

C. & J. CLARK INTERNATIONAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31ST JANUARY 2004

Company Registration No: 141015



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C. & J. CLARK INTERNATIONAL LIMITED

Company information

| | |
|----------------|--|
| Directors | R A Pedder P Bolliger R P Beacham |
| Secretary | J E Derbyshire |
| Company number | 141015 |
| Auditors | KPMG LLP Chartered Accountants and Registered Auditor Bristol |

C. & J. CLARK INTERNATIONAL LIMITED

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31st January 2004.

Principal activity and business review

The principal activity of the Company during the year was shoe retailing and manufacturing. Further details of the operations and the trading results for the year are set out on pages 7 to 25. The retained loss for the year was £3.3m after dividends paid and proposed of £47.3m.

Directors and directors' interests

The directors who held office during the year were:

R A Pedder
P Bolliger
R P Beacham

No director has any interest in the shares of the Company.

All the directors are also directors of C. & J. Clark Limited, the ultimate parent company of C. & J. Clark International Limited, and their interests in the share capital of C. & J. Clark Limited are shown in that Company's financial statements.

Fixed assets

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

Employees

The Board believes that the principle of equality of treatment and opportunity is of fundamental importance. Its long held aim is to provide just and fair treatment for all employees. In accordance with this policy, the only personal attributes that will be taken into account in making decisions about employees are those which relate directly to actual or potential performance.

Throughout the Company, procedures for consultation with, and 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.

Research and development

The Company has continuous research and development programmes established with the objective of the improvement of its product ranges and increasing the profitability of its operations. Expenditure on qualifying research and development in the year was £27,096.

C. & J. CLARK INTERNATIONAL LIMITED

Directors' report (continued)

The environment

The Company recognises that care and concern for the environment and the community is a fundamental part of the Company'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 amounted to £0.1m (2003 - £1.0m).
No donations were made for political purposes.

Creditor payment policy

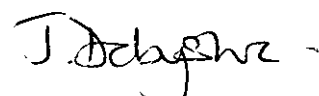
The Company's policy is to use standard payment terms, payment being at the end of the month following the invoice date, except for goods for resale which are generally 30 days, but are in the process of being extended to an average of 45 days.

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

The number of days purchases outstanding at the year end were 63 days (2003 - 50) days.

By order of the Board



J E Derbyshire
Company Secretary

40 High Street
Street
Somerset
BA16 0YA

16th July 2004

C. & J. CLARK INTERNATIONAL LIMITED

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 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 Company 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 Company and to prevent and detect fraud and other irregularities.

C. & J. CLARK INTERNATIONAL LIMITED**Report of the independent auditors to the members of C. & J. Clark International Limited**

We have audited the financial statements of C. & J. Clark International Limited on pages 7 to 25.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Directors' Report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 1985. 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 Company is not disclosed.

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 Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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 the information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31st January 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP *KLM W.*
Chartered Accountants and Registered Auditor
100 Temple Street
Bristol
BS1 6AG
16th July 2004

C. & J. CLARK INTERNATIONAL LIMITED**Profit and loss account
for the year ended 31st January 2004**

| | Notes | 2004 £'m | 2003 £'m |
|--|-------|----------------|----------------|
| Turnover | 2 | 644.7 | 638.2 |
| Costs less other income | | <u>(587.4)</u> | <u>(597.6)</u> |
| Operating profit | 3 | 57.3 | 40.6 |
| Profit on disposal of fixed assets | 4 | <u>1.5</u> | <u>3.6</u> |
| Profit on ordinary activities before interest | | 58.8 | 44.2 |
| Net interest payable | 5 | <u>(0.3)</u> | <u>(0.5)</u> |
| Profit on ordinary activities before taxation | | 58.5 | 43.7 |
| Taxation on profit on ordinary activities | 6 | <u>(14.5)</u> | <u>(11.9)</u> |
| Profit on ordinary activities after taxation | | 44.0 | 31.8 |
| Dividends paid and proposed | 7 | <u>(47.3)</u> | <u>(47.4)</u> |
| Retained (loss) for the year | 16 | <u>(3.3)</u> | <u>(15.6)</u> |

The turnover and operating profit of the Company derive wholly from continuing activities.

