NEXT Distribution Limited

Report and Financial Statements

27 January 2007

Registered No 3045421

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Financial statements

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Registered in England & Wales

Desford Road
Enderby
Leicester
LE19 4AT

Directors' report and business review

The Directors present their report and financial statements for the year ended 27 January 2007

Results and dividends

The profit for the year, after taxation, amounted to £20,157,000 (2006 £25,935,000)

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

	2007	*2006*	
	£000	*£000*	
Revenue	287,762	290,890	-1%
Operating profit	30,250	38,750	-22%
Average number of employees	5,080	5,333	-5%

The Directors consider the trading results to have been satisfactory Operating profit decreased by more than revenue primarily due to additional pension recharges of £6 5m

Risks & Uncertainties

The Board has a policy of continuous identification and review of key business risks and oversees the development of processes to ensure that these risks are managed appropriately Executive directors and operational management are delegated with the task of implementing these processes and reporting to the Board on their outcomes The key risks identified by the Board include

Warehousing & distribution

The Board regularly reviews its warehouses and the related logistics operations that support its businesses Risks include business interruption due to physical damage, access, breakdown in warehouse systems, capacity shortages, inefficient processes and delivery service failures

Key personnel

The success of the Company depends in part on the continued service of its key management and technical personnel and on its ability to continue to attract, motivate and retain highly qualified employees

IT systems & business continuity

The Company is dependent upon the continued availability and integrity of its computer systems Its business must record and process a substantial volume of data and conduct inventory management accurately and quickly The Company expects that its systems will require continuous enhancement and ongoing investment to prevent obsolescence and maintain responsiveness to business needs

Employees

People are key to achieving the Company's objectives The Company has established policies for recruitment, training and development of personnel and is committed to achieving excellence in the areas of health, safety, welfare and protection of employees and their working environment

Equal opportunities

The Company is an equal opportunities employer and will continue to ensure it offers career opportunities without discrimination Full consideration is given to application for employment from disabled persons, having regard to their particular aptitudes and abilities The Company has continued 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' report and business review

Training and development

The Company aims to realise the potential of its employees by supporting their career progression and promotion wherever possible It makes significant investment in the training and development of staff and in training and education programmes which contribute to the internal promotion prospects of employees

Employee communication

The Company has a policy of providing employees with financial and other information about the business and ensures that the suggestions and views of employees are taken into account The NEXT Group has an employee forum made up of a network of elected representatives from throughout its businesses who attend meetings at least twice a year with senior managers and directors This forum enables and encourages open discussion on key business issues, policies and the working environment

Social & Environmental Matters

Health and Safety

The Company recognises the importance of health and safety at work and its management is designed to contribute to improving business performance Practical measures, such as risk assessment are undertaken to ensure that the Company's activities and products do not harm customers, employees, contractors, sites or equipment Procedures are in place to enable effective two way communication and consultation about health, safety and welfare issues in order to achieve a high level of safety awareness

Environment

The improvement of waste stream management has continued to be priority for the NEXT Group during the year A process to reverse haul cardboard and plastic from its stores to distribution centres for recycling commenced during the year As a result, stores and warehouses recycled over 13,760 tonnes of cardboard (2006 13,644 tonnes) and over 1,964 tonnes of polythene (2006 1,304 tonnes) The NEXT Group will continue to strive for further improvements in this area, and in the recycling of other waste streams, in the year ahead

The Waste Electrical and Electronic Equipment Directive was adopted in January 2007 and will become law in the UK during 2007 The NEXT Group continues to work with The Carbon Trust to review opportunities for energy efficiency in its warehouses and offices throughout the business

Suppliers

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 27 January 2007, the Company had an average of nil days (2006 nil days) purchases outstanding in trade creditors

Directors

The directors who served the Company during the period were as follows

D W Keens
S A Wolfson
A J Varley (appointed 14 March 2006)

