NEXT Distribution Limited

Report and Financial Statements

25 January 2014

Registered No: 3045421

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Report and Financial Statements

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Registered in England & Wales

Desford Road
Enderby
Leicester
LE19 4AT

Strategic Report

The Directors present their annual report and audited accounts for the year ended 25 January 2014.

Results

The profit for the year, after taxation, amounted to £44,484,000 (2013: £41,114,000).

The principal activity of the Company during the year was the warehousing and distribution of clothing and home furnishing products on behalf of the NEXT group.

	2014	*2013*	
	£000	*£000*	
Turnover	418,010	390,229	+7.1%
Operating profit	55,415	51,783	+7.0%
Average number of employees	5,408	5,147	

Turnover has increased over last year, primarily due to increased sales made by NEXT Retail Limited, the Company's principal customer. In particular, NEXT Retail has seen significant sales growth to its Directory home shopping and international online customers, which has increased the volume of goods stored and delivered by the Company. The directors consider the trading results to have been satisfactory.

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. 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 are summarised below:

Warehousing & distribution

The Board regularly reviews the warehousing and distribution operations that support the business. Risks include business interruption due to physical damage, access restrictions, breakdowns, capacity shortages, inefficient processes and delivery service failures. Planning processes are in place to ensure there is sufficient warehouse handling capacity for expected future business volumes over the short and longer terms. In addition, service levels, warehouse handling and delivery costs are monitored continuously to ensure goods are delivered to Retail stores, Directory customers and third party clients in a timely and cost-efficient manner.

Management team

The success of the Company relies on the continued service of its senior management and technical personnel and on its ability to continue to attract, motivate and retain highly qualified employees. Remuneration packages for senior personnel are reviewed at least annually and are formulated to retain and motivate these employees. In addition, the Board considers the development of senior managers to ensure adequate career development opportunities for key personnel, with orderly succession and promotion to important management positions.

IT systems, business continuity & cyber risk

The Company is dependent upon the continued availability and integrity of its IT systems, which 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 investment to prevent obsolescence and maintain responsiveness. The threat of unauthorised or malicious attack is an on-going risk, the nature of which is constantly evolving. Systems penetration testing, business continuity plans and back up facilities are in place and are tested regularly to ensure that business interruptions are minimised and data is protected from corruption or unauthorised access or use.

Strategic Report

Employees

The Company's employees are key to achieving business 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 and diversity

NEXT Distribution Limited is an equal opportunities employer and will continue to ensure it offers career opportunities without discrimination. Full consideration is given to applications 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.

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 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 Company participates in a group-wide employee forum made up of elected representatives from throughout the business who attend meetings at least twice a year with directors and senior managers. This forum enables and encourages open discussion on key business issues, policies and the working environment.

Pension provision

The Company's employees are eligible to participate in the NEXT Group Pension Plan which provides a valuable pension benefit to its participating employees, details of which are set out in Note 14 to the financial statements.

Social & environmental matters

Health and Safety

The Company recognises the importance of health and safety and its management is designed to contribute to business performance. Policies and procedures are reviewed and audited regularly to make safety management more robust and current.

The Company's objective is to manage all aspects of its business in a safe manner and take practical measures to ensure that its activities and products do not harm the public, customers, employees or contractors. Procedures exist to enable two way communication and consultation about health, safety and welfare issues in order to achieve a high level of safety awareness.

Strategic Report

Environmental matters
The Company recognises that it has a responsibility to manage the impact of its business on the environment both now and in the future. Key areas of focus are:

- energy use and emissions from warehouses, distribution centres and offices;
- fuel emissions from the transportation of products; and
- waste created in warehouses, distribution centres and offices.

NEXT remains committed to reducing its carbon footprint by reducing energy consumption throughout its operations, minimising and recycling waste, cutting transport emissions and reducing the packaging in our products.

