

Registered no: 486101

**LAMBERT HOWARTH & SONS  
LIMITED**  
**Annual report**  
**for the year ended 31 December 2000**



# **LAMBERT HOWARTH & SONS LIMITED**

## **Annual report for the year ended 31 December 2000**

Registered no: 486101

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## **Directors and advisers**

### **Directors**

J C Howarth (Chairman)  
R A R Garfit (Managing Director)  
J D Gibson  
GAW Enticott (resigned 3 January 2000)

### **Registered Auditors**

PricewaterhouseCoopers  
1 Embankment Place  
LONDON  
WC2N 6RH

### **Secretary and registered office**

DL Halsey (resigned 31 December 2000)  
JM Hogg (appointed 1 January 2001)  
86 Gloucester Place  
London  
W1U 6HP

### **Bankers**

Barclays Bank plc  
ABN AMRO Bank NV

**Directors' report  
for the year ended 31 December 2000**

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

**Results and dividends**

The profit and loss account is set out on page 6 and shows the result for the year. The directors have proposed a final ordinary dividend of £5,000,000 (1999: £3,500,000).

No interim dividend was paid during the year.

**Principal activities, business review and future developments**

The principal activities of the company are the manufacture, importation and wholesaling of footwear.

The directors are satisfied with the current level of business and expect the current level of continuing activities to be maintained for the foreseeable future.

**Market value of land and buildings**

The current market value of land and buildings is not considered to be materially different from their net book value.

**Charitable and political contributions**

During the year the company made charitable contributions of £2,385 (1999: £6,929).

**Directors**

The directors of the company during the year are listed on page 1.

**Directors' interests in shares**

No beneficial interest in the shares of the company or fellow subsidiary undertakings are held by the directors.

Messrs R A R Garfit, J C Howarth and J D Gibson are directors of the ultimate holding company, and their beneficial interests in the shares of that company are disclosed in that company's financial statements.

The interests of the other directors in the share capital of the ultimate holding company, Lambert Howarth Group p.l.c, at the beginning of the year and the date of resignation are as shown below:

	Number of ordinary shares			
	3 January 2000		31 December 1999	
	Shares	Options	Shares	Options
G A W Enticott	28,896	6,914	28,896	6,914

During the year none of the directors had a material interest in a significant contract with the company other than a service agreement.

### **Employees**

The company gives full and fair consideration to applications for employment made by disabled persons. If employed persons become disabled, all possible assistance is given to enable them to continue in their existing job, or in an alternative situation within the company or group. All employees, whether disabled or not, share in any available opportunity for training and progression.

The company is committed to a policy of communication and consultation with its employees. Joint consultation procedures exist and financial and economic factors affecting the performance of the company are discussed and copies of the group accounts are issued to employees on request.

### **Statement of directors' responsibilities**

Company law requires the director to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2000 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Payments to suppliers

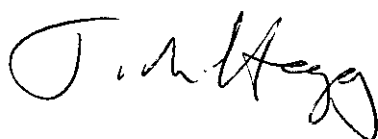
Whilst no formal Code is applied, the company's policy is to pay suppliers according to agreed terms of business. These terms are agreed with suppliers upon entering into binding contracts and the company's policy is to adhere to the payment terms providing the relevant goods or services have been supplied in accordance with the contracts.

The company's average creditor payment period at 31 December 2000 was 28 days (1999: 27 days).

## Auditors

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By order of the board

A handwritten signature in dark ink, appearing to read 'J M Hogg', is written over the printed name and title.