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

Auditors

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

Directors' report and business review

Disclosure of information to auditors

In accordance with the provisions of section 234ZA of the Companies Act 1985, each of the persons who is a Director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each director has taken all the steps that he/she ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the board

AJR McKinlay
Secretary

19 June 2007

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRS") as adopted by the European Union

The Directors are required to prepare financial statements for each financial year which present fairly the position, financial performance and cash flows of the Company for that period In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and performance,
- state that the Company has complied with IFRS, 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 it its 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 enable them to ensure that the financial statements comply with the Companies Act 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 (the "financial statements") for the year ended 27 January 2007 which comprise the Income Statement, Statement of Recognised Income and Expenses, Balance Sheet, Cash Flow Statement and the related Notes 1 to 23 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

The Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as 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 International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition, we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 27 January 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor

Nottingham
20 June 2007

Income statement
for the year ended 27 January 2007

	Notes	*2007 £000*	*2006 £000*
Revenue	2	287,762	290,890
Cost of sales		(256,761)	(251,493)
Gross profit		31,001	39,397
Net operating expenses		(751)	(647)
Operating profit	3	30,250	38,750
Finance costs	6	(95)	(48)
Profit before taxation		30,155	38,702
Taxation	7	(9,998)	(12,767)
Profit for the year		20,157	25,935

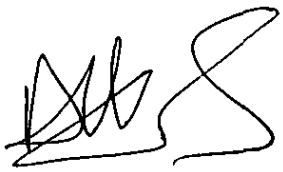
Statement of recognised income and expense
for the year ended 27 January 2007

	Notes	*2007 £000*	*2006 £000*
Tax on items recognised directly in equity	7	672	79
Profit for the year		20,157	25,935
Total recognised income and expense for the year	18	20,829	26,014

Balance sheet
at 27 January 2007

	Notes	2007 £000	2006 £000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant & equipment	8	137,042	113,866
Current assets			
Trade and other receivables	9	174,736	171,026
Total assets		311,778	284,892
Current liabilities			
Bank overdrafts	10	(768)	(768)
Trade and other payables	11	(238,334)	(152,193)
Current tax liability		(5,925)	(9,816)
		(245,027)	(162,777)
Non-current liabilities			
Trade and other payables	14	(1,763)	(2,108)
Deferred tax liability	7	(17,025)	(13,624)
		(18,788)	(15,732)
Total liabilities		(263,815)	(178,509)
Net assets		47,963	106,383
EQUITY			
Share capital	17	25,000	25,000
Retained earnings	18	22,963	81,383
Total equity		47,963	106,383

D W Keens
Director



19 June 2007

Cash flow statement

for the year ended 27 January 2007

	Notes	2007 £000	2006 £000
Cash flows from operating activities			
Operating profit		30,250	38,750
Depreciation		14,616	10,181
Loss/(profit) on disposal of property, plant & equipment		527	(46)
Share option charge		751	647
Increase in trade and other receivables		(3,710)	(12,039)
Increase in trade and other payables		86,089	4,757
Cash generated from operations		128,523	42,250
Corporation taxes paid		(9,816)	(7,901)
Net cash from operating activities		118,707	34,349
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		1,017	632
Acquisition of property, plant & equipment		(39,114)	(34,715)
Net cash from investing activities		(38,097)	(34,083)
Cash flows from financing activities			
Dividend paid		(80,000)	-
Interest paid		(95)	(48)
Payment of finance lease liabilities		(515)	(218)
Net cash from financing activities		(80,610)	(266)
Net movement in cash and cash equivalents		-	-
Opening cash and cash equivalents		(768)	(768)
Closing cash and cash equivalents	21	(768)	(768)

Notes to the financial statements
at 27 January 2007

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use in the European Union and the Companies Act 1985

The financial statements have been prepared on the historical cost basis except for share based payments which are measured at fair value The principal accounting policies adopted are set out below

