
APPENDIX IIB ACCOUNTANT’S REPORT OF THE CLARK GROUP

The following is the text of a report set out on pages IIB-1 to IIB-3, received from the Company’s reporting accountant, CWK CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF VIVA CHINA HOLDINGS LIMITED AND NOMURA INTERNATIONAL (HONG KONG) LIMITED

Introduction

We report on the historical financial information of C&J Clark (No 1) Limited (“**Clark**”) and its subsidiaries (together, the “**Clark Group**”) set out on pages IIB-4 to IIB-96, which comprises the consolidated statements of financial position of the Clark Group as at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the 52 weeks periods ended 30 January 2021, 29 January 2022 and the 22 weeks period ended 2 July 2022 (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages IIB-4 to IIB-96 forms an integral part of this report, which has been prepared for inclusion in the document of Viva China Holdings Limited (the “**Company**”) dated [•] in connection with the [REDACTED] of the Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of Clark are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, 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 the Track Record Period in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Clark Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 22 weeks period ended 3 July 2021 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information.

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Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

CWK CPA Limited

Certified Public Accountants

Hong Kong

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HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The consolidated financial statements of C&J Clark (No 1) Limited for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in British Pounds Sterling (“**£**”) and all values are rounded to the nearest £0.1 million except when otherwise indicated.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | 52 weeks to 30 January 2021 £m | 52 weeks to 29 January 2022 £m | 22 weeks to 3 July 2021 £m (unaudited) | 22 weeks to 2 July 2022 £m |
|---|----|---|---|--|-------------------------------------|
| Revenue | 5 | 778.9 | 926.2 | 346.5 | 398.8 |
| Cost of sales | | <u>(411.4)</u> | <u>(463.3)</u> | <u>(181.9)</u> | <u>(202.6)</u> |
| Gross profit | | 367.5 | 462.9 | 164.6 | 196.2 |
| Distribution expenses | | (279.3) | (231.7) | (81.1) | (106.8) |
| Administrative expenses | | (257.3) | (173.2) | (78.5) | (64.8) |
| Other income | 6 | 52.3 | 17.5 | 12.8 | 4.3 |
| Finance costs | 9 | (21.0) | (26.6) | (11.3) | (11.2) |
| Impairment losses (recognised) reversed | 7 | <u>(1.1)</u> | <u>(10.9)</u> | <u>(0.7)</u> | <u>31.2</u> |
| (Loss) profit before taxation | 7 | (138.9) | 38.0 | 5.8 | 48.9 |
| Income tax (expense) credit | 10 | <u>(11.7)</u> | <u>15.0</u> | <u>12.9</u> | <u>(8.5)</u> |
| (Loss) profit for the period | 7 | <u><u>(150.6)</u></u> | <u><u>53.0</u></u> | <u><u>18.7</u></u> | <u><u>40.4</u></u> |
| (Loss) profit for the period | | (150.6) | 53.0 | 18.7 | 40.4 |
| Other comprehensive income | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences on translation of foreign operations | | 0.7 | (5.1) | (10.3) | 10.1 |
| Effective portion of changes in fair value of cash flow hedges, net of income tax | 27 | (11.8) | 9.4 | 2.2 | 10.0 |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Actuarial (loss) gain on pension schemes, net of income tax | 23 | <u>(105.6)</u> | <u>64.7</u> | <u>58.5</u> | <u>16.0</u> |
| Other comprehensive (loss) income for the period, net of income tax | | <u>(116.7)</u> | <u>69.0</u> | <u>50.4</u> | <u>36.1</u> |
| Total comprehensive (loss) income for the period | | <u><u>(267.3)</u></u> | <u><u>122.0</u></u> | <u><u>69.1</u></u> | <u><u>76.5</u></u> |

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | 30 January | 29 January | 2 July |
|----------------------------------|--------------|-------------------|-------------------|---------------|
| | | 2021 | 2022 | 2022 |
| | <i>Notes</i> | <i>£m</i> | <i>£m</i> | <i>£m</i> |
| Non-current assets | | | | |
| Intangible assets | <i>12</i> | 48.9 | 37.8 | 35.3 |
| Property, plant and equipment | <i>13</i> | 145.6 | 127.1 | 127.9 |
| Right-of-use assets | <i>14</i> | 71.0 | 48.5 | 92.8 |
| Investment in a joint venture | <i>15</i> | – | – | – |
| Deferred tax assets | <i>21</i> | 0.3 | 0.3 | 0.3 |
| Derivative financial instruments | <i>22</i> | – | 0.4 | 0.6 |
| Retirement benefit surplus | <i>23</i> | 9.9 | 111.7 | 136.5 |
| | | <u>275.7</u> | <u>325.8</u> | <u>393.4</u> |
| Total non-current assets | | | | |
| Current assets | | | | |
| Inventories | <i>16</i> | 316.0 | 268.4 | 363.1 |
| Trade and other receivables | <i>17</i> | 78.6 | 80.1 | 111.6 |
| Derivative financial instruments | <i>22</i> | 0.2 | 1.9 | 14.9 |
| Tax recoverable | | 0.6 | 0.7 | – |
| Bank balances and cash | <i>18</i> | 98.2 | 161.0 | 108.1 |
| | | <u>493.6</u> | <u>512.1</u> | <u>597.7</u> |
| Total current assets | | | | |
| Total assets | | <u>769.3</u> | <u>837.9</u> | <u>991.1</u> |
| Current liabilities | | | | |
| Trade and other payables | <i>19</i> | 251.8 | 229.9 | 265.8 |
| Provisions | <i>20</i> | – | – | 1.4 |
| Loans and borrowings | <i>25</i> | 7.7 | 6.3 | 5.6 |
| Lease liabilities | <i>26</i> | 31.9 | 31.4 | 36.6 |
| Derivative financial instruments | <i>22</i> | 9.8 | 0.5 | 0.4 |
| Contract liabilities | | 3.2 | 3.8 | 2.5 |
| Tax payable | | 3.1 | 4.1 | 7.9 |
| | | <u>307.5</u> | <u>276.0</u> | <u>320.2</u> |
| Total current liabilities | | | | |
| Net current assets | | <u>186.1</u> | <u>236.1</u> | <u>277.5</u> |

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| | | 30 January | 29 January | 2 July |
|----------------------------------|--------------|-------------------|-------------------|---------------|
| | | 2021 | 2022 | 2022 |
| | <i>Notes</i> | <i>£m</i> | <i>£m</i> | <i>£m</i> |
| Non-current liabilities | | | | |
| Trade and other payables | 19 | 0.2 | 106.5 | 111.0 |
| Provisions | 20 | 14.7 | 10.9 | 25.4 |
| Deferred tax liabilities | 21 | 3.1 | 5.4 | 14.9 |
| Derivative financial instruments | 22 | 0.4 | – | – |
| Loans and borrowings | 25 | 187.3 | 55.0 | 55.3 |
| Lease liabilities | 26 | <u>115.3</u> | <u>97.5</u> | <u>101.2</u> |
| | | | | |
| Total non-current liabilities | | <u>321.0</u> | <u>275.3</u> | <u>307.8</u> |
| | | | | |
| Total liabilities | | <u>628.5</u> | <u>551.3</u> | <u>628.0</u> |
| | | | | |
| Net assets | | <u>140.8</u> | <u>286.6</u> | <u>363.1</u> |
| | | | | |
| Equity | | | | |
| Share capital | 24 | –* | –* | –* |
| Share premium | | – | 23.8 | 23.8 |
| Other reserves | | 15.1 | 15.1 | 15.1 |
| Cash flow hedge reserve | | (7.9) | 1.5 | 11.5 |
| Retained earnings | | <u>133.6</u> | <u>246.2</u> | <u>312.7</u> |
| | | | | |
| Total equity | | <u>140.8</u> | <u>286.6</u> | <u>363.1</u> |

* Represent amount less than £100,000.

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | | Cash flow | | | |
|--|---------------|---------------------------|----------------------------|-------------------|--------------|
| | Share capital | hedge reserve (Note a) | Other reserves (Note b) | Retained earnings | Total equity |
| | £m | £m | £m | £m | £m |
| At 1 February 2020 | – | 3.9 | 15.1 | 389.1 | 408.1 |
| Total comprehensive income for the period | | | | | |
| Loss for the period | – | – | – | (150.6) | (150.6) |
| Actuarial loss on pension schemes | 23 | – | – | (105.6) | (105.6) |
| Exchange differences on translation of foreign operations | – | – | – | 0.7 | 0.7 |
| Effective portion of changes in fair value of cash flow hedges | 27 | (11.8) | – | – | (11.8) |
| Total comprehensive loss for the period | – | (11.8) | – | (255.5) | (267.3) |
| At 30 January 2021 | <u>–</u> | <u>(7.9)</u> | <u>15.1</u> | <u>133.6</u> | <u>140.8</u> |

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| | Share capital | Share premium | Cash flow hedge reserve (Note a) | Other reserves (Note b) | Retained earnings | Total equity |
|--|---------------|---------------|-------------------------------------|----------------------------|-------------------|--------------|
| | £m | £m | £m | £m | £m | £m |
| At 30 January 2021 | - | - | (7.9) | 15.1 | 133.6 | 140.8 |
| Total comprehensive income for the period | | | | | | |
| Profit for the period | - | - | - | - | 53.0 | 53.0 |
| Actuarial gain on pension schemes | 23 | - | - | - | 64.7 | 64.7 |
| Exchange differences on translation of foreign operations | - | - | - | - | (5.1) | (5.1) |
| Effective portion of changes in fair value of cash flow hedges | 27 | - | 9.4 | - | - | 9.4 |
| Total comprehensive income for the period | - | - | 9.4 | - | 112.6 | 122.0 |
| Transactions with owners, recorded directly in equity | | | | | | |
| Share issuance | - | 23.8 | - | - | - | 23.8 |
| At 29 January 2022 | <u>-</u> | <u>23.8</u> | <u>1.5</u> | <u>15.1</u> | <u>246.2</u> | <u>286.6</u> |
| At 29 January 2022 | - | 23.8 | 1.5 | 15.1 | 246.2 | 286.6 |
| Total comprehensive income for the period | | | | | | |
| Profit for the period | - | - | - | - | 40.4 | 40.4 |
| Actuarial gain on pension schemes | 23 | - | - | - | 16.0 | 16.0 |
| Exchange differences on translation of foreign operations | - | - | - | - | 10.1 | 10.1 |
| Effective portion of changes in fair value of cash flow hedges | 27 | - | 10.0 | - | - | 10.0 |
| Total comprehensive income for the period | - | - | 10.0 | - | 66.5 | 76.5 |
| At 2 July 2022 | <u>-</u> | <u>23.8</u> | <u>11.5</u> | <u>15.1</u> | <u>312.7</u> | <u>363.1</u> |

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| | Share capital | Share premium | Cash flow hedge reserve (Note a) | Other reserves (Note b) | Retained earnings | Total equity |
|--|------------------|--------------------|---|-------------------------------|----------------------|---------------------|
| | £m | £m | £m | £m | £m | £m |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| At 30 January 2021 | – | – | (7.9) | 15.1 | 133.6 | 140.8 |
| Total comprehensive income for the period | | | | | | |
| Profit for the period | – | – | – | – | 18.7 | 18.7 |
| Actuarial gain on pension schemes | 23 | – | – | – | 58.5 | 58.5 |
| Exchange differences on translation of foreign operations | – | – | – | – | (17.4) | (17.4) |
| Effective portion of changes in fair value of cash flow hedges | 27 | – | 2.2 | – | – | 2.2 |
| | <u>–</u> | <u>–</u> | <u>2.2</u> | <u>–</u> | <u>–</u> | <u>2.2</u> |
| Total comprehensive income for the period | <u>–</u> | <u>–</u> | <u>2.2</u> | <u>–</u> | <u>59.8</u> | <u>62.0</u> |
| Transactions with owners, recorded directly in equity | | | | | | |
| Share issuance | <u>–</u> | <u>23.8</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>23.8</u> |
| At 3 July 2021 | <u><u>–</u></u> | <u><u>23.8</u></u> | <u><u>(5.7)</u></u> | <u><u>15.1</u></u> | <u><u>193.4</u></u> | <u><u>226.6</u></u> |

Notes

(a) Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).

(b) Other reserves

Other reserves represents the merger reserve for the 52 weeks period ended 30 January 2021, 29 January 2022 and the 22 weeks period ended 3 July 2021 and 2 July 2022 arising from the adoption of merger accounting during the period ended 31 January 1998 in relation to Clark reconstruction which followed the demerger of the Factory Outlet Centres.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Notes | 52 weeks to 30 January 2021 £m | 52 weeks to 29 January 2022 £m | 22 weeks to 3 July 2021 £m (unaudited) | 22 weeks to 2 July 2022 £m |
|---|-------|---|---|--|-------------------------------------|
| Net cash flows generated from (used in) operating activities | 29 | (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 refunded (paid) | | 0.8 | (4.7) | (0.4) | (1.8) |
| Net cash flows generated (used in) from operating activities | | <u>(21.2)</u> | <u>138.6</u> | <u>(6.8)</u> | <u>(26.1)</u> |
| Cash flows used in investing activities | | | | | |
| Purchase of property, plant and equipment | | (4.0) | (2.5) | (1.4) | (2.8) |
| Purchase of intangible assets | | (2.8) | (3.0) | (0.3) | (2.2) |
| Cash used in investing activities | | <u>(6.8)</u> | <u>(5.5)</u> | <u>(1.7)</u> | <u>(5.0)</u> |
| Cash flows generated from (used in) financing activities | | | | | |
| Drawdown of loans and borrowings | | 139.2 | 3.4 | 53.7 | 112.1 |
| Repayment of loans and borrowings | | – | (132.4) | (144.6) | (116.0) |
| Repayment of lease liabilities | | (42.7) | (39.1) | (16.4) | (17.2) |
| Transaction cost of new financing agreement | | – | (1.7) | (1.7) | (2.6) |
| Transaction cost of preference share issued | | – | (3.1) | (3.1) | – |
| Preference share issued | | – | 100.0 | 100.0 | – |
| Net cash generated (used in) from financing activities | | <u>96.5</u> | <u>(72.9)</u> | <u>(12.1)</u> | <u>(23.7)</u> |
| Net increase (decrease) in cash and cash equivalents represented by cash at bank and in hand | | 68.5 | 60.2 | (20.6) | (54.8) |
| Opening cash and cash equivalents | | 23.1 | 90.5 | 90.5 | 154.7 |
| Effect of exchange rate fluctuations on cash held | | (1.1) | 4.0 | (1.0) | 2.6 |
| Closing cash and cash equivalents represented by cash at bank and in hand | | <u>90.5</u> | <u>154.7</u> | <u>68.9</u> | <u>102.5</u> |
| Analysis of balance of cash and cash equivalents | | | | | |
| Bank balances and cash | 18 | 98.2 | 161.0 | 75.7 | 108.1 |
| Less: Bank overdrafts included in loans and borrowings under current liabilities | 25 | (7.7) | (6.3) | (6.8) | (5.6) |
| Cash and cash equivalents as stated in the consolidated statements of cash flows | | <u>90.5</u> | <u>154.7</u> | <u>68.9</u> | <u>102.5</u> |

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1. GENERAL INFORMATION

C&J Clark (No 1) Limited (“**Clark**”) was incorporated in England as a private company limited by shares on 1 April 1997. Prior to 19 February 2021, C & J Clark Limited (the “**Topco**”), a private company limited incorporated in England, is Clark’s immediate holding company. On 19 February 2021, LionRock Capital Partners QiLe L.P. (“**LionRock L.P.**”) acquired 51% of Clark’s shareholding from Topco and LionRock Capital Partners QiLe Limited (“**Target**”) subscribed for 100,000,000 preference shares in the capital of Clark at British Pounds Sterling (“**£**”) 100,000,000. After completion of the transactions contemplated under the investment agreement and the subscription agreement and on 9 April 2021, LionRock L.P. transferred all ordinary shares it held in Clark to the Target. As a result, the Target holds a majority of the shares of Clark, and Clark became a non-wholly owned subsidiary of the Target.

