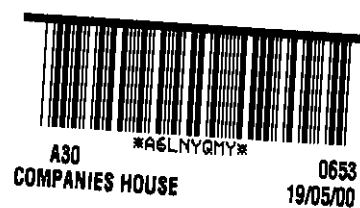


C & J Clark Limited

Directors' Report & Financial Statements

for the year ended 31st January 2000

Company number 3314066



Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st January 2000.

Business review

The principal activities of the company and its related subsidiaries are worldwide shoe retailing and manufacturing, and related trades. Further details of the operations and the trading results are set out on pages 32 to 52.

The retained profit for the year was £17.8 million after dividends paid and proposed of £7.7 million.

Directors

The current directors of the company are listed on page 23. Harriet Hall and Benjamin Lovell were appointed as non-executive directors on 7th May 1999. Caroline Gould and Lance Clark retired on 7th May 1999.

In accordance with the company's Memorandum and Articles, Tim Parker and Michael Garner retire by rotation at the forthcoming Annual General Meeting. They will both seek re-election.

Details of the directors' service contracts are given in the Remuneration Report on pages 26 to 28.

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

Donations

Donations for charitable purposes made during the year amount to £73,000 (1999 – £25,000). 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 company'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 company remains committed to the highest standards of corporate governance. A report is set out on pages 30 and 31.

Directors' interests

The interests of the directors in office at 31st January 2000 in the share capital of the company were:

	As at 31st January 2000 Ordinary Shares*	As at 31st January 1999 Ordinary Shares*
Roger Pedder	3,262,761	3,262,236
Tim Parker	305,187	254,497
Mark McMenemy	145,510	117,177
Peter Bolliger	75,904	47,751
Harriet Hall (appointed 7th May 1999)	4,551,759	-
Benjamin Lovell (appointed 7th May 1999)	1,865,041	-

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

A list of transactions with related parties is given in note 25 to the financial statements.

There were no changes in directors' share interests between the end of the year and 11th March 2000 (being one month before the date of the notice of the Annual General Meeting).

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board


Judith Derbyshire Company Secretary
Street

29th March 2000

Remuneration Report

The Appointments and Remuneration Committee is responsible for the appointment of executive directors to the Board of C & J Clark Limited and for approving an appropriate level of remuneration all within the principles which the Committee has determined and which are set out below.

The Committee consists of all non-executive directors and is chaired by Harriet Hall. Roger Pedder attends, except when the Committee considers his remuneration.

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 so doing the Committee aims to ensure that such packages are balanced but not excessive and that incentive schemes are so structured that they reflect the levels paid generally to such executives.

The Combined Code

The Board considers that they have complied with the Combined Code provisions relating to directors' remuneration and have followed the provisions in Schedule B to the Combined Code.

Directors' emoluments

	Fees or salaries £000	Performance related bonuses £000	Benefits £000	Long term incentives (deferred shares)		Total 2000 £000	Total 1999 £000
				Current year £000	Prior years £000		
Executive directors:							
Tim Parker	303	72	18	630	864	1,887	498
Mark McMenemy	170	40	9	343	458	1,020	269
Peter Bolliger	169	31	11	264	228	703	318
Non-executive directors:							
Roger Pedder	134	–	9	–	–	143	106
Lance Clark (resigned 7th May 1999)	8	–	–	–	–	8	27
Michael Garner	28	–	–	–	–	28	26
Caroline Gould (resigned 7th May 1999)	5	–	–	–	–	5	19
Norman Finn	20	–	–	–	–	20	2
Harriet Hall (appointed 7th May 1999)	19	–	–	–	–	19	–
Benjamin Lovell (appointed 7th May 1999)	15	–	–	–	–	15	–

Benefits arising from employment by the company mainly relate to the provision of company cars.

As explained on page 27, the benefits under the Executive Share plan were enhanced, during the year, in respect of share entitlements awarded up to 31st January 1999. The cost of this enhancement is shown separately under 'prior years'.

Directors' pension entitlements

The executive directors and the Chairman all participate in the company's pension fund. The fund is contributory and is governed by an independent trust. Their normal retirement age under the scheme is 60. Their normal pension accrual is at the rate of one fortieth of pensionable pay for each year of pensionable service. Early retirement, with company consent, is permitted at age 50 onwards subject to an actuarial reduction to the accrued pension of up to 23%. However, as shown in the notes below, certain individuals' pensions accrual under the fund is restricted by the "Earnings Cap" introduced under the 1989 Finance Act and applicable to members joining Inland Revenue approved schemes on or after 1st June 1989. For those individuals indicated, the company has set up separate pension arrangements known as Funded Unapproved Retirement Benefit Schemes (FURBS). These are "money purchase" schemes which are designed to provide a fund on leaving/retirement which is broadly equivalent in value to the shortfall in the target benefit payable under the company's pension fund arising from the application of the "Earnings Cap".

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 Inland Revenue's "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, usually 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 8½% p.a. compound between the date of retirement and each annual pension review.

	Age at 31st January	Pensionable service to 31st January	Additional pension earned in the company fund including inflation		Accrued entitlement under company fund at year ended 31st January		Contributions to FURBS in year ended 31st January		Members' contributions to company fund in year ended 31st January	
			2000 £000 p.a.	1999 £000 p.a.	2000 £000 p.a.	1999 £000 p.a.	2000 £000	1999 £000	2000 £000	1999 £000
Tim Parker*	44	4	4	3	13	9	105	99	5	5
Mark McMenemy*	41	3	4	3	11	7	33	29	5	5
Peter Bolliger*	55	5	4	3	17	13	24	20	5	5
Roger Pedder	58	5	4	3	15	11	—	—	4	4

* Individuals' benefits under the company's pension fund are subject to an "Earnings Cap" (£90,600 at 31st January 2000) and a separate pension arrangement (FURBS) has been set up to broadly compensate for the effect of the "Earnings Cap".

The Appointments and Remuneration Committee agreed on his appointment that Roger Pedder shall have a pension entitlement of two-thirds of the "Earnings Cap" at age 60, less the value of his own personal pension plans. He is a member of the company's pension fund. His annual salary has been reduced by £33,000 (1999 – £60,000), an amount calculated by the scheme actuaries, which is broadly equivalent to the amount by which the benefit of this entitlement exceeds the benefits payable under the company's pension fund.

