You should read this section in conjunction with the consolidated financial information of the Clark Group, including the notes thereto, as set out in "Appendix IIB – Accountant's Report of the Clark Group" in this document. The consolidated financial information has been prepared in accordance with HKFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by the Clark Group in light of the experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, the actual results of the Clark Group may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in "Risk Factors".

OVERVIEW

The mission of the Clark Group is "empower everyone with the freedom to move comfortably". Made with nearly 200 years of experience and craftsmanship, the Clark Group adopts the following directions in products design and development, including (i) simplicity in design, (ii) crafted construction and detailing, (iii) iconic colours and materials, (iv) comfort and fit, and (v) quality and longevity, which are considered as the key features that differentiate its footwear products from the market.

For each of the 52 weeks period ended 30 January 2021, 52 weeks period ended 29 January 2022 and 22 weeks period ended 2 July 2022, the total revenue of the Clark Group was £778.9 million (HK$8,022.7 million), £926.2 million (HK$9,539.9 million) and £398.8 million (HK$4,107.6 million), respectively, while the Clark Group recorded a net profit of net loss of £150.6 million (HK$1,551.2 million), net profit of £53.0 million (HK$545.9 million) and net profit of £40.4 million (HK$416.1 million) during the respective period.

BASIS OF PREPARATION

The financial information of the Clark Group has been prepared by the directors based on accounting policies which conform with HKFRS which comprise all standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants, on the basis of preparation as set out in note 3.1 in the Accountant's Report of the Clark Group contained in Appendix IIB to this document, and no adjustments have been made in preparing the financial information.

In the opinion of the reporting accountant of the Clark Group, the historical financial information of the Clark Group gives, for the purposes of the Accountant's Report of the Clark Group as set out in Appendix IIB to this document, a true and fair view of the financial position of the Clark Group as at 30 January 2021, 29 January 2022 and 2 July 2022 and of the financial performance and cash flows of the Clark Group for each of the 52 weeks period ended 30 January 2021, 29 January 2022 and the 22 weeks period ended 2 July 2022 in accordance with the basis of preparation set out in note 3.1 in the Accountant's Report of the Clark Group contained in Appendix IIB to this document.

KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS OF THE CLARK GROUP

The results of operations of the Clark Group have been and will continue to be affected by a number of factors, including those set out below:

Economies of the major regions where the Clark Group operates

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, over 80.0% of the Clark Group's revenue was generated in the UK and ROI and the Americas. The customers of the Clark Group are mainly individual shoppers as well as wholesales customers mainly in the UK and ROI and the Americas. Therefore, changes in the economies of these places would directly impact the disposable income of the local household, and thus, the consumer sentiment of the customers and the financial performance of the Clark Group. It is believed that customers' spending is inter-related to the overall GDP growth in their respective countries/regions. The Clark Group cannot assure stable results of operation if the economies of these places fluctuate over time in the future. Furthermore, the expected high inflation rate in the near future may impose pressure on the purchasing and operating costs of the Clark Group. The finance cost may also be affected by the global interest rate increment. Hence, the profitability of the Clark Group is susceptible to the above factors.

Attractiveness of the product offering of the Clark Group

Being a well-known international footwear brand with almost 200 years of history and worldwide presence, the Clark Group is known for the quality and style of products offered. Under the "Clarks" brand, the Clark Group has developed various sub-brands with different features tailoring for the needs of a specific group of customers, comprising (i) "Clarks Originals" which focuses on fashionable designs and targets the cult and streetwear consumer at a more premium positioning, and (ii) "Clarks Collection" and "Clarks Cloudsteppers" which aim to offer comfortable footwear at an affordable price range for adults.

The attractiveness of the products of the Clark Group mainly is susceptible to the product design, product price and sales network. The Clark Group generally launches its products twice in a year, namely the Spring/Summer collection and the Autumn/Winter collection. The continuous success of the Clark Group depends largely on the products development in the future.

The direct-to-consumer sales channels of the Clark Group

Clarks is an international footwear brand with a focus on the UK and the US markets. According to the Frost & Sullivan Report, "Clarks" ranked the first in fashion and casual footwear market in the UK with a market share of 14.1%, and seventh in the US with a market share of 1.8%.

As at 2 July 2022, the Clark Group had 577 directly-operated stores primarily located in the UK, ROI and the US, 2,845 wholesale customers primarily situated in EMEA and the US, and various online sales platforms, such as its flagship online store and other e-commerce platforms operated by its wholesale customers. During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the Clark Group generated majority of its revenue from the direct-to-customers channel, which accounted for 57.0%, 60.5% and 56.5% of the total revenue of the Clark Group, respectively. The Clark Group operates the direct-to-customers channel both by retail stores and on e-commerce platforms, which complement each other in times when chances of physical presence in the stores may be hindered such as during the lockdown period of the COVID-19 pandemic.

Cost of inventories sold

The cost of inventories sold of the Clark Group accounted for 84.2%, 84.5% and 80.8% of its cost of sales, for the 52 weeks period ended 30 January 2021, 52 weeks period ended 29 January 2022 and 22 weeks period ended 2 July 2022, respectively. The price of the product may vary from period to period due to factors such as raw material used, categories, quality, customer's preference and market conditions. The selling price was determined on a cost-plus basis, taking into account, among others, the cost of inventories sourced from the suppliers, including primarily style and quality.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of the cost of inventories used on the profit before tax of the Clark Group during the 52 weeks period ended 30 January 2021, 29 January 2022 and 22 weeks period ended 2 July 2022. Fluctuations in the cost of inventories are assumed to be 5%, 10% and 15%.

	Changes in cost of inventories		
	+/-5%	**+/-10%**	**+/-15%**
Hypothetical fluctuations	*£'m*	*£'m*	*£'m*
Increase/decrease in profit before tax			
52 weeks to 30 January 2021	–/+17.3	–/+34.7	–/+52.0
52 weeks to 29 January 2022	–/+19.6	–/+39.2	–/+58.8
22 weeks to 2 July 2022	–/+8.2	–/+16.4	–/+24.6

Prospective **[REDACTED]** should note that the above analysis on the historical financials is based on assumptions and for reference only. The above analysis should not be viewed as the actual effect of such hypothetical fluctuations.

Employee benefit expense

The employment benefit expense of the Clark Group was one of the major component of the operating expenses incurred during the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 2 July 2022 which had a significant impact on the profitability of the Clark Group. The total employment benefit expense of the Clark Group amounted to £217.3 million (HK$2,238.2 million), £173.4 million (HK$1,786.0 million) and £75.1 million (HK$773.5 million) for the 52 weeks period ended 30 January 2021, 29 January 2022 and 22 weeks period ended 2 July 2022, respectively, representing 27.9%, 18.7% and 18.8% of its total revenue during the respective period. The salaries of the sales staff of the Clark Group generally consist of fixed portion of base salary and sales incentives based on the value of sales. As such, the salaries of the sales staff generally fluctuate with the total revenue. The salaries of the staff of back office is mainly fixed in nature.

If the Clark Group is unable to retain its employees, the Clark Group may incur additional costs in hiring or training new staff, hence, affecting the profitability of the Clark Group.

Lease related expenses

The Clark Group's directly-operated stores are typically located within shopping malls, department stores or on street level with high visibility and customer traffic. The Clark Group believes the accessibility of the stores would affect the number of visits from the customers. Since the Clark Group strategically locates the stores in prime shopping areas, the lease related expenses with respect to the stores constituted a significant portion of its total cost. Further, the Clark Group has other lease arrangement such as the offices and outlets during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022. The lease related expenses mainly include the depreciation of right-of-use assets, interest on lease liabilities, short-term rental expenses and variable lease payments. The lease related expenses of the Clark Group amounted to £63.6 million (HK$655.1 million), £42.5 million (HK$437.8 million) and £15.6 million (HK$160.7 million) for the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, respectively, representing 8.2%, 4.6% and 3.9% of its total revenue during the respective period.

Save for a very few self-owned properties, all other directly-operated stores are operated on leased properties. If the Clark Group is unable to renew the tenancies when the existing one expires, the Clark Group may incur additional costs in moving the existing store to a new location with the risk of loss of customers during the lead time. See "Business – Our Multi-brand Apparel and Footwear Business – Our Sales Channels – Our Directly-operated Store".

Foreign exchange exposure

The Clark Group is exposed to currency risk as a result of the Clark Group's international nature and business activities due to mismatch between currencies in which sales, purchases, receivables and borrowings are denominated.

Over the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the Clark Treasury function has managed currency exposure on cash flows relating to the Clark Group's trading operations by entering into forward dated foreign currency contracts maturing throughout future seasons based on forecasts of future transaction flows.

There was a net liability position of £10.0 million (HK$103.0 million) as at 30 January 2021, net asset position of £1.8 million (HK$18.5 million) as at 29 January 2022 and net asset position of £15.1 million (HK$155.5 million) as at 2 July 2022 for the derivative financial instruments at fair value through other comprehensive income.

Seasonality

The business of the Clark Group is subject to seasonal fluctuations. The Clark Group typically record higher sales around the second half of a calendar year with the launch of Back-to-School programme in July in the UK. If the Clark Group fails to capture the sales opportunities arising from the programme, the overall performance could be adversely affected. For the same reason, the Clark Group may need to increase the stock level to satisfy the increased sales demand around the launch of Back-to-School programme, which exposes the Clark Group to risk of higher levels of inventories.

As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different years, are not necessarily meaningful and may not be indicative of the performance.

Impact of COVID-19

The outbreak of COVID-19 has adverse financial and operational impacts on the Clark Group. Being a global footwear retailer with a seasonally driven business model, the impact of COVID-19 was immediate during the period 52 weeks period ended 30 January 2021 given the reduced demand coincided with the commencement of the Spring/Summer season and the new inventory resulted in a significant working capital impact which continued into 2021. The impact of COVID-19 had been significant on the business, with turnover from continuing operations falling 43.2% from £1,370.7 million (HK$14,118.2 million) for the 52 weeks period ended 1 February 2020 to £778.9 million (HK$8,022.7 million) for the 52 weeks to 30 January 2021.

The revenue from the UK and ROI decreased by 43.8% given the direct impacts of government mandated lockdowns in Spring 2020, November/December 2020 and again in January 2021. Benefited from the strong margin control, cost reductions, company voluntary arrangement ("**CVA**")-related rent arrear savings and government furlough support, the decrease in revenue contributed by the UK and ROI regional was partially offset.

In EMEA, revenue showed a decline of 38.0% from the 52 weeks period ended 1 February 2020 to the 52 weeks to 30 January 2021. The distribution centre in Europe has been transferred successfully to Venlo in the Netherlands. This has led to improvement in supply chain efficiency and reduction in duty costs by allowing product to be directly shipped from the suppliers to the distribution centre in Europe.

In the Americas, the revenue decreased by 48.2% in all channels apart from the online channel, which had a year on year improvement. A national lockdown in Spring/Summer 2020 was followed by local restrictions imposed by many states and municipalities significantly impacting customer confidence and depressing footfall.

Performance in the Asia Pacific region showed a decline of 20.1% from the 52 weeks period ended 1 February 2020 to the 52 weeks to 30 January 2021. In the PRC, the Clark Group also recorded decrease in wholesale but digital performance remained stable.

