

Registered no: 486101

LAMBERT HOWARTH LIMITED
(formerly Lambert Howarth & Sons Limited)

ANNUAL REPORT

for the year ended 31 December 2003



LAMBERT HOWARTH LIMITED
(formerly Lambert Howarth & Sons Limited)
Annual report
for the year ended 31 December 2003

	Pages
Directors and advisers	1
Directors' report	2 - 3
Independent auditors report	4
Profit and loss account	5
Balance Sheet	6
Notes to the financial statements	7 - 15

LAMBERT HOWARTH LIMITED

(formerly Lambert Howarth & Sons Limited)

Directors and advisers

Directors

R A Brainin
J D Gibson

Secretary

J M Hogg

Registered office

26 Manchester Square
London
W1U 3PZ

Registered auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

LAMBERT HOWARTH LIMITED

(formerly Lambert Howarth & Sons Limited)

Directors' report

for the year ended 31 December 2003

The directors present their report and the audited financial statements of the company for the year ended 31 December 2003. During the year the company changed its name from Lambert Howarth & Sons Limited to Lambert Howarth Limited by resolution dated 12 June 2003.

Results and dividends

The profit and loss account is set out on page 5 and shows the result for the year. The directors do not propose the payment of a final ordinary dividend (2002: £nil).

An interim dividend of £nil (2002: £5,750,000) 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.

Charitable and political contributions

During the year the company made charitable contributions of £nil (2002: £2,520).

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 Brainin and JD 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.

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.

LAMBERT HOWARTH LIMITED

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. 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 2003 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.

Payment to suppliers

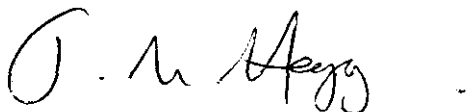
Whilst no formal Code is applied, the company's policy is to pay suppliers according to agreed terms of business. These terms are agreed with suppliers upon entering into binding contracts and the company's policy is to adhere to the payment terms providing the relevant goods or services have been supplied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

The company's average creditor payment period at 31 December 2003 was 18 days (2002: 15 days).

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the next annual general meeting.

By order of the board



J M Hogg
Company Secretary

11 March 2004

Independent auditors' report to the members of LAMBERT HOWARTH LIMITED

(formerly Lambert Howarth & Sons Limited)

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.


Basis of audit opinion

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

We planned and performed our audit so as to obtain all 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

11 March 2004

LAMBERT HOWARTH LIMITED
(formerly Lambert Howarth & Sons Limited)
Profit and loss account
for the year ended 31 December 2003

	Notes	2003 £	2002 £
Turnover	2	65,501,334	75,139,539
Cost of sales		(50,978,530)	(58,691,772)
Gross profit		14,522,804	16,447,767
Selling and distribution costs		(5,395,709)	(6,262,234)
Administrative expenses		(5,099,878)	(4,676,449)
Operating profit		4,027,217	5,509,084
Interest payable and similar charges	5	(436,242)	(758,471)
Profit on ordinary activities before taxation	6	3,590,975	4,750,613
Taxation on profit on ordinary activities	7	(1,071,667)	(1,609,157)
Profit on ordinary activities after taxation		2,519,308	3,141,456
Dividends payable	8	-	(5,750,000)
Retained profit/(loss) for the financial year	16	2,519,308	(2,608,544)

The above results all relate to continuing operations.

The company had no gains or losses other than those included in the profit above. 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 years stated above and their historical cost equivalents.

LAMBERT HOWARTH LIMITED

(formerly Lambert Howarth & Sons Limited)

Balance sheet

at 31 December 2003

	Notes	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	9	5,438,441		5,632,615	
Investments	10	<u>221,838</u>		<u>221,838</u>	
		5,660,279		5,854,453	
Current assets					
Stock	11	5,701,552	7,511,850		
Debtors	12	2,878,455	3,709,571		
Cash at bank and in hand		<u>5,318,776</u>	<u>1,344,623</u>		
		13,898,783	12,566,044		
Creditors: amounts falling due within one year	13	<u>(16,260,650)</u>	<u>(17,742,139)</u>		
Net current liabilities		<u>(2,361,867)</u>		<u>(5,176,095)</u>	
Total assets less current liabilities		3,298,412		678,358	
Provisions for liabilities and charges	14	(325,387)		(224,641)	
Net assets		<u>2,973,025</u>		<u>453,717</u>	
Capital and reserves					
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	<u>2,541,280</u>	<u>21,972</u>		
Equity Shareholders' funds	17	<u>2,973,025</u>	<u>453,717</u>		

The financial statements on pages 5 to 15 were approved by the board of directors on 11 March 2004 and were signed on its behalf by:

Director



LAMBERT HOWARTH LIMITED (formerly Lambert Howarth & Sons Limited)

Notes to the financial statements

for the year ended 31 December 2003

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the most significant 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 net of returns and trade discounts supplied to customers in the normal course of business. Provisions for returns are deducted from trade debtors and are estimated based upon the group's historical rate of returns.

