next plc

RESULTS FOR THE YEAR ENDING JANUARY 2014

Chairman's Statement

The year to January 2014 was a great year for NEXT. Underlying earnings per share grew by 23% to 366p and we propose to increase our full year ordinary dividends by 23% to 129p in total. This is the fifth consecutive year that our earnings per share and ordinary dividend have grown by over 15%. In addition, in February we paid a special dividend of 50p a share and have announced a further special dividend of 50p to be paid in May.

Sales for NEXT Directory, our online and catalogue business, grew by 12.4% narrowing the gap with NEXT Retail, which grew by 1.7%. The two businesses are complementary and support each other in an effective and efficient way. Operating margins in both businesses increased during the year. The Group's underlying profit before tax rose 11.8% to £695m.

Cash flow was again strong and we continued our share buybacks, purchasing 6.2 million shares at an average price of £47.40 and reducing our shares in issue by 3.8%. During the year we returned £461m to shareholders through share buybacks and dividends.

Our share price again performed well, rising by 55% to £62.80. As a result of the increase, we stopped buying back our own shares at the end of October and have instead started to return surplus cash to shareholders through special dividends. We will reconsider buybacks when to do so would give an effective 8% return on the cash invested.

During the year there have been a number of changes to the Board. Andrew Varley, who had been a director for 23 years, retired from the Board in May 2013. Andrew has been with NEXT for 29 years, serving in various senior roles. On behalf of the Board I would like to thank him for all he has done for NEXT, particularly as our Group Property Director.

Christine Cross, who has made a much valued and active contribution to the Group as a Non-Executive Director, has served for 9 years and will step down from the Board at the AGM in May. We are currently searching for a new non-executive and will make an announcement in due course. Jonathan Dawson, our Senior Independent Director who has also served 9 years, has agreed to stay on the Board for one further year.

I am delighted to welcome onto the Board Michael Law, our Group Operations Director, and Jane Shields, our Group Sales and Marketing Director. Both joined the Board last July.

The strength of our Group is built on the hard work and productivity of our management team and all the people who work for NEXT. I would like to thank them all for their contribution during the year and especially for the excellent performance through the busy Christmas period.

That performance gives us a solid platform for 2014. Our strategy remains the same, focused on our products, our profitability and returning cash to our shareholders. Notwithstanding the continued pressure on the UK consumer, we anticipate another year of growth for NEXT.

John Barton
Chairman

Chief Executive's Review

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Chief Executive's Review

OVERVIEW

NEXT has had another good year, achieving **5.4%** growth in sales and **11.8%** growth in underlying profit before tax. Strong cash generation enabled us to buy back 3.8% of shares outstanding without increasing financial leverage which, along with a lower tax rate, resulted in earnings per share (EPS) growing much faster than profits.

In the year to January 2014, underlying post-tax EPS grew by **23%**. Our full year dividend is being increased in line with EPS, to 129p in total. We have announced two special dividends, each of 50p per share. The first was paid on 3 February and the second is payable on 1 May.

REVENUE excluding VAT	**January 2014 £m**	January 2013 £m	
NEXT Retail	**2,227.6**	2,190.9	+1.7%
NEXT Directory	**1,341.0**	1,192.6	+12.4%
NEXT BRAND	**3,568.6**	3,383.5	+5.5%
Other	**171.4**	164.3	+4.3%
Total	**3,740.0**	3,547.8	+5.4%

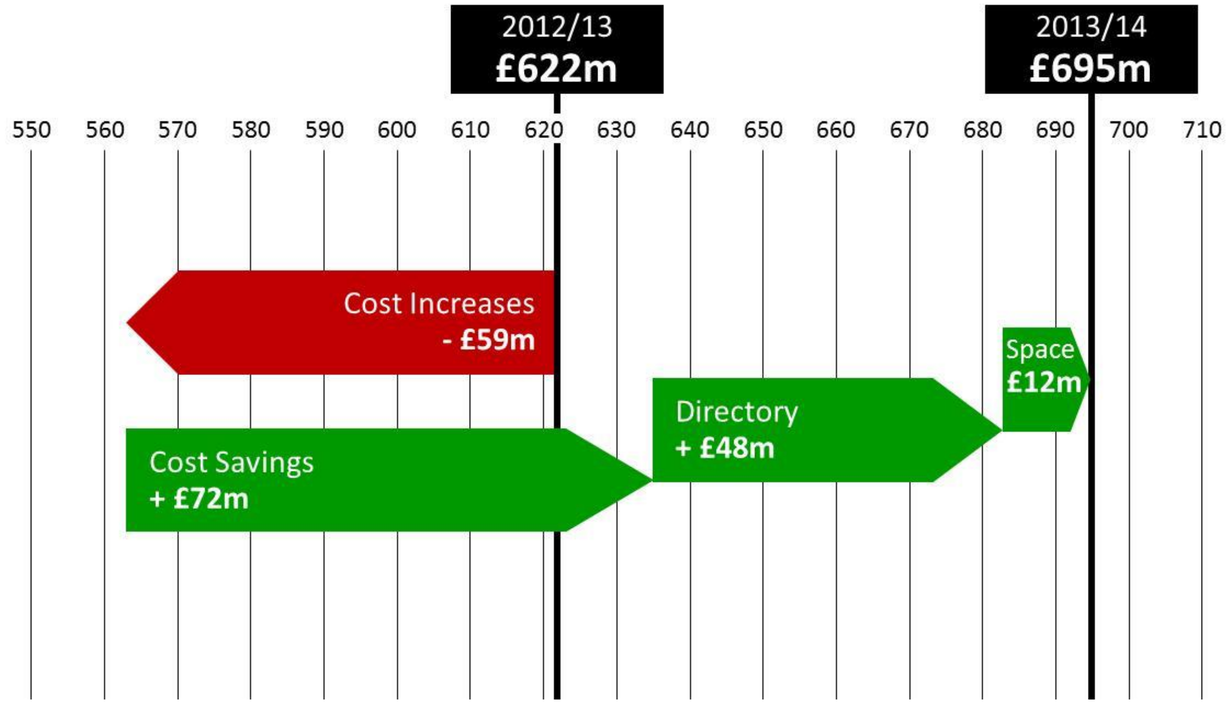
PROFIT and EPS Underlying excluding 2013 exceptionals	**January 2014 £m**	January 2013 £m	
NEXT Retail	**347.7**	331.1	+5.0%
NEXT Directory	**358.5**	302.1	+18.7%
Other	**16.6**	17.0	
Operating profit	**722.8**	650.2	+11.2%
Net interest	**(27.6)**	(28.6)	
Profit before tax	**695.2**	621.6	+11.8%
Taxation	**(142.0)**	(148.5)	
Profit after tax	**553.2**	473.1	+16.9%
EPS	366.1p	297.7p	+23.0%
Ordinary dividends per share	129.0p	105.0p	+22.9%

NEXT PLC ECONOMICS

2014 PROFIT DRIVERS

The table below sets out the main drivers of the Group's Profit and Loss account for the year. This shows how the sales from (1) new Retail space and (2) Online increased profit. Our existing stores (3) made the same profit as last year. It also shows how (4) cost inflation has been more than offset by (5) cost savings.

