NEXT

Results for the Half Year Ending July 2022

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CHIEF EXECUTIVE'S REVIEW

STRUCTURE OF THIS REPORT

The report is broken down into the following sections:

- **PART 1**: **Headlines and Summary of Financial Performance,** gives a quick overview of the financial performance of the Group in the first half of the year and our guidance for the full year.

- **PART 2: Big Picture**, summarises the way we are thinking about the next six months' trade in the light of the cost of living increases and how we are responding to the challenges ahead.

- **PART 3: Group Financial Performance and Full Year Guidance**, details our Group sales and profit performance for the first half, summarised by business division, along with our sales and profit guidance for the full year.

- **PART 4: Retail, Online and Finance - Financial Performance, Commentary and Guidance,** gives a detailed breakdown of the financial performance of each trading business division. This (long) section is mainly for the benefit of analysts and professional investors and may test the patience of those preferring a shorter read.

- **PART 5: Total Platform, Other Business Activities, Cash Flow and Net Debt,** details all other Group activities.

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PART ONE
HEADLINES AND SUMMARY OF FINANCIAL PERFORMANCE

HEADLINES

Performance in the Six Months to July 2022

- Brand full price sales[1] up **+12.4%** versus 2021 (and +22.3% against 2019).
- Profit before tax of **£401m**, up **+16%** versus 2021 (and +22% against 2019).

Guidance for the Full Year to January 2023

- August trade was below our expectations and cost of living pressures are set to rise in the coming months. Sales in September have improved, and we may see benefits from recent Government measures. It is a very difficult call but, on balance, we have decided to reduce our forecast for full price sales in the second half from +1% to **-1.5%** versus last year.
- We have reduced our profit guidance for the full year from £860m to **£840m,** up +2.1% on last year.
- Earnings Per Share, assuming the recently announced change in UK corporation tax rate is enacted before the year end, is forecast to be **545.1p[2],** up +2.7% versus 2021.

For a more detailed analysis of our guidance for the year see page 21.

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[1] Full price sales are total sales excluding VAT, less items sold in our Sale events, our Clearance operations and through Total Platform. These are not statutory sales (refer to Note 3 of the financial statements).

[2] This EPS estimate assumes that the proposed change in UK tax rate is enacted before the end of January 2023. This reduces the value of our deferred tax asset, and so increases the tax charge this year. Further details are provided in the tax section, page 46.

PART TWO
BIG PICTURE

OVERVIEW

A Good First Half

We had a good first half, with overall sales ahead of expectations, driven by the over-performance of our Retail stores and a strong performance from the formal parts of our clothing ranges. Sales were stronger than anticipated and they delivered better than expected profits; albeit margins were somewhat reduced by the (1) increasing costs of servicing our Online business overseas and (2) increased expenditure on software development.

Moderating Expectations in an Uncertain Environment

Sales during August were below our expectations and, despite improving sales in September, we think it is sensible to moderate our expectations for sales and profit in the second half. It is important to stress that, with so many variables at play, predicting near-term sales trends is unusually difficult. All the more so with recent Government stimulus measures yet to take full effect.

Success Through Adversity

We may have been too pessimistic; we may have not been pessimistic enough. Either way, success through adversity will *not* depend on our ability to foresee the future. It will depend on how well we adapt the business; to recognise and face up to whatever challenges materialise; and seize the opportunities that will inevitably arise. So that, when the storm has passed, NEXT emerges a stronger and better business than it is today. To that end, our priorities are clear.

Clear Priorities

A less benign environment will not deflect us from our endeavours to improve and extend our **product offer**. Nor will we slow the development and modernisation of our **technology platform** and the services we provide through Total Platform.

Nonetheless, as Online sales growth begins to moderate from pandemic highs and cost price inflation continues, we are very clear where the opportunities lie and what we need to do:

- Achieve better **operating efficiencies** in our Online warehouse and distribution operations.
- Improve the speed, accuracy and consistency of our Online **delivery service.**
- Increase the **profitability** of areas of our business that have grown the fastest - LABEL and Overseas.
- Enhance website **navigation and search** functionality to leverage increasing choice on our site.
- Looking to 2023, push the boundaries of our **supply base** to help mitigate sterling devaluation, through new sources of supply (without compromising our ethics, reliability, quality or design).

WHAT NEXT?

"There are two kinds of forecasters: those who don't know, and those who don't know they don't know."

John Kenneth Galbraith[3]

FORECASTING IN AN UNCERTAIN WORLD

We have always been clear that, even at the best of times, our internal forecasts represent an informed best guess. In keeping with J.K. Galbraith's maxim, we understand that ultimately we do not know for sure - no one does. There are so many variables at play - energy, freight, employment, tax, economic migration, exchange rates, etc - that today, more than ever, it is not possible to predict the future on the basis of the past.

It is over forty years since the UK last experienced an inflationary shock on the scale we are witnessing today; and the UK economy of the 1970s - with its reliance on highly subsidised and geographically concentrated heavy industry - was incomparably different to the economy of today.

We have used our recent trade, along with some internal and external economic data, to build a picture of what we think is going on and how the Company is likely to be affected over the coming months. Our thinking on the wider economic environment, our recent trade, and our outlook for the rest of the year is set out in the following paragraphs.

[3] John Kenneth Galbraith OC, was a Canadian-American economist, diplomat, public official and intellectual. His books on economic topics (though in many ways flawed) were bestsellers from the 1950s through to the 2000s.

CONTEXT - THE ECONOMY

A Problem of Supply

The Nature of the Problem

The nature of the UK's (and the world's) inflationary problems is rooted in the supply of goods, energy and services. Restrictions on the production of raw materials and manufacturing of goods during COVID, along with the disruption of international freight routes, reduced supply which inevitably pushed up prices. These problems, which might have been short lived, were compounded by the war in Ukraine and the exceptional increases in the cost of energy.

Going forward, the devaluation of the Pound looks set to prolong inflation, even once factory gate prices ease. It looks like we may be set to have two cost of living crises: this year, a supply side led squeeze, next year a currency led price hike as devaluation takes effect.

NEXT COMMENT - Supply Side Measures Are the Key

Government can (and probably should) ease the UK's journey through this cost of living crisis. Smoothing the economic shock of sky high energy prices will prevent unnecessary suffering and bankruptcies. But 'borrow and spend' remedies can ultimately only treat the symptoms of inflation; they are not the cure. And there is a balance here, as we are already seeing, when a government borrows too much their currency will devalue, and stoke inflation next year.

Ultimately, this crisis is a problem of supply; and it is only measures which increase the supply of goods, energy, services and skills that will cure the underlying malaise. Fortunately, there are a small number of powerful measures that could make all the difference. These include the radical overhaul of our planning system, the intelligent relaxation of controls on economic migration, energy market reforms, the liberalisation of trade tariffs and more.

Government might also review its own capital expenditure. If they can identify and cut capital projects that deliver little value, they will reduce borrowing and release desperately needed goods and services back into the economy (without prejudging it, HS2 would be top of our list for review).

Supply side measures are economically simple but politically difficult. Inevitably, supply side reforms challenge powerful and vocal vested interests, along with some genuine public concern. It is many years since we have seen a government as ambitious and willing to tackle supply side reforms. They will need all that ambition if additional growth is to cover the cost of their stimulus package.

Inflation - A Longer View

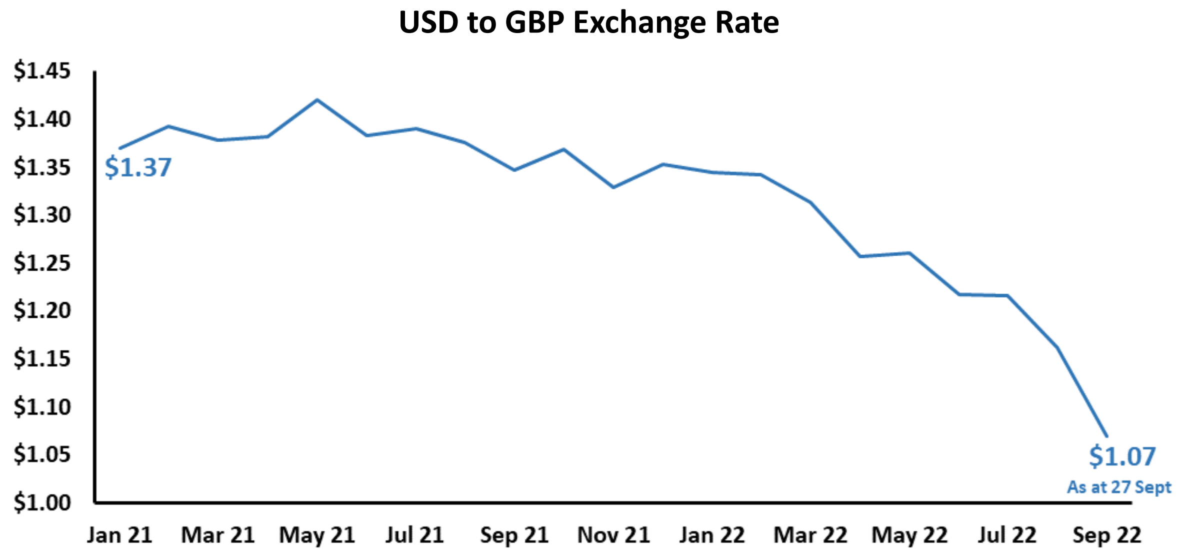
As we forecast in March, our prices for Autumn and Winter 2022, on like-for-like items, are up +8% on last year (+6.5% fashion and +13% on Home).

Squeeze on Production and Freight Beginning to Ease

Looking ahead to the contracts we are starting to place for next year (Spring 2023), we are beginning to see some encouraging signs at the factory gate. Factory gate *dollar* prices are stabilising and, in some cases, coming down. In addition, dollar freight costs from many territories are also beginning to ease.

BUT Currency Devaluation Looks Set to Stoke Inflation Next Year

The majority of clothing and homeware factories price their goods in dollars. Over the last year, the Pound has significantly devalued against the dollar, so inflation in our cost prices looks set to continue throughout next year, indeed it may get worse in the second half of 2023.



For **Spring and Summer 2023** we have already hedged our currency requirements, and now expect to see similar rates of inflation to the 8% we have seen in the second half of this year. For **Autumn and Winter 2023**, we have covered around 30% of our currency requirements, at materially lower rates than Spring and Summer 2023.

Some Mitigation Possible, But Probably Not Enough

The devaluation of the Pound against the dollar does not automatically translate into selling price increases. With capacity constraints easing, there are lots of mitigating factors. Many producer nations have also suffered devaluation against the dollar, lowering their domestic dollar costs. The dollar price of many commodities and shipping costs may fall further. And, of course, anything we can do to limit the increase in our domestic costs will help keep selling prices under control.

Perhaps most importantly of all, our product and sourcing teams will have to work harder than ever to find new, ethical and reliable sources of supply to ensure we are getting the best possible value, without compromising design or quality.

But, even with these mitigations in place, the scale of sterling's recent devaluation means that, for us at least, the greatest pressure on our selling prices looks like it will come in Autumn and Winter of 2023.

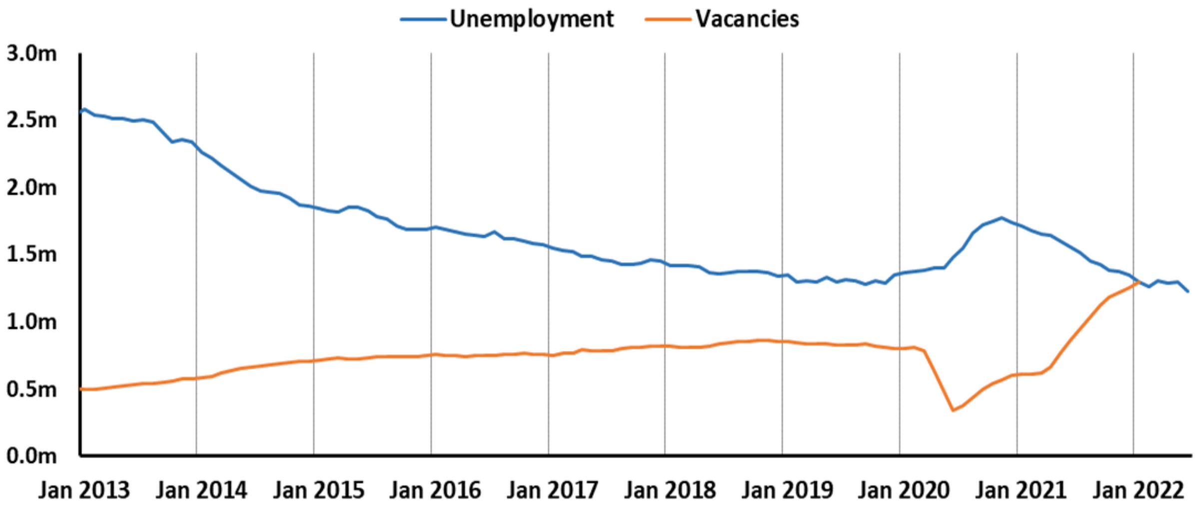
Some Rays of Light

Before this document sinks to levels of depression only usually seen in newspapers, it is worth pointing out that there are some features of our economy, such as employment opportunities and accumulated savings that bring some comfort.

Employment

The one feature of this economic downturn that gives some comfort is the employment numbers. The UK is almost at full employment, with job vacancies now equal to the numbers unemployed[4].

Total Unemployment and Vacancies[4]



If we are to have a recession, it looks as though employment opportunities will remain strong throughout, with many of those who lose work able to find alternative employment. We believe this factor will be important as inflationary pressures bite. If the employment market remains resilient, there are a number of effects likely to mitigate recession:

- We are likely to see fewer debt defaults than might be expected in a recession.
- Many of those employed on an hourly basis, particularly those in part time work, are likely to be able to take on additional hours to boost their earnings at times of need.
- Some of those who have left the workforce over the last three years may return to work.

Not only will these factors reduce the social and economic impact of any recession, they are also likely to make the recovery stronger, when it comes.

Job vacancy rates point to another powerful lever Government can pull to increase growth. The intelligent relaxation of economic migration controls, to serve sectors where the UK desperately needs skills and labour, would boost growth, increase tax revenues and reduce inflationary pressures.

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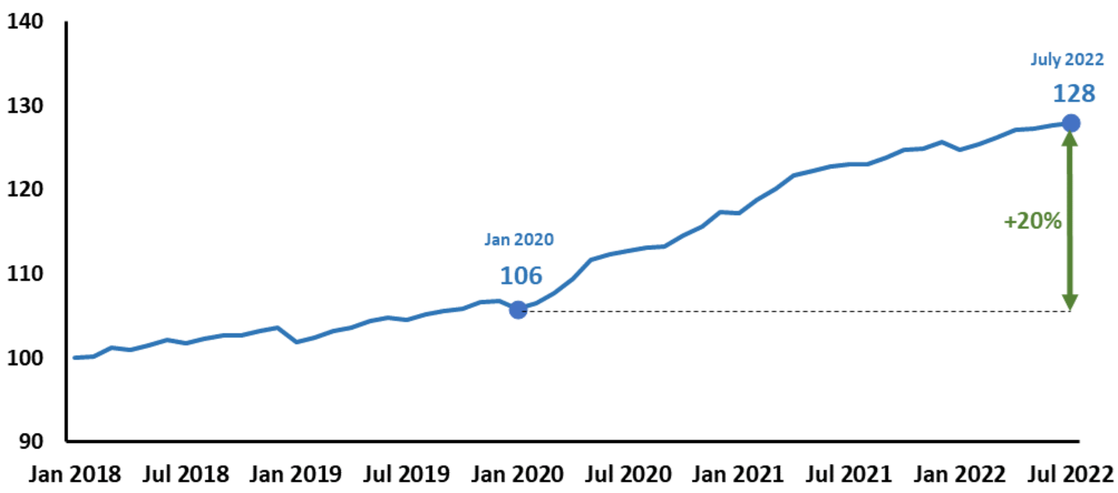
[4] Employment data: (1) ONS: Number of vacancies in the UK, seasonally adjusted, November 2002 to January 2003 and November 2021 to January 2022 and (2) ONS: Labour Force Survey, Unemployed: UK: All: Aged 16+: 000s: SA: Annual = 4 quarter average.

Savings

One other factor that might ease the UK's journey through the cost of living crisis is the UK's savings. Taken as a whole, the UK's savings[5] are in good shape. Although the average will not reflect many individual circumstances, the overall state of private balance sheets may provide some level of support to the consumer economy in the short term. It may also help explain why, as yet, we have not seen any deterioration in the performance of our consumer receivables book (see page 38).

Average Household Gross Savings Balance, Indexed to January 2018[5]



Economic Outlook in Summary

As inflation begins to bite, it seems inevitable that clothing and homeware growth will slow if not reverse; though employment and savings levels are both at healthy levels, which provides some comfort. It is too early to tell what impact Government support will have, though it seems likely that the scale of the measures announced recently will serve to support spending in some way.

In the medium term, there is much that can be done to stimulate the economy through supply side reforms, though the political resilience required for such measures is yet to be tested.

Looking into next year it now looks as though the weakness of the Pound, if it continues, will serve to inflate selling prices, particularly in the second half of the year.

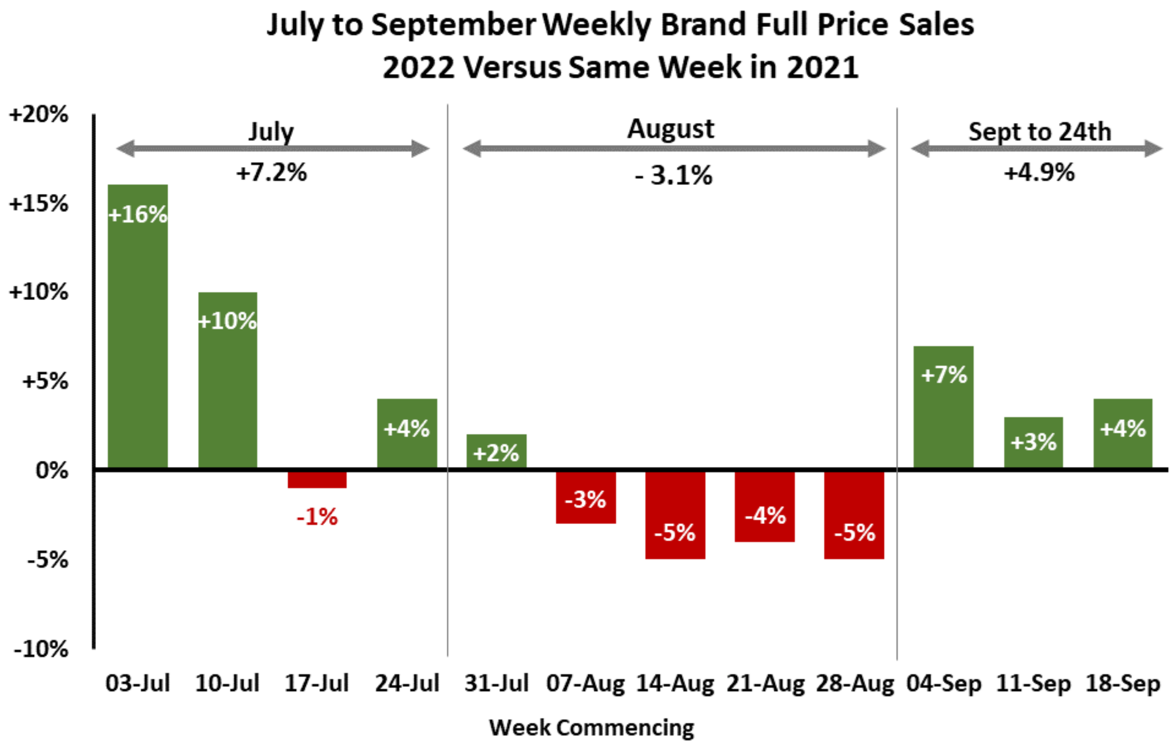
Inevitably, the view we take about the outlook and guidance for the rest of the year will be greatly influenced by our own recent trading experience. And it is to recent trade that we now turn.

