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Photographs: http://press.next.co.uk/media/company-images/campaignimages.aspx

next plc

RESULTS FOR THE YEAR ENDING JANUARY 2015

Chairman's Statement

The year to January 2015 was a good year for NEXT. Underlying Earnings Per Share (EPS) grew by 15% to 420p and we propose to increase our total full year ordinary dividend by 16% to 150p. This is the sixth consecutive year that our EPS and ordinary dividend have grown by 15% or more.

Sales for NEXT Directory, our online and catalogue business, increased by 12% and NEXT Retail by 5%. Total Group sales rose 7% and reached £4 billion for the first time.

Our share price rose by 14% during the year, from £62.80 to £71.50. As a result of the increase we did not buy back as many of our own shares as in previous years. Instead we returned surplus cash to shareholders through special dividends. Cash flow remained strong and we returned £572 million to shareholders through a combination of dividends (£434 million) and buybacks (£138 million). We paid another special dividend of 50 pence per share in February and have since announced a further special dividend of 60 pence, to be paid in May. We will continue to undertake buybacks but only when it would give an effective return on the cash expended of at least 8%.

Returning cash to shareholders has not been at the expense of investment in the business nor has it increased our net debt, which ended the year at the same level as last year. NEXT Retail continues to invest in new, often larger, stores. NEXT Directory continues to increase its active customer base, it now delivers to 71 countries and has a growing business in the sale of third party branded products through the LABEL. We are also increasing our warehouse capacity and improving our distribution capabilities.

We have had a number of changes to the Board. Christos Angelides left the Company in September after 28 years' service. Christos was a very able and effective Director and we wish him well in his new endeavours in the United States. David Keens, who has been with NEXT for 29 years and our Finance Director for 24 years, retires from the Board in April. David has seen many changes over that time and has been an outstanding guardian of our finances. Our financial position today is testament to his diligence and hard work. I am delighted that Amanda James, our Brand Finance Director, will succeed him on the Board.

Jonathan Dawson, our Senior Independent Director, is leaving the Board in May. Jonathan has made a major contribution as a non-executive. I would like to thank him for the wise counsel which he has given both me and the Board over the last ten years. Francis Salway will replace Jonathan as the Senior Independent and Caroline Goodall will become Chairman of the Remuneration Committee.

Finally, I am pleased that Dame Dianne Thompson has joined us as a non-executive Director. She has had a long and distinguished career with Camelot and is a good addition to our Board.

The continued success of NEXT is built on the hard work and dedication of our management team and all the people who work for NEXT. I would like to thank them all for their contribution during the year.

2015 will bring new challenges and opportunities. Our strategy will remain the same, focussed on our products, our profitability and returning cash to our shareholders.

John Barton
Chairman

Chief Executive's Review

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Chief Executive's Review

OVERVIEW

NEXT has had another good year. Overall sales increased by **7.2%** which was close to the top end of guidance we issued in March 2014. However, it was a year of two very different halves. NEXT Brand sales in the first half were exceptionally strong, up +11%, whilst the second half was relatively disappointing and up just +5%.

Growth in underlying profit before tax of £782m was up **12.5%**. This figure is flattered by 1.3% as a result of a £9m accounting profit on currency instruments, which is unlikely to recur in the year ahead. Strong cash generation enabled us to buy back 1.4% of the shares outstanding which, along with the effect of buybacks in the previous year, meant that underlying Earnings Per Share (EPS) grew by **14.7%**.

For much of the year the Company's share price was above our internal buyback price limit and we were unable to return all surplus cash through share buybacks. As a result, and in keeping with our stated intentions, we returned a further £223m to shareholders through three special dividends of 50 pence each. Ordinary dividends for the full year will increase by 16.3%, to £1.50.

SALES excluding VAT *	**January 2015**	**January 2014**	
	£m	£m	
NEXT Retail	2,348.2	2,240.5	+4.8%
NEXT Directory	1,540.6	1,373.9	+12.1%
NEXT BRAND	3,888.8	3,614.4	+7.6%
Other	139.0	143.8	
Total Sales excluding VAT	**4,027.8**	**3,758.2**	**+7.2%**
Statutory Revenue	3,999.8	3,740.0	+6.9%

* See Note 1 to the accounts on sales presentation

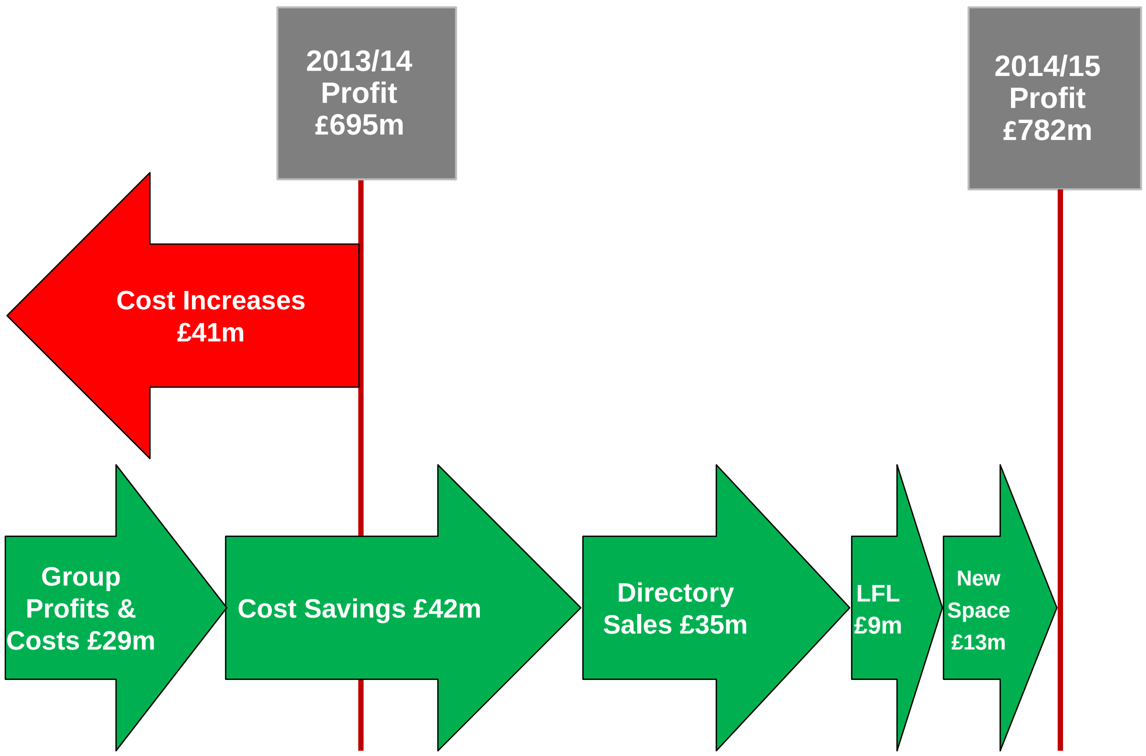
PROFIT and EPS	**January 2015**	**January 2014**	
	£m	£m	
NEXT Retail	383.8	347.7	+10.4%
NEXT Directory	376.8	358.5	+5.1%
NEXT BRAND	760.6	706.2	+7.7%
Other	51.5	16.6	
Operating profit	812.1	722.8	+12.3%
Net interest	(29.9)	(27.6)	
Profit before tax – underlying	**782.2**	**695.2**	**+12.5%**
Exceptional disposal gains	12.6	-	
Taxation	(159.9)	(142.0)	
Profit after tax	634.9	553.2	+14.8%
EPS – underlying	**419.8p**	**366.1p**	**+14.7%**
Ordinary dividends per share	150.0p	129.0p	+16.3%