Profit Year Ending Jan 2013		**£622m**	
Profit from sales increases/decreases			
(1) Profit from new space	+£12m		
(2) Profit from additional online sales growth	+£48m		
(3) Cost/Profit of existing stores	-		
		+£60m	+9.7%
Cost increases and savings			
(4) Inflation in cost base	- £59m		
(5) Cost savings	+£72m		
		+£13m	+2.1%
Profit Year Ending Jan 2014		**£695m**	+11.8%



STRAIGHTFORWARD OBJECTIVES

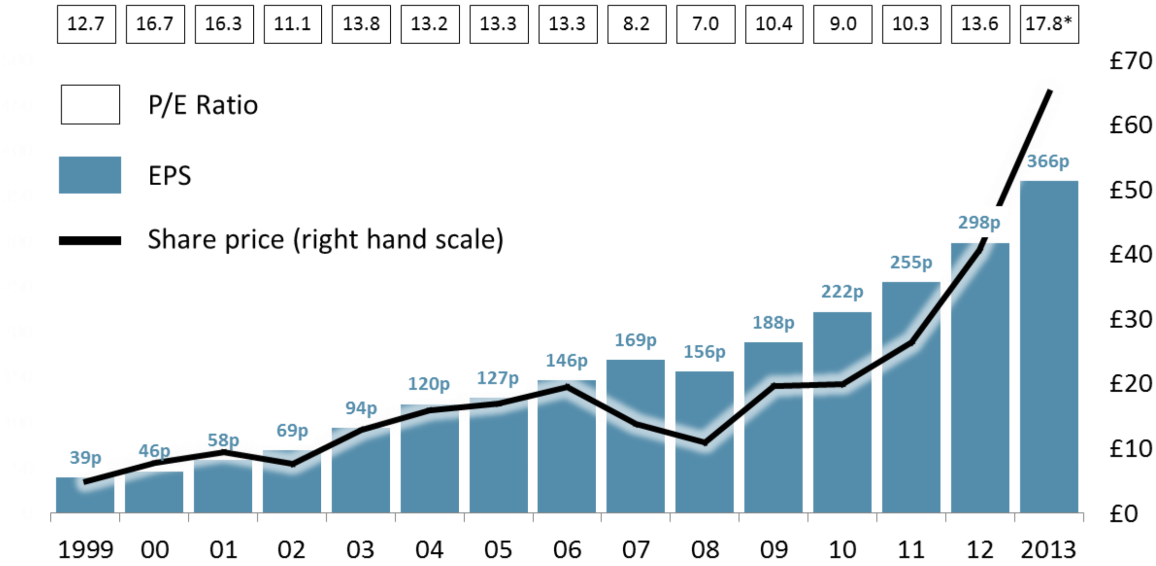
NEXT's Operating Objectives

The Company has five operational objectives, as set out in the table below. These aims remain broadly unchanged from those given in this report last year. The only significant change is the addition of improving customer service as a goal for the year ahead.

Develop the NEXT Brand	Develop, improve and expand our product ranges, with particular emphasis on improving design across all our ranges.
Invest in online growth	Invest in growth from our online business, through improving UK delivery services, developing new overseas markets and expanding our online product offer.
Invest in profitable new space	Open profitable new retail space, maintaining the Company's strict payback and profitability hurdles of 15% net store profit (before central overheads) and payback on net capital invested in 24 months.
Improve service	Improve the quality of our service to customers provided by staff, both in stores and in our call centres.
Control costs	Control costs through constantly developing more efficient ways of operating. This must be done without detracting from the quality of our products and services.

NEXT'S Financial Objective

For the last ten years NEXT has had one clear financial objective: to deliver long term, sustainable growth in earnings per share (EPS). This objective is grounded in the belief that, over time, share price growth will follow growth in EPS. The graph below shows how our share price has indeed tracked EPS over the last 15 years, albeit that some patience has been required.



* 2013 PE based on share price of £65

The graph also demonstrates the historically high rating the shares currently enjoy. In our Annual Report last year we set out the criteria by which we would decide the maximum price we would pay to buy back shares. We introduced the concept of Equivalent Rate of Return (ERR). ERR is the return required from an alternative investment, if that investment were to produce the same level of earnings enhancement as the proposed buyback.

We set the minimum ERR at 8%, which we consider a reasonable target for a return on equity investments. In November last year, as our shares continued to rise, the ERR on share buybacks fell below the 8% threshold. As a result, we introduced rolling special dividends in place of buybacks. We intend to continue distributing surplus cash through special dividends, paid on a quarterly basis, until such time as the ERR rises above 8%.

Whilst the underlying financial objective of the Group remains unchanged in principle, the introduction of special dividends mean that our financial goal is now better expressed as **the delivery of long term sustainable growth in Total Shareholder Returns;** where Total Shareholder Returns are defined as growth in EPS added to the total annual dividend yield.

PRODUCT AND THE NEXT BRAND

Unlike many high street retailers, NEXT designs and directly sources the vast majority of its products. We can do more to leverage our design resources and sourcing base to produce better quality fabrics, print designs, trim detailing and make up. In particular we will continue to push our design teams to adopt new trends in depth and with conviction. This approach of taking greater fashion risks may sound counter-intuitive but, in today's fast moving fashion environment, to fall back on "safe" historical ranges would merely guarantee failure. On the whole, our experience is that where we have been braver in buying into new trends, we have been successful.

We have also adjusted our buying cycle to reflect the continuing trend for consumers to buy closer to the point at which they need the clothing. Our aim is to increase the availability of cold weather clothing in January, February and March and warm weather clothing in August and September. Going forward we will move away from a two season buying cycle to a four season cycle and our customers will see a bigger change from spring into summer (in April) and autumn into winter (in October).

Over the last 6 years we have made significant progress in developing our Home business. Trading space has more than doubled to 1.7 million square feet and Home sales now account for 18% of our total turnover. Over the next few years we intend to grow Home further by adding retail space and improving our online functionality.

RETAIL

RETAIL SALES

Total Retail sales were 1.7% ahead of last year, of which new space contributed 3.1%.

Full price sales grew by 2.9%. Markdown sales were 11% down as a result of stock for Sale being 15% lower than last year. This unusually low level of markdown came as a result of a last minute sales surge immediately before the summer and winter Sales. In the year ahead we expect markdown levels to return to more normal levels.

RETAIL SPACE EXPANSION

Space added in the year

Trading space increased by 280,000 square feet over the year, taking us to 7 million, as shown below.

	Store Numbers	Sq. Ft. (000's)	
January 2013	**540**	**6,728**	
New stores	+11	+192	
Closures	- 10	- 67	
Re-sites (8) and extensions (13)	-	+155	
January 2014	**541**	**7,008**	**+4%**

Portfolio Shape and Profitability

Whilst our space increased by 4%, the number of stores barely changed. Much of our new space has come from extending and re-locating in existing trading locations. Stores in new locations have been offset by the closure of smaller less profitable shops. As a result of this active management of our less profitable stores, our Mainline portfolio remains highly profitable despite continuing negative like for like sales in many locations. More than 90% of our sales come from stores which deliver more than 15% profit contribution on sales.

