Results for the Year Ending January 2023

Date:	Embargoed until 07.00hrs, Wednesday 29 March 2023	
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CHAIRMAN'S STATEMENT

It has been a good year for NEXT. We have embraced the various challenges and seized the opportunities that have arisen.

A detailed analysis of our performance in 2022/23 and our outlook for the year ahead are covered in the following pages. Looking back on the year, among the highlights are:

- The delivery of record Earnings Per Share (EPS).
- In the midst of a consumer squeeze, trading sales were up +8.4% on last year. (Excluding the weeks that were flattered by lockdown in the previous year, trading sales were up +4.8%).
- Returning £461.4m to shareholders through dividends (£237.4m) and share buybacks (£224.0m).
- The partial opening of our new Elmsall 3 warehouse.
- The launch of Reiss, our largest client to date, on Total Platform.
- The additions of JoJo Maman Bébé, MADE.com and Joules to our Total Platform brands.
- An increase of our equity stake in Reiss.

We will be welcoming Jeremy Stakol to the Board in April as Group Investments, Acquisitions and Third Party Brands Director. Jeremy has been the managing director at Lipsy since 2004 and in more recent years has successfully led many of the new investment transactions and related Total Platform opportunities.

We have prepared (and budgeted) for a difficult year. We are very clear on our priorities. If we continue to improve our product ranges, relentlessly manage our costs and upgrade our customer service, whilst also developing new business opportunities; we can lay the foundations for an exceptionally strong business and still deliver healthy profits, cash flow and dividends.

Our performance, as ever, is a result of the hard work and dedication of the NEXT team. I would like to thank my colleagues across the Group for all of their effort, talent and dedication.

Michael Roney
Chairman
29 March 2023

CHIEF EXECUTIVE'S REVIEW

STRUCTURE OF THIS REPORT

The report is broken down into the following sections:

- **PART ONE**: **Headlines and Summary of Financial Performance**, gives a short overview of the financial performance of the Group in the year and our guidance for the year ahead.

- **PART TWO: Big Picture**, summarises the way we are thinking about the Company's future in the context of the last twenty years. It comes at a pivotal time for the Group and summarises (1) new avenues of growth and (2) our priorities for the year ahead.

- **PART THREE: Group Financial Performance and Full Year Guidance**, details our Group sales and profit performance for the year, summarised by business division, along with our sales and profit guidance for the year ahead.

- **PART FOUR: Retail, Online and Finance - Financial Performance, Commentary and Guidance,** gives a detailed breakdown of the financial performance of each trading business division. This section is mainly for the benefit of analysts and professional investors.

- **PART FIVE: Total Platform and Other Business Activities**, gives a detailed breakdown of the financial performance of Total Platform and other non-trading business activities.

- **PART SIX**: **Cash Flow, Dividends and Net Debt,** gives a detailed breakdown of our cash flow and shareholder distributions, including our guidance for the year ahead.

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PART ONE
HEADLINES AND SUMMARY OF FINANCIAL PERFORMANCE

SALES AND PROFIT IN THE YEAR TO JANUARY 2023

£m	Jan 2023	Jan 2022	1 Year var %	Jan 2020	3 Year var %
Total Trading Sales[1]	5,146.1	4,746.5	+8.4%	4,267.2	+20.6%
NEXT Profit before tax[2]	870.4	823.1	+5.7%	748.5	+16.3%
Profit after tax	711.7	677.5	+5.0%	610.2	+16.6%
Basic Earnings Per Share[3]	573.4p	530.8p	+8.0%	472.4p	+21.4%

HEADLINES

- Full price sales[4] up **+6.9%** versus 2021/22 and +20.5% against 2019/20. Total Trading Sales, including markdown, were up +8.4% versus 2021/22 and +20.6% against 2019/20.
- Profit before tax of **£870m**, up **+5.7%** versus 2021/22 and +16.3% against 2019/20. This is +£10m higher than our previous guidance of £860m.
- Full price sales in January were flat and in line with our guidance. However, the participation of higher margin Retail sales was greater than expected, which added £5m to profit.
- Clearance rates in our end-of-season Sale were ahead of our expectations and added a further £5m to profit.
- Basic Earnings Per Share (EPS) **573.4p**, up +8.0% versus 2021/22 and +21.4% versus 2019/20.

Outlook for the Year Ahead

- We are maintaining our current guidance for sales and profit (see page 23 for analysis of current trade and further detail).
- We are budgeting for full price sales to be down **-1.5%** versus last year and NEXT profit before tax to be **£795m.**
- Selling price inflation is forecast to be more benign than previously thought. Like-for-like price inflation in Spring/Summer is expected to be **+7%** and, in Autumn/Winter, **+3%** (previously +8% and +6% respectively).

A detailed analysis of our guidance for the year ahead is given on page 23.

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[1] Total Trading sales are VAT exclusive sales (including the full value of commission based sales) in Retail, Online plus NEXT Finance interest income. They exclude sales through Total Platform and Joules, in which we acquired a 74% equity stake during November 2022. Trading sales are not statutory sales (refer to Note 2 of the financial statements). Statutory sales were up +8.8% versus 2021/22 and up +18.0% versus 2019/20.

[2] NEXT profit before tax, profit after tax and EPS reflect the profit attributable to the shareholders of NEXT plc. They exclude the effect of the Joules minority interests. Statutory profit before tax, including minority interests, is £869.3m, see Appendix 2 for detail.

[3] All references to EPS in the CEO report are 'Basic' EPS unless otherwise stated.

[4] Full price sales are total Trading sales, less items sold in Sale events and Clearance.

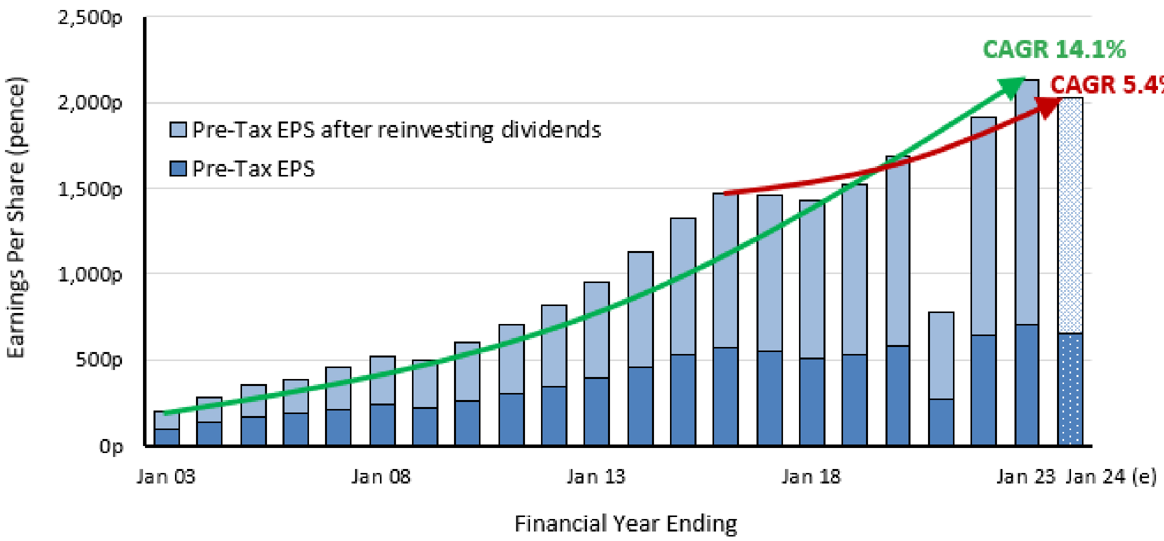
PART TWO
BIG PICTURE

THE LONG VIEW

A very respectable twenty years

NEXT plc's core measure of success is the sustainable growth in Earnings Per Share. In the last twenty years, the Company has delivered a compound annual growth rate (CAGR) of 14.1% in pre-tax EPS (assuming the reinvestment of dividends[5]), a very respectable return by the standards of most public companies.

Twenty Year Pre-Tax EPS History with Dividends Reinvested



The last eight years have been an uphill battle…

But in business you are only as good as your next set of results. Looking at our EPS guidance for the year ahead, in the context of the last eight years, is sobering. If our guidance is correct, EPS will have delivered a CAGR of 5.4%; more than enough to keep pace with inflation (CPI), which was 3.5% over the period, and good in the circumstances, but unexciting in absolute terms. And ultimately, investors are most interested in absolute returns.

The BIG question: maturity or growth?

The big question is whether the Company's modest growth over the last eight years is indicative of its prospects going forward; or can it return to higher levels of growth more in keeping with its longer term performance? As it stands today the Group has far more ideas and opportunities for long term growth than it has had for some time. And while the year ahead looks very challenging, we are not facing the kind of long term structural obstacles that we have overcome in the past eight years.

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[5] Assumes that all ordinary *and* special dividends were used to purchase NEXT shares, on the date that the dividends were paid.

Eight years weathering storms

Over the last eight years, the Company has endured three considerable shocks: the structural shift in shopping habits from Retail to Online; the pandemic; and now the cost of living squeeze.

Of these three challenges, the least dramatic has had the most profound effect: the structural change in our industry resulted in a precipitous decline in Retail turnover, offset by rapid growth Online. The central difficulty was that Retail costs, such as rent and rates, in the short term remained fixed. Retail rents and other costs are beginning to adjust to the new reality (see page 30), but the transition has been uncomfortable.

Conversely, the costs associated with Online growth, such as delivery and warehousing, have risen in line with sales *and* have required significant capital investment. The effect has been that we have had to undertake the painful process of cutting costs in our Retail operations, whilst racing to keep up with growth Online.

A great accomplishment, but…

NEXT's steady growth in these circumstances represents a considerable accomplishment. But, in a year when profits look set to decline, it would be right for us to question the Group's prospects for longer term growth. The following paragraphs explain our thinking about the direction of the Group over the next few years and then sets out our immediate priorities for the year ahead.

WHAT'S REALLY GOING ON HERE

Our diagnosis, set out in the following pages, is that NEXT plc can return to higher levels of growth once the cost of living crisis has passed. Our reasoning runs as follows:

1. The Group's heartland, NEXT-branded, business *in the UK* is **established but not standing still**.
2. The Group has developed outstanding **assets and skills** that can deliver growth outside its heartland business.
3. **New avenues of growth** are proven, but at early stages in their development.

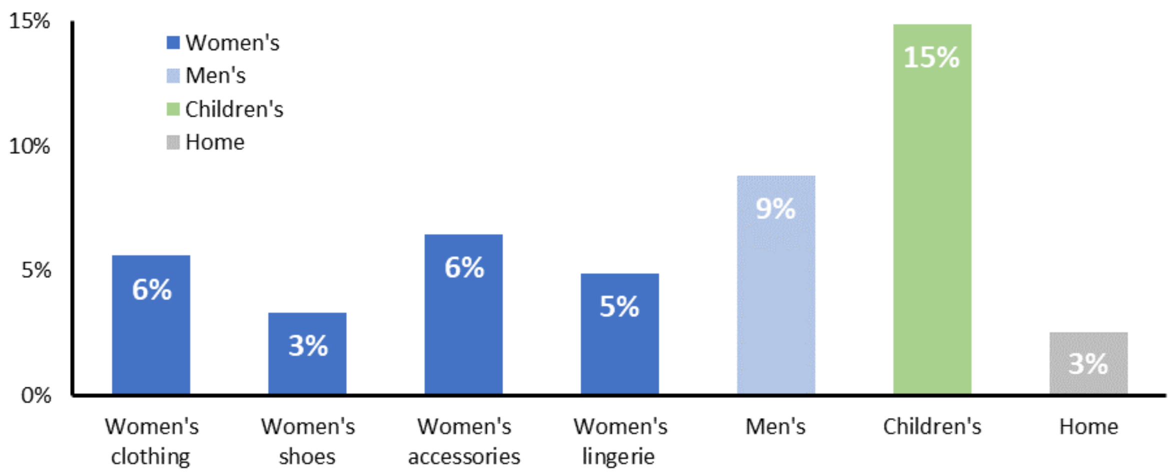
NEXT BRAND UK - Established but not Standing Still

NEXT has around 7m Online customers[6] in the UK, close to 25% of the UK's 28m[7] households. Our 466 stores give us a presence in almost all major UK and Ireland trading locations. Our product ranges stretch from women's clothing through to upholstery. So the opportunities to expand our customer base, trading space and product offer are less numerous than they were.

But we are far from running out of ideas. Our product teams continue to push the boundaries of their offers, in terms of design content, price architecture and product categories. Our e-commerce and marketing teams can still do much more to recruit and retain new customers, and drive growth in website traffic, online conversion and sales per customer.

The NEXT brand accounts for less than 10% in most of its key markets (see chart below). So, while our market share renders exceptional growth unlikely, we are a long way from reaching saturation.

NEXT Brand UK Market Share[8] by Product Category



Developing the NEXT brand remains our first priority

Our highest priority remains the continued development of the NEXT brand; it is our most valuable asset and cornerstone of the Group. In past reports we have written at length about the measures we take to improve our product ranges, customer service, websites, marketing and stores. So we have not elaborated on them here. Shareholders should not confuse lack of detail with loss of focus. We have concentrated on new business opportunities here, not because they are most important but because, to the outside world, they are the least understood.

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[6] NEXT Online customers in the UK at the end of January 2023 were 6,993k, (2,870k credit and 4,123k cash).
[7] ONS, 2021 Census.
[8] Chart sources: Women's, Men's and Children's total UK Sales taken from Kantar, 52 weeks to 5 February 2023. Home UK sales taken from Globalreach, Q4 2022.

Group Assets and Skills Can Deliver Further Growth

The fact that our core business is well established has an advantage: over the last thirty years it has built up valuable trading assets and skills - software, infrastructure, stores and people - that can be used to build new growth businesses. Those assets are as follows:

Physical infrastructure	NEXT operates 9m sq. ft. of highly automated warehousing for fashion and homeware products along with distribution depots, transport fleets, returns centres, contact centres and our UK and Ireland store network.
Software	Over the years NEXT has developed thousands of bespoke and proprietary software applications, running across our Online, Finance and Retail businesses. These include systems for websites, apps, tills, stock management, staff scheduling, warehouses, distribution, buying and merchandising, contact centre and more.
Product skills	Our design, sourcing, product technology, buying and merchandising skills alongside our global sourcing office (NEXT Sourcing) and wider manufacturing network.
Customer base	NEXT Online's 8.7m worldwide customer base[9] enables the further development of our aggregation business, selling third-party brands to our customers on our websites in the UK and overseas (our LABEL business).
NEXT brand (overseas)	NEXT is increasingly becoming an international brand with the potential to further extend its reach overseas.
Balance sheet	Healthy cash resources, strong balance sheet and strong cash generation gives the Company the ability to further invest in infrastructure and new businesses.

[9] Customer numbers at the end of January 2023.

NEW AVENUES OF GROWTH

FOUR NEW AND DEVELOPING BUSINESSES

There are four main areas of opportunity outside our heartland business. These are:

- Total Platform (see page 11)
- Investments and acquisitions (see page 13)
- New brands and third-party licences (see page 38)
- Developing the NEXT brand overseas (see page 14)

Growth... But Not at Any Cost

Before we move on to discuss these opportunities in detail, there is an important aspect of our thinking that needs clarification.

It is all too easy for companies to lose sight of the fact that assets that deliver modest growth and healthy cash flow are very valuable assets. Too many 'mature' companies have been sacrificed at the altar of 'growth': it is a well-trodden path that has littered corporate history with the carcasses of ruined companies - from GEC/Marconi to Northern Rock. Growth can always be bought, and ambitious sales targets achieved, through taking on higher and higher risks for lower and lower returns.

We are very clear: if we cannot find *good quality* investments, then there is no shame (and much wisdom) in handing surplus cash back to our shareholders.

TOTAL PLATFORM

Total Platform is operational and working well across our four clients (Reiss, GAP, Victoria's Secret and Laura Ashley). For a more detailed analysis of Total Platform sales, profits and margins, please see page 48).

The Benefits of Total Platform

There are five big advantages clients get from switching their operations to Total Platform. These are:

Delivery services and website functionality

Total Platform deploys the infrastructure NEXT has built over more than 30 years. This includes a next-day delivery on orders before 11pm, fully integrated e-commerce and in-store stock systems, rapid customer refunds, international websites, returns through stores (including NEXT stores), unique item identification and much more.

In terms of the website, clients can benefit from all of NEXT's online functionality: AI driven search engine, intelligent recommendations, personalised search results, saved bags, credit facilities and more.

Friction free, capex free growth

Clients do not need to worry about upgrading their web capacities, warehouse space and distribution networks. They can deliver exceptional levels of growth without operational friction and step changes in their capital expenditure.

Variable cost base

Total Platform is charged as a percentage of the client's turnover, leaving clients with few, if any, fixed operational costs. So in the event of a downturn, clients are not burdened with fixed costs they do not need.

Better presence on LABEL

Because our clients' stock is consolidated in NEXT's central warehouses, all their stock is available to sell to NEXT customers on LABEL. This has delivered significant sales growth on LABEL to all our existing clients.

Focus

Total Platform allows clients to focus on the aspects of their business where they make the most difference: designing and buying great products and developing their brand identity.

Priorities for the Year Ahead

Focus for the year ahead will be:

- The full implementation of two new websites (JoJo Maman Bébé and MADE.com) and the development of Joules' website, planned for April 2024.
- The removal of warehouse capacity constraints (target completion October 2023).
- The 'productionising' (sorry for the dreadful word) of our software to make it much easier to configure and maintain going forward.

Currently, our ability to take on new clients is constrained by three factors: warehousing capacity, systems timescales and the people and expertise required to onboard new clients. This year we aim to eliminate all three bottlenecks as detailed below.

Warehousing Capacity

Our new large boxed warehouse, Elmsall 3 (see page 55), will be operational towards the end of 2023. This new warehouse will remove the physical constraints to onboarding new fashion clients.

Systems Timescales and Costs

The constraint for Total Platform going into 2024 will be the speed at which we can develop new website ‘platforms’ for new clients. Towards the end of 2022, we began simplifying the process for creating new Total Platform websites; this process is explained below.

Existing code

Historically, we created separate copies of our website for each new client, which is costly and time-consuming. It also meant that whenever we upgraded our own website, we had to duplicate and test new code across each client's code base. As the number of clients grows, this process of maintaining functional parity would have become exponentially more difficult.

Templates and single code base

Going forward we are taking a different approach. Each new client’s website will operate different ‘templates’ of a *single* code base. In other words, each client’s website will have a different ‘view’ of the same functionality, operating on the same code but with a different look and feel. This is similar to how we can individually configure our desktops to look unique while using the same operating system. This new approach will enable us to be more efficient in onboarding new clients, it will also ensure that clients are always kept up-to-date with improvements to website functionality.

Progress

The table below demonstrates our progress in reducing timescales and costs. It shows development man-hours (indexed to 100 for the Reiss website) along with the elapsed development time.

Website development	Man-hours index[10]	Start and end date	Time elapsed[11]
Reiss	**100**	May 2021 - April 2022	11 months
JoJo Maman Bébé	**36**	Sept 2022 - May 2023	8 months
MADE.com	**24**	Mar 2023 - July 2023	4 months
New client	**15**	Mar 2024 - June 2024	3 months

People

Alongside improving our technology, we will also reinforce the teams who scope, onboard and manage new clients. This will ensure that the workload does not restrict our growth.

[10] Development time for JoJo Maman Bébé and MADE include an estimate of the time required to develop an App to make them directly comparable with Reiss.
[11] The development time is just coding time and does not include specification time or post implementation support.

INVESTMENTS AND ACQUISITIONS

A new activity

In 2021 we acquired a 25% stake in Reiss; it was our second acquisition of any material size in 30 years. Since then, we have made nine other investments, including a further 26% in Reiss, JoJo Maman Bébé, Sealskinz, Joules, MADE.com, Swoon, Aubin, along with a stake in the UK franchises for Victoria's Secret and GAP. Last year these investments delivered **£16.8m** profit to the Group.

An unintended consequence of Total Platform

When we first appraised Total Platform, it appeared to us that the value created for clients was likely to exceed the relatively modest profit generated for NEXT as a service provider. So it seemed sensible to invest in our future clients. In fact, so far, the Group has made more profit from these equity investments than from the service itself.

In a world where many retail businesses are regularly bought and sold by private equity owners, Total Platform gives NEXT a means of adding value to an investment unavailable to purely financial buyers.

Working with partners

70% of the cash invested in other retailers was done so with other partners. Working alongside seasoned private equity professionals brings us important negotiation and valuation skills, and serves to spread our investments across a wider pool of retailers. In other investments, partnerships have been with the overseas owners of brands in which we operate the UK franchise (Victoria's Secret and GAP).

Rules of engagement

There are four criteria we look to achieve when investing. These are:

Great brands	We will focus on brands that bring something unique to the market with a clear market position - customers, staff and suppliers understand what they stand for.
The potential to add value	Total Platform must be able to add value to the investment. We have declined opportunities to invest in good businesses because we felt we could not add enough value to their operations.
Great management	We do not intend to run the businesses in which we invest. They must be able to operate and thrive independently, so we are looking for businesses that either have great management (like Reiss) or where we are confident that we can find the right people (like MADE.com).
Right price	We are not the sort of business that makes 'strategic' investments, we *only* invest in businesses if we think they can deliver healthy returns on shareholders' funds.

Some exceptions will break the rule…

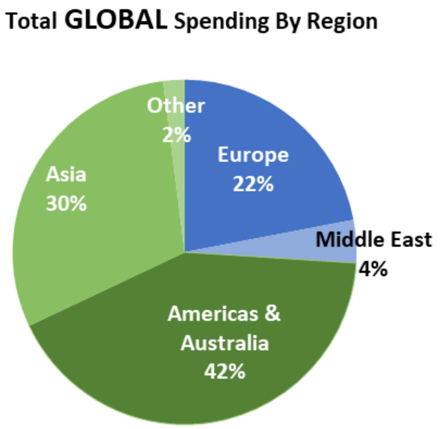
There will be exceptions to these rules. With the proviso that we never (consciously) overpay, we may compromise some of these criteria if the others align. For example, we invested in Swoon which is a great business, brilliantly led with a reasonable price tag; but, in the short term, there are no plans to put them on Total Platform.

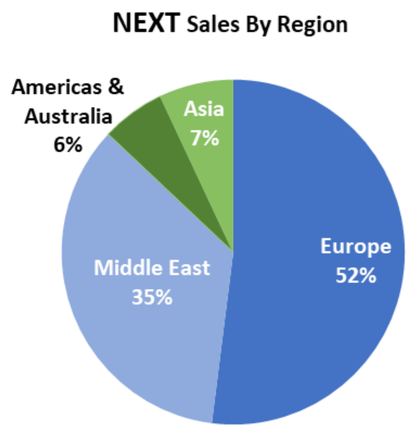
NEXT BRAND OVERSEAS - WHOLESALE, FRANCHISE & LICENSING

In many overseas markets we have successful direct-to-consumer online businesses. We also have some very productive partnerships with local aggregators (such as Zalando). However, it is apparent that our direct-to-consumer model is not effective in some very sizable markets.

The further away the market, the less direct-to-consumer appears to work

The pie charts below give a sense of the opportunities we might be missing overseas. The left hand chart shows total consumer spending[12] on all consumer goods by major region. The chart on the right shows the percentage of our Online overseas sales NEXT takes by region (both charts exclude the UK). The over-performance of regions closer to the UK, points to potential opportunities further afield. Europe and the Middle East, which account for 26% of the world's consumer spending, account for 87% of our online sales overseas.





Factors that might impede growth

It is unsurprising that our direct-to-consumer business struggles in the Americas and Asia. Inventory is sent to customers, using air freight, from our UK warehouses. A business that imports goods to the UK from the Far East and then ships them back by air, customer by customer, with all the logistical and customs overheads involved, is unlikely to be competitive.

There are many factors that may be hindering the success of our direct-to-consumer online business in some regions. These consist of (1) elevated tariffs and bureaucratic obstacles, (2) prolonged delivery times, (3) the dominance of local competition, (4) local product regulations, (5) limited brand recognition, and, naturally, (6) the possibility that our product range may not align with the preferences of the local market.