NEXT PLC ECONOMICS

2014/15 PROFIT DRIVERS

The table below sets out the main drivers of the Group's Profit and Loss account for the year. This shows how the sales from (1) new Retail space, (2) existing stores and (3) additional online sales added to the Group's profit. It also shows how (4) cost inflation has, once again, been offset by (5) cost savings. Other Group profits and costs, such as NEXT Sourcing, Lipsy, Estates and Treasury added an unusually large profit this year (see Other Trading Businesses on page 22 and Central Costs on page 24).

Profit Year to January 2014		**£695m**	
Profit from sales increases/decreases			
(1) New Retail space	+£13m		
(2) Existing stores	+ £9m		
(3) Additional online sales	+£35m		
		+£57m	
Cost increases and savings			
(4) Inflation in cost base	- £41m		
(5) Cost savings	+£42m		
(6) Other Group profits and costs	+£29m		
		+£30m	
Profit Year to January 2015		**+£782m**	**+12.5%**



NEXT'S OBJECTIVES

NEXT'S OPERATING OBJECTIVES

The Company has five operational objectives, as set out in the table below. These aims remain broadly unchanged from those given in this report last year.

Develop the NEXT Brand	Continue to focus on delivering better design. In particular focus on improving our buying processes to (1) make better use of the time spent developing long lead time product and (2) respond more powerfully to emerging trends with short lead time product.
Invest in online growth	Invest in growth from our online business, through (1) improving UK delivery services, (2) expanding our new branded business, LABEL, and (3) developing the NEXT Brand in overseas markets.
Invest in profitable new space	Open profitable new retail space, maintaining the Company's payback and profitability hurdles of 15% net store profit (before central overheads) and payback on net capital invested in 24 months.
Improve service	Continue to improve the quality of our service provided in our shops, in our call centres, through website systems and our distribution networks.
Control costs	Control costs through constantly innovating and developing more efficient ways of operating. This must be done without detracting from the quality of our products and services.

NEXT'S FINANCIAL OBJECTIVE

In last year's annual review we refined the Company's core financial objective. Up until that point, our goal had been the delivery of long-term, sustainable growth in EPS. However this measure did not take account of the value created by paying out surplus cash as dividends; and this has become much more important as we have increasingly paid special dividends in lieu of share buybacks.

So we restated our objective as the delivery of long term, sustainable growth in Total Shareholder Returns (TSR). We define TSR as growth in Earnings per Share added to the total dividend yield. Taking dividends as a percentage of our share price at the beginning of our financial year (February 2014) our TSR is set out in the table below:

Total Shareholder Returns

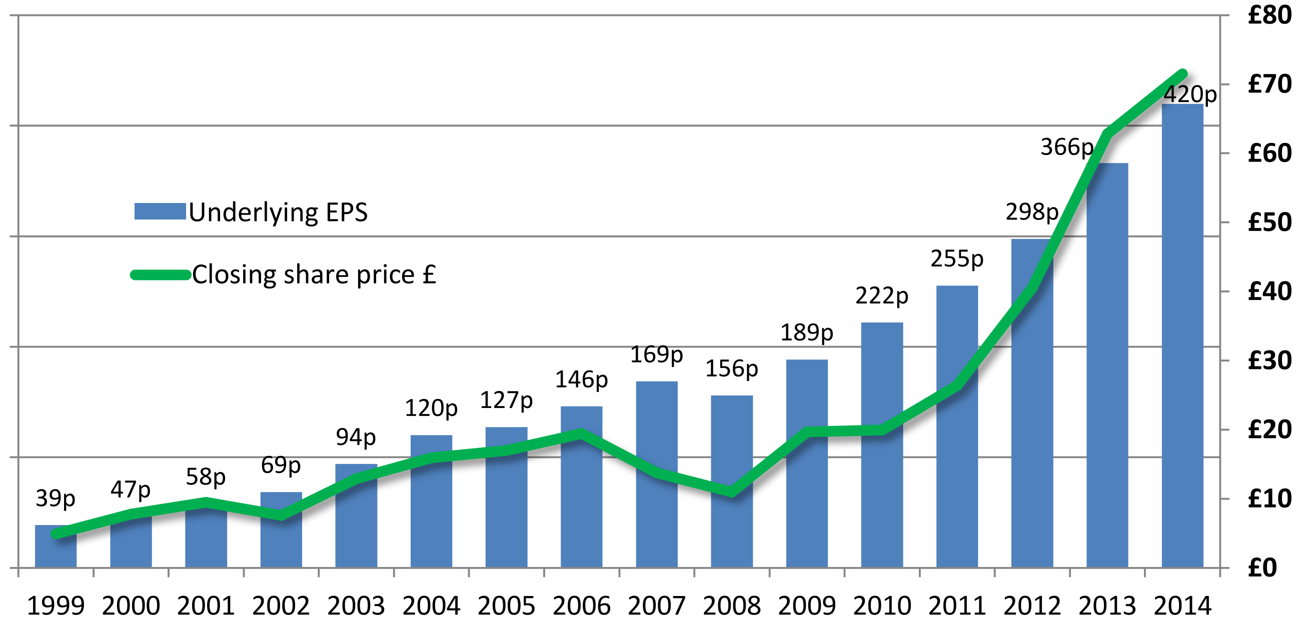
Growth in underlying EPS	+14.7%
Special Dividend Yield* 150p	+2.3%
Ordinary Dividend Yield* 150p	+2.3%
Total Shareholder Returns*	**+19.3%**

* Based on £63.45, being the average share price for the first month of the financial year (i.e. to 25 February 2014)

The inclusion of growth in EPS in Total Shareholder Returns is grounded in the belief that, over time, share price growth will follow growth in EPS. The graph below shows how our share price has tracked EPS over the last 16 years.

