C&J CLARK LIMITED

Annual Report & Financial Statements for the year ended 31st January 2012

During a year in which the world has experienced significant economic and political turbulence, Clarks has continued to make good progress.

Profits have risen to £115 million, reflecting the strength and balance of our geographic spread, the power of our brand and the commitment of our people.

Across the world, our fourteen thousand employees have worked tirelessly to launch new products, new marketing campaigns, new channels and new markets, whilst also committing themselves to significant investment projects for our future

This report reviews our activities during the year, and the results which the Clarks team has delivered

annual report and financial statements

RESULTS AT A GLANCE

	2012	2011
Total Group turnover	**£1,398.1m**	£1,281 3m
Operating profit*	**£115.8m**	£110 9m
Basic earning per ordinary share**	**130.5p**	129 6p
Dividends per ordinary share – interim 31st January 2012	**10.0p**	10 0p
– final 31st January 2012 (payable April 2012)	**27.5p**	26 5p
Net (borrowings)/cash	**(£9 5m)**	£18 6m
Return on capital employed*	**22.3%**	25 2%

* *Before exceptional items*
** *After exceptional items*

Basic earnings per ordinary share after exceptional items (pence)

2008	84 7
2009	102 6
2010	101 6
2011	129 6
2012	**130.5**

Group turnover from continuing operations (£m)

2008	1,035 6
2009	1,122 0
2010	1,173 5
2011	1,281 3
2012	**1,398 1**

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

Pre-tax profits after exceptional items (£m)

2008	75 1
2009	86 8
2010	85 1
2011	108 7
2012	**106.1**

Return on capital employed before exceptional items (%)

2008	23 7
2009	21 0
2010	27 6
2011	25 2
2012	**22.3**

Group turnover from continuing operations by trading division (%)

Clarks International	62 5
Clarks Companies North America	37 5
Group footwear items	0 0

Total footwear profits (%)

Clarks International	61 4
Clarks Companies North America	41 5
Group footwear items	(2 9)

SUMMARY OF TRADING RESULTS

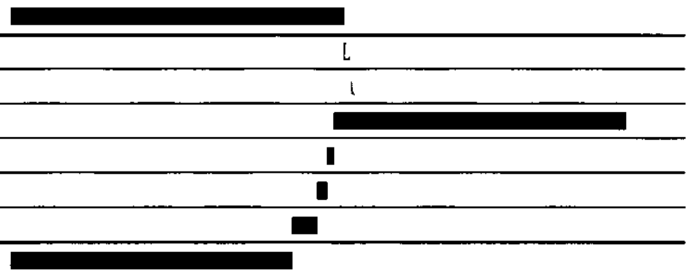
Summary of trading results for the year ended 31st January 2012

	Turnover 2012 £m	Turnover 2011 £m	Operating profit before exceptional items 2012 £m	Operating profit before exceptional items 2011 £m	Capital employed 2012 £m	Capital employed 2011 £m
Clarks International	**873.6**	806 0	**77.7**	93 0	**329.5**	297 1
Clarks Companies North America	**524.5**	475 3	**52.5**	54 9	**188.7**	142 2
Group footwear items	–	–	**(3 7)**	(18 6)	–	–
Total footwear	**1,398.1**	1,281 3	**126.5**	129 3	**518.2**	439 3
Non-footwear items	–	–	**(10.7)**	(18 4)	–	–
Group Turnover	**1,398.1**	1,281 3	**115.8**	110 9	**518.2**	439 3

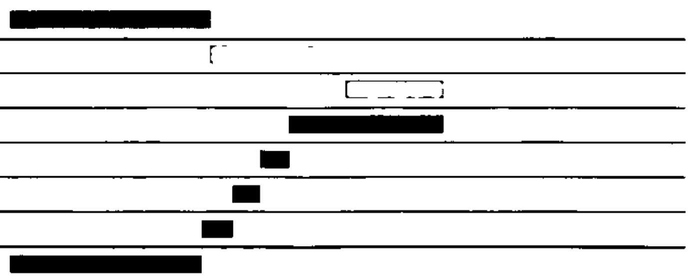
Non footwear items comprise long-term incentive scheme charges of £6 3m (2011 – £16 5m), holding company activity and central pension costs

Key profits drivers of divisional trading results

	Clarks International £m
January 2011 divisional profit	**93.0**
Increase in pairage volume sold	1 7
Increase in average selling price	74 4
Increase in other product costs	(79 5)
Increase in retail overheads	(1 9)
Increase in brand marketing investment	(3 0)
Increase in other overheads	(7 0)
January 2012 divisional profit	**77.7**



	Clarks Companies North America £m
January 2011 divisional profit	**54.9**
Increase in pairage volume sold	38 1
Increase in average selling price	26 3
Increase in other product costs	(42 6)
Increase in retail overheads	(8 2)
Increase in brand marketing investment	(7 5)
Increase in other overheads	(8 5)
January 2012 divisional profit	**52.5**



Profit   Positive variances   Negative variances   0 0   20 0   40 0   60 0   80 0   100 0   120 0   140 0   160 0   180 0
Profit £m

review of activities

CHAIRMAN'S STATEMENT

The Company continues to make strong progress in its transformation to a truly global business with the goal of making Clarks the leading everyday global footwear brand. The growth in turnover over the past five years of 35%, in pre-tax profits of over 40% and in earnings per share of over 50% underline the inherent strength in your business and fully validate the confidence the Board have in implementing the strategy

I am pleased to report that the year ended January 2012 has been another strong year for the Company Total sales grew 9 1% to £1 4bn whilst operating profits before exceptional charges rose by 4 4% to a new record level of £115 8m

Exceptional profits from property disposals were £0 2m compared to £5 1m last year and this together with a small increase in interest costs resulted in pre-tax profits of £106 1m compared to £108 7m in the previous year

Earnings per share ended the year at 130 5 pence per share, an increase of 0 7%

Our balance sheet and cash flow remain strong with year end net debt of £9 5m and gearing of 2 2% In the Chief Executive's report Melissa discusses the cost pressures that have led to a 20% increase in product costs and this together with a 5 9% increase in pairs sold has led to a 17 9% increase in capital employed The Company is undertaking significant investments in a new distribution centre and new systems platform in North America These investments are critical to our long-term strategy and will be funded within our current facilities and cash flow but in the short-term shareholders should expect to see an increase in year end debt and gearing

Although trading conditions were challenging in 2011 and we remain cautious on the outlook for 2012, your Company has continued to demonstrate its long-term confidence with significant investment for the future Global marketing spend has increased, we continue to invest in our global organisation and logistics capability and in new stores and modernisations

There were no changes to the Board of Directors during the year but I am delighted to announce that Stella David joined the Board on 1st March 2012 as a Non-Executive Director Stella is CEO of William Grant and Sons, one of the largest distillers in Scotland, a £1 0bn business marketing global brands throughout the world Prior to joining the family owned William Grant, Stella built her career at Bacardi Ltd, another family owned business where, amongst other roles she was Global Chief Marketing Officer

Stella brings proven experience in building and marketing brands in an international environment and we look forward to welcoming her to the Board

In 2009 the Board, with agreement of the Family Shareholder Council, approved a three year cycle of share buy backs Buy backs were carried out in 2009 and 2010 Last year the number of purchasers exceeded the number of sellers at each share market and there was no buy back Approval for a share buy back programme will be sought at the appropriate Annual General Meeting

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

In May 2011, 223,501 shares were offered for sale at £7 90, all 223,501 shares were sold

In October 2011, 68,091 shares were offered for sale at £7 90, all 68,091 shares were sold

On 30th June 2011 88,248 shares were appropriated for participants in the C&J Clark Limited All Employee Share Incentive Plan

The final dividend due for payment in April 2012 has been set by the Board at 27 5 pence per share Together with the interim payment of 10 0 pence per share, this will make a combined annual dividend of 37 5 pence per share This represents a 2 7% increase on last year At this level, the dividend is covered 3 5 times

PETER DAVIES
Chairman

23rd March 2012

CHIEF EXECUTIVE'S REPORT

North America has emerged with increasing confidence from the recession and our fledgling operations in Asia, India and the Middle East all prospered in a climate of business growth.

OVERVIEW

In my previous reports to shareholders I have indicated that a toxic mixture of adverse global economic conditions and high inflation in imported product costs from the Far East had the potential to seriously impede the Group's progress In truth our experience of trading conditions in our key markets has been mixed Whilst the UK has remained extremely challenging throughout and European markets became ever more clearly influenced by the wider concerns over the sovereign debt crisis as the year progressed, North America has emerged with increasing confidence from the recession and our fledgling operations in Asia, India and the Middle East all prospered in a climate of business growth The extent and impact of product cost inflation was broadly in line with our expectations Driven by sharply higher labour and material costs from our Chinese and Vietnamese sources together with the trend of increased Dollar strength against the Pound, like-for-like costs rose by around 23% in Clarks International and by 15% in Clarks Companies North America Even allowing for the mitigating impact of Anti Dumping Duties being discontinued in March 2011, the full year increase in product costs arising from such factors was in excess of £100 million Our key focus has therefore been on sustaining the momentum of the Group's growth in both sales and profitability in the face of an uncertain economic climate and on absorbing the unprecedented surge in cost inflation without suffering long-term damage to volumes or margins

I am delighted to report that our efforts met with a good measure of success Group turnover rose by 9 1% in the year to £1 4bn, exactly in line with the sales growth posted in 2010/11 It is worth highlighting again the extent to which this growth is being driven by the increasingly global footprint of our business Turnover in our "home" market of the UK and Republic of Ireland increased by a respectable 3 3% In comparison our sales in international markets outside North America rose by 19 6% with more than a million added pairs sold In North America we achieved turnover growth of 11 5%, an incremental step worth more than $100m, with the volume increased by 1 5m pairs to reach a remarkable new record of 20m pairs in that market for the first time This means that turnover outside the UK and Republic of Ireland now accounts for 57 0% of the Group total, confirming a trend I can only see accelerating in the future as we pursue our global growth strategy

Operating profits increased by 4 4% to £115 8m, another new record for the Group and one which builds solidly on the exceptionally strong result reported last year Despite the margin pressures and challenging market conditions, particularly in the UK and Europe, we chose to take a longer term strategic view of the importance of maintaining a high level of investment in our business in order to raise brand awareness, develop our network of distribution in key markets around the world and to build global infrastructure and capability One striking example of this strategic intent is that we increased our global marketing expenditure in the year by £10 2m or 19 7% to £61 9m, including our first direct-to-consumer marketing campaign in North America We also invested £4 7m in the first phase of our globalisation programme, "Clarks GLOBAL", aimed at developing a new regional business structure supported by more consistent functional operations and processes We continued to invest a great deal of time, resource and financial capital in building our systems and logistics capabilities in North America, projects which are described in more detail later in this report Whilst higher revenue investment in areas such as these moderated profits growth, we were helped by reduced costs in other areas Exchange variances, which in the previous year featured an exchange loss of £12 3m resulting from foreign exchange contracts denominated in Dollars and Euros, were insignificant in the current year The cost of long-term incentives for Executives and senior managers also reduced significantly as a result of lower earnings growth, the net charge falling from £16 5m in 2010/11 to £6 3m

As planned there was minimal property disposal activity during the year resulting in exceptional profits of only £0 2m, compared with a £5 1m gain recognised last year on the disposal of a residential portfolio in Street and the final tranche of development land on the Houndwood site In addition, financing costs increased with the external interest charge of £2 2m (2010/11 – £1 0m) reflecting a higher trend in average borrowings during the year The imputed cost of financing the Group's pension liabilities also rose from £6 6m to £7 5m, mainly due to adverse movements in the bond yields used to value those liabilities This combination of divergent factors left profits before tax trailing 2 4% below last year at £106 1m The Group's effective rate of corporation tax benefited from the previously announced reduction in the UK rate, falling to 26 3% (2010/11 – 28 0%) despite the impact of increased overseas profits taxable at higher rates The resultant post-tax profits ended marginally above the prior year at £77 5m, whilst earnings per share were 0 9 pence (0 7%) higher at 130 5 pence per share Given the predominantly hostile economic climate facing us this year, together with the risks posed to our business by product cost inflation and the imperative of preserving our high investment in future global growth, I am more than satisfied at being able to present this picture of continued strong returns to shareholders I believe these results continue to validate our strategy as the right one for the business and that we remain firmly on track to deliver

I commented in my half-year report on the increased working capital requirement created by higher product unit costs feeding through into higher stock values and by the volume growth in our global business To some extent that working capital growth has moderated in the second half as we took vigorous action to liquidate our seasonal stock positions ahead of the Spring/Summer 2012 season in both retail and wholesale distribution channels Working capital ended the year 15 9% ahead of 2010/11 levels, including a growth of 9 1% in the value of stock Fixed assets also increased strongly as capital expenditure rose to £60 8m, 45 8% higher than in the previous year The principal elements of the capital programme were, as planned, our investment in SAP technology in North America which accounted for £13 1m of spend and the Hanover distribution centre representing a further £15 8m We also stepped up by 25 3% our investment in new stores and refitting existing stores on both sides of the Atlantic, encouraged by the strong commercial returns we are experiencing so far from rolling out our new C7 design format on a global scale All other key components of our cash flow were consistent with our expectations, including a continuation of the deficit contributions agreed with the board of pension trustees as required to manage our long-term defined benefit pension scheme risks in the UK and North America Contributions in the year totalled £16 2m in the UK (2010/11 – £29 5m) and $6 3m in the US (2010/11 – $8 0m), helping to produce a reduced year end deficit of £79 3m (£88 2m)

The strength of our cash flow and balance sheet remains of fundamental importance to our future prospects Although the year end balance sheet reflects a growth of some 15 9% in operating capital, the underlying causes clearly point to the twin impact of higher product costs and our capital investment programme Net borrowings ended the year at £9 5m, a reversal of last year's net cash positive position of £18 6m but still an extremely healthy state of affairs especially when considered in the light of the increased investment activities already undertaken Implied gearing stands at a very modest 2 2% As explained in my last report, we do anticipate that it will be necessary to run the Group with moderately increased levels of debt over the next two to three years in order to complete the planned programme of infrastructure investment and to support the growth in trading operations To facilitate this, our Finance Director Robin Beacham has recently completed a refinancing of the Group's borrowing facilities covering the period until March 2016 We will carefully regulate the pace and scale of our investment programme to realise the Group's growth potential whilst managing the attendant financial risks in a conservative way

In the following sections I have summarised, at a high level, some of the major factors influencing the performance of Clarks International and Clarks Companies North America during the year

CLARKS INTERNATIONAL

After several years of consistent growth, the profitability of Clarks International as a whole fell short of expectations Consolidated turnover rose by 8 4% to £873 6m but divisional operating profits were badly hit by elevated product costs amounting to over £70m in the year Profits therefore fell by 16 5% to £77 7m

There were sharp contrasts in trading performance according to geography and channel In both the UK and Republic of Ireland (ROI), the prevailing mood of consumer pessimism intensified as did the competitive pressures facing the retail sector in particular In many respects our retail store estate continued to perform creditably in spite of this challenging environment Like-for-like sales performance averaged +4 4% overall, comfortably ahead of the BRC retail sector index of +1 4% Operational standards in stores and cost control remained strong, Back-to-School again set new sales records and there were several weeks of excellent stock clearance and cash margin generation during sale periods However, what we were consistently unable to achieve was a sufficiently large full-price mix, especially in the women's product category Higher than planned volumes of promotional and sale product combined with initial margins already reduced by higher product costs resulted in a marked dilution in the quality of our achieved margins Although sales performance held up well, average gross margins therefore weakened by 6% and aggregate cash margin fell back by 6 6% on the previous year Similar trends also emerged in our Factory Shopping channel, where comparative sales increased by 4 3% and average selling prices remained strong but gross margins fell by 1 9% so that cash margin failed to match the previous year

