next plc

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Photographs: Photographs available at:
http://press.next.co.uk/media/company-images/campaignimages.aspx

RESULTS FOR THE HALF YEAR TO JULY 2012

NEXT has made a better than expected start to the year, with Group revenue up 4.8% and profit 10.2% ahead of last year. We returned a further £112m to shareholders through share buybacks which, together with lower tax rates, boosted the increase in earnings per share to 18.7%. We are increasing the interim dividend by 12.7% to 31p per share.

Financial highlights are as follows:

- Revenue up 4.8% to £1,640m
- Profit up 10.2% to £251m
- Net cash inflow of £168m before dividends and £112m of share buybacks
- Earnings per share up 18.7% to 118.5p
- Interim dividend up 12.7% to 31p per share

August and early September sales have been disappointing during what has been an unusually quiet period. We remain cautious about the economic outlook whilst maintaining full year guidance that our sales, profits and earnings per share will all move forward on last year.

PART ONE

SUMMARY OF RESULTS, ECONOMY, PLANS AND OUTLOOK

OVERVIEW

NEXT has made a better than expected start to the year. In the first half sales were 4.8% ahead of last year and underlying profit was up 10.2%. Growth in our online business, the addition of profitable new space and good cost control more than offset the negative impact of the decline in retail like for like sales.

Earnings per share were up 18.7% and rose faster than profit, mainly as a result of continued share buybacks and lower tax rates. In the first half we returned £112m to shareholders through buybacks, financed by strong operational cash flow. We anticipate further purchases of around £70m in the second half, although quantities and timing will, as always, be subject to market conditions and the prevailing share price.

Our interim dividend will be increased by 12.7% to 31p and we again expect to increase the full year amount broadly in line with our growth in underlying earnings per share.

We remain cautious about the economic outlook. Disappointing sales in an unusual August and early September reinforce the wisdom of this conservative approach. We are on track to meet market expectations and maintain the full year financial guidance given in our August trading statement, with sales, profits and earnings per share all moving forward on last year.

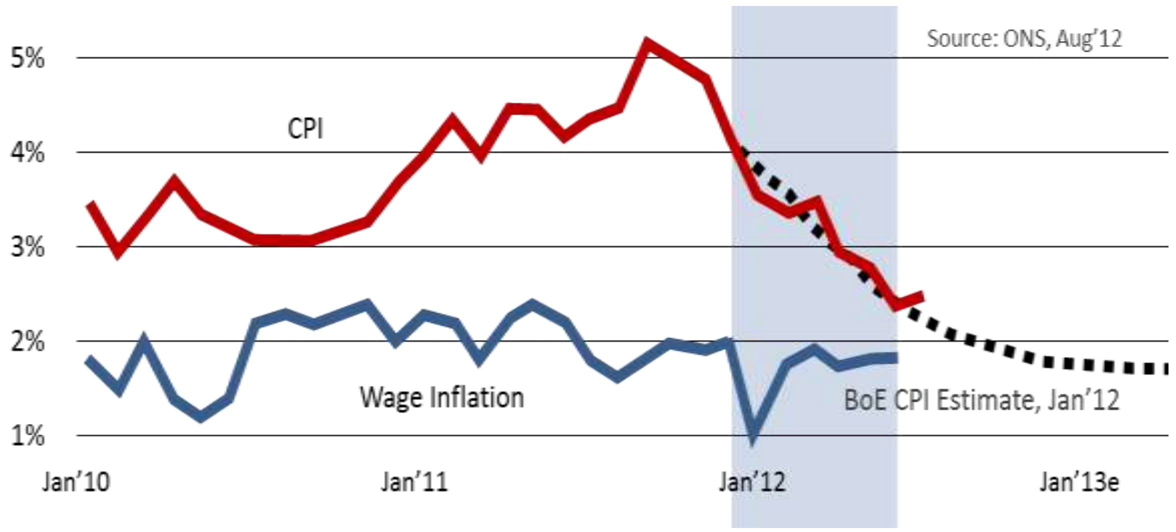
REVENUE excluding VAT	**July 2012 £m**	July 2011 £m	
NEXT Retail	**1,009.9**	1,008.2	+0.2%
NEXT Directory	**551.7**	486.7	+13.3%
NEXT BRAND	**1,561.6**	1,494.9	**+4.5%**
Other	**78.7**	70.6	+11.6%
Continuing business	**1,640.3**	1,565.5	**+4.8%**

PROFIT and EPS Underlying business excluding exceptionals	**July 2012 £m**	July 2011 £m	
NEXT Retail	**122.7**	122.5	+0.2%
NEXT Directory	**137.7**	112.8	+22.1%
Other	**5.4**	6.0	
Operating profit - underlying	**265.8**	241.3	**+10.2%**
Net interest	**(14.5)**	(13.3)	
Profit before tax – underlying	**251.3**	228.0	**+10.2%**
Taxation	**(60.3)**	(60.0)	
Profit after tax – underlying	**191.0**	168.0	+13.7%
EPS – underlying	**118.5p**	99.8p	**+18.7%**
Interim dividend per share	**31.0p**	27.5p	**+12.7%**

THE CONSUMER ECONOMY

If the economy had a weather forecast the outlook would be overcast – patchy rain for the foreseeable future. In the run up to the credit crunch individuals, businesses and government lived beyond their means. It will take some time to work our way back to affording the lifestyle to which we became accustomed.

Wage increases remain lower than inflation and the cost of living is rising by almost 1% more than average earnings. This is a significant improvement on the same time last year and likely to improve further but, in the meantime, real earnings continue to modestly decline.