Executive Share Plan

This plan is designed to provide a long term incentive for the most senior executives in the group. The current participants are Tim Parker, Mark McMenemy and Peter Bolliger. In each year if certain performance targets have been achieved, the participants are awarded share entitlements to the value of up to 75% of their basic salary. No further awards will be granted under the Plan after June 2002. The shares can vest in the participant when they have been held in trust for at least three years. The participants can elect to receive a cash alternative equivalent to the value of the shares on exercise of their entitlements.

At the AGM on 7th May 1999, it was agreed to introduce a cash bonus arrangement to the Plan. The arrangement will provide a cash sum to the executive if he exercises an award before flotation of the company has been achieved. This sum is based on the difference between the internal share price prevailing immediately before the exercise and a notional share price which is calculated on the assumption that the company is a listed company. The exercise period runs from the third anniversary of the grant of the award until six months after the date of the AGM in 2005.

Share entitlements are as follows:

	Tim Parker	Mark McMenemy	Peter Bolliger
At 31st January 1999	212,596	111,177	41,353
Entitlements granted during the year	50,690	28,333	28,333
At 31st January 2000	263,286	139,510	69,686

On the adoption of the Annual Report & Accounts at the Annual General Meeting, Tim Parker will become entitled to a further 73,695 shares, Mark McMenemy to a further 41,193 shares and Peter Bolliger to a further 41,193 shares, assuming a base price of £3.25 per share (being the latest published share price).

North America Shadow Share Scheme

In 1996, a Shadow Share Benefits Scheme was established covering a number of senior executives of the Clarks Companies, North America. The scheme is a long term cash incentive scheme, the potential rewards of which are linked to the increase in the value of the subsidiaries.

Shadow Share Scheme

This scheme was established in 1992 for senior management and is designed to mirror a share option scheme as far as is practically possible. Three senior managers have outstanding entitlements under the scheme, and provision for amounts payable on the exercise of entitlements has been made in full. If not previously exercised, entitlements lapse on the tenth anniversary of the date they were granted.

Employee Share Scheme

During the year the group operated an Employee Share Scheme. Under the 1999 Scheme, eligible employees may purchase Ordinary Shares in the company to the value of 1% of their gross earnings. One free share is allocated for every share purchased by an employee. These shares rank for dividend and are held in trust for three years before being transferred to the employee free of any restrictions. It is intended to run the 1999 scheme again in 2000.

Service contracts

The Appointments and Remuneration Committee has adopted the policy that any new executive directors should have rolling service contracts of not more than one year, subject to an initial period of not more than two years on appointment.

All the executive directors have one year rolling contracts. Roger Pedder holds a two year rolling service contract as non-executive Chairman; the other non-executive directors do not have service contracts.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Report of the auditors to the members of C & J Clark Limited

We have audited the financial statements on pages 32 to 52.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described above, the financial statements.

Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

In addition to our audit of the financial statements, the directors have instructed us to review their corporate governance statement as if the company were required to comply with the Listing Rules of the London Stock Exchange in relation to these matters. We review whether the statement on pages 30 and 31 reflects the company's compliance with those provisions of the Combined Code specified for audit review by those rules, and we report if it does not. We are not required to form an opinion on the effectiveness of the company's corporate governance procedures or its internal controls.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31st January 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Chartered Accountants and Registered Auditors

Bristol

29th March 2000

Corporate Governance

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 applies the principles identified in the Combined Code on Corporate Governance.

The directors believe that the group complies with the provisions set out in section 1 of the Combined Code and that it has complied throughout the year.

Formal guidance on how to implement the Combined Code in respect of the requirement for the directors to review and report on internal controls and risk management was issued by the ICAEW in September 1999 in the form of the Turnbull report. The group has chosen to adopt the transitional rules permitted by the London Stock Exchange and it has undertaken additional measures to enable it to fully comply with the Turnbull requirements during the year ended 31st January 2001.

In furtherance of the principles of good corporate governance, the Board and Board Committees operate in the following way:

The Board of Directors

The Board currently consists of the non-executive Chairman, four other non-executive directors and three executive directors.

The Board meets regularly throughout the year and on additional occasions as required. The Board has a schedule of matters specifically reserved to itself for decision and is committed to ensuring that proper standards of corporate governance are maintained throughout the group. Members of the Board and recruitment consultants, who are also used to assist the process, suggest possible new non-executive directors. Candidates are considered by all directors.

Whenever a new director is appointed to the Board, he or she is provided with access to appropriate training if necessary. In accordance with the Articles of Association, non-executive directors (excluding a non-executive Chairman)

must retire at the conclusion of the next Ordinary General Meeting after they have completed nine years of service, or upon reaching 65 years of age. Executive directors normally retire after reaching 60 years of age. In addition, directors retire by rotation, and are eligible for re-election at least every three years.

There is an agreed procedure for directors to take independent professional advice if necessary at the company's expense. This is in addition to the access which every director has to the company secretary. The company secretary is charged by the Board with ensuring that Board procedures are followed.

Any concerns relating to the executive management of the company or the performance of the other non-executive directors can be raised with the senior non-executive director, Michael Garner, if for any reason it is inappropriate to raise them with the Chairman.

To enable the Board to function effectively and allow directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of board meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters.

Full details of directors' remuneration and a statement of the company's remuneration policy is set out in the Remuneration Report set out on pages 26 to 28.

The Board's non-executive directors bring strong independent judgement and considerable knowledge and experience to the Board's deliberations. They receive a fee, but do not participate in any bonus or incentive schemes or qualify for pension benefits. The Chairman receives a salary and pension benefits but does not participate in any bonus or incentive schemes.

Board Committees

The Board has appointed the following committees to deal with specific aspects of the group's affairs:

Audit Committee

The Committee consists of all the non-executive directors. It has formal terms of reference covering all the points recommended by the Combined Code. It meets at least twice a year and its duties include the review of internal controls throughout the group, approving the group's accounting policies and reviewing the half-year and annual financial statements before submission to the Board. The independence and objectivity of the external auditors is also considered. The split between audit and non-audit fees for the year under review appears on page 40. The Finance Director, other executive directors, external auditors and company managers attend the meetings of the Committee as appropriate.

Appointments and Remuneration Committee

The Committee consists of all the non-executive directors. Its responsibilities are to approve the remuneration and other benefits of the executive directors and the senior management team and to receive reports of the terms and conditions of other senior executives.