CHIEF EXECUTIVE'S REPORT
continued

The manifest highlight in our UK performance proved to be the continued robust progress of our multi-channel retailing (MCR) channel Launched in 2009, the combined home delivery and collect-from-store business had grown by the end of the year to £45 9m in turnover and £14 1m in operating profits Unit sales in the year rose by 39 3% to 1 5m pairs, with sales jumping by 42 7%, we did however encounter common challenges with product costs and margin mix together with a planned rise in operating costs associated with fulfilment and marketing, yielding a rather diluted profit improvement of 3 9% on 2010/11 This year also saw the launch of a new online trading capability in parts of Europe, focused initially on German and French language sites with order fulfilment from our Westway distribution centre Although trading volumes have not quite met our expectations, cash margins in the first year have exceeded £2m and there have been many valuable lessons on which to build for the future

The severe economic problems besetting the UK and ROI also left their mark on our wholesale results in these markets Although despatch volumes fell by 5 2%, a positive trend in average price and mix enabled us to hold our turnover base level with 2010/11 at £53 4m Product cost increases of more than £3m could not however be recouped, leaving cash achieved margin 14 2% lower I have been encouraged by the resilience and pragmatism displayed by our UK and ROI wholesale team over several seasons in the face of trying economic conditions We will continue to focus on working with our wholesale partners to maximise the Clarks business and to rebuild the margin performance we have achieved prior to this year

In contrast to the harsh climate we encountered in the UK and ROI, our international wholesale, franchise and online business experienced a record year of growth Aggregate despatches grew by 14 7% to 8 1m pairs, whilst net turnover rose by 26 4% to £263 1m boosted by a £3 per pair improvement in average selling prices Even this buoyant volume growth was undermined to some degree by increased product costs, leaving average gross margins of 48 0% some 4 4% lower than those achieved in the previous year Despite lower rates of margin the overall cash profits from this business advanced strongly to £120 3m, 16 8% better than 2010/11 We continued to invest further in key markets to build infrastructure, increase brand awareness and widen our distribution base This includes the set-up costs associated with the launch of our Indian joint venture business, which attracted revenue investment of £2 3m in the year Territory-based expenditure therefore rose by £7 0m or 18 0% although this increase was still outstripped by the pace of our trading growth Controllable profits from all international operations improved by 16 0% to £74 2m, representing the prime source of profits growth in the Clarks International business I would like to extend my thanks and congratulations to the entire international team who have delivered, under Ken Dobinson's leadership, this substantial achievement

The international division embraces markets with wide geographic, cultural and seasonal diversity, different operating models and varying stages of maturity As might be expected there are also differing rates of growth, but impressively all the main regional groupings showed positive top-line growth in the year and all, with the sole exception of Europe, generated improvements in controllable profits The China region including Hong Kong and Korea again posted encouraging volume gains, with pairs up by 26 6% and regional profits advancing by more than 70% on the strength of high average prices and good margins Our widely spread distributor markets in the Middle East, South America, South East Asia and Australasia were also buoyant, matching the volume growth of China and delivering a 59 4% uplift in profits Despite the impact of last year's tsunami, our business in Japan achieved growth in sales volume of 21 7% whilst profits surged by 67 1% helped by a favourable trend in exchange translation on the Yen In India our focus this year was on establishing our newly launched joint venture company, establishing a brand presence and new distribution whilst forming the team infrastructure and operations capability necessary to grow the business for the future During the year we have opened 15 stores and 28 shop-in-shop locations in India, together with more than 30 wholesale distribution points In our launch year we achieved net turnover of £3 1m whilst operating losses of £1 3m were slightly favourable to plan We anticipate that 2012/13 will bring further strong growth in scale for our Indian operations but that it will take at least two more years to reach break-even

The growing uncertainty created in both global financial markets and real local conditions by the sovereign debt crisis in the Eurozone has been exhaustively covered in the media From the perspective of European order volumes, our business exhibited a pleasing resilience with despatches ahead of last year by 5 5% and turnover improving by 9 8% There was continued solid progress in the mature markets of Northern Europe together with strong volume growth of 27 3% in the developing Central and Eastern European region However there were increasing signs of deteriorating macro economic conditions beginning to impact on consumer demand and retailer confidence in some markets, most notably in Southern Europe A particular focus for some of these challenges was Spain, a strategically important market for us with a high concentration of franchise stores Despatches fell by 10 2% and turnover by 6 7% in the Spanish market, prompting us to defer some of our planned investment in brand and business development until local conditions improve Despite the positive trend in trading volumes the profitability of our European operations reduced slightly in the year, by 4 7% overall, resulting primarily from the combined impact of higher product costs and worsening conditions in the South Protecting our European business from the potential impact of economic disruption and weak demand will certainly form one of our key strategic priorities in 2012/13

NORTH AMERICA

This has been a year of enormous change for our North American business Jim Salzano has begun to bring to bear our vision for the Company's future strategic direction and priorities following his appointment in the summer of 2011 We have made further major strides forward in the project to implement SAP as our main technology platform, and begun the build phase of the new distribution centre in Hanover, Pennsylvania We have started to work more closely together across regional and functional boundaries in areas such as product, marketing, supply chain and group services, sharing best practice and moving towards more commonality in business processes It is greatly to the credit of the North American team that they have supported all of this activity without losing focus on running the business day to day and without sacrificing any potential growth The year was marked by achievement of several new records, including the first time we have reached 20m pairs on the strength of 8 1% volume growth, a new record for turnover of $839 0m (+14 1% on last year), and a divisional operating profit of $84 1m which, although not quite a record fell only 1 1% short of the outstanding 2010/11 result but after having invested an extra cost of $7m in our first ever national media campaign and after absorbing some $60m in product cost inflation

Wholesale demand for our products remained fairly robust, sales of $486 0m climbing 12 6% on the previous year Wholesale divisional profits declined by 17 2% to $60 3m The result for Canada especially stands out, with annual sales of $83 6m representing growth of 23 0% The "Direct to Consumer" segment of our North American wholesale business was the strongest growth area in the year, with sales up 32% overall and featuring QVC in particular The independent account segment also fared well, growing by 15% on 2010/11 levels Department stores remain the dominant customer type from an overall volume perspective and continued to expand at a moderate rate of 8%, driven by women's We also grew our average price per pair by 5 6% and sought to reduce our reliance on off-price channels of distribution in order to focus on a higher value mix of product at higher price points and with richer margins This strategy succeeded to an extent but was hampered by lower initial margins in the Spring and by the need for greater than planned markdowns and sales allowances to drive inventory clearance We aim to concentrate in the coming year on further improving the quality of our product and distribution mix in order to sustain higher average prices and margins and to combat an expected further rise in our product costs

Our retail trading performance continued to impress throughout the year Comparative sales increased by 6 7% on top of the 9 9% growth posted in 2010/11, comparing highly favourably to the FDRA retail sector index of + 3 6%, and with outlet stores especially strong at +10 9% The pace of our store expansion programme picked up as we opened 22 new stores in the year and closed 11, and were particularly encouraged by the initial results from our first C7 store investments which delivered higher than expected trading outcomes and offered significant savings in fit-out costs Retail sales excluding online reached $337 1m, 13 5% ahead of last year Average gross margins reduced by 0 9% as a result of lower initial margins and a moderate rise in promotional activity, but tight control of store expenditure and field management costs helped drive divisional trading profit up to $25 6m, a 39 1% improvement on 2010/11 I am delighted to report that following several years of new investment, the retail estate has evolved a more mature operating model which is capable of delivering consistent improvement in profitability as well as offering a significant opportunity for volume growth

As I highlighted in my September report, one of the most exciting developments during the year was the launch of our new multi-channel (MCR) sales model In its first year of operations MCR achieved sales of $11 1m, almost three times the anticipated level, and generated a trading profit of $3 7m or 33 4% of sales We attracted some 7 million visitors to the website during the year with an average conversion of 1 7%, whilst key operational metrics such as our rate of returns were favourable at 19% We will seek to capitalise on this successful launch in the coming year through a continued focus on optimising the site and online service, further investment in online marketing and paid search, and by exploring new ways of engaging with consumers via mobile, tablets and in-store kiosks

Progress has been excellent with our two main infrastructure projects, the implementation of SAP in North America and the construction of our new distribution centre These activities, together with the related globalisation programme, have of course absorbed a substantial amount of time and people resources The SAP project in particular has also been accompanied by demanding time constraints, but I am pleased to confirm that our dedicated project team achieved the key milestone of completing the "blueprint" phase in December and that the build phase for our solution was proceeding to plan at the time of writing We remain presently on track for an October 2012 go-live, creating the basis for a single technical platform and common business processes on which to build our future global operations The Hanover distribution facility is now under construction, with building work scheduled for completion this summer The mechanical handling systems solution is at an advanced stage of planning with installation expected to be completed in the Spring of 2013 Testing and live cutover of product will follow in the Fall 2013 season The development of these major projects will require a massive collective effort in change management and effective solution delivery over the next two years or so We will need to bring to bear all our in-house experience as well as external expertise to make this work a success I do not underestimate the attendant risks of over-extending our resources and capabilities, nor the potential disruption to business-as-usual activities during the critical transition periods

CHIEF EXECUTIVE'S REPORT
continued

STRATEGY AND BUSINESS DEVELOPMENT

Our vision for the Group is to make Clarks the leading everyday global footwear brand The business strategy underpinning that vision has not changed in its fundamentals from that I have previously described From a regional perspective our main objectives must be to strengthen our current dominant position in the UK and ROI markets, building on our existing market share, to achieve much faster growth in key international markets where the presence of our brand is less well developed, and to build further on our current position of strength in North America, leveraging the global power of the brand and our channel expertise to drive new growth opportunities Over the next five years my aspiration is to see the Group expand its volume base, its turnover and its profitability in line with its current strong growth trajectory

The challenging conditions encountered in the UK and ROI have prompted us to undertake a more comprehensive review of our strategic plans for that market during the year Whilst we did not conclude in favour of embarking on fundamental changes, we believe it will be necessary to continue the current programme of exiting unprofitable store locations as lease conditions permit in order to manage our exposure to fixed retail capacity This will be a gradual and long-term process which will still leave us with a substantial investment in retail distribution in our home market At the same time, we have identified a number of opportunities to improve the efficiency of our store operations as well as the service we offer to consumers by investing in both in-store technology and in overhauling some aspects of our service model Another key aspect of our UK strategy is to drive faster growth with our very successful multi-channel selling model, developing new ways of engaging with consumers via digital technologies and expanding our offer to include an online children's business Our overall approach to the UK and ROI, our most mature markets where the absolute growth potential is most limited, will be to protect our dominant brand position and evolve a channel mix which is both sustainable and profitable over the long-term Our focus will be on improving the quality of our profit performance rather than on growth for its own sake

The markets within our International division offer rich growth potential for the future In the wholesale channel we believe there are opportunities to build scale by improving our service levels to international key accounts and leading independents, increasing the number of shop-in-shop investments and rolling out enhancements in areas such as data connectivity Another key driver of international growth will continue to be the roll-out of our highly successful franchise store format 2011/12 saw the opening of a further 79 new stores despite the uncertain trading environment We aim to maintain the pace of our programme at around 100 new openings per year over the coming few years, concentrating on recruiting a wider range of franchise partners and on achieving the best quality mix of locations Expanding our online selling model into international markets, firstly across Europe and later in Asia, will further enhance our channel offering Following on the launch this year of the German and French language sites, we plan to implement a Spanish and Dutch equivalent in the first half of 2012 and to learn from our experience so far to improve operational capability in managing delivery, returns and payment methods In general we will be seeking to build on all the great groundwork done over the past few years to establish the brand, together with a suitable network of distribution and an effective operational capability in regions as diverse as Europe, China, India, the Middle East and South America Our businesses in these regions will of course evolve at varying rates but are targeted to deliver around 15% compound growth overall

In North America we already enjoy a position of considerable strength Our strategy for growth rests in large part on expanding our retail presence in both the United States and Canada, with more than 130 new locations being planned by 2016 We are also evaluating the opportunity to accelerate our retail growth by establishing a franchise format which draws on the experience gained from our international franchise model In the wholesale channel we believe there is an opportunity to enhance our service and sales support model to further exploit our powerful brand position in department stores, and in particular to expand our share of the dress casual product segment We are eager to capitalise on the early success of our online business, beginning with improving the performance of the website and the shopping experience for consumers and aiming over the longer term to position ourselves as one of the leading online footwear brands in the North American market We also see exciting potential to expand our children's offering, both in a greater number of Clarks stores and by selling through a carefully selected group of wholesale customers who share our commitment to delivering a best-in-class fitting and service proposition Again we will focus generally on building a sustainable model for our distribution which supports a better mix of product at higher price points, limiting the scale of discounted business I believe the North American market offers a wealth of growth opportunities for the future and will become an increasingly important contributor to Group performance

These regional growth plans are underpinned by, and predicated upon, an ambitious programme of change across the product, marketing, supply chain and services functions In product we aspire to deliver global product ranges, based on market and consumer insight, which consistently deliver the brand DNA of comfort, quality and fit in a stylish and innovative way In marketing we are working towards defining a clear and consistent brand positioning and developing a new communications platform which seeks to recruit new consumers to our brand whilst retaining our current loyal consumers In the supply chain arena we aim to drive service improvements, to integrate our planning operations and ultimately to create a single sourcing organisation which matches global supply and demand and delivers the best possible product costs from factories In the services functions we aim to deliver efficient finance, IT and human resources capabilities, adopting best practice wherever possible and focused on supporting the ongoing commercial growth of the regions and markets

In all of these parts of the Group, work is ongoing to establish new team structures, new ways of working and better ways of collaborating together These activities will continue to evolve over the coming years to become a new way of operating, and are essential to enable us to realise our future vision for the Group as a global business

TRADING OUTLOOK

We continue to operate in a volatile and fast changing commercial world, characterised as much as anything by economic uncertainty For our UK consumers there would appear to be few reasons to feel confidence in the return of a more secure, prosperous feel-good factor on the immediate horizon, rather I would anticipate that 2012/13 will bring a repeat of the very challenging climate we experienced last year We have consequently based our UK plans for the year on very limited volume growth but with the intent of shifting some of the promotional and discounted volume sold last year onto a full-price basis with some recovery to margins In the international markets, the outlook in general looks more promising and we have planned for continued growth The area of most concern is the Eurozone, where the impact of the sovereign debt crisis on financial markets and consumer sentiment continues to be felt We have little direct exposure to the Greek economy but the all-pervasive "contagion" risk and dampening effect on business confidence is likely to hold down growth in most European markets, especially in the South We have planned for minimal growth in the coming year but anticipate that this impact may be absorbed at the Group level by faster than projected growth rates in some of the distributor markets of South America and the Middle East as well as in Asia We have a range of contingency actions at hand to limit the damage in the event of a disorderly withdrawal of member states from the euro, although there are no current indications that such a scenario is likely to materialise

The North American economy has demonstrated its resilience by emerging in reasonable health from the recession, even if not all the key indicators point to positive trends in the future Our experience of the past year is that consumer demand appears stable if not growing but that value for money remains of prime importance The outlook for the coming year is therefore reasonably encouraging but we may be challenged to maintain our trading volumes where we are moving our price points forward in order to combat cost inflation As is often the case across our markets, our success is likely to depend on our ability to offer consumers product groups which deliver authenticity, style and innovation at great prices As the content of this report suggests, we have achieved a pleasing momentum behind our North American business and I would expect us to sustain some moderate growth again in 2012/13

The new financial year has begun with a mixed set of performance indicators Our wholesale forward order book for the Spring/Summer 2012 season reflects strong growth trends in many international markets, but some softness in European orders most notably Spain In North America overall orders are slightly down on last year in pairs but comfortably higher in sales value, indicating how increased average prices may restrict our volume opportunity Retail trading in the UK has fallen marginally below expectations in the first few weeks of the year, although there are positive early signs of a strong transition into sales of full-price Spring/Summer product ranges In the US our retail trading pattern has been in positive territory and gives confidence for a year of continued growth The MCR business on both sides of the Atlantic reflects an upward curve in demand and has been strengthened by a willingness to share experience and best practice Whilst it is certainly too early in the year to draw reliable conclusions from these first signs, I remain guardedly optimistic that the Group will continue to make sound progress with building our sales and profit performance in 2012/13 whilst delivering the key components of our strategy