Mainline store profitability	Percentage of turnover
>20%	76%
>15%	91%
>10%	96%
>5%	98%
>0%	99.5%

Rental inflation remains very low, with most stores experiencing little or no increase at rent review. In the vast majority of cases, when stores reach the end of their lease, we have been able to reduce rents.

Returns on Capital and Profitability

Profitability of stores opened in the last 12 months is forecast to average 22% and payback on the net capital invested is expected to be 19 months. Both figures are within Company investment hurdles of 15% store profitability and 24 months capital payback.

New space	Sales vs target	Forecast profitability	Forecast payback
Fashion	+4.4%	22%	19 months
Large Home format	+3.5%	21%	22 months
Total	**+4.3%**	**22%**	**19 months**

Retail Space – Pipeline

We continue to look for opportunities to profitably increase UK selling space. For the coming year we expect to add 360,000 square feet (net of closures). We expect 113,000 of this to come from three large Home format out-of-town stores. For two of these shops (Maidstone, Kent and Hedge End, near Southampton) they are being built from the ground up to our own design, enabling us to ensure that the architecture of the building reflects the aspirations of our Brand.

RETAIL SERVICE

If our customers were to be asked to rate NEXT's service we believe many would say it was generally good but not consistently exceptional. We think that we have an opportunity to improve both the consistency and quality of our retail customer service. During the last six months we have changed our recruitment processes, appraisal systems, training materials, man-hour planning systems and monthly bonus scheme with a view to focussing our store teams on providing better service. Initial results have been encouraging but there is a way to go.

In addition, we aim to improve the levels of staff experience in the business by increasing the average weekly contract worked by our staff. This change will take time and will be achieved through natural staff turnover. So that as and when staff leave the business some of their hours will be re-allocated to existing team members who want the extra work.

RETAIL PROFIT ANALYSIS

Full year operating margin improved by 0.5% to 15.6%. The table below sets out significant margin movements by major heads of costs.

Net operating margin last year		**15.1%**
Bought-in gross margin	In line with last year.	**0.0%**
Lower markdown	Retail stock for Sale was down 15% with markdown sales down only 11%. Margin improved as a result of (1) higher participation of full price sales during the year and (2) improved clearance rates of Sale stock.	**+0.8%**
Reduction in freight, fabric and stock loss	Lower freight costs, improved fabric utilisation and reduced stock loss all served to increase margin.	**+0.5%**
Reduction in store payroll	In-store efficiency initiatives covered the cost of the annual pay review.	**+0.1%**
Increase in store occupancy	Rents and rates increased as a percentage of sales due to (1) negative like for like sales, (2) business rates and some rent inflation and (3) additional repair and store equipment write off costs.	**-0.7%**
Central overheads	Increased cost mainly due to staff incentives.	**-0.2%**
Net operating margin this year		**15.6%**

DIRECTORY

SALES ANALYSIS

Directory sales were 12.4% ahead of last year. The table below shows the contribution to growth made by our UK and overseas online businesses.

	Contribution to sales growth
UK	8.5%
International	3.9%
Total sales growth	**12.4%**

NEW CUSTOMERS

Directory active customer numbers increased year on year by 10.8% to 3.7 million, with growth coming from UK credit, UK cash and Overseas customers.

Average customers ('000s)	Jan 2014	Jan 2013	Change	Contribution to customer growth
UK cash customers	633	493		
UK credit customers	2,798	2,697		
Total UK customers	**3,431**	**3,190**	+241	7.2%
Overseas customers	**268**	**148**	+120	3.6%
Total active customers	**3,699**	**3,338**	**+361**	**10.8%**

DIRECTORY DEVELOPMENT – UK

Service Improvements

In October of this year we introduced free, next-day delivery to stores for customers who ordered before 10pm. This service is now available in 341 stores, which account for 74% of our retail turnover. As a result the percentage of orders made from home and delivered to store has risen from 30% to around 45%. In the year ahead we intend to extend this service to stores accounting for 99% of our retail turnover.

Going forward we will increase focus on improving the reliability of our Directory services. We fail to deliver around 2% of our parcels at the promised time, but know that there is an opportunity to improve this reliability. However, whatever improvements we make, there will always be a small number of errors. How our staff handle these rare events is central to developing our reputation. A Company's ability to rectify mistakes is, for many customers, the litmus test of great service. We can do much to respond better to these occasions through improved recruitment, staff training and systems.

Directory Product Offer

Our retail stores receive injections of new lines roughly every six weeks, with the year being divided into nine Retail phases. Directory has been reliant on the publication of four big catalogues and has missed out on some of the newest Retail stock. In future we will be adding stock to our website to coincide with our Retail phases, this stock will be supported by a number of "New-In" brochures.

For some years now NEXT has sold non-competing non-NEXT brands through the NEXT Directory. This year we are further expanding the branded offer in the Directory itself and, more importantly, trialling a standalone publication devoted exclusively to third party brands. This publication, which is currently called LABEL, has been distributed to 400,000 customers.

DIRECTORY DEVELOPMENT – INTERNATIONAL

We continue to make good progress developing our internet business overseas. International online sales grew by 86% and contributed 3.9% to Directory growth. However, with a turnover of just over £100m, it is still relatively small and it would be a mistake to over-emphasise its importance. All overseas sales are currently serviced from our UK warehouses through third party distribution networks.

Sales Initiatives

Growth has been driven through a combination of improved pricing, site translations, the acceptance of new domestic currencies and the development of new territories. Of these factors, permanent price reductions have been by far the most important. The table below sets out the international growth drivers for last year and those planned for the year ahead. In addition to the initiatives listed in the table, we will be investigating ways to improve our delivery service in key territories.

Growth Driver	Completed January 2014	Planned by January 2015
Lower Prices	Prices lowered in 28 territories representing 52% of turnover	Prices to be lowered in 5 countries representing only 2.3% of turnover
Translations	Traditional Chinese script (Taiwan)	New languages including French, Spanish, Polish, Arabic, Simplified Chinese script and Hebrew
Domestic Currencies	Five countries converted to domestic currency	11 countries converting to domestic currencies
New Territories		China, Egypt, Brazil, Oman, Saudi Arabia, Belarus, Libya, Malta, Cyprus, Lebanon and Azerbaijan
New Tender Types	Qiwi (Russian e-wallet)	Paypal, Klarna (Germany)

Online Overseas Profitability and the Year Ahead

Net margins on our overseas business fell from 19% to 18%, reflecting keener prices and some marketing initiatives. We expect net margins in the year ahead to remain at 18%.

Going forward we expect growth rates to ease a little, as the price adjustments made in 2013 begin to annualise. We are currently forecasting for International online sales to grow by 50% to £150m. The table below sets out the last two years sales, profits and net margins alongside our budget for the current year.

