NEXT

Results for the Half Year Ending July 2023

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CHIEF EXECUTIVE'S REVIEW

WHAT'S THE POINT?

This is a long report. Some might ask why we publish such detailed reports. Others might think we are too open, and give away too much about our plans. Our answer is simple: this report is written as much for ourselves as it is for our investors. That means:

- If we are **open about performance** to the outside world, we are more likely to be honest with ourselves: to expose the cracks and faults - the areas that have not done as well as we would have liked, or made the returns we expected. A plan that is presented to outsiders as perfect, is less likely to be improved.

- If we are **open about our plans** for the future, where we are going and how we are adapting our ideas as they evolve, then colleagues are more likely to understand how their decisions and actions contribute to the collective endeavour. In a business where execution is ninety percent of the battle, that makes all the difference. We would rather competitors see every element of our plan, than colleagues misunderstand one part of it.

- Finally, exposing our plans and performance to the outside world brings the advantage of the **criticism, discussion and scepticism** of those who do not work for the Group. Often a little uncomfortable, this feedback, if constructive, is very helpful. It is all too easy for those 'on the inside' to fall in love with the plan, the occasional reality check does no harm.

But the report is long. The guide below gives readers a quick view of the contents to help them pick the parts that matter to them. Colleagues and those wanting a less detailed view should read the Headlines and Big Picture.

STRUCTURE OF THIS REPORT

TABLE OF CONTENTS

PART ONE
HEADLINES AND SUMMARY OF FINANCIAL PERFORMANCE

HEADLINES

Performance in the Six Months to July 2023

- Brand full price sales[1] up **+3.2%** versus last year
- Total Group sales up **+5.4%**
- NEXT Profit before tax **£420m**, up **+4.8%**

Revised Guidance for the Full Year to January 2024

- Brand full price sales growth increased from +1.8% to **+2.6%**.
- NEXT Profit before tax guidance increased from £845m to **£875m**, up +0.5% on last year.
- Earnings Per Share (EPS) before tax, is forecast to be 723.9p, up **+3.2%**. After accounting for the increase in Corporation Tax, EPS after tax is forecast to be 552.9p, down **-3.6%**.
- We expect to make an **exceptional gain** of **£110m** from the Reiss acquisition. For clarity, this gain is a pure accounting gain and *not* included in the £875m profit guidance.
- Looking ahead to 2024/25 it is likely that **inflationary pressures** on selling prices and operating costs will continue to ease.

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

SALES AND PROFIT SUMMARY FOR THE FIRST HALF

£m	July 2023	July 2022	Var %
Total Group sales[2]	2,638	2,504	+5.4%
NEXT Profit before tax[3]	**420**	**401**	**+4.8%**
NEXT Profit after tax	322	329	- 2.0%
Basic Earnings Per Share	264.5p	262.3p	+0.8%

[1] Full price sales are VAT exclusive sales of items sold at *full price* in Retail and Online plus NEXT Finance interest income. They exclude items sold in Sale events, Clearance operations and through Total Platform.

[2] Total Group sales for July 2022 are restated due to a change in the presentation of Total Platform revenue, see page 19. Group sales are not statutory sales. Statutory sales were up +5.8% versus last year (refer to Appendix 1 and Note 3 of the financial statements).

[3] NEXT profit before tax is the profit attributable to the shareholders of NEXT plc. It excludes the effect of the Joules minority interest. Statutory profit before tax, including minority interests, is £415.7m. See Appendix 1 and Note 3 of the financial statements for further details.

PART TWO
BIG PICTURE

A LOOK AT WHAT WE SAID IN MARCH, AND HOW IT'S GOING

WHAT WE SAID IN MARCH…

Our Year End Report in March finished on a note that was more upbeat than the prevailing mood. Our prognosis was that although we faced short term challenges, the Company could see more new long term opportunities than we had for many years.

Short term challenges

Two challenges were set to hamper the current year: (1) **slowing sales**, hindered by the rising prices of our goods, and a more general squeeze on consumers; coupled with (2) unavoidable **inflation** in our cost base. At that time, we expected full year full price sales to be down -1.5% and profits to be £795m, down -8.7% on the previous year.

Longer term opportunities

In contrast, the longer term outlook for the Group looked more positive than it had for many years. The uncomfortable transition of sales from Retail to Online appears to have slowed to a more manageable level, not least because less than 35% of our sales are now in shops. Alongside this change, Retail property costs have dropped to levels more in line with current trading volumes.

Meanwhile, there appeared to be promising new growth opportunities for the Group. These included: (1) **Total Platform**'s ability to enhance service levels while lowering costs for companies in which we may invest; (2) the potential for the NEXT brand to extend its reach **overseas**; and (3) the development of new **product offers** through the creation of new brands and licensing opportunities.

Priorities for the current year

In March we set out our priorities as follows:

- Improve our product ranges to drive **sales**
- Improve our Online **service**
- Manage our **costs**
- Lay the foundations for future growth through the development of three **new and developing business** streams (Total Platform, NEXT Overseas and product ranges beyond the NEXT brand)

…AND HOW IT'S GOING

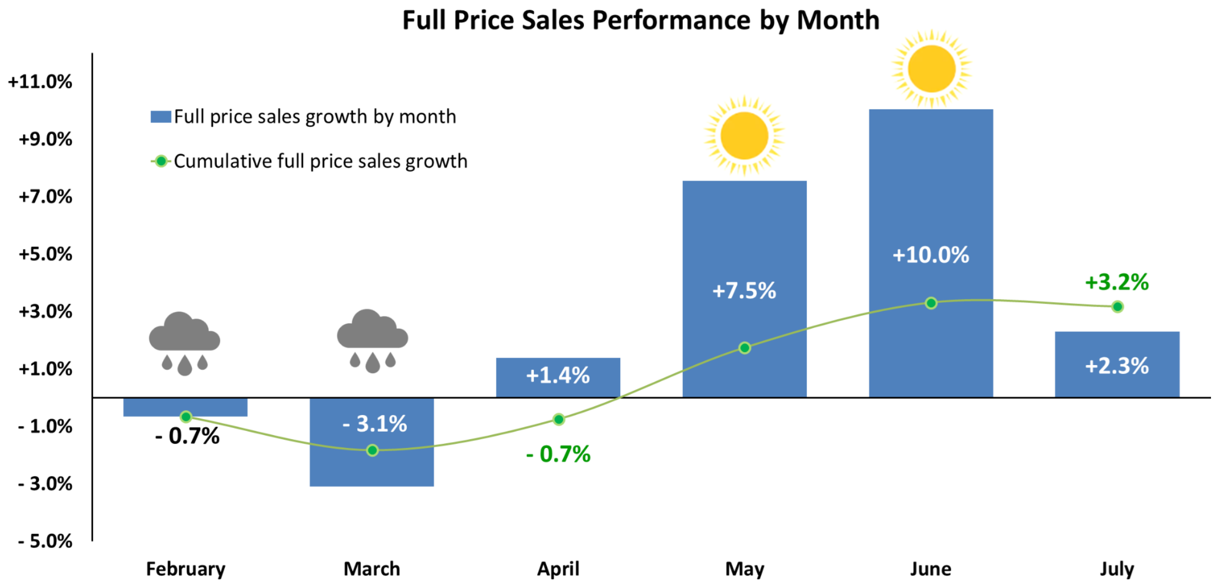
In short, so far, we have made good progress on all four fronts. **Sales** are better than expected; Online **service** has significantly improved; **costs** are lower than expected and, although it is early days, and there have been bumps along the road, all three streams of **new business** are showing signs of promise. Overseas, in particular, has taken a big step forward in the second quarter. The following sections focus on our four priorities and outline what we have achieved in the first half and our plans for the rest of the year.

SALES AND PRODUCT RANGES

WAGES AND WEATHER HELPED

We have been very happy with the performance of our ranges (see below), but the *extent* to which we have exceeded our expectations cannot be explained by range improvements alone. We thought first half full price sales would be down -3.0% and they finished up +3.2%.

In reality, we were overly cautious about the prospects for sales in the current year, we underestimated the support *nominal* wage increases, and a robust employment market, would give to our top line. We also believe the exceptionally warm weather in late May and June served to significantly boost sales of our summer clothing at a critical time (a factor we need to bear in mind when it comes to our forecast for next year).



The dramatic difference between the performance of earlier and later months is partly down to the timing of favourable weather (in contrast to May and June, March and April were marginally colder and wetter than usual). In addition, we believe the phasing of Clearance sales also served to depress Online full price sales in February and March (see page 30 for a detailed explanation of this effect).

PRODUCT RANGES

Our product teams have made good progress across all our major product divisions. We continue to focus on the following priorities.

A broad church

The NEXT brand is a broad church. We appeal to many types of customers with very different tastes, ages and budgets. What our ranges must achieve for all these customers, are products that are better by *design*, aspirational *quality* and excellent *value for money* (whatever the price).

An increased emphasis on newness and innovation

Fashion has always been about newness, but it appears to us that trends are moving faster; customers are willing to adopt new looks more rapidly than they have been for some time (even in areas that have moved more slowly in the past, like Homeware). Gone are the days when 'moving on' last year's best seller would underpin the success of this year's range. In almost every product category, this year's best seller will be completely new. So the overriding message to our product teams is: keep the newness coming; be brave in backing emerging trends; and remember that, in fashion, no amount of data can beat the human intuition of a brilliant product professional. Because if you test and wait-and-see, you will be too late.

Broadening design…

Our teams have focussed on improving and broadening the **design** content of their ranges to appeal to our many different customers with a diversity of looks, colours, prints, fits, fabrics, textures, washes etc. This involves **travel** to new sources of inspiration and engaging with new and existing suppliers across the globe.

Alongside this endeavour, we have worked to broaden the **range of prices** we offer. We always strive to offer great value at our entry prices, but the emphasis here has been on bolstering ranges at the design-rich, middle and top end of our pricing architecture; not being afraid to add beautiful embroidery, complex prints and better fabrics, even if they add a little to the price of some items. The aim is to 'elevate' our ranges to meet the growing aspirations of our own customers and attract those who might not consider that NEXT is for them.

ONLINE SERVICE IMPROVEMENTS

The improvement in our stock availability, speed and reliability of our Online service is one further factor which may have contributed to our sales performance over the last six months.

2019 to 2022: Pressure on Infrastructure and Service Levels

By way of context, over the last four years Online sales have significantly exceeded our long term projections. This overachievement placed huge pressure on **warehouse picking space** and required aggressive recruitment in a constrained labour market. We have only been able to cope with the volume through a number of compromises to our operating procedures. For example:

- We pushed the less complex returns refurbishment processing back into **stores and depots**, reducing pressure on both warehouse and central storage.
- We stored more, slower-selling, items in harder-to-access, reserve **bulk storage** locations, resulting in those items not always being available for next-day delivery.
- When we were unable to locate returns back into our main warehouse, we fulfilled orders from Retail **store stockholdings**, resulting in a delayed delivery promise.

These measures ultimately allowed the Company to grow, but they also reduced stock available for next day delivery, increased error rates, reduced consolidation rates (i.e. the items consolidated into one parcel), which in turn increased costs and undermined our customer service.

The Dramatic Effect of Increased Warehouse Space

Early access to our new warehouse, Elmsall 3, delivered a significant increase in the number of picking locations[4]. This increased space, combined with a host of operational and systems initiatives, has had a dramatic impact on our efficiency, reliability and cost of operations. Greater efficiency has also served to reduce pressure on our recruitment programme, meaning fewer inexperienced colleagues. Alongside the improvements in our own service, our final-mile delivery partner, EVRI, has also materially improved their service levels and operating systems as the year progressed.

The table below sets out some critical measures of success seen in June and July, demonstrating the combined effect of recent endeavours.

Measure of success/failure	2023	2022	Var %
% items fulfilled from Retail store stock (June)	5%	9%	- 44%
% items delivered later than promised (June)	6%	11%	- 45%
Number of items consolidated in one parcel (June)	2.11	1.94	+9%
% of Sale items delivered >14 days after order (July)	3%	24%	- 88%

This is a good point at which to pay tribute to the hard work of our Warehouse Operations, Engineering and Technology teams, who have worked tirelessly to maximise the benefits of additional space. Their work is all the more impressive, given that a huge amount of our technical resources remain committed to the delivery of Elmsall 3's new automated picking and packing technology (which is expected to deliver further service improvements and efficiencies next year, see page 54).

[4] These are the locations which are accessible to colleagues for immediate picking, in contrast to bulk locations that are only accessible by cranes.

Customer Contact Improvements

Over the last two years we have re-written and re-platformed many of our contact centre customer service systems. The process is not yet complete but is already paying dividends with agents able to offer a more effective service whilst reducing call handling times. The table shows our contacts in June this year versus last year. It demonstrates the scale of improvement in the effectiveness of both our warehousing and contact centre operations.

	June 2023	June 2022	Var %
Contacts as a percentage of orders	11.4%	15.7%	- 27%
Contacts	706,000	927,000	- 24%

The project to improve our call handling and customer service systems is by no means complete. We expect to deliver further improvements as the year progresses. One important project is looking at how we can use Artificial Intelligence to help our teams communicate more clearly with customers, in a way that more accurately addresses the nature of each individual enquiry. It feels like we are only scratching the surface of what might be achieved.

Better Service Drives Lower Operating Costs…

Improvements to our Online service had the additional benefit of reducing costs. Fewer picking errors, parcel delays and better stock availability all serve to reduce the cost of re-work and complaint handling in the contact centres. Better stock availability also increases the number of items per parcel, which reduces transport and delivery costs.

WEBSITE IMPROVEMENTS

Modernisation programme

Over the course of the last two years we have modernised much of our Online software, re-writing base code and moving software applications from fixed capacity, local servers onto more flexible cloud based servers. The aim has been to make our website more robust, cheaper to operate and, most importantly, faster to develop.

Progress

The progress we have made in our modernisation programme has allowed us to refocus on the website's functionality, and as a result we have made a large number of small improvements to our UK and overseas websites including:

- Personalising search results by customer type
- Improved and personalised customer recommendations
- Improved filtering functionality
- Improving the product display pages (the pages that display individual items) to help customers identify the fit, colour and complementary products they prefer
- Improved integration with new and developing marketing platforms

COST CONTROL

COST OF OPERATIONS

We now believe we can deliver £46m *more* cost savings this year than originally planned. Albeit that these savings will be partly offset by -£16m of additional non-recurring costs and provisions. This means that for the full year, total savings are now forecast to be £127m, which go a long way to offsetting cost increases of -£168m. For a detailed breakdown of cost increases and savings, see page 22.

COST OF GOODS

A warning and an endeavour

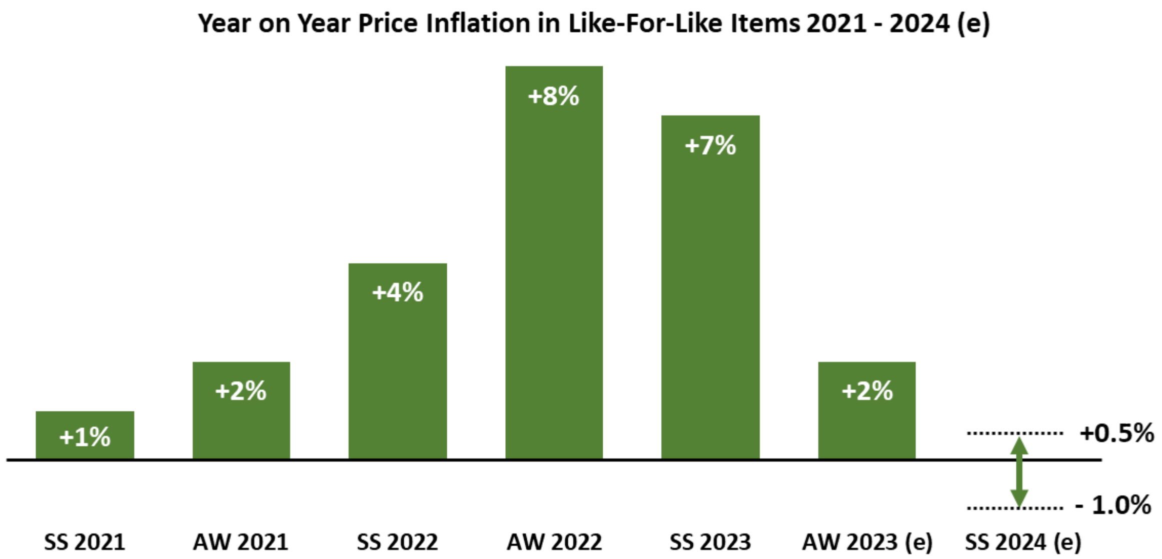
This time last year, we warned shareholders that inflation in the cost of our goods looked set to rise dramatically in 2023. It was at a point in time where the collapse of the value of the Pound served to compound the global squeeze on supply. The news did not go down well - our share price fell -12%.

As is so often the case, the very public acknowledgement of the problem, along with a clear understanding of what needed to be done, helped to galvanise the entire Company into mitigating the problem. Our sourcing and buying teams opened up new sources of supply, negotiated with existing suppliers and moved production away from the more expensive territories and producers. The result was that, without compromising the quality of our products, we managed to re-source many items at much better than expected prices. So in the end price inflation was high, but not as bad as our worst fears.

Fabric, factory gate and freight price inflation continue to fall

It was inevitable that price inflation would ease. Even if consumers were to spend the same amount of money on clothing, higher prices would mean the *number* of garments sold would fall. That is what has happened. And as a result, the demand for labour, commodities, production and freight has diminished throughout the entire supply chain - from fabric mills through to container ships. In fact prices have fallen faster than we expected, and we have revised our estimate of Autumn Winter 2023 cost price inflation down from 3% to 2%.

The graph below shows the average cost price inflation we have experienced on like-for-like items (i.e. items that have not changed from one year to the next) since 2021. We have also given an estimate of price inflation for Spring Summer next year, which looks like it will be broadly flat.



NEW BUSINESS DEVELOPMENT

There are broadly three areas of new business development:

- Growing the NEXT brand **overseas**.
- Developing **new product** ranges outside of the NEXT brand through wholly owned brands and licences.
- The development of **Total Platform** and its associated investments.

The following sections discuss each in turn, giving a high level view of performance to date, our near term plans, and how we are thinking about these businesses within the Group as they continue to grow.

NEXT OVERSEAS

A good start to the year

We have made excellent progress Overseas in the last six months. Sales grew by +18% against last year (+15% in local currency), with net margins advancing from 7% to 14%. For a much more detailed analysis of sales and margin performance overseas see page 35.

£m	July 2023	July 2022	Var %
Total sales (including markdown)	371	315	+18%
Operating profit	53	23	+132%
Net margin % (after lease interest[5])	*14.3%*	*7.3%*	

Stock availability, marketing and aggregators

Our overseas sales benefited from (1) improved stock availability and (2) increased, and more effective, marketing expenditure. In several major territories, where our prices were already very competitive, we increased our bought-in-gross margin[6] (through pricing) and re-invested this gain in increased marketing. In some key countries, the increase in the value of local currency delivered margin gains without the need to increase consumer prices.

Our partnerships with key aggregators, which now account for around a quarter of our overseas sales, were particularly productive in the first half. Sales through aggregation sites rose by +43% against last year.

Franchise, wholesale and licensing

We have created a new department, led by an Overseas Director, dedicated to Franchising, Licensing and Wholesale in regions where we have not been successful reaching customers through our own websites. These regions include India, the Americas, Indonesia, Japan and South Korea.