Although as an international trading entity the Group remains exposed to global economic forces, in one respect the risks to our future prospects have moderated Inflation in product costs remains a reality in the industry and is likely to be with us for the foreseeable future However, the severity of the increases has reduced considerably from a year ago We anticipate further cost increases in Clarks International and in North America during 2012/13, although it is worth remembering these are on top of the unprecedented escalation we absorbed in the previous year Much work is under way throughout the business, ranging from addressing product complexity to rationalising our sourcing base, to find longer term solutions to the problem of higher product costs Part of the answer of course lies in driving continued growth, but we must at the same time ensure that we can achieve product margins throughout the world which will protect the quality of our earnings and anchor the sustainability of shareholder returns

I would like to conclude my report by offering my heartfelt thanks to all colleagues across the global business who have contributed so much to making the Clarks story one of enduring success This has been a tough year, marked by diverse economic pressures and a large amount of business change We have placed many demands on our people at all levels and challenged ourselves to succeed The results presented here are a testament to a great collective effort, one for us to take pride in I look forward to continuing, with your support, our journey towards making Clarks a force to be reckoned with on the global stage

MELISSA POTTER
Chief Executive

23rd March 2012

FINANCIAL REVIEW

RESULTS FOR THE YEAR

Group turnover increased to £1,398 1m from £1,281 3m, an increase of 9 1%

Group profit before interest, share of operating loss of joint venture and exceptional items rose by 4 4% to £115 8m but due to lower profits on disposal of fixed assets of £0 2m compared to £5 1m in the prior year, Group profit before interest fell by 0 3% to £115 5m

Profit before tax fell by 2 4% to £106 1m due to increased pension financing costs of £7 5m compared to £6 6m in the prior year and higher external interest costs of £1 9m compared to £0 6m in the prior year Profit after tax of £77 5m is 0 5% higher than last year's comparative of £77 1m Post exceptional earnings per share increased to 130 5 pence per share from 129 6 pence last year Ignoring the impact of exceptional asset disposal gains, the underlying growth in earnings per share was 6 4%

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

ACCOUNTING POLICIES

In my report last year I stated that having evaluated the benefits of adopting full International Financial Reporting Standards (IFRS) compared to the costs involved in transitioning to the new standards, the Board decided that it would not be in the best interests of the Shareholders to adopt IFRS last year

The Accounting Standard Board (ASB) had previously issued Financial Reporting Exposure Draft (FRED) 43/44 on the future of financial reporting in the UK which proposed that non-publicly accountable entities (private entities) that exceed a size threshold could choose to apply a new Financial Reporting Standard for Medium Sized Entities (FRS-ME) or adopt full International Financial Reporting Standards (IFRS) Comments have now been received by the ASB and an updated exposure draft has now been issued

The Group continue to await the publication of the final FRS-ME after which a decision will be made as to whether to adopt this instead of full IFRS The most likely adoption date for the Group will now be for financial statements relating to the year ended on 31st January 2016

PRESENTATION OF RESULTS

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

We have again chosen to report on the face of the Group profit and loss account the costs of providing long-term incentive schemes to Executive Directors and senior management as a separate item charged in arriving at operating profit In the current year the profit and loss charge has decreased to £6 3m (2010/11 – £16 5m) in consequence of the decreased footwear profitability of the Group Please refer to the "Long-term Incentive Plan" section of the remuneration report on page 34 for a full description

We have separately reported the results of our joint venture in India, Clarks Future Footwear Ltd This joint venture was set up during 2010 and commenced trading in April 2011 In line with FRS 9 (Associates and Joint Ventures) we have used the gross equity method of consolidation whereby our share of the gross assets and liabilities underlying the net amount of the investment is shown in aggregate on the face of the balance sheet In the profit and loss account our share of the joint venture's turnover is noted and our share of operating losses in the joint venture is shown below Group operating profits The Group's share of losses in the year was £0 5m (2010/11 - loss of £0 1m) The Group's share of the joint venture's turnover of £1 6m (2010/11 – £nil) has also been reported separately

EXCEPTIONAL ITEMS

Profits on disposal of fixed assets of £0 2m (2010/11 – £3 9m) have been recognised below operating profits in accordance with FRS 3 (Reporting Financial Performance), Paragraph 20 (c) and represents a small number of low value disposals

In total an exceptional gain before taxation of £0 2m is reported (2010/11 a gain of £5 1m)

FINANCING COSTS

Financing costs of £9 4m (2010/11 – £7 2m) comprise net bank interest charges of £1 9m (2010/11 – £0 6m) and net pension financing costs of £7 5m (2010/11 – £6 6m) Pension financing is an imputed charge calculated in accordance with Financial Reporting Standard 17 and represents the difference between the interest charge on the Group's pension liabilities and the expected return on the pension assets, the former based on a discount rate derived from high quality corporate bonds

TAXATION

The effective tax rate on earnings before exceptional items is 27 0% (2010/11 – 29 7%) The tax charge on current year earnings, excluding the effect of prior period changes, is 28 8% compared to 29 5% in the prior period The 0 7% point decrease in the underlying Group effective rate of tax is mainly due to the impact of lower UK tax rates partly offset by an increased proportion of earnings generated in North America where corporate tax rates are higher

The Group tax charge is higher than the UK corporate tax rate of 26 3% due to the international mix of earnings taxed overseas at higher rates and because UK tax relief is not obtained for commercial building depreciation and lease exit costs

On 21 March 2012 the UK government announced that from 1 April 2012 the UK corporate tax rate will reduce from 26% to 24% with the intention to further reduce the rate by 1% a year to 22% This change of rate will be enacted when the 2012 Finance Act is issued later this year

Subject to the enactment of this rate reduction and assuming a stable mix of international earnings, it is anticipated that the Group pre-exceptional tax rate next year will be 1 2% points lower at around 27 6%

For the year ended 31 January 2012 the enacted corporation tax rate from 1 April 2012 was 25% This reduction in tax rate has given rise to a reduced provision for UK deferred taxes at the year end, for which a credit of £0 9m is included within the tax charge Further reductions in deferred taxes are expected as the UK rate reduces to 22%

FINANCIAL REVIEW
continued

BALANCE SHEET

Capital employed has increased by £80 3m or 18 3% to £519 6m at 31 January 2012 Our working capital levels in Clarks International are £42 0m higher than last year with stock levels increasing by £16 8m (£50 3m increase in the prior year) to £201 1m Average Clarks International stock cost per pair increased by 8 5% to £12 04 but pairs held reduced 1 5% to 15 1m pairs In North America stock levels increased by $17 2m (8 5%) to $219 5m Average US stock cost per pair increased by 8 3% and pairs increased by just 0 1%

Our fixed asset value has increased by £31 0m (15 8%) to £227 7m as we continue to invest in the business in retail stores both in the UK and North America, and have continued to roll out our international franchise store programme The infrastructure investment in North America continued during 2011 During the year, an additional $25 3m was invested in the Hanover Logistics Centre project bringing the total invested to date to $34 6m Project Atlas (our roll out of SAP into CCNA) was approved in early 2011 and during the year $20 6m was invested globally in this project with $12 4m incurred in the US

We have relocated and opened 7 new owned stores in the UK at a cost of £1 9m (previous year being 3 stores at a cost of £0 4m) We have also refitted a further 25 stores at a cost of £4 3m (previous year being 34 stores at a cost of £4 8m) In addition we have invested capital expenditure during the year in 66 new international franchise stores including 15 owned retail stores opened in India at a cost of £1 5m (previous year being 48 stores at a cost of £1 2m) At the balance sheet date our estate of International franchise stores numbers 290

We have relocated and opened 26 new stores in North America at a cost of $8 3m (previous year 28 stores at a cost of $8 9m) We have also refitted a further 2 stores at a cost of $0 6m (previous year 5 stores at a cost of $0 9m)

Resultant Group capital expenditure of £60 8m (2010/11 – £41 7m) remained well ahead of the level of depreciation charged of £27 9m (2010/11 – £27 8m)

Provisions excluding deferred tax of £20 5m have decreased by £5 4m on last year as we are holding lower provisions for long-term incentives for Executives and senior managers

Due to the increases in working capital and higher levels of capital investment, offset by lower pension deficit funding we are reporting a net borrowings position of £9 5m, £28 1m unfavourable to last year's net cash position of £18 6m Cash flow generated from operating activities of £68 0m was £27 7m higher than last year's £40 3m driven predominantly by the lower increases in working capital levels and pension deficit funding Cash outflows from investing activities of £48 2m were higher than the prior year's comparative of £41 4m

Shareholders' funds stand at £424 2m, £57 3m higher than last year's comparative Net assets of £503 5m were £48 4m higher than last year and the reduction of £8 9m in the pension deficit has further contributed to the improved balance sheet position

PENSIONS

The deficit in the Company's defined benefit pension scheme continues to impact the Group's trading results and balance sheet At the year end the deficit amounted to £79 3m, £8 9m lower than that disclosed at 31 January 2011 (£88 2m) During the year the position has been very volatile due to the movements in bond yields and equity valuations The year end position reflected the latest formal actuarial valuation carried out as at 5 April 2011

The cost of all Group pension schemes is shown in Note 21 to the financial statements

Actuarial gains and losses are shown in the Statement of Total Recognised Gains and Losses on page 49

During the financial year cash contributions into the main UK fund by way of deficit funding amounted to £16 2m (2010/11 – £29 5m) This included an acceleration of a payment of £13 2m which did not fall due until 5 April 2012 (£17 0m was accelerated into 2010/11 which did not fall due until 5 April 2011) Contributions to the main US defined benefit fund amounted to $10 0m (2010/11 – $8 0m)

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

FUNDING AND LIQUIDITY
The Group's borrowing facilities comprise a Revolving Credit Facility with a syndicate of five major banks and a total facility amount of £200 0m This facility was renewed and extended during the year and is due to expire in March 2016 The Group also has UK and other overseas short-term facilities amounting to £35 3 m (2010/11 – £34 6m)

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

At the balance sheet date, the Group's estimated currency exposure for the Autumn Winter 2012 season was covered in line with policy and for earlier seasons 100% covered The total value of fixed dated sale and purchase currency contracts at the balance sheet date was £692 9m (2010/11 – £650 2m)

ROBIN BEACHAM
Finance Director

23rd March 2012

corporate policies

CORPORATE GOVERNANCE

INTRODUCTION

The Group is committed to high standards of corporate governance The Board is accountable to the Company's shareholders for good governance and this statement describes how the Group supports the principles laid down in the new UK Corporate Governance Code ('the Code') as issued by the Financial Reporting Council in June 2010 As a private limited company the Group is not required to adhere to the Code but does so on a voluntary basis This statement describes how the principles of the Code are applied and reports on the Group's compliance with the Code's provisions throughout the year ended 31st January 2012 Where the Group has not complied with the provisions the Directors have disclosed the fact and their reasons for believing that these omissions do not compromise the high standards of corporate governance In furtherance of the principles of good corporate governance, the Board and Board Committees operate in the following ways

BOARD OF DIRECTORS

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

It is the function of the Board to ensure that high standards of corporate governance are maintained throughout the Group The remaining paragraphs of this report on corporate governance standards highlight the key issues and identify any areas of non-compliance and the reasons for them

The Board currently consists of the Non-Executive Chairman, four other Non-Executive Directors and two Executive Directors The biographical details of the Board members are set out on pages 38 and 39 The Directors bring strong independent judgement and considerable knowledge and experience to the Board's deliberations The Code as it applies to FTSE 350 companies stipulates that at least half of the Board, excluding the Chairman, should comprise independent Non-Executive Directors For all other companies the requirement is for two Non-Executive Directors The Code defines independent Non-Executive Directors as those who do not represent a significant shareholding or have material business with the Company In the case of the Group, two Non-Executive Directors are independent within this definition The Board considers that it is in the interests of the shareholders as a whole that there should be two representatives of the Family Shareholder Council on the Board serving as additional Non-Executive Directors The Board believes this overall composition of the Non-Executive element of the Board to be appropriate given the needs of the business and the experience, background and calibre of the Non-Executive Directors concerned and the role of the Non-Executive Directors in constructively challenging and helping to develop the Group strategy

The Code advocates the appointment of a separate Nominations Committee comprising a majority of independent Non-Executive Directors Currently the Board selects and convenes Nomination Committees on an ad hoc basis to deal with specific nominations as necessary Members of the Board and recruitment consultants, who are also used to assist the process, suggest possible new Executive and Non-Executive Directors Candidates are considered by all Directors Whenever a new Director is appointed to the Board, he or she is provided with a tailored induction and training programme overseen by the Chairman

The Code as it applies to FTSE 350 companies recommends that Non-Executive Directors should be subject to annual election with all other companies subject to the standard three-year rotation process The Group has elected to continue to follow the Articles of Association with all Directors retiring by rotation and subject to re-election at least once every three years Non-Executive Directors (excluding the Non-Executive Chairman) can serve until the conclusion of the next Annual General Meeting after they have completed nine years of service or such other period as the Company agrees by special resolution At the first Annual General Meeting following their appointment, Directors must retire and seek re-election

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Group's expense This is in addition to the access which every Director has to the Company Secretary The Company Secretary is charged by the Board with ensuring that Board procedures are followed

Membership of Board and Sub Committees

	Main Board Member	Main Board Attendance	Audit Committee Member	Audit Committee Attendance	Remuneration Committee Member	Remuneration Committee Attendance	Share Valuation Committee Member	Share Valuation Committee Attendance	Board Pensions Committee Member	Board Pensions Committee Attendance
Number of meetings		6		3		2		2		2
Executive Directors										
Robin Beacham	yes	6	no	3[2]	no	–	yes	2	yes	2
Melissa Potter	yes	6	no	3[2]	no	–	yes	2	yes	2
Non-Executive Directors										
Peter Davies	Chair	6	yes	3	yes	2	yes	2	Chair	2
Hugh Clark[1]	yes	6	yes	3	Chair	2	yes	2	no	–
Thomas O'Neill	yes	6	yes	3	yes	2	yes	2	no	–
Nigel Hall	yes	6	Chair	3	yes	2	Chair	2	no	–
Timothy Campbell[1]	yes	6	yes	3	yes	2	yes	2	no	–

1 Representatives of the Family Shareholder Council
2 Attended the meeting at the invitation of the Committee

To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information In the case of Board meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters The performance is continually monitored by the Chairman Full details of Directors' emoluments and a statement of the Group's remuneration policy is set out in the Remuneration Report on pages 32 to 35 The Non-Executive Directors receive a fee but do not participate in any bonus or incentive schemes or qualify for pension benefits

BOARD COMMITTEES

The Board has appointed the following Committees to deal with specific aspects of the Group's affairs The Committees all have formal Terms of Reference that have been approved by the Board These are held at the registered office They are not – as recommended by the Code – published on the Group's website but the Board considers that this deviation from the Code is appropriate given the private status of the company A table showing attendees and chairs of each Committee is shown above The Code advises that no single Non-Executive Director should sit concurrently on all three of the principal Board Committees Audit, Share Valuation and Remuneration Due to the size of the Board, the Board does not believe that this would be feasible or beneficial to the Group

AUDIT COMMITTEE

The Committee has formal Terms of Reference covering all the points recommended by the Code It meets at least three times a year and its duties include the review of internal controls and risks throughout the Group, approving the Group's accounting policies and reviewing the annual and interim report and accounts before submission to the Board The independence and objectivity of the external auditors and the effectiveness of the external audit process are also considered

It is a specific responsibility of the Audit Committee to ensure that an appropriate relationship is maintained between the Group and its external auditors The 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 appears on page 53 The Executive Directors, external auditors and company managers are invited to attend the meetings of the Committee as appropriate

REMUNERATION COMMITTEE

The Committee meets at least twice a year and its responsibilities are to approve the remuneration and other benefits of the Executive Directors The Committee also receives reports on the terms and conditions of other senior Executives

SHARE VALUATION COMMITTEE

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

BOARD PENSIONS COMMITTEE

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

FAMILY SHAREHOLDERS' COUNCIL

Family shareholders holding 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 40 The Council assists in the implementation of corporate governance policies and works with the Board in matters affecting the marketability of shares The Council may nominate two persons for appointment as Non-Executive Directors of the Group