**J M Hogg**  
**Company Secretary**

13 March 2001

## **Auditors' report to the members of LAMBERT HOWARTH & SONS LIMITED**

We have audited the financial statements on pages 6 to 17.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

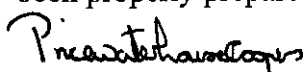
### **Basis of audit opinion**

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

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

### **Opinion**

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



**PricewaterhouseCoopers**  
**Chartered Accountants and Registered Auditors**  
London

13 March 2001

**Profit and loss account  
for the year ended 31 December 2000**

	Notes	2000 £	1999 £
<b>Turnover</b>	2	77,352,289	84,434,021
Costs of sales		<u>(60,300,419)</u>	<u>(62,473,613)</u>
<b>Gross profit</b>		17,051,870	21,960,408
Selling and distribution expenses		<u>(5,672,091)</u>	<u>(5,676,453)</u>
Administrative expenses		<u>(3,127,363)</u>	<u>(6,845,709)</u>
<b>Operating profit</b>	3	8,252,416	9,438,246
Interest receivable		21,530	181,042
Interest payable and similar charges	5	<u>(47,167)</u>	<u>(420,244)</u>
<b>Profit on ordinary activities before taxation</b>	6	8,226,779	9,199,044
Taxation on profit on ordinary activities	7	<u>(1,692,230)</u>	<u>(2,827,937)</u>
<b>Profit on ordinary activities after taxation</b>	17	6,534,549	6,371,107
Dividends	8	<u>(5,000,000)</u>	<u>(3,500,000)</u>
<b>Retained profit for the year</b>	16, 17	<u>1,534,549</u>	<u>2,871,107</u>

All activities are in respect of continuing operations.

The company has no recognised gains and losses other than those included in the profit above and therefore no separate statement of total recognised gains and losses has been presented.

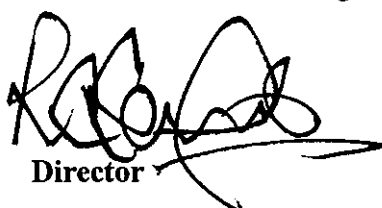
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year as stated above, and their historical cost equivalents.



**Balance sheet  
at 31 December 2000**

	Notes	2000 £	£	1999 £	£
<b>Fixed assets</b>					
Tangible assets	9	7,268,390		2,936,791	
Investments	10	109,338		109,338	
		<u>7,377,728</u>		<u>3,046,129</u>	
<b>Current assets</b>					
Stocks	11	10,481,227		11,795,918	
Debtors	12	6,295,190		5,186,731	
Cash at bank and in hand		8,868,871		9,341,175	
		<u>25,645,288</u>		<u>26,323,824</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(27,257,568)</u>		<u>(25,209,621)</u>	
<b>Net current (liabilities)/assets</b>		<u>(1,612,280)</u>		<u>1,114,203</u>	
<b>Total assets less current liabilities</b>		<b>5,765,448</b>		<b>4,160,332</b>	
<b>Provisions for liabilities and charges</b>	14	<b>(162,609)</b>		<b>(92,042)</b>	
<b>Net assets</b>		<u><b>5,602,839</b></u>		<u><b>4,068,290</b></u>	
<b>Capital and reserves</b>					
Called up share capital	15	332,443		332,443	
Share premium		24,883		24,883	
Capital redemption reserve		74,419		74,419	
Profit and loss account	16	5,171,094		3,636,545	
<b>Equity shareholders' funds</b>	17	<u><b>5,602,839</b></u>		<u><b>4,068,290</b></u>	

The financial statements on pages 6 to 17 were approved by the board of directors on 13 March 2001 and were signed on its behalf by:

  
Director

**Notes to the financial statements  
for the year ended 31 December 2000****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention.

**Turnover**

Turnover represents the amount receivable, excluding value added tax, for goods supplied to customers in the normal course of business.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. The cost of partly and fully processed stock includes an appropriate amount for attributable overhead expenses.

**Depreciation**

Depreciation is provided to write-off the cost or valuation of tangible assets to their residual value, on a straight line basis, over the following periods:

Freehold and long leasehold buildings	- 25 to 40 years
Short leaseholds	- over the life of the lease
Plant, machinery and equipment	- 5 to 10 years
Computer equipment	- 3 years
Motor vehicles	- 4 years
Moulds	- 2 years

Freehold and long leasehold land is not depreciated as the directors consider that the lives of these assets are so long that any element of depreciation as required by the Companies Act 1985 and accounting standards would not be material.

