

NEXT DISTRIBUTION LIMITED

DIRECTORS' REPORT

AND

ACCOUNTS

FOR THE YEAR ENDED 27TH JANUARY 2001



COMPANY REGISTRATION NO. 3045421

NEXT DISTRIBUTION LIMITED

INDEX

	<u>Page Number</u>
Report of the Directors	1 - 2
Statement of Directors' responsibilities	3
Report of the Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Accounts	7 - 13

NEXT DISTRIBUTION LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and financial statements for the year ended 27th January 2001.

Principal Activity and Business Review

The principal activity of the company continues to be the warehousing and distribution of clothing and home furnishing products. During the year further investment has been made in warehouse equipment.

The directors consider the trading results to have been satisfactory and envisage further growth in the profitability of the company's operations in the following year.

Employees

The company gives every consideration to applications for employment submitted by disabled persons, having regard to their particular aptitudes and abilities and has continued the employment of any person who has become disabled during employment. Opportunities for training, career development and promotion do not operate to the detriment of disabled persons employed by the company.

Employee Involvement

During the year, the policy of providing employees with information about the company has been continued with the employees being encouraged to present their suggestions and views on the company's performance.

Supplier Payment Policy

The company's policy for the payment of suppliers is either to agree terms of payment at the start of business, or to ensure that the supplier is aware of the company's standard payment terms. Payment is made in accordance with contractual and other legal obligations.

At 27th January 2001, the company had an average of nil days (2000 nil days) purchases outstanding in trade creditors.

Profit and Dividends

The profit for the financial year after taxation amounted to £11,277k (2000 £9,999k). The directors do not recommend payment of a final dividend.

NEXT DISTRIBUTION LIMITED

REPORT OF THE DIRECTORS
(CONTINUED)

Directors and their Interests

The following Directors held office during the year and at the date of this report:-

D. C. Jones
D. W. Keens
P. Wise

No Director had any interest in the share capital of the company or of any subsidiary company of Next plc.

The interests of Mr D.C. Jones and Mr D. W. Keens, who are also Directors of Next plc, and their own and their families interests in the ordinary shares of Next plc are shown in that company's accounts.

Mr P Wise has beneficial interests in Sharesave (SAYE) options of Next plc as detailed below:

Options over ordinary shares of 10p each:

	27 th January 2001		29 th January 2000	
	No of shares	Average exercise price (p)	No of shares	Average exercise price (p)
P Wise	3,920	440	3,920	440

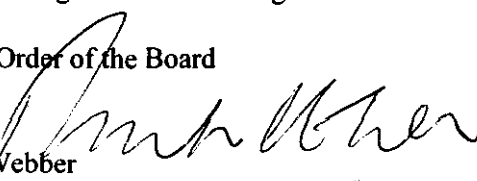
The options may be exercised from 1 July 2003 to 1 January 2004.

Auditors

Ernst & Young offer themselves for re-appointment as auditors in accordance with Section 384(1) of the Companies Act 1985.

Ernst & Young have stated that, during 2001, it is intending to transfer its business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By Order of the Board


P. Webber
Company Secretary
27th April 2001

NEXT DISTRIBUTION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which 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 accounts, 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 accounts;
- 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 the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

NEXT DISTRIBUTION LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF NEXT DISTRIBUTION LIMITED

We have audited the financial statements on pages 5 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

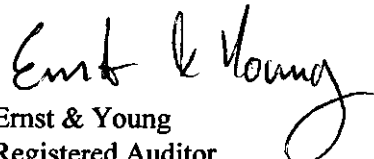
Basis of opinion

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 accounts. 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 accounts.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 27th January 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
Birmingham

27 April 2001.

NEXT DISTRIBUTION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 27th JANUARY 2001

	Notes	2001 £000	2000 £000
TURNOVER	2	127,926	114,652
Cost of sales		111,263	(99,866)
Gross profit		16,663	14,786
Net operating expenses	3	--	(187)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	16,663	14,599
Tax on profit on ordinary activities	6	(5,386)	(4,600)
RETAINED PROFIT FOR THE FINANCIAL YEAR	12	11,277	9,999

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £11,277k in the year ended 27th January 2001 (2000 - £9,999k).

The notes on pages 7 to 13 form part of these financial statements.