The registered office of Clark is 40 High Street, Street, Somerset, BA16 0EQ, the United Kingdom.

Clark is an investment holding company. The principal activities of its principal subsidiaries are selling footwear globally to consumers through wholesale and distributor relationships, and its high street full price and outlet stores and websites, operating under the “Clarks” brand.

The Historical Financial Information are presented in £, which is also the functional currency of Clark and rounded to the nearest £0.1 million (“**m**”) except when otherwise indicated.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the Track Record Period

All relevant amendments to HKFRSs that are effective during the Track Record Period have been adopted by Clark and its subsidiaries (together, the “**Clark Group**”) consistently throughout the Track Record Period, to the extent they become effective as required by the relevant standards. The directors of Clark have assessed that the application of all relevant amendments to HKFRSs has had no material impact to the Clark Group’s financial positions and performance and/or on the disclosures set out in the Historical Financial Information.

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2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Clark Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time during the Track Record Period. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the consolidated financial statements taken as a whole.

The application of the amendments in the Track Record Period had no impact on the Historical Financial Information of the Clark Group.

2.2 Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The Clark Group has applied the amendments for the first time during the Track Record Period. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Clark Group given that it applies hedge accounting to its benchmark interest rate exposures.

The application of the amendments in the Track Record Period had no material impact on the Historical Financial Information of the Clark Group.

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New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the Clark Group has not early applied the following new and amendments to HKFRS Standards that have been issued but are not yet effective:

| | |
|---|--|
| HKFRS 17 | Insurance Contracts and the related Amendments ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ² |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of Clark anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Clark Group’s outstanding liabilities as at 2 July 2022, the application of the amendments will not result in reclassification of the Clark Group’s liabilities.

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3. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of Historical Financial Information

The Historical Financial Information have been prepared in accordance with HKFRSs. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

The directors of Clark have, at the time of approving the consolidated financial statements, a reasonable expectation that the Clark Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost except for derivative financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Clark Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Clark and entities controlled by the Clark Group. Control is achieved when the Clark Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Clark Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Clark Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Clark Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power, including:

- the size of the Clark Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Clark Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and

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- any additional facts and circumstances that indicate that the Clark Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Clark Group obtains control over the subsidiary and ceases when the Clark Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Clark Group gains control until the date when the Clark Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Clark Group’s accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Clark Group are eliminated in full on consolidation.

Revenue

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 also includes royalties from franchisees.

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.

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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.

The following five step process is applied before revenue is recognised:

- Identify contracts with customers;
- Identify the separate performance obligation;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Sales incentives, cash discounts and product returns are considered in determining consideration, as are incentives granted to distributors or consumers, such as cooperative advertising, coupons and discounts.

Sales incentives, cash discounts, provisions for returns and incentives granted to customer are recorded simultaneously to the recognition of sales if they can be estimated in a reasonable reliable manner, based mainly on statistics compiled from past experience and contractual conditions.

Retail, online and gift card sales are generally settled in cash at the time of purchase. Wholesale revenues are generally settled in cash, net of discounts, with typical payment terms approximating 45 days. Most products are sold with a right to exchange or full refund typically within 28 days and subject to the discretion of the sales outlet.

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 wholesaler. Revenue allocated to the goods is recognised at a point in time upon the goods have been shipped to the wholesaler’s specific location.

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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.

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Loyalty scheme

Within the United States, 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.

Royalty income

Royalty income is chargeable based on the sales of the franchises, which is recognised when the sales generated from licenses occur. Revenues are allocated to the license and this is recognised overtime as per the license agreement. Clark Group determined that any initial franchise fees are a separate performance obligation, but they are only deferred and recognised over time where they are material. The royalty income is immaterial to the Clark Group throughout the Track Record Period.

Other income

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.

Income received under operating leases is accounted for on a straight-line basis over the term of the relevant lease, and included within administrative costs unless material, and other income if material. Income from sublease is recognised over the lease term on a systematic basis.

Profit/(loss) on the sale of property is recognised on completion during the Track Record Period. Income from sales of Property, Plant and Equipment is shown net of the asset carrying value and included within administration costs unless material, and other income if material.

Income from insurance recoveries is recognised once receipt of monies is virtually certain. Insurance receipts are accounted for as a net position against the costs the insurance recovery relates to, unless the insurance recoveries are received in a future period, in which case the income will be disclosed separately.

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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.

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in these consolidated financial statements using the equity method of accounting.

The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Clark Group for like transactions and events in similar circumstances.

Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Clark Group’s share of the profit or loss and other comprehensive income.

When Clark Group’s share of losses of a joint venture exceeds the Clark Group’s interest in that joint venture (which includes any long-term interests that, in substance, form part of the Clark Group’s net investment in the joint venture), the Clark Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Clark Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Clark Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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Employee benefits

Short term employee benefits

Clark Group accounts for employee benefits under HKAS 19.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which Clark Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Profit or Loss in the periods during which services are rendered by employees.

The Clark Group operated a Long Term Incentive Plan until 52 weeks period ended 2 February 2019 under which cash benefits accrued subject to the achievement of financial performance targets. Liabilities recognised in respect of the Long Term Incentive Plan are measured at the present value of the estimated future cash outflows expected to be made by the Clark Group in respect of services provided by employees up to the reporting date.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Clark Group’s net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted.

Clark Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the year-end date on AA credit rated corporate bonds denominated in the currency of, and having maturity dates approximating to the terms of Clark Group obligations. A valuation is performed by a qualified actuary using the projected unit credit method. Clark Group recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

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Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on the net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the Statement of Profit or Loss in the period in which it occurs.

Re-measurement of the net defined benefit liability/asset is recognised in Other Comprehensive Income (“OCI”).

Clark Group has considered the impact of (HK)IFRIC 14 on the defined benefit pension scheme surplus recognised and determined that the Clark Group has an unconditional right to a refund and therefore it recognises an asset measured as the amount of the surplus at the balance sheet date. The surplus is calculated as the fair value of the plan assets less the present value of the defined benefit obligation, less any associated costs, such as taxes.

Share based payments

Equity-settled share based payments

Since 2002, the Clark Group has operated a Share Incentive Plan. Under the scheme employees are given a free matching share in C&J Clark Limited for each share purchased at market value. This has been accounted for under HKFRS 2 as an equity-settled share based payment. The scheme has been closed in the 52 weeks period ended 30 January 2021; the final shares are expected to vest in during the 52 weeks period ended 3 February 2024.

Under the standard the matching shares qualify as equity-settled share-based payments to be recognised at the date of grant. The fair value of a matching share is equal to the market value of share purchased on commencement of the vesting period. The cost of the share-based payments must be spread over the period until the shares are owned by the employee (the vesting period). The vesting period for the matching share is three years, the Clark Group adopts the accounting treatment for graded vesting which is required by HKFRS 2:IG11. At the end of each reporting period, the entity revises its estimates of the number of shares that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Cash-settled share based payments

Clark also operated a cash settled Long-Term Incentive Plan. The scheme closed during the 52 weeks period ended 30 January 2021. Vesting is subject to the achievement of financial performance targets, which are set in accordance with the financial objectives and shareholder value creation expected over the term of the plan. The scheme has been accounted for under HKFRS 2 as a cash-settled share based payment.

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The award is delivered in cash with actual pay-outs being adjusted in line with the movement in Clark’s share price over the term of the awards. A liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the period. The valuation of this scheme was completed using a Monte Carlo model.

Restructuring costs

A provision for restructuring costs is recognised only when the general recognition criteria for provisions are met. In this context, a constructive obligation to restructure arises only when an entity:

- (a) has a detailed formal plan for the restructuring identifying at least:
 - (i) the business or part of a business concerned;
 - (ii) the principal locations affected;
 - (iii) the location, function, and approximate number of employees who will be compensated for terminating their services;
 - (iv) the expenditures that will be undertaken; and
 - (v) when the plan will be implemented;

and

- (b) has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the periods. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Clark Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Clark Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Clark Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

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The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Clark Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Clark Group recognises the right-of-use assets and the related lease liabilities, the Clark Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Clark Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Clark Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the periods

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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. The 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.

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An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear. Under this policy it becomes impractical to estimate average lives exactly. However, the total lives range from approximately 30 to 50 years for buildings, 15 to 20 years for plant, 5 to 15 years for shop-fits and office-fits and 3 to 7 years for computer hardware and other equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, for example land is treated separately from buildings. All items of property, plant and equipment are tested for impairment where there are indications that the carrying value may not be recoverable. Any impairment losses are recognised immediately in profit or loss. An impairment loss recognised for all assets is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

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.

An internally-generated intangible asset arising from development is recognised when both of the below are met:

- It is probable that expected future economic benefits will flow to the entity;
- and the cost of the asset can be measured reliably.

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.

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Trademarks

Acquired trademarks are initially recognised at cost and amortised on a straight line basis over the expected useful life of 20 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.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, Clark Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Clark Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

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. 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

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Clark Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Clark Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

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, the Clark Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

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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 payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Clark Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever Clark Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in ‘administrative expenses’ in profit or loss (see Note 7).

Lease modifications

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.

For a lease modification that is not accounted for as a separate lease, the lessee shall account for the remeasurement of the lease liability by:

- (a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognise in profit or loss any gain or loss relating to the partial or full termination of the lease.
- (b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

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When the modified contract contains a lease component and one or more additional lease or non-lease components, Clark Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. Clark Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, Clark Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Clark Group as a lessor

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

Leases for which 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.

When Clark Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on Clark Group’s net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, Clark Group applies HKFRS 15 to allocate the consideration under the contract to each component.

APPENDIX IIB ACCOUNTANT’S REPORT OF THE CLARK GROUP

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial instruments held by the Clark Group are classified in accordance with the provisions of HKFRS 9.

The Clark Group’s financial instruments comprise:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Loans and borrowings
- Derivative financial instruments

APPENDIX IIB ACCOUNTANT’S REPORT OF THE CLARK GROUP

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“**FVTOCI**”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured at amortised cost using the effective interest method. Amortised cost is reduced by impairment losses calculated under the expected credit loss method. Evidence of impairment may include historic and forward-looking indications that the debtor is, or will, experience significant financial difficulty, default or delinquency in payment and can include situations where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Trade and other receivables do not contain any significant financing component, and are therefore recognised at face/nominal value.

Impairment of financial assets subject to impairment assessment under HKFRS 9

Impairment provisions for current trade receivables are recognised based on the simplified approach within HKFRS 9 using a provision matrix in the determination of the lifetime expected credit losses (“**ECL**”). Current trade receivables are grouped by those that share similar credit risk characteristics. During this process the probability of the non-payment of the trade receivables is assessed based on the number of days that they have been past due. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account, with the loss being recognised within administrative costs in the Consolidated Statement of Profit or Loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

APPENDIX IIB ACCOUNTANT’S REPORT OF THE CLARK GROUP

For all other financial assets, Clark Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, Clark Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Clark Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, Clark Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

APPENDIX IIB ACCOUNTANT’S REPORT OF THE CLARK GROUP

Irrespective of the outcome of the above assessment, Clark Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless Clark Group has reasonable and supportable information that demonstrates otherwise.

(ii) Definition of default

For internal credit risk management, Clark Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Clark Group, in full (without taking into account any collaterals held by Clark Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Clark Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under Clark Group’s recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

APPENDIX IIB ACCOUNTANT’S REPORT OF THE CLARK GROUP

(v) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. Clark Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to Clark Group in accordance with the contract and the cash flows that Clark Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Derecognition of financial assets

Clark Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire. If Clark Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, Clark Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If Clark Group retains substantially all the risks and rewards of ownership of a transferred financial asset, Clark Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

APPENDIX IIB ACCOUNTANT’S REPORT OF THE CLARK GROUP

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Clark are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for Clark Group to deliver cash or other financial assets or Clark Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Clark’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Clark’s own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and loans and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

Clark Group derecognises financial liabilities when, and only when, Clark Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash in-hand, current balances with banks and similar institutions and highly liquid investments which are readily convertible into known amounts of cash and are held at amortised cost.

Loans and borrowings

Loans and borrowings are initially recognised at fair value. Subsequent to initial recognition, loans and borrowings are stated at amortised cost using the effective interest method.

APPENDIX IIB ACCOUNTANT’S REPORT OF THE CLARK GROUP

Derivative financial instruments

Clark Group enters into forward exchange contracts to manage its exposure to foreign exchange rate risks. Forward exchange contracts are recognised initially at fair value at the date a forward exchange contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss (FVTPL) immediately unless the forward exchange contract is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

Clark Group designates certain derivatives as hedging instruments for cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedging relationship Clark Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, Clark Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, Clark Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non- contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, Clark Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;

APPENDIX IIB ACCOUNTANT’S REPORT OF THE CLARK GROUP

and

- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that Clark Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, Clark Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, Clark Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flow hedges

The Clark Group designates forward exchange contracts as hedging instruments in respect of foreign currency risk in cash flow hedges.

At the inception of the hedge relationship, the Clark Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Clark Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Clark Group actually hedges and the quantity of the hedging instrument that the Clark Group actually uses to hedge that quantity of hedged item.

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If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Clark Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Clark Group designates the full change in the fair value of a forward exchange contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward exchange contracts.

The effective portion of changes in the fair value of the forward exchange contracts that are designated and qualify as cash flow hedges is recognised in OCI and accumulated in the reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the ‘finance costs’ line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, and is included in administrative expenses. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in OCI and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect OCI. Furthermore, if the Clark Group expects that some or all of the forecast transaction is no longer highly likely to occur in the future, that amount is considered ineffective, and immediately reclassified to profit or loss.

Foreign currencies

Foreign currency transactions, being transactions denominated in a currency other than an individual Clark Group entity’s functional currency, are translated at the weekly average foreign exchange rates, which approximates to the exchange rates prevailing at the transaction dates. Where a material transaction occurs, the spot rate is used or a hedged rate of exchange, if the transaction is expressly hedged by a derivative financial instrument and that hedge had been deemed effective.