There were no recognised gains or losses other than those included in the profit and loss accounts for the current and previous years.

C. & J. CLARK INTERNATIONAL LIMITED**Balance sheet as at 31st January 2004**

| | | 2004 | | 2003 | |
|---|-------|----------------|---------------|----------------|---------------|
| | Notes | £'m | £'m | £'m | £'m |
| Fixed assets | | | | | |
| Tangible fixed assets | 8 | 90.6 | | 75.5 | |
| Investments | 9 | <u>-</u> | 90.6 | <u>-</u> | 75.5 |
| Current assets | | | | | |
| Stock | 10 | 117.0 | | 128.1 | |
| Debtors: | | | | | |
| Amounts falling due within one year | 11 | 188.2 | | 41.3 | |
| Amounts falling due after more than one year | 11 | 22.0 | | 20.3 | |
| Cash at bank and in hand | | <u>17.0</u> | | <u>12.2</u> | |
| | | 344.2 | | 201.9 | |
| Creditors: | | | | | |
| amounts falling due within one year | 12 | <u>(379.7)</u> | | <u>(217.2)</u> | |
| Net current liabilities | | | <u>(35.5)</u> | | <u>(15.3)</u> |
| Total assets less current liabilities | | | 55.1 | | 60.2 |
| Provisions for liabilities and charges | 13 | | <u>(20.7)</u> | | <u>(22.5)</u> |
| Net assets | | | <u>34.4</u> | | <u>37.7</u> |
| Capital and reserves | | | | | |
| Called up share capital | 15 | | 18.0 | | 18.0 |
| Revaluation reserve | 16 | | 1.4 | | 1.4 |
| Profit and loss account | 16 | | <u>15.0</u> | | <u>18.3</u> |
| Equity shareholders' funds | | | <u>34.4</u> | | <u>37.7</u> |

Approved by the Board of Directors on 16th July 2004 and signed on its behalf by:



R P Beacham

Director

C. & J. CLARK INTERNATIONAL LIMITED**Reconciliation of movements in shareholders' funds
for the year ended 31st January 2004**

| | 2004 £'m | 2003 £'m |
|-------------------------------------|-------------|-------------|
| Profit for the financial year | 44.0 | 31.8 |
| Dividends paid and proposed | (47.3) | (47.4) |
| Net decrease in shareholders' funds | (3.3) | (15.6) |
| Opening shareholders' funds | 37.7 | 53.3 |
| Closing shareholders' funds | 34.4 | 37.7 |

**Note of historical cost profits and losses
for the year ended 31st January 2004**

| | 2004 £'m | 2003 £'m |
|---|-------------|-------------|
| Profit on ordinary activities before taxation | 58.5 | 43.7 |
| Realised gains on revalued properties | 0.1 | 0.1 |
| Difference between historical cost depreciation charge And actual depreciation charge for the year | - | - |
| Historical cost profit on ordinary activities before taxation | 58.6 | 43.8 |
| Historical cost loss for the year retained after taxation and dividends | (3.2) | (15.5) |

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31st January 2004**

1. Accounting policies**Basis of preparation**

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

The accounting policies have been applied consistently with those stated in last year's financial statements.

Financial Statements

The Company is exempt from the requirement to prepare Group financial statements by virtue of S228 of the Companies Act 1985. These financial statements present information about the Company as an individual undertaking and not about its Group.

Investments

Investments are stated at cost less provisions for any impairment in value.

Fixed assets and depreciation

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

| | |
|---------------------------------------|---|
| Freehold and long leasehold buildings | 50 years |
| Short leasehold property | lower of 14 years or the life of the lease |
| Plant, machinery and fixtures | 8 years |
| Motor vehicles | 4 years |
| Computer hardware | 3 years |

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.

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.

Revenue recognition

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

Profits on sale of property are recognised on completion, unless the exchange of contracts is unconditional, in which case the profit will be recognised at that stage.

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31st January 2004 (continued)**

1. Accounting policies (continued)**Research and development**

All expenditure on research and development is written off in the year in which it is incurred.

Stock

Stock has been stated at the lower of cost and net realisable value. The cost of manufactured stock, including work-in-progress, includes all direct expenditure together with an appropriate proportion of overheads.

