next plc

Results for the Half Year Ending July 2015

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CHIEF EXECUTIVE'S REVIEW

OVERVIEW

Full price NEXT Brand sales for the first half of the year were marginally ahead of our expectations, up +**3.5%**. Lower markdown sales meant that total NEXT Brand sales were up +3.3%. Total NEXT Group sales (including NEXT Franchise sales) were up +2.7%.

Profit before tax was up +**7.1%**. Earnings Per Share (EPS) were up +8.0%, boosted by share buybacks last year. We are declaring an interim dividend of 53p, an increase of 6% on last year, which is in line with our expectations for full year growth in EPS.

SALES excluding VAT	**July 2015**	**July 2014**	
	£m	£m	
NEXT Retail	1,083.0	1,080.9	+0.2%
NEXT Directory	767.0	709.2	+8.2%
NEXT BRAND	1,850.0	1,790.1	+3.3%
Other	57.4	66.4	
Total NEXT Group sales	**1,907.4**	**1,856.5**	**+2.7%**
Statutory Revenue	1,890.5	1,849.6	

PROFIT and EPS	**July 2015**	**July 2014**	
	£m	£m	
NEXT Retail	161.0	152.3	+5.7%
NEXT Directory	184.1	172.1	+7.0%
NEXT BRAND	345.1	324.4	+6.4%
Other	16.9	14.7	
Operating profit	362.0	339.1	+6.7%
Net interest	(14.9)	(14.9)	
Profit before tax	**347.1**	**324.2**	**+7.1%**
Taxation	(70.1)	(66.5)	
Profit after tax	277.0	257.7	+7.5%
EPS	**187.1p**	**173.3p**	**+8.0%**
Ordinary interim dividend per share	53.0p	50.0p	+6.0%

NEXT RETAIL

RETAIL SALES AND PROFIT ANALYSIS

£m	July 2015	July 2014	
Retail total sales	1,083.0	1,080.9	+0.2%
Retail operating profit	161.0	152.3	+5.7%
Retail net margin	14.9%	14.1%	

Total Retail sales were up +0.2%. Full price sales were up +0.8% and net new space contributed +2.2% to growth. In these circumstances, with property commitments rising faster than sales, it is surprising that Retail margins moved forward. The main reason for the margin improvement is that our buying teams over-achieved against their target margin, assisted by better currency rates. In addition, productivity improvements and the closure of underperforming stores meant that wage and property costs did not rise as much as might be expected.

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

Net operating margin on total sales last year		**14.1%**
Bought-in gross margin	Over achievement against target buying margin +0.6% and a planned increase in Home furniture margins +0.2%.	**+0.8%**
Markdown	Margin improved as a result of full price sales growing faster than markdown sales, and a non-recurring prior year stock write off.	**+0.2%**
Increase in store payroll	Increased rates of pay and holiday allowances would have cost -0.6% but were partially offset by in-store productivity initiatives which improved margin by +0.4%.	**- 0.2%**
Store occupancy	Rent and rates reduced margin mainly as a result of negative like for like sales. However, this was largely offset by lower depreciation on existing stores and the closure of low profit stores. The majority of rent reviews and lease renewals resulted in little or no increase.	**- 0.1%**
Warehouse and distribution	The annual cost of living award increased warehouse wages as a percentage of sales. In addition, Home furniture sales, which have above average warehouse handling costs, increased their participation of sales.	**- 0.2%**
Central overheads	Margin increased mainly due to lower staff incentives.	**+0.3%**
Net operating margin on total sales this year		**14.9%**

We expect Retail net margins for the second half to be broadly in line with last year, as we do not anticipate achieving the same bought-in gross margin gains.

RETAIL SPACE EXPANSION

The addition of profitable new locations, the relocation and expansion of successful stores and the closure of underperforming stores remain central to the development of our retail business. We are now planning to increase net trading space by 293,000 square feet this year. This is 57,000 square feet less than planned because the opening of two large stores has slipped into the beginning of next year.

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

	Store Numbers	Sq. Ft. (000's)	
January 2015	**539**	**7,373**	
New stores, including 8 re-sites	+22	+416	
Closures, including 11 re-sites	- 19	- 179	
Extensions (13)	-	+56	
January 2016 (e)	**542**	**7,666**	**+4.0%**

Looking beyond the current year, we estimate that we will add around 350,000 square feet of net trading space in both 2016 and 2017. Of course, this is only a rough estimate at this stage and much will depend on the property deals we are able to achieve and required planning permissions.

Returns on Capital and Profitability

Profitability of stores opened in the last 12 months is forecast to average 24% and payback on the net capital invested is expected to be 18 months. Both figures meet Company investment hurdles of 15% store profitability and 24 months capital payback. The table below sets out the profitability and returns from new space, broken down into Fashion and large Home & Fashion stores. These new larger format stores have a two storey stand-alone Home store adjacent to a fashion store.

New space	Sales vs target	Forecast profitability	Forecast payback
Fashion	+2.4%	21.9%	18 months
Large format Home & Fashion	+15.9%	25.2%	18 months
Total	**+10.2%**	**23.9%**	**18 months**

We have experienced some inflation in the cost per square foot of new space; this is partly as a result of enhanced shopfit specifications and partly down to building cost inflation. Looking at the openings we have planned for the next 12 months, there are a couple where we decided to stretch our payback criteria, although never to more than 30 months.

FOCUS ON RETAIL WAGES

Starting wages in the retail sector have been the subject of much discussion over the last two years, culminating with the announcement of the Living Wage Premium in the July Budget. This section sets out the improvements NEXT has made in our starter wages, terms and conditions over the last four years. It goes on to examine the implications of the Living Wage Premium on the economics of our business.

HIGHER WAGE RATES AND BETTER CONTRACT HOURS

When we started the process of improving our Retail customer service in June 2013 we recognised that we needed to change our terms of employment. This was not only about rate of pay, just as important were the contractual terms, conditions and hours we offered to our staff.

The table below shows how our starter rates of pay[1], average weekly hours worked, and average weekly pay have changed over four years. As can be seen, in October of this year, the combination of increasing pay rates and longer contracts means that, on average, our staff will be earning 43% more than in 2012.

