

Next Distribution Limited

Report and Financial Statements

31 January 2004

Registered No: 3045421



Financial statements

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Directors' report

The directors present their report and financial statements for the year ended 31 January 2004.

Results and dividends

The profit for the year, after taxation, amounted to £18,231k. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The principal activity of the company during the year was 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 has continued its policy of providing employees with information about the company and ensures that the suggestions and views of employees are taken in to account.

Every possible consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. The company continues the employment wherever possible of any person who becomes disabled during their employment. Opportunities for training, career development and promotion do not operate to the detriment of disabled employees.

Directors

The directors who served the company during the year were as follows:

D W Keens
S A Wolfson

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

The directors are also directors of Next plc, and their own and their families' interests in the ordinary shares of Next plc are shown in the accounts of that company.

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 31 January 2004, the company had an average of nil days (2003: nil days) purchases outstanding in trade creditors.

Directors' report (continued)

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



A J R McKinlay
Secretary

7 May 2004

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 year. 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; and
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Independent auditors' report

to the members of Next Distribution Limited

We have audited the company's financial statements for the year ended 31 January 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' 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.

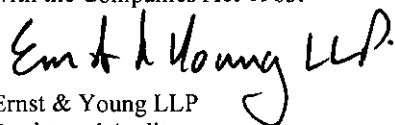
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of Next Distribution Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 January 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read "Ernst & Young LLP", is written over the printed name.

Ernst & Young LLP
Registered Auditor
Birmingham

10 May 2004

Profit and loss account

for the year ended 31 January 2004

	Notes	2004 £000	2003 £000
Turnover	2	204,129	187,883
Cost of sales		177,338	163,343
Gross profit		26,791	24,540
Net operating expenses		246	108
Operating profit	3	26,545	24,432
Interest payable	6	43	—
Profit on ordinary activities before taxation		26,502	24,432
Tax on profit on ordinary activities	7	8,271	7,700
Profit on ordinary activities after taxation		18,231	16,732
Dividends		—	50,000
Retained profit/(loss) for the financial year	19	18,231	(33,268)

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £18,231k attributable to the shareholders for the year ended 31 January 2004 (2003 - profit of £16,732k).

Balance sheet

at 31 January 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Tangible assets	9	61,748	63,668
Current assets			
Debtors	10	142,788	120,750
Creditors: amounts falling due within one year	11	136,806	136,660
Net current assets/(liabilities)		5,982	(15,910)
Total assets less current liabilities		67,730	47,758
Creditors: amounts falling due after more than one year	12	651	—
Provisions for liabilities and charges			
Provisions for liabilities and charges	15	9,793	8,703
		57,286	39,055
Capital and reserves			
Called up share capital	18	25,000	25,000
Profit and loss account	19	32,286	14,055
Equity shareholders' funds	20	57,286	39,055



D W Keens
Director

7 May 2004

Notes to the financial statements

at 31 January 2004

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

Related parties transactions

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.

Depreciation

All fixed assets are initially recorded at cost.

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

Deferred taxation

Full provision is generally 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.

Finance leases

Assets used by the company which have been funded through finance leases are capitalised in fixed assets and the resulting lease obligations are included in creditors. The assets are depreciated over their useful lives and the interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Operating leases

Rentals payable under operating leases are charged to operating profit on a straight line basis over the lease term.

Pension costs

Pension contributions due to group pension schemes are charged to the profit and loss account as incurred.

Notes to the financial statements

at 31 January 2004

2. Turnover

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 with the United Kingdom and is derived from group companies.

3. Operating profit

This is stated after charging:

	2004 £000	2003 £000
Auditors' remuneration - audit services	4	4
Depreciation of owned fixed assets	8,739	7,641
Depreciation of assets held under finance leases	127	—
Operating lease rentals - land and buildings	3,960	4,036
- plant and machinery	1,881	238
Employees Share Ownership Plan contributions	246	108

During the year the company paid contributions totalling £246k to the Next Employee Ownership Plan, which is a discretionary trust fund established for the benefit of the employees of the Next Group. Full details of the Next Employee Share Ownership Plan are available in the accounts of Next plc.

4. Staff costs

	2004 £000	2003 £000
Wages and salaries	50,055	39,392
Social security costs	3,754	2,490
Other pension costs (note 14)	1,418	1,292
	55,227	43,174

The monthly average number of employees during the year was as follows:

	2004 No.	2003 No.
Distribution staff	4,068	3,530

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 3,298 (2003 - 2,548).

5. Directors' emoluments

None of the directors received any remuneration from the company for the year ended 31 January 2004 (2003:£nil). All of the Directors were also directors of the ultimate parent company, Next plc, and their emoluments for services to the group are disclosed in the report and accounts of that company.

