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Clarks

C & J Clark Limited Annual Report & Accounts for the year ended 31st January 1999

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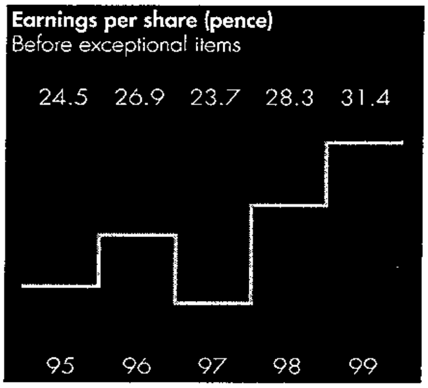
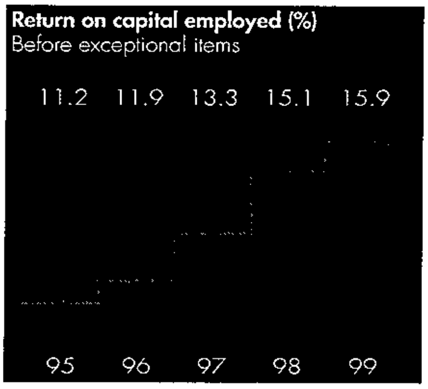
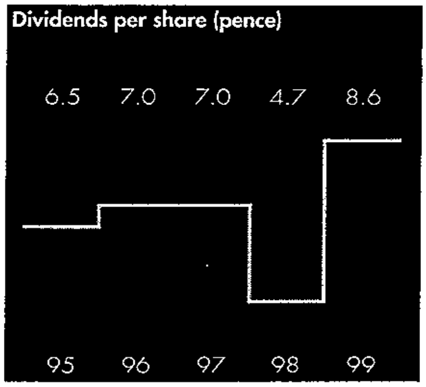
Results at a glance

	1999	1998
Turnover	**£792.2m**	£743.1m
Operating profit*	**£42.5m**	£39.4m
Earnings per Ordinary Share*	**31.4p**	28.3p
Dividends per Ordinary Share – interim	**3.9p**	–
– final	**4.7p**	4.7p
Net borrowings	**£52.5m**	£35.0m

* Before exceptional items







The interim dividend was waived in 1998 due to the company costs incurred on demerger.

Chairman's Statement

The mercurial events of 1998 have had an impact on our business, as is evident from some of the results and the incidence of exceptional costs, but the company has continued to prosper and at the operating level has produced record profits of £42.5m and a very satisfactory return on capital employed of 15.9%. Also the quality of earnings has continued to improve with progressively less reliance on non-footwear items such as property disposal profits and pension surpluses. Pure footwear operating profits now account for about 80% of our earnings, a proportion that will continue to rise.

The main driver in 1998 was our UK business which produced a second year of substantial progress in sales and profitability. Sales from UK operations increased by 4.4% to £515.8m and operating profit by 25% from £26.8m to £33.5m. This result was achieved in a difficult year for footwear and retail in general, influenced as it was by a very wet summer, continuous talk of economic recession and weak retail sales in the latter part of the year. To have achieved a retail comparative shop increase for the Clarks/K brands of 11.2% for the year compared to the British Retail Consortium average of −2.3% and record market shares in adult and children's shoes in the UK of 7.8% men's, 9.6% women's and 17.9% in children's is no mean feat. It is the reward for the dedication to product, value and presentation the UK team has demonstrated over the past few years and the restructuring of the supply chain we have undertaken to improve the productivity and efficiency of our operation.

By contrast, Clarks Companies of North America (CCNA) had by their recent standards a somewhat lacklustre year reflecting the rather depressed state of US retailing. In the event, although sales of $275m were 6.3% over the previous year, profits fell back from $18.0m to $15.2m. However, forward orders for Spring/Summer are well ahead and CCNA's management are confident of regaining their momentum.

It is pleasing to report that against the background of turmoil in international trade, particularly in the Far East, the most significant point of growth was our international branded wholesaling business. Sales increased by 12% even though the strong pound and the Asian crisis decimated some markets, notably Korea, Hong Kong and Singapore. Other markets bucked the trend; Japan continued its recent strong growth increasing sales by 73% to 450,000 pairs in spite of the well publicised economic problems, whilst Europe also recorded strong pairage growth and crucially succeeded in establishing a women's business for the first time.

Unfortunately Clarks Australia and Ravel did not share in the generally good results and recorded further losses. As both businesses have persistently suffered from disproportionately high overhead costs and have found it increasingly difficult to compete in their respective markets, management has decided to fundamentally restructure them. The Ravel chain, whilst retaining its trading identity will be integrated within the Clarks/K retail organisation and its central functions moved to Street. Clarks Australia, a vertically integrated component maker, shoe manufacturer, branded wholesaler and retailer (very much the profile of Clarks in the UK in the mid 80's) will progressively be concentrated on its branded wholesale core. New management has been put in place, Footrest Retail has been sold and the shoe manufacturing plant at Marleston will close in August 1999. Such action gives rise to considerable expense and £12m or so has been provided for in respect of Australia by way of exceptional cost in these accounts.

Although in previous statements I have expressed the hope that we would see an end to the closure of UK manufacturing capacity, that has not proved to be the case. Events have conspired to render some of our UK factories uncompetitive, the continued relatively high value of the pound makes foreign goods cheaper in the UK markets and UK goods more expensive overseas and forced devaluations by Far Eastern countries and Brazil exacerbate the problem. We must remain competitive in all aspects including price, quality and design in world markets so we have no choice but to seek out the best sources worldwide; it is this competitive drive which has led to the restoration of the profitability of the company in the past few years.

Regretfully we have decided to close our factories in Bath, Exmouth and Shap. Of course these decisions are never taken lightly and are taken with due regard to those people on whom they bear, we also appreciate the hard work and flexibility of our workforce in trying to keep their plants competitive. We do our best to ensure that departing colleagues are financially fairly provided for and assisted into new employment. The closure of factories and related facilities gives rise again to substantial exceptional costs and these have likewise been provided for in these accounts. It is the Board's intention that the remaining factories will be given the best chance possible to survive against formidable competition and to that end significant capital investment will be undertaken to make our own manufacturing as productive and efficient as possible. There are no guarantees that can be given about the future and it will take hard work, initiative and adaptability to succeed.

The use of capital has been well controlled through the year. Operating capital at year end was £22.4m (7.9%) above the previous year mainly due to capital expenditure and higher receivables. Stock levels were actually slightly lower than last year on higher sales. Net borrowings increased over the year to end at £52.5m inflated by increased financial support to Australia, exceptional cash outflows and a higher working capital and capital expenditure requirement. Gearing rose to 24% of shareholders' funds but balance sheet ratios remain very strong and well able to support the planned growth in footwear trading.

The impact of the exceptional costs is such to turn the operating profit into a loss for the company on a profit after tax basis. However, the elimination of loss making and uneconomic activities will provide a strong stimulus to future profit, hence the Board has decided that it is appropriate to pay a final dividend of 4.7p per share giving a total for the year of 8.6p.

Your Board has considered what advice it can give shareholders on the issue of flotation of the company. Such advice is felt to be necessary at this juncture because it is the fifth full year since undertakings on the subject were made to shareholders at the time of the defeat of the Berisford bid. The Board proposes that when it judges the company could be floated at a premium and sustainable share price, a position it may well reach in the Autumn of 2000, but it may be earlier or even later, that a secret ballot be held of all shareholders to establish the real balance of opinion on the matter. Only then can the Board and shareholders know whether or not they should advance this issue, which would incur cost. The Family Shareholder Council supports the Board's proposal.

The Board is pleased to welcome Harriet Hall and Ben Lovell as family nominated non-executive directors in place of Lance Clark and Caroline Gould, who retire after ten and nine years respectively on the Board. Lance and Caroline have both made major contributions to the company through what has been an era of major, and often turbulent, change and have been steadfast in seeing those changes through. I and the Board are grateful to them for their support and advice. We are also pleased to welcome Norman Finn as a non-executive director. Norman is Chairman and Chief Executive of AmAsia International Ltd and is vastly experienced in international sourcing and branded footwear. He will undoubtedly bring a new dimension to the Board's discussions. On the point of retirements, Neville Gillibrand, Head of International, will be retiring in April after over 30 years of distinguished service. It is largely Neville we have to thank for our vigorous men's and international business and we wish him a long and happy retirement.

The Family Shareholder Council has requested, and the Board is happy to comply, that the Employee Share Scheme be run for the next five years without restriction, and propose to make 1.5 million new shares available to support the scheme. I am sure such a positive initiative will be warmly welcomed by all employees. Formal approval will be sought from all shareholders at the AGM.

As was the case last year, the final payment of the Profit Related Pay Scheme will not be triggered because of a technicality but similarly because of the very satisfactory operating profit performance of the company, the Board has determined that again a special bonus of 1.33% of pay will be paid to all UK employees. Once again this is not a precedent for future payments but a thank you for a job well done.

The new year has started well with UK retail sales up both on last year and internal plan. Similarly, forward orders for our international wholesale businesses are also well up. We are hopeful of another good year but doubts about the global economy remain and if the US falters it could be a different story. Your company is increasingly well positioned for long term international growth.

Roger Pedder Chairman

Board of Directors

Roger Pedder aged 57, was appointed a non-executive director in 1988 and became Chairman in October 1993, executive Chairman in January 1995 and non-executive Chairman on 1st April 1996.

Tim Parker aged 43, joined the Board as Chief Executive on 5th January 1996. He was formerly Chief Executive of Kenwood Appliances plc.

Peter Bolliger aged 54, worked in the shoe business from 1968-90 before joining Harrods as Managing Director for the period 1990-94. He joined the company in 1994 and was appointed UK Operations Director and to the Board on 23rd February 1996.

Mark McMenemy aged 40, joined the Board as Finance Director on 12th August 1996, from Marks & Spencer plc. He previously fulfilled senior roles in the UK and in the USA, where he was the Chief Financial Officer of Brooks Brothers, Inc. from 1990-92.

Lance Clark aged 63, served as an executive director from 1974, until 1988 when he became a non-executive director following 28 years' service with the group.

Michael Garner aged 61, is also Chairman of Total Office Group plc and is a non-executive director of a number of other companies including Albright & Wilson plc, Enterprise Inns plc and Ibstock plc. He was formerly Group Financial Director of T.I. Group plc and was a member of the Accounting Standards Board from 1990-95.

Caroline Gould aged 50, was appointed a non-executive director in 1990. She is a partner in an architects practice in Somerset.

Norman Finn aged 60, was appointed to the Board as a non-executive director on 8th January 1999. He worked at US Shoe Corporation from 1971 to 1987. Since 1987 he has been Chairman and Chief Executive of AmAsia International Limited which makes and imports branded and private label footwear for sale in the United States.

Harriet Hall and Benjamin Lovell, who have been nominated by the Family Shareholder Council, will become directors following the resignations of Lance Clark and Caroline Gould at the conclusion of the Annual General Meeeting.

Harriet Hall aged 50, was Chairman of the Family Shareholder Council from 1993 to 1998. She is a solicitor and works for the National Consumer Council.

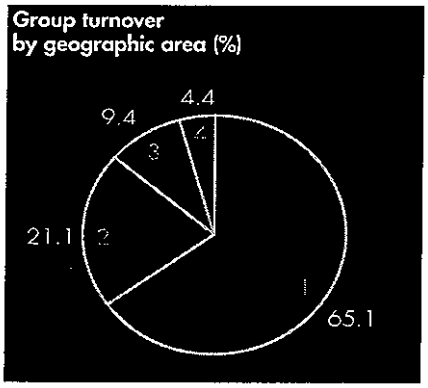
Benjamin Lovell aged 48, owns and operates two independent shoe stores in Philadelphia. Prior to setting up his own business, he worked in various parts of Clarks for 17 years.

From left: Peter Bolliger, Benjamin Lovell, Mark McMenemy, Caroline Gould, Lance Clark, Roger Pedder, Norman Finn, Tim Parker, Michael Garner, Judith Derbyshire (Company Secretary), Harriet Hall.