	Oct 2012	Oct 2013	Oct 2014	Oct 2015(e)
Adult starter hourly rate[1] (***NB** Excludes bonuses*[2])	£6.21	£6.33	£6.70	£7.04
% growth in hourly rate versus 2012				+13%
% growth in average weekly hours versus 2012				+26%
% growth in average weekly pay versus 2012				+43%
Retail payroll as a percentage of sales	*11.9%*			*12.1%*

Despite increasing wage rates (up 13%) and declining same-store sales, branch wages have only risen by +0.2% as a percentage of sales. This is because most of the increase in wage rates has been funded through a series of productivity improvements.

FLEXIBILITY AND NEXT'S SHIFT MARKET PLACE

In order to achieve the increase in average hours per employee, we have moved away from large numbers of people working relatively few hours, towards employing fewer people on longer hours contracts. This means that we have fewer, better paid, better trained and more experienced staff. This change has been achieved through natural staff turnover and without any redundancies.

The downside of employing fewer people on longer contracts is that we have much less potential to flex up hours in the business to meet peak trading requirements. We have addressed this problem by creating an extremely popular online Shift Market Place for our staff. Three weeks in advance, we forecast our staffing requirements according to expected trading conditions. Additional hours required to cover unexpected peaks are advertised on the Market Place and surplus hours are offered up as 'time-off available'. Staff then have the opportunity to use Market Place hours to either boost their hours or manage additional time off. Staff who know they will always want to work certain additional hours can configure their timetable as permanently available; this enables them to automatically receive any available extra hours without having to watch the Market Place.

[1] Rates quoted are for 21 years and older, working outside Greater London
[2] Excludes customer service bonuses which this year average 50p per hour

THE LIVING WAGE PREMIUM

Nature and Impact of the Living Wage Premium

In July the Government announced the introduction of the Living Wage Premium (LWP) which sets a new minimum wage for employees who are twenty five years old and above. The LWP has been set at £7.20 from April 2016, which is 55% of the forecast 2016 median wage.

The introduction of the LWP needs to be taken in the context of the scaling back of Working and Family Tax Credits. The tax credit system, by supplementing lower wages, almost certainly constrained market wage rates. So, even without the introduction of the LWP, the lowest wages are likely to have risen faster than general wage inflation anyway, through normal market forces.

A Level Playing Field

Importantly, this measure affects all employers equally, both within and outside the retail sector. It is therefore unlikely to affect the competitiveness of any individual business. Additional wage costs are likely to be similar for most clothing retailers, so any resulting price rises should be comparable across the industry.

Calculation of the Living Wage Premium

The stated intention is to raise the LWP to 60% of the median wage by 2020. This increase, combined with the Office for Budget Responsibility's (OBR) forecast for wage inflation of circa 4.5% per annum, means that the LWP is forecast to be £9.35 in April 2020. (The economics of this forecast are set out in Appendix B of the OBRs 'Economic and Fiscal Outlook Report, July 2015[3])

In assessing the economic impact of the LWP it is important to separate the two components of the increase between:

1. The impact of raising the LWP to 60% of the median wage.
2. The effect of general wage inflation which is forecast to increase the median wage.

The following table breaks down the financial impact of the increase into three components. Firstly the effect of raising the LWP to 55% of the median in 2016; secondly the effect of taking the LWP to 60% of the median wage without any inflation in the median wage; and finally the effect on the LWP of forecast inflation in the median wage to 2020.

	Rate of pay	**Increase vs Oct 15**
National Minimum Wage October 2015	**£6.70**	
Effect of:		
Increase to 55% of median wage (2016)	£7.20	+7%
Increase to 60% of median wage (2020, with no inflation in median)	£7.85	+17%
Add effect of inflationary increase in median wage @circa 4.5% pa	**£9.35**	+40%

From a retailer's perspective, *general wage* inflation is not such a worry, as long as wages are rising in real terms. In these circumstances the price rises required to cover our additional overheads could be passed on to consumers without adversely impacting sales. The logic is that if our customers' wages are rising much faster than our prices, they are unlikely to reduce the amount of clothing they purchase.

[3] http://cdn.budgetresponsibility.independent.gov.uk/July-2015-EFO-234224.pdf

Implications for NEXT Wage Costs and Prices

NEXT's total UK wages, at circa £600m, represent 15% of our sales. Of these, about £100m relates to those who would qualify for the LWP. Our adult starter rate will already be £7.04, so the increase to £7.20 in 2016 is manageable. We estimate that the cost of implementing the LWP next year will be £2m.

Looking beyond 2016, we estimate that the cost of the further rises in the LWP to 2020, *over and above the rate of general wage inflation*, will be £27m per annum. Of this, £11m relates to the wages of those who will be paid the LWP. The remaining £16m is the knock-on effect of maintaining wage differentials for supervisors, junior managers and other more skilled or demanding roles within the business (such as specialist call centre work).

The table below sets out the likely increases in NEXT's total wages given our internal estimate of the additional costs of the LWP and the OBR's estimate of general wage inflation. The second column gives the price rises necessary to cover these costs.

Cost Driver	**2020 additional wage costs (e)**	**Price rise 2020 vs 2016 (e)**
Cost of those earning LWP	£11m	
Cost of maintaining wage differentials	£16m	
Total cost of LWP	£27m	1%
Cost of general wage inflation (@4.5% per annum)	£120m	5%
Total increase in wages and prices to 2020	**£147m**	**6%**

The £27m additional LWP cost is not immaterial but, in the context of NEXT's wider cost base, is not transformative. We estimate that we would need to increase prices by around 1% to compensate for this cost which, taken over four years, is unlikely to have a material effect on the trading performance of the business. It should be noted that this is probably a pessimistic view of the required price rise, as we have assumed no improvements in productivity. In reality, we hope to be able to compensate for some wage inflation through increased productivity measures throughout the business.

In summary, as long as the LWP is linked to 60% of the median wage, we believe that the burden is manageable. The resulting price increases are also likely to be affordable in the context of forecast general wage inflation of 4.5% per annum.

