4)**
Total contributions by and distributions to owners	–	–	–	–	–	(26.1)	**(26.1)**
Balance at 31st January 2015 (restated)	**59.4**	**0.8**	**18.1**	**15.1**	**28.5**	**467.7**	**589.6**

	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 1st February 2015 (restated)	59.4	0.8	18.1	15.1	28.5	467.7	**589.6**
Total comprehensive income for the period							
Profit for the year	–	–	–	–	–	36.0	**36.0**
Other comprehensive income	–	–	–	–	(7.2)	77.0	**69.8**
Total comprehensive income for the period	–	–	–	–	(7.2)	113.0	**105.8**
Transactions with owners, recorded directly in equity							
Equity-settled share based payment transactions	–	–	–	–	–	0.3	**0.3**
Dividends	–	–	–	–	–	(42.5)	**(42.5)**
Share Buyback	(0.3)	–	0.3	–	–	(4.3)	**(4.3)**
Total contributions by and distributions to owners	(0.3)	–	0.3	–	–	(46.5)	**(46.5)**
Balance at 31st January 2016	**59.1**	**0.8**	**18.4**	**15.1**	**21.3**	**534.2**	**648.9**

Company Statement of Changes in Equity
For the Year Ending 31st January 2016

	Called Up Share Capital £m	Share Premium Account £m	Capital Redemption Reserve £m	Profit and Loss Account £m	Total Equity £m
Balance at 1st February 2014 (restated)	59.4	0.8	18.1	75.2	**153.5**
Total comprehensive income for the period					
Profit for the year	–	–	–	37.5	**37.5**
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the period	–	–	–	37.5	**37.5**
Transactions with owners, recorded directly in equity					
Equity-settled share based payment transactions	–	–	–	0.3	**0.3**
Dividends	–	–	–	(26.4)	**(26.4)**
Total contributions by and distributions to owners	–	–	–	(26.1)	**(26.1)**
Balance at 31st January 2015 (restated)	**59.4**	**0.8**	**18.1**	**86.6**	**164.9**

	Called Up Share Capital £m	Share Premium Account £m	Capital Redemption Reserve £m	Profit and Loss Account £m	Total Equity £m
Balance at 1st February 2015 (restated)	59.4	0.8	18.1	86.6	**164.9**
Total comprehensive income for the period					
Profit for the year	–	–	–	26.0	**26.0**
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the period	–	–	–	26.0	**26.0**
Transactions with owners, recorded directly in equity					
Equity-settled share based payment transactions	–	–	–	0.3	**0.3**
Dividends	–	–	–	(42.5)	**(42.5)**
Share Buyback	(0.3)	–	0.3	(4.3)	**(4.3)**
Total contributions by and distributions to owners	(0.3)	–	0.3	(46.5)	**(46.5)**
Balance at 31st January 2016	**59.1**	**0.8**	**18.4**	**66.1**	**144.4**

Consolidated Statement of Cash Flow
For the Year Ending 31st January 2016

	Notes	Year to 31st January 2016 £m	Year to 31st January 2015 restated £m
Net cash flows from operating activities	19	**(24.1)**	89.9
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**5.3**	0.1
Acquisition of tangible fixed assets		**(52.8)**	(68.3)
Net cash from investing activities		**(47.5)**	(68.2)
Cash flows from financing activities			
Increase in bank loans	20	**76.8**	3.0
Dividends paid	5	**(42.5)**	(26.4)
Share buyback		**(4.3)**	–
Net cash from financing activities		**30.0**	(23.4)
Net decrease in cash and cash equivalents		**(41.6)**	(1.7)
Cash and cash equivalents at 1st February		**8.6**	12.7
Effect of exchange rate fluctuations on cash held	19	**1.9**	(2.4)
Cash and cash equivalents at 31st January	20	**(31.1)**	8.6
Reconciliation of net cash flow to movement in net borrowings			
Opening net borrowings	20	**(66.8)**	(59.7)
Net decrease in cash and cash equivalents		**(41.6)**	(1.7)
Currency translation adjustments	19	**1.9**	(2.4)
Increase in bank loans	20	**(76.8)**	(3.0)
Closing net borrowings	20	**(183.3)**	(66.8)

ACCOUNTING POLICIES

Statement of Compliance
C&J Clark Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 (FRS 102) applicable in the UK and Republic of Ireland. An explanation of how the transition to FRS 102 has affected the financial position and performance of the Group is included in note 25.

Basis of Presentation
The financial statements are prepared on the historical cost basis except that derivative financial instruments and financial instruments classified at fair value through the Income Statement are stated at their fair value.

All amounts in the financial statements are in GBP and rounded to the nearest £million.

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

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

Basis of consolidation
The Group financial statements consolidate the financial statements of C&J Clark Limited and all its subsidiary undertakings drawn up to 31st January each year. 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 the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemption available under FRS 102 in respect of certain disclosures for parent company financial statements have been applied:

- No separate parent company Statement of Cash flow with related notes is included;

Entities in which the group holds an interest and which are jointly controlled by the Group and one or more other ventures under a contractual arrangement are treated as joint ventures. In the Group financial statements, joint ventures are accounted for using the equity method.

In the parent company financial statements investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end date and the amounts reported for

revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Operating lease commitments
The Group has entered leases as a lessee from which it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the 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.

The following are the Groups key sources of estimation uncertainty:

Pension and other post-employment benefits
The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 16.

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.

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

Exchange differences arising on the retranslation of the opening net assets of overseas subsidiaries, less exchange differences arising on related foreign currency borrowings, are taken to reserves and disclosed in Other Comprehensive Income.

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

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

Investments in subsidiaries, jointly controlled entities and associates
These are separate financial statements of the company. Investments in subsidiaries and jointly controlled entities are carried at cost less impairment

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

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

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

Cash flow hedges
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 Other Comprehensive Income. Any ineffective portion of the hedge is recognised immediately in the income statement.

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

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

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

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

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

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

The estimated useful lives are as follows:

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

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

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

Intangible assets
Trademarks are stated at purchase cost, less amortisation and accumulated impairment losses.

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

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

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

Goodwill
Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

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

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

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.

Share-based payment transactions

The Group operates an All Employee Share Incentive Plan (SIP). Under the scheme employees are given a free matching share for each partnership share purchased at market value. This has been accounted for under the share based payment standard. Under the standard the matching shares qualify as equity-settled share-based payments to be recognised at the date of grant. Effectively the fair value of a matching share is the cost of the partnership share. The cost of the share-based payments must be spread over the period until the shares are owned by the employee (the vesting period). The vesting period for the matching share is four years. This has resulted in a current year charge of £0.3m (2015 – £0.3m).