CORPORATE GOVERNANCE
continued

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

AUDIT AND INTERNAL CONTROL
The Board, through the Audit Committee, is responsible for determining the nature and extent of significant risks it is willing to take in pursuance 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, the reliability of financial information, compliance with appropriate legislation and mitigation of business risks There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group

Key elements of the Group's system of internal control are as follows

- The Directors have put in place an organisation structure with clearly defined lines of responsibility and delegation of authority
- The Group has a comprehensive system of financial reporting
- The annual budget of each operating unit is approved by the Executive Directors and the Board approves the overall Group budget
- Performance against budget is reviewed by the Board each month and any significant variances are examined Detailed performance reviews are carried out by management
- There are clearly defined policies for capital expenditure approval including appropriate authorisation levels Large capital projects and company acquisitions require Board approval
- A number of functions, which operate within policies and delegated authority limits established by the Board, report to the Board periodically These include treasury operations, corporate taxation, pension fund and risk management
- Group and operational management are responsible for the identification, evaluation and management of key risks applicable to their areas of the business In the UK this is supported by the role of Risk Manager, and in North America by the Director of Internal Controls

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

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

HEALTH AND SAFETY SUMMARY

In 2011 the accident total across all UK & ROI Divisions was down by nearly 4% This reduction was in the context of a rise in reportable accidents which were up by 43% (from 25 to 40) Although 40 remains a very low figure in a business with over ten thousand employees, the figure represents a 60% increase on the 2010 total and reverses the steady downward trend of the last few years Pressure on staff numbers and very high stock levels in most stores during the second half of the year both contributed to this increase Public areas were not affected, accidents being restricted to stockrooms and associated areas Action is ongoing to reduce the risks of accidents in these areas

There were only 8 reported cases of violence or abuse to retail staff during the year, a reduction of 53% on the 2010 figure No instances of such behaviour are acceptable but in the current socio-economic climate the overall number is very low considering the number of stores, the number of staff and the footfall in Clarks stores

2011 brought operating efficiencies with the combining of two procedures the Fire Risk Assessments and the H&S Audits This reduced the overall administrative burden for management by about 30% Area & Regional Managers, Franchise Business Managers and Heads Of Departments all attended training on the fire precautions element which is a legal requirement to ensure competence to carry out the Fire Risk Assessments

37 visits to our stores were made by the enforcement agencies and landlords in 2011, 1 fewer than the previous year There were no unmanageable issues and in 6 cases the only comments received were favourable The Mendip Environmental Health Officer (EHO) spent a day reviewing all Clarks systems and procedures for health and safety She was very complimentary and made no recommendations for action

Our asbestos-management procedures were enhanced considerably during the year to improve communication of information, both to our staff and to contractors working in the retail premises

Across Europe all Clarks-owned stores with Clarks' employees are now risk-assessed by the Area Managers in the same way as in the UK, though applying, where necessary, the local statutory requirements

At the end of 2011 a plan was developed to assess the compliance with health and safety law of the International franchise business Compliance is the franchisee's obligation but, in the light of the potential reputational risk associated with non-compliance, a monitoring scheme will be piloted Using a risk consultancy with offices around the world and planned for completion in early 2012 the pilot survey will provide information upon which the management plan going forward will be based

CCNA continued with the staff training programme Construction of the Hanover distribution centre commenced Accidents were up a little on the previous year but in direct proportion with the higher staff numbers employed

CORPORATE SOCIAL RESPONSIBILITY SUMMARY

CSR APPROACH

As a responsible business, our approach is to take accountability for the impacts that we have on people and the planet

We launched our Corporate Social Responsibility (CSR) programme in 2007 and focused on identifying risks associated with our products, establishing governance, and managing, measuring and reporting impacts

With these foundations in place, in 2011 we developed a new strategy focusing on integrating CSR into the way we work and driving performance improvements This was developed by the Responsibility team in consultation with the business and was approved by the Board in September 2011, following agreement from Melissa Potter and the Executive Leadership Team

Our vision is that 'social responsibility is a key part of how we make decisions and that we reflect the values of our consumers, employees and shareholders in what we do and respond to what they care about,' and the approach is focused around three pillars of activity

- **Our Ethics**
- **Sustainability**
- **Community and Charity**

Details of our work in each of these areas are outlined on the following pages The key stream of activity for 2012 is Our Ethics, focusing on demonstrating integrity in everything we do at Clarks

GOVERNANCE

In 2011 we established Melissa Potter as the sponsor for CSR at Clarks, with accountability for CSR at the Board level

Best practice in CSR governance shows that leading companies are gathering external, independent views on direction, strategy and performance from opinion formers, industry bodies and others As we move forwards in 2012, we will consider how best to reflect this in our approach to CSR governance at Clarks

Day to day coordination of CSR activity is undertaken by the central Responsibility team, who are accountable for developing direction and strategy, defining expectations on CSR topics, supporting the business in implementing improvements, and monitoring, measuring and reporting performance

Action for 2012 we will assess options for strategic governance to provide an independent view on our strategy and performance, and propose an implementation plan for 2013

COMMUNICATION

Active communication with Clarks' stakeholders is a key part of our approach to CSR In 2011 we made solid progress towards this by identifying and prioritising our stakeholders and defining appropriate ways of communicating with them This confirmed employees, consumers and shareholders as our key audiences We focused our attention on communication with employees and shareholders in 2011 and will be expanding this to include consumers in 2012

With employees, we integrated content into existing internal communications, including Clarks' Quarterly Business Review and Footprint magazine, which is distributed to UK retail stores

We are undertaking a survey with the members of the Family Shareholder Council to understand how we can improve communication with them We will shortly be reviewing the results of this survey and incorporating the findings into our future plans

Action for 2012 more proactive, regular and accessible communication with key audiences through our websites, shareholder updates and the launch of a refreshed intranet site

MEASURING PERFORMANCE

We use a range of key performance indicators (KPIs) to measure performance across CSR topics In 2011 we reviewed these to ensure that they were appropriate for our new strategy This revealed opportunities to improve the KPIs that we use, and with the new strategy in place we are now in a solid position to move forward with developing these in 2012

Action for 2012 we will define expectations for our CSR priorities, and establish new indicators to measure performance

PROGRESS UPDATE

In last year's report we identified the following actions for 2011/12

Deliver the core responsibilities of the Responsibility team – identifying, measuring, managing, and reporting our risks, activities and performance

- *We have continued to deliver these responsibilities, and redefined the role of the team as part of developing a new strategy*

Build capacity in Clarks to ensure that CSR is embedded into the business's ambition for the next five years This will include our work on the Code of Business Ethics and reviewing the role of the steering group

- *We continue to raise awareness within the business to help embed CSR into our operations Both the Code of Business Ethics and governance review were completed as planned*

Progress our CSR vision in line with our Group strategy, recognising consumer and employee expectations

- *During 2011 we developed a new CSR vision and strategy, reflecting our ambition to be the world's leading global shoe brand and supporting us in putting the consumer at the heart of what we do and making Clarks an even better place to work*

Propose a strategy to develop a consistent approach to business engagement, building on the initial activities undertaken in the vicinity of the UK Head Office in 2010

- *Our progress on business engagement has been delayed due to a focus on the new strategy and will be part of a future Community and Charity programme*

OUR ETHICS

Our 'Living our Values' pillar provides the framework for how we operate ethically and responsibly, and supports us in building integrity into the way we work around the world It is our lead stream of activity for 2012

ETHICS & INTEGRITY

In 2011 we developed Clarks' Code of Business Ethics, which forms a key part of our bedrock for promoting integrity and communicating our expectations on ethical decision making to employees

The Code, which will be rolled out across Clarks' operations in 2012, outlines the global principles for the way we work at Clarks and supports employees by giving them guidance to make decisions that align with our ethical values

Alongside the rollout of the Code, we are launching a Speak Up service, operated by an independent third party This will allow employees to report concerns about wrongdoing or inappropriate activities of either the Company or its employees on a confidential basis The service will be available globally, in the languages spoken by employees around the world and will be accessible 24 hours a day, 7 days a week, via telephone, web, email and post

In future reporting we will include an update on the number of concerns reported and actions taken

Action for 2012 rollout our global Code of Business Ethics and Speak Up service to all employees, supporting them in making choices that align with our ethical values

VENDOR AUDIT & COMPLIANCE

At Clarks we attach real importance to the welfare of our employees and those employed by our suppliers We are committed to maintaining our reputation for fair dealing and retaining the confidence our consumers have in Clarks We believe the work we provide, and our involvement in the communities in which we operate, is a force for good

Our Code of Practice sets the standards for the way we expect our suppliers to operate in the production of all Clarks' products It requires compliance with all local legal and regulatory requirements and supports the core labour principles of the International Labour Organization

At present our vendor audit programme covers directly sourced footwear suppliers in China, Vietnam and Cambodia In 2011 these countries accounted for 85% of all pairs of footwear sourced by Clarks Audits are carried out through the use of our internal team and a 3rd party audit service provider

During 2011 we increased the investment in our vendor audit programme with appointment of a manager currently based in the Far East We have further enhanced the governance of our audit work by establishing a Code of Practice Advisory Board which includes key senior stakeholders from across the business

Action for 2012 reflecting changes in our sourcing strategy, and as part of our plan to further develop our audit programme, we will extend its coverage to include direct footwear suppliers in other high risk countries This will include India and Central America through the recruitment of a new auditor in India and extended use of our preferred 3rd party audit service provider

PRODUCT TRACEABILITY

Our new CSR strategy highlights traceability in our supply chain as a key part of 'Living our Values' This responds to increasing numbers of enquiries from our customers and consumers on the provenance of materials and components used in our products – a trend which we expect to continue in the future

CORPORATE SOCIAL RESPONSIBILITY SUMMARY
continued

For leather, we continue to work with the Leather Working Group (LWG), supply chain partners, peers and non governmental organisations to understand the provenance of sources we use and help ensure that leather used in Clarks' products is not sourced from farms that contribute to deforestation

To support traceability in our broader supply chain, we have joined The Forest Trust's (TFT) Leather & Shoe Group, giving us access to TFT's significant experience in helping companies develop traceability systems and deliver responsible products

EMPLOYEE DEVELOPMENT

We are continuing the work with our teams to make Clarks an even better place to work as part of the business strategy We have focused during 2011 on building our leadership capability and skills throughout Clarks International We plan to carry out another all employee survey towards the end of 2012 to give all our people the opportunity to tell us how things are improving

Our personal development review (PDR) process for employees is continuing to support the development of our people, with over 63% of all eligible employees having an annual PDR in 2011 Our aim to roll out e-PDR to selected international locations during 2011 has been achieved, meaning that eligible employees have this year completed an e-PDR in those international locations

PRODUCT QUALITY

Clarks' products are renowned worldwide for their quality, style and durability, and our overall objective is to consistently maintain the quality of, and qualities inherent in, our products In 2011 Clarks did not make any product recalls from consumers, maintaining Clarks' excellent record of providing safe products

SUSTAINABILITY

Our 'For Tomorrows World' pillar aims to improve sustainability practices throughout the lifecycle of our products, and across our operations

OUR PRODUCTS

We aim to improve sustainability across our product range, using our expertise in footwear and innovation

Sourcing Sustainable Materials

We focus our efforts on leather, as the most important and prevalent raw material in our products Within the leather supply chain, we recognise that tanneries can present significant risks to the environment due to the nature of hazardous materials used in leather processing

As part of managing these risks, Clarks works with the Leather Working Group (LWG), assessing environmental performance of tanneries that we use, and promoting sustainable environmental practices within the leather industry Currently, approximately 60% of tanneries that we use are assessed, and the results are used in deciding which should be our preferred tanneries

We also take part in the annual Forest Footprint Disclosure (FFD), which helps us understand the impacts that the leather and timber/paper products that we purchase have on forests worldwide We use the results of the disclosure to benchmark our approach to managing our impacts against a range of our peers and to identify areas where we can make improvements

Improving Recyclability

Improving the recyclability of our footwear supports us in taking ownership for the legacy that our products leave once their useful life is over and reflects our consumers' expectations and Clarks' values and principles In 2011 we continued to support research into reducing the end of life impact of footwear undertaken by the SMART Centre at Loughborough University, focusing on developing technology to break down footwear and allow reuse or recycling

Action for 2012 we will begin to review the feasibility of producing products that can be recycled, starting with assessing the practicalities of sourcing recyclable materials for footwear

Use of Chemicals
At Clarks we regard the health and wellbeing of our consumers and employees, and all those who work in our supply chain, as being of paramount importance Our Restricted Substances Policy sets out our expectations on the use of potentially hazardous chemicals in our products and we require our suppliers to assure us that the levels these chemicals present in the product are below the minimum levels required by consumer protection legislation in our worldwide markets

Encouraging Product Reuse
We support extending the life of shoes by encouraging consumers to deposit old and worn shoes for reuse Shoes of any size, brand and condition can be deposited in 'Shoe Biz' collection bins in Clarks stores throughout the UK and Ireland, and at Clarks HQ These shoes are then exported for resale and reuse in developing markets In 2011, approximately 158 tonnes of footwear was collected through Shoe Biz

OUR OPERATIONS
We aim to minimise the impact and cost of our operations on the environment

Energy and Greenhouse Gas Emissions
Clarks is required to report carbon dioxide (CO2) emissions data to the Environment Agency in the UK as part of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme This UK legislation supports the Government's aim to reduce carbon emissions by 80% by 2050 by encouraging improvements in energy efficiency As part of the Scheme, performance league tables are published annually, with the aim of making energy efficiency a reputational issue for the companies included

Clarks was placed towards the middle of the first league table, which was published in November 2011 and ranked organisations based on their early actions to manage energy use in the UK

At a global level we track CO2 emissions from our direct use of fuel and electricity purchased from the Grid for our operations For 2011, this totalled approximately 6,130 tonnes of CO2 in the UK, a decrease of 10% from 2010/11, whilst electricity and direct fuel use for our Hanover distribution centre totalled 2,350 tonnes, a decrease of 15% from 2010/11

Action for 2012 we will expand the scope of our greenhouse gas reporting to include our retail operations in the USA

Waste and Recycling
Recycling rates across our UK operations have remained stable during 2011/12 Our Distribution Centres at Westway in the UK and Hanover in the US continue to lead by example, recycling approximately 98% and 93% respectively

Across our UK retail stores, in 2011 approximately 34% of waste was recycled or incinerated rather than being disposed of to landfill We have identified opportunities to significantly improve this and will be working to implement the required changes in 2012

Our UK and CCNA Head Offices recycled approximately 87% and 67% of waste generated respectively, a small improvement compared with that recycled in 2010/11

Action for 2012 we will expand the scope of our waste and recycling reporting to include our retail operations in the USA

Transport
In 2011 we began measuring the CO2 emissions associated with third party ocean freight transportation for Clarks International, which totalled approximately 10,900 tonnes CO2

We undertook a travel survey at our UK HQ in 2011 to understand how employees commute to work, and what improvements would help them to travel more sustainably This identified that 50% of respondents would like to use their car less for commuting to work

Action for 2012 we will develop a transport plan responding to the results of the survey to encourage use of more sustainable transport options

Environmental Compliance
We comply with environmental legislation wherever we operate, and did not receive any fines or penalties during 2011-12 associated with environmental legislation

Resource Use
In autumn 2011, CCNA broke ground on a new 'state of the art' distribution centre at Hanover, Pennsylvania

The specifications of the building support a Gold certification under the Leadership in Energy and Environmental Design (LEED) counsel This will provide independent, third-party verification that the building was designed and built using strategies aimed at achieving high performance in key areas of human and environmental health sustainable site development, water savings, energy efficiency, materials selection and indoor environmental quality

CORPORATE SOCIAL RESPONSIBILITY SUMMARY
continued

COMMUNITY AND CHARITY

Our 'Giving Back' pillar supports us in making a positive contribution to charities and good causes, and in building stronger communities where we operate around the world

CHARITABLE DONATIONS

In 2011 we refined our approach to giving, reinforcing our global partnership with UNICEF, our support of Soul of Africa, and the important roles of corporate giving and fundraising at a local level

The Group made donations of over £409,000 in the form of cash and value of goods donated during the 2011/12 reporting period

