RESULTS FOR THE HALF YEAR ENDING JULY 2014

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Contacts:

Lord Wolfson, Chief Executive
David Keens, Group Finance Director
NEXT PLC **Tel: 0844 844 8888**

Alistair Mackinnon-Musson Email: next@rowbellpr.com
Rowbell PR **Tel: 020 7717 5239**

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

Chief Executive's Review

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OVERVIEW

NEXT has had a good first half, achieving sales and profits ahead of our original expectations. Total sales were 10.3% ahead of last year. Retail stores and NEXT Directory (our online business) both delivered significant growth. Profit before tax rose by 19.3%.

Strong cash generation has enabled us to return £223m to shareholders through three special dividends, of which two were paid in the first half. A further £105m has been returned through share buybacks. This is in addition to ordinary dividends.

REVENUE excluding VAT	**July 2014**	July 2013	
	£m	£m	
NEXT Retail	**1,075.6**	1,000.6	+7.5%
NEXT Directory	**694.3**	597.6	+16.2%
NEXT BRAND	**1,769.9**	1,598.2	+10.7%
Other	**79.7**	79.0	+1.0%
Total	**1,849.6**	1,677.2	+10.3%

PROFIT and EPS	**July 2014**	July 2013	
	£m	£m	
NEXT Retail	**152.3**	124.3	+22.6%
NEXT Directory	**172.1**	156.1	+10.2%
Other	**14.7**	4.5	
Operating profit	**339.1**	284.9	+19.0%
Net interest	**(14.9)**	(13.1)	
Profit before tax	**324.2**	271.8	+19.3%
Taxation	**(66.5)**	(54.5)	
Profit after tax	**257.7**	217.3	+18.6%
EPS	173.3p	142.1p	+22.0%
Ordinary interim dividend per share	50.0p	36.0p	

THE LAST SIX MONTHS IN CONTEXT

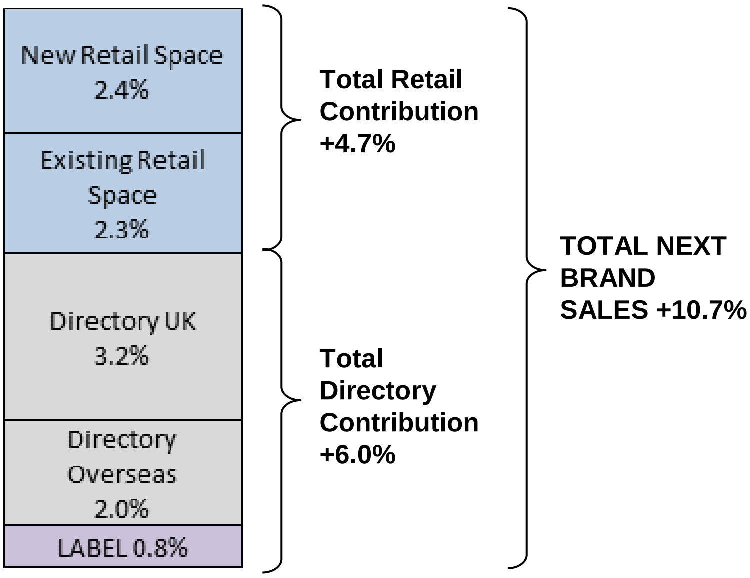
Over the last six months NEXT has experienced its strongest sales growth for many years. We have made good progress improving and extending our ranges, opening profitable new space, improving our service and growing our online business – both in the UK and overseas.

However it is important for us to recognise that this performance is, in some part, down to external factors. An improving economy, low interest rates, increasing availability of credit, less general discounting on the high street and much better summer weather have, we believe, all contributed to an improvement in our sales performance. In addition, an improved housing market has helped our Home business.

We remain mindful that some of these factors are likely to be less favourable next year and this year's fine summer weather could present tough comparatives next year, when interest rates are also expected to rise.

FIVE DRIVERS OF GROWTH

The table below shows the contribution made by different parts of the business to the NEXT Brand total sales growth. This table is useful as it puts the growth of our individual businesses in the context of the whole Group. However, there is a risk of confusion. For example, the figure of 6.0% shown for Directory is not the percentage increase in Directory sales, but is the percentage that NEXT total Brand sales have increased by as a result of the growth in Directory.



There are several interesting points to note:

- For the first time in several years, our Retail business (including the effect of new space) contributed more to the growth of the Company than our *UK* Directory business.
- The overseas online business is now making a healthy contribution to overall growth and now accounts for a significant share of Directory's growth.
- LABEL (our third party branded business) is beginning to make a small but meaningful contribution to the Group.