The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided to customers outside of the Company, stated net of value added and other sales taxes

Income from rendering of services is recognised when the services have been performed

Property, plant & equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment in value

Depreciation is provided to write down the cost of property, plant and equipment to their estimated residual values, based on current prices at the balance sheet date, over their remaining useful lives by equal annual instalments

The depreciation period generally applicable to plant and machinery ranges from two to fifteen years

Impairment

The carrying values of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment If any such indication exists, the recoverable amount of the asset is estimated Where the asset does not generate cash flows which are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is estimated

The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell, and its value in use Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount

Trade and other receivables

Trade receivables are stated at original invoice amount Where there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate

Share based payments

The fair value of employee share options granted on or after 7 November 2002 is calculated using the Black-Scholes model The resulting cost is charged in the income statement over the vesting period of the option, and is adjusted for the expected and actual number of options vesting

For cash-settled share based payments, the fair value of the liability is determined at each balance sheet date and the charge recognised through the income statement over the period in which the related services are received by the Company

Notes to the financial statements
at 27 January 2007

Taxation
Current tax liabilities are measured at the amount expected to be paid, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date

Deferred tax expected to be payable or recoverable on differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit Deferred tax is calculated at the rates of taxation that are expected to apply when the asset or liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date and is not discounted

Taxation is charged or credited directly to equity if it relates to items that are credited or charged to equity, otherwise it is recognised in the income statement

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents consist of cash and short term deposits, less bank overdrafts which are repayable on demand

Bank loans and overdrafts
Bank loans and overdrafts are initially recognised at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method

Employee benefits
Employees of the Company are eligible for membership of pension plans operated by NEXT plc ("the Group"). The Group operates a pension plan in the UK which consists of a defined benefit and defined contribution sections

The Group reports its pension costs, assets and liabilities in accordance with IAS 19 *Employee Benefits* and full details are given in the consolidated financial statements of the Group There is no consistent and reliable basis for allocating the plan assets, liabilities and cost between the participating entities since it is not possible to determine from the terms of the plan the extent to which the surplus or deficit in the plan will affect the future contributions of the Company Accordingly, as an unlisted wholly-owned subsidiary of NEXT plc, the Company accounts for its participation in the plan as if it were a defined contribution plan, with pension costs charged to the income statement as incurred

Leasing commitments
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the Company All other leases are classified as operating 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 income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding

Rentals payable under operating leases are charged to income on a straight line basis over the period of the lease Premiums payable, rent free periods and capital contributions receivable on entering an operating lease are released to income on a straight line basis over the lease term

New accounting standards
The Company has not adopted early the requirements of IFRS 7 *Financial instruments Disclosures*, and the amendment to IAS1 *Presentation of Financial Statements* which will both become mandatory for accounting periods beginning on or after 1 January 2007 The new disclosures will be therefore adopted in the Company's financial statements from the year ending January 2008

Notes to the financial statements
at 27 January 2007

2. Revenue

	2007 *£000*	*2006* *£000*
Rendering of services	287,762	290,890

3. Operating profit

This is stated after charging/(crediting)

	2007 *£000*	*2006* *£000*
Depreciation on assets		
Owned	14,075	9,951
Leased	541	230
Loss/(profit) on disposal of property, plant & equipment	527	(46)
Operating lease rentals		
Minimum lease payments	8,160	7,017
Auditors' remuneration		
Audit services	5	4

4. Staff costs

	2007 *£000*	*2006* *£000*
Wages and salaries	77,912	78,612
Social security costs	6,788	6,470
Other pension costs	8,367	1,921
	93,067	87,003
Share based payments expense		
Equity settled	751	647
	93,818	87,650

The monthly average number of employees during the period was as follows

	2007 *No*	*2006* *No*
Distribution staff	5,080	5,333

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 4,165 (2006 4,459)