General wage inflation and its effect on the LWP

There is an uncertainty as to what will happen in the event that median wage inflation is lower than the forecast 4.5% per annum. In order for the LWP to hit £9 per hour in 2020, inflation in the median wage needs to be 3.5%. If, however, wage inflation runs below 3.5% then achieving £9 in 2020 may be problematic, as it would mean raising the LWP above 60% of the median wage. Such a move would mean that maintaining reasonable wage differentials would be likely to move the median level itself, creating a potentially harmful inflationary loop.

DIRECTORY

OVERVIEW AND PROFIT ANALYSIS

£m	July 2015	July 2014	
Directory total sales	767.0	709.2	+8.2%
Directory operating profit	184.1	172.1	+7.0%
Directory net margin	24.0%	24.3%	

Total NEXT Directory sales grew by +8.2% in the first half, with full price sales growing +7.5%. Profit grew by +7.0%. The table below sets out significant margin movements by major heads of costs.

Net operating margin on total sales last year		**24.3%**
Bought-in gross margin	Gross margin on UK NEXT sales rose in line with Retail and would have added +0.8% to margin. However this gain was partially offset by an increase in LABEL and International sales which both achieve lower bought-in margins.	**+0.5%**
Higher markdown	Directory stock for Sale increased by 22% and clearance rates (the percentage of units sold in the Sale) also reduced.	**- 0.5%**
Reduction in bad debt	Bad debt costs reduced, increasing margin.	**+0.1%**
Interest income	Interest income grew, but at a lesser rate than total sales. This was due to an increased participation of cash sales and reduced APR charges. These effects have been partially offset by additional interest income on higher average customer balances (see “Focus on NEXT Directory Credit Business” section).	**- 0.2%**
Warehouse & distribution	Distribution costs have risen as a result of increased International sales. In addition, the annual cost of living award increased warehouse wages as a percentage of sales.	**- 0.9%**
Marketing costs	We cut out some of last year’s less productive marketing campaigns and costs.	**+0.4%**
Central overheads	Margin increased mainly due to lower staff incentives.	**+0.3%**
Net operating margin on total sales this year		**24.0%**

We expect that Directory margins for the full year will be broadly in line with last year.

DIRECTORY SALES ANALYSIS

Over the course of the last three years the nature of the NEXT Directory business has slowly changed. As NEXT Directory matures in the UK, growth in sales has increasingly come from two new sources. In the UK, LABEL's third party branded sales contributed more to growth than the NEXT brand; outside the UK, our online overseas business is now large enough to make a meaningful contribution to growth.

The table below shows the growth in sales for each element of the business. Directory sales in the UK grew by +6.3% and overseas by +24.1%.

Sales Growth

UK NEXT	+ £19m	+ 3.3%
UK LABEL	+ £22m	+ 30.5%
UK Total	**+ £41m**	**+ 6.3%**
Overseas	+ £17m	+ 24.1%
Total sales growth	**+ £58m**	**+ 8.2%**

DEVELOPING DIRECTORY OVERSEAS

Over the last twelve months, our focus has been to improve the speed of delivery overseas, in particular through the development of local distribution hubs. In October last year we opened a hub in Northern Ireland, allowing us to offer next day delivery to both Northern Ireland and Eire. This hub stocks small amounts of each item we sell. Customer orders are satisfied from the hub which receives bulk replenishment deliveries several times a week. The operation has been successful and served as a model for additional hubs further afield. We are developing local distribution hubs in the following territories:

RUSSIA

In March we opened a local hub and a small call centre in Russia. This has allowed us to offer a next day delivery service to customers in Moscow, 48 hour delivery to St Petersburg and between 2-5 days for our other Russian customers, a huge improvement on our previous lead times. In operational terms (systems, recruitment, productivity) the hub has performed well. The main lesson for future hubs was that the work associated with local testing and customs took much longer than expected.

CHINA

We have recently commissioned a new hub in Shanghai. It is now operational and servicing our business in Hong Kong. We expect to begin servicing mainland China and Taiwan later in the year. Delivery times will improve from between 8-14 days currently to between 1-5 days, depending on customer location. The operation is managed by a third party, so there has been very little capital investment required.

GERMANY

We currently deliver next day, by air, to Germany, Belgium and France; however we are only able to offer the service four days a week and the air freight involved is expensive. By the end of the year we aim to open a hub in the centre of Germany, allowing us to offer a more reliable, regular and less expensive next day delivery service. This hub may also allow us to deliver more efficiently to countries neighbouring Germany.

Overseas Sales and Profitability

The table below sets out the last three years' sales, profits and net margins for Directory overseas. The fourth column gives an estimate of the sales and profitability we are expecting for the full year. Margin has been eroded by 1.5%, mainly as a result of our decision not to pass on to our customers the full cost of some local currency devaluations.

£m	January 2013	January 2014	January 2015	January 2016 (e)
Sales	54	101	163	203 (e)
Net profit	10	18	30	33 (e)
Profitability	**19%**	**18%**	**18%**	**16.5% (e)**

LABEL

Several years ago we started selling non-competing third party brands through the NEXT Directory. Last year we printed our first LABEL catalogue, dedicated to promoting our third party offer. We now issue four, 400-page LABEL catalogues a year, to coincide with the launch of each major season. LABEL has its own dedicated website, labelonline.co.uk, and its ranges are also available through next.co.uk.

We continue to engage with new premium brands that do not directly compete with NEXT ranges and that enhance our overall customer offer. In the first half of the year we added 17 major brands and expect to add a further 14 in the second half.

LABEL Sales and Profitability

For the full year we expect LABEL full price sales to be up +20%. This is lower than our initial plan which, in hindsight, at +30% was too ambitious. So we expect total sales (including markdown) to be up more than full price sales. The table below sets out our forecast sales and profitability for the current year. These figures now include Lipsy sales which were previously included in NEXT Directory.

£m	January 2015	January 2016 (e)	
Total Sales exc. VAT[4]	145	180 (e)	+25%
Profitability[4]	14%	15% (e)	

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

DIRECTORY CUSTOMER BASE ANALYSIS

Active customers increased by 13% to 4.5 million. The table below sets out the growth in our UK and overseas customer base.