[5] Savings data: This figure is derived from (1) the Bank of England's "Monthly amounts outstanding of monetary financial institutions' sterling M4 liabilities to household sector (in sterling millions) not seasonally adjusted", divided by (2) the number of households taken from ONS "Families and Households in the UK:2021".

RECENT TRADE

A Slowdown in August

Sales in August slowed significantly. The rate of growth against both last year and three years ago deteriorated, though the decline against last year was most pronounced. The graph below shows growth by week.



There are three possible reasons for the slowing of sales in August:

- The **heatwave** came after our summer Sale, at a time when customers usually start to buy their early Autumn and back-to-school wardrobe.
- We believe more people took **holidays away** from home, particularly relative to last year, when many people were still wary of travelling abroad.
- The waning of **consumer confidence** as increasing energy and other costs begin to dampen demand for discretionary spending.

It is impossible to know the extent to which each of these factors was responsible. The partial recovery of sales in the first weeks of September indicates that the August slowdown was, in part at least, the result of weather and holidays. But we believe that the scale of the August slowdown is indicative of a general weakening of underlying demand. And this, along with the fact that the full effect of rising bills is yet to come, means we are tempering our expectations. We have reduced our sales guidance for the *rest of this year* by 3% to -2% versus last year (see outlook, page 21).

We may have been too pessimistic, particularly as we have yet to see the full effect of Government stimulus and support measures. But, on balance, there is little to be lost from preparing for tougher times; it is likely to improve our cost control.

NEW AND OLD PRIORITIES IN TOUGH TIMES

From high economics to the prosaic (but more important) task of deciding what we need to do. The following paragraphs set out our priorities for the rest of the year.

Starting Point - Financial Strength

Strong Balance Sheet, Margins and Cash Flow

NEXT enters these more challenging times from a position of financial strength. We have a strong balance sheet. The Company's levels of debt are now significantly lower than they were in the five years before the pandemic and the value of our Finance business' customer receivables book comfortably exceeds the value of our financial debt[6]. In the current year, we expect to deliver net operating margins of circa 16%, generating around £840m of profit and, after paying ordinary dividends[7], we will generate significantly more cash than we plan to invest in the business.

Central Objectives Remain Unchanged

Our financial strength is important because, without detracting from the urgency with which we must manage our costs and margins, it means that we can continue to invest in **Product** and **Technology**, both of which remain central to our ongoing success.

Product

Technology

[6] Half year debt (excluding lease debt) was £862m whilst customer receivables book (after provisions for bad debt) was valued at £1,182m.

[7] Before any share buybacks.

Investment in Product and Technology

Continuing to Develop our Product Ranges

NEXT is a fashion business, and ultimately we succeed or fail through the design, quality, innovation and breadth of the products we offer our customers. There can be no let up in the work our Product teams are doing to increase the choice and value we offer consumers. We continue to push the boundaries of our brand, through extending the authority and ambition of our designs, collaborations with external design houses and pushing into new product categories (from technical outdoor clothing through to kitchen larders).

The Group's endeavours to design, source, manufacture and market great product reaches beyond the NEXT brand. Our three wholly owned women's fashion brands (*Lipsy*, *Friends Like These* and *Love & Roses*) continue to expand their offer and extend their reach. In addition, we continue to develop our portfolio manufactured under licence from third-party brands. All these businesses are able (but not required) to draw on our internal sourcing business, NEXT Sourcing (see page 44).

Our aim across all these activities is simple - to deliver value to consumers through a powerful and innovative product origination business. A business centred on the core skills of design, buying, sourcing, quality assurance, garment and fabric technology, merchandising and brand marketing.

Continuing to Develop our Technology

We continue to invest in our Technology platforms alongside commissioning our new, highly automated boxed warehouse, Elmsall 3. All our major in-house Technology platforms, from Ecommerce through to Finance, have a modernisation programme planned. The first of these projects, the upgrade of our website front end, is now halfway completed and we are beginning to reap the benefits of the new, more flexible, code base.

The process of modernising our software, alongside the continuing day-to-day development of new functionality, is expensive and arduous. So it is important to stress that we remain committed to delivering our core technology modernisation and development programmes. We believe that excellent retail technology is an intrinsic part of being a great retailer. Though, of course, in these inflationary times we will be reviewing our systems costs to ensure we are getting good value.

New Priorities

We are very clear that a tougher environment will not derail the Company's existing plans, but that does not mean we will carry on as if times had not changed. Slowing rates of growth across the Company, and in particular Online, present the opportunity to reduce operating costs and improve our service. To this end, our new work will focus on four areas:

Managing Costs and Service	Improve operating efficiencies in our warehouses and distribution networks to reduce **costs** and improve **service.**
Managing Margin	Rebuild our margin in our **Overseas** and **LABEL** divisions.
Managing Choice	Continue to add choice on our website whilst eliminating **duplication** of our offer; and improve **navigation and search** functionality.
Managing the Supply Base	In preparing for a weaker Pound next year, we must push the boundaries of our **supply base** to deliver better value through new sources of supply. This must be done without compromising our ethics, reliability or design.

MANAGING OPERATING EFFICIENCIES AND IMPROVING SERVICE

Context - Rapid Growth in Limited Capacity…

Over the last three years, full price Online sales have grown by 46% in warehousing space that was approaching the limit of its capacity in 2019. During the pandemic, a combination of mechanical investment, operational innovation and lower returns rates served to reduce operational pressures. This year, as returns rates have reverted to more normal levels, operations have been hampered by the full effect of rising volumes in limited space.

Congestion within the warehouses, alongside the rapid recruitment of large numbers of inexperienced colleagues, has steadily led to increasing labour costs per unit. It has also been harder to consolidate orders (i.e. to get a customer's items into the same parcel) which, in turn, has increased distribution costs.

Speed of Delivery

At some particularly busy periods, we have had to bring forward cut-off times for next day delivery. In addition, orders fulfilled from store stock and from our partners' warehouses (through LABEL PLUS[8]) now take three days to deliver. This compares to a two day promise before the pandemic.

An Environment More Benign to Cost Control and Service Improvement

Looking ahead, three factors are likely to ease the pressure on our logistics operations:

- Online growth is likely to slow (see sales guidance on page 21).
- Average selling price increases will reduce the number of units to be handled to achieve a given level of cash sales.
- Our new Elmsall 3 warehouse will begin to deliver new capacity and automation.

Combined, these factors mean that we should be able to focus on delivering greater efficiency and service improvements. Lower volumes in more space means that we can improve accuracy, efficiency and cost effectiveness across most operations.

These gains will not simply fall into our laps, delivering them will require a great deal of work, and will have to be delivered in parallel to the commissioning of our new warehouse. But we are clear about what needs to be done.

[8] Please note that "LABEL PLUS" was previously called "PLATFORM PLUS". We have changed the name because it was often confused with TOTAL PLATFORM.

MANAGING OVERSEAS AND LABEL MARGINS

It is only when the river begins to run dry that the upturned supermarket trolleys become visible. As our overall growth has begun to slow, it is now clear to us that there are areas we could have managed more effectively to deliver better margins. It is not a coincidence that the greatest opportunities for margin recovery lie in those businesses that have grown fastest: Overseas and LABEL.

Overseas Margins

Over the last three years, full price sales in our continuous business overseas have grown by 55%[9]. However, over those three years, net margin has fallen from 17.0% to 7.4%. Some of this decline was planned to maintain competitiveness, and we targeted this year's margin at 10%. For a detailed breakdown of margin movement against three years ago please see page 28. In summary the main factors were:

- New **duty charges** in some Middle East countries.
- Increasing cost of delivery, mainly **air freight**.
- A decline in margin on **aggregator sites**, along with their increasing sales participation.
- Higher **surplus** stock and lower clearance rates.
- Higher central overheads, mainly in **Technology.**

Air Freight Costs

During the pandemic, our Overseas business incurred significant surcharge costs for air freight. We anticipated that these cost increases would be temporary and decided not to increase prices which we felt would damage our reputation for good value.

As the pandemic receded, some surcharges were eliminated BUT, in some territories, surcharges were simply replaced with increases in the general cost of air freight. All things being equal, we would need to increase our prices to get back to acceptable levels of margin. However, as we move to next year, the devaluation of the Pound will do much of the work for us without the need for us to increase prices in local currency.

Third-Party Aggregators

We did not anticipate that returns rates through aggregator partners would revert to pre-pandemic levels. So we did not account for these higher returns rates when selecting ranges and setting prices for aggregator sites. This was an oversight; we planned for higher returns rates in our own UK business and should have done the same for our Overseas business.

The solution to this problem is to remove items from aggregator sites that have (1) a low selling price and (2) high returns rates. It is these items which drag down profitability (the gross profit on low value items does not cover the cost associated with multiple returns). The problem is particularly acute on aggregator sites as the average items per order is much lower than for our own sites.

Target Overseas Margin Going Forward

We are aiming for Overseas margins to recover to around 9% in the second half of this year, and to be no less than 12% in 2023/24.

[9] Overall Overseas full price sales, once accounting for the loss of Russian and Ukrainian businesses, are up +41% against three years ago.

LABEL Margins

On the face of it, on a like-for-like accounting basis, LABEL margins are healthy and in line with three years ago (13.2% this year versus 13.3%)[10]. However, three years ago LABEL margins were reduced by excessive markdown, and so the comparison is less comfortable than it looks, and we could have done better. Going forward, we have the opportunity to improve LABEL margins by:

- Reducing or removing a small number of brands whose pricing and returns rates make them unprofitable.
- More effective control of wholesale markdown costs.
- More effective control of commission brands' surpluses, where they are disproportionate to a brand's full price sales.

We anticipate that these improvements will offset increases in fixed costs in the second half of the year.

Note: Although commission brands incur the cost of the markdown itself, we incur additional warehousing and distribution costs on items that earn relatively little commission (because markdown selling prices are lower than full price).

MANAGING CHOICE - Reducing Duplication and Improving Navigation

Choice Brings Growth but at a Cost

The rapid increase in the choice we offer our customers online has been an important driver of Online growth. It is not a coincidence that the dramatic increase in the choice of products on our website has coincided with an increase in the average amount our customers spend with us. Sales per customer[11], for both our cash and credit customers[12], has increased by +19% in just three years. However, this expansion of choice has come with considerable costs, namely:

- Warehouse capacity for forward picking locations has been placed under enormous pressure.
- Navigation on our website has become harder.
- Spreading our budgets too thinly has, in some cases, resulted in fragmented size offers.

Growing Choice but Eliminating Duplication

So, although continuing to increase choice remains central to our ambitions, we need to ensure that additional options genuinely add something new and that our customers can find the items they want quickly and easily in an increasingly complex offer.

In some cases, we have added lines which, to our customer's eye, do the same job. There is work to be done in ensuring that choice does not become duplication - we probably do not need to offer our customers five different shades of blue chinos in three different fits.

Improving Website Search and Selection

Alongside the elimination of duplication, we have also begun work to enhance our website search and select functionality to increase the speed and ease with which customers can find the items they most want. This work includes improvements to filtering, attribution, product recommendations, on-site advertising, and using sales information to tailor search results for different customer groups. We are also improving the methods by which customers can select the colour, style and fit they most prefer on the product selling page.

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[10] Margins reflect the reallocation of Lipsy profits set out on page 18.
[11] The average amount spent each year by our UK customers.
[12] See page 33 for a detailed account of growth of sales per customer by customer type.

SUMMARY OF THINGS TO DO

The table below gives a quick summary of the major tasks we need to undertake:

CONTINUE	INCREASED FOCUS
Add choice and develop new inspiring **product ranges**, categories, collaborations, licences and brands. Develop, improve and modernise our **Technology** and warehousing platform (including Total Platform).	Improving the **cost efficiencies** of our Online operations. Improve the speed, accuracy and reliability of our **delivery service.** Eliminate **duplication** within our ranges. Enhance the Online customer journey with greater focus on simpler and faster **navigation** and product selection. Improve **Overseas net margins** and, to a lesser extent, LABEL margins. Push the boundaries of our **sourcing base** (ethically and reliably) to achieve better cost prices.

IN SUMMARY

This is not the first time the business has faced challenging times and it is unlikely to be the last. Our approach today, as in the past, will be governed by an honest and open assessment of the challenges we face, alongside a clear statement of what it is we think we need to do. Success, as always, will depend upon the wisdom of our future plans and the quality of our execution.

The financial strength of the business means that we can continue to invest in improving our products and our technology, whilst rapidly putting in place measures to ensure that service levels and cost controls are the best they can be.

Our values and core mission remain unchanged:

- To **create value** - for customers, clients and partners. Ensuring that our mix of design, quality, convenience, service and price genuinely deliver something people cannot get elsewhere.
- To **play to our strengths** and core skills (whilst developing some new skills along the way!).
- To ensure the **margins** we achieve are commensurate with the risks inherent in each of our businesses.
- To make a healthy **return on the capital** we invest in the business so that we create value for our shareholders.

Our belief is that, if we continue to adhere to these principles and work hard, then we stand the best chance of delivering the sustainable growth in **Earnings Per Share** to which we have always aspired.

PART THREE
GROUP FINANCIAL PERFORMANCE AND FULL YEAR GUIDANCE

THREE NOTES ON THE PRESENTATION OF THESE RESULTS

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

Comparative Year for Sales and Profit

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

Accounting for Lipsy Profits

In the past we have split the profit we generate from selling Lipsy goods through the NEXT website. Half the profit was reported in our Online division. The other half we reported in the Lipsy division which was within Other Group Activities, along with Property and Sourcing. However, because ***all*** of Lipsy's sales were reported in the Online division, this served to understate the margin of the Online business. Three years ago, Lipsy's 'share' of Online profit was immaterial at only £3m; today the number would be £14m.

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

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

Accounting for Total Platform Profit

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

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

GROUP SALES AND PROFIT SUMMARY

Full price sales (excluding Total Platform sales)[13] were up +12.4% versus 2021 and up +22.3% versus 2019. Total Trading Sales (including markdown sales) were up +12.8% versus 2021 and up +21.3% versus 2019. Profit before tax was **£401m,** which was up **+15.5%** versus 2021 and up +22.4% versus 2019.

TOTAL GROUP SALES BY DIVISION

TOTAL GROUP SALES (VAT EX.) £m	July 2022	July 2021[14]	1 year var %	July 2019	3 year var %
Online	1,427.4	1,504.8	- 5%	1,004.9	+42%
Retail	880.5	540.1	+63%	874.3	+1%
Finance	133.7	119.2	+12%	134.0	- 0%
Total Trading Sales	**2,441.6**	**2,164.1**	**+12.8%**	**2,013.2**	**+21.3%**
Total Platform	59.1	17.7	+234%	N/A	-
Franchise, Sourcing, Property and Other	44.9	33.9	+32%	45.6	- 2%
Total Group sales	**2,545.6**	**2,215.7**	**+14.9%**	**2,058.8**	**+23.6%**
Total Group statutory sales	**2,379.6**	**2,119.5**	**+12.3%**	**2,014.5**	**+18.1%**

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

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

Total Group sales include sales through Total Platform. Total Platform sales consist mainly of the gross transaction value of client sales on Total Platform websites, but it also includes £7m of wholesale, licensing sales and revenue from services provided on a cost plus basis. Group sales also include sales from our Franchise division, sales through NEXT Sourcing (our sourcing company) and property income.

Statutory sales are total Group sales *less* LABEL commission sales[15] and *less* Total Platform sales *plus* LABEL and Total Platform commissions and cost plus revenues, as summarised in the table below:

Total Group sales (July 2022) £m	**2,546**
less LABEL commission sales[15]	*- 250*
less Total Platform sales	*- 59*
plus commission earned on LABEL sales	*+94*
plus commission earned on Total Platform sales	*+10*
plus Total Platform wholesale, licensing and cost plus revenues	*+7*
plus other income (e.g. delivery charges)	*+32*
Total Group statutory sales (July 2022)	**2,380**

[13] Full price sales are total sales excluding VAT, less items sold in our mid-season and end-of-season Sale events, our Clearance operations and through Total Platform. These are not statutory sales.

[14] Online sales for July 2021 have been restated to move £17.7m of Total Platform sales into its own division.

[15] LABEL commission sales of £250m include full price, markdown, UK and Overseas sales. It excludes sales of Lipsy products which for statutory sales purposes are not commission sales.

SUMMARY OF GROUP PROFIT[16] BY DIVISION

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

Total Trading Sales (given for reference)			*+13%*		*+21%*
PROFIT £m	**July 2022**	**July 2021**	**1 year var %**	**July 2019**	**3 year var %**
Online	220.9	324.6	- 32%	185.2	+19%
Retail	100.6	(17.8)	N/A	90.8	+11%
Finance (after funding costs)	86.3	67.8	+27%	79.0	+9%
Profit from trading	**407.8**	**374.6**	**+8.9%**	**355.0**	**+14.9%**
Total Platform (inc equity)[17]	3.7	(0.3)	N/A	-	-
Sourcing, Property & Other	7.3	2.5	+190%	8.0	- 8%
Recharge of interest to Finance	15.6	15.7	- 1%	17.8	- 13%
Operating profit	**434.4**	**392.5**	**+10.7%**	**380.8**	**+14.1%**
Lease interest	(23.5)	(27.3)	- 14%	(32.1)	- 27%
Operating profit after lease interest	**410.9**	**365.2**	**+12.5%**	**348.7**	**+17.8%**
Underlying operating margin	*16.1%*	*16.5%*		*16.9%*	
External interest[18]	(10.3)	(18.5)	- 44%	(21.3)	- 51%
Profit before tax	**400.6**	**346.7**	**+15.5%**	**327.4**	**+22.4%**
Taxation	(72.1)	(57.1)	+26%	(60.5)	+19%
Profit after tax	**328.5**	**289.6**	**+13.4%**	**266.9**	**+23.1%**

Lease Interest Charges, Operating Profits and Operating Margins

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

Movement in Underlying Operating Margins

Over the last three years, underlying Group operating margins have fallen by -0.8% from 16.9% to 16.1%. This is mainly due to (1) the reduction in margin, and increase in sales participation, of our Overseas business, (2) an increase in spending on Technology and (3) the introduction of Total Platform (which did not exist three years ago) which operates at a lower margin. These effects have been partially offset by (1) an improved Retail margin, largely due to the renegotiation of leases when they fall due, and (2) savings from no longer printing catalogues.