Notes to the financial statements
at 27 January 2007

5. Directors' emoluments

None of the Directors received any remuneration from the Company for the year ended 27 January 2007 (2006 £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

6. Finance costs

	2007 *£000*	*2006* *£000*
Interest on obligations under finance leases	95	48

7. Taxation

	2007 *£000*	*2006* *£000*
Current tax		
UK corporation tax on profits of the year	6,796	10,020
Total current tax	6,796	10,020
Deferred tax		
Origination and reversal of temporary differences	2,961	2,999
Adjustments in respect of prior years	241	(252)
Tax expense reported in the income statement	9,998	12,767

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

	2007 *%*	*2006* *%*
UK corporation tax rate	30 0	30 0
Expenses not deductible for tax purposes / non-taxable income	2 4	3 7
Tax (over) / underprovided in previous years	0 8	(0 7)
Effective total tax rate on profit before taxation	33 2	33 0

In addition to the amounts charged to the income statement, tax movements recognised directly in equity were as follows

	2007 *£000*	*2006* *£000*
Current tax		
Share based payments	(871)	(204)
Deferred tax		
Share based payments	199	125
Tax credit in the statement of recognised income and expense	(672)	(79)

Notes to the financial statements
at 27 January 2007

7. Taxation (continued)

Deferred taxation

	2007 £000	*2006 £000*
Accelerated capital allowances	18,310	15,074
Share based payments	(905)	(879)
Other temporary differences	(380)	(571)
	17,025	13,624

The movement in the year is as follows

At January 2006	13,624	10,752
Charged to the income statement		
Accelerated capital allowances	3,236	3,009
Share based payments	(225)	(195)
Other temporary differences	191	(67)
Recognised directly in equity	199	125
At January 2007	17,025	13,624

Notes to the financial statements
at 27 January 2007

8. Property, plant & equipment

	Plant and Machinery £000
Cost	
At January 2005	128,270
Additions	36,713
Group transfer	(3,203)
Disposals	(8)
At January 2006	161,772
Additions	39,336
Group transfer	(1,017)
Disposals	(1,170)
At January 2007	198,921
Depreciation	
At January 2005	40,350
Provided during the year	10,181
Group transfer	(2,606)
Disposals	(19)
At January 2006	47,906
Provided during the year	14,616
Group transfer	-
Disposals	(643)
At January 2007	61,879
Carrying amount	
At January 2007	**137,042**
At January 2006	113,866
At January 2005	87,920

The carrying amount of plant and fittings above includes an amount of £2,016,000 (2006 £2,557,000) in respect of assets held under finance leases

At 27 January 2007 the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £33,406,000 (2006 £5,571,000)

Notes to the financial statements
at 27 January 2007

9. Trade and other receivables

	2007 *£000*	*2006* *£000*
Amounts owed by group undertakings	173,617	168,838
Other debtors	-	71
Prepayments and accrued income	1,119	2,117
	174,736	171,026

10. Bank loans and overdrafts

	2007 *£000*	*2006* *£000*
Bank overdrafts and overnight borrowings	768	768

Bank overdrafts and overnight borrowings are repayable on demand and bear interest at a margin over bank base rates

11. Trade and other payables

	2007 *£000*	*2006* *£000*
Obligations under finance leases	557	505
Amounts owed to parent undertakings	207,653	124,675
Other creditors and accruals	30,124	27,013
	238,334	152,193

Trade payables are not interest-bearing and are generally settled on 30 day terms Other creditors and accruals are not interest-bearing

Notes to the financial statements
at 27 January 2007

12. Obligations under finance leases

	2007 *£000*	*2006* *£000*
Future minimum payments due		
Within one year	638	594
In two to five years	1,410	1,703
Over five years	563	635
	2,611	2,932
Less finance charges allocated to future periods	(291)	(319)
Present value of minimum lease payments	2,320	2,613

