next plc

RESULTS FOR THE HALF YEAR ENDING JULY 2016

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CHIEF EXECUTIVE'S REVIEW - Contents

CHIEF EXECUTIVE'S REVIEW

OVERVIEW

In March we predicted a challenging year and this has been reflected in our first half results. Although total NEXT Brand sales were **+3.0%** ahead of last year, *full price* sales were down -0.3% on a comparable week basis[1]. Directory has performed significantly better than Retail mainly as a result of improved stock availability, enhanced website functionality and continued growth from LABEL and overseas.

Profit before tax was down -**1.5%.** Underlying Earnings per Share (EPS) were up **+0.8%**, boosted by the effect of share buybacks.

We are declaring an ordinary interim dividend of 53p per share, which is in line with last year.

SALES excluding VAT	**July 2016 £m**	**July 2015 £m**	
NEXT Retail	1,083.6	1,083.0	+0.1%
NEXT Directory	821.2	767.0	+7.1%
NEXT BRAND	1,904.8	1,850.0	**+3.0%**
Other	52.3	57.4	
Total NEXT Group sales	**1,957.1**	**1,907.4**	+2.6%
Statutory Revenue	**1,939.7**	**1,890.5**	

PROFIT and EPS	**July 2016 £m**	**July 2015 £m**	
NEXT Retail	133.9	161.0	-16.8%
NEXT Directory	204.2	184.1	+10.9%
NEXT BRAND	338.1	345.1	-2.0%
Other	22.4	16.9	
Operating profit	360.5	362.0	-0.4%
Net interest	(18.4)	(14.9)	
Profit before tax	**342.1**	**347.1**	**-1.5%**
Taxation	(68.6)	(70.1)	
Profit after tax	**273.5**	**277.0**	
EPS	**188.6p**	**187.1p**	**+0.8%**
Ordinary interim dividend per share	53.0p	53.0p	0.0%

[1] Last year was a 53-week year, which meant that this year started one week later than last year.

NEXT RETAIL

RETAIL SALES AND PROFIT ANALYSIS

£m	July 2016	July 2015	
Retail total sales	1,083.6	1,083.0	+0.1%
Retail operating profit	133.9	161.0	-16.8%
Retail net margin	12.4%	14.9%	

Total Retail sales were up +0.1%, with net new space contributing +2.8% to growth. Full price sales were down -3.2%. Last year was a 53-week year, and as a result the first half of this year started one week later than last year. On a comparable week basis total Retail sales were down -0.7% and full price sales were down -4.0%.

The table below sets out significant Retail margin movements by major heads of costs.

Net operating margin on total sales last year		**14.9%**
Bought-in gross margin	Bought-in gross margin improved due to reduced freight costs.	**+0.1%**
Markdown	Margin has declined as markdown sales have grown by more than full price sales, driven by a much larger end-of-season Sale. Total Brand stock for Sale in the season was up +27%. Retail took a greater proportion of the increase than Directory, so stock for Sale in Retail was up +37%. In comparison, stock for Sale in Directory was up +14%.	**-1.8%**
Store payroll	Increased rates of pay would have reduced margin by -0.6%, but were mitigated by productivity initiatives.	**-0.2%**
Store occupancy	Negative like for like sales increased fixed costs as a percentage of sales. Underlying rental inflation was less than 1%.	**-0.8%**
Warehouse and distribution	Costs increased due to the annual cost of living award and occupancy costs of our new automated furniture warehouse.	**-0.3%**
Central overheads	Central overheads reduced, mainly due to lower management incentives.	**+0.5%**
Net operating margin on total sales this year		**12.4%**

We expect Retail net margins for the full year to be around 15%.

RETAIL SPACE EXPANSION

We are now planning to increase net trading space by 350,000 square feet this year, taking our portfolio to 8.0m square feet. This is more than we forecast in March. We now expect to deliver stores that were planned to open early in 2017/18 towards the end of the current year. Store numbers will remain broadly the same, with the increase from new stores being offset by the closure of smaller, less profitable stores.

The table below sets out the forecast change in store numbers and space for the full year.

	Store numbers	Sq. Ft. ('000)	
January 2016	**540**	**7,650**	
New stores, including 17 re-sites	+27	+610	
Closures, including 20 re-sites	- 28	-320	
Extensions (10)	-	+60	
January 2017 (e)	**539**	**8,000**	**+4.5%**

Profitability of the portfolio of stores opened or extended in the last 12 months is forecast to be 22% of VAT inclusive sales and payback on the net capital invested is expected to be 22 months. Both figures meet Company investment hurdles of 15% store profitability and 24 months capital payback.

Looking ahead, our pipeline of new projects remains healthy and we estimate that we will add between 250,000 and 300,000 square feet per annum of net trading space during 2017 and 2018. This estimate is only a rough guide at this stage and much will depend on the property deals we are able to achieve and required planning permissions.

NEXT: Edinburgh Straiton

RETAIL STORE PROFITABILITY AND AVERAGE LEASE LENGTHS

At a time when retail sales are moving backwards, it may seem counterintuitive to be adding new space. Our view is that, in a difficult trading environment, taking new space is one of the few ways to mitigate losses from negative like for like sales. However, for space acquisition to be effective in these circumstances it must fulfil the following three criteria:

- New space must be highly profitable (at least 15% but preferably >20%)
- It pays back on capital invested within 2 years
- The length of the lease taken is not onerous (generally 10 years or less)

These criteria mean that even if there is a significant decline in like for like sales, new stores are likely to deliver healthy returns on capital and remain profitable for the life of their lease. Our store portfolio remains extremely profitable and the average[2] remaining lease term is not onerous (7.3 years). The table below sets out the percentage of our turnover within stores of different levels of profitability.

Mainline store profitability	Percentage of turnover
>20%	76%
>15%	93%
>10%	97%
>5%	99%
>0%	99.5%

NEXT DIRECTORY

NEXT DIRECTORY SALES PERFORMANCE

Total Directory sales grew by +7.1%, with full price sales growth of +5.5%. As with Retail, these figures are distorted by last year's 53rd week. On a comparable week basis, total Directory sales were up +5.4% and full price sales were up +4.9%. The table below shows the year on year growth in full price sales for each element of the business on a comparable week basis. Full price sales in the UK grew by +2.5%. Much of the UK growth was driven by LABEL, with the core UK NEXT full price business growing by +0.1%. Our overseas business grew by +20.7%.

Full price sales growth	**£m**	**Full price % Var**
UK NEXT	+1	+0.1%
UK LABEL	+14	+17.2%
Total UK	**+15**	**+2.5%**
Overseas	+19	+20.7%
Total	**+34**	**+4.9%**

[2] Average weighted by rental value

DIRECTORY CUSTOMER BASE

Average active customers increased by +5% to 4.7 million, driven by the growth of UK 'cash' customers (those who do not use the Directory credit account when ordering) and customers overseas. The table below sets out the growth in our customer base.

Average active customers	**July 2016**	**July 2015**	
UK credit account [3]	2.50m	2.61m	-4%
UK cash	1.35m	1.14m	+19%
Total UK	**3.85m**	**3.75m**	**+3%**
Overseas	0.85m	0.71m	+19%
Total	**4.70m**	**4.46m**	**+5%**

Directory credit business

As anticipated our credit customer base continued to decline, albeit that the rate of decline appears to have stabilised at around -4%. The decline in customer numbers is not as a result of more customers closing their accounts. Our retention rate (the percentage of our existing customer base continuing to use their accounts) remains stable at around 83%, however in recent years it has become increasingly difficult to recruit new credit customers.

The average sales and balances of those customers who become inactive are much lower than those who continue to use their accounts. This explains why although credit customers are down -4%, sales to credit customers were level on last year.

The table below sets out the trend in our credit customer base over the last four years.