Actions and trials

Among these challenges, only the last is insurmountable - if our products do not appeal to the local market, then no amount of effort will make our business a success. The remaining issues *are* soluble. So we are currently exploring alternative business models to address these and other obstacles, including:

- Wholesaling or franchising products to local operators, and shipping stock directly to them from the point of origin. This may require additional testing to accommodate product standards that differ from the UK.
- Licensing arrangements with local operators who might manufacture the goods themselves.
- Wider use of new local aggregators to reach new consumers and raise brand awareness.

We will be trialling all of these approaches, in a number of territories, over the coming years and strengthening the teams required to make that happen.

[12] World Bank data: Households and NPISHs Final Consumption Expenditure (current US$) 2021. Data excludes the UK.

ORGANISATION, MANAGEMENT AND CULTURE

As the Company takes on new challenges, we need to re-organise to ensure that we maximise the opportunities available to the Group. As importantly, we need to ensure that new business opportunities do not end up taking too much time from those whose main task is developing our heartland NEXT product, services and operations.

A NEW DIVISION

Earlier this year we created a new division of the Group to focus on Investments, Acquisitions and Third-Party Brands. The Investments Division has been placed under the leadership of a newly promoted main Board Director, Jeremy Stakol (see RNS, 8 February 2023). The new division will aim to maximise the following business opportunities:

- The sale of all third-party fashion brands through LABEL (this excludes Homewares where third-parties and licences will be managed through our Home department).
- Investments in, and acquisitions of, third-party brands.
- The promotion (but not implementation and management) of Total Platform to potential new clients.
- Licensing deals with third-party brands, where we manufacture and sell goods under licence.
- The continued development of Lipsy along with other wholly-owned, non-NEXT brands (for example 'Love & Roses' and 'Friends Like These').
- Overseas wholesale, franchise and licensing of NEXT-branded stock.

AN ACCELERATOR NOT A BRAKE….

Of course, all of these opportunities already involve many other departments across the business. And it is important to stress that, while Jeremy and his team will aim to advance these areas, they will not control them. In our internal communications, I have been very careful *not to* use the word 'co-ordinate' or 'control' when describing Jeremy's role. This change should not prevent others from taking initiatives in these areas. For example, many of our product divisions will continue to develop their own licence arrangements alongside any initiatives the Investments team may take.

So, while this new division will serve to accelerate opportunities, it will not act as a brake on the initiatives others are taking in these areas. Indeed, many of the transactions the Investments division identifies may well be passed on to others in the Group to execute.

CULTURE AND EXPECTATIONS

People often talk about culture in terms of the qualities they aspire to. Of course, NEXT aspires to be many things, but aspirations are not enough: for NEXT culture is about what we *expect* from one another. The following paragraphs give a flavour of some of the behaviours we expect from each other:

1. **Take decisions and make things happen**. Colleagues do not need permission to take decisions, taking sensible decisions is a requirement of their job. We do not take minutes[13] at our meetings, we only take action points. Whatever is *said* at a meeting, all that matters is what *happens* as a result. If there were no actions, the chances are it was a wasted meeting. You will be judged by the things you make happen, not by the infographics you put in a 'deck'.
2. **Change is everyone's job**. This follows on from taking decisions. Managing change is part of everyone's job; we do not have a 'Change' Department or a 'Transformation' Director, nor do we have a battalion of business project managers operating outside business as usual. Change and transformation are part of all of our work; we all take on new projects; there is no 'business as usual' because our business constantly changes.
3. **Create value** and make profit. We do not make 'strategic' investments, we invest for a return on our shareholders' money. All our activities, in one way or another, must work towards that goal.
4. **Keep it simple and speak in plain English;** you will achieve so much more. Business jargon is so unhelpful because it makes simple things sound complicated. It also excludes people who are unfamiliar with this insider language. And if we use clear, easily understood language, *everyone* can contribute and make our actions more effective.
5. **Be open, honest and considerate in your dealings with others**. Life is too short to spend it with people who are unpleasant, and teams that get on well together are more likely to achieve their aims. So treat those around you well. Remember, you are not competing with the other people in NEXT, they are on your side, and if you are not on *their* side you are doing something wrong.
6. **Be demanding but never nasty**. There is a world of difference between being demanding and being nasty. Whatever your job, you will likely need to give people uncomfortable feedback, occasionally very uncomfortable. At NEXT we are demanding but also considerate and polite. You do not need to be nasty to succeed: leadership in business does not require you to act like a monster or scramble over those around you; in our experience, quite the reverse.

Of course, many of us (including me), on occasions deviate from these ideals, particularly when we get frustrated, but our aspirations are very clear.

Small ideas make a big difference

We want to be an organisation that thinks and collaborates at every level, where everyone feels they are making a difference. So many of our important decisions are, in the scheme of things, small. Choosing the colour of a dress, optimising a warehouse operation, tweaking the functionality of a web page - each decision, on its own, will make little difference. But the sum total of a myriad of such decisions, made well, are what makes the difference between great success and abject failure.

And in retail big ideas often start small

And even if I think about the big ideas that have transformed the business such as our first internet business, the beginnings of our LABEL business, our first overseas website and our first licence agreement: almost all those ideas started life as small initiatives, few of which emanated from the Board Room. They began because people experimented, took decisions and pushed boundaries. It is the Board's job to foster and direct this spirit of enterprise, and ensure that, where ideas do succeed, we push them as hard as possible and as far as they will go.

[13] We do, of course, take minutes at meetings where there is a regulatory, legal or corporate governance requirement.

ACTIONS FOR THE YEAR AHEAD

This year, the opportunity for growth is naturally limited by market conditions, so we will focus on improving the basics of our business whilst taking the opportunity to strengthen the foundations of the business for future years. There are four main tasks:

- Improving our product ranges
- Improving our online service levels
- Managing costs and profitability
- Laying the foundations for future growth businesses

Improving our product ranges

As ever, our focus remains firmly fixed on the continued improvement of our **product ranges**. The opportunity to stretch the brand: increasing the breadth of our offer to customers.

The re-opening of overseas travel - to visit our suppliers and find other sources of inspiration - appears to have energised our ranges, with many areas pushing into more diverse designs, new fabrications, price points and categories. We know that, in our customers' eyes, we are only as good as our latest ranges. So our product teams continue to push themselves and their suppliers to exceed customer expectations.

Improving online service levels

Since the beginning of the pandemic our online service levels (in terms of the speed and accuracy of delivery) have suffered. First it was the pandemic itself that interfered with our operations. More recently our acute lack of warehouse space, combined with a national shortage of warehousing and distribution personnel at peak times, has served to hamper operations. The delivery of new warehousing capacity (see page 55) along with new automation and technology, provides the opportunity to materially improve the accuracy of our picking, packing and delivery operations: getting more items to more customers on time. The aim is to restore *and surpass* our pre-pandemic reliability.

In addition, we have invested in new contact centre technology with a view to materially improving our ability to handle enquiries and complaints. So when things do not go to plan, we can remedy the situation quickly and more efficiently.

Managing costs and profitability

In a year where sales are not expected to grow, and inflation is driving up costs, we have turned our minds to where we can save money within the organisation. The main heads of cost saving are detailed below:

- **Cost of the goods.** A combination of negotiation, new sources of supply and managing the cost of inbound freight is beginning to bear fruit (see NEXT selling price inflation on page 23).
- **Costs of operations**. All of our operational teams - from stores to contact centres - are looking at new ways to be more efficient. Our new Elmsall 3 warehouse, with its new automation, provides an important opportunity to eliminate many of the inefficiencies incurred as a result of congestion and lack of storage space.
- **Business channel profitability**. We have made good progress in reviewing all the product categories and brands we sell, through all the channels and territories that we sell them. This has yielded some big opportunities to adapt our offer and pricing to ensure that we are profitable by product category, by brand, by channel and by overseas territory.
- **Technology**. Last year we delivered a huge amount of much needed new technology and made good progress with our modernisation projects. Having built a strong technology base, we now need to focus on ensuring it delivers increasing value for money.

Laying the foundations for growth

Lay the **foundations for our growth businesses**. Putting in place the technology, warehousing, distribution networks, organisation and people required.

IN CONCLUSION

The year ahead looks like it will be challenging: the combination of inflation in our cost base and top line sales which are likely to edge backwards is uncomfortable. But the Company is well prepared. If we achieve our guidance, a moderate sales decline will result in a pre-tax profit of £795m, strong cash flow and underlying net margins of around 15%.

Looking through next year to the longer term our prospects feel more positive than they have done for some time. The burdens of the structural change to our industry appear to have eased, our Retail business is a much smaller percentage of the Group than it was eight years ago, and its rent and rates bill is slowly adjusting to reflect current levels of retail demand. This year, the Group will focus on improving its product ranges, online service levels and cost controls. As importantly, the Group is also laying the foundations for new avenues of growth to complement and leverage our heartland business.

PART THREE
GROUP FINANCIAL PERFORMANCE IN 2022/23 AND GUIDANCE FOR 2023/24

THREE NOTES ON THE PRESENTATION OF THESE RESULTS

These three notes are consistent with the changes made in our Half Year report issued in September 2022 and are repeated here for clarity.

Please note that none of these changes affect the reported overall margins or total profits for the Group in any year.

Comparative Year for Sales and Profit

Here, and throughout this report, comparisons with last year are dominated by the impact of the pandemic, most of which have been explained in previous reports. So, we have devoted very little time to explaining the one year variances in our main trading divisions (Online and Retail). Instead, we have focused on the three year variances which give important insights into the changing economics of the Group. Part Four gives a detailed insight into sales and costs by division.

Accounting for Lipsy Profits

In the past we have split the profit we generate from selling Lipsy goods through the NEXT website. Half the profit was reported in our Online division. The other half was reported in the Lipsy division which was within Other Group Activities, along with Property and Sourcing. However, because ***all*** of Lipsy's sales were reported in the Online division, this served to understate the margin of the Online business. Three years ago, Lipsy's 'share' of Online profit was immaterial at only £6.8m; today the number would be £27.5m.

To correct this issue, we are now reporting all of Lipsy's Online sales *and* profits through the Online division. We have adjusted the relevant numbers from last year and three years ago, so that comparisons are on a like-for-like basis. We have corrected a similar reporting anomaly for the Finance division, whereby half the Finance profit on Lipsy sales was reported in Lipsy.

A detailed account of this change is given in Appendix 1.

Accounting for Total Platform Profit

Last year, the profit on Total Platform was reported across two business areas: (1) profit on sales was reported within the Online division and (2) equity returns were reported within Sourcing, Property and Other.

The business has grown significantly in the last 12 months and we believe it would aid understanding of performance to present the sales and profits in its own division. We have represented last year's numbers to reflect this change. The effect of this change is very small and details are provided in Appendix 1.

GROUP SALES AND PROFIT SUMMARY

Full price sales (excluding Total Platform sales) were up **+6.9%** versus 2021/22 and up +20.5% versus 2019/20. Total Trading Sales (including markdown sales) were up **+8.4%** versus 2021/22 and up +20.6% versus 2019/20.

NEXT Profit before tax was **£870m,** which was up **+5.7%** versus 2021/22 and up +16.3% versus 2019/20.

TOTAL GROUP SALES BY DIVISION[14]

TOTAL SALES (VAT EX.) £m	Jan 2023	Jan 2022	1 Year var %	Jan 2020	3 Year var %
Online	3,006.6	3,064.7	- 2%	2,146.6	+40%
Retail	1,865.1	1,432.4	+30%	1,851.9	+1%
Finance	274.4	249.4	+10%	268.7	+2%
Total Trading Sales	**5,146.1**	**4,746.5**	**+8.4%**	**4,267.2**	**+20.6%**
Total Platform	144.4	39.1	+269%	0.0	-
Franchise, Sourcing, Property & Other	124.0	76.2	+63%	94.6	+31%
Total Group sales	**5,414.5**	**4,861.8**	**+11.4%**	**4,361.8**	**+24.1%**
Total Group statutory sales	**5,034.0**	**4,625.9**	**+8.8%**	**4,266.2**	**+18.0%**

A full reconciliation of Group sales to Group statutory sales is provided in Appendix 2 on page 63. The difference between Group sales and Group statutory sales is primarily due to the accounting treatment of items sold on commission through Online LABEL UK. Specifically, the gross transaction value (GTV) of these items is not included in Group statutory sales, whereas it *is* included in Group sales. Instead, the commission earned on the GTV (which is around 37%) is recognised as revenue in Group statutory sales.

[14] Online sales for January 2022 have been restated to move £39m of Total Platform sales into its own division.

SUMMARY OF GROUP PROFIT[15] BY DIVISION

The table below summarises the movement in profits for the major divisions within the Group versus last year and three years ago.

Total Trading Sales (given for reference)			*+8.4%*		*+20.6%*
PROFIT £m and EPS	**Jan 2023**	**Jan 2022**	**1 Year var %**	**Jan 2020**	**3 Year var %**
Online	467.3	604.4	- 23%	417.3	+12%
Retail	240.5	107.0	+125%	234.0	+3%
Finance (after charging interest)	170.5	149.5	+14%	152.9	+12%
Profit from Trading	**878.3**	**860.9**	**+2.0%**	**804.2**	**+9.2%**
Total Platform (inc. equity)[16]	16.3	6.9	+135%	0.0	-
Property, Sourcing, FX and Other	13.5	6.7	+101%	13.4	+1%
Recharge of interest from Finance	34.4	30.9	+11%	36.3	- 5%
Operating profit	**942.5**	**905.4**	**+4.1%**	**853.9**	**+10.4%**
Lease interest	(47.3)	(50.4)	- 6%	(61.8)	- 23%
Operating profit after lease interest	**895.2**	**855.0**	**+4.7%**	**792.1**	**+13.0%**
Underlying operating margin	*16.5%*	*17.6%*		*18.2%*	
Net external interest[17]	(24.8)	(31.9)	- 22%	(43.6)	- 43%
NEXT Profit before tax[18]	**870.4**	**823.1**	**+5.7%**	**748.5**	**+16.3%**
Taxation	(158.7)	(145.6)	+9%	(138.3)	+15%
Profit after tax	**711.7**	**677.5**	**+5.0%**	**610.2**	**+16.6%**
Earnings Per Share	**573.4p**	**530.8p**	**+8.0%**	**472.4p**	**+21.4%**

Lease Interest Charges, Operating Profits and Operating Margins

Under the IFRS 16 accounting standard, some of our rental costs are accounted for as lease interest. To show the full cost of our leases in our analysis of margins, we have added a line in the table above to show underlying operating profits *after deducting lease interest*. As shown, lease interest has fallen significantly in recent years, reflecting the renegotiation of many of our store leases as they have come up for renewal.

[15] Profit by division in January 2020 and 2022 includes the effect of IFRS 16 and restatements for the presentation of profit from Lipsy and Total Platform. See Appendix 1 on page 60 for more detail on Lipsy and Total Platform changes.

[16] Total Platform (TP) profit of £16.3m includes (1) profit from providing TP services and (2) profit from our equity investments in TP clients. In addition, the external interest line includes £5.5m of preference share interest from our investment in Reiss and interest from loans made to other TP investments, giving total Group profit for TP of £21.8m. See page 48 for more detail.

[17] January 2023 external interest includes £4.8m of preference share income from Reiss and £0.7m from loans to TP investments.

[18] NEXT profit before tax, taxation and profit after tax reflect the profit attributable to the shareholders of NEXT plc. It excludes the effect of the Joules minority interests. See Appendix 2 for detail.

Movement in Underlying Operating Margins

Over the last three years, underlying Group operating margins (including lease interest) have fallen by -1.63% from 18.16% to 16.53%.

The overall achieved margin of the Group will be determined by the mix of the various business streams within the Group. The total operating margin is not important as long as each business stream makes a margin commensurate with the risks and investment involved. The margins of our main business streams are set out in the table below.

Margins[19] of our Trading businesses		**Jan 2023**	**Jan 2020**	**3 year change**
Retail (including lease interest)	see page 28	11.0%	9.5%	+1.5%
Online NEXT UK (including lease interest)	see page 36	19.9%	22.0%	- 2.1%
Online LABEL UK (including lease interest)	see page 40	12.9%	15.4%	- 2.5%
Online Overseas (including lease interest)	see page 42	8.6%	16.5%	- 7.9%
Total Online (including lease interest)	see page 35	15.2%	19.2%	- 4.0%
NEXT Finance & Other	see page 43	57.6%	55.6%	+2.0%
Total operating margin		**16.53%**	**18.16%**	**- 1.63%**

The main drivers of margin reduction and improvement over the last three years are set out in the table below.

Factors reducing operating margins versus three years ago	**Factors improving operating margins versus three years ago**
Online inflationary pressures, mainly in our logistics operation (-1.4%) An increase in spending on Technology (-1.0%)	Lower Retail occupancy costs (+0.7%), due to: 1. the renegotiation of store leases 2. the closure of unprofitable stores, and 3. lower depreciation (see page 28).

[19] Retail and Online margins include lease interest costs, which are reported within the interest line of the P&L.

GUIDANCE FOR THE YEAR AHEAD

We are maintaining the guidance previously set out in our January Trading Statement; with full price sales expected to decline by **-1.5%** and profit before tax to be **£795m**.

NEXT SELLING PRICE INFLATION

In January's Trading Statement we set out guidance for the expected increase in our selling prices for the year ahead. We now believe price rises in the second half will be materially lower than we initially feared. Two factors have served to reduce pressure on pricing, these are:

- A significant reduction in the costs of container **freight** as shipping capacities return to normal.
- Improving **factory gate prices** (the price at which we purchase the goods in the country of origin) resulting from the increased availability of factory capacity, alongside our endeavours to move production to more cost effective sources of supply.

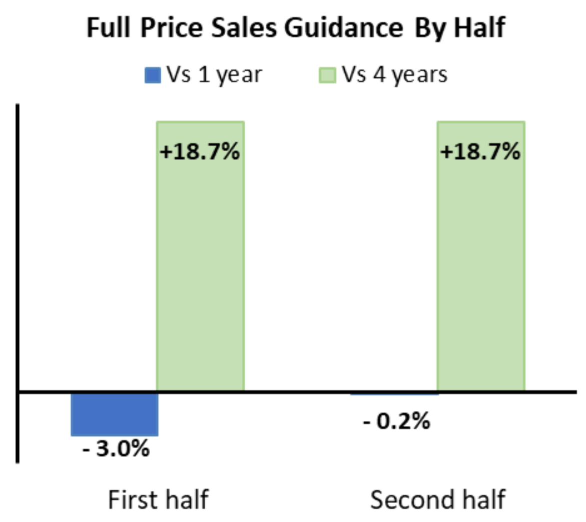
The majority of these benefits will be felt in the second half of the year and we have revised our guidance for price inflation in like-for-like garments accordingly. New guidance is set out in the table below, along with the guidance we gave in January.

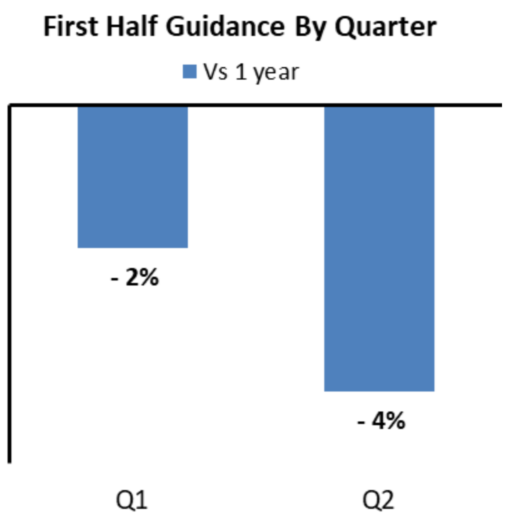
Like-for-like price inflation guidance for 2023/24	Latest Guidance	January Guidance
Spring & Summer	**+7%**	+8%
Autumn & Winter	**+3%**	+6%

FULL PRICE SALES

Sales Growth Performance Guidance for the First and Second Half

We are expecting performance in the first half of the year to be weaker than in the second half. This is because, in the first half last year, unusually warm summer weather coincided with the release of pent-up demand for summer events after the pandemic (weddings, proms, races etc.). The chart on the left below shows the performance we are expecting in each half, compared to last year and four years ago, which was the last year before COVID. The chart demonstrates that, whilst performance against last year looks unbalanced, it is sensible when compared to four years ago, which was a more normal year. The chart on the right shows our guidance by quarter (rounded to the nearest whole number). As shown, we expect Q2 to be weaker than Q1.





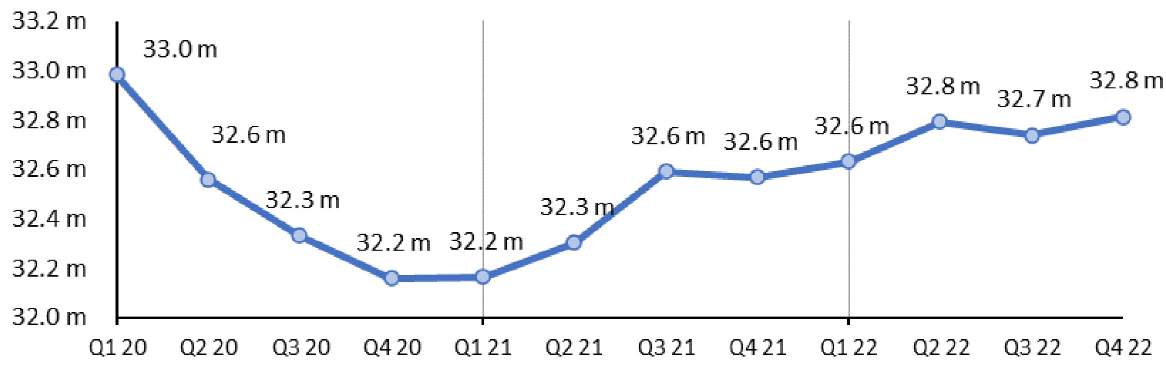
Full Price Sales Guidance by Half and by Division

Full price sales growth versus 2022/23	First half	Second half	Full year (e)
Retail	- 5.5%	- 2.7%	- 4.0%
Online	- 2.5%	+0.4%	- 1.0%
Finance interest income	+7.5%	+8.6%	+8.0%
Total full price sales versus last year	**- 3.0%**	**- 0.2%**	**- 1.5%**

Guidance Comes with Caveats

Forecasting sales performance in the year ahead is complicated. No one really knows how the continuing cost of living squeeze will affect consumers, and we do not know what effect lower selling price inflation will have in the second half. It is equally unclear how much the exceptional summer weather, pent-up demand, and the Jubilee contributed to *last year's* sales.

Total Employment Q1 2020 - Q4 2022[20]



Employment levels remain robust and default rates in our credit receivables are below pre-pandemic levels, which is encouraging (see page 45). But we do not have a crystal ball nor a sophisticated economic 'model' (neither of which are accurate anyway). Our sales forecasts are a combination of intuition, recent experience and a limited selection of external economic data. We are no more sure of our sales estimates than is sensible - remaining flexible will be more critical than the accuracy of our current guidance.

Current trading

Our current trade is broadly in line with our expectations as set out in the table below, which shows our performance to date versus last year and four years ago compared to our internal forecasts for the first quarter. For completeness the last row shows our guidance for the full year.

Full price sales growth so far this year	Against last year	Against four years ago
Full price sales performance in the last eight weeks[21]	**- 2.0%**	**+21.3%**
Full price sales performance guidance for the first quarter	*- 2%*	*+19%*
Guidance for the full year	- 1.5%	+18.7%

[20] Source ONS: Number of People in Employment (aged 16 and over, seasonally adjusted) (MGRZ). Figures are reported in calendar quarters (i.e. Q1 is Jan-Mar), rather than aligned to the NEXT reporting calendar where Q1 is Feb-Apr.
[21] Full price sales in the last eight weeks include an estimate of expected Online returns.

