

# next plc

## RESULTS FOR THE HALF YEAR ENDED July 2008

**Date:** Embargoed until 07.00am, Wednesday 10 September 2008

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# Chief Executive's Review

## PROGRESS DURING THE FIRST HALF

Anticipating a difficult year, Next set itself four key objectives: to set realistic budgets, control stock, control costs, and continue to invest in the Brand. During the first half:

- We came within the guidance for sales set out in March. Retail full price like for likes were down -6.0%, within the guidance range of -4% to -7%. Directory sales were up 2.2% , just ahead of our range of 0% to +2%.
- Stock going into the end of season Sale across Retail and Directory was down 20% as a result of both realistic budgets and much tighter stock control.
- We have continued to make gross margin improvements and operational cost savings.
- We have continued to invest in the Next Brand and will spend £40m refitting stores in the current year. We have maintained advertising spend and improved the quality and design of our clothing and Home ranges.

## GROUP PROFIT

As a result of the above actions, profits for the half year ending July 2008 met both internal forecasts and market expectations. Group operating profit declined by -6.9% to £198m. Next Brand profit was in line with last year. However, Ventura and Next Sourcing both experienced significant declines. The reduction in EPS was limited to just -2.8% as a result of share buybacks.

	Revenue excluding VAT Six months to July		Profit and earnings per share Six months to July		
	2008 £m	2007 £m	2008 £m	2007 £m	
Next Retail	996.4	1,028.7	107.6	112.5	
Next Directory	379.9	371.8	78.4	73.8	
The Next Brand	<b>1,376.3</b>	1,400.5	<b>186.0</b>	186.3	<b>- 0.2%</b>
Next International	29.5	25.3	3.4	3.4	
Next Sourcing	2.7	2.5	10.4	16.4	
Ventura	87.5	104.6	3.5	11.0	
Other activities	5.0	5.1	0.4	(2.1)	
Share option charge	-	-	(4.5)	(4.3)	
Unrealised exchange (loss)/gain	-	-	(1.3)	2.0	
Revenue and operating profit	<b>1,501.0</b>	1,538.0	<b>197.9</b>	212.7	<b>- 6.9%</b>
Interest expense			<b>(24.4)</b>	(14.5)	
Profit before tax			<b>173.5</b>	198.2	<b>- 12.4%</b>
Taxation			<b>(50.3)</b>	(56.5)	
Profit after tax			<b>123.2</b>	141.7	<b>- 13.1%</b>
Basic earnings per share			<b>63.4p</b>	65.2p	<b>- 2.8%</b>

# PRODUCT

Generally we are much happier with the positioning and fashion content of our product ranges and, in particular, the improvements to our womenswear ranges. The initial response to the Autumn ranges has been encouraging, although sales do remain extremely volatile. However, we do not believe that these improvements are capable of compensating for the increasing financial pressure on the UK consumer.

## NEXT RETAIL

### Retail Sales

Retail sales finished the first half down -3.1%. We went into the end of season Sale with much less stock than last year as a result of effective stock control. Therefore, there was a significant difference between full price sales and total sales (which include markdown). The difference is set out in the table below:

	<b>Full price only</b>	<b>Sales including markdown</b>
Total sales	-2.0%	-3.1%
Like for like sales	-6.0%	-7.3%

### New Space and Refits

We added 105,000 square feet of trading space in the first half, increasing our portfolio to 506 stores. The payback on the net capital invested in new space is forecast to be 16 months. The net branch contribution of these stores is forecast to be 18%. These forecasts fall comfortably within our longstanding financial hurdles of 24 months payback and 15% net branch contribution. We expect to open a further 225,000 square feet in the second half.

We have continued with our store refit programme and believe that the new format is much more in keeping with our Brand. By the end of this year 69% of our space will be new, refitted or redecorated. We estimate that we will spend £40m on refits in the current year. As a result of the extent of the work done in the last two years, we anticipate that we will spend £20m less on refits in the year to January 2010.