In addition, many of the wholesale partners imposed extended payment terms which has delayed the receipt of cashflow for inventory sold to these customers. In response, the Clark Group took immediate global action to reduce cost and cash outflow: (i) all discretionary expenditure was halted where possible; (ii) while acting responsibly, the Clark Group sought to extend payment terms with the suppliers which provided liquidity support to offset the actions imposed on it by its customers; and (iii) the Clark Group also decided not to declare a final dividend relating to 2019/20.

Additionally, UK rent and debt enforcement moratoriums helped give liquidity support across the year and provided additional time to negotiate rent reductions and payment deferrals with landlords. On 20 November 2020, C&J Clark International successfully entered into a CVA with its landlords which allowed it to compromise rent arrears and move to a turnover rent basis for most properties for the coming three years, providing protection against the uncertain risk of COVID-19 during this period.

Progress was being made on implementing the property portfolio strategy with 125 stores exited during the period 52 weeks period ended 30 January 2021 with 122 permanent store closures and 3 being transferred to franchise or license partners.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENT

We have identified certain accounting policies that are significant to the preparation of the Clark Group's financial statements. Some of such accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing the financial statements of the Clark Group, you should consider (i) the selection of critical accounting policies; (ii) the judgements and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. The significant accounting policies, estimates and judgements of the Clark Group, which are important for the understanding of the Clark Group's financial condition and results of operations are set out below. For details, please see notes 3.2 and 4 of the Accountant's Report of the Clark Group contained in Appendix IIB to this document.

Significant accounting policies

Revenue recognition

The Clark Group's revenue relates to the supply of products direct to consumers within stores, online or through third party sales concessions, and to wholesale customers.

Revenue is income arising from the sale of goods and services in the ordinary course of the Clark Group's activities, net of value added taxes. Revenue from contracts with customers is recognised when control of goods is transferred to the customer at an amount that reflects the consideration to which the Clark Group expects to be entitled in exchange for those goods. For the majority of revenue streams, there is a low level of judgement applied in determining the transaction price or the timing of transfer of control.

Revenue is recognised as follows:

Sales

Sales are recognised when the performance obligations have been satisfied and the goods have been transferred to the customer and the customer has control.

(i) Sale of goods – wholesale

Sales are recognised when the performance obligations have been satisfied, the goods have been transferred to the customer and the customer has control. The performance obligation is the sale of goods to the wholesale customer. Revenue allocated to the goods is recognised at a point in time upon the goods have been shipped to the wholesale customer's specific location.

(ii) Sale of goods – retail

Sales are recognised when the performance obligations have been satisfied, the goods have been transferred to the customer and the customer has control. The performance obligation is the sale of goods to the customer. Revenue allocated to the goods is recognised at a point in time when the product is sold to the customer in store and the customer is deemed to have control. Retail sales are usually in cash or by credit card.

Sale of goods – online

Sales are recognised when the performance obligations have been satisfied, the goods have been transferred to the customer and the customer has control. The performance obligation is the sales of goods to the customer. Revenue allocated to the goods is recognised at a point in time upon dispatch of goods when the customer is deemed to have control.

Sale of gift vouchers

Revenue from the sale of gift vouchers is initially recognised as a liability to the customer. This is released to revenue as the vouchers are redeemed. An element of breakage is recognised upfront on gift voucher sales based on historical data. The value of unexpired gift cards is not considered to be material.

Sale with a right of return/exchange

For a sale of products with a right of return/exchange for dissimilar products, the Clark Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Clark Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers.

Loyalty scheme

Within the Americas, the Clark Group operates a loyalty programme wherein customers earn points based upon the amount spent on purchases of products, which can be redeemed for gift vouchers once a specified number of points is attained. Points issued represent a separate performance obligation providing a material right. The portion of the total transaction price allocated to the points is determined based on the value of the points to the customer when redeemed, adjusted for expected redemption rates (breakage). The consideration related to points earned is deferred and recognised as a contract liability. Revenue is recognised as the earned vouchers are redeemed by the customers.

Government grants

Government grants are not recognised until there is reasonable assurance that the Clark Group will comply with the conditions attaching to them and that the grants will be received. Government grants received in relation to the UK Job Retention Scheme are recognised under the accrual model and are classified as a revenue-based grant. The grant income is recognised in other income on a systematic basis over the periods in which the related costs from the grant is intended to compensate.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairments. Such cost includes costs directly attributable to making the asset capable of operating as intended. Clark Group's policy is to write off the difference between the cost of each item of property, plant and equipment and its residual value over its estimated useful life on a straight-line basis. Assets under construction are not depreciated.

Depreciation is recognised so as to write off the cost of assets other than freehold land and properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The principal useful lives used for this purpose are as follows:

Land and buildings	30-50 years
Plant and equipment	3-20 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Intangible assets

Software

Where software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset.

Capitalised software costs include external direct costs of goods and services, as well as internal payroll related costs for employees who are directly associated with the project. The policy to capitalise intangible assets is applied consistently to a similar classes of assets on meeting the development criteria.

Capitalised software development costs are amortised on a straight line basis over their expected useful lives, normally between 3 and 5 years. Computer software under development is held at cost less any recognised impairment loss. Any impairment in value is recognised within profit or loss.

Trademarks

Acquired trademarks are initially recognised at cost and amortised on a straight line basis over the expected useful life of 20 years because the management of the Clark Group estimates that the economic useful life of the trademark is 20 years at maximum with reference to the trademark registration valid years and expected renewal years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

During the Track Record Period, we have provided amortisation for our trademark of less than £0.1 million (HK$1.0 million).

Inventories

Inventories are valued on a weighted average cost basis and carried at the lower of cost or net realisable value. Cost includes the direct expenditure and other direct import costs incurred in bringing inventories to their present location and condition. Certain purchases of inventories may be subject to cash flow hedges for foreign exchange risk. The Clark Group applies a basis adjustment for those purchases in a way that cost is initially established by reference to the hedged exchange rates and not the spot rate at the day of purchase.

Leases

The Clark Group as a lessee

The Clark Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, Clark recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease modifications

The Clark Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Clark Group as a lessor

The Clark Group enters into lease agreements as a lessor with respect to some of its stores. The Clark Group also rents equipment to retailers necessary for the operation of franchise stores.

Leases for which the Clark Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Critical Accounting Estimates, Assumptions and Judgements

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment annually or more frequently if events or changes give an indicator of impairment. When an asset review is conducted the recoverable amount is determined based on value in use calculations. The value in use method is performed at the cash generating unit level – which is generally the store level – and requires Clark to determine the period over which to assess future cash flows, the value of the cash flows and their growth, nature and value of overhead to allocate to the cash generating unit and the discount rate assumptions.

Incremental borrowing rate determined for leases

The determination of the incremental borrowing rate used to measure lease liabilities involves a degree of estimation uncertainty. Management has concluded that the interest rate implicit in the leases cannot always be readily determined therefore the leases held have been discounted by the incremental borrowing rate ("**IBR**"), being the rate of interest that Clark would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain assets of a similar value to the right-of-use assets in a similar economic environment. This involves assumptions and estimates, which would affect the carrying value of the lease liabilities and corresponding right-of-use assets. To determine the IBR, Clark uses entity-specific synthetic credit ratings for each operating territory in order to determine the appropriate set of market data to use as a starting point, and adjusts this for conditions specific to each lease such as its term and security. For details on the carrying value of leases, please see note 15 of the Accountant's Report of the Clark Group contained in Appendix IIB to this document.

Valuation for post-retirement benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. For details of the sensitivity analysis, please see note 24 of the Accountant's Report of the Clark Group contained in Appendix IIB to this document.

RESULTS OF OPERATIONS

The following table summarises the consolidated statements of profit or loss and other comprehensive income from the financial statements during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, details of which are set out in the Accountant's Report of the Clark Group in Appendix IIB to this document.

	52 weeks to 30 January 2021		52 weeks to 29 January 2022		22 weeks to 3 July 2021		22 weeks to 2 July 2022	
	£'m	%	£'m	%	£'m	%	£'m	%
					(unaudited)			
Continued operations								
Revenue	778.9	100.0	926.2	100.0	346.5	100.0	398.8	100.0
Cost of sales	(411.4)	(52.8)	(463.3)	(50.0)	(181.9)	(52.5)	(202.6)	(50.8)
Gross profit	367.5	47.2	462.9	50.0	164.6	47.5	196.2	49.2
Distribution expenses	(279.3)	(35.9)	(231.7)	(25.0)	(81.1)	(23.4)	(106.8)	(26.8)
Administrative expenses	(257.3)	(33.0)	(173.2)	(18.7)	(78.5)	(22.6)	(64.8)	(16.2)
Other income	52.3	6.7	17.5	1.9	12.8	3.7	4.3	1.1
Finance costs	(21.0)	(2.7)	(26.6)	(2.9)	(11.3)	(3.3)	(11.2)	(2.8)
Impairment loss reversed (recognised)	(1.1)	(0.1)	(10.9)	(1.2)	(0.7)	(0.2)	31.2	7.8
Profit before income tax	(138.9)	(17.8)	38.0	4.1	5.8	1.7	48.9	12.3
Income tax (expenses)/credit	(11.7)	(1.5)	15.0	1.6	12.9	3.7	(8.5)	(2.1)
Profit/(loss) for the period	(150.6)	(19.3)	53.0	5.7	18.7	5.4	40.4	10.1

DESCRIPTION OF SELECTED ITEMS IN STATEMENTS OF PROFIT OR LOSS

Revenue

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the revenue of Clark derived from its activities in the shoe trading. The following table sets forth a breakdown of the Clark Group's revenue by geographical segments for the periods indicated:

	52 weeks to 30 January 2021		52 weeks to 29 January 2022		22 weeks to 3 July 2021		22 weeks to 2 July 2022	
	£'m	%	£'m	%	£'m	%	£'m	%
					(unaudited)			
UK and ROI	314.3	40.4	375.4	40.5	132.3	38.2	149.3	37.4
Americas	311.0	39.9	389.0	42.0	155.0	44.8	197.2	49.4
Europe	54.3	7.0	60.9	6.6	19.2	5.5	18.2	4.6
Asia Pacific	99.3	12.7	100.9	10.9	40.0	11.5	34.1	8.6
Total	778.9	100.0	926.2	100.0	346.5	100.0	398.8	100.0

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the Clark Group's shoe trading was generally transacted through (i) offline sales which included retail sales and wholesale; and (ii) online sales.

For sales of shoe products to the wholesale customers, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesale customer's specific location (delivery).

For sales of shoe products to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail stores.

For online sales, revenue is recognised when control of the goods has transferred to the customer, being at the point in time upon dispatch of goods. Delivery occurs when the goods have been shipped to the customer's specific location. When the customer initially purchases the goods online, the transaction price received by the Clark Group is recognised as a contract liability until the goods have been delivered to the customer.