Six months to	**July 2013**	**July 2014**	**July 2015**	**July 2016**
Average active credit accounts	2.81m	2.74m	2.61m	2.50m
% Change in credit customers base	**+5%**	**-3%**	**-5%**	**-4%**
Directory online credit sales (VAT ex.) per average active credit account	£161	£179	£192	£199
Average balance per customer	£228	£263	£305	£403
Directory online credit sales (VAT ex.)	£452m	£489m	£501m	£498m
Retail sales paid using Directory account	£102m	£115m	£119m	£106m
Total interest income	£74m	£84m	£89m	£105m
Total credit income (VAT ex.)	**£628m**	**£688m**	**£709m**	**£709m**
Increase in total credit income	**+8%**	**+9%**	**+3%**	**+0%**

[3] Prior year active customers have been reduced by 0.05m to exclude inactive accounts that were included in error last year.

DIRECTORY PROFIT ANALYSIS

Total NEXT Directory sales grew by +7.1%, profit grew by +10.9%.

£m	July 2016	July 2015	
Directory total sales	821.2	767.0	+7.1%
Directory operating profit	204.2	184.1	+10.9%
Directory net margin	24.9%	24.0%	

The table below sets out significant Directory margin movements by major heads of costs.

Net operating margin on total sales last year		24.0%
Bought-in gross margin	Bought-in gross margin improved due to reduced freight costs.	**+0.1%**
Higher markdown	Margin declined by -0.9% as a result of a 14% increase in stock for the Directory Sale. In addition, last year was 53 weeks which meant this year started one week later than last year. This resulted in an extra week of Directory markdown sales in the first half (the Directory Sale lasts longer than the Retail Sale). The effect of this timing difference was to erode margin by -0.7%; this will reverse out in the second half.	**-1.6%**
Interest income	Increased interest from higher average balances increased margin by +3.4%; this has been partially offset by a reduction in APR.	**+1.2%**
Warehouse & distribution	Operating efficiencies (+0.9%) and the benefits from our International hubs (+0.2%) have been moderately offset by the annual cost of living award and occupancy costs of our new automated furniture warehouse (-0.2%).	**+0.9%**
Marketing, photography & catalogue production	Reduction in print costs (+0.6%) to some extent have been offset by increased online marketing costs (-0.3%).	**+0.3%**
Net operating margin on total sales this year		**24.9%**

We expect Directory net margins for the full year to be around 25%.

DIRECTORY OVERSEAS

Directory overseas continues to trade well with full price sales in the first half up +21%. Stripping out the effect of the Pound's appreciation, full price sales in local currencies were up +27%.

Sales and profit history

The table below sets out the last four years' sales, profits and net margins for Directory overseas, along with an estimate for the current year. This year our overseas margin has improved, mainly as a result of efficiencies within our parcel networks and distribution hubs. We expect profitability for the full year to be around 18% of sales.

£m	Jan 2013	Jan 2014	Jan 2015	Jan 2016	Jan 2017 (e)
Sales	54	101	163	197	*232*
Net profit	10	18	30	31	*42*
Profitability	**19%**	**18%**	**18%**	**16%**	***18%***

Distribution hubs

Last year we opened three new distribution hubs in Russia, Germany and China. The hubs in Germany and Russia are both working well. Within the next six months we will begin to service our Polish business from the German hub. Learning to operate in China has been more challenging than we originally anticipated and we have recently relocated our hub out of a Free Trade Zone at minimal cost. Our new operation in mainland China is now working well.

LABEL

For the full year we expect LABEL total sales to be up +12% with full price sales up +14%. Net margin is expected to improve to 16% largely as a result of a reduced markdown. In the first half of this year we have added 9 new major brands and will add a further 6 in the second half.

The table below sets out the last two years' sales, profit and margins for our LABEL business, along with our estimate for the current year.

£m	Jan 2015	Jan 2016	Jan 2017 (e)
Total Sales VAT ex.[4]	145	180	*202*
Profit	20	22	*32*
Profitability[4]	**14%**	**12%**	***16%***

Lipsy & Co

Our subsidiary, Lipsy, has begun to work with other third-party young fashion brands to create a second branded offer. This is aimed at younger female customers and does not compete with our existing LABEL brands. The business is called 'Lipsy & Co' and, although still small, it has proved a successful addition to the Group. Sales of Lipsy & Co are included in the numbers reported for LABEL above.

[4] Excludes interest income on LABEL items purchased on the NEXT Directory account

THE CHANGING FACE OF NEXT DIRECTORY

In our year end report, issued in March 2016, we outlined the steps we were taking to update and improve the performance of NEXT Directory. This section reports on the progress we have made.

IMPROVING PERFORMANCE

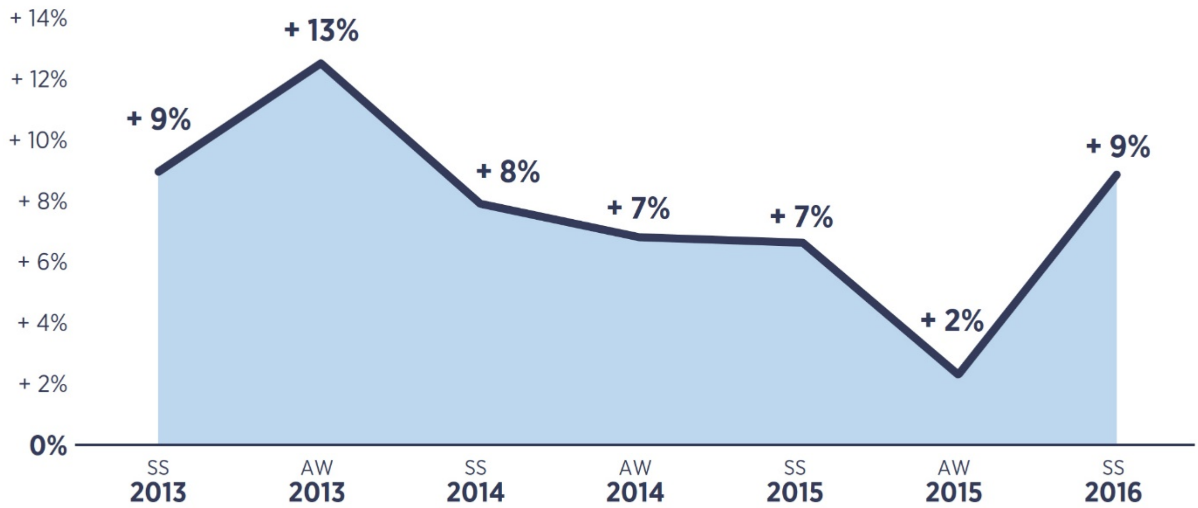
The areas we targeted for improvement were as follows:

- Stock availability
- Mobile site and Apps
- Online marketing
- Personalisation of the website
- Distribution of catalogues
- Delivery services

Of the above areas, the only projects that we believe have had a meaningful impact on sales performance in the first half were improving stock availability, the launch of our new mobile site and the roll-out of online marketing campaigns. Most of the other improvements are dependent on systems developments due for delivery and roll-out over the next twelve months.

The measures we have taken are beginning to have some positive effect and the performance of NEXT Directory has significantly improved relative to our Retail stores. The graph below shows the full price sales performance of Directory relative to Retail over the last three and a half years. For example, in Spring and Summer 2016, Directory sales grew by +5% and Retail sales reduced by -4%, so the difference of +9% is shown on the graph. As can be seen, last season's Directory performance was significantly better than Retail.