Provisions

A provision is recognised in the Statement of Financial Position when the 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.

Turnover

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

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

Expenses

Operating lease

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

Net finance costs

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

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

Taxation

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

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

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

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

In these notes to the financial statements, the headings '2016' refer to the year ended 31st January 2016 or the Statement of Financial Position as at 31st January 2016 and the headings '2015' refer to the year ended 31st January 2015 or the Statement of Financial Position as at 31st January 2015.

1. Analysis of turnover, profit and capital employed

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

a) Analysis of profit by ultimate geographical market

	2016 £m	2015 restated £m
UK and ROI	**106.0**	103.6
Americas	**53.3**	72.1
Europe	**25.8**	35.1
Asia Pacific	**40.6**	35.6
Group Items	**(179.9)**	(133.7)
Group operating profit	**45.8**	112.7
Share of Joint Venture		
Asia Pacific	**(0.6)**	(0.6)
Profit before interest and tax	**45.2**	112.1

Group items comprise Group and enabling function overheads, non trading items and non-underlying items. Included within the 2015 comparative was the expected insurance recovery of £19.9m for the losses incurred during the year in respect of damage to a key supplier in Vietnam. In 2016 the current year cost of the inventory provision of £18.7m has been included within Group Items.

b) Analysis of turnover

	Turnover by ultimate geographical market 2016 £m	Turnover by ultimate geographical market 2015 restated £m	Turnover by geographical area of origin 2016 £m	Turnover by geographical area of origin 2015 restated £m
UK and ROI	**654.4**	637.4	**790.2**	781.6
Americas	**568.3**	559.6	**568.3**	564.0
Europe	**143.4**	159.7	**63.6**	67.3
Asia Pacific	**167.7**	135.6	**111.7**	79.4
Group items	**(0.2)**	2.1	**(0.2)**	2.1
Group turnover	**1,533.6**	1,494.4	**1,533.6**	1,494.4
Share of Joint Venture				
Asia Pacific	**6.4**	5.4	**6.4**	5.4
Turnover	**1,540.0**	1,499.8	**1,540.0**	1,499.8

c) Reconciliation of capital employed and net assets

	2016 £m	2015 restated £m
Capital employed	**762.7**	674.2
Net borrowings – (see note 20)	**(183.3)**	(66.8)
Deferred taxation – (see note 15)	**3.5**	8.1
Pension liability – (see note 16)	**47.8**	(52.8)
Financial derivatives	**18.2**	26.9
Net assets	**648.9**	589.6

1. Analysis of turnover, profit and capital employed continued

d) Reconciliation of Group operating profit and Underlying Group operating profit

	2016 £m	2015 restated £m
Group operating profit (see note 1(a))	**45.8**	112.7
Foreign exchange movements	**(0.2)**	(11.4)
Excess inventory – below cost provision	**18.7**	–
Underlying Group operating profit	**64.3**	101.4

2. Operating profit and costs

a) Costs less other income:

	Total 2016 £m	Total 2015 restated £m
Turnover	**1,533.6**	1,494.4
Cost of sales	**(846.9)**	(768.8)
Gross profit	**686.7**	725.6
Distribution costs	**(501.0)**	(438.0)
Administrative costs	**(139.9)**	(174.9)
Group Operating Profit	**45.8**	112.7

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

	2016 £m	2015 £m
Long-term Incentive Plan	**4.0**	(4.5)
Clarks Companies North America Incentive Plan	**–**	(0.8)
	4.0	(5.3)

These schemes are detailed in the Remuneration Report on pages 57 to 60.

2. Operating profit and costs continued

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

	2016 £m	2015 restated £m
Depreciation and impairments of owned assets	**39.1**	37.1
Inventory provision	**18.7**	–
Auditor's remuneration		
Audit of Group financial statements	**0.2**	0.2
Audit of subsidiaries financial statements	**0.4**	0.4
Other services relating to taxation	**0.2**	0.1
Other services	**0.1**	–
Operating lease rentals		
Land and buildings	**106.9**	100.8
Plant and equipment	**1.5**	1.5
Operating lease rentals income		
Land and buildings	**(1.9)**	(2.3)
Share-based payment		
Equity-settled	**0.3**	0.3

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

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

	2016 Number	2015 Number
Sales and distribution	**13,536**	14,323
Administration	**1,843**	1,811
	15,379	16,134

The average number of employees has been calculated on a monthly weighted average.
The total number of employees at the year end was 14,239 (2015 – 15,380).

d) Employment costs in respect of the foregoing:

	2016 £m	2015 restated £m
Wages and salaries	**235.9**	229.8
Social security costs	**30.4**	29.1
Pension current service cost – defined benefit scheme (see note 16)	**12.5**	12.5
Pension contributions – defined contribution scheme (see note 16)	**2.3**	1.9
Long-term incentive schemes – (see note 2(a))	**(4.0)**	5.3
	277.1	278.6

2. Operating profit and costs continued

e) Aggregate emoluments of the Directors

		2016 £m	2015 £m
Non-Executive Directors' fees and benefits		**0.7**	0.4
Executive Directors' services			
	Salaries and benefits	**1.4**	2.2
	Compensation for loss of office	**1.6**	–
	Long-term incentives	**(0.4)**	0.9
		3.3	3.5

More detailed information concerning Directors' share entitlements and emoluments, including long-term incentive schemes, is shown in the Remuneration Report on pages 57 to 60.

f) Share of Operating Loss in Joint Venture

	2016 £m	2015 £m
Share of Operating Loss of Indian Joint venture, Clarks Future Footwear Limited	**(0.6)**	(0.6)
	(0.6)	(0.6)

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.