By order of the Board

Seonna Anderson

Seonna Anderson
Secretary

16 June 2014

Directors' Report

Disclosures required under the 2013 amendment to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in respect of employee matters (including the employment, training and advancement of disabled persons) are given in the Strategic Report. No donations were made for political purposes (2013: nil).

Dividends

No interim equity dividend was paid during the year (2013: £nil). The directors do not propose payment of a final dividend.

Directors

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

Lord Wolfson of Aspley Guise
David Keens
Andrew Varley

Andrew Varley retired on 9 May 2014. Jane Shields and Michael Law were appointed as directors on the same date.

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.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set in the Strategic Report. The Company participates in the NEXT group's centralised treasury arrangements and so shares banking arrangements with its parent and subsidiary companies.

The directors, having assessed the responses of the directors of the Company's parent, NEXT plc, to their enquiries have no reason to believe that a material uncertainty exists that may cast doubt about the ability of the NEXT group to continue as a going concern or its ability to continue with the current banking arrangements. On the basis of these enquiries, and their review of the Company's current performance and forecasts, the directors have a reasonable expectation that the Company has adequate resources to continue its operations for the foreseeable future. For this reason, they have continued to adopt the going concern basis in preparing the financial statements.

Auditor

Ernst & Young LLP expressed their willingness to continue in office and their reappointment was proposed and passed at the AGM.

Directors' Report

Disclosure of information to auditor

In accordance with the provisions of section 418 of the Companies Act 2006, 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 auditor is unaware; and
- each director has taken all the steps that he ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

Seonna Anderson

Seonna Anderson
Secretary

16 June 2014

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, Directors' Report and financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

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 UK 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 confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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 Auditor's Report

to the members of NEXT Distribution Limited

We have audited the financial statements of NEXT Distribution Limited for the year ended 25 January 2014 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related Notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 25 January 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report

to the members of NEXT Distribution Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Nigel Meredith (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

8 July 2014

Profit and Loss Account
for the year ended 25 January 2014

	Notes	2014 £000	2013 £000
Turnover	2	418,010	390,229
Cost of sales		(361,152)	(334,773)
Gross profit		56,858	55,456
Distribution costs		(1,443)	(3,673)
Operating profit	3	55,415	51,783
Interest payable and similar charges	6	(14)	(20)
Profit on ordinary activities before taxation		55,401	51,763
Tax on profit on ordinary activities	7	(10,917)	(10,649)
Profit on ordinary activities after taxation		44,484	41,114

Statement of Comprehensive Income
for the year ended 25 January 2014

There was no other comprehensive income for the year other than the profit of £44,484,000 (2013: £41,114,000).

Registered in England, no. 3045421

Balance Sheet
at 25 January 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Tangible assets	8	130,973	145,547
Current assets			
Debtors	9	210,102	143,723
Cash at bank and in hand		6,362	6,164
		216,464	149,887
Creditors: amounts falling due within one year	10	(166,523)	(157,078)
Net current assets/(liabilities)		49,941	(7,191)
Total assets less current liabilities		180,914	138,356
Creditors: amounts falling due after more than one year	11	(138)	(270)
Provisions for liabilities and charges	13	(9,575)	(13,931)
Net assets		171,201	124,155
Capital and reserves			
Share capital	17	25,000	25,000
Profit and loss account		146,201	99,155
Total equity		171,201	124,155

By order of the Board

David Keens
Director

16 June 2014

Statement of Changes in Equity
for the year ended 25 January 2014

	Share capital £000	*Profit and loss account* £000	*Total* £000
At January 2012	25,000	56,066	81,066
Total comprehensive income for the year	-	41,114	41,114
Tax recognised directly in equity	-	1,975	1,975
At January 2013	25,000	99,155	124,155
Total comprehensive income for the year	-	44,484	44,484
Tax recognised directly in equity	-	2,562	2,562
At January 2014	25,000	146,201	171,201

Notes to the Financial Statements
at 25 January 2014

1. Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101").