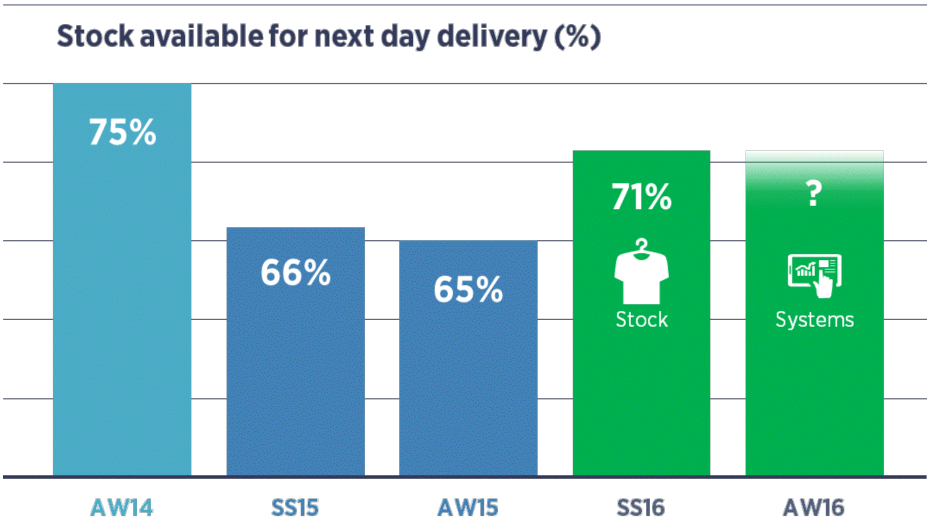
Difference between Directory and Retail
Full Price Sales Growth



STOCK AVAILABILITY

We achieved a significant improvement in our service levels in the first half of the year, with items available for immediate dispatch rising from 66% to 71%. However, this improvement was mainly achieved through simply buying more stock and so contributed to the significant increase in markdown that we experienced at the end of the season.

For the second half of the year, we have planned and delivered stock using a new stock control system. As a result, we believe that we can deliver similar availability improvements in the second half, but without generating additional markdown.



MOBILE SITE AND APPS

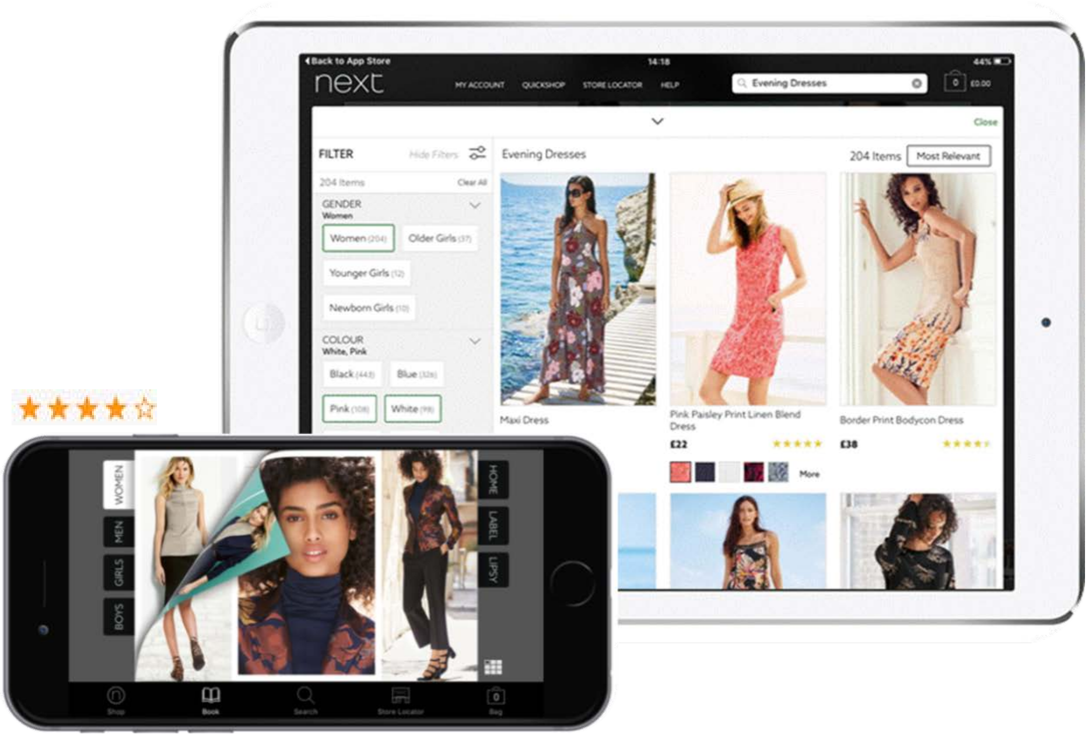
m.next.co.uk

In the first half we rolled out our mobile website (m.next.co.uk) to all handheld devices. We have continued to see an improvement in the number of customers ordering as a percentage of customers visiting the site. This conversion rate has risen by +16%, from 4.9% to 5.7%.

Currently the functionality of our mobile site is more limited than our full website, focussing on search, select and ordering. Over the course of the next twelve months, we plan to deliver a catalogue browsing mode (page view), enhanced account management, order tracking and improved payment functionality. We will also enable the purchase of sofas, furniture and flowers through the mobile site. In the first half of next year, once we have converged our overseas and UK websites onto one platform, we will be able to launch a mobile site for our overseas customers.

Apps

We have significantly upgraded our iPhone and iPad apps. These are both delivering excellent conversion rates (circa 10%), although Apps still only account for 7% of Directory turnover. During the second half of this year we plan to launch an App for Android phones and tablets.



Multiple devices

Over the course of the next six months we aim to make the process of shopping across different devices more convenient by enabling customers to view their shopping basket across a number of different devices.

ONLINE MARKETING

Customer recruitment

During the first half of the year we significantly increased our online marketing spend.

In the UK, online marketing has increased recruitment by 67,000 customers. This growth has been profitable, with an IRR (internal rate of return) of 53%. UK campaigns meet our target IRR of 30% and demonstrate the opportunity to expand online marketing in the UK. The table below summarises the growth in UK customer recruitment, together with the additional spend and incremental IRR. These numbers need to be treated with some caution as the IRR makes assumptions about customers' future spending and attrition, which can only be confirmed with the passage of time.

	UK
Additional customers recruited	67,000
Additional recruitment & promotion spend	£3.1m
Cost per additional customer	£47
Internal Rate of Return (IRR)	53%

We have also invested an additional £1m in online marketing overseas. However, the returns achieved have been below our investment hurdle rate. We will continue to look for more effective ways of investing in overseas online marketing.

We anticipate that we will invest an additional £8m in online marketing for the full year, most of which will be spent in the UK.

Better targeting of advertising

We have recently installed software that will allow us to use customer information in third-party advertising (such as product preferences and purchasing history). We will be deploying the first phase of this technology in the second half. We believe that this change will allow us to improve the performance and reach of our advertising going forward.

Personalised emails

We have had some success with limited personalisation of customer emails but believe we still have much to learn and do in order to maximise the power of well-targeted customer emails.

PERSONALISATION OF THE WEBSITE

The personalisation of our website represents the biggest challenge in our programme of improvement. This endeavour requires us to develop three new capabilities:

- A comprehensive **customer database** which allows us to link customer profile information with transactional and browsing history
- New **display software** to allow individual users to get different views of our website depending on their profile
- An **understanding** of which personalisation techniques are most likely to increase sales through targeting product and promotions to the most relevant customers

During the first half we have developed the first phase of a new customer marketing database and deployed third-party display software, which will allow us to tailor individual customer views. We have also conducted several encouraging personalisation trials.

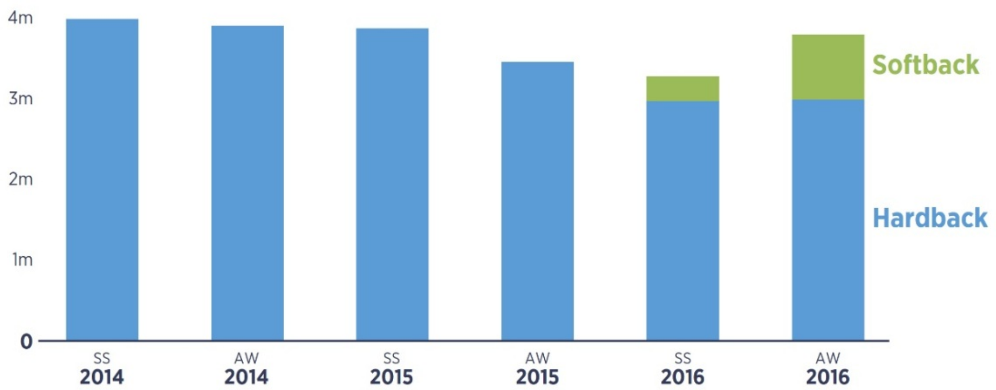
Over the next six months we will undertake a number of website personalisation programmes, including home page product preferences. However, we recognise that it will take at least another six months to gain a clear understanding of which personalisation techniques work best for the business. So we do not expect personalisation to have much impact on sales during the current financial year, though it represents a potentially significant opportunity for 2017 and beyond.