There is little to report at this stage other than we expect to develop a number of important relationships over the next twelve months, with a wholesale trial underway with one major overseas department store operator. The Overseas Director will also take responsibility for maximising the overseas potential of our other wholly-owned brands (Lipsy, Love & Roses, Friends Like These) and licences (Cath Kidston, MADE etc.)

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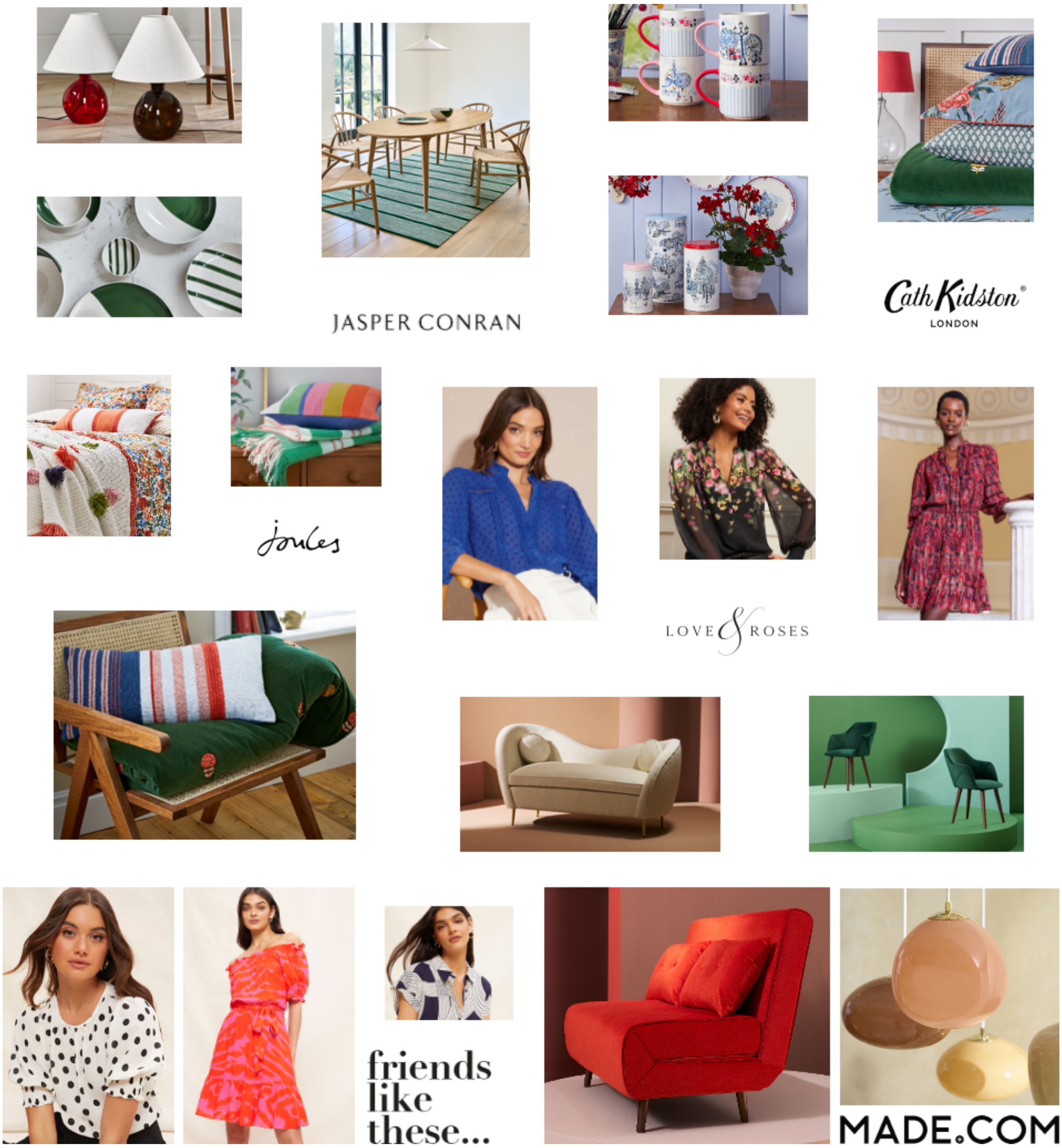
[5] July 2022's margin of 7.3% now includes the cost of lease interest; in our Half Year Report last year Overseas margin was reported as 7.4%, *excluding* lease interest.

[6] Bought-in gross margin is the difference between the cost of the goods (including freight) and their VAT ex selling price.

NEW PRODUCT - LICENCES, WHOLLY-OWNED BRANDS

We continue to develop product ranges outside the NEXT brand. The numbers are small at present but growing respectably at +18%. In the current year we expect to launch at least 10 new licences across Childrenswear, Home, and Womenswear. A detailed analysis of sales and progress is given on page 40, the table below summarises the sales performance in the half.

Full price sales £	July 2023	July 2022	Var %
Wholly-owned brands	78m	63m	+25%
Licensing and collaboration	33m	31m	+5%
TOTAL	**111m**	**94m**	**+18%**



TOTAL PLATFORM AND EQUITY INVESTMENTS - AN EVOLUTION

A long comment on a small business?

This is a long comment about a very small part of our business; investors might rightly question the need for a lengthy explanation. In one sense they would be right; we do not yet know how important Total Platform (TP) will be to the future of the Group. However, it feels as though TP, and the opportunities it opens up for the Group might be significant. So it is important that we explain (to ourselves and the outside world) exactly what it is, how it works and how much money it makes. Particularly as the nature and scope of the business has changed significantly as it has progressed through its infancy.

Profit and returns estimates

For the full year, we anticipate Total Platform and its associated investments will deliver net profit of **£28.0m**. This profit number is stated after deducting -£7.7m of non-cash brand amortisation costs, the underlying profits this year are forecast to be £35.7m.

The return on capital employed, in Total Platform and its associated investments, is expected to be **25%** this year, which is a strong return for a business that did not exist three years ago. For full details of financial performance, profitability and returns, please see page 45.

Improving technology, higher net margins and healthy investment returns

Total Platform's technology base is developing at pace, its cost base is better understood and profitability has increased significantly. Our investment portfolio performance comes with some highs and lows - most notably, the overperformance of Reiss making up for the underperformance of Joules' first year. A full discussion and analysis of investment returns is given on page 47.

The development of Total Enterprise Platform

As explained in March, Joules' first year with us has been disappointing, but it has had one big benefit; it has spurred us on to develop a potentially powerful new service - Total Enterprise Platform (TEP).

TEP extends Total Platform to include *all* of NEXT's proprietary and non-proprietary systems from buying, merchandising and freight systems through to financial management, accounting and reporting. It also includes some of the people required to run these operations, such as payment administrators, payroll processors and finance analysts. In the case of Joules, the additional cost savings from TEP are very material (around 4% of their *turnover*) and, in most cases, they will benefit from much better operating systems.

The catch - lock-in

Of course, TEP will not be right for many clients - we envisage many clients will just want Total Platform. But if TEP is appropriate, there is a catch. Inevitably, the client becomes so deeply integrated into NEXT Group's operating systems and personnel, that exiting the contract becomes problematic and that in turn makes the client's company difficult to sell. A powerful tool for achieving synergies in acquisitions, but one that leaves potential financial partners and, more importantly, senior management without any means of realising their investment. This is a problem if we are to attract and motivate the strong, independent management teams we will need to run these businesses going forward. Fortunately, we have a solution.

The solution - a carefully calibrated exit mechanism

The solution we have deployed for Joules and Reiss[7] management is to grant options for them to sell their stakes to NEXT. Where appropriate, options are subject to performance hurdles and length of service. The subsidiary's share price is calculated as a multiple of its post-tax profits (*not* EBITDA) in the year of exercise.

In most cases, options are phased over a number of years, to avoid the temptation to ramp up profits in one particular year. The multiple for the valuation is determined at a pre-agreed discount to NEXT plc's prevailing post-tax Price Earnings ratio (P/E) at the time of the transaction. This ensures that these share purchases would always be *earnings enhancing* for the Group.

All buyouts can, at NEXT's election[8], be paid in NEXT shares. This eliminates the risk of a cash call on the Group at an inconvenient time and removes cash constraints on our ability to invest.

A route to liquidity in an illiquid market

This route to liquidity might be very relevant at a time when private equity is struggling to exit its investments. It provides liquidity and the certainty of an exit for the management and partners alike. So it might also give private equity firms and company founders an opportunity for a *part sale* with a guaranteed route to liquidity for their remaining stake.

Is the ability to issue shares an increasing asset?

That leads to one final thought. Up until now, we had been working on the assumption that the Group's ability to invest in appropriate acquisitions was limited by our cash resources and reluctance to compromise our strong credit rating. Investment grade status is not just a badge of merit, there is a reality to it, it helps ensure that our interest costs do not present a material threat to the financial stability of the Group.

Issuing NEXT shares potentially removes that barrier, particularly if the vendor is prepared to accept shares (at market price) in consideration for their stake. We had agreed to purchase Warburg Pincus's stake in Reiss for NEXT shares rather than cash. In the end, we had more than enough surplus cash to pay for the stake, and we did not want to issue shares, only to immediately buy them back with surplus cash.

Don't panic - we are not going to go on an investment binge!

The prospect of issuing shares for acquisitions might, reasonably, concern some investors. With the ability to issue 10% of our share capital without further shareholder approval, some might worry that it would tempt us to weaken investment hurdles. It will not. We are acutely aware that our equity is more valuable than cash which is why we buy it back.

A reminder of the 'rules'

We are clear about the criteria for investing in new businesses. Investments should have the following characteristics:

- A great brand
- Strong management
- The opportunity to add significant value through Total Platform or Total Enterprise Platform
- The right price / risk reward
- Good economics with sustainable margins and healthy returns on capital

Inevitably there will be some compromises, not all businesses will have every quality, but the rules make a very good starting point.

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[7] Note that in Reiss we do not have any plans to deploy TEP and we do not currently think it is appropriate for them.

[8] Please note that all payments are subject to a cap and legal conditions to ensure the Company complies with its Listing Rules and other statutory obligations.

An awareness of the risks

We are also acutely aware of the risk that we might make bad decisions and acquire companies that are not worth what we pay. A risk that is all too easy to overlook in the thrill of a deal, particularly if it is contested. Here is a list of some of the things we will look out for:

Over-optimism on prospects for top line sales	Do not get seduced by **management projections,** they are only numbers on a spreadsheet. Be aware that the company's performance may have been pump-primed for a sale. Do not underestimate the extent to which the online sales of a distressed company can be boosted through **discounts and promotions**, particularly in the run up to liquidation. This was *the* critical mistake we made with Joules.
Unable to add value through TP or TEP	We must be certain that we can **add value** through Total Platform or TEP. Both solutions will not suit some potential clients, for example, at present we can add little value to businesses with extensive operations outside the UK.
The wrong management	It is all too easy to gloss over this one. We always ask: "**can we work well together**?" Implementing Total Platform requires a committed and competent client management team.
Hidden costs & liabilities	Hidden costs and liabilities can only be avoided by **rigorous due diligence,** short cuts might be needed in a competitive race to completion, but we need to be aware they can lead to oversights.
Motivation of the seller	There is a world of difference between (1) a founder who wants to retire leaving a committed management team in place, and (2) a financial investor and management team who just want out. Caveat emptor!

But the biggest risk of all…

The biggest risk is that, in making multiple investments, we build an unwieldy retail conglomerate that lacks the focus and agility we have worked so hard to maintain over the last thirty years. It is to this risk that we now turn.

THE ADVANTAGES AND DISADVANTAGES OF A CONGLOMERATE

Retail conglomerates, on the face of it, are attractive. They can share infrastructure, pool risk, provide a level of buying power, expertise, and financial clout, unavailable to any one business. And in the past decade, the growth of online trading has significantly increased the opportunity for retail group synergies, because increasingly costly and mission critical software technology can be shared across the group.

Yet, more often than not, retail conglomerates fail. The history of retail is littered with failed conglomerates – Storehouse, Sears, Arcadia, British Shoe Corporation, Mosaic, the list goes on. There are exceptions, most notably Inditex and LVMH, but even the very successful often reach the point where the sum of the parts becomes greater than the whole (think Great Universal Stores).

The tidal flow goes like this:

1. A retail conglomerate buys up smaller retailers and/or spawns new retail brands.

2. In doing so it delivers benefits of shared infrastructure and economies of scale; combined buying power on everything from its goods for sale through to technology, property and travel.

3. The cash required to finance the fastest growing parts of the empire is delivered by more mature businesses that might otherwise struggle to invest the proceeds of their success. Even if the Group is not generating cash, its size and stability can serve to reduce the cost of bonds and equity finance.

4. At the high water mark they appear invincible, too big to fail and too strong to compete with. An inevitable monopoly must surely follow, they will take over the world…

5. Yet somehow, smaller, more nimble, companies snap at their heels. These companies seem so much better able to make decisions, relate to their customers, adopt new technologies, and (most importantly) develop new and exciting products. Their most senior and talented managers are deeply involved in the decisions that really matter.

6. Their employees are more motivated, happy to be in a small, less corporate, organisation where they can make a big difference. These 'disruptors', dismissed at first as minnows, become a shoal of Piranha and the carcass of the once mighty behemoth is slowly eaten away.

AVOIDING THE PITFALLS OF THE CORPORATE BLOB?

In short, the answer comes down to a combination of the following three ingredients:

- **Independence** of design, quality and range direction.
- The right **incentive structures** - balancing incentives to further the interests of the brand and the interests of the Group.
- Maximising the quality and benefits of **Group infrastructure.**

The aim is simple. Retain the best of small-company common sense, speed and decision making, whilst harnessing the best of big company infrastructure and resources. Each of the above three areas is covered in the following sections.

Product Independence

Design integrity, supply base, quality and standards

Individual brands need to be the masters of their own destiny. They determine branding, product selection, sourcing, quality standards, pricing, fits, sealing and approvals process and margins.

The only exception to this rule will be that our NEXT Group standards must apply to **ethical and sustainability** standards – as investors and owners we have the right and responsibility to insist that the businesses we support trade in a way that is compatible with the standards of the Group.

Avoiding range convergence

The biggest risk is that the conglomerate's various brands begin to look more and more like each other. They regard other members of the Group as their chief competitors and spend a disproportionate amount of their time copying each other's best sellers. We are particularly at risk because all our brands sell so much on the same platform, so unlike a traditional retail conglomerate most of our customers are coming into the same virtual shop! Some solutions:

- Prevent all but the most general sharing of **data**, brands will not get sales information about each other's best selling lines.
- Limit common **suppliers** only to those that are genuinely able to provide different products and handwriting to their clients. These are likely to be the high volume, low-cost suppliers who have very little investment in their own design.
- Where brands have their own **offices**, resist the temptation to relocate them into one shared building. Where we do share a building, ensure a high degree of separation.

People and Incentives

Recruitment, HR and salaries

Brands must make their own HR decisions; who they hire is a part of their DNA. We would expect brands to have *effective* pay and performance practices, they need not be the same as ours. And one company may have very different expectations for jobs with the same job title, so we should never assume that all 'buyers' within the Group need to be on the same grid with the same benefits.

Associated companies and brands are encouraged to learn about our HR practices, pay rates, benefits structures, appraisal systems etc., but they should not feel obligated to adopt them if they deem them inappropriate.

Brand 'owners' incentives

We need to ensure that subsidiary/brand leadership is properly motivated to increase the performance of their area. The people who create significant value must be able to reap significant rewards. We would not expect the rewards to be commensurate with entrepreneurs who own their businesses (and who take much more risk). But management incentives need to reflect the sort of rewards people could reap if they worked for independent companies.

We still need to do a lot of thinking around this issue and are still reviewing potential incentive structures. To some extent the nature of the incentive will vary depending on the degree of independence the business has, along with its size and complexity.

Total Platform - Cost Centre for Colleagues or Profit Centre for Clients?

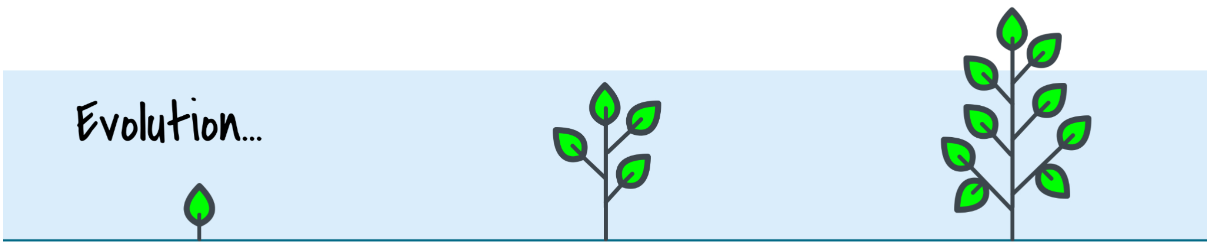
Finally, we need to ensure that our infrastructure remains competitive and that its leaders continue to improve their services. The risk is that infrastructure managers begin to think of themselves as a cost centre, and their 'customers' as distant and rather inconvenient colleagues. We have very deliberately set Total Platform as a *service provider* and *profit centre,* and will keep it that way, even if we own all its clients. If it is to be successful, it will need to treat those it serves as *clients*, not colleagues - its leaders constantly worrying about maintaining their service lead and cost advantage.

SUMMARY

An evolution - from service provider to M&A tool?

Total Platform started as an answer to a simple question: how could NEXT create additional value from the considerable investment it has made in proprietary technology and online infrastructure? At first the answer appeared to be to sell our technology and infrastructure as a service. But it was almost immediately apparent that it made a lot of sense for us to have a stake in our clients; it aligned our interests and allowed us to capture some of the value we were creating for our clients.

That led to a partnership model that has served us well. As it stands today, with the arrival of Total Enterprise Platform, a business that started life as a Service Provider is beginning to look more and more like an M&A tool. But this leads to the prospect of a retail conglomerate, many of which have risen only to fall spectacularly.



A community of entrepreneurial companies with a shared infrastructure

Our answer to the 'corporate blob', is governance and structures that maintain the strict independence of our investments: independence of design, product, marketing, working environment, people and culture. Our aim is simple: to build a community of entrepreneurial brands, sharing outstanding infrastructure, built on common technology that continues to develop and improve. Sounds simple but, as always, it will be the execution that counts.

PART THREE
GROUP FINANCIAL PERFORMANCE AND FULL YEAR GUIDANCE

GROUP SALES AND PROFIT SUMMARY

Brand full price sales in the first half were up +3.2% versus last year. Total Group Sales were up +5.4%. NEXT Profit before tax was **£420m,** up **+4.8%** and Earnings Per Share (EPS) were up +0.8%.

THREE NOTES ON THE PRESENTATION OF SALES AND PROFIT

Note 1 - Total Platform income and Group sales

This year we have changed the presentation of **Total Platform sales** and have restated the prior year figure accordingly (July 2022 was previously reported as £59.1m, now £17.4m).

Previously, we reported Total Platform sales as (1) the gross transaction value (GTV) taken through our clients' websites plus (2) the income generated from the services we provide on a 'cost-plus' basis (such as retail services). This year, we have decided *not* to report our clients' GTV as sales but, instead, report the *commission* earned by NEXT on our clients' online sales. This brings our reported TP sales in line with our statutory sales and avoids overstating headline turnover.

Treatment of LABEL sales within Online: Please note that we continue to report the GTV of LABEL's commission-based sales within Online sales. This is because customers purchase LABEL products on the NEXT branded website, in contrast to TP sales that are made on our clients' websites.