FIVE PRIORITIES FOR THE CURRENT YEAR

This section details our priorities, opportunities and challenges for the current year. The areas covered are as follows:

1. Improving Product and Design
2. Developing our Retail Stores
3. Developing Directory in the UK
4. Developing Directory Overseas
5. Developing LABEL

1. IMPROVING PRODUCT AND DESIGN

We understand that the NEXT Brand is only as strong as its latest ranges. Ultimately, it is the design and quality of our products that will determine our success. Over the last three years we have made a considerable effort to upgrade the quality and design of our ranges. Whilst it is hard to empirically measure any of these factors, we believe that collectively they have made a significant difference to the performance of our ranges.

The following paragraphs give a sense of our main Product priorities and the progress we have made.

Adopting New Trends

We have taken greater fashion risk by adopting new trends earlier and in greater depth (through placing larger orders on key new items).

There is more to do. We can be more ambitious in the authenticity with which we execute our design team's vision of future ranges. We can also do more to respond to the important new trends which emerge only a short time before the season starts. This will require the development of new practices and better relationships with quick response suppliers, so that we can delay purchasing decisions without risking late deliveries or compromised quality.

Delivering Weather Appropriate Ranges

This year we changed our buying process. We moved from a two season cycle to buying four distinct seasons: Spring, Summer, Autumn and Winter. This ensures that our ranges are more weather-appropriate in the "transitional" Spring (January and February) and Autumn (August and September). It also provides our customers with more new items at the launch of Summer (April) and Winter (October).

Improving Value

New sources of supply have allowed us to re-invest savings into improved quality across our ranges. We believe there is scope to continue this process of upgrading our products over the next twelve months.

New Premium Product

For Winter this year, we have stretched our price architecture to include premium products selling at prices we would previously have shied away from. These higher priced items will become more apparent as the year progresses, particularly in Directory.

Hopefully these top end items will inspire and help develop our core ranges. However, we must be careful not to allow excitement at the top end of our price architecture to distract us from our financially more important core business.

Design Resources

We have invested in improved design resources, spending £3.8m on new Womenswear and Home design studios. Over the next two years we will continue to improve our design facilities. We aim to open a new design archive and fabric library, and improve our Childrenswear design studio.

2. DEVELOPING OUR RETAIL STORES

New retail space performed well, contributing 3.8% to the growth of Retail sales. Over the course of the full year we expect new space to make a similar contribution to growth.

Larger Format Stores

We first trialled our new large store format at Shoreham in 2011. The store consists of a two-floor large Home store, attached to a conventional two-storey fashion store. This large format is becoming more important to the Group and this year will account for around 70% of net new space.

Some of the new sites we have secured require the construction of a new building. We intend to use this as an opportunity to invest in the architecture and external appearance of our stores. Our aim is to redefine what can be achieved out of town, moving away from the traditional "shed" format to architectural buildings that reflect the design aspirations of our product ranges. To achieve this we are using high quality materials both inside and outside of the buildings.

In August we opened our first design-and-build out of town store at Hedge End Retail Park, Southampton. The initial response has been very encouraging. We have two more design-and-build stores opening within the next twelve months; in Maidstone and High Wycombe. A similar store is planned for Norwich in 2016 and several more are under negotiation with landlords and planners.

Existing Towns and Cities

We continue to expand in smaller towns and established city centres. By the end of the current year we will have relocated and expanded shops in Skipton, Bath, Northampton and Bolton. We are also negotiating to expand at least twenty five more town and city centre stores. There is much talk of the decline of the UK high street, but our experience is far from one of uniform decline. Towns and cities that actively invest in better road access, plentiful and affordable parking, and where planners are open to ambitious and imaginative development have every chance to expand and thrive.

Service in Stores

At the beginning of the year we set ourselves the task of improving our customer service in store. We have changed our retail bonus scheme, pay rates, recruitment methods, appraisal system, manpower planning systems and training programs – all with the single objective of improving the quality of our service.

All too often customer service can be a euphemism for hard selling. We have been very clear that the service we aim to provide is the service our customers actually want – not salesmanship but friendly people who genuinely want to help and know how to do so.

Whilst we still have a long way to go, we believe there has been a noticeable improvement in the last six months. We will continue our endeavours to improve service in our stores over the course of the year and it remains our store managers' highest priority.

Home

Since the beginning of the credit crunch in 2008 we have been aggressively acquiring new space for our Home business. Over the last six years we have added one million square feet of new Home space. This takes our total Home trading space to 1.7 million square feet, around a quarter of the Company's total space. In addition to providing new routes to market, our new larger Home stores allow us to expand our Home ranges; in particular big ticket items such as sofas, upholstered chairs, dining room, living room and bedroom furniture.

3. DEVELOPING DIRECTORY IN THE UK

NEXT Directory sales grew by 11.5% in the UK. Additional season-specific publications and the introduction of a free next-day-to-store delivery service have both served to help grow the business.

"New In" Publications

We have increased the number of publications our Directory customers receive throughout the year with a view to making the Directory more responsive to new trends. In addition to the four catalogues we traditionally publish to mark the start of each season, we have introduced four "New In" publications. These smaller brochures coincide with the changes we make to our Retail ranges every six weeks.

