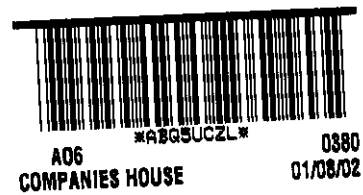


Registered no: 486101

LAMBERT HOWARTH & SONS LIMITED

ANNUAL REPORT

for the year ended 31 December 2001



LAMBERT HOWARTH & SONS LIMITED

Annual report for the year ended 31 December 2001

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LAMBERT HOWARTH & SONS LIMITED

Directors and advisers

Directors

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

Secretary

J M Hogg	(Appointed 1 January 2001)
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Registered office

26 Manchester Square
London
W1U 3PZ

Registered auditors

PricewaterhouseCoopers
1 Embankment Place
London
WC2N 6RH

Bankers

Barclays Bank plc
ABN AMRO Bank NV

LAMBERT HOWARTH & SONS LIMITED

Directors' report

for the year ended 31 December 2001

The directors present their report and the audited financial statements of the company for the year ended 31 December 2001.

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 (2000: £5,000,000).

An interim dividend of £4,500,000 (2000: £nil) 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. During the year, the company has discontinued its activities in its General Trade footwear business. 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 £1,745 (2000: £2,385).

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 RAR Garfit, JC Howarth 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 & SONS 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 with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 8 under Note 1 'Accounting policies'.

They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2001 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

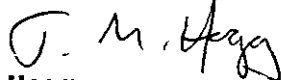
Whilst no formal Code is applied, the company's policy is to pay suppliers according to agreed terms of business. These terms are agreed with suppliers upon entering into binding contracts and the company's policy is to adhere to the payment terms providing the relevant goods or services have been supplied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

The company's average creditor payment period at 31 December 2001 was 23 days (2000: 28 days).

Auditors

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

By order of the board



J M Hogg
Company Secretary

12 March 2002

Independent auditors' report to the members of 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.

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.

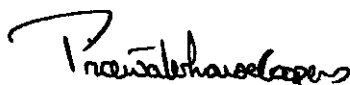
Basis of audit opinion

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 2001 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

12 March 2002

LAMBERT HOWARTH & SONS LIMITED

Profit and loss account for the year ended 31 December 2001

	Notes	2001 £	2000 £
Turnover			
Continuing operations		70,850,146	66,476,688
Discontinuing operations		8,667,054	10,875,601
Turnover	2	<u>79,517,200</u>	<u>77,352,289</u>
Cost of sales	3	<u>(66,463,533)</u>	<u>(60,300,419)</u>
Gross profit		<u>13,053,667</u>	<u>17,051,870</u>
Selling and distribution expenses	3	(5,339,838)	(5,672,091)
Administrative expenses	3	<u>(3,302,494)</u>	<u>(3,127,363)</u>
Operating profit			
Continuing operations		4,357,737	7,638,883
Discontinuing operations		53,598	613,533
Operating profit	3	<u>4,411,335</u>	<u>8,252,416</u>
Profit on disposal of surplus properties	5 (a)	891,384	-
Cost of termination of discontinued operations	5 (b)	(2,133,695)	-
Interest receivable		-	21,530
Interest payable and similar charges	6	<u>(920,151)</u>	<u>(47,167)</u>
Profit on ordinary activities before taxation	7	<u>2,248,873</u>	<u>8,226,779</u>
Taxation on profit on ordinary activities	8	<u>(289,451)</u>	<u>(1,692,230)</u>
Profit on ordinary activities after taxation		<u>1,959,422</u>	<u>6,534,549</u>
Dividends payable	9	<u>(4,500,000)</u>	<u>(5,000,000)</u>
Retained (loss)/profit for the financial year	17	<u><u>(2,540,578)</u></u>	<u><u>1,534,549</u></u>

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 for the year stated above and their historical cost equivalents.

LAMBERT HOWARTH & SONS LIMITED

Balance sheet at 31 December 2001

	Notes	2001 £	£	2000 £	£
Fixed assets					
Tangible assets	10	5,753,611		7,268,391	
Investments	11	221,838		109,338	
		<u>5,975,449</u>		<u>7,377,729</u>	
Current assets					
Stock	12	11,243,608	10,481,227		
Debtors	13	5,158,278	6,295,190		
Cash at bank and in hand		<u>2,488,389</u>	<u>8,868,871</u>		
		<u>18,890,275</u>	<u>25,645,288</u>		
Creditors: amounts falling due within one year	14	<u>(21,738,209)</u>	<u>(27,257,568)</u>		
Net current liabilities		<u>(2,847,934)</u>		<u>(1,612,280)</u>	
Total assets less current liabilities		3,127,515		5,765,449	
Provisions for liabilities and charges	15	(65,254)		(162,609)	
Net assets		<u>3,062,261</u>		<u>5,602,840</u>	
Capital and reserves					
Called up share capital	16	332,443	332,443		
Share premium		24,883	24,883		
Capital redemption reserve		74,419	74,419		
Profit and loss account	17	<u>2,630,516</u>	<u>5,171,094</u>		
Equity Shareholders' funds	18	<u>3,062,261</u>	<u>5,602,839</u>		

The financial statements on pages 5 to 15 were approved by the board of directors on 12 March 2002 and were signed on its behalf by:

Director



LAMBERT HOWARTH & SONS LIMITED

Notes to the financial statements for the year ended 31 December 2001

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.

