NEXT Distribution Limited

Reports and Financial Statements

27 January 2018

Registered No: 3045421

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Reports 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 financial statements for the 52 week period ended 27 January 2018.

Results

The profit for the period, after taxation, amounted to £49,819,000 (52 week period ended 28 January 2017: £48,799,000).

The principal activity of the Company during the period was the warehousing and distribution of clothing and home furnishing products on behalf of the NEXT Group. Next Distribution Limited is a private company limited by shares.

	2018	*2017*	
	£000	*£000*	
Turnover	478,978	462,730	3.5%
Profit before taxation	62,680	60,455	3.7%
Average number of employees	6,253	6,399	

Turnover has increased by 3.5% reflecting sales made to NEXT Retail Limited, the Company's principal customer. Profit before taxation has increased in line with turnover. The directors consider the trading results to have been satisfactory.

Business strategies and objectives

The Company's principal objective is to provide efficient and effective warehousing and distribution activities for the NEXT Group. The directors aim to achieve this objective through efficient stock management and cost control throughout its warehousing and distribution activities, and by ensuring that excellent customer service and satisfaction levels are maintained for both Retail and Online customers.

Risks and uncertainties

The Board has a policy of continuous identification and review of key business risks, and oversees risk management. Directors and operational management are delegated with the task of implementing processes to ensure that risks are managed appropriately. The principal risks and uncertainties are described below, along with explanations of how they are managed or mitigated:

Description of risk or uncertainty	How the risk or uncertainty is managed or mitigated
Business strategy development and implementation If the NEXT plc Board adopts the wrong business strategy or does not implement its strategies effectively, the NEXT Distribution Limited business may suffer. The Board therefore needs to understand and properly manage strategic risk, taking into account specific retail sector risk, in order to deliver long term growth for the benefit of the Company's stakeholders.	The Board reviews business strategy on a regular basis to determine how sales and profit budgets can be achieved or bettered, and business operations made more efficient. Seasonal and annual budgets together with longer term financial objectives and cash flow forecasts are produced. The Board and senior management consider strategic risk factors, wider economic and industry specific trends that affect the Group's businesses, the competitive position of its product offer and the financial structure of the Group.

Strategic Report (continued)

Description of risk or uncertainty	How the risk or uncertainty is managed or mitigated
Management team The success of NEXT Distribution Limited 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 are reviewed at least annually and formulated to retain and motivate these employees, including long term incentive schemes. 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.
Warehousing and distribution NEXT regularly reviews the warehousing and distribution operations that support the NEXT businesses. Risks include business interruption due to physical damage, access restrictions, breakdowns, capacity shortages, IT systems failure, inefficient processes and third-party 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. Service levels, warehouse handling, inbound logistics and delivery costs are monitored continuously to ensure goods are delivered to our warehouses, Retail stores and Online customers in a timely and cost-efficient manner. During the year we reviewed our warehousing and logistics operations to ensure that we proactively manage changes in our customer demand between Retail stores and Online customers. Business continuity plans and insurance are in place to mitigate the impact of business interruption.
Information security, business continuity and cyber risk NEXT Distribution Limited is dependent upon the continued availability and integrity of its IT systems, which must record and process substantial volumes of data and conduct inventory management accurately and quickly. The Company's systems 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 and becoming more sophisticated.	Systems' vulnerability and penetration testing are carried out regularly to ensure that data is protected from corruption or unauthorised access or use. Critical systems are reviewed and tested periodically to ensure they have back up facilities and business continuity plans in place; these are updated on an ongoing basis to reflect business risk. Major incident simulations and business continuity tests are carried out periodically. IT risks are also managed through the application of internal policies and change management procedures, contractual service level agreements with third-party suppliers, and IT capacity management. As the nature of cyber attack risk is constantly changing and becoming ever more sophisticated, NEXT continually works towards improving mitigating controls in this critical area.