### Retail Profit

Retail profit declined by -4.4% in the first half, with net operating margin down just 0.1%. The margin movement is detailed below; the figures show the change as a percentage of sales for each of our major heads of cost:

Net operating margin last year		10.9%
Increase in bought in margin	+1.0%	
Reduction in markdown	<u>+1.8%</u>	
Increase in achieved gross margin		+2.8%
Branch payroll costs		0.0%
Increase in branch occupancy costs		-2.2%
Warehouse cost increases	-0.6%	
Operational savings	<u>+0.3%</u>	
Increase in warehouse and distribution		-0.3%
Increase in other central overheads		-0.4%
<b>Net operating margin this year</b>		<b>10.8%</b>

## Retail Profit (continued)

The bought in gross margin improved by 1.0%. In the second half we expect little or no improvement in bought in margin as a result of rising manufacturing costs that are beginning to come through. Looking further forward we anticipate that in 2009/10 there will be downward pressure on margins, or upward pressure on selling prices, as inflation in producer countries and the weaker Pound push up cost prices in our major sources of supply.

Markdown costs reduced by 1.8% of sales. We do not anticipate that there will be the same opportunity to save markdown in the second half, as we had already begun the process of improving stock control last Autumn Winter.

Branch payroll costs as a percentage of sales were level despite a 2.5% annual pay award. This was achieved by better management of hours worked in our branches. We expect productivity savings to continue to offset wage increases for the rest of the year.

Occupancy cost increases eroded margin by 2.2% and we expect broadly the same result for the full year. Like for like sales declined, whilst both rents and rates continued to grow ahead of inflation. Like for like rents during the period were up 5.3% and like for like rates were up 4.1%. The driver for rental growth is reviews in out of town retail parks, where rents have risen significantly over the last five years. Rent reviews in high street locations have been lower.

Warehouse and distribution costs rose by 0.6% of sales, mainly as a result of opening a new warehouse, which was on time and on budget. However, operational savings in both warehousing and distribution saved 0.3%, resulting in a net increase in costs of 0.3%.

Other central overheads increased by 0.4%, mainly due to allocation of costs between Retail and Directory.

## Outlook for Retail Net Margin

We anticipate that many of the cost pressures of the first half will continue (rents, rates, depreciation) and there will be much less scope for improving the achieved gross margin. We therefore reiterate the guidance given in March of a decline in Retail net operating margin of around 1% for the full year.

## Retail Branch Profitability

We undertake regular reviews of our portfolio to identify stores at risk of making a loss. Of our 458 UK mainline stores only one has negative net branch profit, and that store makes a positive cash contribution after adding back depreciation, as detailed in the table below. Therefore, we do not anticipate that the current economic environment will lead to significantly more closures than would otherwise be expected in the normal course of our store development programme.

<b>Net branch profit</b>	<b>Store Numbers</b>
> 20%	311
> 15%	93
> 10%	36
> 5%	15
> 0%	2
< 0%	1
<b>Total</b>	<b>458</b>

# NEXT DIRECTORY

Directory continues to grow despite the economic environment and provides Next with the following opportunities to:

- Take advantage of the growth in the use of the internet.
- Extend the Next Brand into new product areas at very low cost.
- Use Directory's warehousing, distribution network, systems and customer base to market non-Next product that does not compete directly with Next's own product.

## Directory Sales

Sales were at the top end of our expectations, up 2.2%. Sales growth was driven by an increase of 1.5% in the average number of active customers and an increase of 17.2% in pages. The majority of the additional pages went to new and developing product areas.

The internet continues to be very important to the development of the Directory and now accounts for approximately 60% of our orders. We will continue to develop our internet functionality.