3. Other net finance costs

	2016 £m	2015 restated £m
Interest payable on bank loans and overdrafts	**4.3**	2.6
Net interest cost on assets and liabilities of pension scheme (see note 16)	**1.3**	3.1
Unwind discount on Provisions (see note 14).	**1.3**	1.0
Fair value of non-hedge accounted derivatives	**3.1**	6.4
Group	**10.0**	13.1
Joint Venture	**0.2**	0.2
	10.2	13.3

4. Taxation on profit on ordinary activities

a) Analysis of change in the year:

	2016 £m	2015 restated £m
Current taxation		
UK taxation		
UK corporation tax at 20.2% (2015 – 21.3%)	**6.5**	19.7
Adjustments in respect of prior years	**–**	(0.5)
Total UK taxation	**6.5**	19.2
Overseas taxation		
Current taxation on income for the year	**5.1**	5.8
Adjustments in respect of prior years	**(1.8)**	–
Total overseas taxation	**3.3**	5.8
Total current taxation	**9.8**	25.0
Movement in deferred taxation		
Effective change in tax rate	**(1.1)**	–
Adjustment in respect of prior years	**1.2**	0.4
Other origination and reversal of timing differences	**(10.9)**	(6.6)
Total deferred taxation (see note 15)	**(10.8)**	(6.2)
Taxation on profit on ordinary activites	**(1.0)**	18.8

	2016 Current Tax	2016 Deferred Tax	2016 Total Tax	2015 Current Tax £m	2015 Deferred Tax £m	2015 Total Tax £m
Recognised in Income Statement	**9.8**	**(10.8)**	**(1.0)**	25.0	(6.2)	18.8
Recognised in Other Comprehensive Income	**–**	**16.8**	**16.8**	–	12.8	12.8
Total Tax	**9.8**	**6.0**	**15.8**	25.0	6.6	31.6

4. Taxation on profit on ordinary activities continued

b) Factors affecting tax charge:
The taxation assessed for the year is lower than the standard rate of corporation tax in the UK which is 20.2% (2015 – 21.3%).
The differences are explained below:

	2016 £m	2015 restated £m
Profit on ordinary activities before taxation	**35.0**	98.8
At standard rate of corporation tax in the UK	**7.1**	21.1
Higher taxation rates on overseas earnings	**(6.6)**	(2.9)
Depreciation on items not qualifying for capital allowances	**0.4**	0.8
Profit on disposal of assets not qualifying for capital allowances	–	0.1
Overseas taxation losses	**0.1**	(0.5)
Adjustments in respect of prior years	**(0.6)**	(0.2)
Other	**(1.4)**	0.4
	(1.0)	18.8
Movement in deferred taxation	**10.8**	6.2
Total current taxation – see note 4a	**9.8**	25.0

5. Dividends paid

	2016 £m	2015 £m
Equity dividends paid in the year		
Final ordinary share dividend for the year ended 31st January 2015 of 35.0 pence (2015 – 33.0p)	**20.8**	19.6
Interim ordinary share dividend for the year ended 31st January 2016 of 11.5 pence (2015 – 11.5p)	**6.8**	6.8
Ordinary dividends paid	**27.6**	26.4
Special dividend for the year ended 31st January 2015 of 25.0 pence (2015 – nil)	**14.9**	–
Total dividends paid	**42.5**	26.4

The final ordinary share dividend declared for the year ended 31st January 2016 is 21.0 pence per share (2015 – 35.0p).

6. Earnings per ordinary share

Basic earnings per ordinary share have been calculated by dividing the profit after taxation of £36.0m (2015 restated – £80.0m) by the weighted average number of ordinary shares in issue during the year of 59,342,107 (2015 – 59,434,010).

Adjusted earnings per ordinary share have been calculated by dividing the adjusted profit after taxation of £38.6m (2015 restated – £85.3m) by the weighted average number of ordinary shares in issue during the year of 59,342,107 (2015 – 59,434,010).

7. Fixed assets – Intangible assets

	Goodwill £m	Trademark £m	Total £m
Cost at 1st February 2015	0.7	0.7	1.4
Capital expenditure	–	–	–
Disposals	–	–	–
Impairment	(0.7)	–	(0.7)
At 31st January 2016	**–**	**0.7**	**0.7**
Amortisation at 1st February 2015	–	0.2	0.2
Charge for the year	–	–	–
Disposals	–	–	–
At 31st January 2016	**–**	**0.2**	**0.2**
Net book value			
At 31st January 2016	**–**	**0.5**	**0.5**
At 31st January 2015	0.7	0.5	1.2

The trademark relates to the Clarks brand name in Brazil.

On 12th 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. During the year the Goodwill previously recognised has been impaired through administrative expenses within the Income Statement. The impairment has been recognised as the carrying value of goodwill could not be supported due to the on-going losses generated within that business.

8. Fixed assets – Tangible assets

	Land and buildings £m	Plant and equipment £m	Total £m
Cost at 1st February 2015 (restated)	160.7	462.5	623.2
Exchange rate adjustments	5.2	8.4	13.6
Capital expenditure	7.3	47.3	54.6
Disposals	(11.0)	(23.4)	(34.4)
At 31st January 2016	**162.2**	**494.8**	**657.0**
Depreciation at 1st February 2015 (restated)	50.4	226.8	277.2
Exchange rate adjustments	2.0	2.7	4.7
Charge for the year	8.4	31.0	39.4
Impairment	–	(0.3)	(0.3)
Disposals	(5.4)	(18.5)	(23.9)
At 31st January 2016	**55.4**	**241.7**	**297.1**
Net book value			
At 31st January 2016	**106.8**	**253.1**	**359.9**
At 31st January 2015 (restated)	110.3	235.7	346.0

During the year impairment losses of £0.3m have been reversed within administrative expenses in the consolidated Income Statement as a result of retail stores previously impaired returning to profitability.

Land and Buildings
The net book value of land and buildings comprises:

	2016 £m	2015 £m
Freehold	**74.7**	78.2
Long leasehold	**2.5**	2.6
Short leasehold	**29.6**	29.5
	106.8	110.3

9. Fixed assets – Investments

	Company shares in subsidiary undertakings 2016 £m	Company shares in subsidiary undertakings 2015 £m
Net book values at 1st February	**79.4**	79.1
Additions	**0.3**	0.3
Disposals	**–**	–
Net book values at 31st January	**79.7**	79.4

10. Inventory

	Group 2016 £m	Group 2015 restated £m
Finished goods and goods held for resale	**485.5**	412.1
	485.5	412.1

Included within inventory in 2016 are below cost provisions of £20.4m (2015 – £1.7m). The increase in the provision has been discussed further within the Strategic Report.