The table below provides a breakdown of revenue by sales channel of the Clark Group for the periods indicated:

	52 weeks to 30 January 2021		52 weeks to 29 January 2022		22 weeks to 3 July 2021		22 weeks to 2 July 2022	
	£m	*%*	*£m*	*%*	*£m*	*%*	*£m*	*%*
					(unaudited)			
Offline channels								
– directly-operated stores	290.9	37.3	402.1	43.4	127.8	36.9	175.0	43.9
– wholesales	334.9	43.0	365.8	39.5	156.9	45.3	173.5	43.5
Sub-total:	***625.8***	***80.3***	***767.9***	***82.9***	***284.7***	***82.2***	***348.5***	***87.4***
Online channels	153.1	19.7	158.3	17.1	61.8	17.8	50.3	12.6
Total	**778.9**	**100.0**	**926.2**	**100.0**	**346.5**	**100.0**	**398.8**	**100.0**

Notes:

1. "Wholesales" includes sales to third party retailers and e-commerce and t-commerce platform operators.

2. "Online channels" refers to the online flagship stores operated by the Clark Group.

From the 52 weeks period ended 30 January 2021 to 29 January 2022, sales started to pick up again after the recovery of certain parts of the world which was affected by the resurgence of COVID-19 in 2020. The total revenue of the Clark Group increased from the 22 weeks period ended 3 July 2021 to the 22 weeks period ended 2 July 2022 primarily due to the increase in sale from its directly-operated stores resulting from the recovery of sale activities from the resurgence of COVID-19 during the 22 weeks period ended 2 July 2022.

Cost of sales

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks ended 2 July 2022, cost of sales of the Clark Group mainly represented the cost of inventories sold. The following table sets forth a breakdown of the cost of sales for the periods indicated:

	52 weeks to 30 January 2021		52 weeks to 29 January 2022		22 weeks to 3 July 2021		22 weeks to 2 July 2022	
	£'m	*%*	*£'m*	*%*	*£'m*	*%*	*£'m*	*%*
					(unaudited)			
Cost of inventories sold	346.6	84.2	391.7	84.5	155.8	85.7	163.8	80.8
Others *(Note 1)*	64.8	15.8	71.6	15.5	26.1	14.3	38.8	19.2
Total	411.4	100.0	463.3	100.0	181.9	100.0	202.6	100.0

Note:

1. Others mainly included distribution and transportation charges.

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks ended 2 July 2022, cost of sales of the Clark Group fluctuated in line with its revenue, representing 52.8%, 50.0% and 50.8% of total revenue for the 52 weeks period ended 30 January 2021, 52 weeks period ended 29 January 2022 and the 22 weeks period ended 2 July 2022.

Gross profit and gross profit margin

The gross profit of the Clark Group represented revenue less cost of sales during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks ended 2 July 2022. The gross profit of the Clark Group amounted to £367.5 million (HK$3,785.3 million), £462.9 million (HK$4,767.9 million) and £196.2 million (HK$2,020.9 million) for the 52 weeks period ended 30 January 2021, 52 weeks period ended 29 January 2022 and the 22 weeks period ended 2 July 2022, respectively, while the gross profit margin was 47.2%, 50.0% and 49.2% in the respective period.

Distribution expenses

The distribution expenses of the Clark Group mainly comprised salary expenses of sales personnel, utilities and operating expenses, depreciation of right-of-use assets and property, plant and equipment, and marketing and advertising expenses. The following sets forth a breakdown of the distribution expenses for the periods indicated:

	52 weeks to 30 January 2021		52 weeks to 29 January 2022		22 weeks to 3 July 2021		22 weeks to 2 July 2022	
	£'m	*%*	*£'m*	*%*	*£'m* (unaudited)	*%*	*£'m*	*%*
Salary expenses	125.3	44.9	105.5	45.5	43.3	53.4	45.8	42.9
Utilities and operating expenses	69.3	24.8	72.9	31.5	19.6	24.1	40.3	37.7
Depreciation	61.2	21.9	39.1	16.9	12.3	15.2	14.5	13.6
Marketing and advertising expenses	23.0	8.2	14.2	6.1	5.9	7.3	6.2	5.8
Others	0.5	0.2	–	–	–	–	–	–
Total	279.3	100.0	231.7	100.0	81.1	100	106.8	100

The distribution expenses of the Clark Group amounted to £279.3 million (HK$2,876.8 million), £231.7 million (HK$2,386.5 million) and £106.8 million (HK$1,100.0 million) for the 52 weeks period ended 30 January 2021, 52 weeks period ended 29 January 2022 and the 22 weeks period ended 2 July 2022, respectively, representing 35.9%, 25.0% and 26.8% of the Clark Group's total revenue during the respective period.

The distribution expenses accounted for a relatively higher amount of the total revenue of the Clark Group for the 52 weeks period ended 30 January 2021, primarily due to the fixed costs incurred which did not reduce in line with the decrease in revenue. Such fixed costs mainly included salaries for the sales personnel and rental expenses for stores and warehouses before the CVA arrangement.

The salary expenses decreased from the 52 weeks period ended 30 January 2021 to the 52 weeks period ended 29 January 2022, primarily due to the decrease in average number of headcounts from approximately 8,500 employees to approximately 6,700 employees over the 52 weeks period ended 30 January 2021 and 52 weeks period ended 29 January 2022, respectively.

Administrative and other operating expenses

The administrative expenses of the Clark Group primarily comprised salary expenses of corporate personnel, legal and professional fee, utilities and office expenses, depreciation of property, plant and equipment, foreign exchange differences and fair value changes of derivative financial instruments.

The following table sets forth a breakdown of administrative expenses for the periods indicated:

	52 weeks to 30 January 2021		52 weeks to 29 January 2022		22 weeks to 3 July 2021		22 weeks to 2 July 2022	
	£'m	%	£'m	%	£'m	%	£'m	%
					(unaudited)			
Salary expenses	92.0	35.8	67.9	39.2	36.5	46.5	29.3	45.2
Legal and professional fee	49.8	19.4	13.3	7.7	9.8	12.5	3.0	4.6
Utilities and office expenses	88.1	34.2	74.8	43.2	18.4	23.5	40.3	62.3
Depreciation	15.2	5.9	18.9	10.9	10.4	13.2	2.6	4.0
Foreign exchange differences	12.0	4.7	(4.2)	(2.4)	2.9	3.7	(10.4)	(16.1)
Fair value change of derivative financial instruments	(2.1)	(0.8)	–	–	0.1	0.1	(0.2)	(0.3)
Others	2.3	0.8	2.5	1.4	0.4	0.5	0.2	0.3
Total	257.3	100.0	173.2	100.0	78.5	100.0	64.8	100.0

Administrative expenses of the Clark Group amounted to £257.3 million (HK$2,650.2 million), £173.2 million (HK$1,784.0 million) and £64.8 million (HK$667.4 million) for the 52 weeks period ended 30 January 2021, 52 weeks period ended 29 January 2022 and 22 weeks period ended 2 July 2022, respectively, representing 33.0%, 18.7% and 16.2% of the total revenue of the Clark Group during the respective period.

The administrative expenses accounted for a relatively higher amount of the total revenue of the Clark Group for the 52 weeks period ended 30 January 2021, primarily due to the (i) legal and professional fee of £34.8 million (HK$358.4 million) mainly related to the refinancing project, which was one-off in nature; (ii) foreign exchange differences of £17.5 million (HK$180.3 million); and (iii) utilities and office expenses of £10.6 million (HK$109.2 million) primarily attributable to restructuring costs centred on simplifying the business model and reducing administrative costs, which was one-off in nature.

The salary expenses decreased from the 52 weeks period ended 30 January 2021 to the 52 weeks period ended 29 January 2022, primarily due to the decrease in average number of headcounts from approximately 8,500 employees to approximately 6,700 employees over the 52 weeks period ended 30 January 2021 and 52 weeks period ended 29 January 2022, respectively.

Other income

Other income of the Clark Group mainly represented (i) government grants; (ii) gain on lease modification and early termination of lease arrangements; and (iii) royalty income. The following sets forth a breakdown of the Clark Group's other income for the periods indicated:

	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 3 July 2022
	£'m	£'m	£'m	£'m
			(unaudited)	
Continuing operations				
Interest income	2.3	0.2	0.1	1.0
Government grants	18.5	5.3	4.4	0.2
Royalty income	3.0	4.1	1.0	0.6
Rates rebates	–	7.0	6.5	0.2
Gain on lease modification and early termination of lease arrangements	26.8	0.2	0.1	2.3
Others	1.7	0.7	0.7	–
Total	52.3	17.5	12.8	4.3

During the 52 weeks period ended 30 January 2021, the Clark Group received government grants in the form of the Coronavirus Job Retention Scheme ("**CJRS**"), a scheme put in place to help UK businesses through the COVID-19 situation. Under the CJRS, grant income may be claimed in respect of certain costs to the Clark Group of furloughed employees. During the 52 weeks period ended 30 January 2021 and the 22 weeks period ended 3 July 2021, the Clark Group claimed £16.4 million (HK$168.9 million) and £4.1 million (HK$42.2 million), respectively, through this scheme. The CJRS income reflects the costs incurred for the period ended 30 January 2021 that are eligible to be included in CJRS grant claims to the extent the Clark Group considers there to be reasonable certainty that the grant will be received. Other territories offered government employment support in relation to COVID-19, Clark claimed £2.1 million (HK$21.6 million), £5.3 million (HK$54.6 million), £0.3 million (HK$3.1 million) and £0.2 million (HK$2.1 million) for the 52 weeks period ended 30 January 2021, 52 weeks period ended 29 January 2022, 22 weeks period ended 3 July 2021 and 22 weeks period ended 2 July 2022, respectively, relating to employees in the Americas and Europe.

Gain on lease modification and early termination of lease arrangements represents the gain on early termination of leases and lease modification arising from rental concessions that occurred as a direct consequence of COVID-19 pandemic in several jurisdictions as the rent concessions were not within the scope of COVID-19-related rent concessions and management concluded the changes in lease payments constitute lease modifications. The lease modification represents any change in lease terms such as lease period and rental amount. Due to the outbreak of COVID-19, the Clark Group underwent valuation adjustment for leased properties in the UK. The credit valuation adjustment took place in November 2020, which reflected that the majority of the leased properties in the UK was affected and the lease terms were being modified. In addition, there were stores that were early terminated during the COVID-19 pandemic.

Royalty income represented the fee received from the use of assets such as trademarks, patents, software and copyright during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022.

Rates rebates represents the refund of overpaid rates as a result of the early termination of certain lease arrangements for properties in the UK.

Finance costs

The finance costs of the Clark Group mainly represented (i) preference shares coupon; (ii) interest payable on bank loans and overdrafts measured at amortised cost; and (iii) interest on lease liabilities. The following sets forth a breakdown of the finance costs for the periods indicated:

	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
	£'m	*£'m*	*£'m*	*£'m*
Interest payable on bank loans and overdrafts measured at amortised cost	6.5	7.4	3.5	2.8
Preference share coupon	–	9.4	3.7	4.2
Net interest payable to C&J Clark Limited	0.9	–	–	–
Amortisation of financing fees	0.8	1.4	0.7	1.8
Interest on lease liabilities	11.6	6.4	2.7	2.4
Others	1.2	2.0	0.7	–
Total	21.0	26.6	11.3	11.2

The finance costs of the Clark Group amounted to £21.0 million (HK$216.3 million), £26.6 million (HK$274.0 million) and £11.2 million (HK$115.4 million) for the 52 weeks period ended 30 January 2021, 52 weeks period ended 29 January 2022 and the 22 weeks period ended 2 July 2022, respectively.

Interest payable on bank loans and overdrafts measured at amortised cost represented interest incurred for the interest-bearing bank loans and overdrafts of the Clark Group.

