

Registered no: 486101

**LAMBERT HOWARTH & SONS
LIMITED**

Annual report

for the year ended 31 December 1999



LAMBERT HOWARTH & SONS LIMITED

Annual report for the year ended 31 December 1999

Registered no: 486101

	Pages
Directors and advisers	1
Directors' report	2 - 4
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 18

LAMBERT HOWARTH & SONS LIMITED

1

Directors and advisers

Directors

J C Howarth (Chairman)
R A R Garfit (Managing Director)
J D Gibson
G A W Enticott

Registered Auditors

PricewaterhouseCoopers
1 Embankment Place
LONDON
WC2N 6NN

Secretary and registered office

D L Halsey
Healey Royd
BURNLEY
Lancashire
BB11 2HL

Bankers

Barclays Bank plc
ABN AMRO Bank NV

**Directors' report
for the year ended 31 December 1999**

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

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 £3,500,000 (1998: £nil).

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 £6,929 (1998: £9,659).

Directors

The directors of the company during the year were:

R A R Garfit
J D Gibson
J C Howarth
G A W Enticott

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 other directors in the share capital of the ultimate holding company, Lambert Howarth Group p.l.c, at the beginning and end of the year were as shown below:

	Number of ordinary shares			
	31 December 1999		31 December 1998	
	Shares	Options	Shares	Options
G A W Enticott	28,896	6,914	47,546	8,014

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 directors 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. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records 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 1999 was 27 days (1998: 30 days).

Year 2000

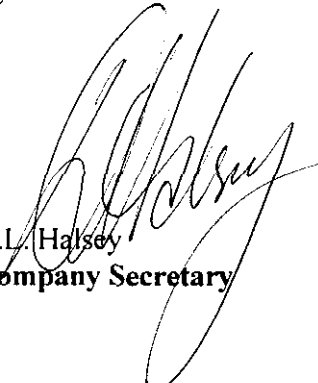
The company had produced a detailed programme to meet the issues of the Year 2000. The plans, which provided for the identification and implementation of software system modifications and the introduction of new systems, recognised the risks that may arise in relation to the supply base and the consequences of failure of third party enterprises. The company had taken practical and reasonable steps to reduce its exposure to such events and to date we are able to report that there have been no significant issues resulting from the date change to 2000.

The costs specific to the year 2000 were not significant for the company and were met as incurred.

Auditors

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

By order of the board



D.L. Halsey
Company Secretary

7.3.2000

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

We have audited the financial statements on pages 6 to 18.

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.

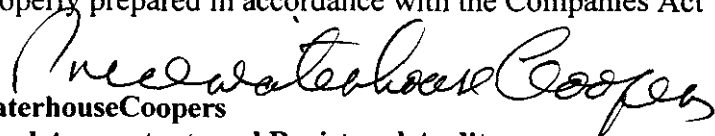
Basis of audit opinion

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 1999 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

7th March 2000

**Profit and loss account
for the year ended 31 December 1999**

	Notes	1999 Continuing £	1999 Discontinued £	1999 £	1998 £
Turnover	2	83,698,068	735,953	84,434,021	74,877,493
Costs of sales		(62,035,277)	(438,336)	(62,473,613)	(57,229,390)
Gross profit		<u>21,662,791</u>	<u>297,617</u>	<u>21,960,408</u>	<u>17,648,103</u>
Selling and distribution expenses		(5,619,037)	(57,416)	(5,676,453)	(4,796,519)
Administration expenses		(6,671,107)	(174,602)	(6,845,709)	(5,475,809)
Operating profit	3	<u>9,372,647</u>	<u>65,599</u>	<u>9,438,246</u>	<u>7,375,775</u>
Cost of termination of discontinued operations				-	(3,199,917)
Interest receivable				181,042	147,084
Interest payable and similar charges	6			(420,244)	(633,389)
Profit on ordinary activities before taxation	7			<u>9,199,044</u>	<u>3,689,553</u>
Taxation on profit on ordinary activities	8			(2,827,937)	(1,435,827)
Profit on ordinary activities after taxation	19			<u>6,371,107</u>	<u>2,253,726</u>
Dividends	9			(3,500,000)	(3,000,000)
Retained profit/(loss) for the year	19			<u>2,871,107</u>	<u>(746,274)</u>

The company has no recognised gains and losses other than those included in the profit/(loss) 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/(loss) for the year as stated above, and their historical cost equivalents.