£m	January 2013	January 2014	January 2015 (e)
Sales	£54m	£101m	£150m
Net Profit	£10m	£18m	£27m
Net Margin	19%	18%	18%

DIRECTORY PROFIT ANALYSIS

Full year operating margin improved by 1.4% to 26.7%. The table below sets out significant margin movements by major heads of costs.

Net operating margin last year		**25.3%**
Bought-in gross margin	Bought-in gross margin improved due to a planned reduction in sales of lower margin electrical products.	**+0.2%**
Lower markdown	Directory stock for Sale was down 9% whereas markdown sales were level. Margin improved as a result of (1) higher participation of full price sales during the year and (2) improved clearance rates of Sale stock.	**+1.8%**
Freight, fabric and stock loss	Lower freight costs, improved fabric utilisation and reduced stock loss.	**+0.2%**
Service charge & bad debt	Service charge income increased, but at a lesser rate than total sales due to the increased participation of International and UK cash sales.	**-0.4%**
Increase in warehouse and distribution costs	International sales increased distribution costs, reducing margin by -0.7%. Using our store network for more UK parcel collections and returns improved margin by +0.2%.	**-0.5%**
Catalogue production costs	Catalogue production costs increased, but at a lesser rate than sales.	**+0.2%**
Central overheads	Reduced margin mainly due to increased staff incentives.	**-0.1%**
Net operating margin this year		**26.7%**

COST INFLATION AND COST CONTROL

This year we have more than offset cost increases with cost savings. The tables below outline the main contributors to cost increases and cost savings over the last year. Cost control remains at the heart of the business and we remain determined that cost savings must come through innovation and efficiency rather than any compromise to our product quality or services.

Cost Increases	**£m**
Cost of living awards, other wage related inflation and staff incentives	28
Rent, rates & other occupancy costs	13
Costs of Directory delivery service improvements	9
Warehouse capacity	5
Systems investments and other	4
Total Cost Increases	**59**

Cost Savings	**£m**
Lower markdown	18
Freight, fabric and stock loss	15
Directory operating efficiencies	15
Retail manpower efficiencies and other cost savings	13
Non-stock purchasing improvements (e.g. paper)	7
Other	4
Total Cost Savings	**72**

In the year ahead we expect cost increases of around £44m. Anticipated wage increases account for £27m of this rise, the majority of which comes from our annual cost of living award. We expect these cost increases to be more than offset by cost savings.

Head Office, Warehouse and Systems Projects 2014/15

The rapid growth of our Online and Home businesses means that we have an unusual number of big systems and warehousing projects starting in the current year. These projects will give some operational benefits but are mainly required to facilitate continued growth or replace obsolete systems. Most systems development costs are revenue costs and written off in the year they are incurred. Hardware and other infrastructure are depreciated over the life of the asset.

The table below sets out the largest projects and their estimated capital and revenue costs.

	Project Life Years	**Revenue Costs (e)**	**Capital Costs (e)**
Store till, back office and payment systems upgrade	1	£3m	£8m
Mainframe upgrade and modernisation	2	£3m	-
International website re-write and convergence with UK	2	£1m	-
Systems office refurbishment and data centres	1	-	£5m
Home warehouse expansion (including £8m for land)	2	-	£11m
Total		**£7m**	**£24m**
Total likely to be incurred in year ending January 2015		£5m	£20m

OTHER GROUP BUSINESSES

NEXT SOURCING

NEXT Sourcing (NS) had a good year, increasing sales and achieving a profit of £34m. NS competes for business against the many other suppliers to NEXT Retail and NEXT Directory, it continued to provide more than 40% of NEXT Brand stock. Each of its in-country offices operates in a very competitive environment, both against external suppliers and other NS offices.

£m	**2014**	**2013**	
Sales	571.2	507.1	+13%
Operating profit	**34.1**	**30.8**	**+11%**
Operating margin	6.0%	6.1%	

We are forecasting NEXT Sourcing profits of £36m in the year ahead.

INTERNATIONAL RETAIL AND FRANCHISE STORES

Our franchise business, with partners operating 173 stores in 35 countries, continued to grow both sales and profits. The number of directly owned stores has been reduced to 16 and they broke even for the first time. Our 11 stores in Central Europe made a small profit, offset by a small loss in China. We do not aim to expand our directly owned international stores. Revenue and profit are set out below.

£m	**2014**	**2013**	
Franchise income	71.0	61.5	
Owned store sales	14.6	16.2	
Total revenue	85.6	77.7	+10%
Operating profit	**12.1**	**8.4**	**+44%**

We are budgeting for International Retail to make a profit of £14m in the year ahead.

LIPSY

Full year sales of £63m and operating profit of £5m, before amortisation and profit share of £2m, was the best performance in our five years of ownership. Lipsy's retail sales were £20m, taken from 49 stores trading 57,000 square feet, and sales to wholesale customers were £22m. Online sales, through Lipsy's own site and the NEXT Directory were £21m. We expect further sales and profit growth from Lipsy in the years ahead.

CENTRAL COSTS AND OTHER ACTIVITIES

The table below sets out other Group and non-trading activities.

£m	2014	2013
Property management	1.8	3.5
Central costs	(33.3)	(35.3)
Pension variation	2.6	3.6
Unrealised foreign exchange	(5.9)	3.4
Associates	2.5	0.6
Total	**(32.3)**	**(24.2)**

UNREALISED FOREIGN EXCHANGE IAS 39

The £6m loss for the year compares with a £3m gain in the prior year. At this time it is not possible to predict the year ahead, so group profit guidance assumes no IAS 39 gain or loss.

INTEREST AND TAXATION

The interest charge was £28m, £1m less than last year. For the coming year we expect net debt to again range between £500m and £750m. This will result in an interest charge of £30m due to the higher level of bond debt and low interest rates available on cash deposits.

Our tax rate reduced as expected to 20.4%, due to the reduction in headline UK corporation tax rates and agreement of prior year items with HMRC. We expect our effective rate will be no higher than 21% in each of the next two years.

BALANCE SHEET AND ORDINARY DIVIDENDS

The balance sheet remains strong, with year end net debt of £517m and forecast peak borrowing requirements being very securely financed by our bonds and committed bank facilities of £1,088m. During the last six months we repaid the 2013 bond, issued a new 12 year bond and extended our bank facility, all as set out below.

	£m
2016 bonds	213
2021 bonds	325
2026 bonds	250
Total bonds nominal value	**788**
2019 committed bank facility	300
Total debt facilities available	**1,088**

FINAL DIVIDEND

We have proposed raising our final dividend to 93p, taking the total dividend for the year to 129p. The increase of 23% is in line with growth in underlying EPS. Dividend cover remains at 2.8 times.

CASH GENERATION, SHARE BUYBACKS AND SPECIAL DIVIDENDS

CASH GENERATION

Over the last year we generated £326m of surplus cash after capex, interest, dividends and tax, of which £26m was used to maintain our ESOT. The balancing £300m was returned to shareholders through share buybacks and permanently increasing the level of cover in our ESOT (which enhances EPS by as much as a buyback).