Preference share coupon represented the coupon based on the rate of 10% per annum on the 100 million preference shares issued on 19 February 2021. For details, please refer to "Description of Certain Items of Consolidated Statements of Financial Position – Trade and other payables – other payables" in this section.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

Impairment loss (recognised)/reversed

The Clark Group has impairment loss of £1.1 million (HK$11.3 million) and £10.9 million (HK$112.3 million) for the 52 weeks period ended 30 January 2021 and 29 January 2022, respectively; and reversal of impairment loss of £31.2 million (HK$321.4 million) for the 22 weeks period ended 2 July 2022.

The Clark Group applied the expected credit loss model to financial assets measured at cost, including trade debtors and bill receivable, deposits and other receivables and cash and cash equivalent.

Income tax (expenses)/credit

UK corporation tax rate has been provided at the rate of 19.0% on the estimated assessable profits arising in UK during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022.

The Clark Group has income tax expense of £11.7 million (HK$120.5 million) and £8.5 million (HK$87.6 million) for the 52 weeks period ended 30 January 2021 and the 22 weeks period ended 2 July 2022, respectively. The Clark Group has income tax credit of £15.0 million (HK$154.5 million) for the 52 weeks period ended 29 January 2022. The effective tax rate was 17.4% for the 22 weeks period ended 2 July 2022. Effective tax rates for the 52 weeks period ended 30 January 2021 and 29 January 2022 were not applicable because the Clark Group had either income tax credit for the period or income tax expense charged for assessable loss for the period due to the derecognition of deferred tax assets during COVID-19.

During the 52 weeks period ended 30 January 2021, 29 January 2022 and the 22 weeks period ended 2 July 2022 and up to the Latest Practicable Date, the Clark Group had fulfilled all the income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATION

The 52 weeks period ended 29 January 2022 compared to the 52 weeks period ended 30 January 2021

Revenue

The revenue of the Clark Group increased by £147.3 million (HK$1,517.2 million) or 18.9% from £778.9 million (HK$8,022.7 million) for the 52 weeks period ended 30 January 2021 to £926.2 million (HK$9,539.9 million) for the 52 weeks period ended 29 January 2022. The increase was primarily due to the strong recovery in direct-to-customer channels. The revenue was risen by 18.9% due to the change of operating environment in the major markets such as the UK & ROI and the Americas. Revenue has risen by 19.4% in the UK and ROI while the sales in the Americas has also improved by 25.1%.

Cost of sales

The cost of sales of the Clark Group increased by £51.9 million (HK$534.6 million) or 12.6% from £411.4 million (HK$4,237.4 million) for the 52 weeks period ended 30 January 2021 to £463.3 million (HK$4,772.0 million) for the 52 weeks period ended 29 January 2022, which was in line with the increase in revenue.

Gross profit and gross profit margin

The gross profit of the Clark Group increased by £95.4 million (HK$982.6 million) or 26.0% from £367.5 million (HK$3,785.3 million) for the 52 weeks period ended 30 January 2021 to £462.9 million (HK$4,767.9 million) for the 52 weeks period ended 29 January 2022. Such increase in gross profit was mainly in line with the increase in revenue. The gross profit margin of the Clark Group remained relatively stable at 47.2% and 50.0% for the 52 weeks period ended 30 January 2021 and the 52 weeks period ended 29 January 2022, respectively.

Distribution expenses

The distribution expenses of the Clark Group decreased by £47.6 million (HK$490.3 million) or 17.0% from £279.3 million (HK$2,876.8 million) for the 52 weeks period ended 30 January 2021 to £231.7 million (HK$2,386.5 million) for the 52 weeks period ended 29 January 2022. The decrease was attributable to (i) a decrease in the depreciation mainly in respect of right-of-use assets related to retail stores and outlets of £22.1 million (HK$227.6 million); (ii) a reduction in salary expenses of £19.8 million (HK$203.9 million); and (iii) a decrease in the marketing and advertising expenses of £8.8 million (HK$90.6 million) resulting from the implementation of tight cost control.

Administrative expenses

The administrative expenses of the Clark Group decreased by £84.1 million (HK$866.2 million) or 32.7% from £257.3 million (HK$2,650.2 million) for the 52 weeks period ended 30 January 2021 to £173.2 million (HK$1,784.0 million) for the 52 weeks period ended 29 January 2022. The decrease was attributable to the decrease in the (i) legal and professional fee of £36.5 million (HK$376.0 million) mainly related to the refinancing project completed in the prior financial period, which was one-off in nature; (ii) salary expenses of £24.1 million (HK$248.2 million) mainly resulting from reduction in headcounts; (iii) foreign exchange differences of £16.2 million (HK$166.9 million) resulting from the fluctuations of various foreign currencies against GBP during the 52 weeks period ended 29 January 2022; and (iv) utilities and office expenses of £13.3 million (HK$137.0 million) primarily attributable to restructuring costs incurred in prior financial year centred on simplifying the business model and reducing administrative costs, which was one-off in nature.

Other income

Other income of the Clark Group decreased by £34.8 million (HK$358.4 million) or 66.5% from £52.3 million (HK$538.7 million) for the 52 weeks period ended 30 January 2021 to £17.5 million (HK$180.3 million) for the 52 weeks period ended 29 January 2022. The decrease was mainly attributable to the decrease in (i) government grants of £13.2 million (HK$136.0 million) primarily in relation to the relief measures for the outbreak of COVID-19 previously discussed; and (ii) gain on lease modification and early termination of lease arrangements of £26.6 million (HK$274.0 million) for certain leases amidst the outbreak of COVID-19 in 2020.

Finance costs

The finance costs of the Clark Group increased from £21.0 million (HK$216.3 million) for the 52 weeks period ended 30 January 2021 to £26.6 million (HK$274.0 million) for the 52 weeks period ended 29 January 2022. The increase in finance costs was primarily attributable to the preference share coupon of £9.4 million (HK$96.8 million) incurred during the 52 weeks period ended 29 January 2022.

Impairment loss reversed (recognised)

The impairment recognised for the Clark Group increased from £1.1 million (HK$11.3 million) for the 52 weeks period ended 30 January 2021 to £10.9 million (HK$112.3 million) for the 52 weeks period ended 29 January 2022. The impairment loss recognised for the 52 weeks period ended 30 January 2021 was mainly due to the impairment of property, plant and equipment of £9.0 million (HK$92.7 million) and trade receivables of £8.8 million (HK$90.6 million), which was largely offset by the reversal of impairment of right-of-use assets £16.7 million (HK$172.0 million). The impairment loss recognised for the 52 weeks period ended 29 January 2022 was mainly attributable to the impairment of right-of-use assets.

Income tax expenses

The income tax expenses of the Clark Group amounted to £11.7 million (HK$120.5 million) for the 52 weeks period ended 30 January 2021. While the Clark Group has income tax credit of £15.0 million (HK$154.5 million) for the 52 weeks period ended 29 January 2022. Such tax credit was mainly attributable to the tax losses of prior periods recognised in current period.

Profit/(loss) for the period from continuing operations

The Clark Group had a loss for the period from continuing operations of £150.6 million (HK$1,551.2 million) for the 52 weeks period ended 30 January 2021, but turnaround to a profit for the period from continuing operations of £53.0 million (HK$545.9 million) for the 52 weeks period ended 29 January 2022. The change was mainly due to the increase in revenue generated due to the recovery from COVID-19 during the 52 weeks period ended 29 January 2022 and cost saving.

Exchange differences on translation of foreign operations

The exchange differences on translation of foreign operations decreased from a gain of £0.7 million (HK$7.2 million) for the 52 weeks period ended 30 January 2021 to a loss of £5.1 million (HK$52.5 million) for the 52 weeks period ended 29 January 2022, primarily due to the translation of foreign currencies, such as, USD, EUR and RMB into GBP at spot rate at period end date.

Effective portion of changes in fair value of cash flow hedges, net of income tax

The effective portion of loss in fair value of cash flow hedges, net of income tax, changed from a loss of £11.8 million (HK$121.5 million) for the 52 weeks period ended 30 January 2021 to a gain of £9.4 million (HK$96.8 million) for the 52 weeks period ended 29 January 2022, primarily due to the release of matured foreign exchange contract and the foreign exchange rate movement of hedged currency of foreign exchange contracts that were yet to mature as at the period end.

Actuarial gain (loss) on pension schemes, net of income tax

The Clark Group recorded actuarial loss on pension schemes of £105.6 million (HK$1,087.7 million) for the 52 weeks period ended 30 January 2021 and gain on pension schemes of £64.7 million (HK$666.4 million) for the 52 weeks period ended 29 January 2022, primarily resulting from the changes in valuation of the schemes which was carried out by qualified independent actuaries.

The 22 weeks period ended 2 July 2022 compared to the 22 weeks period ended 3 July 2021

Revenue

The revenue of the Clark Group increased by £52.3 million (HK$538.7 million) or 15.1% from £346.5 million (HK$3,569.0 million) for the 22 weeks period ended 3 July 2021 to £398.8 million (HK$4,107.6 million) for the 22 weeks period ended 2 July 2022. The increase was primarily due to the strong recovery in direct-to-customer channels. The revenue was risen by 36.9% attributable to the directly-operated stores as a result of the recovery of sale activities from COVID-19 during the 22 weeks period ended 2 July 2022.

The revenue of the Clark Group from the UK and ROI and Americas increased by £17.0 million (HK$175.1 million) and £42.2 million (HK$434.7 million), respectively, from the 22 weeks period ended 3 July 2021 to the 22 weeks period ended 2 July 2022, primarily due to the sales in the retail stores and outlets resulting from the recovery of sale activities from the outbreak of the COVID-19. The increase in revenue was partially offset by the decrease in revenue from Asia Pacific by £5.9 million (HK$60.8 million) primarily resulted from the lockdown in the Clark Group's key operating cities in the PRC, such as Shanghai.

Cost of sales

The cost of sales of the Clark Group increased by £20.7 million (HK$213.2 million) or 11.4% from £181.9 million (HK$1,873.6 million) for the 22 weeks period ended 3 July 2021 to £202.6 million (HK$2,086.8 million) for the 22 weeks period ended 2 July 2022, which was generally in line with the increase in revenue.

Gross profit and gross profit margin

The gross profit of the Clark Group increased by £31.6 million (HK$325.5 million) or 19.2% from £164.6 million (HK$1,695.4 million) for the 22 weeks period ended 3 July 2021 to £196.2 million (HK$2,020.9 million) for the 22 weeks period ended 2 July 2022. Such increase in gross profit was mainly in line with the increase in revenue. The gross profit margin of the Clark Group remained relatively stable at 47.5% and 49.2% for the 22 weeks period ended 3 July 2021 and the 22 weeks period ended 2 July 2022, respectively.

Distribution expenses

The distribution expenses of the Clark Group increased by £25.7 million (HK$264.7 million) or 31.7% from £81.1 million (HK$835.3 million) for the 22 weeks period ended 3 July 2021 to £106.8 million (HK$1,100.0 million) for the 22 weeks period ended 2 July 2022. The increase was attributable to the increase in salaries expenses and utilities and operating expenses which was consistent with the improvement in sales activities for the 22 weeks period ended 2 July 2022.