Clarks and UNICEF

For each pair of shoes collected in Shoe Biz bins in our stores in the UK and Ireland, and at our UK HQ, Clarks donates money to UNICEF for use in funding children's education projects In 2011 we raised approximately £108,000 for UNICEF through Shoe Biz

To promote the Shoe Biz scheme further in our stores, we created two ambassador roles in 2011 These individuals joined members of our UK&I Retail Operations team on a trip to Zambia to see the positive impacts of our donations firsthand

Soul of Africa

We continue our support of Soul of Africa, a charity based in South Africa that invests in training unemployed and unskilled women to stitch shoes by hand Through the sale of Soul of Africa products in our stores, and donation of a percentage of the sales value of those sold in the UK, Soul of Africa received over £856,000 from Clarks in 2011/12

Triangle, Inc

In the USA, Clarks supports Triangle, Inc , helping people with disabilities gain greater dignity, independence and economic self-sufficiency In 2011, Clarks' retail employees sold coupons during the holiday season, generating over $765,000 (approx £480,000) for Triangle, Inc

Race for Life

Clarks became an official partner of the Tesco and Cancer Research UK's Race for Life for 2011, the largest women only 5km fundraising event in the UK Clarks produced two special edition shoes in Race for Life colours, and donated 10% of the retail price to Cancer Research UK for every pair sold, raising a total of over £53,000

Give As You Earn

In the UK, our Human Resources team maintain a 'Give as You Earn' scheme, which gives employees a simple tax effective way to give to causes that they care about Through the scheme, donations can be made to any national or local good causes with charitable status

Action for 2012 we will promote our Give as You Earn scheme to employees, with the aim of increasing its membership

Employee Fundraising

Alongside Clarks' corporate charitable giving, we are very proud of the fundraising that our employees do for charitable causes that they believe in Events in 2011 have included a giant yard sale at our US office in Newton in support of The Clarks Companies Foundation, which raised close to $100,000 through the sale of thousands of items of footwear, furniture, sporting goods and other goods

In the UK events including activity days, cake sales, raffles and shoe sales have taken place to raise funds for charities including Comic Relief, Children in Need, Soul of Africa and many more

COMMUNITY INVESTMENT

Our approach to community investment focuses on creating lasting benefits and ongoing relationships and is managed at a regional level in the UK and USA

First Step Programme

Clarks' USA based First Step Program provides six-month paid internships to people with disabilities in our supportive work environment It offers real work experience, giving interns confidence in their abilities and supporting them on their path to gainful employment Its mission is to create a positive and successful work experience for people with abilities through internships in a supportive professional office environment Eight terms have been completed so far with a total of 15 graduates

Supporting Community Initiatives
From October 2011 new legislation in Wales required businesses to charge a minimum of 5p for each single use carrier bag sold in the country, with the aim of encouraging consumers to reuse bags and reduce the number disposed of to landfill

Clarks is using the proceeds of the 5p charge to support community projects and charities focusing on skill building and environmental initiatives, via the Community Foundation in Wales The proceeds of the first year (Oct 11 – April 12) are estimated to be in the region of £5,000

Employees at Clarks' HQ in the UK have been supporting a mentoring programme with Somerset Community Foundation and Crispin School in Street – helping pupils through their school career, giving them support and guidance to help them succeed in whatever path they choose to follow 10 employees are volunteering their time to participate in the programme

TRUSTS ASSOCIATED WITH C&J CLARK
Various trusts have been established dating back to 1908, with the principal purpose of benefiting current and past employees, their families and the communities in which they live The Clark Foundation, established in 1959, makes grants for the benefit of communities in the area of education, community welfare, recreation and health Grants from The Foundation are normally made to charities or community enterprises with a charitable purpose, in areas where Clarks employees, or ex-employees, live and/or benefit, and are mainly for capital projects and sometimes for organisation start-up costs The trust also makes overseas grants in countries where a significant number of non employees make Clarks shoes Recent examples of projects that have been supported include a school technical block, a new youth club and support towards a new scanner at a local hospital

Other trusts specifically assist employees with grants towards education costs, either for themselves or their children and they also support employees and pensioners in the case of hardship or critical events

In total, over 350 grants have been given across all trusts in 2011/12, and in excess of £500,000 of grants were dispensed in the year to 31st January 2012

REMUNERATION REPORT

Directors' Emoluments

	Salaries £'000	Salary Supplements £'000	Performance-related bonuses £'000	Benefits £'000	**Total 2012 £'000**	Total 2011 £'000
Executive Directors						
Robin Beacham*	427	279	93	18	**817**	858
Melissa Potter*	596	352	129	12	**1,089**	1,127
Non-Executive Directors						
Peter Davies	173	–	–	–	**173**	168
Hugh Clark**	46	–	–	–	**46**	43
Thomas O'Neill	38	–	–	–	**38**	37
Nigel Hall***	47	–	–	–	**47**	46
Timothy Campbell	38	–	–	–	**38**	27

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

** 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 35*

*** Hugh Clark's salary includes £8k (2011 – £6k) for remuneration in his capacity as chair of the Remuneration Committee*

**** Nigel Hall's salary includes £9k (2011 – £8k) for remuneration in his capacity as chair of the Audit Committee*

Long-term Incentive Plans

	Provision brought forward £'000	Provided in the year £'000	Paid in the year £'000	Provision carried forward £'000
Executive Directors				
Robin Beacham	2,458	359	(1,091)	1,726
Melissa Potter	2,392	232	(804)	1,820

REMUNERATION COMMITTEE (THE COMMITTEE)

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

REMUNERATION POLICY

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

DIRECTORS' REMUNERATION

Emoluments, compensation and long-term incentives in respect of qualifying services of each person who served as a Director during the year are listed in the two tables on page 32

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

THE CODE

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

DIRECTORS' SERVICE CONTRACTS

It is the policy of C&J Clark Limited to issue all new Executive Directors with twelve month rolling service contracts There are no provisions in Directors' service contracts for compensation in respect of early termination of a contract There is however, an obligation to pay for any notice period waived by the Company All Executive Directors' service contracts require the Company to give 12 months' notice to terminate the contracts until the age of 60, when no notice period is required Dates of service contracts for Director's 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 as appropriate Directors' remuneration packages are benchmarked against companies of a similar size and complexity

PERFORMANCE RELATED BONUSES

Melissa Potter and Robin Beacham participate in an annual bonus scheme dependent on the financial performance of the Group compared with budget Awards are made on a sliding scale up to 60% of salary, based on footwear profits less 15% notional interest on a notional debt amount of 40% of Group average operating capital For achievement of 90% of budgeted footwear profits less notional interest, a bonus of 15% of salary is payable No bonus is payable if the result is lower The bonus payable increases by 1 percentage point for every additional £884,000 by which the actual result exceeds the minimum performance target For achievement of the budgeted footwear profits less notional interest, a bonus of 30% of salary is payable Thereafter, a 1% increase in bonus award is payable for every additional £663,000 increase in the profit after notional interest up to the maximum 60% of salary at a result 15% above budget The target is derived from the published budget of the Group for the year This method has been in use for fifteen years and was chosen as the most consistent measure of underlying trading growth in the business including the effect of changes in operating capital employed within the Group

REMUNERATION REPORT
continued

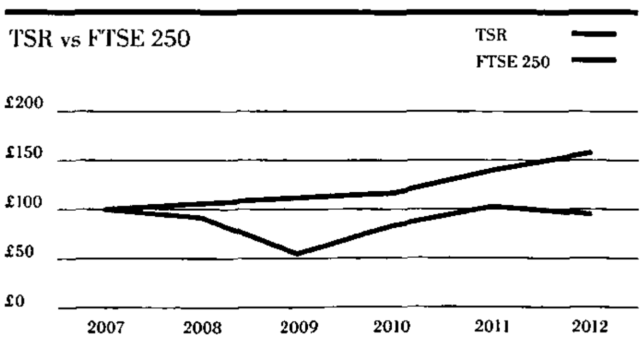
LONG-TERM INCENTIVE PLAN
Robin Beacham and Melissa Potter are participants in this scheme which provides a benefit of up to a maximum of 3 5 times annual salary dependent on the financial performance of the Group or Clarks International compared with the five year strategic plan, over a three year period Robin Beacham participates in a scheme based on Group profit after tax Melissa Potter participates in a scheme based 25% on Group profit after tax and 75% on Clarks International profits for the three year period commencing 1st February 2009 and based on Group profit after tax for the three year periods commencing 1st February 2010 onwards The maximum award is payable if actual profits exceed 120% of strategic plan profits over the three year performance period No award is payable if actual profits are less than 85% of strategic plan profits For profit performance exactly in line with the strategic plan over the performance period, each of the Executive Directors will receive a payment of 1 25 times annual salary

Performance periods, each of a three year duration, have commenced annually on 1st February since 2007 The third performance period came to an end on 31st January 2012 and awards relating to this performance period are made in March There are three performance periods running concurrently commencing 1st February 2010, 1st February 2011 and 1st February 2012

Senior managers and selected managers of Clarks International and Clarks Companies North America are members of a scheme which provides a benefit dependent on the financial performance of each division compared with the five year strategic plan, over a three year period The maximum benefit payable is 2 5 times salary for senior managers and 1 5 times salary for managers For profit performance exactly in line with the strategic plan over the performance period, senior managers will receive a payment of 1 0 times annual salary and managers 0 75 times annual salary The sliding scale is adjusted accordingly Performance periods, each of a three year duration, have commenced annually on 1st February since 2007 The third performance period came to an end on 31st January 2012 and awards relating to this scheme are made in March There are three schemes running concurrently for the three year periods commencing 1st February 2010, 1st February 2011 and 1st February 2012

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

TOTAL SHAREHOLDER RETURN
Total Shareholder Return (TSR) is a performance measure based on the market value of an investment in shares of a company over a given period, in this case, five years TSR assumes that all dividends are re-invested and any rights issues taken up It is assumed that the buyback proceeds were also re-invested in shares The TSR graph is based on an initial purchase of 100 shares in C&J Clark Limited on 1st February 2007 Comparison shown is against the movements in the FTSE 250 share index as the market capitalisation, based on the share price calculated bi-annually by PricewaterhouseCoopers, would make C&J Clark Limited a FTSE 250 company



The comparison shows C&J Clark Limited outperforms the market trend from 2007 to 2012 The TSR shows steady growth whilst the FTSE 250 shows a decline from 2007 to 2009, returning to the levels experienced at the beginning of the five year period by 2011 At 31st January 2012 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 2007 it would now be worth £159, whereas the same amount invested in FTSE 250 companies over the same period would now, on average, be worth £95

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

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

Early retirement is permitted at the age of 55, subject to an actuarial reduction to the accrued pension of up to 14%

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

For death before retirement, a capital sum equal to four times salary is payable A spouse's pension is also payable and this is limited by the HMRC Earnings Cap restriction For death in retirement, a spouse's pension of 50% of the member's pre-commutation pension is payable In the event of death after leaving service but prior to commencement of pension, a spouse's pension of 50% of the accrued preserved pension is payable In all circumstances, children's allowances are also payable up to the age of 18 Substantial protection is also offered in the event of serious ill health Post-retirement pension increases are guaranteed at the rate of price inflation subject to a limit of 8 5% per annum, compound between the date of retirement and each annual pension review

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

The salary supplements for Melissa Potter and Robin Beacham are included in the Directors' emoluments table on page 32

The assumptions underlying the transfer values are market dependent and therefore change from year to year In addition the transfer values for Melissa Potter and Robin Beacham make some allowance for the change in the basis of indexation in deferment from RPI to CPI

NON-EXECUTIVE DIRECTORS

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

This report will be laid before the shareholders for approval at the Annual General Meeting to be held on 4th May 2012

On behalf of the Board

HUGH CLARK
Chair of the Remuneration Committee

23rd March 2012

Defined Benefit Pension Schemes

	Age at 31 January 2012	Pensionable service to 31st January 2012	Accrued pension benefit at 1st February 2011	Increase in accrued pension benefits	Accrued pension benefit at 31st January 2012	Transfer value at 1st February 2011	Transfer value at 31st January 2012	Directors contributions for the year to 31 January 2012	Increase in transfer value less Directors contributions
	Years	Years	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Robin Beacham*	52	22	82	4	86	1,244	1,676	10	422
Melissa Potter*	44	12	82	4	86	890	1,202	10	302

** Individuals' benefits under the Group's UK Pension Fund are subject to an Earnings Cap (£129,600 at 31st January 2012)*

the board

BOARD OF DIRECTORS

MELISSA POTTER joined the Group as a graduate in 1988 and carried out various management roles before becoming Managing Director of the UK Division in 2002 She was appointed to the Board as Managing Director, Clarks International on 21st June 2006 and was appointed Chief Executive on 1st April 2010

PETER DAVIES was appointed a Non-Executive Director on 1st September 2005 and became Non-Executive Chairman on 5th May 2006 He has more than 20 years' experience in UK and International retail, most recently as Chief Executive of Rubicon Retail Ltd Whilst Clarks is his main role, Peter is also Non-Executive Chairman of Whistles Holdings Ltd, a Non-Executive Director of First Friday Ltd and Chairman of Mint Velvet LLP and Onyx Retail Ltd

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

SUSAN MALTHOUSE re-joined the Group as Company Secretary and Solicitor in April 2011, having previously worked as in-house counsel from 1991 to 2005 She is a commercial solicitor and before her appointment headed the corporate and commercial department of Veale Wasbrough Vizards

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

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

THOMAS J O'NEILL was appointed to the Board as an independent Non-Executive Director on 10th May 2004 He has more than 25 years' experience in international retailing and brand management, most recently as 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, Divisional President and Chief Executive at LVMH and, Executive Vice-President of Tiffany & Company

HUGH CLARK was appointed as a Non-Executive Director on 9th May 2005 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 and is currently a Director of Quba Clothing

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31st January 2012

BUSINESS REVIEW

The principal activities of the Company and its related subsidiaries are worldwide shoe retailing and wholesaling, and related trades Further details of the operations and the trading results are set out on pages 8 to 19 The profit after tax of the Group for the year was £77 5m A list of the major overseas subsidiaries of the Company may be found on page 70

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

Scene setting
Chief Executive's Report pages 10 to 15
Objectives of the Group
Chief Executive's Report pages 10 to 15
Strategy
Chief Executive's Report pages 11 to 15
Risks and uncertainties
Chief Executive's Report pages 14 to 15
Measurement
Chief Executive's Report pages 10 to 15
Performance
Chief Executive's Report pages 10 to 15
Forward looking
Chief Executive's Report pages 14 to 15

DIRECTORS

The current Directors of the Group are listed on pages 38 and 39 There were no changes to the composition of the Board during the year, although we appointed Stella David as a Non-Executive Director on 1 March 2012

In accordance with the Company's Memorandum and Articles, Robin Beacham and Nigel Hall retire by rotation at the forthcoming Annual General Meeting Both seek re-election Stella David, who has been appointed since the last Annual General Meeting, also retires and seeks re-election

Details of the Directors' service contracts are given in the Remuneration Report on pages 32 to 35

SHARE REGISTER

As at 31 January 2012 the composition of the share register of C&J Clark Limited was

Family	84 2%
Institutions	3 5%
Share Schemes	0 9%
Trusts associated with C&J Clark Limited	4 1%
Employees	7 3%
Total	100 0%

SHARE BUYBACK

There were no share buybacks in the year

FIXED ASSETS

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

EMPLOYEES

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

THE ENVIRONMENT

The Group recognises that care and concern for the environment and the community are a fundamental part of the Group's strategy It is the Group's intention to strive continuously to minimise any adverse environmental impact of business activities, to comply with all relevant environmental legislation and to promote a caring attitude to the environment amongst its employees A statement of commitment from the Group in its environmental policy is shown on pages 26 to 31

DIRECTORS' INTERESTS

The interests of the Directors in the share capital of the Company are shown in the table below A list of transactions with related parties is given in note 22 to the financial statements There were no changes in Directors' share interests between the end of the year and 13th March 2012 (being one month before the date of the notice of the Annual General Meeting)