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[16] Profit by division in July 2021 and 2019 includes the effect of IFRS 16 and restatements for the presentation of profit from Lipsy and Total Platform. See page 18 and the Appendix for more detail on Lipsy and Total Platform changes.

[17] Total Platform (TP) profit of £3.7m includes (1) profit from providing TP services and (2) profit from our equity investments in TP partners. In addition, the external interest line includes £2.0m of preference share interest from our investment in Reiss, giving total Group profit for TP of £5.7m. See page 41 for more detail.

[18] July 2022 external interest includes £2.0m of preference share income from Reiss.

GUIDANCE FOR FULL YEAR, FULL PRICE SALES, PROFIT AND EPS

We have reduced our sales and profit guidance for the full year as explained in the paragraphs below.

New Guidance for Sales

We have reduced our sales guidance for the second half to be down -1.5%, resulting in full year sales guidance of +4.8%. Sales to date in August and September are -0.3%; we have assumed that sales will deteriorate to -2.0% for the rest of the year, as set out in the table below:

Full price sales growth	**Q1**	**Q2**	August	Sept to 24th	**Q3 to 24 Sept**	**Rest of year (e)**	**Full year (e)**
Versus last year	+21.3%	+5.0%	- 3.1%	+4.9%	- 0.3%	- 2.0%	**+4.8%**

Full Price Sales Guidance by Division

Full price sales growth versus last year	**Q3 to 24 Sept**	**Rest of year (e)**	**Full year (e)**
Retail	+3%	+3%	+26%
Online	- 3%	- 5%	- 5%
Finance interest income	+8%	+6%	+9%
Total full price sales versus last year	**- 0.3%**	**- 2.0%**	**+4.8%**

New Guidance for Profit and EPS

Guidance for profit is set out in the table below along with our previous guidance in the right hand column.

Guidance for 2022/23	**Latest guidance**	Previous central guidance
Profit before tax	**£840m**	£860m
Profit before tax versus 2021/22	+2.1%	+4.5%
Earnings Per Share	**545.1p**	569.1p
Earnings Per Share versus 2021/22	+2.7%	+7.2%

Please note that 1.7% of the decline in EPS growth against our previous guidance comes as a result of the proposed changes to UK Corporation Tax rates. We have assumed that the proposed change in UK tax rate is enacted before our year end January 2023. This reduces the value of our deferred tax asset, and so increases the tax charge this year. Further details are provided in the tax section, page 46.

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

NEXT RETAIL

HEADLINES

- Full price sales were down -1% versus three years ago (i.e. pre-COVID).
- Total sales (including markdown sales) were up +1% versus three years ago.
- Retail full price sales were much better than we expected and exceeded the guidance we issued in March 2022 by +£118m.
- We continue to make good progress reducing store rental costs as and when leases come up for renewal.
- Operating profit[19] was £82m, up +34% against three years ago.
- Net margin[19] of 9.3% compared to 7.0% margin three years ago; this is largely due to lower occupancy costs (see margin analysis below).

SUMMARY OF RETAIL SALES AND PROFIT

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

£m	July 2022	July 2021	1 year var %	July 2019	3 year var %
Total sales	880	540	+63%	874	+1%
Operating profit/(loss)	101	(18)	N/A	91	+11%
Lease interest charge	*(19)*	*(21)*	- 10%	*(30)*	- 37%
Retail profit/(loss) including lease interest	**82**	(39)	*N/A*	**61**	***+34%***
Retail margin % (including lease interest)	*9.3%*	*- 7.3%*		*7.0%*	

[19] After deducting Retail lease interest costs.

Retail Margin Analysis - Three Year Comparison

Overall Retail net margin[20] in the first half was 9.3%, up from 7.0% three years ago. The margin impact of major cost categories is summarised below.

Retail net margin (after lease interest) on total sales to July 2019		**7.0%**
Bought-in margin	Higher freight costs reduced bought-in margin.	- 0.6%
Markdown	The reduction in margin was due to (1) stock for Sale growing by +22%, faster than total sales growth of +1% and (2) lower clearance rates in our end of season Sale.	- 0.8%
Store occupancy costs	Occupancy costs fell, improving margin, for the following reasons: ● Lease renewals negotiated over the last three years reduced the costs of rent[21], rates and service charge (+2.9%). ● Fully depreciated assets resulted in lower depreciation (+1.2%). ● Store closures in the last three years resulted in lower business rates costs (+0.8%). ● Electricity costs grew faster than sales, reducing margin (-0.2%).	+4.7%
Warehouse, distribution & central costs	Margin reduced due to: ● Inflation in warehousing and distribution costs, mainly fuel and wage rates (-0.8%). ● Additional rental costs for our head office and a warehouse following two sale and leaseback transactions (-0.2%).	- 1.0%
Retail net margin (after lease interest) on total sales to July 2022		**9.3%**

Guidance for Retail Sales and Profit for the Full Year to January 2023

In the second half, we are forecasting Retail full price sales to be up +3% versus last year (down -5% versus three years ago). Based on this sales guidance, Retail operating margins including lease interest is forecast to be around 10.5% for the full year.

[20] After deducting Retail lease interest costs.

[21] Rent charge includes turnover rents, rent depreciation and lease interest, and is net of utilisation of onerous lease provisions.

LEASE RENEWALS AND COMMITMENTS

Forecast Lease Renewals in the Year Ending January 2023

This year, we expect to renew 74 leases, with an average lease term of 4.7 years (to the earlier of the break clause or the lease end). We anticipate that these new leases will result in an annualised cash cost saving of **£12.5m**.

These 74 renewals can be split into two different types of lease: (1) traditional rent leases and (2) 'total occupancy cost' (TOC) leases, where we pay a fixed percentage of turnover to cover rent, business rates and service charge.

The anticipated occupancy cost savings (in cash terms[22]) that we expect to make on the leases that are likely to be renewed in the current year are summarised in the tables below. For clarity, we have shown TOC leases separately, in order to show the overall saving in rent, rates and service charge combined.

New rent deal category	No. of leases	Before renewal	After renewal	
Fixed rent charge	42	£12.0m	£8.2m	- 32%
Turnover rent	7	£0.9m	£0.8m	- 13%
Total	**49**	**£12.9m**	**£9.0m**	**- 30%**
TOC leases				
Previous rent		£15.0m		
Previous rates and service charge		£10.4m		
Total occupancy costs (rents, rates & service charge)			£16.8m	
Total occupancy - rent, rates & service charge	**25**	**£25.4m**	**£16.8m**	**- 34%**
TOTAL COMBINED LEASE RENEWALS				
Total lease renewals	**74**	**£38.3m**	**£25.8m**	**- 33%**

In addition to the occupancy cost reductions detailed above, we estimate that we will receive **£7.1m** from capital contributions and rent free periods. We remain committed to ensuring that all our stores are a credit to our brand, so landlord contributions will be more than offset by the £18m we intend to spend upgrading the stores where we are likely to renew leases.

Outstanding Lease Commitments

At the end of July 2022, our average lease commitment (weighted by value) was 4.8 years, compared with 5.0 years at the same time last year. Fifty per cent of our store leases (by value) will expire or break within 3.9 years and 89% within the next ten years.

[22] Note that the savings given here are the actual rents payable rather than IFRS 16 rent depreciation.

RETAIL SPACE

Our forecast for the year-on-year change in store numbers and square footage for the current year is set out below.

	Store numbers	NEXT Sq. ft. (k)	Concessions Sq. ft. (k)	Total Sq. ft. (k)
January 2022	**477**	**7,980**	**421**	**8,401**
Mainline store reconfigurations	+0	- 23	+60	+37
Mainline closures	- 16	- 237	- 4	- 241
Clearance stores	+5	+44	+0	+44
January 2023 (e)	**466**	**7,764**	**477**	**8,241**
Change	- 11	- 216	+56	- 160
Change %	- 2.3%	- 2.7%	+13.3%	- 1.9%

Mainline Closures

We expect to close 16 mainline stores this year, three of which are as a result of being unable to agree acceptable new terms with landlords. Four store closures are due to them being merged into another local, larger store. The other nine closures are in locations where we forecast that the store would not achieve our target margin on almost any terms. The table below sets out the profitability and turnover of stores falling into each category of closure.

Reason for store closure	No. of stores	Store turnover	Store profit	Store profit %
Failure to agree acceptable terms	3	£12.1m	£1.9m	16%
Merged two stores into one site	4	£10.3m	£1.2m	12%
Location not viable	9	£12.9m	£0.2m	2%
Total closed stores	**16**	**£35.3m**	**£3.3m**	**9%**

Clearance Stores

This year we expect to close one Clearance store and open six new Clearance stores with an average lease term (to the earlier of break or lease end) of 2.9 years. Opening Clearance stores means that we can sell more of our surplus stock in Retail, alleviating some of the current capacity pressures in our Online warehouses. The rental charge in all these new clearance stores is linked to store turnover, with three of the six leases being TOC deals.

NEXT ONLINE

HEADLINE SALES, PROFIT AND MARGIN

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

£m	July 2022	July 2021	1 year var %	July 2019	3 year var %
Total sales	1,427	1,504	- 5%	1,005	+42%
Operating profit	221	325	- 32%	185	+19%
Net margin	**15.5%**	**21.6%**		**18.4%**	

CONTENTS OF THIS SECTION

This part of the document includes the following sections:

FULL PRICE SALES BY DIVISION

Full price sales compared to three years ago were up +46%, representing an annual compound growth rate (CAGR) of +13.5%. Online full price sales against *last year* were down -6%; this comparison is distorted by the uplift in Online sales experienced last year, when our stores were closed for ten weeks during lockdown.

Full price sales £m	July 2022	July 2021	1 year var %	July 2019	3 year var %
NEXT Brand UK	583	685	- 15%	469	+24%
LABEL UK	406	338	+20%	199	+105%
Total UK Online	***989***	***1,023***	**- 3%**	***668***	**+48%**
Overseas (nextdirect.com)	233	290	- 20%	194	+20%
Overseas aggregators	65	54	+21%	18	+274%
Total Overseas	***298***	***344***	**- 13%**	***212***	**+41%**
Total Online full price sales	**1,287**	**1,367**	**- 6%**	**880**	**+46%**

ONLINE PROFIT AND NET MARGIN

Online Margin Analysis - Three Year Comparison

Overall Online margin in the first half was 15.5%, down from 18.4% three years ago. The margin impact of major cost categories is summarised below.

Net margin on total sales to July 2019		18.4%
Bought-in gross margin	Higher participation of lower margin LABEL sales reduced margin by -1.5% and higher freight rates eroded NEXT brand margin by -0.6%.	**- 2.1%**
Markdown	Surplus stock increased by much less than sales (surplus stock was up +35%, full price sales were up +46%). However, the advantage of relatively less stock going into Sale was offset by lower clearance rates.	**- 0.2%**
Warehousing & distribution	Logistics costs increased faster than sales for three reasons: ● Inflationary cost increases, mainly in wages and fuel (-2.1%) ● An increase in parcel surcharges and EU admin fees (-0.4%) ● The mix of International sales moved towards countries with higher distribution costs (-0.2%). These cost increases have been partially offset by the increase in our average selling prices, which meant that the number of units handled did not increase in line with sales. This improved margin by +1.3%.	**- 1.4%**
Marketing & photography	We stopped printing physical catalogues in 2020, which improved margin by +1.9%. This was partly offset by increased spend on digital marketing.	**+1.5%**
Technology	Spending on software development and maintenance has increased by +86% versus 2019, compared to the sales increase of +42%.	**- 0.7%**
Net margin on total sales to July 2022		**15.5%**

Profit and Net Margin by Online Division

The table below sets out the net margins by Online division. Compared with three years ago, there was a small reduction in margin in both NEXT Brand UK and LABEL UK, which was due to (1) inflationary costs in logistics and (2) increased spend on Technology. These cost increases were largely offset by savings from no longer printing catalogues. The much larger movement in Overseas margin is explained below.

Online division	Total sales £m	Profit £m	Net margin %	July 2021 net margin %	July 2019 net margin %
NEXT Brand UK	650	137	21.0%	27.0%	21.2%
LABEL UK	462	61	13.2%	17.2%	13.3%
Overseas	315	23	7.4%	14.3%	17.0%
Total Online	**1,427**	**221**	**15.5%**	**21.6%**	**18.4%**

Last year's abnormally high margin was largely the result of the very low returns rates and low markdown experienced during the pandemic.

Overseas Margin Movements Explained

The main reasons for the decline in Overseas margin compared to July 2019 are set out in the table below. Please note that, unlike the UK business, Overseas did not benefit from a reduction in print costs.

Overseas net margin on total sales to July 2019		**17.0%**
Middle East duty & import VAT	Largely due to the introduction of duty charges in many Middle East countries reduced margin.	- 2.7%
Delivery costs	This is mainly the result of increasing airfreight costs along with some inflation in UK warehousing costs.	- 2.5%
Aggregator participation & margins	Erosion in operating margin from aggregator sites, along with their increasing sales participation.	- 2.0%
Surplus	Surplus stocks in overseas countries grew faster than sales and clearance rates reduced.	- 1.6%
Technology costs	Technology costs increased in line with the rest of our Online business.	- 0.8%
Overseas net margin on total sales to July 2022		**7.4%**

We are aiming for Overseas margins to recover to around 9% in the second half of this year and to be no less than 12% in 2023/24.

Guidance for Online Margin for The Full Year

Our expected full year Online net margins, by division, are set out below. The one percent reduction in our UK margin is mainly the result of (1) additional occupancy arising from the opening of our new boxed warehouse and (2) additional depreciation on new mechanisation and technology (Elmsall 3).

Online net margins by division	**Jan 2023 (e)**
NEXT Brand UK	20.1%
LABEL UK	13.3%
Overseas	8.3%
Online net margin	**15.3%**

FOCUS ON LABEL

LABEL, which sells third-party brands through the NEXT website, did exceptionally well over the period. It grew by 105% compared to three years ago and, despite tougher comparatives, still grew by 20% versus last year. A more detailed view of LABEL sales performance by product category is given in the table below.

Full price sales £m	July 2022	July 2021	1 year var %	July 2019	3 year var %
Clothing, footwear & accessories	286	195	+ 47%	126	+ 126%
Sports	64	79	- 19%	49	+ 30%
Home	37	45	- 17%	17	+ 127%
Branded Beauty	19	19	+ 1%	7	+ 188%
Total full price sales	**406**	**338**	**+ 20%**	**199**	**+ 105%**

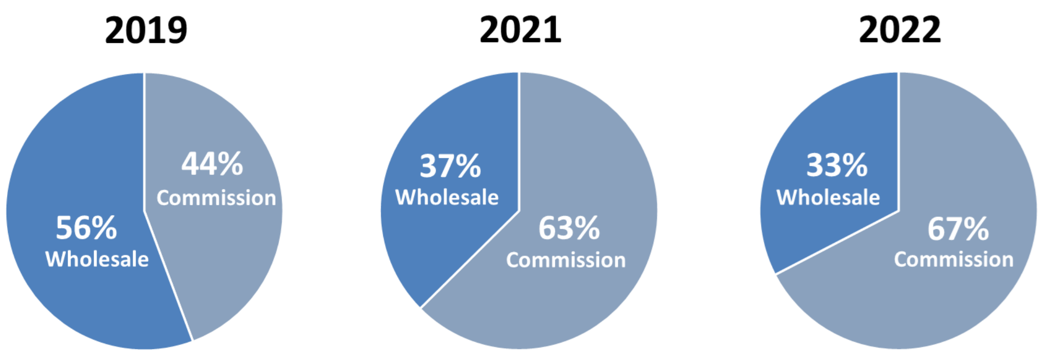
The main driver for LABEL's growth over the last three years has been the continued extension of our branded offer. Around half of this gain has come from a greater choice within existing partners' ranges, with the balance coming from new partners. Part of this increase in choice has been enabled through the extension of our LABEL PLUS[23] functionality, which allows us to sell items stocked in our partners' warehouses through our own distribution network on a three day promise. New brands (net of discontinued brands) added +£110m to LABEL sales compared to three years ago.

LABEL Wholesale and Commission

NEXT trades third-party brands in two ways: wholesale or commission.

- **Wholesale** brands deliver a higher intake margin[24] but carry the risk of any surplus stock.
- **Commission** stock remains the liability of the partner brand, and NEXT earns a commission on all sales. In keeping with the way Lipsy stock is managed, we class Lipsy as a commission brand but, of course, ultimately Lipsy stock is owned by the Group.

Generally, commission brands make lower net margins but deliver stronger growth, which is why we encourage brands to trade using our commission model. For this reason, commission sales have consistently grown as a percentage of our branded offer (see pie charts below).



[23] Please note that "LABEL PLUS" was previously called "PLATFORM PLUS". We have changed the name because it was often confused with TOTAL PLATFORM.

[24] Intake margin is the difference between the price at which we acquire goods and the full selling price of that stock before markdown and other costs.

Like-For-Like Growth: Commission Versus Wholesale

On a like-for-like basis (i.e. brands that were selling on LABEL both this year and last year), sales on commission brands were up +22%. Commission brands now account for 67% of LABEL sales. On a like-for-like basis, wholesale brands were down -3% against last year.

Full price sales £m	July 2022	Total vs 1 yr %	LFL Var vs 1 yr %	LFL Var vs 3 yrs %
Wholesale	132	+4%	- 3%	+27%
Commission	274	+30%	+22%	+80%
LABEL full price sales	**406**	**+20%**	**+12%**	+55%

Focus on Licensing

How our Licensing Agreements Work

Under a licensing agreement, a third-party brand (the licensor) supplies NEXT (the licensee) with design inspiration and branding. NEXT sources and purchases the stock, which is held at our risk and the licensor earns a royalty on sales. We generally achieve bought-in gross margins that are similar to those earned on NEXT branded stock.