Administrative expenses

The administrative expenses of the Clark Group decreased by £13.7 million (HK$141.1 million) or 17.5% from £78.5 million (HK$808.6 million) for the 22 weeks period ended 3 July 2021 to £64.8 million (HK$667.4 million) for the 22 weeks period ended 2 July 2022. The decrease was attributable to the decrease in the (i) salary expenses of £7.2 million (HK$74.2 million) mainly resulting from the reduction in severance payment during the 22 weeks period ended 2 July 2022; (ii) foreign exchange differences of £13.3 million (HK$137.0 million) resulting from the fluctuations of various foreign currencies against GBP during the 22 weeks period ended 2 July 2022; and (iii) depreciation of £7.8 million (HK$80.3 million) resulting from the early termination of lease of an office in the US. The decrease was partially offset by the increase in utilities and office expenses of £21.9 million (HK$225.6 million) resulting from (i) the increase in loss on disposal of property, plant and equipment of £8.4 million (HK$86.5 million) in relation to the office in the US terminated; and (ii) the provision made for planned restructuring amounted to £11.0 million (HK$113.3 million).

Other income

Other income of the Clark Group decreased by £8.5 million (HK$87.6 million) or 66.4% from £12.8 million (HK$131.8 million) for the 22 weeks period ended 3 July 2021 to £4.3 million (HK$44.3 million) for the 22 weeks period ended 2 July 2022. The decrease was mainly attributable to the decrease in (i) rates rebates of £6.3 million (HK$64.9 million) resulting from the absence of rebates from the UK government during the 22 weeks period ended 2 July 2022; and (ii) government grants of £4.2 million (HK$43.3 million) due to the absence of government grants received from the UK government primarily in relation to the relief measures for the outbreak of COVID-19 previously discussed. The decrease in other income of the Clark Group was partially offset by increase in gain on lease modification and early termination of lease arrangements of £2.2 million (HK$22.7 million) in the 22 weeks period ended 2 July 2022 compared to £0.1 million (HK$1.0 million) in the 22 weeks period ended 3 July 2021. The gain on lease modification and early termination of lease arrangements in the 22 weeks period ended 2 July 2022 was mainly due to the early termination of an office in the US.

Finance costs

The finance costs of the Clark Group remained relatively stable at £11.3 million (HK$116.4 million) and £11.2 million (HK$115.4 million) for the 22 weeks period ended 3 July 2021 and 2 July 2022, respectively.

Impairment loss reversed (recognised)

The Clark Group had impairment recognised of £0.7 million (HK$7.2 million) for the 22 weeks period ended 3 July 2021 and impairment loss reversed of £31.2 million (HK$321.4 million) for the 22 weeks period ended 2 July 2022. The impairment loss reversed for the 22 weeks period ended 2 July 2022 was mainly attributable to the reversal of impairment on property, plant and equipment and right-of-use assets resulting from the reassessment of impairment.

Income tax expenses

The income tax expenses of the Clark Group amounted to £8.5 million (HK$87.6 million) for the 22 weeks period ended 2 July 2022. While the Clark Group has income tax credit of £12.9 million (HK$132.9 million) for the 22 weeks period ended 3 July 2021. Such tax credit was mainly attributable to the recognition of deferred tax assets for tax losses in the UK.

Profit/(loss) for the period from continuing operations

As a result of the foregoing, the profit for the period from continuing operations of the Clark Group increased from £18.7 million (HK$192.6 million) for the 22 weeks period ended 3 July 2021 to £40.4 million (HK$416.1 million) for the 22 weeks period ended 2 July 2022, which was mainly due to the increase in revenue and gross profit resulting from the recovery of sale activities from COVID-19.

Exchange differences on translation of foreign operations

The exchange differences on translation of foreign operations increased from a loss of £10.3 million (HK$106.1 million) for the 22 weeks period ended 3 July 2021 to a gain of £10.1 million (HK$104.0 million) for the 22 weeks period ended 2 July 2022, primarily due to the translation of foreign currencies, such as, USD, EUR and RMB into GBP at spot rate at period end date.

Effective portion of changes in fair value of cash flow hedges, net of income tax

The effective portion of gain in fair value of cash flow hedges, net of income tax, increased from a gain of £2.2 million (HK$22.7 million) for the 22 weeks period ended 3 July 2021 to a gain of £10.0 million (HK$103.0 million) for the 22 weeks period ended 2 July 2022, primarily due to the release of matured foreign exchange contract and the foreign exchange rate movement of hedged currency of foreign exchange contracts that were yet to mature as at the period end.

Actuarial gain (loss) on pension schemes, net of income tax

The actuarial gain on pension schemes of the Clark Group decreased from £58.5 million (HK$602.6 million) for the 22 weeks period ended 3 July 2021 to £16.0 million (HK$164.8 million) for the 22 weeks period ended 2 July 2022, primarily resulting from the changes in valuation of the schemes which was carried out by qualified independent actuaries.

NET CURRENT ASSETS

The Clark Group recorded net current assets of £186.1 million (HK$1,916.8 million), £236.1 million (HK$2,431.8 million) and £277.5 million (HK$2,858.3 million) as at 30 January 2021, 29 January 2022 and 2 July 2022 respectively. The table below sets out selected information for the current assets and current liabilities of the Clark Group as at the dates indicated, respectively:

	As at		
	30 January 2021	**29 January 2022**	**2 July 2022**
	£'m	*£'m*	*£'m*
Current assets			
Inventories	316.0	268.4	363.1
Trade and other receivables	78.6	80.1	111.6
Derivative financial instruments	0.2	1.9	14.9
Tax recoverable	0.6	0.7	–
Bank balances and cash	98.2	161.0	108.1
Total current assets	493.6	512.1	597.7
Current liabilities			
Trade and other payables	251.8	229.9	265.8
Provision	–	–	1.4
Loans and borrowings	7.7	6.3	5.6
Lease liabilities	31.9	31.4	36.6
Derivative financial instruments	9.8	0.5	0.4
Contract liabilities	3.2	3.8	2.5
Tax payable	3.1	4.1	7.9
Total current liabilities	307.5	276.0	320.2
NET CURRENT ASSETS	186.1	236.1	277.5

The net current assets of the Clark Group increased from £186.1 million (HK$1,916.8 million) as at 30 January 2021 to £236.1 million (HK$2,431.8 million) as at 29 January 2022. The increase was primarily due to the (i) increase in bank balances and cash of £62.8 million (HK$646.8 million); and (ii) decrease in trade and other payables of £21.9 million (HK$225.6 million).

The net current assets of the Clark Group increased to £277.5 million (HK$2,858.3 million) as at 2 July 2022. The increase was primarily due to the (i) increase in inventories of £94.7 million (HK$975.4 million); and (ii) trade and other receivables of £31.5 million (HK$324.5 million). The increase was partially offset by the (i) decrease in bank balances and cash of £52.9 million (HK$544.9 million); and (ii) increase in trade and other payables of £35.9 million (HK$369.8 million).

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

As at 30 January 2021, 29 January 2022 and 2 July 2022, the property, plant and equipment of the Clark Group mainly consisted of land and buildings and plant and equipment. The property, plant and equipment of the Clark Group amounted to £145.6 million (HK$1,499.7 million), £127.1 million (HK$1,309.1 million) and £127.9 million (HK$1,317.4 million), respectively, as at 30 January 2021, 29 January 2022 and 2 July 2022.

The following table sets forth a breakdown on property, plant and equipment of the Clark Group as at the dates indicated:

	As at		
	30 January 2021	**29 January 2022**	**2 July 2022**
	£'m	*£'m*	
Land and buildings	79.2	73.9	68.4
Plant and equipment	66.4	53.2	59.5
Total	145.6	127.1	127.9

The property, plant and equipment of the Clark Group decreased from £145.6 million (HK$1,499.7 million) as at 30 January 2021 to £127.1 million (HK$1,309.1 million) as at 29 January 2022 mainly due to the depreciation charge of £22.6 million (HK$232.8 million) for the period. The property, plant and equipment of the Clark Group then remained relatively stable at £127.9 million (HK$1,317.4 million) as at 2 July 2022.

Right-of-use assets

As at 30 January 2021, 29 January 2022 and 2 July 2022, the right-of-use assets of the Clark Group mainly represented operating lease arrangements for various offices, retail stores and outlets in multiple jurisdiction from which the group operated. The right-of-use assets of the Clark Group decreased from £71.0 million (HK$731.3 million) as at 30 January 2021 to £48.5 million (HK$499.6 million) as at 29 January 2022 primarily attributable to the depreciation charge of £20.1 million (HK$207.0 million) and impairment loss of £15.6 million (HK$160.7 million) recognised for the period. The right-of-use assets of the Clark Group increased to £92.8 million (HK$955.8 million) as at 2 July 2022 primarily attributable to the increase in right-of-use assets for certain retail stores and office and the reversal of impairment loss of £25.4 million (HK$261.6 million).

Intangible assets

As at 30 January 2021, 29 January 2022 and 2 July 2022, intangible assets of the Clark Group consisted of (i) software costs for Clark's departments, retail stores and warehouses; and (ii) trademark which represented the "Clarks" brand. The intangible assets of the Clark Group amounted to £48.9 million (HK$503.7 million), £37.8 million (HK$389.3 million) and £35.3 million (HK$363.6 million), respectively, as at 30 January 2021, 29 January 2022 and 2 July 2022.

The intangible assets of the Clark Group decreased from £48.9 million (HK$503.7 million) as at 30 January 2021 to £37.8 million (HK$389.3 million) as at 29 January 2022 and further to £35.3 million (HK$363.6 million) as at 2 July 2022, primarily due to the amortisation charged during each financial period.

Inventories

The inventories of Clark Group represented shoes ready for trading. The inventories of the Clark Group decreased from £316.0 million (HK$3,254.8 million) as at 30 January 2021 to £268.4 million (HK$2,764.5 million) as at 29 January 2022, primarily attributable to the inventory management in response to the outbreak of the COVID-19. The inventories of the Clark Group increased to £363.1 million (HK$3,739.9 million) as at 2 July 2022, primarily due to stock-up for Back-to-School program which will be launched in July and August of the same year.

The Clark Group also periodically reviews its inventory levels for slow-moving inventory, obsolescence or decline in market value. Allowance is made when the net realisable value of inventories falls below the cost or any of the inventories is identified as obsolete. As at 30 January 2021, 29 January 2022 and 2 July 2022, included within inventories are below cost inventory provisions of £14.7 million (HK$151.4 million), £11.6 million (HK$119.5 million) and £13.3 million (HK$137.0 million), respectively.

The following table sets forth the turnover days of the Clark Group's inventories for the periods indicated.

	52 weeks period ended 30 January 2021	**52 weeks period ended 29 January 2022**	**22 weeks to 2 July 2022**
Average turnover days of inventories(1)	296	230	242

(1) Average turnover days of inventories for during the 30 January 2021 and 29 January 2022 and 22 weeks period ended 2 July 2022 is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of sale and multiplying by 364/155 days.

The average turnover days of inventories of the Clark Group decreased from 296 days for the 52 weeks period ended 30 January 2021 to 230 days for the 52 weeks period ended 29 January 2022, primarily due to the decrease in the balance of the inventories as at the period end and the increase in sales during the period resulting from the gradual recovery from the pandemic.

The average turnover days of inventories of the Clark Group increased to 242 days for the 22 weeks period ended 2 July 2022 primarily due to the increase in inventories as mentioned previously.