We expect to generate around the same amount of free cash in the year ahead and are again budgeting to return £300m of cash to shareholders during the year. We paid a £75m special dividend in February and have committed to a further £75m special dividend which will be paid in May. Assuming the share price remains at its current level and our profit expectations remain unchanged, it is our intention to carry on paying quarterly special dividends for the remainder of the current year.

SHARE BUYBACK PRICE LIMIT GOING FORWARD

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

Over the course of the year we have discussed this concept with our shareholders. Most agree that the 8% limit is reasonable but many have commented that it would be more logical to use the Company's guidance for forward profits as a basis for calculating the 8% ERR, rather than historic profits. We agree with this point and, going forward, will set our price limit on the basis of the mid-point of our forward guidance.

For year ending January 2015 the mid-point of our guidance is for profit before tax to be £750m (see below). On this basis a buyback of £300m at £62.45 would give an ERR of 8% and this figure now represents our upper limit for share buybacks. For clarity, in order for us to revert back to a buyback programme we would need to be convinced that any share price move below our target was likely to be sustained and that our profit expectations had not changed.

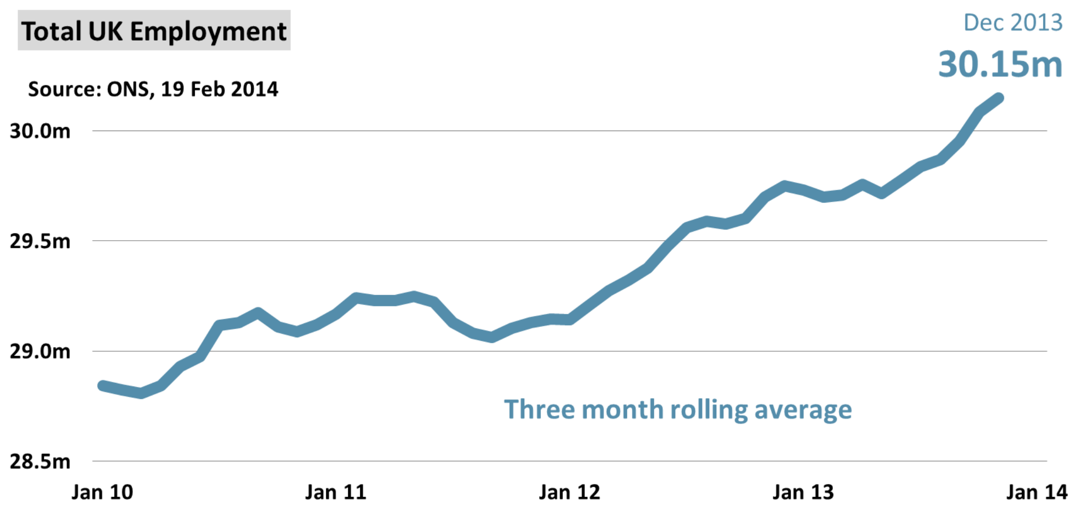
OUTLOOK FOR 2014

THE CONSUMER ECONOMY

The consumer economy has steadily improved over the course of the last year. This modest improvement looks set to continue. However, conditions are likely to remain far from buoyant and there are real risks to the sustainability of the current recovery.

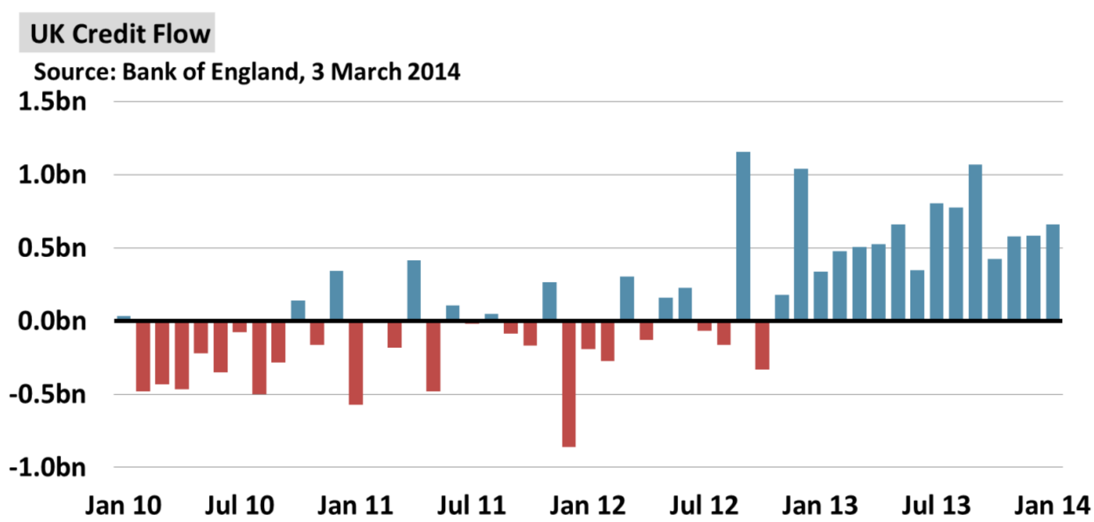
Employment Remains Strong

The most positive aspect of the economy remains employment, which continues to rise to record highs.



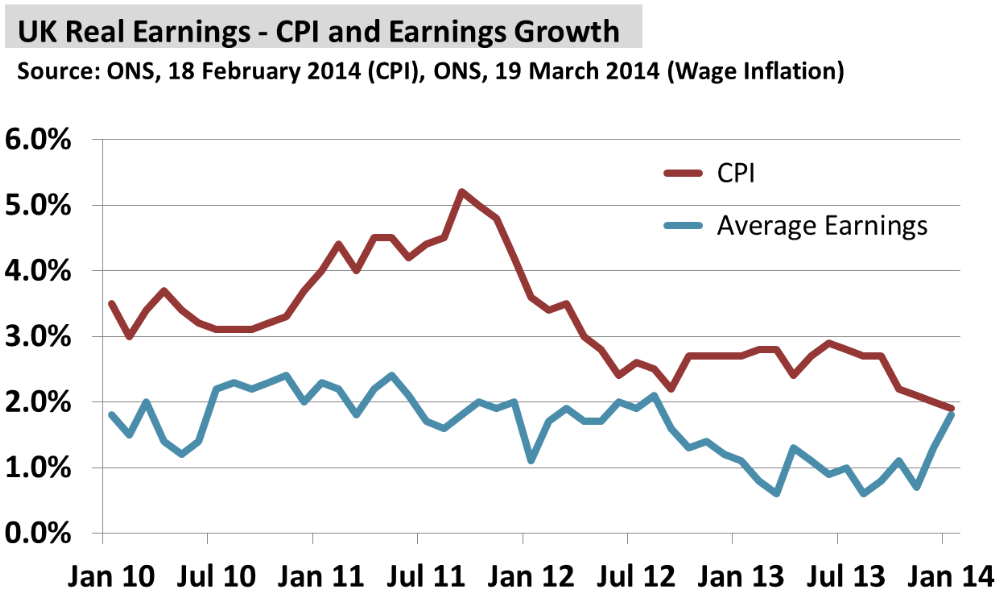
Credit Constraints Recede

Consumer credit has been steadily flowing back into the market. The graph below shows the reversal of credit flows back into the market during 2013, with positive flows of around £7bn during the year (which equates to around 1% of UK earnings). Mortgage approvals are also growing strongly and housing transactions are following suit, this change has been reflected in strong growth in our Home division over the last six months.