First Half Full Price Sales and Margins

Full price sales in the six months to July 2022 were £24m, with net margins of around 12%. The table below shows the full price sales by product division and includes sales made both Online (in the UK and Overseas) of £21m and in NEXT's Retail stores of £3m. We currently sell 11 brands under 19 licences.

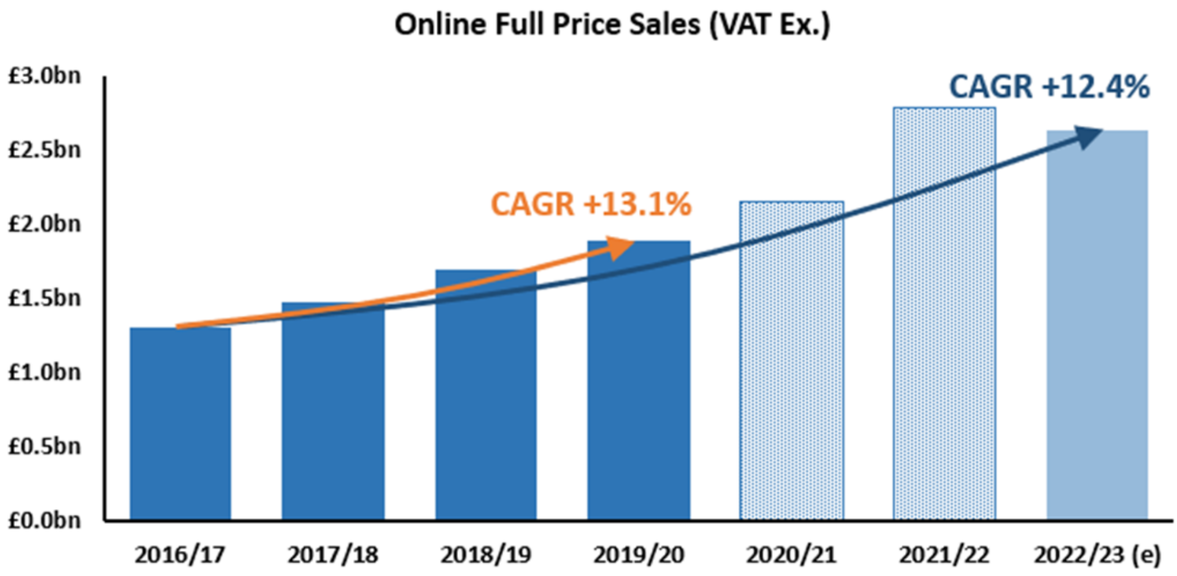
Licensing full price sales (VAT ex.) £m	July 2022	July 2021	Var %
Adult clothing & accessories	6.8	2.3	+189%
Childrenswear	13.5	10.6	+28%
Home	3.6	2.3	+58%
Total full price sales	**23.9**	**15.2**	**+57%**

Outlook for Licensing Sales and Margin for the Full Year

For the full year, we expect full price sales to be c.£50m, of which £6m is planned to be in our Retail stores. We expect net margin to be around 14%.

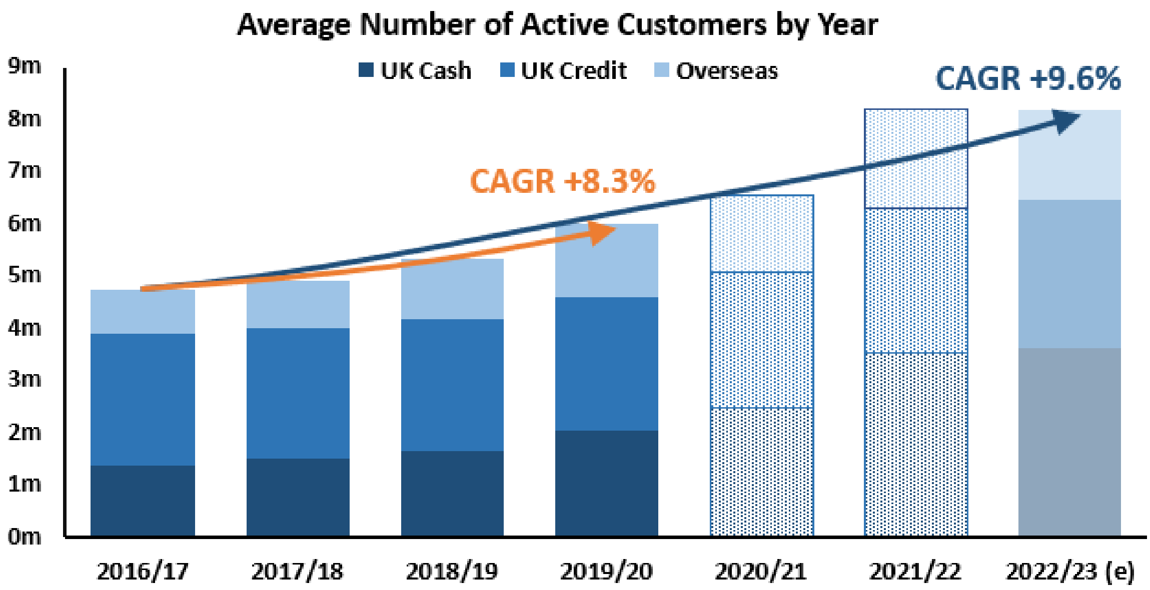
GROWTH IN ONLINE SALES AND CUSTOMERS - THE LONG VIEW

Throughout the pandemic we, along with many others, assumed that successive lockdowns had served to accelerate the trend for business to move online. However, it appears that the exceptional Online gains made during lockdown were only temporary, and that our Online sales growth has now reverted to its previous trajectory. The chart below shows sales over the last six years and our forecast for this year. Our compound annual growth rate (CAGR) was at +13.1% from 2016 up to the start of the pandemic; we expect CAGR from 2016 to the end of 2022 to be similar at +12.4%.



Customer Growth - The Long View

The sales trend above is mirrored in our active customer numbers. It also appears that exceptional growth in Online customer numbers during the pandemic was temporary and that we have reverted to the pre-pandemic trend. The chart below shows the average number of active Online customers, split by UK Cash, UK Credit and Overseas, for the past six years and our forecast for this year.



CUSTOMER SALES AND RECRUITMENT ANALYSIS

Growth in Customer Numbers and Average Spend Per Customer

Customers can be split into three distinct groups:

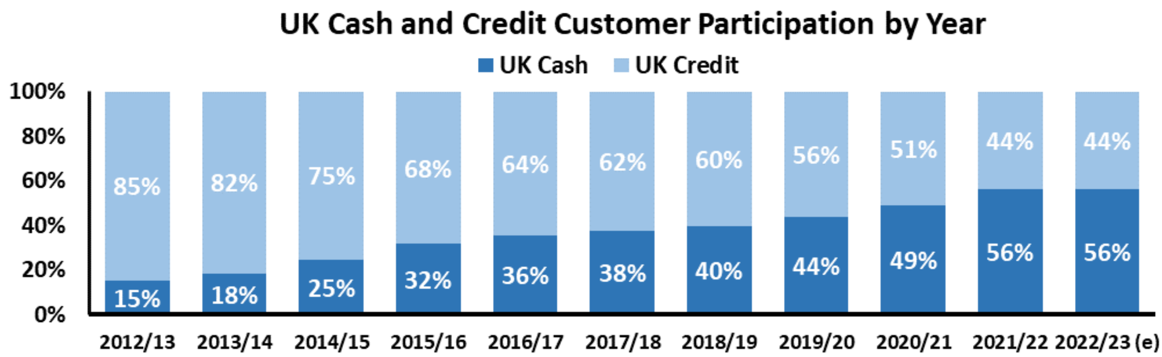
- **UK credit customers** who pay through a NEXT credit account[25] (next**pay** or next**3step**).
- **UK cash customers** who pay using credit, debit or other tender types.
- **Overseas** customers who shop on our international websites.

The average number of active[26] Online customers in the last six months was 8.1m**,** up +38% versus three years ago, but down -2% versus last year. The table below shows a three year comparison of average customer numbers, sales per customer and their total full price sales value. For completeness, the table also includes sales achieved through our third-party aggregators overseas, where we do not have visibility of customer numbers.

	AVERAGE CUSTOMERS		SALES PER CUSTOMER		SALES VALUE	
Account type	**July 2022**	**vs July 2019**	**July 2022**	**vs July 2019**	**July 2022**	**vs July 2019**
UK Credit	2.8m	+10%	£243	+19%	£686m	+31%
UK Cash	3.5m	+79%	£86	+19%	£303m	+112%
UK total	**6.3m**	**+40%**	**£156**	**+6%**	**£989m**	**+48%**
Continuous overseas	**1.6m**	**+44%**	**£140**	**- 8%**	**£227m**	**+32%**
Russia & Ukraine[27]	**0.2m**	**- 25%**	**£34**	**- 68%**	**£6m**	**- 76%**
Total **ex. aggregators**	**8.1m**	**+38%**	**£150**	**+2%**	**£1,222m**	**+42%**
Aggregators					£65m	+274%
Total					**£1,287m**	**+46%**

Average Customers

The UK and Overseas have seen strong growth in customer numbers. In the UK, growth has been driven by a dramatic increase in the number of cash customers. For the last ten years we have seen a steady increase in the percentage of our customer base trading on a cash basis, as shown in the graph below. It appears that recruitment during the pandemic was particularly skewed towards cash customers. It also appears that customers who traded Online as a temporary measure during lockdown were unlikely to open a credit account. Going forward, we expect growth in the number of cash customers to continue to outpace growth in the number of credit customers, albeit at nothing like the rate we saw last year.



[25] Both NEXT credit offers are authorised and regulated by the FCA.
[26] Active customers are defined as those who have either placed an order or received an account statement in the last 20 weeks.
[27] Our website operations in Russia and Ukraine closed in March 2022.

Sales Per Customer

UK Sales Per Customer

In the UK, sales per customer, for both credit and cash customers, increased by +19% versus three years ago. We believe this has been driven by the increasing breadth of our offer. Credit customers spend nearly three times as much as our cash customers (£243 versus £86), so although both cash and credit customers increased their average spend by +19%, the overall spend per customer in the UK was up only +6%.

Overseas Sales Per Customer

In our Overseas business, sales per continuous customer have decreased by -8% versus three years ago. This decline is largely due to a higher proportion of our customers being *new* customers (-11%). Typically, newer customers spend less than those who are established. This has been partially offset by stronger sales performance from countries with a higher average spend per customer (+3%).

Customers Recruited During Lockdown Periods in 2020 and 2021

We have continued to monitor the retention rates of customers recruited during the pandemic. Generally, the retention rates of these customers have continued to be better than similar cohorts of customers recruited before the pandemic in 2018 and 2017 (the most recent cohort to be unaffected by the pandemic in the period being assessed).

The table below shows the 4.3m customers we recruited between February 2020 and April 2021, compared to the 2.5m we recruited between February 2017 and April 2018. The retention rates of customers recruited during 2020, the first year of the pandemic, are all higher than historical averages. Retention rates of recruits during February to April 2021 appear to have returned to near pre-pandemic levels, albeit on much higher numbers of customers recruited.

2020/21 Recruitment	**2020 Feb - Apr**	**2020 May - July**	**2020 Aug - Oct**	**2020 Nov - Jan**	**2021 Feb - Apr**[28]	**TOTAL**
Customers recruited	369k	761k	749k	1,431k	954k	**4,264k**
Still active in Aug 2022	80k	172k	175k	265k	186k	**878k**
Retention rate	*21.6%*	*22.7%*	*23.3%*	*18.5%*	*19.6%*	***20.6%***
Average spend to Aug 2022	£263	£253	£231	£167	£158	**£200**

2017/18 Recruitment	**2017 Feb - Apr**	**2017 May - July**	**2017 Aug - Oct**	**2017 Nov - Jan**	**2018 Feb - Apr**	**TOTAL**
Customers recruited	483k	467k	451k	673k	442k	**2,516k**
Still active in Aug 2019	72k	81k	87k	117k	91k	**448k**
Retention rate	*15.0%*	*17.3%*	*19.3%*	*17.4%*	*20.5%*	***17.8%***
Average spend to Aug 2019	£214	£194	£202	£151	£159	**£181**

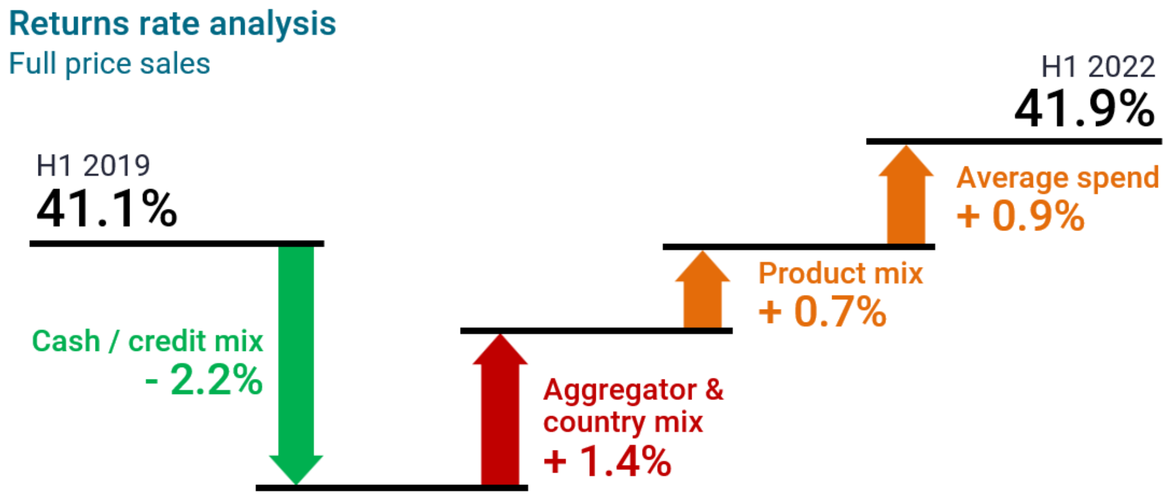
[28] In our Full Year Report issued in March 2022, customer numbers reported for February–April 2021 of 584k only included seven weeks of recruitment. This now includes all the customers recruited up until the end of April 2021.

ONLINE RETURNS RATES

As explained in our Q2 Trading Statement, our headline Online returns rates have broadly reverted back to their pre-pandemic levels.

The graphic below walks forward the changes in full price returns rates over three years, from H1 2019 to H1 2022.

- The significant increase in 'cash' customers (who have lower returns rates than credit customers) has reduced returns rates by 2.2%.
- An increase in overseas returns rates, largely driven by the growth of aggregators, has served to increase returns.
- The mix of products we sell has increased returns rates, mainly as a result of higher dress sales.
- UK customers' average spend has increased and typically, the more people spend, the more they return.



NEXT FINANCE

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

HEADLINES

- Interest income was up +12% versus 2021, broadly in line with the increase in the average customer receivables balance.
- Net profit (including Lipsy[29]) of £86m was up +27% versus 2021.
- Customer defaults remain lower than pre-COVID levels and payment rates remain higher than pre-COVID levels.

FINANCE PROFIT & LOSS SUMMARY[30]

		First half actual		
£m		**July 2022**	**July 2021**	**Var %**
Credit sales		*967*	*939*	*+3%*
Average customer receivables	*note 1*	*1,152*	*1,020*	*+13%*
Interest income	*note 2*	134	119	+12%
Bad debt charge	*note 3*	(10)	(17)	- 38%
Overheads	*note 4*	(27)	(21)	+28%
Profit before cost of funding		**96**	**81**	**+18%**
Cost of funding	*note 5*	(16)	(16)	- 1%
Net profit		**81**	**66**	**+23%**
Lipsy profit share[29]		6	2	+160%
Net profit (inc. Lipsy)		**86**	**68**	**+27%**
ROCE (inc Lipsy, after cost of funding)		15.0%	13.3%	
Closing customer receivables		1,182	1,052	+12%

Net profit grew more than interest income because total costs were flat. A reduction in bad debt charges completely offset the increase in overheads, and, despite the increase in customer receivables, the cost of funding was flat due to a lower interest rate.

The following paragraphs give further explanation of the movements in the various lines in the Finance P&L.

[29] The Finance business now includes all the Finance profits generated from Lipsy sales. Half of this was previously reported within the Lipsy division. See page 18 and the Appendix for further detail.
[30] Rounding differences are not adjusted in the table.

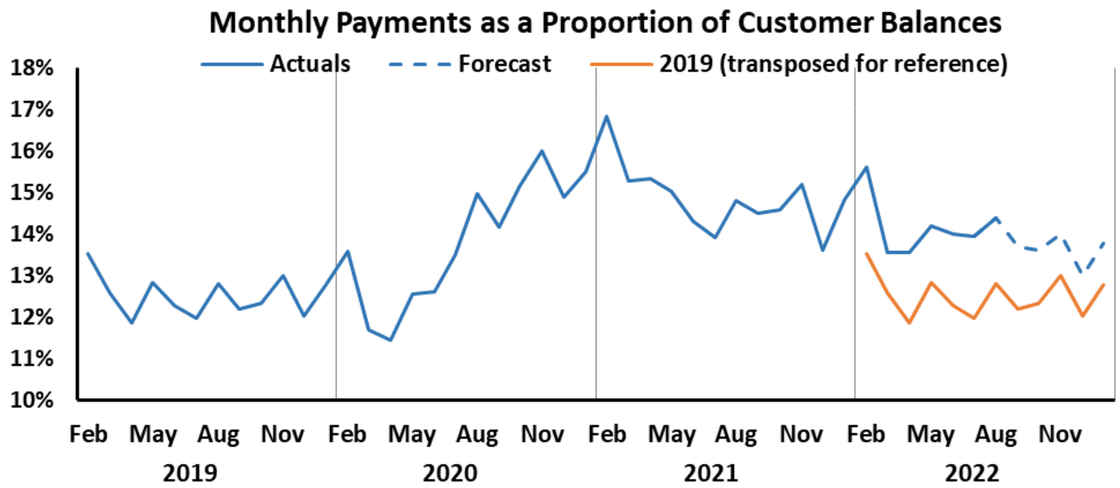
Note 1 Customer Receivables - Recovering to Pre-Pandemic Levels

In the first half, our average customer receivables balance was up +13% compared to last year and down -1% versus 2019. The majority of this increase was due to customers building back their balances once the pandemic was over, rather than a growth in credit sales (which were only up +3%).