NEXT DISTRIBUTION LIMITED

BALANCE SHEET AS AT 27th JANUARY 2001

	Notes	2001 £000	2000 £000
FIXED ASSETS			
Tangible fixed assets	7	65,424	70,512
CURRENT ASSETS			
Debtors	8	67,840	42,049
CREDITORS: Amounts falling due within one year	9	(66,214)	(58,185)
NET CURRENT ASSETS / LIABILITIES		1,626	(16,136)
TOTAL ASSETS LESS CURRENT LIABILITIES		67,050	54,376
PROVISION FOR LIABILITIES AND CHARGES	10	(7,865)	(6,468)
		59,185	47,908
CAPITAL AND RESERVES			
Called-up share capital	11	25,000	25,000
Profit and loss account	12	34,185	22,908
Equity Shareholders' funds	13	59,185	47,908

These accounts were approved by the Board of Directors on 27th April 2001.

On behalf of the Board of Directors

D. W. KEENS



DIRECTOR

The notes on pages 7 to 13 form part of these financial statements.

NEXT DISTRIBUTION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 27th JANUARY 2001

1. ACCOUNTING POLICIES

a. Accounting Convention

The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

b. Depreciation

Depreciation is provided to write-down the cost less residual value of the asset over its remaining useful life by equal installments. The depreciation period generally applicable to plant ranges from two to fifteen years.

c. Deferred Taxation

Provision is made for deferred tax using the liability method on timing differences which are expected to reverse in the foreseeable future, calculated at the rate at which it is estimated that tax will be payable/recoverable.

d. Pension Costs

The pension cost charged to the profit and loss account is calculated so as to spread the costs of pensions over employees' working lives with the company.

e. Leases

The company's leased assets are acquired under operating leases. The costs of all operating leases are charged to operating profit on straight-line basis over the period of the lease.

2. TURNOVER AND SEGMENTAL ANALYSIS

a. Turnover represents the invoiced value of goods and services supplied during the year and is stated net of VAT.

Turnover arises from one continuing activity within the United Kingdom and is derived from group companies.

NEXT DISTRIBUTION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 27th JANUARY 2001
(CONTINUED)

	2001	2000
	£000	£000
b. Operating profit is stated after charging		
Employee share ownership plan contributions	--	187
Depreciation – owned assets	7,961	6,822
Auditors' remuneration – Audit services	4	4
Operating lease rentals - plant and machinery	311	319
- land and buildings	3,960	3,960

3. DIRECTORS' EMOLUMENTS

None of the Directors received any remuneration from the company during the year (2000 - £nil). The emoluments of Directors who are also directors of Next plc are dealt with in the accounts of that company.

4. STAFF COSTS

	2001	2000
	£000	£000
Wages and salaries	28,698	27,058
Social Security costs	1,930	1,860
Other pension costs (note 18)	1,327	927
	31,955	29,845

The average number of employees during the financial year was made up as follows:

	2001	2000
	Number	Number
Distribution	2,511	2,355

If the number of hours worked were converted on the basis of a full working week, the equivalent average number of full-time employees would have been 1,694 (2000 – 1,585).

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 27th JANUARY 2001
(CONTINUED)

**6. TAX ON PROFIT ON
ORDINARY ACTIVITIES**

	2001	2000
	£000	£000
The charge for taxation for the year is made up as follows:		
Corporation tax		
-current year	4,233	2,020
- prior year	(243)	44
Deferred tax (note 10)		
- current year	1,251	2,527
- prior year	145	9
	5,386	4,600

7. TANGIBLE FIXED ASSETS

	Plant & Equipment £000
Cost:	
30 th January 2000	78,792
Additions at cost	3,831
Group transfers	(115)
Disposals	(2,964)
27 th January 2001	79,544
Depreciation:	
30 th January 2000	8,280
Charge for the year	7,961
Group transfers	(8)
Disposals	(2,113)
27 th January 2001	14,120
Net Book Amount:	
27 th January 2001	65,424
29 th January 2000	70,512

NEXT DISTRIBUTION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 27th JANUARY 2001
(CONTINUED)

8. DEBTORS	2001	2000
	£000	£000
Amounts falling due within one year:		
Amounts due from parent and fellow subsidiary undertakings	64,538	38,775
Other debtors	2,465	2,545
Prepayments	837	729
Total debtors within one year	67,840	42,049

9. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	2001	2000
	£000	£000
Bank loans and overdrafts	187	--
Amounts due to parent and fellow subsidiary undertakings	55,321	51,930
Corporation tax	3,989	2,065
Other creditors and accruals	6,717	4,190
	66,214	58,185

10. PROVISION FOR LIABILITIES AND CHARGES

Deferred Tax

	2001	2000
	£000	£000
Accelerated capital allowances	7,865	6,468

Full provision has been made for all potential deferred tax liabilities.