On the surface the UK economy appears stationary, with little or no change. But this apparent inactivity masks powerful and necessary restructuring, with some parts of our economy growing and others in significant decline. The UK is working very hard to stay in the same place, with all the disruption and uncertainty that entails.

Employment figures reflect this theme. On the surface employment is moderately growing. The reality behind the numbers is a different story: over the year to March, Public Sector employment fell by 278,000 whilst the Private Sector more than managed to take up the slack, creating 374,000 new jobs.

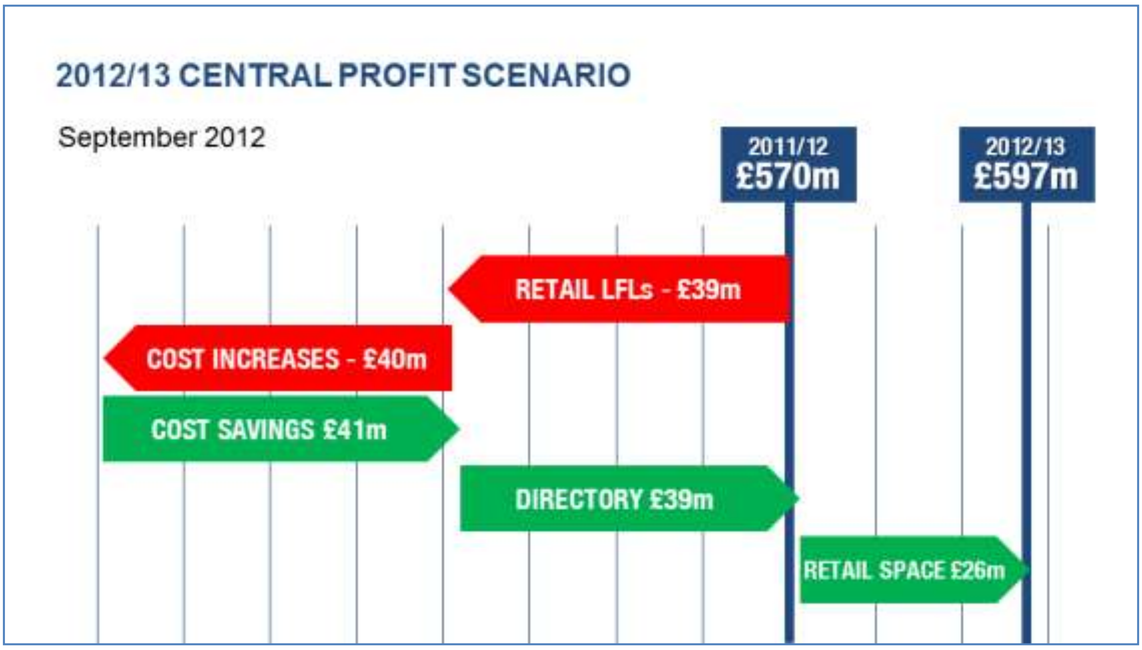
NEXT PLC ECONOMICS

The experience of NEXT is strikingly similar to the economy at large: what appear to be modest growth in sales and profits mask far larger forces at work. As expected, the decline in like for like sales cost the company £18m of profit, but new profitable space added £14m and growth in online sales added a further £26m.

In addition to investing in those parts of the business that were able to grow, we have also focussed on controlling costs. This remains a vital task as without like for like sales growth, natural inflation in our cost base would erode profits. In the first half, cost savings and an improvement to gross margin exceeded cost increases by £1m.

The table below gives a simple view of how we manage the business and shows how profits and costs behaved in the first half. The right hand column is our central scenario for the possible change in full year Group profit, which is at the mid-point of our guidance range.

	Half Year Actual	Full Year Central Scenario (e)	
Profit from sales increases/decreases	**£m**	**£m**	
Decline in LFL stores	(18)	(39)	e
New Retail space	14	26	e
Additional Directory turnover	26	39	e
Cost increases and savings			
Increases	(22)	(40)	e
Savings	23	41	e
Total change in profit	**23**	**27**	**e**



THE PLAN IN SHORT

Our approach to managing the business through these difficult times remains unchanged. Our priorities are set out below:

Develop the NEXT Brand	Without great product, all our other activities are in vain. We believe there is the opportunity to further improve and expand our product ranges, particularly the more aspirational end of our collections.
Invest in growth online	In the UK we can continue to improve our delivery services. We plan to offer our customers additional choices of: • Same day • Evening • Sunday • Next day to store In addition, we will extend our cut-off for next day delivery to 10pm. We will also continue the rapid expansion of our profitable international online business. All investment in new business must be profitable and capital invested in recruiting new customers must achieve a minimum internal rate of return of 20%.
Invest in profitable new space	Emphasis will continue to be on new Home stores and larger format “Shoreham-style” shops. All new stores must make a store profit contribution of 15% and pay back net capital invested in 24 months.
Rigorously control costs	The key here is to control costs through innovation and better purchasing. We are very clear that we must not compromise service or quality to save money.
Generate and return cash to shareholders	One of the few advantages of slower top line growth is that it can accelerate the generation of cash. We will continue our longstanding practice of returning surplus cash to shareholders through dividend growth and share buybacks, which enhance earnings per share, and ensure that cash is not hoarded or wasted.

OUTLOOK AND PROFIT GUIDANCE RANGES

We maintain the guidance we gave in August, which is set out in the table below.

Full Year Estimates Underlying, Year to January 2013	**Low scenario**	**High scenario**
Brand sales (VAT exclusive)	+2.0%	+4.5%
Group profit before tax	£575m	£620m
Growth in profit before tax	+0.8%	+8.7%
Share buyback intention	£200m	£200m
Growth in basic EPS	+7%	+15%

For all the reasons outlined in the economy section above, we remain cautious in our outlook for the rest of the year. August is often an unusual month, and this year both August and early September have been unusually quiet. Although Brand sales finished the first half up 4.5%, cumulative sales for the year are now back in the middle of our guidance range.