Free Next-Day-to-Store Delivery

In October last year we introduced a free next-day-to-store delivery service. Initially this covered stores which accounted for 72% of NEXT Retail's turnover and now covers 94%. Next-day-to-store is particularly convenient for customers who cannot be at home or who have small orders and do not want to pay a delivery charge.

This service has proved extremely popular and just over 50% of internet orders are now delivered to our stores. These orders tend to be smaller than those for delivery to home, so store deliveries only account for around 30% of Directory UK turnover. We will shortly be extending the cut off for next-day-to-store deliveries, from 10pm to midnight.

Call Centre Services

With fewer orders being taken over the phone, our Call Centres are devoting more and more time to helping customers when they have an enquiry or encounter a problem. At the beginning of the year we set ourselves the objective of taking our Call Centre services from good to outstanding.

We have made similar changes in our Call Centres to those made in our stores. We have changed our training program, recruitment process, appraisal systems and staff bonus scheme. We have not yet made the same level of progress as we have in our stores. We recognise that we have some way to go on this project and it remains a priority for the year ahead.

4. DEVELOPING DIRECTORY OVERSEAS

NEXT's online business continues to do well overseas. Around 85% of Directory overseas sales come from our own website, with the remainder being sold through local third party home shopping operators.

New Territories

During the last six months we have begun trading online in 11 new territories including Cyprus, Malta, Saudi Arabia, Belarus and China. China has started well and looks like it presents the most interesting opportunity. Trading in China presents many logistical and administrative challenges and we do not expect to generate meaningful sales until we have spent more time learning how best to operate in this territory.

We now trade in 71 countries, the top ten of which account for 78% of our overseas turnover.

Delivery Lead Times and Regional Hubs

We currently dispatch all items from our warehouses in the North of England. This is an extremely efficient use of our central overheads but means that customer lead times are not competitive with local home shopping operators in many territories.

In order to address this deficiency we intend to open a local warehouse hub in Northern Ireland. This will allow us to offer next day delivery for orders taken before 10pm in both Northern Ireland and most of Eire. In addition this facility will enable us to establish our operating systems, bulk replenishment routines and working practices in an English speaking environment that is relatively close to home. So it will serve as a test-bed and prototype for hubs further afield. We are planning to open a second overseas distribution hub during 2015/16; this is likely to be located in Eastern Europe.

Pricing and Profitability

Ninety eight percent of our overseas sales are now priced in local currency. Prices are varied so that we are able to achieve our target net profitability of around 20%. Pricing will vary depending on delivery costs, taxes, returns rates, average order values and currency rates (which, where possible, we hedge through forward currency contracts). Most countries are priced to within 15% of our UK selling prices.

We expect net margins on our overseas business to remain broadly in line with last year. Although we have reduced prices in some of our key territories, this has been offset by reduced delivery costs.

The table below sets out the last two years' sales, profits and net margins for our overseas online business. The right hand column gives our expectations for the current year. Looking further forward into next year, we expect the percentage increase in growth to moderate as the benefits of better pricing, the availability of local currency payments and site translations begin to annualise.

£m	**January 2013**	**January 2014**	**January 2015 (e)**
Sales	£54m	£101m	£150m+
Net Profit	£10m	£18m	£28m
Net Margin	19%	18%	19%

5. DEVELOPING LABEL

Last season we successfully trialled a publication called LABEL as the starting point for a stand-alone business, dedicated to selling premium brands. LABEL is targeted at our existing customer base, many of whom regularly buy premium brands. The trial was successful; the publication was profitable and made a healthy return on the capital invested. Importantly, the trial produced no evidence that sales of these premium brands cannibalised sales of NEXT branded product. The main attractions of this business to our partner Brands are that they can:

- Take advantage of NEXT's warehousing and delivery service of order by 10pm for next day delivery across the UK.
- Access NEXT's four million active customer base.
- Leverage our catalogue production and photographic expertise, in a separate publication that does not directly associate their brand with NEXT.
- Offer premium brands a distribution channel that, in keeping with the rest of our business, will never discount their product outside our end of season and mid-season Sales.
- Reach many customers who are currently unable to purchase premium brands in their local high streets.

We are concerned that some might be tempted to exaggerate the potential of this new business, and we should stress that it will be naturally constrained by the fact that we intend to only sell premium brands and will not discount in order to recruit new customers. Last year we sold £77m of non-NEXT branded product through the NEXT Directory, we expect that figure to grow to £110m in the current year.

NOTE ON MARKDOWN

The following two sections on Retail and Directory profitability are difficult to understand without a little background about the distribution of Sale stock between the two businesses this year.

Traditionally, Directory cleared stock less efficiently than Retail shops but this has changed as our online Sale has become increasingly popular. So this year we significantly reduced the transfer of Sale stock from Directory to the Retail stores. As a result, stock for the Retail Sale declined by 1% while stock for the Directory Sale increased by 26%.