DISTRIBUTION OF CATALOGUES

Whilst the majority of our existing customers value our four hardback catalogues, many of our newer customers opt out of receiving a hardback publication. This change means that we were missing the chance to use printed material to promote our new ranges to a growing segment of our customer base.

Over the course of the last six months we have rationalised and expanded the planned distribution of printed material. The most important change has been the introduction of a smaller softback version of our main publications for customers who do not want hardback books. During the first half of the year we successfully trialled this concept which will be rolled out in the second half. The graph below sets out the changes to the distribution of catalogues over the last five seasons and the distribution we are planning for the current season. As can be seen, we have now arrested the decline in printed materials.

Book Volumes 2014 to 2016



Net costs of online marketing and publication programme

Throughout the year we expect the reduction in hardback books, after accounting for the increased cost of new softback publications, to result in a net saving of £3m. This saving, which is essentially a marketing cost, partially offsets the planned £8m increase in online marketing spend.

DELIVERY SERVICES

As set out in our year end report, we plan to launch delivery and collection from 5,000 parcel shops in October. Towards the end of the year we will also begin giving our customers a two-hour delivery window during which they can expect their goods. This message will be sent by text at the beginning of the day.

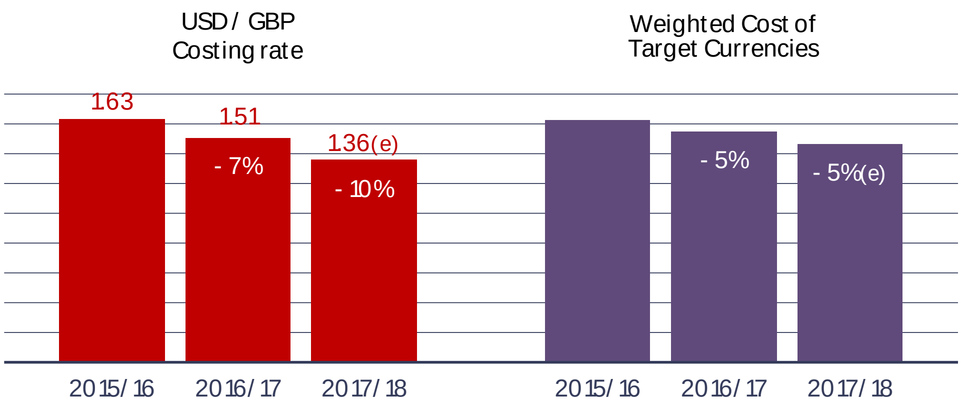
NOTE ON SYSTEMS DEVELOPMENT

The speed at which we are able to deliver new systems remains critical to the pace of business development within the NEXT Directory. The convergence of our UK and overseas websites has been a necessary step in the development of our overseas business and will enable us to deliver far more efficient development in the future. However, the scale and complexity of this project has hampered our ability to deliver new systems over the last 12 months. This project will be complete by the end of the year so we expect to be able to accelerate Directory systems development as we go into 2017.

UPDATE ON CURRENCY AND 2017 PRICES

In our August trading statement we issued guidance for our costing rates for 2017, in light of the recent devaluation of the Pound. Our currency rates for the current year were not affected by this year's devaluation because we had already covered most of our requirements in the forward markets. As a result, Sterling's recent devaluation will not affect us until Spring 2017.

The left-hand side of the table below shows the value of the Pound against our achieved Dollar costing rates from 2015 to 2017. Rates for 2017 are still an estimate as we have yet to purchase all our currency requirements for next year. 64% of our purchases are denominated in Dollars, the balance is priced in Euros, Pounds or other local currencies. Even in those territories where goods are priced in Dollars, the fall in the Pound will not fully translate into higher Sterling prices. This is because ultimately, the Dollar is only an intermediate currency. The value of the Pound against a weighted basket of local currencies in our supplier territories shows a smaller devaluation, as set out in the right-hand bar chart.



As can be seen from the chart, all other things being equal we would expect cost prices to rise by 5% in 2017. However, in 2016 we experienced a similar devaluation without any material impact on Sterling cost prices. This was because:

- We have developed new sources of supply (such as Burma and Cambodia)
- Developing territories (such as Bangladesh) have broadened their capabilities
- There is increased competition and improving efficiency in mature territories (such as China and India)
- Lower commodity prices

We believe that the first three factors will continue to influence prices going into 2017 so we expect cost prices on like for like garments to rise by 5% at the most. It is worth pointing out that this calculation is not straightforward because, in a world where fashion is changing so quickly, there will be very few garments which are directly comparable to those we are selling this year.

Likely effect on retail selling prices and turnover

The last time we had to increase prices (which was in 2010 when cotton prices soared) we estimated that price elasticity was around 1.1. If that remains the case today, a retail selling price increase of 5% would result in a fall in *unit* sales of -5.5% and a fall in like for like sales *value* of between -0.5% to -1.0%. In the scheme of things, we think that this drag on sales is manageable and less damaging than taking a significant hit to margin.

OTHER TRADING BUSINESSES

NEXT SOURCING

NEXT Sourcing (NS) is our internal sourcing agent, which procures around 40% of NEXT branded product. NS sales are down 10% in local currency, mainly as a result of competition from other third-party suppliers, in particular those who operate closer to home and have a better ability to respond faster to new trends. The impact of this was partially mitigated by changes in exchange rates.

Looking forward, NS will focus on improving its product development capabilities and operations in Turkey, which, of its territories, is best placed to respond to emerging trends.

The table below sets out the performance of the business in Sterling and in Dollars.

	July 2016 £m	July 2015 £m		July 2016 USDm	July 2015 USDm	
Sales (mainly inter-company)	299.8	304.2	-1%	419.7	465.4	-10%
Operating profit	21.8	22.9	-5%	30.5	35.0	-13%
Operating margin	**7.3%**	**7.5%**		**7.3%**	**7.5%**	
Exchange rate	1.40	1.53				

For the full year we expect NS to make around USD 65m profit, a decline of 15% in local currency. Profit in Sterling is likely to be slightly lower than last year's £50m.

LIPSY

Earlier this year Lipsy made the decision to curtail their UK wholesale business which is less profitable than (and competes with) its other sales channels. Lipsy's sales are broken down by distribution channel in the table below. Sales through NEXT stores and Directory are reported in those divisions and are set out in the table below.

	July 2016 £m	July 2015 £m	
Franchise and wholesale	8.3	10.3	
Lipsy Retail	1.7	1.9	
Lipsy online (lipsy.co.uk)	4.1	2.7	
Total Lipsy Sales	**14.1**	**14.9**	
Lipsy Sales through NEXT Retail (reported in NEXT Retail)	7.1	5.9	
Lipsy sales through NEXT Directory (reported in NEXT Directory)	19.9	13.1	
Total Sales	**41.1**	**33.9**	+21%

A growing proportion of Lipsy's sales (around 33%) come from selling third-party, young fashion brands, mainly on a commission basis. These amounted to £13.9m in the first half of the year compared with £6.1m for the same period last year.

Lipsy's first half profit was £2.8m, up from £1.8m last year. We are anticipating full year profits of £6.6m compared with £5.3m last year.