Share Valuation Committee

The Committee consists of the Chairman of the Audit Committee and at least two non-executive directors. It 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 of Directors for approval.

Family Shareholders' Council

Family shareholders representing 72% of the ordinary shares of the company have formed a council to aid communication between shareholders and the Board of Directors. The Council assists in the implementation of corporate governance policies and works with the Board in matters affecting the

marketability of shares and towards the achievement of any potential flotation. The Council may nominate two persons for appointment as non-executive directors of the company. These are currently Benjamin Lovell and Harriet Hall.

Communication

The company places a great deal of importance on communication with its shareholders. The full report and accounts are available to all shareholders.

All shareholders have the opportunity to put questions at the company's Annual General Meeting and the Chairman makes a presentation at the meeting to highlight the key business developments during the financial year.

Audit and internal control

The Board has ultimate responsibility for the system of internal controls maintained by the group. It also has responsibility for carrying out a review of the status of those internal controls on an annual basis and reporting that it has done so. This system provides reasonable, but not absolute, assurance against material loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation and mitigation of business risks.

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 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.

- Operating units are required to certify annually their compliance with internal control objectives.

- Group and operational management are responsible for the identification and evaluation of key risks applicable to their areas of the business. These risks are assessed on a continuous basis and 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.

A business-wide review of internal controls has been carried out by management during the year and reviewed by the Audit Committee on behalf of the Board. The overall status of those systems is adequate to enable all identified business risks to be appropriately managed. The review indicated certain areas in which the control system could be further improved.

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.

Group profit and loss account

for the year ended 31st January 2000

	Notes	Before exceptional items 2000 £000	Exceptional items 2000 £000	Total 2000 £000	Before exceptional items (restated) 1999 £000	Exceptional items (restated) 1999 £000	Total 1999 £000
Turnover	1						
Continuing operations		824,996	-	824,996	778,707	-	778,707
Discontinued operations		6,618	-	6,618	13,503	-	13,503
		831,614	-	831,614	792,210	-	792,210
Costs less other income		(778,456)	(6,986)	(785,442)	(748,651)	(28,416)	(777,067)
		53,158	(6,986)	46,172	43,559	(28,416)	15,143
Provision for the cost of long term incentive schemes	2	(2,714)	(1,550)	(4,264)	(1,087)	-	(1,087)
Operating profit/(loss)							
Continuing operations	2	50,870	(8,536)	42,334	42,700	(27,033)	15,667
Discontinued operations		(426)	-	(426)	(228)	(1,383)	(1,611)
	2	50,444	(8,536)	41,908	42,472	(28,416)	14,056
Profit/(loss) on disposal of fixed assets	3	-	1,850	1,850	-	(414)	(414)
Profit/(loss) on disposal of discontinued operations	4	-	377	377	-	(4,180)	(4,180)
Profit/(loss) on ordinary activities before interest		50,444	(6,309)	44,135	42,472	(33,010)	9,462
Net interest payable	5	(4,900)	-	(4,900)	(3,201)	-	(3,201)
Profit/(loss) on ordinary activities before taxation		45,544	(6,309)	39,235	39,271	(33,010)	6,261
Taxation on profit/(loss) on ordinary activities	6	(15,723)	2,064	(13,659)	(14,681)	4,853	(9,828)
Profit/(loss) on ordinary activities after taxation		29,821	(4,245)	25,576	24,590	(28,157)	(3,567)
Minority interest		-	-	-	(350)	-	(350)
Profit/(loss) for the financial year		29,821	(4,245)	25,576	24,240	(28,157)	(3,917)
Dividends paid and proposed	7	(7,745)	-	(7,745)	(6,637)	-	(6,637)
Transfer to/(from) reserves		22,076	(4,245)	17,831	17,603	(28,157)	(10,554)
Basic earnings per Ordinary Share	8	38.7p	(5.5p)	33.2p	31.5p	(36.6p)	(5.1p)
Diluted earnings per Ordinary Share	8	38.6p	(5.5p)	33.1p	31.4p	(36.5p)	(5.1p)

Prior year comparatives have been restated to show the turnover and operating result from the Australian components business within discontinued activities.

The notes on pages 36 to 52 form part of these financial statements.

Balance sheets

as at 31st January 2000

	Notes	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Fixed assets					
Tangible assets	9	112,922	101,354	-	-
Investments	10	958	879	77,182	77,182
		113,880	102,233	77,182	77,182
Current assets					
Stock	11	204,965	187,991	-	-
Debtors	12	82,301	82,820	134,304	83,627
Cash at bank and in hand		30,849	31,406	-	-
		318,115	302,217	134,304	83,627
Creditors – amounts falling due within one year	13	(134,258)	(137,935)	(4,769)	(3,627)
Net current assets		183,857	164,282	129,535	80,000
Total assets less current liabilities		297,737	266,515	206,717	157,182
Creditors – amounts falling due after more than one year	14	(49,166)	(26,450)	(48,741)	-
Provisions for liabilities and charges	15	(14,483)	(24,457)	-	-
Net assets attributable to shareholders		234,088	215,608	157,976	157,182
Capital and reserves					
Called up share capital	17	77,446	77,182	77,446	77,182
Share premium account	18	530	-	530	-
Merger reserve	19	15,145	15,145	-	-
Profit and loss account	20	140,967	123,281	80,000	80,000
Shareholders' funds		234,088	215,608	157,976	157,182

Approved by the Board of Directors and signed on its behalf on 29th March 2000.

Roger A Pedder
Mark McMenemy

R A Pedder
Mark McMenemy

The notes on pages 36 to 52 form part of these financial statements.

Group cash flow statement

for the year ended 31st January 2000

	Notes	2000 £000	1999 £000
Cash flow from operating activities	26	45,659	27,516
Returns on investments and servicing of finance	27(a)	(5,028)	(3,165)
Taxation		(9,449)	(14,804)
Capital expenditure and financial investment	27(b)	(27,498)	(19,732)
		3,684	(10,185)
Acquisitions and disposals	27(c)	2,332	(883)
Dividends paid		(7,112)	(6,637)
		(1,096)	(17,705)
Financing	27(d)	14,806	11,174
Issue of new share capital		794	–
Increase/(decrease) in cash in the year		14,504	(6,531)

	Notes	2000 £000	1999 £000
Reconciliation of net cash flow to movement in net borrowings			
Increase/(decrease) in cash in the year		14,504	(6,531)
Cash flow from increase in debt and lease financing		(14,806)	(11,174)
Change in net borrowings resulting from cash flows		(302)	(17,705)
New finance leases		(738)	(503)
Translation differences		(1,508)	650
Increase in net borrowings for the year		(2,548)	(17,558)
Opening net borrowings		(52,518)	(34,960)
Closing net borrowings	28	(55,066)	(52,518)

The notes on pages 36 to 52 form part of these financial statements.