A Return to More Normal Payment Rates

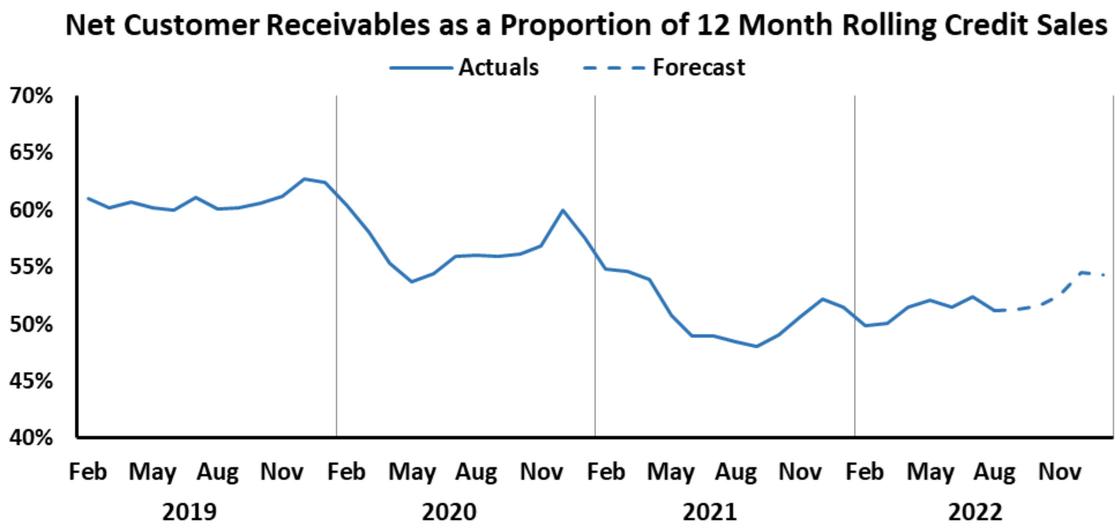
The graph below shows the percentage of outstanding balances paid back each month since 2019. The payment rate is an indirect measure of the financial health of consumer balance sheets; the more they pay back each month the less pressure there is likely to be on their finances.

Customers significantly increased the rate at which they paid down their balances from May 2020 as their other expenditure decreased during the first COVID lockdown. As the consumer economy recovered, from March 2021, consumers steadily reduced their monthly payments back to more normal levels. It is interesting to note that payment rates are still higher than they were before the pandemic, suggesting perhaps that cost of living pressures are not yet being fully reflected in consumer behaviour.



Net Receivables in Perspective

The graph below shows net customer receivables as a percentage of the previous twelve months' credit sales. It can be seen that customer balances relative to sales are on an upward trajectory from historical lows, but still comfortably below pre-pandemic levels.



Note 2 Interest Income

Interest income was up +12% versus last year which is broadly in line with the +13% growth in average customer receivables.

Note 3 Bad Debt Charge and Default Rates

Bad Debt Charge

The bad debt charge of £10m was £7m lower than last year despite the increasing size of the receivables book. There are several reasons for the reduction in this charge:

- We have not observed the deterioration in bad debt rates we were expecting, so have released £3m, which mainly relates to the additional £20m provision we took during the pandemic. At the time, we believed economic disruption caused by COVID would result in higher bad debts once furlough support was removed from the economy.
- We received more payments on defaulted debt than last year, largely due to the sale of insolvent accounts[31] which had been written down to zero.
- The rate at which we provide for future defaults on credit sales was reduced in January 2022 to maintain our provisions at levels in keeping with the pre-pandemic six year average (for default rate history see chart on page 39).

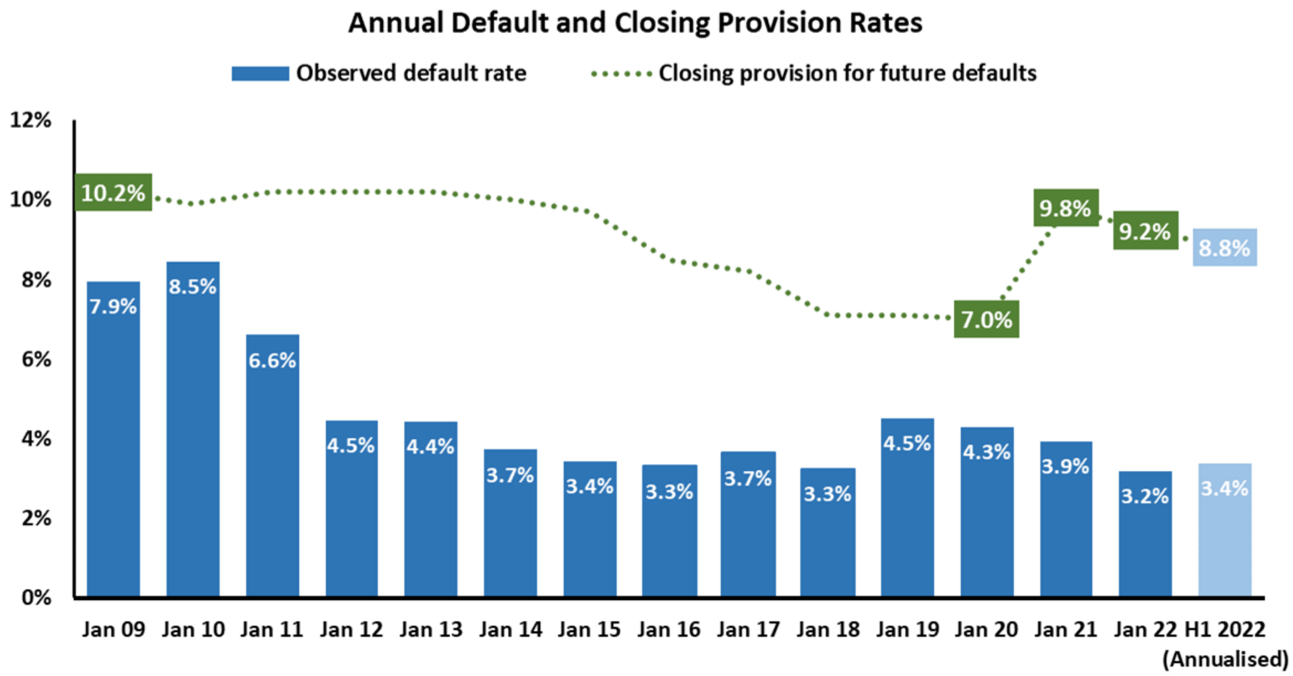
Bad debt walk forward	**£m**
Bad debt charge July 2021	**(17)**
Higher average customer receivables (+13%)	(2)
Bad debt charge at same rate as July 2021	**(19)**
Provision release (mainly COVID)	3
Additional payments on defaulted debt	3
Reduced provision rate to reflect lower default rates	3
Bad debt charge July 2022	**(10)**

[31] Insolvent accounts are accounts which have been written off as part of an Individual Voluntary Arrangement (IVA).

Current Default Rates in Context

The chart below shows:

- Observed annualised default rates[32] since 2009 (blue bars).
- The closing rate of provision for future defaults (green dotted line).
- The annualised default rate for the *first half of* 2022 (final pale blue bar). This default rate of 3.4% is marginally higher than last year but towards the lower end of historical rates.
- Provisions remain above our current default rates and make allowance for a material deterioration in defaults.



Note 4 Overheads

Overheads were up +28% versus last year, mainly due to increased spending on Technology costs.

Note 5 Cost of Funding

The cost of funding is an internal interest recharge from the Group based on the assumption that 85% of customer receivables are funded by debt lent by the Group to the Finance Division.

This interest charge decreased by -1%, even though average receivables increased by +13%. We calculate the interest rate used by taking the average rate of interest incurred by the Group on its external debt (excluding cash on deposit and interest income from other investments). The annualised weighted average cost of the Group's financing reduced (from 3.6% to 3.2%) as a result of the repayment of our £325m 2021 bond, which we did not replace with other debt (see page 51 for details of Group financing).

[32] Defaults are net of expected recoveries and presented as a percentage of the average customer receivables balance.

POTENTIAL IMPACT OF DETERIORATING CONSUMER ENVIRONMENT

Any deterioration in consumer finances would be likely to affect our Finance business in the following ways:

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

Many, if not all, of these effects seem both possible and likely at this time. However, there is currently very little sign of any distress in our customer receivables book. As detailed above, payments rates, arrears and default rates remain better than pre-pandemic levels.

OUTLOOK FOR THE FULL YEAR TO JANUARY 2023

In the year to January 2023, we anticipate that NEXT Finance will generate a profit (including Lipsy) of around **£170m**, which would be up +14% on the prior year. We are forecasting that the customer receivables balance at the year end will be **£1.25bn**, which would be up +8% on last year and +1% ahead of pre-COVID levels at January 2020.

PART FIVE
TOTAL PLATFORM, OTHER BUSINESS ACTIVITIES, CASH FLOW AND NET DEBT

TOTAL PLATFORM (TP)

PROGRESS

In February 2022 we launched Reiss, our largest client to date. In addition to its size, Reiss TP also encompasses a greater number of services than any other client - operating services such as wholesale fulfilment in the UK and overseas, a mobile app, translated websites and will soon include bonded warehousing. In August we launched GAP's TP website, alongside retail services for a small number of new GAP stores. We plan to launch UK and international TP websites and retail store services for JoJo Maman Bébé in spring 2023.

LESSONS LEARNED

TP is still in its infancy and we have learned some important lessons over the last six months. Most importantly, we have focused on developing reusable software, using templates to speed up the time taken to launch new partners, as well as making the management of multiple websites significantly more efficient.

We now understand that TP, as currently configured, works best for brands that have a critical mass. As a rule of thumb, TP is not suitable for clients with online turnover of less than £30m due to the scale of the platform that is offered.

The effect of working with smaller clients on TP is similar to delivering a bedside table in an articulated lorry. Our TP business is geared up for dealing with large worldwide data flows, high SKU counts, big company security systems etc. The fixed costs associated with running such a high capacity system have proven cost prohibitive for smaller clients. For these reasons, two of our clients, Childsplay and Aubin, which account for around 10% of expected annualised TP[33] sales, are transitioning off TP to another third-party model that is more suited to their business size and needs.

The following analysis focuses on the continuing TP clients.

[33] Annualised sales of Reiss, Victoria's Secret, Laura Ashley, GAP, JoJo Maman Bébé, Childsplay and Aubin.

FINANCIAL PERFORMANCE AND GUIDANCE FOR THE FULL YEAR

In the six months to July 2022 we generated **£6.1m** of profit from continuing business through a combination of:

- TP profit of £1.2m (i.e. the profit for providing TP services).
- Equity and preference share interests in our clients totalling £4.9m.

These profit streams are reported in different parts of the Group's profit and loss account. For ease we have consolidated these in the table below, providing a full picture of TP contribution to Group profit. The column on the right sets out our guidance for the full year.

Continuing Total Platform clients - £m	**6 months to July 2022**	**12 months to Jan 2023 (e)**
Sales (VAT Ex.) (Gross transaction value, GTV)	43.5	110.0
Commission	8.1	23.0
Total Platform profit	**1.2**	**3.0**
Total Platform margin %	2.7%	2.9%
Profit from equity shares	2.9	13.0
Preference share interest	2.0	5.0
Total Group profit from continuing Total Platform clients	**6.1**	**21.0**
Discontinuing operations	*(0.4)*	*(1.0)*
Total Group TP Profit	*5.7*	*20.0*

Margin Analysis

The equity profit from investments in TP clients has been better than expected. However, the margin earned on TP services is below our target profit margin of 5% to 7%. Margin for the year on continuing clients, expressed as a percentage of client sales, is expected to be 2.9%. Some of the underperformance is due to start up costs for new clients. Excluding the one off start up costs, underlying net margins are forecast to be 3.6%. There are three reasons why margin is below our expectations:

- Our largest client has taken a greater percentage of TP sales than expected, but operates at the lowest margin.
- Some of the inflationary costs we have incurred in our operations are not underwritten by the contract. This has been corrected for JoJo Maman Bébé and all future contracts.
- Our call centre costs have been higher than expected for one client. We underestimated the cost of taking the service operations from 9am to 5.30pm, six days a week to 8am to 9pm, seven days a week.

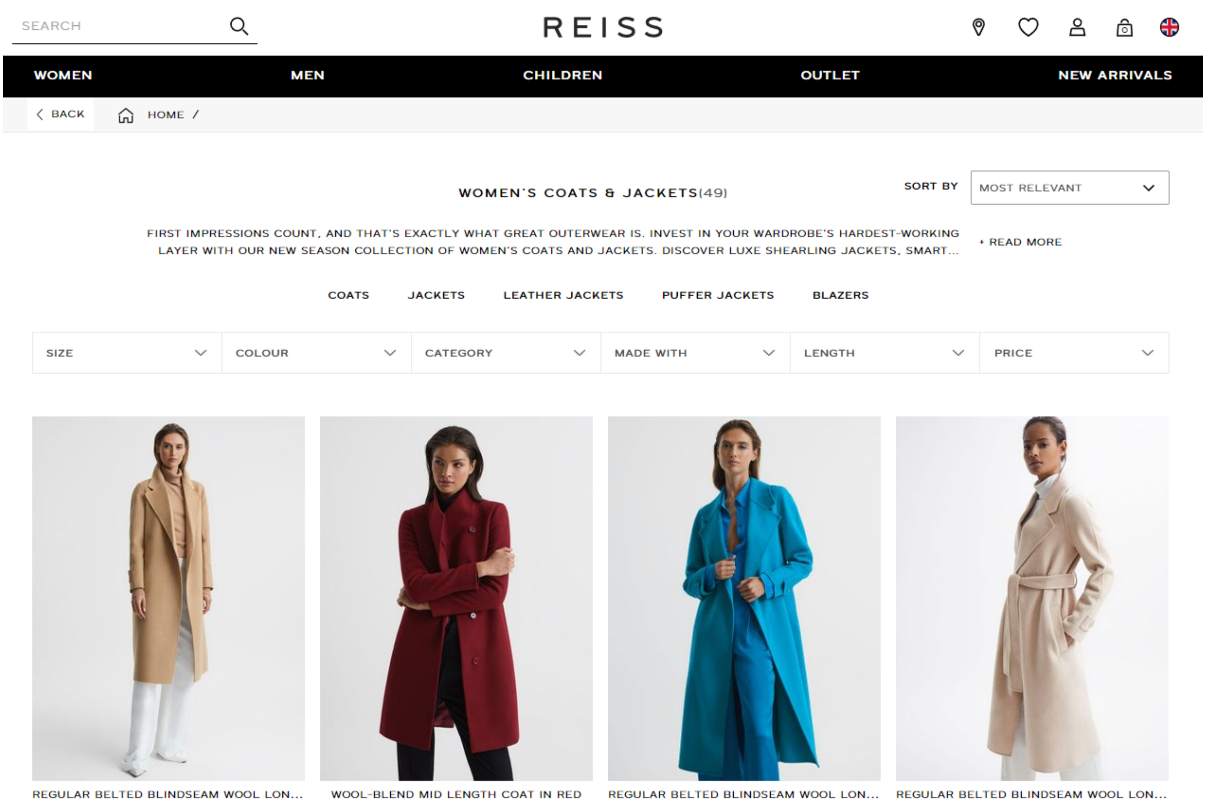
SUMMARY OF CLIENTS AND ASSOCIATED EQUITY INVESTMENTS

Client	Launch date	Equity interest	Description
Laura Ashley	Mar 2021	None	Home and fashion brand
Victoria's Secret (UK and Eire)	May 2021	51% share in UK and Eire franchise	Global lingerie, clothing and beauty brand
Reiss	Feb 2022	Increased to 51% in May 2022	Affordable luxury men's and women's apparel brand
GAP	Aug 2022	51% share in UK JV with GAP Coalition	Fashion brand
JoJo Maman Bébé	Q2 2023	44% share in partnership with Davidson Kempner	Specialist maternity and baby clothing

Discontinuing TP	End Date	Equity interest
Childsplay	Feb 2023	None
Aubin	Sept 2022	33% (which we are retaining)

Looking Ahead

We continue to have active discussions with potential new clients and remain confident in the long term prospects of the business. However, we will not have the warehouse and systems capacity to take on a major new client until our new warehouse picking capacity is fully operational in Q3, 2023.



OTHER BUSINESS ACTIVITIES

The profits and losses in the year from other business activities, including our other Group trading companies and non-trading activities, are summarised below, along with our estimates for the full year. Significant changes in profit are explained beneath the table. **PLEASE NOTE: In contrast to the analysis of our Online and Retail businesses, the analysis for Group businesses, which were less affected by lockdown, focuses on the performance versus LAST YEAR.**

	First half actual		Full year estimate	
£m	**July 2022**	**July 2021**	**Jan 2023 (e)**	**Jan 2022**
NEXT Sourcing (NS)	16.5	14.3	31.7	28.0
Franchise and Retail International	3.5	2.2	6.9	5.8
Property management	13.3	7.0	11.5	10.8
Central costs and other	(26.0)	(21.0)	(45.7)	(38.3)
Total profit	**7.3**	**2.5**	**4.4**	**6.3**

NEXT Sourcing (NS)

The majority of NS income and costs are denominated in dollars (or linked currencies), so their accounts are more meaningful when expressed in dollar terms, as set out in the left hand table below. The exchange rate used is the average market rate of exchange during the half year.

NS sales in the first half were well ahead of the increase in sales to customers. This increase was driven by orders for Autumn Winter being placed early to account for extended lead times. Profits are up less than sales as we only account for profit when the goods sold by NS to NEXT are sold to our customers. So, any profit increase will lag a sales increase. In the second half, we expect NS sales growth to slow as lead times reduce.

	US Dollars			£ Sterling		
	July 2022 USD m	**July 2021 USD m**		**July 2022 £m**	**July 2021 £m**	
Sales (mainly inter-company)	368.9	315.9	+17%	290.5	227.3	+28%
Operating profit	**21.0**	**19.9**	**+5%**	**16.5**	**14.3**	**+15%**
Net margin	**5.7%**	**6.3%**		**5.7%**	**6.3%**	
Exchange rate				1.27	1.39	

Profits for the full year are expected to be around £32m, compared to £28m last year.

Property Management

Property management profit of £13.3m came mainly from two sale and leaseback transactions which, combined, delivered a profit of £16.6m. This profit was partially offset by legal fees and dilapidation cost provisions on store closures (-£3.3m). Property profits for the first half are set out in the table below, along with a forecast for the second half and full year.

£m	**First Half Actual July 2022**	**Second Half (e) Jan 2023**	**Full Year (e) 2022/23**
Profit on 2020 warehouse transaction	5.8	-	5.8
Profit on sale and leaseback of Elmsall 3	10.8	-	10.8
Total property transaction profits	**16.6**	**-**	**16.6**
Legal fees and dilapidation cost provisions	(3.3)	(1.8)	(5.1)
Total property management profit	**13.3**	**(1.8)**	**11.5**

Central Costs

Central costs of £26.0m were £5.0m higher than last year, mainly due to (1) an FX gain in the prior year of £2.7m compared to a loss of £1.4m in July 2022 and (2) an increase in the number of colleagues who were entitled to share options.