Real Earnings Pressure Easing but Still Negative

Throughout 2013, growth in earnings began to close the gap with inflation. Encouragingly, in January there was little or no decline in real earnings. If this trend continues, and real earnings move into growth, it will be good news for the UK consumer environment. It would be the first time we have seen growth in real earnings for over five years.

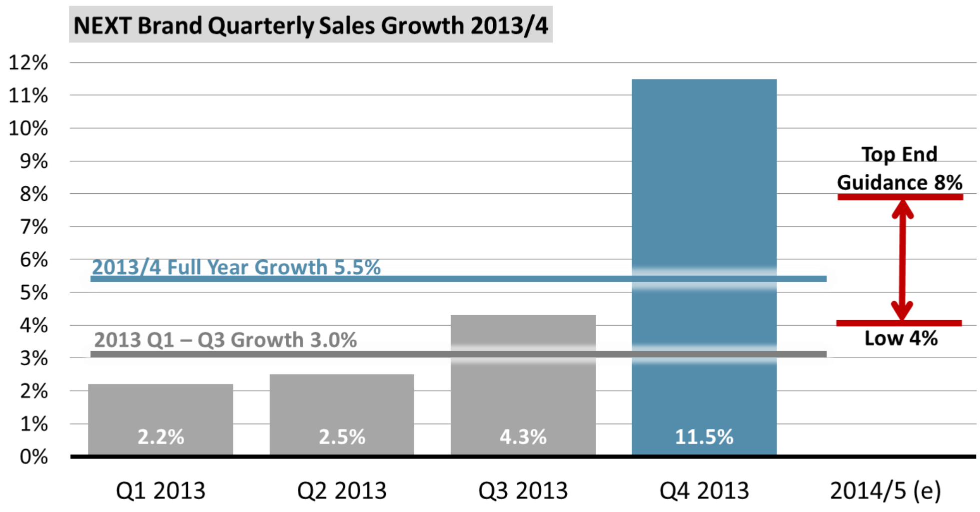


Nonetheless, it is worth noting that last year's increase in spending appears to have been driven through increased credit (see above). If anything has been learnt from the last ten years it is that credit cannot continue to grow faster than wages forever. Until we see significant increase in the supply side of the economy (profitable investment and improved productivity), we cannot bank on a return to sustained growth. Consequently we remain cautious in our budgeting for the year ahead.

OUTLOOK FOR NEXT BRAND SALES 2014

We are budgeting for total NEXT Brand sales growth of between 4% and 8% in the year ahead, this compares to the 1% to 4% estimate we gave at this time last year. It reflects the underlying improvement in the economy and the fact that we are opening 1% more new space than last year.

Some might argue that our sales range is conservative when compared to the 5.5% growth we achieved last year. However, last year's total was significantly enhanced by the exceptional last quarter. In the year ahead we expect the fourth quarter to provide tough comparatives and it will be hard to beat. Accordingly we are budgeting very cautiously for the final quarter. The chart below illustrates the anomalous performance in Q4.



GUIDANCE – GROUP PROFITS AND EPS FOR THE YEAR AHEAD

The table below sets out our guidance for the full year. For the purposes of this guidance we have assumed that surplus cash of £300m is returned as special dividends, in reality this will depend on the prevailing share price as explained above.

Guidance Estimates	Lower end of guidance	Upper end of guidance
Total Brand sales % growth	+4%	+8%
Profit before tax	£730m	£770m
Profit before tax % growth	+5%	+11%
Ordinary Dividend Yield (assuming £65 share price)	+2%	+2%
Special Dividend Yield (assuming £65 share price)	+3%	+3%
Total Shareholder Returns	**+10%**	**+16%**

INTERIM MANAGEMENT STATEMENT

Our next statement will cover the first thirteen weeks of the year, to 26 April 2014, and is provisionally scheduled for Wednesday 30 April 2014.

Lord Wolfson of Aspley Guise
Chief Executive
20 March 2014

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Year to January 2014	Year to January 2013		
	Underlying & total £m	Underlying £m	Exceptionals (Note 3) £m	Total £m
Revenue	**3,740.0**	3,547.8	15.0	3,562.8
Cost of sales	**(2,499.9)**	(2,431.1)	(5.9)	(2,437.0)
Gross profit	**1,240.1**	1,116.7	9.1	1,125.8
Distribution costs	**(296.2)**	(269.5)	-	(269.5)
Administrative expenses	**(217.7)**	(201.0)	-	(201.0)
Other (losses)/gains	**(5.9)**	3.4	35.8	39.2
Trading profit	**720.3**	649.6	44.9	694.5
Share of results of associates	**2.5**	0.6	-	0.6
Operating profit	**722.8**	650.2	44.9	695.1
Finance income	**0.7**	0.4	-	0.4
Finance costs	**(28.3)**	(29.0)	-	(29.0)
Profit before taxation	**695.2**	621.6	44.9	666.5
Taxation	**(142.0)**	(148.5)	(9.4)	(157.9)
Profit for the year	**553.2**	473.1	35.5	508.6
Profit for the year attributable to:				
Equity holders of the parent company	**553.2**	473.2	35.5	508.7
Non-controlling interest	**-**	(0.1)	-	(0.1)
Profit for the year	**553.2**	473.1	35.5	508.6

	Year to January 2014	Year to January 2013	
	Underlying & total	Underlying	Total
Earnings per share (Note 4)			
Basic earnings per share	**366.1p**	297.7p	320.1p
Diluted earnings per share	**355.6p**	289.9p	311.7p

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year to January 2014 £m	Year to January 2013 £m
Profit for the year	**553.2**	508.6
Other comprehensive income and expenses:		
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit pension scheme	**(12.6)**	(19.7)
Tax relating to items which will not be reclassified	**5.0**	5.9
Sub-total items that will not be reclassified	**(7.6)**	(13.8)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**3.0**	-
(Losses)/gains on cash flow hedges	**(21.9)**	1.6
Transferred to income statement on cash flow hedges	**(14.9)**	(4.5)
Transferred to the carrying amount of hedged items on cash flow hedges	**8.5**	(0.3)
Tax relating to items that may be reclassified	**5.3**	1.0
Sub-total items that may be reclassified	**(20.0)**	(2.2)
Other comprehensive expense for the year	**(27.6)**	(16.0)
Total comprehensive income for the year	**525.6**	492.6
Attributable to:		
Equity holders of the parent company	**525.6**	492.7
Non-controlling interest	**-**	(0.1)
Total comprehensive income for the year	**525.6**	492.6