In the case of transactions within subsidiaries, transactions are translated into Clark’s presentational currency using a monthly average rate of exchange. Monetary assets and liabilities denominated in foreign currencies at the year-end date are retranslated to the presentational currency at the foreign exchange rate ruling at that date.

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Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, or measured at the hedged rates where the non-monetary transaction was originally hedged by a derivative financial instrument and that hedge has been deemed effective.

Foreign exchange differences arising on translation are recognised in profit or loss except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to OCI. Foreign exchange differences arising on consolidation are recognised in OCI.

Provisions

A provision is recognised when the Clark Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date and are discounted to present value where the effect is material. Note 20 contains details of the period end provision.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Clark Group’s accounting policies, which are described in Note 3.2, the directors of Clark are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the Track Record Period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

APPENDIX IIB ACCOUNTANT’S REPORT OF THE CLARK GROUP

a) 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 Group to determine the period over which to assess future cashflows, 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.

To calculate the value in use the discounted cash flow was calculated using the following inputs: pre-tax weighted average cost of capital (“WACC”) benchmarked against a global peer group of mid-market retailers and shoe brands; forecast store contribution; territory and store class specific growth rates. The discounted cash flows are sensitive to changes in the revenue growth rate applied (which impacts the forecast store contribution).

b) 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 Group 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 Group 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 refer to Note 14.

c) 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. A sensitivity analysis is included within Note 23.

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5. REVENUE

The revenue of Clark Group derives from its activities in the shoe trading.

a. Disaggregation of revenue from contracts with customers

| | Revenue by geographical area of origin | | | |
|--|---|---|-------------------------------------|-------------------------------------|
| | 52 weeks to 30 January 2021 £m | 52 weeks to 29 January 2022 £m | 22 weeks to 3 July 2021 £m | 22 weeks to 2 July 2022 £m |
| | | | (unaudited) | |
| United Kingdom (“UK”) and Republic of Ireland (“ROI”) | 314.3 | 375.4 | 132.3 | 149.3 |
| Americas | 311.0 | 389.0 | 155.0 | 197.2 |
| Europe | 54.3 | 60.9 | 19.2 | 18.2 |
| Asia Pacific | <u>99.3</u> | <u>100.9</u> | <u>40.0</u> | <u>34.1</u> |
| | <u>778.9</u> | <u>926.2</u> | <u>346.5</u> | <u>398.8</u> |
| Timing of revenue recognition | | | | |
| At point in time | <u>778.9</u> | <u>926.2</u> | <u>346.5</u> | <u>398.8</u> |

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 wholesaler’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.

All transaction price is allocated to the only one performance obligation. There is no unsatisfied or partially unsatisfied performance obligation as at each of the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 3 July 2021 and 2 July 2022.

For online sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. 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 Clark Group is recognised as a contract liability until the goods have been delivered to the customer.

APPENDIX IIB ACCOUNTANT’S REPORT OF THE CLARK GROUP

b. Information about major customers

There were no individual customers that contributed more than 10% of revenue in any of the periods presented.

6. OTHER INCOME

| | 52 weeks to 30 January 2021 £m | 52 weeks to 29 January 2022 £m | 22 weeks to 3 July 2021 £m (unaudited) | 22 weeks to 2 July 2022 £m |
|---|---|---|--|-------------------------------------|
| Bank interest income | 0.3 | 0.2 | 0.1 | 0.3 |
| Pension Scheme | <u>2.0</u> | <u>-</u> | <u>-</u> | <u>0.7</u> |
| | 2.3 | 0.2 | 0.1 | 1.0 |
| Government grants (<i>Note a</i>) | 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 (<i>Note b</i>) | 26.8 | 0.2 | 0.1 | 2.3 |
| Others | <u>1.7</u> | <u>0.7</u> | <u>0.7</u> | <u>-</u> |
| | <u><u>52.3</u></u> | <u><u>17.5</u></u> | <u><u>12.8</u></u> | <u><u>4.3</u></u> |

Note a:

During the Track Record Period, 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 Clark Group of furloughed employees. During the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 3 July 2021, Clark Group claimed £16.4m, £4.7m and £4.1m (unaudited), respectively (22 weeks period ended 2 July 2022: nil) 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 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 Group claimed £1.6m, £0.4m and £0.1m (unaudited) during the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 3 July 2021, respectively (22 weeks period ended 2 July 2022: nil), relating to employees in the Americas and £0.5m, £0.2m, £0.2m (unaudited) and £0.2m during the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 3 July 2021 and 2 July 2022, respectively, in relation to employees in Europe. Government grants have been recognised within other income.

Note b:

The amount 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. Such rent concessions were not qualified as COVID-19-related rent concessions and such changes in lease payments were constituted as lease modifications. The management assessed that the lease modification is not accounted for as a separate lease, the Clark Group remeasured the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in the consolidated statements of profit or loss and other comprehensive income.

APPENDIX IIB ACCOUNTANT’S REPORT OF THE CLARK GROUP

7. PROFIT (LOSS) BEFORE TAXATION

a. Profit (loss) for the period has been arrived at after charging (crediting):

| | 52 weeks to 30 January 2021 £m | 52 weeks to 29 January 2022 £m | 22 weeks to 3 July 2021 £m | 22 weeks to 2 July 2022 £m |
|---|---|---|-------------------------------------|-------------------------------------|
| | | | (unaudited) | |
| Depreciation of property, plant and equipment | 25.4 | 22.6 | 8.5 | 4.9 |
| Depreciation of right-of-use assets | 37.9 | 20.1 | 7.3 | 6.2 |
| Amortisation of intangible assets | <u>13.1</u> | <u>15.3</u> | <u>6.9</u> | <u>6.0</u> |
| Total depreciation and amortisation | <u>76.4</u> | <u>58.0</u> | <u>22.7</u> | <u>17.1</u> |
| Cost of inventories recognised as expense | 346.6 | 391.7 | 155.8 | 163.8 |
| Write down of inventories recognised as an expense | 2.8 | 1.8 | 0.2 | 0.7 |
| Provisions recognised (reversed) on inventories | 3.7 | (3.1) | (0.3) | 1.7 |
| Impairment loss recognised (reversed) on property, plant and equipment (Note 13) | 9.0 | (0.7) | – | (6.5) |
| Impairment loss (reversed) recognised on right-of-use assets (Note 14) | (16.7) | 15.6 | – | (25.4) |
| Impairment loss recognised (reversed) on trade receivables (Note 17) | 8.8 | (4.0) | 0.7 | 0.7 |
| Gain on disposal of property, plant and equipment | 1.3 | 1.9 | 0.8 | 9.2 |
| Loss on disposal of intangible assets | <u>0.3</u> | <u>0.6</u> | <u>–</u> | <u>–</u> |
| Auditor’s remuneration | | | | |
| Fees payable to the Clark’s Group auditor for the audit of their annual audit | <u>1.1</u> | <u>1.3</u> | <u>0.3</u> | <u>0.3</u> |

b. Employment benefit expense:

| | 52 weeks to 30 January 2021 £m | 52 weeks to 29 January 2022 £m | 22 weeks to 3 July 2021 £m | 22 weeks to 2 July 2022 £m |
|--|---|---|-------------------------------------|-------------------------------------|
| | | | (unaudited) | |
| Wages and salaries | 180.3 | 142.7 | 61.2 | 63.3 |
| Social security costs | 23.1 | 20.9 | 13.1 | 6.9 |
| Pension current service cost – defined benefit scheme (see Note 23) | 0.5 | 0.2 | 0.1 | 0.2 |
| Pension contributions – defined contribution scheme (see Note 23) | <u>13.4</u> | <u>9.6</u> | <u>5.4</u> | <u>4.7</u> |
| | <u>217.3</u> | <u>173.4</u> | <u>79.8</u> | <u>75.1</u> |

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8. RESTRUCTURING COSTS

Organisational changes and restructuring linked to the transformation plan were implemented in December 2019 and May 2020 with further actions being phased across 2021.

| | 52 weeks to 30 January 2021 £m | 52 weeks to 29 January 2022 £m | 22 weeks to 3 July 2021 £m | 22 weeks to 2 July 2022 £m |
|--|---|---|-------------------------------------|-------------------------------------|
| | | | (unaudited) | |
| Restructuring costs charged to administrative expenses in consolidated statements of profit or loss | | | | |
| Redundancies | 20.9 | 8.7 | 7.7 | – |
| Consultancy fees | 10.3 | 0.1 | – | – |
| Salaries, contractor fees and recruitment | 1.0 | 0.1 | – | – |
| Site closure costs | 0.3 | – | – | – |
| | <u>32.5</u> | <u>8.9</u> | <u>7.7</u> | <u>–</u> |

9. FINANCE COSTS

| | 52 weeks to 30 January 2021 £m | 52 weeks to 29 January 2022 £m | 22 weeks to 3 July 2021 £m | 22 weeks to 2 July 2022 £m |
|--|---|---|-------------------------------------|-------------------------------------|
| | | | (unaudited) | |
| 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 | – |
| | <u>21.0</u> | <u>26.6</u> | <u>11.3</u> | <u>11.2</u> |

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10. INCOME TAX EXPENSE (CREDIT)

| | 52 weeks to 30 January 2021 £m | 52 weeks to 29 January 2022 £m | 22 weeks to 3 July 2021 £m (unaudited) | 22 weeks to 2 July 2022 £m |
|---|---|---|--|-------------------------------------|
| Current tax: | | | | |
| UK | 0.2 | 1.1 | – | 0.1 |
| Other jurisdictions | <u>0.6</u> | <u>5.7</u> | <u>1.2</u> | <u>5.1</u> |
| | <u>0.8</u> | <u>6.8</u> | <u>1.2</u> | <u>5.2</u> |
| Under (over) provision in prior periods: | | | | |
| UK | – | – | – | (0.9) |
| Other jurisdictions | <u>0.6</u> | <u>(1.0)</u> | <u>–</u> | <u>2.0</u> |
| | <u>0.6</u> | <u>(1.0)</u> | <u>–</u> | <u>1.1</u> |
| Total current taxation | <u>1.4</u> | <u>5.8</u> | <u>1.2</u> | <u>6.3</u> |
| Deferred tax charge (credit): | | | | |
| Current period | 11.0 | (19.2) | (14.1) | 2.2 |
| Attributable to changes in tax rate | (1.1) | (1.6) | – | – |
| Others | <u>0.4</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| Total deferred taxation (Note 21) | <u>10.3</u> | <u>(20.8)</u> | <u>(14.1)</u> | <u>2.2</u> |
| Total income tax charge (credit) | <u><u>11.7</u></u> | <u><u>(15.0)</u></u> | <u><u>(12.9)</u></u> | <u><u>8.5</u></u> |

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The income tax expense for the periods can be reconciled to the profit (loss) before taxation per the consolidated statements of profit or loss as follows:

| | 52 weeks to 30 January 2021 £m | 52 weeks to 29 January 2022 £m | 22 weeks to 3 July 2021 £m (unaudited) | 22 weeks to 2 July 2022 £m |
|---|---|---|--|-------------------------------------|
| (Loss) profit before taxation | (138.9) | 38.0 | 5.8 | 48.9 |
| Tax at the UK corporation tax rate of 19% | (26.4) | 7.2 | 1.1 | 9.3 |
| Tax effect of difference tax rates of subsidiaries operating in other jurisdictions | (4.3) | 4.0 | 0.2 | 0.6 |
| Tax effect of expenses not deductible for tax purpose | 0.3 | 0.2 | 0.3 | 0.3 |
| Tax effect of deductible temporary differences not recognised | 6.8 | – | 1.2 | (3.7) |
| Tax losses of prior periods recognised in current period | – | (27.8) | (16.6) | – |
| Temporary differences and tax losses of prior periods not recognised | 30.6 | – | – | – |
| Utilisation of tax losses previously not recognised | – | (0.8) | – | – |
| Other adjustments in respect of prior periods | 0.7 | (1.0) | – | 1.1 |
| Others | 4.0 | 3.2 | 0.9 | 0.9 |
| Income tax expense (credit) for the period | <u>11.7</u> | <u>(15.0)</u> | <u>(12.9)</u> | <u>8.5</u> |

The Clark Group’s income tax charge for the 52 weeks period ended 30 January 2021 and 22 weeks period ended 2 July 2022 are £11.7m and £8.5m, respectively, while income tax credit for the 52 weeks period ended 29 January 2022 and 22 weeks period ended 3 July 2021 are £15.0m and £12.9m (unaudited), respectively. The effective tax rate for the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 3 July 2021 and 2 July 2022 are -8.4%, -39.5%, -222.4% (unaudited) and 17.4%, respectively.

During the 52 weeks periods ended 29 January 2022 and 22 weeks period ended 3 July 2021 and 2 July 2022, the Clark Group made tax payments of £4.7m, £0.4m (unaudited) and £1.8m, respectively while the Clark Group received tax refund amounted to £0.8m for the 52 weeks period ended 30 January 2021. Tax payments continues to remain low due to the receipt of refunds in respect of earlier periods and a reduction to tax payments on account for the 52 weeks period ended 29 January 2022.

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11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of Clark in relation to the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 3 July 2021 and 2 July 2022.

12. INTANGIBLE ASSETS

| | Software costs £m | Trademark £m | Total £m |
|---|----------------------------------|-------------------------|---------------------|
| COST OR VALUATION | | | |
| At 1 February 2020 | 133.2 | 0.7 | 133.9 |
| Additions | 2.8 | – | 2.8 |
| Exchange realignment | (1.3) | – | (1.3) |
| Disposals | (0.5) | – | (0.5) |
| Transfer from property, plant and equipment | <u>3.6</u> | <u>–</u> | <u>3.6</u> |
| At 30 January 2021 | 137.8 | 0.7 | 138.5 |
| Additions | 3.0 | – | 3.0 |
| Exchange realignment | 0.9 | – | 0.9 |
| Disposals | (0.3) | – | (0.3) |
| Transfer from property, plant and equipment | <u>1.5</u> | <u>–</u> | <u>1.5</u> |
| At 29 January 2022 | 142.9 | 0.7 | 143.6 |
| Additions | 2.2 | – | 2.2 |
| Exchange realignment | 3.8 | – | 3.8 |
| Disposals | <u>(0.1)</u> | <u>–</u> | <u>(0.1)</u> |
| At 2 July 2022 | <u><u>148.8</u></u> | <u><u>0.7</u></u> | <u><u>149.5</u></u> |

The trademark relates to the “Clarks” brand name.

Intangible assets which have been fully amortised and are still in use have a cost value of £47.1m, £45.7m and £46.5m as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively.