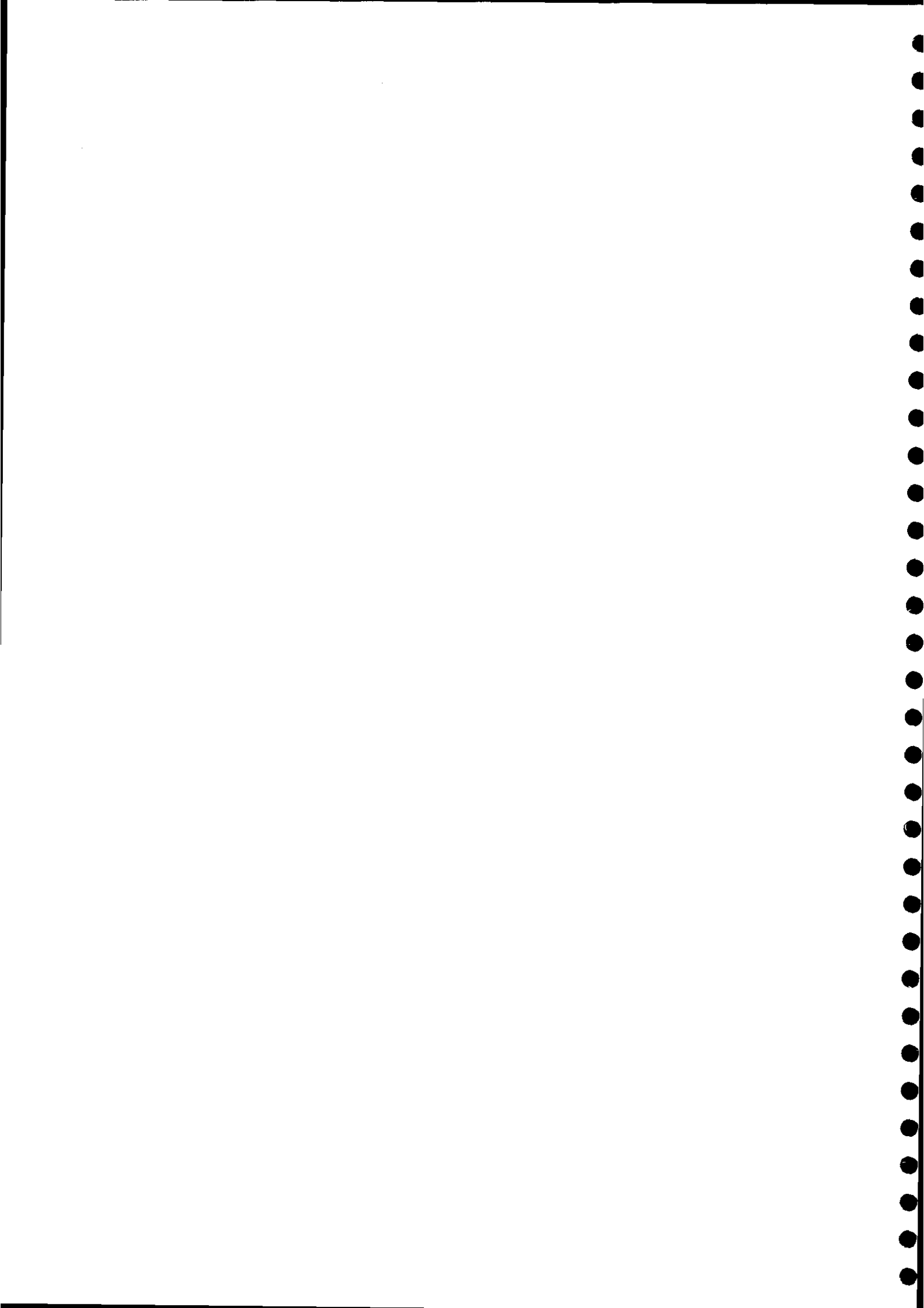
**Balance sheet
at 31 December 1999**

	Notes	1999		1998	
		£	£	£	£
Fixed assets					
Tangible assets	10		2,936,791		3,235,316
Investments	11		109,338		2
			<u>3,046,129</u>		<u>3,235,318</u>
Current assets					
Stocks	12	11,795,918		8,662,955	
Debtors	13	5,186,731		3,754,918	
Cash at bank and in hand		9,341,175		9,487,381	
		<u>26,323,824</u>		<u>21,905,254</u>	
Creditors: amounts falling due within one year	14	<u>(25,209,621)</u>		<u>(23,870,139)</u>	
Net current assets/(liabilities)			<u>1,114,203</u>		<u>(1,964,885)</u>
Total assets less current liabilities			<u>4,160,332</u>		<u>1,270,433</u>
Creditors: amounts falling due after more than one year	15		-		(73,250)
Provisions for liabilities and charges	16		(92,042)		-
Net assets			<u>4,068,290</u>		<u>1,197,183</u>
Capital and reserves					
Called up share capital	17		332,443		332,443
Share premium			24,883		24,883
Capital redemption reserve			74,419		74,419
Profit and loss account	18		3,636,545		765,438
Equity shareholders' funds	19		<u>4,068,290</u>		<u>1,197,183</u>

The financial statements on pages 6 to 18 were approved by the board of directors on 7 March 2000 and were signed on its behalf by:



Director



**Notes to the financial statements
for the year ended 31 December 1999****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.