## Directory Profit

Directory profit was 6.3% up on last year, with net operating margin up 0.8%. The margin improvement is detailed below; the figures show the change as a percentage of sales for each of our major heads of cost:

Net operating margin last year	19.8%
Decrease in bought in margin	-0.1%
Increase in markdown	<u>-0.6%</u>
Decrease in achieved gross margin	-0.7%
Reduction in bad debt	+1.9%
Service charge income	+0.0%
Increase in warehouse and distribution	-0.3%
Increase in book creation	-0.5%
Decrease in other central overheads	+0.4%
<b>Net operating margin this year</b>	<b>20.6%</b>

Achieved gross margin decreased by -0.7%. The bought in gross margin decreased by -0.1% as gains in the margins of Next branded stock were offset by lower margins on the higher participation of Home and non-Next products. The markdown charge increased by -0.6% as a result of less Directory stock being transferred to the Retail Sale.

We continued to experience a reduction in bad debt as a result of improved credit control measures initiated in July 2006. We do not expect to make similar gains in the second half as these measures have now had two full years to take effect. We realise that further improvements, if any, will be modest and may yet reverse if consumer finances continue to deteriorate.

Book creation costs rose as a result of increased pages in the Directory, whilst central overheads benefited mainly due to allocation of costs between Retail and Directory.

## Outlook for Directory

We anticipate Directory sales will be up between 0% and 2% in the second half. Net operating margin in the second half is forecast to be lower as we lose the benefit of reduced bad debt. As a result, we expect Directory net operating margin for the full year to be broadly in line with last year.

## NEXT INTERNATIONAL

We continue to make good progress in developing our International business, with sales up 16.6%. Profits were up only 2.4% after setup costs of £0.5m in the Czech Republic and China. We acquired our Czech, Slovak and Hungarian franchises and appointed our own management; we expect to open 3 new stores in this region over the next year.

During the period we increased the total number of stores by 6, including our first stores in Beijing, Egypt and Romania. We now have 164 stores operating outside the UK and Eire.

## NEXT SOURCING (NSL)

NSL is our overseas sourcing operation and its profit for the period was £10.4m against £16.4m last year.

Orders from Next to NSL were down 6.4% for the Spring Summer season, in anticipation of marginally lower full price sales and a much reduced end of season Sale. In addition, more product was shipped in the last financial year to accommodate this year's early timing of Chinese New Year. NSL also took one off re-organisation costs of £0.7m.

## VENTURA

Ventura has had a much tougher half year than we expected. Sales were down to £87.5m from £104.6m, and profits were down to £3.5m from £11.0m. The steep decline in profits is due to:

- The loss of revenue from two key clients, one of which was Northern Rock. The other client has, on the back of declining call volumes, reduced its outsourced business in favour of its own call centres.
- A reduction in margin on contract renewal with Ventura's largest client.

We expect profits for the second half to be similar to the first.

## OTHER ACTIVITIES

The Other Activities income of £0.4m includes profits from our Property Management Division of £1.9m and Central Costs of £1.7m. The reduced central costs include an additional pension credit of £0.6m (compared with a £0.5m charge last year) and lower bonus provisions.

## INTEREST AND TAXATION

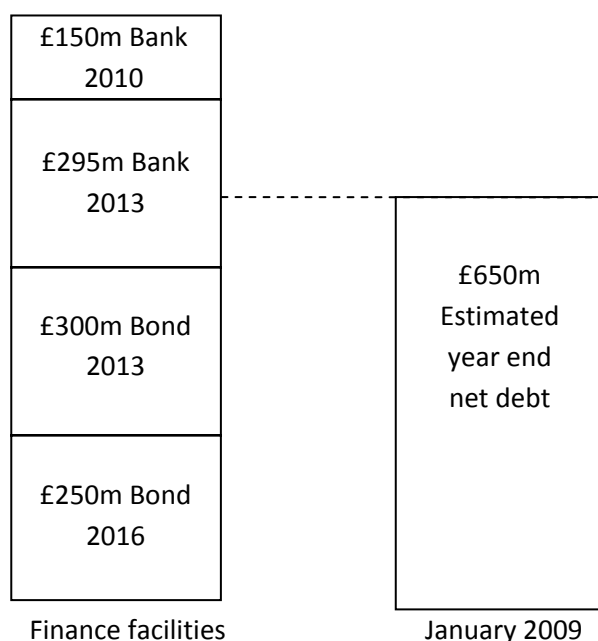
The net interest charge increased to £24.4m as a consequence of share buybacks last year and we expect a similar charge in the second half. The expected tax rate for the full year of 29% remains the same as last year.