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| | Software Costs <i>£m</i> | Trademark <i>£m</i> | Total <i>£m</i> |
|------------------------------------|--------------------------------|------------------------|--------------------|
| AMORTISATION AND IMPAIRMENT | | | |
| At 1 February 2020 | 77.0 | 0.4 | 77.4 |
| Charge for the period | 13.1 | –* | 13.1 |
| Exchange realignment | (0.7) | – | (0.7) |
| Disposals | (0.2) | – | (0.2) |
| At 30 January 2021 | 89.2 | 0.4 | 89.6 |
| Charge for the period | 15.3 | –* | 15.3 |
| Exchange realignment | 1.2 | – | 1.2 |
| Disposals | (0.3) | – | (0.3) |
| At 29 January 2022 | 105.4 | 0.4 | 105.8 |
| Charge for the period | 6.0 | –* | 6.0 |
| Exchange realignment | 2.4 | – | 2.4 |
| Disposals | –* | – | –* |
| At 2 July 2022 | <u>113.8</u> | <u>0.4</u> | <u>114.2</u> |
| NET BOOK VALUE | | | |
| At 30 January 2021 | <u>48.6</u> | <u>0.3</u> | <u>48.9</u> |
| At 29 January 2022 | <u>37.5</u> | <u>0.3</u> | <u>37.8</u> |
| At 2 July 2022 | <u>35.0</u> | <u>0.3</u> | <u>35.3</u> |

* Represent amount less than £100,000.

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13. Property, plant and equipment

| | Land and buildings | Plant and equipment | Total |
|----------------------------------|-------------------------------|--------------------------------|---------------------|
| | <i>£m</i> | <i>£m</i> | <i>£m</i> |
| COST OR VALUATION | | | |
| At 1 February 2020 | 143.3 | 364.3 | 507.6 |
| Additions | 0.6 | 3.9 | 4.5 |
| Transferred to intangible assets | – | (3.6) | (3.6) |
| Exchange realignment | (3.1) | (3.4) | (6.5) |
| Disposals | <u>(12.8)</u> | <u>(23.4)</u> | <u>(36.2)</u> |
| At 30 January 2021 | 128.0 | 337.8 | 465.8 |
| Additions | 0.8 | 4.2 | 5.0 |
| Transferred to intangible assets | – | (1.5) | (1.5) |
| Exchange realignment | 1.5 | 2.0 | 3.5 |
| Disposals | <u>(2.2)</u> | <u>(8.9)</u> | <u>(11.1)</u> |
| At 29 January 2022 | 128.1 | 333.6 | 461.7 |
| Additions | 0.3 | 1.4 | 1.7 |
| Exchange realignment | 7.4 | 12.8 | 20.2 |
| Disposals | <u>(11.4)</u> | <u>(7.6)</u> | <u>(19.0)</u> |
| At 2 July 2022 | <u><u>124.4</u></u> | <u><u>340.2</u></u> | <u><u>464.6</u></u> |

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| | Land and buildings £m | Plant and equipment £m | Total £m |
|------------------------------------|-----------------------------|------------------------------|---------------------|
| DEPRECIATION AND IMPAIRMENT | | | |
| At 1 February 2020 | 55.5 | 268.5 | 324.0 |
| Charge for the period | 5.4 | 20.0 | 25.4 |
| Impairment loss recognised | – | 9.0 | 9.0 |
| Exchange realignment | (1.4) | (1.9) | (3.3) |
| Disposals | <u>(10.7)</u> | <u>(24.2)</u> | <u>(34.9)</u> |
| At 30 January 2021 | 48.8 | 271.4 | 320.2 |
| Charge for the period | 6.7 | 15.9 | 22.6 |
| Impairment loss reversed | – | (0.7) | (0.7) |
| Exchange realignment | 0.6 | 1.1 | 1.7 |
| Disposals | <u>(1.9)</u> | <u>(7.3)</u> | <u>(9.2)</u> |
| At 29 January 2022 | 54.2 | 280.4 | 334.6 |
| Charge for the period | –* | 4.9 | 4.9 |
| Impairment loss reversed | – | (6.5) | (6.5) |
| Exchange realignment | 6.5 | 7.1 | 13.6 |
| Disposals | <u>(4.7)</u> | <u>(5.2)</u> | <u>(9.9)</u> |
| At 2 July 2022 | <u><u>56.0</u></u> | <u><u>280.7</u></u> | <u><u>336.7</u></u> |
| NET BOOK VALUE | | | |
| At 30 January 2021 | <u><u>79.2</u></u> | <u><u>66.4</u></u> | <u><u>145.6</u></u> |
| At 29 January 2022 | <u><u>73.9</u></u> | <u><u>53.2</u></u> | <u><u>127.1</u></u> |
| At 2 July 2022 | <u><u>68.4</u></u> | <u><u>59.5</u></u> | <u><u>127.9</u></u> |

* Represent amount less than £100,000

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Impairment loss and subsequent reversal

To calculate the value in use the discounted cash flow was calculated using the following inputs: pre-tax WACC of 11.2% for 52 weeks period ended 30 January 2021 and 10.1% for both 52 weeks period ended 29 January 2022 and 22 weeks period ended 2 July 2022, which benchmarked against a global peer group of mid-market retailers and shoe brands; budgeted store contribution for the 2021/22 financial year; and territory and store class specific growth rates per the medium-term forecast downside case. The relevant cash generating unit is determined to be a retail store, including its property, plant and equipment or right of use assets, and other equipment and assets held.

Property, plant and equipment items which have been fully depreciated and are still in use have a cost value of £162.4m, £187.9m and £201.0m as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively.

The useful economic lives of property plant and equipment held are included within the relevant accounting policy in Note 3.2.

14. RIGHT-OF-USE ASSETS

The net book value and depreciation charge for right-of-use assets by class of underlying assets is as follows:

| | Retail stores <i>£m</i> | Leased office properties <i>£m</i> | Total <i>£m</i> |
|--|-----------------------------------|--|---------------------------|
| At 30 January 2021 | | | |
| Carrying amount | <u>45.7</u> | <u>25.3</u> | <u>71.0</u> |
| At 29 January 2022 | | | |
| Carrying amount | <u>25.9</u> | <u>22.6</u> | <u>48.5</u> |
| At 2 July 2022 | | | |
| Carrying amount | <u>73.6</u> | <u>19.2</u> | <u>92.8</u> |
| For the 52 weeks period ended 30 January 2021 | | | |
| Depreciation charge | <u>34.0</u> | <u>3.9</u> | <u>37.9</u> |

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| | Retail stores <i>£m</i> | Leased office properties <i>£m</i> | Total <i>£m</i> |
|--|----------------------------|---|--------------------|
| Impairment loss reversed | <u>(16.7)</u> | <u>–</u> | <u>(16.7)</u> |
| For the 52 weeks period ended 29 January 2022 | | | |
| Depreciation charge | <u>16.5</u> | <u>3.6</u> | <u>20.1</u> |
| Impairment loss recognised | <u>15.6</u> | <u>–</u> | <u>15.6</u> |
| For the 22 weeks period ended 3 July 2021 | | | |
| Depreciation charge (unaudited) | <u>5.8</u> | <u>1.5</u> | <u>7.3</u> |
| For the 22 weeks period ended 2 July 2022 | | | |
| Depreciation charge | <u>5.1</u> | <u>1.1</u> | <u>6.2</u> |
| Impairment loss reversed | <u>(25.4)</u> | <u>–</u> | <u>(25.4)</u> |

| | 52 weeks to 30 January 2021 <i>£m</i> | 52 weeks to 29 January 2022 <i>£m</i> | 22 weeks to 3 July 2021 <i>£m</i> (unaudited) | 22 weeks to 2 July 2022 <i>£m</i> |
|--|--|--|---|--|
| Expense relating to short-term leases | 4.2 | 4.8 | 3.3 | 4.3 |
| Variable lease payments not included in the measurement of lease liabilities | 9.9 | 11.2 | 2.8 | 2.7 |
| Total cash outflow for leases | 56.8 | 55.1 | 22.5 | 24.2 |
| (Deductions) additions to right-of-use assets | (118.3) | 13.9 | 7.3 | 15.1 |

Variable lease payments

Certain property leases contain variable payment terms that are linked to sales generated from stores. For certain stores included fixed and variable payment terms, the variable payment terms are with percentages ranging from 1% to 27% of sales. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

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Nature of lease activities

During the Track Record Period, Clark Group leases a number of offices and retail stores in multiple jurisdictions from which it operates. Lease contracts are normally entered into for fixed term of 3 months to 15 years during the Track Record Period, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Clark Group applies the definition of a contract and determines the period for which the contract is enforceable and assessment of likelihood of exercising the extension and termination options, if any. In these jurisdictions the periodic rent varies between being fixed over the lease term, and variable in relation to turnover. Where rental agreements include market rate escalations that are unknown at the time of the lease inception or HKFRS 16 adoption, the lease liability is remeasured when the change in cash payments takes effect.

During the Track Record Period, the Clark Group regularly entered into short-term leases for retail stores, plant and equipment.

Rent concessions

The rent concessions were not qualified as COVID-19-related rent concessions and such changes in lease payments were constituted as lease modifications.

15. INVESTMENT IN A JOINT VENTURE

Details of the Clark Group’s material joint venture at the end of each reporting period are as follows:

| | At 30 January 2021 <i>£m</i> | At 29 January 2022 <i>£m</i> | At 2 July 2022 <i>£m</i> |
|--|---------------------------------------|---------------------------------------|-----------------------------------|
| Cost of investment in a joint venture | 0.1 | 0.1 | 0.1 |
| Share of post-acquisition loss and other comprehensive expense | (0.1) | (0.1) | (0.1) |
| | <u> -</u> | <u> -</u> | <u> -</u> |

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| Name of joint venture | Principal activity | Place of incorporation and principal place of business | Proportion of ownership interest and voting rights held by the Clark Group | | |
|--|--------------------------------|--|--|-----------------|-------------|
| | | | At | At | At |
| | | | 30 January 2021 | 29 January 2022 | 2 July 2022 |
| Clarks Reliance Footwear Private Limited | Shoe retailing and wholesaling | India | 50% | 50% | 50% |

Summarised financial information in respect of Clark Group’s joint venture is set out below.

Clarks Reliance Footwear Private Limited

| | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m |
|-------------------------|--------------------------------|--------------------------------|----------------------------|
| Current assets | 18.0 | 16.0 | 36.7 |
| Non-current assets | 0.4 | 0.5 | 1.4 |
| Current liabilities | (13.3) | (23.2) | (52.2) |
| Non-current liabilities | <u>(19.4)</u> | <u>(15.7)</u> | <u>(29.2)</u> |
| Net liabilities | <u>(14.3)</u> | <u>(22.4)</u> | <u>(43.3)</u> |

The above amounts of assets and liabilities include the following:

| | | | |
|---|---------------|---------------|---------------|
| Cash and cash equivalents | – | – | – |
| Current financial liabilities (excluding trade and other payables and provisions) | – | – | – |
| Non-current financial liabilities (excluding trade and other payables and provisions) | <u>(19.4)</u> | <u>(15.7)</u> | <u>(29.2)</u> |

| | 52 weeks to 30 January 2021 £m | 52 weeks to 29 January 2022 £m | 22 weeks to 3 July 2021 £m | 22 weeks to 2 July 2022 £m |
|---------------------|---|---|-------------------------------------|-------------------------------------|
| Revenue | 6.9 | 10.3 | 2.4 | 6.2 |
| Loss for the period | | | | |

(unaudited)

The above loss for the period includes the following:

| | | | | |
|---|----------|----------|----------|----------|
| Depreciation and amortisation | 0.2 | 0.2 | 0.1 | 0.1 |
| Finance costs and other similar charges | 2.2 | 1.7 | 0.8 | 0.6 |
| Income tax expense | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |

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Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

Clarks Reliance Footwear Private Limited

| | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m |
|---|--------------------------------|--------------------------------|----------------------------|
| Net liabilities of a joint venture | 14.3 | 22.4 | 43.3 |
| Proportion of the Clark Group’s ownership interest in a joint venture | 50% | 50% | 50% |
| Carrying amount of the Clark Group’s interest in a joint venture | <u>–</u> | <u>–</u> | <u>–</u> |
| The unrecognised share of loss of a joint venture | <u>2.3</u> | <u>4.3</u> | <u>0.6</u> |
| Cumulative unrecognised share of loss of a joint venture | <u>7.6</u> | <u>11.9</u> | <u>12.5</u> |

16. INVENTORIES

| | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m |
|----------------|--------------------------------|--------------------------------|----------------------------|
| Finished goods | <u>316.0</u> | <u>268.4</u> | <u>363.1</u> |

As at 30 January 2021, 29 January 2022 and 2 July 2022, included within inventories are below cost inventory provisions of £14.7m, £11.6m and £13.3m respectively.

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17. TRADE AND OTHER RECEIVABLES

| | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m |
|-----------------------------------|--------------------------------|--------------------------------|----------------------------|
| Trade receivables | 53.4 | 53.1 | 80.5 |
| Less: Allowance for credit losses | <u>(0.9)</u> | <u>(0.4)</u> | <u>(1.1)</u> |
| | <u>52.5</u> | <u>52.7</u> | <u>79.4</u> |
| Amounts due from a joint venture | 8.3 | 9.4 | 8.9 |
| Less: Allowance for credit losses | <u>(8.3)</u> | <u>(4.8)</u> | <u>(4.8)</u> |
| | <u>–</u> | <u>4.6</u> | <u>4.1</u> |
| Prepayments | 13.5 | 14.2 | 22.7 |
| Other receivables | <u>12.6</u> | <u>8.6</u> | <u>5.4</u> |
| | <u><u>78.6</u></u> | <u><u>80.1</u></u> | <u><u>111.6</u></u> |

The expected credit losses for trade and other receivables are £9.2m, £5.2m and £5.9m as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively, this includes £8.3m as at 30 January 2021, £4.8m as at 29 January 2022 and 2 July 2022, which has been recognised during the Track Record Period in relation to the amounts owed from a joint venture (Clarks Reliance Footwear Private Limited), as a result of reduced revenue and trading uncertainty due to the COVID-19 pandemic. The expected credit loss on other receivables is not material.

Exposure to credit risk

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 Clark Group’s historical credit loss experience and relevant forward-looking factors. 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 Track Record Period in assessing the loss allowance for trade receivables. For amounts due from a joint venture and other receivables the 12-month ECL approach is applied.