GUIDANCE FOR PROFIT BEFORE TAX AND EPS

Guidance for profit before tax and EPS is set out in the table below. In April 2023, the UK Corporation Tax rate will increase from 19% to 25%, so we have shown EPS on both a pre-tax and post-tax basis.

Guidance for the full year 2023/24	Full year guidance	Versus 2022/23
Full year full price sales	£4.5bn	- 1.5%
NEXT profit before tax	£795m	- 8.7%
Pre-tax EPS	656.1p	- 6.4%
Post-tax EPS	501.9p	- 12.5%
Effective tax rate (new 25% rate effective from April 2023)	*23.5%*	*18.25%*

Profit Walk Forward From 2022/23 to 2023/24[(e)]

The table below walks forward our profit before tax from last year (ending January 2023) to our forecast for the year ending January 2024.

NEXT profit before tax 2022/23 £m		**870**
Loss of profit from -1.5% (£70m) decline in full price sales		**- 27**
Cost increases		
Wage inflation (including third-party wages, e.g. couriers)	- 67	
Electricity and gas	- 25	
Spend on Technology	- 19	
Other	- 5	
Total cost increases		**- 116**
Cost savings		
Operational savings from a reduction in units sold	+25	
Occupancy cost savings	+21	
Markdown and clearance	+22	
Total cost savings		**+68**
NEXT profit before tax 2023/24 (e)		**795**

PART FOUR
RETAIL, ONLINE AND FINANCE
FINANCIAL PERFORMANCE, COMMENTARY AND GUIDANCE

NEXT RETAIL

HEADLINES

- Full price sales were down -0.4% versus 2019/20 (i.e. pre-COVID).
- Total sales (including markdown sales) were up +1% versus 2019/20.
- Operating profit[22] was £204m, up +16% versus 2019/20.
- Net operating margins[22] improved from 9.5% in 2019/20 to 11.0%. The improvement was mainly due to a reduction in occupancy costs; a detailed breakdown of these and other costs is given on page 28).

SUMMARY OF RETAIL SALES AND PROFIT

Retail sales and profit are summarised in the table below, along with the equivalent numbers for last year and three years ago. Please note that Retail profits and margins are given *after accounting for the cost of lease interest,* and in this section we have focused on the three year comparisons. The one year comparisons are shown in grey text.

£m	Jan 2023	Jan 2022	1 year var %	Jan 2020	3 year var %
Total sales	1,865	1,432	+30%	1,852	+1%
Operating profit	240	107	+125%	234	+3%
Lease interest charge[23]	*(36)*	*(42)*	- 14%	*(57)*	- 37%
Retail profit including lease interest	***204***	***65***	***+214%***	**177**	***+16%***
Retail margin % (including lease interest)	*11.0%*	*4.5%*		*9.5%*	

[22] After deducting Retail lease interest costs.

[23] Lease interest is reported within the Interest line of the consolidated income statement. £36m is the proportion of the total lease interest that is attributable to the Retail business.

Like-for-Like Sales Performance by Store Location

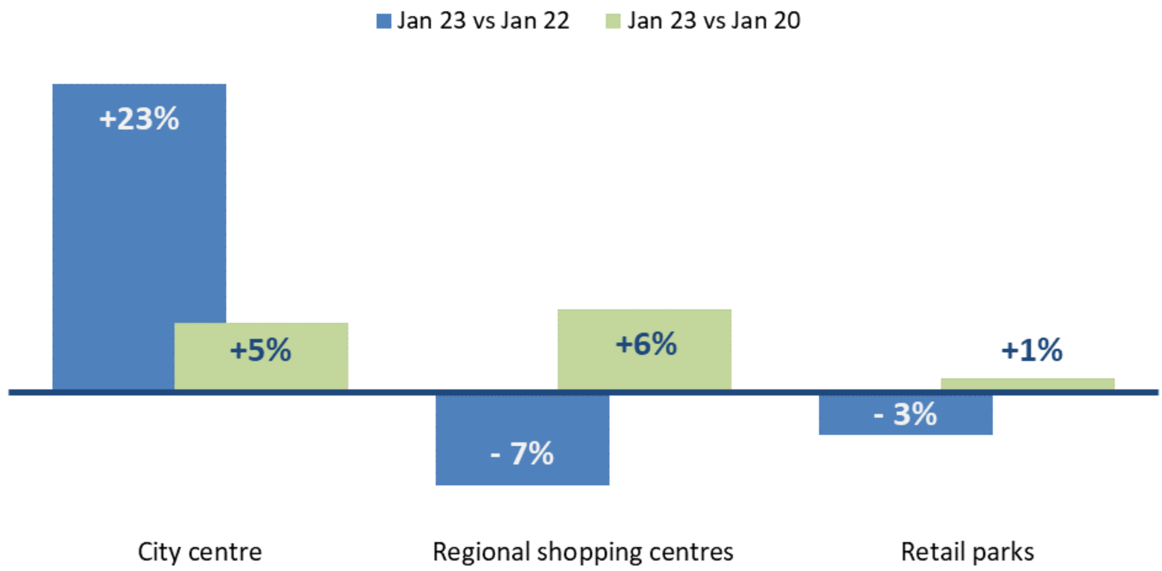
During the pandemic, we experienced a shift away from shopping in city centres, with customers preferring to shop in Retail parks in out-of-town locations. In the last twelve months, we have seen a shift back towards city centres.

The graph below shows the like-for-like sales performance of our Retail stores versus year ending January 2022 (in blue) and the year ending January 2020 (in green).

The graph clearly shows how performance in city centre stores has recovered compared to last year and that the performance across all locations is much more consistent when compared to the pre-pandemic year ending January 2020.

Overall, full price sales on a like-for-like basis were up +2.6% versus 2019/20.

Retail Like-For-Like Full Price Sales by Store Type[24]



Sales Participation by Store Type Year Ending January 2023

[24] Our stores were closed from week 1 to week 11 in the year ending January 2022, like-for-like sales comparisons are based on weeks 12 to week 52.

Retail Margin Analysis - Three Year Comparison

Overall Retail net margin[25] for the year ending January 2023 was 11.0%, up from 9.5% three years ago. The margin impact of major cost categories is summarised below.

Retail net margin (after lease interest) on total sales to January 2020		**9.5%**
Bought-in margin	Higher freight costs reduced bought-in gross margin.	- 0.5%
Markdown	Clearance rates in our Sale events were lower than three years ago, reducing margin.	- 0.5%
Branch payroll	Increased rates of pay -1.3% were offset by improved productivity +1.1%.	- 0.2%
Store occupancy costs	Occupancy costs fell, improving margin, for the following reasons: ● Fully depreciated assets resulted in lower depreciation (+1.7%). ● Lower lease interest costs (under IFRS 16) as our lease liabilities have reduced (+1.3%). ● Store closures in the last three years have reduced occupancy costs (+1.0%). ● Lease renewals negotiated over the last three years have reduced the costs of rent, rates and service charge (+0.6%). ● Additional concessions have increased rental income (+0.4%).	+5.0%
Energy	Inflation in energy prices reduced margin.	- 0.9%
Warehouse & distribution costs	Warehouse and distribution costs grew faster than sales due to inflationary cost increases mainly in wages (-0.4%), distribution costs (-0.4%) and fuel (including energy) (-0.3%).	- 1.1%
Technology	Increased spend in Technology reduced margin.	- 0.3%
Retail net margin (after lease interest) on total sales to January 2023		**11.0%**

GUIDANCE FOR RETAIL SALES AND PROFIT FOR THE YEAR AHEAD

We are forecasting Retail full price sales to be down -4% versus 2022/23. Based on this sales guidance, Retail's operating margin (including lease interest) is forecast to be around 9.0% for the full year. This 2% reduction in operating margin is largely due to inflationary cost increases in energy and wage costs.

In the year ahead, Retail will benefit from the change in business rates, announced in the Autumn Budget Statement, which saves £12.1m of costs and improves Retail's anticipated net margin by +0.7%. Please note, the Online business will incur a £2.3m cost *increase* in business rates for our warehouses, giving a net £9.8m saving to the Group as a result of the changes announced in the Autumn 2022 Budget, where rates costs reduced for shops but increased for warehouses.

[25] After deducting Retail lease interest costs.

LEASE RENEWALS AND COMMITMENTS

Lease Renewals in the Year Ending January 2023

In the last year we have renewed 62 leases, with an average lease term of five years (to the earlier of the break clause or the lease end). These new leases reduce our annualised occupancy cash costs by **£11.1m**.

The 62 renewals can be split into two different types of lease: (1) traditional rent leases and (2) 'total occupancy cost' (TOC) leases, where we pay a fixed percentage of turnover to cover rent, business rates and service charge.

The occupancy cost savings (in cash terms[26]) from these lease renewals are summarised in the tables below. For clarity, we have shown TOC leases separately, in order to show the overall saving in rent, rates and service charge combined.

New rent lease category	No. of leases	Before renewal	After renewal	
Fixed rent charge	36	£10.5m	£7.4m	- 29%
Turnover rent	1	£0.3m	£0.3m	- 18%
Total	**37**	**£10.8m**	**£7.7m**	**- 29%**

Total occupancy (TOC) leases				
Total occupancy lease (rents, rates and service charge)			£18.3m	
Previous rent		£15.4m		
Previous rates and service charge		£10.9m		
Total occupancy - rent, rates and service charge	**25**	**£26.3m**	**£18.3m**	**- 30%**

TOTAL COMBINED LEASE RENEWALS				
Total lease renewals	**62**	**£37.1m**	**£26.0m**	**- 30%**

In addition to the occupancy cost reductions detailed above, we received **£6m** from capital contributions and rent free periods. We remain committed to ensuring that all our stores are a credit to our brand, so landlord contributions will be more than offset by the £21m we intend to spend upgrading the stores where we have renewed leases.

Outstanding Lease Commitments

At the end of January 2023, our average lease commitment (weighted by value) was 4.7 years, compared with 4.9 years at the same time last year. 50% of our store leases (by value) will expire or break within 3.9 years and 91% within the next ten years.

Forecast Lease Renewals in the Year Ending January 2024

We anticipate renewing 75 store leases and based on our latest negotiations we expect to reduce our occupancy cash costs by c.£8.9m (-34%). The average lease term (to the earlier of the break clause or lease end) is expected to be 4.1 years.

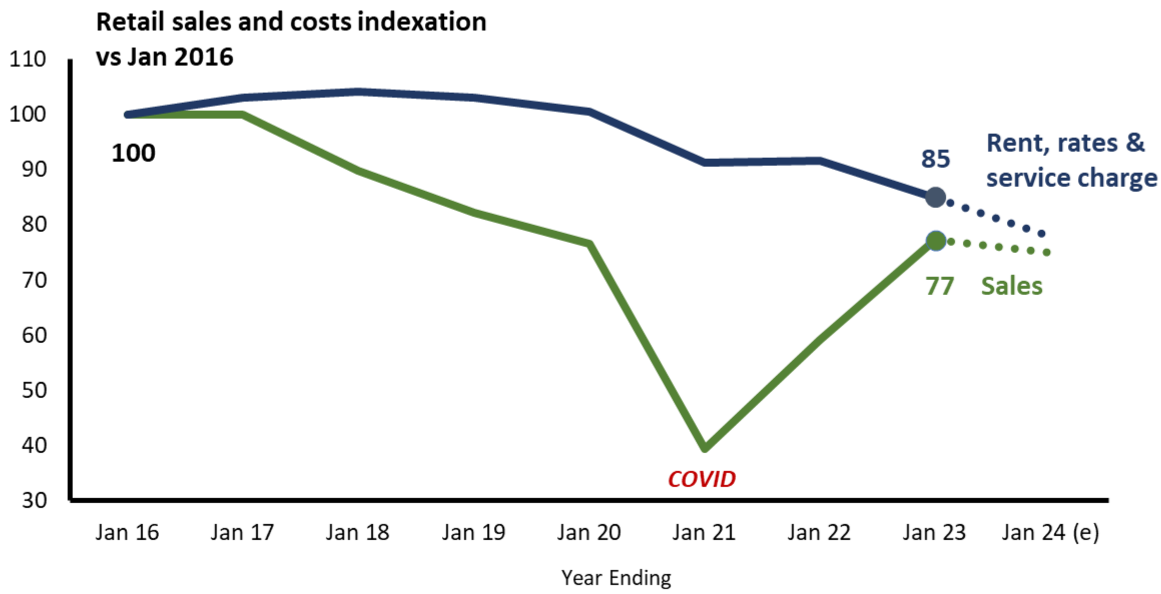
[26] Note that the savings given here are the actual rents payable rather than IFRS 16 right-of-use asset depreciation.

Long Term View of Retail Sales and Occupancy Costs

In recent years we have highlighted the challenge to Retail's profitability from rent, rates and service charge costs during a time when Retail sales declined each year. The graph below shows the change in Retail's sales and annualised occupancy costs (rent, rates[27] and service charge), indexed to January 2016, and illustrates the progress made on costs to January 2023 and our forecast for the year ahead.

This reduction in occupancy costs (15% lower than in 2016) shows the positive impact from rent reductions, lower business rates and the shift away from leases that previously attracted a fixed rent, rates and service charge costs to a variable 'total occupancy cost' (TOC) arrangement with landlords.

Occupancy Costs Catching Up With Reality



[27] Business rates in the year ending January 2021 include rates relief received during COVID, when stores were closed.

RETAIL SPACE

The year-on-year change in store numbers and square footage to January 2023 is set out below.

	Store numbers	NEXT Sq. ft. (k)	Concessions Sq. ft. (k)	Total Sq. ft. (k)
January 2022	**477**	**7,980**	**421**	**8,401**
Mainline store reconfigurations	+ 0	- 22	+ 61	+ 39
Mainline closures	- 17	- 240	- 4	- 244
Clearance stores	+ 6	+ 49	+ 1	+ 50
January 2023	**466**	**7,767**	**479**	**8,246**
Change	- 11	- 213	+ 58	- 155
Change %	- 2.3%	- 2.7%	+ 13.8%	- 1.8%

Mainline Closures

We closed 17 mainline stores this year, 11 of which are in locations we assessed as no longer being viable, where we forecast that the store would not achieve our target margin on almost any terms. Four store closures were due to them being merged into another local, larger store and the other two are a result of being unable to agree acceptable new terms with landlords. The table below sets out the profitability and turnover of stores falling into each category of closure.

Reason for store closure	No. of stores	Store turnover	Store profit	Store profit %
Location not viable	11	£18.2m	£0.4m	2.1%
Merged two stores into one site	4	£10.3m	£1.2m	11.7%
Failure to agree acceptable terms	2	£7.3m	£1.7m	23.0%
Total closed stores	**17**	**£35.8m**	**£3.3m**	**9.1%**

Clearance Stores

This year we closed one Clearance store and opened seven new Clearance stores with an average lease term (to the earlier of break or lease end) of 2.4 years. We have increased the number of Clearance stores in response to the return of Sale stock levels to pre-pandemic norms. The rental charge in all these new clearance stores is linked to store turnover, with three of the seven leases being TOC deals.

Concessions

This year we increased the space occupied by concessions in our retail stores by +58k square feet, with brands including Bath & Body Works, Mamas & Papas, GAP and Victoria's Secret. In total, concessions now occupy 6% of our total Retail space.

In the year ahead we expect to reallocate the space currently occupied by 25 Paperchase concessions (21k square feet) with minimal impact on profitability.

NEXT ONLINE

HEADLINES

- Full price sales were up +42% versus 2019/20 (i.e. pre-COVID).
- Total sales (including markdown sales) were up +40% versus 2019/20.
- Operating profit (including lease interest) was £457m, up +11% versus 2019/20.
- Net margin reduced from 19.2% in 2019/20 to 15.2%. The reduction was mainly due to the higher participation of our lower margin LABEL and Overseas sales, higher warehouse and distribution costs and increased spend on technology costs. Detailed margin analysis is given on page 35).

A Note on Lease Interest and Online Margins

Our Online margin analysis now includes the cost of lease interest that is attributable to the Online business. We have restated[28] margins for January 2022 and January 2020 to be on the same basis. This is consistent with how we report the Retail margins on page 28.

We have made this change because lease interest costs in our Online business are now more material, at £10m in the year to January 2023 compared with £4m in January 2020. This increase is due to the new leases agreed during the last three years, which include the sale and leaseback of a warehouse complex and our new Elmsall 3 warehouse.

SUMMARY OF ONLINE SALES, PROFIT AND MARGIN

The table below summarises total sales and profit for our Online business (which includes NEXT Brand UK, LABEL and Overseas), compared to last year and three years ago.

£m	Jan 2023	Jan 2022	1 year var %	Jan 2020	3 year var %
Total sales	3,007	3,065	- 2%	2,147	+40%
Operating profit	467	604	- 23%	417	+12%
Lease interest charge	*(10)*	*(9)*	*+11%*	*(4)*	*+158%*
Online profit including lease interest	***457***	***595***	***- 23%***	***413***	***+11%***
Online margin including lease interest	*15.2%*	*19.4%*		*19.2%*	

CONTENTS OF THIS SECTION

This part of the document includes the following sections:

[28] Under IFRS 16, lease interest is reported within the interest line of the P&L. There is no change to Group profit from this restatement.

FULL PRICE SALES BY DIVISION

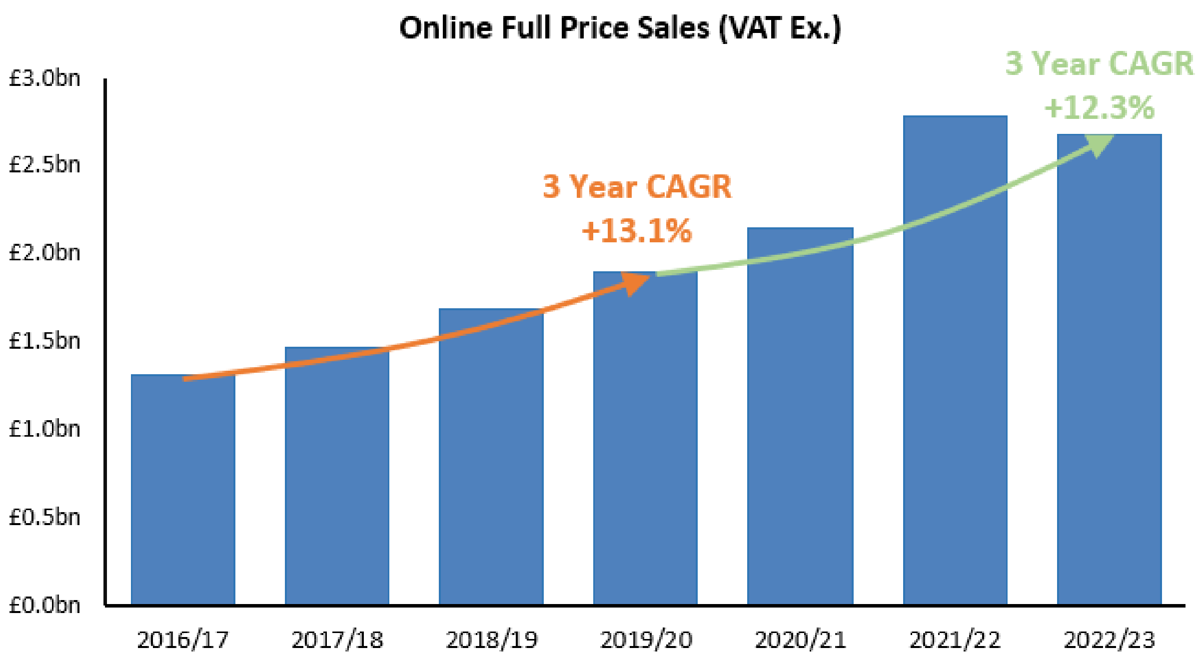
Full price sales compared to three years ago were up **+42%**, representing a compound annual growth rate (CAGR) of **+12.3%**. Online sales experienced a -4% decline against last year, but this figure is distorted by the surge in Online sales during last year's ten-week lockdown and subsequently by consumer reluctance to return to stores as the pandemic rumbled on.

Excluding Russia and Ukraine, Online full price sales were down -2% versus last year and up +44% versus three years ago.

Full price sales £m	**Jan 2023**	Jan 2022	1 year var %	**Jan 2020**	**3 year var %**
NEXT Brand UK	1,221	1,360	- 10%	1,022	+19%
LABEL UK	869	777	+12%	434	+100%
Total UK Online	***2,090***	***2,137***	***- 2%***	***1,456***	***+44%***
Overseas (nextdirect.com)	463	543	- 15%	398	+16%
Overseas aggregators	126	107	+17%	38	+232%
Total Overseas	**589**	**650**	- 9%	**436**	**+35%**
Total Online full price sales	**2,679**	**2,787**	**- 4%**	**1,892**	**+42%**
Excluding Russia and Ukraine			*- 2%*		*+44%*

Full Price Sales in Context

The chart below shows sales over the last seven years. Online's CAGR was +13.1% from 2016 up to the start of the pandemic, and +12.3% over the last three years.



CUSTOMER ANALYSIS

Growth in Customer Numbers and Average Spend Per Customer

Customers can be split into three distinct groups:

- **UK credit customers** who pay through a NEXT credit account[29] (next**pay** or next**3step**).
- **UK cash customers** who pay using credit, debit or other tender types.
- **Overseas** customers who shop on our international websites.

The average number of active[30] Online customers in the last year was 8.1m**,** up +35% versus three years ago, but down -1% versus last year. The table below shows a three year comparison of average customer numbers, sales per customer and their total full price sales values. For completeness, the table also includes sales achieved through our Overseas third-party aggregators, where we do not have visibility of customer numbers.

	Average customers		**Full price sales per customer**		**Full price sales value**		
Full year	**Jan 23**	**vs Jan 20**	**Jan 23**	**vs Jan 20**	**Jan 23**	**Jan 20**	**vs Jan 20**
UK Credit	2.8m	+10%	£487	+11%	£1,381m	£1,131m	+22%
UK Cash	3.6m	+78%	£198	+23%	£709m	£325m	+118%
UK Total	**6.4m**	**+40%**	**£326**	**+3%**	**£2,090m**	**£1,456m**	**+44%**
Continuous overseas	1.6m	+37%	£280	- 7%	£450m	£354m	+27%
Russia & Ukraine	0.1m	- 55%	£127	- 36%	£13m	£44m	- 71%
Total ex. aggregators	**8.1m**	**+35%**	**£314**	**+2%**	**£2,553m**	**£1,854m**	**+38%**
Aggregators					£126m	£38m	+232%
Total					**£2,679m**	**£1,892m**	**+42%**

Sales Per Customer

UK sales per customer

In the UK, sales per credit customer increased by +11% versus three years ago and cash customers increased by +23%. We believe this has been driven by the increasing breadth of our offer. Credit customers spend over twice as much as our cash customers, resulting in an overall spend per customer increase of +3% in the UK.

Overseas sales per customer

In our continuous Overseas business, sales per customer decreased by -7% versus three years ago. This decline is due to a higher proportion of our customers being *new* customers, who typically spend *less* than those who are more established.

[29] Both NEXT credit offers are authorised and regulated by the FCA.

[30] Active customers are defined as those who have either placed an order or received an account statement in the last 20 weeks.

ONLINE PROFIT AND NET MARGIN

Online Margin Analysis - Three Year Comparison

Overall Online margin (including lease interest) in the year was 15.2%, down from 19.2% three years ago. The margin impact of major cost categories is summarised below.

Net margin (including lease interest) on total sales to January 2020		**19.2%**
Bought-in gross margin	A higher participation of lower margin third-party LABEL and Overseas sales reduced margin by -2.5% and higher freight costs eroded margin by -0.3%.	- 2.8%
Markdown	Surplus stock grew at a slower rate than full price sales, improving margin. This benefit more than offset the impact of slightly lower clearance rates.	+0.2%
Warehousing & distribution	Margin reduced for the following reasons: ● Inflationary cost increases, mainly in wages (-1.5%), fuel and energy (-0.3%) ● International parcel surcharges and EU admin. fees (-0.3%) ● Increased costs from our new boxed warehouse (Elmsall 3), higher depreciation and other occupancy costs (-0.6%). These cost increases were partially offset by operational savings from handling fewer units, relative to sales, due to higher average selling prices (+1.2%).	- 1.5%
Marketing & photography	We stopped printing catalogues in 2020, which improved margin by +1.4% and photography costs have not increased in line with sales (+0.4%). This was partly offset by increased spending on digital marketing (-0.6%).	+1.2%
Technology and central costs	Spending on software development and maintenance has increased by +90% versus 2019, compared to the sales increase of +40%.	- 1.1%
Net margin (including lease interest) on total sales to January 2023		**15.2%**

Net Margin by Online Division

The table below sets out the net margins by Online division (NEXT Brand UK, LABEL UK and Overseas). Please note that net margins for January 2022 and January 2020 have been restated to include lease interest.