Strategic Report (continued)

Description of risk or uncertainty	How the risk or uncertainty is managed or mitigated
Financial, treasury, liquidity and credit risks The main financial risks are the availability of funds to meet business needs, default by counterparties to financial transactions, the effect of fluctuations in foreign exchange rates and interest rates, and compliance with regulation. Adequate financing facilities are therefore required to support the operational needs of the business.	NEXT Plc operates a centralised treasury function for the NEXT Group which is responsible for managing its liquidity, interest and foreign currency risks. The Group's treasury function operates under a Board approved policy. This includes approved counterparty and other limits which are designed to mitigate the NEXT Group's exposure to financial risk. The NEXT Group has adequate medium and long term financing in place to support its business operations, and the Group's cash position and forecasts are regularly monitored and reported to the Board.

Employees

NEXT Distribution Limited employees are integral to achieving its business objectives and the Company actively takes steps to attract and retain the right people to work at every level throughout the business. The NEXT Group has established policies for recruitment, training and development of personnel and is committed to achieving excellence in health, safety, welfare and the 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 and in accordance with relevant legislation. The Company has continued the employment wherever possible of any person who becomes disabled during their employment, providing assistance and modifications where possible. 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 NEXT Group has an 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 12 to the financial statements.

Taxation
The NEXT Group manages its tax affairs responsibly and proactively to comply with tax legislation. The Group seeks to build solid and constructive working relationships with all tax authorities.

Strategic Report (continued)

Social, Community and Human Rights

The NEXT Group is committed to the principles of responsible business by addressing key business related social, ethical and environmental matters. Senior directors and managers representing key areas of the business take responsibility for corporate responsibility and sustainability. The Company strives continually to make improvements by:

- acting in an ethical manner;
- recognising, respecting and protecting human rights;
- developing positive relationships with our suppliers and business partners;
- recruiting and retaining responsible employees;
- taking responsibility for our impact on the environment; and
- delivering support through donations to charities and community organisations.

Health and safety

NEXT Distribution Limited recognises the importance of health and safety. Policies and procedures are reviewed and audited they Group's Health & Safety team. The Group'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. Policies and procedures are reviewed and audited regularly.

Human rights

The NEXT Group recognises its responsibility to respect human rights throughout its operations. The Company is committed to ensuring that people are treated with dignity and respect by upholding internationally recognised human rights principles encompassed in the Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

The Company's approach is to implement the United Nations Guiding Principles on Business and Human Rights (UN Guiding Principles). As a business we seek to avoid infringing the human rights of others and work to address any adverse human rights impacts we identify. Our corporate responsibility reporting aligns with the United Nations Guiding Principles Reporting Framework.

NEXT Distribution takes seriously any allegation of human rights abuse in all its forms and will not tolerate human rights abuse anywhere in its operations. NEXT has developed training and awareness initiatives for our employees, suppliers, business partners and service providers.

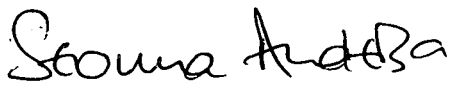
Environmental matters

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;
- waste created in warehouses, distribution centres and offices.

NEXT Distribution Limited remains committed to reducing its carbon footprint by reducing energy consumption throughout its operations, minimising and recycling waste, and cutting transport emissions.

By order of the Board



Seonna Anderson
Secretary
8 June 2018

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) and future developments are given in the Strategic Report.

No donations were made for political purposes (2017: £nil).

Dividends

An equity dividend of £90,000,000 was paid during the period (2017: £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
Jane Shields
Michael Law
Amanda James

No director had any interest in the share capital of the Company or of any subsidiary company of NEXT plc. The directors during the period are also directors of NEXT plc, and their own and their connected persons' 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 out in the Strategic Report.

The Company participates in the NEXT Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiary companies. The directors, having assessed the responses of the directors of the Company's ultimate 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, the support assured by NEXT plc, and their assessment of the Company's financial position 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.

Independent auditors

PricewaterhouseCoopers LLP has expressed its willingness to continue in office and a resolution proposing their reappointment was passed at the 2018 NEXT plc AGM.