PART TWO
FINANCIAL OVERVIEW

REVENUE excluding VAT	July 2012	July 2011	
	£m	£m	
NEXT Retail	**1,009.9**	1,008.2	+0.2%
NEXT Directory	**551.7**	486.7	+13.3%
NEXT International Retail	**37.9**	33.6	+12.7%
NEXT Sourcing	**3.0**	3.2	
Lipsy	**26.9**	22.7	
Other activities	**10.9**	11.1	
Continuing business	**1,640.3**	1,565.5	+4.8%
Discontinued business – Ventura	**-**	64.8	
Total revenue	**1,640.3**	1,630.3	

PROFIT and EPS	July 2012	July 2011	
	£m	£m	
NEXT Retail	**122.7**	122.5	
NEXT Directory	**137.7**	112.8	
NEXT International Retail	**3.4**	3.2	
NEXT Sourcing	**11.8**	10.1	
	275.6	248.6	+10.9%
Lipsy	**0.5**	(0.4)	
Other activities	**(3.1)**	(2.3)	
Share incentive charge	**(9.1)**	(7.8)	
Pension credit	**1.0**	3.5	
Unrealised exchange gain/(loss)	**0.9**	(0.3)	
Operating profit – underlying	**265.8**	241.3	+10.2%
Net interest	**(14.5)**	(13.3)	
Profit before tax – underlying	**251.3**	228.0	+10.2%
Taxation	**(60.3)**	(60.0)	
Profit after tax – underlying	**191.0**	168.0	+13.7%
Exceptionals and discontinued, net of tax	**(4.8)**	40.6	
Total profit after tax	**186.2**	208.6	
Earnings per share			
- underlying	**118.5p**	99.8p	+18.7%
- total	**115.6p**	122.0p	- 5.2%
Interim dividend per share	**31.0p**	27.5p	+12.7%

PART THREE

Further Commentary: Retail, Directory and Other Activities

RETAIL

Retail sales were slightly ahead of plan, with VAT exclusive sales up 0.2% on last year. New space added 3.7% to Retail sales and 2.5% to total Brand sales. Operating margins were maintained and profit remained level with last year at £122.7m.

Retail Space

There continue to be good opportunities to profitably increase UK retail selling space. Our space expansion programme is built bottom up, on a location by location basis and there remain many towns and cities where we believe that we have the potential to offer wider ranges in larger stores.

Trading space increased by 89,000 square feet in the first half, most of which came from moving or extending existing stores. The table below sets out the change in store numbers and space since January 2012.

	Store Numbers	Sq. Ft. (000's)
January 2012	**536**	**6,475**
New stores	+1	+9
Closures	- 3	- 20
Re-sites (2) and extensions (5)	-	+69
Home stand-alones	+2	+31
July 2012	**536**	**6,564**

Large Concept Stores

In June we opened another large concept store in Ipswich, the second such store following Shoreham last year. Both Ipswich and Shoreham have so far proven successful and have comfortably beaten their targets. The opening of a third store in Warrington has been delayed due to a fire and will now open in February 2013. A further 17 similar sites have been identified and, depending on planning consents (by no means certain), could open over the next three to five years. This represents around one third of the total expansion opportunities we have identified.

Progress slower than expected

Space growth has been slower than expected in the current year, with some of our larger projects taking longer than anticipated to obtain necessary planning consents. We expect to add around 250,000 sq. ft. of trading space (net of closures) in the current year. It is too early to give an accurate forecast for space growth next year, but we expect it to be at least another 250,000 sq. ft.

Healthy Returns on Capital Invested and Profitability

New store profitability and payback on net capital invested are both comfortably within company targets. Forecasts for stores opened in the last 12 months shown in the table are based on sales since their dates of opening.

	Sales vs target	Forecast profitability	Forecast payback
Mainline	+15%	23%	16 months
Home	+6%	19%	23 months
Total	**+12%**	**22%**	**19 months**

Store Profitability

We continue to manage closely the profitability of our store portfolio. Underperforming stores are actively managed with a view to possible closure before they become uneconomic. On average our store leases have 7 years to run before expiry or a break clause.

Our portfolio remains extremely profitable, with 89% of our sales coming from stores delivering more than 15% profit contribution on sales.

Store profitability	Percentage of turnover
>20%	69%
>15%	89%
>10%	96%
>5%	99%
>0%	99.5%

Sunday Trading

Our experience of opening extended hours on Sunday was generally positive. Given the unusual trading patterns during the Olympics the data is very hard to interpret. On balance, our view is that additional trading hours will be most beneficial on the busiest Sundays. It was notable that we had no difficulty in finding volunteers for the additional hours of work, which were appreciated by many as an opportunity to increase earnings.

We would welcome some relaxation of Sunday trading laws, particularly in the run up to Christmas when shoppers are most pressed for time.

Retail Profit Analysis

Operating margin was in line with last year, as improvements in gross margin were offset by increases in store payroll and occupancy costs. The table below details the margin movement by the major heads of costs.