INTEREST, TAX, PENSIONS AND ESG

INTEREST

The interest charge in the P&L is made up of three categories, as set out below. The full year estimate is given on the right hand side.

	First Half Actual		Full Year Estimate	
£m	**July 2022**	**July 2021**	**Jan 2023 (e)**	**Jan 2022**
Net external interest	(12.3)	(19.6)	(28.7)	(35.3)
Reiss preference share income	2.0	1.1	5.0	3.4
Lease interest	(23.5)	(27.3)	(46.8)	(50.4)
Total interest	**(33.8)**	**(45.8)**	**(70.5)**	**(82.3)**

Net External Interest

The net external interest charge of £12.3m was £7.3m (-37%) lower than last year. This reduction is due to the repayment of the £325m bond in October 2021. In effect, we repaid a bond with a coupon of 5.375%, from cash which was earning little or no interest. This gain was partially offset by an increase in the floating rate payable on other instruments. We expect a full year cost of £28.7m.

Reiss Preference Share Interest

The Reiss preference shares were acquired as part of our investment in the company. The shares accrue interest at a rate of 8% per annum giving a benefit of £2.0m in the first half. For the full year we expect preference share income of £5.0m. Preference share interest is higher than last year, following the increased equity stake from 25% to 51% in May 2022.

Lease Interest Costs

The reduction in lease interest is the result of the reduction in average lease debt, from £1,159m (July 2021) to £1,062m (July 2022). Lease debt has declined mainly because, at expiry, we have generally renewed store leases on lower rents and shorter terms.

The closing lease liability at the end of July 2022 of £1,066m was slightly higher than the £1,062m average for the period due to the sale and leaseback of our new warehouse, Elmsall 3, in May.

TAX

Our effective tax rate (ETR) for the first half was 18% (July 2021: 16.5%). This is lower than the UK headline rate of 19%, primarily due to provision releases and non taxable income on property disposals. In the prior year, the ETR was lower than the UK headline rate mainly due to the remeasurement of deferred tax assets from 19% to 25% (the UK rate effective April 2023).

On 23 September the Government announced its intention to reverse the increase in UK corporation tax and keep the headline rate at 19%. This is not reflected in the July 2022 ETR as it has not yet been substantively enacted. If this change is enacted *before* the year end then we expect our tax charge, and hence our full year forecast ETR, to increase from 18.0% to 19.4%. This change relates to the remeasurement of our deferred tax assets and would not impact cash tax payable in the year.

PENSION SCHEME

On the IFRS accounting basis, the valuation of our defined benefit schemes' surplus has increased from £157m as at January 2022 to £191m as at July 2022, driven largely by an increase in the discount rate applied to the scheme liabilities. Further detail is provided in Note 11 of the financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

We continue to make good progress on our key areas of focus which are summarised below.

Carbon Emission Reductions

Our Scope 1 and 2 target ambitions are consistent with the reductions required to keep global warming to +1.5°C, in line with the Paris Agreement. By 2030 we aim to reduce our direct and indirect absolute carbon emissions (from NEXT energy consumption) by 55% against a 2016/17 baseline (Scope 1 & 2) and reduce our other indirect emissions from NEXT's operations by 40% against a 2019/20 baseline per £1m sales (Scope 3).

Initiatives underway to reduce our emissions include the electrification of our company car and van fleet where possible, a continued switch to LED lighting in our stores and the installation of solar panels at our warehouses.

Responsible Sourcing

We aim to source 100% of the main raw materials we use through known, responsible or certified routes by 2025. Our recent progress in terms of (1) cotton (our most significant raw material) and (2) total main raw materials used is set out in the table below.

% of raw materials responsibly sourced	**July 2022**	**Jan 2022**	**Var %**
Cotton	61%	49%	+12%
Total main raw materials	51%	42%	+9%

Plastic Packaging

By 2025 we aim to eliminate avoidable plastics in product packaging and we are also investigating opportunities to reduce packaging throughout our operations.

- We have trialled the installation of collection points in-store for customers to return their plastic packaging for recycling. This has been successful and is now being rolled out to all stores by the end of this financial year. We are working with our UK packaging suppliers to reuse the collected materials in new packaging.
- We are working with our packaging suppliers to increase the recycled content of plastic packaging to be 100% where possible, and in particular on the clear protective bags received by customers.
- For single items ordered Online, we have conducted a trial to deliver to stores without the usual additional plastic outer packaging. The trial was successful and this process has just been rolled out to all stores. We estimate this will save around 20% of all Online outer packaging used.

Moving Towards Circularity

The circular economy is aimed at designing out waste and maximising the reuse of resources along the whole supply chain. As part of our responsible sourcing strategy, we look for ways to support a circular economy. In particular:

- We are one of the founding members of Textiles 2030, an initiative run by the Waste and Resources Action Programme, which looks to accelerate the UK fashion industry's move towards a circular economy. Signatories commit to collaboration on reducing the industry's impact on climate change, as well as agreeing carbon, water and circular textile targets.

- In 2021, we joined the Circular Fashion Partnership, an initiative run by the Global Fashion Agenda, which aims to support textile recycling in Bangladesh. Textile waste (typically small pieces of fabric from the factory cutting room) is captured and reused. The materials can be used to create recycled cotton or as an alternative to the timber used in man-made cellulosic fibres. We are encouraging our supply chain to think differently about waste and recycling; so far we have recruited five of our suppliers onto the initiative and are in the process of onboarding a further five.
- We support take-back schemes to ensure valuable resources are kept in circulation, including a mattress recycling programme and help for customers to donate unwanted furniture for reuse.

CASH FLOW, DIVIDENDS, NET DEBT & FINANCING

FULL YEAR CASH FLOW FORECAST

Based on our latest profit guidance for this year, we expect to generate £368m of surplus cash. Surplus cash is defined as cash after interest, tax, capital expenditure and investments, but *before* distributions to shareholders.

The table below sets out a summarised cash flow forecast for the year, along with last year.

£m		Jan 2023 (e)	Jan 2022
Profit before tax		**840**	**823**
Depreciation/impairment on plant, property and equipment		110	111
Capital expenditure	(see page 52)	(203)	(184)
Tax paid		(155)	(125)
Working capital/other		(131)	(30)
Surplus cash from trading activities		**461**	**595**
Customer receivables	(see page 36)	(90)	(135)
Investments			
Equity investments	(see page 50)	(53)	(43)
Sale and leaseback and property stock	(see page 50)	50	(54)
Surplus cash before distribution to shareholders		**368**	**363**
Shareholder returns	(see page 51)		
Share buybacks		(228)	(9)
Special dividends		-	(344)
Ordinary dividends		(240)	-
Cash flow after distribution to shareholders		**(100)**	**10**
Bond repayment		-	(325)
Cash flow after bond repayment		**(100)**	**(315)**
Closing net debt		**(700)**	**(600)**

INVESTMENTS

Equity Investments

£m	Jan 2023 (e)	Jan 2022
Reiss	45.3	33.0
Loan and repayment of loan to Reiss, including interest	(11.3)	10.0
JoJo Maman Bébé	15.9	-
Swoon	3.5	-
Total equity investments	**53.4**	**43.0**

Reiss

Last year we invested £33m in a 25% stake in Reiss and as part of this deal we also provided a £10m loan. This loan was repaid in the first half of 2022/23 along with accumulated loan interest. This year we exercised our option to buy a further 26% stake for £45m and this transaction was completed in May 2022, taking our total shareholding to 51%.

JoJo Maman Bébé

In April 2022 we invested £15.9m in a 44% stake in JoJo Maman Bébé, a UK-based specialist maternity and baby clothing company. The deal was completed in partnership with Davidson Kempner who acquired the remaining 56% equity.

Swoon

In March 2022 we invested £3.5m in a 25% stake in Swoon, a design-led furniture retailer.

Sale and Leasebacks and Property Stock

The sale and leaseback of the new Elmsall 3 warehouse was completed in May 2022, resulting in a net cash inflow of £64m, which is the combination of £91m received on the sale *less* £16m of build costs in the year and *less* the related profit on sale of £11m. We are not expecting any further cash flows in respect of the Elmsall 3 sale and leaseback. The £14m cash outflow relates to the planned extension of our palletised warehouse in Doncaster.

£m	Jan 2023(e)	Jan 2022
Elmsall 3 warehouse sale and leaseback	64	(30)
Land acquisition and development costs for palletised warehouse extension	(14)	(24)
Total	**50**	**(54)**

DIVIDENDS AND SHARE BUYBACKS

The Company remains committed to its long term policy of returning surplus cash, that cannot be profitably invested in the business, to shareholders. During the pandemic in 2020/21 we paused dividends to help secure the finances of the business. Last year we paid two special dividends and this year we have returned to our pre-pandemic ordinary dividend cycle.

Ordinary Dividends

An ordinary dividend of 127p was paid on 1 August 2022. For the year to January 2023 we are declaring an interim ordinary dividend of 66p to be paid on 3 January 2023. Shares will trade ex-dividend from 1 December 2022 and the record date will be 2 December 2022.

Looking ahead, assuming our performance is in line with our latest guidance, we intend to recommend to shareholders a final dividend no lower than the 127p we paid in August this year.

Share Buybacks

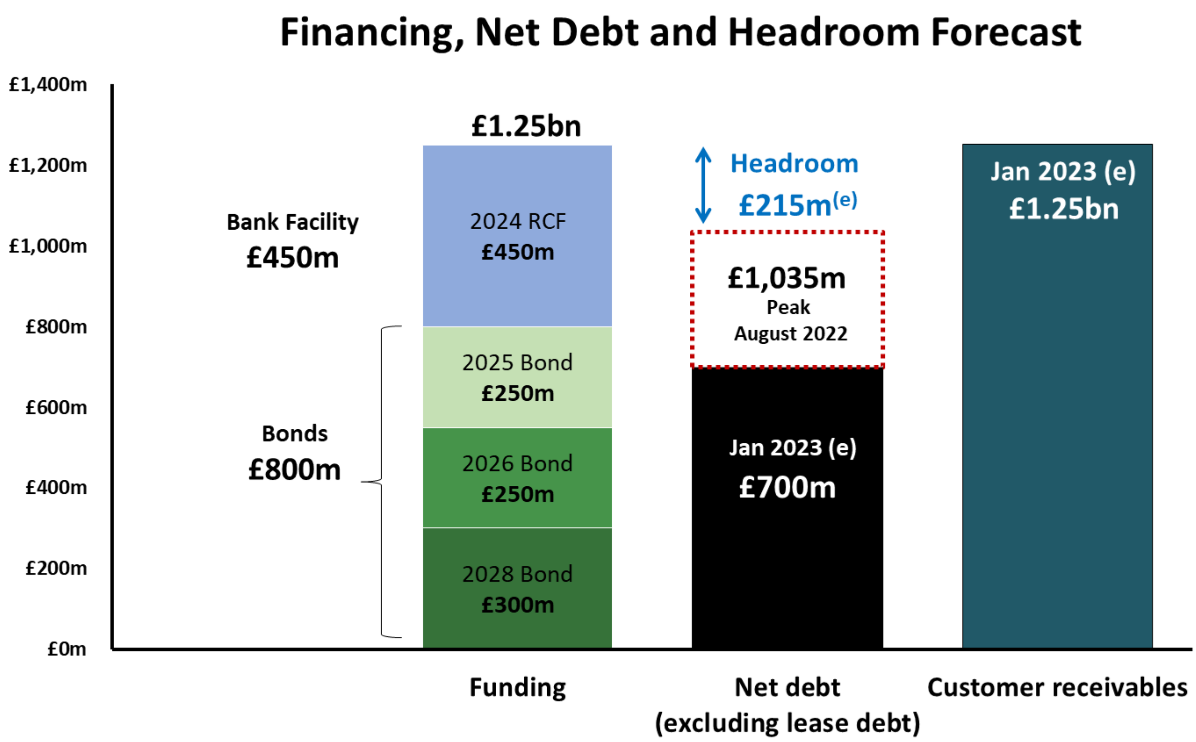
So far this year, we have purchased 3.5m shares at an average share price of £63.85, totalling £224m. This has reduced the number of shares in issue by 2.6% since the January 2022 year end. If profits are in line with our guidance of £840m, then the Equivalent Rate of Return (ERR) on these buybacks will be around 10%. In addition, in early February 2022 we paid £4m for buybacks that were acquired in January 2022, so total payments for share buybacks in the first half were £228m.

NET DEBT, BOND AND BANK FACILITIES

In October 2021 we settled our £325m bond and did not issue a new bond. Our current bond and bank facilities now total £1,250m.

Based on our cash flow guidance for this year, we believe that our net debt peaked in August at £1,035m, comfortably within our bond and bank facilities of £1,250m, and will end the year at £700m (headroom £550m).

The chart below sets out our bond and bank facilities. For context, our year end forecast for customer receivables is £1.25bn, significantly higher than the value of our net debt.



CAPITAL EXPENDITURE

SPEND BY CATEGORY

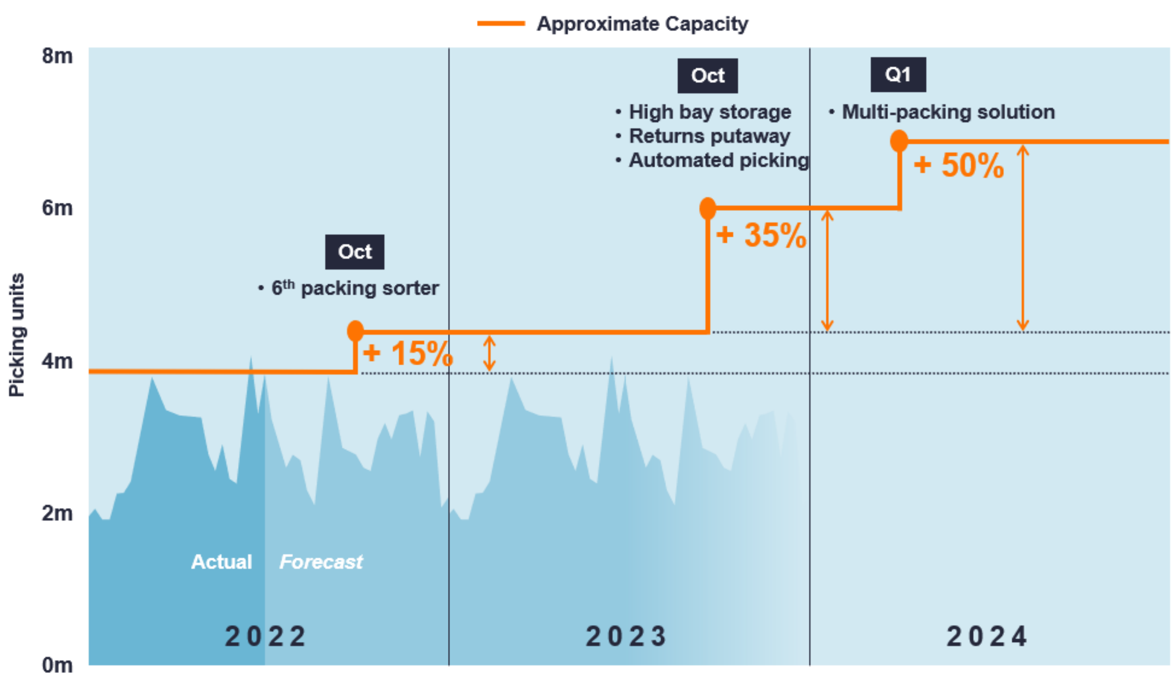
The table below sets out our forecast capital expenditure for this year, by category of spend. For comparison, the prior three years are also shown.

£m	Jan 2023 (e)	Jan 2022	Jan 2021	Jan 2020
Warehouse	125	124	100	87
IT and other	39	31	26	14
Total warehouse, IT and other	**164**	**155**	**126**	**101**
Retail space expansion	10	14	29	24
Retail cosmetic/maintenance capex	29	15	8	14
Total Retail expenditure	**39**	**29**	**37**	**38**
Total Capital Expenditure	**203**	**184**	**163**	**139**

Warehousing

Warehouse capex, at £125m, is broadly in line with last year, and reflects the continued investment in our new, highly automated, boxed warehouse (Elmsall 3). We plan to deliver Elmsall 3 automation in phases throughout the course of next year (as shown in the graphic below). The warehouse building is already being used for conventional storage as an overflow for our existing operations. Elmsall 3 will deliver an estimated increase in boxed capacity of 50%[34], with marginal labour cost per unit around 40% lower than the equivalent cost today, once the site automation is fully operational.

Weekly Pick and Capacity Volumes (Units), Online Boxed Warehousing



[34] We had previously thought this increase would be 45% but have now increased our estimate in line with our latest throughput calculations for the mechanisation.

Technology and Other

This year we expect to invest £39m of capex modernising and upgrading our systems technology. We estimate that £30m will be spent on software and £9m on hardware.

Retail Stores

Capital expenditure on Retail space expansion is forecast to reduce to £10m, down from £14m in the prior year, as a result of fewer new store openings. Cosmetic and maintenance spend is forecast at £29m compared to £15m in the prior year. Expenditure on cosmetic refits remains focused on those stores where we have extended the lease.

THIRD QUARTER TRADING UPDATE

Our third quarter Trading Statement will cover the thirteen weeks to Saturday 29 October 2022 and is scheduled for Wednesday 2 November 2022.

Lord Wolfson of Aspley Guise
Chief Executive
29 September 2022

APPENDIX - PRIOR PERIOD RESTATEMENTS

OVERVIEW

As set out on page 18 we have changed how we present the profits for our key divisions in the Chief Executive's Review because of the growth of LABEL and Total Platform, which are now a more significant part of the overall Group performance. We believe these changes help improve our reporting, providing greater clarity as the business evolves and different parts of the business emerge and grow.

To ensure our results in the Chief Executive's Review are presented on a consistent basis, we have restated the comparative periods (July 2021 and July 2019) for these changes. These changes are to allocations only - there is **no impact on overall Group profit.**

Lipsy Adjustment

The table below summarises how the Lipsy profit on the previous basis has been allocated to each area of the business. This shows, for example, that of the £8.2m reported profit in July 2021, £7.1m has now been allocated into LABEL, £0.8m into Overseas, £2.2m into Finance and the residual central costs of £1.9m have now been allocated into the overall Group central costs.