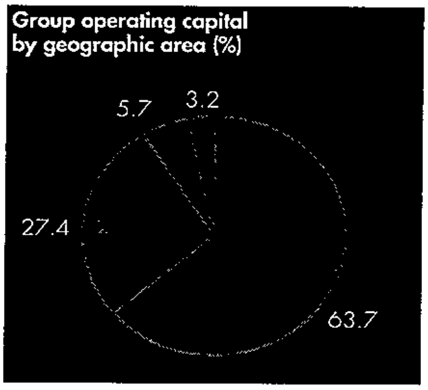
Summary of trading results

for the year ended 31st January 1999

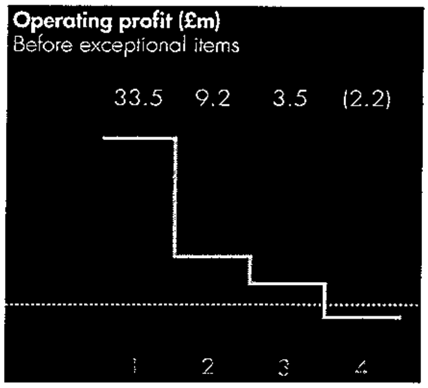
	Turnover 1999 £m	Turnover 1998 £m	**Operating profit before exceptional items 1999 £m**	Operating profit before exceptional items 1998 £m	**Capital employed 1999 £m**	Capital employed 1998 £m
UK operations	**515.8**	494.2	**33.5**	26.8	**176.2**	177.2
Overseas operations						
America	**167.5**	157.6	**9.2**	11.0	**75.9**	68.1
Australia	**28.9**	31.4	**(2.2)**	(0.8)	**8.9**	17.0
Rest of the world	**74.1**	53.1	**3.5**	3.2	**15.8**	12.8
	270.5	242.1	**10.5**	13.4	**100.6**	97.9
Group items	**–**	–	**(1.1)**	(2.4)	**(10.1)**	(17.1)
Discontinued activities	**5.9**	6.8	**(0.4)**	1.6	**(0.2)**	3.1
	792.2	743.1	**42.5**	39.4	**266.5**	261.1



Group turnover by geographic area (%)



Group operating capital by geographic area (%)



Operating profit (£m)
Before exceptional items

During 1998 we focused investment behind the key marketing initiatives that we started in 1997. We continued to strongly support the ongoing programme to reposition the Clarks brand via:

- A burst of Spring adults TV advertising, using the successful "Act Your Shoe Size Not Your Age" creative concept.
- A major Autumn adults poster campaign, showcasing our new ranges.
- The roll out of our new Clarks retail design across 43 stores.
- A calendar of high impact window schemes.

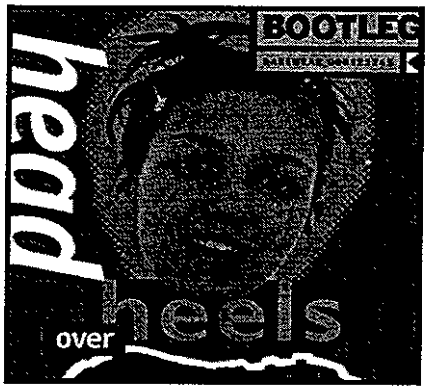
We have supported our Clarks children's business with a £2m Relationship Marketing Programme, spearheaded by the Toddler Team and Young Explorer schemes. We have also invested in building and promoting our other children's brands with a TV advertised CICA promotion at Easter, a CICA Lights instore promotion at October half-term, and a Bootleg branded watch promotion at Back-to-School. The Springer brand has been supported by a heavyweight press campaign in the Spring and by brochure mailings to our Springer database in both Spring and Autumn. The K brand has also benefited from increased investment in Spring and Autumn press campaigns for both K women's shoes and men's CDX product.

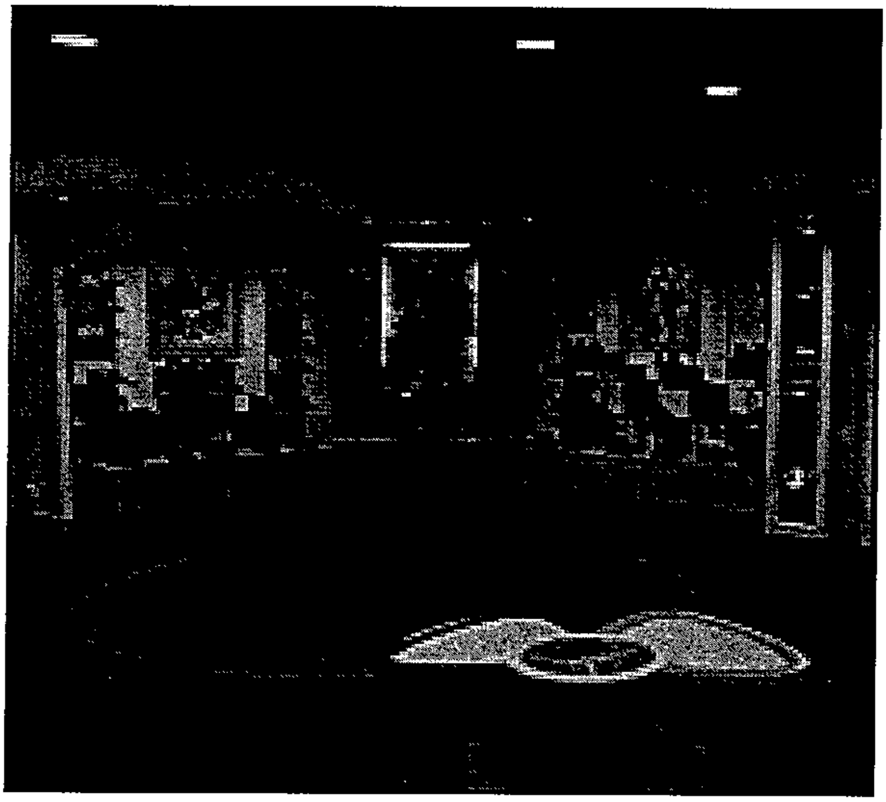
Above New look K store The updated K identity was piloted in a smart new K Shop in Manchester City Centre in December 1998. The feel of the shop is premium but inviting with warm lighting, soft carpet details and elegant display units in contrasting rich, dark wood and creamy, soft maple. Early customer research has been very positive, and the new look will be further tested in Maidenhead in 1999.

Below left K Colour sold well this Autumn in styles like this – our beautiful K moccasin "Hendry" with glovesoft leather upper and full leather linings. Backed by an advertising campaign in daily press and monthly women's magazines and also by a strong window presentation, the shoe was a huge success and illustrates the future direction for the K brand.

Left New K shoes branding The repositioning of K as a premium brand for the growing 50+ market has been supported by a major programme to update the K Corporate Identity. The new identity retains many of the familiar elements of the existing logo but is much more finely crafted and contemporary, and the current two-tone grey has been updated with a rich new blueberry and stone colour scheme. The new look is being introduced onto all K shoes, packaging and point-of-sale during 1999.

Below Bootleg Our pre-teen Bootleg range has been one of the great success stories of the year. Aimed at 8-11 year old girls and boys, it offers authentic fashion styling whilst delivering all the fitting and quality benefits associated with Clarks shoes. The balance struck between giving kids styles they love and parents all the assurance of our brands has grown Bootleg to nearly a million pairs a year. This is now a brand launched and marketed in its own right, with dedicated show material and in-store presentation.

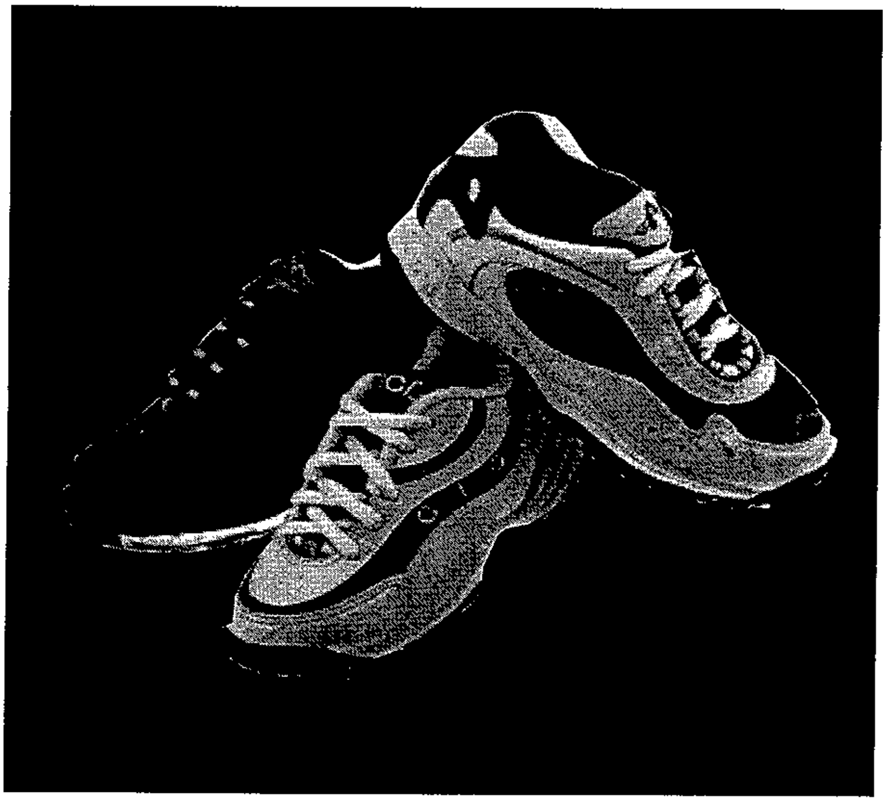




Above Kids Colour, softness, lightness and exciting new and contemporary styling – that's the rapidly changing face of the Clarks Kids brand. Nothing underlines this more than the little moccasin group typified by 'Satchmo and Sasparilla'. This mini range has done a great deal to change perceptions of staff and customers alike, and in 1998 the styles together add up to 150,000 pairs of sales. Leather linings, colourful nubucks and a wonderfully soft handle are helping drive higher prices and more cash margin per pair – and show the value of picking the right source for the right product.

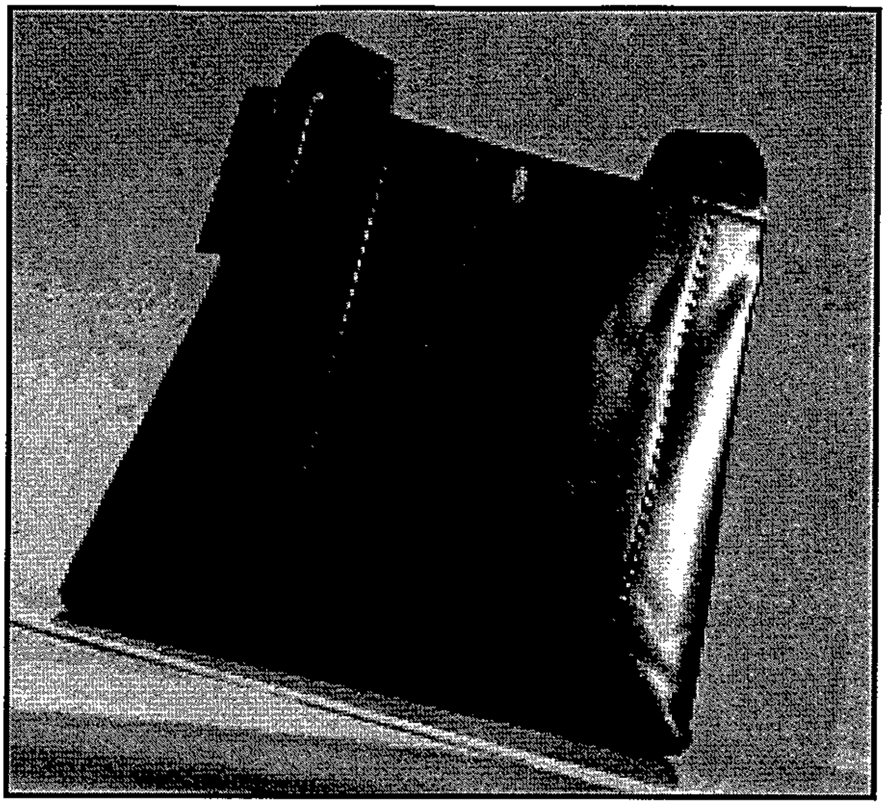
Left Caulder Moore kids store As part of the roll-out programme of the successful new Clarks shop design, we have developed a completely new look for kids departments. The new kids design, which combines a bright, colourful area for young children with an authentic branded area for Bootleg and CICA customers, was launched in the Merryhill Centre at Easter in a "stand-alone" kids unit where turnover has now reached almost £1m.