Total Sale stock generated (i.e. Retail and Directory combined) reduced as a proportion of total full price sales. However, this benefit was offset by lower clearance rates. The table below sets out full price sales, stock for Sale and markdown sales for Retail, Directory and in total:

	Retail	Directory	**Total NEXT Brand**
Full price sales growth	+8.6%	+16.3%	**+11.5%**
Stock for Sale	- 1.0%	+25.8%	**+7.7%**
Markdown sales **(including August)**	- 3.6%	+13.3%	**+2.9%**

RETAIL SALES AND PROFIT ANALYSIS

RETAIL SALES AND NEW SPACE

Total Retail sales were 7.5% ahead of last year. Full price sales were up 8.6%, whilst markdown sales (the sales from our mid-season and end-of-season Sale) were down -3.8%. Lower markdown sales were the result of two factors. Firstly, 1% less stock went into the Sale and secondly clearance rates deteriorated slightly.

Trading space increased by 107,000 square feet in the first half of the year. The table below sets out the change in store numbers and space since January 2014. We now expect to open around 350,000 square feet in the full year.

	Store Numbers	Sq. Ft. (000's)
January 2014	**541**	**7,008**
New stores	+3	+55
Closures	-7	- 63
Re-sites (4) and extensions (5)	-	+115
July 2014	**537**	**7,115**

RETAIL PROFIT ANALYSIS

Operating margin improved by 1.8%, from 12.4% to 14.2%. The table below sets out significant margin movements by major heads of costs.

Net operating margin last year		**12.4%**
Bought-in gross margin	We were able to buy currency at slightly better rates than initially anticipated and this resulted in a small margin gain.	**+0.2%**
Markdown	Full price sales were up 8.6% but stock for Sale was down 1%. So markdown costs fell as a percentage of sales, despite a slight reduction in clearance rates.	**+0.3%**
Store occupancy	Positive underlying sales combined with very low rental inflation meant that sales rose much faster than rents, rates and depreciation.	**+0.9%**
Store payroll	Improved manpower planning, partly made possible by an increase in underlying sales, meant that productivity gains more than offset the cost of living award in the first half. All of this gain is likely to be lost in the second half as a result of the Company's decision to raise wage rates in June.	**+0.2%**
Central overheads	Warehouse productivity improved and depreciation fell as some assets are now fully depreciated.	**+0.2%**
Net operating margin this year		**14.2%**

DIRECTORY SALES AND PROFIT ANALYSIS

UK AND OVERSEAS CONTRIBUTION TO GROWTH

Directory sales were 16.2% ahead of last year. Sales in the UK grew by 11.5% whilst sales overseas increased by 80%. The table below shows the contribution to total Directory growth made by our UK and overseas online businesses.

	Contribution to Directory sales growth
UK	10.8%
Overseas	5.4%
Total sales growth	**16.2%**

CUSTOMER BASE ANALYSIS

Directory active customer numbers increased year on year by 8.9% to 3.9 million. The table below sets out the growth in our UK and overseas customer base. Most of our new recruits in the UK are now choosing to pay on order with a debit/credit card rather than use a NEXT Directory credit account.

Average customers (‘000s)	**July 2014**	**July 2013**	**Change**	**Contribution to growth**
UK cash customers	**813**	620		
UK credit account customers	**2,699**	2,778		
Total UK customers	**3,512**	3,398	+114	3.1%
Overseas customers	**429**	223	+206	5.8%
Total active customers	**3,941**	3,621	+320	8.9%

DIRECTORY PROFIT ANALYSIS

Operating margin reduced by 1.3% to 24.8%. The table below sets out significant margin movements by major heads of costs.

Net operating margin last year		**26.1%**
Bought-in gross margin	As in Retail, currency was bought at slightly better rates than initially anticipated and this resulted in a small margin gain in our UK business. This was offset by margin reductions in some overseas territories.	**-0.1%**
Markdown	Directory transferred less Sale stock to Retail, so Directory stock for Sale was up 25.8%. Clearance rates also declined.	**-0.2%**
Interest income	Interest income increased, but not as much as overall sales.	**-0.5%**
Marketing	We spent more on profitable direct mail recruitment and press advertising.	**-0.4%**
Print and Catalogue creation	The introduction of "New In" and LABEL publications increased costs in the first half. Some of the sales from these publications will be seen in the second half of the year and we do not anticipate that print costs will increase as a percentage of sales for the full year.	**-0.3%**
Central overheads	Overheads increased but at a lesser rate than sales.	**+0.2%**
Net operating margin this year		**24.8%**

OTHER GROUP BUSINESSES

NEXT SOURCING

NEXT Sourcing, which acts as an internal sourcing agent, had a good first half and has a strong order book for the second half. Sales in local currency were up 14%, broadly in line with the growth in NEXT Brand sales. The table below shows sales and profits in Sterling:

£m	July 2014	July 2013	
Sales	272.3	263.0	+3.6%
Operating profit	**15.9**	**13.6**	**+17.1%**
Operating margin	5.8%	5.2%	

We expect NEXT Sourcing to deliver profit of at least £36m for the full year, compared with £34m last year.