FRS5 (Application note G) which sets out the basic principles of revenue recognition was effective for periods ending on or after 23 December 2003. Adoption of this new application note has not had an impact on the revenue recognition policies of the group.

Stocks

Stocks are stated at the lower of cost and net realisable value. Provisions are made for slow-moving and obsolete stock based on directors' estimates. The cost of partly and fully processed stock includes an appropriate amount for overhead expenses.

Depreciation

Tangible fixed assets are carried at cost less any provision for permanent impairment in value.

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

Deferred tax is provided in respect of all timing differences that have originated but not reversed at the balance sheet date and that result in an obligation to pay more tax in the future or right to pay less tax in the future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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.

LAMBERT HOWARTH LIMITED (formerly Lambert Howarth & Sons Limited)

Notes to the financial statements

for the year ended 31 December 2003

1 Principal accounting policies (continued)

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.

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

Geographical analysis, by destination

	2003	2002
	£	£
United Kingdom	64,843,341	74,893,544
European	60,914	12,894
Other	597,079	233,101
	<u>65,501,334</u>	<u>75,139,539</u>

The origin of all turnover is wholly within the United Kingdom.

LAMBERT HOWARTH LIMITED (formerly Lambert Howarth & Sons Limited)
Notes to the financial statements
for the year ended 31 December 2003

3 Employees

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

	2003	2002
	Number	Number
Warehouse	79	128
Administration	39	30
Sales & Design	59	54
	<u>177</u>	<u>212</u>

The aggregate remuneration paid to those employees was:

	2003	2002
	£	£
Wages and salaries	4,362,396	4,228,859
Social security costs	382,478	321,426
Other pension costs	614,892	501,950
	<u>5,359,766</u>	<u>5,052,235</u>

4 Directors

Directors' emoluments consist of:

	2003	2002
	£	£
Aggregate emoluments (excluding gains on exercise of share options)	-	80,900

Retirement benefits are accruing to all of the directors under the holding company's defined benefit scheme. During the year no (2002: nil) director exercised his share options in the ultimate parent company.

Highest paid director		
Aggregate emoluments	-	80,900
Defined benefit scheme:		
Accrued pension at the year end	-	<u>55,475</u>

LAMBERT HOWARTH LIMITED (formerly Lambert Howarth & Sons Limited)
Notes to the financial statements
for the year ended 31 December 2003

5 Interest payable and similar charges

	2003	2002
	£	£
On inter-company loans	436,242	758,471
	<u>436,242</u>	<u>758,471</u>

6 Profit on ordinary activities before taxation

	2003	2002
	£	£
This has been arrived at after charging / (crediting)		
Auditors' remuneration		
- Audit	48,500	43,500
Depreciation	191,270	248,946
Profit on disposal of fixed assets	-	13,999
Operating lease payments:		
- Plant, machinery and vehicles	49,963	114,951
- Land and buildings	272,375	399,201
	<u>272,375</u>	<u>399,201</u>

7 Taxation on profit on ordinary activities

	2003	2002
	£	£
United Kingdom corporation tax at 30% (2002: 30%)	1,080,875	1,332,956
Adjustments in respect of previous years	(109,954)	116,814
Total current tax	<u>970,921</u>	<u>1,449,770</u>
Deferred tax		
Origination and reversal of timing differences	55,403	43,638
Adjustments in respect of previous years	45,343	115,749
Total deferred tax	<u>100,746</u>	<u>159,387</u>
	<u>1,071,667</u>	<u>1,609,157</u>

The tax for the year is different from the standard rate of corporation tax in the UK of 30%.

The differences are explained below:

	2003	2002
	£	£
Profit on ordinary activities before tax	3,590,975	4,750,613
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	1,077,292	1,425,183
Effects of:		
Adjustments to tax charge in respect of prior period	(109,954)	116,814
Utilisation of tax losses	-	(77,252)
Expenses not deductible for corporation tax purposes	21,000	13,254
Capital allowances in excess of depreciation	(33,233)	(24,029)
Profit on disposals covered by capital losses	15,816	(4,200)
	<u>970,921</u>	<u>1,449,770</u>

8 Dividends

	2003	2002
	£	£
Interim dividend of nil pence (2002: 360.96 pence) per share	-	5,750,000
	<u>-</u>	<u>5,750,000</u>

LAMBERT HOWARTH LIMITED (formerly Lambert Howarth & Sons Limited)
Notes to the financial statements
for the year ended 31 December 2003

9 Tangible fixed assets

	Freehold land and buildings	Long leasehold land and buildings	Plant, machinery, equipment and motor vehicles	Total
	£	£	£	£
Cost and valuation				
At 1 January 2003	1,161,105	4,109,295	1,645,930	6,916,330
Additions	-	-	49,815	49,815
Disposals	-	-	(71,447)	(71,447)
At 31 December 2003	1,161,105	4,109,295	1,624,298	6,894,698
Depreciation				
At 1 January 2003	320,359	102,733	860,623	1,283,715
Charge for year	-	51,368	139,902	191,270
Disposals	-	-	(18,728)	(18,728)
At 31 December 2003	320,359	154,101	981,798	1,456,258
Net book value				
At 31 December 2003	840,746	3,955,194	642,501	5,438,441
At 31 December 2002	840,746	4,006,562	785,307	5,632,615
			2003	2002
			£	£
The cost of freehold and long leasehold buildings, subject to depreciation, included above amounts to			3,900,000	3,900,000