Group sales have also been restated for July 2022 to reflect this change in TP sales (previously £2,545.6m, now £2,503.8m). **Underlying operating margin** for July 2022 has been restated from 16.1% to 16.4%, due to the change in Group sales.

Note 2 - Consolidated revenue of investments

Consolidated revenue includes the total sales from our equity investments where the partner's accounts are fully consolidated into NEXT's accounts.

For example, sales from Joules' retail stores and the Joules.com website are included here. We report these sales within 'consolidated revenue', so we do not distort the reporting of sales through NEXT's own sales channels. Last year we did not have sales that fell into this category.

Note 3 - Rounding convention and casting

In the summary of sales and profit, and throughout the remainder of this CEO Review, figures are shown in millions or rounded to one decimal place. In the summary tables presented in this report, the subtotals, totals and percentage variances shown are all based on the *actual*, unrounded, figures. Tables are not adjusted for casting purposes.

TOTAL GROUP SALES BY DIVISION

TOTAL GROUP SALES (VAT EX.) £m	July 2023	July 2022	Var %
Online	1,498.4	1,427.4	+5.0%
Retail	885.0	880.5	+0.5%
Finance	143.1	133.7	+7.1%
Total NEXT Trading sales	**2,526.6**	**2,441.6**	**+3.5%**
Total Platform	22.3	17.4	+28%
Sourcing, Franchise, Property and Other	42.3	44.9	- 5.8%
Total NEXT Group sales	**2,591.1**	**2,503.8**	**+3.5%**
Consolidated revenue of investments	47.1	n/a	-
Total Group sales	**2,638.2**	**2,503.8**	**+5.4%**
Total Group statutory sales	**2,516.6**	**2,379.6**	**+5.8%**

SUMMARY OF GROUP PROFIT BY DIVISION

PROFIT £m	July 2023	July 2022	Var %
Online	245.5	220.9	+11.1%
Retail	101.2	100.6	+0.6%
Finance (after funding costs)	80.2	86.3	- 7.0%
Profit from trading	**426.9**	**407.8**	**+4.7%**
Total Platform services and investments (exc. interest)[9]	2.2	3.7	- 40.6%
Sourcing, Franchise, Property and Other	4.3	7.3	- 41.2%
Recharge of interest to Finance	23.0	15.6	+47.3%
Operating profit	**456.4**	**434.4**	**+5.1%**
Lease interest	(23.1)	(23.5)	- 1.6%
Operating profit after lease interest	**433.3**	**410.9**	**+5.4%**
Underlying operating margin	*16.4%*	*16.4%*	
External interest	(13.5)	(10.3)	+30.8%
NEXT Profit before tax	**419.8**	**400.6**	**+4.8%**
Taxation	(98.0)	(72.1)	+35.9%
NEXT Profit after tax	**321.8**	**328.5**	**- 2.0%**
Earnings Per Share	**264.5p**	**262.3p**	**+0.8%**

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*.

[9] Profit of £2.2m includes (1) profit from providing TP services and (2) profit from our equity investments in third-party brands. In addition, the external interest line includes £3.1m of preference share and loan interest from our investments, giving total Group profit for TP of £5.3m. See page 45 for more detail.

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

GUIDANCE FOR SECOND HALF FULL PRICE SALES

We have increased our **full price sales** guidance for the second half to be up **+2.0%** on last year, compared with our previous guidance of +0.5%. This would take our full year growth to +2.6%. Some might believe this is NEXT being (typically) over-cautious, given we delivered +3.2% in the first half.

We believe sales growth will moderate for two reasons. Firstly, the beneficial effect of pay rises earlier in the year will begin to wane as monthly inflation erodes their benefit. Secondly, it seems likely that the employment market will also soften as the year progresses.

Full Price Sales Guidance By Division

Full price sales growth versus last year	H1	H2 (e)	Full year (e)
Retail	+0.9%	- 1.7%	- 0.5%
Online	+4.1%	+3.8%	+3.9%
Finance interest income	+7.1%	+7.3%	+7.2%
Total full price sales versus last year	**+3.2%**	**+2.0%**	**+2.6%**

GUIDANCE FOR PROFIT BEFORE TAX AND EPS

Guidance for profit before tax and EPS (before exceptionals) is set out in the table below along with our previous guidance which is shown in grey.

Full year guidance 2023/24	Latest guidance	Versus last year	August guidance	Versus last year
Full price sales	£4.72bn	+2.6%	£4.68bn	+1.8%
NEXT Profit before tax (before exceptionals)	**£875m**	**+0.5%**	**£845m**	**- 2.9%**
Pre-tax EPS (before exceptionals)	723.9p	+3.2%	700.1p	- 0.2%
Post-tax EPS (before exceptionals)	552.9p	- 3.6%	535.3p	- 6.6%

Profit before tax guidance has increased by +£30m to £875m. Pre-tax EPS is set to increase by more than underlying profit as a result of share buybacks, however the increase in the UK Corporation Tax rate, from 19% to 25%, reverses this gain. Further details on our effective tax rate are provided on page 51.

An exceptional gain of £110m

This year we expect to benefit from an exceptional gain of c.£110m, which is the result of the accounting (non-cash) gain generated by the Reiss transaction. For full details of this gain see page 59.

Profit Walk Forward from 2022/23 to 2023/24 (e)

The table below walks forward our profit before tax from last year (ending January 2023) to our revised guidance for the year ending January 2024. For comparison, our original guidance, given in March[10], is shown in grey. Since March, our anticipated cost savings have increased by +£44m and cost increases have reduced by +£2m, giving a net benefit of +£46m.

	Latest guidance		March guidance		Change
NEXT profit before tax 2022/23 £m		**870**		870	
Increase in full price sales (to +2.6% versus last year)		**+41**		- 27	**+68**
Cost savings					
Markdown and clearance	+32		+22		
Warehouse (+£16m) and distribution (+£15m)	+31		+15		
Operational cost savings from a reduction in units sold, due to higher average selling prices	+25		+25		
Occupancy cost savings	+23		+21		
Freight	+16		-		
Total cost savings		**+127**		+83	**+44**
Additional profit from increased equity stake in Reiss		**+5**			**+5**
Cost increases					
Wage inflation (including third-party wages, e.g. couriers)	- 67		- 67		
Electricity and gas	- 22		- 25		
Technology spend	- 18		- 19		
Overheads of new Elmsall 3 warehouse	- 15		- 15		
Other	- 7		- 5		
Total cost increases *(before staff incentives and non-recurring items)*		**- 129**		- 131	**+2**
Staff incentives	- 23		-		
Non-recurring items and provisions	- 16		-		
Staff incentives and non-recurring items and provisions		**- 39**			**- 39**
NEXT profit before tax 2023/24 (e)		**875**		795	**+80**

[10] In the summary table given in March's Year End Report, warehouse and distribution cost increases and cost savings were shown as a net figure within 'other'. For clarity, cost increases and savings are now shown separately.

OUTLOOK FOR COSTS AND DEMAND IN 2024/25

Inflationary headwinds easing

As we begin the process of planning for the next financial year (2024/25), inflationary headwinds look set to ease, it appears that:

- **Cost of goods** price inflation is easing, and input prices look likely to stabilise next year.
- We anticipate that **operating cost** inflation will be less aggressive next year, with some of this year's headwinds reversing. For example, the cost of electricity is set to fall by -£12m and Elmsall 3 is likely to deliver net cost savings as its new automation ramps up.
- In addition, we expect to make significant cost savings in Joules from the roll out of our Total Enterprise Platform (see page 13).

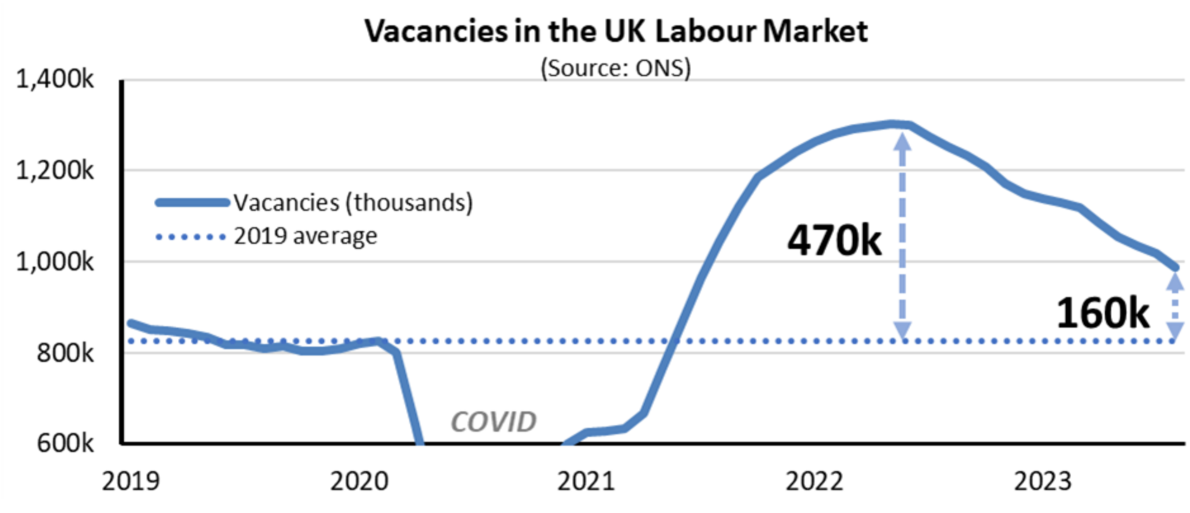
Some areas of inflation are likely to persist, most notably the National Living Wage, which is expected to rise faster than inflation, and is now at a level where it will put upward pressure on other wage rates in the organisation where we need to maintain a differential.

The sum total of all these factors means that, as it stands today, we believe that next year's cost inflation can be 'paid for' with +1% of top line growth (i.e. +1% growth in full price sales would deliver flat profits). When we planned *this year* the equivalent figure was +3%. For clarity, this is *not a sales forecast* for 2024/25, please do not read it as such.

A softening in the employment market?

Across the business, and even in areas such as Technology, we are finding it much easier to recruit today than we were a year ago. This softening in the labour market coincides with the introduction of labour-saving automation and systems improvements across the Group - reducing our requirement for new recruits in areas such as warehousing and contact centres.

Our experience may well be reflective of the wider economy; it chimes with ONS vacancy data showing a rapid reduction in vacancies in the last six months (see graph below).



The potential effect on consumer demand in 2024/25

So far this year, despite pressures on the cost of living, consumer demand appears to have defied gravity. One critical factor, we believe, has been the strength of the employment market. It has provided a degree of certainty and underpinned incomes, allowing consumers to increase their earnings through additional hours and new jobs. So whilst a softening of the labour market may reduce pressure on wage inflation, it may also somewhat dampen growth in consumer demand; a factor to bear in mind when thinking about the outlook for 2024/25.

PART FOUR
RETAIL, ONLINE, FINANCE, TOTAL PLATFORM & OTHER BUSINESS

NEXT RETAIL

HEADLINES

- Full price sales in the first half up +0.9%
- Like-for-like full price sales up +2.9%
- Total sales (including markdown sales) up +0.5%
- Retail profit[11] £84m, up +2.0%
- Net margin[11] 9.5%, up +0.2%

SUMMARY OF RETAIL SALES AND PROFIT

Retail sales and profit for the first half are summarised in the table below.

Please note that Retail profits and margins are given *after accounting for the cost of lease interest.* Lease interest is down -6.1% versus last year, due to the reduction in lease liabilities.

£m	July 2023	July 2022	Var %
Total sales	885	880	+0.5%
Operating profit	101	101	+0.6%
Lease interest charge	(17)	(19)	- 6.1%
Retail profit including lease interest	**84**	**82**	**+2.0%**
Retail net margin % (including lease interest)	9.5%	9.3%	

[11] After deducting Retail lease interest costs.

RETAIL MARGIN ANALYSIS

Net margin in the first half was 9.5%, up +0.2% on last year. The margin impact of major cost categories is summarised below.

Retail net margin (after lease interest) on total sales to July 2022		9.3%
Bought-in margin	Lower freight costs increased the bought-in margin.	+1.0%
Markdown and other margin	Surplus stock levels were down -28% versus last year and clearance rates were up +4.9%, improving margin.	+1.3%
Payroll	Inflationary cost increases reduced margin.	- 0.9%
Store occupancy costs	Occupancy costs reduced as a percentage of sales for the following reasons: ● Fully depreciated assets resulted in lower depreciation (+0.8%) ● Business rates were lower than last year due to the rates revaluation for shops, effective from April 2023 (+0.6%) ● Lease renewals reduced the costs of rent, rates and service charge (+0.2%) ● Electricity costs grew faster than sales, reducing margin (-1.3%). ● Inflationary costs on consumables, service charge and maintenance (-0.2%).	+0.1%
Warehousing & distribution	Operational efficiencies (+0.3%) and the benefit of higher selling prices (+0.2%) improved margin. This was offset by cost inflation, mainly wages and fuel (-0.4%).	+0.1%
Central costs and staff incentives	Staff incentives and inflationary cost increases across head office departments (-1.0%) and increased spend in technology (-0.4%).	- 1.4%
Retail net margin (after lease interest) on total sales to July 2023		**9.5%**

Guidance for Retail Sales and Profit for the Full Year to January 2024

In the second half, we are forecasting Retail full price sales to be down -1.7% versus last year. Based on this sales guidance, Retail net margin for the full year, including lease interest, is forecast to be 10.6% compared to 11.0% last year.

LEASE RENEWALS AND COMMITMENTS

Forecast Lease Renewals in the Year Ending January 2024

This year, we expect to renew 73 leases, with an average lease term of 4.2 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 **£7.3m**.

These 73 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[12]) 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.

Traditional rent leases	**No. of leases**	**Before renewal**	**After renewal**	
Fixed rent charge	48	£11.3m	£8.8m	- 22%
Turnover rent	9	£4.0m	£1.9m	- 53%
Total	**57**	**£15.3m**	**£10.7m**	**- 30%**
TOC leases				
Previous rent		£5.7m		
Previous rates and service charge		£4.6m		
Total occupancy costs (rents, rates & service charge)			£7.6m	
Total occupancy - rent, rates & service charge	**16**	**£10.2m**	**£7.6m**	**- 26%**
TOTAL COMBINED LEASE RENEWALS				
Total lease renewals	**73**	**£25.6m**	**£18.3m**	**- 28%**

In addition to the occupancy cost reductions detailed above, we estimate that we will receive **£5.0m** from capital contributions and rent free periods which we will spend upgrading and maintaining our stores.

Outstanding lease commitments

At the end of July 2023, our average lease commitment (weighted by value) was 4.5 years, compared with 4.8 years at the same time last year. Fifty per cent of our store leases (by value) will expire or break within 3.7 years and 94% within the next ten years.

[12] 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 2023	**466**	**7,767**	**479**	**8,246**
Mainline stores/reconfigurations	+ 1	+ 37	- 9	+ 28
Mainline closures	- 11	- 157	- 2	- 159
Clearance stores	+ 5	+ 44	+ 0	+ 44
January 2024 (e)	**461**	**7,691**	**468**	**8,159**
Change	- 5	- 76	- 11	- 87
Change %	- 1.1%	- 1.0%	- 2.3%	- 1.1%

Mainline Closures

We expect to close 11 mainline stores this year. Six closures are in locations where we forecast that the store would not achieve our target margin on almost any terms; two closures are due to the site being redeveloped; three further closures are as a result of being unable to agree acceptable new terms with landlords. This last category includes one large store where the length of the lease proposed by the landlord, on a high fixed rent charge, was not something we could agree to. The table below sets out the number of stores and turnover falling into each category of closure.

Reason for store closure	Number of stores	Store turnover (VAT Inc.)
Location not viable	6	£8.7m
Site redevelopment	2	£5.0m
Failure to agree acceptable terms	3	£17.0m
Total closed stores	**11**	**£30.7m**

Clearance Stores

In the last six months we have opened five new Clearance stores with an average lease term (to the earlier of break or lease end) of 2.6 years. The rental charge in four of the five stores is linked to store turnover, with three being TOC deals.

We opened new Clearance stores this year and last year due to the capacity constraints in our Online warehouse, which restricted the amount of Clearance stock we could sell Online. Now that our warehouse capacity has increased again, due to the opening of Elmsall 3, we do not anticipate opening new Clearance stores going forward.

Concessions

During the first half of the year, we generated £14m from concession income[13] and for the full year we estimate this will be c.£32m. This year we expect to reduce the space occupied by concessions by -11k square feet. This change is the net effect of (1) the closure of 25 Paperchase concessions (21k square feet) and (2) the opening of new concessions with brands including Bath & Body Works, Victoria's Secret, Mamas & Papas and a MADE furniture concession in Sheffield, which is planned to open by December 2023.

[13] This includes rental income plus the net profit we generate from concession sales, for example Bath and Body Works.

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 UK and Overseas.

£m	July 2023	July 2022	Var %
Total sales	1,498	1,427	+5.0%
Operating profit	246	221	+11.1%
Lease interest charge	(6)	(5)	+17.3%
Online profit including lease interest	**240**	**216**	**+11.0%**
Online net margin % (including lease interest)	16.0%	15.1%	

A note on lease interest and Online margins

Please note that we now include the cost of lease interest, mainly driven by our warehouses, within our Online margins. This is in line with our reporting in the Year End Results in March 2023. In this report we have therefore restated the Online margins reported for July 2022 (previously reported as 15.5%, now 15.1%).

We made this change because lease interest in our Online business has become a more material cost due to new leases agreed in recent years. These leases include the sale and leaseback of a warehouse complex and our new Elmsall 3 warehouse.

CONTENTS OF THIS SECTION

This part of the document includes the following sections:

ONLINE SALES ANALYSIS

Two Very Different Quarters

Full price sales were up **+4.1%** in the first half, better than our March guidance of -2.5%. Online full price sales performance is set out in the table below, by business division and geography.

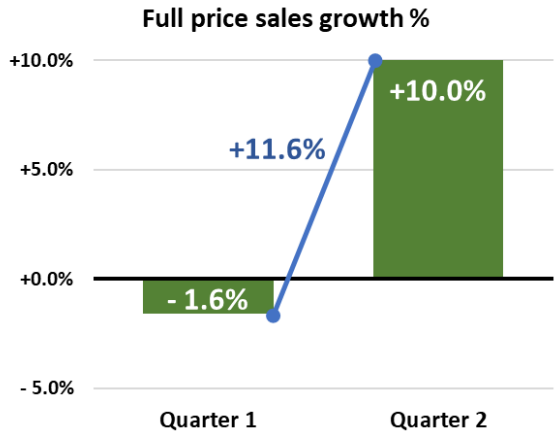
Full price sales versus last year % by quarter	**Q1**	**Q2**	***Swing***	**H1**
NEXT Brand UK	- 7.0%	+6.6%		- 0.2%
LABEL UK	- 2.1%	+2.0%		+0.1%
UK Online	**- 5.0%**	**+4.7%**	***+9.7%***	**- 0.1%**
Overseas	+8.1%	+31.1%	***+23.0%***	+18.0%
Total Online	**- 1.6%**	**+10.0%**	***+11.6%***	**+4.1%**

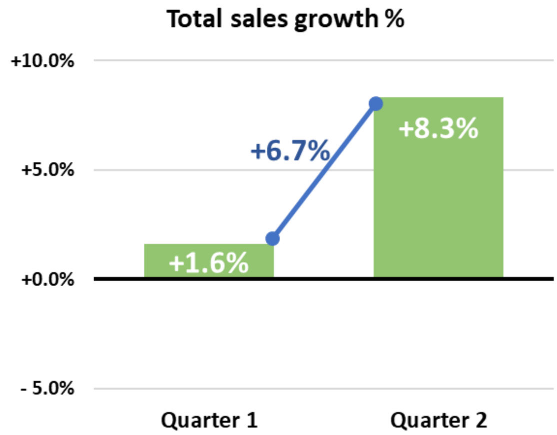
The unusual feature of our full price sales performance was the near **12% swing** in performance from the first to the second quarter. This discrepancy requires further explanation, not least because it helps determine how much of the improvement, if any, might persist for the balance of the year. The table below summarises the factors we think may have served to reduce sales in the first quarter and boost them in the second.