Average customers	**July 2015**	**July 2014**	
UK credit account	2.66m	2.74m	- 3%
UK cash	1.14m	0.81m	+40%
Total UK	**3.80m**	**3.55m**	**+7%**
Overseas	0.71m	0.43m	+65%
Total active customers	**4.51m**	**3.98m**	**+13%**

Given the relative maturity and scale of the NEXT Directory customer base, it is perhaps surprising to see UK customers growing by 250,000. This continued growth is a reflection of the increased reach that the internet has given to home shopping companies. However, these new customers are also changing the structure of our customer base. There is an increasing emphasis on cash customers, who pay at the point of order with a debit or credit card, and a corresponding stagnation in our credit customer base who shop using a NEXT Directory account.

This change represents a challenge to the Directory credit business, which increasingly must regard itself in competition with credit cards rather than other home shopping accounts. In our Year End Report in March we discussed the steps we were taking to make the Directory account more relevant to new customers. The progress we have made is discussed in more detail in the following focus section.

FOCUS ON NEXT DIRECTORY CREDIT BUSINESS

DEVELOPMENT OF THE DIRECTORY CREDIT CUSTOMER BASE

The table below shows how the credit customer base has changed over the last four years:

	July 2012	July 2013	July 2014	July 2015
Opening credit customers	2.5m	2.7m	2.8m	2.7m
% Leavers	- 22%	- 21%	- 22%	- 18%
% New customer accounts	+28%	+25%	+19%	+15%
Net change in credit account customers	**+6%**	**+4%**	**- 3%**	**- 3%**
Credit sales growth	+12%	+5%	+10%	+2%

The table shows that the decline in the credit customer base stems from the decline in the recruitment of *new* credit customers, rather than any change in the quality of our existing client base. Indeed the existing credit customer base demonstrates more loyalty (with lower closure rates), and higher spending. In March we outlined two steps aimed at making our account more attractive to new customers:

- Promoting the credit offer at point of order.
- Bringing our account more in line with the terms available on credit cards. In particular, we have reduced the minimum payment required each month.

PROMOTION OF CREDIT OFFER

We have conducted a number of trials to promote our credit account at the point of order. The most successful trial increased the percentage of new customers electing to take an account from around 7% to nearer 14% of new applicants. Whilst this improvement is encouraging, it is unlikely to be sufficient to stabilise the credit customer base. So if we are going to maintain our credit business going forward it will require a more radical change in the offer.

REDUCED MINIMUM PAYMENTS

In February we advised our customers that we were reducing the minimum payment on the Directory credit account from 9.4% to 5% of the outstanding balance. This increases flexibility for our customers and brings us more in line with the credit card market.

This change has had a more significant effect on the total outstanding customer balances than we were anticipating. Monthly payments reduced across the customer base, not just those who were previously paying the minimum. By the end of July we estimate this change had increased our overall Directory debt balance by around £120m, or 18% of the total balance. We are expecting a further increase of circa £80m in the second half of this year. As yet, we have seen no adverse impact on bad debt rates and more of our customers are up to date with their payments. We also need to be mindful that, in time, the balance build up may dampen sales performance – though, as yet, we have seen no evidence of this.

The additional debtor balances will increase our interest income. In order to make our credit offer more competitive we have decided to invest the majority of the interest income gain in giving our customers lower rates of interest.

Last year we reduced our APR interest charge from 25.99% to 24.99%. From October 2015 we will lower our interest charge again to 22.9%. This change puts us in line with the top end of mainstream credit card rates and is a long way below traditional home shopping account interest rate charges.

The table below shows the profit and loss implications of the increased debtor balances, the cost of funding the increased debt and the planned reduction in APR. The first column shows the estimated effect in the current year, the second column shows the full annualised effect of the changes.

	Effect in Year ending Jan 2016 (e)	**Fully Annualised (e)**
Increase in average balance	+£96m	+£200m
Additional interest income	+£22m	+£50m
Additional bad debt provision (@6.5%)	- £13m	- £13m
Allocation of funding cost (@4%)	- £4m	- £8m
Subtotal	**+£5m**	**+£29m**
APR reduction to 22.9%	- £4m	- £19m
Net effect	**+£1m**	**+£10m**
Net margin as a percentage of debt		5%

There is a possibility that debtor balances will grow by more than our estimated £200m next year, in which case we will look to make further investments in improving our credit offer, possibly offering our lowest risk customers a much more competitive rate.

OTHER TRADING BUSINESSES

NEXT SOURCING

NEXT Sourcing (NS) is our internal sourcing agent, which procures around 40% of the product bought by NEXT Retail and Directory. The table below shows sales and profits in Sterling.

£m	July 2015	July 2014	
Sales	304.2	272.3	+12%
Operating profit	22.9	15.9	+44%
Operating margin	**7.5%**	**5.8%**	

Sales in US Dollars were up +2% and are forecast to grow by +5% for the full year, broadly in line with the growth in NEXT Brand sales. Profit in the first half benefited from £2.2m of currency gains from the stronger US Dollar, lower overhead costs and improved margins. As previously reported, NS will reduce their commission rate by 1% for Spring Summer 2016 stock. We expect NS profits of £47m for the full year, compared with £41m last year.

INTERNATIONAL RETAIL AND FRANCHISE STORES

Our franchise partners operate 181 stores in 35 countries, which is similar to last year. Franchise sales in the first half have reduced by 8%, mainly due to adverse currency movements and difficult trading conditions in some territories. We do not expect the second half of the year to be impacted to the same degree. We own 14 stores in Europe which have broadly broken even. Revenue and profit are set out below, and we are budgeting for International Retail to make £11m profit for the full year.

£m	July 2015	July 2014	
Franchise income	30.9	33.6	
Own store sales	5.4	6.6	
Total revenue	**36.3**	**40.2**	**- 9.7%**
Operating profit	**4.7**	**5.1**	**- 8.0%**

LIPSY

Lipsy had a satisfactory first half despite the loss of a major wholesale customer, which went into administration in January. Lipsy sales are broken down by distribution channel in the table below.