The graph also demonstrates that our shares now enjoy a rating well above their historical average. It is important to point out that the high rating means that the deployment of surplus cash, as special dividends or share buybacks, will provide lower returns for shareholders than if the shares were at a lower rating.

PE Ratio	13	17	16	11	14	13	13	13	8	7	10	9	10	14	17	17



The Company maintains its 8% Equivalent Rate of Return (pre-tax) investment hurdle for share buybacks. At the mid-point of guidance issued in this report, our share price limit is £68.27.

PRODUCT AND THE NEXT BRAND

Over the course of the year we have focused on improving the design content of our ranges. We believe the investment in time, effort and resources has been worthwhile. Unusually, our ranges in Spring and Summer 2014 were successful across all of our five product divisions (Womenswear Clothing, Women's Shoes and Accessories, Menswear, Childrenswear and Home). The focus on design continues in the year ahead with further investment in our fabric and print resources.

We also aim to develop and improve our buying processes. Traditionally, NEXT has begun to develop design themes eight months before the launch of a season. We will continue to work this way but believe that we can make much better use of the intervening time to improve our fabrics, design details, prints, trims, shapes and prices on long lead-time product.

In addition to our more traditional buying cycle, we also develop a small amount of product much closer to the season, using shorter lead time territories and quicker response suppliers. This approach to buying is newer and less comfortable for NEXT, and requires a different mind-set to our traditional techniques. We aim to build on the success we have had with shorter lead-time product and make more of this buying method going forward.

RETAIL

Total Retail sales were 4.8% ahead of last year, of which new space contributed 3.4%.

RETAIL SPACE EXPANSION

Space added in the year

Trading space increased by 330,000 square feet to 7.4 million square feet. Store numbers remained broadly the same, with the increase from new stores being offset by the closure of smaller, less profitable stores.

	Store Numbers	Sq. Ft. (000's)	
January 2014	541	7,045	
New stores, including re-sites (9)	+20	+439	
Closures	- 22	- 181	
Extensions (7)	-	+70	
January 2015	**539**	**7,373**	**+4.7%**

Returns on Capital and Profitability

Profitability of stores opened in the last 12 months is forecast to average 20% and payback on the net capital invested is expected to be 20 months. Both figures are within Company investment hurdles of 15% store profitability and 24 months capital payback. The table below sets out the profitability and returns of new space, broken down into Fashion and Home.

New space	Sales vs target	Forecast profitability	Forecast payback
Fashion	+9%	20%	19 months
Large Home format	+13%	20%	21 months
Total	**+10%**	**20%**	**20 months**

Aspirational Out-of-Town Architecture

An unusually large percentage, 75%, of new space was large format Home and Fashion stores. These side-by-side stores give the Company the opportunity to re-define the way we trade out of town, investing in the architecture of our buildings and the quality of shop-fit. We have radically changed the appearance of existing retail park buildings, adding glass frontages, light-wells, and improved facades. We have also built two stores from the ground up (Hedge End and Maidstone), and these have enabled us to create beautiful and iconic buildings. Over the next three years we hope, subject to planning, to open at least eight more of these bespoke new stores.

Maidstone – Opened November 2014

Retail Space – Pipeline to 2017

We continue to look for opportunities to profitably increase UK selling space. For the coming year we expect to add 350,000 square feet (net of closures). Looking further ahead into 2016 and 2017 our pipeline is less certain, but we believe that we will add around 350,000 square feet of net trading space in each of these two years.

High Wycombe – Under construction February 2015

THE LONG VIEW – RETAIL PORTFOLIO ECONOMICS AND LEASE TERMS

Since the beginning of the credit crunch in 2008, sales in our existing stores have moved backwards in almost every season. The combined effect of a weak economy and growth in online sales has meant that same-store growth has been hard to achieve across the sector. Despite this, the profitability of our store portfolio remains extremely healthy. The reason for this apparent contradiction is that the active expansion and relocation of our portfolio has allowed us to manage the economics of our retail portfolio to reflect the current retail environment.

In the seven years since 2008 NEXT has increased its net trading space from 5.2 million square feet to 7.4 million square feet. Of the 539 stores we trade in today, almost half are either new or have been significantly extended. Those stores represent 60% of our current trading space. The table below shows the changes to store numbers and square footage since 2008.

	Store Numbers	Sq. Ft. (m)
January 2008	**502**	5.2m
New stores, including Re-sites (63)	179	2.6m
Closures	- 142	- 0.8m
Extensions (82) gross 1.8m sq.ft.		0.4m
January 2015	**539**	**7.4m**

Long Term Profitability Comparisons

The table below gives key measures of performance since 2008. It shows how the 26% fall in sales per square foot have not resulted in the proportionate increase that might be expected in rent, rates, depreciation and branch wages.

In fact, store profitability (before central overheads) has moved forward in the period. This is because savings achieved through more effective Sale stock clearance, lower shrinkage and management of other branch costs have more than offset any increases in rents and rates. Wages have reduced as a percentage of sales, because productivity improvements have more than compensated for the dis-economies of lower sales per square foot and inflationary wage increases.

The table below shows key branch costs as a percentage of VAT inclusive sales in 2008 and 2015.