11. Debtors

	Group 2016 £m	Group 2015 restated £m	Company 2016 £m	Company 2015 restated £m
Trade debtors	**107.5**	136.2	**1.0**	1.5
Amounts owed by Group undertakings	**–**	–	**281.8**	199.8
Amounts owed by joint venture undertakings	**2.6**	2.6	**–**	–
Prepayments and accrued income	**29.8**	32.7	**–**	–
Other debtors	**17.7**	16.4	**–**	–
Financial derivatives	**31.9**	38.7	**–**	–
	189.5	226.6	**282.8**	201.3

12. Creditors – amounts falling due within one year

	Group 2016 £m	Group 2015 restated £m	Company 2016 £m	Company 2015 restated £m
Bank loans and overdrafts	**77.1**	58.0	**53.4**	–
Trade creditors	**150.6**	133.3	–	–
Amounts owed to Group undertakings	–	–	**10.3**	47.7
Current taxation	**2.7**	11.4	–	–
Social security	**3.7**	4.4	–	–
Other creditors	**13.0**	12.8	–	–
Accuruals and deferred income	**26.9**	49.1	**0.4**	–
Financial derivatives	**13.0**	14.4	**9.3**	0.5
	287.0	283.4	**73.4**	48.2

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

	Group 2016 £m	Group 2015 restated £m	Company 2016 £m	Company 2015 restated £m
Long term loans	**152.2**	75.4	**152.2**	75.4
Other creditors	–	7.9	–	–
Financial derivatives	**4.4**	2.9	–	2.7
	156.6	86.2	**152.2**	78.1

14. Provisions for liabilities and charges

	At 1st February 2015 restated £m	Exchange rate adjustment £m	Provided in year £m	Unwind discounting £m	Released in the year £m	Utilised in the year £m	At 31st January 2016 £m
Long-term Incentive Plan	8.4	–	–	–	(4.1)	(4.3)	–
Clarks Companies North America Incentive Plan	1.7	–	–	–	–	(1.7)	–
Dilapidation provision	0.6	–	0.3	–	–	(0.2)	**0.7**
Onerous lease provision	41.8	2.2	3.4	1.3	(4.9)	(7.4)	**36.4**
Other	0.5	–	4.6	–	–	–	**5.1**
	53.0	2.2	8.3	1.3	(9.0)	(13.6)	**42.2**

Long Term Incentive Plan

Provisions have been made to recognise the Group's obligation in relation to an employee long term incentive scheme. No amount is expected to be payable in relation to the ongoing plans.

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 lease costs of loss-making leased stores.The provision will be utilised in line with the rental cost profile for each store.

15. Deferred Taxation

	Group Assets 2016 restated £m	Group Assets 2015 £m	**Group Liabilities 2016 £m**	Group Liabilities 2015 restated £m	**Group Net 2016 £m**	Group Net 2015 restated £m
Accelerated capital allowances	**(24.6)**	(22.3)	**(5.7)**	(5.7)	**(30.3)**	(28.0)
Holdover relief	**–**	–	**(4.4)**	(4.8)	**(4.4)**	(4.8)
Pension fair value and timing differences	**10.1**	12.1	**(13.5)**	4.4	**(3.4)**	16.5
Liquidation of LIFO inventory reserves in North America and Japan	**(8.3)**	(4.8)	**–**	–	**(8.3)**	(4.8)
Overseas trading losses	**31.5**	6.8	**–**	–	**31.5**	6.8
Short-term timing differences	**23.8**	22.5	**(5.4)**	(0.1)	**18.4**	22.4
	32.5	14.3	**(29.0)**	(6.2)	**3.5**	8.1

	Group £m
Provision at 1st February 2015 (restated)	8.1
Exchange rate adjustment	1.4
Deferred taxation charge in Other Comprehensive Income (see note 4(a))	(16.8)
Deferred taxation charge in the Income Statement for the year (see note 4(a))	10.8
Provision at 31st January 2016	**3.5**

Deferred tax assets of £6.8m (2015 – £6.5m) have not been provided for on the basis that the Directors do not assess them as being recoverable in the foreseeable future. The components of the unprovided deferred tax asset are unutilised German and Australian losses. The increase in the deferred tax asset recognised on overseas trading losses relates primarily to taxable losses in the US that are expected to be utilised within the statutory deadline. The company's deferred tax asset of £1.9m (2015 – £0.6m) relates to short-term timing differences.

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 5th April 2014 and an actuarial report of the Scheme was carried out at 5th April 2015. These were updated to 31st January 2016 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 2015 and updated to 31st January 2016 by a qualified independent actuary.

	Group 2016 £m	Group 2015 restated £m
Change in benefit obligation for defined benefit sections		
Benefit obligation at the beginning of the year	**1,149.7**	994.9
Current service cost	**12.5**	12.5
Administation costs	**2.0**	2.3
Interest cost	**33.6**	42.6
Plan participants' contributions	**0.6**	0.7
Past service costs	**0.1**	(2.2)
Actuarial (gain)/loss	**(136.1)**	136.7
Curtailments	**–**	(0.9)
Benefits paid	**(48.0)**	(45.4)
Exchange rate adjustment on US scheme	**7.4**	8.5
Benefit obligation at the end of the year	**1,021.8**	1,149.7
Analysis of benefit obligation for defined benefit sections		
Plans that are wholly or partly funded	**1,021.5**	1,149.5
Plans that are wholly unfunded	**0.3**	0.2
	1,021.8	1,149.7
Change in plan assets for defined benefit sections		
Fair value of plan assets at the beginning of the year	**1,098.1**	890.3
Expected return on plan assets	**32.2**	39.5
Actuarial (loss)/gain	**(44.1)**	173.3
Administration costs	**(0.2)**	–
Employer contribution	**26.4**	32.8
Member contributions	**0.6**	0.7
Benefits paid	**(48.0)**	(45.4)
Exchange rate adjustment on US scheme	**5.4**	6.9
Fair value of plan assets at the end of the year	**1,070.4**	1,098.1
Funded status	**48.6**	(51.6)
Unrecognised past service cost (benefit)	**–**	–
Net amount recognised	**48.6**	(51.6)

16. Retirement Benefits continued

In addition, the value of the assets and liabilities held in the defined contribution section of the UK Fund amounted to £27.7m as at 31st January 2016 (2015 – £29.2m) and the value of assets and liabilities held in the defined contribution section of the UK Scheme amounted to £15.7m as at 31st January 2016 (2015 – £13.5m). Defined contribution schemes in the US held assets of £45.7m as at 31st January 2016 (2015 – £47.1m).

