

NEXT DISTRIBUTION LIMITED

DIRECTORS' REPORT

AND

ACCOUNTS

FOR THE YEAR ENDED 26TH JANUARY 2002

COMPANY REGISTRATION NO. 3045421



NEXT DISTRIBUTION LIMITED

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NEXT DISTRIBUTION LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and financial statements for the year ended 26th January 2002.

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 26th January 2002, the company had an average of nil days (2001 nil days) purchases outstanding in trade creditors.

Profit and Dividends

The profit for the financial year after taxation amounted to £13,138k (2001 £11,277k). 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 (resigned 1 August 2001)

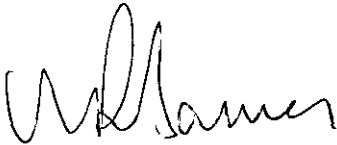
No Director had any interest in the share capital of the company or of any subsidiary company of Next plc.

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.

Auditors

Ernst & Young, who on 28 June 2001 became a Limited Liability Partnership, known as Ernst & Young LLP, offer themselves for re-appointment as auditors in accordance with Section 384(1) of the Companies Act 1985.

By Order of the Board



WR Barnes
Company Secretary
13th May 2002

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NEXT DISTRIBUTION LIMITED

We have audited the company's financial statements for the year ended 26th January 2002 which comprise the profit and loss account, balance sheet and the related notes 1 to 18. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of Director's Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

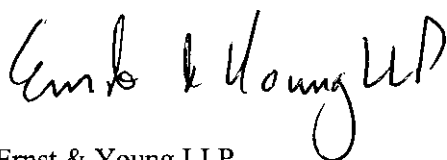
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the Company as at 26th January 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Birmingham

14 May 2002.

NEXT DISTRIBUTION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 26TH JANUARY 2002

	Notes	2002 £000	2001 £000
TURNOVER	2	150,482	127,926
Cost of sales		(130,768)	(111,263)
Gross profit		19,714	16,663
Net operating expenses		(227)	--
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	19,487	16,663
Tax on profit on ordinary activities	5	(6,349)	(5,386)
RETAINED PROFIT FOR THE FINANCIAL YEAR	11	13,138	11,277

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £13,138k in the year ended 26th January 2002 (2001 - £11,277k).

The notes on pages 7 to 14 form part of these financial statements.

NEXT DISTRIBUTION LIMITED

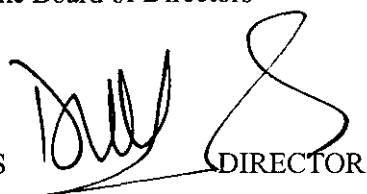
BALANCE SHEET AS AT 26TH JANUARY 2002

	Notes	2002 £000	2001 £000
FIXED ASSETS			
Tangible fixed assets	6	60,643	65,424
CURRENT ASSETS			
Debtors	7	96,105	67,840
CREDITORS: Amounts falling due within one year	8	(75,980)	(66,214)
NET CURRENT ASSETS		20,125	1,626
TOTAL ASSETS LESS CURRENT LIABILITIES		80,768	67,050
PROVISION FOR LIABILITIES AND CHARGES	9	(8,445)	(7,865)
		72,323	59,185
CAPITAL AND RESERVES			
Called-up share capital	10	25,000	25,000
Profit and loss account	11	47,323	34,185
Equity Shareholders' funds	12	72,323	59,185

These accounts were approved by the Board of Directors on 13th May 2002.

On behalf of the Board of Directors

D. W. KEENS

 DIRECTOR

The notes on pages 7 to 14 form part of these financial statements.

NEXT DISTRIBUTION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 26TH JANUARY 2002

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

In accordance with Financial Reporting Standard (FRS) 19 Deferred Tax, full provision is made for deferred tax arising from timing differences between the differing treatment of certain items for taxation and accounting purposes. The provision is calculated at the rates of taxation at which it is estimated the liability will arise and is not discounted. No provision is made in respect of timing differences arising from the sale or revaluation of fixed assets unless there is a commitment to the disposal of the assets at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider there to be suitable taxable profits from which the underlying timing differences can be deducted.

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 a straight –line basis over the period of the lease.

2. TURNOVER

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 FOR THE ACCOUNTS FOR THE YEAR ENDED 26TH JANUARY 2002 **(CONTINUED)**

	2002	2001
	£000	£000
b. Operating profit is stated after charging		
Employees Share Ownership Plan contributions	227	--
Depreciation – owned assets	7,867	7,961
Auditors' remuneration – audit services	4	4
Operating lease rentals – plant and machinery	269	311
- land and buildings	3,960	3,960

During the year the company paid contributions totaling £227k to the Next Employee Share Ownership Plan, which is a discretionary trust fund established for the benefit of the employees of the Next Group.

3. DIRECTORS' EMOLUMENTS

None of the Directors received any remuneration from the company during the year 2002 (2001 - £nil). The emoluments of Directors who are also directors of Next plc are dealt with in the accounts of that company.

4. STAFF COSTS

	2002	2001
	£000	£000
Wages and salaries	32,356	28,698
Social Security costs	2,123	1,930
Other pension costs (note 17)	1,397	1,327
	35,876	31,955

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

	2002	2001
	Number	Number
Distribution	2,428	2,511

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 1,930 (2001 – 1,694).