Above CDX Innovative sports shoe technology combined with a premium formal appearance has once again been a winning combination for K CDX men's shoes. Supported by a strong national advertising campaign and in-store display material, this range has been very successful for our UK and Irish wholesale customers as well as in our own retail and franchise stores.



Above Springers For the first time this Winter we have seen the true potential of the Springers brand as a year round proposition with the excellent sales of these beautiful boots – up to date styling with the added benefit of Springer softness, lightness and flexibility. We are talking to our loyal Springers customers to find out more about what they want from us. What they tell us is "We could live in them!"

Left CICA is the only sports brand designed uniquely for kids! Volume in 1998 has topped 1.25m pairs, with authentic looking fitted trainers, market leading 'CICA Lights', and now a brand new package of baby trainers aiming to get them when they're young – and keep them. All the attributes of quality and fit are here backed by the specialist knowledge of exactly what the 2 to 8 year old wants out of a sports product.



Left Handbags We sell ½ million handbags mainly through our own retail distribution, with a value of £7.1m. The product ranges from £15-£25 for fashion product in textile materials under our Ditto brand and from £22-£70 for leather handbags under our Clarks brand. We have also introduced a handbag collection to co-ordinate with Springer footwear.

Below International Shop Concept An innovative new shop design system is being tested in international markets. Designed to reflect the brand's traditions of craftsmanship and quality, the system uses a combination of redwood, beech and stainless steel to create a unique atmosphere. The "full" shop concept is being tested in Germany, Spain and Hong Kong and results to date confirm the design has real potential.

Below ATL boots ATL outdoor performance footwear was successfully launched this year. With top specifications, exciting sole details and Goretex linings, these shoes have extended the ATL sandal into the growing "brown trainer" walking market.

Chief Executive's Report

Strategic overview

This has been a year of great endeavour, tough decisions and solid progress. Taking these in reverse order, let me comment first on the solid progress: in a difficult year for the UK clothing and footwear industries, the operating results from our continuing operations moved ahead by a considerable margin. We have consistently stressed the central role of UK retail operations to the group, since our shops account for 52% of turnover and 38% of the operating capital employed. It is, therefore, pleasing to report strong trading in our shops that have benefited from steadily improving product ranges brought about, in part, by the freedom to buy product from the best available source, new shop-fits and tighter operating management. The UK wholesale business performed well, and despite the strength of the pound our International division achieved substantial growth in sales value and volume. America slipped back on last year's huge advance and the Australian subsidiary, although small in terms of the group, had a very poor year indeed.

1998 has certainly been a year for some tough decisions. In 1996, my first year with the company, we undertook a major strategic review of our operations, closing several factories, and cutting back on HQ overheads. The result was a large exceptional charge in our accounts, but the subsequent reduction in our cost base laid the foundation for the rapid improvement in the operating performance of the company. This year's results have been another great step forward, and represent the positive outcome of those earlier decisions. However, our main focus as a management team must be always on the future, and we have concluded that to meet the developing competitive challenges to our business across the world, a further major exercise of restructuring the business is necessary. Therefore we are incurring substantial exceptional charges this year, amounting to £35m, and the impact will be felt throughout our worldwide operations.

Most of these charges relate to the closure of plants or the further reductions in manufacturing employment. The brute fact is that it is virtually impossible to carry out labour-intensive shoemaking operations in developed countries,except for the very top end of the market, and fast moving fashion products. The competitive pressures arising from much lower labour costs overseas have become more intense, and this has been exacerbated by the strong pound. However, other factors are also at work. The infrastructure supporting overseas factories has improved, and also the quality and variety of product available. In order to satisfy the demands of our customers for this variety, in terms of look and construction, we have had to look beyond our own factories to source products from the best available sources worldwide. Were we to ignore all these trends, our competitors, who have not been slow to take advantage of lower cost sources, would achieve a considerable advantage over us.

To our employees who will lose their jobs, an explanation in terms of economics can offer little or no comfort. To say that one is sorry is, of course, a quite inadequate response to the enormity of impact of this programme on the personal lives of many people working in our plants. What we can do is offer the assurance to our shareholders and our employees, that decisions regarding factories across the company are only taken after the most careful assessment has been done of future long-term viability, reflecting not only recent developments, but medium-term trends. There is, in our view, only one thing worse than a decision which has an adverse effect on employment, and that is a decision which is taken too late. We have, therefore, attempted to incorporate in this year's charges all of the actions which are necessary to maintain the business on a competitive footing. To incur frequent exceptional charges does call into question the very nature of their exceptionality. By embarking on this second major programme this year, it is our goal to minimise any further significant exceptional costs in the future.

Let me deal with two common misconceptions about the exceptional charges taken as a result of a restructuring programme. In the first place, although these charges reduce the profit of the business in the current year, from the point of view of cash flow the effect of this becomes positive after about 18 months. Generally the cash flow profile is initially negative on account of payments relating to redundancies, and turns positive as cost savings are realised. No restructuring decisions are taken unless they achieve a financial return in terms of discounted cash flows, compared with the next best alternative course of action. Secondly, there is a view that because such exceptional costs reduce shareholders' funds, the value of the business must be adversely affected. However, the open market value of the company is primarily a function of future cash flows and earnings, and to the extent that these will be enhanced by cost savings, the effect of the programme announced should be positive.

The impact of the changes will be felt in two main areas of the business: UK manufacturing and Australia. In the UK, we have announced closures and cutbacks which will result in a total of some 1,200 jobs disappearing from our plants. The factories in Bath, Exmouth and Shap will be closing this year and the cutting and stitching activities in Ilminster have been discontinued. The cornerstitched production at Weston-super-Mare has been moved to our plant in Portugal, and the men's product made in Kendal will transfer into other sources later this year. Also in Kendal, a combination of improved productivity and the elimination of the majority of cut and close capacity will result in a sizeable reduction in the workforce.

It is worth stressing that we have not given up on manufacturing, and over the past two years £6.9m has been spent in our plants on up-grading equipment. We have new management in place in many factories, and the development departments have been strengthened with additional staff or further training. Our objective is to make our factories stand-alone businesses, capable of sustaining themselves in the open marketplace as if there was no in-house customer. To do this, we recognise that plants will need to be far more pro-active in terms of developing new constructional ideas and capable of delivering a fast, right-first-time prototyping service. Truly competitive factories can be a strength, and no effort will be spared in achieving this goal. On the other hand there can be no merit in manufacturing for manufacturing's sake.

There are two other main elements to the UK restructuring programme. Although our Clarks and K chains have made considerable progress this year, our Ravel business continues to struggle, and has never achieved consistent returns over many years. We have now embarked on fundamental reorganisation of the business, replacing most of the management team and moving the HQ to Street. Our intention is to maintain the fashion appeal and separate identity of the Ravel brand, whilst allowing the chain to benefit from the considerable management resources available in Street.

The other area of our UK business where exceptional costs will be incurred is the overhaul of operations in the Bullmead central warehouse. This will take the form of a negotiated set of changes with the workforce, to improve our responsiveness to our shops and wholesale customers. Already great strides forward have been made, but there are several major changes that will be necessary if the warehouse is to operate flexibly and efficiently.

This year our Australian operation has not performed well for the second year running, and this has prompted a major strategic review of the business. We have decided to focus our activities on the wholesale activities of the Clarks and Hush Puppy brands that have a realistic prospect of earning the level of returns we require. Consequently we have announced an agreement to sell to the Figgins Group the Footrest retail business at a considerable book loss. Painful though this has been, we consider it the best route for the business as a whole, and will allow us to escape further losses this year. Another key element of the restructuring in Australia, which we have just announced, is the closure of the remaining shoe factory in Adelaide. By sourcing elsewhere in the Pacific Rim, we will be able to rectify the serious decline in margins over the past two years without any compromise on quality. There may be some other smaller changes, but in essence we should establish a business in Australia that is smaller, simpler and with considerably less risk, as well as a good prospect of earning a return on the capital employed.

The past 12 months have been dominated by these important structural changes, but there has been great endeavour across the business in implementing a wide range of initiatives to improve our performance. We are continuing to make a very heavy investment in the Availability Improvement Programme, on which this year's revenue spend increased by 60% to £2.7m. Adopting a strategy of using best-of-breed packages, we have already introduced a new forecasting programme and the packages for range assortment planning and supply chain management are on test. In the logistics area, we have greatly reduced replenishment times to our shops and significantly increased the quantity of shipments pre-packed at suppliers and sent directly to our shops.

The retail team has a substantial programme of initiatives to improve operating efficiency and effectiveness. Of most immediate importance is the roll-out of new EPOS systems with tills which are faster, more flexible and capable of delivering far better local management information. Two other good examples of work underway are the positive selling initiative and staff hours planning and forecasting. In the first case we have built on our reputation for service to ensure that the customer is positively aided in making a purchase. In the second example, we are working to ensure that shops are staffed at different times of the week to reflect customer demand. This is not an exercise in cost-saving as such, but is designed principally to increase levels of service at busy (and usually predictable) shopping times.

This has been a busy year for the IT team with the looming crunch day of 1st January 2000. Y2K is absorbing an enormous level of resources both internally and externally. We have recently made the important appointment of Tim Fleming as IT Director, and he will give fresh impetus to important and expensive decisions that will need to be taken regarding the company's legacy systems of largely bespoke software. These have a limited lifespan, and at some point we will need to consider the alternative approach, a unified business data warehouse and handling system commonly known as enterprise resource planning (ERP).

We now have put in place comprehensive strategic plans to ensure that we achieve our three goals of being: the No.1 shoe retailer in the UK; the leading UK children's shoe brand by a factor of at least two; and the world's No.1 shoe brand outside the sports category. This work has been driven by the assessment of those who are closest to the marketplace and has indicated some clear priorities, such as building on our strengths in the key markets of the US, Germany and Japan. Another objective we have set for ourselves, and one which we consider to be important to achieve leadership in international markets, is to be ranked in the Top 3 in our chosen product categories in each of the major markets in which we operate. Having established a strong position in the UK market, more resources can be concentrated on building our international Clarks brand with innovative product ranges, extended distribution and strong promotional support.

None of the progress we have made this year would have been possible without the enthusiastic commitment of our staff throughout the company. We have managed to maintain a flat management structure in the business, and this helps to minimise the distance between policy-makers, customers and suppliers. One of the company's greatest assets is the "no-nonsense", "can-do" approach of our people, and a willingness to learn from the best examples outside the company. In our business, whilst the big ideas have their place, we believe that success is in the detail: it is built upon the exploitation of our strengths but just as importantly, a painstaking analysis of our weaknesses, and a desire to go one better than our competitors.

As the Chairman has already noted, this was a year of record sales and operating profits before exceptional costs. Turnover increased from £743.1m to £792.2m, a gain of 6.6%.

Before exceptional costs operating profit on continuing operations was 13.5%

above last year's result. After exceptional costs of £33m, and a tax charge of £9.8m, a net loss for the year of £3.9m was recorded. Although we are never happy with red figures, this position does not, of course, reflect the sustainable trading performance of the business.

Underlying this improvement in operating profit was the strong performance of the UK retail business. Despite significant growth in export volumes, the strong pound depressed profit in the International Division. Our American companies saw trading profit fall from £11.0m to £9.2m, and our Australian subsidiary deepened losses from £0.8m to £2.2m.