Deferred taxation

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

Pension costs

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

Cash flow statement

Under FRS 1 (Revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31st January 2004 (continued)****2. Analysis of turnover**

The turnover of the Company derives from its activities in the shoe trade. The format of the geographical analysis below has been changed this year to show Europe separately from Rest of the World, as Europe now represents a more significant part of the Company's results.

The geographical source of turnover is principally the UK and the turnover by ultimate geographical market is: -

| | 2004 £'m | 2003 £'m |
|-------------------|--------------|--------------|
| UK | 523.5 | 516.7 |
| North America | 3.0 | 6.0 |
| Europe | 92.7 | 86.9 |
| Rest of the World | 25.5 | 28.6 |
| | <u>644.7</u> | <u>638.2</u> |

Turnover with other Group companies of £36.1m (2003 - £41.1m) is included within the above figures.

3. Operating profit and costs**a) Costs less other income**

| | 2004 £'m | 2003 £'m |
|-------------------------|----------------|----------------|
| Turnover | 644.7 | 638.2 |
| Cost of sales | <u>(314.2)</u> | <u>(332.8)</u> |
| Gross profit | 330.5 | 305.4 |
| Distribution costs | (177.7) | (175.1) |
| Administrative expenses | <u>(95.5)</u> | <u>(89.7)</u> |
| Operating profit | <u>57.3</u> | <u>40.6</u> |

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31st January 2004 (continued)****3. Operating profit and costs (continued)****b) Exceptional items charged in arriving at operating profit are:**

| | Cost of sales £'m | Distri- bution costs £'m | Admini- strative expenses £'m | Total 2004 £'m | Total 2003 £'m |
|--|-------------------------|-----------------------------------|--|----------------------|----------------------|
| Closure and restructuring of factories | 1.4 | - | - | 1.4 | 10.5 |
| Costs of new UK Distribution Centre | - | 0.8 | - | 0.8 | 0.3 |
| Reversal of K shops restructuring provision | - | - | - | - | (1.7) |
| International Distribution Centre | - | - | - | - | 1.5 |
| | <u>1.4</u> | <u>0.8</u> | <u>-</u> | <u>2.2</u> | <u>10.6</u> |

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

| | 2004 £'m | 2003 £'m |
|--|--------------|--------------|
| Depreciation of owned assets | 14.1 | 17.4 |
| Depreciation of assets held under finance leases | 0.3 | 0.1 |
| Operating lease rentals | | |
| - land and buildings | 60.9 | 58.2 |
| - plant and equipment | 1.5 | 1.8 |
| Auditors remuneration | | |
| - audit fees | 0.2 | 0.1 |
| - other assurance work | 0.1 | 0.1 |
| - tax consultancy | 0.1 | - |
| Operating lease rental income – land and buildings | <u>(7.8)</u> | <u>(8.0)</u> |

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

| | 2004 Number | 2003 Number |
|------------------------|----------------|----------------|
| Production | 423 | 721 |
| Sales and distribution | 10,938 | 10,915 |
| Administration | <u>594</u> | <u>532</u> |
| | <u>11,955</u> | <u>12,168</u> |

The average number of employees has been calculated on a monthly weighted average. The total number of employees at year end was 11,897 (2003 – 12,117).

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31st January 2004 (continued)****e) Employment costs in respect of the foregoing:**

| | 2004 £'m | 2003 £'m |
|-------------------------------------|--------------|--------------|
| Wages and salaries | 99.7 | 95.3 |
| Social security costs | 6.7 | 6.2 |
| Pension contributions (see note 18) | 5.8 | 2.0 |
| | <u>112.2</u> | <u>103.5</u> |

f) Aggregate emoluments of the directors:

| | 2004 £'m | 2003 £'m |
|--|-------------|-------------|
| Directors' services | | |
| - salaries and benefits | 1.6 | 1.4 |
| - long term incentives charge for the year | 2.0 | 0.8 |
| - long term incentives reversal of provision | - | (1.9) |
| - pension contributions | - | 0.2 |
| | <u>3.6</u> | <u>0.5</u> |

The emoluments of the highest paid director totalled £2.2m (2003 - £1.1m).