INTERNATIONAL RETAIL AND FRANCHISE STORES

We have a small portfolio of 16 directly owned stores outside the UK and Eire which taken together broadly break even. We do not envisage any significant change in our directly owned international store numbers or locations in the near term.

Our franchise partners operate 182 stores in 38 countries. The income shown in the table is our sales to our partners at cost, plus wholesale mark-up or royalty. We are budgeting for International Retail to make a profit of £13m for the year, compared with £12m last year.

£m	July 2014	July 2013
Franchise income	33.6	34.0
Directly owned store sales	6.7	6.4
Total revenue	40.3	40.4
Operating profit	**5.1**	**5.1**

LIPSY

Lipsy, our younger Womenswear fashion business, increased sales to £31m and trading profit to £2.5m in the first half. We anticipate further growth in the second half. Full year sales and trading profit should be in the region of £70m and £6.5m respectively.

OTHER ITEMS

Unrealised Foreign Exchange IAS 39

The £3m profit for the half year compares with a £3m first half loss last year. We do not predict year end exchange rate movements, so group profit guidance assumes no further IAS 39 gain or loss.

Interest and Taxation

The interest charge was £15m and we continue to forecast the full year at £30m on net debt which will range between £500m and £750m.

Our expected full year tax rate of 20.5% includes the benefits from resolving a prior year item and the further reduction in UK Corporation Tax rates. We expect our effective tax rate will be no higher than 21% in each of the next two years.

BALANCE SHEET, CASH FLOW, SPECIAL DIVIDENDS AND SHARE BUYBACKS

Balance Sheet and Cash Flow at the Half Year

The balance sheet remains strong, with net debt of £571m financed by £788m of long term bonds and supported by £300m of undrawn committed bank facilities. Net debt was £38m higher than at July 2013.

The cash outflow for the half year was £54m; however this was after special dividends and share buybacks of £254m.

Estimated Cash Flow for the Full Year

Cash flow for the full year is likely to be broadly neutral as the Company continues its long term policy of distributing surplus cash to shareholders. Surplus cash is the cash remaining after paying interest, capital expenditure and ordinary dividends. For clarity, NEXT only returns cash to shareholders that we believe cannot be productively invested in the business and we always prioritise investment in the business over buybacks and special dividends.

Operational Cash Flow, Special Dividends and Buybacks

Operational cash flow remains strong with cash flow after interest, capital expenditure and ordinary dividends expected to be in the order of £330m for the full year. We have returned £223m to shareholders through three 50p special dividends, of which £149m was paid in the first half. In addition we have returned a further £105m through share buybacks. The table below summarises our cash flow estimates for the full year:

Full Year Estimates	**£m**
Cash flow from operations (e)	+690
Interest (e)	-30
Capital expenditure (e)	-117
Ordinary dividends	-213
Surplus Cash Flow (e)	**+330**
Special dividends	-223
Share buybacks (e)	-105
Full Year Net Cash Flow (estimate)	**+2**

Further Buybacks and Price Limit

In previous statements we have set out the criteria by which we would decide the maximum price the Company would pay to buy back shares. The Equivalent Rate of Return (ERR) is the return required from an alternative investment, if that investment were to produce the same level of earnings enhancement as the proposed buyback. We set the minimum ERR at 8%, which we consider a reasonable target return on equity investments.

For the year to January 2015 our mid-point profit guidance is £795m. On this basis a buyback of £300m at an ERR of 8% requires a share price of not more than £66 and this represents our current upper price limit for share buybacks.

The Company has now distributed our expected surplus cash flow for the current year. So we do not intend to pay a further special dividend this year. However, the Company has the financial capacity to buy back further shares and it may do so if the share price were to fall below our upper price limit and we judged such purchases to be in shareholders' interests.

ORDINARY DIVIDENDS

Last year we paid interim and final ordinary dividends totalling 129p. This year we anticipate paying a total of 150p, an increase of 16.3%, which on current profit guidance would maintain cover at 2.8 times.

One third of the anticipated full year dividend, that is 50 pence per share, will be paid as an interim dividend on Friday 2 January 2015. The shares will trade ex-dividend from 4 December and the record date will be 5 December.

In addition to these ordinary dividends, we have already paid three special dividends this year; 50 pence per share in each of February, May and August. We do not anticipate paying any further special dividends in the current year and will comment on the prospects for 2015 in our October Interim Management Statement.