Group statement of total recognised gains and losses

for the year ended 31st January 2000

	2000 £000	1999 £000
Profit /(loss) for the financial year	25,576	(3,917)
Currency translation losses on foreign investments	(145)	(162)
Total net gains /(losses) recognised for the year	25,431	(4,079)

Movements in group shareholders' funds

for the year ended 31st January 2000

	2000 £000	1999 £000
Total net gains/(losses) recognised for the year	25,431	(4,079)
New share capital (including share premium)	794	-
Dividends paid and proposed	(7,745)	(6,637)
Net increase/(decrease) in shareholders' funds	18,480	(10,716)
Opening shareholders' funds	215,608	226,324
Closing shareholders' funds	234,088	215,608

Group note of historical cost profits and losses

for the year ended 31st January 2000

	2000 £000	1999 £000
Profit on ordinary activities before taxation	39,235	6,261
Effect of impairment losses on revalued element of properties	-	854
Realised gains on revalued properties	1,292	1,692
Historical cost profit on ordinary activities before taxation	40,527	8,807
Historical cost profit /(loss) for the year retained after taxation, minority interests and dividends	19,123	(8,008)

Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, modified to include the periodic revaluation of freehold and long leasehold land and buildings, and in accordance with applicable accounting standards.

The group has adopted FRS13. This standard introduces considerable new disclosures in respect of financial instruments, but does not affect their treatment in the primary statements.

Group accounts

The group accounts comprise a consolidation of the accounts of the parent company and all of its subsidiaries. The principal subsidiaries are listed on page 52.

Investments in subsidiary companies

Investments in subsidiary companies are stated at cost in the balance sheet of the parent company less provisions for any impairment in value.

Foreign currency translation

The assets, liabilities and trading results of overseas subsidiaries expressed in foreign currencies have been converted at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the retranslation of the opening net assets of overseas subsidiaries have been carried directly to reserves. All other exchange differences have been dealt with through the profit and loss account.

Financial Instruments

The group uses financial instruments to manage its exposures to fluctuations in foreign currency exchange rates. Currently the only instruments used are forward currency contracts. Gains and losses on forward contracts, entered in to 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.

Freehold and long leasehold land and buildings

Land and buildings are subject to periodic revaluation by qualified surveyors and valuers on an open market, existing use basis and are stated at valuation, where appropriate, having regard to the value of each property to the business. Any impairment in the value of such properties has been charged to the profit and loss account. When properties have been identified for disposal they are stated at the anticipated realisable value.

Depreciation

The majority of the freehold buildings and long leaseholds are not depreciated. It is the group's practice to maintain these assets in a continuous state of sound repair and to extend and make improvements thereto from time to time. Accordingly the directors consider that the lives of these assets are so long and residual values are so high that their depreciation is insignificant. Short leasehold property is amortised by equal annual instalments over the lesser of 14 years or the life of each lease. Plant and equipment has been depreciated to write off the original cost, less any residual value, evenly over its expected life: average useful lives are: 8 years for plant, machinery and fixtures, 4 years for motor vehicles and 3 years for computer hardware.

Capitalisation of software costs

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

No costs associated with the conversion of systems to year 2000 or with achieving EMU compliance have been capitalised.

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.

Goodwill

Goodwill arising on businesses acquired is capitalised and amortised to the profit and loss account over the useful economic life of the entity acquired.

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. The cost of manufactured stock, including work-in-progress, includes all direct expenditure together with an appropriate proportion of overheads.

Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset is estimated to arise. Full provision has been made for deferred taxation on the cumulative difference between regular pension costs and the amount credited in respect of the actuarial surplus. No provision has been made for the potential tax which might arise on revalued land and buildings or on investments, including investments in subsidiary companies, if they were to be disposed of at the amounts included in the balance sheet.

Pension costs

The cost of providing pension benefits has been charged to the profit and loss account over the working lives of employees.

Notes to the financial statements

In these notes to the financial statements, the headings "2000" refer to the year ended 31st January 2000 or the balance sheet as at 31st January 2000 and the headings "1999" refer to the year ended 31st January 1999 or the balance sheet as at 31st January 1999.

1 Analysis of turnover, profit and capital employed

The turnover and profits of the group derive from its activities in the shoe trade. Discontinued activities relate to the Australian retail and components operations.

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

	Profit/(loss) before exceptional items 2000 £000	Profit/(loss) before exceptional items (restated) 1999 £000	Exceptional items 2000 £000	Exceptional items (restated) 1999 £000	Profit/(loss) before interest and taxation 2000 £000	Profit/(loss) before interest and taxation 1999 £000
Continuing operations						
UK	33,919	32,968	(1,970)	(20,880)	31,949	12,088
North America	13,216	8,686	(3,668)	–	9,548	8,686
Australia	(3,310)	(2,426)	(1,664)	(6,567)	(4,974)	(8,993)
Rest of the world	7,045	3,472	–	–	7,045	3,472
	50,870	42,700	(7,302)	(27,447)	43,568	15,253
Discontinued operations						
Australia	(426)	(228)	993	(5,563)	567	(5,791)
	50,444	42,472	(6,309)	(33,010)	44,135	9,462

b) Analysis of turnover and capital employed

	Turnover by geographical area of origin 2000 £000	Turnover by geographical area of origin (restated) 1999 £000	Turnover by ultimate geographical market 2000 £000	Turnover by ultimate geographical market (restated) 1999 £000	Capital employed by geographical area of origin 2000 £000	Capital employed by geographical area of origin (restated) 1999 £000
UK	536,687	515,840	484,360	471,810	193,393	176,176
North America	188,894	167,506	188,910	167,506	86,719	75,868
Australia	19,539	21,226	17,767	18,633	4,637	6,148
Rest of the world	79,876	74,135	133,959	120,758	14,863	15,813
Total footwear	824,996	778,707	824,996	778,707	299,612	274,005
Unallocated items	–	–	–	–	(7,343)	(10,131)
Discontinued activities	6,618	13,503	6,618	13,503	–	2,608
	831,614	792,210	831,614	792,210	292,269	266,482