4. Profit on disposal of fixed assets

| | 2004 £'m | 2003 £'m |
|---|-------------|-------------|
| Property disposals: surplus over net book value | <u>1.5</u> | <u>3.6</u> |

5. Net interest payable

| | 2004 £'m | 2003 £'m |
|---------------------|--------------|--------------|
| Interest payable | 0.4 | 0.6 |
| Interest receivable | <u>(0.1)</u> | <u>(0.1)</u> |
| | <u>0.3</u> | <u>0.5</u> |

C. & J. CLARK INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31st January 2004 (continued)

6. Taxation on profit on ordinary activities**a) Analysis of charge in the year:**

| | 2004 £'m | 2003 £'m |
|--|--------------|--------------|
| Current taxation: | | |
| UK Corporation Tax at 30% (2003 – 30%) | 16.4 | 13.2 |
| Group relief | 0.7 | 0.6 |
| Adjustments in respect of prior periods | (1.6) | (1.3) |
| Total current taxation (see note 6(b)) | <u>15.5</u> | <u>12.5</u> |
| Deferred taxation (see note 14) | | |
| Origination and reversal of timing differences | <u>(1.0)</u> | <u>(0.6)</u> |
| | <u>14.5</u> | <u>11.9</u> |

b) Factors affecting tax charge:

The tax assessed for the year is higher than the standard rate of Corporation Tax in the UK, which is 30%. The differences are explained below:

| | 2004 £'m | 2003 £'m |
|---|-------------|-------------|
| Profit on ordinary activities before tax | 58.5 | 43.7 |
| At standard rate of Corporation Tax in the UK of 30% (2003 – 30%) | 17.5 | 13.1 |
| Depreciation on items not qualifying for Capital Allowances | 0.5 | 0.6 |
| Profit on disposal of assets not qualifying for Capital Allowances | (0.4) | (0.4) |
| Movement in provisions for reverse lease premiums not deductible for tax purposes | (2.6) | (0.5) |
| Intra-group investment provision | - | 0.1 |
| Adjustments in respect of prior periods | (0.7) | (1.1) |
| Other | 0.2 | 0.1 |
| | <u>14.5</u> | <u>11.9</u> |
| Movement on deferred taxation | <u>1.0</u> | <u>0.6</u> |
| | <u>15.5</u> | <u>12.5</u> |

c) Factors affecting future tax charges:

The Company intends to continue to hold assets that do not qualify for capital allowances.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £0.6m (2003 - £1.1m).

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31st January 2004 (continued)****7. Dividends paid and proposed**

| | 2004 £'m | 2003 £'m |
|--|-------------|-------------|
| Equity dividends: | | |
| Interim Ordinary Share dividends paid | 47.3 | 41.2 |
| Final Ordinary Share dividend proposed | - | 6.2 |
| | <u>47.3</u> | <u>47.4</u> |

8. Fixed assets - tangible assets**a) Summary**

| | Land and Buildings | | | Plant & | Total |
|--------------------------|--------------------|------------|------------|--------------|--------------|
| | Freehold | Leasehold | | Equipment | |
| | | Long | Short | | |
| | £'m | £'m | £'m | £'m | £'m |
| Cost or valuation | | | | | |
| At 31st January 2003 | 21.3 | 1.0 | 4.6 | 124.0 | 150.9 |
| Capital expenditure | 8.4 | - | 0.2 | 23.5 | 32.1 |
| Disposals | (1.8) | - | (0.6) | (9.6) | (12.0) |
| At 31st January 2004 | <u>27.9</u> | <u>1.0</u> | <u>4.2</u> | <u>137.9</u> | <u>171.0</u> |
| Depreciation | | | | | |
| At 31st January 2003 | 1.7 | 0.1 | 4.1 | 69.5 | 75.4 |
| Charge for the year | 1.0 | - | 0.2 | 13.2 | 14.4 |
| Impairments | - | - | - | 0.3 | 0.3 |
| Disposals | (0.1) | - | (0.5) | (9.1) | (9.7) |
| At 31st January 2004 | <u>2.6</u> | <u>0.1</u> | <u>3.8</u> | <u>73.9</u> | <u>80.4</u> |
| Net book value | | | | | |
| At 31st January 2004 | <u>25.3</u> | <u>0.9</u> | <u>0.4</u> | <u>64.0</u> | <u>90.6</u> |
| At 31st January 2003 | <u>19.6</u> | <u>0.9</u> | <u>0.5</u> | <u>54.5</u> | <u>75.5</u> |