INTERNATIONAL RETAIL AND FRANCHISE STORES

Our franchise partners operate 179 stores in 37 countries. Franchise sales in the year have reduced by -12%. This decline is due to a combination of weak trading conditions in some important territories and increased competition from our own overseas offer online. Our 13 wholly owned stores in Europe have broadly broken even. Revenue and profit are set out below.

	July 2016 £m	July 2015 £m	
Franchise income	26.6	30.9	
Own store sales	5.5	5.4	
Total revenue	**32.1**	**36.3**	-12%
Operating profit	**4.2**	**4.7**	-11%

CENTRAL COSTS AND NON-TRADING ACTIVITIES

The table below summarises central costs and other non-trading activities.

£m	July 2016	July 2015
Central costs and share options	(9.9)	(13.3)
Property management	3.0	6.6
Unrealised foreign exchange	-	(6.3)
Associates	0.6	0.5
Total	**(6.3)**	**(12.5)**

The reduction in central costs and share options reflects lower incentive costs this year. We anticipate a similar charge in the second half. Last year's property management profit included £5m from the development of a retail store. For the full year we are budgeting for property management profit of £5m.

We are not budgeting for any unrealised exchange gains or losses this year.

INTEREST AND TAXATION

The interest charge was £18.4m, up from last year's £14.9m and reflecting higher debt levels this year. We are forecasting a charge of £39m for the full year compared with £31m last year.

Our expected tax rate of 20% for the current year is commensurate with headline UK corporation tax rates. For 2017/18 we expect this to fall below 20% following the UK Government's decision to reduce the rate further.

CAPITAL EXPENDITURE, NET DEBT AND SHAREHOLDER DISTRIBUTIONS

CAPITAL EXPENDITURE

In the current year we expect capital expenditure to be £162m. The increase on last year of £11m is as a result of increased investment in profitable new space and warehouse expenditure which has been partly offset by a reduction in Head Office and Systems expenditure.

Our capital expenditure forecast for the full year is shown by category in the table below with the equivalent figures for the last two years.

£m	Jan 2015	Jan 2016	Jan 2017 (e)
Retail space expansion	74	86	103
Retail cosmetic refits	6	15	10
Total capex on stores	**80**	**101**	**113**
Warehouse	12	22	30
Systems & Head Office infrastructure	18	28	19
Total capital expenditure	**110**	**151**	**162**

New retail space remains our biggest investment at £103m. In the year to January 2017, warehouse capex is forecast at £30m. This includes £18m of expenditure on a new automated furniture warehouse, compared to £12m last year. This new warehouse will be operational towards the end of this year.

Systems capital expenditure is reducing to £7m due to a prior year investment renewing our retail till systems. Expenditure on Head Office infrastructure is reducing to £12m as we near the end of upgrading our central facilities. This year's expenditure includes a new on-site photographic and video studio, interim accommodation for new starters and an upgrade to site security.

BALANCE SHEET, NET DEBT AND FINANCING

Cash flow in the first half

Underlying surplus cash generated from operations in the first half was £233m. This is after deducting interest and capital expenditure, but before financing £65m of additional investment in Directory debt. We paid a special dividend of £88m and spent £176m on share buybacks. Overall, net cash outflow for the first half was £96m and net debt increased from £850m at the beginning of the year to £946m at the end of July.

Cash flow for the full year

Assuming a further £30m of share buybacks this year, we now expect net debt at January 2017 to finish broadly in line with net debt at the start of the year, as set out in the table below.

£m	Net debt	Cash flow (e)
Net debt January 2016	**850**	
Surplus cash from operations (*after* tax, capital expenditure and *ordinary* dividends but before funding additional Directory debt)		+350(e)
Special dividends / buybacks		-294(e)
Financing for additional Directory debt		-65(e)
Net debt January 2017	**859(e)**	

Our forecast year end net debt of £859m is around £120m higher than our forecast at the beginning of the year. The decision to increase our leverage was made in the light of:

- The successful issue a new bond at historically low rates.
- The £300m increase in the Directory debtor book we have experienced over the last two years.
- The Directory debtor book, a financial asset now valued at £953m, more than covers the value of our net debt.

The Group maintains its objective of investment grade status. At £859m, the Group's net debt is very comfortably within the limit of investment grade status which we estimate to be around £1.5bn.

BONDS AND BANK FACILITIES

Our debt (which peaks at £1.1bn) is securely financed through a combination of bonds and committed bank facilities.

In May of this year we issued a new £300m 12-year bond in anticipation of redeeming our £213m bond in October 2016. Once the October bond is repaid, our financing will consist of £875m of bonds and £525m of committed bank facilities, as set out in the table below.

	£m	£m
2021 Bond	325	
2026 Bond	250	
2028 Bond	300	
Total bond financing		**875**
Bank facility 2020	285	
Bank facility 2021	240	
Total bank facilities		**525**
Total financing		**1,400**

PENSION SCHEME

On the IFRS accounting basis, our defined benefit scheme has swung from a £46m surplus at January 2016 to a £35m deficit at the end of July 2016. This is primarily due to lower interest rates. A full actuarial valuation will be performed later this year which, depending on market conditions, could show a deficit for funding purposes in the order of £150m. If this were to be the case, we anticipate that it may require additional Company contributions of around £30m per year for 5 years.

INTERIM DIVIDEND

We are declaring an ordinary interim dividend of 53p per share, in line with last year, to be paid on 3 January 2017. Shares will trade ex-dividend from 8 December 2016 and the record date will be 9 December 2016.

OUTLOOK

RECENT TRADE – A JULY 'BOUNCE'?

There has been some talk of a general retail bounce in July and whilst NEXT did enjoy very strong sales in July, this was driven by a much larger end-of-season Sale. NEXT's stock for the end-of-season Sale was up 30% on last year which increased both footfall and sales.

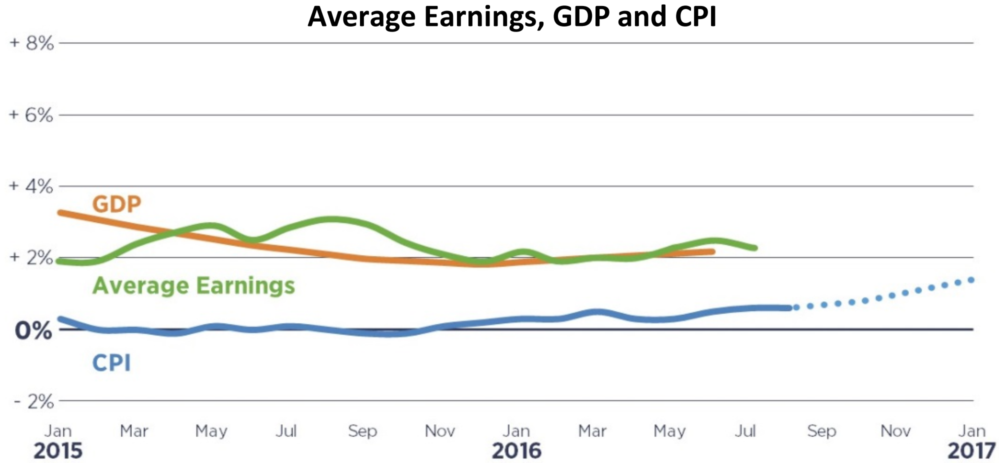
As can be seen from the graph below, *full price* sales in July remained subdued, so we do not believe that July trading represented any change in underlying consumer spending patterns. Trading since July, which to some extent may have been affected by the Sale, has remained challenging and volatile. We are maintaining our full year sales guidance but expect to have a clearer picture of trading conditions at the beginning of November when we announce our third quarter sales.

Total and Full Price Sales Growth: May, June and July

WIDER ECONOMIC TRENDS

Growth in GDP, Earnings and CPI remain subdued with little change in underlying numbers over the last few months. General inflation (CPI) is forecast to increase in the year ahead as the effects of the Pound's devaluation filter through to the real economy, so there is a risk of a squeeze on real earnings if wage growth remains at its current level. Total earnings continued to grow at around 4% throughout 2015 driven by growth in total employment, although this has slowed to 2% in the first quarter of this year.