The Company transitioned from EU–adopted IFRS to FRS101 last year and there were no measurement or recognition differences arising on its adoption. The Company has taken advantage of some of the disclosure exemptions allowed under this standard. The main areas of reduced disclosure are in respect of equity share based payments; some comparative amounts; the cash flow statement; and related party disclosures.

The financial statements have been prepared on the historical cost basis except for certain share based payment liabilities which are measured at fair value. The financial statements are for the 52 weeks to 25 January 2014 (last year 52 weeks to 26 January 2013) and the principal accounting policies adopted are set out below.

The Company's financial statements are presented in pounds Sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover represents the fair value of amounts receivable and is stated net of sales taxes. Income from rendering of services is recognised when the services have been performed.

Tangible assets

Property, plant and machinery are stated at cost less accumulated depreciation and impairment.

Depreciation is charged so as to write down the cost of assets to their estimated residual values over their remaining useful lives on a straight line basis. Estimated useful lives and residual values are reviewed at least annually.

The depreciation period generally applicable to plant and machinery ranges from two to fifteen years. Freehold property is depreciated over fifty years.

Impairment

The carrying values of non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any impairment loss arises, the asset value is adjusted to its estimated recoverable amount and the difference is recognised in the profit and loss account.

Trade and other debtors

Trade debtors are stated at invoice value less any allowance for impairment which is based on objective evidence.

Share-based payments

The fair value of employee share options granted is calculated using a Black-Scholes model. The resulting cost is charged in the profit and loss account over the vesting period of the option, and is regularly reviewed and 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 cost is recognised in the profit and loss account over the vesting period.

Notes to the Financial Statements
at 25 January 2014

1. Accounting policies (continued)

Taxation

Taxation, comprised of current and deferred tax, is charged or credited to the profit and loss account unless it relates to items in other comprehensive income or directly in equity. In such cases, the related tax is also recognised in other comprehensive income or directly in equity.

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 is accounted for using the balance sheet liability method and is calculated using rates of taxation enacted or substantively enacted at the balance sheet date which are expected to apply when the asset or liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Cash at bank and in hand

This comprises cash at bank and in hand and short term deposits with an original maturity of three months or less.

Bank borrowings

Bank borrowings are initially recognised at the net proceeds received 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 which consists of 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 profit and loss account as incurred.

Provisions

A provision is recognised where the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Leasing commitments

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

Assets used by the Company which have been funded through finance leases are capitalised in property, plant and equipment 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.

Changes in accounting standards

Various new accounting standards and amendments were issued during the year, none of which have had or are expected to have any significant impact on the Company.

Notes to the Financial Statements
at 25 January 2014

2. Turnover

	2014	*2013*
	£000	*£000*
Rendering of services	418,010	390,229

3. Operating profit

This is stated after charging/(crediting):

	2014	*2013*
	£000	*£000*
Depreciation on assets:		
Owned	20,765	19,806
Leased	87	129
Loss on disposal of tangible assets	164	-
Operating lease rentals:		
Minimum lease payments	11,187	9,419
Auditor's remuneration:		
Audit services	10	9
Trade debtors:		
Impairment charge	38	10
Amounts recovered	(30)	(9)

4. Staff costs

	2014	*2013*
	£000	*£000*
Wages and salaries	119,285	109,710
Social security costs	10,259	9,338
Other pension costs	7,616	5,314
	137,160	124,362
Share based payments expense:		
Equity settled	1,443	1,307
	138,603	125,669

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

	2014	*2013*
	No.	*No.*
Distribution staff	5,408	5,147

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 4,846 (2013: 4,788).

Notes to the Financial Statements
at 25 January 2014

5. Directors' emoluments

None of the directors received any remuneration from the Company for the year ended 25 January 2014 (2013: £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. The directors believe that it is not practicable to apportion their remuneration between qualifying services for this company and other group companies in which they hold office.