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31st January 2004 (continued)****8. Fixed assets – tangible assets continued****b) Valuation of land and buildings**

| | Freehold £'m | Long Leasehold £'m | Short Leasehold £'m | Total £'m |
|-----------------------------------|-----------------|--------------------------|---------------------------|--------------|
| Land and buildings are stated at: | | | | |
| Valuation less depreciation | 16.0 | 0.9 | - | 16.9 |
| Cost less depreciation | <u>9.3</u> | <u>-</u> | <u>0.4</u> | <u>9.7</u> |
| | <u>25.3</u> | <u>0.9</u> | <u>0.4</u> | <u>26.6</u> |

At historical cost, the comparable amounts would be:

| | | | | |
|----------------|--------------|--------------|--------------|--------------|
| Cost | 21.8 | 0.9 | 4.3 | 27.0 |
| Depreciation | <u>(2.0)</u> | <u>(0.1)</u> | <u>(3.8)</u> | <u>(5.9)</u> |
| Net book value | <u>19.8</u> | <u>0.8</u> | <u>0.5</u> | <u>21.1</u> |

The gross book value of freehold land and buildings includes land which is not depreciated of £7.3m (2003 - £7.6m). In accordance with the transitional provisions of FRS 15, freehold and long leasehold land and buildings are shown at current valuations and will not be updated.

c) Leased assets

Plant and equipment includes leased assets with a net book value of £Nil (2003 - £0.2m).

9. Investments

| | Total £'m |
|----------------------------------|--------------|
| Cost | |
| At 31 st January 2003 | 0.3 |
| Disposals | <u>-</u> |
| At 31 st January 2004 | 0.3 |
| Provision for impairment | |
| At 31 st January 2004 | 0.3 |
| Provided in the year | <u>-</u> |
| At 31 st January 2004 | 0.3 |
| Net book value | |
| At 31 st January 2004 | <u>-</u> |
| At 31 st January 2003 | <u>-</u> |

The Company owns the entire share capital of Clarks International Retail Limited, which is now dormant, Clarks Shoes Australia Limited and 30% of the share capital of C. & J. Clark Fabrica de Calcado Lda. The investment in C. & J. Clark Fabrica de Calcado Lda, has been fully provided for.

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31st January 2004 (continued)****10. Stocks and work in progress**

| | 2004 £'m | 2003 £'m |
|-------------------------------------|--------------|--------------|
| Raw materials and consumables | 0.1 | 0.1 |
| Work in progress | 1.1 | 2.6 |
| Finished goods and goods for resale | 115.8 | 125.4 |
| | <u>117.0</u> | <u>128.1</u> |

11. Debtors

| | 2004 £'m | 2003 £'m |
|--|--------------|-------------|
| Trade debtors | 22.6 | 20.2 |
| Amounts owed to Group undertakings | 152.1 | 7.9 |
| Other debtors | 13.4 | 0.5 |
| Prepayments and accrued income | 0.1 | 12.7 |
| | <u>188.2</u> | <u>41.3</u> |
| Amounts falling due within one year | | |
| | <u>22.0</u> | <u>20.3</u> |
| Prepaid pension costs (see note 19) | | |
| | <u>22.0</u> | <u>20.3</u> |
| Amounts falling due after more than one year | | |
| | <u>22.0</u> | <u>20.3</u> |