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The below table shows the ageing of the trade receivables (net of allowance for credit losses) in each period presented based on invoice due date:

| | Not Due | 1 to 60 days past due | 61 to 90 days past due | 91 to 120 days past due | 121 or more days past due | Total |
|--------------------------------------|-------------|-----------------------|------------------------|-------------------------|---------------------------|-------------|
| | £m | £m | £m | £m | £m | £m |
| Trade receivables at 30 January 2021 | 37.0 | 9.9 | 0.9 | 0.9 | 3.8 | 52.5 |
| Trade receivables at 29 January 2022 | 35.9 | 8.9 | 1.9 | 1.5 | 4.5 | 52.7 |
| Trade receivables at 2 July 2022 | <u>66.5</u> | <u>9.4</u> | <u>1.0</u> | <u>0.2</u> | <u>2.3</u> | <u>79.4</u> |

As at 30 January 2021, 29 January 2022 and 2 July 2022, included in the Clark Group’s trade receivables balance are debtors with aggregate carrying amount of £15.5m, £16.8m and £12.9m which are past due as at the end of the respective reporting period. Out of the past due balances, £4.7m, £6.0m and £2.5m as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively, has been past due more than 90 days and is not considered as in default.

The table below reconciles the expected credit loss for trade receivables and amounts due from a joint venture as at the beginning of each period to that of the end of each period.

| | At 30 January 2021 | At 29 January 2022 | At 2 July 2022 |
|--|--------------------|--------------------|----------------|
| | £m | £m | £m |
| Opening provision for allowance for expected credit losses of trade receivables and amounts due from a joint venture | 0.4 | 9.2 | 5.2 |
| Movement in the period | <u>8.8</u> | <u>(4.0)</u> | <u>0.7</u> |
| Closing provision for allowance for expected credit losses of trade receivables and amounts due from a joint venture | <u>9.2</u> | <u>5.2</u> | <u>5.9</u> |

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The following table shows the movement in expected credit losses that has been recognised for the respective financial assets:

| | Loss allowance for assets assessed using lifetime expected credit losses | Loss allowance for assets assessed using 12-month expected credit losses | Total |
|--|--|--|-------------------|
| | Trade receivables £m | Amounts due from a joint venture £m | £m |
| At 1 February 2020 | 0.4 | – | 0.4 |
| Amounts written off | (1.5) | – | (1.5) |
| Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement | 2.0 | – | 2.0 |
| Changes in credit risk parameters | <u>–</u> | <u>8.3</u> | <u>8.3</u> |
| At 30 January 2021 | 0.9 | 8.3 | 9.2 |
| Amounts written off | (0.3) | – | (0.3) |
| Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement | <u>(0.2)</u> | <u>(3.5)</u> | <u>(3.7)</u> |
| At 29 January 2022 | 0.4 | 4.8 | 5.2 |
| Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement | <u>0.7</u> | <u>–</u> | <u>0.7</u> |
| At 2 July 2022 | <u><u>1.1</u></u> | <u><u>4.8</u></u> | <u><u>5.9</u></u> |

In determining the expected credit losses for trade receivables and amounts due from a joint venture, the directors of Clark have taken into account the historical default experience and the financial position of the counterparties, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

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As part of the Clark Group’s credit risk management, the Clark Group uses debtors’ aging to assess the impairment for its customers in relation to its shoe trading operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers’ abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

A change in credit risk is a measure of the change in the risk of a default occurring over the expected life of the financial instrument and that the risk of default in the future could change based on both internal and external events. Customer credit quality is assessed in line with strict credit rating criteria and credit limits are established where appropriate to determine if there is a significant increase in credit risk requiring assessment of a lifetime expected credit loss. Outstanding customer balances are regularly monitored and a review for indicators of impairment (evidence of financial difficulty of the customer, payment default, breach of contract etc.) is carried out at each reporting date.

Based on the historical, regional, and industry trends, a default is determined to have occurred and a write off is considered on one of the following occurring:

- A debt is outstanding for an unacceptable period of time (120 days beyond payment terms) without any communication or reason for non-payment being received.
- Legal action or instruction of a debt recovery firm is made to support with the collection process of an outstanding balance.
- There are discussions with a customer where they clearly state financial hardship and an inability to pay that increases the possibility of business failure or further action to recover the balance.
- The customers intention to enter or has entered liquidation or administration becomes known, therefore placing the debt at risk of non-payment.
- A period of contractual disagreement commences that may result in non-payment, legal action or agreed legal settlement of part of the balance.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

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18. BANK BALANCES AND CASH

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Clark Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Details of impairment assessment of bank balances are set out in Note 27.

19. TRADE AND OTHER PAYABLES

| | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m |
|----------------------------------|--------------------------------|--------------------------------|----------------------------|
| Trade payables | 113.1 | 134.9 | 121.9 |
| Amounts due to C&J Clark Limited | 24.7 | 0.1 | – |
| Other payables (<i>Note a</i>) | 9.1 | 111.0 | 126.5 |
| Accruals (<i>Note b</i>) | <u>105.1</u> | <u>90.4</u> | <u>128.4</u> |
| | <u>252.0</u> | <u>336.4</u> | <u>376.8</u> |
| Current | 251.8 | 229.9 | 265.8 |
| Non-current | <u>0.2</u> | <u>106.5</u> | <u>111.0</u> |
| | <u>252.0</u> | <u>336.4</u> | <u>376.8</u> |

Note a:

On 19 February 2021, C&J Clark (No 1) Limited issued 100 million preference shares with a par value of £1.00 per share. The shares are redeemable at any time during the 12 months 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.

On redemption the preference shareholder will be paid by 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.

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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 non-embedded derivatives in which they are in fixed coupon payment where the cash flows are not linked with variables.

Note b:

Accruals consist of general business accruals including airfreight and employee related costs.

The below table shows the ageing of the trade payables in each period presented based on the invoice due date.

| | Not Due | 1 to 60 days past due | 61 to 90 days past due | 91 to 120 days past due | 121 or more days past due | Total |
|---|--------------|--------------------------|---------------------------|----------------------------|------------------------------|--------------|
| | <i>£m</i> | <i>£m</i> | <i>£m</i> | <i>£m</i> | <i>£m</i> | <i>£m</i> |
| Trade payables as at 30 January 2021 | <u>108.0</u> | <u>2.8</u> | <u>0.3</u> | <u>0.2</u> | <u>1.8</u> | <u>113.1</u> |
| Trade payables as at 29 January 2022 | <u>91.2</u> | <u>7.7</u> | <u>1.3</u> | <u>0.6</u> | <u>34.1</u> | <u>134.9</u> |
| Trade payables as at 2 July 2022 | <u>114.0</u> | <u>3.7</u> | <u>0.3</u> | <u>0.4</u> | <u>3.5</u> | <u>121.9</u> |

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20. PROVISIONS

At 30 January 2021

| | At 1 February 2020 £m | Provided in period £m | Released £m | Utilised £m | At 30 January 2021 £m |
|-------------------------|--------------------------------|-----------------------------|----------------|----------------|--------------------------------|
| Dilapidation provision | 0.3 | 0.3 | – | – | 0.6 |
| Onerous lease provision | 1.3 | – | (1.3) | – | – |
| Restructuring provision | 7.3 | 36.4 | (2.7) | (35.1) | 5.9 |
| Others | 4.9 | 7.3 | (4.0) | – | 8.2 |
| | <u>13.8</u> | <u>44.0</u> | <u>(8.0)</u> | <u>(35.1)</u> | <u>14.7</u> |

At 29 January 2022

| | At 30 January 2021 £m | Provided in period £m | Released £m | Utilised £m | At 29 January 2022 £m |
|-------------------------|--------------------------------|-----------------------------|----------------|----------------|--------------------------------|
| Dilapidation provision | 0.6 | – | (0.6) | – | – |
| Restructuring provision | 5.9 | – | – | (1.4) | 4.5 |
| Others | 8.2 | 4.9 | (6.7) | – | 6.4 |
| | <u>14.7</u> | <u>4.9</u> | <u>(7.3)</u> | <u>(1.4)</u> | <u>10.9</u> |

At 2 July 2022

| | At 29 January 2022 £m | Provided in period £m | Released £m | Utilised £m | At 2 July 2022 £m |
|-------------------------|--------------------------------|-----------------------------|----------------|----------------|----------------------------|
| Dilapidation provision | – | 5.5 | – | – | 5.5 |
| Restructuring provision | 4.5 | 11.0 | – | (4.0) | 11.5 |
| Others | 6.4 | 3.4 | – | – | 9.8 |
| | <u>10.9</u> | <u>19.9</u> | <u>–</u> | <u>(4.0)</u> | <u>26.8</u> |

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| | At 30 January 2021 <i>£m</i> | At 29 January 2022 <i>£m</i> | At 2 July 2022 <i>£m</i> |
|-------------|---------------------------------------|---------------------------------------|-----------------------------------|
| Current | – | – | 1.4 |
| Non-current | <u>14.7</u> | <u>10.9</u> | <u>25.4</u> |
| | <u>14.7</u> | <u>10.9</u> | <u>26.8</u> |

Dilapidation provision

A 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.

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.

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.

Others

Other provisions in all financial years comprise primarily 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.

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21. DEFERRED TAX

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

| | Accelerated capital allowances <i>£m</i> | Holdover relief <i>£m</i> | Pension fair value and temporary differences <i>£m</i> | Inventory provision <i>£m</i> | Tax losses <i>£m</i> | Short-term temporary differences <i>£m</i> | Total <i>£m</i> |
|--|---|---------------------------------|--|-------------------------------------|----------------------------|---|--------------------|
| Provision at 1 February 2020 | (10.7) | (4.2) | (25.4) | 4.0 | 7.2 | 11.5 | (17.6) |
| Exchange realignment | – | – | – | – | – | (0.1) | (0.1) |
| Credit (charge) in the profit or loss for the period | 4.7 | (0.5) | (2.0) | (1.1) | (6.3) | (5.1) | (10.3) |
| Credit in other comprehensive income | – | – | 22.3 | – | – | 2.9 | 25.2 |
| Provision at 30 January 2021 | (6.0) | (4.7) | (5.1) | 2.9 | 0.9 | 9.2 | (2.8) |
| Credit (charge) in the profit or loss for the period | 3.4 | (1.5) | (4.2) | 0.1 | 23.1 | (0.1) | 20.8 |
| Charge in other comprehensive income | – | – | (20.9) | – | – | (2.2) | (23.1) |
| Provision at 29 January 2022 | (2.6) | (6.2) | (30.2) | 3.0 | 24.0 | 6.9 | (5.1) |
| (Charge) credit in the profit or loss for the period | (0.9) | – | (1.5) | (0.1) | – | 0.3 | (2.2) |
| Charge in other comprehensive income | – | – | (4.1) | – | – | (3.2) | (7.3) |
| Provision at 2 July 2022 | <u>(3.5)</u> | <u>(6.2)</u> | <u>(35.8)</u> | <u>2.9</u> | <u>24.0</u> | <u>4.0</u> | <u>(14.6)</u> |

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Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Clark Group intends to settle its current tax assets and liabilities on a net basis. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | At 30 January 2021 <i>£m</i> | At 29 January 2022 <i>£m</i> | At 2 July 2022 <i>£m</i> |
|--------------------------|---------------------------------------|---------------------------------------|-----------------------------------|
| Deferred tax assets | 0.3 | 0.3 | 0.3 |
| Deferred tax liabilities | <u>(3.1)</u> | <u>(5.4)</u> | <u>(14.9)</u> |
| | <u><u>(2.8)</u></u> | <u><u>(5.1)</u></u> | <u><u>(14.6)</u></u> |

Unrecognised deferred tax

Deferred tax assets have not been recognised in respect of the following items (because it is not probable that future taxable profits will be available against which the Clark Group can utilise the benefits):

| | At 30 January 2021 <i>£m</i> | At 29 January 2022 <i>£m</i> | At 2 July 2022 <i>£m</i> |
|----------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|
| Deductible temporary differences | 110.1 | 79.3 | 49.3 |
| Tax losses | <u>296.4</u> | <u>183.8</u> | <u>183.8</u> |
| | <u><u>406.5</u></u> | <u><u>263.1</u></u> | <u><u>233.1</u></u> |

The Clark Group has unused tax losses of £301.9, £280.9m and £281.1m, as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively, available for offset against future periods. A deferred tax asset has been recognised in respect of £5.5m, £97.1m and £97.3m, as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively, of such losses. No deferred tax asset has been recognised in respect of the remaining £296.4m, £183.8m and £183.8m, as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively, as it is not considered probable that there will be future taxable profits available. Included in the unrecognised tax losses are losses of £100.1m, £101.0m and £101.0m, as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively, that will expire in 2034 – 2036 (see table below). Other losses may be carried forward indefinitely.

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The losses that will expire in 2034 – 2036 can be split as follows:

| | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m |
|-----------------------------------|--------------------------------|--------------------------------|----------------------------|
| Losses expected to expire in 2034 | 7.3 | 6.2 | 6.2 |
| Losses expected to expire in 2035 | 53.8 | 54.9 | 54.9 |
| Losses expected to expire in 2036 | <u>39.0</u> | <u>39.9</u> | <u>39.9</u> |
| | <u>100.1</u> | <u>101.0</u> | <u>101.0</u> |

No deferred tax liability is recognised on immaterial temporary differences relating to the unremitted earnings of overseas subsidiaries, as the Clark Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in joint venture are insignificant.

22. DERIVATIVE FINANCIAL INSTRUMENTS

| | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m |
|----------------------------|--------------------------------|--------------------------------|----------------------------|
| Assets | | | |
| Forward exchange contracts | | | |
| – under hedge accounting | <u>0.2</u> | <u>2.3</u> | <u>15.5</u> |
| Liabilities | | | |
| Forward exchange contracts | | | |
| – under hedge accounting | <u>10.2</u> | <u>0.5</u> | <u>0.4</u> |

Forward Exchange Contracts

The Clark Group uses forward exchange contracts to reduce exposure to foreign exchange rates. 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 OCI.

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Material terms of the forward exchange contracts under cash flow hedge accounting are as follows:

At 30 January 2021

| Notional amounts in millions (“m”) | Maturity | Exchange rates |
|---|-------------------|-----------------------|
| Sell EUR 5.0m, buy GBP | 24 February 2021 | £1:EUR 1.1450 |
| Sell EUR 5.0m, buy GBP | 24 March 2021 | £1:EUR 1.1504 |
| Sell EUR 5.0m, buy GBP | 26 May 2021 | £1:EUR 1.1577 |
| Sell EUR 5.0m, buy GBP | 28 April 2021 | £1:EUR 1.1689 |
| Sell GBP 4.0m, buy United States Dollar (“USD”) | 30 September 2021 | £1:USD 1.2360 |

At 29 January 2022

| Notional amounts in millions (“m”) | 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 (“m”) | Maturity | Exchange rates |
|---|------------------|-----------------------|
| Sell Renminbi (“RMB”) 39.0m, 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 |

During the 52 weeks period ended 30 January 2021, 29 January 2022 and 22 weeks period ended 3 July 2021 and 2 July 2022, £2.0m, £1.0m, £3.4m (unaudited) and £0.2m gains respectively were reclassified from the cash flow hedge reserve to profit or loss.

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The change in the fair value of financial instruments recognised through the cash flow hedge reserve during 52 weeks period ended 30 January 2021 and 29 January 2022 were losses of £16.7m and gains of £10.6m, recognised in OCI, respectively. For the 22 weeks period ended 3 July 2021 and 2 July 2022, there were losses of £0.8m (unaudited) and gains of £13.0m, recognised in OCI, respectively.