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year to January 2014 £m	Year to January 2013 £m
Opening total equity	**285.6**	222.7
Total comprehensive income		
- equity holders of the parent company	**525.6**	492.7
- non-controlling interest	**-**	(0.1)
Shares issued	**-**	0.1
Share buybacks & commitments	**(311.9)**	(220.0)
ESOT share purchases & commitments	**(55.0)**	(143.5)
Shares issued by ESOT	**38.4**	44.3
Share option charge	**15.8**	17.8
Equity awards settled in cash	**(2.4)**	-
Tax recognised directly in equity	**29.0**	19.3
Equity dividends	**(238.9)**	(147.7)
Closing total equity	**286.2**	285.6

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	January 2014 £m	January 2013 £m
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant & equipment		**509.2**	537.3
Intangible assets		**44.4**	44.8
Interests in associates and other investments		**7.9**	7.2
Defined benefit pension surplus		**70.3**	65.6
Other financial assets	6	**17.7**	30.9
Deferred tax assets		**27.0**	-
		676.5	685.8
Current assets			
Inventories		**385.6**	331.8
Customer and other receivables		**808.0**	718.1
Other financial assets	6	**1.2**	21.6
Cash and short term deposits		**273.3**	136.3
		1,468.1	1,207.8
Total assets		**2,144.6**	1,893.6
Current liabilities			
Bank loans and overdrafts		**(2.6)**	(5.4)
Corporate bonds		**-**	(87.6)
Trade payables and other liabilities		**(594.0)**	(537.2)
Dividends payable		**(74.4)**	-
Other financial liabilities	6	**(83.8)**	(87.5)
Current tax liabilities		**(79.7)**	(98.3)
		(834.5)	(816.0)
Non-current liabilities			
Corporate bonds		**(800.8)**	(566.8)
Provisions		**(8.5)**	(11.2)
Deferred tax liabilities		**-**	(4.0)
Other financial liabilities	6	**(0.9)**	-
Other liabilities	7	**(213.7)**	(210.0)
		(1,023.9)	(792.0)
Total liabilities		**(1,858.4)**	(1,608.0)
NET ASSETS		**286.2**	285.6
EQUITY			
Share capital		**15.5**	16.1
Share premium account		**0.9**	0.9
Capital redemption reserve		**14.4**	13.8
ESOT reserve		**(196.6)**	(215.6)
Fair value reserve		**(16.0)**	8.3
Foreign currency translation reserve		**5.0**	2.0
Other reserves		**(1,443.8)**	(1,443.8)
Retained earnings		**1,906.9**	1,904.0
Shareholders' equity		**286.3**	285.7
Non-controlling interest		**(0.1)**	(0.1)
TOTAL EQUITY		**286.2**	285.6

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Year to January 2014 £m	Year to January 2013 £m
Cash flows from operating activities		
Operating profit	**722.8**	695.1
Depreciation and amortisation	**117.4**	117.2
Impairment of property, plant & equipment	**2.9**	1.8
Loss on disposal of property, plant & equipment	**13.0**	2.5
Share option charge less amounts settled in cash	**13.4**	17.8
Share of undistributed profit of associates	**(0.7)**	(0.1)
Exchange movement	**9.3**	(3.2)
(Increase)/decrease in inventories	**(53.8)**	40.1
Increase in customer and other receivables	**(90.9)**	(21.7)
Increase in trade and other payables	**50.7**	7.4
Pension contributions less income statement charge	**(17.3)**	(50.2)
Cash generated from operations	**766.8**	806.7
Corporation taxes paid	**(152.0)**	(147.7)
Net cash from operating activities	**614.8**	659.0
Cash flows from investing activities		
Additions to property, plant & equipment	**(105.3)**	(81.6)
Movement in capital accruals	**2.4**	(10.8)
Payments to acquire property, plant & equipment	**(102.9)**	(92.4)
Net proceeds from disposal of subsidiary	**-**	1.5
Proceeds from sale of property, plant & equipment	**0.4**	5.3
Payment of deferred consideration	**(0.1)**	(0.1)
Net cash from investing activities	**(102.6)**	(85.7)
Cash flows from financing activities		
Repurchase of own shares	**(295.8)**	(241.9)
Purchase of shares by ESOT	**(97.5)**	(123.0)
Proceeds from disposal of shares by ESOT	**42.9**	43.4
Bonds issued	**250.0**	-
Bonds redeemed	**(85.5)**	-
Interest paid	**(21.5)**	(23.8)
Interest received	**0.5**	2.0
Payment of finance lease liabilities	**(0.1)**	(0.1)
Dividends paid	**(164.8)**	(147.7)
Net cash from financing activities	**(371.8)**	(491.1)
Net increase in cash and cash equivalents	**140.4**	82.2
Opening cash and cash equivalents	**130.9**	48.8
Effect of exchange rate fluctuations on cash held	**(0.6)**	(0.1)
Closing cash and cash equivalents (Note 8)	**270.7**	130.9

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The results for the financial year are for the 52 weeks to 25 January 2014 (last year 52 weeks to 26 January 2013).

The condensed consolidated financial statements for the year ended 25 January 2014 have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union and the accounting policies set out in the NEXT plc Annual Report and Accounts for the year ended 26 January 2013.

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 January 2013 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.

Changes to accounting standards

An amendment to IAS 19 *Employee Benefits* was published in June 2011 and became effective during the current year. This affects the accounting for defined benefit pension schemes and has been applied this year. If applied retrospectively, the effect of the amendment on last year would have been to increase pension costs in the income statement by £2.6 million and to increase actuarial gains in the statement of comprehensive income by an equivalent amount. There is no impact on the balance sheet. As the impact is not material, prior year figures have not been restated and remain as reported last year.

Various other new accounting standards and amendments were issued during the year, none of which have had or are expected to have any significant impact on the Group.

Going concern

The Directors report that, having reviewed current performance and forecasts, they have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. For this reason, they have continued to adopt the going concern basis in preparing the financial statements.

2. Segmental analysis

The Group's operating segments under IFRS 8 have been determined based on the management accounts reviewed by the Board. The performance of operating segments is assessed on profits before interest and tax, excluding equity settled share option charges recognised under IFRS 2 *Share Based Payment* and unrealised foreign exchange gains or losses on derivative instruments which do not qualify for hedge accounting. The activities, products and services of the operating segments are detailed on page 3 of the 2013 Annual Report. The Property Management segment holds properties and property leases which are sub-let to other segments and external parties.