DONATIONS

Donations for charitable purposes made by the Group during the year amounted to £0 4m (2011 – £0 4m) No donations were made for political purposes

CREDITOR PAYMENT POLICY

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

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

CORPORATE GOVERNANCE

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

GOING CONCERN

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

DIRECTORS' RESPONSIBILITIES

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

AUDITORS

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

By Order of the Board

SUSAN MALTHOUSE Susan Malthouse
Company Secretary

23rd March 2012

Directors' Interests

	At 31st January 2012		At 31st January 2011	
	Ordinary Shares*	Executive Share Trust**	Ordinary Shares*	Executive Share Trust**
Robin Beacham	**1,026**	–	1,026	–
Melissa Potter	**2,228**	–	2,093	–
Peter Davies	**3,500**	–	3,500	–
Hugh Clark	**323,172**	–	323,172	–
Thomas O'Neill	–	–	–	–
Nigel Hall	**3,000**	–	3,000	–
Timothy Campbell	**813,720**	–	812,838	–

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

*** The Executive Directors, as potential beneficiaries under the Company's share schemes, are deemed to be interested in unallocated C&J Clark Limited ordinary shares held by the C&J Clark Executive Share Trust These do not represent beneficial interests At 31st January 2012 there were no shares held by the Trust (2011-nil)*

STATEMENT OF DIRECTORS' RESPONSIBILITIES

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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

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

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

In preparing these financial statements, the Directors are required to

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

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

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

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of C&J Clark Limited for the year ended 31 January 2012 set out on pages 46 to 70 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

In addition to our audit of the financial statements, the Directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the Directors have decided to prepare (in addition to that required to be prepared) as if the company were required to comply with the requirements of Schedule 8 to The 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 and, in relation to the Directors' Remuneration Report, on terms that have been agreed Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and, in respect of the separate opinion in relation to the Directors' Remuneration Report, those matters we have agreed to state to them in our report, and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 42, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, 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 (APB's) Ethical Standards for Auditors

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

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 31 January 2012 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006 AND UNDER THE TERMS OF OUR ENGAGEMENT

In our opinion

- the part of the Directors' Remuneration Report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to The 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 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 and the terms of our engagement require 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 and the part of the Directors' Remuneration Report which we were engaged to audit are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

A C CAMPBELL-ORDE
(SENIOR STATUTORY AUDITOR)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

23rd March 2012

financial statements

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31st January 2012

	Notes	Before exceptional items 2012 £m	Exceptional items 2012 £m	Total 2012 £m	Before exceptional items 2011 £m	Exceptional items 2011 £m	Total 2011 £m
Turnover	1(b)	**1,399.7**	–	**1,399.7**	1,281 3	–	1,281 3
Less Joint Venture	1(b)	**(1.6)**	–	**(1.6)**	–	–	–
Group Turnover	1(b)	**1,398 1**	–	**1,398.1**	1,281 3	–	1,281 3
Costs less other income	2(a)	**(1,276 0)**	–	**(1,276.0)**	(1,153 9)	–	(1,153 9)
		122.1	–	**122.1**	127 4	–	127 4
Long-term incentive schemes	2(a)	**(6.3)**	–	**(6.3)**	(16 5)	–	(16 5)
Group Operating profit	2(a)	**115 8**	–	**115.8**	110 9	–	110 9
Share of Operating Loss in Joint Venture	2(f)	**(0.5)**	–	**(0.5)**	(0 1)	–	(0 1)
Profit on disposal of fixed assets	3(a)	–	**0.2**	**0 2**	–	3 9	3 9
Profit on disposal of land held for resale	3(b)	–	–	–	–	1 2	1 2
Profit before interest		**115.3**	**0.2**	**115.5**	110 8	5 1	115 9
Other net finance costs	4	**(9.4)**	–	**(9.4)**	(7 2)	–	(7 2)
Profit before taxation		**105.9**	**0 2**	**106.1**	103.6	5 1	108 7
Taxation	5	**(28.6)**	–	**(28 6)**	(30.8)	(0 8)	(31 6)
Profit for the financial year		**77.3**	**0 2**	**77.5**	72 8	4 3	77 1
Earnings per ordinary share	7	**130 2p**	**0.3p**	**130.5p**	122 4p	7 2p	129 6p

The notes on pages 52 to 70 form part of these financial statements

BALANCE SHEETS

As at 31st January 2012

	Notes	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Fixed assets					
Intangible assets	8	**0.5**	0 5	–	–
Tangible assets	9(a)	**227.7**	196 7	–	–
Investments					
Joint Ventures – Share of Gross Assets		**2.2**	0 5	–	–
– Share of Gross Liabilities		**(0.8)**	(0 3)	–	–
– Net Investment		**1.4**	0 2	–	–
Other	10	**1.9**	2.9	**78.5**	78 3
		231.5	200 3	**78.5**	78 3
Current assets					
Stock	11	**353.0**	323 5	–	–
Debtors	12	**152.2**	149 5	**332.9**	243 3
Cash at bank and in hand		**108 9**	105 8	**33.1**	30 9
		614 1	578 8	**366.0**	274 2
Creditors – amounts falling due within one year	13	**(231 9)**	(251 3)	**(245.5)**	(221 0)
Net current assets		**382 2**	327 5	**120.5**	53 2
Total assets less current liabilities		**613.7**	527 8	**199.0**	131 5
Creditors – amounts falling due after more than one year	14	**(83.1)**	(44 0)	**(70.5)**	(31 6)
Provisions for liabilities and charges	15	**(27.1)**	(28 7)	–	–
Net assets excluding pension liability		**503 5**	455 1	**128 5**	99 9
Pension liability	21	**(79.3)**	(88 2)	–	–
Net assets including pension liability		**424 2**	366 9	**128 5**	99 9
Capital and reserves					
Called-up share capital	17	**59 4**	59 4	**59.4**	59 4
Share premium account	18	**0.8**	0 4	**0.8**	0 4
Capital redemption reserve	18	**18.1**	18 1	**18.1**	18 1
Merger reserve	18	**15.1**	15 1	–	–
Profit and loss account	18	**330.8**	273 9	**50.2**	22 0
Equity shareholders' funds		**424.2**	366 9	**128.5**	99 9

The notes on pages 52 to 70 form part of these financial statements

The financial statements of C& J Clark Limited, registered number 3314066, were approved by the Board of Directors and signed on their behalf on 23rd March 2012

PETER DAVIES Peter W Davies

ROBIN BEACHAM RBeacham.

GROUP CASH FLOW STATEMENT

For the year ended 31st January 2012

	Notes	2012 £m	2011 £m
Cash flow from operating activities	23	**68.0**	40 3
Returns on investments and servicing of finance	24(a)	**(1 4)**	(0 4)
Taxation		**(25.4)**	(32 9)
Capital expenditure and financial investment	24(b)	**(48.2)**	(41 4)
		(7.0)	(34 4)
Equity dividends paid		**(21.7)**	(23 8)
Net cash outflow before financing		**(28.7)**	(58 2)
Financing	24(c)	**29.3**	40 0
Increase/(decrease) in cash in the year		**0 6**	(18 2)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET BORROWINGS

For the year ended 31st January 2012

	Notes	2012 £m	2011 £m
Increase/(decrease) in cash in the year		**0.6**	(18 2)
Cash flow from increase in debt	24(c)	**(28.9)**	(41 6)
Change in net borrowings resulting from cash flows		**(28.3)**	(59 8)
Currency translation adjustments		**0.2**	1 0
Increase in net borrowings in the year		**(28.1)**	(58 8)
Opening net cash		**18.6**	77 4
Closing net (borrowings)/cash	25	**(9.5)**	18 6

The notes on pages 52 to 70 form part of these financial statements

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31st January 2012

	2012 £m	2011 £m
Profit for the financial year	**77.5**	77 1
Currency translation adjustments	**2 2**	(2 0)
Actuarial loss on pension schemes (net of deferred taxation)	**(1.3)**	(5 5)
Corporation tax credit arising on pension contributions in excess of current year pension charge	**(3.7)**	(7 7)
Related deferred tax charge on pension contributions in excess of current year pension charge	**3.7**	7 7
Total recognised gains and losses arising during the financial period	**78.4**	69 6

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

For the year ended 31st January 2012

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Total recognised gains and losses arising during the financial year	**78.4**	69 6	**49.7**	35 5
Dividends paid	**(21.7)**	(23 8)	**(21.7)**	(23 8)
Share-based payment	**0.2**	0 2	**0.2**	0 2
Allotment of shares	**0.4**	–	**0.4**	–
Share buyback	**–**	(1 6)	**–**	(1 6)
Net increase in equity shareholders' funds during the financial period	**57.3**	44 4	**28.6**	10 3
Opening equity shareholders' funds	**366.9**	322 5	**99.9**	89 6
Closing equity shareholders' funds	**424.2**	366 9	**128.5**	99 9

GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31st January 2012

	2012 £m	2011 £m
Profit on ordinary activities before taxation	**106.1**	108 7
Difference between historical cost depreciation charge and actual depreciation charge for the year	**–**	–
Historical cost profit on ordinary activities before taxation	**106.1**	108 7
Historical cost profit for the year retained after taxation	**77.5**	77 1

The notes on pages 52 to 70 form part of these financial statements

ACCOUNTING POLICIES

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

The financial statements for the Company and all material subsidiaries are drawn up to the Saturday nearest to the 31st January, in line with retail industry practice The year to 31st January 2012 comprises 52 weeks (2011 – 52 weeks)

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

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

BASIS OF CONSOLIDATION
The Group financial statements comprise a consolidation of the financial statements of the parent company and all of its subsidiaries, together with the Group's share of the results of its joint ventures The principal subsidiaries are listed on page 70

INVESTMENTS IN SUBSIDIARY COMPANIES
Investments in subsidiary companies are stated at cost less provisions for any impairment in value

JOINT VENTURES
A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control The Group's share of the profits less losses of joint ventures is included in the consolidated profit and loss account and its interest in their net assets, is included in investments in the consolidated balance sheet

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SHARE-BASED PAYMENTS
The Group operates an All Employee Share Incentive Plan (SIP) Under the scheme employees are given a free matching share for each partnership share purchased at market value This has been accounted for under FRS 20 Share-based payments Under the standard the matching shares qualify as equity-settled share-based payments to be recognised at fair value at the date of grant Effectively the fair value of a matching share is the cost of the partnership share The cost of the share-based payments must be spread over the period until the shares are owned by the employee (the vesting period) The vesting period for the matching shares is four years This has resulted in a current year charge of £0 2m (2011 – £0 2m)

COMPANY PROFIT AND LOSS ACCOUNT
In accordance with Section 408 of the Companies Act 2006, a separate Profit and Loss Account has not been published for the Company

NOTES TO THE FINANCIAL STATEMENTS

In these notes to the financial statements, the headings '2012' refer to the year ended 31st January 2012 or the balance sheet as at 31st January 2012 and the headings '2011' refer to the year ended 31st January 2011 or the balance sheet as at 31st January 2011

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/(loss) by geographical area of origin

	Profit before exceptional items 2012 £m	Exceptional items 2012 £m	Profit before interest and taxation 2012 £m	Profit before exceptional items 2011 £m	Exceptional items 2011 £m	Profit before interest and taxation 2011 £m
UK	**78.1**	**0.2**	**78.3**	78 4	5 1	83 5
North America	**27.9**	–	**27.9**	28 7	–	28 7
Europe	**3.2**	–	**3.2**	(0 3)	–	(0 3)
Rest of the World	**6.6**	–	**6.6**	4 1	–	4 1
Group	**115.8**	**0.2**	**116.0**	110 9	5 1	116 0
Share of Joint Venture						
Rest of the World	**(0.5)**	–	**(0.5)**	(0 1)	–	(0 1)
	115.3	**0.2**	**115.5**	110 8	5 1	115 9

b) Analysis of turnover and capital employed

	Turnover by geographical area of origin 2012 £m	Turnover by geographical area of origin 2011 £m	Turnover by ultimate geographical market 2012 £m	Turnover by ultimate geographical market 2011 £m	Capital employed by geographical area 2012 £m	Capital employed by geographical area 2011 £m
UK	**758 8**	708 3	**601.3**	582 3	**305.6**	281 0
North America	**524.5**	475 3	**536.5**	481 3	**188.7**	142 2
Europe	**66.6**	61 5	**161.8**	148 4	**16.7**	15 3
Rest of the World	**48.2**	36 2	**98.5**	69 3	**8.5**	4 2
Total footwear	**1,398.1**	1,281 3	**1,398.1**	1,281 3	**519.5**	442 7
Unallocated items	–	–	–	–	**(1.3)**	(3 4)
Group	**1,398.1**	1,281 3	**1,398 1**	1,281 3	**518 2**	439 3
Share of Joint Venture						
Rest of the World	**1.6**	–	**1.6**	–	**1.4**	–
	1,399.7	1,281 3	**1,399.7**	1,281 3	**519.6**	439 3

c) Reconciliation of capital employed and net assets

	2012 £m	2011 £m
Capital employed – (see note 1(b))	**519.6**	439 3
Net cash – (see note 25)	**(9.5)**	18 6
Deferred taxation – (see note 16)	**(6.6)**	(2 8)
Pension liability – (see note 21)	**(79.3)**	(88 2)
Net assets	**424.2**	366 9

2. Operating profit and costs

a) Costs less other income

	Before exceptional items 2012 £m	Exceptional items 2012 £m	Total 2012 £m	Before exceptional items 2011 £m	Exceptional items 2011 £m	Total 2011 £m
Turnover	**1,398.1**	–	**1,398 1**	1,281 3	–	1,281 3
Cost of sales	**(736.2)**	–	**(736.2)**	(641 4)	–	(641 4)
Gross profit	**661.9**	–	**661.9**	639 9	–	639 9
Distribution costs	**(346.8)**	–	**(346.8)**	(321 9)	–	(321 9)
Administrative costs	**(199.3)**	–	**(199 3)**	(207 1)	–	(207 1)
Operating profit	**115.8**	–	**115 8**	110 9	–	110 9

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

	2012 £m	2011 £m
Long-term Incentive Plan	**2.2**	5 0
Clarks Companies North America Incentive Plan	**4.1**	11 5
	6.3	16 5

These schemes are detailed in the Remuneration Report on pages 32 to 35

b) Other costs charged in arriving at operating profit include

	2012 £m	2011 £m
Depreciation and impairments of owned assets	**27.9**	27 8
Auditor's remuneration		
Audit of these financial statements	**0.5**	0 5
Amounts receivable by auditors in respect of		
Other services relating to taxation	**0.1**	0 2
Other services	**0.1**	0 1
Operating lease rentals		
Land and buildings	**90.6**	89 1
Plant and equipment	**1.9**	1 8
Operating lease rental income		
Land and buildings	**(3.9)**	(5 2)
Share-based payment		
Equity-settled	**0.2**	0 2

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

NOTES TO THE FINANCIAL STATEMENTS
continued

2. Operating profit and costs *continued*

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

	2012 Number	2011 Number
Sales and distribution	**12,826**	12,405
Administration	**1,563**	1,307
	14,389	13,712

The average number of employees has been calculated on a monthly weighted average The total number of employees at the year end was 14,572 (2011 – 14,520)

d) Employment costs in respect of the foregoing

	2012 £m	2011 £m
Wages and salaries	**205 3**	197 3
Social security costs	**25.8**	22 0
Pension current service cost – defined benefit scheme (see note 21)	**10.5**	9 6
Pension contributions – defined contribution scheme (see note 21)	**1.2**	1 3
Long-term incentive schemes – (see note 2(a))	**6.3**	16 5
	249.1	246 7

e) Aggregate emoluments of the Directors

	2012 £m	2011 £m
Non-Executive Directors' fees and benefits	**0.3**	0 4
Executive Directors' services		
Salaries and benefits	**1.9**	4 5
Long-term incentives	**0.6**	5 6
	2 8	10 5
Pension contributions – money purchase pension schemes	**–**	0 1
	2.8	10 6

More detailed information concerning Directors' share entitlements and emoluments, including long-term incentive schemes, is shown in the Remuneration Report on pages 32 to 35

f) Share of Operating Loss in Joint Venture

	2012 £m	2011 £m
Share of Operating Loss in Joint Venture, Clarks Future Footwear Limited	**(0.5)**	(0 1)
	(0.5)	(0 1)