1 Analysis of turnover, profit and capital employed continued

c) Reconciliation of capital employed and net assets:

	2000 £000	1999 £000
Capital employed (see note 1(b))	292,269	266,482
Net borrowings (see note 28)	(55,066)	(52,518)
Deferred taxation (see note 16)	(3,115)	1,644
Net assets	234,088	215,608

2 Operating profit and costs

a) Costs less other income:

	Before exceptional items 2000 £000	Exceptional items 2000 £000	Total 2000 £000	Before exceptional items 1999 £000	Exceptional items 1999 £000	Total 1999 £000
Turnover	831,614	–	831,614	792,210	–	792,210
Cost of sales	(461,370)	(4,727)	(466,097)	(451,085)	(25,225)	(476,310)
Gross profit	370,244	(4,727)	365,517	341,125	(25,225)	315,900
Distribution costs	(193,422)	(122)	(193,544)	(184,131)	(2,281)	(186,412)
Administrative expenses	(126,334)	(3,687)	(130,021)	(114,479)	(910)	(115,389)
Share of loss of associated undertakings	(44)	–	(44)	(43)	–	(43)
Operating profit	50,444	(8,536)	41,908	42,472	(28,416)	14,056

	Before exceptional items Continuing 2000 £000	Before exceptional items Discontinued 2000 £000	Total 2000 £000	Before exceptional items Continuing (restated) 1999 £000	Before exceptional items Discontinued (restated) 1999 £000	Total 1999 £000
Turnover	824,996	6,618	831,614	778,707	13,503	792,210
Cost of sales	(455,579)	(5,405)	(460,984)	(441,775)	(9,310)	(451,085)
Gross profit	369,417	1,213	370,630	336,932	4,193	341,125
Distribution costs	(192,773)	(649)	(193,422)	(184,039)	(92)	(184,131)
Administrative expenses	(125,730)	(990)	(126,720)	(110,150)	(4,329)	(114,479)
Share of loss of associated undertakings	(44)	–	(44)	(43)	–	(43)
Operating profit	50,870	(426)	50,444	42,700	(228)	42,472

Administrative expenses include the costs of long term incentive schemes:

	2000 £000	1999 £000
Shadow Share Scheme	103	(292)
North American Shadow Share Scheme	842	575
Executive Share Plan – current year	1,237	304
– prior years	1,550	–
Senior Managers' Scheme	532	500
	4,264	1,087

These schemes are detailed in the Remuneration Report on pages 26 to 28.

2 Operating profit and costs continued

b) Exceptional items charged in arriving at operating profit are:

	Cost of sales £000	Distribution costs £000	Administrative expenses £000	Total 2000 £000
Year 2000 expenditure	-	-	1,751	1,751
Closure of Franklin plant, North America	3,668	-	-	3,668
Australian restructuring	1,096	122	386	1,604
UK Executive Share Plan bonus for prior years	-	-	1,550	1,550
Closure and restructuring of UK factories	(37)	-	-	(37)
	4,727	122	3,687	8,536

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

	2000 £000	1999 £000
Depreciation of owned assets	16,969	18,974
Depreciation of assets held under finance leases	405	579
Auditors' remuneration		
- Audit fees	345	345
- Other fees, UK	220	252
Operating lease rentals		
- Land and buildings	62,068	59,683
- Plant and equipment	3,187	2,949
Operating lease rental income		
- Land and buildings	8,094	7,476

Parent company audit fees were £nil in both years.

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

	2000 Number	1999 Number
Production	3,380	4,476
Sales and distribution	11,463	11,409
Administration	718	541
	15,561	16,426

The average number of employees has been calculated on a monthly weighted average. Total number of employees at the year end was 15,438 (1999 - 16,543).

e) Employment costs in respect of the foregoing

	2000 £000	1999 £000
Wages and salaries	140,402	147,358
Social security costs	12,605	13,783
Pension contributions (see note 23)	(3,553)	(23)
Long term incentive schemes (see note 2 (a))	4,264	1,087
	153,718	162,205

2 Operating profit and costs continued

f) Aggregate emoluments of the directors

	2000 £000	1999 £000
Non-executive directors' fees and benefits	238	185
Executive directors' services		
– salaries and benefits	823	763
– long term incentives – current year	1,237	322
– prior years	1,550	–
	3,848	1,270
Pension contributions – FURBS	162	148
	4,010	1,418

More detailed information concerning directors' shareholdings and emoluments (including long term incentive schemes) is shown in the Remuneration Report on pages 26 to 28.

g) Executive directors share schemes

The C & J Clark Executive Share Trust holds shares in the expectation of future grants being made to executives. These shares are included at cost as fixed asset investments (see note 10), and the overdraft of the Trust is included within borrowings. Dividends have not been waived on these shares and the income and financing expenses of the Trust have been included in the consolidated profit and loss account.

At 31st January 2000 the Trust held 354,243 shares which were all under option to executives. More detailed information is shown in the Remuneration Report on pages 26 to 28. The latest published share price was £3.25 (1999 : £2.70) per share.

3 Profit/(loss) on disposal of fixed assets

	2000 £000	1999 £000
Property disposals: surplus over net book value		
– continuing operations	1,234	1,837
– discontinued operations	616	–
Impairments in the value of freehold and leasehold properties	–	(2,251)
	1,850	(414)

4 Profit on disposal of discontinued operations

	2000 £000
Profit on disposal of the Australian components division	79
Profit on disposal of the Australian retail operations	298
	377

Discontinued operations include the sale on 11th October 1999 of the Australian subsidiary Claravon Limited and the related components business in Australia. Prior year comparatives for turnover and operating results have been restated accordingly.

Analysis of the sale of the components division:

	2000 £000
Net assets disposed	
of Stock	1,389
Other net assets	416
	1,805
Profit on disposal	79
Satisfied by cash	1,884

Impairments in the value of net assets in the Australian retail business were fully recognised in the prior year.