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.

Consolidation 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.

2 Turnover

	1999	1998
	£	£
United Kingdom	79,050,608	74,604,244
Europe	5,292,016	273,249
Other	91,397	-
	<u>84,434,021</u>	<u>74,877,493</u>

3 Operating profit

The profit and loss account in the 1998 Annual Report was prepared on the basis of Format 2 of the Companies Act 1985. Under this format non-exceptional operating costs were divided into changes in stocks of finished goods and work in progress; raw materials, goods for resale and consumables; other external charges; staff costs; depreciation and other operating charges. In the opinion of the directors, this format, which is more suited to manufacturing businesses, has become increasingly less appropriate.

The strategy pursued in recent years has been to reduce the company's exposure to high cost UK manufacturing. A major restructuring of the business has taken place, and the strategic decision to supply products to our customers from overseas resources has now been implemented following the closure of our Lancashire production facility in February 1999.

The Board believes that Format 1 more appropriately reflects the company's activities as a design, resourcing and distribution business. Consequently, this format has been adopted for 1999, and the comparative figures for 1998 have been restated.

4 Employees

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

	1999 Number	1998 Number
Manufacturing	47	364
Administration and sales	201	205
	<u>248</u>	<u>569</u>

The aggregate remuneration paid to those employees was:

	1999 £	1998 £
Wages and salaries	4,361,365	6,770,939
Social security costs	406,180	527,926
Other pension costs	331,659	339,966
	<u>5,099,204</u>	<u>7,638,831</u>

5 Directors

	1999 £	1998 £
Directors' emoluments consist of:		
Aggregate emoluments (excluding gains on exercise of share options)	578,935	429,179
Company contributions to money purchase scheme	43,225	-
Compensation payments for loss of office	-	112,756
	<u>-</u>	<u>112,756</u>

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

Highest paid director		
Aggregate emoluments	279,661	163,151
Gains on exercise of share options	8,445	-
Defined benefit scheme:		
Accrued pension at the year end	<u>64,302</u>	<u>55,104</u>

6 Interest payable and similar charges

	1999	1998
	£	£
On bank loans and overdrafts	52,839	266,926
On inter-company loans	367,080	365,560
Other interest	325	903
	<u>420,244</u>	<u>633,389</u>

7 Profit on ordinary activities before taxation

	1999	1998
	£	£
This has been arrived at after charging		
Auditors' remuneration		
- Audit	42,000	45,000
Depreciation	231,729	466,890
Loss on disposal of fixed assets	9,345	39,342
Operating lease payments:		
- Plant, machinery and vehicles	180,200	178,399
- Land and buildings	100,413	17,090
Royalties	18,065	104,410
Permanent diminution in value of fixed assets	-	870,000
	<u>-</u>	<u>870,000</u>

8 Taxation on profit from ordinary activities

	1999	1998
	£	£
Current year		
UK corporation tax at 30.25% (1998: 31%)		
- current	2,590,132	1,197,589
- deferred	92,042	-
Under/(over) provision in prior years		
- current	145,763	291,238
- deferred	-	(53,000)
	<u>2,827,937</u>	<u>1,435,827</u>

9 Dividends

	1999	1998
	£	£
Interim dividend paid of nil pence (1998: 180.48 pence) per share	-	3,000,000
Final dividend of 210.56 pence (1998: nil pence) per share	3,500,000	-
	<u>3,500,000</u>	<u>3,000,000</u>

10 Tangible assets

	Freehold land and buildings	Plant, machinery, equipment and motor vehicles	Total
	£	£	£
Cost and valuation			
At 1 January 1999	3,596,193	3,994,829	7,591,022
Additions	2,538	211,362	213,900
Transfers from group undertakings	586,180	-	586,180
Disposals	(230,045)	(2,615,495)	(2,845,540)
Transfers to group undertakings	(862,902)	(592,041)	(1,454,943)
At 31 December 1999	3,091,964	998,655	4,090,619
Depreciation			
At 1 January 1999	996,167	3,359,539	4,355,706
Charge for year	43,537	188,192	231,729
Transfer from group undertakings	40,885	-	40,885
Disposals	(105,649)	(2,465,508)	(2,571,157)
Transfer to group undertakings	(442,902)	(460,433)	(903,335)
At 31 December 1999	532,038	621,790	1,153,828
Net book value			
At 31 December 1999	2,559,926	376,865	2,936,791
At 31 December 1998	2,600,026	635,290	3,235,316
		1999	1998
		£	£
The cost of freehold and long leasehold buildings, subject to depreciation, included above amounts to		2,120,405	2,227,280

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 2850.