Store Variables	**2007/8**	**2014/15**
Sales per square foot	£491/sq. ft.	£365/sq. ft.
Wages	11.3%	10.9%
Rent	5.5%	6.5%
Rates	2.2%	3.0%
Depreciation	3.1%	3.2%
Markdown, obsolescence & shrinkage	8.7%	5.0%
Net Branch Profitability	**21.4%**	**23.7%**

Current Profitability Profile

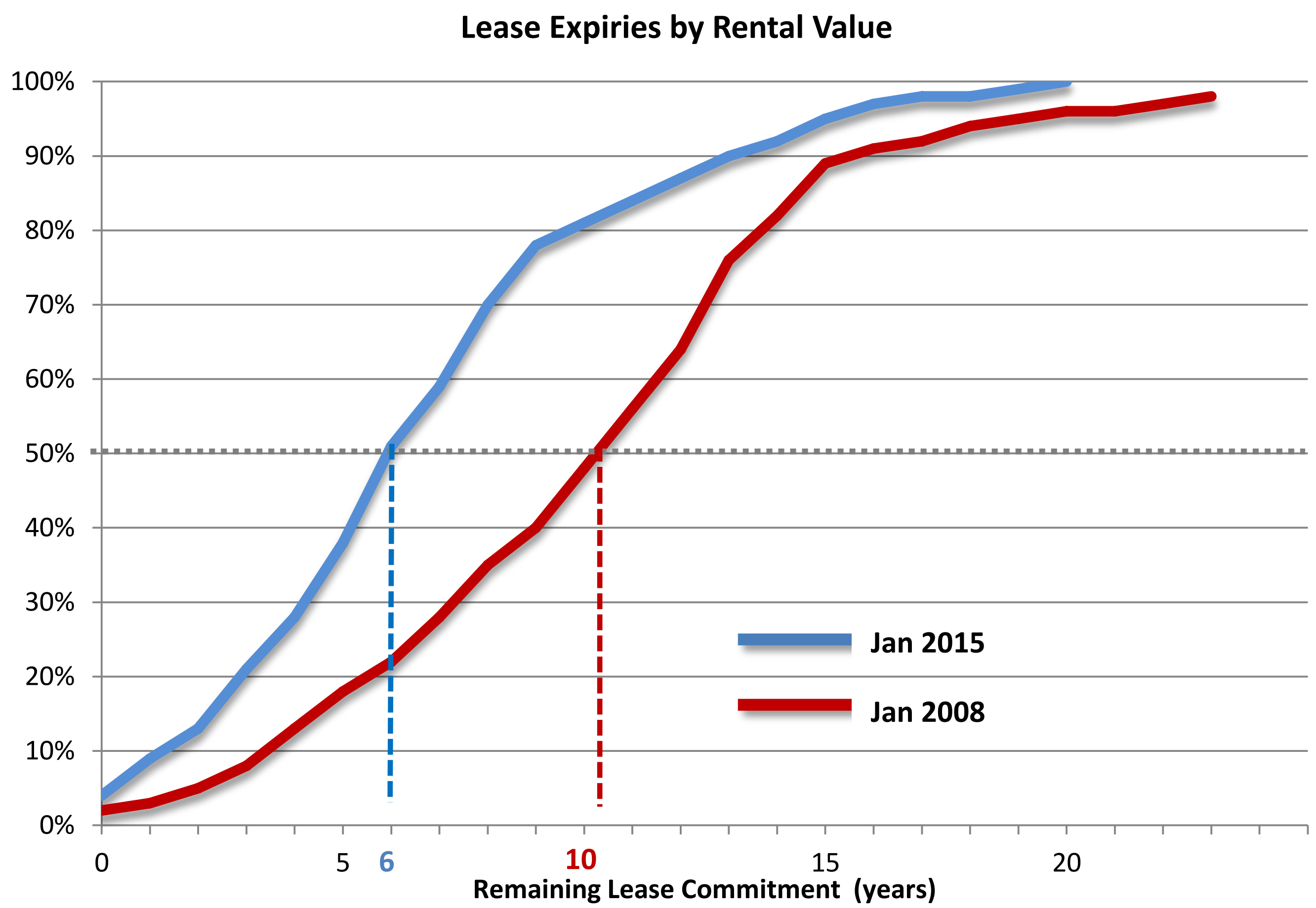
As a result of the active management of our store portfolio, the vast majority of our stores make a healthy profit, with 97% of our space delivering a net branch profit of more than 10%. The table below sets out the percentage of our turnover within stores of different levels of profitability.

Mainline store profitability	Percentage of turnover
>20%	81%
>15%	94%
>10%	97%
>5%	99%
>0%	99.7%

Lease Terms

Over the last ten years we have seen a move away from long lease terms. We are currently only entering into leases of more than 10 years in situations where (1) we believe that the trading location is very unlikely to deteriorate within 20 years, (2) landlords are making a very substantial investment in a new trading location or (3) we are swapping out of an existing store with a significant number of unexpired years on the lease.

The graph below shows the remaining lease commitment in years by percentage of our portfolio (by rental value). This shows that in 2008 approximately 50% of our store leases would have expired in just over ten years' time. Today 50% of our leases will expire in just six years' time.