12. Creditors: amounts falling due within one year

| | 2004 | | 2003 | |
|------------------------------------|------------|--------------|------------|--------------|
| | £'m | £'m | £'m | £'m |
| Bank loans and overdrafts | | 13.8 | | 18.0 |
| Obligations under finance leases | | - | | 0.1 |
| Trade creditors | | 54.5 | | 45.8 |
| Amounts owed to Group undertakings | | 283.7 | | 120.7 |
| Taxation and social security | | | | |
| Corporation Tax | 9.0 | | 6.5 | |
| Other taxes | 4.2 | | 7.7 | |
| PAYE & National Insurance | <u>2.0</u> | | <u>2.0</u> | |
| | | 15.2 | | 16.2 |
| Other creditors | | 2.5 | | 2.8 |
| Accruals and deferred income | | 10.0 | | 7.4 |
| Proposed dividend | | - | | 6.2 |
| | | <u>379.7</u> | | <u>217.2</u> |

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31st January 2004 (continued)****13. Provisions for liabilities and charges**

| | At 31st January 2003 £'m | Provided in year £'m | Utilised £'m | At 31st January 2004 £'m |
|---|-----------------------------------|----------------------------|-----------------|-----------------------------------|
| Executive Share Plans | 2.1 | 1.8 | (0.4) | 3.5 |
| Senior Managers' Long Term Incentive Scheme | 2.1 | 3.7 | (1.5) | 4.3 |
| Restructuring of factories and shops | 6.2 | 2.2 | (5.7) | 2.7 |
| Returns provision | 1.1 | (0.2) | - | 0.9 |
| Dilapidation provision | 0.2 | - | - | 0.2 |
| Onerous lease provision | 1.6 | - | (0.7) | 0.9 |
| | <u>13.3</u> | <u>7.5</u> | <u>(8.3)</u> | <u>12.5</u> |
| Deferred taxation (see note 14) | 9.2 | (1.0) | - | 8.2 |
| | <u>22.5</u> | <u>6.5</u> | <u>(8.3)</u> | <u>20.7</u> |

14. Deferred taxation

| | 2004 £'m | 2003 £'m |
|---|--------------|--------------|
| Accelerated capital allowances | 4.1 | 3.3 |
| Hold over relief/capital gains tax losses | 0.5 | 2.8 |
| Deferred pension payments | 6.3 | 6.1 |
| Short term timing differences | <u>(2.7)</u> | <u>(3.0)</u> |
| | <u>8.2</u> | <u>9.2</u> |
| | 2004 £'m | 2003 £'m |
| Provision at start of year | 9.2 | 9.7 |
| Deferred taxation charge in profit and loss account for year (see note 6(a)) | <u>(1.0)</u> | <u>(0.5)</u> |
| Provision at end of year | <u>8.2</u> | <u>9.2</u> |

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31st January 2004 (continued)****15. Share capital**

| | 2004 £'m | 2003 £'m |
|--|-------------|-------------|
| Authorised, issued, allotted and fully paid 18,028,202 Ordinary Shares of £1 each | <u>18.0</u> | <u>18.0</u> |

16. Movements on reserves

| | Revaluation reserve £'m | Profit & loss account £'m | Total £'m |
|----------------------------|-------------------------------|------------------------------------|--------------|
| At 31st January 2003 | 1.4 | 18.3 | 19.7 |
| Retained loss for the year | <u>-</u> | <u>(3.3)</u> | <u>(3.3)</u> |
| At 31st January 2004 | <u>1.4</u> | <u>15.0</u> | <u>16.4</u> |

Included within the Profit and loss account is £1.7m (2003 - £1.7m) that is not distributable.

17. Financial commitments

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

| | 2004 £'m | 2003 £'m |
|-------------------------------------|-------------|-------------|
| Contracted for but not provided for | <u>25.3</u> | <u>2.8</u> |

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

| | Land and buildings | | Plant and equipment | |
|-------------------------------------|--------------------|-------------|---------------------|-------------|
| | 2004 £'m | 2003 £'m | 2004 £'m | 2003 £'m |
| Expiring within one year | 2.5 | 1.8 | 0.1 | 0.4 |
| Expiring between two and five years | 11.5 | 11.4 | 0.9 | 1.0 |
| Expiring after five years | <u>42.9</u> | <u>41.0</u> | <u>-</u> | <u>-</u> |
| | <u>56.9</u> | <u>54.2</u> | <u>1.0</u> | <u>1.4</u> |

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31st January 2004 (continued)****18. Pension commitments****a) SSAP 24 Pension Costs:**

The pension scheme is of the defined benefit type with assets held in separate trustee administered funds.