£m	**July 22**	**July 21**	**July 19**
Lipsy profit (previous basis)	**14.3**	**8.2**	**5.5**
Allocation on restated basis			
LABEL	12.4	7.1	2.3
Overseas	1.1	0.8	0.4
Total Online	**13.5**	**7.9**	**2.7**
Finance	5.7	2.2	3.2
Central costs	(4.9)	(1.9)	(0.4)
Total Lipsy allocation	**14.3**	**8.2**	**5.5**

Total Platform Adjustment

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

We have restated 2021 so that the sales and profit of Total Platform are now presented as a separate division. Total Platform did not exist in 2019 and hence no restatement is required for that period. The impact is summarised below:

- In July 2021 -£1.3m of Total Platform commission profit has been moved from NEXT Online into the separate Total Platform line.
- In July 2021 £1.6m equity *loss* from our Total Platform investments has been moved from Sourcing, Property & Other into the Total Platform line.

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

Restatement of Divisional Profit - July 2022, July 2021 and July 2019

July 2022

PROFIT £m	July 2022 old basis	Lipsy adjustment	Total Platform adjustment	July 2022 new basis
Online	208.3	13.5	(0.9)	220.9
Retail	100.6	-	-	100.6
Finance (after funding costs)	80.6	5.7	-	86.3
Trading profit	**389.5**	**19.2**	**(0.9)**	**407.8**
Total Platform (inc equity)	-	-	3.7	3.7
Sourcing, Property & Other	29.3	(19.2)	(2.8)	7.3
Recharge of interest to Finance	15.6	-	-	15.6
Operating profit	**434.4**	**-**	**-**	**434.4**

July 2021

PROFIT £m	July 2021 previously reported	Lipsy adjustment	Total Platform adjustment	July 2021 restated
Online	318.0	7.9	(1.3)	324.6
Retail	(17.8)	-	-	(17.8)
Finance (after funding costs)	65.6	2.2	-	67.8
Trading profit	**365.8**	**10.1**	**(1.3)**	**374.6**
Total Platform (inc equity)	-	-	(0.3)	(0.3)
Sourcing, Property & Other	11.0	(10.1)	1.6	2.5
Recharge of interest to Finance	15.7	-	-	15.7
Operating profit	**392.5**	**-**	**-**	**392.5**

July 2019

PROFIT £m	July 2019 previously reported	Lipsy adjustment	Total Platform adjustment	July 2019 restated
Online	182.5	2.7	-	185.2
Retail	90.8	-	-	90.8
Finance (after funding costs)	75.8	3.2		79.0
Trading profit	**349.1**	**5.9**	**-**	**355.0**
Total Platform (inc equity)	-	-	-	-
Sourcing, Property & Other	13.9	(5.9)	-	8.0
Recharge of interest to Finance	17.8	-		17.8
Operating profit	**380.8**	**-**	**-**	**380.8**

Statutory Accounts Segmental Reporting

The changes described above have been made to the presentation of profits in the Chief Executive’s Review. We have decided **not** to adjust the segmental profits in the interim financial statements. This is because the effect of these changes, while useful in the context of explaining the performance in the period, are not material to the financial statements and therefore they continue to reflect the segmental profits on the same basis as in previous periods.

Management will monitor the presentation of the segmental profits as the business continues to evolve.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	26 weeks to 30 July 2022 £m	26 weeks to 31 July 2021 £m
Continuing operations			
Revenue	3, 4	**2,379.6**	2,119.5
Cost of sales		**(1,388.8)**	(1,237.3)
Gross profit		**990.8**	882.2
Distribution costs		**(362.4)**	(332.7)
Administrative expenses		**(195.3)**	(158.4)
Other (losses)/gains		**(1.4)**	2.7
Trading profit		**431.7**	393.8
Share of results of associates and joint ventures		**2.7**	(1.3)
Operating profit	5	**434.4**	392.5
Finance income	6	**2.7**	1.9
Finance costs	6	**(36.5)**	(47.7)
Profit before taxation		**400.6**	346.7
Taxation	7	**(72.1)**	(57.1)
Profit attributable to equity holders of the Parent Company		**328.5**	289.6

Earnings Per Share (pence)			
Basic	8	**262.3p**	226.8p
Diluted	8	**260.7p**	223.8p

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**26 weeks to 30 July 2022 £m**	26 weeks to 31 July 2021 £m
Profit for the period		**328.5**	289.6
Other comprehensive income and expenses:			
Items that will not be reclassified to profit or loss			
Actuarial gains on defined benefit pension scheme	11	**33.3**	35.5
Tax relating to items which will not be reclassified		**(8.3)**	(8.9)
Subtotal items that will not be reclassified		**25.0**	26.6
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(3.1)**	1.7
Foreign currency cash flow hedges:			
- fair value movements		**88.1**	(2.9)
Cost of hedging:			
- fair value movements		**(0.9)**	0.1
Tax relating to items which may be reclassified		**(16.6)**	0.5
Subtotal items that may be reclassified		**67.5**	(0.6)
Other comprehensive income for the period		**92.5**	26.0
Total comprehensive income for the period		**421.0**	315.6

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	**30 July 2022 £m**	31 July 2021 £m	29 January 2022 £m
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment		**594.5**	512.2	601.1
Intangible assets		**93.0**	73.5	79.3
Right-of-use assets		**648.0**	678.3	639.1
Associates, joint ventures and other investments	10	**114.5**	39.0	46.2
Defined benefit pension asset	11	**191.3**	132.6	156.9
Other financial assets	12	**10.7**	36.7	18.0
Deferred tax assets		**21.9**	49.4	34.0
		1,673.9	1,521.7	1,574.6
Current assets				
Inventories		**767.8**	535.2	633.0
Customer and other receivables	13	**1,317.8**	1,170.4	1,280.9
Right of return asset		**36.9**	36.5	24.8
Other financial assets	12	**64.1**	16.1	35.5
Current tax assets		**-**	6.5	-
Cash and short term deposits	17	**296.7**	758.6	433.0
		2,483.3	2,523.3	2,407.2
Total assets		**4,157.2**	4,045.0	3,981.8
Current liabilities				
Bank loans and overdrafts	17	**(358.3)**	(49.9)	(233.1)
Corporate bonds	15	**-**	(325.6)	-
Trade payables and other liabilities	14	**(770.8)**	(714.1)	(798.4)
Lease liabilities	17	**(151.9)**	(166.2)	(162.6)
Dividends payable	9	**(156.5)**	-	-
Other financial liabilities	12	**(4.0)**	(14.4)	(1.0)
Current tax liabilities		**(18.6)**	-	(13.0)
		(1,460.1)	(1,270.2)	(1,208.1)
Non-current liabilities				
Corporate bonds	15	**(803.9)**	(828.8)	(815.7)
Provisions		**(22.5)**	(18.0)	(21.9)
Lease liabilities	17	**(914.0)**	(966.4)	(894.9)
Other liabilities		**(16.1)**	(24.7)	(31.2)
		(1,756.5)	(1,837.9)	(1,763.7)
Total liabilities		**(3,216.6)**	(3,108.1)	(2,971.8)
NET ASSETS		**940.6**	936.9	1,010.0
TOTAL EQUITY		**940.6**	936.9	1,010.0

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium account £m	Capital redemption reserve £m	ESOT reserve £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Foreign currency translation £m	Other reserves £m	Retained earnings £m	Total equity £m
At 29 January 2022	**13.3**	**0.9**	**16.6**	**(331.7)**	**27.9**	**0.7**	**(4.9)**	**(1,443.8)**	**2,731.0**	**1,010.0**
Profit for the period	-	-	-	-	-	-	-	-	328.5	328.5
Other comprehensive income/(expense) for the period	-	-	-	-	71.3	(0.7)	(3.1)	-	25.0	92.5
Total comprehensive income/(expense) for the period	-	-	-	-	71.3	(0.7)	(3.1)	-	353.5	421.0
Reclassified to cost of inventory	-	-	-	-	(60.3)	-	-	-	-	(60.3)
Share buybacks and commitments	(0.4)	-	0.4	-	-	-	-	-	(224.0)	(224.0)
ESOT share purchases	-	-	-	(89.7)	-	-	-	-	-	(89.7)
Shares issued by ESOT	-	-	-	28.8	-	-	-	-	(9.6)	19.2
Share option charge	-	-	-	-	-	-	-	-	11.8	11.8
Gain on disposal of investments	-	-	-	-	-	-	-	-	0.8	0.8
Tax recognised directly in equity	-	-	-	-	11.5	-	-	-	(3.5)	8.0
Equity dividends (Note 9)	-	-	-	-	-	-	-	-	(156.2)	(156.2)
At 30 July 2022	**12.9**	**0.9**	**17.0**	**(392.6)**	**50.4**	**-**	**(8.0)**	**(1,443.8)**	**2,703.8**	**940.6**
At 30 January 2021	**13.3**	**0.9**	**16.6**	**(271.2)**	**(19.7)**	**0.1**	**(2.5)**	**(1,443.8)**	**2,367.2**	**660.9**
Profit for the period	-	-	-	-	-	-	-	-	289.6	289.6
Other comprehensive income/(expense) for the period	-	-	-	-	(2.4)	0.1	1.7	-	26.6	26.0
Total comprehensive income/(expense) for the period	-	-	-	-	(2.4)	0.1	1.7	-	316.2	315.6
Reclassified to cost of inventory	-	-	-	-	27.8	-	-	-	-	27.8
Share buybacks and commitments	-	-	-	-	-	-	-	-	-	-
ESOT share purchases	-	-	-	(123.8)	-	-	-	-	-	(123.8)
Shares issued by ESOT	-	-	-	59.6	-	-	-	-	(12.9)	46.7
Share option charge	-	-	-	-	-	-	-	-	9.1	9.1
Tax recognised directly in equity	-	-	-	-	(5.3)	-	-	-	5.9	0.6
At 31 July 2021	**13.3**	**0.9**	**16.6**	**(335.4)**	**0.4**	**0.2**	**(0.8)**	**(1,443.8)**	**2,685.5**	**936.9**

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Notes	**26 weeks to 30 July 2022 £m**	26 weeks to 31 July 2021 £m
Cash generated from operations	18	**310.2**	589.5
Corporation taxes paid		**(70.0)**	(63.4)
Net cash from operating activities		**240.2**	526.1
Cash flows from investing activities			
Additions to property, plant and equipment		**(94.9)**	(62.5)
Development of warehouse build		**(16.6)**	(30.2)
Movement in capital accruals		**1.6**	(6.3)
Payments to acquire property, plant and equipment		**(109.9)**	(99.0)
Proceeds from sale of property, plant and equipment		**-**	0.7
Proceeds from sale and leaseback transactions		**41.7**	-
Payments to acquire intangible assets		**(18.4)**	(14.2)
Loan repayments from associates and joint ventures		**11.3**	-
Investments in associates and joint ventures	10	**(64.7)**	(34.4)
Proceeds from disposal of other investments		**1.8**	-
Net cash from investing activities		**(138.2)**	(146.9)
Cash flows from financing activities			
Repurchase of own shares		**(228.4)**	-
Purchase of shares by ESOT		**(89.7)**	(123.8)
Disposal of shares by ESOT		**10.0**	50.5
Receipt of unsecured bank loans		**125.0**	-
Proceeds from sale and leaseback transactions		**59.3**	6.3
Lease payments		**(81.0)**	(77.4)
Incentives received for leases within the scope of IFRS 16		**0.1**	-
Interest paid (including lease interest)		**(36.8)**	(40.2)
Interest received		**1.3**	0.2
Net cash from financing activities		**(240.2)**	(184.4)
Net (decrease)/increase in cash and cash equivalents		**(138.2)**	194.8
Opening cash and cash equivalents		**199.9**	514.8
Effect of exchange rate fluctuations on cash held		**1.7**	(0.9)
Closing cash and cash equivalents	17	**63.4**	708.7

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The Group's interim results for the 26 weeks to 30 July 2022 (prior year 26 weeks to 31 July 2021) were approved by the Board of Directors on 29 September 2022 and have been prepared in accordance with UK adopted IAS 34 "*Interim financial reporting*" and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority.

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*".

The financial information contained in this report is condensed and does not include all of the information and disclosures required in the annual financial statements. It should be read in conjunction with the Group's annual consolidated financial statements for the 52 weeks to 29 January 2022 which were prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and which 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 Section 498(2) or (3) of the Companies Act 2006.

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.

New accounting standards, interpretations and amendments adopted by the Group
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 52 weeks ended 29 January 2022 except for the new policy to cover accounting for services provided under our Total Platform business as set out below:

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

Major sources of estimation uncertainty and judgement
The preparation of the interim financial statements requires the directors to form estimations, assumptions and judgements that affect the reported values of assets, liabilities, revenues and expenses. Estimates, underlying assumptions and judgements are reviewed on an ongoing basis with revisions to accounting estimates recognised in the year in which the estimate is revised.

In preparing these interim financial statements the directors have given specific consideration to events including the wider macroeconomic environment in which it trades. As a result, they have identified the following areas as significant estimates that have a significant risk of resulting in a material adjustment to the carrying value of assets and liabilities in the next year.

1. Basis of preparation (continued)

Expected credit losses (ECL) on Online customer and other receivables

The provision for the allowance for ECL (Note 13) is calculated using a combination of internally and externally sourced information, including: predicted future default levels (derived from historical defaults overlaid by indebtedness profiles and macro-economic assumptions); predicted future cash collection levels (derived from past trends); arrears stage; customer indebtedness; and other credit data. Please refer to the January 2022 Annual Report and Accounts for further details of the underlying assumptions used within the ECL calculations (pages 189 to 190).

The most significant area of material estimation uncertainty in the July 2022 provision is the impact that the current cost of living pressures may have on customer payment behaviour. In order to reflect the underlying risk in the loan book, the following factors have been incorporated into the provision:

1) Downgrading the underlying base to the pre-COVID arrears and indebtedness profile

The underlying distribution of arrears and consumer indebtedness scores from before the COVID pandemic have been overlaid on the ECL calculation in order to adjust recent performance trends. This is because the Consumer Indebtedness Index (CII) scores and the arrears profile of customers are key inputs in the underlying ECL model and management considers that the underlying risk created by payments has not yet returned to normalised levels. This adjustment, using pre-COVID arrears and indebtedness profiles, contributes £8.4m to the ECL.

2) Recognition of the ongoing risk of an increased ECL for customers who have made use of payment holidays or other payment arrangements

The UK is experiencing record levels of inflation and many forecasters expect disposable income to be further constricted through the winter months. Management believe this may adversely impact the recoverability of customer receivables, specifically those customers who have previously benefited from payment holidays from a lender since March 2020, or from other payment arrangements. A further overlay to increase the CII of these customers to align with that of those customers in the highest risk banding (relating to their current arrears stage) has been applied, which forms £20.1m of the total ECL. We are not explicitly predicting that these customers will move towards a higher level of indebtedness (per the CII) but we are using this model mechanism to apply an appropriate and understood multiplier on the risk levels of these particular customers.

In the five weeks following the interim period end date, £0.2bn of the £1.2bn NEXT customer and other trade receivables has been recovered.

Significant areas of judgement and accounting estimates

Significant judgements, apart from those involving estimations, that are applied in the preparation of the interim financial statements are discussed below.

Accounting for equity investment in Reiss

In May 2022, NEXT increased its equity investment in Reiss from 25% to 51% (see Note 10). Management has reviewed the terms of the Shareholders Agreement and concluded that NEXT will have significant influence but not control. This is because the terms of the shareholder agreement require the shareholders to reach joint agreement in order to make changes to the day to day activities of the business and its operational activity.

1. Basis of preparation (continued)

Going concern

In adopting the going concern basis for preparing the interim financial statements, the directors have considered the business activities including the Group's principal risks and uncertainties. The directors also considered the Group's current cash position, the repayment profile of its existing debt structure and the resilience of its 12 month cash flow forecasts to a series of severe but plausible downside scenarios such as further enforced store closures. Having considered these factors, the directors are satisfied that the Group has adequate resources to continue in operational existence and therefore it is appropriate to adopt the going concern basis in preparing the interim financial statements for the 26 weeks ended 30 July 2022.

2. Risks and 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 January 2022 Annual Report and Accounts, described as follows, also remain relevant to the rest of the financial year: Business strategy development and implementation; Product design and selection; Key suppliers and supply chain management; Warehousing and distribution; Business critical systems; Management of long term liabilities and capital expenditure; Information security, data protection, business continuity and cyber risk; Financial, treasury, liquidity and credit risks; and Legal, regulatory and ethical standards compliance. These are detailed on pages 82 to 86 of the January 2022 Annual Report and Accounts, a copy of which is available on the Company's website at www.nextplc.co.uk.

3. Segmental analysis

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

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

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

In common with many retailers, revenue and trading profit are subject to seasonal fluctuations and are weighted towards the second half of the year which includes the key Christmas period for the business.

3. Segmental analysis (continued)

Segment sales and revenue

26 weeks to 30 July 2022	**Total sales excluding VAT £m**	**Commission sales adjustment £m**	**Other IFRS 15 adjustments £m**	**External revenue £m**	**Internal revenue £m**	**Total segment revenue £m**
NEXT Online	**1,486.5**	**(192.7)**	**31.5**	**1,325.3**	**-**	**1,325.3**
NEXT Finance	**133.7**	**-**	**-**	**133.7**	**-**	**133.7**
NEXT Retail	**880.5**	**(5.0)**	**0.2**	**875.7**	**0.2**	**875.9**
NEXT International Retail	**25.3**	**-**	**-**	**25.3**	**-**	**25.3**
NEXT Sourcing	**7.0**	**-**	**-**	**7.0**	**283.6**	**290.6**
	2,533.0	**(197.7)**	**31.7**	**2,367.0**	**283.8**	**2,650.8**
Lipsy	**3.7**	**-**	**-**	**3.7**	**78.0**	**81.7**
NENA	**0.1**	**-**	**-**	**0.1**	**0.4**	**0.5**
Property Management	**8.8**	**-**	**-**	**8.8**	**75.8**	**84.6**
Total segment sales/revenue	**2,545.6**	**(197.7)**	**31.7**	**2,379.6**	**438.0**	**2,817.6**
Eliminations	**-**	**-**	**-**	**-**	**(438.0)**	**(438.0)**
Total	**2,545.6**	**(197.7)**	**31.7**	**2,379.6**	**-**	**2,379.6**

26 weeks to 31 July 2021	Total sales excluding VAT £m	Commission sales adjustment £m	Other IFRS 15 adjustments £m	External revenue £m	Internal revenue £m	Total segment revenue £m
NEXT Online	1,522.5	(132.3)	37.0	1,427.2	-	1,427.2
NEXT Finance	119.2	-	-	119.2	-	119.2
NEXT Retail	540.1	(0.7)	(0.2)	539.2	-	539.2
NEXT International Retail	22.9	-	-	22.9	-	22.9
NEXT Sourcing	4.5	-	-	4.5	222.7	227.2
	2,209.2	(133.0)	36.8	2,113.0	222.7	2,335.7
Lipsy	2.1	-	-	2.1	48.9	51.0
NENA	0.1	-	-	0.1	0.3	0.4
Property Management	4.3	-	-	4.3	88.8	93.1
Total segment sales/revenue	2,215.7	(133.0)	36.8	2,119.5	360.7	2,480.2
Eliminations	-	-	-	-	(360.7)	(360.7)
Total	2,215.7	(133.0)	36.8	2,119.5	-	2,119.5

NENA (Next Europe and North Africa) is a sourcing business primarily supporting the Retail and Online business.