Directors' Report (continued)

Disclosure of information to the auditors

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 auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Seonna Anderson

Seonna Anderson
Secretary
8 June 2018

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial 52 week period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "*Reduced disclosure framework*", 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 of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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.

The directors 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

Report on the audit of the financial statements

Opinion

In our opinion, NEXT Distribution Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 27 January 2018 and of its profit for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Reports and financial statements (the "Annual Report"), which comprise: the Balance Sheet at 27 January 2018; the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent Auditors' Report to the Members of NEXT Distribution Limited

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 27 January 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditors' Report to the Members of NEXT Distribution Limited

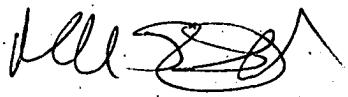
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Mark Skedgel (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
8 June 2018

Profit and Loss Account

for the 52 week period ended 27 January 2018

	Notes	*52 weeks to 27 January 2018 £000*	*52 weeks to 28 January 2017 £000*
Turnover	2	478,978	462,730
Cost of sales		(414,798)	(400,464)
Gross profit		64,180	62,266
Administrative expenses		(1,500)	(1,811)
Profit before taxation		62,680	60,455
Taxation	6	(12,861)	(11,656)
Profit for the financial period		49,819	48,799

All amounts relate to continuing operations.

Statement of Comprehensive Income

for the 52 week period ended 27 January 2018

There was no other comprehensive income other than the profit of £49,819,000 attributable to the shareholders for the 52 week period ended 27 January 2018 (52 week period ended 28 January 2017: £48,799,000).

Registered in England & Wales, no. 3045421

Balance Sheet
at 27 January 2018

	Notes	*27 January 2018 £000*	*28 January 2017 £000*
Fixed assets			
Tangible assets	8	114,251	124,744
Current assets			
Debtors	9	71,197	98,876
Cash at bank and in hand		444	378
		71,641	99,254
Creditors: amounts falling due within one year	10	(53,295)	(50,260)
Net current assets		18,346	48,994
Total assets less current liabilities		132,597	173,738
Provisions for liabilities	11	(6,446)	(7,856)
Net assets		126,151	165,882
Capital and reserves			
Called up share capital	15	25,000	25,000
Profit and loss account		101,151	140,882
Total equity		126,151	165,882

These financial statements were approved and authorised for issue by the Board of directors on 8 June 2018.

Amanda James
Director

Registered in England & Wales, no. 3045421

Statement of Changes in Equity

for the 52 week period ended 27 January 2018

	Notes	*Share capital £000*	*Profit and loss account £000*	*Total £000*
At 31 January 2016		25,000	93,491	118,491
Profit and total comprehensive income for the period		-	48,799	48,799
Tax recognised directly in equity	6	-	(1,408)	(1,408)
Equity dividends paid	7	-	-	-
At 28 January 2017		25,000	140,882	165,882
Profit and total comprehensive income for the period		-	49,819	49,819
Tax recognised directly in equity	6	-	450	450
Equity dividends paid	7	-	(90,000)	(90,000)
At 27 January 2018		25,000	101,151	126,151

Notes to the Financial Statements

For the 52 week period ended 27 January 2018

1. Accounting policies

Basis of preparation

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

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 27 January 2018 (last year 52 weeks to 28 January 2017) 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.

The Company has taken advantage of the exemption under paragraph 8(h) of FRS101 not to include a cash flow statement.

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

The Company has taken advantage of the exemption under paragraph 8(i) of FRS101 not to disclose details of new IFRS that have been issued but are not yet effective.

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 six to twenty five years. Freehold buildings are 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. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

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. The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge is treated as a cash-settled transaction.

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

For the 52 week period ended 27 January 2018

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.

Employee benefits

The Company participates in a group pension plan which has both a defined benefit and a defined contribution section. The plan is funded externally under supervision of a board of trustees.

It is not possible to identify the Company's share of the assets and liabilities in the defined benefits scheme on a consistent and reasonable basis. Therefore, in accordance with IAS 19 "*Retirement benefits*" paragraph 34 (a), the scheme is accounted for as if it were a defined contribution scheme for the purpose of the Company's financial statements.