In all periods, hedge ineffectiveness resulted from amounts of currency for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur.

23. RETIREMENT BENEFITS

Defined contribution plans

Clark Group operates defined contribution retirement benefit plans for all qualifying employees. The assets of the plans are held separately from those of Clark Group in funds under the control of trustees.

Forfeited contributions in respect of unvested benefits of employees leaving Clark Group’s employment cannot be used to reduce ongoing contributions.

The total expense recognised in profit or loss of £13.4m, £9.6m, £5.4m (unaudited), £4.7m for the 52 weeks period ended 30 January 2021, 29 January 2022, 22 weeks period ended 3 July 2021 and 2 July 2022, respectively, which represents contributions payable to these plans by Clark Group at rates specified in the rules of the plans.

Defined benefit plans

Clark Group operates a defined benefit scheme in the UK, with two sections; the C&J Clark Pension Fund (the Fund) and the Clarks Flexible Pension Scheme (the Scheme). The Scheme is approved by Her Majesty’s Revenue and Customs for tax purposes. A full actuarial valuation of the Fund and the Scheme was carried out by a qualified independent actuary. Clark Group also operates a single defined benefit scheme in the United States of America (“USA”); the C&J Clark Company Pension Plan (the Plan). A full actuarial valuation of the Plan was carried out by a qualified independent actuary. The defined benefit plans are administered by a separate fund that is legally separated from the entity. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the plan. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

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During the Track Record Period cash contributions by the Clark Group into the main UK fund by way of deficit funding amounted to £12.5m, £19.6m and £5.8m for the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 2 July 2022 in line with the payment plan and recompense for scheme expenses agreed with the Pension Trustees. The defined benefit plans also require contributions from employees. Contributions are in the following two forms; one is based on the number of years of service (up to 30 years of service) and the other one is based on a percentage from 6% to 10% of salary of the employees. Employees can also make discretionary contributions to the plans.

The defined benefit plans in both the UK and USA typically expose the entity to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. This is considered in more detail in the table below.

| | |
|------------------------|---|
| Investment risk | The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a high proportion of its investments in debt instruments with smaller amounts in equity securities and real estate. Due to the level of risk associated with each type of asset, the trustees of the pension fund consider it appropriate that a reasonable portion of the plan assets should be invested in debt instruments, while the long-term nature of the plan liabilities means that is considered appropriate that a portion of the investment portfolio is in equity securities and in real estate to leverage the return generated by the fund. |
| Interest risk | A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan’s debt investments. |
| Longevity risk | The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan’s liability. |
| Salary risk | The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan’s liability. |

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| | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m |
|--|--------------------------------|--------------------------------|----------------------------|
| Change in benefit obligation for defined benefit sections | | | |
| Benefit obligation at the beginning of the period | 1,232.5 | 1,302.6 | 1,176.4 |
| Current service cost | 0.5 | 0.2 | 0.2 |
| Administration costs | 3.9 | 1.9 | 0.8 |
| Interest cost | 21.7 | 19.5 | 11.3 |
| Past service costs | 0.3 | 0.7 | – |
| Actuarial loss (gain) | 112.9 | (92.1) | (226.6) |
| Liabilities extinguished on settlement | (0.3) | – | – |
| Benefits paid | (64.2) | (59.2) | (22.8) |
| Exchange rate adjustment on US scheme | (4.7) | 2.8 | 12.8 |
| | <u>1,302.6</u> | <u>1,176.4</u> | <u>952.1</u> |
| Benefit obligation at the end of the period | | | |
| Analysis of benefit obligation for defined benefit sections | | | |
| Plans that are wholly or partly funded | 1,302.5 | 1,176.3 | 952.0 |
| Plans that are wholly unfunded | 0.1 | 0.1 | 0.1 |
| | <u>1,302.6</u> | <u>1,176.4</u> | <u>952.1</u> |
| Total | | | |
| Change in plan assets for defined benefit sections | | | |
| Fair value of plan assets at the beginning of the financial period | 1,360.9 | 1,313.4 | 1,288.9 |
| Expected return on plan assets | 23.7 | 19.5 | 12.3 |
| Actuarial loss | (15.0) | (6.5) | (206.5) |
| Employer contribution | 12.5 | 19.6 | 5.8 |
| Assets distributed on settlements | (0.3) | – | – |
| Benefits paid | (64.2) | (59.2) | (22.8) |
| Administration costs | (0.5) | (0.2) | (0.2) |
| Exchange rate adjustment on US scheme | (3.7) | 2.3 | 12.0 |
| | <u>1,313.4</u> | <u>1,288.9</u> | <u>1,089.5</u> |
| Fair value of plan assets at the end of the period | | | |
| Funded status | 10.8 | 112.5 | 137.4 |
| Unrecognised past service cost | – | – | – |
| | <u>10.8</u> | <u>112.5</u> | <u>137.4</u> |
| Net amount recognised | | | |

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| | 52 weeks to 30 January 2021 £m | 52 weeks to 29 January 2022 £m | 22 weeks to 3 July 2021 £m (unaudited) | 22 weeks to 2 July 2022 £m |
|--|---|---|--|-------------------------------------|
| Components of pension cost | | | | |
| Current service cost – defined benefit scheme | 0.5 | 0.2 | 0.1 | 0.2 |
| Administration costs | 4.4 | 2.1 | 0.9 | 1.0 |
| Contribution – defined contribution scheme | 13.4 | 9.6 | 5.4 | 4.7 |
| Cost | 18.5 | 16.6 | 8.1 | 9.8 |
| Expected return on plan assets | (20.5) | (16.6) | (8.1) | (10.8) |
| Past service cost | 0.3 | 0.7 | 0.2 | – |
| Gains on curtailments and settlements | (0.3) | – | – | – |
| | <u>16.3</u> | <u>12.6</u> | <u>6.6</u> | <u>4.9</u> |
| Total pension cost recognised in the income statement | | | | |
| | <u>(127.9)</u> | <u>85.6</u> | <u>65.0</u> | <u>20.1</u> |
| | | At | At | At |
| | | 30 January | 29 January | 2 July |
| | | 2021 | 2022 | 2022 |
| | | <i>£m</i> | <i>£m</i> | <i>£m</i> |
| Movement in surplus during the period | | | | |
| Surplus in the scheme at the beginning of the financial period | | 128.4 | 10.8 | 112.5 |
| Current service cost | | (0.5) | (0.2) | (0.2) |
| Administration costs | | (4.4) | (2.1) | (1.0) |
| Contributions | | 12.5 | 19.6 | 5.8 |
| Past service costs/curtailments | | (0.3) | (0.7) | – |
| Net return on assets | | 2.0 | – | 1.0 |
| Actuarial gain (loss) | | (127.9) | 85.6 | 20.1 |
| Exchange rate adjustment on US scheme | | 1.0 | (0.5) | (1.0) |
| | | <u>10.8</u> | <u>112.5</u> | <u>137.2</u> |
| Surplus in the scheme at the end of the financial period | | | | |
| Unfunded unapproved retirement benefit scheme | | (0.9) | (0.8) | (0.7) |
| | | <u>9.9</u> | <u>111.7</u> | <u>136.5</u> |
| Pension asset at the end of the financial period | | | | |

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Plan assets

The weighted average asset allocations at the period end were as follows:

| Asset category | UK plan | UK plan | UK plan | North | North | North |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | assets | assets | assets | plan assets | plan assets | plan assets |
| | At | At | At | At | At | At |
| | 30 January | 29 January | 2 July | 30 January | 29 January | 2 July |
| | 2021 | 2022 | 2022 | 2021 | 2022 | 2022 |
| Equities | 5.5% | 0.1% | 0.1% | 67.2% | 69.6% | 73.3% |
| Bonds | 81.7% | 92.3% | 69.2% | 31.2% | 29.7% | 24.9% |
| Real Estate | 4.7% | 5.1% | 6.5% | – | – | – |
| Insurance contract | – | – | 22.5% | – | – | – |
| Cash | 8.1% | 2.5% | 1.7% | 1.6% | 0.7% | 1.8% |
| | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

| | At | At | At |
|------------------------------|------------|-------------|--------------|
| | 30 January | 29 January | 2 July |
| | 2021 | 2022 | 2022 |
| | £m | £m | £m |
| Actual return on plan assets | <u>8.7</u> | <u>13.0</u> | <u>194.2</u> |

| | UK | UK | UK | North | North | North |
|--|--------------|--------------|--------------|------------|------------|------------|
| | At | At | At | At | At | At |
| | 30 January | 29 January | 2 July | 30 January | 29 January | 2 July |
| | 2021 | 2022 | 2022 | 2021 | 2022 | 2022 |
| Weighted average assumptions used to determine benefit obligations | | | | | | |
| Discount rate | 1.40% | 2.20% | 3.65% | 2.75% | 3.18% | 4.76% |
| Rate of increase in pensions in payment | 2.95% | 3.45% | 3.05% | N/A | N/A | N/A |
| Rate of increase in pensions in deferment | 2.25% | 2.90% | 2.45% | N/A | N/A | N/A |
| Inflation assumption | <u>3.00%</u> | <u>3.60%</u> | <u>3.15%</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |

| | UK | UK | UK | North | North | North |
|--|--------------|--------------|--------------|------------|------------|------------|
| | At | At | At | At | At | At |
| | 30 January | 29 January | 2 July | 30 January | 29 January | 2 July |
| | 2021 | 2022 | 2022 | 2021 | 2022 | 2022 |
| Weighted average assumptions used to determine net pension cost for the period end | | | | | | |
| Discount rate | 1.40% | 2.20% | 3.65% | 3.00% | 2.75% | 4.76% |
| Expected long-term return on plan assets | 1.40% | 2.20% | 3.65% | N/A | N/A | N/A |
| Rate of increase in pensions in payment | 2.95% | 3.45% | 3.05% | N/A | N/A | N/A |
| Rate of increase in pensions in deferment | 2.25% | 2.90% | 2.45% | N/A | N/A | N/A |
| Inflation assumption | <u>3.00%</u> | <u>3.60%</u> | <u>3.15%</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |

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| | | UK | UK | UK | North America | North America | North America |
|--|--------|-----------------|-----------------|-------------|-----------------|-----------------|---------------|
| | | At | At | At | At | At | At |
| | | 30 January 2021 | 29 January 2022 | 2 July 2022 | 30 January 2021 | 29 January 2022 | 2 July 2022 |
| Weighted average life expectancy for mortality tables used to determine benefit obligations | | | | | | | |
| Member age 65 | Male | 22.3 | 22.3 | 22.3 | 20.5 | 20.6 | 20.6 |
| (current life expectancy) | Female | 24.0 | 24.2 | 24.2 | 22.4 | 22.6 | 22.6 |
| Member age 45 | Male | 23.5 | 23.5 | 23.6 | 22.0 | 22.1 | 22.1 |
| (life expectancy at age 65) | Female | 25.9 | 26.0 | 26.0 | 23.8 | 24.0 | 24.0 |

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Sensitivity analysis: Impact of change in key assumptions on actuarial value of liabilities

| | UK | UK | UK |
|--|-----------------|-----------------|--------------|
| | At | At | At |
| | 30 January 2021 | 29 January 2022 | 2 July 2022 |
| | £m | £m | £m |
| Base case | 1,177.0 | 1,056.1 | 843.6 |
| 0.5% decrease in discount rate | 1,271.0 | 1,135.1 | 901.8 |
| 1 year increase in member life expectation | 1,224.1 | 1,098.4 | 877.4 |
| +0.5% change in inflation | <u>1,254.2</u> | <u>1,122.5</u> | <u>888.1</u> |
| | US | US | US |
| | At | At | At |
| | 30 January 2021 | 29 January 2022 | 2 July 2022 |
| | £m | £m | £m |
| Base case | 171.9 | 161.1 | 131.2 |
| 0.5% decrease in discount rate | 185.1 | 172.7 | 139.4 |
| 1 year increase in member life expectation | <u>177.3</u> | <u>166.3</u> | <u>135.3</u> |

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24. SHARE CAPITAL

| | Issued and fully paid At 30 January 2021 £ | Issued and fully paid At 29 January 2022 £ | Issued and fully paid At 2 July 2022 £ |
|---|---|---|---|
| 100,000 Ordinary Shares of £0.001 each | 100.00 | – | – |
| 51,051 A Ordinary shares of £0.001 each | – | 51.05 | 51.05 |
| 49,049 B Ordinary shares of £0.001 each | – | 49.05 | 49.05 |
| | <u>100.00</u> | <u>100.10</u> | <u>100.10</u> |

On 19 February 2021 an additional 100 Ordinary shares were issued, bringing the total number of ordinary shares to 100,100, with an aggregate nominal value of £100.10 (30 January 2021: £100.00). On the same date, Ordinary Shares in Clark were designated as A Ordinary Shares and B Ordinary Shares with varied rights.

A Ordinary Shares confer one vote per share unless a Material Default is occurring in which case holders of A Ordinary Shares shall together be entitled to exercise 75% of the total voting rights attaching to all shares in Clark in respect of any resolution relating to a Rescue Issue. A Ordinary Shares rank second, behind Preference Shares, and *pari passu* with B Ordinary Shares on return of capital. The Board may determine to pay a dividend to the holder of A Ordinary Share (and B Ordinary Shares) after payment of the Preferred Dividend to the holders of the Preference Shares. The A Ordinary shares are not redeemable.

B Ordinary Shares confer one vote per share. B Ordinary Shares rank second, behind Preference Shares, and *pari passu* with A Ordinary Shares on return of capital. The Board may determine to pay a dividend to the holder of B Ordinary Shares (and A Ordinary Shares) after payment of the Preferred Dividend to the holders of the Preference Shares. The B Ordinary Shares are not redeemable.

25. LOANS AND BORROWINGS

Borrowings at amortised cost:

| | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m |
|---------------------------------------|--------------------------------|--------------------------------|----------------------------|
| Term Facilities and Private Placement | <u>195.0</u> | <u>61.3</u> | <u>60.9</u> |
| Current | 7.7 | 6.3 | 5.6 |
| Non-current | <u>187.3</u> | <u>55.0</u> | <u>55.3</u> |
| | <u>195.0</u> | <u>61.3</u> | <u>60.9</u> |

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Deducted from long-term loans are £0.2m, £1.4m and £2.6m for the 52 weeks period ended 30 January 2021, 29 January 2022 and 22 weeks period ended 2 July 2022, respectively of pre-paid transactions costs relating to financing.

| | Currency | Nominal interest rate | Maturity | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m |
|---|----------|--|------------------|--------------------------|--------------------------|----------------------|
| \$231.9m Revolving Credit Facility | USD | London Interbank Offered Rate (“LIBOR”) plus 3.4% | April 2022 | 132.4 | - | - |
| \$75.5m Private Placement (PRICOA) | USD | 7.0% (2021: 5.8% Cash plus 1% Payment-in-kind (“PIK”)) | May 2024 (note) | 55.1 | 56.4 | - |
| \$250m Asset-Based Lending Facilities | USD | Secured Overnight Financing Rate (“SOFR”) plus 1.75% | June 2027 (note) | - | - | 57.9 |
| Japanese Yen (“JPY”) 700m Debt Facility | JPY | 1.08% | August 2022 | 4.9 | 4.5 | 4.3 |
| JPY279m Debt Facility | JPY | 1.08% | August 2022 | <u>2.8</u> | <u>1.8</u> | <u>1.3</u> |
| | | | | <u>195.2</u> | <u>62.7</u> | <u>63.5</u> |

Note: Clark Group has signed a facility agreement with Bank of America, N.A on 21 June 2022, to obtain a new \$250m Asset-Based Lending Facilities for refinancing purpose. As a result, the Private Placement is released earlier than maturity date.