	Factors IMPEDING full price sales in Feb, Mar, Apr	**Factors BOOSTING full price sales in May, Jun, Jul**
Internal reasons *Specific to NEXT*	Unusually large amount of **Clearance Stock** available on the offers tab on our website (see further explanation below, page 30).	A much reduced **end-of-season Sale** diminished competition for full price items from Sale stock in July. Much improved **Online service levels** meant better stock availability, speed and reliability (see page 8). Increased investment in **overseas marketing** from May onwards. More effective and increased use of **overseas aggregators**.
External Reasons *Wider economy & trading environment*	Unusually **cold and wet weather in** March and April impeded summer clothing sales in the run up to Easter.	Exceptionally **warm weather** at the end of May and throughout June served to significantly enhance sales of summer clothing. **Pay awards** in the early part of the year allowed consumer finances to partially catch up with inflation. (N.B. This effect is likely to diminish for the rest of the year).

The Effect of Clearance and Markdown Sales Explained

We believe around half of the difference in quarterly performance stems from the very different effects markdown and Clearance sales had on full price sales in each period. The graphs below demonstrate the difference between Total sales (including markdown and Clearance) and full price sales.





More Clearance stock and sales in the first quarter

Clearance stock is Sale stock from previous seasons which has been written down in value and carried over to the following season. At the end of last year, the combination of capacity constraints in our warehouse and an unusually large Sale, meant that we carried over **+68%** more Clearance stock into the first quarter of this year than in the previous year. Although difficult to measure, we believe that the sales from this Clearance stock competed with our full price stock, notably depressing full price sales in Q1.

Less end-of-season Sale stock in the second quarter

In the second quarter, there was much *less stock (**-13%**)* going into the end-of-season Sale than in the previous year. So we believe that full price sales benefited from less competition throughout the July Sale.

The effect of Sale and Clearance activity on net margins

The increase in Clearance sales did not adversely affect net margins. This is because the value of Clearance stock was, as is our usual accounting practice, written down in value at the end of last year, and therefore sold at full margin. The table sets out our sales by category and demonstrates that full margins sales (i.e. full price sales added to Clearance sales) rose by more than full price sales.

Sales category £m	**July 2023**	**July 2022**	**Var %**
Full price sales	1,341	1,287	+4.1%
Clearance sales (full margin)	52	29	+81%
Total full margin sales	**1,393**	**1,316**	**+5.8%**
Sale events in-season	107	111	- 4.4%
TOTAL ONLINE	**1,498**	**1,427**	**+5.0%**

Full Price Sales by Division

The change in full price sales for each Online division is set out in the table below. On the face of it, the lacklustre performance of the UK looks disappointing. However, LABEL sales were adversely affected by the fact we dropped a number of unprofitable brands and items. The UK was particularly badly impacted by Clearance sales in Q1 but recovered to be up +4.7% in Q2.

Full price sales £m	July 2023	July 2022	Var %	Q1 var %	Q2 var %
NEXT Brand UK	582	583	- 0.2%	*- 7.0%*	*+6.6%*
LABEL UK	407	406	+0.1%	*- 2.1%*	*+2.0%*
Total UK Online	***988***	***989***	***- 0.1%***	***- 5.0%***	***+4.7%***
Overseas (nextdirect.com)	258	233	+10.9%	*+3.8%*	*+21.1%*
Overseas aggregators	94	65	+43.4%	*+26.0%*	*+60.7%*
Total Overseas Online	***352***	***298***	***+18.0%***	***+8.1%***	***+31.1%***
Total Online full price sales	**1,341**	**1,287**	**+4.1%**	***- 1.6%***	***+10.0%***

ONLINE CUSTOMER ANALYSIS

Growth in Customer Numbers and Average Spend Per Customer

Customers can be split into three distinct groups:

- **UK credit customers** who pay through a NEXT credit account[14] (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[15] Online customers in the last six months was 8.2m**,** up +1% versus last year. The table below shows the change in average customer numbers, sales per customer and their total sales value, versus last year. 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**		**TOTAL SALES**	
Account type	**July 2023**	**vs July 2022**	**July 2023**	**vs July 2022**	**July 2023**	**vs July 2022**
UK Credit	2.9m	+1%	£268	- 2%	£764m	- 1%
UK Cash	3.7m	+5%	£98	+2%	£364m	+7%
UK TOTAL	**6.6m**	**+3%**	**£172**	**- 2%**	**£1,128m**	**+1%**
Continuous overseas	**1.6m**	**+1%**	**£161**	**+10%**	**£263m**	**+11%**
Russia & Ukraine[16]	**0.1m**	**- 65%**	**£155**	**+304%**	**£9m**	**+40%**
TOTAL ex. aggregators	**8.2m**	**+1%**	**£170**	**+2%**	**£1,399m**	**+3%**
Aggregators					£99m	+40%
TOTAL					**£1,498m**	**+5%**

Sales Per Customer

UK sales per customer

In the UK, sales per credit customer were down -2% versus 2022. We believe this has been driven by: (1) a reduction in furniture sales, which typically have a higher sales value and are more likely to be made on credit, and (2) the reduction of surplus stock in our end-of-season Sale event, which has a high participation of credit customers. Sales per cash customer increased by +2%.

Overseas sales per customer

In our Overseas business, sales per customer in our continuous countries increased by +10% versus 2022. Of this increase, +5% was due to higher foreign exchange rates (against the Pound) and +5% was the underlying increase in local currency.

Sales per customer in Ukraine have started to recover, as trading has begun to stabilise following the significant disruption caused by the military action in early 2022. We ceased trading in Russia in March 2022.

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

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

[16] Our website operations in Russia and Ukraine closed in March 2022, with Ukraine reopening in late June 2022.

ONLINE NET MARGIN

Online Margin Analysis

Overall Online net margin in the first half was 16.0%, up +0.9% on last year. The margin impact of major cost categories is summarised below.

Net margin (after lease interest) on total sales to July 2022		**15.1%**
Bought-in gross margin	Bought-in margin improved due to lower freight costs (+0.6%) and Overseas sales benefited from FX rates (+0.6%). This was offset by an increased participation of sales in countries that incur duty charges and a prior year one-off FX revaluation (-0.2%).	+1.0%
Markdown	Surplus stock in the first half was down -14% versus last year, improving margin.	+1.5%
Warehousing & distribution	Margin improved for the following reasons: ● Operational efficiencies from higher average selling prices and productivity improvements (+1.1%) ● Lower international parcel rates (+0.4%); offset by ● Inflationary cost increases (wages and fuel) (-1.0%) ● Higher overheads costs, mainly from our new boxed warehouse Elmsall 3 (-0.4%).	+0.1%
Marketing	Digital marketing spend in the UK grew faster than sales, reducing margin.	- 0.3%
Technology	Increased spend in Technology (software development and maintenance) along with higher depreciation, reduced margin.	- 0.4%
Central costs and staff incentives	Higher staff incentives costs and inflationary cost increases across head office departments.	- 1.0%
Net margin (after lease interest) on total sales to July 2023		**16.0%**

Net Margin by Online Division

Online division	Total sales £m	Profit £m	Margin %	Change in margin vs July 2022[17]
NEXT UK	653	125	19.2%	- 1.3%
LABEL UK	474	62	13.0%	+0.1%
Overseas	371	53	14.3%	+7.0%
Total Online	**1,498**	**240**	**16.0%**	**+0.9%**

NEXT UK

NEXT UK's margin of 19.2% fell by -1.3% versus last year. This change is explained as follows:

- Margin improved due to: lower freight rates (+1.0%), lower levels of surplus stock (+1.4%) and operational efficiencies within logistics (+1.3%).
- These margin benefits were more than offset by:
    - Wage inflation across all departments (-2.0%)
    - Additional spend in marketing (-0.8%) and technology (-0.5%)
    - Higher occupancy costs from our new boxed warehouse (-0.3%)
    - Higher central costs, including staff incentives (-1.4%).

LABEL UK

LABEL UK's margin of 13.0% is broadly flat on last year. Although LABEL experienced the same inflationary cost increases as NEXT UK, these were offset by several initiatives to improve LABEL's margin. These included: (1) removing low margin products and brands from the website, (2) renegotiating commission rates with low margin brands and (3) reducing levels of surplus stock. LABEL did not benefit from the lower freight costs seen in NEXT UK because we do not import LABEL's stock, it is delivered directly to our UK warehouses by our third-party brand partners. Further detail of LABEL's profitability is given on page 39.

Overseas

Overseas margin of 14.3% is a significant improvement on last year's margin of 7.3%. Overseas also experienced the same inflationary costs as NEXT UK, but these costs were more than offset by: (1) removing unprofitable items from our Overseas websites and third-party aggregators, and (2) renegotiating our parcel rates. Further detail of Overseas profitability is given on page 36.

Guidance for Online Margin for The Full Year

Our full year forecast for net margins, by division, is set out below alongside last year for reference. In the second half, we will incur additional depreciation on the new mechanisation and technology of our Elmsall 3 warehouse and have planned to increase digital marketing spend Overseas.

Online net margins by division	Jan 2024 (e)	Jan 2023
NEXT UK	18.6%	19.9%
LABEL UK	12.9%	12.9%
Overseas	13.3%	8.6%
Online net margin	**15.5%**	**15.2%**

[17] July 2022 margins have been restated to include the cost of lease interest. Last year we reported net margins excluding lease interest.

FOCUS ON OVERSEAS

We have made excellent progress Overseas. Sales growth accelerated to +18% (+15% in constant currency) with net margin advancing from 7.3% to 14.3%. The table below sets out the headline performance for Online Overseas sales and profits. Full price sales are split between our own websites (nextdirect.com) and third-party aggregators (such as Zalando).

£m	July 2023	July 2022	Var %
Sales through nextdirect.com	258	233	+11%
Third-party aggregators	94	65	+43%
Total full price sales	**352**	**298**	**+18%**
Markdown sales	19	16	+15%
Total sales (including markdown)	**371**	**315**	**+18%**
Operating profit	**53**	**23**	**+132%**
Net margin %	*14.3%*	*7.3%*	

Factors Improving Overseas Sales

In many countries, we believe we are benefiting from the market-wide growth in online sales; and in Europe, the warm weather that helped UK sales also accelerated growth Overseas. Beyond this we believe that there are three factors that have accelerated our Online growth:

Stock availability

The improvements we made to our UK Online service are likely to have had a disproportionate effect Overseas. This is because we only dispatch stock to Overseas customers that is available for immediate dispatch. So the stock offered to UK Online customers from stores, bulk locations and LABEL partner warehouses, is excluded from the Overseas websites.

Pricing and marketing our brand overseas

Our approach to Overseas pricing has been the same across the board: we have delivered the *lowest* prices required to achieve our target net margin. Recent experience has taught us that this may have been a mistake, particularly in countries where our prices are already very competitive but relatively unknown. In those countries it makes sense to invest more in marketing, even if that means increasing our prices to pay for the additional advertising spend.

So, in a number of territories, we have raised prices (or not lowered them when currency moved in our favour) in order to increase our marketing expenditure. The initial response has been encouraging, returns on our overseas marketing increased significantly in the second quarter and, in the markets where we were competitive, price increases do not appear to have had much impact on sales performance. We plan to increase Overseas marketing expenditure in the second half by +55% relative to last year.

Use of aggregators

Sales through aggregator partner sites improved dramatically, particularly in the second quarter, and were up +43% on last year. This improvement came mainly through our existing Overseas aggregator partners; this is a testament to the strength of their businesses, though we believe we have improved the stock assortment and availability of our products on partner sites.

Overseas Margin

The table below sets out the profit margin achieved compared to last year and the main reasons for the increase. For the full year, we are forecasting Overseas margins to be around 13.3%.

Net margin (after lease interest) on Overseas sales to July 2022		**7.3%**
Bought-in gross margin	Bought-in margin improved due to better FX rates (+2.3%) and lower freight costs (+0.4%). These benefits were offset by the higher participation of sales in countries that incur duty charges (-0.6%) and a prior year one-off FX revaluation credit (-0.7%).	+1.4%
Markdown	Lower surplus improved margin.	+1.5%
Warehouse & distribution	Margin improved for the following reasons: ● Higher average selling prices, meaning the number of units handled did not rise in line with sales (+3.0%). This was partly through the removal of low margin items with lower than average selling prices. ● Lower parcel rates (+2.0%); offset by ● Inflationary cost increases (-0.6%).	+4.4%
Marketing	Marketing spend increased, but not by as much as the increase in Overseas sales.	+0.5%
Technology	Technology costs increased more than sales, reducing margin. This margin erosion was *lower* than the overall Online business, because third-party aggregators do not use our systems, so do not incur NEXT's technology costs.	- 0.1%
Central costs and staff incentives	Higher staff incentives and increased central costs (mainly due to wage inflation) reduced margin.	- 0.7%
Net margin (after lease interest) on Overseas sales to July 2023		**14.3%**

Overseas Hub Planned for the Middle East

We plan to open a hub in the Middle East in the first quarter of 2024, which will improve delivery lead times to large parts of the Middle East. The annualised cost of the hub is estimated to be around £2.5m. The table below sets out the expected improvement in our delivery lead times by region. This new hub will work in a similar way to our German hub which serves most of our European territories.

Destination	**Order cut-off from new hub**	**Delivery speed from new hub**	**Current delivery speed**
Saudi Arabia - Riyadh	10pm	Next day	5-6 days
Saudi Arabia - Jeddah & other major cities	10pm	1-2 days	5-6 days
Saudi Arabia - Other locations	10pm	3 days	5-6 days
United Arab Emirates	Midnight	Next day	3-5 days
Kuwait, Qatar & Oman	10pm	2-3 days	3-6 days
Bahrain	10pm	1-2 days	3-4 days

FOCUS ON LABEL

Overview

In this section we discuss LABEL, which sells third-party brands through the NEXT website. In the first half, total LABEL Online sales (including full price *and* markdown sales) were £474m, up +2.5% on last year. Full price sales were flat (+0.1%) and markdown/Clearance sales were up +20%.

In our full year report issued in March, we said that we would focus on a number of initiatives to stabilise LABEL's operating margin, namely:

- Removal of **low profitability** products from the LABEL website
- Renegotiation of **commission rates** on low profitability brands
- Control **markdown** costs

LABEL margins in the first half were flat against last year and +3.2% ahead of our budget, despite the inflationary pressures seen across the Online business. However, margin gains resulted in losing some sales on lower profitability lines.

In the following sections we provide further details of:

- LABEL's four business models
- Full price sales analysis
- Analysis of new, discontinued and continuous brands
- LABEL margin analysis

LABEL's Four Business Models

LABEL consists of four different business models, each with different characteristics in terms of (1) who is responsible for design, (2) who sources and manufactures product and (3) who takes the stock risk. These are summarised in the table below in descending order of third-party involvement.

Business model	% sales	Design	Sourcing	Stock risk	Examples
3rd party Brands sold on **Commission**	47%	**3rd Party**	**3rd Party**	**3rd Party**	Fat Face, River Island, Boss, Reiss
3rd party Brands sold on **Wholesale**	34%	**3rd Party**	**3rd Party**	**NEXT Group**	Nike, Adidas, Superdry, Converse, Skechers, Barbour
Licensing	4%	**3rd Party**	**NEXT Group**	**NEXT Group**	Baker by Ted Baker, Clarks schoolwear, Fat Face childrenswear
of which Collaborations	*1%*				*William Morris, Scion, Myleene Klass*
Wholly-owned brands	15%	**NEXT Group**	**NEXT Group**	**NEXT Group**	Lipsy, Love & Roses, Friends Like These

Full Price Sales Analysis

Full price sales in LABEL were flat against last year. The table below sets out full price sales against last year. The gains we made through wholly-owned brands offset the loss of sales we experienced from the brands where we had eliminated loss making products.

Full price sales by category £m	**July 2023**	**July 2022**[18]	**Var %**
Third-party brands (commission)	191	193	- 0.8%
Third-party brands (wholesale)	137	141	- 2.9%
Total third-party brands	**329**	**334**	**- 1.7%**
Total wholly-owned brands & licensing	78	72	+8.4%
Total LABEL full price sales	**407**	**406**	**+0.1%**

Analysis of New, Discontinued and Continuous Brands

The removal of low profitability products was achieved by (1) removing low profitability brands (shown as discontinued in the table below) and (2) the removal of certain low profit items (shown within continuous brands in the table below). In total we removed lines with annualised sales of around £12m. The loss of sales from discontinued lines was offset by the addition of some new brands (e.g. Banana Republic and Athleta) alongside the continued growth of our wholly owned brands.

The margin on the lost sales from discontinued brands was *only 1.4%,* much lower than the margin on new and continuous brands, which was around 13%.

Full price sales £m	**July 2023**	**July 2022**	**Var %**	**Margin**
Continuous brands	396	401	- 1.2%	13.0%
New brands	10	-		12.6%
Discontinued brands	-	5		*1.4%*[19]
Total	**407**	**406**	**+0.1%**	**13.0%**

[18] The categorisation of LABEL sales has changed since last year. Lipsy is now reported under 'wholly-owned brands'; previously these were reported within the Commission category. Sales on other third-party brands are split based on whether they are through the wholesale or commission model.

[19] The margin of 1.4% from discontinued brands relates to the prior year.

LABEL Margin Analysis

In the first half, LABEL margins were just up on last year. The following tables walk forward our achieved net operating margin from last year to this year and sets out our margin by business model.

Margin walk forward

Net margin (after lease interest) on LABEL sales to July 2022		**12.9%**
Bought-in gross margin on wholesale	Improved bought-in margin on wholesale brands and change in product mix.	+0.6%
Commission rates	Renegotiated commission rates on low profitability brands.	+0.6%
Markdown	Surplus stock levels were down -39% versus last year and clearance rates were up (+7%), improving margin.	+1.5%
Warehouse & distribution	Inflationary costs in warehouse and distribution.	- 1.4%
Marketing	Digital marketing costs in LABEL grew faster than sales.	- 0.4%
Technology	Increased spend on technology.	- 0.4%
Central costs and staff incentives	Higher staff incentives and inflationary cost increases across head office departments.	- 0.4%
Net margin (after lease interest) on LABEL sales to July 2023		**13.0%**

Margin by business model

The net margins of each of our business models are set out in the table below, along with our estimates for the full year.

Margin by category	**July 2023**	**Jan 2024 (e)**	**Jan 2023**
Third-party brands (commission)	10.0%	10.1%	10.9%
Third-party brands (wholesale)	15.8%	15.0%	14.4%
Total third-party brands	**12.4%**	**12.2%**	**12.4%**
Wholly-owned brands & licensing	15.5%	15.5%	15.5%
Total LABEL margin	**13.0%**	**12.9%**	**12.9%**

Commission margin versus wholesale margin

We encourage our brand partners to adopt a commission model because we believe it best aligns our interests and, generally, maximises the underlying sales potential of a brand. However, commission brands deliver lower net margins. The additional margin made by wholesale brands is explained in the table below.