The trustee of the defined benefit scheme is a limited company, NEXT Pension Trustees Limited (the "Trustee"). The Board of the Trustee currently comprises of six directors. Four of these directors are member of the 2013 Plan and two directors (including the Chairman) are independent and have no other connection to NEXT. Two of these directors are member nominated directors and cannot be removed by NEXT. The other four directors, including the two independent directors are appointed by and can be removed by NEXT. All directors of the Trustee receive a fee for their services, including those directors who are also employees of NEXT. No director of the Company is a director of the Trustee.

The Plans' investments are kept separate from the business of the NEXT Group and the Trustee holds them in separate trusts. Responsibility for investment of the Plans' funds has been delegated to professional investment managers.

Full details of the scheme are available in NEXT plc annual accounts. Please refer to Note 12 for further details.

Leasing commitments

Rentals payable under operating leases are charged to the Profit and Loss Account 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.

Notes to the Financial Statements

For the 52 week period ended 27 January 2018

2. Turnover

	2018 *£000*	*2017* *£000*
Rendering of services	478,978	462,730

3. Operating profit

This is stated after charging/(crediting):

	2018 *£000*	*2017* *£000*
Depreciation on assets	21,288	20,216
Loss/(profit) on disposal of tangible assets	55	(370)
Operating lease rentals:		
Minimum lease payments*	6,682	12,524
Auditors' remuneration:		
Audit services	10	10
Trade debtors:		
Impairment charge	111	1
Amounts recovered from previously impaired debtors	(109)	(4)

*Warehouse, vehicle and equipment leases are recharged from fellow wholly owned subsidiaries and as such, disclosures in relation to these transactions are exempt from disclosure, see Note 13. Full rental disclosures are set out in the financial statements of NEXT Holdings Limited.

4. Staff costs

	2018 *£000*	*2017* *£000*
Wages and salaries	145,261	148,554
Social security costs	12,094	12,270
Other pension costs	5,643	4,778
	162,998	165,602
Share based payments expense:		
Equity settled	1,500	1,811
	164,498	167,413

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

	2018 *No.*	*2017* *No.*
Distribution staff	6,253	6,399

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 5,528 (2017: 5,843).

Notes to the Financial Statements

For the 52 week period ended 27 January 2018

5. Directors' emoluments

None of the directors received any remuneration from the Company for the 52 week period ended 27 January 2018 (52 weeks ended 28 January 2017: £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 Annual 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. Taxation

	2018	*2017*
	£000	*£000*
Current tax:		
UK corporation tax on profits of the period	14,150	13,168
UK corporation tax in respect of prior years	(250)	140
Deferred tax:		
Origination and reversal of temporary differences	(1,317)	(386)
Impact of deferred tax rate change	160	(1,559)
Adjustments in respect of prior years	118	293
Tax expense reported in the Profit and Loss Account	12,861	11,656

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

	2018	*2017*
	%	*%*
UK corporation tax rate	19.2	20.0
Non-deductible expenses	1.0	0.1
Impact of deferred tax rate change	0.3	(1.5)
Tax under provided in previous years	-	0.7
Effective total tax rate on profit before taxation	20.5	19.3

In addition to the amounts charged to the Profit and Loss Account, tax movements recognised through equity were as follows:

	2018	*2017*
	£000	*£000*
Current tax:		
Share based payments	(79)	(224)
Deferred tax:		
Share based payments	(371)	1,632
Tax (credit)/debit in the Statement of Changes in Equity	(450)	1,408

Notes to the Financial Statements
For the 52 week period ended 27 January 2018

6. Taxation (continued)

Deferred tax liability

	2018 £000	*2017 £000*
Accelerated capital allowances	7,528	8,434
Share based payments	(1,082)	(571)
Other temporary differences	-	(7)
Deferred tax liability	6,446	7,856

The movement in the period is as follows:

	2018 £000	*2017 £000*
Opening position	7,856	7,876
(Credited)/charged to the Profit and Loss Account		
Accelerated capital allowances	(906)	(1,992)
Share based payments	(140)	341
Other temporary differences	7	(1)
Recognised directly in equity	(371)	1,632
Closing position	6,446	7,856

7. Dividends

	2018 £000	*2017 £000*
Equity dividend of £3.60 (2017: £nil) per share	90,000	-

Notes to the Financial Statements

For the 52 week period ended 27 January 2018

8. Tangible fixed assets

	Freehold property £000	*Plant and machinery £000*	*Total £000*
Cost:			
At 29 January 2017	1,109	342,798	343,907
Additions	-	10,360	10,360
Adjustment	-	13,052	13,052
Disposals	-	(1,664)	(1,664)
At 27 January 2018	1,109	364,546	365,655
Accumulated depreciation:			
At 29 January 2017	196	218,967	219,163
Provided during the year	22	21,266	21,288
Adjustment	-	12,394	12,394
Disposals	-	(1,441)	(1,441)
At 27 January 2018	218	251,186	251,404
Carrying amount:			
At 27 January 2018	891	113,360	114,251
At 28 January 2017	913	123,831	124,744

The adjustment lines reflect the result of a review of the fixed asset register in the current financial period, where items that were previously disclosed as being disposed of are still in use by the Company.

At 27 January 2018 the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £986,000 (2017: £1,915,000). Post year end the Company entered into contractual amounts of £11,403,000 (2017: £nil).

9. Debtors

	2018 £000	*2017 £000*
Trade debtors	736	611
Less: allowance for doubtful debts	(2)	-
	734	611
Amounts owed by Group undertakings	69,416	97,047
Prepayments and accrued income	1,047	1,218
	71,197	98,876

Amounts owed by Group undertakings are repayable on demand and do not bear interest.

Notes to the Financial Statements

For the 52 week period ended 27 January 2018

9. Debtors (continued)

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.

Ageing of trade debtors	*2018* *£000*	*2017* *£000*
Not past due	734	608
0 – 30 days past due	-	3
31 – 60 days past due	2	-
61 – 90 days past due	-	-
	736	611

10. Creditors: amounts falling due within one year

	2018 *£000*	*2017* *£000*
Amounts owed to parent undertaking	10,344	6,383
Other taxes and social security	130	172
Corporation tax	14,071	13,084
Accruals and deferred income	28,750	30,621
	53,295	50,260

Amounts owed to the parent undertaking are repayable on demand and do not bear interest.

11. Provisions for liabilities and charges

The provision represents the deferred tax liability of £6,446,000 (2017: £7,856,000) details of which can be found in Note 6.

12. Pension benefits

The NEXT Plc Group operates three pension arrangements in the UK: the Next Group Pension Plan (the "Original Plan"), the 2013 Next Group Pension Plan (the "2013 Plan") and the Next Supplementary Pension Arrangement (the "SPA").

The Group's UK pension arrangements include defined benefit and defined contribution sections. The Original Plan and 2013 Plan are established under trust law and comply with all relevant UK legislation. Pension assets are held in separate trustee administered funds which have equal pension rights with respect to members of either sex in so far as this is required by current legislation. The defined benefit section was closed to new members in 2000 and over recent years the Group has taken steps to manage the ongoing risks associated with its defined benefit liabilities.

The Original Plan comprises predominantly members with pensions in payment, following the transfer of active and deferred members (and associated liabilities) to the 2013 Plan. The risks associated with the payment of pensions of the Original Plan have been largely mitigated by the purchase of two insurance contracts ("buy-ins") with Aviva in 2010 and 2012 to cover the liabilities of this Plan, although it remains the ultimate responsibility of the Company to provide members with benefits. The pensions and matching insurance contracts held by the Original Plan are being converted to buy-out and the Original Plan will then be dissolved.