5 Net interest payable

	2000 £000	1999 £000
Interest payable:		
Bank loan and overdraft interest	4,447	3,040
Other interest	670	954
	5,117	3,994
Interest receivable	(217)	(793)
	4,900	3,201

6 Taxation on profit on ordinary activities

	2000 £000	1999 £000
UK Corporation Tax at 30% (1999 – 31%) on profits for the year	8,575	7,306
Double taxation relief	(528)	(435)
	8,047	6,871
Overseas taxation	4,943	4,856
Deferred taxation	884	(1,277)
Overprovision in previous year	(215)	(622)
	13,659	9,828

7 Dividends paid and proposed

	2000 £000	1999 £000
Interim Ordinary Share dividend paid of 4.5p (1999 – 3.9p) per share	3,485	3,010
Final Ordinary Share dividend proposed of 5.5p (1999 – 4.7p) per share	4,260	3,627
	7,745	6,637

8 Earnings per Ordinary Share

Earnings per Ordinary Share have been calculated by dividing the profit after tax of £25,576,000 (1999 – loss of £3,917,000) by the weighted average number of Ordinary Shares in issue during the year, of 77,008,013 which excludes those held in the Executive Share Trust (see note 2 (g)). The diluted earnings per share includes the dilutive effect of the shares held in the Executive Share Trust.

The basic earnings per Ordinary Share has been restated for the year ended 31st January 1999 to take account of the effect of the shares held in the Executive Share Trust in accordance with FRS14.

9 Fixed assets – tangible assets

a) Summary

	Land and Buildings Freehold £000	Land and Buildings Long Leasehold £000	Land and Buildings Short Leasehold £000	Plant and Equipment £000	Total £000
Cost or valuation					
At 31st January 1999	32,429	1,942	4,771	155,842	194,984
Exchange rate adjustments	(126)	–	–	72	(54)
Capital expenditure	2,760	–	(11)	32,859	35,608
Disposals and provisions	(3,888)	–	(153)	(24,552)	(28,593)
At 31st January 2000	31,175	1,942	4,607	164,221	201,945
Depreciation					
At 31st January 1999	493	–	3,850	89,287	93,630
Exchange rate adjustments	(61)	–	–	91	30
Charge for the year	125	–	255	16,994	17,374
Disposals	–	–	(152)	(21,859)	(22,011)
At 31st January 2000	557	–	3,953	84,513	89,023
Net book value					
At 31st January 2000	30,618	1,942	654	79,708	112,922
At 31st January 1999	31,936	1,942	921	66,555	101,354
Disposals and provisions stated above include the following amounts in respect of exceptional write-downs of assets	–	–	–	1,436	1,436

b) Valuation of Land and Buildings

Land and Buildings are stated at:	Freehold £000	Long Leasehold £000	Total £000
Valuation	24,506	1,842	26,348
Cost less depreciation	6,112	100	6,212
	30,618	1,942	32,560
At historical cost, the comparable amounts would be:			
Cost	22,451	905	23,356
Depreciation	(557)	-	(557)
Net book value	21,894	905	22,799

Freehold and long leasehold land and buildings are valued periodically on an open market, existing use basis. Where properties have been identified for disposal they are stated at anticipated realisable value. The latest full valuation was undertaken on 31st January 1994.

c) Leased assets

Plant and Equipment includes leased assets with a net book value of £1,002,000 (1999 – £1,142,000).

10 Fixed assets – Investments

a) Group

	Own shares held in trust £000	Listed investments £000	Associated undertakings £000	Total £000
Net book values at 31st January 1999	815	9	55	879
Purchased by Executive Share Trust (note 2 (g))	21	-	-	21
Additions/(decrease) in net assets	-	102	(44)	58
Net book values at 31st January 2000	836	111	11	958

The group holds 45,000 Ordinary Shares of £1 each in CSM3D International Limited, a company which specialises in CAD/CAM design facilities for the shoe trade, representing 50% of that company's issued share capital having voting rights.

b) Company

	Shares in subsidiary undertakings 2000 £000	Shares in subsidiary undertakings 1999 £000
Net book value at 31st January 1999	77,182	77,182
Additions	-	-
Net book value at 31st January 2000	77,182	77,182

11 Stock

	2000 £000	1999 £000
Raw materials and consumables	4,900	9,996
Work in progress	3,924	4,538
Finished goods and goods for resale	196,141	173,457
	204,965	187,991

12 Debtors

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Trade debtors	54,326	55,603	-	-
Amounts owed by subsidiary undertakings	-	-	134,304	83,627
Other debtors	1,182	1,934	-	-
Prepayments and accrued income	18,019	19,883	-	-
	73,527	77,420	134,304	83,627
Other debtors falling due after one year	671	371	-	-
Prepaid pension costs (see note 23)	8,103	3,385	-	-
Deferred taxation (see note 16)	-	1,644	-	-
	82,301	82,820	134,304	83,627

13 Creditors – amounts falling due within one year

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Debenture loans	-	565	-	-
Bank loans and overdrafts	36,450	56,228	-	-
Obligations under finance leases	299	681	-	-
Trade creditors	56,660	39,820	-	-
Current taxation	6,091	6,640	-	-
Social security	2,380	2,213	-	-
Other creditors including Value Added Tax	10,080	11,289	-	-
Accruals and deferred income	18,038	16,872	509	-
Dividends payable	4,260	3,627	4,260	3,627
	134,258	137,935	4,769	3,627

14 Creditors – amounts falling due after more than one year

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Long term loans*	48,741	26,292	48,741	-
Obligations under finance leases	425	158	-	-
	49,166	26,450	48,741	-
Amounts falling due between:				
- one and two years	157	26,450	-	-
- two and five years	49,009	-	48,741	-
	49,166	26,450	48,741	-

* Long term loans under the Revolving Credit Facility are held in the name of C & J Clark Limited following the renewal of the facility this year. In previous years long term loans were held by C & J Clark (Holdings) Limited and therefore were not included as borrowings of the Company.

15 Provisions for liabilities and charges

	At 31st January 1999 (restated) £000	Exchange rate adjustment £000	Provided in year £000	Utilised £000	At 31st January 2000 £000
Shadow Share Scheme	606	–	103	(342)	367
North America Shadow Share Scheme	2,675	27	842	(2,127)	1,417
Executive Share Plan	1,182	–	2,787	–	3,969
Long service leave	677	26	43	(523)	223
Restructuring	18,929	85	4,295	(18,182)	5,127
Other	388	5	37	(165)	265
	24,457	143	8,107	(21,339)	11,368
Deferred taxation (see note 16)	–				3,115
	24,457				14,483

In 1999, provisions for the Executive Share Plan of £1,182,000 were included within other creditors. These have been reclassified as provisions and comparative amounts have been restated accordingly.