£m	July 2015	July 2014	
Lipsy.co.uk, standalone stores, franchise and wholesale	14.9	17.5	
NEXT Retail	5.9	5.3	
NEXT Directory	13.1	8.7	
Total Sales	**33.9**	**31.5**	**+7.5%**

Around 20% of Lipsy's sales now come from selling third party, young fashion brands, mainly on a commission basis. This third party business is expected to increase as a percentage of Lipsy sales in the year ahead. Lipsy sales made through NEXT Retail and NEXT Directory are now reported in those divisions.

First half operating profit was £1.8m and we anticipate £5m for the full year, both broadly in line with last year.

CENTRAL COSTS AND OTHER ACTIVITIES

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

£m	July 2015	July 2014
Central costs and share options	(13.3)	(13.6)
Property Management	6.6	2.0
Unrealised foreign exchange	(6.3)	2.9
Associates	0.5	0.5
Total	**(12.5)**	**(8.2)**

This year's Property Management profit includes £5m from the development of a retail store. For the full year we expect Property Management profit to be £9.6m. The £6.3m unrealised foreign exchange charge is partly a reversal of accounting gains from last year. We are currently forecasting for a full year charge of £4.6m, which compares to a credit of £8.9m last year.

INTEREST AND TAXATION

The interest charge was £15m, in line with last year, and we expect a full year charge of £31m. Our expected full year tax rate of 20.2% is commensurate with headline UK corporation tax rates. We expect our effective tax rate to be similar next year, and from 2017/18 we would expect it to fall below 20% following the UK Government's decision to reduce the rate further.

BALANCE SHEET AND ORDINARY DIVIDENDS

The balance sheet remains strong with net debt of £549m at the end of July, although this was immediately before dividend payments in early August totalling £237m. Our balance sheet is financed by £788m of bonds and committed bank facilities of £550m after being recently increased and extended.

Last year we declared interim and final ordinary dividends totalling 150p. This year, based on current profit guidance, we anticipate a total of 159p which would maintain cover at 2.8 times. One third of the anticipated full year dividend, that is 53p per share, will be paid as an interim ordinary dividend on Monday 4 January 2016. Shares will trade ex-dividend from 10 December 2015 and the record date will be 11 December 2015.

CAPITAL EXPENDITURE

In the current year we expect capital expenditure to be £155m, which is £45m ahead of last year. Our capital expenditure forecast, for the full year, is shown in the table below with the equivalent figures from last year.

£m	**Jan 2016 (e)**	**Jan 2015**
Retail space expansion	85	74
Retail cosmetic refits	15	6
Total capex on stores	100	80
Warehouse	27	12
Systems	12	5
Head office infrastructure	16	13
Total forecast capital expenditure	**155**	**110**

New retail space remains our biggest investment at £85m. We are increasing our expenditure on cosmetic and maintenance refits to £15m which compares to £6m last year, we expect this figure to average £11m over the course of the next three years. Investment in systems is £7m higher, mainly as a result of hardware costs associated with rewriting our till software. Warehouse capex increases by £15m to £27m, which includes £20m on a new furniture warehouse. Expenditure on head office infrastructure increases to £16m as we continue the process of upgrading our central facilities. This year we are building a new photographic studio, completing a new systems building, extending our Childrenswear department and refurbishing our Finance, Call Centre, Menswear and Womenswear departments.

CASH GENERATION, SHARE BUYBACKS AND SPECIAL DIVIDENDS

CASH FLOW IN THE FIRST HALF

Underlying surplus cash generated from operations in the first half, after deducting interest, capital expenditure and ordinary dividends, was £249m. We paid special dividends of £163m and invested an additional £120m in Directory debt as a result of more flexible payment terms (see "Focus on NEXT Directory Credit business" section). So cash outflow for the first half was -£34m.

PROJECTED CASH FLOW FOR THE FULL YEAR

The table below shows our current cash flow projection for the full year. The anticipated £200m exceptional increase in Directory debt means that we are expecting a net cash outflow of £155m, with year end net debt forecast to rise to £670m.

Full Year Estimates £m	
Cash flow from operations, before Directory debt step change	800
Interest	(31)
Capital expenditure	(155)
Ordinary dividends	(228)
Surplus cash flow	**386**
Special dividends	(341)
Directory debt step change	(200)
Full Year net cash flow (estimate)	**(155)**

There is a question as to what extent the step change in Directory debt should be funded through debt or shareholder funds. That in turn begs the question as to whether we should continue to distribute cash to shareholders in a year in which the Company's net debt is rising.

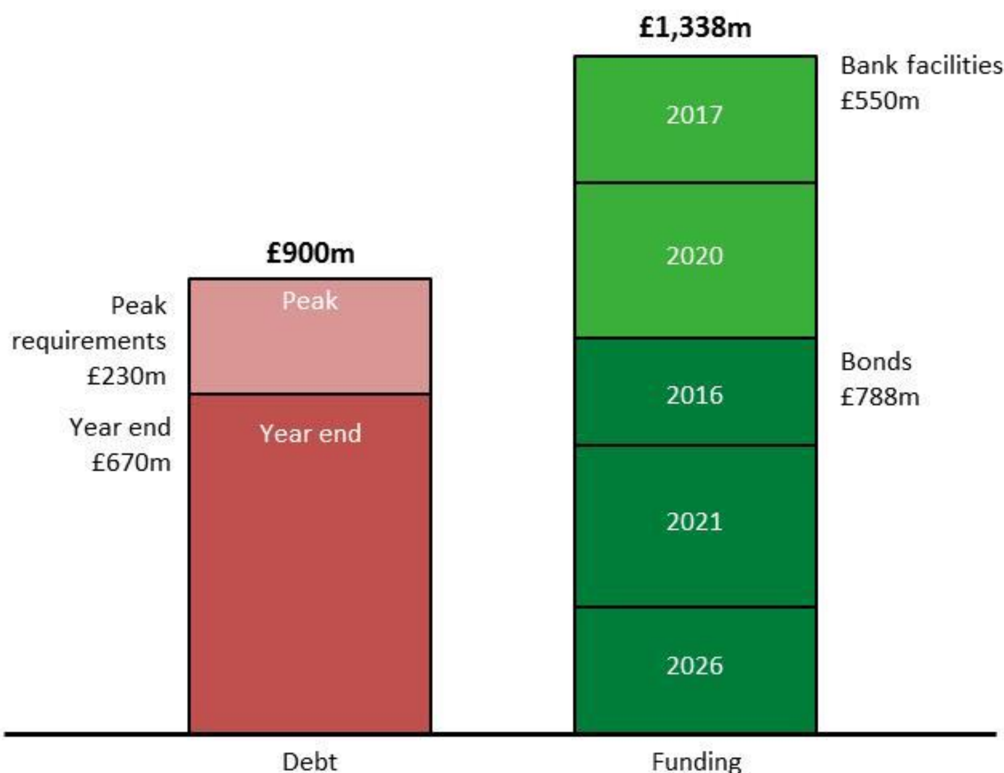
We have decided to finance the increase in Directory debt from our balance sheet, making use of existing debt and committed bank facilities, rather than temporarily reduce the amount of free cash available for special dividends or share buybacks. The logic for this decision is as follows.