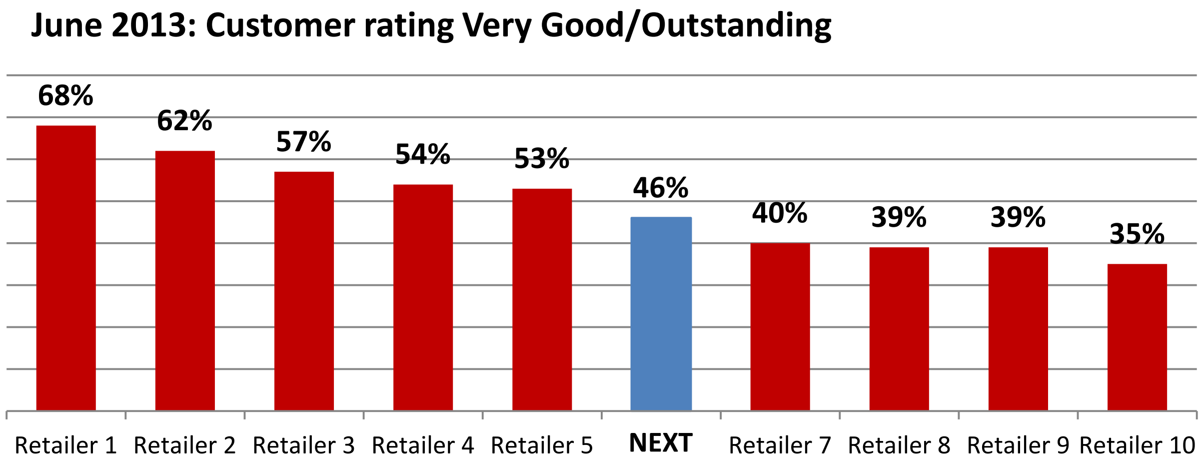
RETAIL SERVICE

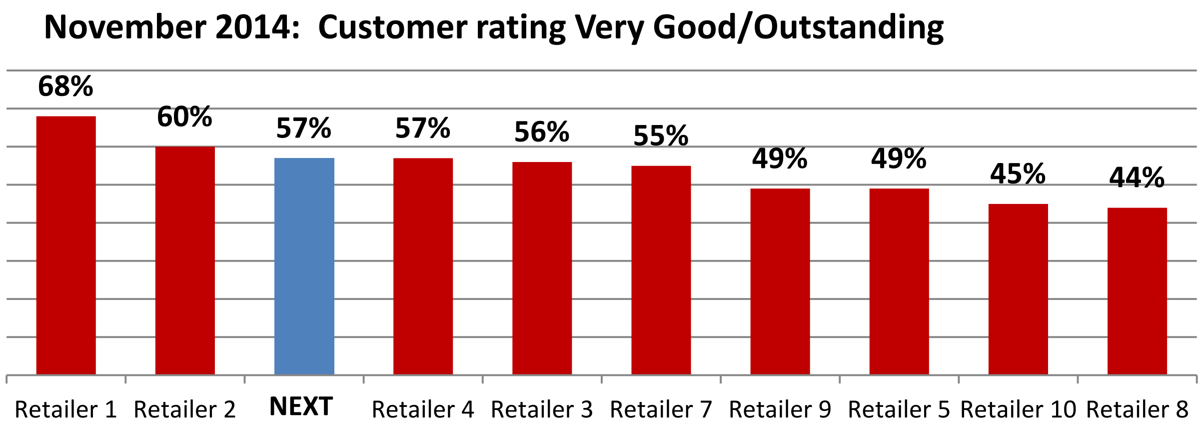
At the beginning of last year we set ourselves the objective of improving our customer service across the Group. Our starting point was a rather disappointing set of customer surveys conducted in June 2013. We re-defined what we meant by great service, focusing on serving our customers in the way *they* want to be served, *not* on traditional retail salesmanship designed to maximise short term sales.

Over the last eighteen months we have:

- Overhauled our recruitment process, focusing on attitude rather than experience
- Increased our lowest wage rates by 6%
- Introduced new service training
- Changed our store staff bonus scheme to be awarded on the basis of service, rather than sales
- Re-allocated contract hours throughout the day to achieve better service at peak times
- Increased the average contract hours worked per member of staff. (Any consequent reduction in head count has been achieved through natural wastage and without any redundancies)
- Introduced a shift market-place to allow staff to offer up, swap and accept additional shifts
- Changed our staff appraisal and performance management systems

We believe that all the above changes have had a significant and positive effect on the levels of service we provide in our stores. The two charts below are taken from an independent survey which assesses the number of customers rating service as “Very Good” or “Outstanding”, both in our own stores and in other major competitors. As can be seen, we have achieved a marked improvement but still have some way to go to get to best in class.





RETAIL PROFIT ANALYSIS

Full year operating margin improved by 0.8% to 16.3%. The table below sets out significant margin movements by major heads of costs.

Net operating margin on total sales last year		**15.5%**
Bought-in gross margin	Underlying gross margin improved by +0.3% due to a planned increase in Home furniture. In addition, we were able to buy currency at slightly better rates than initially anticipated, resulting in a margin gain of +0.2%.	**+0.5%**
Higher markdown	Retail stock for Sale was up 13% and markdown sales were up 8.5%. Margin reduced as a result of markdown sales growing faster than full price sales and lower Sale clearance rates.	**- 0.4%**
Decrease in occupancy costs	This improvement was due to (1) store asset write offs in the prior year +0.5%, (2) lower depreciation due to fully depreciated assets +0.3% and (3) leverage of fixed costs from strong first half sales +0.3%.	**+1.1%**
Store payroll	Increased rates of pay would have cost -0.6% but were partially offset by in-store productivity initiatives.	**- 0.3%**
Central overheads	Investment in IT infrastructure.	**- 0.1%**
Net operating margin on total sales this year		**16.3%**

DIRECTORY

DIRECTORY SALES AND CUSTOMER BASE

Directory sales were 12.1% ahead of last year. Sales in the UK grew by 8.2% and overseas online sales increased by 61%. The table below shows the contribution to total Directory growth made by our UK and Overseas businesses. The UK has been broken down to show the contribution made by our brands business, LABEL.

	Contribution to sales growth
UK NEXT	5.7%
UK LABEL	1.9%
UK Total	**7.6%**
Overseas	4.5%
Total sales growth	**12.1%**

Active customers increased by 11.3% to 4.1 million. The table below sets out the growth in our UK and Overseas customer base. Most of our new customers in the UK have chosen to pay on order with a debit or credit card (Cash customers).

Average customers ('000s)	**Jan 2015**	**Jan 2014**	**Change**	**% Change**
UK credit account	2,724	2,798	- 74	- 2.6%
UK cash	899	633	+266	+42.0%
Total UK	3,623	3,431	+192	
Overseas	495	268	+227	+85.0%
Total active customers	**4,118**	**3,699**	**+419**	**+11.3%**

DIRECTORY DEVELOPMENT – UK

We have developed the UK business through improving our delivery service, improving the levels of customer service, and increasing the frequency of our publications.

Delivery Service

During the year we extended the ordering window for deliveries to stores. From October store orders could be placed until midnight for next day delivery. This service provided the ground work for the much harder exercise of extending our window for deliveries to home, we have recently extended our cut-off to 11pm and hope to extend to midnight by August. Currently we take around 9% of our orders between 10pm and midnight.

NEXT Directory Customer Service

We have made some progress in improving customer service in our call centres. We have taken many of the lessons learnt from Retail and used them to change our recruitment methods, training courses, staff bonus schemes and appraisal methods.

Enquiry levels and complaints have fallen. However, we still feel we have a long way to go to get to the levels of service we would like. In particular we need to ensure that more enquiries are dealt with first time. Of course, much of the effort is about preventing mistakes in the first place. To that extent, our warehouses and distribution network can contribute more to preventing repeat enquiries than our call centres.