Online division	Total sales £m	Profit £m	Jan 2023 margin %	Jan 2022 margin %	Jan 2020 margin %
NEXT Brand UK	1,377	273	**19.9%**	24.6%	22.0%
LABEL UK	1,005	130	**12.9%**	16.0%	15.4%
Overseas	625	54	**8.6%**	12.1%	16.5%
Total Online	**3,007**	**457**	**15.2%**	**19.4%**	**19.2%**

Margin movements for NEXT Brand UK

One year comparison

Margin increased to 24.6% last year, during the pandemic, mainly due to unusually low returns rates and lower markdown costs (due to stock shortages). Those margin gains reversed out during the last twelve months as return rates and surplus stock reverted to more normal levels.

Three year comparison

The -2.1% reduction in margin against *three* years ago is largely due to the following four factors:

(1) Inflationary costs in warehouse and distribution eroded margins by -1.7%.

(2) Increased spend on Technology eroded margins by -1.5%.

(3) Higher freight costs eroded margins by -0.4%.

(4) Net savings in print, photography and digital marketing improved margins by +1.5%.

Margin movements for LABEL UK and Overseas

Further details on margin movements for LABEL UK and Overseas businesses can be found in the next two sections.

Online margin by division for the year ahead

Our expected Online net margins, by division, for the year to January 2024 are set out below.

The -2.4% percent reduction in our UK margin is mainly the result of (1) inflationary cost increases, mainly in wages, (2) increased occupancy costs arising from the opening of our new boxed warehouse and (3) additional depreciation on new warehouse mechanisation and technology.

Online net margins by division	Jan 2024 (e)	Jan 2023
NEXT Brand UK	17.5%	19.9%
LABEL UK	11.5%	12.9%
Overseas	12.0%	8.6%
Online net margin	**14.3%**	**15.2%**

FOCUS ON LABEL

Overview

LABEL consists of the sale of *all* the non-NEXT branded products sold through NEXT's websites[31]. In the year to January 2023, at £1bn, LABEL's total Online sales (including markdown sales) accounted for one third of our Online business and 19% of Group turnover. LABEL's full price sales have doubled over the last three years, achieving growth through four different types of business. In this section, we provide insight into LABEL's sales and profit margins for each business model.

LABEL's Four Business Models

Each business model has different characteristics, in terms of (1) who is responsible for the design, (2) who sources and manufactures the product and (3) who takes the stock risk. These are summarised in the table below along with the net margins of each business.

Business model	Design	Sourcing	Stock risk	Examples	2022/23 Net margin
*3rd party Brands sold on **Commission***	3rd Party	3rd Party	3rd Party	Fat Face, River Island Boss, Reiss	*10.9%*
*3rd party Brands purchased **Wholesale***	3rd Party	3rd Party	**NEXT Group**	Nike, Adidas, Superdry	*14.4%*
***Licensing** and collaborations*	3rd Party	**NEXT Group**	**NEXT Group**	Baker by Ted Baker, Myleene Klass	*14.9%*
***Wholly-owned** brands*	**NEXT Group**	**NEXT Group**	**NEXT Group**	Lipsy, Love & Roses, Friends Like These	*15.7%*
TOTAL					***12.9%***

Although we make lower net margins on the commission model, we encourage our brand partners to adopt it, because we believe that it will generate higher sales growth. This belief is reinforced by our full price sales performance, as demonstrated in the table on page 38. The three year growth rate of commission brands is +135%, compared to +41% on wholesale brands. Unsurprisingly, our brand partners are better at selecting and merchandising *their* stock on our website than we are.

Net margins generally increase as the Group takes on more of the workload and risk. The anomaly is the relatively low margins achieved by our high risk/workload wholly-owned brands which, at 15.7%, compares unfavourably with the NEXT brand's 19.9% net margin.

The table below bridges the gap between the margin achieved on the wholly-owned brands and NEXT branded stock. We believe that we have an opportunity to improve margins in this area, through addressing high levels of faulty and damaged stock and, as sales increase, reducing the burden of fixed central costs.

NEXT UK 2022/23 net operating margin	Comments	19.9%
Bought-in gross margin	Better margins on high fashion lines	+2.0%
Faulty and damaged	Higher returning fashion lines	- 0.9%
Product teams and central overheads	Fewer economies of scale	- 5.3%
Wholly-owned brands net operating margin		**15.7%**

[31] LABEL does not include branded products sold through Total Platform.

Full Price Sales Analysis

Growth by business model

The table below sets out full price sales by each LABEL business model, against last year and three years ago. Wholly-owned brands and licensing accounted for 25% of the growth against three years ago.

Full price sales category £m	Jan 2023	1 year var %	3 year var %
Third-party brands (commission)	409	+14%	+135%
Third-party brands (wholesale)	311	- 3%	+41%
Total third-party brands	**720**	+6%	**+83%**
Licensing and collaborations	39	+58%	-
Wholly-owned brands	110	+50%	+176%
Total LABEL full price sales	**869**	+12%	**+100%**

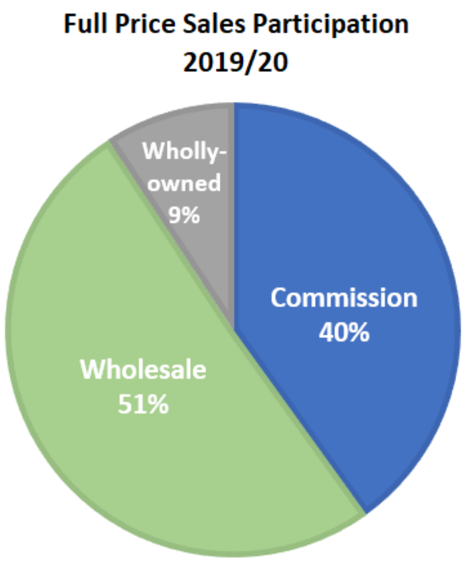
Growth from existing and new brands

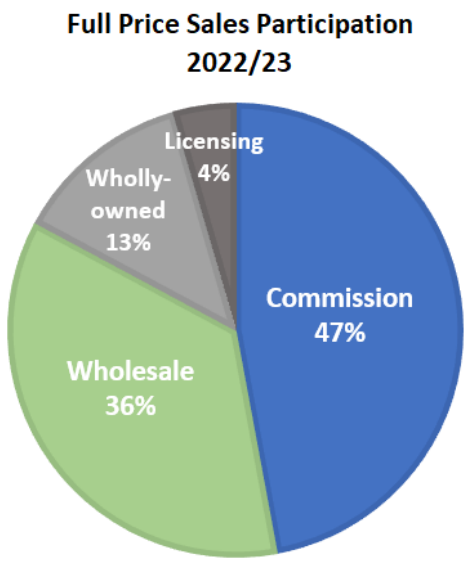
The table below explains the contribution new brands have made to LABEL's three year growth. New brands accounted for 56% of LABEL's growth, of which 15% was delivered by new wholly-owned brands and licensing.

Contribution to 3 year sales growth	New brands	Continuous brands	Total
Third-party brands	+41%	+34%	+75%
Licensing and collaborations	+9%		+9%
Wholly-owned brands	+6%	+10%	+16%
Total LABEL full price sales	**+56%**	**+44%**	**+100%**

The shape of LABEL's sales - a three year view

The pie charts below show the participation of full price sales by business model, for 2019/20 and 2022/23.





Full price sales by product category

Compared to *three years ago*, we have seen strong growth across all LABEL product categories, with Clothing, Home and Beauty growing faster than Sportswear as a result of the increases in product offer: a combination of adding new brands and wider choice within existing brands.

The table below shows the increase in sales against last year and three years ago. The variances to *last year* are explained by the sharp reversal of lockdown trends which favoured Home and Sportswear.

Full price sales by category £m	Jan 2023	1 year var %	3 year var %
Clothing	601	+25%	+119%
Sports	138	- 13%	+31%
Home	84	- 8%	+125%
Beauty	46	+0%	+171%
Total full price sales	**869**	**+12%**	**+100%**

Licensing and Collaborations

Under a licensing agreement, a third-party brand (the licensor) supplies NEXT (the licensee) with design inspiration and branding. NEXT sources and purchases the stock, which is held at our risk and the licensor earns a royalty on sales.

We also collaborate with third-parties who provide prints that we use on products that are designed by the NEXT team. We have included these sales in the analysis below.

Full price sales in the year to January 2023 were £65m (£39m in LABEL UK, £12m Online Overseas and £14m in NEXT's Retail stores). The table below shows how this is split across our product categories.

Licensing and collaborations Full price sales (VAT ex.) £m	Jan 2023	Jan 2022	Var %
Adult clothing and accessories	27	14	+96%
Childrenswear	30	23	+30%
Home	8	6	+27%
Total full price sales	**65**	**43**	**+50%**
Split as:			
Licensing	50	34	+45%
Collaborations	15	9	+71%

Outlook for licensing and collaborations sales

In the year ahead, we expect to take on seven new licences and forecast full price sales to grow by +32% to £85m.

Full price sales (VAT ex.) £m	Jan 2024 (e)	Jan 2023	Var %
Online LABEL UK	55	39	+43%
Online Overseas	15	12	+28%
Retail	15	14	+5%
Total	**85**	**65**	**+32%**

LABEL Margin - History and Outlook

The table below shows net margins for each of the four business models within LABEL compared to last year and three years ago.

Business model	Jan 2023 margin %	Jan 2022 margin %	Jan 2020 margin %
Third-party brands (commission)	10.9%	13.1%	14.8%
Third-party brands (wholesale)	14.4%	17.8%	16.6%
Total third-party brands	**12.4%**	**15.4%**	**15.8%**
Licensing and collaborations	14.9%	18.1%	-
Wholly-owned brands	15.7%	20.7%	12.4%
Total LABEL margin %	**12.9%**	**16.0%**	**15.4%**

Focus on third-party brands margin erosion

Last year, in the aftermath of the pandemic, margins were flattered by unusually low returns rates and lower markdown costs (arising as a result of stock shortages). However, the 3.4% drop in the net margins of our third-party branded business against *three years ago* requires some explanation. The gap is explained in the table below.

Jan 2020 net margin of third-party brands	**15.8%**
Higher participation of lower margin brands and reduced commission rates	- 1.4%
Improved wholesale bought in gross margins offset by higher surplus	+0.4%
Inflation in warehouse and distribution costs	- 2.0%
Increased spend in technology	- 1.2%
Catalogue savings, offset partially by increased digital marketing	+0.8%
Jan 2023 net margin of third-party brands	**12.4%**

Outlook for LABEL margins in the year ahead

As we explained in our Half Year Report in September, we are focussed on a number of initiatives that will improve LABEL's margin in the year ahead. However, we anticipate that these margin improvements will be more than offset by inflationary cost increases. The following table walks forward our achieved net operating margin in 2022/23 to our anticipated margin in 2023/24.

Jan 2023 net operating margin	**12.9%**
Control of markdown costs	+0.6%
Renegotiated commission rates on some low profitability brands	+0.5%
Impact of removing low profitability products	+0.3%
Inflationary costs in warehouse and distribution costs	- 1.1%
Technology costs	- 0.7%
Inflationary cost increases, mainly in wages	- 0.8%
Jan 2024 net operating margin (e)	**11.7%**

FOCUS ON OVERSEAS

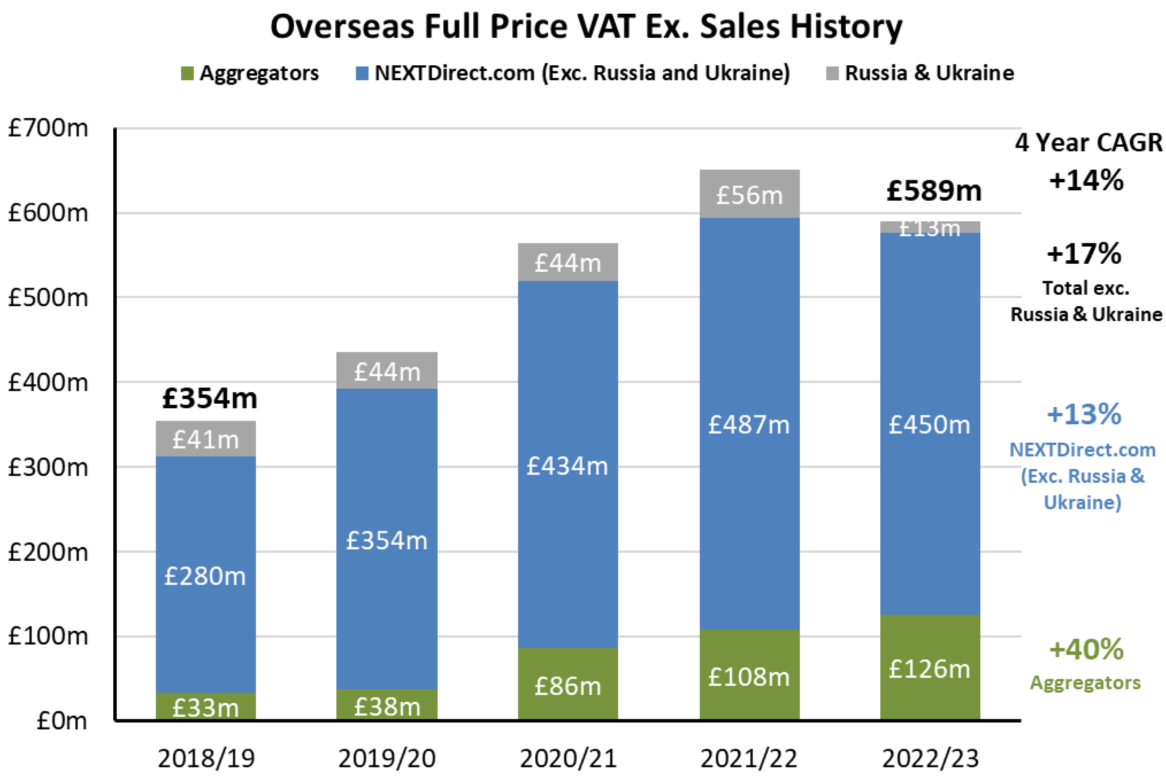
Sales Performance

The table below sets out the sales performance against last year and three years ago. The comparison with last year is unfavourable because, last year, online trade benefited from various retail store lockdowns in force across the globe.

Online Overseas VAT Ex. sales	Sales £m Jan 2023	Versus Jan 2022	Versus Jan 2020
Total sales (including markdown)	625	- 7%	+37%
Full price sales	**589**	- 9%	**+35%**
Full price sales (excluding Russia and Ukraine)	*576*	*- 3%*	*+47%*

Overseas sales - a five year history

Over the last five years, sales in our Overseas Online business have grown through our own websites (nextdirect.com) and third-party aggregators. The chart below sets out the full price sales achieved through both channels over the last five years. It demonstrates the increasing contribution aggregators have made to growth. Aggregators now account for 21% (£126m) of our Overseas full price sales.



The compound annual growth rate (CAGR) in full price sales in this period has been +14% (+17% excluding Russia and Ukraine).

Full price sales by region

The table below shows the participation of our sales by region and demonstrates that the vast majority of our sales overseas come from Europe and the Middle East. Much of our European business is serviced by our German hub and we are actively investigating opening a hub in the Middle East.

Region	No. of countries	% of full price sales	Jan 2023 £m
Europe	34	52%	303
Middle East	12	35%	206
Asia	12	7%	43
Americas and Australia	8	6%	37
Total full price sales	**66**	**100%**	**589**

Profit Performance

The table below sets out the profit and margins achieved compared to last year and three years ago. The main reasons for the decline in margin compared to 2019/20 are also set out below.

Online Overseas operating profit	Jan 2023	Jan 2022	Jan 2020
Profit £m	54	81	65
Net margin %	8.6%	12.1%	16.5%

Overseas net margin on total sales to January 2020		16.5%
Duty & import VAT	Costs increased largely due to the introduction of duty & import VAT charges in many Middle East countries.	- 2.4%
Aggregator participation & margins	Erosion in operating margin from aggregator sites, along with their increasing sales participation.	- 1.8%
Delivery costs	This is mainly the result of higher air freight costs and inflationary increases in UK warehousing costs.	- 1.5%
Technology	Investment in modernising our core systems	- 1.1%
Surplus	Surplus stocks in overseas countries grew faster than sales and clearance rates reduced.	- 1.1%
Overseas net margin on total sales to January 2023		**8.6%**

Progress to date on improving overseas margins

At the half year we detailed some of the measures we were planning to improve overseas profitability. We have concentrated on measuring profitability on an item-by-item and territory-by-territory basis, to pinpoint unprofitable products. These are typically items with higher returns rates and lower selling prices. We are also renegotiating numerous delivery agreements, as underlying distribution costs begin to return to pre-pandemic levels.

In the second half, margin improved to 9.8% and in the year ahead we are planning for margin to recover further, to around 12%.

NEXT FINANCE

Unlike the analysis in the Online and Retail sections of this document, the comparisons used for sales and profit in this section are given against *LAST YEAR*. We believe this provides a more meaningful understanding of the performance of our Finance business because retail lockdown had much less impact on the performance of the Finance business than it had on the other trading businesses.

HEADLINES

- Interest income was up +10%, broadly in line with the increase in the average customer receivables balance.
- Net profit[32] of £171m was up +14%.
- Customer defaults remain lower than pre-COVID levels and payment rates remain higher than pre-COVID levels, both continuing the trend seen at the half year.

FINANCE PROFIT & LOSS SUMMARY[33]

£m		Jan 2023	Jan 2022	Var %
Credit sales		*2,035*	*1,977*	*+3%*
Average customer receivables	*note 1*	***1,179***	***1,062***	***+11%***
Interest income	*note 2*	274	249	+10%
Bad debt charge	*note 3*	(26)	(27)	- 3%
Overheads	*note 4*	(43)	(42)	+3%
Profit before cost of funding		**205**	**180**	**+14%**
Cost of funding	*note 5*	(34)	(31)	+11%
Net profit		**171**	**150**	**+14%**
ROCE (after cost of funding)		14.5%	14.1%	
Closing customer receivables		1,255	1,163	+8%

The following paragraphs give further explanation of the movements in each line of the Finance P&L.

[32] The Finance business now includes all the Finance profits generated from Lipsy sales. Half of this profit was previously reported within the Lipsy division and shown as a cost in NEXT Finance overheads (2023: £11.7m, 2022: £7.7m). See page 19 and Appendix 1 on page 60 for further detail.
[33] Rounding differences are not adjusted in the table.

Note 1 Customer receivables - recovering to pre-pandemic levels

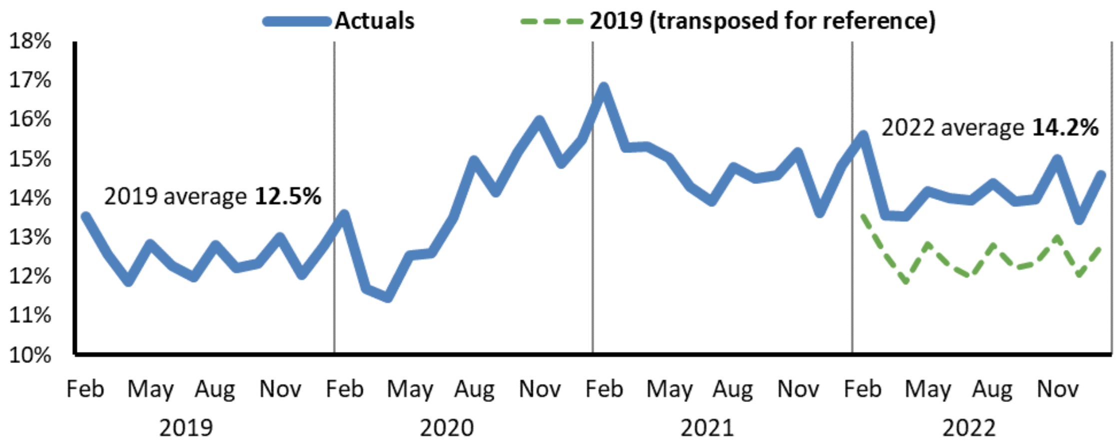
Our average customer receivables balance was up +11% compared to last year. The majority of this increase was due to customers building back their balances after the pandemic, rather than a growth in credit sales (which were only up +3%).

A return to more normal payment rates

The graph below shows the percentage of outstanding balances paid back each month since 2019. The payment rate is an indirect measure of the financial health of consumer balance sheets; the more our customers pay back each month, the less pressure there is likely to be on their finances.

Customers significantly increased the rate at which they paid down their balances from May 2020 as their other expenditure decreased during the first COVID lockdown. As the economy reopened, from March 2021, customers' monthly payments fell back to more normal levels, albeit they have remained above pre-COVID levels. Over the coming year, we expect payment rates to reduce to levels closer to, but still above, the 2019 average.

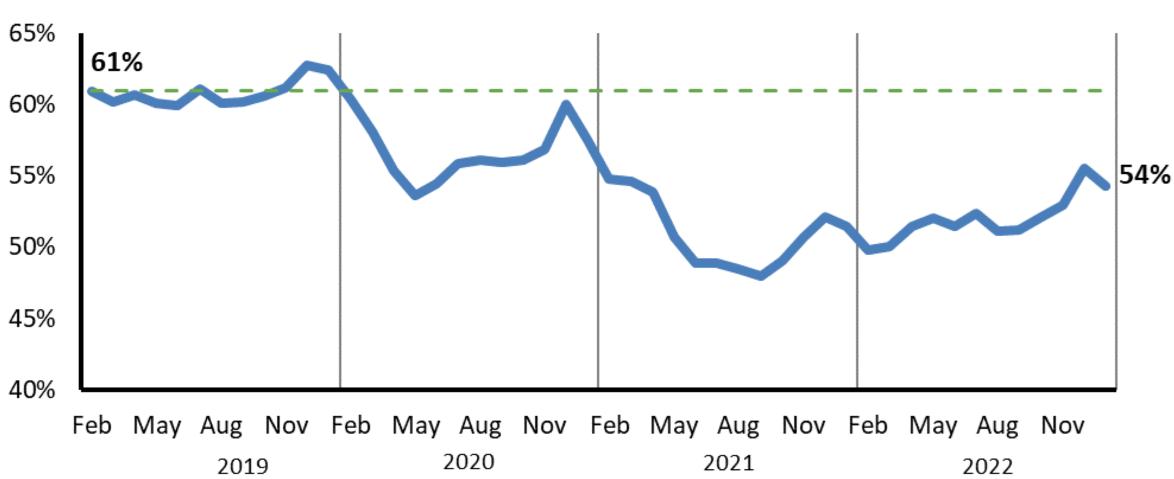
Monthly Payment as a Proportion of Customer Balances



Net customer receivables in perspective

The graph below shows net customer receivables as a percentage of the previous twelve months' credit sales. This is another indirect measure of the health of consumer balance sheets (the lower the number, the less financial pressure there is likely to be). It can be seen that customer balances relative to sales have continued on an upward trajectory over the course of 2022, but they remain comfortably below pre-pandemic levels.

Net Customer Receivables as a Proportion of 12 Month Rolling Credit Sales



Note 2 Interest income

Interest income was up +10% versus last year, broadly in line with the +11% growth in average customer receivables.