**Deferred taxation**

This represents the maximum liabilities to corporation tax which is expected to crystallise in the foreseeable future as a result of:

- (a) timing differences between the balance sheet written down value and the tax written down value of fixed assets on which capital allowances are granted for tax purposes; and
- (b) other timing differences reduced by the availability of unrelieved trading losses.

## **Foreign currency**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the year end or, where applicable, at the estimated sterling equivalent, taking account of future foreign exchange and similar contracts.

Exchange differences, including those arising from currency conversions in the usual course of trading, are taken into account in determining profit on ordinary activities before taxation.

## **Pension contributions**

The expected costs of pensions in respect of the company's defined benefit pension scheme is charged to the profit and loss account on a systematic basis over the average service lives of employees in the scheme. The cost is calculated in accordance with the recommendations of qualified actuaries.

Any experience surpluses or deficiencies that may arise from time to time are amortised over the average working lives of employees currently covered by the scheme.

## **Related party transactions**

The company has taken advantage of the exemption available under paragraph 3(c) of Financial Reporting Standard No 8, allowing non-disclosure of transactions between group undertakings.

## **Operating leases**

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

## **Group accounts and cash flow statement**

The company is exempt under the terms of Financial Reporting Standard No 1 (revised) from publishing a cash flow statement.

Under the provisions of section 228 Companies Act 1985, group accounts have not been prepared as this company is a wholly owned subsidiary of Lambert Howarth Group p.l.c. The results and cash flows of this company and its subsidiary undertakings are included within the group accounts prepared by Lambert Howarth Group p.l.c.

## **Government Grants**

Government grants relating to fixed assets are credited to deferred income, and are released to the profit and loss account over the expected useful economic lives of the assets concerned.

## **Investments in subsidiary undertakings**

Investments in subsidiary undertakings comprise share interests and long term loans and are stated at cost less any provision for diminution in value.

**Changes in presentation of financial information**

FRS15 "Tangible fixed assets" and FRS16 "Current tax" came into effect for these financial statements. These have not resulted in any changes in presentation.

**2 Turnover**

	2000	1999
	£	£
<b>Geographical analysis, by destination</b>		
United Kingdom	72,455,487	79,050,608
Europe	4,371,016	5,292,016
Other	525,786	91,397
	<u>77,352,289</u>	<u>84,434,021</u>

The origin of all turnover is wholly within the United kingdom, except for £294,000 (1999: £536,000) supplied from Portugal.

**3 Employees**

The average number of employees (including directors) during the year was as follows:

	2000	1999
	Number	Number
Manufacturing	-	47
Administration and sales	195	201
	<u>195</u>	<u>248</u>

The aggregate remuneration paid to those employees was:

	2000	1999
	£	£
Wages and salaries	2,087,341	4,361,365
Social security costs	163,098	406,180
Other pension costs	182,589	331,659
	<u>2,433,028</u>	<u>5,099,204</u>

## 4 Directors

	2000	1999
	£	£
Directors' emoluments consist of:		
Aggregate emoluments (excluding gains on exercise of share options)	285,288	578,935
Company contributions to money purchase scheme	7,339	43,225

Retirement benefits are accruing to all of the directors under the holding company's defined benefit scheme. During the year one (1998: nil) director exercised his share options in the ultimate parent company.

Highest paid director

Aggregate emoluments	137,456	279,661
Gains on exercise of share options	-	8,445
Defined benefit scheme:		
Accrued pension at the year end	26,016	64,302

## 5 Interest payable and similar charges

	2000	1999
	£	£
On bank loans and overdrafts	47,167	52,839
On inter-company loans	-	367,080
Other interest	-	325
	47,167	420,244

## 6 Profit on ordinary activities before taxation

		1999
		£
This has been arrived at after charging		
Auditors' remuneration		
- Audit	42,000	42,000
Depreciation	177,510	231,729
Loss on disposal of fixed assets	(28,894)	9,345
Operating lease payments:		
- Plant, machinery and vehicles	111,502	180,200
- Land and buildings	224,435	100,413
Royalties	163,146	18,065