Notes to the Financial Statements

For the 52 week period ended 27 January 2018

12. Pension benefits (continued)

The 2013 Plan was established in 2013 via the transfer of liabilities and assets from the Original Plan. This arrangement provides benefits to the majority of members whose pensions were not insured with Aviva. From November 2012, the future accrual of benefits for remaining active employee members has been based on pensionable earnings frozen at that time, rather than final earnings.

The IAS 19 valuation of the defined benefit obligation was undertaken by an independent qualified actuary as at 27 January 2018 using the projected unit credit method. The net surplus in the plan on an IAS 19 basis at that date was £106.2m (2017: net surplus £62.9m). 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 of the 2013 Plan contribute 3% or 5% of pensionable earnings. With effect from January 2018, employer contributions increased from 17.5% per annum to 31.3% per annum. Members of the defined contribution section contribute 3% or 5% of pensionable earnings which is matched by the Group.

Full actuarial valuation

The latest full actuarial valuation of the 2013 Plan was undertaken as at 30 September 2016 by Willis Towers Watson (who act as Actuary to the Trustees). The valuation showed a funding deficit on the Technical Provisions basis required by legislation of £70.2m at that date.

The Group has agreed a recovery plan to meet the funding deficit, which is intended to restore the Plan assets to a fully funded position on a Technical Provisions basis by 30 September 2021. Under that agreement, the Group will contribute five annual payments of up to £14.0m by 31 January each year. The first payment of £14.0m under this agreement was made in January 2017 and future contributions will only be required to be paid to the extent that there is a funding deficit at the preceding 31 December.

At 31 December 2017 the 2013 Plan was estimated to be fully funded on a Technical Provisions basis with a surplus in the region of £37m, therefore a deficit contribution was not payable in January 2018.

With effect from January 2018, the Company also agreed to pay contributions of 31.3% per annum of members' frozen pensionable salaries as at 31 October 2012 towards the future accrual of benefits for active members, an increase from 17.5% per annum.

13. Commitments under operating leases

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

	2018 *£000*	*2017* *£000*
Within one year	4,830	8,130
After one year but not more than five years	7,200	12,737
More than five years	187	868
	12,217	21,735

The Company has entered into operating leases in respect of vehicles, equipment and warehouses. These non-cancellable leases have remaining terms of between 3 months and 6 years.

Notes to the Financial Statements

For the 52 week period ended 27 January 2018

14. Contingent liability

The Company has entered into a cross guarantee arrangement with Barclays Bank plc and HSBC 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 positive cash balance held on the Company's bank account.

15. Called up share capital

	Authorised	
	2018	*2017*
	£000	*£000*
Ordinary shares of £1 each	30,000	30,000

	Allotted, called up and fully paid			
		2018		*2017*
	No.	*£000*	*No.*	*£000*
Ordinary shares of £1 each	25,000,002	25,000	25,000,002	25,000

16. 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 or five years after the date of grant.

The fair value of management and sharesave options granted is calculated at the date of grants 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 £44.24 (2017: £52.89). Options outstanding at 27 January 2018 are exercisable at prices ranging between £10.81 and £70.80 (2017: £10.81 to £70.80), and have a weighted average remaining contractual life of 6.0 years (2017: 5.7 years), further analysed in the table below.

	2018		*2017*	
	No. of options outstanding	Weighted average remaining contractual life (years)	No. of options outstanding	Weighted average remaining contractual life (years)
Exercise price range				
£10.81 - £38.25	277,568	2.8	440,623	3.6
£41.09	94,682	9.2	-	-
£41.12 - £42.08	189,689	4.3	96,983	5.3
£54.10 - £59.76	113,546	6.9	158,454	7.4
£66.95 - £70.80	83,568	6.7	90,556	7.7
Outstanding at end of period	759,053	6.0	786,616	5.7

Notes to the Financial Statements

For the 52 week period ended 27 January 2018

17. Ultimate parent company and controlling party

The Company's immediate parent is NEXT Holdings 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 financial statements which include NEXT Distribution Limited. Copies of its Group financial statements are available from its Company Secretary at its registered office, Desford Road, Enderby, Leicester, LE19 4AT.