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. Exceptional items

a) Profit on disposal of fixed assets

	2012 £m	2011 £m
Property disposals surplus over net book value	**0.2**	3.9

b) Profit on disposal of land held for resale

	2012 £m	2011 £m
Disposal profit on sale of Houndwood land	**–**	1.2

4. Other net finance costs

	2012 £m	2011 £m
Interest payable on bank loans and overdrafts	**2.2**	1.0
Interest receivable	**(0.3)**	(0.4)
Net interest cost on assets and liabilities of pension scheme (see note 21)	**7.5**	6.6
Group	**9.4**	7.2
Joint Venture	**–**	–
	9.4	7.2

NOTES TO THE FINANCIAL STATEMENTS
continued

5. Taxation on profit on ordinary activities

a) Analysis of charge in the year

	2012 £m	2011 £m
Current taxation		
UK taxation		
UK corporation tax at 26 3% (2011 – 28 0%)	**15.5**	15 3
Adjustments in respect of prior years	**(0.6)**	0 1
Total UK taxation	**14.9**	15 4
Overseas taxation		
Current taxation on income for the year	**6.7**	13 9
Adjustments in respect of prior years	**–**	0 1
Joint Venture	**–**	–
Total overseas taxation	**6.7**	14 0
Tax credit on pension contributions recognised in reserves	**3.7**	7 7
Total current taxation	**25.3**	37 1
Movement in deferred taxation		
Effective change in tax rate	**(0.5)**	–
Other origination and reversal of timing differences (see note 16)	**3.8**	(5 5)
Total deferred taxation	**3.3**	(5 5)
Taxation on profit on ordinary activities	**28.6**	31 6

b) Factors affecting tax charge
The taxation assessed for the year is higher than the standard rate of corporation tax in the UK which is 26 3% (2011 – 28 0%)

The differences are explained below

	2012 £m	2011 £m
Profit on ordinary activities before taxation	**106.1**	108 7
At standard rate of corporation tax in the UK	**27 9**	30 4
Higher taxation rates on overseas earnings	**2.8**	2 2
Depreciation on items not qualifying for capital allowances	**0.7**	0 7
Profit on disposal of assets not qualifying for capital allowances	**–**	0 2
Overseas taxation losses	**(1.9)**	(0 9)
Adjustments in respect of prior years	**0.1**	0 3
Other	**(1.0)**	(1 3)
	28.6	31 6
Movement in deferred taxation	**(3.3)**	5 5
Total current taxation (see note 5 (a))	**25.3**	37 1

6. Dividends paid

	2012 £m	2011 £m
Equity dividends paid in the year		
Special ordinary share dividend for the year ended 31st January 2010 of 10 0p	–	5 9
Final ordinary share dividend for the year ended 31st January 2011 of 26 5p (2010 – 20 0p)	**15.7**	11 9
Interim ordinary share dividend for the year ended 31st January 2012 of 10 0p (2011 – 10 0p)	**6.0**	6 0
	21.7	23 8

The final ordinary share dividend proposed for the year ended 31st January 2012 is 27 5p per share (2011 – 26 5p)

7. Earnings per ordinary share

Basic earnings per ordinary share have been calculated by dividing the profit after taxation of £77 5m (2011 – £77 1m) by the weighted average number of ordinary shares in issue during the year of 59,406,093 (2011 – 59,462,198)

8 Fixed assets – Intangible assets

	Trademark £m	Total £m
Cost or valuation		
At 1st February 2011	0 6	0 6
Capital expenditure	–	–
Disposals	–	–
At 31st January 2012	**0 6**	**0.6**
Amortisation		
At 1st February 2011	0 1	0 1
Charge for the year	–	–
Disposals	–	–
At 31st January 2012	**0 1**	**0.1**
Net book value		
At 31st January 2012	**0.5**	**0.5**
At 1st February 2011	0 5	0 5

The trademark relates to the Clarks brand name in Brazil

NOTES TO THE FINANCIAL STATEMENTS
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9. Fixed assets – Tangible assets

a) Summary

	Land and buildings Freehold £m	Land and buildings Long leasehold £m	Land and buildings Short leasehold £m	Plant and equipment £m	Total £m
Cost or valuation					
At 1st February 2011	62 7	0 8	42 8	281 1	387 4
Exchange rate adjustments	–	–	0 4	0 8	1 2
Capital expenditure	8 8	–	5 0	47 0	60 8
Disposals	(1 0)	–	(1 8)	(7 6)	(10 4)
At 31st January 2012	**70.5**	**0.8**	**46.4**	**321.3**	**439.0**
Depreciation					
At 1st February 2011	7 3	0 1	21 7	161 6	190 7
Exchange rate adjustments	–	–	0 2	0 5	0 7
Charge for the year	1 1	–	4 2	22 6	27 9
Impairment	–	–	–	–	–
Disposals	(0 3)	–	(1 4)	(6 3)	(8 0)
At 31st January 2012	**8.1**	**0.1**	**24.7**	**178.4**	**211.3**
Net book value					
At 31st January 2012	**62.4**	**0.7**	**21.7**	**142.9**	**227.7**
At 1st February 2011	55 4	0 7	21 1	119 5	196 7

b) Valuation of land and buildings

	Freehold £m	Long leasehold £m	Short leasehold £m	Total £m
Land and buildings are stated at				
Valuation less depreciation	2 6	0 7	–	3 3
Cost less depreciation	52 4	–	21 7	74 1
Net book value	**55 0**	**0 7**	**21.7**	**77.4**
At historical cost, the comparable amounts would be				
Cost	70 4	0 6	46 4	117 4
Depreciation	(8 6)	(0 1)	(24 7)	(33 4)
Net book value	**61 8**	**0.5**	**21.7**	**84.0**

In accordance with the transitional provisions of FRS 15, freehold and long leasehold land and buildings are shown at valuation on adoption of FRS 15 and will not be updated The gross book value of freehold land and buildings includes £20 3m (2011 – £20 6m) of land which is not depreciated

c) Leased assets

Plant and equipment includes leased assets with a net book value of £nil (2011 – £nil)

10. Fixed assets – Investments

a) Group

	Listed investments £m	Unlisted investments £m	Total £m
Net book values at 1st February 2011	2.8	0.1	2.9
Exchange rate adjustments	–	–	–
Additions	–	–	–
Disposals	(1.0)	–	(1.0)
Net book values at 31st January 2012	**1.8**	**0.1**	**1.9**

b) Company

	Shares in subsidiary undertakings 2012 £m	Shares in subsidiary undertakings 2011 £m
Net book values at 1st February 2011	**78.3**	78.0
Addition/increase in net assets	**0.2**	0.3
Disposals	–	–
Net book values at 31st January 2012	**78.5**	78.3

11 Stock

	2012 £m	2011 £m
Finished goods and goods held for resale	**353.0**	323.5
	353.0	323.5

NOTES TO THE FINANCIAL STATEMENTS
continued

12. Debtors

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Trade debtors	**118.1**	121 4	**2.2**	1 4
Amounts owed by Group undertakings	–	–	**330.7**	241 9
Amounts owed by Joint Venture undertakings	**0.8**	0 4	–	–
Other debtors	**1.7**	1 1	–	–
Prepayments and accrued income	**30.9**	26 1	–	–
Amounts falling due within one year	**151.5**	149 0	**332.9**	243 3
Trade debtors falling due after more than one year	**0 1**	0 1	–	–
Other debtors falling due after more than one year	**0 6**	0 4	–	–
Amounts falling due after more than one year	**0.7**	0 5	–	–
	152.2	149 5	**332.9**	243 3

13. Creditors – amounts falling due within one year

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Bank loans and overdrafts	**47.9**	55 6	–	10 0
Trade creditors	**117.0**	119 1	–	–
Amounts owed to other Group undertakings	–	–	**245.2**	211 0
Current taxation	**3 9**	7 4	–	–
Social security	**3.8**	3 5	–	–
Other creditors	**14.8**	14 2	–	–
Accruals and deferred income	**44.5**	51 5	**0.3**	–
	231.9	251 3	**245.5**	221 0

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

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Long-term loans	**70.5**	31 6	**70.5**	31 6
Other creditors	**12.6**	12 4	–	–
	83.1	44 0	**70.5**	31 6

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Amounts falling due between				
one and two years	–	–	–	–
two and five years	**80.4**	40 5	**70.5**	31 6
after five years	**2.7**	3 5	–	–
	83.1	44 0	**70 5**	31 6

15. Provisions for liabilities

	At 1st February 2011 £m	Exchange rate adjustment £m	Provided in year £m	Utilised £m	At 31st January 2012 £m
Long-term Incentive Plan	11 4	–	1 9	(4 9)	**8.4**
Clarks Companies North America Incentive Plan	12 6	0 2	4 2	(6 4)	**10.6**
Dilapidation provision	0 8	–	0 5	(0 4)	**0 9**
Onerous lease provision	0 5	–	–	(0 3)	**0.2**
Other	0 6	–	–	(0 2)	**0.4**
	25 9	0 2	6 6	(12 2)	**20.5**
Deferred taxation (see note 16)	2 8	–	3 8	–	**6.6**
	28 7	0 2	10 4	(12 2)	**27.1**

16. Deferred taxation

	Group 2012 £m	Group 2011 £m
Accelerated capital allowances	**12.2**	10 4
Holdover relief	**0.1**	–
Liquidation of LIFO inventory reserves in North America and Japan	**3.9**	4.6
Overseas trading losses	**(0.9)**	–
Short-term timing differences	**(8.7)**	(12 2)
	6.6	2 8

	Group £m
Provision at 1st February 2011	**2.8**
Exchange rate adjustment	**–**
Deferred taxation charge in the profit and loss account for the year (see note 5(a))	**3.8**
Provision at 31st January 2012	**6.6**

Deferred tax assets of £12 2m (2011 – £12 9m) have not been provided for on the basis that the Directors do not assess them as being recoverable in the foreseeable future The main component of the deferred tax asset is unutilised German losses

17. Share capital

	Issued and fully paid 2012 £m	Issued and fully paid 2011 £m
Ordinary shares of £1 each	**59.4**	59 4

During the year 67,000 ordinary shares of £1 each were issued for a consideration of £0 5m These shares were settled in cash

NOTES TO THE FINANCIAL STATEMENTS
continued

18. Reserves

	Share premium account Group & Company	Capital redemption reserve Group & Company	Merger reserve Group	Profit and loss account Group	Profit and loss account Company
	£m	£m	£m	£m	£m
At 31st January 2011	0 4	18 1	15 1	273 9	22 0
Currency translation adjustments (net of corporation tax)	–	–	–	2 2	–
Allotment of shares	0 4	–	–	–	–
Profit for the year	–	–	–	77 5	49 7
Actuarial loss on pension scheme	–	–	–	(0 3)	–
Associated deferred tax on actuarial loss	–	–	–	1 6	–
Effect of change in tax rate on deferred tax asset in pension liability	–	–	–	(2 6)	–
Share-based payment	–	–	–	0 2	0 2
Dividends paid	–	–	–	(21 7)	(21 7)
At 31st January 2012	**0.8**	**18.1**	**15.1**	**330.8**	**50.2**

The merger reserve of £15 1m (2011 – £15 1m) arises from the adoption of merger accounting in the year ended 31st January 1998 in relation to the Group reconstruction which followed the demerger of the Factory Outlet Centres The capital redemption reserve was originally created in 2003 as a result of the ordinary share buy back

The profit for the year dealt within the profit and loss account of the Company amounts to £49 7m (2011 – £35 5m) The cumulative total of goodwill written off against Group profit and loss account reserves in respect of acquisitions prior to the 1st February 1988, when FRS 10 'Goodwill and Intangible Assets' was adopted, amounts to £2 1m (2011 – £2 1m) This relates to acquisitions since 1st February 1985 as information prior to this date is not available

19. Financial commitments

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

	2012	2011
	£m	£m
Contracted but not provided for	**61.0**	6 8

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

	Land and buildings 2012	Land and buildings 2011	Plant and equipment 2012	Plant and equipment 2011
	£m	£m	£m	£m
Expiring within one year	**5.5**	7 7	**0.2**	0 1
Expiring between two and five years	**30.9**	30 1	**1.2**	1 0
Expiring after five years	**49.5**	46 8	–	–
	85.9	84 6	**1.4**	1 1

20. Financial instruments and risk management

The Group's treasury management policies are outlined in the Financial Review on page 19

a) Currency profile and interest rates

	Gross borrowings 2012 £m	Cash at bank and in hand 2012 £m	Net (cash) /borrowings 2012 £m	Gross borrowings 2011 £m	Cash at bank and in hand 2011 £m	Net (cash) /borrowings 2011 £m
Currency:						
Sterling	**0.3**	**(64.9)**	**(64.6)**	10 2	(82 0)	(71 8)
US dollar	**11 1**	**(27.2)**	**(16.1)**	16 3	(8 3)	8 0
Euro	**29.5**	**(6.7)**	**22.8**	20 5	(5 7)	14 8
Other	**7.0**	**(10.1)**	**(3.1)**	8 6	(9 8)	(1 2)
	47.9	**(108.9)**	**(61.0)**	55 6	(105 8)	(50 2)
Borrowings for hedging purposes						
Sterling	**51.4**	**–**	**51.4**	–	–	–
US Dollar	**19.1**	**–**	**19.1**	31 6	–	31 6
	70 5	**–**	**70.5**	31 6	–	31 6
	118.4	**(108.9)**	**9 5**	87 2	(105 8)	(18 6)

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 £235 3m (2011 – £171 1m) are available at floating rates These include the Revolving Credit Facility of £200 0m (2011 – £136 5m) and overdraft facilities in the UK and overseas totalling £35 3m (2011 – £34 6m) Under the Revolving Credit Facility interest rates are based upon LIBOR, fixed depending on the tenor of the loan The interest rates on overdraft facilities in the UK are based on the UK base rate for sterling borrowings and the relevant LIBOR rate for currency borrowings The interest rates on short-term facilities in the USA and Japan are based on local base rates Bank borrowings are secured by a floating charge over the assets of the Group

Included in sterling borrowings for hedging purposes is £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 $80m 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

Exchange losses on foreign currency borrowings less deposits were £0 2m (2011 – loss £1 8m) including a gain of £nil (2011 – £nil) relating to exchange movements on loans providing a hedge to offset currency movements arising on retranslation of overseas subsidiaries

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

	2012 £m	2011 £m
In one year or less or on demand	**47.9**	55 6
In more than one year but not more than two years	**–**	31 6
In more than two years but not more than five years	**70.5**	–
	118.4	87 2

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

	2012 £m	2011 £m
Expiring in one year	**33.7**	34 6
Expiring in more than one year but not more than two years	**129.5**	94 9
	163.2	129 5

NOTES TO THE FINANCIAL STATEMENTS
continued

20. Financial instruments and risk management *continued*

b) Currency exposures, fair values and hedge

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

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

As at 31st January 2012, the foreign currency forward contracts held a theoretical fair value gain of £6 3m (2011 – loss £0 4m) The fair value gain on options at 31st January 2012 was £5 1m (2011 – loss £0 2m) One hundred and fifty-seven of the one hundred and seventy-four contracts held will mature during the year ended 31st January 2013 The sterling value of the deals held is £692 9m (2011 – £650 2m) Ninety-five of the one hundred and twenty-six contracts held at 31st January 2011 have matured and have been recognised in the profit and loss account

The fair value loss for the Group and Company on the cross-currency interest rate swap used to create the synthetic loan at 31 January 2012 was £0 9m

21. Retirement Benefits

The Group operates two defined benefit schemes in the UK, the C&J Clark Pension Fund (the Fund) and the Clarks Flexible Pension Scheme (the Scheme) A full actuarial valuation of the Fund was carried out at 5 April 2011 and an actuarial report of the Scheme was carried out at 5 April 2009 These were updated to 31st January 2012 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 2011 and updated to 31st January 2012 by a qualified independent actuary