OUTLOOK TO JANUARY 2015

We issued forward guidance in our July Trading Statement and we maintain the sales and profit forecasts made at that time. We are now able to give more detail on our sales forecast and have broken down our estimate for the second half, forecasting that the third quarter will grow by +10% and the fourth by +4%. This may look unambitious for the fourth quarter but the number needs to be taken in the context of the very strong sales performance in the final quarter last year.

For completeness our latest sales and profit guidance is repeated below.

Guidance Estimates **Full Year to January 2015**	**Lower end of guidance**	**Upper end of guidance**
Total Brand sales growth	+7%	+10%
Profit before tax	£775m	£815m
Profit before tax growth	+11%	+17%
Earnings per share growth	+13%	+19%

INTERIM MANAGEMENT STATEMENT

Our next statement will cover the thirteen weeks to 25 October and is scheduled for Wednesday 29 October 2014.

Lord Wolfson of Aspley Guise
Chief Executive
11 September 2014

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Six months to July 2014 £m	Six months to July 2013 £m
Revenue	**1,849.6**	1,677.2
Cost of sales	**(1,250.0)**	(1,151.1)
Gross profit	**599.6**	526.1
Distribution costs	**(151.5)**	(137.7)
Administrative expenses	**(112.4)**	(101.8)
Unrealised foreign exchange gains/(losses)	**2.9**	(2.8)
Trading profit	**338.6**	283.8
Share of results of associates	**0.5**	1.1
Operating profit	**339.1**	284.9
Finance income	**0.5**	0.3
Finance costs	**(15.4)**	(13.4)
Profit before taxation	**324.2**	271.8
Taxation	**(66.5)**	(54.5)
Profit for the period attributable to equity holders of the parent company	**257.7**	217.3

	Six months to July 2014	Six months to July 2013
Earnings per share (Note 4)		
Basic	**173.3p**	142.1p
Diluted	**168.8p**	138.2p
Ordinary interim dividend per share (Note 5)	**50.0p**	36.0p

UNAUDITED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME

	Six months to July 2014 £m	Six months to July 2013 £m
Profit for the period	**257.7**	217.3
Other comprehensive income and expenses:		
Items that will not be reclassified to profit or loss		
Actuarial gains on defined benefit pension scheme	**0.8**	1.4
Tax relating to non-reclassifiable items	**(0.2)**	(0.3)
Subtotal non-reclassifiable items	**0.6**	1.1
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(0.5)**	(0.7)
Foreign currency cash flow hedges:		
- fair value movements	**(18.0)**	16.9
- reclassified to the income statement	**15.0**	(9.8)
- recognised in inventories	**10.5**	(14.4)
Tax relating to reclassifiable items	**(1.5)**	1.7
Subtotal reclassifiable items	**5.5**	(6.3)
Other comprehensive income/(expense) for the period	**6.1**	(5.2)
Total comprehensive income for the period attributable to equity holders of the parent company	**263.8**	212.1

UNAUDITED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

	Six months to July 2014 £m	Six months to July 2013 £m
Opening total equity	**286.2**	285.6
Total comprehensive income for the period	**263.8**	212.1
Share buybacks & commitments	**(109.2)**	(176.1)
ESOT share purchases & commitments	**(61.3)**	(48.7)
Shares issued by ESOT	**21.2**	24.5
Share option charge	**6.9**	7.7
Equity awards settled in cash	**(3.8)**	(2.4)
Tax recognised directly in equity	**4.5**	6.1
Equity dividends (Note 5)	**(286.0)**	(111.1)
Closing total equity	**122.3**	197.7

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	**July 2014 £m**	July 2013 £m	January 2014 £m
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant & equipment		**505.9**	529.5	509.2
Intangible assets		**44.3**	44.6	44.4
Associates and other investments		**6.9**	6.8	7.9
Defined benefit pension surplus		**69.5**	67.9	70.3
Other financial assets	7	**32.8**	31.1	17.7
Deferred tax assets		**19.8**	1.6	27.0
		679.2	681.5	676.5
Current assets				
Inventories		**427.6**	372.0	385.6
Customer and other receivables		**780.3**	716.5	808.0
Other financial assets	7	**1.1**	19.2	1.2
Cash and short term deposits		**220.1**	94.1	273.3
		1,429.1	1,201.8	1,468.1
Total assets		**2,108.3**	1,883.3	2,144.6
Current liabilities				
Bank loans and overdrafts		**(3.3)**	(4.0)	(2.6)
Corporate bonds		**-**	(86.1)	-
Trade payables and other liabilities		**(612.0)**	(563.3)	(594.0)
Dividends payable	5	**(211.5)**	(111.5)	(74.4)
Other financial liabilities	7	**(77.1)**	(60.8)	(83.8)
Current tax liabilities		**(60.6)**	(76.2)	(79.7)
		(964.5)	(901.9)	(834.5)
Non-current liabilities				
Corporate bonds		**(803.7)**	(560.8)	(800.8)
Provisions		**(8.1)**	(10.3)	(8.5)
Other financial liabilities	7	**(1.9)**	-	(0.9)
Other liabilities	8	**(207.8)**	(212.6)	(213.7)
		(1,021.5)	(783.7)	(1,023.9)
Total liabilities		**(1,986.0)**	(1,685.6)	(1,858.4)
NET ASSETS		**122.3**	197.7	286.2
EQUITY				
Share capital		**15.3**	15.7	15.5
Share premium account		**0.9**	0.9	0.9
Capital redemption reserve		**14.6**	14.2	14.4
ESOT reserve		**(210.8)**	(220.5)	(196.6)
Fair value reserve		**(10.0)**	1.0	(16.0)
Foreign currency translation reserve		**4.5**	1.3	5.0
Other reserves		**(1,443.8)**	(1,443.8)	(1,443.8)
Retained earnings		**1,751.7**	1,829.0	1,906.9
Shareholders' equity		**122.4**	197.8	286.3
Non-controlling interest		**(0.1)**	(0.1)	(0.1)
TOTAL EQUITY		**122.3**	197.7	286.2