16 Deferred taxation

	Group £000
Net deferred taxation (debtor)/creditor:	
At 31st January 1999	(1,644)
Exchange rate adjustment	(49)
Profit and loss account	4,700
Other adjustments	108
At 31st January 2000	3,115
Provision has been made for tax arising from:	
Roll over relief	4,000
Short-term timing differences	(885)
	3,115
No provision has been made for tax in respect of:	
Capital Allowances in excess of depreciation	2,430
Surplus on revaluation of land and buildings	900
Liquidation of LIFO inventory reserves in the USA	4,727
	8,057

No provision has been made for any potential tax liability which would arise if the retained profits of overseas subsidiaries were distributed as dividends.

17 Share capital

	Authorised 2000 £000	Issued and fully paid 2000 £000	Authorised 1999 £000	Issued and fully paid 1999 £000
Ordinary Shares of £1 each	92,326	77,446	92,326	77,182

During the year 264,780 Ordinary Shares of £1 each were issued for consideration of £3 each under the terms of the Employee Share Scheme.

18 Share premium account

	Group £000
At 31st January 1999	—
Issue of new share capital	530
At 31st January 2000	530

19 Merger reserve

A merger reserve of £15,145,000 (1999 – £15,145,000) exists in the Group and arises from the adoption of merger accounting in the year ended 31st January 1998 relating to the Group reconstruction following the demerger of the Factory Outlet Centres.

20 Profit and loss account

	Group £000	Company £000
At 31st January 1999	123,281	80,000
Currency translation adjustments	(145)	—
Transfer to reserve	17,831	—
At 31st January 2000	140,967	80,000

The profit for the year, dealt with in the profit and loss account of the Company, amounted to £7,745,000 (1999 – £6,637,000). In accordance with Section 230 of the Companies Act 1985, a separate profit and loss account has not been published for the company.

The share of the associated undertakings' accumulated losses of £34,000 (1999 – profits £9,000) is included in the total for the Group.

The cumulative amount of goodwill written off since 1st February 1985 is £2,051,000 (1999 – £2,051,000). Information in respect of amounts written off before that date is not available.

21 Financial instruments and risk management

An outline of the groups treasury management policies are included in the Financial Review on pages 18 to 21.

(a) Interest rates and currency profile

Currency	Gross borrowings £000	Cash at bank and in hand £000	Net borrowings £000
Sterling	13,230	(19,087)	(5,857)
US dollar	42,954	(1,995)	40,959
Euro	17,407	(3,259)	14,148
Other	12,324	(6,508)	5,816
	85,915	(30,849)	55,066

The group's cash deposits comprise deposits placed on money markets at call and overnight rates. The group's entire borrowing facilities amounting to £177m are available at floating rates. These include the Revolving Credit Facility of £110m and overdraft facilities in the UK and Overseas totalling £67m. Under the Revolving Credit Facility interest rates are based upon LIBOR, fixed quarterly for US dollars and Australian dollars, and monthly for Sterling and Euro. The interest rate on overdraft facilities in the UK is based on the UK base rate for Sterling borrowings and the relevant central bank rate for currencies. The short term facilities in the USA, Japan and Australia are based on local base rates.

The maturity of the Group's gross borrowings at the balance sheet date is as follows:

	2000 £000	1999 £000
In one year or less or on demand	36,749	57,474
In more than one year but not more than two years	157	26,450
In more than two years but not more than five years	49,009	—
	85,915	83,924

At the balance sheet date the group had the following undrawn committed borrowing facilities available:

	2000 £000	1999 £000
Expiring in one year	30,064	31,063
Expiring in more than one year but not more than two years	—	36,208
Expiring in more than two years	61,259	—
	91,323	67,271

(b) *Currency exposures, fair values and hedges*

The group has used foreign currency contracts to fully cover the currency exposures on cashflows for the Autumn/Winter 2000 and previous seasons.

The company does not engage in foreign currency speculation but covers its future trading requirements through forward exchange contracts. By necessity, this results in some forward currency commitments at year end which have been entered into at exchange rates relevant at the contract date. Due to short-term fluctuations in exchange rates, the year end rates will always be different from contract rates. The directors have determined that for this year end the foreign currency contracts held had a theoretical fair value deficit of £1,233,000 (1999: £664,000) at the balance sheet date.

All of the contracts held at the balance sheet date will mature in year 31st January 2001. All of the contracts held at 31st January 1999 matured and were recognised in the current year.

22 Financial commitments

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

	2000 £000	1999 £000
Contracted but not provided for	4,457	5,309

Annual commitments by the group in respect of non-cancellable operating leases were:

	Land and buildings 2000 £000	Land and buildings 1999 £000	Plant and equipment 2000 £000	Plant and equipment 1999 £000
Expiring within one year	3,209	2,465	874	876
Expiring between two and five years	12,219	13,263	1,708	1,779
Expiring after five years	43,181	43,285	10	59
	58,609	59,013	2,592	2,714

23 Pension commitments

The group operates a number of pension schemes throughout the world. The major schemes are of the defined benefit type with assets held in separate trustee-administered funds.

At 6th April 1999 the main UK pension scheme was valued by independent qualified actuaries using the projected unit credit method. The scheme had a surplus for funding purposes of £34.3m with assets having an actuarial value of £415.9m, representing 109% of the actuarial value of the liabilities.

The assumptions which have the most significant effect on the results of the valuation are those relating to investment returns and the rates of increases in salaries and pensions.

The key funding assumptions used were:

	Rate per annum
Long term rate of investment return	8.00%
Equity dividend growth	4.75%
General salary and wage inflation rate	6.00%
Pension increase rate	3.50%

The scheme was also valued under the Minimum Funding Requirement (MFR) regulations which were introduced in the Pensions Act 1995. Under the bases prescribed by the Act the assets exceeded the liabilities by 20%.

For accounting purposes the assumption for the average rate of equity dividend growth was 5% per annum. The surplus is being recognised using the straight line method over the average remaining service life of employees, being 12 years.

The total pension costs of all group schemes net of experience surpluses charged/(credited) in the profit and loss account was:

	2000 £000	1999 £000
Regular pension cost	5,930	6,530
Experience surplus credited to the profit and loss account	(9,483)	(6,553)
	(3,553)	(23)

The cumulative difference between the regular pension cost and the amount credited in respect of the surplus amounts to £8,103,000 (1999 – £3,385,000) and is included in Debtors (see note 12).