## BALANCE SHEET AND CASH FLOW

Stock levels were 5.5% below last year and Directory debtors increased broadly in line with sales. Capital expenditure was £82m and is expected to be £130m for the year. The increased pension deficit reflects current reduced asset values and higher inflation; the triennial scheme valuation is underway and will be completed later this year.

Cash flow from operations was again very strong and we achieved a cash inflow of £37m before share buybacks of £52m.

Net debt at the end of July was £755m. This debt is financed by well structured long term bonds and committed bank facilities. The bonds mature in 2013 and 2016, and the bank facilities mature in 2010 and 2013.



The total committed finance of £995m more than provides for the cash requirements of the business. We estimate that the peak requirement over the next twelve months will be no more than £825m and that net debt at January 2009 will be in the region of £650m.

## SHARE BUYBACKS

During the period we purchased for cancellation 1.8% of our shares for £52m at an average price of 1379p including costs. At present, we do not intend to undertake share buybacks of any significance whilst the market for long term debt is so difficult.

## DIVIDEND

The Directors are declaring an interim dividend of 18p, the same as last year. This will be paid on 5 January 2009 to shareholders on the register at 28 November 2008. The shares will trade ex-dividend from 26 November.

# OUTLOOK FOR 2008 AND BEYOND

## Economy

We can see no reason why there should be any recovery in consumer spending during the next six months. Food and energy prices continue to be well ahead of last year and our customer base is particularly exposed to higher refinancing costs of mortgages. Whilst the decline in house prices has little impact on customers' day to day expenditure, the slow-down in the housing market is very likely to affect the sales of home furnishings as fewer people refurbish their new property.

It is also hard to see any medium term relief for the economic situation. Tax cuts seem unlikely given the current budget deficit and spending commitments. Interest rate cuts are likely to be constrained by strong inflationary pressure, not least in our own sector, where the weaker Pound and overseas inflation will push up input costs. In these circumstances we do not anticipate any return to growth in consumer spending in the medium term, and we must prepare for another tough year in 2009/10.

## Priorities

Our priorities remain to:

- Set realistic sales budgets. We are budgeting for Autumn Winter Retail like for like sales to be in the range -4% to -7% and Directory sales to be in the range 0% to +2%.
- Control stocks.
- Identify further cost savings within the Group.
- Continue to invest in the Brand through improving the design and quality of our ranges, marketing and shopfit.

## Outlook for Next

Although conditions are set to remain tough, we believe that the Group is well prepared for the current environment with sound financing and good cash flows. The Next Directory continues to fare well and also provides the Group with opportunities to expand into new markets. Our internal forecast for full year profit before tax remains in line with market consensus. The majority of external forecasts are currently in the range of £400m to £440m.

# FUTURE TRADING STATEMENTS

We will make two trading statements in the next six months. The first will be an Interim Management Statement covering the third quarter and will be made on 5 November. The second will be a Christmas trading statement and will be made in the first week of January.