1. The Directory debtor book is a high yield secure financial asset which comfortably covers the cost of the debt required to fund it. The table below sets out the Company's projected net financial assets including Directory debt compared to the position at the end of last year.

£m	**Jan 2016 (e)**	**Jan 2015**
Directory debtor book	+925	+713
Net debt	- 670	- 515
Net financial assets	**+255**	**+198**

2. Our balance sheet is strong and we do not believe that £670m of year end net debt will undermine our **investment grade** credit rating. We estimate that in the current credit environment, the Company could sustain debt of £1.5bn or more whilst retaining an investment grade rating and we do not believe we will get close to this level in the foreseeable future.

3. Our existing bonds and facilities can comfortably accommodate the additional debt. The following graph shows projected year end net debt and maximum borrowing requirements on the left, and our bond and committed bank facilities on the right.



SHARE BUYBACKS AND SPECIAL DIVIDENDS

In line with our well established policy we intend to continue to return surplus cash to shareholders through either share buybacks or special dividends. Surplus cash is defined as the operational cash flows of the business, less capital expenditure, interest and ordinary dividends. As explained above operational cash flow does not include the exceptional outflow in respect of Directory debt.

In previous statements we have set out the criteria that we use to decide the maximum price the Company would pay to buy back shares, using the concept of Equivalent Rate of Return (ERR) which we set at 8%. Based on the mid-point of our current profit guidance for the year, our price limit for share buybacks remains £69.62.

This year, as our shares have consistently traded above our buyback price limit, we have not bought back any shares but have instead returned surplus capital to shareholders by way of special dividends. We have paid three special dividends so far this year, a 50p dividend was paid in February, 60p dividends were paid in May and August and we have announced a further special dividend of 60p which will be paid in November.

OUTLOOK FOR THE FULL YEAR

SALES GUIDANCE

We are maintaining our sales guidance for the full year issued with our trading statement at the end of July. NEXT Brand full price sales for the full year are expected to be up between +3.5% to +6.0%. This implies that sales in the second half will be up between +3.5% to +7.5%. At first sight guidance for the second half might appear optimistic, given that we only achieved full price sales growth of +3.5% in the first half. However last year was unusually strong in the first half and much weaker in the second half, with sales in September, October and early November adversely affected by unusually warm weather.

SALES AND PROFIT GUIDANCE FOR THE FULL YEAR

Our sales and profit guidance remains unchanged from our July trading statement and is shown in the table below.

Guidance Estimates **Full Year to January 2016 (52 week basis*)**	**Lower end of guidance**	**Upper end of guidance**
Total full price NEXT Brand sales growth	+3.5%	+6.0%
Group profit before tax	£805m	£845m
Group profit before tax growth	+2.9%	+8.0%
Ordinary dividend yield†	+2.2%	+2.2%
Special dividend yield†	+3.3%	+3.3%
Total Shareholder Returns	**+8.4%**	**+13.5%**

* The guidance above is based on 52 weeks for the years ending January 2015 and 2016. The current year will actually be the 53 weeks to 30 January 2016 and we estimate the additional week will add approximately £15m to profit before tax.

† Dividend yield is based on dividends expected to be declared for the current year. Yields are expressed as a percentage of our average share price during the first month of this financial year, which was £72.33.

THIRD QUARTER TRADING UPDATE

Our next statement will cover the thirteen weeks to 24 October 2015 and is scheduled for Wednesday 28 October.

Lord Wolfson of Aspley Guise
Chief Executive
10 September 2015

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Six months to July 2015 £m	Six months to July 2014 £m
Revenue	**1,890.5**	1,849.6
Cost of sales	**(1,246.0)**	(1,250.0)
Gross profit	**644.5**	599.6
Distribution costs	**(166.7)**	(151.5)
Administrative expenses	**(110.0)**	(112.4)
Unrealised foreign exchange (losses)/gains	**(6.3)**	2.9
Trading profit	**361.5**	338.6
Share of results of associates	**0.5**	0.5
Operating profit	**362.0**	339.1
Finance income	**0.5**	0.5
Finance costs	**(15.4)**	(15.4)
Profit before taxation	**347.1**	324.2
Taxation	**(70.1)**	(66.5)
Profit for the period attributable to equity holders of the parent company	**277.0**	257.7

	Six months to July 2015	Six months to July 2014
Earnings per share (Note 4)		
Basic	**187.1p**	173.3p
Diluted	**183.7p**	168.8p
Ordinary interim dividend per share (Note 5)	**53.0p**	50.0p

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months to July 2015 £m	Six months to July 2014 £m
Profit for the period	**277.0**	257.7
Other comprehensive income and expenses:		
Items that will not be reclassified to profit or loss		
Actuarial gains on defined benefit pension scheme	**3.6**	0.8
Tax relating to items which will not be reclassified	**(0.8)**	(0.2)
Sub-total items that will not be reclassified	**2.8**	0.6
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**2.0**	(0.5)
Foreign currency cash flow hedges:		
- fair value movements	**(27.9)**	(18.0)
- reclassified to the income statement	**(20.3)**	15.0
- recognised in inventories	**(8.2)**	10.5
Tax relating to items which may be reclassified	**11.3**	(1.5)
Sub-total items that may be reclassified	**(43.1)**	5.5
Other comprehensive (expense)/income for the period	**(40.3)**	6.1
Total comprehensive income for the period attributable to equity holders of the parent company	**236.7**	263.8