Net operating margin last year		**12.2%**
Increase in bought-in gross margin	Cost prices were lower than expected, mainly as a result of lower cotton prices and reduced inflationary wage pressures in the Far East.	+0.5%
Reduction in freight and slippage	Freight rates improved as a result of NEXT paying less for unplanned airfreight. In addition we reduced the amount of faulty stock, reducing slippage costs.	+0.3%
Higher markdown	Stock for Sale was up 6.4% and clearance rates, whilst in line with our expectations, were down on last year. However, much of this cost was offset by increased sales of the previous season's drop stock through the Directory Offers tab.	- 0.1%
Increase in store payroll	The annual pay review and bonus payments were partially offset by in-store efficiency initiatives.	- 0.1%
Increase in store occupancy	Rents and rates increased as a percentage of sales mainly as a result of negative like for like sales. Rental inflation was minimal and continued to decline. Inflation in rates, which is linked to September RPI, was very high at 5.6%. Electricity costs increased significantly in the first half and reduced margin by 0.2%. This increase has now annualised and will not be repeated in the second half.	- 0.6%
Net operating margin this year		**12.2%**

DIRECTORY

The NEXT Directory performed well. Sales were up 13.3% and 3% ahead of our budget. Profit increased by 22.1%.

Sales Analysis

Sales increases came from four sources. The core UK full price business added 8.0% to Directory sales. Our new "Offers Tab", which is the online equivalent of our clearance stores and sells the previous season's stock, added 2.4%. The mid and end-of-season Sales were larger than last year and contributed 1% to sales.

Our overseas internet business, which grew from £15m to £24m, added a further 1.9% to Directory sales. By the end of the year we expect to be in 61 countries, including South America, and are forecasting sales of £52m and profits of £10m.

	Contribution to sales growth
UK full price sales	8.0%
UK Offers tab	2.4%
End-of-season Sale	1.0%
International online	1.9%
Sales growth	**13.3%**

New Customers

Directory active customers increased year on year by 11.7% to 3.3 million. The growth of credit and cash customers is shown in the table below.

Average customers ('000s)	**July 2012**	**July 2011**	**Change**	**Increase on customer base**
Total credit customers	**2,647**	2,536	+111	+3.8%
Cash customers - UK	**492**	329		
Cash customers - overseas	**133**	65		
Total cash customers	**625**	394	+231	+7.9%
Total active customers	**3,272**	**2,930**	**+342**	**+11.7%**

Directory Profit Analysis

Operating margin improved by 1.8% to 25.0%. Gross margin benefits were further enhanced by sales leverage over costs.

Net operating margin last year		**23.2%**
Increase in bought-in gross margin	As in Retail, margin was higher than expected due to lower cotton prices. The increase in Directory was higher than Retail due to the growth in participation of higher margin product.	+1.1%
Reduction in freight and slippage	Freight rates improved as a result of NEXT paying less for unplanned airfreight. In addition we reduced the amount of faulty stock, reducing slippage costs.	+0.2%
Higher markdown	Directory end of season stock increased by 14.8% and cash recovery from the Sale was lower than last year.	- 0.8%
Increase in commission received	Lipsy now has a shop-in-shop on the Directory website. Commission earned on these sales increases the profitability of Directory. Note: shop-in-shop sales are attributed to Lipsy and not to NEXT Directory.	+0.3%
Decrease in marketing	Marketing costs increased margin as a result of the timing and extent of TV advertising.	+1.0%
Decrease in catalogue production	More customers are relying solely on the internet and choosing not to receive the printed catalogue. As a result these costs fell as a percentage of sales. In absolute terms, costs were in line with last year and a similar number of books and pages were printed.	+0.9%
Increase in warehouse and distribution	We increased man hours to enable stock movements between Retail and Directory for the overall benefit of sales. In addition, we opened a new depot and incurred higher wage costs following the annual pay review.	- 0.6%
Increase in central overheads	Central overheads reduced margin by 0.3% mainly due to increased staff incentives.	- 0.3%
Net operating margin this year		**25.0%**

INTERNATIONAL RETAIL

Our international franchise partners operate 160 NEXT stores in 31 countries. We also have 23 wholly owned and joint venture stores in 7 countries.

Revenue and profit for our International Retail business is set out below. The franchise revenue is the product at cost sold to our partners, plus either a wholesale mark-up or royalty on sale.

£m	**July 2012**	July 2011	
Franchise revenue	**30.0**	25.5	
Owned and JV sales	**7.9**	8.1	
Total revenue	**37.9**	33.6	+12.7%
Operating profit	**3.4**	3.2	+7.5%
Operating margin	**9.1%**	9.5%	

We continue to forecast that International Retail will contribute profits of £8m for the full year.

NEXT SOURCING

NEXT Sourcing has an extensive international network of offices and suppliers, through which it procures over 40% of the product bought by NEXT Retail and Directory.

£m	**July 2012**	July 2011
External sales	**3.0**	3.2
Internal sales	**240.7**	225.7
Total sales	**243.7**	228.9
Operating profit	**11.8**	10.1
Operating margin	**4.8%**	4.4%

Last January NEXT Sourcing took a one off provision relating to faulty stock, we now forecast that profits will recover to around £27m for the full year.

LIPSY

Lipsy continued to improve on what was a very difficult first half last year. Total sales increased by 18.7% to £26.9m. We now have 51 stores, 17 are stand-alone and 34 are part of or within NEXT Retail properties. Online sales increased by over 200% to £7.7m, with over 60% of these sales coming through the NEXT Directory website on a commission basis.

INTEREST AND TAXATION

The interest charge was £14.5m and we expect a similar charge in the second half. Net debt averaged £553m and our mix of fixed and floating rate interest currently gives an average rate of 4.3% on our £623m of bond debt.

We expect our tax rate this year will reduce to 24%, due to lower UK corporation tax rates, and be no higher than that for the next two years.