	Group 2012 £m	Group 2011 £m
Change in benefit obligation for defined benefit sections		
Benefit obligation at the beginning of the year	**827.3**	770 5
Current service cost	**10.5**	9 6
Interest cost	**45.9**	43 8
Plan participants' contributions	**0.3**	0 4
Past service costs	–	–
Actuarial gains	**65.9**	42 3
Transfer from defined contribution section of the Fund	–	–
Curtailments	–	–
Benefits paid	**(40.3)**	(39 6)
Exchange rate adjustment on US scheme	**0.6**	0 3
Benefit obligation at the end of the year	**910.2**	827 3
Analysis of benefit obligation for defined benefit sections		
Plans that are wholly or partly funded	**909.9**	827 0
Plans that are wholly unfunded	**0.3**	0 3
Total	**910.2**	827 3

21. Retirement Benefits *continued*

	Group 2012 £m	Group 2011 £m
Change in plan assets for defined benefit sections		
Fair value of plan assets at beginning of the year	**704.2**	628 4
Expected return on plan assets	**38.4**	37 1
Actuarial gains	**65.6**	35 0
Transfer from defined contribution section of the Fund	**–**	–
Employer contribution	**31 2**	42 8
Member contributions	**0.3**	0 4
Benefits paid	**(40.3)**	(39 6)
Exchange rate adjustment on US scheme	**0.7**	0 1
Fair value of plan assets at the end of the year	**800.1**	704 2

Funded status	**(110.1)**	(123 1)
Unrecognised past service cost (benefit)	**–**	–
Net amount recognised	**(110.1)**	(123 1)

In addition, the value of the assets and liabilities held in the defined contribution section of the UK Fund amounted to £21 8m as at 31st January 2012 (2011 – £21 8m) and the value of assets and liabilities held in the defined contribution section of the UK Scheme amounted to £4 6m as at 31st January 2012 (2011 – £3 5m) Defined contribution schemes in the US held assets of £29 8m as at 31st January 2012 (2011 – £27 0m)

	Group 2012 £m	Group 2011 £m
Components of pension cost		
Current service cost – defined benefit scheme	**10.5**	9 6
Contribution – defined contribution scheme	**1 2**	1 3
Interest cost	**45.9**	43 8
Expected return on plan assets	**(38.4)**	(37 1)
Past service cost	**–**	–
Effect of curtailments	**–**	–
Total pension cost recognised in the Profit and Loss Account	**19.2**	17 6

Actuarial losses immediately recognised	**0.3**	7 3
Total pension cost recognised in the Statement of Total Recognised Gains and Losses	**0.3**	7 3

Cumulative amount of actuarial losses immediately recognised since 1 February 2005	**73.0**	72 7

NOTES TO THE FINANCIAL STATEMENTS
continued

21. Retirement Benefits *continued*

	Group 2012 £m	Group 2011 £m
Movement in deficit during the year		
Deficit in the scheme at the beginning of the year	**(123.1)**	(142 1)
Current service cost	**(10.5)**	(9 6)
Contributions	**31.2**	42 8
Past service costs/curtailments	–	–
Net (interest cost)/return on assets	**(7.5)**	(6 6)
Actuarial loss	**(0.3)**	(7 2)
Exchange rate adjustment on US scheme	**0.1**	(0 4)
Deficit in the scheme at the end of the year	**(110.1)**	(123 1)
Associated deferred tax asset		
Deferred tax asset at the beginning of the year	**34.9**	41 9
Deferred tax charge on pension contributions in excess of current year pension charge	**(3.7)**	(7 7)
Effective change in tax rate	**(2.0)**	(1 1)
Movements on actuarial loss	**1.6**	1 7
Exchange rate adjustment on US scheme	–	0 1
Deferred tax asset at the end of the year	**30.8**	34 9
Net pension liability at the beginning of the year	**(88.2)**	(100 2)
Net pension liability at the end of the year	**(79.3)**	(88 2)

Plan assets

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

Asset category	UK plan assets 2012	UK plan assets 2011	North America plan assets 2012	North America plan assets 2011
Equities	**39.27%**	39 39%	**41.30%**	65 32%
Bonds	**59.96%**	59 88%	**58.70%**	34 68%
Cash	**0.77%**	0 73%	–	–
	100.00%	100 00%	**100.00%**	100 00%
Amounts included in the fair value of assets for:				
Financial instruments	–	–	–	–
Property occupied or other assets used	–	–	–	–

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, the expectation for future returns of each asset class and the expected expenses of operating the schemes The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio This resulted in the selection of the 4 42% assumption for the year ended 31 January 2012 for the UK scheme and 7 00% for the US scheme

21. Retirement Benefits *continued*

	Group 2012 £m	Group 2011 £m
Actual return on plan assets	**104.0**	72 2

		UK 2012	UK 2011	North America 2012	North America 2011
Weighted average assumptions used to determine benefit obligations					
Discount rate		**4.70%**	5 60%	**4.50%**	5 50%
Rate of increase in salaries	Senior Executives	**5.10%**	5 50%	**4.00%**	5 00%
	Others	**4.60%**	5 00%	**4.00%**	5 00%
Rate of increase in pensions in payment	Fund	**3.10%**	3 40%	**n/a**	n/a
	Scheme	**2.00%**	2 25%	**n/a**	n/a
Rate of increase in pensions in deferment		**2.10%**	3 00%	**n/a**	n/a
Inflation assumption		**3.10%**	3 50%	**2.50%**	2 50%
Weighted average assumptions used to determine net pension cost for the year end					
Discount rate		**5.60%**	5 75%	**5.75%**	6 00%
Expected long-term return on plan assets		**4.42%**	5 67%	**7.00%**	8 50%
Rate of increase in salaries	Senior Executives	**5.50%**	5 50%	**5.00%**	5 00%
	Others	**5.00%**	5 00%	**5.00%**	5 00%
Rate of increase in pensions in payment	Fund	**3.40%**	3 40%	**n/a**	n/a
	Scheme	**2.25%**	2 25%	**n/a**	n/a
Rate of increase in pensions in deferment		**3.00%**	3 40%	**n/a**	n/a
Inflation assumption		**3.10%**	3 50%	**2.50%**	2 50%
Weighted average life expectancy for mortality tables used to determine benefit obligations					
Member age 65 (current life expectancy)	Male	**22.9**	20 3	**19.6**	17 9
	Female	**23.5**	23 2	**21.3**	21 3
Member age 45 (life expectancy at age 65)	Male	**24.7**	21 3	**19.6**	17 9
	Female	**25.0**	24 1	**21.3**	21 3

NOTES TO THE FINANCIAL STATEMENTS
continued

21. Retirement Benefits *continued*

Five year history

	UK 2012 £m	UK 2011 £m	UK 2010 £m	UK 2009 £m	UK 2008 £m
Benefit obligation at the end of the year	**(822.6)**	(761 0)	(710 0)	(617 9)	(658 9)
Fair value of plan assets at the end of the year	**738 8**	654 9	590 0	482 9	582 0
Deficit in the scheme	**(83.8)**	(106 1)	(120 0)	(135 0)	(76 9)
Related deferred tax asset	**21.0**	28 6	33 6	37 8	21 5
Net pension liability	**(62 8)**	(77 5)	(86 4)	(97 2)	(55 4)

	North America 2012 £m	North America 2011 £m	North America 2010 £m	North America 2009 £m	North America 2008 £m
Benefit obligation at the end of the year	**(87.6)**	(66 3)	(60 5)	(56 7)	(40 0)
Fair value of plan assets at the end of the year	**61.3**	49 3	38 4	28 9	32 1
Deficit in the scheme	**(26.3)**	(17 0)	(22 1)	(27 8)	(7 9)
Related deferred tax asset	**9.8**	6 3	8 3	10 8	3 1
Net pension liability	**(16.5)**	(10 7)	(13 8)	(17 0)	(4 8)

	Group 2012 £m	Group 2011 £m	Group 2010 £m	Group 2009 £m	Group 2008 £m
Benefit obligation at the end of the year	**(910.2)**	(827 3)	(770 5)	(674 6)	(698 9)
Fair value of plan assets at the end of the year	**800.1**	704 2	628 4	511 8	614 1
Deficit in the scheme	**(110.1)**	(123 1)	(142 1)	(162 8)	(84 8)
Related deferred tax asset	**30.8**	34 9	41 9	48 6	24 6
Net pension liability	**(79.3)**	(88 2)	(100 2)	(114 2)	(60 2)
Actual return less expected return on scheme assets	**65.6**	35 0	(131 0)	(131 0)	(20 4)
Percentage of year end scheme assets	**8.2%**	5 0%	(20 8%)	(25 6%)	(3 3%)
Experience (losses)/gains arising on scheme liabilities	**(65.9)**	(42 3)	5 5	5 5	(4 9)
Percentage of year end scheme liabilities	**(7.2%)**	(5 1%)	0 7%	0 8%	(0 7%)

Contributions
Under the current schedule of contributions, the Group expects to make contributions towards pension deficits of £17m to the UK schemes and $10m to the US schemes in the year ended 31 January 2013

22. Related party transactions

Control
The Group holding company is C&J Clark Limited As indicated in the Corporate Governance statement on pages 22 to 24, family members hold 84 2% of the Company's ordinary shares

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

22. Related party transactions *continued*

Transactions with subsidiaries

The Group has taken advantage of the exemptions in FRS 8 'Related Party Transactions' 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 2012	Sales to related parties 2011	**Amounts owed by related parties 2012**	Amounts owed by related parties 2011	**Injection of equity funding 2012**	Injection of equity funding 2011
	£m	£m	**£m**	£m	**£m**	£m
Joint Venture	**2.2**	0 4	**0.8**	0 4	**1.7**	0 3

Sales to related parties consist of footwear

23. Reconciliation of operating profit items to operating cash flows

	2012	2011
	£m	£m
Operating profit before exceptional items	**115.8**	110 9
Depreciation and impairments	**27.9**	27 9
Decrease in land held for resale	**–**	1 3
Increase in stocks	**(27.2)**	(89 0)
Increase in debtors	**(6.1)**	(17 8)
(Decrease)/increase in creditors	**(15.8)**	34 1
(Decrease)/increase in provisions	**(5.6)**	2 0
Exchange gains on currency bank accounts	**(0.2)**	(1 8)
Loss on sale of tangible fixed assets	**–**	4 7
Pension deficit funding	**(22.4)**	(34 5)
Difference between pension charge and cash contributions	**1.6**	2 5
Net cash inflow from operating activities	**68.0**	40 3

24. Analysis of cash flows for headings netted in the Group cash flow statement

	2012	2011
	£m	£m
a) Returns on investments and servicing of finance		
Interest received	**0.3**	0 4
Interest paid	**(1.7)**	(0 8)
Net cash outflow for returns on investments and servicing of finance	**(1.4)**	(0 4)
b) Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(54.3)**	(42 5)
Sale of tangible fixed assets	**6.8**	1 9
Additions to investments (see note 10a)	**–**	(0 5)
Disposal of investments (see note 10a)	**1.0**	–
Investment in joint venture undertaking	**(1.7)**	(0 3)
Net cash outflow for capital expenditure and financial investment	**(48.2)**	(41 4)

NOTES TO THE FINANCIAL STATEMENTS
continued

24. Analysis of cash flows for headings netted in the Group cash flow statement *continued*

	2012 £m	2011 £m
c) Financing		
Increase in long-term bank loans	**38.9**	31 6
(Decrease)/increase in bank loans	**(10.0)**	10 0
Increase in debt	**28.9**	41 6
Issue of shares	**0.4**	–
Share buyback	**–**	(1 6)
Net cash inflow from financing	**29.3**	40 0

25 Analysis of net cash

	At 1st February 2011 £m	Cash flow £m	Translation differences £m	At 31st January 2012 £m
Cash at bank and in hand	105 8	3 3	(0 2)	**108.9**
Bank overdrafts	(45 6)	(2 7)	0 4	**(47.9)**
	60 2	0 6	0 2	**61.0**
Bank loans	(10 0)	10 0	–	**–**
Long-term loans	(31 6)	(38 9)	–	**(70.5)**
	18 6	(28 3)	0 2	**(9.5)**

C&J CLARK LIMITED AND SUBSIDIARIES

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

	Country of incorporation	Ordinary shares	%
Subsidiaries			
C&J Clark International Limited (trading as Clarks International)	England	£ each	100
Clarks Companies North America	USA	US $ each	100
Clarks Shoes Vertriebs GmbH	Germany	€ each	100
Clarks Shoes Benelux BV	Holland	€ each	100
Clarks Japan Company Limited	Japan	¥ each	100
Joint Ventures			
Clarks Future Footwear Limited	India	RUP each	50

GROUP FINANCIAL RECORD

	Notes	2012 £m	2011 £m	2010 £m	2009 £m	2008 (restated) £m
Group trading results for the year ended 31st January						
Total Group turnover		**1,398.1**	1,281.3	1,173.5	1,122.0	1,053.0
Turnover from continuing activities	1	**1,399.7**	1,281.3	1,173.5	1,122.0	1,035.6
Profit before interest, exceptional items and Joint Venture		**115.8**	110.9	97.4	93.3	85.2
Exceptional items before taxation		**0.2**	5.1	1.5	0.5	(6.0)
Profit before interest and after exceptional items		**115.5**	115.9	98.9	93.8	79.2
Net interest		**(9.4)**	(7.2)	(13.8)	(7.0)	(4.1)
Profit before tax and after exceptional items		**106.1**	108.7	85.1	86.8	75.1
Profit after tax		**77.5**	77.1	60.8	62.0	51.7
Group financial position at 31st January						
Capital employed		**518.2**	439.3	353.1	443.5	360.1
Net borrowings/(cash)		**9.5**	(18.6)	(77.4)	29.5	19.1
Equity shareholders' funds		**424.2**	366.9	322.5	288.5	269.2
Ratios						
Return on sales	2	**8.3%**	8.7%	8.3%	8.3%	8.2%
Return on capital employed	3	**22.3%**	25.2%	27.6%	21.0%	23.7%
Net assets per ordinary share	4	**£7.14**	£6.16	£5.41	£4.79	£4.43
Net borrowings/equity		**2.2%**	(5.1%)	(24.0%)	10.2%	7.1%
Basic earnings per ordinary share	5	**130.5p**	129.6p	101.6p	102.6p	84.7p
Basic earnings per ordinary share before exceptional items		**130.2p**	121.1p	98.3p	101.8p	93.2p
Dividends paid during the year per ordinary share	6	**36.5p**	40.0p	27.5p	26.5p	24.0p
Dividend cover	7	**3.6**	3.2	3.7	3.9	3.5
Interest cover	8	**12.3**	16.1	7.2	13.4	19.3

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

FACTS AT YOUR FINGERTIPS

2012

	UK	America	Europe	Rest of the World	Group
Turnover (£millions)	**601**	**536**	**162**	**99**	**1,398**
Employees (number at year end)*	**11,906**	**2,338**	**132**	**196**	**14,572**
Pairs sold (millions)	**28.9**	**20 0**	**2.3**	**1.0**	**52.2**
Shops					
Clarks	**378**	**149**	**4**	**–**	**531**
Concessions	**58**	**–**	**–**	**–**	**58**
Factory shopping outlets	**37**	**100**	**4**	**–**	**141**
Bostonian	**–**	**17**	**–**	**–**	**17**
Total owned shops	**473**	**266**	**8**	**–**	**747**
Franchise stores	**111**	**–**	**–**	**–**	**111**
International Clarks shops**	**–**	**7**	**163**	**128**	**298**
Total shops	**584**	**273**	**171**	**128**	**1,156**

2011

	UK	America	Europe	Rest of the World	Group
Turnover (£millions)	582	481	148	69	1,281
Employees (number at year end)*	12,121	2,135	91	173	14,520
Pairs sold (millions)	28 2	18 5	1 8	0 8	49 3
Shops					
Clarks	383	137	1	–	521
Concessions	56	–	–	–	56
Factory shopping outlets	37	93	3	–	133
Bostonian	–	24	–	–	24
Total owned shops	476	254	4	–	734
Franchise stores	112	–	–	–	112
International Clarks shops**	–	6	131	94	231
Total shops	588	260	135	94	1,077

** Including part time employees*

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

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Clarks

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