As in previous years, I will comment briefly on trading in the main areas of the business:

UK operations
This was a year of further sustained momentum. Total sales moved ahead 4.4% up from £494.2m to £515.8m. The major source of this improvement was the Clarks/K retail chain which managed 11% comparative shop growth.

Children's
This year we put an end to the stagnation in this business, and achieved a very worthwhile increase in turnover of 4.4%. Sales through our own shops were particularly strong, with the CICA sports shoes performing well. Fresh designs and new sources have helped to extend some of the gains made last year in First and Infant shoes into the Junior age group. Bootleg product, with its totally authentic looks, has also claimed a higher share of the market. Good product, careful planning and effective delivery replenishment all contributed to a record Back-to-School. The CICA watch promotion worked extremely well, and we are also making further progress with the Toddler Team and Young Explorers direct marketing programme.

Women's
It was another strong year, with sales 9% up on last year and volumes 4% ahead. We made sizeable inroads into the 25-44 age group, our target market, but it has proved difficult to maintain all of our business in older age groups at the same time. Trade in the first half of the year was dominated by the weather; a poor start to the season, an outstanding fortnight in May, followed by a damp June and finally the business being rescued by an early start to the Sale. In the second half of the year Springer shoes and boots performed strongly. Improved market testing helped to limit our exposure to poorly performing styles, and considerably reduced markdowns in the Sale.

Men's
The comparative shop increase in our Men's business was +9%, coming on top of the previous year's +22%. Improving margins of around 1.5 percentage points underpinned the increase in contribution to overheads of 7.2%. We made a start on the reinvigoration of the Active Air ranges, modern styles performed well, and the ATL shoe range made an impressive debut. Market share in our core 35-44 age group continued to grow, and we are now market leader in all age groups above 35.

Retail operations
Overall, this was another excellent year in the Clarks/K chain, with an even spread of gains across regions, genders and the small, medium and large stores. As with the previous year, it was a wet Summer and it was only the effective management of the Sale which supported the first half result. Through most of the year we have traded consistently 7-10 percentage points ahead of the rest of the market combined – a fine achievement.

In the Autumn we ran an extremely successful poster campaign demonstrating the greatly improved styling of Men's and Women's product. The Clarks brand continues to benefit from all of the re-positioning work around the slogan "Act your shoe size, not your age".

The new "Caulder Moore" Clarks shopfits are performing well up to plan and ahead of the rest of the chain by a large margin. During the year we expanded our presence in out-of-town shopping malls, with new stores opening in Cribbs Causeway and Trafford Park. We are also taking every opportunity to relocate to bigger sites in large city centres, and to open large shops in the remaining mall developments with planning consent. In December we opened a newly designed K store in Manchester, and there are plans to redevelop the chain over the next few years.

Clearance
The new management in the Clearance Division have started work on rebalancing stocks, clearing old stock and improving margin contribution. Sales were flat, but profit contribution has improved. Although stocks are higher than at the same point last year, the overall quality of inventory is better, and with two additional outlets operating we should now have demand and supply in balance.

Franchise
This has been a year of real progress for the Royalty Franchisees, with their trading pattern now getting closer to that of Owned Retail, which is driving much of their increase in turnover and profit. The news of this success is spreading and several wholesale franchise businesses have now elected to come over to the Royalty format.

Ravel
Sales in the chain were flat, and a £1m profit turned into a £1m loss, mainly due to rising costs, and the poor performance of the Women's range at full price in both seasons. The management team has been replaced and the Ravel operations integrated into the Clarks and K chains. Spring/Summer 1999 has started well, and we hope that a consistently better performance will be achieved with the new organisation.

UK Wholesale
Our Wholesale team have made further progress in all genders. The business we lost when the BSC concession business was dismembered has now largely been replaced with new concession operators, and we continue to build business in major department stores, and the major out-of-town operators. Ireland had another excellent year. We have reorganised the home shopping business, and expect to see the benefits in 1999.

International

Only the Asian crisis took some of the gilt off another fine performance. Sales rose from £80.8m to £90.8m, and would have been higher without the strength of the pound. Volumes leapt ahead by 18.4% with Women's advancing strongly. The highlight of the year was the phenomenal growth in our Japanese business, mostly coming from the Originals range. Southern Europe performed well, as did the Middle East; by contrast, sales in Asia outside Japan fell by a third.

During the year we established a separate Originals product group and brand identity. This is now beginning to attract the attention of the younger customer, and we are establishing appropriate channels of distribution in a number of markets. Another initiative, which is proving successful, is the franchise shop concept, or shop-in-shop format. We have a number of units on test in Europe, with very promising results. Our goal over the next three years will be to establish over 100 shops across the key markets.

Clarks Companies North America

Sales increased modestly, from £157.6m to £167.5m, whilst trading profit dropped from £11.0m to £9.2m. After last year's enormous improvement, this year's result was only a slight setback. There were two main reasons for the decline in profitability. Firstly, with tough trading conditions in our traditional department store customers, we were forced to cut prices in order to maintain volumes. Secondly, we lost money in the retail business, which could not be made up in wholesaling activities. On the positive side, both Clarks and Bostonian performed well, especially the Clarks Women's ranges.

Several important steps have been taken to improve our competitive edge in the future. Firstly, we are closing the Back Bay retail fascia and looking to reduce significantly the number of unprofitable Hanover stores. Secondly, we are expanding and automating the central distribution centre; and thirdly, a new product development centre has been established, which will support the building of exciting product ranges over the next few years. Another important initiative is the upgrading of our supply chain and planning systems, which will enable us to deliver a much enhanced service to the customer in future.

Australia

Very little went right for us in Australia. Sales fell from A$91.3m to A$90.8m, and losses increased sharply from A$1.9m to A$5.7m. We lost market share in the adult Hush Puppies wholesale business, although there were some spots of success in the Men's business. Although we improved the specification of our Children's product this was at the expense of margins, with a substantial loss in contribution. As commented earlier, we have now made arrangements to source our Children's product offshore, which will improve the margin position. With an agreement now reached to sell the Footrest retail chain, the new team's attention will be focused on rebuilding distribution in our major customers. With two of the best brands in the marketplace we can be confident of restoring the business to profitability in the short term.

Sourcing and manufacturing

This was clearly a difficult year in our factories, with the announcement of closures and redundancies. It has, therefore, been an excellent result to return a small surplus against budget. This was achieved mainly through careful cost controls, and the faster than planned reduction of employment in plants which are closing. During the year we made 13.6 million pairs compared with 13.5 million pairs last year. For the second year running there were useful reductions in the cost of manufactured products, a major factor here being the offshore sourcing of more uppers.

Once all the changes have been implemented we expect to have balanced capacity with internal requirements. However, we still need to improve forecasting within the business, as commitments on factories are apt to move around continuously through the year. Over the past two years, virtually all plants have had a change of general manager, and there has been a significant uprgrading of skills in development offices. Thus factories such as Barnstaple and the Kendal Springer plant have continued to make improvements to product aesthetics and to innovate with new constructional ideas. Bushacre has seen demand increase for stitchdowns, now that the cornerstitched production is coming to an end. Dowlish Ford regained control over the Indian upper pipeline, and the new moulded product is very exciting. Kentside has greatly improved product presentation and ex-factory costs. The staff at Rushill and Isca, both of which are closing, have worked hard to maintain levels of productivity. We are hoping for a good Summer to help demand for excellent canvas product coming out of Millom.

This year we will source 24 million pairs from external suppliers. Our strategy is to form relationships with several key suppliers to ensure maximum flexibility with lower cost. We are devoting more resources to the development of new strategic sources, and there remain significant opportunities available to the company to increase margins. A major area we will be working on is inbound logistics, where lead times and costs can be reduced considerably.

Conclusions

Many important issues have been resolved in 1998, whilst the forward sales momentum has been sustained. During the next year we shall have to implement successfully a lot of the decisions already taken. We remain conscious of our shortcomings: products must be further improved; we can source more effectively; and deliveries can be managed better. However, amongst our staff, who have made a magnificent contribution this year, there is a general feeling of confidence in the future, and a conviction that the company is on the right track.

Tim Parker Chief Executive

Financial Review

Results for the year
Turnover from operations increased by 6.6% during the year, to £792.2m. Our UK retail operations sustained an excellent forward momentum, delivering a sales increase of 9.4%. This represents an outstanding achievement given the widely reported downturn in footwear and apparel retailing in the second half.

We also saw significant growth in our international branded wholesaling business, which achieved a 12% improvement over last year.

Profit before interest and exceptional charges rose by 7.9% to £42.5m and represents further solid progress on the trend of profit recovery established in the previous year.

Detailed commentaries on the divisional trading performance during the year are provided in the Chief Executive's Report and Chairman's Statement.

Accounting policies
The only change in accounting policy this year results from the adoption of FRS10 as described on page 29, but this has no effect on the financial statements for the year.

Presentation of results
Discontinued activities
Our Australian management team will complete the disposal of its Footrest retail chain on 6th April 1999. The turnover and operating loss of the chain have been shown as discontinued operations on the face of the profit and loss account as required by FRS3. Comparative figures for the prior year have been restated accordingly. A net loss of £4.2m arising on the sale of this business has also been included as an exceptional item after operating profit and before profit before interest.

Exceptional items
As in previous years, we have sought to assist shareholders by highlighting the performance of the core footwear and other operations of the group and by distinguishing this as clearly as possible from the impact of exceptional restructuring expenditure. We have therefore adopted a columnar format for the profit and loss account which identifies exceptional items under a separate column heading.

Exceptional costs arising from business restructuring activity amounts to £34.8m before taxation. These costs have been further sub-analysed between those arising as part of operating profit at £28.4m and the write down or disposal of fixed assets, which have been included below operating profit in accordance with paragraph 20 of Financial Reporting Standard No. 3 (FRS3).

The "paragraph 20" items total £6.4m, and are offset in the profit and loss account by gains on disposal of tangible fixed assets amounting to £1.8m, giving a net cost of £4.6m. Appropriate provision has been made for future restructuring activity in accordance with the new Financial Reporting Standard No. 12 (FRS12).

The resulting profit before interest and after exceptional charges was £9.5m.

The principal components of the restructuring costs are described in note 2b to the financial statements.

Interest
The group interest charge of £3.2m (1998: £3.1m) reflects the impact of increased average borrowing levels during the year, offset by lower UK interest rates during the latter part of the year.

Taxation
The effective tax rate for the year on earnings before exceptional charges is 37%. This is considerably higher than the UK standard rate of corporation tax because a significant proportion of group profits before tax are derived from overseas subsidiary companies in America, Europe and Japan, where tax rates are generally higher than in the UK. Additionally, the tax charge is adversely affected by trading losses sustained in Australia for which no tax relief is presently available.

Tax relief on exceptional restructuring costs is restricted to only 15% since no relief can be taken in relation to the Australian element of £12.1m, and due to other partially or wholly disallowable items consisting primarily of write offs of tangible fixed assets. The group loss after taxation and exceptional items amounted to £3.6m (1998: profit of £21.2m).

With effect from 6th April 1999, Advance Corporation Tax will be abolished. Dividends will continue to carry a tax credit which will ensure that shareholders do not pay any additional income tax as a result of this change, but the credit will no longer be refundable to those shareholders who are not fully taxable on their dividend income.

Acquisition of minority interest
The group has owned a 51% equity interest in Clarks Japan for a number of years. For consolidation purposes, Clarks Japan has been treated as a subsidiary undertaking because C & J Clark management have exercised effective control over policy and operational decision making.

During the year, the group completed the purchase of the remaining 49% interest from its partners, Okura & Co. Limited, on 19th August 1998.

Balance sheet
The group's closing operating capital increased by approximately £22m compared to the 1998 level. The increase is associated partly with a planned rise in capital investment to support the growth of our UK retail trading operations, in particular the roll out of our new shopfit concept to a further 43 Clarks shops during the year. Working capital also rose by 8%; whilst finished stock has in general been well controlled and ended the year below plan, trade receivables increased sharply as a result of strong wholesale sales to international markets in the last quarter. Provision for future restructuring costs has been included within provisions for liabilities and charges and where appropriate, against the relevant asset category.