11. SHARE CAPITAL

	2001 & 2000	
	Number	£
Authorised Ordinary shares of £1 each	30,000,000	30,000,000
Allotted	25,000,002	25,000,002
Called up and fully paid	25,000,000	25,000,000

NEXT DISTRIBUTION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 27th JANUARY 2001
(CONTINUED)

12. RESERVES

	Profit and Loss £000
30 th January 2000	22,908
Retained profit for the year	11,277
27 th January 2001	34,185

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £000	2000 £000
At 30 th January 2000	47,908	37,909
Profit attributable to members of the company	11,277	9,999
At 27 th January 2001	59,185	47,908

NEXT DISTRIBUTION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 27th JANUARY 2001
(CONTINUED)

14. CAPITAL COMMITMENTS

	2001 £000	2000 £000
Contracted for but not provided in these accounts	--	474

15. OTHER FINANCIAL COMMITMENTS

At 27th January 2001 the company had annual commitments under non-cancellable operating leases as set out below:-

	Land & Buildings		Other		Total	
	2001 £000	2000 £000	2001 £000	2000 £000	2001 £000	2000 £000
Operating leases which expire:						
Within one year	3,960	--	81	87	4,041	87
Between two to five years	--	3,960	213	214	213	4,174
	3,960	3,960	294	301	4,254	4,261

16. CASHFLOW STATEMENT

As the company is a wholly owned subsidiary undertaking of Next plc, a company registered in England and Wales, which prepares a consolidated cashflow statement, the company has taken advantage of the exemption provided under paragraph 5 of the FRS1(Revised), not to prepare a cashflow statement.

17. CONTINGENT LIABILITIES

The Company has given a guarantee to Barclays Bank Plc in respect of a bank set-off arrangement with its parent undertaking Next Plc and its fellow subsidiary undertakings. The guarantee dated 26th November 1997 is limited to the credit balance held on the company's bank account.

NEXT DISTRIBUTION LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 27TH JANUARY 2001
(CONTINUED)

18. PENSION COSTS

Employees of the company are members of pension schemes operated by Next plc. The full note which appears in the accounts of Next plc is as follows:

The Group operates a pension scheme in the UK which consists of defined benefit and defined contribution sections. The defined benefit section is a funded arrangement which provides benefits based on final pensionable earnings which are salaries, overtime and annual performance bonuses and was closed to new members on 30 September 2000. The defined contribution section is for all members who joined on or after 1 October 2000 and benefits are based on each individual member's personal account which is invested in an independently administered fund. The scheme has equal pension rights with respect to members of either sex. The assets of the scheme are held in a separate trustee administered fund.

The most recent formal actuarial valuation was undertaken by an independent professionally qualified actuary as at 31 March 1999 using the projected unit method. The principal assumptions which have the most significant effect on the computation of the pension costs are those related to the rate of return on the investments and the rates of increase in earnings and pensions. These assumptions have been derived from market yields applying at the valuation date. In particular, the investment return used relating to pre-retirement liabilities was two and a quarter percentage points per annum in excess of the assumed rate of increase in earnings and the investment return used relating to post-retirement liabilities was two and a half percentage points per annum in excess of the assumed rate of pension increases.

At 31 March 1999, the market value of the assets was £193m representing 122% of the liability for benefits that had accrued to members after allowing for expected future increases in earnings. The actuarial surplus has been spread in level annual amounts over the average remaining service lives of the active membership. A surplus of £4.7m (2000: £4.5m) has been recognised in the year and has been offset against the regular pension cost amounting to £10.5m (2000: £9.6m), resulting in a charge of £5.8m (2000: £5.1m) against profits in the year. From 1 April 2000 the Group recommenced employer contributions to the scheme at a rate equivalent to member contributions. Employer contributions of £3.2m (2000: Nil) were made in the year including contributions in respect of the defined contribution section. The pension costs for the Group will continue to be set at a level that takes account of the past service funding position of the scheme. Full pension costs of the Group amounted to £6.7m (2000: £5.8m) including the estimated cost of meeting unfunded unapproved pension liabilities relating to scheme members whose benefits would otherwise be restricted by the Inland Revenue salary cap. There is a pension accrual in the balance sheet of £18.0m (2000: £14.3m).

The Pension Act 1995 requires an actuarial valuation be carried out at a maximum duration of every three years. A further actuarial valuation will be carried out as at 31 March 2001, a duration of two years from the previous valuation.

19. RELATED PARTY TRANSACTIONS

The company's ultimate parent company and controlling party is Next plc, a company registered in England & Wales. Next plc is the only group preparing group accounts which include Next Distribution Limited. Copies of its group accounts are available from its Company Secretary at its registered office, Desford Road, Enderby, Leicester LE9 5AT. The company has taken advantage of the exemptions under FRS8(3) not to disclose those transactions with entities that are part of Next plc group on the basis that in excess of 90% of the voting rights are controlled within the group, and the consolidated accounts in which Next Distribution Limited is included, are publicly available.