The weighted average interest rates excluding the coupon on preference shares paid during the period were as follows:

| | 52 weeks to 30 January 2021 | 52 weeks to 29 January 2022 | 22 weeks to 3 July 2021 | 22 weeks to 2 July 2022 |
|---------------------------------------|-----------------------------|-----------------------------|-------------------------|-------------------------|
| Term Facilities and Private Placement | <u>4.5%</u> | <u>5.8%</u> | <u>8.0%</u> | <u>5.8%</u> |

Terms shown above are for Clark Group’s debt facilities.

The facilities are also subject to cross company guarantees within Clark Group. All are included within the above financial liabilities.

Further guarantees are provided in relation to £2m, USD5m and EUR1m overdraft facilities in the UK. Clark Group also provides an Indian Rupee (“INR”) 1 billion corporate guarantee to support 50% of an INR2 billion loan facility for Clarks Reliance Footwear Private Limited, a 50% owned joint venture as at 29 January 2022 and 2 July 2022.

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As at 2 July 2022, certain trade receivables and inventories with an estimated total carrying amount of £195.0m was pledged for Asset-Based Lending Facilities (30 January 2021 and 29 January 2022: nil).

26. LEASE LIABILITIES

| | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m |
|---|--------------------------------|--------------------------------|----------------------------|
| Maturity analysis | | | |
| <i>Undiscounted lease liabilities</i> | | | |
| Within one year | 38.0 | 36.7 | 42.1 |
| Within a period of more than one year but not exceeding two years | 32.5 | 31.2 | 34.8 |
| Within a period of more than two years but not exceeding five years | 62.9 | 52.6 | 53.5 |
| Within a period of more than five years | <u>36.5</u> | <u>26.9</u> | <u>24.9</u> |
| | 169.9 | 147.4 | 155.3 |
| Less: discounting using incremental borrowing rate | <u>(22.7)</u> | <u>(18.5)</u> | <u>(17.5)</u> |
| Total discounted lease liabilities | 147.2 | 128.9 | 137.8 |
| Less: Amount due for settlement with 12 months shown under current liabilities | <u>(31.9)</u> | <u>(31.4)</u> | <u>(36.6)</u> |
| Amount due for settlement after 12 months shown under non- current liabilities | <u>115.3</u> | <u>97.5</u> | <u>101.2</u> |

27. CAPITAL COMMITMENTS

| | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £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 | <u>–</u> | <u>–</u> | <u>2.8</u> |
| | <u>0.1</u> | <u>0.8</u> | <u>5.9</u> |

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28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a. Carrying amount of financial instruments

| | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m | Fair value hierarchy level |
|---|--------------------------------|--------------------------------|----------------------------|----------------------------------|
| Derivative financial instruments (under non-current and current assets) | | | | |
| Forward exchange contracts | <u>0.2</u> | <u>2.3</u> | <u>15.5</u> | <u>2</u> |
| Financial assets measured at amortised cost | | | | |
| Trade and other receivables | 65.1 | 65.9 | 88.9 | N/A |
| Bank balances and cash | <u>98.2</u> | <u>161.0</u> | <u>108.1</u> | <u>N/A</u> |
| Derivative financial instruments (under non-current and current liabilities) | | | | |
| Forward exchange contracts | <u>10.2</u> | <u>0.5</u> | <u>0.4</u> | <u>2</u> |
| Financial liabilities measured at amortised cost | | | | |
| Loans and borrowings | 195.0 | 61.3 | 60.9 | N/A |
| Trade and other payables | <u>146.9</u> | <u>246.0</u> | <u>248.4</u> | <u>N/A</u> |

During the 52 weeks period ended 30 January 2021, 29 January 2022 and 22 weeks period ended 3 July 2021 and 2 July 2022, £2.0m, £1.0m, £3.4m (unaudited) and £0.2m gains respectively were reclassified from the cash flow hedge reserve to profit or loss.

Interest payable on loans and borrowings measured at amortised cost totalled £7.3m, £1.1m and £3.0m as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively.

The change in the fair value of financial instruments recognised through the cash flow hedge reserve during 52 weeks period ended 30 January 2021 and 29 January 2022 were losses of £16.7m and gains of £10.6m, recognised in OCI, respectively. For the 22 weeks period ended 3 July 2021 and 2 July 2022, there were losses of £0.8m (unaudited) and gains of £13.0m, recognised in OCI, respectively.

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All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows:

Fair value hierarchy

Level 1: fair values derived from quoted prices in active markets for identical assets/liabilities.

Level 2: fair values derived from observable inputs other than quoted prices.

Level 3: fair values derived from valuation techniques that include inputs that are not based on observable data.

There were no transfers between levels during the Track Record Period. Refer to b) below for the determination of fair values of financial assets and liabilities and Note 3.2 for financial assets and liabilities.

b. Financial instruments measured at fair value

Forward Exchange Contracts

The fair value of forward exchange contracts are categorised as level 2 fair value hierarchy and are estimated using discounted cash flow.

Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at each reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Financial Risk Management

The financial risks of the Clark Group primarily relate to fluctuations in currency risk, interest rate risk and credit risk.

Capital Risk Management

The Clark Group manages its capital to ensure that entities in the Clark Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance and sustaining the future development of the Clark Group.

The capital structure of the Clark Group consists of net debt (loans and borrowings after deducting bank balances and cash and lease liabilities disclosed in Notes 25 and 26 respectively) and equity of the Clark Group (comprising share capital, share premium, other reserves, cash flow hedge reserve and retained earnings).

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The Clark Group reviews the capital structure on a periodic basis as part of the overall risk management strategy. As part of this review, the group considers the cost of capital and the risks associated with each class of capital.

Credit risk

Credit risk is the risk of financial loss to Clark Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Clark Group is exposed to credit risk on trade and other receivables and bank balances. Clark Group ensures that the banks used for financing hold an acceptable risk rating by independent parties. Trade receivables and other receivables consist of a large number of customers. Clark Group does not have any significant credit risk exposure to any single counterparty. Under the general approach for expected credit losses there is to be assessment of whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12-month expected credit losses. This determination is made at the end of each financial period. Thus, the basis of the loss allowance for a specific financial asset could change year on year. For trade receivables which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For financial assets measured at amortised cost other than trade receivables the general approach under HKFRS 9 is followed.

Customer credit risk is managed centrally according to established policies, procedures and controls. Management typically monitor credit risk from a regional perspective but credit risk is also monitored on a customer basis as needed. Customer credit quality is assessed in line with strict credit rating criteria and credit limits are established where appropriate. Outstanding customer balances are regularly monitored and a review is carried out at each reporting date for indicators of impairment, for example: evidence of financial difficulty of the customer, payment default, breach of contract etc.

Management has assessed all of the Clark Group’s financial assets to be in Stage 1, where credit risk has not increased since initial recognition, based on consideration of the credit quality of the respective counterparties. Banking relationships are generally limited to those banks that are members of the Clark Group’s core relationship group. These banks are selected for their credit status, global reach and their ability to meet the businesses’ day-to-day banking requirements. The credit ratings of these institutions are monitored on a continuing basis. Clark Group has not historically recorded a provision or incurred writes-offs on the bank balances. As such Management consider the risk of impairment occurring low.

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The Clark Group’s maximum exposure to credit risk, being the carrying amount of financial assets, is summarised as follows:

| | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m |
|--|--------------------------------|--------------------------------|----------------------------|
| Trade and other receivables (Note 17) | 65.1 | 65.9 | 88.9 |
| Bank balances | <u>98.2</u> | <u>161.0</u> | <u>108.1</u> |
| | <u>163.3</u> | <u>226.9</u> | <u>197.0</u> |

The tables below detail the credit risk exposures of the Clark Group’s financial assets and contract assets, which are subject to ECL assessment:

| Financial assets measured at amortised cost | Notes | External credit rating | Internal credit rating | 12-month (“12m”) or lifetime ECL | At 30 January 2021 | | At 29 January 2022 | | At 2 July 2022 | |
|---|-------|---|---|----------------------------------|--------------------|--------------------------|--------------------|--------------------------|----------------|--------------------------|
| | | | | | ECL rate | Gross carrying amount £m | ECL rate | Gross carrying amount £m | ECL rate | Gross carrying amount £m |
| Trade receivables | 18 | N/A | Low risk | Lifetime ECL | 1.1% – 3.4% | 53.4 | 0.0% – 2.2% | 53.1 | 0.6% – 4.9% | 80.5 |
| Amounts due from a joint venture | 18 | N/A | 30 January 2021: Doubtful 29 January 2022: High risk 2 July 2022: High risk | 12m ECL | 100.0% | 8.3 | 50.7% | 9.4 | 54.0% | 8.9 |
| Bank balances and cash | 19 | 30 January 2021: AA to BBB+ 29 January 2022: AA+ to BBB+ 2 July 2022: AA+ to BBB+ | N/A | 12m ECL | 0.0% | 98.2 | 0.0% | 161.0 | N/A | 108.1 |

Currency risk

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.

The carrying amounts of the Clark Group’s foreign currency denominated monetary assets and monetary liabilities at the reporting dates are as follows:

| | Assets | | | Liabilities | | |
|-------------------------|--------------------------------|--------------------------------|----------------------------|--------------------------------|--------------------------------|----------------------------|
| | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m |
| USD | 88.8 | 125.6 | 74.5 | (191.2) | (127.4) | (161.6) |
| EUR | 23.2 | 29.8 | 21.6 | (8.4) | (13.0) | (11.9) |
| RMB | 9.5 | 9.4 | 9.6 | (1.6) | (0.3) | (0.8) |
| Canadian Dollar (“CAD”) | 4.3 | 6.2 | 17.3 | (0.3) | (1.9) | (0.8) |
| JPY | 9.3 | 15.8 | 5.9 | (8.1) | (5.5) | (5.8) |
| Others | 8.4 | 6.9 | 6.2 | (0.1) | (0.4) | (1.2) |

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The following table represents an analysis of effects of changes in fair value of forward exchange contracts under hedge accounting on OCI and profit or loss:

| 52 weeks to 30 January 2021 | | | | | |
|-----------------------------|--|--|---|--|--|
| | Total fair value gains or losses recognised in OCI £m | Hedge ineffectiveness recognised in profit or loss £m | Line item where hedge ineffectiveness is recognised | Amount reclassified from OCI to profit or loss £m | Line item in the statement of profit or loss |
| Forward currency risk | | | | | |
| Forward exchange contracts | (16.7) | 1.2 | Finance costs | 2.0 | Administrative expenses |

| 52 weeks to 29 January 2022 | | | | | |
|-----------------------------|--|--|---|--|--|
| | Total fair value gains or losses recognised in OCI £m | Hedge ineffectiveness recognised in profit or loss £m | Line item where hedge ineffectiveness is recognised | Amount reclassified from OCI to profit or loss £m | Line item in the statement of profit or loss |
| Forward currency risk | | | | | |
| Forward exchange contracts | 10.6 | 0.9 | Finance costs | 1.0 | Administrative expenses |

| 22 weeks to 3 July 2021 | | | | | |
|----------------------------|---|---|---|---|--|
| | Total fair value gains or losses recognised in OCI £m (unaudited) | Hedge ineffectiveness recognised in profit or loss £m (unaudited) | Line item where hedge ineffectiveness is recognised | Amount reclassified from OCI to profit or loss £m (unaudited) | Line item in the statement of profit or loss |
| Forward currency risk | | | | | |
| Forward exchange contracts | (0.8) | – | Finance costs | 3.4 | Administrative expenses |

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| 22 weeks to 2 July 2022 | | | | |
|--|--|---|--|--|
| Total fair value gains or losses recognised in OCI £m | Hedge ineffectiveness recognised in profit or loss £m | Line item where hedge ineffectiveness is recognised | Amount reclassified from OCI to profit or loss £m | Line item in the statement of profit or loss |
| Forward currency risk | | | | |
| Forward exchange contracts | 13.0 | - Finance costs | 0.2 | Administrative expenses |

For the 52 weeks period ended 30 January 2021, the total fair value losses recognised in OCI of £16.7m above is shown gross of deferred taxation of £2.9m and reclassifications to profit or loss of £2.0m. The net amount included within OCI is a loss of £11.8m.

For the 52 weeks period ended 29 January 2022, the total fair value gains recognised in OCI of £10.6m above is shown gross of deferred taxation of £2.2m and reclassifications to profit or loss of £1.0m. The net amount included within OCI is a gain of £9.4m.

For the 22 weeks period ended 3 July 2021, the total fair value losses recognised in OCI of £0.8m (unaudited) above are shown gross of deferred taxation of £0.4m (unaudited) and reclassifications to profit or loss of £3.4m (unaudited), respectively. The net amount included within OCI is a gain of £2.2m (unaudited).

For the 22 weeks period ended 2 July 2022, the total fair value gains recognised in OCI of £13.0m, above are shown gross of deferred taxation of £3.2m and reclassifications to profit or loss of £0.2m, respectively. The net amount included within OCI is a gain of £10.0m.

In all periods, hedge ineffectiveness resulted from amounts of currency for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur.

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Foreign currency sensitivity analysis

The Group is mainly exposed to USD and EUR fluctuations.

The following table details the Clark Group’s sensitivity to a 10 per cent increase and decrease in currency units against the relevant foreign currencies. 10 per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period-end for a 10 per cent change in foreign currency rates. A positive number below indicates an increase in profit and other equity where currency units strengthens 10 per cent against the relevant currency. For a 10 per cent weakening of currency units against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

| Impact on | USD | | | EUR | | |
|-----------------|-------------|-------------|-------------|--------------|--------------|--------------|
| | 52 weeks to | 22 weeks to | 52 weeks to | 52 weeks to | 22 weeks to | |
| | 30 January | 29 January | 2 July | 30 January | 29 January | 2 July |
| | 2021 | 2022 | 2022 | 2021 | 2022 | 2022 |
| | £m | £m | £m | £m | £m | £m |
| Profit and loss | <u>10.2</u> | <u>0.2</u> | <u>8.7</u> | <u>(1.5)</u> | <u>(1.7)</u> | <u>(1.0)</u> |

Interest rate risk

The Clark Group is exposed to interest rate risk principally in relation to borrowings, lease liabilities and bank deposits denominated in GBP, USD, JPY and EUR. The Clark Group manages this risk by maintaining an appropriate mix between fixed and floating rate borrowings.