**7 Taxation on profit from ordinary activities**

	2000	1999
	£	£
<b>Current year</b>		
UK corporation tax at 30% (1999: 30.25%)		
- current	1,624,678	2,590,132
- deferred	34,270	92,042
Under/(over) provision in prior years		
- current	(3,015)	145,763
- deferred	36,297	-
	<u>1,692,230</u>	<u>2,827,937</u>

**8 Dividends**

	2000	1999
	£	£
Final dividend of 300.80 pence (1999: 210.56 pence) per share	<u>5,000,000</u>	<u>3,500,000</u>
	<u>5,000,000</u>	<u>3,500,000</u>

9 Tangible assets

	Freehold land and Buildings	Long leasehold land and buildings	Plant, machinery, equipment and motor vehicles	Total
	£	£	£	£
<b>Cost and valuation</b>				
At 1 January 2000	3,091,964	-	998,655	4,090,619
Additions	11,296	4,209,979	391,468	4,612,743
Transfers from group undertakings	-	-	160,582	160,582
Disposals	(23,228)	-	(101,430)	(124,658)
Transfers to group undertakings	-	-	(306,440)	(306,440)
<b>At 31 December 2000</b>	<b>3,080,032</b>	<b>4,209,979</b>	<b>1,142,835</b>	<b>8,432,846</b>
<b>Depreciation</b>				
At 1 January 2000	532,038	-	621,790	1,153,828
Charge for year	42,615	-	134,895	177,510
Transfer from group undertakings	-	-	142,410	142,410
Disposals	(638)	-	(97,263)	(97,901)
Transfer to group undertakings	-	-	(211,391)	(211,391)
<b>At 31 December 2000</b>	<b>574,015</b>	<b>-</b>	<b>590,441</b>	<b>1,164,456</b>
<b>Net book value</b>				
<b>At 31 December 2000</b>	<b>2,506,017</b>	<b>4,209,979</b>	<b>552,394</b>	<b>7,268,390</b>
At 31 December 1999	2,559,926	-	376,865	2,936,791

2000                      1999  
£                              £

The cost of freehold and long leasehold buildings,  
subject to depreciation, included above amounts to

2,044,323                      2,120,405

It is not possible to segregate certain figures relating to freehold and long leasehold land and buildings. However, the earliest date on which any long lease expires is in the year 2081.

**10 Fixed asset investments**

	Investment in joint venture £	Subsidiary £	Total £
<b>Cost</b>			
<i>At 1 January and 31 December 2000</i>	<u>109,336</u>	<u>2</u>	<u>109,338</u>

In the opinion of the directors the aggregate value of the above shares is not less than the amount at which it is stated in the financial statements.

Subsidiary and joint venture	Country of registration and of incorporation	Class	Cost £	Shares held %
Lambert Howarth Manufacturing Limited	England	Ordinary	2	100
Glovar-Industrier de Calcado S.A.	Portugal	Ordinary	109,336	30

Lambert Howarth Manufacturing Limited is dormant and made neither profits nor losses during the year. The investment in Glovar-Industrier de Calcado S.A. is regarded as a joint venture as it is a long term investment over which the company exercises joint control. At 31 December 2000, Glovar-Industrier de Calcado S.A. had net assets of £110,000 and incurred a profit for the financial year then ended of £1,000.

**11 Stocks**

	2000 £	1999 £
Raw materials	63,350	62,594
Finished goods held for resale	<u>10,417,877</u>	<u>11,733,324</u>
	<u>10,481,227</u>	<u>11,795,918</u>

**12 Debtors**

	2000 £	1999 £
Trade debtors	4,723,466	2,870,337
Amount owed by group undertakings	781,706	1,763,555
Other debtors	61,136	-
Prepayments and accrued income	<u>728,882</u>	<u>552,839</u>
	<u>6,295,190</u>	<u>5,186,731</u>



**13 Creditors: amounts falling due within one year**

	2000	1999
	£	£
Bank overdraft	17,573	4,567,389
Trade creditors	4,517,748	-
Amount owed to holding company	6,045,191	-
Amounts owed to fellow subsidiary undertakings	9,746,380	10,000,221
Taxation and social security	1,209,478	3,798,213
Corporation tax	714,451	1,738,302
Other creditors	2,036	42,598
Accruals	4,711	1,562,898
Proposed dividend	5,000,000	3,500,000
	<u>27,257,568</u>	<u>25,209,621</u>

**14 Deferred taxation**

The total potential and provided deferred tax, which is all in respect of accelerated capital allowances, is stated below.