We also aim to improve the functionality of our website, with particular emphasis on:

- Improvements to payment processing and account management screens
- Re-launch of our iPad and iPhone Apps in addition to a redesign of our mobile site (m.next.uk)
- Improvements to the operation of specialist Home product web pages where clothing search and selection methods are inappropriate (e.g. dining chairs, tables, fitted wardrobes and beds)

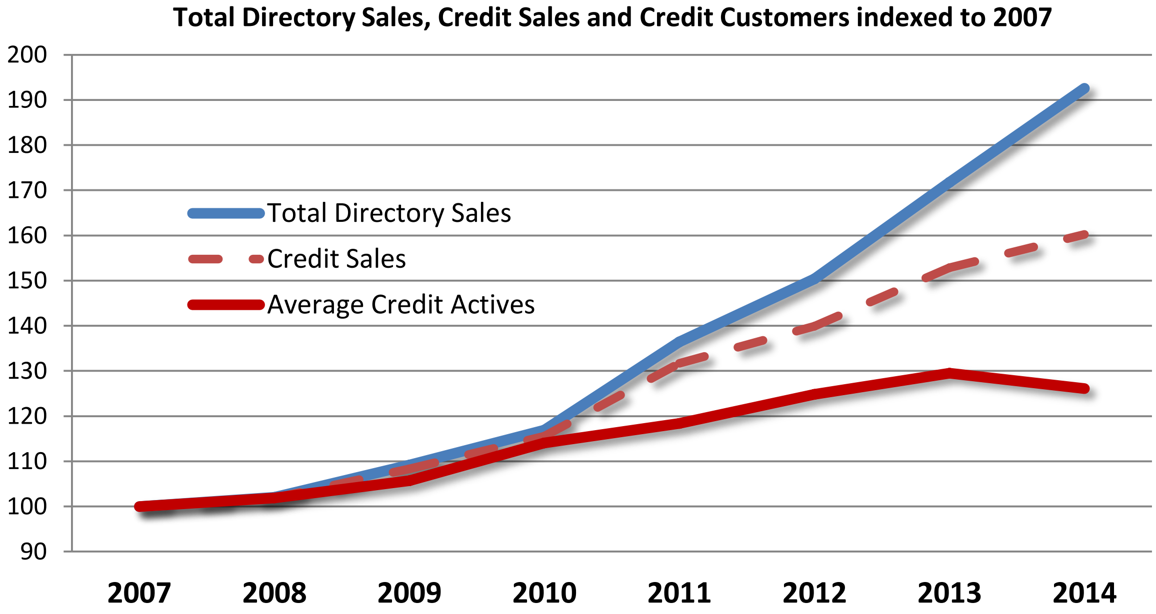
Publications

In 2013 we experimented with a number of small "New In" publications. These are now published at six week intervals between the launch our four big hardback Spring, Summer, Autumn and Winter catalogues.

During the year we increased the size and extended the distribution of these publications. In the year ahead we will add one further small new publication in May to offer High Summer and holiday product.

FOCUS ON NEXT DIRECTORY CREDIT BUSINESS

Over the last few years, NEXT Directory has made the transition from Catalogue to Online. In doing so, we have made it easy for new customers to trade using a debit card or credit card (we refer to these customers as "Cash" as opposed to "Credit" customers). This has dramatically increased the reach of the NEXT Directory and we now have 900,000 active Cash customers. However, this has meant that, over the last few years, our Credit customer growth has slowed and this year it has declined by -2.6%. The graph below shows the growth in total Directory sales relative to our Credit customer base, the figures are indexed to 2007. The dotted line shows the growth in Credit sales in the same period.



Effect on Profitability

Net interest income accounts for 8% of the 25.4% net margin made on Credit sales. However, the difference in the profitability of our Cash customers is not as great as might first be expected. Our Cash business experiences much lower returns and marketing costs, boosting the profitability of Directory Cash sales to 23%, and narrowing the difference to 2.4%.

Effect on Credit Sales

Interestingly, the decline in Credit customers has not yet been matched by a decline in Credit sales. Growth in sales to our Credit customers is more than compensating for the decline in customer numbers. Interest income has also started to grow slightly faster than Credit sales. We believe that this is because the customers who are leaving are those who are most likely to have been paying down their balance in full.

Both of these effects do not change the underlying reality, that our Credit business is in decline, but they do mean that the decline is likely to be slower than we initially anticipated.

Promoting the Credit Offer

We have not directly promoted our Credit business but will begin to do so over the course of this year. In addition to providing flexible payments, the account also allows customers to try items before they buy them (customers have at least 28 days to return items without incurring interest charges on them). Most Credit account holders are also eligible to get early access to our End of Season online Sale. Whilst it is very unlikely that we will return to our Credit customer base growing in line with Directory's total UK sales, we may be able to take steps to arrest the decline. We will have further information on this subject at the half year.

DEVELOPING DIRECTORY OVERSEAS

NEXT's online business continues to do well overseas. Around 85% of Directory's overseas sales come from our own website, the remainder is being sold through local third party home shopping operators.

Over the last three years the emphasis of our work overseas has been on opening new territories, translating our website and accepting local currencies. Much of this work is now done and we will shift our focus to improving our delivery service. This can be achieved either through increasing the speed of distribution from our UK warehouses through 3rd party networks or by distributing from our overseas hub warehouses.

Faster From the UK

We have recently improved our delivery service to Germany and France, offering most of our customers a next day delivery service. Initial sales response has been encouraging and we will look to extend this service to other close European countries.

Local Distribution Hubs

In September 2014 we successfully opened a local hub in Northern Ireland. This has allowed us to offer next day delivery in both Northern Ireland and Eire. We will shortly open a local distribution hub and, later in the year, a call centre in Russia. Total investment in this project is £2.5m. Our current delivery promise in Russia is 8 to 12 days. The new hub will allow us to offer a stated day service, next-day to customers in Moscow and St Petersburg, and between 2-5 days for our other Russian customers.

New Territories – China

The only significant new territory launched last year was China. Sales started slowly but are now exceeding our expectations and we believe that China will shortly be one of our top ten trading territories. We are currently working on a local distribution hub to serve mainland China, Hong Kong, Taiwan and Japan. We hope to be operational within the current year. Our aim is to reduce mainland China lead times for most of our customers from 14 days to 1-2 days.

Sales, Profitability History and Outlook for the year ahead

The table below sets out the last three years' sales, profits and net margins for overseas online. The fourth column gives an estimate of the sales and profitability we are expecting in the year ahead.