PENSION SCHEME

The pension variation credit was £1m compared with £3.5m last time, we expect a full year credit of £2m against £6.7m last year. We completed a further insurance backed buy-in to hedge the future liability of pensions that are currently being paid, the £6.3m accounting charge for this is shown as exceptional. There will also be an exceptional pension credit in the second half and further detail can be found in Note 4 to these accounts. Our triennial actuarial valuation will take place as of March 2013.

BALANCE SHEET AND CASH FLOW

Capital expenditure amounted to £38m and we expect £105m for the year. Stock was managed at levels consistent with last year. Directory customer account balances rose £61m year on year to £553m, up 12%, rising slightly less than Directory sales.

Cash flow was again strong, though comparison with last year is flattered by the later payment of our final dividend, which is now paid at the beginning of August rather than July. Net debt decreased by £56m in the period to £519m and will fluctuate around £600m during the second half, finishing the year closer to £500m.

SHARE BUYBACKS

During the period we purchased 3.9 million shares at a cost of £112m, representing 2.3% of those in issue at the start of the year. We anticipate returning up to £200m to shareholders through share buybacks this year, although quantities and timing will, as always, be subject to market conditions and the prevailing share price.

DIVIDEND

The interim dividend is being increased by 3.5p to 31p, an increase of 12.7%. This will be paid on 2 January 2013 to shareholders on the register at 23 November 2012. The shares will trade ex-dividend from 21 November. We intend raising the total of dividends payable for the year by a similar percentage to the growth in underlying earnings per share.

INTERIM MANAGEMENT STATEMENT

Our next statement will cover the third quarter and is provisionally scheduled for Wednesday 31 October 2012.

Lord Wolfson of Aspley Guise
Chief Executive
13 September 2012

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Six months to July 2012			Six months to July 2011		
	Underlying £m	**Exceptional items (Note 4) £m**	**Total £m**	Underlying £m	Exceptional items (Note 4) £m	Total £m
Continuing operations						
Revenue	**1,640.3**	**-**	**1,640.3**	1,565.5	-	1,565.5
Cost of sales	**(1,154.1)**	**-**	**(1,154.1)**	(1,116.0)	-	(1,116.0)
Gross profit	**486.2**	**-**	**486.2**	449.5	-	449.5
Distribution costs	**(126.2)**	**-**	**(126.2)**	(115.8)	-	(115.8)
Administrative expenses	**(95.5)**	**-**	**(95.5)**	(92.8)	-	(92.8)
Other gains/(losses)	**0.9**	**(6.3)**	**(5.4)**	(0.3)	-	(0.3)
Trading profit	**265.4**	**(6.3)**	**259.1**	240.6	-	240.6
Share of results of associates	**0.4**	**-**	**0.4**	0.7	-	0.7
Operating profit	**265.8**	**(6.3)**	**259.5**	241.3	-	241.3
Finance income	**0.3**	**-**	**0.3**	0.3	-	0.3
Finance costs	**(14.8)**	**-**	**(14.8)**	(13.6)	-	(13.6)
Profit before taxation	**251.3**	**(6.3)**	**245.0**	228.0	-	228.0
Taxation	**(60.3)**	**1.5**	**(58.8)**	(60.0)	-	(60.0)
Profit from continuing operations	**191.0**	**(4.8)**	**186.2**	168.0	-	168.0
Profit from discontinued operations (Note 5)	**-**	**-**	**-**	2.6	38.0	40.6
Profit for the period attributable to equity holders of the parent	**191.0**	**(4.8)**	**186.2**	170.6	38.0	208.6

	Six months to July 2012		Six months to July 2011	
	Underlying	**Total**	Underlying	Total
Basic earnings per share (Note 6)				
Continuing operations	**118.5p**	**115.6p**	98.3p	98.3p
Discontinued operations	**-**	**-**	1.5p	23.7p
Total	**118.5p**	**115.6p**	99.8p	122.0p
Diluted earnings per share (Note 6)				
Continuing operations	**115.7p**	**112.8p**	96.1p	96.1p
Discontinued operations	**-**	**-**	1.5p	23.2p
Total	**115.7p**	**112.8p**	97.6p	119.3p

UNAUDITED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME

	Six months to July 2012 £m	Six months to July 2011 £m
Profit for the period	**186.2**	208.6
Other comprehensive income and expenses		
Exchange differences on translation of foreign operations	**(0.8)**	(0.5)
Losses on cash flow hedges	**(1.6)**	(11.2)
Actuarial gains/(losses) on defined benefit pension scheme	**0.1**	(12.6)
Tax on items recognised directly in equity	**1.0**	3.1
	(1.3)	(21.2)
Reclassification adjustments		
Transferred to income statement on cash flow hedges	**(2.8)**	7.1
Transferred to the carrying amount of hedged items on cash flow hedges	**(3.6)**	1.9
Exchange gains transferred to income statement on disposal of subsidiary	**-**	(0.6)
Other comprehensive expense for the period	**(7.7)**	(12.8)
Total comprehensive income for the period attributable to equity holders of the parent	**178.5**	195.8

UNAUDITED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

	Six months to July 2012 £m	Six months to July 2011 £m
Opening total equity	**222.7**	232.4
Total comprehensive income for the period	**178.5**	195.8
Issue of shares	**0.1**	-
Share buybacks and commitment movements	**(125.6)**	(185.4)
ESOT share purchases and commitment movements	**(64.3)**	(96.7)
Shares issued by ESOT	**31.3**	41.6
Share option charge	**9.1**	8.6
Tax recognised directly in equity	**3.3**	6.4
Equity dividends	**(99.7)**	(89.5)
Closing total equity	**155.4**	113.2