The present value of minimum lease payments is analysed as follows

	2007 *£000*	*2006* *£000*
Within one year	557	505
In two to five years	1,247	1,532
Over five years	516	576
	2,320	2,613

The Company uses finance leases to acquire certain plant and machinery Obligations under finance leases carry interest at an average effective rate of 4 0% (2006 3 8%)

13. Retirement benefit plans

Employees of the Company are eligible in the UK for membership of the NEXT Group Pension Plan, 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 and was closed to new members in 2000 For all current plan members, pensions earnings are comprised of basic pay, overtime and, prior to 1st October 2006, annual performance bonuses From 1st October 2006, sales and profit related bonuses are no longer taken into account The most recent formal actuarial valuation was undertaken by an independent professionally qualified actuary as at 30 September 2005 using the projected unit credit method

The Group reports its pension costs, assets and liabilities in accordance with IAS 19 *Employee Benefits* and full details are given in the consolidated financial statements of the Group There is no consistent and reliable basis for allocating the plan assets, liabilities and cost between the participating entities since it is not possible to determine from the terms of the plan the extent to which the surplus or deficit in the plan will affect the future contributions of the Company Accordingly, as an unlisted wholly-owned subsidiary of NEXT plc, the Company accounts for its participation in the plan as if it were a defined contribution plan

The net deficit in the plan on an IAS 19 basis at 27 January 2007 was £47 0m (2006 £115 6m) Pension contributions for the Group will continue to be set at a level that takes account of the past service funding position of the plan The contributions made by the Company in respect of the year ending 27 January 2007 include £6 5m in addition to the regular cost of the plan

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 plan has equal pension rights with respect to members of either sex The assets of the plan are held in a separate trustee administered fund

Notes to the financial statements
at 27 January 2007

14. Other non-current liabilities

	2007 *£000*	*2006* *£000*
Obligations under finance leases	1,763	2,108

15. Commitments under operating leases

Future minimum rentals payable under non-cancellable operating leases where the Company is the lessee

	2007 *£000*	*2006* *£000*
Within one year	4,202	3,221
After one year but not more than five years	4,268	3,176
More than five years	277	581
	8,747	6,978

The Company has entered into operating leases in respect of vehicles, equipment and warehouses These non-cancellable leases have remaining terms of between 1 month and 7 years

16. 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 9 September 2003 is limited to the credit balance held on the Company's bank account

17. Share capital

	Authorised *2007* *£000*	*2006* *£000*
Ordinary shares of £1 each	30,000	30,000

	Allotted, called up and fully paid			
	2007			*2006*
	No	*£000*	*No*	*£000*
Ordinary shares of £1 each	25,000,002	25,000	25,000,0002	25,000

Notes to the financial statements
at 27 January 2007

18. Reconciliation of movements in equity

	Share capital £000	*Retained earnings £000*	*Total £000*
At January 2005	25,000	54,722	79,722
Total recognised income and expense for the year	-	26,014	26,014
Share option charge	-	647	647
At January 2006	25,000	81,383	106,383
Total recognised income and expense for the year	-	20,829	20,829
Share option charge	-	751	751
Equity dividend paid	-	(80,000)	(80,000)
At January 2007	25,000	22,963	47,963

The dividend paid of £80,000,000 equates to £3 20 per share

19. Equity settled share based payments

Employees of the Company participate in management and sharesave option schemes offered by NEXT plc Management share options are granted annually at the prevailing market price at the time of grant and are exercisable between three and ten years following their grant The sharesave option scheme operates on a save-as-you-earn principal, and offers options at a discount of 20% to the prevailing market rate at the time of grant, exercisable three, five or seven years after the date of grant Further details of these schemes are provided in the Group's consolidated financial statements The fair value of management and sharesave options granted is calculated at the date of grants using a Black-Scholes option pricing model