Year end net borrowings increased by £17.5m to £52.5m. In addition to funding higher capital investment and working capital requirements in the UK as described above, it also proved necessary to provide increased financial support to our Australian subsidiary company. Australia experienced very difficult trading conditions throughout the year and incurred substantial trading losses, resulting in higher local borrowings and a £6m increase in the use of the group's revolving credit facility. A further contributory factor was the cash effect of restructuring activity in the year, which amounted to £4.2m. The group's balance sheet remains fundamentally strong and well capable of supporting the management team's plans to build upon the continuing strong growth in footwear sales and profitability. Gearing remains satisfactorily low at 24% (1998 – 15%).

Shareholders' funds reduced by £10.7m during the year to £215.6m. The movement comprises retained losses for the year after exceptional costs and dividends of £10.6m transferred to profit and loss reserves, and a negative exchange translation adjustment of £0.1m which arises from retranslating the net worth of overseas subsidiary companies at the relevant closing rates of exchange.

Treasury operations
Treasury activities are governed by policies and procedures approved by the Board of Directors and supervised, on a day to day basis, by senior management.

Borrowing facilities are managed by a central treasury function responsible to the Finance Director. They comprise a revolving credit facility with a syndicate of major banks and an overdraft facility. The revolving credit facility is due to be renegotiated in the coming year.

Currency exposure A treasury committee manages currency exposure by entering into forward exchange contracts supported by detailed forecasts of future transaction flows. It is the policy of the group to restrict foreign exchange activities to those required to hedge underlying trading operations. Currency options may be purchased within agreed guidelines. With the implementation of the Euro as a wholesale currency on 1st January 1999, forward exchange cover has been arranged for the future by offsetting for the first time sales and purchases within the Eurozone, thereby achieving a natural hedge in addition to a saving in transaction costs.

The treasury committee reports to the Board on a quarterly basis.

Year 2000
The group is aware of many potential types of problem with computer systems and other date-aware micro-chip based equipment in the change to the next millennium. To address these problems, we initiated a programme in early 1996 and are now well advanced with implementing a detailed action plan which follows the BSI PD-2000 definition of compliance. Ensuring Year 2000 compliance of our business critical systems by mid 1999 at the latest is the top priority for our IT function. Whilst we cannot be certain of avoiding business disruption in all areas, for example through the upstream impact on customers and suppliers, contingency plans are being developed and tested to minimise the risk of business interruption from such effects. The main contents of the Year 2000 programme are as follows:

a) to identify and replace or modify as necessary any non-compliant date-related hardware and software used in the group's IT operations;
b) to ensure that any non-IT embedded processors used in the group's operations and premises are identified, checked for date function, and replaced or modified as necessary;
c) to contact all significant trading partners in order to establish that they are taking appropriate action, to assess any potential risk to our business and to prepare contingency plans.

Revenue costs to date specifically related to the Year 2000 programme amount to approximately £2.4m. Further costs to complete the programme are not expected to exceed £2.4m. This excludes expenditure on planned upgrades which are part of normal business systems renewal. All costs related to the Year 2000 programme have been charged to the profit and loss account in accordance with UITF No. 20.

Economic and Monetary Union (EMU)
The group completed preparations for the introduction of the Single European Currency on 1st January this year. Changes have been made where appropriate to transaction systems to enable payments and receipts to be made and recorded in Euro. A steering group was formed in early 1998 to determine the most appropriate business response and to formulate a detailed plan. The plan involves managing the future upgrade of information systems, the development of staff training programmes and the further business process changes which will be required to enable our European businesses to cope with Euro-denominated trading during the transition period leading up to the first issue of notes and coins in 2002.

In the short term the group does not expect the costs or benefits from the introduction of the Euro to have a material impact on business operations or results. We do not anticipate that the results of the group will be reported in Euro unless there is a decision for the UK to enter Economic and Monetary Union.

Pensions
The UK pension schemes remain well funded. Due to the increasing use of market value based approaches to actuarial valuation of pension funds coupled with the volatility of the UK equity market during the year, it has proved unusually difficult to establish a reliable measure of the pension surplus for the purposes of Statement of Standard Accounting Practice No. 24 (SSAP 24). On the advice of the actuaries, the group has based its accounting assumptions on the surplus derived from the last formal actuarial valuation in April 1997. The total cost of all group pension schemes net of experience surpluses credited to the profit and loss account is shown in note 23 to the financial statements.

Share market
In accordance with the Articles of Association, share valuations are prepared twice a year by an independent firm of chartered accountants. There were two share circulars during the year. In June 843,564 Ordinary Shares were offered for sale at £2.90 and in October 318,692 Ordinary Shares were offered for sale at £2.70. Both offers were over subscribed at those prices.

Mark McMenemy Finance Director

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st January 1999.

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 24 to 43.

The retained loss for the year was £10.6m after dividends paid and proposed of £6.6m.

Directors
The current directors of the company are listed on page 4. Norman Finn was appointed on 8th January 1999. Harriet Hall and Benjamin Lovell will be appointed as non-executive directors on 7th May 1999. Steven Nichols resigned on 8th May 1998. Caroline Gould and Lance Clark will retire on 7th May 1999.

In accordance with the company's Memorandum and Articles, all the directors are required to stand for re-election at the Annual General Meeting.

Details of the directors' service contracts are given in the Remuneration Report on pages 18 to 20.

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 £25,000 (1998 – £18,000). 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 22 and 23.

Directors' interests

The interests of the directors in office at 31st January 1999 in the share capital of the company were:

	As at 31st January 1999 Ordinary Shares*	**As at 31st January 1999 Executive Share Trust**	As at 31st January 1998 Ordinary Shares*	As at 31st January 1998 Executive Share Trust**
Roger Pedder	**3,262,236**	–	3,135,078	–
Tim Parker	**254,497**	–	178,866	121,059
Mark McMenemy	**117,177**	–	76,833	121,059
Peter Bolliger	**47,751**	–	6,218	121,059
Lance Clark	**9,547,844**	–	9,353,915	–
Caroline Gould	**2,011,641**	–	1,926,427	–

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

** In 1998, the executive directors, as potential beneficiaries under the company's share schemes, were deemed to be interested in the 121,059 C & J Clark Ltd non-allocated Ordinary Shares held by the C & J Clark Executive Share Trust. These did not represent beneficial interests. In 1999 there are no non-allocated Ordinary Shares held by the Trust.

In 1992 certain directors were granted entitlements under the Shadow Share Scheme, the details of which are given in the Remuneration Report on pages 18 to 20.

The directors have no interests in contracts or arrangements during the year which require disclosure.

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 12th March 1999 (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

J Derbyshire

Judith Derbyshire Company Secretary

Street

31st March 1999

Remuneration Report

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

The Committee consists of all non-executive directors and is chaired by Lance Clark. 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) £000	Total 1999 £000	Total 1998 £000
Executive directors:						
Tim Parker	**291**	**38**	**17**	**152**	**498**	590
Mark McMenemy	**155**	**20**	**9**	**85**	**269**	313
Peter Bolliger	**159**	**64**	**10**	**85**	**318**	324
Non-executive directors:						
Roger Pedder	**97**	**–**	**9**	**–**	**106**	88
Lance Clark	**26**	**–**	**1**	**–**	**27**	26
Michael Garner	**26**	**–**	**–**	**–**	**26**	25
Caroline Gould	**18**	**–**	**1**	**–**	**19**	18
Steven Nichols (resigned 8th May 1998)	**5**	**–**	**–**	**–**	**5**	18
Norman Finn (appointed 8th January 1999)	**2**	**–**	**–**	**–**	**2**	–

* See page 20 for further details.

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

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 1999 Years	Service 31st January 1999 Years	Additional pension earned including inflation during the year ended 31st January 1999 in the Senior Executive Pension Scheme £000 p.a.	Accrued entitlement under Senior Executive Pension Scheme at year end		Contributions to FURBS in year ended		Members' Contributions to company fund in year ended	
				1999 £000 p.a.	1998 £000 p.a.	**1999 £000**	1998 £000	**1999 £000**	1998 £000
Tim Parker*	43	3	3	**9**	6	**99**	93	**5**	5
Mark McMenemy*	40	2	3	**7**	4	**29**	26	**5**	5
Peter Bolliger*	54	4	3	**13**	10	**20**	17	**5**	5
Roger Pedder	57	4	3	**11**	8	**–**	–	**4**	4

* Individuals' benefits under the company's pension fund are subject to an "Earnings Cap" (£87,600 at 31st January 1999) 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" (£87,600 p.a.) 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 £60,000 (1998 – £62,000), 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.

Shadow Share Scheme

A long term cash incentive scheme, named the "Shadow Share Scheme" and designed to mirror a share option scheme as far as practically possible, was established in 1992 for senior management. The potential rewards of the scheme are directly linked to the increase in value of the company's shares. Entitlements were granted at multiples of salaries up to a maximum of four times, and may be exercised at the earliest of the achievement of set performance targets, the participant's death or cessation of employment, or the take-over or liquidation of the company. If not previously exercised, entitlements lapse on the tenth anniversary of the date they were granted.

The performance targets require that over a continuous three year period the earnings per share grow at a rate in excess of retail price inflation and the return on shareholders' funds exceed the yield on long term gilts. Any amounts which may become payable under the Shadow Share Scheme are provided for out of the company's profits in line with anticipated movements in the value of the company's shares.

Shadow Share Scheme continued

Senior managers

Five senior managers have outstanding entitlements under the scheme at base values of £0.61 per unit over 100,000 units, £1.30 per unit over 236,153 units and £1.31 per unit over 34,657 units.

Directors

During the year, Peter Bolliger exercised his entitlement over 100,000 units at an exercise price of £2.90.

Provision for amounts payable on the exercise of entitlements has been made in full.

North America Shadow Share Scheme

On 1st February 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 value of C & J Clark America, Inc. and its subsidiaries.

Other long term incentive schemes

The Appointments and Remuneration Committee has agreed to continue the scheme to align the potential rewards of successful performance with the interests of all stakeholders. In each year if certain performance targets have been achieved, shares to the value of up to 75% of the participant's basic salary will be acquired for the scheme. These shares will normally be held in trust for three years, and will then vest in the participant. The targets have been set by the Appointments and Remuneration Committee to increase each year and specify the required minimum level of return on capital employed, pre and post taxation profits and earnings per share.

The performance targets achieved during the year on the basis of trading results before exceptional items would have produced awards in excess of 70% of pay. However, the Appointments and Remuneration Committee has exercised its discretionary powers to limit the award to 50% of pay, which is deemed to be fair in all the circumstances.

Tim Parker, Mark McMenemy and Peter Bolliger were the only participants of this scheme during the year.

Share entitlements are as follows:

	Tim Parker	Mark McMenemy	Peter Bolliger
At 31st January 1998	136,965	70,833	–
Entitlements granted during the year	75,631	40,344	41,353
At 31st January 1999	**212,596**	**111,177**	**41,353**

On the adoption of the Annual Report & Accounts at the Annual General Meeting, Tim Parker will become entitled to a further 56,322 shares, Mark McMenemy to a further 31,482 shares and Peter Bolliger to 31,482 shares, assuming a base price of £2.70 per share (being the latest published share price).

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 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 24 to 43.

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 22 and 23 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 1999 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG Chartered Accountants and Registered Auditors
Bristol
31st March 1999

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 of the Combined Code and that it has complied throughout the year, with the following exceptions:

a) the senior independent director was not appointed until 8th January 1999;
b) a special resolution will be proposed at the Annual General Meeting relating to the retirement by rotation of the Chief Executive.

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 adopted 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.

Possible new non-executive directors are suggested by members of the Board and by recruitment consultants, who are also used to assist the process. 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.

Michael Garner, was appointed as the senior independent director on 8th January 1999 and concerns relating to the executive management of the company or the performance of the other non-executive directors can be raised with him 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 which appears on pages 18 to 20.