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	**July 2012** **£m**	July 2011 £m	January 2012 £m
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant & equipment		**557.2**	576.0	581.9
Intangible assets		**45.1**	46.0	45.6
Interests in associates		**6.2**	5.5	6.1
Other investments		**1.0**	1.0	1.0
Defined benefit pension surplus		**40.8**	48.0	35.1
Other financial assets	8	**61.5**	42.3	44.6
		711.8	718.8	714.3
Current assets				
Inventories		**387.7**	391.0	371.9
Trade and other receivables		**674.4**	608.5	699.1
Other financial assets	8	**6.0**	1.8	12.5
Cash and short term deposits		**108.3**	53.3	56.4
		1,176.4	1,054.6	1,139.9
Total assets		**1,888.2**	1,773.4	1,854.2
Current liabilities				
Bank loans and overdrafts		**(3.8)**	(69.9)	(7.6)
Trade and other payables		**(541.9)**	(520.9)	(545.0)
Dividends payable		**(99.7)**	-	-
Other financial liabilities	8	**(98.3)**	(93.5)	(87.0)
Current tax liabilities		**(89.6)**	(96.0)	(102.8)
		(833.3)	(780.3)	(742.4)
Non-current liabilities				
Corporate bonds		**(657.6)**	(637.9)	(652.1)
Provisions		**(11.5)**	(11.5)	(12.0)
Deferred tax liabilities		**(11.0)**	(20.1)	(15.4)
Other financial liabilities	8	**(8.9)**	(6.2)	(4.4)
Other liabilities	9	**(210.5)**	(204.2)	(205.2)
		(899.5)	(879.9)	(889.1)
Total liabilities		**(1,732.8)**	(1,660.2)	(1,631.5)
Net assets		**155.4**	113.2	222.7
EQUITY				
Share capital		**16.5**	17.3	16.9
Share premium account		**1.0**	0.8	0.8
Capital redemption reserve		**13.4**	12.6	13.0
ESOT reserve		**(157.3)**	(170.5)	(141.1)
Fair value reserve		**3.4**	(5.4)	11.5
Foreign currency translation reserve		**1.2**	3.6	2.0
Other reserves		**(1,443.8)**	(1,443.8)	(1,443.8)
Retained earnings		**1,721.0**	1,698.6	1,763.4
Total equity		**155.4**	113.2	222.7

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Six months to July 2012 £m	Six months to July 2011 £m
Cash flows from operating activities		
Operating profit - continuing operations	**259.5**	241.3
Operating profit - discontinued operations	**-**	2.9
Depreciation and amortisation	**58.1**	60.3
Impairment	**0.3**	0.5
Loss on disposal of property, plant & equipment	**0.2**	1.9
Share option charge	**9.1**	7.5
Share of undistributed profit of associates	**(0.1)**	(0.4)
Exchange movement	**(1.2)**	0.5
Increase in inventories	**(15.8)**	(22.7)
Decrease/(increase) in trade and other receivables	**23.2**	(5.3)
Decrease in trade and other payables	**(7.6)**	(15.4)
Pension contributions less income statement charge	**(5.6)**	(3.4)
Cash generated from operations	**320.1**	267.7
Corporation taxes paid	**(72.1)**	(67.8)
Net cash from operating activities (Note 5)	**248.0**	199.9
Cash flows from investing activities		
Net proceeds from disposal of subsidiary	**1.5**	63.0
Proceeds from sale of property, plant & equipment	**4.1**	1.2
Additions to property, plant & equipment	**(37.9)**	(57.0)
Decrease in capital accruals	**(8.4)**	(16.3)
Net cash from investing activities	**(40.7)**	(9.1)
Cash flows from financing activities		
Repurchase of own shares	**(112.4)**	(188.3)
Purchase of shares by ESOT	**(68.1)**	(37.3)
Proceeds from disposal of shares by ESOT	**31.3**	41.6
Repayment of unsecured bank loans	**-**	(56.2)
Net proceeds from bond issue and tender	**-**	153.3
Interest paid	**(4.1)**	(10.9)
Interest received	**1.8**	0.3
Payment of finance lease liabilities	**-**	(0.1)
Dividends paid	**-**	(89.5)
Net cash from financing activities	**(151.5)**	(187.1)
Net increase in cash and cash equivalents	**55.8**	3.7
Opening cash and cash equivalents	**48.8**	39.1
Effect of exchange rate fluctuations on cash held	**(0.1)**	(0.6)
Closing cash and cash equivalents (Note 10)	**104.5**	42.2

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The Group's interim results for the six months ended 28 July 2012 were approved by the Board of Directors on 13 September 2012, and have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

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 28 January 2012. 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 contained in this report does not constitute statutory accounts of the Company within the meaning of Section 434(3) of the Companies Act 2006. Statutory accounts for the year to January 2012 have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or (3) of the Companies Act 2006.

Going concern

The Directors report that, having reviewed current performance and forecasts, they have a reasonable expectation that the Group 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.

2. Risks & uncertainties

The challenging consumer environment and its potential impact on the Group's sales performance remains a major variable, and therefore risk, to the Group's financial performance. The Chief Executive's Review in this Interim Management Report comments on this and other uncertainties affecting the Group's businesses for the remaining six months of the financial year.

In June 2012 the Financial Reporting Council issued an update titled "Responding to Heightened Country and Currency Risk in Interim Financial Reports". The Board recognises that there are global, country and currency risks that it cannot influence but can seek to mitigate. Over 90% of the Group's revenues, total assets and total liabilities are denominated in or hedged into Sterling. No single country other than the UK accounts for more than 5% of group sales, total assets or total liabilities. Outside of the UK, the following countries each supply over 5% of group product purchases: China, India, Sri Lanka, Bangladesh and Turkey. Products from the Eurozone combined account for less than 10%.