	External revenue		**Internal revenue**		**Total revenue**	
Year to January	**2014**	2013	**2014**	2013	**2014**	2013
	£m	£m	**£m**	£m	**£m**	£m
NEXT Retail	**2,227.6**	2,190.9	**9.8**	6.0	**2,237.4**	2,196.9
NEXT Directory	**1,341.0**	1,192.6	**5.3**	3.7	**1,346.3**	1,196.3
NEXT International Retail	**85.6**	77.7	**-**	-	**85.6**	77.7
NEXT Sourcing	**11.0**	8.8	**560.2**	498.3	**571.2**	507.1
	3,665.2	3,470.0	**575.3**	508.0	**4,240.5**	3,978.0
Lipsy	**62.9**	58.1	**1.9**	0.5	**64.8**	58.6
Property Management	**4.8**	20.3	**192.9**	192.0	**197.7**	212.3
Total segment revenues	**3,732.9**	3,548.4	**770.1**	700.5	**4,503.0**	4,248.9
Third party distribution	**7.1**	14.4	**-**	-	**7.1**	14.4
Eliminations	**-**	-	**(770.1)**	(700.5)	**(770.1)**	(700.5)
Total	**3,740.0**	3,562.8	**-**	-	**3,740.0**	3,562.8

	Year to January 2014	Year to January 2013		
	Underlying & total	Underlying	Exceptionals (Note 3)	Total
Segment profit	**£m**	£m	£m	£m
NEXT Retail	**347.7**	331.1	-	331.1
NEXT Directory	**358.5**	302.1	-	302.1
NEXT International Retail	**12.1**	8.4	-	8.4
NEXT Sourcing	**34.1**	30.8	-	30.8
	752.4	672.4	-	672.4
Lipsy	**2.7**	2.0	-	2.0
Property Management	**1.8**	3.5	9.1	12.6
Total segment profit	**756.9**	677.9	9.1	687.0
Central costs and other	**(14.9)**	(13.9)	35.8	21.9
Share option charge	**(15.8)**	(17.8)	-	(17.8)
Unrealised foreign exchange	**(5.9)**	3.4	-	3.4
Trading profit	**720.3**	649.6	44.9	694.5
Share of results of associates	**2.5**	0.6	-	0.6
Finance income	**0.7**	0.4	-	0.4
Finance costs	**(28.3)**	(29.0)	-	(29.0)
Profit before tax	**695.2**	621.6	44.9	666.5

3. Exceptional items

	Footnote	**Year to January 2014 £m**	Year to January 2013 £m
Pension credit	(a)	**-**	42.1
Pension charge	(b)	**-**	(6.3)
Sale of property development stock	(c)	**-**	9.1
		-	44.9
Associated tax charge		**-**	(9.4)
		-	35.5

There were no exceptional items in the current year. Last year's exceptional items were as follows:

(a) The Group reviewed the operation of the defined benefit section of its pension plan. From November 2012, the future accrual of benefits for remaining employee members is based on pensionable earnings at that time, rather than final earnings. This change gave rise to a one-off accounting gain of £42.1m last year.

(b) A tranche of pension payments were subject to a buy-in arrangement in 2012. The contract also allows for the buy-in to be converted to a buy-out and steps are being taken to proceed on this basis. Accordingly, the transaction was accounted for as a settlement, with the £6.3m accounting charge presented in the income statement as an exceptional item.

(c) The Group sold its last remaining stock from its property development activities for £15.0m last year which had a book value of £5.9m. The £9.1m gain is presented as an exceptional item because of its size and non-recurring nature.

4. Earnings per share

	Year to January 2014	Year to January 2013
Basic earnings per share	**366.1p**	320.1p
Underlying basic earnings per share	**366.1p**	297.7p
Diluted earnings per share	**355.6p**	311.7p
Underlying diluted earnings per share	**355.6p**	289.9p
Fully diluted earnings per share	**347.1p**	301.9p
Underlying fully diluted earnings per share	**347.1p**	280.8p

4. Earnings per share (continued)

Basic earnings per share is based on the profit for the year attributable to the equity holders of the parent company and the weighted average number of shares ranking for dividend less the weighted average number of shares held by the ESOT during the period.

Underlying earnings per share is based on profit before the exceptional items described in Note 3.

Diluted earnings per share is based on the weighted average number of shares used for the calculation of basic earnings per share as increased by the dilutive effect of potential ordinary shares. Dilutive shares arise from employee share option schemes where the exercise price is less than the average market price of the Company's ordinary shares during the period. Their dilutive effect is calculated on the basis of the equivalent number of nil-cost options. 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 no such share options in the current year (2013: nil).

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

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

	Year to January 2014 £m	Year to January 2013 £m
Profit after tax attributable to equity holders of the parent company	**553.2**	508.7
Less exceptional items (see Note 3)	**-**	(35.5)
Total underlying profit (for underlying EPS)	**553.2**	473.2
Weighted average number of shares (millions):		
Weighted average shares in issue	**157.9**	164.9
Weighted average shares held by ESOT	**(6.8)**	(6.0)
Weighted average shares for basic EPS	**151.1**	158.9
Weighted average dilutive potential shares	**4.5**	4.3
Weighted average shares for diluted EPS	**155.6**	163.2
Weighted average shares for basic EPS	**151.1**	158.9
Weighted average total share options outstanding	**8.3**	9.6
Weighted average shares for fully diluted EPS	**159.4**	168.5

5. Share buybacks and ESOT shares

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

	Ordinary shares (no.)	Cost £m
Shares in issue at 26 January 2013	161,234,237	
Shares purchased for cancellation	(6,201,920)	295.8
Shares in issue at 25 January 2014	**155,032,317**	

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

	Ordinary shares (no.)	Cost/ (proceeds) £m
Shares held by ESOT at 26 January 2013	6,531,837	
Shares purchased by ESOT	2,136,085	96.0
Shares issued by ESOT	(2,477,175)	(42.9)
Shares held by ESOT at 25 January 2014	**6,190,747**	

The cost of shares purchased differs slightly from the figures shown in the cashflow statement due to the timing of settlements around the January 2013 year end.

6. Other financial assets and liabilities

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

Other current financial liabilities at 25 January 2014 also included £58.4m (2013: £42.3m) arising under an irrevocable closed season buyback agreement for the purchase of the Company’s own shares, and net liabilities of £nil (2013: £41.0m) arising under contingent purchase contracts for the Company’s own shares entered into by the ESOT. At 19 March 2014, all £58.4m of the January 2014 commitment was unfulfilled and had expired, and will therefore be credited back to equity.

7. Other non-current liabilities

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

8. Analysis of net debt

	January 2013 £m	Cash flow £m	Other non-cash changes £m	**January 2014 £m**
Cash and short term deposits	136.3			**273.3**
Overdrafts	(5.4)			**(2.6)**
Cash and cash equivalents	130.9	140.4	(0.6)	**270.7**
Corporate bonds	(654.4)	(164.5)	18.1	**(800.8)**
Fair value hedges of corporate bonds	31.3	-	(18.3)	**13.0**
Finance leases	(0.4)	0.1	-	**(0.3)**
Total net debt	(492.6)	(24.0)	(0.8)	**(517.4)**

9. Final dividend and AGM

It is intended that the recommended final dividend of 93p per share will be paid on 1 August 2014 to shareholders registered on 11 July 2014. The Annual General Meeting will be held at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester, LE19 1SW on Thursday 15 May 2014. The Annual Report and Accounts will be sent to shareholders on 11 April 2014 and copies will be available from the Company's registered office: Desford Road, Enderby, Leicester, LE19 4AT and on the Company's website at www.nextplc.co.uk.

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