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months to July 2015 £m	Six months to July 2014 £m
Opening total equity	**321.9**	286.2
Total comprehensive income for the period	**236.7**	263.8
Share buybacks & commitments	**101.1**	(109.2)
ESOT share purchases & commitments	**(73.2)**	(61.3)
Shares issued by ESOT	**34.2**	21.2
Share option charge	**6.7**	6.9
Equity awards settled in cash	**-**	(3.8)
Tax recognised directly in equity	**4.0**	4.5
Equity dividends (Note 5)	**(325.9)**	(286.0)
Closing total equity	**305.5**	122.3

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	**July 2015 £m**	July 2014 £m	January 2015 £m
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant & equipment		**527.6**	505.9	503.3
Intangible assets		**43.9**	44.3	44.0
Interests in associates & other investments		**2.1**	6.9	2.1
Defined benefit pension surplus		**37.3**	69.5	37.9
Other financial assets	6	**54.2**	32.8	65.7
Deferred tax assets		**20.7**	19.8	13.3
		685.8	679.2	666.3
Current assets				
Inventories		**450.8**	427.6	416.8
Assets under construction		**-**	-	12.7
Customer and other receivables		**925.8**	780.3	844.3
Other financial assets	6	**8.8**	1.1	66.7
Cash and short term deposits		**242.4**	220.1	275.5
		1,627.8	1,429.1	1,616.0
Total assets		**2,313.6**	2,108.3	2,282.3
Current liabilities				
Bank loans and overdrafts		**(4.1)**	(3.3)	(2.8)
Trade payables and other liabilities		**(659.4)**	(612.0)	(636.5)
Dividends payable	5	**(237.0)**	(211.5)	(73.9)
Other financial liabilities	6	**(13.0)**	(77.1)	(109.4)
Current tax liabilities		**(56.8)**	(60.6)	(64.0)
		(970.3)	(964.5)	(886.6)
Non-current liabilities				
Corporate bonds		**(818.7)**	(803.7)	(838.2)
Provisions		**(7.9)**	(8.1)	(9.4)
Other financial liabilities	6	**(8.1)**	(1.9)	(11.8)
Other liabilities	7	**(203.1)**	(207.8)	(214.4)
		(1,037.8)	(1,021.5)	(1,073.8)
Total liabilities		**(2,008.1)**	(1,986.0)	(1,960.4)
NET ASSETS		**305.5**	122.3	321.9
EQUITY				
Share capital		**15.3**	15.3	15.3
Share premium account		**0.9**	0.9	0.9
Capital redemption reserve		**14.6**	14.6	14.6
ESOT reserve		**(211.5)**	(210.8)	(192.0)
Fair value reserve		**(2.1)**	(10.0)	43.0
Foreign currency translation reserve		**0.3**	4.5	(1.6)
Other reserves		**(1,443.8)**	(1,443.8)	(1,443.8)
Retained earnings		**1,931.9**	1,751.7	1,885.6
Shareholders' equity		**305.6**	122.4	322.0
Non-controlling interest		**(0.1)**	(0.1)	(0.1)
TOTAL EQUITY		**305.5**	122.3	321.9

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Six months to July 2015 £m	Six months to July 2014 £m
Cash flows from operating activities		
Operating profit	**362.0**	339.1
Depreciation, impairment & disposal of property, plant & equipment	**56.3**	56.9
Amortisation of intangible assets	**0.1**	0.2
Share option charge less amounts settled in cash	**6.7**	3.1
Dividends from associates less share of profits	**-**	1.0
Exchange movement	**8.2**	(3.0)
Increase in inventories and assets under construction	**(21.3)**	(42.0)
(Increase)/decrease in customer and other receivables	**(85.0)**	27.7
Decrease in trade and other payables	**(16.1)**	(9.1)
Net pension contributions less income statement charge	**4.2**	1.6
Cash generated from operations	**315.1**	375.5
Corporation taxes paid	**(69.9)**	(75.4)
Net cash from operating activities	**245.2**	300.1
Cash flows from investing activities		
Additions to property, plant & equipment	**(80.9)**	(54.0)
Movement in capital accruals	**6.6**	(2.2)
Payments to acquire property, plant & equipment	**(74.3)**	(56.2)
Proceeds from sale of property, plant & equipment	**0.2**	0.3
Deferred consideration received/(paid)	**3.0**	(1.4)
Net cash from investing activities	**(71.1)**	(57.3)
Cash flows from financing activities		
Repurchase of own shares	**-**	(105.4)
Purchase of shares by ESOT	**(73.2)**	(61.3)
Disposal of shares by ESOT	**33.4**	25.1
Interest paid	**(6.1)**	(6.3)
Interest received	**0.5**	0.6
Payment of finance lease liabilities	**(0.1)**	(0.1)
Dividends paid (Note 5)	**(162.8)**	(148.9)
Net cash from financing activities	**(208.3)**	(296.3)
Net decrease in cash and cash equivalents	**(34.2)**	(53.5)
Opening cash and cash equivalents	**272.7**	270.7
Effect of exchange rate fluctuations on cash held	**(0.2)**	(0.4)
Closing cash and cash equivalents (Note 8)	**238.3**	216.8

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The Group's interim results for the six months ended 25 July 2015 were approved by the Board of Directors on 10 September 2015, and have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The accounting policies adopted in the preparation of the interim financial statements are the same as those set out in the Group's annual financial statements for the year ended 24 January 2015. The financial statements have been prepared on the historical costs basis except for certain financial instruments, pension assets and liabilities and share based payment liabilities which are measured at fair value.