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

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.

LAMBERT HOWARTH & SONS LIMITED

Notes to the financial statements for the year ended 31 December 2001

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.

Changes in presentation of financial information

FRS 18 "Accounting Policies" came into effect for these financial statements. This has not resulted in any changes in presentation.

2 Turnover

	2001	2000
Geographical analysis, by destination	£	£
United Kingdom	75,350,813	72,455,487
European	4,007,257	4,371,016
Other	159,130	525,786
	<u>79,517,200</u>	<u>77,352,289</u>

The origin of all turnover is wholly within the United Kingdom, except for £nil (2000: £294,000) supplied from Portugal.

LAMBERT HOWARTH & SONS LIMITED

Notes to the financial statements for the year ended 31 December 2001

3 Operating profit

	Continuing Operations	Discontinued Operations	2001 Total	2000 Total
	£	£	£	£
Turnover	70,850,146	8,667,054	79,517,200	77,352,289
Cost of sales	(59,508,760)	(6,954,773)	(66,463,533)	(60,300,419)
Gross profit	11,341,386	1,712,281	13,053,667	17,051,870
Selling and distribution expenses	(4,946,051)	(393,787)	(5,339,838)	(5,672,091)
Administrative expenses	(2,037,598)	(1,264,896)	(3,302,494)	(3,127,363)
Net operating expenses	(6,983,650)	(1,658,682)	(8,642,332)	(8,799,454)
Operating profit	4,357,737	53,598	4,411,335	8,252,416

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

	2001 Number	2000 Number
Warehouse	147	120
Sales & Design	77	75
	<u>224</u>	<u>195</u>

The aggregate remuneration paid to those employees was:

	2001 £	2000 £
Wages and salaries	4,113,850	3,291,534
Social security costs	275,977	250,076
Other pension costs	302,477	212,682
	<u>4,692,304</u>	<u>3,754,292</u>

4 Directors

	2001 £	2000 £
Directors' emoluments consist of:		
Aggregate emoluments (excluding gains on exercise of share options)	101,299	285,288
Company contributions to money purchase scheme	-	7,339

Retirement benefits are accruing to all of the directors under the holding company's defined benefit scheme. During the year no (2000: nil) director exercised his share options in the ultimate parent company.

	2001 £	2000 £
Highest paid director		
Aggregate emoluments	101,299	137,456
Gains on exercise of share options		-
Defined benefit scheme:		
Accrued pension at the year end	51,295	26,016

LAMBERT HOWARTH & SONS LIMITED

Notes to the financial statements

for the year ended 31 December 2001

5 Exceptional items

(a) Profit on disposal of surplus properties.

A number of surplus properties were disposed of during the year generating an exceptional profit on disposal of £891,384 (2000:nil). The anticipated tax payable on this exceptional item is £nil.

(b) Cost of termination of discontinued operations

The exceptional charge arises on closure of the General Trade Footwear business. The anticipated tax relief on this exceptional item is £568,000.

6 Interest payable and similar charges

	2001 £	2000 £
On bank loans and overdrafts	-	47,167
On inter-company loans	920,151	-
	<u>920,151</u>	<u>47,167</u>

7 Profit on ordinary activities before taxation

	2001 £	2000 £
This has been arrived at after charging / (crediting)		
Auditors' remuneration		
- Audit	30,000	42,000
Depreciation	309,203	177,510
Profit on disposal of fixed assets	(922,047)	(28,894)
Operating lease payments:	-	-
- Plant, machinery and vehicles	69,420	111,502
- Land and buildings	211,561	224,435
Royalties	1,060,000	163,146
	<u>1,060,000</u>	<u>163,146</u>

8 Taxation on profit on ordinary activities

	2001 £	2000 £
Current year		
UK corporation tax at 30% (2000: 30%):		
- current	330,626	1,624,678
- deferred	(140,341)	34,270
Under/(over) provision in prior years		
- current	56,180	(3,015)
- deferred	42,986	36,297
	<u>289,451</u>	<u>1,692,230</u>

9 Dividends

	2001 £	2000 £
Interim dividend of 270.72 pence (2000: 300.80 pence) per share	4,500,000	5,000,000
	<u>4,500,000</u>	<u>5,000,000</u>