Note 3 Bad debt charge and default rates

Bad debt charge

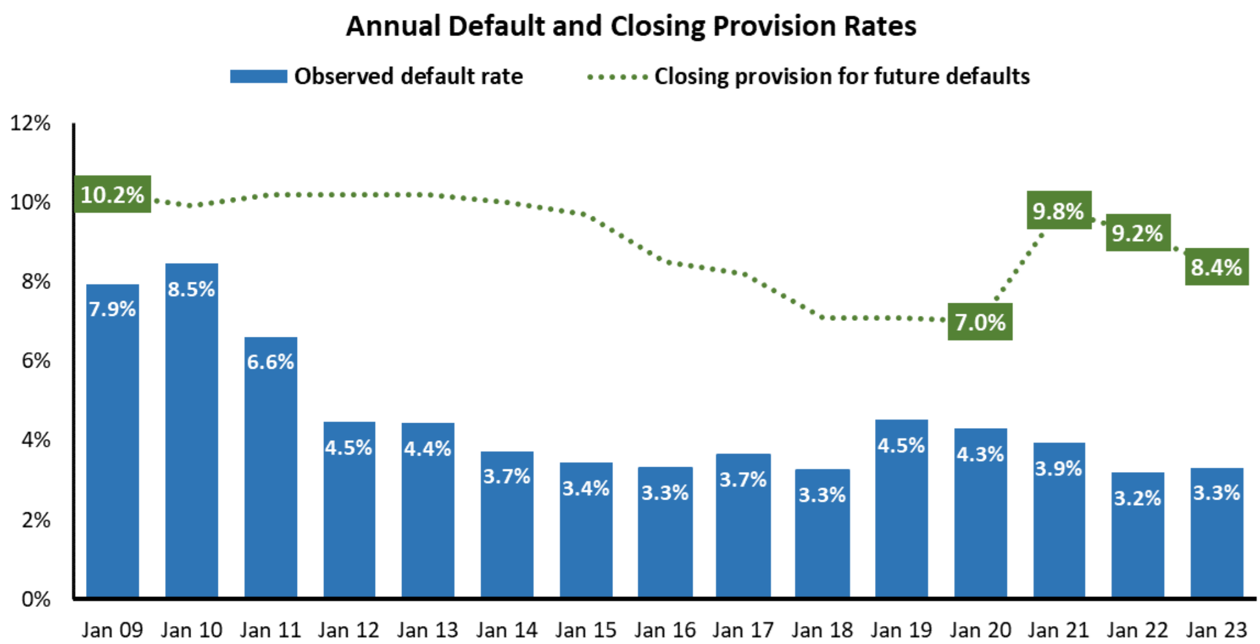
The bad debt charge of £26m was £1m lower than last year, despite the fact that credit sales rose in the period and would normally result in an overall increase in bad debt charge. The unexpected decline in bad debt is explained by a £2m provision release in the first half of the year.

Bad debt walk forward	**£m**
Bad debt charge January 2022	**(27)**
Higher credit sales (+3%)	(1)
Bad debt charge before provision release	**(28)**
Provision release (mainly COVID)	2
Bad debt charge January 2023	**(26)**

Current default rates in context

The chart below shows:

- Observed annualised default rates[34] since 2009 (blue bars). The default rate in 2022/23 of 3.3% is marginally higher than 2021/22 but in line with the lower end of observed historical rates.
- The provision for future defaults (green dotted line) remains above pre-COVID rates and makes allowance for a material deterioration in defaults.



[34] Default rates are net of expected recoveries and presented as a percentage of the average customer receivables balance.

Note 4 Overheads

Overheads were up +3% versus last year, mainly due to increased spending on Technology.

Note 5 Cost of funding

The cost of funding is an internal interest recharge from the Group based on the assumption that 85% of customer receivables are funded by debt lent by the Group to the NEXT Finance business. The year on year growth of +11% is in line with the growth in average customer receivables.

POTENTIAL IMPACT OF DETERIORATING CONSUMER ENVIRONMENT

In our Half Year Report, we outlined a number of potential effects on our Finance business of a deterioration in consumer finances:

- Lower spending (which would decrease balances).
- Increased use of our credit facility versus cash payments (which would increase balances).
- Extended payment times (which would increase balances).
- Increased arrears and default rates (which would reduce profits).

Six months on, we have seen little further evidence of any deterioration. Spending has been resilient, payment rates have decreased but remained above pre-pandemic levels, and arrears and default rates have remained at relatively low levels. At present, there is little evidence of distress in our customer receivables book. As the effects of mortgage rate rises start to flow through into household budgets and energy bills remain elevated, we may start to see a departure from the current levels of stability. The risk of this has been provided for in our bad debt provisions, which allow for a significant increase in default rates compared to today's level.

OUTLOOK FOR THE FULL YEAR TO JANUARY 2024

In the year ahead, we anticipate that NEXT Finance will generate a profit (before cost of funding) of **£219m**, which would be up +7% on 2022/23. After the cost of funding recharge, we anticipate net profit of **£172m** which would be up +1% versus 2022/23.

£m		**Jan 2024 (e)**	**Jan 2023**	**Var %**
Credit sales		*2,008*	*2,035*	*- 1%*
Average customer receivables	*note 1*	*1,242*	*1,179*	*+5%*
Interest income	*note 2*	297	274	+8%
Bad debt charge	*note 3*	(31)	(26)	+20%
Overheads	*note 4*	(47)	(43)	+8%
Profit before cost of funding		**219**	**205**	**+7%**
Cost of funding	*note 5*	(46)	(34)	+35%
Net profit		**172**	**171**	**+1%**
ROCE (after cost of funding)		13.9%	14.5%	
Closing customer receivables		1,345	1,255	+7%

Note 1 Customer receivables

We expect average customer receivables to rise by +5%, close to the increase in the year end debt, which is forecast to rise by +7% to £1,345m.

Note 2 Interest income

Underlying interest income is expected to increase by +8%, this is more than the increase in average receivables (up +5%). The additional growth is due to a 1%[35] increase in the APR charged on next**pay** accounts, effective from 29 March 2023.

Note 3 Bad debt charge

The bad debt charge is forecast to increase by +20% versus last year. Underlying bad debt is expected to move in line with credit sales (-1%), but the prior year benefited from (1) net provision releases of £2m and (2) the £3m sale of insolvent debt[36], which had been written-off. We do not expect to repeat this sale in the year ahead.

Note 4 Overheads

Overheads are forecast to be up +8% versus last year, due to inflationary cost increases and increased spending on Technology.

Note 5 Cost of funding

The cost of funding recharge is expected to increase by +£12m (+35% on last year). Of this, £2m is due to growth in average receivables and the remaining £10m is due to the effect of higher bank interest rates. The funding for the Finance business is provided by the NEXT Group[37] which is forecast to make additional profit of £5m from this lending in the year ahead. This is essentially because expected average Group borrowings of £851m are lower than its expected average lending of £1,056m to the Finance business, as explained in the table below.

Group lending to NEXT Finance £m	**Year ending Jan 2024 (e)**	**Year ending Jan 2023**	**Variance**
Average Group external borrowing (for reference)	*851*	*859*	*(8)*
Average NEXT Finance borrowing (for reference)	*1,056*	*1,002*	*54*
Group underlying net external interest rate	*4.4%*	*3.4%*	*+1.0%*
Interest charged by Group to NEXT Finance	(46)	(34)	(12)
Underlying net external interest cost for Group	(37)	(30)	(7)
Group profit on its lending to NEXT Finance	**9**	**4**	**5**

[35] APR is set to rise from 23.9% to 24.9%.

[36] There were similar “non-recurring” recoveries in the year ending January 2022.

[37] We assume that the Group funds 85% of the Finance business’s receivables, with the balance being funded by the Finance business’s notional equity.

PART FIVE
TOTAL PLATFORM AND OTHER BUSINESS ACTIVITIES

TOTAL PLATFORM AND INVESTMENTS

We currently have four clients (Reiss, GAP, Victoria's Secret and Laura Ashley) trading on Total Platform (TP). JoJo Maman Bébé will commence trading on Total Platform in May 2023. We aim to launch MADE.com UK website by August 2023. Joules is scheduled to launch in March/April 2024.

FINANCIAL PERFORMANCE AND GUIDANCE FOR THE YEAR AHEAD

In the year to January 2023 Total Platform generated **£144.4m** of revenue and **£21.8m** of profit. Sales from continuing partners[38] were **£125.6m** which generated **£22.2m** of profit[39].

Total Platform 'sales'

Total Platform sales are a combination of two different types of revenue streams:

- The value of our clients' online sales through their Total Platform website (referred to as gross transaction value).
- Revenue from services charged on a 'cost plus' basis, such as retail warehousing and distribution. Cost plus services are charged on the basis of the full cost we incur to provide the service plus a percentage of that cost as a profit margin.

Total Platform and equity investment profit

Profit was generated through a combination of:

- Total Platform services delivered a profit of **£5.4m**, of which £4.7m was generated from commission on clients' online sales, with the remainder through services provided on a cost plus basis (such as retail distribution and online marketing).
- Equity profit, preference share and loan interest totalling **£16.8m**.

Continuing clients Total Platform - £m	Jan 2024 (e)	Jan 2023	Jan 2022
Gross transaction value of our client sales on the platform	158.1	110.3	12.7
Income from services provided on cost-plus basis	18.8	15.3	0.0
TOTAL PLATFORM SALES	**176.9**	**125.6**	**12.7**
Total Platform profit on continuing activities	**9.2**	**5.4**	**0.2**
Total Platform margin %	5.2%	4.3%	1.6%
Underlying equity profit	13.0	10.8	4.8
Deferred tax asset (historical)	1.3	3.5	0.0
Joules equity	(7.0)	(3.0)	0.0
Preference shares	4.9	4.8	2.4
Loan interest	1.1	0.7	1.0
Total Group profit from continuing clients and equity	**22.5**	**22.2**	**8.4**

[38] As explained in our Half Year results, our two lowest turnover clients (Childsplay and Aubin) have now transitioned away from Total Platform. This section details the Total Platform trading performance of continuing operations.

[39] Equity profit includes our equity shares of Swoon, Aubin and Sealskinz, which are not on Total Platform.

Total Platform margin

Total Platform achieved a margin on continuing partners of 4.3%, which was higher than our previous guidance but lower than our target of between 5% to 7%. We are planning for margin in the year ahead to be 5.2%.

Deferred tax asset (historical)

One of our acquisitions has access to a deferred tax asset relating to historical trading losses. This means that they can partially offset these losses against their current trading profits. Under equity accounting this benefit is reported in NEXT's pre-tax profits.

Joules

Joules incurred some one-off costs relating to its transition from administration in the year to January 2023, resulting in the business making a £4m loss, of which NEXT's share is £3m. The Joules team is making progress, but we now believe it will take around 12 months to turn the business around as the business adjusts to much lower levels of discounting and promotion. In the year to January 2024, we are forecasting Joules to make a loss. NEXT's share of this loss is £7m.

TOTAL PLATFORM CLIENTS AND ASSOCIATED EQUITY INVESTMENTS

Client	Launch date	Equity interest	Description
Laura Ashley	Mar 2021	None	Iconic British Home and fashion brand
Victoria's Secret (UK and Ireland)	May 2021	**51%** share of the UK and Ireland franchise in partnership with Victoria's Secret & Co.	Global lingerie, clothing and beauty brand
Reiss	Feb 2022	Increased to **51%** in May 2022 in partnership with Warburg Pincus and Reiss family.	Affordable luxury men's and women's apparel brand
GAP (UK and Ireland)	Aug 2022	**51%** share of UK and Ireland franchise in partnership with GAP Inc.	US casual fashion brand
JoJo Maman Bébé	Q2 2023	**44%** share in partnership with Davidson Kempner.	Specialist premium maternity and baby clothing
MADE.com	Q3 2023	**100%** acquisition of brand name, domain names and intellectual property.	Design-led homeware and furniture brand
Joules	Q1 2024	**74%** share in partnership with Tom Joule.	British countryside lifestyle fashion brand

Discontinued client	End date	Equity interest	Description
Childsplay	Feb 2023	None	Luxury childrenswear retailer
Aubin	Sept 2022	**29%**[40] which we are retaining	Premium authentically British menswear brand

[40] Our equity interest in Aubin was originally 33%, which will reduce to 29% following the completion of a recent equity raise.

OTHER BUSINESS ACTIVITIES

The profits and losses in the year from other business activities, including our other Group trading companies and non-trading activities, are summarised below along with last year, three years ago (pre-COVID) and our guidance for the year ahead.

There are three large and non-recurring items in the year to January 2023, within property provisions, foreign exchange and accelerated acquisition costs. For clarity, these are shown separately in the table below. These non-recurring items largely offset each other and so do not significantly distort the profitability of the Group. These and other significant changes in profit are explained below the table.

PLEASE NOTE: In contrast to the analysis of our Online and Retail businesses, the analysis for Group businesses, which were less affected by lockdown, focuses on the performance versus last year.

£m	Jan 2024 (e)	Jan 2023	Jan 2022	Jan 2020
NEXT Sourcing	25.0	33.1	28.0	32.2
Franchise and Retail international	7.8	7.0	5.8	6.4
Property transaction profit	0.0	14.2	13.8	(0.8)
Central costs and other	(42.0)	(41.9)	(40.5)	(22.0)
Total underlying profit	**(9.2)**	**12.4**	**7.1**	**15.8**
Non-recurring items				
Property provisions	0.0	22.8	(3.0)	(0.9)
Foreign exchange	16.0	(16.3)	2.5	(1.5)
Accelerated acquisition costs	0.0	(5.4)	0.0	-
Total non-recurring items	**16.0**	**1.1**	**(0.5)**	**(2.4)**
Total profit	**6.8**	**13.5**	**6.6**	**13.4**

NEXT Sourcing

NEXT Sourcing (NS) is our wholly-owned overseas sourcing agent, it procures around 37% of NEXT branded products. Profit in the year to January 2023 increased by +£5.1m to £33.1m. The table below sets out the performance of the business in Pounds and in Dollars. Sales in Dollars were down -3% due to lower NEXT purchases. Profit in Dollars was up +6% largely due to lower incentive costs and other overhead cost savings.

	US Dollars			£ Sterling	
	Jan 2023 USD m	Jan 2022 USD m		Jan 2023 £m	Jan 2022 £m
Sales (mainly inter-company)	655.9	678.9	- 3%	533.3	495.5
Operating profit	**40.7**	**38.3**	**+6%**	**33.1**	**28.0**
Net margin	**6.2%**	**5.6%**		**6.2%**	**5.6%**
Exchange rate				1.23	1.37

In the year ahead, NS sales, in Dollars, are expected to reduce by -15%, mainly due to the weaker Pound. This, combined with cost of living increases, means we are forecasting profit for the year ahead to be around £25m.

Property Transaction Profit

Profit of £14.2m in the year ending January 2023 came mainly from two warehouse sale and leaseback transactions.

Central Costs

Central costs of £41.9m were £1.4m higher than in the prior year primarily as a result of professional fees associated with acquisitions.

Non-Recurring Items

Property provisions

The net movement in property provisions was a release of £22.8m.

Our Retail business has performed better than expected in the last twelve months. As a result of improved sales and profit, and our outlook for sales and profit in the year ahead, we have reduced our store impairment provisions by **£34.9m**. After this release, the overall provision remaining is c.£16m and reflects our projection that only five of our stores will *not* generate a positive cash flow over the life of their lease.

We completed a full review of our provisions required for dilapidation costs upon exiting Retail stores and based on latest estimates we have increased our provisions by **-£12.1m**.

Foreign exchange (FX)

The loss of £16.3m relates to FX contracts that were entered into earlier in the year when the Pound was weaker against the Dollar. Since then the Pound has strengthened and therefore the value of these contracts has decreased. Due to the structure of these FX contracts, we are unable to use Hedge Accounting, which means (unhelpfully) we see a large debit this year which will be followed by a large credit next year.

Accelerated acquisition costs

We have accelerated the settlement of an earn-out agreement that was put in place when we bought Lipsy 15 years ago.

INTEREST, TAX, PENSIONS AND ESG

INTEREST

The interest charge in the P&L is made up of four categories, as set out below, along with last year and three years ago. Our forecast for the year ahead is also shown in the left hand column.

£m	Jan 2024 (e)	Jan 2023	Jan 2022	Jan 2020
Net external interest	(37.7)	(30.3)	(35.3)	(43.6)
Reiss preference share income	4.9	4.8	2.4	-
Total Platform loan interest income	1.1	0.7	1.0	-
Lease interest	(46.7)	(47.3)	(50.4)	(61.8)
Total interest	**(78.4)**	**(72.1)**	**(82.3)**	**(105.4)**

Net external interest

Net external interest of £30.3m was £5m (-14%) lower than last year. This reduction is due to the repayment of the £325m bond in October 2021, which was partially offset by an increase in the floating rate interest payable on other instruments. In the year ahead, we expect net external interest to increase to £37.7m due to higher interest rates, which affect our floating rate debt.

Reiss preference share income and Total Platform loan interest

Reiss preference shares were acquired as part of our investment, accruing interest at a rate of 8% per annum (£4.8m). This is higher than the £2.4m in the prior year, due to the increase in equity stake from 25% to 51% in May 2022. We have also made commercial loans to four of our Total Platform clients, which generated £0.7m of loan interest.

Lease interest

The reduction in lease interest is the result of the fall in average lease debt, from £1,122m (January 2022) to £1,040m (January 2023). Lease debt has decreased due to the net effect of (1) lower rents and shorter terms when we have renewed store leases, offset by (2) our new warehouse lease, Elmsall 3, in May 2022.

TAX

Our effective tax rate (ETR) for the year to January 2023 was 18.25%. This is lower than the UK headline rate of 19%, as set out below.

	Jan 2023
Headline UK Corporation Tax rate	19.00%
Provision releases	- 0.50%
Equity profit, which has already been taxed	- 0.45%
Non-deductible items (e.g. acquisition fees)	+0.20%
ETR	**18.25%**

In the year ahead we forecast an ETR of 23.5%. This increase is mainly due to the UK headline rate increasing from 19% to 25%, effective April 2023. The Group's ETR remains lower than the 25% headline rate because: (1) February and March are at the lower rate of 19% and (2) profit from equity investments are reported on a post-tax basis in NEXT's accounts.

PENSION SCHEMES

On the IFRS accounting basis, the valuation of our defined benefit schemes' surplus has increased from £157m as at January 2022 to £157.5m as at January 2023. Further detail is provided in Note 6 of the financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

During the year we have continued to make progress on our key areas of focus, which are summarised below.

Code of Practice

Our Code of Practice team conducted 2,039 audits of the worldwide factories supplying NEXT products. With travel restrictions eased post-COVID, 93% of audits were conducted in person with two-thirds of the audits unannounced. 89% of the audits achieved a rating of between 1 to 3 (Excellent to Fair) with steps taken to address any issues identified from the remaining audits.

Carbon Emission Reductions

By 2030 we aim to reduce our direct and indirect absolute carbon emissions (from NEXT energy consumption) by 55% against a 2016/17 baseline (Scope 1 & 2) and reduce our other indirect emissions from NEXT's operations by 40% against a 2019/20 baseline per £1m sales (Scope 3).

In the year to January 2023 our Scope 1 and 2 emissions were reduced by 47% and Scope 3 by 29% relative to the baseline figures.

Responsible Sourcing

We aim to source 100% of the main raw materials (Cotton, Polyester, Man-Made Cellulosics, Wool, Timber and Leather) we use through known, responsible or certified routes by 2025. Progress in relation to (1) cotton (our most significant raw material) and (2) total main raw materials used is set out in the table below.

% of raw materials responsibly sourced	Jan 2023	Jan 2022	Var %
Cotton	67%	49%	+18%
Total main raw materials	54%	42%	+12%

Packaging

We have been gathering data to record our progress against a baseline of our plastic usage in 2021. The targets we are using are aligned with external stakeholder groups, WRAP Plastic Pact and the Ellen MacArthur Foundation. Our 2025 targets are:

2025 Target	
Reduction in the use of virgin plastics	50%
Reduction in overall packaging (relative to sales)	25%
Percentage of packaging to be reusable or recyclable	100%
Plastic packaging to contain at least 30% recycled content	100%

Our initial results are encouraging. One of our targets is for 100% of our packaging to be reusable or recyclable and, so far, 96% of our packaging meets this target.

PART SIX
CASH FLOW, DIVIDENDS & NET DEBT

CASH FLOW[41]

In the year to January 2023 we generated **£268m** of surplus cash. Surplus cash is defined as cash after interest, tax, capital expenditure and investments, but *before* distributions to shareholders. The table below sets out a summarised cash flow for the year, along with last year, three years ago and our forecast for the year ahead.

Net debt (excluding lease debt) increased in the year by £197m to £797m. For further details on individual cash flow movements please see the page references given in the table.

In the year ahead, based on the guidance given on page 24, we expect to generate **£467m** of surplus cash before distributions.

£m		Jan 2024 (e)	Jan 2023	Jan 2022	Jan 2020
Profit before tax		**795**	**870**	**823**	**749**
Depreciation/impairment on plant, property and equipment		120	110	111	125
Capital expenditure	(see page 55)	(170)	(206)	(184)	(139)
Tax paid		(165)	(151)	(125)	(138)
Working capital/other	(see page 56)	(18)	(225)	(40)	(72)
Surplus cash from trading activities		**562**	**398**	**585**	**525**
Customer receivables	(see page 44)	(90)	(92)	(135)	(27)
Investments					
Investments in third-party brands	(see page 57)	-	(91)	(33)[42]	-
Property stock	(see page 57)	(5)	53	(54)	-
Surplus cash before distribution to shareholders		**467**	**268**	**363**	**498**
Shareholder returns	(see page 58)				
Share buybacks		(220)	(228)	(9)	(300)
Special dividends		-	-	(344)	-
Ordinary dividends		(250)	(237)	-	(214)
Cash flow after distribution to shareholders		**(3)**	**(197)**	**10**	**(16)**
Bond repayment		-	-	(325)	-
Cash flow after bond repayment		**(3)**	**(197)**	**(315)**	**(16)**
Closing net debt (excluding lease debt)		**(800)**	**(797)**	**(600)**	**(1,112)**
Facilities (after repayment of bond)		1,250	1,250	1,250	1,575
Headroom		**450**	**453**	**650**	**463**

[41] The cash flow reflects the impact of IFRS 16. Depreciation on right-of-use assets and lease payments are included in working capital.

[42] A £10m loan to Reiss in the year ending January 2022, previously reported in this line, has been recategorised as working capital. The loan was repaid in the year ending January 2023.

CAPITAL EXPENDITURE

Capital Expenditure by Category

The table below sets out our capital expenditure for the year to January 2023 and, for comparison, the prior three years. The first column shows our outlook for the year ahead.