24 Contingent liabilities

There were contingent liabilities in respect of:

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Guarantees of repayment of loans	170	139	–	–
Other guarantees and indemnities	1,058	223	–	–
	1,228	362	–	–

In the normal course of trade the group has assigned leases of properties no longer required to third parties and therefore, retains contingent liabilities should the eventual assignees default. Such contingent liabilities are unquantifiable. However losses to date have been immaterial.

The company has guaranteed subsidiary undertakings' bank borrowings of £22,568,000 (1999 – £7,270,000). In addition, the company has cross guarantee arrangements with certain of its subsidiary undertakings.

25 Related party transactions

Control

The group holding company is C & J Clark Limited. As stated in the corporate governance statement on pages 30 and 31, family shareholders represent some 72% of the company's Ordinary Shares.

Transactions with directors and officers

At 31st January 2000 there were loans of £118,000 (1999 – £149,000) made by the group to 9 (1999 – 12) senior employees, being amounts advanced in accordance with the terms of a share participation scheme which provides interest free loans to certain employees for the purchase of the company's shares. An interest free loan to Peter Bolliger existed throughout the year and the amount of the liability was £12,000 (1999 – £12,000) at the end of the financial year.

The director Norman Finn controls a company called AmAsia International Ltd. Since the year end, the group has entered into a contract with this company. The contract is for an annual minimum of \$10m of footwear to be purchased from the Far East with AmAsia International Ltd as the purchasing agent. The agreement is terminable on 12 months notice by either party.

Transactions with associates

During the year the group purchased services from its associate CSM3D International Limited for £136,000 (1999 – £131,000).

Transactions with subsidiaries

Under certain conditions, Financial Reporting Standard No.8 gives exemptions from the disclosure of related party transactions for:

- Transactions between group entities that have been eliminated on consolidation
- Subsidiaries which are wholly owned or those where 90% of the voting rights are controlled within the group
- Franchisors, distributors or general agents with whom an entity transacts a significant volume of business.

The group has taken advantage of these exemptions where applicable. The directors therefore consider that there are no transactions with subsidiaries which require disclosure.

26 Reconciliation of operating profit items to operating cash flows

	Continuing 2000 £000	Discontinued 2000 £000	Total 2000 £000	Continuing (restated) 1999 £000	Discontinued (restated) 1999 £000	Total 1999 £000
Operating profit/(loss) before exceptional costs	50,870	(426)	50,444	42,700	(228)	42,472
Exceptional costs	(8,536)	–	(8,536)	(27,033)	(1,383)	(28,416)
	42,334	(426)	41,908	15,667	(1,611)	14,056
Depreciation charges	17,374	–	17,374	19,553	–	19,553
Share of losses of associates	44	–	44	43	–	43
(Increase)/decrease in stocks	(21,941)	5,271	(16,670)	554	(1,098)	(544)
(Increase)/decrease in debtors	(2,797)	1,156	(1,641)	(10,807)	134	(10,673)
Increase/(decrease) in creditors	16,948	(1,356)	15,592	(2,888)	47	(2,841)
(Decrease)/increase in other provisions	(12,355)	155	(12,200)	8,929	52	8,981
Loss/(profit) on sale of tangible fixed assets	1,252	–	1,252	(1,059)	–	(1,059)
Net cash inflow from operating activities	40,859	4,800	45,659	29,992	(2,476)	27,516

During the year the cash flow relating to exceptional items was an outflow of £17,918,000. This amount was spent against exceptional provisions of £18,929,000 existing at 31st January 1999, as well as being part of the restructuring costs in note 2 (b).

27 Analysis of cash flows for headings netted in the cash flow statement

	2000 £000	1999 £000
<i>a) Returns on investments and servicing of finance</i>		
Interest received	218	793
Interest paid, including finance lease charges	(5,246)	(3,881)
Dividend paid to minority interests	-	(77)
Net cash outflow for returns on investments and servicing of finance	(5,028)	(3,165)
<i>b) Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(34,414)	(30,982)
Sale of tangible fixed assets	7,039	11,233
Shares acquired by Executive Share Trust (see 10 (a))	(21)	(56)
Investment disposed of by Executive Share Trust	-	77
Additions to investments (see note 10 (a))	(102)	(4)
Net cash outflow for capital expenditure and financial investment	(27,498)	(19,732)
<i>c) Acquisitions and disposals</i>		
Investment in Clarks Japan Company Limited	-	(986)
Liquidation of Kingsfame Limited	-	103
Disposal of Australian components and retail operations	2,332	-
Net cash inflow/(outflow) from acquisitions and disposals	2,332	(883)
<i>d) Financing</i>		
Capital element of finance lease rental payments	(853)	(827)
Repayment of debenture loans	(565)	(561)
Increase in long term bank loans	21,886	4,206
(Decrease)/increase in bank loans	(5,662)	8,356
Net cash inflow from financing	14,806	11,174

28 Analysis of net borrowings

	At 31st January 1999 £000	Cash flow £000	New finance leases £000	Translation differences £000	At 31st January 2000 £000
Cash at bank and in hand	(31,406)	816	-	(259)	(30,849)
Bank overdrafts	36,875	(15,320)	-	208	21,763
	5,469	(14,504)	-	(51)	(9,086)
Debenture loans	565	(565)	-	-	-
Bank loans	19,353	(5,662)	-	996	14,687
Obligations under finance leases	839	(853)	738	-	724
Long term loans	26,292	21,886	-	563	48,741
	52,518	302	738	1,508	55,066

C & J Clark Limited and subsidiaries

The following subsidiaries are those contributing most significantly to the profits and the assets of the group. All are wholly owned and unless otherwise stated all are engaged in the shoe trade.

	Country of Incorporation	Ordinary Shares
Owned via subsidiary undertakings		
C & J Clark International Limited Trading as: Clarks International (Clarks, K Shoes and Ravel)	England	£1 each
Clarks Companies, North America	USA	US\$1 each
C & J Clark – Fabrica de Calçado LDA	Portugal	ESC1 each
Clarks Shoes Australia Ltd	Australia	A\$1 each
Clarks Shoes Vertriebs GmbH	Germany	DM1 each
Clarks Shoes Benelux BV	Holland	NLG1 each
Clarks Japan Company Limited	Japan	¥50,000 each