3. Segmental analysis (continued)

In the Chief Executive's Review, LABEL commission sales include sales of all Lipsy stock on the NEXT website because NEXT trades on a commission basis with Lipsy. However, as Lipsy is a Group company, no commission adjustment is required in respect of this for external revenue in the notes above.

Segment profit

	26 weeks to 30 July 2022 £m	26 weeks to 31 July 2021 £m
NEXT Online	**208.3**	318.0
NEXT Finance	**80.6**	65.6
NEXT Retail	**100.6**	(17.8)
NEXT International Retail	**3.5**	2.2
NEXT Sourcing	**16.5**	14.3
	409.5	382.3
Lipsy	**14.3**	8.2
Property Management	**13.3**	7.0
Total segment profit	**437.1**	397.5
Central costs and other	**(7.3)**	(12.0)
Recharge of interest	**15.6**	15.7
Share option charge	**(12.3)**	(10.1)
Unrealised foreign exchange (losses)/gains	**(1.4)**	2.7
Trading profit	**431.7**	393.8
Share of results of associates and joint ventures	**2.7**	(1.3)
Finance income	**2.7**	1.9
Finance costs	**(36.5)**	(47.7)
Profit before tax	**400.6**	346.7

While the Chief Executive's Review splits NEXT Online and Total Platform sales and profit, the segmental note in the financial statements above includes these in one line: "NEXT Online".

In addition, Lipsy's operating profit is reported as its own segment in the table above but has been reallocated between NEXT Online, NEXT Finance and Central costs within the Chief Executive's Review. See Appendix of the Chief Executive's Review for further details.

4. Revenue

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

26 weeks to 30 July 2022

	Sale of goods £m	Credit account interest £m	Royalties £m	Rental income £m	Service income £m	Total £m
NEXT Online	**1,319.0**	**-**	**-**	**-**	**6.3**	**1,325.3**
NEXT Finance	**-**	**133.7**	**-**	**-**	**-**	**133.7**
NEXT Retail	**875.7**	**-**	**-**	**-**	**-**	**875.7**
NEXT International Retail	**22.4**	**-**	**2.9**	**-**	**-**	**25.3**
NEXT Sourcing	**7.0**	**-**	**-**	**-**	**-**	**7.0**
Lipsy	**3.0**	**-**	**0.7**	**-**	**-**	**3.7**
NENA	**0.1**	**-**	**-**	**-**	**-**	**0.1**
Property Management	**-**	**-**	**-**	**8.8**	**-**	**8.8**
Total	**2,227.2**	**133.7**	**3.6**	**8.8**	**6.3**	**2,379.6**

26 weeks to 31 July 2021

	Sale of goods £m	Credit account interest £m	Royalties £m	Rental income £m	Service income £m	Total £m
NEXT Online	1,427.2	-	-	-	-	1,427.2
NEXT Finance	-	119.2	-	-	-	119.2
NEXT Retail	539.2	-	-	-	-	539.2
NEXT International Retail	20.6	-	2.3	-	-	22.9
NEXT Sourcing	4.5	-	-	-	-	4.5
Lipsy	1.2	-	0.9	-	-	2.1
NENA	0.1	-	-	-	-	0.1
Property Management	-	-	-	4.3	-	4.3
Total	1,992.8	119.2	3.2	4.3	-	2,119.5

Service income recognised in the current period relates to services provided to our Total Platform partners.

5. Operating profit

Group operating profit is stated after charging/(crediting):

	26 weeks to 30 July 2022 £m	26 weeks to 31 July 2021 £m
Impairment charges on tangible assets	**-**	0.3
Depreciation of property, plant and equipment	**52.0**	52.1
Loss on disposal of property, plant and equipment	**0.1**	2.8
Gain on sale and leaseback	**(16.4)**	(6.3)
Depreciation of right-of-use assets	**52.2**	57.9
Amortisation and impairment of intangible assets	**4.7**	1.2
Write down of inventories to net realisable value	**82.0**	51.1
Job Retention Scheme receipts	**-**	(21.8)
Customer and other receivables:		
Impairment charge	**14.4**	22.7
Amounts recovered	**(0.7)**	(4.7)

During the period the Group recognised a gain of £10.8m on the completion of its Elmsall 3 warehouse build. The gain represents the proportion of the asset not retained in the future lease and is a proportion of the total gain following completion of the sale and leaseback transaction.

The Group also recognised a gain of £5.6m in relation to contingent consideration on a previous sale and leaseback transaction (July 2021: £6.3m).

Impairment charge and amounts recovered on customer and other receivables of £13.7m (July 2021: £18.0m) differs to the bad debt charge of £10.4m (July 2021: £16.8m) in the Chief Executive's Review due primarily to recoveries of previously written off assets taken directly to the Income Statement.

6. Finance income and costs

	26 weeks to 30 July 2022 £m	26 weeks to 31 July 2021 £m
Interest on bank deposits	**0.1**	0.3
Other interest receivable	**2.6**	1.6
Finance income	**2.7**	1.9
Interest on bonds and other borrowings	**13.0**	20.2
Other fair value movements	**-**	0.2
Finance costs on lease liability	**23.5**	27.3
Finance costs	**36.5**	47.7

Other interest receivable mainly relates to the interest on the preference shares held in Reiss.

7. Taxation

Income tax expense is recognised based on management's best estimate of the full year effective tax rate based on estimated full year profits. It is adjusted for material, non-recurring transactions in the period to which they relate.

In September 2022, the Government announced that the increase in the UK headline corporation tax rate to 25% (effective April 2023) would no longer occur. The headline corporation tax rate is to remain at 19%. As this change had not been substantively enacted as at the Balance Sheet date it has not been reflected within these July 2022 financial statements.

8. Earnings Per Share

	26 weeks to 30 July 2022	26 weeks to 31 July 2021
Basic Earnings Per Share	**262.3p**	226.8p
Diluted Earnings Per Share	**260.7p**	223.8p

Basic Earnings Per Share (EPS) is based on the profit for the period attributable to the equity holders of the Parent Company divided by the net of the weighted average number of shares ranking for dividend less the weighted average number of shares held by the ESOT during the period.

Diluted EPS is calculated by adjusting the weighted average number of shares used for the calculation of basic EPS 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 3.0 million non-dilutive share options which were excluded from the diluted EPS calculation (July 2021: 1.2 million).

The table below shows the key variables used in the EPS calculations:

	26 weeks to 30 July 2022 £m	26 weeks to 31 July 2021 £m
Profit after tax attributable to equity holders of the Parent Company	**328.5**	289.6
Weighted average number of shares (millions):		
Weighted average shares in issue	**131.0**	132.9
Weighted average shares held by ESOT	**(5.8)**	(5.2)
Weighted average shares for basic EPS	**125.2**	127.7
Weighted average dilutive potential shares	**0.8**	1.7
Weighted average shares for diluted EPS	**126.0**	129.4

9. Dividends

It is intended that this year's ordinary interim dividend of 66p per share will be paid to shareholders on 3 January 2023. NEXT plc shares will trade ex-dividend from 1 December 2022 and the record date will be 2 December 2022.

Dividends paid or declared during the period were as follows:

26 weeks to 30 July 2022	**Paid**	**Pence per share**	**Cash Flow Statement £m**	**Statement of Changes in Equity £m**	**July 2022 Balance Sheet £m**
Ordinary dividend	1 Aug 2022	127p	-	156.2	156.5
			-	**156.2**	**156.5**

No dividends were paid or declared in the period to 31 July 2021.

10. Associates, joint ventures and other investments

	26 weeks to 30 July 2022 £m	26 weeks to 31 July 2021 £m	52 weeks to 29 January 2022 £m
Opening balance	**46.2**	5.0	5.0
Acquisitions in the period	**64.7**	34.4	34.3
Share of profits/(losses)	**2.7**	(1.3)	4.8
Finance income	**2.0**	1.1	2.4
Disposals	**(1.0)**	-	-
Provided during the period	**(0.1)**	(0.2)	(0.3)
Closing balance	**114.5**	39.0	46.2

On 28 February 2022, NEXT exercised its option to acquire a further 26% indirect interest in Reiss Limited ("Reiss"). Upon completion in May 2022, NEXT made a further investment of £45.3m financed from NEXT's own cash resources. Although NEXT now holds a 51% equity share, it has joint control of Reiss' operational and financial activities and therefore has been treated as a joint venture.

The finance income relates to interest on NEXT's share of preference shares in the Reiss group's ultimate holding company. This has been recognised within the Finance income line of the Income Statement.

In addition, during the 26 weeks to 30 July 2022 NEXT acquired a 44% equity stake in the holding company of Jojo Maman Bébé Limited for a total cash consideration of £15.9m and a 25% equity stake in Swoon Limited for a cash consideration of £3.5m. In both cases NEXT has significant influence, but not control, over the investments' operational and financial activities and therefore they have been treated as associates.

11. Defined benefit pension

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

	30 July 2022 £m	31 July 2021 £m	29 January 2022 £m
Present value of benefit obligations	**(727.9)**	(989.0)	(933.1)
Fair value of plan assets	**919.2**	1,121.6	1,090.0
Net pension asset	**191.3**	132.6	156.9

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

	26 weeks to 30 July 2022 £m	26 weeks to 31 July 2021 £m	52 weeks to 29 January 2022 £m
Surplus in schemes at the beginning of the period	**156.9**	99.2	99.2
Current service cost	**(3.8)**	(4.4)	(8.4)
Administration costs	**(1.1)**	(1.0)	(2.5)
Net interest	**1.7**	0.9	1.6
Employer contributions	**4.3**	2.4	11.8
Benefits paid	**-**	-	0.1
Actuarial gains	**33.3**	35.5	55.1
Surplus in schemes at the end of the period	**191.3**	132.6	156.9

The surplus in the schemes has moved from £156.9m at January 2022 to £191.3m at July 2022, primarily due to actuarial gains of £33.3m. The net actuarial gain of £33.3m relates to a £205.2m reduction in the pension obligation driven by a higher discount rate used in calculating the obligation, offset by a £171.9m actuarial loss on the pension assets relating to a reduction in the value of the portfolio of assets held by the pension scheme.

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

	26 weeks to 30 July 2022	26 weeks to 31 July 2021	52 weeks to 29 January 2022
Discount rate	**3.50%**	1.65%	2.15%
Inflation – RPI	**3.20%**	3.10%	3.50%
Inflation – CPI	**2.75%**	2.30%	3.05%
Salary increases	**-**	-	-
Pension increases in payment			
- RPI with a maximum of 5%	**2.85%**	2.90%	3.05%
- RPI with a maximum of 2.5% and discretionary increases	**1.90%**	2.00%	2.00%

12. 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 "Fair value measurement", as they are valued using techniques based significantly on observed market data (refer to the Fair Value Hierarchy table in Note 27 of the January 2022 Annual Report and Accounts).

13. Customer and other receivables

	30 July 2022 £m	31 July 2021 £m	29 January 2022 £m
Gross customer receivables	**1,449.9**	1,312.9	1,403.3
Less: refund liabilities	**(71.3)**	(69.3)	(49.4)
Net customer receivables	**1,378.6**	1,243.6	1,353.9
Less: allowance for expected credit losses	**(196.8)**	(191.9)	(191.2)
	1,181.8	1,051.7	1,162.7
Other trade receivables	**30.2**	19.1	24.9
Less: allowance for doubtful debts	**(0.4)**	(1.2)	(0.5)
	1,211.6	1,069.6	1,187.1
Prepayments	**55.7**	49.3	53.1
Other debtors	**24.6**	27.9	14.1
Amounts due from associates and joint ventures	**25.9**	23.6	26.6
	1,317.8	1,170.4	1,280.9

No interest is charged on customer receivables if the statement balance is paid in full and to terms; otherwise balances bear interest at a variable annual percentage rate of 23.9% at the half year end date (2021: 23.9%) except for £45.9m (July 2021: £28.1m, January 2022: £40.6m) of next3step balances that bear interest at 29.9% (2021: 29.9%) when not paid in full and to terms.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision. The expected credit losses incorporate forward looking information.

The fair value of customer receivables and other trade receivables is approximately £1,180m (July 2021: £1,040m, January 2022: £1,150m). This has been calculated based on future cash flows discounted at an appropriate rate for the risk of the debt. The fair value is within Level 3 of the fair value hierarchy (refer to the Fair Value Hierarchy table in Note 27 of the January 2022 Annual Report and Accounts).

Expected irrecoverable amounts on balances with indicators of impairment are provided for based on past default experience, adjusted for expected behaviour. Receivables which are impaired, other than by age or default, are separately identified and provided for as necessary.

14. Trade payables and other liabilities (current)

	30 July 2022 £m	31 July 2021 £m	29 January 2022 £m
Trade payables	**294.8**	212.6	275.4
Amounts owed to associates and joint ventures	**0.2**	-	0.5
Refund liabilities	**4.8**	6.8	4.8
Other taxation and social security	**64.0**	70.5	76.8
Deferred revenue from the sale of gift cards	**68.8**	64.3	79.5
Share-based payment liability	**0.1**	0.2	0.2
Other creditors and accruals	**338.1**	359.7	361.2
	770.8	714.1	798.4

15. Corporate bonds

The table below shows the nominal and balance sheet values of the Group's outstanding corporate bonds:

	Nominal value			**Balance sheet value**		
	30 July 2022 £m	31 July 2021 £m	29 January 2022 £m	**30 July 2022 £m**	31 July 2021 £m	29 January 2022 £m
Corporate bond 5.375% repayable 2021	-	325.0	-	**-**	325.6	-
Corporate bond 3.000% repayable 2025	**250.0**	250.0	250.0	**250.0**	250.0	250.0
Corporate bond 4.375% repayable 2026	**250.0**	250.0	250.0	**253.9**	278.8	265.7
Corporate bond 3.625% repayable 2028	**300.0**	300.0	300.0	**300.0**	300.0	300.0
	800.0	1,125.0	800.0	**803.9**	1,154.4	815.7

As explained in the January 2022 Annual Report and Accounts, 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.

As at July 2022, the fair value of the Group's corporate bonds was £793.9m (July 2021: £1,245.7m, January 2022: £867.4m). The fair values are market values at the balance sheet date (IFRS 13 Level 1).

16. Share buybacks

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

	2022 Shares '000	**2022 £m**	2021 Shares '000	2021 £m
Shares in issue at start of year	**132,772**	**13.3**	132,949	13.3
Shares purchased for cancellation in the period	**(3,509)**	**(0.4)**	-	-
Shares in issue at July	**129,263**	**12.9**	132,949	13.3

The total cost of shares purchased for cancellation as shown in the Statement of Changes in Equity was £224.0m (2021: £Nil). The expenditure on share buybacks included in the cash flow statement includes £4.4m relating to buybacks made in January 2022 but paid in February 2022.

17. Analysis of net debt

	30 July 2022 £m	31 July 2021 £m	29 January 2022 £m
Cash and short term deposits	**296.7**	758.6	433.0
Overdrafts and short term borrowings	**(233.3)**	(49.9)	(233.1)
Cash and cash equivalents	**63.4**	708.7	199.9
Unsecured bank loans	**(125.0)**	-	-
Corporate bonds	**(803.9)**	(1,154.4)	(815.7)
Fair value hedges of corporate bonds	**3.9**	29.2	15.7
Net debt excluding leases	**(861.6)**	(416.5)	(600.1)
Current lease liability	**(151.9)**	(166.2)	(162.6)
Non-current lease liability	**(914.0)**	(966.4)	(894.9)
	(1,065.9)	(1,132.6)	(1,057.5)
Net debt including leases	**(1,927.5)**	(1,549.1)	(1,657.6)

18. Cash generated from operations

	26 weeks to 30 July 2022 £m	26 weeks to 31 July 2021 £m
Cash flows from operating activities		
Operating profit	**434.4**	392.5
Depreciation, impairment and (profit)/loss on disposal of property, plant and equipment	**35.5**	48.2
Depreciation and impairment on right-of-use assets	**52.2**	57.9
Amortisation and impairment of intangible assets and investments	**4.9**	1.4
Share option charge	**11.8**	9.0
Share of (profit)/loss of associated and joint ventures	**(2.7)**	1.3
Exchange movement	**(2.8)**	2.7
Increase in inventories and right of return asset	**(146.9)**	(10.4)
Increase in customer and other receivables	**(48.7)**	(63.0)
(Decrease)/increase in trade and other payables	**(26.3)**	147.8
Net pension contributions less income statement charge	**(1.2)**	2.1
Cash generated from operations	**310.2**	589.5

In the prior period, the Group issued a £10.0m loan to Reiss which was repaid in the current period. The issuance of the loan was presented in the cash flow statement within "Increase in customer and other receivables" in the prior period. However the repayment of the loan has been presented within Cash flow from investing activities, "Loan repayments from associates and joint ventures".

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 '*Interim financial reporting*'

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

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

By order of the Board

Lord Wolfson of Aspley Guise
Chief Executive

Amanda James
Group Finance Director

29 September 2022

The full half year report and the results presentation can be found on the Company's website at www.nextplc.co.uk.

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

Certain statements which appear in a number of places throughout this document are "forward looking statements" which are all matters that are not historical facts, including anticipated financial and operational performance, business prospects and similar matters. These forward looking statements are identifiable by words such as "aim", "anticipate", "believe", "budget", "estimate", "expect", "forecast", "intend", "plan", "project" and similar expressions. These forward looking statements reflect NEXT's current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any such forward looking statements are subject to risks and uncertainties, including but not limited to the risks described in "Risks & Uncertainties" on pages 82 to 86 of the January 2022 Annual Report and Accounts and those matters highlighted in the Chief Executive's review; failure by NEXT to accurately predict customer fashion preferences; decline in the demand for merchandise offered by NEXT; competitive influences; changes in the level of store traffic or consumer spending habits; effectiveness of NEXT's brand awareness and marketing programmes; general economic conditions or a downturn in the retail industry; the inability of NEXT to successfully implement relocation or expansion of existing stores; insufficient consumer interest in NEXT Online; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial and equity markets. These forward looking statements do not amount to any representation that they will be achieved as they involve risks and uncertainties and relate to events and depend upon circumstances which may or may not occur in the future and there can be no guarantee of future performance. Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. NEXT does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.