Average Earnings, GDP and CPI

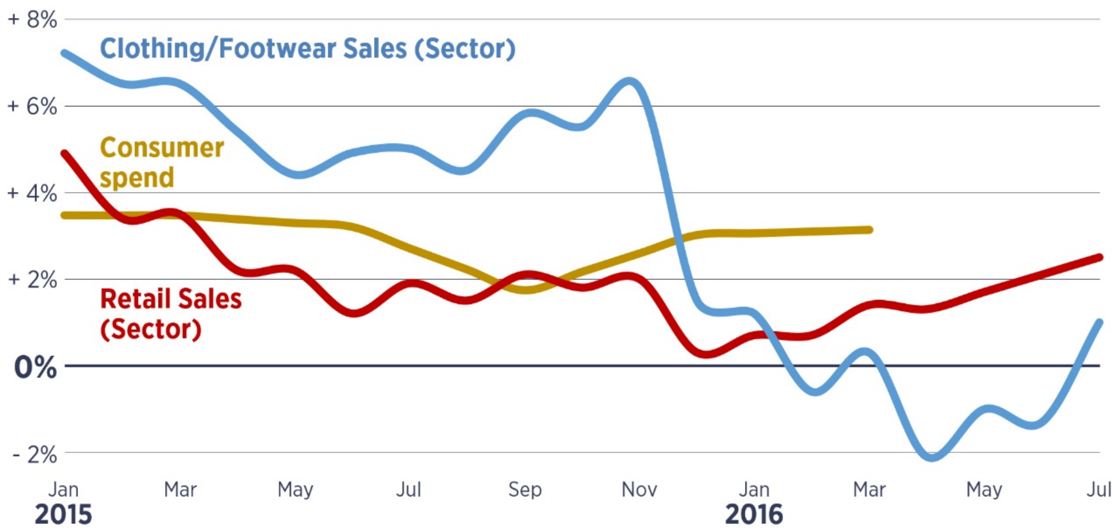


Sources: ONS: CPI (Sep), GDP (Aug), Average Earnings (Sep) BoE: CPI forecast (Aug) ••••

TRENDS IN CONSUMER SPENDING

The graph below shows growth in consumer spending, total retail sales and sales of clothing and footwear over the last 18 months. As can be clearly seen from the graph, total consumer spending (which includes items such as hotels, travel, restaurants, etc.) has grown broadly in line with total earnings growth in 2015, at just below 4%.

Growth in Consumer, Retail and Clothing & Footwear Sales



Source: ONS Retail Sales Index Reference Tables, 3 month average (Aug)
ONS Consumer spend – GDP data: Q1 National Accts. (Jun)

Up until October/November 2015, total retail sales were growing broadly in line with consumer spending, with clothing and footwear doing significantly better. Towards the end of last year, and coinciding with an unusually warm winter and cold spring, growth in sales of clothing and footwear fell dramatically below the general level of retail spending. This graph demonstrates the shift towards more experiential spending that we highlighted in our March results announcement.

We reiterate our guidance that the third quarter is likely to be our toughest, as it was our best performing quarter last year. There is a possibility that the trend away from spending on clothing and footwear might not be as marked later in the year, as the comparative numbers soften in November. This improvement is very likely if we have a cold winter.

OUTLOOK FOR SALES AND PROFIT

We maintain our sales and profit guidance for the full year issued with our trading statement at the beginning of August. For the full year, we expect NEXT Brand full price sales growth to be between -2.5% and +2.5%. Our wider than normal sales range reflects the continued uncertainty and increasing volatility of consumer demand.

Our sales and profit guidance range for the year is reiterated in the table below.

Guidance Estimates **Full Year to January 2017 (52 v 52 week basis)**	**Lower end of guidance**	**Upper end of guidance**
Total full price NEXT Brand sales growth v LY	-2.5%	+2.5%
Group profit before tax	£775m	£845m
Group profit before tax v LY	-5.6%	+2.9%
Earnings per share v LY	**-2.5%**	**+6.3%**

THIRD QUARTER TRADING UPDATE

Our next trading statement will cover the thirteen weeks to 29 October and is scheduled for Wednesday 2 November 2016.

SUMMARY

As expected, it has been a challenging year so far, with economic and cyclical factors working against us, and it looks set to remain that way until mid-October at the earliest. We remain clear about where we need to focus our energies and continue to work on the priorities we set out at the beginning of the year:

- Continue our efforts to improve our buying processes, pushing the boundaries of what we can achieve in terms of design and quality
- Upgrade the UK Directory business, developing new ways of recruiting customers, stimulating sales from existing customers, presenting our website, personalising our offer and improving our delivery service
- Continue to develop Directory's two growth businesses – LABEL and Overseas
- Develop and profitably expand our UK retail store network
- Control costs through innovation

These objectives all relate to improving how our customers perceive NEXT. We believe that if we stick to our priorities then, however difficult the current year may prove to be, the Company will emerge well placed to grow when trading conditions become more benign.

Lord Wolfson of Aspley Guise
Chief Executive
15 September 2016

UNAUDITED CONSOLIDATED INCOME STATEMENT

	26 weeks to 30 July 2016 £m	26 weeks to 25 July 2015 £m
Revenue	**1,939.7**	1,890.5
Cost of sales	**(1,307.5)**	(1,246.0)
Gross profit	**632.2**	644.5
Distribution costs	**(169.0)**	(166.7)
Administrative expenses	**(103.3)**	(110.0)
Unrealised foreign exchange losses	**-**	(6.3)
Trading profit	**359.9**	361.5
Share of results of associates	**0.6**	0.5
Operating profit	**360.5**	362.0
Finance income	**0.1**	0.5
Finance costs	**(18.5)**	(15.4)
Profit before taxation	**342.1**	347.1
Taxation	**(68.6)**	(70.1)
Profit for the period attributable to equity holders of the parent company	**273.5**	277.0

	26 weeks to 30 July 2016 £m	26 weeks to 25 July 2015 £m
Earnings per share (Note 4)		
Basic	**188.6p**	187.1p
Diluted	**187.1p**	183.7p
Ordinary interim dividend per share (Note 5)	**53.0p**	53.0p

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	26 weeks to 30 July 2016 £m	26 weeks to 25 July 2015 £m
Profit for the period	**273.5**	277.0
Other comprehensive income and expenses:		
Items that will not be reclassified to profit or loss		
Actuarial (losses)/gains on defined benefit pension scheme	**(77.8)**	3.6
Tax relating to items which will not be reclassified	**15.6**	(0.8)
Sub-total items that will not be reclassified	**(62.2)**	2.8
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**0.8**	2.0
Foreign currency cash flow hedges:		
- fair value movements	**49.3**	(27.9)
- reclassified to the income statement	**(16.6)**	(20.3)
- recognised in inventories	**(22.1)**	(8.2)
Tax relating to items which may be reclassified	**(2.1)**	11.3
Sub-total items that may be reclassified	**9.3**	(43.1)
Other comprehensive expense for the period	**(52.9)**	(40.3)
Total comprehensive income for the period	**220.6**	236.7

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	26 weeks to 30 July 2016 £m	26 weeks to 25 July 2015 £m
Opening total equity	**311.8**	321.9
Total comprehensive income for the period	**220.6**	236.7
Share buybacks & commitments (Note 6)	**(175.9)**	101.1
ESOT share purchases & commitments	**(28.1)**	(73.2)
Shares issued by ESOT	**13.3**	34.2
Share option charge	**6.3**	6.7
Tax recognised directly in equity	**(12.1)**	4.0
Equity dividends (Note 5)	**(150.3)**	(325.9)
Closing total equity	**185.6**	305.5