Commission brands margin	**10.0%**
Higher net achieved margin	+3.6%
Lower returns rates (as a result of category mix)	+3.0%
Higher wholesale product team and marketing costs	- 0.8%
Wholesale brands margin	**15.8%**

FOCUS ON WHOLLY-OWNED BRANDS & LICENCES

We continue to focus on developing new product ranges *outside* of the NEXT brand through:

- **Wholly-owned** brands (e.g. Love and Roses, Friends Like These).
- **External licences** owned by others, who delegate the sourcing and manufacture (e.g, Baker by Ted Baker childrenswear and Laura Ashley sofas).
- The acquisition of **Intellectual Property** in companies such as MADE and Cath Kidston to operate as wholly-owned licences.

Most of our sales on these non-NEXT branded products are sold through LABEL in the UK (and are included in the sales figures given for LABEL); but we also sell them Overseas, in our Retail stores and wholesale. The full price sales figures shown below include all of the revenue from wholly-owned brands and licensed products, sold throughout the Group.

WHOLLY-OWNED BRANDS

Full price sales in our wholly-owned brands, for the first half, are set out below. Wholly-owned brands make an Online net margin of 15.4%[20], less than the NEXT brand but more than LABEL.

Wholly-owned brand £m	July 2023	July 2022	Var %
Lipsy	44.3	49.7	- 11%
Love and Roses	19.7	6.4	+208%
Friends Like These	13.9	6.5	+114%
Total wholly-owned brands' full price sales	**77.9**	**62.6**	**+25%**

LICENCES

The opportunity

Over the last few years, the Group has been able to leverage its product skills - sourcing, technical design, quality assurance, buying and merchandising - to deliver specialist ranges of products for third-party brands. For example, children's clothes for Ted Baker; combining Ted Baker's unique handwriting with our ability to develop and deliver the product.

Sales performance by product category

The table below sets out the full price sales in our licensing business, through all channels, by product category.

Full price sales £m	July 2023	July 2022	Var %
Licensing:			
Childrenswear	14.9	11.6	+27.8%
Home	4.3	3.0	+41.9%
Womens non-clothing & other	2.8	3.3	- 15.5%
Total licensing[21]	**22.0**	**18.0**	**+22.1%**
Collaborations	10.9	13.4	- 18.4%
Total full price sales	**32.9**	**31.4**	**+4.8%**

[20] This excludes licences and collaborations. The combined margin, as shown on page 39 is 15.5%.

[21] For July 2022, £6m of sales previously reported as licensing have been recategorised under collaborations (£5m) and wholly-owned brands (£1m).

Products ranges and partners

We have focused on product categories that require significant investment in specialist sources of supply, fabrics, quality assurance techniques, like childrenswear, swimwear, lingerie and furniture. The table below sets out some of the brands we are working with in various different categories.

	Childrenswear	Home	Women's accessories and other
Existing	Baker by Ted Baker	Laura Ashley	B by Ted Baker (lingerie and nightwear) Bath & Body Works (nightwear)
New this year	Clarks Reebok	Jasper Conran Nina Campbell Shabby Chic	Nina Campbell (nightwear) Joules (bags & accessories) Lucy Tiffany (nightwear)
New agreements	Laura Ashley	Clarke & Clarke French Connection Rockett St George	Cath Kidston (bags) Rockett St George (accessories)

The economics

The economics are simple. Working closely with our partner's design team we buy, own, and sell the product, paying an agreed percentage of sales to the brand owner as a royalty. If executed well, the arrangement creates value to the licensor through extending the reach of their brand without incurring the significant investment that would be required if they were to undertake the task by themselves. In the first half licences delivered £5.4m profit on £35.4m of sales (including markdown sales), delivering a margin of 15.3%.

The key to success

The key to success is the authentic delivery of the client's design and brand values. As a general rule, the more effort and time the client puts into the design inspiration, and the more effectively we deliver products that are authentic and true to *their* brand, the better the result. Our licences will fail if they simply take products that look and feel like NEXT garments, with a client's brand name sewn into the back-neck label.

ACQUIRING INTELLECTUAL PROPERTY - WHOLLY OWNED LICENCES

We have recently acquired two well-known brands out of administration (Cath Kidston and MADE). It is our intention to operate these businesses as pure *licensing businesses*, operating independently within the Group. They will focus on delivering inspirational and original ***design;*** alongside the development of relationships with licensees, who can deliver their products to market. Where appropriate, other NEXT Group departments will act as the licensee. The department will have its own leadership, incentive schemes and P&L, with the licence royalty revenues attributed to the department along with its design and marketing costs.

It is anticipated that the majority of these internal licensed products will be licensed to NEXT departments who already deal with other *external* licences. But we will very happily work with third-party licensees if they can do a better job in a given product category than we can ourselves. For example, with Cath Kidston we already have some very effective licensee relationships.

WHOLESALE OPPORTUNITIES FOR LICENCES

In the year ahead, and always with our partners' agreement, we plan to extend the reach of our licences through wholesaling certain licences to other retailers, mainly in overseas markets. This task will be led by our new Overseas Department, which is responsible for the wholesaling, franchising and licensing of the NEXT brand overseas.

NEXT FINANCE

HEADLINES

- Interest income was up +7% versus last year.
- Underlying profit (before prior year one-offs and the cost of funding) was up +7%.
- Customer payment rates and defaults were in line with last year.
- Net profit of £80m was down -7%, due to a higher cost of funding charge (see note 5) and prior year one-off benefits in bad debt not being repeated this year.

FINANCE PROFIT & LOSS SUMMARY

£m		July 2023	July 2022	Var %
Credit sales[22]		*963*	*967*	*- 0%*
Average customer receivables	*note 1*	*1,211*	*1,152*	*+5%*
Interest income	*note 2*	143	134	+7%
Bad debt charge (underlying)	*note 3*	(16)	(16)	+1%
Overheads	*note 4*	(24)	(21)	+11%
Profit before one-offs and cost of funding		**103**	**96**	**+7%**
Bad debt charge one-offs last year	*note 3*	0	6	
Profit before cost of funding		**103**	**102**	**+1%**
Cost of funding	*note 5*	(23)	(16)	+47%
Net profit		**80**	**86**	**- 7%**
ROCE (after cost of funding)		13.2%	15.0%	
Closing customer receivables		1,223	1,182	+3%

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

[22] Credit sales include Online sales and Retail sales paid with a NEXT credit account plus interest income.

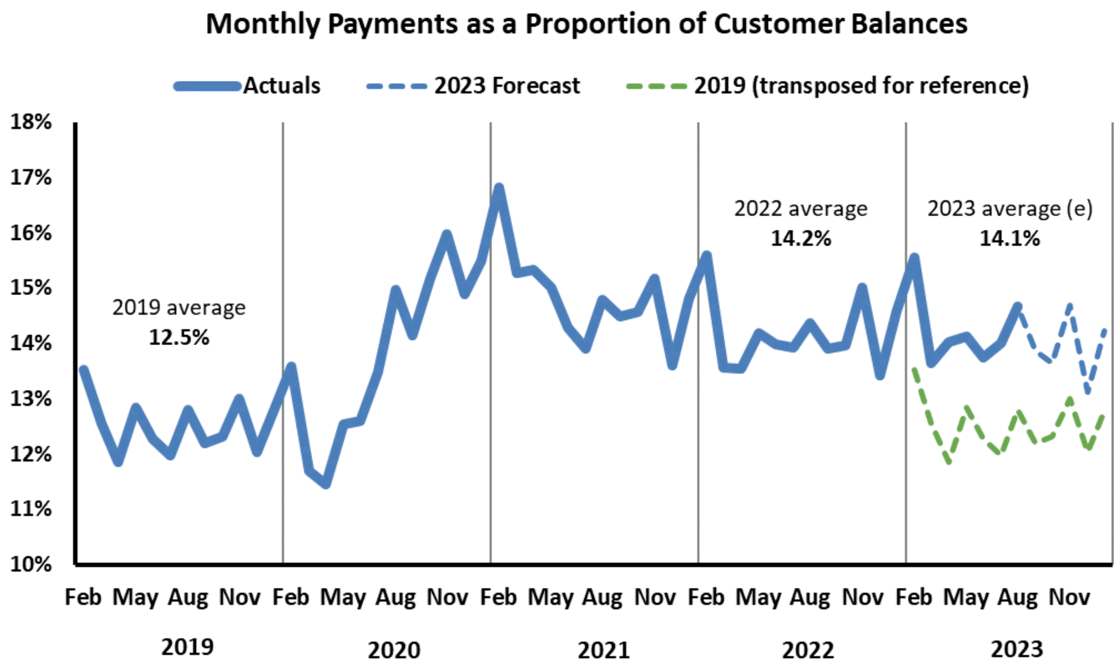
Note 1 Customer receivables

We started the year with customer receivables up +8% on last year, as customers had rebuilt their balances over the previous 12 months, following the pandemic. In the first half, our average customer receivables balance was up +5% versus last year.

Continued resilience of customers' payments

The graph below shows the percentage of customer balances being paid each month since 2019 (pre-COVID). As shown, payment rates continue to be ahead of pre-COVID levels, and in the first half of this year were broadly flat on last year. This was ahead of our expectations, as in our guidance at the beginning of the year we had assumed payment rates would return closer to pre-COVID levels.

We are now forecasting payment rates for the rest of the year to be broadly flat on last year, meaning the average customer receivables balance will be -£61m lower than our previous guidance.



Note 2 Interest Income

Interest income was up +7%. This was higher than the increase in the average customer receivables balance due to a 1% increase in next**pay** APR from the end of March 2023[23].

[23] next**pay** APR increased by 1% to 24.9% for new customers recruited from January 2023 and for existing customers from the end of March 2023.

Note 3 Bad Debt Charge and Default Rates

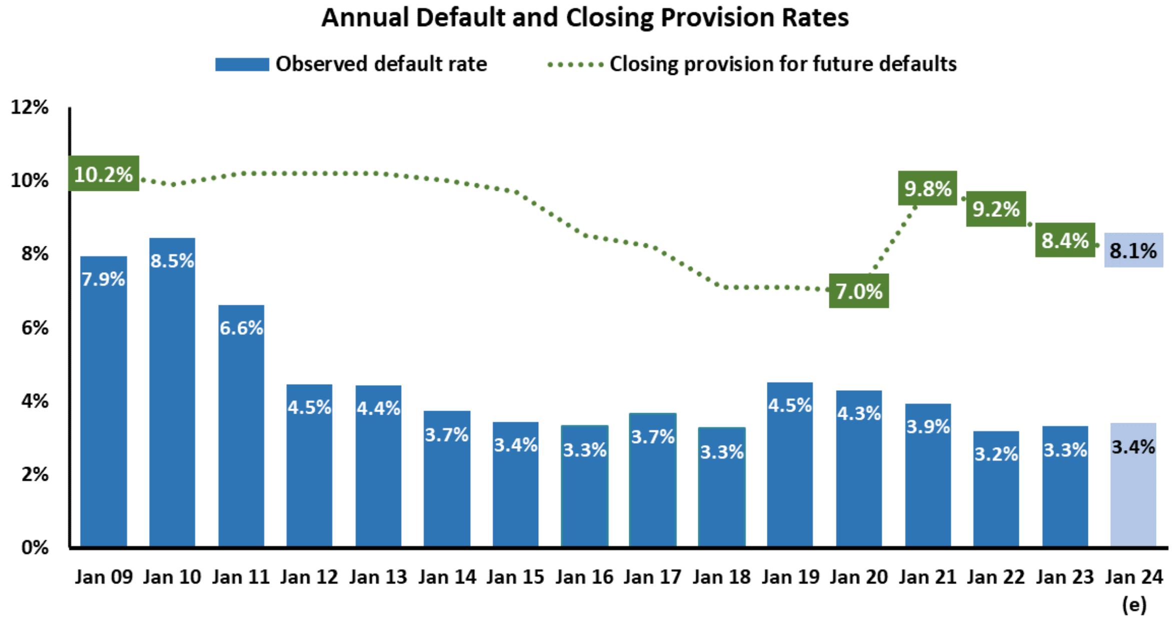
Bad debt charge

The underlying bad debt charge of £16m was broadly flat on last year. Last year benefited from two one-off items totalling £6m: (1) a £4m provision release (mainly COVID-related) and (2) a £2m insolvency debt sale.

Current default rates in context

The chart below shows:

- Observed annualised default rates[24] since 2009 (blue bars).
- The closing rate of provision for future defaults (green dotted line), which remains above our current default rates and makes allowance for a material deterioration in defaults.
- The default rate for the first half is in line with last year at 1.7% (3.4% annualised) and portfolio risk indicators remain stable. We are forecasting the full year default rate to be 3.4%, which is marginally higher than last year but remains at the low end of historical rates.



Note 4 Overheads

Overheads were up +11%, mainly due to increased spending on Technology.

Note 5 Cost of Funding

The cost of funding is an internal interest recharge from the Group based on the assumption that 85% of customer receivables are funded by debt lent by the Group to the Finance division. The cost of funding was up +£7m versus last year; £1m of this increase was due to the increase in average receivables and £6m was due to the effect of the increase in our external cost of borrowing on our calculated internal recharge.

OUTLOOK FOR THE FULL YEAR TO JANUARY 2024

For the full year, we anticipate that NEXT Finance will generate profits of around **£163m**, down -4% versus last year. We are forecasting that the customer receivables balance at the year end will be **£1.28bn**, up +2% on last year.

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

TOTAL PLATFORM AND INVESTMENTS

Overview

Total Platform (TP) is a service that allows third-party retailers to make use of NEXT's online software and infrastructure. It provides a complete online trading platform for our clients, from website to warehousing, logistics, store ordering, payments and account management, delivery, returns, customer contacts, emails, digital media and more. The aim is to allow our clients to focus on the parts of their business where they can add the most value - design, sourcing, buying, merchandising (stock control), branding and marketing.

A service and an investment business

Increasingly, we have taken equity stakes in the companies who trade on TP. The equity stake allows NEXT to share in the benefits that TP offers to clients and aligns our interests more completely. So TP is really two related but separate businesses: a *service business* and an *investment business,* each with their own P&L and returns ratios. Each of these aspects of TP will be analysed individually in the following sections.

Summary of both businesses combined

The table below summarises the profits from both businesses for the first half, with our estimates for the full year shown on the right. We expect that the profit from Total Platform services and investments will be **£28m**, ahead of the guidance of £22.5m given in March, mainly due to the increased equity stake taken in Reiss.

	First half actual		Full year estimate		Full year
Profit £m	**July 2023**	**July 2022**	**Jan 2024 (e)**	**Jan 2023**	**% var**
Total Platform services	3.6	1.3	10.3	5.4	+91%
Total Platform investments	1.8	4.9	17.7	16.8	+6%
Total profit from continuing clients	**5.4**	**6.2**	**28.1**	**22.2**	**+26%**
Discontinued clients[25]	(0.1)	(0.5)	(0.1)	(0.3)	- 70%
Total	**5.3**	**5.7**	**28.0**	**21.8**	**+28%**
Reported in Group profit as:					
Total Platform services and equity	*2.2*	*3.7*	*22.9*	*16.3*	***+41%***
Preference share and loan interest	*3.1*	*2.0*	*5.0*	*5.6*	***- 10%***
Total	***5.3***	***5.7***	***28.0***	***21.8***	***+28%***

[25] In the last 12 months, our two lowest turnover clients transitioned away from Total Platform, because their turnover was not suited to Total Platform.

TOTAL PLATFORM SERVICES BUSINESS

The table below sets out sales, profits and margins for the first half of this year and last year.

Total Platform (continuing clients) £m	July 2023	July 2022	Var %
(A) Client online sales (GTV)	*62.9*	*43.5*	*+44%*
(B) Commission income on clients' GTV	12.5	8.1	+54%
(C) Income from cost-plus services	4.9	2.2	+119%
(D) Recharges	4.1	4.1	
(E) Total Platform income (accounting)	21.5	14.4	
(F) Total Platform profit from services	**3.6**	**1.3**	
(G) Total Platform income excluding recharges (E - D)	***17.4***	***10.3***	***+68%***
(H) Total Platform profit as a % of income = F / G	*20.6%*	*12.3%*	
(I) Total Platform profit as a % of clients' sales = F / (A + C)	*5.3%*	*2.8%*	

Total Platform income

Total Income (excluding recharges) in the first half increased by +68% to £17.4m. Broadly half the growth came from continuous clients, who experienced a +27% increase in their online sales. The balance came from two new clients, GAP and JoJo Maman Bébé, who launched their TP websites part way through last year. Please note that the 'Recharges' line, within TP Income (row D), are costs that pass straight through to clients with *no margin added*. These recharges are (in technical accounting terms) classed as income, but in reality are simply a client cost, so they are excluded from income when calculating TP margins.

Total Platform margins

We analyse margins in two ways: (1) profit as a percentage of our income (excluding recharges) and (2) profit as a percentage of our clients' sales (online sales plus income from cost-plus services). Margin as a percentage of income increased from 12.3% to 20.6%, due to (1) leverage of fixed costs, and (2) cost savings in our warehouse operations. Margin as a percentage of our clients' sales rose from 2.8% to 5.3%.

Full Year Guidance for Total Platform Services

Our forecast for the full year is summarised below. We expect TP Services to deliver £10.3m of profit for the full year which equates to 5.9% of our clients' sales.

Total Platform (continuing clients) £m	Jan 2024 (e)	Jan 2023	Var %
(A) Client online sales (GTV)	*161.8*	*110.3*	*+47%*
(B) Commission income on clients' GTV	33.9	21.2	+60%
(C) Income from cost-plus services	13.1	7.7	+70%
(D) Recharges	7.6	7.6	
(E) Total Platform income (accounting)	54.6	36.5	
(F) Total Platform profit from services	**10.3**	**5.4**	
(G) Total Platform income excluding recharges (E - D)	***47.0***	***28.9***	***+63%***
(H) Total Platform profit as a % of income = F / G	*22.0%*	*18.7%*	
(I) Total Platform profit as a % of clients' sales = F / (A + C)	*5.9%*	*4.6%*	

TOTAL PLATFORM INVESTMENTS

Performance in the first half

Investment profit in the first half is impaired by a -£5.2m trading[26] loss from Joules. We have taken extensive measures to remedy this loss and do not expect it to recur next year, this is discussed in detail on page 13. Excluding Joules, the total underlying profit from equity is **£7.1m**, up from £4.9m last year**.**

Full year estimates

The table below sets out the profit earned by our main equity investments in the first half, along with an estimate for the full year.

The growth in **Reiss'**s full year profit contribution is driven by (1) the strength of the performance of underlying business and (2) because we increased our stake last year in May 2022 and, subject to completion of the recent transaction, will do so again by October.

The reduction in the full year estimate for our other investments is due to (1) a lower deferred tax asset benefit this year and (2) a number of stores closing in one of our investments, as leases that were originally negotiated on favourable terms come to an end.

Investments	Ownership %	H1 2023/24	Full year (e) 2023/24	Full year 2022/23	Full year % var
Reiss	56.3%[27]	5.0	19.0	11.9	+60%
Joules	74%	(5.2)	(7.4)	(3.0)	+143%
Other investments		2.1	6.1	7.9	- 23%
Total investments		**1.8**	**17.7**	**16.8**	**+6%**

Return on Investments

The table below summarises our forecast return on capital employed for the current year. Capital employed consists of (1) the capital invested in equity plus (2) the capex required to provide Total Platform less (3) the capital recovered. Capital recovered is defined as (1) the cumulative post-tax profit earned from equity investments *plus* (2) amortisation - which combined is a proxy for cash returned. Profit before tax consists of (1) equity profit before tax and brand amortisation, plus interest received and (2) TP profit before tax and depreciation.