All bank balances carry interest at floating market rates.

Under the Revolving Credit Facility, interest rates are based upon LIBOR appropriate to the tenor of the loan. Under the Asset-Based Lending Facilities, interest rates are based upon SOFR or Sterling Overnight Index Average (“SONIA”) appropriate to the tenor of the loan. The interest rates on facilities in the UK are based on the UK base rate for GBP borrowings and the relevant LIBOR or SONIA rate for currency borrowings. The interest rates on the short-term facilities in the USA are based on LIBOR or SOFR and those in Japan are based on local rates.

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The maturity of the Clark Group’s loan and borrowings at each reporting period end was as follows:

| | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m |
|--|--------------------------------|--------------------------------|----------------------------|
| In one year or less or on demand | 7.7 | 6.3 | 5.6 |
| In more than one year but not more than two years | 187.3 | – | – |
| In more than two years but not more than five years | <u>–</u> | <u>55.0</u> | <u>55.3</u> |
| | <u>195.0</u> | <u>61.3</u> | <u>60.9</u> |

At respective period end date the Clark Group had the following undrawn net committed borrowings facilities available:

| | At 30 January 2021 £m | At 29 January 2022 £m | At 2 July 2022 £m |
|--|--------------------------------|--------------------------------|----------------------------|
| Expiring in one year | – | – | – |
| Expiring in more than one year but not more than two years | – | – | – |
| Expiring in more than two years but not more than five years | <u>–</u> | <u>133.5</u> | <u>142.0</u> |
| | <u>–</u> | <u>133.5</u> | <u>142.0</u> |

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 10 per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates.

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If interest rates had been 10 per cent higher and all other variables were held constant, the Clark Group’s profit for the 52 weeks period ended 30 January 2021, 29 January 2022 and 22 weeks period ended 2 July 2022 would decrease by £0.3m, £0.1m and £0.2m, respectively. This is mainly attributable to the Clark Group’s exposure to interest rates on its variable rate borrowings.

Liquidity risk

The cash at bank which equals cash and cash equivalents represents amounts held in bank accounts. In the management of the liquidity risk, the Clark Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Clark Group’s operations and mitigate the effects of fluctuations in cash flows. The management of the Clark Group monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Clark Group relies on bank borrowings as a significant source of liquidity. The undrawn net committed borrowings facilities available during the Track Record Period is shown in the table above.

Contractual maturity analyses for trade payables and lease liabilities are shown in Notes 19 and 26 respectively. Maturity analyses for forward exchange contracts and gross borrowings are shown in the tables laid out above.

c. Fair value of the Clark Group’s financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of Clark Group’s financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

| Financial assets/financial liabilities | Fair value as at | | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship and sensitivity of unobservable inputs to fair value |
|--|-----------------------------------|----------------------------------|-----------------------------------|----------------------|---|-----------------------------------|---|
| | 30 January 2021 £m | 29 January 2022 £m | 2 July 2022 £m | | | | |
| Forward exchange contracts | Assets: 0.2; Liabilities: 10.2 | Assets: 2.3; Liabilities: 0.5 | Assets: 15.5; Liabilities: 0.4 | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. | N/A | N/A |

APPENDIX IIB ACCOUNTANT’S REPORT OF THE CLARK GROUP

29. RECONCILIATION OF OPERATING PROFIT ITEMS TO OPERATING CASH FLOWS

| | 52 weeks to 30 January 2021 £m | 52 weeks to 29 January 2022 £m | 22 weeks to 3 July 2021 £m (unaudited) | 22 weeks to 2 July 2022 £m |
|---|---|---|--|-------------------------------------|
| (Loss) profit before taxation | (138.9) | 38.0 | 5.8 | 48.9 |
| Finance costs | 21.0 | 26.6 | 11.3 | 11.2 |
| Interest income | (2.3) | (0.2) | (0.1) | (1.0) |
| Depreciation of property, plant and equipment | 25.4 | 22.6 | 8.5 | 4.9 |
| Depreciation of right-of-use assets | 37.9 | 20.1 | 7.3 | 6.2 |
| Gain on lease modification and early termination of lease arrangements | (26.8) | (0.2) | (0.1) | (2.3) |
| Impairments losses recognised (reversed) | 1.1 | 10.9 | 0.7 | (31.2) |
| Amortisation of intangible assets | 13.1 | 15.3 | 6.9 | 6.0 |
| Write down of inventories | 2.8 | 1.8 | 0.2 | 0.7 |
| Provisions recognised (reversed) on inventories | 3.7 | (3.1) | (0.3) | 1.7 |
| Loss on disposal of intangible assets and property, plant and equipment | 1.6 | 2.5 | 0.8 | 9.2 |
| Difference between pension charge and cash contributions | (7.3) | (16.6) | (11.1) | (4.6) |
| Decrease (increase) in inventories | 24.2 | 43.2 | 6.5 | (68.3) |
| Decrease (increase) in trade and other receivables | 28.5 | 5.3 | (3.4) | (26.1) |
| (Decrease) increase in trade and other payables | (14.2) | 8.5 | (41.4) | 21.2 |
| Increase (decrease) in provisions | 1.3 | (4.1) | 4.4 | 16.1 |
| Increase (decrease) in contract liabilities | 0.5 | (1.0) | (0.8) | (1.3) |
| Unrealised exchange loss (gain) | 16.1 | (17.6) | 1.8 | (11.7) |
| | <u>16.1</u> | <u>(17.6)</u> | <u>1.8</u> | <u>(11.7)</u> |
| Net cash flow generated (used in)/from operating activities | <u>(12.3)</u> | <u>152.0</u> | <u>(3.0)</u> | <u>(20.4)</u> |

APPENDIX IIB ACCOUNTANT’S REPORT OF THE CLARK GROUP

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

30 January 2021

| | At 1 February 2020 £m | Financing and operating cash flows £m | Lease remeasurements £m | Exchange movements £m | Interest expense £m | New leases £m | Disposals/ expirations £m | At 30 January 2021 £m |
|--|--------------------------|--|----------------------------|--------------------------|------------------------|------------------|------------------------------|--------------------------|
| Loans and borrowing (exclude bank overdrafts) | 55.7 | 139.2 | – | (7.6) | – | – | – | 187.3 |
| Lease liabilities | 324.6 | (42.7) | (116.9) | (1.2) | 11.6 | 4.3 | (32.5) | 147.2 |
| Total liabilities from financing activities | 380.3 | 96.5 | (116.9) | (8.8) | 11.6 | 4.3 | (32.5) | 334.5 |

29 January 2022

| | At 30 January 2021 £m | Financing and operating cash flows £m | Lease remeasurements £m | Exchange movements £m | Interest expense £m | New leases £m | Disposals/ Expirations £m | At 29 January 2022 £m |
|--|--------------------------|--|----------------------------|--------------------------|------------------------|------------------|------------------------------|--------------------------|
| Loans and borrowing (exclude bank overdrafts) | 187.3 | (130.7) | – | (1.6) | – | – | – | 55.0 |
| Lease liabilities | 147.2 | (39.1) | 7.2 | 0.8 | 6.4 | 8.1 | (1.7) | 128.9 |
| Total liabilities from financing activities | 334.5 | (169.8) | 7.2 | (0.8) | 6.4 | 8.1 | (1.7) | 183.9 |

2 July 2022

| | At 29 January 2022 £m | Financing and operating cash flows £m | Lease remeasurements £m | Exchange movements £m | Interest expense £m | New leases £m | Disposals/ expirations £m | At 2 July 2022 £m |
|--|--------------------------|--|----------------------------|--------------------------|------------------------|------------------|------------------------------|----------------------|
| Loans and borrowing (exclude bank overdrafts) | 55.0 | (6.5) | – | 6.8 | – | – | – | 55.3 |
| Lease liabilities | 128.9 | (17.2) | 5.3 | 8.6 | 2.4 | 35.3 | (25.5) | 137.8 |
| Total liabilities from financing activities | 183.9 | (23.7) | 5.3 | 15.4 | 2.4 | 35.3 | (25.5) | 193.1 |

3 July 2021

| | At 30 January 2021 £m | Financing and operating cash flows £m | Lease remeasurements £m | Exchange movements £m | Interest expense £m | New leases £m | Disposals/ expirations £m | At 3 July 2021 £m |
|--|--------------------------|--|----------------------------|--------------------------|------------------------|------------------|------------------------------|----------------------|
| | | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Loans and borrowing (exclude bank overdrafts) | 187.3 | (92.6) | – | 0.6 | – | – | – | 95.3 |
| Lease liabilities | 147.2 | (16.4) | 6.0 | (1.4) | 2.7 | 2.2 | (1.1) | 139.2 |
| Total liabilities from financing activities | 334.5 | (109.0) | 6.0 | (0.8) | 2.7 | 2.2 | (1.1) | 234.5 |

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31. RELATED PARTY TRANSACTIONS

| Relationships | Nature of balances/transactions | 52 weeks to | 52 weeks to | 22 weeks to | 22 weeks to |
|---|---|--------------------------|--------------------------|----------------------|-------------------------------------|
| | | 30 January 2021 £m | 29 January 2022 £m | 3 July 2021 £m | 2 July 2022 £m (unaudited) |
| Immediate holding company (prior to 19 February 2021) | Interest expense (note 9) | 0.9 | - | - | - |
| | Amounts due to holding company | 24.7 | 0.1 | - | - |
| | Equity settled share-based payments | - | - | - | - |
| Immediate holding company (on or after 19 February 2021) | Preference share coupon (note 9) | - | 9.4 | 3.7 | 4.2 |
| | Other payables (note 19) | - | 109.4 | 103.7 | 113.6 |
| Intermediate holding company (on or after 19 February 2021) | Other receivables (note 17) | - | - | - | 0.5 |
| Joint venture (Note) | Trade sales | 0.3 | 4.6 | 1.0 | 1.9 |
| | Amounts due from a joint venture (note 17) | - | 4.6 | - | 4.1 |

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

32. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the directors of Clark and the directors of Topco, who collectively were the key management personnel of the Clark Group during the Track Record Period is set out below in aggregate for each of the categories specified in HKAS 24.

| | 52 weeks to 30 January 2021 £m | 52 weeks to 29 January 2022 £m | 22 weeks to 3 July 2021 £m | 22 weeks to 2 July 2022 £m |
|--|---|---|-------------------------------------|-------------------------------------|
| Fees | - | - | - | - |
| Other emoluments | 1.3 | 1.0 | 0.7 | 0.5 |
| Salaries, allowances and benefit in period | 0.3 | - | 0.1 | 0.1 |
| Retirement benefits | 0.2 | - | - | - |
| | <u>1.8</u> | <u>1.0</u> | <u>0.8</u> | <u>0.6</u> |

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

APPENDIX IIB ACCOUNTANT’S REPORT OF THE CLARK GROUP

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF CLARK

During the Track Record Period and as at the date of this report, Clark has direct shareholders’ interests in the following principal subsidiaries:

| Subsidiaries | Principal activities | Country of incorporation | Proportion ownership interest held by Clark | | | | | |
|---|----------------------|--------------------------|---|--------------------|----------------|--------------------|--------------------|----------------|
| | | | Directly | | | Indirectly | | |
| | | | At 30 January 2021 | At 29 January 2022 | At 2 July 2022 | At 30 January 2021 | At 29 January 2022 | At 2 July 2022 |
| C. & J. Clark (Holdings) Limited | Investment holding | England | 100 | 100 | 100 | - | - | - |
| C & J Clark International Limited | Shoe trading | England | - | - | - | 100 | 100 | 100 |
| C. & J. Clark (Services) Limited | Shoe trading | England | - | - | - | 100 | 100 | 100 |
| Clarks Shoes Vertriebs GmbH | Shoe trading | Germany | - | - | - | 100 | 100 | 100 |
| C & J Clark Latin America, Inc | Shoe trading | USA | - | - | - | 100 | 100 | 100 |
| C. & J. Clark America, Inc. | Shoe trading | USA | - | - | - | 100 | 100 | 100 |
| C. & J. Clark Canada Limited | Shoe trading | Canada | - | - | - | 100 | 100 | 100 |
| Clarks Shoes Benelux BV | Shoe trading | Holland | - | - | - | 100 | 100 | 100 |
| C & J Clark China Trading Company Limited | Shoe trading | China | - | - | - | 100 | 100 | 100 |
| C & J Clark (S) Pte. Limited | Shoe trading | Singapore | - | - | - | 100 | 100 | 100 |
| C&J Clark (M) Sdn Bhd | Shoe trading | Malaysia | - | - | - | 100 | 100 | 100 |
| Clarks Shoes Iberia S.A | Shoe trading | Spain | - | - | - | 100 | 100 | 100 |
| Clarks Japan Company Limited | Shoe trading | Japan | - | - | - | 100 | 100 | 100 |

34. MOVEMENTS IN CLARK’S RESERVES

| | Share premium £m | Retained earnings £m | Total £m |
|--|---------------------|-------------------------|--------------|
| At 1 February 2020 | - | 153.8 | 153.8 |
| Loss for the period | - | (23.8) | (23.8) |
| Other comprehensive income for the period | - | - | - |
| Total comprehensive loss for the period | - | (23.8) | (23.8) |
| At 30 January 2021 | - | 130.0 | 130.0 |
| Loss for the period | - | (1.3) | (1.3) |
| Other comprehensive income for the period | - | - | - |
| Total comprehensive loss for the period | - | (1.3) | (1.3) |
| Share issuance | 23.8 | - | 23.8 |
| At 29 January 2022 | 23.8 | 128.7 | 152.5 |
| Loss for the period | - | (0.2) | (0.2) |
| Other comprehensive income for the period | - | - | - |
| Total comprehensive loss for the period | - | (0.2) | (0.2) |
| At 2 July 2022 | <u>23.8</u> | <u>128.5</u> | <u>152.3</u> |

APPENDIX IIB ACCOUNTANT’S REPORT OF THE CLARK GROUP

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Clark Group, Clark or any of its subsidiaries have been prepared in respect of any period subsequent to the end of the Track Record Period.

36. EVENTS AFTER REPORTING PERIOD

In November 2022, subsequent to the 22 weeks period ended 2 July 2022, Clark Group has voluntarily recalled several styles of shoes to maintain the high standard of products’ quality. Clark Group considered this to be an adjusting event and provision of £1.9 million related to the product recall event has been made by Clark Group for the 22 weeks period ended 2 July 2022 accordingly. The management is continuously assessing the impact of the recall event.