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Six months to July 2014 £m	Six months to July 2013 £m
Cash flows from operating activities		
Operating profit	**339.1**	284.9
Depreciation and amortisation	**55.5**	59.0
Impairment of property, plant & equipment	**0.2**	0.2
Loss on disposal of property, plant & equipment	**1.4**	1.6
Share option charge less amounts settled in cash	**3.1**	5.3
Dividends from associates less share of profits	**1.0**	0.4
Exchange movement	**(3.0)**	1.8
Increase in inventories	**(42.0)**	(40.2)
Decrease in customer and other receivables	**27.7**	1.0
(Decrease)/increase in trade and other payables	**(9.1)**	6.1
Pension contributions less income statement charge	**1.6**	(0.9)
Cash generated from operations	**375.5**	319.2
Corporation taxes paid	**(75.4)**	(74.8)
Net cash flow from operating activities	**300.1**	244.4
Cash flows from investing activities		
Additions to property, plant & equipment	**(54.0)**	(52.9)
Movement in capital accruals	**(2.2)**	3.0
Payments to acquire property, plant & equipment	**(56.2)**	(49.9)
Proceeds from sale of property, plant & equipment	**0.3**	0.2
Payment of deferred consideration	**(1.4)**	(0.1)
Net cash flow from investing activities	**(57.3)**	(49.8)
Cash flows from financing activities		
Repurchase of own shares	**(105.4)**	(170.1)
Purchase of shares by ESOT	**(61.3)**	(91.2)
Proceeds from disposal of shares by ESOT	**25.1**	28.0
Interest paid	**(6.3)**	(2.7)
Interest received	**0.6**	0.3
Payment of finance lease liabilities	**(0.1)**	(0.1)
Dividends paid (Note 5)	**(148.9)**	-
Net cash flow from financing activities	**(296.3)**	(235.8)
Net decrease in cash and cash equivalents	**(53.5)**	(41.2)
Opening cash and cash equivalents	**270.7**	130.9
Effect of exchange rate fluctuations on cash held	**(0.4)**	0.4
Closing cash and cash equivalents (Note 9)	**216.8**	90.1

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The Group's interim results for the six months ended 26 July 2014 were approved by the Board of Directors on 11 September 2014, 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 25 January 2014. 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 2014 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.

2. Risks & uncertainties

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 2014 Annual Report, described as follows, also remain relevant to the rest of the financial year: Business strategy development & implementation; Liquidity & credit risk; Management team; Product design & selection; Key suppliers & supply chain management; Retail store network; Directory customer base; Warehousing & distribution; IT systems, Business continuity and cyber risk; Call centre capacity & service levels; Treasury & financial risk management. These are detailed on pages 20 to 21 of the 2014 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. The performance of operating segments is assessed on profits before interest and tax, excluding equity settled share option charges recognised under IFRS 2 *Share-Based Payment* and unrealised foreign exchange gains or losses on derivatives which do not qualify for hedge accounting. The activities, products and services of the operating segments are detailed on page 18 of the 2014 Annual Report. The Property Management segment holds properties and property leases which are sub-let to other segments and external parties.