	Group 2016 £m	Group 2015 restated £m
Components of pension cost		
Current service cost – defined benefit scheme	**12.5**	12.5
Administration costs	**2.2**	2.3
Contribution – defined contribution scheme	**2.3**	1.9
Interest cost	**33.5**	42.6
Expected return on plan assets	**(32.2)**	(39.5)
Past service cost	**0.1**	(2.2)
Effect of curtailments	**–**	(0.9)
Total pension cost recognised in the Income Statement	**18.4**	16.7
Actuarial gains immediately recognised	**91.9**	36.6
Total pension cost recognised in Other Comprehensive Income	**91.9**	36.6
Cumulative amount of actuarial losses immediately recognised since 1st February 2005	**19.5**	(72.4)

	Group 2016 £m	Group 2015 restated £m
Movement in surplus/(deficit) during the year		
Deficit in the scheme at the beginning of the year	**(51.6)**	(104.6)
Current service cost	**(12.5)**	(12.5)
Administration costs	**(2.2)**	(2.3)
Contributions	**26.4**	32.8
Past service costs/curtailments	**(0.1)**	3.1
Net interest cost	**(1.3)**	(3.1)
Actuarial gain	**91.9**	36.6
Exchange rate adjustment on US scheme	**(2.0)**	(1.6)
Surplus/(Deficit) in the scheme at the end of the year	**48.6**	(51.6)
Unfunded unapproved retirement benefit scheme	**(0.8)**	(1.2)
Pension asset/(liability) at the end of the year	**47.8**	(52.8)

16. Retirement Benefits continued

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

Asset category	UK plan assets 2016 %	UK plan assets 2015 %	North America plan assets 2016 %	North America plan assets 2015 %
Equities	**22.5**	27.2	**29.4**	29.1
Bonds	**77.1**	72.3	**70.6**	70.9
Cash	**0.4**	0.5	**–**	–
	100.0	100.0	**100.0**	100.0

Amounts included in the fair value of assets for		
Financial instruments	**–**	–
Property occupied or other assets used	**–**	–

	Group 2016 £m	Group 2015 restated £m
Actual return on plan assets	**(37.1)**	177.4

Weighted average assumptions used to determine benefit obligations		UK 2016 %	UK 2015 %	North America 2016 %	North America 2015 %
Discount rate		**3.65**	2.90	**4.25**	3.75
Rate of increase in salaries	Senior Executives	**4.45**	4.25	**3.50**	4.00
	Others	**3.95**	3.75	**3.50**	4.00
Rate of increase in pensions in payment	Fund	**2.90**	2.70	**n/a**	n/a
	Scheme	**1.80**	1.75	**n/a**	n/a
Rate of increase in pensions in deferment		**1.95**	1.75	**n/a**	n/a
Inflation assumption		**2.90**	2.70	**2.50**	2.50

Weighted average assumptions used to determine net pension cost for the year end		UK 2016 %	UK 2015 %	North America 2016 %	North America 2015 %
Discount rate		**2.90**	4.35	**3.75**	4.50
Expected long-term return on plan assets		**2.90**	4.30	**3.75**	4.50
Rate of increase in salaries	Senior Executives	**4.25**	5.40	**4.00**	4.00
	Others	**3.75**	4.90	**4.00**	4.00
Rate of increase in pensions in payment	Fund	**2.70**	3.30	**n/a**	n/a
	Scheme	**1.75**	2.10	**n/a**	n/a
Rate of increase in pensions in deferment		**1.75**	2.70	**n/a**	n/a
Inflation assumption		**2.70**	3.30	**2.50**	2.50

16. Retirement Benefits continued

Weighted average life expectancy for mortality tables used to determine benefit obligations		UK 2016	UK 2015	North America 2016	North America 2015
Member age 65 (current life expectancy)	Male	**23.2**	23.3	**22.0**	21.9
	Female	**23.7**	23.8	**24.2**	24.2
Member age 45 (life expectancy at age 65)	Male	**24.9**	25.1	**23.3**	23.3
	Female	**25.3**	25.2	**25.5**	25.5

Five year history	UK 2016 £m	UK 2015 restated £m	UK 2014 £m	UK 2013 £m	UK 2012 £m
Benefit obligation at the end of the year	**(910.5)**	(1,030.5)	(903.8)	(870.5)	(822.6)
Fair value of plan assets at the end of the year	**985.4**	1,008.3	817.5	790.4	738.8
Surplus/(Deficit) in the scheme	**74.9**	(22.2)	(86.3)	(80.1)	(83.8)

	North America 2016 £m	North America 2015 restated £m	North America 2014 £m	North America 2013 £m	North America 2012 £m
Benefit obligation at the end of the year	**(111.3)**	(119.2)	(91.1)	(95.9)	(87.6)
Fair value of plan assets at the end of the year	**85.0**	89.8	72.8	69.4	61.3
Deficit in the scheme	**(26.3)**	(29.4)	(18.3)	(29.5)	(26.3)

	Group 2016 £m	Group 2015 restated £m	Group 2014 £m	Group 2013 £m	Group 2012 £m
Benefit obligation at the end of the year	**(1,021.8)**	(1,149.7)	(994.9)	(966.4)	(910.2)
Fair value of plan assets at the end of the year	**1,070.4**	1,098.1	890.3	859.8	800.1
Surplus/(Deficit) in the scheme	**48.6**	(51.6)	(104.6)	(106.6)	(110.1)

Actual return less expected return on scheme assets	**(69.3)**	137.9	(0.3)	32.9	65.6
Percentage of year-end scheme assets	**(6.5%)**	12.6%	(0.0%)	3.8%	8.2%
Experience (losses)/gains arising on scheme liabilities	**(132.3)**	(139.0)	(16.4)	(46.7)	(65.9)
Percentage of year-end scheme liabilities	**(12.9%)**	(12.1%)	(1.6%)	(4.8%)	(7.2%)

Contributions

Under the current schedule of contributions, the Group expects to make contributions towards pension deficits of £16.0m to the UK schemes in the year ended 31st January 2017.

17. Share capital

	Group and Company Issued and fully paid 2016 £m	Group and Company Issued and fully paid 2015 £m
Ordinary shares of £1 each	**59.1**	59.4

On 1st December 2015 the Company repurchased 367,613 ordinary shares at a price of £11.80.
These shares represented 0.62% of the total share capital and the total cost to the Group of the transaction was £4.3m. The repurchased shares were subsequently cancelled.

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. The increase of £0.3m in the year relates to the share buyback in December 2015.

Merger reserve
The merger reserve of £15.1m (2015 – £15.1m) arose from the adoption of merger accounting in the year ended 31st January 1998 in relation to the Group reconstruction which followed the demerger of the Factory Outlet Centres.