	Capital				Profit before tax			Return on capital	
	Invested	TP	Recovered	Total	Equity	TP	Total	Equity	Total
Reiss	110.0[27]	10.1	(22.7)	97.3	29.3	6.8	36.2	34%	37%
Joules	28.8	4.3	2.5	35.6	(6.7)	0.9	(5.8)	-21%	-16%
All other investments	41.5	11.3	(9.3)	43.5	7.9	5.1	13.0	25%	30%
TOTAL	**180.3**	**25.6**	**-29.5**	**176.4**	**30.5**	**12.9**	**43.4**	**20%**	**25%**

A full list of our TP clients and details of our investments in third-party brands is given in Appendix 2 on page 60.

[26] Non-trading (non-recurring) losses in Joules are reported in Group central, see page 50.

[27] This is the weighted average ownership/capital invested relating to this financial year, consisting of 51% up to September 2023 and 72% thereafter, on the assumption the deal completes by October 2023.

PRIORITIES FOR TOTAL PLATFORM IN 2023/24

At the start of this year we set ourselves three priorities for Total Platform:

1. The implementation of two **new websites**; JoJo Maman Bébé and MADE.com and the development of Joules' website, which was originally planned to launch in April 2024.

2. The removal of **warehouse capacity constraints**.

3. The 'productionisation' of our software to make it easier to configure, maintain and **develop client websites** going forward.

The paragraphs below provide a short update on each of these priorities:

New websites

The websites for JoJo Maman Bébé and MADE.com successfully launched on time. The delivery of the Joules website has been accelerated and will launch in October 2023.

Removing warehouse capacity constraints

The opening of the new Elmsall 3 warehouse is on schedule and we are now using additional floor space for conventional (non-automated) picking. This has allowed us to accommodate Joules earlier than originally planned and we have started to migrate stock ahead of their website's launch.

Website development for TP clients

Our objective for TP was to create a single platform to service our clients and significantly reduce the time to deliver new TP websites. This development is on schedule and we expect it to be completed by the end of the year.

Phase one development

The first phase includes search, product landing pages, and headers and footers. This functionality has been rolled out on the JoJo Maman Bébé and MADE.com sites and will be added to the new Joules website. This has reduced website development time by 64%, compared to the time taken when we first developed the website for Reiss in 2021.

Phase two development

By the end of this year, the second phase will deliver two additional engines: (1) site configuration and (2) templating and theming. These developments will enable us to quickly manage and deploy new features and configure the look and feel of our TP websites without the need to amend underlying code.

This will reduce the effort to onboard new TP clients by a further 50% and enable us to onboard up to four new clients in 2024, with the potential to increase this to eight new clients starting in 2025. Of course, this will be subject to demand.

International engine development

Our new international engine enables us to deploy overseas websites for any TP client, with local currency, payment options and translation, at a much lower cost and on reduced timescales.

OTHER BUSINESS ACTIVITIES

The profits and losses in the first half 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. In line with our Year End Results in March, we have shown significant non-recurring items separately.

	First half actual		Full year estimate	
£m	**July 2023**	**July 2022**	**Jan 2024 (e)**	**Jan 2023**
NEXT Sourcing (NS)	13.9	16.5	26.5	33.1
Franchise	3.2	3.5	6.5	7.0
Property management	1.6	15.3	2.0	14.2
Central costs and other	(22.0)	(24.6)	(47.0)	(41.9)
Total underlying profit	**(3.4)**	**10.6**	**(12.0)**	**12.4**
Non-recurring central items				
Joules' non-trading costs	(5.3)	0.0	(9.1)	0.0
Property provisions	0.0	(2.0)	0.0	22.8
Foreign exchange	13.0	(1.4)	16.3	(16.3)
Accelerated acquisition costs	0.0	0.0	0.0	(5.4)
Total non-recurring items	**7.7**	**(3.4)**	**7.2**	**1.1**
Total profit	**4.3**	**7.3**	**(4.8)**	**13.5**

NEXT Sourcing (NS)

The majority of NS income and costs are denominated in Dollars (or linked currencies). The table below sets out NS's sales and profit for the first half in Dollars and Pounds. The exchange rate used is the average market rate of exchange during the half year.

NS sales in the first half were down -24%. Last year, NS sales benefited from Autumn/Winter 2022 orders being placed early due to extended lead times. This year, delivery lead times have normalised and therefore the boost to sales experienced last year was not repeated.

Margin improved to 6.2%, which is higher than last year (5.7%) but more in line with two years ago (6.3%). *Last year's* margin of 5.7% was lower than normal because we only account for the profit on the goods sold by NS to NEXT, when those goods are sold to our customers. This delayed the recognition of profit from Autumn/Winter 2022 orders, which were sold by NS to NEXT in Spring/Summer 2022 but not sold to our customers until the second half of last year.

	US Dollars $m			Pounds £m		
	July 2023	**July 2022**		**July 2023**	**July 2022**	
Sales (mainly inter-company)	279.4	368.9	- 24%	223.5	290.5	- 23%
Operating profit	**17.3**	**21.0**	**- 17%**	**13.9**	**16.5**	**- 16%**
Net margin	**6.2%**	**5.7%**		**6.2%**	**5.7%**	
Exchange rate				1.25	1.27	

Profits for the full year are expected to be c.£26.5m, versus £33m last year and £28m two years ago.

Property Management

Profit in the first half of £1.6m came primarily from the sale of freehold land in Rotherham. For the full year we are forecasting profit of c.£2.0m.

Last year's profit of £15.3m related to two warehouse sale and leaseback transactions; one of which related to the transaction completed during 2020 and the other being our Elmsall 3 warehouse, which was completed last year.

Central costs

Central costs in the first half of £22m were £2.6m lower than last year (£24.6m). This reduction was mainly due to lower incentive costs, as a historical bonus scheme came to an end last year.

For the full year, we are forecasting central costs of £47.0m; an *increase* of £5.1m on last year mainly due to (1) increased share option costs and (2) higher legal and professional fees.

Non-Recurring Items

Joules' non-trading costs

This year we have incurred non-recurring, non-trading costs relating to Joules.

As explained on page 13, we have accelerated our plans to move Joules onto NEXT's 'Total Enterprise Platform' (TEP) and in doing so we have incurred non-trading costs such as:

- Non-cash write-offs from accelerating the depreciation of assets
- Redundancy costs
- Dual running certain operations during the transition to TEP
- Termination costs of third-party contracts which are no longer required under TEP

In the first half, these costs totalled £5.3m and for the full year we expect around £9m.

Over the next year, the move to TEP is expected to deliver annualised cost savings of more than £4m.

Please note that the *trading* losses from Joules are reported within Total Platform investments (see page 47).

Foreign exchange (FX)

The £13m credit in the first half relates to FX contracts that were entered into last year, when the Pound was weaker against the Dollar. After these contracts were placed, the Pound strengthened and therefore the value of these contracts decreased. Due to the structure of these FX contracts, we were unable to use Hedge Accounting, which meant gains and losses on these contracts are recognised in the P&L. We reported a large debit last year followed by a large *credit* this year. The remaining contracts will mature in the second half, giving a full year forecast of a £16.3m gain, which is the reversal of the charge we reported last year.

INTEREST, TAX, PENSIONS AND ESG

INTEREST

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

	First half actual		Full year estimate	
£m	**July 2023**	**July 2022**	**Jan 2024 (e)**	**Jan 2023**
Net external interest	(16.5)	(12.3)	(38.0)	(30.3)
Lease interest	(23.1)	(23.5)	(47.0)	(47.3)
Preference share and loan interest	2.4	2.0	3.7	4.8
Total Platform loan interest income	0.6	0.0	1.3	0.7
Total interest	**(36.6)**	**(33.8)**	**(80.0)**	**(72.1)**

Net External Interest

The net external interest charge of £16.5m was £4.2m higher than last year, due to the higher interest rates payable on our floating rate instruments. We expect a full year cost of £38.0m.

Lease Interest Costs

Lease interest in the first half was broadly flat on last year and we are forecasting the full year cost to be £47.0m, marginally lower than last year (£47.3m). We have seen a reduction in the lease interest cost reported in our Retail business, as our lease liabilities for stores fall. This reduction has been offset in Online, where lease interest costs have increased due to new warehouse leases.

Our average lease debt at July 2023 was £1,003m versus £1,062m at July 2022. The closing lease liability at the end of July 2023 was £982m.

Reiss Preference Share Interest

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 £2.4m in the first half with a forecast of £3.7m for full year. As part of the recent transaction, which will increase our stake in Reiss, a restructure in the equity of Reiss has been agreed which means that on completion of the transaction there will be no further preference share income.

Total Platform Loan Interest Income

We have commercial loan agreements with six of our equity investments, which generated £0.6m of interest in the first half, with a forecast of £1.3m for the full year.

TAX

Our effective tax rate (ETR), based on NEXT profit before tax, for the first half was 23.3%. This is lower than the UK headline rate of 25% because: (1) the new UK headline rate applied from April 2023, meaning the first two months of the financial year had an effective UK rate of 19% and (2) income on our equity investments has already been taxed. For the full year we expect the ETR, before the exceptional gain on Reiss, to be 23.6%.

PENSION SCHEME

On the IFRS accounting basis, the valuation of our defined benefit schemes' surplus was £131.3m (January 2023: £157.5m). The reduction in the surplus is mainly caused by actual inflation in the period being higher than the previous actuarial assumption. 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:

Reduce Carbon Emissions

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 of sales (Scope 3).

Responsible Sourcing

We continue to work towards our target to source 100% of the main raw materials we use through known, responsible or certified routes by 2025.

Reduce Unnecessary Packaging

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

Projects Update

We are currently working on multiple projects aimed at improving our ESG performance. Below are updates on some of the projects we have been working on over the past six months.

Brand certification

From 1 July 2023, the main certification body in the fashion and textile industry (Textile Exchange) introduced new standards which mean certain statements, for example 'recycled polyester', cannot be made on products unless the brand itself has certification. NEXT has been through an audit process with an external body to become approved as 'Brand Certified'. We passed audits across two warehouses and our head office with no non-conformities.

This means we can continue to make statements such as 'recycled polyester' on our website and swing tags for NEXT own brand products - on both our own sites and the sites of our international partners such as Zalando.

Zero Discharge of Hazardous Chemicals audit

In our annual Zero Discharge of Hazardous Chemicals (ZDHC) ''Brands to Zero'' audit we have been awarded the highest level of ''**Aspirational**''. This is based on:

- Our successful implementation and integration of ZDHC into NEXT business practices.
- The tools, support and training provided to our suppliers to help them manage hazardous chemicals.
- The percentage of our suppliers implementing ZDHC reporting and compliance checks.

Electric vehicles

NEXT is a member of EV100, a global initiative led by The Climate Group, bringing together companies committed to accelerating the transition to electric vehicles by 2030. Our company car fleet currently has 770 vehicles of which 347 (45%) are either electric or hybrid vehicles. This number has more than doubled this year. In addition, we have been increasing the number of electric charging points across our network. We now have 338 charging points across 18 NEXT sites.

PART FIVE
CASH FLOW, SHAREHOLDER RETURNS, NET DEBT & FINANCING

FULL YEAR CASH FLOW FORECAST

Based on our latest guidance, we expect to generate **£568m** of surplus cash in the current year. Surplus cash is defined as operating cash flow *after* deducting interest, tax and capital expenditure, but *before* investments and distributions to shareholders.

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

£m		**Jan 2024 (e)**	**Jan 2023**
NEXT Profit before tax (before exceptionals)		**875**	**870**
Depreciation/impairment on plant, property and equipment		117	110
Capital expenditure	(see page 54)	(170)	(206)
Tax paid		(182)	(151)
Working capital/other		(28)	(225)
Surplus cash from trading activities		**612**	**398**
Customer receivables	(see page 42)	(29)	(92)
Property stock		(15)	53
Surplus cash before investment and distributions		**568**	**359**
Investments in third-party brands	(see page 55)	(104)	(91)
Ordinary dividends	(see page 56)	(248)	(237)
Share buybacks/investments	(see page 56)	(219)	(228)
Cash flow after distribution to shareholders		**(3)**	**(197)**
Closing net debt		**(800)**	**(797)**

CAPITAL EXPENDITURE

Capital Expenditure by Category

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

£m	Jan 2024 (e)	Jan 2023	Jan 2022
Warehouse	71	117	124
Technology	53	53	29
Total warehouse and technology	**124**	**170**	**153**
Retail space expansion	8	8	14
Retail cosmetic/maintenance capex	31	26	15
Total Retail expenditure	**39**	**34**	**29**
Head office infrastructure and other	7	2	2
Total capital expenditure	**170**	**206**	**184**

Warehousing

Warehouse capex, at £71m, includes automation projects in Elmsall 3, the extension of our palletised warehouse in Dearne Valley and the refit of our returns operation for hanging garments.

Expenditure this year is lower than the last two years as spend on the Elmsall 3 project has begun to slow as it approaches completion. Later this year we expect some of the automation projects to go live. In the second quarter of 2024 we expect the site's automation will be complete. This investment will increase the weekly pick capacity in our Online boxed warehouse by +50%. The labour cost of picking is expected to reduce by 40%, compared to the equivalent cost today.

Elmsall 3 (E3) operating costs

We have been incurring operating costs, such as rent and depreciation, for E3 over the last two years. Next year, Elmsall 3's costs are expected to fully annualise at around £32m. We expect to see considerable cost savings as the automation comes on line, in the first quarter of next year. We also expect to make other related savings from the additional capacity. The table below shows the estimated incremental costs and savings resulting from Elmsall 3, spread over the four years from 2022/23 to 2025/26.

The additional overhead costs will provide additional capacity for approximately £1bn of sales.

£m	2022/23	2023/24 (e)	2024/25 (e)	2025/26 (e)	Annualised costs
Occupancy (rent, rates, utilities etc).	(4.4)	(6.2)	(1.2)	-	(11.8)
Management, maintenance etc.	(0.7)	(3.8)	(1.7)	-	(6.2)
Depreciation	(0.3)	(4.7)	(9.0)	-	(14.0)
Total cost increases	**(5.4)**	**(14.7)**	**(11.9)**	**-**	**(32.0)**
Elmsall 3 savings	-	10.9	10.9	10.5	32.3
Other warehouse net savings	-	5.4	6.2	3.4	15.0
Total cost savings	**-**	**16.3**	**17.1**	**13.9**	**47.3**
Net (costs) / savings	**(5.4)**	**1.6**	**5.2**	**13.9**	**15.3**

Technology

This year, we expect to spend £53m of capital modernising and upgrading our systems technology. We estimate that £43m will be spent on software and £10m on hardware. Expenditure by category is set out below, alongside last year for comparison. As shown, £22m of this year's spend relates to software modernisation projects.

Technology capital expenditure by category	Jan 2024 (e)	Jan 2023
Modernisation projects	22	20
Total Platform, LABEL and warehouse projects	10	10
Security and head office department projects	4	5
Small development projects	7	3
Hardware	10	15
Total Technology capital expenditure	**53**	**53**

Retail stores

Capital expenditure on Retail space expansion is £8m, which is in line with last year. Cosmetic and maintenance spend is forecast at £31m compared to £26m last year. Expenditure on cosmetic refits remains focused on those stores where we have extended the lease. This year's maintenance spend has increased by £5m due to investment in new air conditioning infrastructure and LED lighting.

Head office infrastructure and other

Capex on head office infrastructure this year is expected to increase by +£5m to £7m. Most of this increase relates to a new photo studio, which is being relocated from one of our distribution centres to a new bespoke standalone facility in December 2023. This move will increase our studio capacity, reduce costs, and allow more of our photography to be completed in-house.

WORKING CAPITAL

We are forecasting a working capital out flow in the year of £28m. This is mainly due to a net outflow of -£46m for the **Employee Share Option Trust (ESOT)** to fund purchases of shares to hedge our share options, which exceeds cash received on exercises. Last year's unusually large working capital outflow of £225m was explained in detail in our Year End Report in March (page 56).

INVESTMENTS IN THIRD-PARTY BRANDS

We are forecasting total investments in the year of £104.4m, as summarised below. Full details of last year's investments were explained in our Year End Report in March 2023 (page 57).

£m		Jan 2024 (e)	Jan 2023
Cath Kidston	*(Brand name, domain names and intellectual property)*	(8.5)	-
Reiss	*(This year, acquisition of shares from Warburg Pincus)*	(95.0)	(45.3)
Reiss dividend		-	15.3
Joules (equity and loan)		-	(28.8)
Joules head office		-	(7.4)
JoJo Maman Bébé *(Delayed consideration)*		(0.9)	(15.9)
Swoon		-	(3.5)
MADE.com		-	(3.4)
Sealskinz		-	(1.9)
Total investments		**(104.4)**	**(90.9)**

SURPLUS CASH & SHAREHOLDER RETURNS

Surplus cash (operating cash flow *after* deducting interest, tax and capital expenditure, but *before* investments and distributions to shareholders) remains strong. Based on achieving this year's latest profit guidance of £875m, we estimate that we will generate **£568m** of surplus cash.

The Company remains committed to returning surplus cash to shareholders if it cannot be profitably invested in our business activities. This year, after paying ordinary dividends, estimated at £248m, the remaining balance of surplus cash will either be used for further investments or returned to shareholders. Any share buybacks would be subject to achieving a minimum 8% equivalent rate of return (ERR). As a reminder, ERR is calculated by dividing (1) anticipated NEXT Group pre-tax profits by (2) the current market capitalisation[28].

Ordinary Dividends

An ordinary dividend of 140p was paid on 1 August 2023, a total value of £168.4m. For the year to January 2024 we are declaring an interim ordinary dividend of 66p to be paid on 3 January 2024, a total value of around £80m. Shares will trade ex-dividend from 7 December 2023 and the record date will be 8 December 2023.

Share Buybacks

So far this year, we have purchased 2.5m shares at an average share price of £67.85, totalling £167m. This has reduced the number of shares in issue by 1.9% since the January 2023 year end. If profits are in line with our guidance of £875m, then the ERR on these buybacks will be around 10% and ahead of our buyback hurdle of 8%.

Remaining surplus cash, for either share buybacks or further investments, is £52m.

	£m
Buybacks in the first half	(167)
Future buybacks or investments	(52)
Total	**(219)**

Surplus Cash Walk Forward - September Versus March Guidance

Our surplus cash forecast (after interest, tax, capital expenditure but *before* investments and shareholder distributions) has increased by +£101m since our original guidance in March. The table below summarises the changes.