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year

	2007		*2006*	
	Options (No)	Weighted average exercise price (p)	Options (No)	Weighted average exercise price (p)
Outstanding at beginning of period	950,296	1128	806,692	997
Granted during the period	271,700	1588	263,480	1,380
Forfeited during the period	(45,563)	1302	(33,136)	1,124
Exercised during the period	(338,439)	857	(86,740)	886
Outstanding at end of period	837,994	1352	950,296	1,128
Exercisable at end of period	79,737	859	85,883	863

Included in the above balances were 36,958 (2006 118,620) that were granted prior to 7 November 2002 and which have not been subsequently modified and are therefore not required to be recognised in accordance with IFRS 2

Notes to the financial statements
at 27 January 2007

19. Equity settled share based payments (continued)

Options were exercised on a regular basis throughout the year and the weighted average share price during this period was 1726p (2006 1563p) Options outstanding at 27 January 2007 are exercisable at prices ranging between 432p and 1620p (2006 358p–1495p), and have a weighted average remaining contractual life of 6 1 years (2006 5 8 years), further analysed in the table below

	2007		*2006*	
	No of options outstanding	Weighted average remaining contractual life (years)	No of options outstanding	Weighted average remaining contractual life (years)
Exercise price range				
358p – 543p	14,426	2 1	26,699	2 6
620p – 727p	37,513	1 8	125,510	1 4
889p – 920p	61,379	4 5	224,756	5 7
1058p – 1131p	92,581	3 4	132,016	4 6
1302p – 1347p	72,217	2 0	85,723	3 0
1412p – 1495p	306,801	7 8	355,592	8 8
1514p – 1620p	253,077	7 5	-	-
Outstanding at end of period	837,994	6 1	950,296	5 8

The following table lists the inputs to the model used for options granted in the years ended 28 January 2006 and 27 January 2007 based on information at the date of grant

	2007	*2006*
Management share options		
Weighted average share price at date of grant (p)	1620	1494
Weighted average exercise price	1620	1494
Volatility (%)	25 00	26 99
Expected life (years)	4 00	4 00
Risk free rate (%)	4 56	4 31
Dividend yield (%)	2 72	2 48
Weighted average fair value (£)	3 31	3 28
Sharesave plans		
Weighted average share price at date of grant (p)	1892	1295
Weighted average exercise price	1514	1131
Volatility (%)	21 44	24 01
Expected life (years)	3 58	3 60
Risk free rate (%)	4 99	4 39
Dividend yield (%)	2 38	3 17
Weighted average fair value (£)	5 45	2 99

Expected volatility was determined by calculating the historical volatility of NEXT plc's share price over a period equivalent to the expected life of the option The expected life applied in the model is based on historical analyses of exercise patterns, taking into account any early exercises

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20. Financial instruments: fair values

The fair values of each category of the Company's financial instruments are the same as their carrying values in the Company's balance sheet

21. Analysis of net debt

	January 2006 *£000*	*Cash flow* *£000*	*Other non-cash changes* *£000*	*January 2007* *£000*
Overdrafts	(768)			(768)
Cash and cash equivalents	(768)	-	-	(768)
Finance leases	(2,613)	515	(222)	(2,320)
Total net debt	(3,381)	515	(222)	(3,088)

	January 2005 £000	Cash flow £000	Other non-cash changes £000	January 2006 £000
Overdrafts	(768)			(768)
Cash and cash equivalents	(768)	-	-	(768)
Finance leases	(833)	218	(1,998)	(2,613)
Total net debt	(1,601)	218	(1,998)	(3,381)

22. Related party transactions

During the year the Company entered into transactions in the ordinary course of business with related parties as follows

	2007 *£000*	*2006* *£000*
Transactions with parent companies		
Recharge of costs	(6,500)	(3,362)
Dividend paid	(80,000)	-
Transactions with other group companies		
Rendering of services	287,762	290,890
Recharge of costs	4,779	14,734

23. Ultimate parent company and controlling party

The Company's immediate parent is The Paige Group Limited 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