The Board has considered the principal risks and uncertainties for the remaining six months of the financial year and determined that the risks presented in the 2012 Annual Report, described as follows, also remain relevant to the rest of the financial year: Business strategy development & implementation; Credit risk & liquidity; Management team; Product design & selection; Key suppliers & supply chain management; Retail store network; Directory customer base; Warehousing & distribution; IT systems & business continuity; Call centre capacity & service levels; Treasury & financial risk management. These are detailed on pages 14 to 15 of the 2012 Annual Report, a copy of which is available on the Company's website at www.nextplc.co.uk.

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 equity settled share option charges recognised under IFRS 2 and unrealised foreign exchange gains or losses on derivative instruments.

	External revenue		Internal revenue		Total revenue	
Six months to July	**2012**	2011	**2012**	2011	**2012**	2011
	£m	£m	**£m**	£m	**£m**	£m
Continuing operations						
NEXT Retail	**1,009.9**	1,008.2	**2.8**	3.0	**1,012.7**	1,011.2
NEXT Directory	**551.7**	486.7	**1.6**	-	**553.3**	486.7
NEXT International Retail	**37.9**	33.6	**-**	-	**37.9**	33.6
NEXT Sourcing	**3.0**	3.2	**240.7**	225.7	**243.7**	228.9
	1,602.5	1,531.7	**245.1**	228.7	**1,847.6**	1,760.4
Lipsy	**26.9**	22.7	**0.2**	1.9	**27.1**	24.6
Property Management	**2.7**	3.1	**94.6**	93.8	**97.3**	96.9
Total segment revenues	**1,632.1**	1,557.5	**339.9**	324.4	**1,972.0**	1,881.9
Other	**8.2**	8.0	**-**	-	**8.2**	8.0
Eliminations	**-**	-	**(339.9)**	(324.4)	**(339.9)**	(324.4)
Continuing operations	**1,640.3**	1,565.5	**-**	-	**1,640.3**	1,565.5
Discontinued (Ventura)	**-**	64.8	**-**	2.0	**-**	66.8

	Six months to July 2012			Six months to July 2011		
	Underlying	**Exceptional**	**Total**	Underlying	Exceptional	Total
Segment profit	**£m**	**items £m**	**£m**	£m	items £m	£m
Continuing operations						
NEXT Retail	**122.7**	**-**	**122.7**	122.5	-	122.5
NEXT Directory	**137.7**	**-**	**137.7**	112.8	-	112.8
NEXT International Retail	**3.4**	**-**	**3.4**	3.2	-	3.2
NEXT Sourcing	**11.8**	**-**	**11.8**	10.1	-	10.1
	275.6	**-**	**275.6**	248.6	-	248.6
Lipsy	**0.5**	**-**	**0.5**	(0.4)	-	(0.4)
Property Management	**3.6**	**-**	**3.6**	3.4	-	3.4
Total segment profit	**279.7**	**-**	**279.7**	251.6	-	251.6
Other activities	**(6.1)**	**(6.3)**	**(12.4)**	(2.9)	-	(2.9)
Share option charge	**(9.1)**	**-**	**(9.1)**	(7.8)	-	(7.8)
Unrealised exchange gain/(loss)	**0.9**	**-**	**0.9**	(0.3)	-	(0.3)
Trading profit	**265.4**	**(6.3)**	**259.1**	240.6	-	240.6
Share of results of associates	**0.4**	**-**	**0.4**	0.7	-	0.7
Finance income	**0.3**	**-**	**0.3**	0.3	-	0.3
Finance costs	**(14.8)**	**-**	**(14.8)**	(13.6)	-	(13.6)
Profit before tax - continuing operations	**251.3**	**(6.3)**	**245.0**	228.0	-	228.0
Profit before tax - discontinued (Ventura)	**-**	**-**	**-**	2.9	38.0	40.9

4. Exceptional items

	Six months to July 2012 £m	Six months to July 2011 £m
Continuing operations		
Pension charge (see below)	**(6.3)**	-
Associated tax credit/(charge)	**1.5**	-
	(4.8)	-
Discontinued operations		
Profit on sale of Ventura (Note 5)	**-**	38.0
Total	**(4.8)**	38.0

As part of the Group's continued risk management strategy for the defined benefit section of its pension plan, in June 2012 most remaining pensions in payment were subject to a buy-in arrangement. This was similar to, but significantly smaller than, the buy-in transaction which was completed in 2010.

Under the terms of the additional 2012 buy-in, the Plan paid £24.3m to an insurance company and in return will receive annuity payments equal to the related pension payments. This eliminates the Plan's exposure to the interest, inflation and longevity risks of those pensions. This arrangement also allows for the transaction to be converted to a buy-out, following which the insurance company would become directly responsible for those pension payments, and it is the intention of the Group and the Trustee to proceed on this basis. Accordingly, the arrangement has been accounted for under IAS 19 as a settlement, with the resulting accounting charge of £6.3m (being the difference between the insurance cost and the IAS 19 value of the liabilities) presented in the income statement as an exceptional item. In order to mitigate the effect of the transaction on scheme funding, the Group made a special cash contribution of £11m to the Plan.

The defined benefit section was closed to new members in October 2000 and the Group has recently reviewed the operation of this section for its remaining employee members. Following a consultation process with those employees it is expected that, from 31st October 2012, the future accrual of their pension benefits will be based on pensionable salary frozen at that date, together with additional contributions to a defined contribution scheme. The change is expected to give rise to a significant IAS 19 accounting credit to the income statement in the second half of the current year. This accounting credit will not have any immediate effect on the Group's cash flows. The next full triennial valuation of the Plan will be carried out as at March 2013, following which its future funding requirements will be determined.