11 Fixed asset investments

	Trade investment £	Subsidiary £	Total £
Cost			
At 1 January 1999	-	2	2
Additions in year	109,336	-	109,336
At 31 December 1999	109,336	2	109,338

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	Country of registration and of incorporation	Class	Cost £	Shares held %
Lambert Howarth Manufacturing Limited	England	Ordinary	2	100
Glover-Industries de Calçado S.A.	Portugal	Ordinary	109,336	30

Lambert Howarth Manufacturing Limited is dormant and made neither profits nor losses during the year.

12 Stocks

	1999 £	1998 £
Raw materials	62,594	174,866
Work in progress	-	225,677
Finished goods held for resale	11,733,324	8,262,412
	11,795,918	8,662,955

13 Debtors

	1999 £	1998 £
Trade debtors	2,870,337	2,478,382
Amount owed by group undertakings	1,763,555	751,438
Other debtors	-	39,472
Prepayments and accrued income	552,839	485,626
	5,186,731	3,754,918

14 Creditors: amounts falling due within one year

	1999	1998
	£	£
Bank overdraft	4,567,389	578,574
Trade creditors	-	4,823,042
Amounts owed to fellow subsidiary undertakings	10,000,221	10,295,975
Taxation and social security	3,798,213	3,734,220
Corporation tax	1,738,302	975,956
Other creditors	42,598	107,352
Accruals	1,562,898	3,352,895
Deferred income - government grants	-	2,125
Proposed dividend	3,500,000	-
	<u>25,209,621</u>	<u>23,870,139</u>

15 Creditors: amounts falling due after more than one year

	1999	1998
	£	£
Deferred income - government grants	<u>-</u>	<u>73,250</u>

16 Deferred taxation

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

	1999	1998
	£	£
At 1 January	-	53,000
Debit/(credit) to profit and loss	<u>92,042</u>	<u>(53,000)</u>
At 31 December	<u>92,042</u>	<u>-</u>

17 Share capital

	1999	1998
	£	£
Authorised		
2,500,000 (1998: 2,500,000) ordinary shares of 20p each	<u>500,000</u>	<u>500,000</u>
Allotted, called up and fully paid		
1,662,217 (1998: 1,662,217) ordinary shares of 20p each	<u>332,443</u>	<u>332,443</u>

18 Reserves

	Profit and loss account £
At 1 January 1999	765,438
Retained profit for year	<u>2,871,107</u>
At 31 December 1999	<u>3,636,545</u>

19 Reconciliation of movements in equity shareholders' funds

	1999 £	1998 £
Profit for year	6,371,107	2,253,726
Dividends	<u>(3,500,000)</u>	<u>(3,000,000)</u>
Net increase/(decrease) in funds	2,871,107	(746,274)
Opening equity shareholders' funds	<u>1,197,183</u>	<u>1,943,457</u>
Closing equity shareholders' funds	<u>4,068,290</u>	<u>1,197,183</u>

20 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.

21 Capital commitments

	1999 £	1998 £
Contracted but not provided for	<u>Nil</u>	<u>Nil</u>

22 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 1999 was £nil (1998: £nil).

ABN AMRO Bank NV has provided a guarantee in favour of HM Customs & Excise on behalf of the company. The amount guaranteed is £800,000 (1998: £500,000).

Commitments under operating leases

As at 31 December 1999, the company had annual commitments under non-cancellable operating leases as set out below:

	1999		1998	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Operating leases which expire:				
Within one year	-	44,620	-	6,152
In two to five years	-	37,468	-	128,048
Over five years	<u>165,824</u>	<u>-</u>	<u>54,000</u>	<u>-</u>
	<u>165,824</u>	<u>82,088</u>	<u>54,000</u>	<u>134,200</u>

23 Forward transactions

The company had forward foreign exchange transactions outstanding at 31 December 1999 with a sterling equivalent of £82,252,000 (1998: £72,393,000) to hedge against future operating payments in various currencies.

24 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 Healey Royd, Burnley, Lancashire, BB11 2HL.