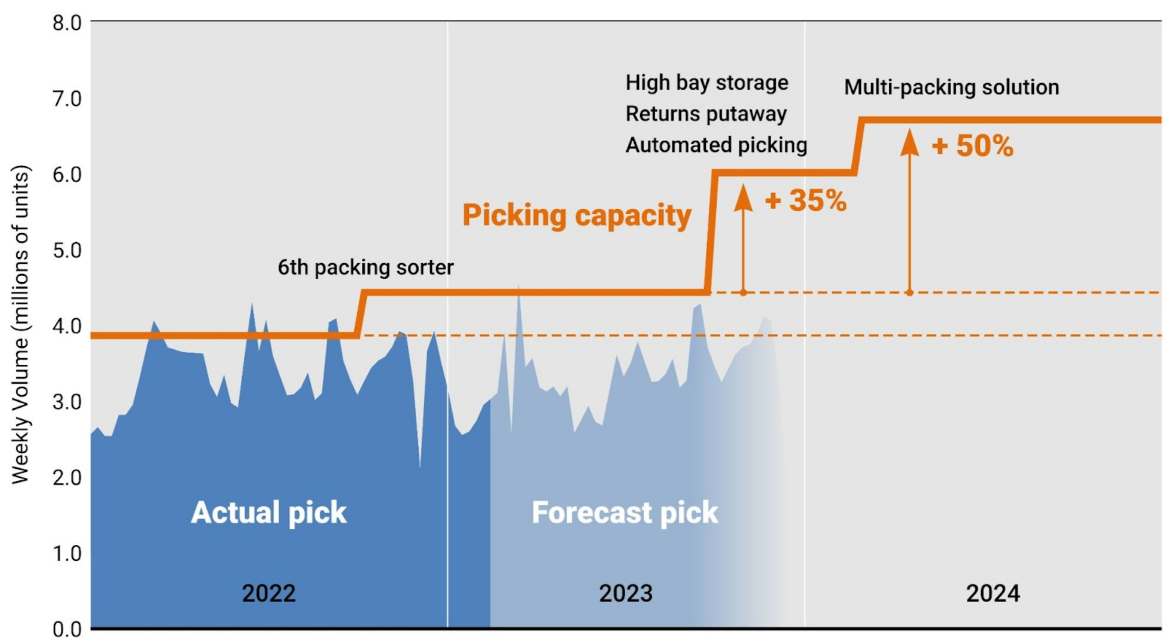
£m	Jan 2024 (e)	Jan 2023	Jan 2022	Jan 2021	Jan 2020
Warehouse	75	117	124	100	87
Technology	55	53	29	21	9
Total warehouse and Technology	**130**	**170**	**153**	**121**	**96**
Retail space expansion	6	8	14	29	24
Retail cosmetic/maintenance capex	26	26	15	8	14
Total Retail expenditure	**32**	**34**	**29**	**37**	**38**
Head office infrastructure and other	**8**	**2**	**2**	**5**	**5**
Total capital expenditure	**170**	**206**	**184**	**163**	**139**

Warehousing

In the year to January 2023 warehouse capex, at £117m, includes the continued investment of £77m in our new, highly automated, boxed warehouse (Elmsall 3). We plan to deliver Elmsall 3 automation in phases throughout 2023 and 2024 (as shown in the graphic below). The warehouse building is already being used for conventional manual storage and customer picking, as an overflow for our existing operations. Elmsall 3, once complete, will deliver an estimated increase in boxed capacity of 50%, with marginal labour cost per unit around 40% lower than the equivalent cost today. These savings will not be fully achieved until the automation is completed in the year ending January 2025.

In the year ahead, we anticipate that warehouse capex will reduce to £75m, which includes the completion of Elmsall 3 automation projects, the extension of our palletised warehouse in Doncaster and the refit of our returns operation for hanging garments.

Warehouse Pick and Pack Capacity Volumes (Units), Online Boxed Warehousing



Technology

Capex in the year of £53m comprised £15m on hardware and £38m of development costs. The estimate is higher than the £39m[43] given in September's Half Year Report, because we have been able to recruit developers at a faster rate than we had previously thought possible. In addition, we have accelerated some of our planned hardware upgrades. Around £20m of our technology capex in the year ahead relates to the software modernisation projects outlined in previous reports (see Half Year Report, September 2021, pages 14-15), the other main areas of expenditure are set out in the table below.

Technology capex by category	**Jan 2024 (e)**	**Jan 2023**
Modernisation projects	25	20
Total Platform, LABEL and warehouse projects	9	10
Security and head office department projects	4	5
Small development projects	5	3
Hardware	12	15
Total Technology capex	**55**	**53**

Retail stores

Capex on Retail space expansion reduced to £8m, down from £14m in the prior year, as a result of fewer new store openings. Cosmetic and maintenance spend was £26m compared to £15m in the prior year. Expenditure on cosmetic refits remains focused on those stores where we have extended the lease. Total store capex in the year ahead is expected to be broadly in line with last year, at £32m.

Head office infrastructure and other

In the year ahead, expenditure on head office infrastructure is expected to increase by +£6m to £8m. The majority of this increase relates to a new photo studio, which is being relocated from one of our regional distribution centres to a new bespoke standalone facility. This move will increase our studio capacity and allow more of our photography to be completed in-house.

WORKING CAPITAL

In the year to January 2023 the net cash outflow on working capital and other items totalled -£225m. The four largest outflows were as follows:

- **ESOT (Employee Share Option Trust):** There was a larger than normal net cash outflow of -£89m; in a normal year we would expect to spend around £40m. This unusual net outflow was mainly the result of fewer employees exercising their options, which is to be expected given the relatively low price of our shares for much of last year. We also marginally increased our cover of outstanding options by around £5m.
- **Debtors:** There was a net outflow of -£65m due to (1) the increased amounts owing from Total Platform clients, (2) timing of receipts from third-party aggregators and (3) the timing of VAT payments.
- **Stock:** Extended lead times at the beginning of the year resulted in earlier stock purchases which generated a -£23m cash outflow. Our stock levels have now returned to more normal levels and, as at the end of February, were +1% ahead of last year.
- **Staff incentives:** There was a -£44m outflow for staff incentives awarded in relation to the prior year but paid during the year to January 2023.

[43] This estimate included £2m of capex for Head Office and other central projects.

INVESTMENTS IN THIRD-PARTY BRANDS[44]

Investments in third-party brands are listed below, along with NEXT's equity stake, where applicable.

£m	Equity stake	Jan 2023	Jan 2022
Reiss	51.0%	(45.3)	(33.0)
Reiss dividend		15.3	-
Joules	74.0%	(15.7)	-
Joules loan		(13.1)	-
Joules head office		(7.4)	-
JoJo Maman Bébé	44.0%	(15.9)	-
Swoon	25.0%	(3.5)	-
MADE.com	n/a	(3.4)	-
Sealskinz	19.9%	(1.9)	-
Total investments		**(90.9)**	**(33.0)**

Reiss

In the year to January 2022 we invested £33m in a 25% stake in Reiss. In May 2022 we exercised our option to buy a further 26% stake for £45m, taking our total shareholding to 51%. During the year we received our first dividend from the investment in Reiss of £15m.

Joules

In December 2022 we acquired the trade and assets of Joules out of administration for £28.8m. This was made up of £15.7m for a 74% equity stake and £13.1m in the form of a loan, which was required by Joules to acquire the trade and assets from the administrators. This acquisition was done in partnership with Tom Joule, who has a 26% stake in the new business. Joules continues to trade through its retail stores and its own website and will move onto NEXT's Total Platform in Q1 2024. We also purchased Joules' head office property for £7.4m.

JoJo Maman Bébé

In April 2022 we invested £15.9m in a 44% equity stake in JoJo Maman Bebe. The deal was completed in partnership with Davidson Kempner. Subject to certain contractual conditions a further £1.3m may be payable as final consideration.

PROPERTY STOCK

The sale and leaseback of the new Elmsall 3 warehouse was completed in May 2022, resulting in a net cash inflow of £64m. This inflow is the combination of £91m received on the sale, *less* £16m of build costs in the year, *less* the related profit on property sale of £11m (the cash flow for which is accounted for in the P&L).

£m	Jan 2023	Jan 2022
Elmsall 3 warehouse sale and leaseback	64.1	(29.6)
Development costs for our palletised warehouse extension in Doncaster	(11.6)	
Land acquisition for potential future development		(24.0)
Total	**52.5**	**(53.6)**

[44] See Appendix 2 for detail on how each of these investments are accounted for in the statutory financial statements.

DIVIDENDS AND SHAREHOLDER RETURNS

The Company remains committed to its long term policy of returning surplus cash, that cannot be profitably invested in the business, to shareholders. Surplus cash (after interest, tax, capital expenditure, investments or acquisitions and ordinary dividends) will be returned to shareholders by way of share buybacks or special dividends. Any share buybacks would be subject to achieving a minimum 8% equivalent rate of return (ERR). As a reminder, ERR is calculated by dividing the anticipated pre-tax profits by the current market capitalisation[45]. During the year we returned to our pre-pandemic ordinary dividend cycle.

Shareholder Returns in 2022/23

Ordinary dividends

An ordinary dividend of 127p was paid on 1 August 2022 and an interim dividend of 66p in respect of the year to January 2023 was paid on 3 January 2023. The Board has proposed a final ordinary dividend of 140p, to be paid on 1 August 2023, taking the total ordinary dividends for the year to 206p. This is subject to approval by shareholders at the Annual General Meeting to be held on 18 May 2023. Shares will trade ex-dividend from 6 July 2023 and the record date will be 7 July 2023.

Share buybacks

In the year ending January 2023 we purchased 3.5m shares at an average share price of £63.85, totalling £224m. This reduced the number of shares in issue by 2.6% since the January 2022 year end and represents an ERR of 10.7%. In addition, in early February 2022, we paid £4m for shares acquired in January 2022, so total payments for buybacks in the financial year 2022/23 were £228m.

Outlook for Shareholder Returns in 2023/24

Ordinary dividends

Based on achieving our current profit guidance of £795m, it is our intention to maintain our dividend per share at 206p (66p interim and 140p final), in line with the dividend paid for the year ending January 2023. This would equate to a total pay-out of £250m and represents 41% of our forecast post tax profit, a cover of 2.4 times.

Share buybacks

For the purpose of this guidance we have estimated that, after paying ordinary dividends, we will return £220m of surplus cash to shareholders by way of share buybacks, although this figure may reduce if we make further investments. We estimate that these buybacks, along with those in the last year, will boost pre-tax EPS by +2.3%. This enhancement is more than offset by the increase in the Corporation Tax rate, which reduces EPS by -6.1%. See page 25.

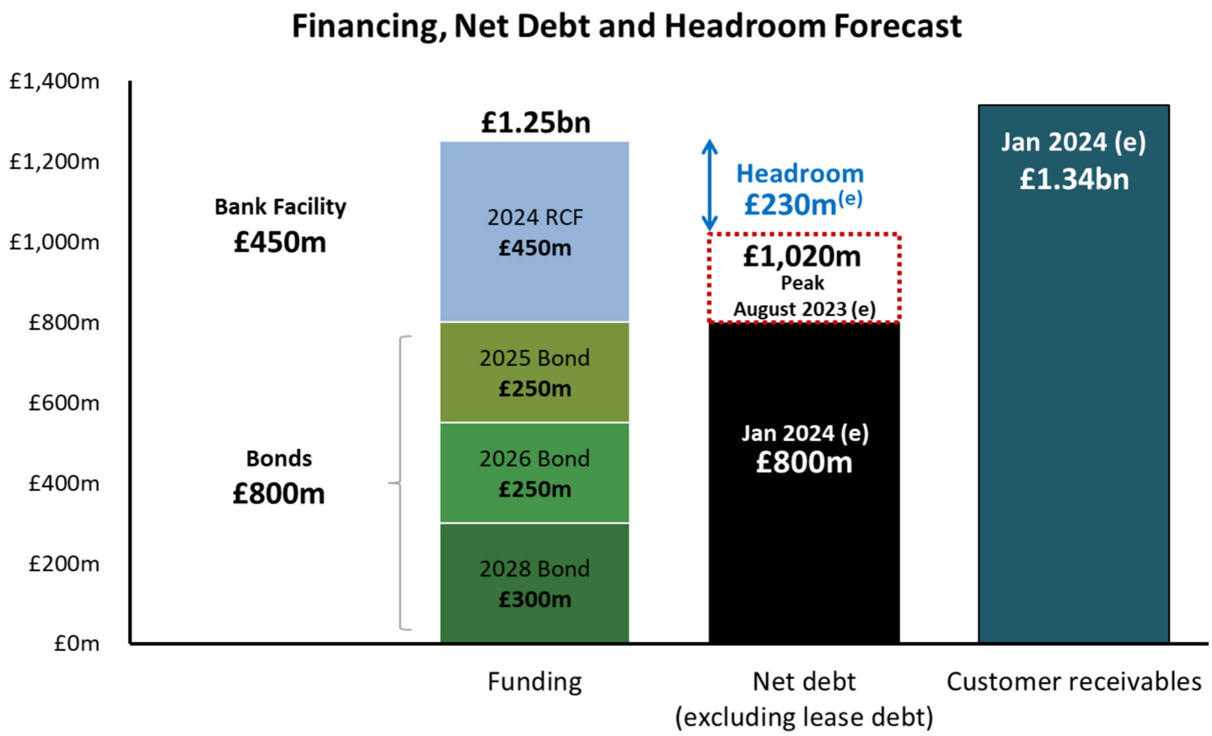
[45] Market capitalisation is calculated based on shares in circulation, so excludes shares in the NEXT ESOT.

NET DEBT, BOND AND BANK FACILITIES

Our current bond and bank facilities total £1,250m.

Based on our cash flow guidance for the year ahead, we anticipate that our net debt will peak in August at £1,020m, comfortably within our bond and bank facilities of £1,250m, and will end the year at around £800m.

The chart below sets out our bond and bank facilities. For context, our year end forecast for customer receivables is £1.34bn, significantly higher than the value of our net debt.



FIRST QUARTER TRADING UPDATE

Our first quarter Trading Statement will cover the thirteen weeks to Saturday 29 April 2023 and is scheduled for Thursday 4 May 2023.

Lord Wolfson of Aspley Guise
Chief Executive
29 March 2023

APPENDIX 1 - PRIOR PERIOD RESTATEMENTS

OVERVIEW

As set out on page 19 we have changed how we present the profits for our key divisions in the Chief Executive's Review because of the growth of Lipsy and Total Platform, which are now a more significant part of the overall Group performance. We believe these changes help improve our reporting, providing greater clarity as the business evolves and different parts of the business emerge and grow.

To ensure our results in the Chief Executive's Review and statutory accounts are presented on a consistent basis, we have restated the comparative periods (January 2022 and January 2020) for these changes. These changes are to allocations only - there is **no impact on overall Group profit.**

Lipsy Adjustment

In the past we have split the profit we generate from selling Lipsy goods through the NEXT website. Half the profit was reported in our Online division. The other half we reported in the Lipsy division which was within Other Group Activities, along with Property and Sourcing. However, because ***all*** of Lipsy's sales were reported in the Online division, this served to understate the margin of the Online business. Three years ago, Lipsy's 'share' of Online profit was immaterial at only £6.8m; today the number would be £27.5m.

To correct this issue, we are now reporting all of Lipsy's Online sales *and* profits through the Online division. We have adjusted the relevant numbers from last year and three years ago, so that comparisons are on a like-for-like basis. We have also amended our reporting for the Finance division, where half of the Finance profit on Lipsy sales was previously reported in Lipsy.

The table below summarises how the Lipsy profit on the previous basis has been allocated to each area of the business. This shows, for example, that of the £20.5m reported profit in January 2022, £16.7m has now been allocated into LABEL, £1.3m into Overseas, £7.7m into Finance and the residual central costs of £5.2m have now been allocated into the overall Group central costs.

£m	**Jan 2023**	**Jan 2022**	**Jan 2020**
Lipsy profit (previous basis)	**27.1**	**20.5**	**13.0**
Allocation on restated basis			
LABEL	24.9	16.7	5.9
Overseas	2.6	1.3	0.9
Total Online	**27.5**	**18.0**	**6.8**
Finance	11.7	7.7	6.2
Central costs and other	(12.1)	(5.2)	-
Total Lipsy allocation	**27.1**	**20.5**	**13.0**

Total Platform Adjustment

Last year, the profit on Total Platform was reported across two business areas: (1) profit on sales was reported within the Online division and (2) equity returns were reported within 'Sourcing and Other'.

The Total Platform business has grown significantly in the last 12 months and therefore sales and profits will now be presented within its own segment. As a result, the prior year segment revenue and profits have been restated so that all Total Platform related profit is presented in its own segment. Total Platform did not exist in 2019/20 and hence no restatement is required for that period. The impact is summarised below:

- Total Platform commission profit of £5.1m (2021/22: £2.1m) has been moved from NEXT Online into the separate Total Platform line.
- Total Platform equity profit of £11.2m (2021/22: £4.7m) has been moved from Sourcing and Other into the Total Platform line.

The impact of these two restatements by division is set out in the following tables.

Restatement of Divisional Profit - 2022/23, 2021/22 and 2019/20

Please note that the figures given in the tables below have not been adjusted for rounding/casting differences.

2022/23

PROFIT £m	Jan 2023 old basis	Lipsy adjustment	Total Platform adjustment	Jan 2023 new basis
Online	444.9	27.5	(5.1)	467.3
Retail	240.5	-	-	240.5
Finance (after funding costs)	158.8	11.7	-	170.5
Profit from Trading	**844.2**	**39.2**	**(5.1)**	**878.2**
Total Platform (inc equity)	-	-	16.3	16.3
Sourcing, Property, FX & Other	64.0	(39.2)	(11.2)	13.6
Recharge of interest to Finance	34.4	-	-	34.4
Operating profit[46]	**942.6**	**-**	**-**	**942.6**

2021/22

PROFIT £m	Jan 2022 previously reported	Lipsy adjustment	Total Platform adjustment	Jan 2022 restated
Online	588.5	18.0	(2.1)	604.4
Retail	107.0	-	-	107.0
Finance (after funding costs)	141.8	7.7	-	149.5
Profit from Trading	**837.3**	**25.7**	**(2.1)**	**860.9**
Total Platform (inc equity)	-	-	6.9	6.9
Sourcing, Property, FX & Other	37.2	(25.7)	(4.7)	6.8
Recharge of interest to Finance	30.9	-	-	30.9
Operating profit	**905.4**	**-**	**-**	**905.4**

2019/20

PROFIT £m	Jan 2020 previously reported	Lipsy adjustment	Total Platform adjustment	Jan 2020 restated
Online	410.5	6.8	-	417.3
Retail	234.0	-	-	234.0
Finance (after funding costs)	146.7	6.2		152.9
Profit from Trading	**791.2**	**13.0**	**-**	**804.2**
Total Platform (inc equity)	-	-	-	-
Sourcing, Property, FX & Other	26.4	(13.0)	-	13.4
Recharge of interest to Finance	36.3	-		36.3
Operating profit	**853.9**	**-**	**-**	**853.9**

[46] Operating profit excludes the minority interests in Joules.

APPENDIX 2 - RECONCILIATION TO STATUTORY RESULTS

OVERVIEW

The financial information presented in pages 2 to 59 is used by management in assessing business performance. It is also the financial information used to inform business decisions and investment appraisals. Some of these financial metrics and performance measures are not prepared on a full IFRS statutory accounting basis. It is common for these performance measures to be called 'Alternative Performance Measures' (APMs).

An explanation of the APMs used by the business is provided in the glossary.

In this appendix we provide a reconciliation between APMs and their statutory equivalents for the following key areas:

1. Total sales (CEO report) and statutory revenue
2. NEXT profit before tax (CEO report) and profit before tax
3. Investments (CEO report) and Statutory accounting for the investments
4. Capital expenditure (CEO report) and capital expenditure for statutory reporting
5. Cash flow (CEO report) and statutory cash flow

1. Sales and Statutory Revenue

In common with many retailers, we use 'Total Sales' and similar metrics to assess the performance of the business, and not statutory revenue. We have applied this approach consistently in prior years and in our Trading Statements. It is our view that this provides both a useful and necessary basis for understanding the Group's performance and results.

Definition of Total Trading Sales, Total Group Sales and Statutory Sales

Total Trading sales include the sales of all the stock we own and the gross transaction value of sales of LABEL products sold on a commission basis.

Total Group sales include sales through Total Platform. Total Platform sales consist mainly of the gross transaction value of client sales on Total Platform websites, but it also includes £18m of wholesale, licensing sales and revenue from services provided on a cost plus basis. Group sales also include sales from our Franchise division, sales through NEXT Sourcing (our sourcing company), Joules and property income.

Statutory sales are Total Group sales less LABEL commission sales and less Total Platform sales plus LABEL and Total Platform commissions, plus other income as summarised in the table below:

£m	Jan 2023	Jan 2022
Total Group sales	**5,414.5**	**4,861.8**
less LABEL & Overseas commission sales (full price and markdown)	*- 553.8*	*- 450.3*
less Total Platform sales	*- 144.4*	*- 39.1*
plus commission earned on LABEL sales	*+207.5*	*+169.5*
plus commission earned on Total Platform sales	*+24.6*	*+10.6*
plus Total Platform wholesale, licensing and cost plus revenues	*+18.2*	*+0.6*
plus other income (e.g. delivery charges)	*+67.4*	*+72.8*
Total Group statutory sales	**5,034.0**	**4,625.9**

2. Reporting of Joules

During the year NEXT acquired 74% of Joules with the remaining 26% acquired by Tom Joule. The share held by Tom Joule is known, for statutory reporting purposes, as a 'non-controlling interest' or sometimes referred to as a 'minority interest'.

For statutory reporting purposes, 100% of the Joules business is consolidated into the NEXT group results. At the bottom of the statutory income statement the element of the profit attributable to NEXT shareholders, being 74% of the Joules profit after tax, is then presented with the residual element shown as being the profit attributable to non-controlling interests (i.e. the 'minority interest').

For the purposes of the CEO report, the effect of the minority interest is removed from the divisional profits and the profit before tax. This means that the following lines show 74% of the Joules results:

- Operating profit
- Net interest
- Profit before tax

This is consistent with how management assesses and measures its performance for internal reporting and management purposes. The reconciliation between the CEO report and Statutory operating profit, interest and profit before tax is shown below for reference.

	CEO report	Statutory reporting	Difference
Operating profit	942.5	941.5	1.0
Finance income	5.8	5.7	0.1
Finance costs	**(77.9)**	**(77.9)**	0.0
Profit before tax	**870.4**	**869.3**	**1.1**

3. Investments in Third-Party Brands

During the year NEXT has invested in six third-party brands. The table on page 57 of the CEO report sets out the cash cost of these investments.

The legal structure of these investments differs from transaction to transaction and, as a result, the statutory reporting for these transactions may differ from the investment summary set out on page 57 of the CEO report. The table below shows how each transaction is accounted for in the statutory financial statements.

Investment per CEO report	Value as per CEO report £m	Equity stake %	Statutory accounting	Note
Reiss	(45.3)	51%	Equity accounting	1
Reiss dividend	15.3	n/a	Equity accounting	1
Joules (equity and loan)	(28.8)	74%	Consolidated	2
Joules head office	(7.4)	n/a	Plant, property & equipment	3
JoJo Maman Bébé	(15.9)	44%	Equity accounting	4
Swoon	(3.5)	25%	Equity accounting	4
MADE.com	(3.4)	n/a	Intangible	5
Sealskinz	(1.9)	19.9%	Investment accounting	6
Total investments	**(90.9)**			

Note 1: Reiss

NEXT increased its equity stake in Reiss from 25% to 51%. While this provides NEXT with the largest shareholding, it does not give NEXT control of the Reiss business. Instead, NEXT has joint control as certain operational decisions require agreement of **all** shareholders. As a result, the investment in Reiss is reported using 'Equity Accounting'. In summary, this means that:

- The original cost of the investment is shown in the balance sheet.
- Each year this is adjusted for NEXT's share of the performance of the Reiss group.
- Dividends received are set off against the investment in the balance sheet.

The full accounting policy for 'Equity Accounting' is set out on page 180 of the 2022 Annual Report and Accounts.

Note 2: Joules

NEXT acquired a 74% controlling interest in a company called Harborough Hare Holdings Limited ('Joules'). As NEXT has control of Joules (and its subsidiaries) we ***consolidate*** their results into the NEXT Group financial statements. In summary, this means that:

- All of the individual assets and liabilities of the Joules group are shown in the NEXT consolidated balance sheet.
- All of the profit and loss from Joules group is shown in the consolidated NEXT Income Statement on a line by line basis.

In the financial year 2022/23, the Joules Group reported a loss of -£4m.

Further details on the Group accounting policy for consolidated investments is included on page 178 of the 2022 Annual Report and Accounts.

Note 3: Joules Head Office

The acquisition of the Joules head office was carried out at the same time as the wider Joules acquisition. It has therefore been included in investments. For statutory reporting purposes this is treated as the acquisition of a property in Plant, Property and Equipment.

Note 4: JoJo Maman Bébé and Swoon

NEXT has taken a non-controlling equity stake in both businesses. However, we consider that from a statutory reporting perspective NEXT has 'significant influence' and therefore, like Reiss, these have been equity accounted for in the statutory financial statements. The process and basis is therefore the same as set out for the Reiss equity noted above.