£m	**January 2013**	**January 2014**	**January 2015**	**January 2016(e)**
Sales	54	101	163	205 (e)
Net Profit	10	18	30	37 (e)
Profitability	**19%**	**18%**	**18%**	**18% (e)**

We expect our international online sales to grow by 25% in the year ahead, to around £205m. This rate of growth is significantly lower than last year. This is partly because we have now opened in all our target territories and have limited further opportunities to add local currencies and languages. In addition two of our largest markets, Russia and Ukraine, have both suffered significant currency devaluations. We have had to increase our prices in local currency to maintain profitability in these territories and as a result sales (measured in £ Sterling) are no longer growing. We believe that both countries will return to growth if and when their currencies stabilise. Despite the tough trading environment we remain confident that our Russian distribution hub will be operational with the next two months.

LABEL

We launched our first LABEL catalogue in March last year. The business was an extension of the small number of third party brands we had been selling through the NEXT Directory. The aim was to offer premium non-competing brands to the 4 million NEXT Directory customer base, leveraging the next day service we are able to offer through our warehouses and distribution networks.

The business has started well and we continue to recruit new, premium brands to the business. Last year we added 34 new major brands to LABEL. In the year ahead we intend to add at least another 30 premium brands. LABEL will publish four catalogues a year with around 400 pages in each. LABEL products can be ordered through a dedicated part of the NEXT website and through LABELONLINE.CO.UK

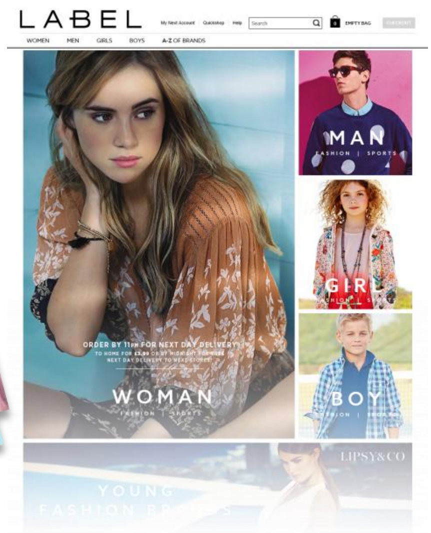
Sales, Profitability and Outlook

The table below sets out the last three years' sales, profits and net margins for our third party branded business. The fourth column gives an estimate of the sales and profitability we are expecting in the year ahead. Profitability is shown excluding any interest income from those customers who buy items using their Directory account.

£m	**January 2013**	**January 2014**	**January 2015**	**January 2016(e)**
Sales excluding VAT	81	89	110	150+ (e)
Profitability*	11%	19%	14%	15% (e)

*Profit excluding interest income

Profitability in the year just ended was lower than the previous year, partly as a result of more partner brands switching to trade with LABEL on a commission basis. This means we take a commission on sales rather than purchase wholesale. The commission model is less profitable for us, but gives partner brands far more freedom to manage the ranges they sell through LABEL and allows us to draw on their selection expertise. Our experience so far is that brands which switch to trading on commission can dramatically increase their sales.



LABEL Products catalogue and dedicated website

DIRECTORY PROFIT ANALYSIS

Operating margin reduced by 1.6% to 24.5%. The table below sets out significant margin movements by major heads of costs.

Net operating margin last year		**26.1%**
Bought-in gross margin	Underlying gross margin improved by +0.3% due to a planned increase in Home furniture margin. In addition, we were able to buy currency at slightly better rates than initially anticipated, resulting in a gain of +0.2%. This has been offset by an increase in Branded and International sales which have lower margins.	**- 0.1%**
Markdown	Directory stock for Sale increased by more than Sales, up 25%. In addition lower clearance rates have reduced overall margin.	**- 0.4%**
Stock write downs	More stock was damaged whilst in transit. In particular flat pack furniture and items returned via our stores. In addition, we incurred a £0.9m one-off sofa recall cost.	**- 0.3%**
Interest income	Interest income increased, but at a lower rate than total sales. Interest income was also reduced by a 1% APR reduction made in September 2014.	**- 0.4%**
Bad Debt	Bad debt costs have reduced, increasing margin.	**+0.3%**
Warehouse & distribution	Margins have reduced by -0.6% due to increasing International sales. This has been partially offset by savings in International parcel rates, operational savings and increased use of our store network for customer returns.	**- 0.3%**
Photography & catalogue production	A combination of additional LABEL and New In publications increased print costs faster than sales. In addition, we have incurred creative costs for the Summer 2015 LABEL in 2014.	**- 0.3%**
Central overheads	Start-up costs associated with our Russian hub.	**- 0.1%**
Net operating margin this year		**24.5%**

COST INFLATION AND COST CONTROL

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

Cost Increases	**£m**
Cost of living awards and other wage related inflation	19
Rent, rates & other occupancy costs	6
Systems investments (mainly new till systems)	5
Additional costs associated with overseas deliveries	4
2015/6 LABEL costs incurred and charged in 2014/5	4
Change in net achieved margin on product (markdown, slippage, gross margin, etc.)	3
Total Cost Increases	**41**

Cost Savings	**£m**
Reduction in the cost of senior management and staff incentives	12
Non-recurring prior year store asset write-offs	12
Fully depreciated store assets no longer incurring a depreciation charge	8
Directory distribution efficiencies	4
Retail manpower productivity improvements	4
Lower bad debt charges	2
Total Cost Savings	**42**

In the year ahead we expect cost increases of around £36m. Anticipated wage increases account for £18m of this, the majority of which comes from our annual wage award. We again expect cost increases to be more than offset by cost savings. In NEXT Retail, the profit from new stores should offset lower profits from existing stores. In NEXT Directory, profit from growth in UK sales should exceed that from growth in International sales.

Head Office, Warehouse and Systems Projects

The rapid growth of our Online and Home businesses meant that we commenced an unusual number of big systems, warehousing and Head Office Infrastructure projects in 2014.

These projects will give some operational benefits but are mainly required to facilitate continued growth or replace obsolete systems and buildings. Most systems development costs are revenue costs and written off in the year they are incurred. Hardware and other infrastructure are depreciated over the life of the asset.

The table below sets out the largest projects and their revenue and capital costs for the year ended and estimates for the year ahead. The biggest number is the £20m investment in fitting out a new automated Home Sofa and Furniture warehouse, located next to our existing warehouses in Doncaster. We expect to spend a further £12m on this project in the year to January 2017.