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

The financial information contained in this report does not constitute statutory accounts of the Company within the meaning of Section 434(3) of the Companies Act 2006. Statutory accounts for the year to January 2015 have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or (3) of the Companies Act 2006.

Going concern

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

2. Risks & uncertainties

The Board has considered the principal risks and uncertainties for the remaining six months of the financial year and determined that the risks presented in the 2015 Annual Report, described as follows, also remain relevant to the rest of the financial year: Business strategy development & implementation; Management team; Product design & selection; Key suppliers & supply chain management; Warehousing & distribution; Customer experience; Retail store network; Information security, business continuity & cyber risk; Financial, treasury, liquidity & credit risks. These are detailed on pages 24 to 26 of the 2015 Annual Report, a copy of which is available on the Company's website at www.nextplc.co.uk.

3. Segmental analysis

The Group's operating segments under IFRS 8 have been determined based on the management accounts reviewed by the Board. The performance of operating segments is assessed on profits before interest and tax, excluding equity settled share option charges recognised under IFRS 2 *Share-Based Payment* and unrealised foreign exchange gains or losses on derivatives which do not qualify for hedge accounting. The activities, products and services of the operating segments are detailed on page 22 of the 2015 Annual Report. The Property Management segment holds properties and property leases which are sub-let to other segments and external parties.

Segment sales and revenue

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

Six months to July 2014	Total sales excluding VAT £m	Commission sales adjustment £m	External Revenue £m	Internal Revenue £m	Total Segment Revenue £m
NEXT Retail	1,080.9	-	1,080.9	3.2	1,084.1
NEXT Directory	709.2	(6.7)	702.5	-	702.5
NEXT International Retail	40.2	-	40.2	-	40.2
NEXT Sourcing	3.3	-	3.3	269.0	272.3
	1,833.6	(6.7)	1,826.9	272.2	2,099.1
Lipsy	17.5	(0.2)	17.3	9.8	27.1
Property Management	2.6	-	2.6	97.8	100.4
Total segment sales/revenues	1,853.7	(6.9)	1,846.8	379.8	2,226.6
Third party distribution	2.8	-	2.8	-	2.8
Eliminations	-	-	-	(379.8)	(379.8)
Total	1,856.5	(6.9)	1,849.6	-	1,849.6

Where third party branded goods are sold on a commission basis, only the commission receivable is included in statutory revenue. Total Sales represents the amount paid by the customer, excluding VAT. As explained in our January 2015 annual report, Lipsy sales made through NEXT Retail and Directory are now reported in those divisions. For comparability, prior year figures have been restated resulting in £5.3m of Lipsy sales being reallocated to NEXT Retail and £8.7m to NEXT Directory.

3. Segmental analysis (continued)

	Six months to July 2015 £m	Six months to July 2014 £m
Segment profit		
NEXT Retail	**161.0**	**152.3**
NEXT Directory	**184.1**	**172.1**
NEXT International Retail	**4.7**	**5.1**
NEXT Sourcing	**22.9**	**15.9**
	372.7	**345.4**
Lipsy	**1.8**	**1.9**
Property Management	**6.6**	**2.0**
Total segment profit	**381.1**	**349.3**
Central costs and other	**(6.6)**	**(6.7)**
Share option charge	**(6.7)**	**(6.9)**
Unrealised foreign exchange (losses)/gains	**(6.3)**	**2.9**
Trading profit	**361.5**	**338.6**
Share of results of associates	**0.5**	**0.5**
Finance income	**0.5**	**0.5**
Finance costs	**(15.4)**	**(15.4)**
Profit before tax	**347.1**	**324.2**

4. Earnings per share

	Six months to July 2015	Six months to July 2014
Basic earnings per share	**187.1p**	173.3p
Diluted earnings per share	**183.7p**	168.8p

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

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

4. Earnings per share (continued)

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

	Six months to July 2015 £m	Six months to July 2014 £m
Profit after tax attributable to equity holders of the parent company	**277.0**	257.7
Weighted average number of shares (millions):		
Weighted average shares in issue	**152.9**	154.6
Weighted average shares held by ESOT	**(4.8)**	(5.9)
Weighted average shares for basic EPS	**148.1**	148.7
Weighted average dilutive potential shares	**2.7**	3.9
Weighted average shares for diluted EPS	**150.8**	152.6

5. Dividends

It is intended that this year's ordinary interim dividend of 53p per share will be paid to shareholders on 4 January 2016. NEXT plc shares will trade ex-dividend from 10 December 2015 and the record date will be 11 December. Dividends paid or declared during the period were as follows:

Six months to July 2015

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

Six months to July 2014

	Paid	**Pence per share**	**Cash flow statement £m**	**Statement of changes in equity £m**	**July 2014 balance sheet £m**
Special interim dividend	3 Feb 2014	50p	74.4	-	-
Special interim dividend	1 May 2014	50p	74.5	74.5	-
Special interim dividend	1 Aug 2014	50p	-	74.0	74.0
Ordinary final dividend for year to Jan 2014	1 Aug 2014	93p	-	137.5	137.5
			148.9	**286.0**	**211.5**

6. Other financial assets and liabilities

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

At January 2015 and July 2014, other current financial liabilities also included amounts arising under irrevocable closed season buyback agreements for the purchase of the Company's own shares (July 2014: £62.2m, January 2015: £101.1m). None of the £101.1m commitment at January 2015 was fulfilled and the full amount was therefore credited back to equity in the current year.

7. Other non-current liabilities

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

8. Analysis of net debt

	January 2015 £m	Cash flow £m	Other non-cash changes £m	**July 2015 £m**
Cash and short term deposits	275.5			242.4
Overdrafts and short term borrowings	(2.8)			(4.1)
Cash and cash equivalents	272.7	(34.2)	(0.2)	238.3
Corporate bonds	(838.2)	-	19.5	(818.7)
Fair value hedges of corporate bonds	50.3	-	(19.3)	31.0
Finance leases	(0.1)	0.1	-	-
Total net debt	**(515.3)**	**(34.1)**	**-**	**(549.4)**

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

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

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

By order of the Board

Lord Wolfson of Aspley Guise
Chief Executive

Amanda James
Group Finance Director

10 September 2015

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

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