Trade and other receivables

The following table sets forth a breakdown of the trade debtors and bills receivable as at the dates indicated:

	As at		
	30 January 2021	**29 January 2022**	**2 July 2022**
	£'m	*£'m*	
Trade receivables	53.4	53.1	80.5
Less: Allowance for credit losses	(0.9)	(0.4)	(1.1)
	52.5	52.7	79.4
Amounts due from a joint venture	8.3	9.4	8.9
Less: Allowance for credit losses	(8.3)	(4.8)	(4.8)
	–	4.6	4.1
Prepayments	13.5	14.2	22.7
Other receivables	12.6	8.6	5.4
Subtotal of prepayments and other receivables	26.1	22.8	28.1
Total	78.6	80.1	111.6

Trade receivables

The trade receivables of the Clark Group primarily attributable to the wholesales of shoes. The net trade receivables of the Clark Group remained relatively stable at £52.5 million (HK$540.8 million) as at 30 January 2021 and £52.7 million (HK$542.8 million) as at 29 January 2022. The net trade receivables of the Clark Group increased to £79.4 million (HK$817.8 million) as at 2 July 2022 mainly as a result of increase in revenue during the 22 weeks period ended 2 July 2022 from the recovery of sale activities from the outbreak of the COVID-19.

The trading terms of the Clark Group with customers are mainly on credit, generally ranged from 45 days to 90 days. Each customer has a maximum credit limit. Overdue balances are reviewed regularly by senior management. The Clark Group does not hold any collateral or other credit enhancements over its trade debtors and bills receivable balances.

The following table sets forth the ageing analysis of the trade receivables (net of allowance for credit losses) of the Clark Group based on the invoice due date as at the date indicated:

	As at		
	30 January 2021	**29 January 2022**	**2 July 2022**
	£'m	*£'m*	
Not due	37.0	35.9	66.5
1 to 60 days past due	9.9	8.9	9.4
61 to 90 days past due	0.9	1.9	1.0
91 to 120 days past due	0.9	1.5	0.2
121 or more days past due	3.8	4.5	2.3
	52.5	52.7	79.4

The Clark Group applies the HKFRS 9 simplified approach to measuring expected credit losses for trade receivables. To measure lifetime expected credit losses on a collective basis, trade receivables are grouped based on ageing. The expected loss rates are based on the historical credit loss experience and relevant forward-looking factors of the Clark Group. As part of credit risk management practices, the Clark Group groups the trade receivables by region as this closely reflects how the Clark Group manages credit risk. There has been no change in the estimation techniques or significant assumptions made during the 52 weeks periods ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022 in assessing the loss allowance for trade receivables. For other receivables the 12 month expected credit loss approach is applied. The overall expected credit loss rates for trade receivable were 1.1%-3.4%, 0.0%-2.2% and 0.6%-4.9% for the balances as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively.

The following table sets forth the movements in the allowance for impairment of trade receivables as the dates indicated:

	As at		
	30 January 2021	**29 January 2022**	**2 July 2022**
	£'m	*£'m*	
At beginning of period	0.4	0.9	0.4
Amounts written off	(1.5)	(0.3)	–
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	2.0	(0.2)	0.7
At end of period	0.9	0.4	1.1

The table below sets forth the average turnover days of trade receivables of the Clark Group for the periods indicated:

	52 weeks period ended 30 January 2021	52 weeks period ended 29 January 2022	22 weeks period ended 2 July 2022
Average turnover days of trade receivables[(1)]	65	53	60

(1) Average turnover days of trade debtors for the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 2 July 2022 is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by credit sales and multiplying by 364/155 days.

The average turnover days of trade receivables of the Clark Group decreased from 65 days for 52 weeks period ended 30 January 2021 to 53 days for 52 weeks period ended 29 January 2022, mainly due to the reinforcement of strict credit control in post COVID-19 period.

The average turnover days of trade receivables of the Clark Group increased to 60 days for 22 weeks period ended 2 July 2022, mainly due to the increase in recent sale for wholesale customers where the outstanding balances are not due.

Amounts due from a joint venture

Amounts due from a joint venture of the Clark Group represented amounts in relation to Clarks Reliance Footwear Private Limited. The gross amounts due from a joint venture remained relatively stable at £8.3 million (HK$85.5 million), £9.4 million (HK$96.8 million) and £8.9 million (HK$91.7 million) as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively. The expected credit loss rate for the amounts due from a joint venture were 100.0%, 50.7% and 53.9% during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, respectively. Consequently, the expected credit losses for the amounts due from joint venture of £8.3 million (HK$85.5 million), £4.8 million (HK$49.4 million) and £4.8 million (HK$49.4 million) has been recognised during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, respectively, as a result of the reduced revenue and trading uncertainty of Clarks Reliance Footwear Private Limited, due to the COVID-19 pandemic.

The expected credit loss rate for the amounts due from a joint venture during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022 was consistent with the settlement history of the joint venture.

The expected credit loss rate for the amounts due from a joint venture was 100% during the 52 weeks period ended 30 January 2021 because the joint venture did not make any payment during the 52 weeks ended 30 January 2021. Thus, 100% of expected credit loss rate was assigned to the joint venture during the year. The expected credit loss rate then decreased to 50.7% during the 52 weeks period ended 29 January 2022 because the joint venture made settlement of £3.6 million (HK$37.1 million) during the 52 weeks ended 29 January 2022 and the joint venture maintained regular repayment of the outstanding amount onwards. Therefore, the expected credit loss rate remained relatively stable at 53.9% during the 22 weeks period ended 2 July 2022.

The expected credit losses decreased from £8.3 million (HK$85.5 million) in the 52 weeks period ended 30 January 2021 to £4.8 million (HK$49.4 million) in the 52 weeks period ended 29 January 2022, primarily due to the receipt of outstanding amount from the joint venture during the 52 weeks period ended 29 January 2022. In view of the regular settlements from the joint venture, the Clark Group considered that sufficient provision has been made during the relevant periods.

Prepayments and other receivables

The prepayments and other receivables of the Clark Group mainly consisted (i) prepayment for goods and services; (ii) rental deposits; and (iii) other receivables.

The prepayments and other receivables of the Clark Group decreased from £26.1 million (HK$268.8 million) as at 30 January 2021 to £22.8 million (HK$234.8 million) as at 29 January 2022, primarily due to the decrease in other receivables in relation to a share incentive programme which has been closed in the period ended 30 January 2021. The prepayments and other receivables increased to £28.1 million (HK$289.4 million) as at 2 July 2022, primarily due to the increase in prepayments of £8.5 million (HK$87.6 million) mainly for the purchase of goods and services. The increase was partially offset by the decrease in other receivables of £3.2 million (HK$33.0 million) mainly as a result of settlements received during the 22 weeks period ended 2 July 2022.

Derivative financial instruments at fair value through other comprehensive income

The derivative financial instruments at fair value through other comprehensive income of the Clark Group represented forward exchange contracts under hedge accounting.

The following table sets forth a breakdown of the derivative financial instruments at fair value through other comprehensive income of the Clark Group as at the dates indicated:

	As at		
	30 January 2021	**29 January 2022**	**2 July 2022**
	£'m	*£'m*	
Assets			
Forward exchange contracts – under hedge accounting	0.2	2.3	15.5
Liabilities			
Forward exchange contracts – under hedge accounting	10.2	0.5	0.4

The Clark Group uses forward exchange contracts to reduce exposure to foreign exchange rates in relation to the overseas sales and purchases. The derivatives used are designated as hedging instruments of the cash flow hedges and the portion of the gain or loss that is determined to be an effective hedge is recognised in other comprehensive income.

The following table sets forth the material terms of the forward exchange contracts under cash flow hedge of the Clark Group as at the date indicated:

At 30 January 2021

Notional amounts in millions	Maturity	Exchange rates
Sell EUR 5M, buy GBP	24 February 2021	£1: EUR 1.1450
Sell EUR 5M, buy GBP	24 March 2021	£1: EUR 1.1504
Sell EUR 5M, buy GBP	26 May 2021	£1: EUR 1.1577
Sell EUR 5M, buy GBP	28 April 2021	£1: EUR 1.1689
Sell GBP 4M, buy USD	30 September 2021	£1: USD 1.2360

At 29 January 2022

Notional amounts in millions	Maturity	Exchange rates
Sell GBP 3.8M, buy USD	25 February 2022	£1: USD 1.3028
Sell GBP 3.8M, buy USD	4 March 2022	£1: USD 1.3029
Sell GBP 3.7M, buy USD	15 March 2023	£1: USD 1.3477
Sell GBP 3.7M, buy USD	24 May 2023	£1: USD 1.3478
Sell GBP 3.7M, buy USD	29 March 2023	£1: USD 1.3480

At 2 July 2022

Notional amounts in millions	Maturity	Exchange rates
Sell RMB 39M, buy GBP	16 November 2022	£1:RMB 8.1541
Sell GBP 4.0M, buy USD	9 August 2023	£1:USD 1.2348
Sell GBP 4.0M, buy USD	16 August 2023	£1:USD 1.2355
Sell GBP 4.0M, buy USD	23 August 2023	£1:USD 1.2362
Sell GBP 4.0M, buy USD	14 June 2023	£1:USD 1.2633

Current portion

The derivative financial instruments under cash flow hedge classified as current assets of the Clark Group increased from £0.2 million (HK$2.1 million) as at 30 January 2021 to £1.9 million (HK$19.6 million) as at 29 January 2022 and £14.9 million (HK$153.5 million) as at 2 July 2022, primarily due to the spot rate movement of foreign currency as at the period end date.

Non-current portion

The derivative financial instruments under cash flow hedge classified as non-current assets of the Clark Group were nil as at 30 January 2021 and £0.4 million (HK$4.1 million) as at 29 January 2022, because there was no foreign exchange contract with maturity date over 12 months as at 30 January 2021. The derivative financial instruments under non-current assets of the Clark Group then remained relatively stable at £0.6 million (HK$6.2 million) as at 2 July 2022.

Trade and other payables

The following table sets forth a breakdown on trade and other payables of the Clark Group as at the dates indicated:

	As at		
	30 January 2021	**29 January 2022**	**2 July 2022**
	£'m	*£'m*	
Trade payables	113.1	134.9	121.9
Amount due to C&J Clark Limited	24.7	0.1	–
Other payables	9.1	111.0	126.5
Accruals	105.1	90.4	128.4
	252.0	336.4	376.8

Trade payables

The trade payables of the Clark Group are primarily derived from payables relating to payment to the suppliers for trading purposes. The normal credit period for trade payables of the Clark Group is generally 90 days.

Trade payables of the Clark Group increased from £113.1 million (HK$1,164.9 million) as at 30 January 2021 to £134.9 million (HK$1,389.5 million) mainly due to increase in purchase for the increase in demand during the period, leading to the increase in the balance of trade payables as at 29 January 2022. The trade payables then decreased to £121.9 million (HK$1,255.6 million) as at 2 July 2022, mainly due to the settlement of trade payables in late June 2022.