Surplus cash before investments or shareholder distribution		**£m**
Previous guidance (given in March 2023)		**467**
Increase in profit before tax guidance from £795m to £875m	+80	
Increase in Corporation Tax on additional profit	- 20	
Customer receivables	+61	
Working capital and other	- 20	
		+101
September guidance for surplus cash		**568**

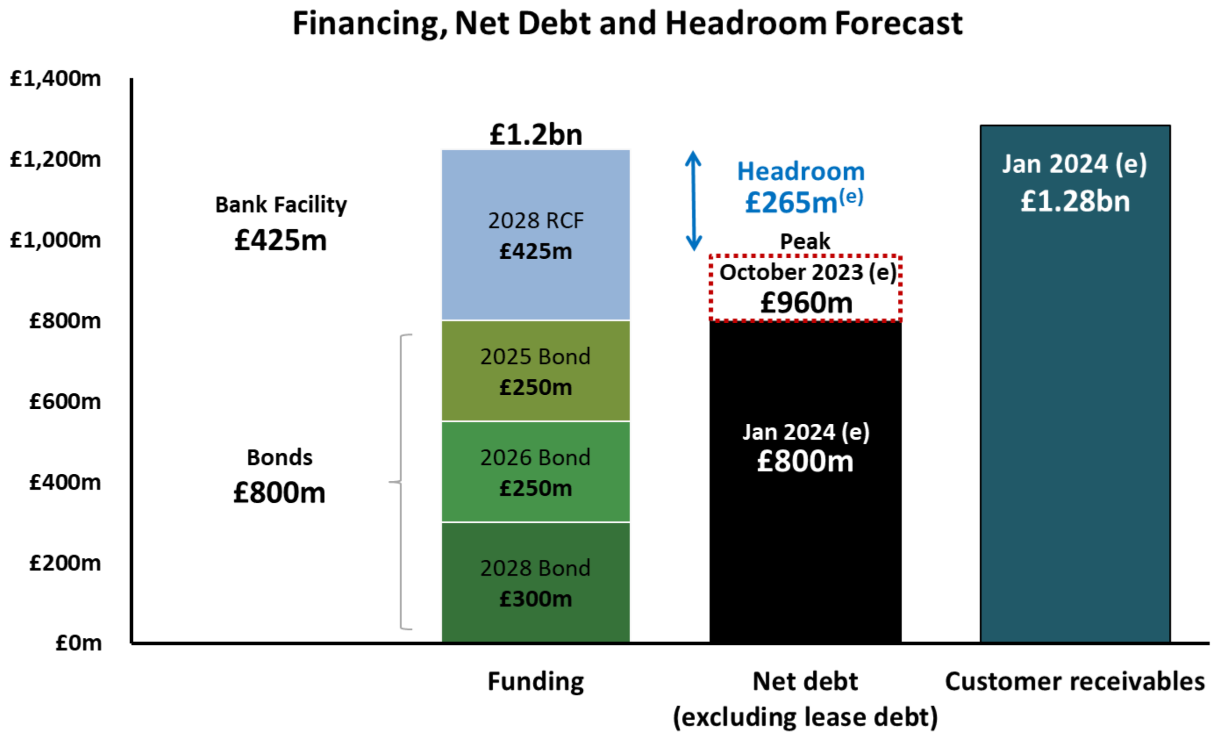
[28] Market capitalisation is calculated based on shares in circulation, so excludes shares in the NEXT ESOT.

NET DEBT, BOND AND BANK FACILITIES

Our current bond and bank facilities total £1,225m. In June this year we refinanced our bank facility; the new facility has available funds of £425m with a maturity of June 2028.

Based on our cash flow guidance for this year, we believe that our net debt will peak in October at around £960m, leaving headroom of £265m, comfortably within our bond and bank facilities of £1,225m. We estimate that we will end the year at around £800m leaving headroom of £425m.

The chart below sets out our bond and bank facilities. For context, our year end forecast for customer receivables is £1.28bn, significantly higher than the value of our net debt.



Reiss bank facilities

In addition to £1,225m of NEXT Group bank facilities, Reiss will have total external bank facilities of £34m at January 2024.

THIRD QUARTER TRADING UPDATE

Our third quarter Trading Statement will cover the thirteen weeks to Saturday 28 October 2023 and is scheduled for Wednesday 1 November 2023.

Lord Wolfson of Aspley Guise
Chief Executive
21 September 2023

APPENDIX 1
RECONCILIATION TO STATUTORY RESULTS

OVERVIEW

The financial information presented in pages 2 to 57 is used by management in assessing business performance. It is also the financial information used to inform business decisions and investment appraisals. Some of these financial metrics and performance measures are not prepared on a full IFRS statutory accounting basis. It is common for these performance measures to be called 'Alternative Performance Measures' (APMs).

An explanation of the APMs used by the business is provided in the glossary to the 2023 Annual Report and Accounts available at https://www.nextplc.co.uk/.

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

1. Total sales (CEO Review) and statutory revenue.
2. NEXT profit before tax (CEO Review) and profit before tax.
3. Forecast exceptional gain on Reiss transaction.

1. TOTAL SALES AND STATUTORY REVENUE

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

Total Trading sales include the sales of all the stock we own and the gross transaction value of sales of LABEL (third-party brands) products sold on a commission basis.

Total Group sales is based on our Total Trading sales plus the commission value of sales made through Total Platform and revenue from services provided on a cost plus basis. Group sales also include sales from our Franchise division, sales through NEXT Sourcing (our sourcing company), Joules and property income.

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

£m	July 2023	July 2022
Total Group sales	*2,638*	*2,504**
less LABEL & Overseas commission sales (full price and markdown)	*- 258*	*- 250*
plus commission earned on LABEL and Overseas commission sales	*+99*	*+94*
plus other income (e.g. delivery charges)	*+37*	*+32*
Total Group statutory sales	**2,517**	**2,380**

*As explained on page 19, in the prior year sales in the Total Platform business included the gross transaction value of items sold on our clients' websites. This year only the commission on Total Platform's sales is reported, so July 2022 Total Group Sales have been restated from £2,546m to £2,504m. This change had no impact on statutory sales.

2. STATUTORY PROFIT BEFORE TAX

On a statutory basis first half profit before tax of £415.7m includes 100% of the loss in respect of Joules on a fully consolidated basis. This loss is recognised across two reporting segments: (1) an underlying loss of £7.4m is shown within the Joules segment and (2) the non-recurring integration costs of £7.2m are included within "Central costs and other". The total loss before tax is therefore £14.6m.

Within the CEO Review, 74% of these losses, and interest earnt on a loan to Joules, have been reported within Total Platform and Other business activities. The 74% represents the NEXT share of these losses.

3. REISS FORECAST EXCEPTIONAL GAIN

On 21 August 2023 NEXT entered into a conditional contract to increase its shareholding in Reiss from 51% to 72%. Once the contract conditions are met and this transaction is complete, NEXT will obtain control of the Reiss group and will therefore consolidate the results of Reiss into NEXT's Group results.

The transaction will not materially impact the NEXT Group underlying profit before tax or EPS in the current year. However, there will be a non-cash, exceptional gain in the NEXT Group accounts reflecting the increased value of its investment in Reiss and its consolidation into the NEXT Group accounts in accordance with IFRS 3 (Business Combinations).

We expect the net gain to be in the region of £110m, being:

- The market value of our newly acquired shares in Reiss estimated at £432m
- ***Less*** the estimated book value of our existing investment at the date of completion and related transaction costs.

APPENDIX 2
TOTAL PLATFORM CLIENTS & EQUITY INVESTMENTS

Our Total Platform clients and our investments in third-party brands are shown in the tables below.

Client	TP launch date	Equity interest or investment
Laura Ashley	Mar 2021	Licence to trade as Laura Ashley in UK & Eire
Victoria's Secret (UK and Eire)	May 2021	51% share in UK and Eire franchise
Reiss	Feb 2022	Increasing to 72% by October 2023[29]
GAP	Aug 2022	51% share in UK JV with GAP coalition
JoJo Maman Bébé	May 2023	44% share in partnership with Davidson Kempner
MADE	July 2023	100% acquisition of brand name, domain name and intellectual property
Joules	Q3 2023	74% share in partnership with Tom Joule

Other investments in brands not on Total Platform

Brand	Equity interest or investment
Swoon	25% share
Sealskinz	19.9% share
Aubin	28.9% share
Cath Kidston	100% acquisition of brand name, domain name and intellectual property

In March 2023, we acquired the brand name, domain names and intellectual property of Cath Kidston. We have decided not to develop a separate website until we have rebuilt the brand in the UK. Cath Kidston products will be available on the LABEL tab of the NEXT website.

[29] NEXT plc have agreed terms to increase its equity stake in Reiss to 72% from 51%. The completion of the transaction is subject to customary regulatory approvals and is expected to complete by October 2023.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	**26 weeks to 29 July 2023 £m**	26 weeks to 30 July 2022 £m
Continuing operations			
Revenue	3, 4	**2,516.6**	2,379.6
Cost of sales		**(1,417.5)**	(1,388.8)
Gross profit		**1,099.1**	990.8
Distribution costs		**(376.5)**	(362.4)
Administrative expenses		**(287.1)**	(195.3)
Other gains/(losses)		**13.0**	(1.4)
Trading profit		**448.5**	431.7
Share of results of associates and joint ventures		**4.0**	2.7
Operating profit	5	**452.5**	434.4
Finance income	6	**4.1**	2.7
Finance costs	6	**(40.9)**	(36.5)
Profit before taxation		**415.7**	400.6
Taxation	7	**(97.4)**	(72.1)
Profit for the period		**318.3**	328.5
Profit attributable to:			
- Equity holders of the Parent Company		**321.8**	328.5
- Non-controlling interests		**(3.5)**	-
Profit for the period		**318.3**	328.5
Earnings Per Share (pence)			
Basic	8	**264.5p**	262.3p
Diluted	8	**262.6p**	260.7p

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**26 weeks to 29 July 2023 £m**	26 weeks to 30 July 2022 £m
Profit for the period		**318.3**	328.5
Other comprehensive income and expenses:			
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains on defined benefit pension scheme	11	**(32.8)**	33.3
Tax relating to items which will not be reclassified		**8.1**	(8.3)
Subtotal items that will not be reclassified		**(24.7)**	25.0
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**1.9**	(3.1)
Foreign currency cash flow hedges:			
- fair value movements		**(8.5)**	88.1
Cost of hedging:			
- fair value movements		**(0.1)**	(0.9)
Tax relating to items which may be reclassified		**2.2**	(16.6)
Subtotal items that may be reclassified		**(4.5)**	67.5
Other comprehensive (expense)/income for the period		**(29.2)**	92.5
Total comprehensive income for the period		**289.1**	421.0
Total comprehensive income attributable to:			
- Equity holders of the Parent Company		**292.6**	421.0
- Non-controlling interests		**(3.5)**	-
		289.1	421.0

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	**29 July 2023 £m**	30 July 2022 £m	28 January 2023 £m
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment		**662.2**	594.5	644.8
Intangible assets		**150.4**	93.0	137.1
Right-of-use assets		**639.2**	648.0	662.0
Associates, joint ventures and other investments	10	**119.4**	114.5	114.6
Defined benefit pension asset	11	**131.3**	191.3	157.5
Other financial assets	12	**-**	10.7	-
Deferred tax assets		**16.5**	21.9	33.3
		1,719.0	1,673.9	1,749.3
Current assets				
Inventories		**684.6**	767.8	662.2
Customer and other receivables	13	**1,366.1**	1,317.8	1,425.5
Right of return asset		**31.7**	36.9	32.7
Other financial assets	12	**3.9**	64.1	9.1
Current tax assets		**12.4**	-	-
Cash and short term deposits	17	**164.9**	296.7	105.0
		2,263.6	2,483.3	2,234.5
Total assets		**3,982.6**	4,157.2	3,983.8
Current liabilities				
Bank loans and overdrafts	17	**(70.4)**	(358.3)	(102.3)
Trade payables and other liabilities	14	**(799.9)**	(770.8)	(791.1)
Lease liabilities	17	**(141.3)**	(151.9)	(146.2)
Dividends payable	9	**(168.4)**	(156.5)	-
Other financial liabilities	12	**(18.3)**	(4.0)	(40.8)
Current tax liabilities		**-**	(18.6)	(12.9)
		(1,198.3)	(1,460.1)	(1,093.3)
Non-current liabilities				
Corporate bonds	15	**(781.8)**	(803.9)	(790.7)
Provisions		**(32.9)**	(22.5)	(33.8)
Lease liabilities	17	**(840.4)**	(914.0)	(877.1)
Other financial liabilities	12	**(14.3)**	-	(9.5)
Other liabilities		**(10.8)**	(16.1)	(14.3)
		(1,680.2)	(1,756.5)	(1,725.4)
Total liabilities		**(2,878.5)**	(3,216.6)	(2,818.7)
NET ASSETS		**1,104.1**	940.6	1,165.1
TOTAL EQUITY		**1,104.1**	940.6	1,165.1

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Parent Company											
	Share capital £m	Share premium account £m	Capital redemption reserve £m	ESOT reserve £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Foreign currency translation £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 28 January 2023	**12.9**	**0.9**	**17.0**	**(396.7)**	**(11.3)**	**0.4**	**(3.7)**	**(1,443.8)**	**2,984.8**	**1,160.5**	**4.6**	**1,165.1**
Profit for the period	-	-	-	-	-	-	-	-	321.8	**321.8**	(3.5)	**318.3**
Other comprehensive income/(expense) for the period	-	-	-	-	(6.3)	(0.1)	1.9	-	(24.7)	**(29.2)**	-	**(29.2)**
Total comprehensive income/(expense) for the period	-	-	-	-	(6.3)	(0.1)	1.9	-	297.1	**292.6**	(3.5)	**289.1**
Reclassified to cost of inventory	-	-	-	-	12.9	-	-	-	-	**12.9**	-	**12.9**
Share buybacks and commitments	(0.2)	-	0.2	-	-	-	-	-	(167.3)	**(167.3)**	-	**(167.3)**
ESOT share purchases	-	-	-	(90.0)	-	-	-	-	-	**(90.0)**	-	**(90.0)**
Shares issued by ESOT	-	-	-	63.6	-	-	-	-	(16.0)	**47.6**	-	**47.6**
Share option charge	-	-	-	-	-	-	-	-	15.3	**15.3**	-	**15.3**
Tax recognised directly in equity	-	-	-	-	(3.3)	-	-	-	3.1	**(0.2)**	-	**(0.2)**
Equity dividends (Note 9)	-	-	-	-	-	-	-	-	(168.4)	**(168.4)**	-	**(168.4)**
At 29 July 2023	**12.7**	**0.9**	**17.2**	**(423.1)**	**(8.0)**	**0.3**	**(1.8)**	**(1,443.8)**	**2,948.6**	**1,103.0**	**1.1**	**1,104.1**
At 29 January 2022	**13.3**	**0.9**	**16.6**	**(331.7)**	**27.9**	**0.7**	**(4.9)**	**(1,443.8)**	**2,731.0**	**1,010.0**	**-**	**1,010.0**
Profit for the period	-	-	-	-	-	-	-	-	328.5	**328.5**	-	**328.5**
Other comprehensive income/(expense) for the period	-	-	-	-	71.3	(0.7)	(3.1)	-	25.0	**92.5**	-	**92.5**
Total comprehensive income/(expense) for the period	-	-	-	-	71.3	(0.7)	(3.1)	-	353.5	**421.0**	-	**421.0**
Reclassified to cost of inventory	-	-	-	-	(60.3)	-	-	-	-	**(60.3)**	-	**(60.3)**
Share buybacks and commitments	(0.4)	-	0.4	-	-	-	-	-	(224.0)	**(224.0)**	-	**(224.0)**
ESOT share purchases	-	-	-	(89.7)	-	-	-	-	-	**(89.7)**	-	**(89.7)**
Shares issued by ESOT	-	-	-	28.8	-	-	-	-	(9.6)	**19.2**	-	**19.2**
Share option charge	-	-	-	-	-	-	-	-	11.8	**11.8**	-	**11.8**
Gain on disposal of investments	-	-	-	-	-	-	-	-	0.8	**0.8**	-	**0.8**
Tax recognised directly in equity	-	-	-	-	11.5	-	-	-	(3.5)	**8.0**	-	**8.0**
Equity dividends (Note 9)	-	-	-	-	-	-	-	-	(156.2)	**(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**	**-**	**940.6**

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Notes	**26 weeks to 29 July 2023 £m**	26 weeks to 30 July 2022 £m
Cash generated from operations	18	**596.4**	310.2
Corporation taxes paid		**(90.2)**	(70.0)
Net cash from operating activities		**506.2**	240.2
Cash flows from investing activities			
Additions to property, plant and equipment		**(54.0)**	(94.9)
Development of warehouse build		**(12.2)**	(16.6)
Movement in capital accruals		**(4.0)**	1.6
Payments to acquire property, plant and equipment		**(70.2)**	(109.9)
Proceeds from sale of property, plant and equipment		**2.1**	-
Proceeds from sale and leaseback transactions		**-**	41.7
Payments to acquire intangible assets		**(26.5)**	(18.4)
Loan repayments from associates and joint ventures		**-**	11.3
Investments in associates and joint ventures	10	**(0.9)**	(64.7)
Proceeds from disposal of other investments		**-**	1.8
Dividends from jointly controlled entity	10	**2.6**	-
Net cash from investing activities		**(92.9)**	(138.2)
Cash flows from financing activities			
Repurchase of own shares		**(167.3)**	(228.4)
Purchase of shares by ESOT		**(90.0)**	(89.7)
Disposal of shares by ESOT		**46.4**	10.0
Receipt of unsecured bank loans		**-**	125.0
Proceeds from sale and leaseback transactions		**-**	59.3
Lease payments		**(70.2)**	(81.0)
Incentives received for leases within the scope of IFRS 16		**0.1**	0.1
Interest paid (including lease interest)		**(40.9)**	(36.8)
Interest received		**0.8**	1.3
Net cash from financing activities		**(321.1)**	(240.2)
Net increase/(decrease) in cash and cash equivalents		**92.2**	(138.2)
Opening cash and cash equivalents		**2.7**	199.9
Effect of exchange rate fluctuations on cash held		**(0.4)**	1.7
Closing cash and cash equivalents	17	**94.5**	63.4

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The Group's interim results for the 26 weeks to 29 July 2023 (prior year 26 weeks to 30 July 2022) were approved by the Board of Directors on 21 September 2023 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 28 January 2023 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 28 January 2023. New interpretations and amendments issued in the year are noted below but none have impacted the interim statements:

- Amendments to IFRS 17
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12) - Application of the exception and disclosure of that fact
- International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12) - other disclosure requirements

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 2023 Annual Report and Accounts for further details of the underlying assumptions used within the ECL calculations (pages 192 to 193).

The most significant area of material estimation uncertainty in the July 2023 provision is the impact that the current cost of living pressures may have on customer payment behaviour.

UK consumers have experienced a prolonged period of elevated price inflation and disposable income is likely to continue to be restricted for the foreseeable future, particularly during winter when energy bills will remain high and as an increasing number of consumers start to see higher interest rates flow through into their housing costs. Management believe this may adversely impact the recoverability of customer receivables, specifically those customers who have relatively low incomes (based on ONS income decile data) or those with high mortgage repayments relative to their gross income. An overlay to increase the assumed CII (Consumer Indebtedness Index) 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 £36.2m of the total ECL. We are not explicitly predicting that these customers will move towards a higher level of indebtedness (per the CII), but using CII as a proxy to increase the assumed risk level of these customers in the modelling.

In the five weeks following the interim period end date, £0.2bn of the £1.3bn NEXT customer and other trade receivables has been recovered.

Significant areas of judgement and accounting estimates

No additional significant areas of judgement or material accounting estimates noted.

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 29 July 2023.

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 2023 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 78 to 82 of the January 2023 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 operating profit, 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 International Retail, Sourcing and other segment comprises franchise and franchise owned stores overseas and our sourcing business. 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", excluding Total Platform, 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). For Total Platform the "Total sales" value is the commission value and service income. 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.

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

1. **Lipsy**
   The Group had previously split the profit generated from selling Lipsy goods through the NEXT website between NEXT Online and the Lipsy division. Given all of Lipsy's online sales are reported within NEXT Online, the Group has now presented all of these associated profits within NEXT Online and therefore, for comparative purposes, has restated segment sales and revenue and profit for the 26 weeks to 30 July 2022.