At 5th April 2003 the pension scheme was valued by independent qualified actuaries using the projected unit credit method. The scheme had a surplus for funding purposes of £10.2m with assets having an actuarial value of £483m, representing 102% of the actuarial value of the liabilities.

The assumptions that 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:

| | <u>Rate per annum</u> |
|--|-----------------------|
| Long term rate of investment return | 6.25 % |
| Equity dividend growth | 3.25 % |
| Projected general salary and wage inflation rate | 4.0 % |
| Projected pension increase rate | 2.5 % |

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 funding level was approximately 120%.

For accounting purposes the assumption for the average rate of equity dividend growth was 3.5% 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 the scheme, net of experience surpluses credited in the profit and loss account, were:

| | 2004 £'m | 2003 £'m |
|---|-------------|--------------|
| Regular pension costs | 5.8 | 6.2 |
| Experience deficit/surplus, charged/credited to the profit and loss account | <u>1.2</u> | <u>(4.2)</u> |
| | <u>7.0</u> | <u>2.0</u> |

The cumulative difference between the regular pension costs and the amount credited in respect of the surplus amounts to £22.0m (2003 - £20.3m) and is included in Debtors (see note 11).

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31st January 2004 (continued)****18. Pension commitments continued****b) FRS 17 Retirement Benefits:**

The Company continues to account for pension costs in accordance with SSAP 24 "Accounting for Pension Costs". In addition to this, the Company is applying the transitional disclosures of FRS 17 "Retirement Benefits".

The information disclosed in accordance with FRS 17 "Retirement Benefits" is based on the most recent actuarial valuation at 5th April 2003, and updated to 31st January 2004 by William M Mercer Limited in order to assess the liabilities of the scheme at that date. Scheme assets are stated at their market value at 31 January 2004.

The principal assumptions used to calculate scheme liabilities under FRS17 are:

| Valuation method | 2004 Projected unit | 2003 Projected unit | 2002 Projected unit |
|---|------------------------|------------------------|------------------------|
| Discount rate | 5.5% | 5.25% | 5.5% |
| Inflation rate | 2.75% | 2.25% | 2.5% |
| Projected increase to pensions in payment | 2.75% | 2.25% | 2.5% |
| Projected salary increases – executives | 4.75% | 4.25% | 4.5% |
| – non-executives | 4.25% | 3.75% | 4.0% |

The assets in the scheme and the expected rates of return were:

| | Long term expected rate of return 2004 % | Long term expected rate of return 2003 % | Long term expected rate of return 2002 % | Value at 31 st January 2004 £'m | Value at 31 st January 2003 £'m | Value at 31 st January 2002 £'m |
|---|--|--|--|--|--|--|
| Equities | 7.4 | 7.0 | 8.0 | 304.6 | 266.1 | 391.5 |
| Bonds | 4.6 | 4.2 | 5.1 | 126.8 | 104.7 | 100.9 |
| Other | 3.5 | 3.4 | 4.0 | 7.1 | 6.1 | 7.0 |
| Total market value of assets | | | | 438.5 | 376.9 | 499.4 |
| Present value of scheme liabilities | | | | (555.5) | (521.1) | (482.7) |
| Surplus in the scheme | | | | (117.0) | (144.2) | 16.7 |
| Related deferred tax asset/(liability) | | | | 35.1 | 43.3 | (5.0) |
| Net pension (liability)/asset | | | | (81.9) | (100.9) | 11.7 |

In addition, the value of assets held in the defined contribution section of the Pension Fund amounted to £17.1m at 31st January 2004 (2003 - £16.6m).