5. Discontinued operations

In the previous year the Group sold its customer services management business, Ventura, for £65m on a cash and debt free basis. Profit from discontinued operations last year was comprised of Ventura's post-tax profit of £2.6m for the five months prior to sale, and an exceptional gain on disposal of £38.0m.

In the cash flow statement, net cash from operating activities in the previous year included an outflow of £9.9m in respect of Ventura for the five months prior to disposal.

6. Earnings per share

	Six months to July 2012	Six months to July 2011
Basic earnings per share		
Continuing operations	**115.6p**	98.3p
Discontinued operations	**-**	23.7p
Total	**115.6p**	122.0p
Underlying basic earnings per share	**118.5p**	99.8p

	Six months to July 2012	Six months to July 2011
Diluted earnings per share		
Continuing operations	**112.8p**	96.1p
Discontinued operations	**-**	23.2p
Total	**112.8p**	119.3p
Underlying diluted earnings per share	**115.7p**	97.6p

	Six months to July 2012	Six months to July 2011
Fully diluted earnings per share		
Continuing operations	**109.0p**	91.6p
Discontinued operations	**-**	22.1p
Total	**109.0p**	113.7p
Underlying fully diluted earnings per share	**111.8p**	93.0p

Basic earnings per share is based on the profit for the period attributable to the equity holders of the parent company, and 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 the weighted average number of shares used for the calculation of basic earnings per share as increased by the dilutive effect of potential ordinary shares. Dilutive shares arise from employee share option schemes where the exercise price is less than the average market price of the Company's ordinary shares during the period.

Fully diluted earnings per share is used for the purposes of the Share Matching Plan and is based on total underlying profit and the weighted average number of shares used for the calculation of basic earnings per share increased by the weighted average total employee share options outstanding during the period.

Underlying earnings per share is based on post-tax profits before the exceptional items described in Note 4 and calculated as follows.

6. Earnings per share (continued)

The table below shows the key variables used in the earnings per share calculations:

	Six months to July 2012 £m	Six months to July 2011 £m
Profit after tax attributable to equity holders of the parent company:		
Continuing operations	**186.2**	168.0
Discontinued operations	**-**	40.6
Total	**186.2**	208.6
Less exceptional items (Note 4)		
- Pension charge, net of tax	**4.8**	-
- Gain on disposal of Ventura	**-**	(38.0)
Total underlying profit (for underlying EPS)	**191.0**	170.6
Weighted average number of shares (millions):		
Weighted average shares in issue	**166.9**	176.7
Weighted average shares held by ESOT	**(5.7)**	(5.7)
Weighted average shares for basic EPS	**161.2**	171.0
Weighted average dilutive potential shares	**3.8**	3.9
Weighted average shares for diluted EPS	**165.0**	174.9
Weighted average shares for basic EPS	**161.2**	171.0
Weighted average total share options outstanding	**9.6**	12.5
Weighted average shares for fully diluted EPS	**170.8**	183.5

7. Share buybacks and ESOT shares

Movements in the Company's issued share capital are shown in the table below:

	Ordinary shares (no.)	**Cost £m**
Shares in issue at 28 January 2012	168,739,787	
Shares issued in settlement of an LTIP award	4,374	
Shares purchased for cancellation	(3,862,297)	111.8
Shares in issue at 28 July 2012	**164,881,864**	

7. Share buybacks and ESOT shares (continued)

In addition, movements in NEXT plc shares held by the NEXT Employee Share Ownership Trust (ESOT) were as follows:

	Ordinary shares (no.)	**Cost/ (proceeds) £m**
Shares held by ESOT at 28 January 2012	5,637,388	
Shares purchased by ESOT	2,296,792	66.7
Shares issued by ESOT	(2,154,434)	(31.3)
Shares held by ESOT at 28 July 2012	**5,779,746**	

8. Other financial assets and liabilities

Other financial assets and other financial liabilities include the fair value of derivative contracts which the Group uses to manage its foreign currency and interest rate risks.

Other current financial liabilities at 28 July 2012 also included £94.9m (July 2011: £84.6m, January 2012: £84.4m) in respect of contingent purchase contracts and irrevocable close period buyback agreements entered into by the Company and the ESOT for the purchase of shares in NEXT plc. At 13 September 2012, £1.5m of this commitment had been fulfilled and the remainder was unfulfilled and had expired, thereby increasing total equity by £93.4m.

In addition, an amount of £0.8m in respect of share purchases completed but not settled at 28 July 2012 is included within trade and other payables (July 2011: £20.1m, January 2012: £1.8m).

9. Other non-current liabilities

Other non-current liabilities relate to the long term element of deferred lease incentives received and liabilities which are not expected to be settled within one year.

10. Analysis of net debt

	January 2012 £m	Cash flow £m	Other non-cash changes £m	**July 2012 £m**
Cash and short term deposits	56.4			**108.3**
Overdrafts	(7.6)			**(3.8)**
Cash and cash equivalents	48.8	55.8	(0.1)	**104.5**
Corporate bonds	(652.1)	-	(5.5)	**(657.6)**
Fair value hedges of corporate bonds	29.1	-	5.4	**34.5**
Finance leases	(0.5)	-	-	**(0.5)**
Total net debt	(574.7)	55.8	(0.2)	**(519.1)**

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

Lord Wolfson of Aspley Guise	**David Keens**
Chief Executive	**Group Finance Director**

13 September 2012

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.

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", "budget", "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 risks and uncertainties, including but not limited to those matters highlighted in Note 2 of these interim financial statements; failure by NEXT to accurately predict 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 does not undertake any obligation to publicly update or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.