	2000	1999
	£	£
At 1 January	92,042	-
Debit to profit and loss	<u>70,567</u>	<u>92,042</u>
At 31 December	<u>162,609</u>	<u>92,042</u>

**15 Share capital**

	2000	1999
	£	£
<b>Authorised</b>		
2,500,000 (1999: 2,500,000) ordinary shares of 20p each	<u>500,000</u>	<u>500,000</u>
<b>Allotted, called up and fully paid</b>		
1,662,217 (1999: 1,662,217) ordinary shares of 20p each	<u>332,443</u>	<u>332,443</u>

**16 Reserves**

	Profit and loss account £
At 1 January	3,636,545
Retained profit for year	<u>1,534,549</u>
At 31 December 2000	<u>5,171,094</u>

**17 Reconciliation of movements in equity shareholders' funds**

	2000 £	1999 £
Profit for year	6,534,549	6,371,107
Dividends	<u>(5,000,000)</u>	<u>(3,500,000)</u>
Net increase in funds	1,534,549	2,871,107
Opening equity shareholders' funds	<u>4,068,290</u>	<u>1,197,183</u>
Closing equity shareholders' funds	<u>5,602,839</u>	<u>4,068,290</u>

**18 Pensions**

The company contributes to both defined contribution and the Group's defined benefit pension schemes, the assets of which are administered by trustees separately from the company's funds.

The pension costs for the funded defined benefit schemes is based upon the formal actuarial valuation of the schemes as at 31 March 1998. The actuarial method used was the projected unit method.

The most significant assumptions for their effect on the pension cost are as follows:

Investment return	9.5% per annum
Rate of salary increase	8% - 8.5% per annum
Rate of pension escalation	4% per annum (3% per annum pre 31 March 1997)
Rate of increase in income from investments	5.75% on dividends from equities

The pension costs that are charged to the profit and loss account are based on the pension costs across the Group as a whole.

The particulars of the most recent actuarial valuation are contained within the financial statements of Lambert Howarth Group p.l.c.

## 19 Capital commitments

	2000	1999
	£	£
Contracted but not provided for	<u>410,000</u>	<u>Nil</u>

This committed expenditure relates to property refurbishment.

## 20 Contingent liabilities

The company has given cross guarantees to the bankers of the parent company and certain fellow subsidiary undertakings. The guaranteed amount at 31 December 2000 was £nil (1999: £nil).

ABN AMRO Bank NV has provided a guarantee in favour of HM Customs & Excise on behalf of the company. The amount guaranteed is £1,200,000 (199: £800,000).

### Commitments under operating leases

As at 31 December 2000, the company had annual commitments under non-cancellable operating leases as set out below:

	2000		1999	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Operating leases which expire:				
Within one year	57,360	-	-	44,620
In two to five years	-	-	-	37,468
Over five years	<u>227,644</u>	-	<u>165,824</u>	-
	<u>285,004</u>	-	<u>165,824</u>	<u>82,088</u>

## 21 Forward transactions

The company had forward foreign exchange transactions outstanding at 31 December 2000 with a sterling equivalent of £34,785,000 (1999: £82,252,000) to hedge against future operating payments in various currencies.

## 22 Ultimate parent company

Lambert Howarth Group p.l.c, which is registered in England and Wales is regarded by the directors as this company's ultimate parent company. A copy of the group financial statements can be obtained from its registered office at 86 Gloucester Place, London, W1U 6HP.