Note 5: MADE.com

NEXT acquired the brand name, domain names and intellectual property of MADE.com for £3.4m. This is an acquisition of an intangible asset and therefore for statutory reporting purposes has been included as an addition within the intangible assets line. It will be depreciated over its useful life.

Full detail on the Group accounting policy for intangible assets is included on page 180 of the 2022 Annual Report and Accounts.

Note 6: Sealskinz

NEXT acquired a 19.9% equity stake in Sealskinz. NEXT does not have 'significant influence' over Sealskinz due to the large number of other shareholders, which dilutes the influence of any one shareholder. NEXT has therefore recognised this as an investment in its balance sheet and adjusts this each year for the *fair value* movement. Any gains or losses are then reported within the Income Statement.

4. Capital Expenditure

The capital expenditure in the cash flow presented in the CEO report is presented based on the internal operational view of capital expenditure. From a statutory viewpoint, there are some differences which are reconciled below.

	Jan 2023 £m
Capital expenditure per CEO report	206.0
Add MADE.com	3.4
Add acquisition of Joules head office	7.4
Add property build costs	31.1
Less capital accruals	(1.1)
Capital expenditure per statutory reporting	**246.8**

In the CEO report, expenditure on MADE.com and Joules head office has been presented as part of the Investment costs while the Property build costs are shown separately within the Property costs section. Capital accruals are shown as part of working capital in the cash flow in the CEO report.

5. Cash Flow

The cash flow statement presented in the CEO report is consistent with the cash flow statement used by management in its decision making processes and internal reporting. It is this view of the cash flows, and in particular the 'Surplus Cash' line, that informs decision making on distributions. However, this approach, while used by management, is not consistent with the presentation of cash flows on a statutory basis.

In this section we provide a walk forward from Surplus Cash presented in the CEO report cash flow to 'net cash from operating activities' in the statutory cash flow. The overall total cash flow is the same - the difference is limited to presentation.

The statutory cash flow is split into three main sections:

- *Operating activities:* Cash flows primarily derived from our revenue-producing activities.
- *Investing activities:* Cash flows that result in the recognition of an asset in the balance sheet (i.e. capex or investing in another company).
- *Financing activities:* Cash flows that result from financing - issue of shares, share buybacks, issue of bonds, interest payments/receipts, dividends and leases. The cash flow in the CEO report is presented in a different way, as explained further overleaf.

	Note	£m
Surplus cash from trading activities	1	398.4
Add back interest charge to get to Group PBT	2	71.1
Depreciation / impairment on plant, property and equipment	3	(16.7)
Capital expenditure	4	205.8
Purchase of shares by ESOT	5	124.0
Disposal of shares by ESOT	5	(34.3)
Customer receivables	6	(92.0)
Lease payments (net of incentives)	7	157.0
Working capital and other	8	(14.5)
Net cash from operating activities - per statutory cash flow	9	**798.8**

Note 1: As per the cash flow statement on page 54 of the CEO report, Surplus Cash from Trading Activities was £398m for the year to January 2023.

Note 2: The cash flow in the CEO report starts with the NEXT Group profit before tax of £870.4m, which is after interest costs of £72.2m and removes the Joules non-controlling interest of £1.1m. This differs from the statutory cash flow statement, which starts its cash flow statement with "operating profit" of £941.5m.

Note 3: The cash flow in the CEO report includes the depreciation, amortisation, impairment and gains on disposals of our plant, property and equipment including sale and leaseback transactions. In the statutory cash flow these items are presented within operating cash flows and investing activities.

Note 4: Management includes the capital expenditure (capex) which it considers to be part of its trading activity and deducts this capex when calculating Surplus Cash. In the statutory cash flow, all capex is included within investing activity and hence not part of operating cash flows. Therefore the capex of £206m in the CEO report has been added back in the bridge above.

Note 5: Surplus cash is recognised after the purchase and disposal of shares in the ESOT. In contrast they are classified as financing activity in the statutory cash flow.

Note 6: The customer receivables cash movement relates to the next**pay** receivables balance. For management purposes, movements in this balance are excluded from Surplus Cash. In contrast, this is included within operating cash flow for statutory reporting.

Note 7: The cash flows associated with our leases, which are predominantly store related, are considered by management to be an integral part of our trading cash flows and hence are included in the calculation of Surplus Cash. From a statutory perspective, lease cash flows are included in financing activity (as a lease is deemed a form of debt).

Note 8: The remaining difference relates to immaterial movements on working capital and other items such as the equity profit from our investments.

Note 9: This value of £798.8m can be reconciled to the line "Net cash from operating activities" in the statutory cash flow statement.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	**52 weeks to 28 January 2023 £m**	52 weeks to 29 January 2022 £m
Continuing operations			
Revenue (including credit account interest)	2, 3	**5,034.0**	4,625.9
Cost of sales		**(2,827.7)**	(2,625.3)
Impairment losses on customer and other receivables		**(31.0)**	(28.6)
Gross profit		**2,175.3**	1,972.0
Distribution costs		**(750.0)**	(693.7)
Administrative expenses		**(481.8)**	(380.2)
Other (losses)/gains		**(16.3)**	2.5
Trading profit		**927.2**	900.6
Share of results of associates and joint ventures		**14.3**	4.8
Operating profit		**941.5**	905.4
Finance income		**5.7**	4.2
Finance costs		**(77.9)**	(86.5)
Profit before taxation		**869.3**	823.1
Taxation		**(158.6)**	(145.6)
Profit for the year		**710.7**	677.5

	52 weeks to 28 January 2023 £m	52 weeks to 29 January 2022 £m
Profit attributable to:		
- Equity holders of the Parent Company	**711.7**	677.5
- Non-controlling interests	**(1.0)**	-
	710.7	677.5

Earnings Per Share (Note 4)	**52 weeks to 28 January 2023**	52 weeks to 29 January 2022
Basic	**573.4p**	530.8p
Diluted	**570.5p**	524.0p

The Notes 1 to 16 are an integral part of these unaudited consolidated financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	52 weeks to 28 January 2023 £m	52 weeks to 29 January 2022 £m
Profit for the period	**710.7**	677.5
Other comprehensive income and expenses:		
Items that will not be reclassified to profit or loss		
Actuarial gains on defined benefit pension scheme	**0.6**	55.1
Tax relating to items which will not be reclassified	**(0.1)**	(13.8)
Subtotal items that will not be reclassified	**0.5**	41.3
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**1.2**	(2.4)
Foreign currency cash flow hedges:		
- fair value movements	**79.2**	36.9
Cost of hedging		
- fair value movements	**(0.4)**	0.8
Tax relating to items which may be reclassified	**(19.7)**	(7.2)
Subtotal items that may be reclassified	**60.3**	28.1
Other comprehensive income for the period	**60.8**	69.4
Total comprehensive income for the period	**771.5**	746.9
Total comprehensive income attributable to:		
- Equity holders of the Parent Company	772.5	746.9
- Non-controlling interests	(1.0)	-
	771.5	746.9

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	28 January 2023 £m	29 January 2022 £m
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**644.8**	601.1
Intangible assets		**137.1**	79.3
Right-of-use assets	13	**662.0**	639.1
Associates, joint ventures and other investments	14	**114.6**	46.2
Defined benefit pension asset	6	**157.5**	156.9
Other financial assets	7	**-**	18.0
Deferred tax assets		**33.3**	34.0
		1,749.3	1,574.6
Current assets			
Inventories		**662.2**	633.0
Customer and other receivables	8	**1,425.5**	1,280.9
Right of return asset		**32.7**	24.8
Other financial assets	7	**9.1**	35.5
Cash and short term deposits		**105.0**	433.0
		2,234.5	2,407.2
Total assets		**3,983.8**	3,981.8
Current liabilities			
Bank loans and overdrafts		**(102.3)**	(233.1)
Trade payables and other liabilities	9	**(791.1)**	(798.4)
Lease liabilities	13	**(146.2)**	(162.6)
Other financial liabilities	7	**(40.8)**	(1.0)
Current tax liabilities		**(12.9)**	(13.0)
		(1,093.3)	(1,208.1)
Non-current liabilities			
Corporate bonds	10	**(790.7)**	(815.7)
Provisions		**(33.8)**	(21.9)
Lease liabilities	13	**(877.1)**	(894.9)
Other financial liabilities	7	**(9.5)**	-
Other liabilities		**(14.3)**	(31.2)
		(1,725.4)	(1,763.7)
Total liabilities		**(2,818.7)**	(2,971.8)
NET ASSETS		**1,165.1**	1,010.0
TOTAL EQUITY		**1,165.1**	1,010.0

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium account £m	Capital redemption reserve £m	ESOT reserve £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Foreign currency translation £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 30 January 2021	**13.3**	**0.9**	**16.6**	**(271.2)**	**(19.7)**	**0.1**	**(2.5)**	**(1,443.8)**	**2,367.2**	**660.9**	**-**	**660.9**
Profit for the period	-	-	-	-	-	-	-	-	677.5	**677.5**	-	**677.5**
Other comprehensive income/(expense) for the period	-	-	-	-	29.9	0.6	(2.4)	-	41.3	**69.4**	-	**69.4**
Total comprehensive income/(expense) for the period	-	-	-	-	29.9	0.6	(2.4)	-	718.8	**746.9**	-	**746.9**
Share buybacks and commitments	-	-	-	-	-	-	-	-	(13.1)	**(13.1)**	-	**(13.1)**
ESOT share purchases	-	-	-	(151.3)	-	-	-	-	-	**(151.3)**	-	**(151.3)**
Shares issued by ESOT	-	-	-	90.8	-	-	-	-	(24.4)	**66.4**	-	**66.4**
Share option charge	-	-	-	-	-	-	-	-	19.9	**19.9**	-	**19.9**
Reclassified to cost of inventory	-	-	-	-	21.7	-	-	-	-	**21.7**	-	**21.7**
Tax recognised directly in equity	-	-	-	-	(4.0)	-	-	-	7.1	**3.1**	-	**3.1**
Equity dividends (Note 5)	-	-	-	-	-	-	-	-	(344.5)	**(344.5)**	-	**(344.5)**
At 29 January 2022	**13.3**	**0.9**	**16.6**	**(331.7)**	**27.9**	**0.7**	**(4.9)**	**(1,443.8)**	**2,731.0**	**1,010.0**	**-**	**1,010.0**
Profit for the period	-	-	-	-	-	-	-	-	711.7	**711.7**	(1.0)	**710.7**
Other comprehensive income/(expense) for the period	-	-	-	-	59.4	(0.3)	1.2	-	0.5	**60.8**	-	**60.8**
Total comprehensive income/(expense) for the period	-	-	-	-	59.4	(0.3)	1.2	-	712.2	**772.5**	(1.0)	**771.5**
Share buybacks and commitments	(0.4)	-	0.4	-	-	-	-	-	(224.0)	**(224.0)**	-	**(224.0)**
ESOT share purchases	-	-	-	(124.0)	-	-	-	-	-	**(124.0)**	-	**(124.0)**
Shares issued by ESOT	-	-	-	59.0	-	-	-	-	(18.2)	**40.8**	-	**40.8**
Share option charge	-	-	-	-	-	-	-	-	24.3	**24.3**	-	**24.3**
Reclassified to cost of inventory	-	-	-	-	(128.7)	-	-	-	-	**(128.7)**	-	**(128.7)**
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	**-**	5.6	**5.6**
Gain on disposal of investment	-	-	-	-	-	-	-	-	0.8	**0.8**	-	**0.8**
Tax recognised directly in equity	-	-	-	-	30.1	-	-	-	(4.2)	**25.9**	-	**25.9**
Equity dividends (Note 5)	-	-	-	-	-	-	-	-	(237.1)	**(237.1)**	-	**(237.1)**
At 28 January 2023	**12.9**	**0.9**	**17.0**	**(396.7)**	**(11.3)**	**0.4**	**(3.7)**	**(1,443.8)**	**2,984.8**	**1,160.5**	**4.6**	**1,165.1**

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	52 weeks to 28 January 2023 £m	52 weeks to 29 January 2022 £m
Cash flows from operating activities		
Operating profit	**941.5**	905.4
Depreciation, reversal of impairment and (profit)/loss on disposal of property, plant and equipment	**80.6**	90.3
Depreciation and impairment reversal on right-of-use assets	**72.7**	112.6
Amortisation and impairment of intangible assets	**12.5**	4.3
Amortisation, impairment & disposals of investments	**1.1**	-
Share option charge	**24.3**	19.9
Share of profit of associates and joint ventures	**(14.3)**	(4.8)
Exchange movement	**(0.8)**	(1.6)
Increase in inventories and right of return asset	**(22.8)**	(96.5)
Increase in customer and other receivables	**(156.5)**	(165.4)
Increase in trade and other payables	**12.0**	235.2
Net pension contributions less income statement charge	**-**	(2.7)
Cash generated from operations	**950.3**	1,096.7
Corporation taxes paid	**(151.5)**	(125.3)
Net cash from operating activities	**798.8**	971.4
Cash flows from investing activities		
Additions to property, plant and equipment	**(207.1)**	(239.2)
Movement in capital accruals	**2.0**	(4.4)
Payments to acquire property, plant and equipment	**(205.1)**	(243.6)
Proceeds from sale of property, plant and equipment	**-**	3.4
Proceeds from sale and leaseback transactions	**41.7**	15.5
Purchase of intangible assets	**(41.0)**	(22.7)
Amounts repaid / (lent) to associates and joint ventures	**11.3**	(10.8)
Disposal of other investment	**1.8**	-
Investment in subsidiaries	**(28.8)**	-
Investment in associates and joint ventures	**(64.7)**	(34.3)
Acquisition of other investments	**(1.9)**	-
Dividend from jointly controlled entity	**9.8**	-
Disposal of preference shares in jointly controlled entity	**5.5**	-
Net cash from investing activities	**(271.4)**	(292.5)
Cash flows from financing activities		
Repurchase of own shares	**(228.5)**	(8.7)
Purchase of shares by ESOT	**(124.0)**	(151.3)
Disposal of shares by ESOT	**34.3**	72.5
Repayment of bond	**-**	(325.0)
Incentives received for leases within the scope of IFRS 16	**0.1**	11.9
Lease payments	**(157.1)**	(172.3)
Interest paid (including lease interest)	**(74.1)**	(91.1)
Interest received	**0.3**	0.8
Proceeds from sale and leaseback transactions	**59.3**	14.3
Dividends paid (Note 5)	**(237.4)**	(344.5)
Net cash from financing activities	**(727.1)**	(993.4)
Net decrease in cash and cash equivalents	**(199.7)**	(314.5)
Opening cash and cash equivalents	**199.9**	514.8
Effect of exchange rate fluctuations on cash held	**2.5**	(0.4)
Closing cash and cash equivalents	**2.7**	199.9

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The results for the financial period are for the 52 weeks to 28 January 2023 (last year 52 weeks to 29 January 2022).

The condensed consolidated financial statements for the period ended 28 January 2023 have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The condensed consolidated financial statements are unaudited and do 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 29 January 2022 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.

In addition to the accounting policies already included in the statutory accounts for the year to 29 January 2022, the Group has also applied the following policies for the year to 28 January 2023:

Revenue
Revenue from our Total Platform services is measured at the fair value of the consideration received or receivable and represents amounts receivable for the provision of services (for example the delivery of stock from the warehouse to retail stores) in the normal course of business, net of discounts, value added tax and other sales-related taxes.

Business combinations
Acquisitions of businesses are accounted for using the acquisition method. The consideration paid in a business combination is measured at fair value with acquisition-related costs recognised in profit or loss as incurred. When the consideration paid includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

At the acquisition date, the identifiable assets and liabilities acquired are recognised at their fair value, with the exception of any associated deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements which are recognised in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

1. Basis of preparation (continued)

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

New accounting standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the condensed consolidated financial statements are the same as those set out in the Group's annual financial statements for the 52 weeks ended 29 January 2022 other than for the interpretations and amendments noted below:

- Reference to Conceptual Framework - amendments to IFRS 3
- Property, Plant and Equipment - Proceeds before Intended Use - amendments to IAS 16
- Onerous Contracts - Cost of Fulfilling a Contract - amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020

The application of these new interpretations and amendments did not have a material impact on the financial statements.

Going concern

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities including the Group's principal risks and uncertainties. The Board also considered the Group's current cash position, the repayment profile of its obligations, its financial covenants and the resilience of its 12 month cash flow forecasts to a series of severe but plausible downside scenarios such as further enforced store closures. Having considered these factors, the Board is satisfied that the Group has adequate resources to continue in operational existence and therefore it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the 52 weeks ended 28 January 2023.

2. Segmental analysis

The Group's operating segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Group Chief Executive, with support from the Board. The performance of operating segments is assessed on operating profit, excluding equity-settled share option charges recognised under IFRS 2 "Share-based payment" and unrealised gains or losses on derivatives which do not qualify for hedge accounting.

The Property Management segment holds properties and property leases which are recharged to other segments and external parties. The NEXT International Retail segment comprises franchise and wholly owned stores overseas. International online sales are included in the NEXT Online segment.

2. Segmental analysis (continued)

Where third-party branded goods are sold on a commission basis, only the commission receivable is included in statutory revenue. "Total Group sales" represents the full customer sales value of commission based sales, interest income and service income, excluding VAT. Under IFRS 15 "Revenue from contracts with customers", total sales have also been adjusted for customer delivery charges, promotional discounts, Interest Free Credit commission costs and expired gift card balances (See "Other IFRS 15 adjustments" in the table overleaf). The CODM uses the Total Group sales as a key metric in assessing segment performance; accordingly, this is presented below and then reconciled to the statutory revenue.

Segmental analysis restatement

During the financial year to 28 January 2023, the segment revenue and profit used by the CODM changed as set out below:

1. **Lipsy**

   The Group had previously split the profit generated from selling Lipsy goods through the NEXT website between NEXT Online and the Lipsy division. Given all of Lipsy's online sales are reported within NEXT Online, the Group will now present all of these associated profits within NEXT Online and therefore, for comparative purposes, has restated segment sales and revenue and profit for the 52 weeks to 29 January 2022. This does not impact Group profit and is a change in presentation within this note only. Under the previous approach, prior to the restatement, the Lipsy profit was £27.1m (2022: £20.5m). As a result of this change:

   1) Segment profit for NEXT Online increases by £27.5m (2022: £18.0m).
   2) NEXT Finance profit increased by £11.7m (2022: £7.7m) as Lipsy previously received a benefit for its contribution towards the NEXT Finance business.
   3) International Retail, Sourcing and Other has an additional cost of £12.1m (2022: £5.2m).

   Lipsy's assets, capital expenditure and depreciation continue to be included within NEXT Online.

2. **Total Platform**

   In the prior financial year, the financial performance of Total Platform was reported across two segments:

   (1) profit on sales was reported within NEXT Online; and

   (2) equity returns were reported separately within "Share of results of associates and joint venture".

   The Total Platform business has grown significantly in the last 12 months and therefore sales and profits will be presented within its own segment for a better understanding of the performance of Total Platform. As a result, the prior year segment revenue and profits have been restated so that all Total Platform related profit is presented in its own segment. This has no impact on Group profit.

   As a result of this change:

   1) Total Platform segment reports profit of £19.3m (2022: £6.9m);
   2) NEXT Online's segment profit decreases by £5.1m (2022: £2.1m); and
   3) Profit shown in "Share of results of associates and joint ventures" decreases by £14.3m (2022: £4.8m).

   Total Platform's assets, capital expenditure and depreciation are reported within the NEXT Online segment as the assets are shared with the Online business.

2. Segmental analysis (continued)

In addition to the above we have aggregated NEXT International Retail and NEXT Sourcing and some residual Lipsy wholesale sales and central costs into a single line "International Retail, Sourcing and Other". None of these changes impacts the overall Group operating profit as they relate to presentation and reclassifications only.

Segment sales and revenue

	52 weeks to 28 January 2023					
	Total sales excluding VAT £m	**Commission sales adjustment £m**	**Other IFRS 15 adjustments £m**	**External revenue £m**	**Internal revenue £m**	**Total segment revenue £m**
NEXT Online	**3,006.6**	**(329.2)**	**66.2**	**2,743.6**	**0.6**	**2,744.2**
NEXT Finance	**274.4**	**-**	**-**	**274.4**	**-**	**274.4**
NEXT Retail	**1,865.1**	**(17.1)**	**1.1**	**1,849.1**	**0.4**	**1,849.5**
Total Trading Sales	**5,146.1**	**(346.3)**	**67.3**	**4,867.1**	**1.0**	**4,868.1**
Total Platform	**144.4**	**(101.5)**	**-**	**42.9**	**-**	**42.9**
Joules	**32.8**	**-**	**-**	**32.8**	**-**	**32.8**
Property Management	**18.9**	**-**	**-**	**18.9**	**156.1**	**175.0**
International Retail, Sourcing and other	**72.3**	**-**	**-**	**72.3**	**530.2**	**602.5**
Total segment sales/revenue	**5,414.5**	**(447.8)**	**67.3**	**5,034.0**	**687.3**	**5,721.3**
Eliminations	**-**	**-**	**-**	**-**	**(687.3)**	**(687.3)**
Total	**5,414.5**	**(447.8)**	**67.3**	**5,034.0**	**-**	**5,034.0**

	52 weeks to 29 January 2022 *restated					
	Total sales excluding VAT £m	Commission sales adjustment £m	Other IFRS 15 adjustments £m	External revenue £m	Internal revenue £m	Total segment revenue £m
NEXT Online	3,064.7	(273.7)	72.1	2,863.1	-	2,863.1
NEXT Finance	249.4	-	-	249.4	-	249.4
NEXT Retail	1,432.4	(7.2)	0.7	1,425.9	0.2	1,426.1
Total Trading Sales	4,746.5	(280.9)	72.8	4,538.4	0.2	4,538.6
Total Platform	39.1	(27.8)	-	11.3	-	11.3
Joules	-	-	-	-	-	-
Property Management	12.7	-	-	12.7	167.3	180.0
International Retail, Sourcing and other	63.5	-	-	63.5	488.0	551.5
Total segment sales/revenue	4,861.8	(308.7)	72.8	4,625.9	655.5	5,281.4
Eliminations	-	-	-	-	(655.5)	(655.5)
Total	4,861.8	(308.7)	72.8	4,625.9	-	4,625.9

2. Segmental analysis (continued)

Included within external revenue is £123.7m (2022: £110.4m) related to sales made through the redemption of gift cards.

Segment profit

	52 weeks to 28 January 2023 £m	52 weeks to 29 January 2022 *Restated £m	52 weeks to 29 January 2022 previously reported £m
NEXT Online	**467.3**	604.4	588.5
NEXT Finance	**170.5**	149.5	141.8
NEXT Retail	**240.5**	107.0	107.0
Profit from Trading	**878.3**	860.9	837.3
Total Platform (including share of results from associates and joint ventures)	**19.3**	6.9	-
Joules	**(4.1)**	-	-
Lipsy	**-**	-	20.5
Property Management	**37.0**	10.8	10.8
International Retail, Sourcing and other	**28.1**	28.5	33.7
Total segment profit	**958.6**	907.1	902.3
Central costs and other	**(10.9)**	(15.2)	(15.2)
Recharge of interest	**34.4**	30.9	30.9
Share option charge	**(24.3)**	(19.9)	(19.9)
Unrealised foreign exchange (losses)/gains	**(16.3)**	2.5	2.5
Share of results of associates and joint ventures	**-**	-	4.8
Operating profit	**941.5**	905.4	905.4
Finance income	**5.7**	4.2	4.2
Finance costs	**(77.9)**	(86.5)	(86.5)
Profit before tax	**869.3**	823.1	823.1

3. Revenue

The Group's disaggregated revenue recognised under contracts with customers relates to the following categories and operating segments:

	52 weeks to 28 January 2023					
	Sale of goods £m	**Credit account interest £m**	**Royalties £m**	**Rental income £m**	**Service income £m**	**Total £m**
NEXT Online	**2,743.6**	**-**	**-**	**-**	**-**	**2,743.6**
NEXT Finance	**-**	**274.4**	**-**	**-**	**-**	**274.4**
NEXT Retail	**1,849.1**	**-**	**-**	**-**	**-**	**1,849.1**
Total Platform	**27.4**	**-**	**-**	**-**	**15.5**	**42.9**
Joules	**32.8**	**-**	**-**	**-**	**-**	**32.8**
Property Management	**-**	**-**	**-**	**18.9**	**-**	**18.9**
International Retail, Sourcing and other	**62.3**	**-**	**10.0**	**-**	**-**	**72.3**
Total	**4,715.2**	**274.4**	**10.0**	**18.9**	**15.5**	**5,034.0**

	52 weeks to 29 January 2022 *restated					
	Sale of goods £m	Credit account interest £m	Royalties £m	Rental income £m	Service income £m	Total £m
NEXT Online	2,863.1	-	-	-	-	2,863.1
NEXT Finance	-	249.4	-	-	-	249.4
NEXT Retail	1,425.9	-	-	-	-	1,425.9
Total Platform	11.3	-	-	-	-	11.3
Joules	-	-	-	-	-	-
Property Management	-	-	-	12.7	-	12.7
International Retail, Sourcing and other	57.1	-	6.4	-	-	63.5
Total	4,357.4	249.4	6.4	12.7	-	4,625.9

*As explained in Note 2 Segment Analysis, the Lipsy segment has been consolidated within NEXT Online and Total Platform has been separated out into its segment. Therefore the prior year revenues has been restated to reflect this change in segments. This change has no impact on the Group's Total Revenue.