6. Interest payable and similar charges

	2014 *£000*	*2013* *£000*
Interest on obligations under finance leases	14	20

7. Taxation

	2014 *£000*	*2013* *£000*
Current tax:		
UK corporation tax on profits of the year	14,149	13,554
Deferred tax:		
Origination and reversal of temporary differences	(3,290)	(2,522)
Adjustments in respect of prior years	58	(383)
Tax expense reported in the profit and loss account	10,917	10,649

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

	2014 %	*2013* %
UK corporation tax rate	23.2	24.3
Non-deductible expenses/(non-taxable income)	0.1	(1.0)
Tax credit on employee share option gains	(3.0)	-
Utilisation of deferred tax asset on employee share options	2.9	0.7
Deferred tax rate adjustment	(3.5)	(2.7)
Tax overprovided in previous years	-	(0.7)
Effective total tax rate on profit before taxation	19.7	20.6

Notes to the Financial Statements
at 25 January 2014

7. Taxation (continued)

In addition to the amounts charged to the profit and loss account, tax movements recognised through equity were as follows:

	2014 *£000*	*2013* *£000*
Current tax:		
Share based payments	(1,438)	(543)
Deferred tax:		
Share based payments	(1,124)	(1,432)
Tax credit in the statement of changes in equity	(2,562)	(1,975)

Deferred taxation

	2014 *£000*	*2013* *£000*
Accelerated capital allowances	13,282	16,743
Share based payments	(3,701)	(2,800)
Other temporary differences	(6)	(12)
	9,575	13,931

The movement in the year is as follows:

	2014 *£000*	*2013* *£000*
At January 2013	13,931	18,268
(Credited)/charged to the profit and loss account		
Accelerated capital allowances	(3,461)	(2,809)
Share based payments	223	(104)
Other temporary differences	6	8
Recognised directly in equity	(1,124)	(1,432)
At January 2014	9,575	13,931

Notes to the Financial Statements
at 25 January 2014

8. Tangible assets

	Freehold property £000	*Plant and machinery £000*	*Total £000*
Cost:			
At January 2013	1,109	312,027	313,136
Additions	-	6,442	6,442
Disposals	-	(245)	(245)
At January 2014	1,109	318,224	319,333
Depreciation:			
At January 2013	108	167,481	167,589
Provided during the year	22	20,830	20,852
Disposals	-	(81)	(81)
At January 2014	130	188,230	188,360
Carrying amount:			
At January 2014	**979**	**129,994**	**130,973**
At January 2013	1,001	144,546	145,547

The carrying amount of plant and machinery above includes an amount of £181,000 (2013: £267,000) in respect of assets held under finance leases.

At 25 January 2014 the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1,394,000 (2013: £928,000).

9. Debtors

	2014 £000	*2013 £000*
Trade debtors	698	1,175
Less: allowance for doubtful debts	(8)	-
	690	1,175
Amounts owed by group undertakings	207,425	140,148
Amounts owed by associates	481	478
Prepayments and accrued income	1,506	1,922
	210,102	143,723

Amounts owed by group undertakings are repayable on demand.

The credit quality of trade debtors that are neither past due nor impaired is considered good as there has been no recent significant default. Expected irrecoverable amounts are provided for based on past default experience.

The other classes within trade and other debtors do not include impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset above. The Company does not hold any collateral over these balances.

Notes to the Financial Statements
at 25 January 2014

9. Debtors (continued)

Ageing of trade debtors

	2014 *£000*	*2013* *£000*
Not past due	639	1,175
0 – 30 days past due	8	-
30 – 60 days past due	46	-
60 – 90 days past due	5	-
	698	1,175

10. Creditors: amounts falling due within one year

	2014 *£000*	*2013* *£000*
Obligations under finance leases	132	126
Amounts owed to parent undertaking	120,236	121,196
Other taxes and social security	434	419
Corporation tax	12,711	13,011
Accruals and deferred income	33,010	22,326
	166,523	157,078

Amounts owed to the parent undertaking and accruals are not interest-bearing.