19. Reconciliation of Group operating profit items to operating cash flows

	2016 £m	2015 restated £m
Group operating profit	**45.8**	112.7
Depreciation and impairments	**39.8**	37.1
(Increase)/Decrease in stocks	**(73.4)**	21.6
Decrease/(Increase) in debtors	**39.5**	(22.2)
Decrease in creditors	**(17.6)**	(15.9)
(Decrease)/Increase in provisions	**(12.2)**	18.9
Exchange gains on currency bank accounts	**1.9**	(2.4)
Unrealised exchange gains	**(18.6)**	(20.5)
Loss on disposal of tangible fixed assets	**5.2**	2.8
Pension deficit funding	**(16.4)**	(22.5)
Difference between pension charge and cash contributions	**4.7**	1.1
Interest Paid	**(4.4)**	(2.6)
Tax Paid	**(18.4)**	(18.2)
Net cash (outflow)/inflow from operating activities	**(24.1)**	89.9

20. Analysis of net borrowings

	At 1st February 2015 £m	Cash flow £m	Transaction adjustment £m	**At 31st January 2016 £m**
Cash at bank and in hand	66.6	(18.7)	(1.9)	**46.0**
Short term loans and bank overdrafts	(58.0)	(22.9)	3.8	**(77.1)**
	8.6	(41.6)	1.9	**(31.1)**
Bank loans	–	–	–	–
Long-term loans	(75.4)	(76.8)	–	**(152.2)**
	(66.8)	(118.4)	1.9	**(183.3)**

21. Interest-bearing loans and borrowings

Interest bearing loans and borrowings included within creditors are analysed as follows:

	Group 2016 £m	Group 2015 restated £m	**Company 2016 £m**	Company 2015 restated £m
Creditors falling due within one year				
Short term loans and bank overdrafts	**77.1**	58.0	**53.4**	–
	77.1	58.0	**53.4**	–
Creditors falling due more one year				
Revolving Credit Facility	**152.2**	75.4	**152.2**	75.4
	152.2	75.4	**152.2**	75.4

	Currency	Nominal interest rate	Year of maturity	**Group 2016 £m**	Group 2015 £m
Term and debt repayment					
£200m Revolving Credit Facility	GBP	LIBOR plus 0.9–1.7%	2018	**152.2**	75.4
£40m Bilateral	GBP	LIBOR plus 0.6%	2016	**40.0**	–
$50m Revolving Credit Facility	US Dollar	LIBOR plus 1.25-2.0%	2016	**16.6**	23.0
700m JPY Debt Facility	Japan Yen	TIBOR plus 0.5%	2016	**4.1**	2.8
400m JPY Debt Facility	Japan Yen	0.54%	2016	**2.3**	2.3
20m TRY Loan Facility	Turkish Lira	14.95%	2016	**2.8**	3.1
				218.0	106.6

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

The £200m and $50m RCF are subject to cross company guarantees within the group. Further guarantees are provided in relation to the £10m overdraft facility, the multi-currency cash pool and local facilities in Turkey and Poland. These facilities are disclosed within the above financial liabilities.

The group also provide a guarantee on an Indian Rupee facility of 140m INR (GBP: £1.5m) for Clarks Future Footwear Limited, a 50% owned joint venture.

22. Financial Instruments and Risk Management

(a) Carrying amount of financial instruments:

	Group 2016 £m	Group 2015 restated £m
Assets measured at fair value through profit or loss		
Swaps and Options	**0.9**	7.5
Assets measured at fair value through cash flow hedge reserve		
Forward exchange contracts	**34.9**	36.8
Assets measured at amortised cost		
Other debtors	**157.6**	187.9
Liabilities measured at fair value through profit or loss		
Swaps and Options	**(9.4)**	(13.2)
Liabilities measured at fair value through cash flow hedge reserve		
Forward exchange contracts	**(8.1)**	(4.1)
Liabilities measured at amortised cost		
Bank overdraft	**(77.1)**	(58.0)
Long term loans	**(152.2)**	(75.4)
Other creditors	**(196.9)**	(218.9)

During the year £34.6m of gains were recycled from the cash flow hedge reserve to the Income Statement. The change in fair value of financial instruments recognised through the cash flow hedge reserve in the year was a gain of £25.2m.

(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.

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:
Expected cash flows

	1 year or less 2016 £m	1 to <2 years 2016 £m	2 to <5 years 2016 £m	5 years and over 2016 £m	Carrying amount 2016 £m	1 year or less 2015 £m	1 to <2 years 2015 £m	2 to <5 years 2015 £m	5 years and over 2015 £m	Expected cash flows 2015 £m
Forward exchange contracts										
Assets	**364.1**	**46.4**	–	–	**410.5**	396.3	91.3	–	–	487.6
Liabilities	**(115.8)**	**(112.2)**	–	–	**(228.0)**	(16.9)	(2.9)	–	–	(19.8)
	248.3	**(65.8)**	–	–	**182.5**	379.4	88.4	–	–	467.8

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 2016 £m	1 to <2 years 2016 £m	2 to <5 years 2016 £m	5 years and over 2016 £m	Carrying amount 2016 £m	1 year or less 2015 £m	1 to <2 years 2015 £m	2 to <5 years 2015 £m	5 years and over 2015 £m	Expected cash flows 2015 £m
Forward exchange contracts										
Assets	**391.8**	**103.8**	–	–	**495.6**	427.3	128.8	–	–	566.1
Liabilities	**(115.8)**	**(112.2)**	–	–	**(228.0)**	(26.5)	(2.9)	–	–	(29.4)
	276.0	**(8.4)**	–	–	**267.6**	400.8	125.9	–	–	536.7

The Group's treasury management policies are outlined in the Chief Financial Officer's review on pages 37 to 41.

(d) Currency profile and interest rates:

	Gross borrowings 2016 £m	Cash at bank and in hand 2016 £m	Net (cash)/ borrowings 2016 £m	Gross borrowings 2015 £m	Cash at bank and in hand 2015 £m	Net (cash)/ borrowings 2015 £m
Currency						
Sterling	**40.2**	**(64.8)**	**(24.6)**	6.4	(21.0)	(14.6)
US dollar	**27.4**	**10.9**	**38.3**	29.9	(18.0)	11.9
Euro	**–**	**26.7**	**26.7**	4.2	15.7	19.9
Other	**9.5**	**(18.8)**	**(9.3)**	17.5	(43.3)	(25.8)
	77.1	**(46.0)**	**31.1**	58.0	(66.6)	(8.6)
Borrowings for hedging purposes						
Sterling	**59.4**	**–**	**59.4**	75.4	–	75.4
US Dollar	**89.9**	**–**	**89.9**	–	–	–
Japenese Yen	**2.9**	**–**	**2.9**	–	–	–
	152.2	**–**	**152.2**	75.4	–	75.4
	229.3	**(46.0)**	**183.3**	133.4	(66.6)	66.8

22. Financial instruments and risk management continued

The Group's cash deposits comprise deposits placed on money markets at call and overnight rates. The Group's entire net borrowing facilities amounting to £297.7m (2015 – £254.9m) are available at floating rates. These include the Revolving Credit Facility of £200.0m (2015 – £200.0m) and overdraft or other borrowing facilities in the UK and overseas totalling £97.7m (2015 – £54.9m). 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 and Japan are based on local rates.