LAMBERT HOWARTH LIMITED (formerly Lambert Howarth & Sons Limited)
Notes to the financial statements
for the year ended 31 December 2003

10 Fixed asset investments

	Investment in joint venture £	Subsidiary £	Total £
Cost and Net Book Value			
At 1 January 2003 and 31 December 2003	221,836	2	221,838

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 ventures	Country of registration and of incorporation	Class	Cost £	Shares held %
Lambert Howarth Manufacturing Ltd	England	Ordinary	2	100
Glovar-Industriar de Calçado SA	Portugal	Ordinary	109,336	30
Alto da Torre SA	Portugal	Ordinary	112,500	30

Lambert Howarth Manufacturing Limited is dormant and made neither profits nor losses during this year, its net assets at 31 December 2003 were £2 (2002: £2).

11 Stock

	2003 £	2002 £
Finished goods held for resale	5,701,552	7,511,850
	5,701,552	7,511,850

12 Debtors

	2003 £	2002 £
Trade debtors	1,951,322	2,745,978
Amounts owed by group undertakings	259,344	568,776
Amounts owed by holding company	227,711	-
Other debtors	25,174	34,691
Prepayments and accrued income	414,904	360,126
	2,878,455	3,709,571

LAMBERT HOWARTH LIMITED (formerly Lambert Howarth & Sons Limited)
Notes to the financial statements
for the year ended 31 December 2003

13 Creditors: amounts falling due within one year

	2003	2002
	£	£
Trade creditors	3,058,376	2,936,119
Amounts owed to holding company	-	1,403,698
Amounts owed to fellow subsidiary undertakings	8,920,749	8,931,480
Taxation and social security costs	878,224	738,296
Corporation tax	494,401	624,356
Other creditors	685,149	934,695
Accrual	2,223,751	2,173,496
	<u>16,260,650</u>	<u>17,742,139</u>

14 Deferred taxation

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

Deferred tax	2003	2002
	£	£
Provision for deferred tax comprises:		
Accelerated capital allowances	325,387	224,641
Total provision for deferred tax	325,387	224,641
At 1 January 2003 and 2002	224,641	65,254
Amount charged to profit and loss (see note 8)	100,746	159,387
Provision at end of year	325,387	224,641

Factors that may affect future tax charges

Based on current capital investment plans, the company expects to be able to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

15 Share capital

	2003	2002
	£	£
Authorised		
2,500,000 (2002: 2,500,000) ordinary shares of 20p each	500,000	500,000
Allotted, called up and fully paid		
1,662,217 (2002: 1,662,217) ordinary shares of 20p each	332,443	332,443

16 Reserves

	Profit and loss account
	£
At 1 January 2003	21,972
Retained profit for year	2,519,308
At 31 December 2003	<u>2,541,280</u>

LAMBERT HOWARTH LIMITED (formerly Lambert Howarth & Sons Limited)
Notes to the financial statements
for the year ended 31 December 2003

17 Reconciliation of movements in equity shareholders' funds

	2003	2002
	£	£
Retained profit/(loss) for year	2,519,308	(2,608,544)
Opening equity shareholders' funds	453,717	3,062,261
Closing equity shareholders' funds	<u>2,973,025</u>	<u>453,717</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 30 March 2001. 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	5.75% per annum
Rate of salary increase	4.25% - 4.75% per annum
Rate of pension escalation	2.5% per annum

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 together with the disclosure required by Financial Reporting Standard 17 are contained within the financial statements of Lambert Howarth Group plc.

19 Capital commitments

There are no committed or contracted capital commitments.

LAMBERT HOWARTH LIMITED (formerly Lambert Howarth & Sons Limited)

Notes to the financial statements

for the year ended 31 December 2003

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 2003 was £3,954,000 (2002: £2,283,000).

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 (2002: £900,000).

Commitments under operating leases

As at 31 December 2003, the company had annual commitments under non-cancellable operating leases as set out below:

	2003			2002		
	Land and Buildings £	Other £	Total £	Land and Buildings £	Other £	Total £
Operating leases which expire:						
Within one year	105,382	11,462	116,844	22,286	23,935	46,221
Two to five years	82,644	34,698	117,342	162,644	38,517	201,161
Over five years	75,000	-	75,000	75,000	-	75,000
	<u>263,026</u>	<u>46,160</u>	<u>309,186</u>	<u>259,930</u>	<u>62,452</u>	<u>322,382</u>

21 Forward transactions

The company had forward foreign exchange transactions outstanding at 31 December 2003 with a sterling equivalent of £21,083,000 (2002: £20,985,000) to hedge against future operating payments in various currencies.

22 Ultimate parent company

Lambert Howarth Group plc, 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 26 Manchester Square, London, W1U 3PZ.