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

	2014 *£000*	*2013* *£000*
Obligations under finance leases	138	270

12. Obligations under finance leases

	2014 *£000*	*2013* *£000*
Future minimum payments due:		
Within one year	140	140
In two to five years	142	282
	282	422
Less: finance charges allocated to future periods	(12)	(26)
Present value of minimum lease payments	270	396

The present value of minimum lease payments is analysed as follows:

	2014 *£000*	*2013* *£000*
Fully due:		
Within one year	132	126
In two to five years	138	270
	270	396

The Company uses finance leases to acquire certain plant and machinery. Obligations under finance leases carry interest at an average effective rate of 4.2% (2013: 4.4%).

Notes to the Financial Statements
at 25 January 2014

13. Provisions for liabilities and charges
The provision represents the deferred tax liability, details of which can be found at note 7.

14. Pension benefits
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 was closed to new members in 2000. The Group also provides unfunded retirement benefits to some plan members whose benefits would otherwise be restricted by the lifetime allowance. Pension assets are held in separate trustee administered funds, which have equal pension rights with respect to members of either sex and comply with the Employment Equality Regulations (2006).

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 IAS 19 valuation of the defined benefit obligation was undertaken by an independent qualified actuary as at January 2014 using the projected unit credit method. The net surplus in the plan on an IAS 19 basis at that date was £70.3m (2013: net surplus £65.6m). Further details on changes to the scheme in the year and the actuarial assumptions used can be found in the financial statements of the parent company, NEXT plc.

Members of the defined benefit section contribute 3% or 5% of pensionable earnings, whilst the employer contribution rate is 17.5%. Members of the defined contribution section contribute 3% or 5% of pensionable earnings which is matched by the employing company. Contribution rates are expected to remain the same for the year ahead.

During the year, special contributions of £3,328,000 (2013: £2,366,000) were made by the Company in addition to the regular contributions to the plan.

15. Commitments under operating leases
Future minimum rentals payable under non-cancellable operating leases where the Company is the lessee:

	2014 *£000*	*2013* *£000*
Within one year	6,203	4,841
After one year but not more than five years	16,600	12,619
More than five years	1,457	811
	24,260	18,271

The Company has entered into operating leases in respect of vehicles, equipment and warehouses. These non-cancellable leases have remaining terms of between 6 days and 7 years.

Notes to the Financial Statements
at 25 January 2014

16. Contingent liability
The Company has entered into a cross guarantee arrangement with Barclays Bank plc in respect of a bank set-off arrangement with its parent undertaking NEXT plc, and certain fellow subsidiary undertakings. The guarantee is limited to the credit balance held on the Company's bank account.

17. Share capital

	Authorised	
	2014	*2013*
	£000	*£000*
Ordinary shares of £1 each	30,000	30,000

	Allotted, called up and fully paid			
	2014		*2013*	
	No.	*£000*	*No.*	*£000*
Ordinary shares of £1 each	25,000,002	25,000	25,000,002	25,000

18. Equity settled share based payments
Employees of the Company participate in management and sharesave option schemes offered by NEXT plc in its shares. 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 principle, 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 grant using a Black-Scholes option pricing model.

Options were exercised on a regular basis throughout the year and the weighted average share price during this period was £48.29 (2013: £31.54). Options outstanding at 25 January 2014 are exercisable at prices ranging between £9.17 and £41.70 (2013: £8.89 to £29.67), and have a weighted average remaining contractual life of 6.1 years (2013: 6.3 years), further analysed in the table below.

	2014		*2013*	
	No. of options outstanding	Weighted average remaining contractual life (years)	No. of options outstanding	Weighted average remaining contractual life (years)
Exercise price range				
£9.17 – £17.82	81,857	3.3	230,744	3.4
£20.70	99,839	7.2	98,881	8.2
£20.84 – £21.89	146,254	3.4	228,492	5.8
£27.56 – £29.67	252,933	6.7	266,212	7.6
£41.12 – £41.70	247,027	7.5	-	-
Outstanding at end of period	827,910	6.1	824,329	6.3

19. Ultimate parent company and controlling party
The Company's immediate parent is NEXT Group plc. 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.