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 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 financial control 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 32. 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, published information and other appropriate information to assist the valuers in giving the valuation of 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 representing 72% of the Ordinary Shares of the company have formed a council to aid communication between shareholders and the Board of Directors, to assist in the implementation of corporate governance policies and to work 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 Lance Clark and Caroline Gould. They will be replaced by Harriet Hall and Ben Lovell at the Annual General Meeting.

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 respective responsibilities of the directors and the auditors in connection with the accounts are explained on page 21 and the statement of the directors on going concern appears below.

The Board is responsible for maintaining a system of internal control designed to provide reasonable, but not absolute assurance regarding:
• the safeguarding of assets against unauthorised use or disposition;
• the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

Key procedures that have been established and are designed to provide effective internal control are:

Control framework
The directors have put in place an organisational structure with clearly defined lines of responsibility and delegation of authority.

Process
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.

Review
Operating management has a clear responsibility to ensure that the group's internal control objectives are met. Operating units are required to certify annually their compliance with internal control objectives. A business-wide review of internal controls has been carried out and reviewed by the Audit Committee.

Formal guidance on the review of non-financial internal controls has still to be developed by the Institute of Chartered Accountants in England and Wales (ICAEW). The directors will seek to ensure that the group is compliant with such guidance when it is issued. Despite the absence of such detailed guidance, the directors consider that they have nevertheless observed the principles of the Combined Code during the year.

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 1999

	Notes	Before exceptional items 1999 £000	Exceptional items 1999 £000	Total 1999 £000	Before exceptional items (restated) 1998 £000	Exceptional items 1998 £000	Total 1998 £000
Turnover	1						
Continuing operations		**786,280**	**–**	**786,280**	736,354	–	736,354
Discontinued operations		**5,930**	**–**	**5,930**	6,787	–	6,787
		792,210	**–**	**792,210**	743,141	–	743,141
Costs less other income		**(748,651)**	**(28,416)**	**(777,067)**	(701,350)	–	(701,350)
		43,559	**(28,416)**	**15,143**	41,791	–	41,791
Provision for the costs of long term incentive schemes	2	**(1,087)**	**–**	**(1,087)**	(2,400)	–	(2,400)
Operating profit/(loss)							
Continuing operations		**42,900**	**(28,416)**	**14,484**	37,807	–	37,807
Discontinued operations		**(428)**	**–**	**(428)**	1,584	–	1,584
	2	**42,472**	**(28,416)**	**14,056**	39,391	–	39,391
Costs of demerger	3	**–**	**–**	**–**	–	(2,163)	(2,163)
Profit/(loss) on disposal of fixed assets in continuing operations	4	**–**	**(414)**	**(414)**	–	829	829
Loss on disposal of discontinued operations	5	**–**	**(4,180)**	**(4,180)**	–	–	–
Profit/(loss) on ordinary activities before interest		**42,472**	**(33,010)**	**9,462**	39,391	(1,334)	38,057
Net interest payable	6	**(3,201)**	**–**	**(3,201)**	(3,054)	–	(3,054)
Profit/(loss) on ordinary activities before taxation		**39,271**	**(33,010)**	**6,261**	36,337	(1,334)	35,003
Taxation on profit/(loss) on ordinary activities	7	**(14,681)**	**4,853**	**(9,828)**	(14,138)	289	(13,849)
Profit/(loss) on ordinary activities after taxation		**24,590**	**(28,157)**	**(3,567)**	22,199	(1,045)	21,154
Minority interest		**(350)**	**–**	**(350)**	(353)	–	(353)
Profit/(loss) for the financial year		**24,240**	**(28,157)**	**(3,917)**	21,846	(1,045)	20,801
Dividends paid and proposed	8	**(6,637)**	**–**	**(6,637)**	(3,627)	–	(3,627)
Distribution on demerger	9	**–**	**–**	**–**	–	(17,389)	(17,389)
Transfer to/(from) reserves		**17,603**	**(28,157)**	**(10,554)**	18,219	(18,434)	(215)
Earnings per Ordinary Share	10	31.4p	(36.5p)	(5.1p)	28.3p	(1.3p)	27.0p

The distribution on demerger shown in the comparatives represents the net book value of assets which left the group as part of the demerger of the Factory Outlet Centres. This was described in paragraph 10 of the circular to the shareholders dated 25th April 1997.

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

The notes on pages 28 to 43 form part of these financial statements.

Balance sheets

as at 31st January 1999

	Notes	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Fixed assets					
Tangible assets	11	**101,354**	97,496	**–**	–
Investments	12	**879**	1,042	**77,182**	77,182
		102,233	98,538	**77,182**	77,182
Current assets					
Stock	13	**187,991**	188,491	**–**	–
Debtors	14	**82,820**	71,551	**83,627**	83,627
Cash at bank and in hand		**31,406**	29,667	**–**	–
		302,217	289,709	**83,627**	83,627
Creditors – amounts falling due within one year	15	**(139,117)**	(129,983)	**(3,627)**	(3,627)
Net current assets		**163,100**	159,726	**80,000**	80,000
Total assets less current liabilities		**265,333**	258,264	**157,182**	157,182
Creditors – amounts falling due after more than one year	16	**(26,450)**	(23,080)	**–**	–
Provisions for liabilities and charges	17	**(23,275)**	(7,989)	**–**	–
		215,608	227,195	**157,182**	157,182
Minority interest		**–**	(871)	**–**	–
Net assets attributable to shareholders		**215,608**	226,324	**157,182**	157,182
Capital and reserves					
Called up share capital	19	**77,182**	77,182	**77,182**	77,182
Merger reserve	20	**15,145**	15,145	**–**	–
Profit and loss account	21	**123,281**	133,997	**80,000**	80,000
Shareholders' funds		**215,608**	226,324	**157,182**	157,182

Approved by the Board of Directors and signed on its behalf on 31st March 1999.

Roger A Pedder R A Pedder
Mark McMenemy Mark McMenemy

The notes on pages 28 to 43 form part of these financial statements.

Group cash flow statement

for the year ended 31st January 1999

	Notes	1999 £000	1998 £000
Cash flow from operating activities	26	**29,353**	9,915
Returns on investments and servicing of finance	27(a)	**(3,165)**	(3,206)
Taxation		**(14,804)**	(6,146)
Capital expenditure and financial investment	27(b)	**(21,569)**	(13,539)
		(10,185)	(12,976)
Acquisitions and disposals	27(c)	**(883)**	3,830
Dividends paid		**(6,637)**	(3,010)
		(17,705)	(12,156)
Financing	27(d)	**11,174**	4,053
Decrease in cash in the period		**(6,531)**	(8,103)

	Notes	1999 £000	1998 £000
Reconciliation of net cash flow to movement in net borrowings			
Decrease in cash in the period		**(6,531)**	(8,103)
Cash flow from increase in debt and lease financing		**(11,174)**	(4,153)
Change in net borrowings resulting from cash flows		**(17,705)**	(12,256)
New finance leases		**(503)**	(580)
Translation differences		**650**	1,034
Movement in net borrowings for the period		**(17,558)**	(11,802)
Opening net borrowings		**(34,960)**	(23,158)
Closing net borrowings	28	**(52,518)**	(34,960)

Group statement of total recognised gains and losses

for the year ended 31st January 1999

	1999 £000	1998 £000
(Loss)/profit for the financial year	**(3,917)**	20,801
Currency translation losses on foreign investments	**(162)**	(3,808)
Total net (losses)/gains recognised for the year	**(4,079)**	16,993

Movements in group shareholders' funds

for the year ended 31st January 1999

	1999 £000	1998 £000
Total net (losses)/gains recognised for the year	**(4,079)**	16,993
Dividends paid and proposed	**(6,637)**	(3,627)
Distribution on demerger	**–**	(17,389)
Net decrease in shareholders' funds	**(10,716)**	(4,023)
Opening shareholders' funds	**226,324**	230,347
Closing shareholders' funds	**215,608**	226,324

Group note of historical cost profits and losses

for the year ended 31st January 1999

	1999 £000	1998 £000
Profit on ordinary activities before taxation	**6,261**	35,003
Effect of impairment losses on revalued element of properties	**854**	–
Realised gains on revalued properties	**1,692**	6,905
Historical cost profit on ordinary activities before taxation	**8,807**	41,908
Historical cost (loss)/profit for the year retained after taxation, minority interests and dividends	**(8,008)**	6,690

Accounting policies

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.

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 43.

Basis of presentation of financial information
The group has adopted FRS9, 10, 11,12 and 14, during the year. FRS9, 11, 12 and 14 have no effect on the accounting policies. Following the adoption of FRS10, the accounting policy for goodwill was changed as described on page 29. As more fully explained in the Accounting policies note to the 1998 financial statements, the conditions for merger accounting set out in accounting standards and the Companies Act 1985, which were used as the basis for the presentation of the 1998 financial statements, were not all met for the group reconstruction. However, the directors considered that if acquisition accounting had been applied the financial statements would have failed to give a true and fair view for the shareholders, since they had a continuing interest in the business both before and after the demerger. Accordingly merger accounting was applied. As explained in that note, it was not practicable to quantify the effect of the departure.

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.

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 be year 2000 or EMU compliant 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
In previous years, goodwill resulting from the cost of shares in subsidiary companies being in excess of the fair value to the business of the assets acquired was written off against reserves immediately on acquisition.

Following the introduction of FRS10, goodwill arising on businesses acquired will now be capitalised. Goodwill previously written off to reserves will not be reinstated.

Research and development
All expenditure on research and development has been 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 stocks, 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 accounts

In these notes to the accounts, the headings "1999" refer to the year ended or the balance sheet as at 31st January 1999 and the headings "1998" refer to the year ended or the balance sheet as at 31st January 1998.

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 disposal of the Australian retail business and to the demerger of the group's interests in the Factory Outlet Centres on 26th June 1997. Prior year comparatives have been restated to show the turnover and operating result from the Australian retail business within discontinued activities.

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

	Profit/(loss) before exceptional items 1999 £000	Profit/(loss) before exceptional items 1998 £000	**Exceptional items 1999 £000**	Exceptional items 1998 £000	**Profit/(loss) before interest and taxation 1999 £000**	Profit/(loss) before interest and taxation 1998 £000
Continuing operations						
UK	**32,968**	26,243	**(20,880)**	(1,334)	**12,088**	24,909
North America	**8,686**	9,135	**–**	–	**8,686**	9,135
Australia	**(2,226)**	(771)	**(7,950)**	–	**(10,176)**	(771)
Rest of the world	**3,472**	3,200	**–**	–	**3,472**	3,200
	42,900	37,807	**(28,830)**	(1,334)	**14,070**	36,473
Discontinued operations						
UK	**–**	1,584	**–**	–	**–**	1,584
Australia	**(428)**	–	**(4,180)**	–	**(4,608)**	–
	(428)	1,584	**(4,180)**	–	**(4,608)**	1,584
	42,472	39,391	**(33,010)**	(1,334)	**9,462**	38,057

b) Analysis of turnover and capital employed

	Turnover by geographical area of origin 1999 £000	Turnover by geographical area of origin (restated) 1998 £000	**Turnover by ultimate geographical market 1999 £000**	Turnover by ultimate geographical market (restated) 1998 £000	**Capital employed by geographical area of origin 1999 £000**	Capital employed by geographical area of origin (restated) 1998 £000
UK	**515,840**	494,234	**471,810**	450,256	**176,176**	177,212
North America	**167,506**	157,636	**167,506**	157,647	**75,868**	68,092
Australia	**28,799**	31,417	**26,206**	31,111	**8,985**	17,020
Rest of the world	**74,135**	53,067	**120,758**	97,340	**15,813**	12,768
Total footwear	**786,280**	736,354	**786,280**	736,354	**276,842**	275,092
Unallocated items	**–**	–	**–**	–	**(10,131)**	(17,050)
Discontinued activities	**5,930**	6,787	**5,930**	6,787	**(229)**	3,082
	792,210	743,141	**792,210**	743,141	**266,482**	261,124

1 Analysis of turnover, profit and capital employed continued

c) Reconciliation of capital employed and net assets:

	1999 £000	1998 £000
Capital employed (see note 1b)	**266,482**	261,124
Net borrowings (see note 28)	**(52,518)**	(34,960)
Deferred taxation (see note 18)	**1,644**	1,031
Minority interest	**–**	(871)
Net assets	**215,608**	226,324

2 Operating profit and costs

a) Costs less other income:

	Before exceptional items 1999 £000	Exceptional items 1999 £000	Total 1999 £000	Before exceptional items 1998 £000	Exceptional items 1998 £000	Total 1998 £000
Turnover	**792,210**	**–**	**792,210**	743,141	–	743,141
Cost of sales	**(451,085)**	**(25,225)**	**(476,310)**	(425,066)	–	(425,066)
Gross profit	**341,125**	**(25,225)**	**315,900**	318,075	–	318,075
Distribution costs	**(184,131)**	**(2,281)**	**(186,412)**	(173,605)	–	(173,605)
Administrative expenses	**(114,479)**	**(910)**	**(115,389)**	(105,589)	–	(105,589)
Share of (loss)/profit of associated undertakings	**(43)**	**–**	**(43)**	510	–	510
Operating profit	**42,472**	**(28,416)**	**14,056**	39,391	–	39,391

	Before exceptional items Continuing 1999 £000	Before exceptional items Discontinued 1999 £000	Before exceptional items Total 1999 £000	Before exceptional items Continuing (restated) 1998 £000	Before exceptional items Discontinued (restated) 1998 £000	Before exceptional items Total 1998 £000
Turnover	**786,280**	**5,930**	**792,210**	736,354	6,787	743,141
Cost of sales	**(447,919)**	**(3,166)**	**(451,085)**	(421,361)	(3,705)	(425,066)
Gross profit	**338,361**	**2,764**	**341,125**	314,993	3,082	318,075
Distribution costs	**(184,131)**	**–**	**(184,131)**	(175,189)	1,584	(173,605)
Administrative expenses	**(111,287)**	**(3,192)**	**(114,479)**	(102,507)	(3,082)	(105,589)
Share of (loss)/profit of associated undertakings	**(43)**	**–**	**(43)**	510	–	510
Operating profit	**42,900**	**(428)**	**42,472**	37,807	1,584	39,391

Administrative expenses include the costs of long term incentive schemes:

	1999 £000	1998 £000
Shadow Share Scheme	**(292)**	136
North American Shadow Share Scheme	**575**	1,825
Executive Directors' Deferred Share Scheme	**304**	439
Senior Managers' Scheme	**500**	–
	1,087	2,400

These schemes are detailed in the Remuneration Report on pages 18 to 20.

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 1999 £000
Closure and restructuring of UK factories	**18,015**	**–**	**463**	**18,478**
Restructuring of Ravel	**–**	**678**	**146**	**824**
Restructuring of Bullmead warehouse	**–**	**1,308**	**9**	**1,317**
Closure of Marleston plant, Australia	**2,943**	**–**	**–**	**2,943**
Write down of Australian wholesale stock	**2,868**	**–**	**–**	**2,868**
Other Australian restructuring costs	**1,399**	**295**	**292**	**1,986**
	25,225	**2,281**	**910**	**28,416**

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

	1999 £000	1998 £000
Depreciation of owned assets	**18,974**	13,390
Depreciation of assets held under finance leases	**579**	651
Auditors' remuneration		
– Audit fees	**345**	325
– Other fees, UK	**252**	298
Operating lease rentals		
– Land and buildings	**59,683**	56,058
– Plant and equipment	**2,949**	2,445
Operating lease rental income		
– Land and buildings	**7,476**	7,576

Parent company audit fees were £nil in both years.

d) Average number of full and part-time employees

	1999 Number	1998 Number
Production	**4,476**	5,039
Sales and distribution	**11,409**	10,974
Administration	**541**	607
	16,426	16,620

The average number of employees has been calculated on a monthly weighted average. Total number of employees at the year end was 16,543 (1998 – 16,560).

e) Employment costs in respect of the foregoing

	1999 £000	1998 £000
Wages and salaries	**147,358**	148,082
Social security costs	**13,783**	14,067
Pension contributions (see note 23)	**(23)**	564
Long term incentive schemes	**1,087**	2,400
	162,205	165,113

2 Operating profit and costs continued

f) Aggregate emoluments of the directors

	1999 £000	1998 £000
Non-executive directors' fees and benefits	**185**	175
Executive directors' services		
– salaries and benefits	**763**	788
– long term incentives	**322**	439
	1,270	1,402
Pension contributions – FURBS	**148**	136
	1,418	1,538

More detailed information concerning directors' shareholdings and emoluments (including the Shadow Share Scheme and other long term incentive schemes) is shown in the Remuneration Report on pages 18 to 20.

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 12), 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 1999 the Trust held 347,704 shares which were all under option to executives. More detailed information is shown in the Remuneration Report on pages 18 to 20. The latest published share price was £2.70 per share.

3 Costs of demerger

The cost of demerging the company's interests in the Factory Outlet Centres at Street, Kendal and Doncaster as shown in the comparatives, was £2,163,000 being mainly legal and professional fees associated with the transaction.

4 (Loss)/profit on disposal of fixed assets in continuing operations

	1999 £000	1998 £000
Property disposals: surplus over net book value	**1,837**	1,049
Impairments in the value of freehold and leasehold properties	**(2,251)**	(220)
	(414)	829

5 Loss on disposal of discontinued operations

Discontinued operations relate to the sale, to be completed on 6th April 1999, of the Australian retail business.

Prior year comparatives for the turnover and operating result have been restated accordingly.

Analysis of the sale:

	1999 £000
Net assets disposed of	
Stock	**4,132**
Other net assets	**480**
	4,612
Loss on disposal	**(4,180)**
Satisfied by cash	**432**

6 Net interest payable

	1999 £000	1998 £000
Interest payable in respect of:		
Bank loans and overdrafts	**3,040**	2,910
Other loans	**954**	732
	3,994	3,642
Interest receivable	**(793)**	(588)
	3,201	3,054

7 Taxation on profit on ordinary activities

	1999 £000	1998 £000
UK Corporation Tax at 31% (1998 – 31%) on profits for the year	**7,306**	8,705
Double taxation relief	**(435)**	(868)
	6,871	7,837
Overseas taxation	**4,856**	5,992
Deferred taxation	**(1,277)**	54
Overprovision in previous year	**(622)**	(34)
	9,828	13,849

8 Dividends paid and proposed

	1999 £000	1998 £000
Paid:		
Interim Ordinary Share dividend of 3.9p (1998 – 0.0p) per share	**3,010**	–
	3,010	–
Proposed:		
Final Ordinary Share dividend of 4.7p (1998 – 4.7p) per share	**3,627**	3,627
	6,637	3,627

9 Distribution on demerger

A demerger of the group's interests in the Factory Outlet Centres at Street, Kendal and Doncaster was undertaken on 26th June 1997. The net assets leaving the group amounted to £17,389,000 which was the net book value of those assets at the date of the demerger.

10 Earnings per Ordinary Share

Earnings per Ordinary Share have been calculated by dividing the loss after tax and minority interests attributable to ordinary shareholders of £3,917,000 (1998 – profit £20,801,000) by 77,181,625 Ordinary Shares being the number in issue in both 1999 and 1998. There is no difference between basic and diluted earnings per share. No dilution of earnings will arise from the future exercise of entitlements under the Shadow Share Scheme.

11 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 1998	37,930	2,197	4,199	135,301	179,627
Exchange rate adjustments	(71)	–	5	(620)	(686)
Capital expenditure	511	–	794	30,395	31,700
Disposals and provisions	(5,941)	(255)	(227)	(9,234)	(15,657)
At 31st January 1999	**32,429**	**1,942**	**4,771**	**155,842**	**194,984**
Depreciation					
At 31st January 1998	462	–	3,850	77,819	82,131
Exchange rate adjustments	25	–	2	(446)	(419)
Charge for the year	6	–	260	19,287	19,553
Disposals	–	–	(262)	(7,373)	(7,635)
At 31st January 1999	**493**	**–**	**3,850**	**89,287**	**93,630**
Net book value					
At 31st January 1999	**31,936**	**1,942**	**921**	**66,555**	**101,354**
At 31st January 1998	37,468	2,197	349	57,482	97,496
Disposals and provisions stated above include the following amounts in respect of exceptional write-downs of assets	2,251	–	–	3,973	6,224

b) Valuation of Land and Buildings

Land and Buildings are stated at:	Freehold £000	Long Leasehold £000	Total £000
Valuation	**27,772**	**1,842**	**29,614**
Cost less depreciation	**4,164**	**100**	**4,264**
	31,936	**1,942**	**33,878**
At historical cost, the comparable amounts would be:			
Cost	**22,390**	**905**	**23,295**
Depreciation	**(493)**	**–**	**(493)**
Net book value	**21,897**	**905**	**22,802**

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 £1,142,000 (1998 – £1,357,000).

12 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 1998	836	5	201	1,042
Purchased by Executive Share Trust (note 2g)	56	–	–	56
Additions/(decrease) in net assets	–	4	(43)	(39)
Disposals	(77)	–	(103)	(180)
Net book values at 31st January 1999	815	9	55	879

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.

During the year Kingsfame Limited, a marketing company based in Hong Kong in which the group had a 25% equity stake, was liquidated.

b) Company

	Shares in subsidiary undertakings 1999 £000	Shares in subsidiary undertakings 1998 £000
Net book value at 31st January 1998	**77,182**	–
Additions	**–**	77,182
Net book value at 31st January 1999	**77,182**	77,182

13 Stock

	1999 £000	1998 £000
Raw materials and consumables	**9,996**	10,929
Work in progress	**4,538**	5,472
Finished goods and goods for resale	**173,457**	172,090
	187,991	188,491

14 Debtors

	Group 1999 £000	Group 1998 £000	**Company 1999 £000**	Company 1998 £000
Trade debtors	**55,603**	53,985	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**83,627**	83,627
Other debtors	**1,934**	1,598	**–**	–
Prepayments and accrued income	**19,883**	13,956	**–**	–
	77,420	69,539	**83,627**	83,627
Other debtors falling due after one year	**371**	371	**–**	–
Prepaid pension costs (see note 23)	**3,385**	610	**–**	–
Deferred taxation (see note 18)	**1,644**	1,031	**–**	–
	82,820	71,551	**83,627**	83,627

15 Creditors – amounts falling due within one year

	Group 1999 £000	Group (restated) 1998 £000	Company 1999 £000	Company 1998 £000
Debenture loans	**565**	1,126	**–**	–
Bank loans and overdrafts	**56,228**	39,861	**–**	–
Obligations under finance leases	**681**	564	**–**	–
Trade creditors	**39,820**	44,475	**–**	–
Current taxation	**6,640**	10,893	**–**	–
Social security	**2,213**	2,697	**–**	–
Other creditors including Value Added Tax	**12,471**	7,078	**–**	–
Accruals and deferred income	**16,872**	19,662	**–**	–
Dividends payable	**3,627**	3,627	**3,627**	3,627
	139,117	129,983	**3,627**	3,627

16 Creditors – amounts falling due after more than one year

	Group 1999 £000	Group 1998 £000
Long term loans	**26,292**	22,477
Obligations under finance leases	**158**	599
Other creditors	**–**	4
	26,450	23,080
Amounts falling due between:		
– one and two years	**26,450**	568
– two and five years	**–**	22,512
	26,450	23,080

17 Provisions for liabilities and charges

	At 31st January 1998 (restated) £000	Exchange rate adjustment £000	Provided in year £000	Utilised £000	At 31st January 1999 £000
Shadow Share Scheme	1,261	–	(292)	(363)	**606**
North America Shadow Share Scheme	2,150	(50)	575	–	**2,675**
Long service leave	863	(75)	164	(275)	**677**
Restructuring	3,218	–	19,938	(4,227)	**18,929**
Other	497	(1)	(27)	(81)	**388**
	7,989	(126)	20,358	(4,946)	**23,275**

In 1998, provisions for restructuring of £3,218,000 were included within accruals and deferred income. These have been reclassified this year as provisions and comparative amounts have been restated accordingly.