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31st January 2004 (continued)****18. Pension commitments continued****b) FRS 17 Retirement Benefits continued:**

If the previous amounts had been recognised in the financial statements, the Company's net assets and profit and loss reserve would have been as follows:

| | 2004 £'m | 2003 £'m | 2002 £'m |
|--|---------------|----------------|----------------|
| Net assets: | | | |
| Net assets excluding pension asset | 34.4 | 37.7 | 53.3 |
| Reversal of UK pension prepayment recognised under SSAP 24 | (22.0) | (20.3) | (19.2) |
| Net pension (liability)/asset | <u>(81.9)</u> | <u>(100.9)</u> | <u>11.7</u> |
| Net assets including pension (liability)/asset | <u>(69.5)</u> | <u>(83.5)</u> | <u>45.8</u> |
| | 2004 £'m | 2003 £'m | 2002 £'m |
| Reserves: | | | |
| Profit and loss reserves excluding pension asset | 15.0 | 18.3 | 33.8 |
| Reversal of UK pension prepayment recognised under SSAP 24 | (22.0) | (20.3) | (19.2) |
| Net pension (liability)/asset | <u>(81.9)</u> | <u>(100.9)</u> | <u>11.7</u> |
| Net assets including pension (liability)/asset | <u>(88.9)</u> | <u>(102.9)</u> | <u>26.3</u> |
| | | 2004 £'m | 2003 £'m |
| Opening (Deficit)/surplus in the scheme | | (144.2) | 16.7 |
| Current service costs | | (6.9) | (7.2) |
| Contributions paid | | 8.6 | 0.9 |
| Past service costs | | (2.1) | (1.3) |
| Net return on assets | | (4.2) | 10.1 |
| Actuarial gain/(loss) | | <u>31.8</u> | <u>(163.4)</u> |
| Net assets including pension (liability)/asset | | <u>(117.0)</u> | <u>(144.2)</u> |

If FRS 17 had been fully adopted in these financial statements, the pension cost for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating profit:

| | 2004 £'m | 2003 £'m |
|-----------------------|-------------|-------------|
| Current service cost | 6.9 | 7.2 |
| Gains on curtailments | <u>2.1</u> | <u>1.3</u> |
| | <u>9.0</u> | <u>8.5</u> |

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31st January 2004 (continued)****18. Pension commitments continued****b) FRS 17 Retirement Benefits continued:****Analysis of amounts included in other finance income/(costs):**

| | 2004 £'m | 2003 £'m |
|--|--------------|-------------|
| Expected return on pension scheme assets | 22.6 | 35.8 |
| Interest on pension scheme liabilities | (26.8) | (25.7) |
| | <u>(4.2)</u> | <u>10.1</u> |

Analysis of amounts recognised in the statement of total recognised gains and losses:

| | 2004 % | 2004 £'m | 2003 % | 2003 £'m |
|---|-----------|-------------|-----------|----------------|
| Actual return less expected return on pension scheme assets | | 58.1 | | (132.4) |
| Percentage of year end scheme assets | 13.0 | | 35.1 | |
| Experience gains and losses arising on pension scheme liabilities | | (5.8) | | (5.9) |
| Percentage of year end scheme liabilities | 1.0 | | 1.1 | |
| Changes in assumptions underlying the present value of scheme liabilities | | (20.5) | | (25.1) |
| Percentage of year end scheme liabilities | (16.1) | | 4.8 | |
| Actuarial loss recognised in statement of total recognised gains and losses | | <u>31.8</u> | | <u>(163.4)</u> |
| Percentage of year end scheme assets | 5.7 | | 31.3 | |

19. Contingent liabilities

| | 2004 £'m | 2003 £'m |
|---|-------------|-------------|
| There were contingent liabilities in respect of:- | | |
| Guarantees of repayment of loans | - | 0.1 |
| Other guarantees and indemnities | - | 1.0 |
| | <u>-</u> | <u>1.1</u> |

In the normal course of trade, the Company 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.

C. & J. CLARK INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31st January 2004 (continued)**

20. Related party transactions**Control**

As stated in the Annual Report of the Company's ultimate parent company, family shareholders hold some 81% of that Company's Ordinary Shares.

Transactions with subsidiaries

As the Company is a wholly owned subsidiary of C. & J. Clark Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities that form part of the Group. The consolidated financial statements of C. & J. Clark Limited, within which this Company is included, can be obtained from Companies House at the address shown in Note 22.

21. Ultimate holding company

The Company's immediate parent undertaking is C. & J. Clark (Holdings) Limited.

In the directors' opinion, the Company's ultimate parent company and controlling party is C. & J. Clark Limited, which is incorporated in England. Copies of its consolidated financial statements, which include the Company, are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.