3. Segmental analysis (continued)

The impact of this change is that the Lipsy profit of £14.3m for the period to July 2022 has been re-allocated as follows:

a. Segment profit for NEXT Online increased by £13.6m.
b. NEXT Finance profit increased by £5.7m as Lipsy previously received a benefit for its contribution towards the NEXT Finance business.
c. International Retail, Sourcing and Other has an additional cost of £5.0m.

This does not impact Group profit and is a change in presentation within this note only.

2. Total Platform - new segment

In the comparative period, the financial performance of Total Platform was reported across two segments:

a. Profit on sales was reported within NEXT Online; and
b. Equity returns were reported separately within "Share of results of associates and joint venture".

The Total Platform business grew significantly in the prior year and therefore sales and profits will be presented within its own segment for a better understanding of the performance of Total Platform. As a result, the prior period segment revenue and profits have been restated so that all Total Platform related profit is presented in its own segment "Total Platform".

As a result of this change:

a. Total Platform segment reported profits of £3.7m;
b. NEXT Online's segment profit decreased by £1.0m; and
c. Profit shown in "Share of results of associates and joint ventures" decreased by £2.7m.

This has no impact on Group profit.

3. Total Platform - sales

This year we have made a change in the presentation of **Total Platform sales** and have therefore restated the prior year figure. (July 2022, while reported within the Online segment, was £59.1m, now £17.4m).

Previously, under Total Platform, we reported Total Sales as being the gross transaction value (GTV) taken through our clients' websites plus the income generated from non-eCommerce activities (where we charge for the services provided on a 'cost-plus' basis). This year, we have decided to report the commission earned by NEXT on our client's website sales and not the GTV, together with the non-eCommerce income. We believe that this is a more appropriate measure of Total Platform's income and this is the revenue that we should use when measuring our Total Platform margins.

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

3. Segmental analysis (continued)

Segment sales and revenue

26 weeks to 29 July 2023	Total sales excluding VAT £m	Commission sales adjustment £m	Other IFRS 15 adjustments £m	External revenue £m	Internal revenue £m	Total segment revenue £m
NEXT Online	**1,498.4**	**(149.1)**	**35.2**	**1,384.5**	**-**	**1,384.5**
NEXT Retail	**885.0**	**(9.7)**	**0.3**	**875.6**	**0.4**	**876.0**
NEXT Finance	**143.1**	**-**	**-**	**143.1**	**-**	**143.1**
Total Trading Sales	**2,526.5**	**(158.8)**	**35.5**	**2,403.2**	**0.4**	**2,403.6**
Total Platform	**22.3**	**-**	**-**	**22.3**	**-**	**22.3**
Joules	**47.1**	**-**	**1.7**	**48.8**	**-**	**48.8**
Property Management	**10.3**	**-**	**-**	**10.3**	**84.5**	**94.8**
International Retail, Sourcing and other	**32.0**	**-**	**-**	**32.0**	**220.2**	**252.2**
Total segment sales/revenue	**2,638.2**	**(158.8)**	**37.2**	**2,516.6**	**305.1**	**2,821.7**
Eliminations	**-**	**-**	**-**	**-**	**(305.1)**	**(305.1)**
Total	**2,638.2**	**(158.8)**	**37.2**	**2,516.6**	**-**	**2,516.6**

		* Restated					
26 weeks to 30 July 2022	*Total sales excluding VAT - previously reported £m*	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*	1,427.4	(151.0)	31.5	1,307.9	-	1,307.9
NEXT Retail	*880.5*	880.5	(5.0)	0.2	875.7	0.2	875.9
NEXT Finance	*133.7*	133.7	-	-	133.7	-	133.7
Total Trading Sales	*2,500.7*	2,441.6	(156.0)	31.7	2,317.3	0.2	2,317.5
Total Platform	-	17.4	-	-	17.4	-	17.4
Joules	-	-	-	-	-	-	-
Property Management	*8.8*	8.8	-	-	8.8	75.8	84.6
International Retail, Sourcing and other	*36.1*	36.1	-	-	36.1	284.0	320.1
Total segment sales/revenue	*2,545.6*	2,503.9	(156.0)	31.7	2,379.6	360.0	2,739.6
Eliminations	-	-	-	-	-	(360.0)	(360.0)
Total	*2,545.6*	2,503.9	(156.0)	31.7	2,379.6	-	2,379.6

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.

3. Segmental analysis (continued)

Segment profit

	26 weeks to 29 July 2023 £m	26 weeks to 30 July 2022 *Restated £m	26 weeks to 30 July 2022 previously reported £m
NEXT Online	**245.5**	220.9	208.3
NEXT Retail	**101.2**	100.6	100.6
NEXT Finance	**80.2**	86.3	80.6
Profit from Trading	**426.9**	407.8	389.5
Total Platform (including share of results from associates and joint ventures)	**7.7**	3.7	-
Joules	**(7.4)**	-	-
Lipsy	**-**	-	14.3
Property Management	**1.6**	13.3	13.3
International Retail, Sourcing and other	**17.1**	15.0	20.0
Total segment profit	**445.9**	439.8	437.1
Central costs	**(14.1)**	(7.3)	(7.3)
Recharge of interest	**23.0**	15.6	15.6
Share option charge	**(15.3)**	(12.3)	(12.3)
Unrealised foreign exchange gains/(losses)	**13.0**	(1.4)	(1.4)
Share of results of associates and joint ventures	**-**	-	2.7
Operating profit	**452.5**	434.4	434.4
Finance income	**4.1**	2.7	2.7
Finance costs	**(40.9)**	(36.5)	(36.5)
Profit before tax	**415.7**	400.6	400.6

On a statutory basis the Profit before tax of £415.7m includes 100% of the loss in respect of Joules on a fully consolidated basis. This loss is recognised across two reporting segments: (i) an underlying loss of £7.4m is shown within the Joules segment and (ii) the non recurring integration costs of £7.2m are included within "Central costs and other". The total loss before tax is therefore £14.6m.

Within the Chief Executive's review, 74% of these losses, and interest earnt on a loan to Joules, have been reported within Total Platform and Other business activities. The 74% represents NEXT's shareholding in Joules.

In the prior year £5m of the costs within "International Retail, Sourcing and other" above were presented within "Central costs and other" in Other Business Activities in the Chief Executive's review.

4. Revenue

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

	26 weeks to 29 July 2023					
	Sale of goods £m	**Credit account interest £m**	**Royalties £m**	**Rental income £m**	**Service income £m**	**Total £m**
NEXT Online	**1,384.5**	**-**	**-**	**-**	**-**	**1,384.5**
NEXT Retail	**875.6**	**-**	**-**	**-**	**-**	**875.6**
NEXT Finance	**-**	**143.1**	**-**	**-**	**-**	**143.1**
Total Platform	**13.3**	**-**	**-**	**-**	**9.0**	**22.3**
Joules	**48.8**	**-**	**-**	**-**	**-**	**48.8**
Property Management	**-**	**-**	**-**	**10.3**	**-**	**10.3**
International Retail, Sourcing and other	**27.1**	**-**	**4.9**	**-**	**-**	**32.0**
Total	**2,349.3**	**143.1**	**4.9**	**10.3**	**9.0**	**2,516.6**

	26 weeks to 30 July 2022 *restated					
	Sale of goods £m	Credit account interest £m	Royalties £m	Rental income £m	Service income £m	Total £m
NEXT Online	1,307.9	-	-	-	-	1,307.9
NEXT Retail	875.7	-	-	-	-	875.7
NEXT Finance	-	133.7	-	-	-	133.7
Total Platform	11.1	-	-	-	6.3	17.4
Joules	-	-	-	-	-	-
Property Management	-	-	-	8.8	-	8.8
International Retail, Sourcing and other	32.5	-	3.6	-	-	36.1
Total	2,227.2	133.7	3.6	8.8	6.3	2,379.6

Service income relates to services provided to our Total Platform partners.

* As a result of the changes in how we report segmental profit per Note 3, segmental revenue has also been amended in the prior period with Lipsy's previously reported sale of goods of £3.0m and Lipsy royalties of £0.7m both being included within the International Retail, Sourcing and other segment. Total Platform has been separated out into its own segment from NEXT Online.

5. Operating profit

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

	26 weeks to 29 July 2023 £m	26 weeks to 30 July 2022 £m
Impairment charges on property, plant and equipment	**0.4**	-
Depreciation of property, plant and equipment	**47.5**	52.0
(Gain)/loss on disposal of property, plant and equipment	**(1.4)**	0.1
Gain on sale and leaseback	**-**	(16.4)
Depreciation and impairment of right-of-use assets	**52.4**	52.2
Amortisation, impairment and (gain)/loss on disposal of intangible assets	**13.2**	4.7
Write down of inventories to net realisable value	**55.5**	82.0
Customer and other receivables:		
- Impairment charge	**18.1**	14.4
- Amounts recovered	**(0.5)**	(0.7)

In the prior 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.

In the prior period, the Group also recognised a gain of £5.6m in relation to contingent consideration on a previous sale and leaseback transaction.

Impairment charge and amounts recovered on customer and other receivables of £17.6m (July 2022: £13.7m) differs to the bad debt charge of £16.1m (July 2022: £10.4m) 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 29 July 2023 £m	26 weeks to 30 July 2022 £m
Interest on bank deposits	**1.2**	0.1
Other interest receivable	**2.9**	2.6
Finance income	**4.1**	2.7
Interest on bonds and other borrowings	**17.7**	13.0
Finance costs on lease liability	**23.2**	23.5
Finance costs	**40.9**	36.5

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.

Effective April 2023, the UK headline corporation tax rate increased from 19% to 25%. Deferred tax balances have been measured at the headline rate of 25%.

As part of the Organisation for Economic Co-operation and Development (OECD)/G20 Base Erosion and Profit Shifting (BEPS) project, the OECD has introduced the Pillar Two model rules (Pillar Two tax). Broadly, the rules implement a minimum level of tax in each jurisdiction that a Group operates by imposing a top-up tax on profits whenever the effective tax rate, determined on a jurisdictional basis, is below the minimum rate of 15%.

On 20 June 2023 the UK substantively enacted Pillar Two tax legislation to implement the global minimum top-up tax. The Group expects to be subject to the top-up tax in relation to its operations although the related tax expense is not expected to be significant and will not be effective in the current year.

8. Earnings Per Share

	26 weeks to 29 July 2023	26 weeks to 30 July 2022
Basic Earnings Per Share	**264.5p**	262.3p
Diluted Earnings Per Share	**262.6p**	260.7p

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 3.9 million non-dilutive share options which were excluded from the diluted EPS calculation (July 2022: 3.0 million).

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

	26 weeks to 29 July 2023 £m	26 weeks to 30 July 2022 £m
Profit after tax attributable to equity holders of the Parent Company	**321.8**	328.5
Weighted average number of shares (millions):		
Weighted average shares in issue	**128.3**	131.0
Weighted average shares held by ESOT	**(6.6)**	(5.8)
Weighted average shares for basic EPS	**121.7**	125.2
Weighted average dilutive potential shares	**0.9**	0.8
Weighted average shares for diluted EPS	**122.6**	126.0

9. Dividends

It is intended that this year's ordinary interim dividend of 66p per share will be paid to shareholders on 3 January 2024. NEXT plc shares will trade ex-dividend from 7 December 2023 and the record date will be 8 December 2023.

Dividends paid or declared during the current and prior period were as follows:

26 weeks to 29 July 2023	**Paid**	**Pence per share**	**Cash Flow Statement £m**	**Statement of Changes in Equity £m**	**July 2023 Balance Sheet £m**
Ordinary dividend	1 Aug 2023	140p	-	168.4	168.4
			-	**168.4**	**168.4**

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

* Dividends included within the Statement of Changes in Equity is £156.2m which includes £0.3m of dividends previously payable and have now lapsed.

10. Associates, joint ventures and other investments

	26 weeks to 29 July 2023 £m	26 weeks to 30 July 2022 £m	52 weeks to 28 January 2023 £m
Opening balance	**114.6**	46.2	46.2
Acquisitions in the period	**0.9**	64.7	66.6
Share of profits	**4.0**	2.7	14.3
Interest on preference shares	**2.6**	2.0	4.8
Preference share dividend received	**-**	-	(9.8)
Disposals	**-**	(1.0)	(1.0)
Divestment of preference shares	**-**	-	(5.5)
Dividends received	**(2.6)**	-	-
Amortisation and impairment charge in the period	**(0.1)**	(0.1)	(1.0)
Closing balance	**119.4**	114.5	114.6

11. Defined benefit pension

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

	29 July 2023 £m	30 July 2022 £m	28 January 2023 £m
Present value of benefit obligations	**(586.4)**	(727.9)	(623.1)
Fair value of plan assets	**717.7**	919.2	780.6
Net pension asset	**131.3**	191.3	157.5

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

	26 weeks to 29 July 2023 £m	26 weeks to 30 July 2022 £m	52 weeks to 28 January 2023 £m
Surplus in schemes at the beginning of the period	**157.5**	156.9	156.9
Current service cost	**(1.9)**	(3.8)	(6.7)
Past service cost	**-**	-	(1.1)
Administration costs	**(0.6)**	(1.1)	(2.5)
Net interest	**3.7**	1.7	3.5
Employer contributions	**5.4**	4.3	6.8
Benefits paid	**-**	-	-
Actuarial (losses)/gains	**(32.8)**	33.3	0.6
Surplus in schemes at the end of the period	**131.3**	191.3	157.5

The surplus in the schemes has moved from £157.5m at January 2023 to £131.3m at July 2023, primarily due to actuarial losses of £32.8m. The net actuarial loss of £32.8m relates to a £42.0m reduction in the pension obligation driven by a higher discount rate used in calculating the obligation and experience losses, offset by a £74.8m 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 29 July 2023	26 weeks to 30 July 2022	52 weeks to 28 January 2023
Discount rate	**5.20%**	3.50%	4.60%
Inflation – RPI	**3.10%**	3.20%	3.10%
Inflation – CPI	**2.80%**	2.75%	2.70%
Salary increases	**n/a**	n/a	n/a
Pension increases in payment			
- RPI with a maximum of 5%	**2.90%**	2.85%	2.85%
- RPI with a maximum of 2.5% and discretionary increases	**1.90%**	1.90%	1.85%

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 2023 Annual Report and Accounts).

13. Customer and other receivables

	29 July 2023 **£m**	30 July 2022 £m	28 January 2023 £m
Gross customer receivables	**1,508.0**	1,449.9	1,521.1
Less: refund liabilities	**(70.9)**	(71.3)	(64.2)
Net customer receivables	**1,437.1**	1,378.6	1,456.9
Less: allowance for expected credit losses	**(213.7)**	(196.8)	(202.2)
	1,223.4	1,181.8	1,254.7
Other trade receivables	**32.6**	30.2	42.9
Less: allowance for doubtful debts	**(0.5)**	(0.4)	(0.3)
	1,255.5	1,211.6	1,297.3
Prepayments	**66.4**	55.7	54.9
Other debtors	**25.8**	24.6	40.7
Amounts due from associates and joint ventures	**18.4**	25.9	32.6
	1,366.1	1,317.8	1,425.5

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 24.9% at the half year end date (2022: 23.9%) except for £59.8m (July 2022: £45.9m, January 2023: £54.8m) of next3step balances that bear interest at 29.9% (2022: 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 £1,230m (July 2022: £1,180m, January 2023: £1,260m). 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 2023 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)

	29 July 2023	30 July 2022	28 January 2023
	£m	£m	£m
Trade payables	**277.6**	294.8	230.1
Amounts owed to associates and joint ventures	**4.2**	0.2	2.1
Refund liabilities	**6.8**	4.8	8.3
Other taxation and social security	**92.7**	64.0	95.7
Deferred revenue from the sale of gift cards	**73.3**	68.8	84.2
Share-based payment liability	**-**	0.1	0.2
Other creditors and accruals	**345.3**	338.1	370.5
	799.9	770.8	791.1

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**		
	29 July 2023	30 July 2022	28 January 2023	**29 July 2023**	30 July 2022	28 January 2023
	£m	£m	£m	**£m**	£m	£m
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	**231.8**	253.9	240.7
Corporate bond 3.625% repayable 2028	**300.0**	300.0	300.0	**300.0**	300.0	300.0
	800.0	800.0	800.0	**781.8**	803.9	790.7

As explained in the January 2023 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 2023, the fair value of the Group's corporate bonds was £759.4m (July 2022: £793.9m, January 2023: £783.3m). 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:

	2023 Shares ‘000	**2023 £m**	2022 Shares ‘000	2022 £m
Shares in issue at start of year	**129,263**	**12.9**	132,772	13.3
Shares purchased for cancellation in the period	**(2,465)**	**(0.2)**	(3,509)	(0.4)
Shares in issue at July	**126,798**	**12.7**	129,263	12.9

The total cost of shares purchased for cancellation as shown in the Statement of Changes in Equity was £167.3m (2022: £224.0m). The expenditure on share buybacks included in the prior period cash flow statement includes £4.4m relating to buybacks made in January 2022 but paid in February 2022.

17. Analysis of net debt

	29 July 2023 £m	30 July 2022 £m	28 January 2023 £m
Cash and short term deposits	**164.9**	296.7	105.0
Overdrafts and short term borrowings	**(70.4)**	(233.3)	(102.3)
Cash and cash equivalents	**94.5**	63.4	2.7
Unsecured bank loans	**-**	(125.0)	-
Corporate bonds	**(781.8)**	(803.9)	(790.7)
Fair value hedges of corporate bonds	**(18.2)**	3.9	(9.3)
Net debt excluding leases	**(705.5)**	(861.6)	(797.3)
Current lease liability	**(141.3)**	(151.9)	(146.2)
Non-current lease liability	**(840.4)**	(914.0)	(877.1)
	(981.7)	(1,065.9)	(1,023.3)
Net debt including leases	**(1,687.2)**	(1,927.5)	(1,820.6)

18. Cash generated from operations

	26 weeks to 29 July 2023 £m	26 weeks to 30 July 2022 £m
Cash flows from operating activities		
Operating profit	**452.5**	434.4
Depreciation, impairment and (profit)/loss on disposal of property, plant and equipment	**46.5**	35.5
Depreciation and impairment on right-of-use assets	**52.4**	52.2
Amortisation, impairment and (profit)/loss on disposal of intangible assets and investments	**13.3**	4.9
Share option charge	**15.3**	11.8
Share of profit of associates and joint ventures	**(4.0)**	(2.7)
Exchange movement	**1.2**	(2.8)
Increase in inventories and right of return asset	**(21.4)**	(146.9)
Decrease/(increase) in customer and other receivables	**56.7**	(48.7)
Decrease in trade and other payables	**(9.5)**	(26.3)
Net pension contributions less income statement charge	**(6.6)**	(1.2)
Cash generated from operations	**596.4**	310.2

19. Post balance sheet events

On 21 August 2023 NEXT entered into a contract to increase its shareholding in the Reiss group from 51% to 72%. On completion of this transaction Next will obtain control of the Reiss group and will therefore start to consolidate the results of Reiss into its group results.

The transaction will not materially impact the Group's underlying profit before tax or EPS in the current year. However, there will be a non-recurring, non-cash, exceptional gain in the NEXT Group accounts reflecting the increased value of its investment in Reiss and its consolidation into the NEXT Group accounts in accordance with IFRS 3 (Business Combinations).

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	**Amanda James**
Chief Executive	**Group Finance Director**

21 September 2023

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 statements reflect NEXT's current expectations concerning future events but 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 74 to 82 of the January 2023 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. They involve risks and uncertainties and relate to events and depend upon circumstances which may or may not occur in the future and there is 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.