**Simon Wolfson**  
**Chief Executive**  
**10 September 2008**



## UNAUDITED CONSOLIDATED INCOME STATEMENT

	Six months to July 2008 £m	Six months to July 2007 £m	Year to January 2008 £m
<b>Revenue</b>	<b><u>1,501.0</u></b>	<b><u>1,538.0</u></b>	<b><u>3,329.1</u></b>
<b>Trading profit</b>	<b>197.7</b>	212.2	535.9
Share of results of associates	<b>0.2</b>	0.5	1.2
	<hr/>	<hr/>	<hr/>
<b>Operating profit</b>	<b>197.9</b>	212.7	537.1
Finance income	<b>1.0</b>	3.4	4.3
Finance costs	<b>(25.4)</b>	(17.9)	(43.3)
	<hr/>	<hr/>	<hr/>
<b>Profit before taxation</b>	<b>173.5</b>	198.2	498.1
Taxation	<b>(50.3)</b>	(56.5)	(144.2)
	<hr/>	<hr/>	<hr/>
<b>Profit for the period</b>	<b><u>123.2</u></b>	<b><u>141.7</u></b>	<b><u>353.9</u></b>
<b>Profit for the period attributable to:</b>			
Equity holders of the parent company	123.3	141.7	354.1
Minority interest	(0.1)	-	(0.2)
	<hr/>	<hr/>	<hr/>
	<b><u>123.2</u></b>	<b><u>141.7</u></b>	<b><u>353.9</u></b>
<b>Basic earnings per share</b> p	<b>63.4</b>	65.2	168.7
<b>Diluted earnings per share</b> p	<b>63.3</b>	64.3	166.6
<b>Dividend per share</b> p	<b>18.0</b>	18.0	55.0

# UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Six months to July 2008 £m	Six months to July 2007 £m	Year to January 2008 £m
<i>Income and expenses recognised directly in equity</i>			
Exchange differences on translation of foreign operations	(0.6)	(0.4)	0.6
Gains/(losses) on cash flow hedges	3.4	(9.1)	3.4
Actuarial (losses)/gains on defined benefit pension schemes	(42.6)	19.5	1.7
Tax on items recognised directly in equity	10.4	(8.1)	(11.5)
	(29.4)	1.9	(5.8)
<i>Transfers</i>			
Transferred to income statement on cash flow hedges	(5.6)	14.6	28.2
Transferred to the carrying amount of hedged items on cash flow hedges	(4.1)	6.6	(0.4)
	(39.1)	23.1	22.0
Net (expense)/income recognised directly in equity	(39.1)	23.1	22.0
<b>Profit for the period</b>	<b>123.2</b>	<b>141.7</b>	<b>353.9</b>
<b>Total recognised income and expense for the period</b>	<b>84.1</b>	<b>164.8</b>	<b>375.9</b>
<b>Attributable to:</b>			
Equity holders of the parent company	84.2	164.8	376.1
Minority interest	(0.1)	-	(0.2)
	<b>84.1</b>	<b>164.8</b>	<b>375.9</b>

# UNAUDITED CONSOLIDATED BALANCE SHEET

	July 2008 £m	July 2007 £m	January 2008 £m
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant & equipment	632.3	581.3	610.6
Intangible assets	37.7	36.2	36.2
Interests in associates	3.1	2.2	2.9
Other investments	1.0	1.0	1.0
Other financial assets	0.7	1.7	0.5
	674.8	622.4	651.2
<b>Current assets</b>			
Inventories	290.8	307.8	319.1
Trade and other receivables	568.0	558.0	591.5
Other financial assets	4.4	1.5	12.6
Cash and short term deposits	57.3	70.1	56.0
	920.5	937.4	979.2
<b>Total assets</b>	<b>1,595.3</b>	<b>1,559.8</b>	<b>1,630.4</b>
<b>Current liabilities</b>			
Bank overdrafts	(8.8)	(15.3)	(37.7)
Unsecured bank loans	(250.0)	(120.0)	(205.0)
Trade and other payables	(630.4)	(687.8)	(652.4)
Other financial liabilities	(3.3)	(103.1)	(55.0)
Current tax liability	(80.4)	(85.8)	(92.4)
	(972.9)	(1,012.0)	(1,042.5)
<b>Non-current liabilities</b>			
Corporate bonds	(539.8)	(532.3)	(539.7)
Net retirement benefit obligation	(75.4)	(28.1)	(45.8)
Provisions	(9.8)	(9.5)	(9.4)
Deferred tax liabilities	(11.1)	(10.0)	(22.6)
Other financial liabilities	(12.0)	(18.0)	(12.3)
Other liabilities	(34.4)	(36.9)	(37.2)
	(682.5)	(634.8)	(667.0)
<b>Total liabilities</b>	<b>(1,655.4)</b>	<b>(1,646.8)</b>	<b>(1,709.5)</b>
<b>Net liabilities</b>	<b>(60.1)</b>	<b>(87.0)</b>	<b>(79.1)</b>
<b>EQUITY</b>			
Share capital	19.7	21.3	20.1
Share premium account	0.7	0.7	0.7
Capital redemption reserve	10.2	8.6	9.8
ESOT reserve	(51.0)	(62.1)	(54.8)
Fair value reserve	5.0	(7.8)	11.3
Foreign currency translation	2.0	1.6	2.6
Other reserves	(1,443.8)	(1,443.8)	(1,443.8)
Retained earnings	1,397.1	1,394.5	1,374.9
	(60.1)	(87.0)	(79.2)
<b>Shareholders' equity</b>	<b>(60.1)</b>	<b>(87.0)</b>	<b>(79.2)</b>
Minority interest	-	-	0.1
<b>Total equity</b>	<b>(60.1)</b>	<b>(87.0)</b>	<b>(79.1)</b>

# UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Six months to July 2008 £m	Six months to July 2007 £m	Year to January 2008 £m
<i>Cash flows from operating activities</i>			
Operating profit before interest	197.9	212.7	537.1
Depreciation	57.3	51.2	108.4
Loss on disposal of property, plant & equipment	2.6	1.6	5.0
Share option charge	4.5	4.3	8.8
Share of undistributed profit of associates	(0.2)	-	(0.7)
Exchange movement	1.1	(2.1)	(2.4)
Decrease/(increase) in inventories	28.3	(26.0)	(37.3)
Decrease/(increase) in trade and other receivables	24.0	19.6	(13.9)
(Decrease)/increase in trade and other payables	(32.8)	9.9	31.8
Pension contributions less income statement charge	(13.0)	0.6	0.5
Cash generated from operations	269.7	271.8	637.3
Corporation taxes paid	(63.4)	(47.2)	(119.3)
<b>Net cash from operating activities</b>	<b>206.3</b>	<b>224.6</b>	<b>518.0</b>
<i>Cash flows from investing activities</i>			
Proceeds from sale of property, plant & equipment	0.1	0.1	0.4
Acquisition of property, plant & equipment	(80.5)	(89.7)	(179.3)
Outflow on acquisition of subsidiaries	(0.7)	-	-
<b>Net cash from investing activities</b>	<b>(81.1)</b>	<b>(89.6)</b>	<b>(178.9)</b>
<i>Cash flows from financing activities</i>			
Repurchase of own shares	(52.6)	(245.1)	(512.8)
Proceeds from disposal of shares by ESOT	2.2	16.1	23.8
Proceeds of unsecured bank loans	45.0	119.9	204.9
Interest paid	(18.2)	(9.4)	(40.6)
Interest received	0.9	3.5	4.4
Investments by minority interest	-	-	0.3
Payment of finance lease liabilities	(0.3)	(0.3)	(0.6)
Dividends paid	(71.8)	(73.5)	(109.4)
<b>Net cash from financing activities</b>	<b>(94.8)</b>	<b>(188.8)</b>	<b>(430.0)</b>
Net increase/(decrease) in cash and cash equivalents	30.4	(53.8)	(90.9)
Opening cash and cash equivalents	18.3	109.2	109.2
Effect of exchange rate fluctuations on cash held	(0.2)	(0.6)	-
<b>Closing cash and cash equivalents (Note 6)</b>	<b>48.5</b>	<b>54.8</b>	<b>18.3</b>

# NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. Basis of preparation

The Group's interim results for the six months ended 26 July 2008 were approved by the Board of Directors on 10 September 2008, and have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

Other than as described below, the accounting policies adopted in the preparation of the interim financial statements are the same as those set out in the Group's annual financial statements for the year ended 26 January 2008. The financial statements have been prepared on the historical cost basis except for certain financial instruments, pension assets and liabilities and share based payment liabilities which are measured at fair value.