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	30 July 2016 £m	25 July 2015 £m	30 Jan 2016 £m
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant & equipment		**555.1**	527.6	536.4
Intangible assets		**43.5**	43.9	43.7
Interests in associates & other investments		**2.1**	2.1	2.1
Defined benefit pension surplus		**-**	37.3	46.0
Other financial assets	7	**92.5**	54.2	57.0
Deferred tax assets		**5.3**	20.7	2.7
		698.5	685.8	687.9
Current assets				
Inventories		**490.9**	450.8	486.5
Assets under construction		**3.2**	-	-
Customer and other receivables		**1,077.2**	925.8	1,050.5
Other financial assets	7	**53.6**	8.8	38.9
Cash and short term deposits		**144.9**	242.4	66.3
		1,769.8	1,627.8	1,642.2
Total assets		**2,468.3**	2,313.6	2,330.1
Current liabilities				
Bank loans and overdrafts		**(3.7)**	(4.1)	(128.6)
Corporate bonds	8	**(213.0)**	-	(213.8)
Trade payables and other liabilities		**(631.6)**	(659.4)	(673.5)
Dividends payable	5	**(150.3)**	(237.0)	(88.3)
Other financial liabilities	7	**(4.8)**	(13.0)	(1.3)
Current tax liabilities		**(64.7)**	(56.8)	(65.1)
		(1,068.1)	(970.3)	(1,170.6)
Non-current liabilities				
Corporate bonds	8	**(934.0)**	(818.7)	(615.0)
Defined benefit pension deficit		**(35.0)**	-	-
Provisions		**(7.1)**	(7.9)	(7.3)
Other financial liabilities	7	**(20.2)**	(8.1)	(13.9)
Other liabilities	9	**(218.3)**	(203.1)	(211.5)
		(1,214.6)	(1,037.8)	(847.7)
Total liabilities		**(2,282.7)**	(2,008.1)	(2,018.3)
NET ASSETS		**185.6**	305.5	311.8
EQUITY				
Share capital		**14.7**	15.3	15.1
Share premium account		**0.9**	0.9	0.9
Capital redemption reserve		**15.2**	14.6	14.8
ESOT reserve		**(216.5)**	(211.5)	(208.7)
Fair value reserve		**37.9**	(2.1)	29.4
Foreign currency translation reserve		**(3.9)**	0.3	(4.8)
Other reserves		**(1,443.8)**	(1,443.8)	(1,443.8)
Retained earnings		**1,781.1**	1,931.9	1,908.9
Shareholders' equity		**185.6**	305.6	311.8
Non-controlling interest		**-**	(0.1)	-
TOTAL EQUITY		**185.6**	305.5	311.8

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	26 weeks to 30 July 2016 £m	26 weeks to 25 July 2015 £m
Cash flows from operating activities		
Operating profit	**360.5**	362.0
Depreciation, impairment & disposal of property, plant & equipment	**57.9**	56.3
Amortisation of intangible assets	**0.2**	0.1
Share option charge	**6.3**	6.7
Exchange movement	**0.8**	8.2
Increase in inventories and assets under construction	**(7.6)**	(21.3)
Increase in customer and other receivables	**(24.7)**	(85.0)
Decrease in trade and other payables	**(59.0)**	(16.1)
Net pension contributions less income statement charge	**3.2**	4.2
Cash generated from operations	**337.6**	315.1
Corporation taxes paid	**(71.1)**	(69.9)
Net cash from operating activities	**266.5**	245.2
Cash flows from investing activities		
Additions to property, plant & equipment	**(77.0)**	(80.9)
Movement in capital accruals	**1.7**	6.6
Payments to acquire property, plant & equipment	**(75.3)**	(74.3)
Proceeds from sale of property, plant & equipment	**0.6**	0.2
Deferred consideration received	**-**	3.0
Net cash from investing activities	**(74.7)**	(71.1)
Cash flows from financing activities		
Repurchase of own shares (Note 6)	**(175.9)**	-
Purchase of shares by ESOT	**(28.1)**	(73.2)
Disposal of shares by ESOT	**12.9**	33.4
Issue of corporate bonds (Note 8)	**297.3**	-
Repayment of unsecured bank loans	**(115.0)**	-
Interest paid	**(7.0)**	(6.1)
Interest received	**0.1**	0.5
Payment of finance lease liabilities	**-**	(0.1)
Dividends paid (Note 5)	**(88.3)**	(162.8)
Net cash from financing activities	**(104.0)**	(208.3)
Net increase/(decrease) in cash and cash equivalents	**87.8**	(34.2)
Opening cash and cash equivalents	**52.7**	272.7
Effect of exchange rate fluctuations on cash held	**0.7**	(0.2)
Closing cash and cash equivalents (Note 10)	**141.2**	238.3

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The Group's interim results for the 26 weeks to 30 July 2016 (prior year 26 weeks to 25 July 2015) were approved by the Board of Directors on 15 September 2016 and have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The accounting policies adopted in the preparation of the interim financial statements are the same as those set out in the Group's annual financial statements for the year ended 30 January 2016. The financial statements have been prepared on the historical cost basis except for certain financial instruments, pension assets and liabilities and share-based payment liabilities which are measured at fair value. Where applicable, disclosures required by paragraph 16A of IAS 34 are given either in these interim financial statements or in the accompanying Chief Executive's Review.

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

The financial information contained in this report is condensed and does not constitute statutory accounts of the Company within the meaning of Section 434(3) of the Companies Act 2006. Statutory accounts for the year to January 2016 have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or (3) of the Companies Act 2006.

Going concern

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

2. Risks & uncertainties

The Board has considered the principal risks and uncertainties for the remaining half of the financial year and determined that the risks presented in the 2016 Annual Report, described as follows, also remain relevant to the rest of the financial year: Business strategy development & implementation; Management team; Product design & selection; Key suppliers & supply chain management; Warehousing & distribution; Customer experience; Retail store network; Information security, business continuity & cyber risk; Financial, treasury, liquidity & credit risks. These are detailed on pages 27 to 30 of the 2016 Annual Report, a copy of which is available on the Company's website at www.nextplc.co.uk.

In our Trading Statement which was published on 3 August 2016, we commented on the impact of the EU Referendum. Our expectations for the full year remain unchanged and are set out in the Chief Executive's Review.

3. Segmental analysis

The Group's operating segments under IFRS 8 have been determined based on the management accounts reviewed by the Board. The performance of operating segments is assessed on profits before interest and tax, excluding equity-settled share option charges recognised under IFRS 2 *Share-Based Payment* and unrealised foreign exchange gains or losses on derivatives which do not qualify for hedge accounting. The activities, products and services of the operating segments are detailed on page 24 of the 2016 Annual Report. The Property Management segment holds properties and property leases which are sub-let to other segments and external parties.

Where third party branded goods are sold on a commission basis, only the commission receivable is included in statutory revenue. Total Sales represents the amount payable by the customer, excluding VAT.

Segment sales and revenue

26 weeks to 30 July 2016	**Total sales excluding VAT £m**	**Commission sales adjustment £m**	**External Revenue £m**	**Internal Revenue £m**	**Total Segment Revenue £m**
NEXT Retail	**1,083.6**	**(2.2)**	**1,081.4**	**2.6**	**1,084.0**
NEXT Directory	**821.2**	**(14.3)**	**806.9**	**-**	**806.9**
NEXT International Retail	**32.1**	**-**	**32.1**	**-**	**32.1**
NEXT Sourcing	**2.5**	**-**	**2.5**	**297.3**	**299.8**
	1,939.4	**(16.5)**	**1,922.9**	**299.9**	**2,222.8**
Lipsy	**14.1**	**(0.9)**	**13.2**	**15.9**	**29.1**
Property Management	**3.6**	**-**	**3.6**	**103.0**	**106.6**
Total segment sales/revenues	**1,957.1**	**(17.4)**	**1,939.7**	**418.8**	**2,358.5**
Eliminations	**-**	**-**	**-**	**(418.8)**	**(418.8)**
Total	**1,957.1**	**(17.4)**	**1,939.7**	**-**	**1,939.7**