The table below sets forth, as at the end of reporting periods indicated, the ageing analysis of the trade payables of the Clark Group:

	As at		
	30 January 2021	**29 January 2022**	**2 July 2022**
	£'m	*£'m*	
Not due	108.0	91.2	114.0
1 to 60 days past due	2.8	7.7	3.7
61 to 90 days past due	0.3	1.3	0.3
91 to 120 days past due	0.2	0.6	0.4
121 or more days past due	1.8	34.1	3.5
	113.1	134.9	121.9

The following table sets out the average trade payables turnover days of the Clark Group for the period indicated:

	52 weeks period ended 30 January 2021	**52 weeks period ended 29 January 2022**	**22 weeks period ended 2 July 2022**
Average turnover days of trade payables[(1)]	93	97	98

(1) Average turnover days of trade payables for the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 2 July 2022 is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of sales and multiplying by 364/155 days.

The average turnover days of trade payables of the Clark Group increased from 93 days for the 52 weeks period ended 30 January 2021 to 97 days for the 52 weeks period ended 29 January 2022 mainly due to the increase in trade payables balances and request for the temporary extension of credit period during the outbreak of COVID-19.

The average turnover days of trade payables of the Clark Group then slightly increased to 98 days for the 22 weeks period ended 2 July 2022 due to the increase in trade payables for the purchase of inventories.

Other payables

The other payables of the Clark Group mainly consisted of other taxes payables and preference shares. The other payables of the Clark Group increased from £9.1 million (HK$93.7 million) as at 30 January 2021 to £111.0 million (HK$1,143.3 million) as at 29 January 2022, primarily due to the issuance of preference shares of £100.0 million (HK$1,030.0 million) during the period.

On 19 February 2021, Clark issued 100 million preference shares with a par value of £1.00 (HK$10.3) per share. The shares are redeemable at any time during the 12-month period beginning on the fifth anniversary of the adoption date (i.e., from 19 February 2026) with written consent of the investor and preference shareholder. The redemption election can be used to redeem in cash either some or all the preference shares issued. On redemption, the holders of the preference shares will be paid the sum of (a) the subscription price of the preference share; (b) the coupon arrears on the preference share being redeemed up to the redemption date; plus (c) such additional amount (if any) as would result in the aggregate amount paid to the holders of the preference shares being at least equal to two times the subscription price on the shares redeemed. The preference shares have a coupon rate of 10% per annum and £9.4 million (HK$96.8 million) of coupon was incurred during the 52 weeks period ended 29 January 2022.

The preference shareholder is entitled to (i) a perpetual non-discretionary coupon for a fixed or determinable amount at a fixed or determinable future date and (ii) redemption rights at or after a particular date for a fixed or determinable amount. The Clark Group contains contractual obligation to deliver cash or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Clark Group. The preference shares issued are classified as a financial liability measured at amortized costs.

Beginning on the fifth anniversary of the adoption date, after the consent by the investors and the preference shareholders, the Clark Group obligates to settle the total amount which is doubled from the original subscription price for such early redemption. The Clark Group would only accrue such shortfall in terms of amount between the doubled subscription amount and the accrued coupon when consent are made by the preference shareholders and the investors. The Clark Group has no binding obligation on such redemption as it requires the investor and preference shareholder to provide consent during the Track Record Period.

The preference shares contain no embedded derivatives in which they are in fixed coupon payment where the cash flows are not linked with variables.

The other payables of the Clark Group increased to £126.5 million (HK$1,303.0 million) as at 2 July 2022, primarily due to the payables of coupon interest of preference shares during the 22 weeks ended 2 July 2022.

Accruals

The accruals of the Clark Group mainly consisted general business accruals including airfreight, rent and rates, purchase of goods which the Clark Group has yet to receive the respective invoices, duty and employee related costs. The accruals of the Clark Group decreased from £105.1 million (HK$1,082.5 million) as at 30 January 2021 to £90.4 million (HK$931.1 million) as at 29 January 2022, mainly due to the drop in employee salaries and benefits and other miscellaneous items. The accruals of the Clark Group increased to £128.4 million (HK$1,322.5 million) as at 2 July 2022 mainly due to the increase in purchase of goods yet to receive the respective invoices.

Contract liabilities

The contract liabilities of the Clark Group generally represented the unsatisfied performance obligations as at 30 January 2021 and 29 January 2022. The contract liabilities of the Clark Group represented the gift card purchased by the customers which had not been redeemed. Furthermore, for online sales, when the customer initially purchases the goods online, the transaction price received by Clark Group is recognised as a contract liability until the goods have been delivered to the customer. The contract liabilities were expected to be recognised within one year. The contract liabilities of the Clark Group remained relatively stable at £3.2 million (HK$33.0 million) and £3.8 million (HK$39.1 million) as at 30 January 2021 and 29 January 2022, respectively. The contract liabilities of the Clark Group decreased to £2.5 million (HK$25.8 million) mainly due to the redemption of gift card amount during the period.

Provisions

The following table sets forth a breakdown on provisions of the Clark Group as at the dates indicated:

	As at		
	30 January 2021	**29 January 2022**	**2 July 2022**
	£'m	*£'m*	
Dilapidation provision	0.6	–	5.5
Onerous lease provision	–	–	–
Restructuring provision	5.9	4.5	11.5
Others	8.2	6.4	9.8
	14.7	10.9	26.8

Dilapidation provision

Dilapidation provision is recognised for expected costs required to restore leased properties to their original condition per the current closure plan. It is expected that these costs will be incurred at the end of the lease agreement.

Restructuring provision

A provision is recognised for expected costs arising from planned restructuring in order to exit certain market or maintain the solvency and liquidity of the Clark Group.

Onerous lease provision

A provision for onerous leases is recognised where the Clark Group has a lease under which the unavoidable costs of meeting the obligations under the lease exceed the economic benefits expected to be received under it. An onerous lease provision is only recognised in respect of leases that are outside the scope of HKFRS 16.

Others

Other provisions in all financial periods comprise primarily of sales returns given contractual terms agreed with wholesale partners and anticipated returns rates from retail and e-commerce customers. In addition, other provisions include estimated liabilities arising from any litigation underway. The long-term incentive plan value of the scheme in the year was nil due to there being no share price to base the valuation, this led to a release of the provision.

The provisions of the Clark Group decreased from £14.7 million (HK$151.4 million) as at 30 January 2021 to £10.9 million (HK$112.3 million) as at 29 January 2022, mainly due to the utilisation of restructuring provision, and the release of dilapidation and other provision. The provisions of the Clark Group increased to £26.8 million (HK$276.0 million) as at 2 July 2022, mainly due to the restructuring provision provided for the change in business plan in certain market.

LIQUIDITY AND CAPITAL RESOURCES

The Clark Group's use of cash primarily related to operating activities and capital expenditure. The Clark Group has historically financed the operations primarily through a combination of cash flow generated from operation, proceeds from bank borrowings and issuance of preference shares.

In managing the liquidity risk, the Clark Group monitors and maintain a level of cash and cash equivalents deemed adequate by the management to finance the operations and mitigate the effects of unexpected fluctuations in cash flows. The Clark Group has built an appropriate liquidity risk management framework for the management of its short, medium and long-term funding and liquidity management requirements. The Clark Group regularly monitors the repayment dates of financial liabilities, including trade payables, other payables and accrued charges, etc. to match with financial resources available to us from time to time. The Clark Group manages liquidity risk by maintaining adequate financial resources, including existing cash and bank balances and operating cash flows.

Cash Flow

The following table summarises, for the periods indicated, the consolidated statements of cash flows of the Clark Group:

	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
	£'m	*£'m*	*£'m*	*£'m*
Operating cash flow before working capital changes	(52.6)	100.1	31.7	38.0
Changes in working capital	40.3	51.9	(34.7)	(58.4)
Net cash generated from (used in) operations	(12.3)	152.0	(3.0)	(20.4)
Interest received	2.3	0.2	0.1	1.3
Interest paid	(12.0)	(8.9)	(3.5)	(5.2)
Taxation (paid) refunded	0.8	(4.7)	(0.4)	(1.8)
Net cash flows generated from/(used in) operating activities	(21.2)	138.6	(6.8)	(26.1)
Net cash flows used in investing activities	(6.8)	(5.5)	(1.7)	(5.0)
Net cash flows (used in)/generated from financing activities	96.5	(72.9)	(12.1)	(23.7)
Net increase/(decrease) in cash and cash equivalents	68.5	60.2	(20.6)	(54.8)
Cash and cash equivalents at beginning of year	23.1	90.5	90.5	154.7
Effect of foreign exchange rate changes, net	(1.1)	4.0	(1.0)	2.6
Cash and cash equivalents at end of year	90.5	154.7	68.9	102.5

Operating activities

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the cash inflow from operating activities of the Clark Group was principally from the receipt of proceeds for trading of shoes. The cash outflow used in operating activities was principally was principally for purchase of inventories, employee benefit expenses and other operating expenses.

For the 52 weeks period ended 30 January 2021 and the 22 weeks period ended 2 July 2022, we had net cash used in operating activities primarily due to the operating loss incurred for the 52 weeks period ended 30 January 2021 because of COVID-19 pandemic, and the increase in inventories purchased and trade receivables for the 22 weeks period ended 2 July 2022 which is consistent with the increase in sales.

For the 52 weeks period ended 30 January 2021, the Clark Group had net cash used in operating activities of £21.2 million (HK$218.4 million), mainly as a result of the loss before taxation of £138.9 million (HK$1,430.7 million), interest paid of £12.0 million (HK$123.6 million) and cash inflows from changes in working capital of £40.3 million (HK$415.1 million). The change in working capital primarily reflected (i) the decrease in trade and other receivables of £28.5 million (HK$293.6 million); and (ii) decrease in inventories of £24.2 million (HK$249.3 million).

For the 52 weeks period ended 29 January 2022, the Clark Group had net cash generated from the operating activities of £138.6 million (HK$1,427.6 million), mainly as a result of the profit before taxation of £38.0 million (HK$391.4 million), interest paid of £8.9 million (HK$91.7 million), income tax paid of £4.7 million (HK$48.4 million) and cash inflows from changes in working capital of £51.9 million (HK$534.6 million). The change in working capital primarily reflected (i) decrease in inventories of £43.2 million (HK$445.0 million); and (ii) increase in trade and other payables of £8.5 million (HK$87.6 million).

For the 22 weeks period ended 2 July 2022, the Clark Group had net cash used in the operating activities of £26.1 million (HK$268.8 million), mainly as a result of the profit before taxation of £48.9 million (HK$503.7 million), interest paid of £5.2 million (HK$53.6 million), income tax paid of £1.8 million (HK$18.5 million) and cash outflows from changes in working capital of £58.4 million (HK$601.5 million). The change in working capital primarily reflected (i) increase in inventories of £68.3 million (HK$703.5 million); (ii) increase in trade and other receivables of £26.1 million (HK$268.8 million); and (iii) increase in trade and other payables of £21.2 million (HK$218.4 million). The net operating cash outflow of the Clark Group for the 22 weeks period ended 2 July 2022 was mainly affected by the seasonal factor. For the Clark Group, July and August are generally the peak sales season due to the "Back-to-School" program in the UK. Thus, there is stock-up of inventories in May and June to prepare for the "Back-to-School" program which resulted in the increase in inventory level by £68.3 million (HK$703.5 million) and in turns led to the net operating cash outflow for the 22 weeks period ended 2 July 2022. We believe that the net operating cash outflow will be improved to cash inflow after the inventories are sold to wholesale customers and end customers in subsequent months.