The interim financial statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information' and do not include all of the information required for full annual financial statements.

The financial information for the year to January 2008 does not represent statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for that period incorporating an unqualified audit report have been delivered to the Registrar of Companies.

### *Change in accounting policy*

In the current financial year, the Group has elected to adopt early the requirements of IFRS 8 *Operating Segments*, which would otherwise become effective for the financial year ending January 2010. IFRS 8 concerns the presentation and disclosure of segment information in the Group's financial statements and consequently has not affected the measurement of the Group's profit, assets or liabilities.

IFRS 8 requires segment information to be presented on the same basis as that used for internal reporting purposes. This has resulted in one additional segment, Property Management, being presented.

## 2. Risks & uncertainties

The principal risks and uncertainties affecting the business activities of the Group remain those detailed on pages 14 and 15 of the January 2008 Report & Accounts, a copy of which is available on the Company's website at [www.nextplc.co.uk](http://www.nextplc.co.uk). The Chief Executive's Review in this Interim Management Report includes a commentary on the primary uncertainties affecting the Group's businesses for the remaining six months of the financial year.

### 3. Segmental analysis

The Group's operating segments under IFRS 8 have been determined based on the management accounts reviewed by the Board of Directors. The Board assesses the performance of the operating segments based on profits before interest and tax, excluding share option charges recognised under IFRS 2 and unrealised foreign exchange gains or losses on derivative instruments.

As explained in Note 1, the adoption of IFRS 8 has resulted in an additional segment being presented, Property Management. This segment holds properties which are sub-leased to other segments and external parties. The total assets of this segment were previously presented in 'Other' and at 26 January 2008 were £554.1m. There has been no material change to the total assets of any operating segments since the last annual financial statements.

Six months to July	External revenue		Internal revenue		Total revenue	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Next Retail	996.4	1,028.7	0.8	-	997.2	1,028.7
Next Directory	379.9	371.8	-	-	379.9	371.8
Next Brand	1,376.3	1,400.5	0.8	-	1,377.1	1,400.5
Next International	29.5	25.3	-	-	29.5	25.3
Next Sourcing	2.7	2.5	238.2	280.4	240.9	282.9
Ventura	87.5	104.6	3.5	3.4	91.0	108.0
Property Management	3.2	3.4	85.0	78.9	88.2	82.3
Other	1.8	1.7	-	-	1.8	1.7
Eliminations	-	-	(327.5)	(362.7)	(327.5)	(362.7)
	<b>1,501.0</b>	<b>1,538.0</b>	<b>-</b>	<b>-</b>	<b>1,501.0</b>	<b>1,538.0</b>

Six months to July	Segment profit	
	2008 £m	2007 £m
Next Retail	107.6	112.5
Next Directory	78.4	73.8
Next Brand	186.0	186.3
Next International	3.4	3.4
Next Sourcing	10.4	16.4
Ventura	3.5	11.0
Property Management	1.9	2.2
<b>Total segment profit</b>	<b>205.2</b>	<b>219.3</b>
Other activities	(1.7)	(4.8)
Share option charge	(4.5)	(4.3)
Unrealised foreign exchange (loss)/gain	(1.3)	2.0
Trading profit	197.7	212.2
Share of results of associates	0.2	0.5
Finance income	1.0	3.4
Finance costs	(25.4)	(17.9)
<b>Profit before tax</b>	<b>173.5</b>	<b>198.2</b>

## 4. Earnings per share

The calculation of basic earnings per share is based on £123.3m (2007: £141.7m) being the profit for the six months attributable to the equity holders of the parent company and 194.6m ordinary shares of 10p each (2007: 217.3m), being the weighted average number of shares ranking for dividend less the weighted average number of shares held by the ESOT during the period.