Included in sterling borrowings for hedging purposes is £51.4m (2015 – £51.4m) borrowed at floating rates, which by the use of a cross-currency interest rate swap has created a synthetic US dollar fixed interest liability of $80.0m (2015 – $80.0m). The sterling asset and US dollar liability created by this swap have been disclosed net in both Group and Company accounts due to a legal right of set off.

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

	2016 £m	2015 £m
In one year or less or on demand	**77.1**	58.0
In more than one year but not more than two years	**–**	–
In more than two years but not more than five years	**152.2**	75.4
	229.3	133.4

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

	2016 £m	2015 £m
Expiring in one year	**31.7**	16.5
In more than two years but not more than five years	**47.8**	124.6
	79.5	141.1

23. Financial commitment

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

	2016 £m	2015 £m
Contracted but not provided for	**10.1**	19.7

Commitments of the Group in respect of operating leases are:

	Land and buildings 2016 £m	Land and buildings 2015 restated £m	Plant and equipment 2016 £m	Plant and equipment 2015 restated £m
Expiring within one year	**97.9**	96.0	**1.5**	1.4
Expiring between two and five years	**272.4**	301.2	**2.4**	1.8
Expiring after five years	**193.2**	197.6	**–**	–
	563.5	594.8	**3.9**	3.2

24. Related party transactions

Control

The Group holding company is C&J Clark Limited. As indicated in the Directors' report on pages 65 to 66, family members hold 85.0% of the Company's ordinary shares.

Transactions with directors and officers

There were no transactions with directors and officers during the year other than those disclosed within note 2(e) and the Remuneration report.

Transactions with senior management

During the year salaries and social security costs of £7.2m were paid relating to senior management (2015 – £4.3m). Senior management have been defined as the Executive Management Team.

Transactions with subsidiaries and joint venture

The Group has taken advantange 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. Transactions between the Group and its joint venture are disclosed below:

	Sales to related parties 2016 £m	Sales to related parties 2015 £m	Amounts owed by related parties 2016 £m	Amounts owed by related parties 2015 £m	Injection of equity funding 2016 £m	Injection of equity funding 2015 £m
Joint Venture	**5.1**	4.8	**2.6**	2.6	**–**	0.6

Sales to related parties consist of footwear. No provision is held against the receivable in either year.

25. Transition to FRS 102

The Group and Company transitioned to FRS 102 from UK GAAP at 1st February 2014. These are the Group's and Company's first full year financial statements prepared in accordance with FRS 102. The accounting policies set out on pages 77 to 80. have been applied in preparing the financial statements for the year ended 31st January 2016 and the comparative year ended 31st January 2015.

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

Reconciliation of Equity Shareholders funds at 1st February 2014.

	Group £m	Company £m
Equity Shareholders funds at 1st February 2014 under previous UK GAAP	505.8	152.5
Onerous lease provision	(21.7)	–
Store impairment	(3.4)	–
Derivatives	(10.9)	1.0
Deferred tax	(4.7)	–
Foreign exchange adjustment	(1.1)	–
Equity Shareholders funds at 1st February 2014 under FRS 102	**464.0**	**153.5**

Reconciliation of Equity Shareholders funds at 31st January 2015.

	Group £m	Company £m
Equity Shareholders funds at 31 January 2015 under previous UK GAAP	614.5	167.5
1st February 2014 opening adjustments	(41.7)	1.0
Onerous lease provision	(5.5)	–
Store impairment	(3.7)	–
Derivatives	30.7	(3.6)
Foreign exchange adjustment	(4.6)	–
Pension	0.3	–
Lease incentives	(0.4)	–
Equity Shareholders funds at 31st January 2015 under FRS 102	**589.6**	**164.9**

The following were changes in accounting policies arising from the transition to FRS 102:

Onerous lease provision and store impairment

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

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

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

25. Transition to FRS 102 continued

Derivatives

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

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

- If the instrument meets the requirements for hedge accounting the movement will be recorded within Other Comprehensive Income and subsequently recycled to the Income Statement when the underlying transaction is recorded.

- If the financial instrument is deemed not to meet the requirement for hedge accounting the fair value movement will be immediately recognised in the Income Statement within net finance income/costs on the related monetary assets and liabilities.

Foreign exchange adjustment

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

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

Pension

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

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

Lease incentives

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

Deferred tax

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

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

25. Transition to FRS 102 continued
Reconciliation of Profit after tax at 31st January 2015

		£m
Profit after tax at 31st January 2015 under previous UK GAAP		94.7
Onerous lease provision		(5.5)
Store impairment		(3.7)
Derivatives	Hedge accounted	5.8
	Non hedge accounted	(5.3)
Foreign exchange adjustment		(4.6)
Pension		(1.0)
Lease incentives		(0.4)
Profit after tax at 31 January 2015 under FRS 102		**80.0**