LAMBERT HOWARTH & SONS LIMITED

Notes to the financial statements for the year ended 31 December 2001

10 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 2001	3,080,033	4,209,979	1,142,835	8,432,847
Additions	-	(100,684)	875,287	774,603
Transfers from group undertakings	-	-	235,559	235,559
Disposals	(1,916,390)	-	(225,534)	(2,141,924)
Provision for diminution in value	(2,538)	-	(494,272)	(496,810)
At 31 December 2001	1,161,105	4,109,295	1,533,875	6,804,275
Depreciation				
At 1 January 2001	574,015	-	590,441	1,164,456
Charge for year	12,685	51,366	245,152	309,203
Transfers from group undertakings	-	-	193,437	193,437
Disposals	(265,832)	-	(136,163)	(401,995)
Provision for diminution in value	(509)	-	(213,928)	(214,437)
At 31 December 2001	320,359	51,366	678,939	1,050,664
Net book value				
At 31 December 2001	840,746	4,057,929	854,936	5,753,611
At 31 December 2000	2,506,017	4,209,979	552,393	7,268,391

	2001 £	2000 £
The cost of freehold and long leasehold buildings, subject to depreciation, included above amounts to	3,900,000	2,044,323

Included in the cost of freehold and long leasehold buildings, subject to depreciation were buildings acquired at the end of 2000 which were not subject to a depreciation charge during 2000, but which have been subject to a depreciation charge for 2001.

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.

LAMBERT HOWARTH & SONS LIMITED

Notes to the financial statements for the year ended 31 December 2001

11 Fixed asset investments

	Investment in joint venture £	Subsidiary £	Total £
Cost			
At 1 January 2001	109,336	2	109,338
Additions	112,500	-	112,500
At 31 December 2001	<u>221,836</u>	<u>2</u>	<u>221,838</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 ventures	Country of registration and of incorporation	Class	Cost £	Shares held %
Lambert Howarth Manufacturing Ltd	England	Ordinary	2	100
Glovar-Industrier de Calcado 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.

12 Stock

	2001 £	2000 £
Raw materials	-	63,350
Finished goods held for resale	<u>11,243,608</u>	<u>10,417,877</u>
	<u>11,243,608</u>	<u>10,481,227</u>

13 Debtors

	2001 £	2000 £
Trade debtors	4,513,864	4,723,466
Amounts owed by group undertakings	85,275	781,706
Other debtors	11,835	61,136
Prepayments and accrued income	547,304	728,882
	<u>5,158,278</u>	<u>6,295,190</u>

LAMBERT HOWARTH & SONS LIMITED
Notes to the financial statements
for the year ended 31 December 2001

14 Creditors: amounts falling due within one year

	2001 £	2000 £
Bank overdraft	2,924	17,573
Trade creditors	4,788,506	4,517,748
Amounts owed to holding company	2,939,521	6,045,191
Amounts owed to fellow subsidiary undertakings	11,284,607	9,746,380
Taxation and social security costs	1,142,890	1,209,478
Corporation tax	71,510	714,451
Other creditors	332,131	2,036
Accrual	1,176,120	4,711
Proposed dividend	-	5,000,000
	<u>21,738,209</u>	<u>27,257,568</u>

15 Deferred taxation

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

	2001 £	2000 £
At 1 January	162,609	92,042
(Credit) / debit to profit and loss	<u>(97,355)</u>	<u>70,567</u>
At 31 December	<u>65,254</u>	<u>162,609</u>

16 Share capital

	2001 £	2000 £
Authorised		
2,500,000 (2000: 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 (2000: 1,662,217) ordinary shares of 20p each	<u>332,443</u>	<u>332,443</u>

17 Reserves

	Profit and loss account £
At 1 January	5,171,094
Retained profit for year	<u>(2,540,578)</u>
At 31 December 2001	<u>2,630,516</u>

18 Reconciliation of movements in equity shareholders' funds

	2001 £	2000 £
Retained (loss) / profit for year	(2,540,578)	1,534,549
Opening equity shareholders' funds	5,602,839	4,068,290
Closing equity shareholders' funds	<u>3,062,261</u>	<u>5,602,839</u>

LAMBERT HOWARTH & SONS LIMITED

Notes to the financial statements for the year ended 31 December 2001

19 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 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.

20 Capital commitments

	2001 £	2000 £
Contracted but not provided for	-	410,000

This committed expenditure at 31 December 2000 related to property refurbishment.

21 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 2001 was £nil (2000: £nil).

ABN AMRO Bank NV has provided a guarantee in favour of HM Customs & Excise on behalf of the company. The amount guaranteed is £900,000 (2000: £1,200,000).

Commitments under operating leases

As at 31 December 2001, the company had annual commitments under non-cancellable operating leases as set out below:

	2001 Land and Buildings £	2000 Land and Buildings £
Operating leases which expire:		
Within one year	57,360	57,360
Over five years	227,644	227,644
	<u>285,004</u>	<u>285,004</u>

LAMBERT HOWARTH & SONS LIMITED

Notes to the financial statements for the year ended 31 December 2001

22 Forward transactions

The company had forward foreign exchange transactions outstanding at 31 December 2001 with a sterling equivalent of £36,395,000 (2000: £34,785,000) to hedge against future operating payments in various currencies.

23 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.