26 weeks to 25 July 2015	Total sales excluding VAT £m	Commission sales adjustment £m	External Revenue £m	Internal Revenue £m	Total Segment Revenue £m
NEXT Retail	1,083.0	(2.8)	1,080.2	2.8	1,083.0
NEXT Directory	767.0	(13.7)	753.3	-	753.3
NEXT International Retail	36.3	-	36.3	-	36.3
NEXT Sourcing	3.2	-	3.2	301.0	304.2
	1,889.5	(16.5)	1,873.0	303.8	2,176.8
Lipsy	14.9	(0.4)	14.5	11.2	25.7
Property Management	3.0	-	3.0	96.4	99.4
Total segment sales/revenues	1,907.4	(16.9)	1,890.5	411.4	2,301.9
Eliminations	-	-	-	(411.4)	(411.4)
Total	1,907.4	(16.9)	1,890.5	-	1,890.5

3. Segmental analysis (continued)

	26 weeks to 30 July 2016 £m	26 weeks to 25 July 2015 £m
Segment profit		
NEXT Retail	**133.9**	161.0
NEXT Directory	**204.2**	184.1
NEXT International Retail	**4.2**	4.7
NEXT Sourcing	**21.8**	22.9
	364.1	372.7
Lipsy	**2.8**	1.8
Property Management	**3.0**	6.6
Total segment profit	**369.9**	381.1
Central costs and other	**(3.7)**	(6.6)
Share option charge	**(6.3)**	(6.7)
Unrealised foreign exchange losses	**-**	(6.3)
Trading profit	**359.9**	361.5
Share of results of associates	**0.6**	0.5
Finance income	**0.1**	0.5
Finance costs	**(18.5)**	(15.4)
Profit before tax	**342.1**	347.1

4. Earnings per share

	26 weeks to 30 July 2016	26 weeks to 25 July 2015
Basic earnings per share	**188.6p**	187.1p
Diluted earnings per share	**187.1p**	183.7p

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

Diluted earnings per share is based on the weighted average number of shares used for the calculation of basic earnings per share as increased by the dilutive effect of potential ordinary shares. Dilutive shares arise from employee share option schemes where the exercise price is less than the average market price of the Company's ordinary shares during the period. Their dilutive effect is calculated on the basis of the equivalent number of nil-cost options. Where the option price is above the average market price, the option is not dilutive and is excluded from the diluted EPS calculation. In the current period, there were 2.3m such options which were excluded from the diluted EPS calculation (2015: Nil).

4. Earnings per share (continued)

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

	26 weeks to 30 July 2016 £m	26 weeks to 25 July 2015 £m
Profit after tax attributable to equity holders of the Parent Company	**273.5**	277.0
Weighted average number of shares (millions):		
Weighted average shares in issue	**149.3**	152.9
Weighted average shares held by ESOT	**(4.3)**	(4.8)
Weighted average shares for basic EPS	**145.0**	148.1
Weighted average dilutive potential shares	**1.2**	2.7
Weighted average shares for diluted EPS	**146.2**	150.8

5. Dividends

It is intended that this year's ordinary interim dividend of 53p per share will be paid to shareholders on 3 January 2017. NEXT plc shares will trade ex-dividend from 8 December 2016 and the record date will be 9 December 2016. Dividends paid or declared during the period were as follows:

26 weeks to 30 July 2016

	Paid	**Pence per share**	**Cash flow statement £m**	**Statement of changes in equity £m**	**July 2016 balance sheet £m**
Special interim dividend	1 Feb 2016	60p	88.3	-	-
Ordinary final dividend for year to Jan 2016	1 Aug 2016	105p	-	150.3	150.3
			88.3	**150.3**	**150.3**

26 weeks to 25 July 2015

	Paid	**Pence per share**	**Cash flow statement £m**	**Statement of changes in equity £m**	**July 2015 balance sheet £m**
Special interim dividend	2 Feb 2015	50p	73.9	-	-
Special interim dividend	1 May 2015	60p	88.9	88.9	-
Special interim dividend	3 Aug 2015	60p	-	88.9	88.9
Ordinary final dividend for year to Jan 2015	3 Aug 2015	100p	-	148.1	148.1
			162.8	**325.9**	**237.0**

6. Share buybacks

In the period to 30 July 2016, NEXT plc purchased 3,359,879 of its own 10p ordinary shares for cancellation at a total cost of £175.9m. There were no share buybacks in the corresponding period of the previous year.

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. Corporate bonds

In May 2016, NEXT plc issued a new £300m 12-year bond. The amount received of £297.3m shown in the cash flow statement is net of discount and issue costs. The table below shows the nominal and balance sheet values of the Group's outstanding corporate bonds.

	Nominal value			**Balance sheet value**		
	30 July 2016 £m	25 July 2015 £m	30 Jan 2016 £m	**30 July 2016 £m**	25 July 2015 £m	30 Jan 2016 £m
Corporate bond 5.875% repayable Oct 2016	**212.6**	212.6	212.6	**213.0**	214.6	213.8
Corporate bond 5.375% repayable Oct 2021	**325.0**	325.0	325.0	**331.6**	333.7	332.7
Corporate bond 4.375% repayable Oct 2026	**250.0**	250.0	250.0	**302.4**	270.4	282.3
Corporate bond 3.625% repayable May 2028	**300.0**	-	-	**300.0**	-	-
	1,087.6	787.6	787.6	**1,147.0**	818.7	828.8
Classified as:						
Current liabilities				**213.0**	-	213.8
Non-current liabilities				**934.0**	818.7	615.0
				1,147.0	818.7	828.8

As explained in the January 2016 Annual Report, the Group uses interest rate derivatives to manage part of the interest rate risk associated with its corporate bonds, whereby the carrying value of the relevant bonds is adjusted for changes in fair value attributable to the hedged risk. At July 2016, the fair value of the Group's corporate bonds was £1,200.6m (July 2015: £870.3m, January 2016: £879.3m). The fair values are market values at the balance sheet date (IFRS 13 Level 1).

9. Other non-current liabilities

Other non-current liabilities relate primarily to the long term element of property lease incentives received which will be credited to the income statement more than one year from the balance sheet date.

10. Analysis of net debt

	30 Jan 2016 £m	Cash flow £m	Other non-cash changes £m	**30 July 2016 £m**
Cash and short term deposits	66.3			144.9
Overdrafts and short term borrowings	(13.6)			(3.7)
Cash and cash equivalents	52.7	87.8	0.7	141.2
Unsecured bank loans	(115.0)	115.0	-	-
Corporate bonds	(828.8)	(297.3)	(20.9)	(1,147.0)
Fair value hedges of corporate bonds	41.2	-	18.2	59.4
Total net debt	**(849.9)**	**(94.5)**	**(2.0)**	**(946.4)**

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

a) The condensed set of financial statements has been prepared in accordance with IAS 34;

b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Lord Wolfson of Aspley Guise	**Amanda James**
Chief Executive	**Group Finance Director**

15 September 2016

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

Certain statements which appear in a number of places throughout this Interim Management Report may constitute "forward looking statements" which are all matters that are not historical facts, including anticipated financial and operational performance, business prospects and similar matters. These forward looking statements are identifiable by words such as "aim", "anticipate", "believe", "budget", "estimate", "expect", "forecast", "intend", "plan", "project" and similar expressions. These forward looking statements reflect NEXT's current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any such forward looking statements are subject to risks and uncertainties, including but not limited to those matters highlighted in Note 2 of these interim financial statements; failure by NEXT to accurately predict customer fashion preferences; decline in the demand for merchandise offered by NEXT; competitive influences; changes in level of store traffic or consumer spending habits; effectiveness of NEXT's brand awareness and marketing programmes; general economic conditions or a downturn in the retail industry; the inability of NEXT to successfully implement relocation or expansion of existing stores; lack of sufficient consumer interest in NEXT Directory; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial and equity markets. These forward looking statements do not amount to any representation that they will be achieved as they involve risks and uncertainties and relate to events and depend upon circumstances which may or may not occur in the future and there can be no guarantee of future performance. Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. NEXT does not undertake any obligation to publicly update or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.