Transitional Relief

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

Business Combinations

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

Investments in Subsidiaries

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

Lease Incentives

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

C&J Clark Limited and Subsidiaries

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

	Country of Incorporation	Ordinary Shares	%
Subsidiaries			
C&J Clark (No 1) Limited	UK	£ each	100
C&J Clark (Holdings) Limited	UK	£ each	100
C&J Clark International Limited	UK	£ each	100
C&J Clark Overseas Limited	UK	£ each	100
C&J Clark Trustee Limited	UK	£ each	100
C&J Clark (Street) Limited	UK	£ each	100
Clarks Americas Inc	USA	US$ each	100
Clarks Shoes Vertriebs GmbH	Germany	€ each	100
C&J Clark Hong Kong Limited	Hong Kong	HKD each	100
Clarks India Services Private Limited	India	INR each	100
Clarks America Canada Retail Limited	Canada	CAD each	100
C&J Clark Latin America Inc	USA	US$ each	100
Clarks Dongguan Footwear Services Company Limited	China	¥ each	100
C&J Clark Pension Fund Trustees Limited	UK	£ each	100
Hallco 367 Limited	UK	£ each	100
C&J Clark America, Inc.	USA	US$ each	100
C.J.C Financial Company	USA	US$ each	100
C&J Clark Retail Inc	USA	US$ each	100
C&J Clark Manufacturing Inc	USA	US$ each	100
C&J Clark Canada Limited	Canada	CAD each	100
Bostonian Shoe Company of New York	USA	US$ each	100
Clarks of England, Inc	USA	US$ each	100
Clarks Shoes Benelux BV	Holland	€ each	100
Clarks Shoes Handelsgesellschaft m.b.H	Austria	€ each	100
C&J Clark China Trading Company Limited	China	¥ each	100
C&J Clark Ticaret ve Pazarlama A.S	Turkey	TRL each	100
Clarks Shoes Australia PTY	Australia	AUD each	100
Clarks Shoes PTY Limited	Australia	AUD each	100
Clarks Shoes Australia Superannuation PTY Limited	Australia	AUD each	100
Clarks Shoes Limited	New Zealand	NZD each	100
C&J Clark (S) Pte Limited	Singapore	SGD each	100
C&J Clark Polska Sp.z.o.o	Poland	PLN each	100
C&J Clark (M) Sdn Bhd	Malaysia	MYR each	100
Clarks Shoes Iberia S.A	Spain	€ each	100
Clarks Ireland Sales Limited	Ireland	€ each	100
Atlas Shoes Limited	Cyprus	CYP each	100

C&J Clark Limited and Subsidiaries continued

Subsidiaries	Country of Incorporation	Ordinary Shares	%
Clarks Japan Company Limited	Japan	¥ each	100
Clarks Properties Limited	UK	£ each	100
C&J Clark Retail Properties Limited	UK	£ each	100
Clarks Retail Properties Limited	UK	£ each	100
C&J Clark Pension Funds (Trustee) Limited	UK	£ each	100
K Shoes Contributory Pension Scheme (Trustee) Limited	UK	£ each	100
K Shoes Limited	UK	£ each	100
Street Estates Limited	UK	£ each	100
C&J Clark Investment Properties Limited	UK	£ each	100
C&J Clark Main Pension Fund (Trustee) Limited	UK	£ each	100
C&J Clark Senior Exec Pension Scheme (Trustees) Limited	UK	£ each	100
Clarks Limited	UK	£ each	100
Warners Limited	Isle of Man	£ each	100

Joint Venture	Country of Incorporation	Ordinary Shares	%
Clarks Future Footwear Limited	India	RUP each	50

Group Financial Record

	Notes	2016 £m	2015 restated £m	2014 £m	2013 £m	2012 £m
Group trading results for the year ended 31st January						
Total Group turnover		1,533.6	1,494.4	1,541.0	1,460.6	1,398.1
Turnover	1	1,540.0	1,499.8	1,546.6	1,463.9	1,399.7
Profit before interest and Joint Venture		45.8	112.7	128.4	122.3	116.0
Profit before interest		45.2	112.1	127.8	121.6	115.5
Net interest		(10.2)	(13.3)	(8.0)	(8.0)	(9.4)
Profit before tax		35.0	98.8	119.8	113.6	106.1
Profit after tax		36.0	80.0	88.7	81.9	77.5
Adjusted profit after tax		38.6	85.3	–	–	–
Group financial position at 31st January						
Capital employed		762.7	674.2	665.6	602.9	518.2
Net borrowings/(cash)		(183.3)	(66.8)	(59.7)	(39.3)	9.5
Equity shareholders' funds		648.9	589.6	505.8	471.2	424.2
Ratios						
Return on sales	2	3.0%	7.5%	8.3%	8.4%	8.3%
Return on capital employed	3	5.9%	16.6%	19.3%	20.3%	22.3%
Net assets per ordinary share	4	10.99	9.93	8.51	7.93	7.14
Net borrowings/equity		28.2%	11.3%	11.8%	8.3%	2.2%
Basic earnings per ordinary share	5	60.7p	134.6p	149.3p	137.8p	130.5p
Adjusted earnings per share	9	65.0p	143.5p	–	–	–
Dividends declared during the year excluding special dividend		32.5p	46.5p	44.0p	40.0p	37.5p
Dividends paid during the year per ordinary share excluding special dividend	6	46.5p	44.5p	41.0p	37.5p	36.5p
Dividends paid during the year per ordinary share	6	71.5p	44.5p	41.0p	37.5p	36.5p
Dividend cover on a declared basis excluding special dividend	7	1.9	2.9	3.4	3.4	3.5
Adjusted dividend cover on a declared basis	7	2.0	3.1	–	–	–
Dividend cover on a paid basis excluding special dividend	7	1.3	3.0	3.6	3.7	36.5
Adjusted dividend cover on paid basis	9	1.4	3.1	–	–	–
Interest cover	8	4.4	8.4	16.0	15.2	12.3

The comparatives before 31st December 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 and joint venture 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 7 in the notes to the financial statements.
6. Dividends paid during the year per ordinary share reflect the actual payments made during the year rather than the dividend declared in respect of the year.
7. Dividend cover is profit after tax divided by dividends declared/paid.
8. Interest cover is the profit before interest divided by net interest.
9. The items described as adjusted have all been stated after excluding the impact of FRS 102 fair value adjustments to financial instruments (including the tax impact) to eliminate potential volatility and are considered more comparable on a year on year basis

Facts at your Fingertips

	UK	America	Europe	Asia Pacific	Group
2016					
Turnover (£ millions)	655	568	143	168	1,534
Employees (number at year-end)*	9,700	3,741	240	558	14,239
Pairs sold (millions)	20.4	20.3	4.5	5.1	50.3
Stores					
Clarks	343	208	7	64	622
Consessions	48	–	–	35	83
Factory shopping outlets	44	126	17	35	222
Bostonian	–	4	–	–	4
Total owned stores	435	338	24	134	931
Franchise stores	114	–	–	–	114
International Clarks stores**	–	33	154	326	513
Total owned and partner stores	549	371	178	460	1,558

	UK	America	Europe	Asia Pacific	Group
2015					
Turnover (£ millions)	637	559	160	136	1,492
Employees (number at year-end)*	10,734	3,818	242	586	15,380
Pairs sold (millions)	20.1	21.9	4.9	4.5	51.4
Stores					
Clarks	353	209	7	54	623
Consessions	49	–	–	29	78
Factory shopping outlets	42	117	15	35	209
Bostonian	–	5	–	–	5
Total owned stores	444	331	22	118	915
Franchise stores	111	–	–	–	111
International Clarks stores**	–	32	168	235	435
Total owned and partner stores	555	363	190	353	1,461

* Including part time employees
** Monobranded patnership stores using the 'global' shopfit format

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