Diluted earnings per share is based on £123.3m (2007: £141.7m) being the profit for the six months attributable to the equity holders of the parent company and 194.9m ordinary shares of 10p each (2007: 220.4m) being the weighted average number of shares used for the calculation of earnings per share above increased by the dilutive effect of potential ordinary shares from employee share option schemes of 0.3m shares (2007: 3.1m shares).

## 5. Reconciliation of movements in total equity

	Six months to July 2008 £m	Six months to July 2007 £m	Year to January 2008 £m
Opening total equity	(79.1)	189.3	189.3
Total recognised income and expense	84.1	164.8	375.9
Issue of shares in subsidiary	-	-	0.3
Shares purchased for cancellation	-	(388.1)	(568.0)
Shares issued by ESOT	2.2	16.1	23.8
Share option charge	4.5	4.3	8.8
Equity dividends paid	(71.8)	(73.4)	(109.2)
<b>Closing total equity</b>	<b>(60.1)</b>	<b>(87.0)</b>	<b>(79.1)</b>

During the six months to July 2008, the Company purchased for cancellation 3,750,000 (2007: 1,400,000) of its own ordinary shares of 10p each under existing off-market contingent purchase contracts at a cost of £51.7m (2007: £30.8m). No new contingent purchase contracts were entered into during the current period. During the six months to July 2007 the Company purchased for cancellation 12,623,718 of its own ordinary shares of 10p each in the open market at a cost of £263.9m. No open market purchases were made in the six months to July 2008.

## 6. Analysis of net debt

	January 2008 £m	Cash flow £m	Other non-cash changes £m	July 2008 £m
Cash and short term deposits	56.0			57.3
Overdrafts	(37.7)			(8.8)
Cash and cash equivalents	18.3	30.4	(0.2)	48.5
Unsecured bank loans	(205.0)	(45.0)	-	(250.0)
Corporate bonds	(539.7)	-	(0.1)	(539.8)
Fair value hedges of corporate bond	(12.3)	-	0.3	(12.0)
Finance leases	(1.8)	0.3	(0.1)	(1.6)
<b>Total net debt</b>	<b>(740.5)</b>	<b>(14.3)</b>	<b>(0.1)</b>	<b>(754.9)</b>

# RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- a) The condensed set of financial statements has been prepared in accordance with IAS 34;
- b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

**Simon Wolfson**  
Chief Executive

**David Keens**  
Group Finance Director

10 September 2008

This statement, the full text of the Stock Exchange announcement and the results presentation can be found on the Company's website at [www.nextplc.co.uk](http://www.nextplc.co.uk).

Certain statements which appear in a number of places throughout this Interim Management Report may constitute "forward looking statements" which are all matters that are not historical facts, including anticipated financial and operational performance, business prospects and similar matters. These forward looking statements are identifiable by words such as "aim", "anticipate", "believe", "estimate", "expect", "forecast", "intend", "plan", "project" and similar expressions. These forward looking statements reflect Next's current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any such forward looking statements are subject to various risks and uncertainties, including but not limited to those matters detailed in the Chief Executive's Review; failure by Next to predict accurately customer fashion preferences; decline in the demand for merchandise offered by Next; competitive influences; changes in level of store traffic or consumer spending habits; effectiveness of Next's brand awareness and marketing programmes; general economic conditions or a downturn in the retail industry; the inability of Next to successfully implement relocation or expansion of existing stores; lack of sufficient consumer interest in Next Directory; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial and equity markets. These forward looking statements do not amount to any representation that they will be achieved as they involve risks and uncertainties and relate to events and depend upon circumstances which may or may not occur in the future and there can be no guarantee of future performance. Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. Next do not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

The Risks & Uncertainties described in the Directors' Report and Business Review for the year ended 26 January 2008 remain the principal risks affecting the Group's businesses.