Notes to the financial statements

at 31 January 2004

6. Interest payable

	2004 £000	2003 £000
Interest payable on finance leases	<u>43</u>	<u>—</u>

7. Tax

(a) Tax on profit on ordinary activities
The tax charge is made up as follows:

	2004 £000	2003 £000
<i>Current tax:</i>		
UK corporation tax	<u>7,181</u>	<u>7,442</u>
Total current tax	<u>7,181</u>	<u>7,442</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	1,090	(178)
Adjustments in respect of prior years	<u>—</u>	<u>436</u>
Tax on profit on ordinary activities	<u>8,271</u>	<u>7,700</u>

(b) Factors affecting current tax charge

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

	2004 %	2003 %
UK corporation tax rate	30.0	30.0
Expenses not deductible for tax purposes	1.0	(0.3)
Origination and reversal of timing differences	<u>(3.9)</u>	<u>0.8</u>
Total current tax	<u>27.1</u>	<u>30.5</u>

Notes to the financial statements

at 31 January 2004

7. Tax (continued)

(c) Deferred tax

	2004 £000	2003 £000
Accelerated capital allowances	9,808	8,703
Other timing differences	(15)	—
Provision for deferred taxation	<u>9,793</u>	<u>8,703</u>
		£000
At 2 February 2003		8,703
Profit and loss account movement arising during the year		1,090
At 31 January 2004		<u>9,793</u>

8. Dividends

	2004 £000	2003 £000
Equity dividends on ordinary shares:		
Interim paid	<u>—</u>	<u>50,000</u>

9. Tangible fixed assets

	<i>Plant & Machinery</i> £000
Cost:	
At 2 February 2003	86,557
Additions	7,085
Disposals	(261)
At 31 January 2004	<u>93,381</u>
Depreciation:	
At 2 February 2003	22,889
Provided during the year	8,866
Disposals	(122)
At 31 January 2004	<u>31,633</u>
Net book value:	
At 31 January 2004	<u>61,748</u>
At 2 February 2003	<u>63,668</u>

The net book value of assets above includes an amount of £800k (2003 - £nil) in respect of assets held under finance leases.

Notes to the financial statements

at 31 January 2004

10. Debtors

	2004 £000	2003 £000
Amounts owed by group undertakings	139,733	116,150
Other debtors	1,996	2,134
Prepayments and accrued income	1,059	2,466
	<u>142,788</u>	<u>120,750</u>

11. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Bank overdrafts	522	414
Obligations under finance leases (note 13)	168	—
Amounts owed to group undertakings	117,599	113,501
Corporation tax	7,181	7,442
Other creditors	11,336	15,303
	<u>136,806</u>	<u>136,660</u>

12. Creditors: amounts falling due after more than one year

	2004 £000	2003 £000
Obligations under finance leases (note 13)	<u>651</u>	<u>—</u>

13. Obligations under finance leases

The maturity of these amounts is as follows:

	2004 £000	2003 £000
Amounts payable:		
Within one year	168	—
In two to five years	651	—
	<u>819</u>	<u>—</u>

Notes to the financial statements

at 31 January 2004

14. Pensions

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 a 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 in 2000. The Group is unable to identify the Company's share of the underlying assets and liabilities of the scheme.

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 2002 using the project unit method, and was updated as at 31 March 2003.

At 31 March 2003, the market value of the assets of the defined benefit section was £156m representing 68% of the liability for benefits that had accrued to members after allowing for future expected increases in earnings. Details of the actuarial valuation of the scheme are contained in the accounts of Next plc. The net deficit in the scheme on an FRS 17 basis at 31 January 2004 was £60.5m. Pension contributions for the Group will continue to be set at a level that takes account of the past service funding position of the scheme. The contributions made by the company in respect of the year ending 31 January 2004 are not materially different from the regular cost of the scheme.

The defined contribution section is for all members who joined after 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.

15. Provisions for liabilities and charges

	<i>Deferred taxation £000</i>
At 2 February 2003	8,703
Profit and Loss Account movement arising during the year	1,090
At 31 January 2004	<u>9,793</u>

16. Commitments under operating leases

At 31 January 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	<i>2004</i>		<i>2003</i>	
	<i>Land and buildings £000</i>	<i>Other £000</i>	<i>Land and buildings £000</i>	<i>Other £000</i>
Operating leases which expire:				
Within one year	3,960	230	3,960	4
In two to five years	–	1,415	–	143
In over five years	–	101	–	–
	<u>3,960</u>	<u>1,746</u>	<u>3,960</u>	<u>147</u>

Notes to the financial statements

at 31 January 2004

17. Contingent liability

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

18. Share capital

	2004 £000	Authorised 2003 £000
Ordinary shares of £1 each	30,000	30,000

	No.	2004 £000	Allotted, called up and fully paid 2003 No.	£000
Ordinary shares of £1 each	25,000,002	25,000	25,000,002	25,000

19. Reserves

	Profit and loss account £000
At 2 February 2003	14,055
Retained profit for the financial year	18,231
At 31 January 2004	32,286

20. Reconciliation of movements in shareholders' funds

	2004 £000	2003 £000
Profit for the financial year	18,231	16,732
Dividends	—	(50,000)
	18,231	(33,268)
Opening shareholders' equity funds	39,055	72,323
Closing shareholders' equity funds	57,286	39,055

21. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £7,368k (2003 - £1,548k).

22. Ultimate parent company and controlling party

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 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.