Further, the Clark Group has implemented the following strategies to improve its profitability and operating cash flow:

- focus to increase the digital online channel penetration in the UK and target investing in highly profitability store estate to enhance brand visuals, driving new customers and increase conversion through marketing campaigns and product evolution;

- deepen market strength in the US by shifting to a more premium product mix and market expansion through different channels;

- reinvigorate the "Clarks" brand and product by focusing on priorities for simplification of production line and margin improvement, and deliver clear consumer identity and key categories focus;

- secure the China market by leveraging the expertise, distribution channels, supply chain and online infrastructure of our Group;

- place enhanced control on inventory management which requires business units to tighter their sales forecast and purchase plan so as to make the best use of the purchases and minimise stock pile-up; and

- closely monitor the settlement progress of the wholesale customers to ensure that the balance is settled on time and within credit limit.

Investing activities

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the cash inflow from investing activities of the Clark Group was principally net proceeds on disposal of property, plant and equipment. The cash outflow used in investing activities of the Clark Group was principally for purchase of items of property, plant and equipment and intangible assets.

For the 52 weeks period ended 30 January 2021, the Clark Group had net cash used in investing activities of £6.8 million (HK$70.0 million) primarily attributable to (i) purchase of software of £2.8 million (HK$28.8 million); and (ii) purchase of property, plant and equipment of £4.0 million (HK$41.2 million).

For the 52 weeks period ended 29 January 2022, the Clark Group had net cash used in investing activities of £5.5 million (HK$56.7 million) primarily attributable to (i) purchase of software of £3.0 million (HK$30.9 million); and (ii) purchase of property, plant and equipment of £2.5 million (HK$25.8 million).

For the 22 weeks period ended 2 July 2022, the Clark Group had net cash used in investing activities of £5.0 million (HK$51.5 million) primarily attributable to (i) purchase of software of £2.2 million (HK$22.7 million); and (ii) purchase of property, plant and equipment of £2.8 million (HK$28.8 million).

Financing activities

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the cash inflow from financing activities of the Clark Group was principally proceeds from loans and borrowings and issuance of preference shares. The cash outflow used in financing activities of the Clark Group was principally for repayment of loans and borrowings and repayment of lease liabilities.

For the 52 weeks period ended 30 January 2021, the Clark Group had net cash generated from financing activities of £96.5 million (HK$994.0 million) primarily attributable to the drawdown of loans and borrowings of £139.2 million (HK$1,433.8 million). The cash inflows was partially offset by the repayment of lease liabilities of £42.7 million (HK$439.8 million).

For the 52 weeks period ended 29 January 2022, the Clark Group had net cash used in financing activities of £72.9 million (HK$750.9 million) primarily attributable to the (i) net repayment of loans and borrowings of £129.0 million (HK$1,328.7 million); and (ii) repayment of lease liabilities of £39.1 million (HK$402.7 million). The cash outflows was partially offset by the issuance of preference shares of £100.0 million (HK$1,030.0 million).

For the 22 weeks period ended 2 July 2022, the Clark Group had net cash used in financing activities of £23.7 million (HK$244.1 million) primarily attributable to the net repayment of loans and borrowings of £3.9 million (HK$40.2 million) and the repayment of lease liabilities of £17.2 million (HK$177.2 million).

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in the Accountant's Report of the Clark Group in Appendix IIB to this document, the directors of the Clark Group confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to the Clark Group than those available to Independent Third Parties and were fair and reasonable and in the interest of the its shareholders as a whole.

CAPITAL EXPENDITURES

The capital expenditures of the Clark Group have principally consisted of expenditures on additions of property, plant and equipment and intangible assets. During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the Clark Group incurred capital expenditures of £6.8 million (HK$70.0 million), £5.5 million (HK$56.7 million) and £5.0 million (HK$51.5 million), respectively.

CONTRACTUAL AND CAPITAL COMMITMENTS

The Clark Group had the following capital commitments at the dates indicated:

	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	0.1	0.8	3.1
Capital expenditure in respect of the acquisition of intangible assets contracted for but not provided in the consolidated financial statements	–	–	2.8
	0.1	0.8	5.9

The Clark Group's projected capital expenditures are subject to revision based upon any future changes in the business plan, market conditions, and economic and regulatory environment.

INDEBTEDNESS

The following table sets forth a breakdown of the total indebtedness of the Clark Group as at the dates indicated:

	As at		
	30 January 2021	29 January 2022	2 July 2022
	£'m	*£'m*	*£'m*
Term facilities and private placement	195.0	61.3	60.9
Lease liabilities	147.2	128.9	137.8
Total	342.2	190.2	198.7

Term facilities and private placement

The term facilities and private placement of the Clark Group amounted to £195.0 million (HK$2,008.5 million), £61.3 million (HK$631.4 million) and £60.9 million (HK$627.3 million) as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively. The following table sets forth a breakdown of the term facilities and private placement of as at the date indicated.

		As at	
	30 January	**29 January**	**2 July**
	2021	2022	2022
	£'m	£'m	£'m
Current portion	13.5	6.3	5.6
Non-current portion	55.7	55.0	55.3
	69.2	61.3	60.9

The following table sets forth a weighted average interest rates paid for the periods indicated:

	52 weeks to	**52 weeks to**	**22 weeks to**
	30 January	**29 January**	**2 July**
	2021	**2022**	**2022**
	%	%	%
Term facilities and private placement	4.4	5.8	5.8

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the Clark Group did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us.

Lease liabilities

The Clark Group has adopted HKFRS 16 consistently throughout the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022. As such, leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in the Clark Group's consolidated statements of financial position.

The lease liabilities of the Clark Group decreased from £147.2 million (HK$1,516.2 million) as at 30 January 2021 to £128.9 million (HK$1,327.7 million) as at 29 January 2022 primarily attributable to the net decrease in number of stores and repayment during the period. The lease liabilities of the Clark Group increased to £137.8 million (HK$1,419.3 million) as at 2 July 2022 primarily attributable to the increase in lease liabilities for certain retail stores and office.

Contingent liabilities

As at 2 July 2022, the Clark Group had contingent liabilities of £32.6 million (HK$335.8 million), representing (i) one billion-Rupee (equivalent to £10.5 million) (HK$108.2 million) bank guarantee held against the Clark Group's joint venture working capital facility; (ii) a USD25.0 million (equivalent to £20.7 million) (HK$213.2 million) vendor financing facility; and (iii) £1.4 million (HK$14.4 million) of guarantee facility.

As at 2 July 2022, the Clark Group did not have any material contingent liabilities or guarantees except for the items disclosed above.

Apart from the contingent liabilities mentioned in the paragraph above and intra-group liabilities, the Clark Group did not have outstanding at Latest Practicable Date any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of the Clark Group for the periods or as at the dates indicated:

	52 weeks to/as at 30 January 2021	52 weeks to/as at 29 January 2022	22 weeks to/as at 2 July 2022
Gross Profit Margin *(%)*(1)	47.2	50.0	49.2
Net Profit Margin *(%)*(2)	(19.3)	5.7	10.1
Return on equity *(%)*(3)	N/A	18.5	N/A
Return on total assets *(%)*(4)	N/A	6.3	N/A
Current ratio *(times)*(5)	1.6	1.9	1.9
Gearing ratio(6)	0.4	Net cash	Net cash

Notes:

(1) Gross profit margin during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022 was calculated on gross profit divided by revenue for the respective period. See the paragraph headed "Review of Historical Results of Operation" in this section for more details on the Clark Group's gross profit margins.

(2) Net profit margin during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022 was calculated on profit for the period divided by revenue for the respective period. See the paragraph headed "Review of Historical Results of Operation" in this section for more details on the Clark Group's net profit margins.

(3) Return on equity during the 52 weeks period ended 30 January 2021 and 29 January 2022 was calculated based on the profit for the respective periods divided by the total equity as at the respective period end and multiplied by 100%. The return on equity for the 22 weeks period ended 2 July 2022 is not included for the purpose of comparison as we believe it is not meaningful to compare the ratio the 22 weeks period ended 2 July 2022 with the ratio for the 52 weeks period ended 29 January 2022.

(4) Return on total assets during the 52 weeks period ended 30 January 2021 and 29 January 2022 was calculated based on the net profit for the respective period divided by the total assets as at the respective period end and multiplied by 100%. The return on total assets for the 22 weeks period ended 2 July 2022 is not included for the purpose of comparison as we believe it is not meaningful to compare the ratio the 22 weeks period ended 2 July 2022 with the ratio for the 52 weeks period ended 29 January 2022.

(5) Current ratios as at 30 January 2021, 29 January 2022 and 2 July 2022 were calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.

(6) Gearing ratios as at 30 January 2021, 29 January 2022 and 2 July 2022 represented ratio of net debt over equity plus net debt in which net debt represents total loans and borrowings (being the balance of term facilities and private placement) less bank balances and cash.

Return on equity

We had a loss for the 52 weeks period ended 30 January 2021, mainly due to the decrease in revenue generated due to the outbreak of COVID-19 during the 52 weeks period ended 30 January 2021 as abovementioned. With the increase in revenue generated due to the recovery from the outbreak of COVID-19 during the 52 weeks period ended 29 January 2022, the return on equity of the Clark Group was 18.5% for the period.

Return on total assets

We had a loss for the 52 weeks period ended 30 January 2021, mainly due to the decrease in revenue generated due to the outbreak of COVID-19 during the 52 weeks period ended 30 January 2021 as abovementioned. With the increase in revenue generated due to the recovery from the outbreak of COVID-19 during the 52 weeks period ended 29 January 2022, the return on total assets of the Clark Group was 6.3% for the period.

Current ratio

The current ratio of the Clark Group remained relatively stable at 1.6 times, 1.9 times and 1.9 times as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively.

Gearing ratio

The gearing ratio of the Clark Group was 0.4 as at 30 January 2021. The Clark Group reached a net cash position as at 29 January 2022 and 2 July 2022.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Clark Group is exposed to a variety of financial risks, such as credit risk, currency risk, interest rate risk and liquidity risk.

Details of the risks to which the Clark Group is exposed are set out in note 28 to the Accountant's Report of the Clark Group, the text of which is set out in Appendix IIB to this document.

Hedging

For the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the Clark Group purchased goods for resale predominated in the US dollars, and generated a considerable portion of revenue from sales to the US and Europe which was primarily denominated in the US dollars and Euros, respectively, while its domestic currency and reporting currency was denominated in GBP. In order to reduce the foreign exchange risk exposure of the Clark Group, in particular the fluctuation in the currency exchange rate between the US dollars, other currencies and GBP, the Clark Group entered into certain foreign exchange hedge transactions during the relevant period. The foreign exchange hedge activities conducted by the Clark Group during such period were for hedge purpose only but not for speculation.

The Clark Group reviews its foreign exchange position and risk exposures on a monthly basis to place of hedges within an agreed parameters after the approval from authorised personnel in accordance with the internal group policy. Factors considered by the Clark Group's treasury includes, amongst others, any surplus or shortfall carried over from a prior period, the foreign exchange rate movement, the estimated amount of sales in foreign currencies, the prevailing foreign exchange market conditions, and the terms and conditions of the hedging instruments.

For details, please refer to note 28 to the Accountant's Report of the Clark Group, the text of which is set out in Appendix IIB to this document.