	External revenue		**Internal revenue**		**Total revenue**	
Six months to July	**2014**	2013	**2014**	2013	**2014**	2013
	£m	£m	**£m**	£m	**£m**	£m
NEXT Retail	**1,075.6**	1,000.6	**4.8**	4.3	**1,080.4**	1,004.9
NEXT Directory	**694.3**	597.6	**2.5**	2.2	**696.8**	599.8
NEXT International Retail	**40.2**	40.4	**-**	-	**40.2**	40.4
NEXT Sourcing	**3.3**	5.3	**269.0**	257.7	**272.3**	263.0
	1,813.4	1,643.9	**276.3**	264.2	**2,089.7**	1,908.1
Lipsy	**30.8**	27.3	**0.3**	0.1	**31.1**	27.4
Property Management	**2.6**	2.3	**97.8**	95.8	**100.4**	98.1
Total segment revenues	**1,846.8**	1,673.5	**374.4**	360.1	**2,221.2**	2,033.6
Third party distribution	**2.8**	3.7	**-**	-	**2.8**	3.7
Eliminations	**-**	-	**(374.4)**	(360.1)	**(374.4)**	(360.1)
Total	**1,849.6**	1,677.2	**-**	-	**1,849.6**	1,677.2

Segment profit	**Six months to July 2014 £m**	Six months to July 2013 £m
NEXT Retail	**152.3**	124.3
NEXT Directory	**172.1**	156.1
NEXT International Retail	**5.1**	5.1
NEXT Sourcing	**15.9**	13.6
	345.4	299.1
Lipsy	**1.9**	0.8
Property Management	**2.0**	1.1
Total segment profit	**349.3**	301.0
Central costs and other	**(6.7)**	(6.7)
Share option charge	**(6.9)**	(7.7)
Unrealised foreign exchange gains/(losses)	**2.9**	(2.8)
Trading profit	**338.6**	283.8
Share of results of associates	**0.5**	1.1
Finance income	**0.5**	0.3
Finance costs	**(15.4)**	(13.4)
Profit before tax	**324.2**	271.8

4. Earnings per share

	Six months to July 2014	Six months to July 2013
Basic earnings per share	**173.3p**	142.1p
Diluted earnings per share	**168.8p**	138.2p
Fully diluted earnings per share	**165.5p**	134.6p

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. Their dilutive effect is calculated on the basis of the equivalent number of nil-cost options.

Fully diluted earnings per share is based on 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.

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

	Six months to July 2014 £m	Six months to July 2013 £m
Profit after tax attributable to equity holders of the parent company	**257.7**	217.3
Weighted average number of shares (millions):		
Weighted average shares in issue	**154.6**	159.8
Weighted average shares held by ESOT	**(5.9)**	(6.9)
Weighted average shares for basic EPS	**148.7**	152.9
Weighted average dilutive potential shares	**3.9**	4.4
Weighted average shares for diluted EPS	**152.6**	157.3
Weighted average shares for basic EPS	**148.7**	152.9
Weighted average total share options outstanding	**7.0**	8.5
Weighted average shares for fully diluted EPS	**155.7**	161.4

5. Dividends

It is intended that this year's ordinary interim dividend of 50p per share will be paid to shareholders on 2 January 2015. NEXT plc shares will trade ex-dividend from 4 December 2014 and the record date will be 5 December.

Dividends paid and declared during the period were as follows:

	Pence per share	Cash flow statement £m	Statement of changes in equity £m	July 2014 balance sheet £m
Special interim dividend paid 3 Feb 2014	50p	74.4	-	-
Special interim dividend paid 1 May 2014	50p	74.5	74.5	-
Special interim dividend paid 1 Aug 2014	50p	-	74.0	74.0
Ordinary final dividend for 2013/14 paid 1 Aug 2014	93p	-	137.5	137.5
Total six months to July 2014		**148.9**	**286.0**	**211.5**

The July 2013 balance sheet and statement of changes in equity included the ordinary final dividend for 2012/13 of 74p per share which was paid on 1 August 2013. No special dividends were paid in 2012/13.

6. 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 25 January 2014	155,032,317	
Shares purchased for cancellation	(1,654,854)	105.4
Shares in issue at 26 July 2014	**153,377,463**	

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

	Ordinary shares (no.)	Cost/ (proceeds) £m
Shares held by ESOT at 25 January 2014	6,190,747	
Shares purchased by ESOT	939,147	61.3
Shares issued by ESOT	(1,399,460)	(25.1)
Shares held by ESOT at 26 July 2014	**5,730,434**	

7. 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 26 July 2014 also included £62.2m (July 2013: £48.3m, January 2014: £58.4m) arising under an irrevocable closed season buyback agreement for the purchase of the Company's own shares. At 10 September 2014 all of the July 2014 commitment was unfulfilled and had expired, and £62.2m will therefore be credited back to equity.

8. Other non-current liabilities

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

9. Analysis of net debt

	January 2014 £m	Cash flow £m	Other non-cash changes £m	**July 2014 £m**
Cash and short term deposits	273.3			**220.1**
Overdrafts	(2.6)			**(3.3)**
Cash and cash equivalents	270.7	(53.5)	(0.4)	**216.8**
Corporate bonds	(800.8)	-	(2.9)	**(803.7)**
Fair value hedges of corporate bonds	13.0	-	2.7	**15.7**
Finance leases	(0.3)	0.1	-	**(0.2)**
Total net debt	(517.4)	(53.4)	(0.6)	**(571.4)**

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
Chief Executive

David Keens
Group Finance Director

11 September 2014

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.