18 Deferred taxation

	Group £000
Net deferred taxation asset:	
At 31st January 1998	1,031
Exchange rate adjustment	(5)
Profit and loss account	1,884
Other adjustments	(1,266)
At 31st January 1999	1,644
Provision has been made for tax arising from:	
Roll over relief	(4,015)
Short-term timing differences	5,659
	1,644
No provision has been made for tax in respect of:	
Capital Allowances in excess of depreciation	2,021
Surplus on revaluation of land and buildings	1,000
Liquidation of LIFO inventory reserves in the USA	5,052
	8,073

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

19 Share capital

	Authorised 1999 £000	**Issued and fully paid 1999 £000**	Authorised 1998 £000	Issued and fully paid 1998 £000
Ordinary Shares of £1 each	**92,326**	**77,182**	92,326	77,182

20 Merger reserve

A merger reserve of £15,145,000 (1998 – £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.

21 Profit and loss account

	Group £000	Company £000
At 31st January 1998	133,997	80,000
Currency translation adjustments	(162)	–
Transfer to reserve	(10,554)	–
At 31st January 1999	**123,281**	**80,000**

The profit for the year, dealt with in the profit and loss account of the company, amounted to £nil (1998 – £80,000,000). 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 associated undertakings' retained earnings and reserves of £9,000 (1998 – £82,000) is included in the total for the group.

The cumulative amount of goodwill written off since 1st February 1985 is £2,051,000 (1998 – £2,051,000). Information in respect of amounts written off before that date is not available.

22 Financial commitments

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

	1999 £000	1998 £000
Contracted but not provided for	**5,309**	5,615

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

	Land and Buildings 1999 £000	Land and Buildings 1998 £000	**Plant and Equipment 1999 £000**	Plant and Equipment 1998 £000
Expiring within one year	**2,465**	1,926	**876**	261
Expiring between second and fifth years	**13,263**	12,385	**1,779**	1,461
Expiring after five years	**43,285**	38,950	**59**	3
	59,013	53,261	**2,714**	1,725

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 1997 the main UK pension scheme was valued by independent qualified actuaries using the projected unit credit method. The scheme had a surplus of £11.8m with assets having an actuarial value of £368.4m, representing 103% 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	8.75%
Equity dividend growth	4.50%
General salary and wage inflation rate	7.00%
Pension increase rate	4.50%

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 34%.

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:

	1999 £000	1998 £000
Regular pension costs	**6,530**	7,000
Experience surplus, credited to the profit and loss account	**(6,553)**	(6,436)
	(23)	564

The cumulative difference between the regular pension costs and the amount credited in respect of the surplus amounts to £3,385,000 (1998 – £610,000) and is included in Debtors (see note 14).

24 Contingent liabilities

There were contingent liabilities in respect of:

	Group 1999 £000	Group 1998 £000	**Company 1999 £000**	Company 1998 £000
Guarantees of repayment of loans	**139**	153	**–**	–
Other guarantees and indemnities	**223**	299	**–**	–
	362	452	**–**	–

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 £7,270,000 (1998 – £4,826,000). 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 22 and 23, family shareholders represent some 72% of the company's Ordinary Shares.

Transactions with directors and officers

At 31st January 1999 there were loans of £149,000 (1998 – £163,000) made by the group to 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. A loan to Peter Bolliger existed throughout the year and the amount of the liability was £12,000 (1998 – £15,000) at the end of the financial year.

Transactions with subsidiaries and associates

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 or associates which require disclosure.

26 Reconciliation of operating profit items to operating cash flows

	Continuing 1999 £000	**Discontinued 1999 £000**	**Total 1999 £000**	Continuing (restated) 1998 £000	Discontinued (restated) 1998 £000	Total 1998 £000
Operating profit/(loss) before exceptional costs	**42,900**	**(428)**	**42,472**	37,807	1,584	39,391
Exceptional costs	**(28,416)**	**–**	**(28,416)**	–	–	–
	14,484	**(428)**	**14,056**	37,807	1,584	39,391
Depreciation charges	**19,553**	**–**	**19,553**	14,041	–	14,041
Share of losses/(profits) of associates	**43**	**–**	**43**	139	(205)	(66)
(Increase)/decrease in stocks	**492**	**(1,036)**	**(544)**	(40,716)	(4)	(40,720)
(Increase)/decrease in debtors	**(10,723)**	**50**	**(10,673)**	(12,733)	536	(12,197)
Increase/(decrease) in creditors	**(3,103)**	**262**	**(2,841)**	4,977	(426)	4,551
Increase/(decrease) in other provisions	**15,412**	**–**	**15,412**	4,934	–	4,934
(Loss)/profit on sale of tangible fixed assets	**(1,059)**	**–**	**(1,059)**	1,315	–	1,315
	35,099	**(1,152)**	**33,947**	9,764	1,485	11,249
(Loss)/profit on disposal of land and buildings			**(414)**			829
Loss on disposal of discontinued operation			**(4,180)**			–
Costs of demerger			**–**			(2,163)
Net cash inflow from operating activities			**29,353**			9,915

During the year the cash flow relating to exceptional items was an outflow of £4,227,000. This amount was spent against exceptional provisions of £3,218,000 existing at 31st January 1998, as well as being part of the restructuring costs in note 2b.

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

	1999 £000	1998 £000
a) Returns on investments and servicing of finance		
Interest received	**793**	588
Interest paid, including finance lease charges	**(3,881)**	(3,735)
Dividend paid to minority interests	**(77)**	(59)
Net cash outflow for returns on investments and servicing of finance	**(3,165)**	(3,206)
b) Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(30,982)**	(21,166)
Sale of tangible fixed assets	**9,396**	7,946
Shares acquired by Executive Share Trust	**(56)**	(319)
Investment disposed of by Executive Share Trust	**77**	–
Additions to investments	**(4)**	–
Net cash outflow for capital expenditure and financial investment	**(21,569)**	(13,539)
c) Acquisitions and disposals		
Investment in Clarks Japan Company Limited	**(986)**	–
Liquidation of Kingsfame Limited	**103**	–
Sale of Rohan Designs plc	–	330
Sale of loan notes issued by RAM Euro-Centres (Doncaster) Limited	–	3,500
Net cash (outflow)/inflow from acquisitions and disposals	**(883)**	3,830
d) Financing		
Capital element of finance lease rental payments	**(827)**	(559)
Repayment of debenture loans	**(561)**	(1,437)
Increase in long term bank loans	**4,206**	–
Extension of facility loan	**8,356**	6,149
Redemption of Preference Shares	–	(100)
Net cash inflow from financing	**11,174**	4,053

28 Analysis of net borrowings

	At 31st January 1998 £000	Cash flow £000	New finance leases £000	Translation differences £000	At 31st January 1999 £000
Cash at bank and in hand	(29,667)	(1,670)	–	(69)	**(31,406)**
Bank overdrafts	28,712	8,201	–	(38)	**36,875**
	(955)	6,531	–	(107)	**5,469**
Debenture loans	1,126	(561)	–	–	**565**
Bank loans	11,149	8,356	–	(152)	**19,353**
Obligations under finance leases	1,163	(827)	503	–	**839**
Long term loans	22,477	4,206	–	(391)	**26,292**
	34,960	17,705	503	(650)	**52,518**

C & J Clark Limited and subsidiaries

The following principal subsidiaries are those contributing 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	England	£1 each
Trading as: Clarks International (Clarks, K Shoes and Ravel)		
C & J Clark Properties Limited	England	£1 each
C & J Clark America, Inc.	USA	US$1 each
C & J Clark – Fabrica de Calcado LDA	Portugal	ESC1 each
Clarks of England, Inc.	USA	US$1 each
Clarks Shoes Limited	Australia	A$1 each
Claravon Limited	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

Group financial record

	Notes	1999 £000	1998 £000	1997 £000	1996 £000	1995 £000
Group trading results for the years ended 31st January						
Turnover		**792,210**	743,141	727,345	721,630	684,318
Profit before interest and exceptional items		**42,472**	39,391	33,569	35,758	31,604
Exceptional items		**(33,010)**	(1,334)	(30,447)	(5,681)	(8,122)
Profit before interest and after exceptional items		**9,462**	38,057	3,122	30,077	23,482
Net interest		**(3,201)**	(3,054)	(3,531)	(5,271)	(3,859)
Profit/(loss) before tax and after exceptional items		**6,261**	35,003	(409)	24,806	19,623
(Loss)/profit after tax and minority interest		**(3,917)**	20,801	(3,167)	16,817	14,770
Group financial position at 31st January						
Capital employed		**266,482**	261,124	252,931	299,709	281,449
Net borrowings		**52,518**	34,960	23,158	58,604	57,364
Ordinary shareholders' funds		**215,608**	226,324	230,347	241,222	227,100
Ratios						
Return on sales	1	**5.4%**	5.3%	4.6%	5.0%	4.6%
Return on capital employed	2	**15.9%**	15.1%	13.3%	11.9%	11.2%
Net assets per Ordinary Share	3	**£2.79**	£2.93	£2.98	£3.13	£2.94
Net borrowings/equity		**24.4%**	15.4%	10.1%	24.3%	25.3%
Earnings per Ordinary Share	4	**(5.1p)**	27.0p	(4.1p)	21.8p	19.1p
Earnings per Ordinary Share before exceptional items		**31.4p**	28.3p	23.7p	26.9p	24.9p
Dividends per Ordinary Share		**8.6p**	4.7p	7.0p	7.0p	6.5p
Dividend cover		**–**	5.7	–	3.1	2.9
Interest cover	5	**3.0**	12.5	0.9	5.7	6.1

1 Return on sales is the profit before interest and exceptional items expressed as a percentage of turnover.
2 Return on capital employed is the profit before interest and exceptional items expressed as a percentage of capital employed at the year end.
3 Net assets per Ordinary Share is the amount of the ordinary shareholders' funds divided by the number of Ordinary Shares in issue.
4 Earnings per Ordinary Share have been calculated as per note 10 in the notes to the financial statements.
5 Interest cover is the profit before interest divided by net interest.
6 Prior year comparatives have been restated where appropriate.

Facts at your fingertips

	1999 UK, Europe and rest of the world	1999 America	1999 Australia	1999 Group
Turnover (£millions)	**589**	**168**	**35**	**792**
Employees (number* at year end)	**14,389**	**1,591**	**563**	**16,543**
Factories (number at year end)	**10**	**1**	**4**	**15**
Pairs manufactured (millions)	**11.7**	**0.8**	**1.1**	**13.6**
Pairs resourced (millions)	**17.0**	**5.3**	**0.7**	**23.0**
Pairs sold (millions)	**29.5**	**6.1**	**1.9**	**37.5**
Shops				
Clarks/K Shoes	**468**	–	–	**468**
Concessions	**74**	–	–	**74**
Clearance outlets	**26**	**21**	**5**	**52**
Ravel	**62**	–	–	**62**
Bostonian/Hanover	–	**155**	–	**155**
Clarks of England/Back Bay	–	**15**	–	**15**
Total shops	**630**	**191**	**5**	**826**

	1998 UK, Europe and rest of the world	1998 America	1998 Australia	1998 Group
Turnover (£millions)	547	158	38	743
Employees (number* at year end)	14,290	1,619	651	16,560
Factories (number at year end)	10	1	4	15
Pairs manufactured (millions)	11.9	0.7	0.9	13.5
Pairs resourced (millions)	14.8	2.6	1.0	18.4
Pairs sold (millions)	26.7	5.5	1.9	34.1
Shops				
Clarks/K Shoes	504	–	–	504
Concessions	75	–	–	75
Clearance outlets	26	28	7	61
Ravel	60	–	–	60
Bostonian/Hanover	–	166	–	166
Clarks of England/Back Bay	–	12	–	12
Footrest	–	–	19	19
Total shops	665	206	26	897

* Including part time employees

Designed and produced by **Radley Yeldar** London

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