4. Earnings Per Share

	52 weeks to 28 January 2023	52 weeks to 29 January 2022
Basic Earnings Per Share	**573.4p**	530.8p
Diluted Earnings Per Share	**570.5p**	524.0p

Basic Earnings Per Share is based on the profit for the period attributable to the equity holders of the Parent Company divided by the net of 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 calculated by adjusting 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. Where the option price is above the average market price, the option is not dilutive and is excluded from the diluted EPS calculation. There were 3,112,796 non-dilutive share options in the current year (2022: 1,474,577).

5. Dividends

	Paid	**Pence per share**	**Cash Flow Statement £m**	**Statement of Changes in Equity* £m**
Year to 28 January 2023				
Final ordinary dividend for the year to Jan 2022	1 Aug 2022	**127p**	**156.5**	**156.5**
Interim ordinary dividend for the year to Jan 2023	3 Jan 2023	**66p**	**80.9**	**80.9**
			237.4	**237.4**
Year to 29 January 2022				
Special interim dividend	3 Sep 2021	110p	140.3	140.3
Special interim dividend	28 Jan 2022	160p	204.2	204.2
			344.5	344.5

*Dividends included within the Statement of Changes in Equity for the current year is £237.1m which includes £0.3m of dividends previously payable and which have now lapsed.

The Trustee of the ESOT waived dividends paid in the year on shares held by the ESOT.

It is intended that an ordinary dividend of 140.0p per share will be paid to shareholders on 1 August 2023. NEXT plc shares will trade ex-dividend from 6 July 2023 and the record date will be 7 July 2023. The estimated amount payable is £173m. The proposed dividend is subject to approval by shareholders at the Annual General Meeting to be held on 18 May 2023 and has not been included as a liability in the financial statements.

6. Defined benefit pension

The principal defined benefit pension scheme is the 2013 NEXT Group Pension Plan. The net defined benefit pension asset recognised in the Consolidated Balance Sheet is analysed as follows:

	2023	2022
Present value of benefit obligations	**(623.1)**	(933.1)
Fair value of plan assets	**780.6**	1,090.0
Net pension asset	**157.5**	156.9

The movement in the defined benefit pension surplus in the period is as follows:

	52 weeks to 28 January 2023 £m	52 weeks to 29 January 2022 £m
Surplus in schemes at the beginning of the period	**156.9**	99.2
Current service cost	**(6.7)**	(8.4)
Past service cost	**(1.1)**	-
Administration costs	**(2.5)**	(2.5)
Net interest	**3.5**	1.6
Employer contributions	**6.8**	11.8
SPA Plan benefits paid	**-**	0.1
Actuarial gains and returns on plan assets	**0.6**	55.1
Surplus in schemes at the end of the period	**157.5**	156.9

The main financial assumptions and actuarial valuations have been updated by independent qualified actuaries under IAS 19 "*Employee benefits*". The following financial assumptions have been used for the main scheme, the 2013 plan:

	52 weeks to 28 January 2023	52 weeks to 29 January 2022
Discount rate	**4.60%**	2.15%
Inflation - RPI	**3.10%**	3.50%
Inflation - CPI	**2.70%**	3.05%
Salary increases	**n/a**	n/a
Pension increases in payment		
- RPI with a maximum of 5.0%	**2.85%**	3.05%
- RPI with a maximum of 2.5% and discretionary increases	**1.85%**	2.00%

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. All derivatives are categorised as Level 2 under the requirements of IFRS 13, as they are valued using techniques based significantly on observed market data.

8. Customer and other receivables

The following table shows the components of net receivables:

	2023 **£m**	2022 £m
Gross customer receivables	**1,521.1**	1,403.3
Less: refund liabilities	**(64.2)**	(49.4)
Net customer receivables	**1,456.9**	1,353.9
Less: allowance for expected credit losses	**(202.2)**	(191.2)
	1,254.7	1,162.7
Other trade receivables	**42.9**	24.9
Less: allowance for doubtful debts	**(0.3)**	(0.5)
	1,297.3	1,187.1

Presentation of the above, split by total receivables and allowances:

	2023 **£m**	2022 £m
Net customer receivables	**1,456.9**	1,353.9
Other trade receivables	**42.9**	24.9
	1,499.8	1,378.8
Less: allowance for expected credit losses and doubtful debts	**(202.5)**	(191.7)
	1,297.3	1,187.1
Prepayments	**54.9**	53.1
Other debtors	**40.7**	14.1
Amounts due from associates and joint ventures	**32.6**	26.6
	1,425.5	1,280.9

8. Customer and other receivables (continued)

No interest is charged on customer receivables if the statement balance is paid in full and to terms; otherwise balances bear interest at a variable annual percentage rate of 23.9% (2022: 23.9%) at the year-end date, except for £54.8m (2022: £40.6m) of next**3step** balance which bears interest at 29.9% (2022: 29.9%) at the year end date.

The fair value of customer receivables and other trade receivables is approximately £1,260m (2022: £1,150m). This has been calculated based on future cash flows discounted at an appropriate rate for the risk of the debt. The fair value is within Level 3 of the fair value hierarchy.

The amount charged to the Income Statement of £31.0m (2022: £28.6m) differs to the bad debt charge of £26.2m in the Chief Executive's Review due to recoveries of previously written off assets taken directly to the Income Statement.

9. Trade payables and other liabilities

	2023		2022	
	Current £m	**Non-current £m**	Current £m	Non-current £m
Trade payables	**230.1**	**-**	275.4	-
Amounts owed to associates and joint ventures	**2.1**	**-**	0.5	-
Refund liabilities	**8.3**	**-**	4.8	-
Other taxation and social security	**95.7**	**-**	76.8	-
Deferred revenue from the sale of gift cards	**84.2**	**-**	79.5	-
Share-based payment liability	**0.2**	**-**	0.2	0.1
Other creditors and accruals	**370.5**	**14.3**	361.2	31.1
	791.1	**14.3**	798.4	31.2

10. Corporate bonds

	Balance Sheet value		Nominal value	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Corporate bond 3.000% repayable 2025	**250.0**	250.0	**250.0**	250.0
Corporate bond 4.375% repayable 2026	**240.7**	265.7	**250.0**	250.0
Corporate bond 3.625% repayable 2028	**300.0**	300.0	**300.0**	300.0
	790.7	815.7	**800.0**	800.0

11. Share capital

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

	2023	2022	**2023**	2022
	Shares '000	Shares '000	**£m**	£m
Allocated, called up and fully paid				
Ordinary shares of 10p each				
At the start of the year	**132,772**	132,949	**13.3**	13.3
Purchased for cancellation in the year	**(3,509)**	(177)	**(0.4)**	-
	129,263	132,772	**12.9**	13.3

	2023		2022	
	Shares '000	**Cost £m**	Shares '000	Cost £m
Shares purchased for cancellation in the year	**3,509**	**224.0**	177	13.1
Amount shown in Statement of Changes in Equity		**224.0**		13.1

Subsequent to the end of the financial year the Company entered into an irrevocable closed period share buyback programme and during the period from 27 February 2023 up to and including 28 March 2023 purchased 526,099 shares for cancellation at a cost of £36.2m.

12. Analysis of net debt

	January 2022 £m	Cash flow £m	Fair value changes £m	IFRS 16 £m	**January 2023 £m**
Cash and short term deposits	433.0	(328.0)	-	-	**105.0**
Overdrafts and short term borrowings	(233.1)	130.8	-	-	**(102.3)**
Cash and cash equivalents	**199.9**	**(197.2)**	**-**	**-**	**2.7**
Corporate bonds	(815.7)	-	25.0	-	**(790.7)**
Fair value hedges of corporate bonds	15.7	-	(25.0)	-	**(9.3)**
Net debt excluding leases	**(600.1)**	**(197.2)**	**-**	**-**	**(797.3)**
Current lease liability	(162.6)	-	-	16.4	**(146.2)**
Non-current lease liability	(894.9)	-	-	17.8	**(877.1)**
	(1,057.5)	**-**	**-**	**34.2**	**(1,023.3)**
Net debt including leases	**(1,657.6)**	**(197.2)**	**-**	**34.2**	**(1,820.6)**

The IFRS 16 movements represent cash movements in relation to lease payments of £204.4m, and non cash movements relating to disposals of £5.5m offset by additions of £84.2m, modifications of £41.5m, finance costs £47.3m and Foreign exchange losses of £2.7m.

Interest of £24.0m was accrued and paid on the Corporate bonds and associated hedges during the year. The unpaid interest accrual of £14.6m is recognised within accruals.

13. Leases

The right-of-use assets are comprised of:

	2023 £m	2022 £m
Buildings	**228.0**	193.0
Stores	**420.5**	433.5
Equipment	**1.2**	2.0
Vehicles	**12.3**	10.6
Total	**662.0**	639.1

13. Leases (continued)

The movement in the right-of-use asset is as follows:

	2023 **£m**	2022 £m
At the beginning of the year	**639.1**	720.1
Additions	**58.2**	27.8
Disposals	**(4.0)**	(6.0)
Modifications and amendments	**41.4**	9.2
Depreciation	**(107.6)**	(113.8)
Reversal of impairment	**34.9**	1.8
At the end of the year	**662.0**	639.1

The movement in the lease liability is as follows:

	2023 **£m**	2022 £m
At the beginning of the year	**(1,057.5)**	(1,185.9)
Additions	**(84.2)**	(41.2)
Modifications and amendments	**(41.5)**	(12.9)
Payments	**204.4**	222.7
Interest	**(47.3)**	(50.4)
Disposals	**5.5**	9.5
Foreign exchange movement	**(2.7)**	0.7
At the end of the year	**(1,023.3)**	(1,057.5)

The income statement shows the following amounts relating to leases:

	2023 **£m**	2022 £m
Finance costs on leases	**(47.3)**	(50.4)
Expense on short term and low value leases	**(4.0)**	(3.5)
Expense on variable leases	**(26.9)**	(4.1)
Gain on sale and leasebacks	**17.7**	13.4

14. Associates, Joint Ventures and Other Investments

	2023	2022
	£m	£m
Opening balance	**46.2**	5.0
Additions	**66.6**	34.3
Retained profit	**14.3**	4.8
Interest on preference shares	**4.8**	2.4
Preference share dividend received	**(9.8)**	-
Divestment of preference shares	**(5.5)**	-
Disposal of investment	**(1.0)**	-
Amortisation and impairment in the period	**(1.0)**	(0.3)
Closing balance	**114.6**	46.2

On 28 February 2022, NEXT exercised its option to acquire a further 26% indirect interest in Reiss Limited ("Reiss"). Upon completion in May 2022, NEXT acquired the 26% for £45.3m financed from NEXT's own cash resources. Although NEXT now holds a 51% equity share, it does not have control of Reiss' operational and financial activities and therefore has been treated as a joint venture.

In addition, in March 2022, NEXT acquired a 25% equity stake in Swoon Limited for a cash consideration of £3.5m, and in April 2022, a 44% equity stake in the holding company of JoJo Maman Bébé Limited for a total cash consideration of £15.9m. In both cases NEXT has significant influence, but not control, over the investments' operational and financial activities and therefore they have been treated as associates.

During the year, NEXT also acquired a 19.9% stake in the holding company of Sealskinz Limited for £1.9m comprising ordinary shares and preference shares. For this acquisition, NEXT does not have significant influence and therefore the investment in ordinary shares has been accounted for as financial assets at fair value through profit or loss and the preference shares are financial assets measured at amortised cost within this note.

Additions in the prior period to January 2022 relate to the considerations paid for the initial 25% indirect interest in Reiss Limited ("Reiss"), a 33% direct interest in Aubin and Wills Holdings Limited and a 51% joint venture arrangement with Gap, Inc., West Apparel Limited. West Apparel Limited is treated as a joint venture as NEXT has joint control of its operations and financial activities.

15. Acquisition of subsidiary

On 1 December 2022, the Group acquired 74% of the trade and assets from Joules Limited, a consolidated group whose principal activity is the design and sale of lifestyle clothing, related accessories and a homeware range, through a multi-channel business structure embracing retail stores, wholesale and online.

The provisional amounts recognised in respect of the identifiable assets and liabilities acquired are set out in the table below:

	£m
Financial assets	**1.8**
Inventory	**14.3**
Property, plant and equipment and software	**8.6**
Identifiable intangible assets	**10.5**
Financial liabilities	**(9.8)**
Deferred tax liabilities	**(2.6)**
Total identifiable assets acquired	**22.8**
Goodwill	**11.6**
Non-controlling interest in 26% of The Harborough Hare Holdings Limited	**(5.6)**
Total consideration	**28.8**
Satisfied by:	
Cash	**28.8**

16. AGM

The Annual General Meeting will be held at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester, LE19 1SW on Thursday 18 May 2023 at 9:30 am and details will be included in the Notice of Meeting which is to be sent to shareholders on 14 April 2023. The Annual Report and Accounts will also be sent to shareholders on 14 April 2023 and copies will be available from the Company's registered office: Desford Road, Enderby, Leicester, LE19 4AT and on our corporate website at nextplc.co.uk.

GLOSSARY

Alternative Performance Measures (APMs) and other non statutory finance measures

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Average active customers Those customers who have purchased products using their Online account or received a standard account statement in the last 20 weeks. Customers can be either Online credit or cash customers.	None	Active customers have a strong correlation with interest income on the Finance P&L and help drive understanding of movements in income. Reconciliation to closest equivalent statutory measure not applicable.
Average customer receivables/debtor balance The average amount of money owed by all next**pay** and next**3step** customers less any provision for bad debt. This represents the total balances we expect to recover, averaged across the relevant period. This is referred to as 'customer receivable' or 'debtor balance'.	None	Average debtor balance has a strong correlation with interest income on the Finance P&L and helps drive understanding of movements in income. It also helps to evaluate the overall health of the balance sheet for the Finance business. The average debtor balance in FY23 was £1,179m (FY22: £1,062m). The statutory accounts do not disclose the monthly debtor balance needed to calculate the average debtor balance. The year end balance is disclosed in Note 8 to the financial statements.
Bad debt charge The charge taken in relation to the performance of our customer debtor book. This consists predominantly of providing for future defaults.	Impairment losses Note 8	Measurement of the quality of the Online debtor book/customer receivables. A lower bad debt charge indicates that the quality and recoverability of the balance are higher. The bad debt charge is the total of the in-year impairment charge, less amounts recovered. In FY23 the total bad debt charge disclosed in the CEO report was £26m (FY22: £27m). In Note 8 the total Expected Credit Loss charge was £31.0m (2022: £28.6m) with the difference relating to recoveries on previously written off assets.
Bought-in gross margin Difference between the cost of stock and initial selling price, expressed as a percentage of achieved total VAT exclusive selling prices.	None	Bought-in gross margin is a measure of the profit made on the sale of stock at full price. This is a key internal management metric for assessing category performance. Reconciliation to closest equivalent statutory measure not applicable as full price sales not a statutory metric.
Branch profitability Retail store total sales less cost of sales, payroll, controllable costs, occupancy costs and depreciation, and before allocation of central overheads. Expressed as a percentage of VAT inclusive sales. Net branch profit is a measure of the profitability on a store by store level.	None	Measurement of the Retail business profit by physical branch. Provides an indication of the performance of the store portfolio. This is based on costs which are directly attributable to the store. Therefore, it does not include costs such as central overheads which will be included in the statutory accounts. Reconciliation to closest equivalent statutory measure is therefore not applicable.

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Cost of funding Interest is charged to the NEXT Finance business in respect of funding costs for the Online debtor balance (customer receivable). It is calculated by applying the average Group interest rate (i.e. the external borrowing rate of the NEXT Group divided by the average NEXT Group borrowing excluding cash) to the average debtor/customer balance.	None	Used by the business to evaluate the profitability of the Finance business. There is no statutory equivalent as this is a metric specific to how the Group manages its funding and cost allocations. In the year to January 2023 this has been calculated as: Average Group interest = Interest cost/Average debt excluding cash = £29.5m/£858.5m = 3.4% Then apply 3.4% to 85% of the Average Online customer balance of £1,179m (as we assume that 85% is funded by debt). This equates to a Cost of Funding charge of £34.4m (2022: £30.9m).
Credit sales VAT exclusive sales from Online credit customers who have purchased using their online NEXT account, inclusive of any interest income charges and delivery charges, and after deducting any applicable promotional discounts.	None	Credit sales are a direct indicator of the performance and profitability of the Finance business. Reconciliation to closest equivalent statutory measure not applicable as the statutory accounts split by business segment but not by the mechanism of customer payment.
Divisional operating profit Divisional profit before interest and tax, excluding equity-settled share option charges recognised under IFRS 2 "Share-based payment" and unrealised foreign exchange gains and losses on derivatives which do not qualify for hedge accounting.	Segment profit	A direct indicator of the performance of each division making up the total Group operating profit. A commonly used metric that provides a useful method of performance comparison across the Group. The divisional operating profits are the same as the Segment profits presented in Note 2 of the financial statements.
Full price sales Total sales excluding items sold in our sale events, Total Platform sales and our Clearance operations and includes interest income relating to those sales.	Revenue – sale of goods	Full price sales are a direct indicator of the performance and profitability of the business. They are based on Total Group Sales (defined below) excluding markdown (i.e. discounted).
Interest income (NEXT Finance) The gross interest billed to next**pay** and next**3step** customers, before any deduction for unpaid interest on bad debt.	Revenue – credit account interest	Interest income for the Finance business is a direct indicator of the performance and profitability of the Finance business. This is presented within revenue on the face of the Income Statement and Note 3 of the financial statements as "credit account interest".

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Like-for-like sales Change in sales from Retail stores which have been open for at least one full year.	None	This metric enables the performance of the Retail stores to be measured on a consistent year-on-year basis and is a common term used in the retail industry. Reconciliation to closest equivalent statutory measure not applicable. Note in the current year like-for-like sales on Retail stores are not being used as a KPI due to the disruption caused by COVID in the prior year.
Net debt excluding leases Comprises cash and cash equivalents, bank loans, corporate bonds, and fair value hedges of corporate bonds but excludes lease debt. Net debt is a measure of the Group's indebtedness.	None	This measure is a good indication of the strength of the Group's liquidity and is widely used by credit rating agencies. Net debt excluding leases is reconciled to net debt including leases in Note 12 of the financial statements.
Net profit (NEXT Finance) The profit, including interest income and the bad debt charge, and after the allocation of central overheads and the cost of funding.	Profit before tax (for the Finance segment)	A measure of direct profitability of the Finance business. The net profit for the Finance Business is presented in Note 2 to the financial statements.
NEXT profit before tax	Profit before tax	While NEXT owns 74% of the equity in Joules, the Profit before Tax, on a statutory basis, includes 100% of the loss from Joules. For management purposes, the non controlling interest (i.e. the 26% which is not attributable to NEXT shareholders) is removed so that the NEXT profit before tax only reflects 74% of the results of Joules. The NEXT profit before tax and statutory profit before tax is reconciled in Appendix 2.
NEXT Operating profit	Operating profit	While NEXT owns 74% of the equity in Joules, the Operating Profit, on a statutory basis, includes 100% of the loss from Joules. For management purposes, the non controlling interest (i.e. the 26% which is not attributable to NEXT shareholders) is removed so that the NEXT Operating profit only reflects 74% of the results of Joules. The NEXT operating profit and statutory operating profit are reconciled in Appendix 2.
NEXT Group pre-tax Earning per share		NEXT Group pre-tax EPS is used as a bonus metric for the NEXT executive directors. This APM uses the profit before tax attributable to NEXT plc shareholders (NEXT profit before tax) as this is considered to represent a direct measure of the value which is attributable to the

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
		shareholders, excluding the impact of tax which is not directly controlled by the Board. For January 2023 the number of shares used in this APM excludes those shares which were acquired from budgeted surplus cash. This is because the EPS enhancement from such share buybacks was not included in the original targets set and so the directors should not benefit from this. In January 2022 the profit before tax was based on a pre-IFRS 16 position.
Online margin NEXT operating profit for the Online business after deducting lease interest as a percentage of the Trading sales which relate to the Online division	None	A measure of the profitability of the Group. A commonly used metric that can be used to compare performance to other businesses. The margin is based on the segmental operating profit, as disclosed in Note 2 of the financial statements, less allocation of lease interest, adjusted for the non controlling interest in Joules, as a percentage of the Trading Sales for that segment. A reconciliation between Total Group Sales and statutory revenue is provided in Note 2 of the financial statements. Net margin measures whether profitability is changing at a higher or lower rate relative to revenue.
Retail margin Operating profit after deducting lease interest as a percentage of the Trading sales which relate to the Retail division	None	A measure of the profitability of the Group. A commonly used metric that can be used to compare performance to other businesses. The margin is based on the segmental operating profit, as disclosed in Note 2 of the financial statements, less allocation of lease interest, as a percentage of the Trading Sales for that segment. A reconciliation between Total Group Sales and statutory revenue is provided in Note 2 of the financial statements. Net margin measures whether profitability is changing at a higher or lower rate relative to revenue.
Return on Capital Employed – ROCE (NEXT Finance) The NEXT Finance net profit (after the interest charge relating to the cost of funding), divided by the average debtor balance.	None	A commonly used metric that can be used to compare performance to other financial businesses. It measures the profit (i.e. return) relative to the amount of capital employed. The higher the ROCE, the greater the return for the capital employed in the business. The ROCE for NEXT Finance in the year to January 2023 was calculated by dividing the Operating profit for the

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
		segment of £170.5m by the average customer receivable balance of £1,179m. As a percentage, this is 14.5% (2022 restated due to the change in Lipsy segmental reporting: 14.1%). The Operating profit for the segment is disclosed in Note 2 to the financial statements.

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Total Group sales VAT exclusive full price and markdown sales for all segments in the business, including the full value of commission-based sales, interest income (as described and reconciled in Note 2 of the financial statements) and service income from our Total Platform business	Statutory revenue	Total Group Sales are a direct indicator of the performance and profitability of the business. Total Group Sales (which include Trading Sales) are reconciled to Statutory revenue in Note 2 to the financial statements.
Total Trading Sales VAT exclusive full price and markdown sales including the full value of commission-based sales and interest income from our core trading segments of Retail, Online and Finance.	Revenue – sale of goods and credit account interest	Total Trading Sales are a direct indicator of the performance and profitability of the business from the Online, Retail and Finance business. Total Trading Sales are reconciled to Statutory revenue in Note 2 to the financial statements.

This statement, the full text of the Stock Exchange announcement and the results presentation can be found on the Company's website at nextplc.co.uk.

To view our range of exciting, beautifully designed, excellent quality clothing and homeware go to next.co.uk.

Certain statements which appear in a number of places throughout this announcement are "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 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; insufficient consumer interest in NEXT Online; 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 update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.