NEXT DISTRIBUTION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 26TH JANUARY 2002
(CONTINUED)

**5. TAX ON PROFIT ON
ORDINARY ACTIVITIES**

	2002 £000	2001 £000
The charge for taxation for the year is made up as follows:		
Current tax		
- UK corporation tax on profits in the period	5,769	4,233
- adjustments in respect of previous years	--	(243)
Total current tax	5,769	3,990
Deferred tax (note 9)		
- origination and reversal of timing differences in the current year	210	1,251
- - adjustment in respect of prior years	370	145
Total deferred tax	580	1,393
Taxation on profit on ordinary activities	6,349	5,386

During the year FRS 19, Deferred Taxation, was adopted for the first time by the company. The new standard did not impact the value of the deferred tax provision and accordingly no prior period adjustment has been made.

The tax rate for the current year varied from the standard rate of corporation tax in the UK due to the following factors:

	2002 %	2001 %
UK Corporation tax rate	30.0	30.0
Expenses not deductible for tax purposes	0.7	2.9
Origination and reversal of timing differences	(1.1)	(7.5)
Prior year corporation tax	0.0	(1.5)
Effective current tax rate on profit on ordinary activities	29.6	23.9

NEXT DISTRIBUTION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 26TH JANUARY 2002
(CONTINUED)

6. TANGIBLE FIXED ASSETS

	Plant & Equipment £000
Cost:	
27 th January 2001	79,544
Additions at cost	5,577
Group transfers	163
Disposals	(9,362)
26 th January 2002	75,922
Depreciation:	
27 th January 2001	14,120
Charge for the year	7,867
Group transfers	38
Disposals	(6,746)
26 th January 2002	15,279
Net Book Amount:	
26 th January 2002	60,643
27 th January 2001	65,424

7. DEBTORS

	2002 £000	2001 £000
Amounts falling due within one year:		
Amounts due from parent and fellow subsidiary undertakings	91,060	64,538
Other debtors	2,271	2,465
Prepayments	2,774	837
Total debtors within one year	96,105	67,840

NEXT DISTRIBUTION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 26TH JANUARY 2002
(CONTINUED)

**8. CREDITORS – AMOUNT FALLING
DUE WITHIN ONE YEAR**

	2002	2001
	£000	£000
Bank loans and overdrafts	187	187
Amounts due to parent and fellow		
Subsidiary undertakings	59,503	55,321
Corporation tax	5,769	3,989
Other creditors and accruals	10,521	6,717
	75,980	66,214

9. PROVISION FOR LIABILITIES AND CHARGES

	2002	2001
	£000	£000
Deferred Tax:		
Accelerated capital allowances	8,445	7,865

Full provision has been made for all potential deferred tax liabilities

The movement in the year is as follows:

	2002	2001
	£000	£000
Balance at 28 January 2001	7,865	6,469
Deferred tax charge:		
- origination and reversing timing differences in current year	210	1,251
- adjustments in respect of prior years	370	145
Balance at 26 January 2002	8,445	7,865

10. SHARE CAPITAL

	2002 & 2001
	Number
	£
Authorised Ordinary shares of £1 each	30,000,000
Allotted	25,000,002
Called up and fully paid	25,000,002

NEXT DISTRIBUTION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 26TH JANUARY 2002
(CONTINUED)

11. RESERVES

	Profit And Loss £000
27 th January 2001	34,185
Retained profit for the year	13,138
26 th January 2002	47,323

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £000	2001 £000
At 27 th January 2001	59,185	47,908
Profit attributable to members of the company	13,138	11,277
At 26 th January 2002	72,323	59,185

13. CAPITAL COMMITMENTS

	2002 £000	2001 £000
Contracted for but not provided in these accounts	9,334	--

NEXT DISTRIBUTION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 26TH JANUARY 2002 **(CONTINUED)**

14. OTHER FINANCIAL COMMITMENTS

At 26th January 2002 the company had annual commitments under non-cancellable operating leases as set out below:-

	Land & Buildings		Other		Total	
	2002	2001	2002	2001	2002	2001
	£000	£000	£000	£000	£000	£000
Operating leases which expire:						
Within one year	3,960	3,960	105	81	4,065	4,041
Between two to five years	--	--	149	213	149	213
	3,960	3,960	254	294	4,214	4,254

15. 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.

16. 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.

17. PENSION COSTS

Employees of the company are members of pension schemes operated by Next plc ("the Group"). 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 employer is unable to identify the company's share of the underlying assets and liabilities of the scheme. 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 Group continues to report its pension costs in accordance with SSAP 24 Accounting for Pension Costs. The most recent formal actuarial valuation was undertaken by an independent professionally qualified actuary as at 31 March 2001 using the projected unit method. At 31 March 2001, the market value of the assets was £199m representing 107% of the liability for benefits that had accrued to members after allowing for expected future increases in earnings. 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.

NEXT DISTRIBUTION LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 26TH JANUARY 2002
(CONTINUED)

18. 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, LE19 4AT. 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.