		Revenue Cost (£m)		Capital Cost (£m)	
Project Description	**Life**	**Jan 2015**	**Jan 2016 (e)**	**Jan 2015**	**Jan 2016(e)**
Store till, back office and payment systems upgrade	2yrs	2	1	2	5
Mainframe upgrade and modernisation	2yrs	2	1	-	-
International website re-write and convergence with UK	2yrs	1	-	-	-
Head Office Product, Call Centre and Systems infrastructure	2yrs	-	-	9	11
Home warehouse expansion	3yrs	-	-	3	20
Total		**5**	**2**	**14**	**36**

OTHER TRADING BUSINESSES

NEXT SOURCING

NEXT Sourcing (NS) continues to provide more than 40% of NEXT Brand stock from our global supplier base, sourcing from 18 countries. It employs 3,600 people in 12 countries, including 2,700 in factories which we own. NS provides the Group with an insight into manufacturing and the relative technical strengths of different parts of the world. Although wholly owned, it operates as a stand-alone business and must compete (without favour) with our other suppliers.

NS trades mainly in US Dollars and its sales were up 10% in Dollars. The table below shows sales and profits in Sterling.

£m	2015	2014	
Sales (mainly inter-company)	600.6	571.2	+5.1%
Operating margin %	6.9%	6.0%	
Operating profit	**41.4**	**34.1**	**+21.3%**

We are forecasting NS profits of £47m for the year ahead, which includes a £3m currency benefit from the stronger Dollar. NEXT Sourcing has made excellent progress controlling costs, and its margins are now approaching historical highs. There is an opportunity for NS to be more competitive and their Board has taken the decision to lower their commission rate by 1% for Spring 2016 stock.

INTERNATIONAL RETAIL AND FRANCHISE STORES

Our franchise partners operate 188 stores in 37 countries, sales and profits were little changed on the year. We own 13 stores in Central Europe, which made a small profit. We have no plans to open our own stores in new territories. Revenue and profit are set out below. We are budgeting for International Retail to make £10m profit in the year ahead. The anticipated drop in profit is due to the economic difficulties being experienced by our franchise partners in some eastern European countries.

£m	2015	2014	
Franchise income	71.9	71.0	
Own store sales	14.3	14.6	
Total revenue	**86.2**	**85.6**	**+0.7%**
Operating profit	**11.7**	**12.1**	**- 2.9%**

LIPSY

Lipsy performed well, and profit increased to £5.1m. Lipsy sales are broken down by distribution channel in the table below. Lipsy sells stock directly through its own stores, website, to wholesale customers and to franchise partners. Lipsy also sells stock in 34 units inset into NEXT Retail stores and through the NEXT Directory. Sales made through NEXT Retail and Directory are now reported in those divisions.

£m	2015	2014	
Lipsy.co.uk, standalone stores, franchise and wholesale	36.8	35.3	+4%
NEXT Retail	12.9	12.1	+7%
NEXT Directory	23.3	15.5	+50%
Total Sales	**73.0**	**62.9**	+16%
Operating Profit	**5.1**	**2.7**	

Currently, the majority of Lipsy's sales are of Lipsy branded merchandise. Lipsy also sells some other, third party, young fashion brands. These third party branded sales now account for 12% of Lipsy's sales and we anticipate that this participation will increase in the year ahead.

Outlook for Sales and Profits

One of Lipsy's major wholesale customers, Bank, recently went into administration and this customer contributed £1.3m to profit. We believe that some of the lost turnover will be recovered through other channels and the balance of lost profit will be made up for with organic growth. We anticipate that Lipsy profit for the year ahead will be broadly in line with last year.

CENTRAL COSTS AND OTHER ACTIVITIES

The table below sets out other Group and non-trading activities. In aggregate these activities contributed £25m to the growth in profit, a far greater difference than we would normally expect from these activities. Of this £25m, the most significant was a £15m swing in unrealised accounting gains/losses on currency hedging instruments.

£m	2015	2014
Property management	6.9	1.8
Central costs	(23.4)	(30.7)
Unrealised foreign exchange	8.9	(5.9)
Associates	0.9	2.5
Total	**(6.7)**	**(32.3)**

Property Management

The Property Management profit of £7m includes a £4m one-off profit on sale of a NEXT Retail store lease. In the year ahead we anticipate a similar one-off profit will be achieved from the development of at least one other new store.

Central Costs

The reduction in Central Costs is due primarily to lower share based employee incentives, in the prior year the rate of share price growth and the provisions required had been particularly high.

Unrealised Foreign Exchange IAS 39

The £9m gain this year compares with a £6m loss in the previous year. This accounting volatility is unhelpful and hard to predict, we are working on the basis of no gain or loss in the year ahead.

INTEREST AND TAXATION

The interest charge was £30m as forecast and we expect a similar figure for the year ahead.

Our tax rate of 20.4% was unchanged and is commensurate with current headline UK corporation tax rates. We expect our effective tax rate will be no higher than 21% in each of the next two years.

EXCEPTIONAL DISPOSAL GAINS

During the year we sold our investment in Cotton Traders for £15m, which was £11m above book value. We also released £2m of other prior year disposal provisions.

BALANCE SHEET AND ORDINARY DIVIDENDS

The balance sheet remains strong. Net debt at the end of the year was virtually unchanged at £515m. During the coming year net debt is expected to move between a minimum of £500m and a maximum of £750m, and is expected to finish at around the same level as it started. Our bonds and committed bank facilities of £1,088m remain unchanged, as set out below.

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

FINAL ORDINARY DIVIDEND

We have proposed raising our final ordinary dividend to 100p, taking the total ordinary dividend for the year to 150p. The increase of 16% is marginally ahead of growth in underlying EPS, although cover remains at 2.8 times.

CASH GENERATION, SHARE BUYBACKS AND SPECIAL DIVIDENDS

CASH GENERATION

Over the last year we generated £363m of surplus cash after capex, interest, ordinary dividends and tax. We returned £361m of this to shareholders, through special dividends of £223m and share buybacks of £138m.

We expect to generate around £360m surplus cash in the year ahead and, again, we intend to return this to shareholders. We paid a £74m special dividend in February and have committed to a further £90m which will be paid in May. If our share price remains above our maximum limit for buybacks and our profit expectations remain unchanged, then we intend to pay further quarterly special dividends in August and November this year.

SHARE BUYBACK PRICE LIMIT GOING FORWARD

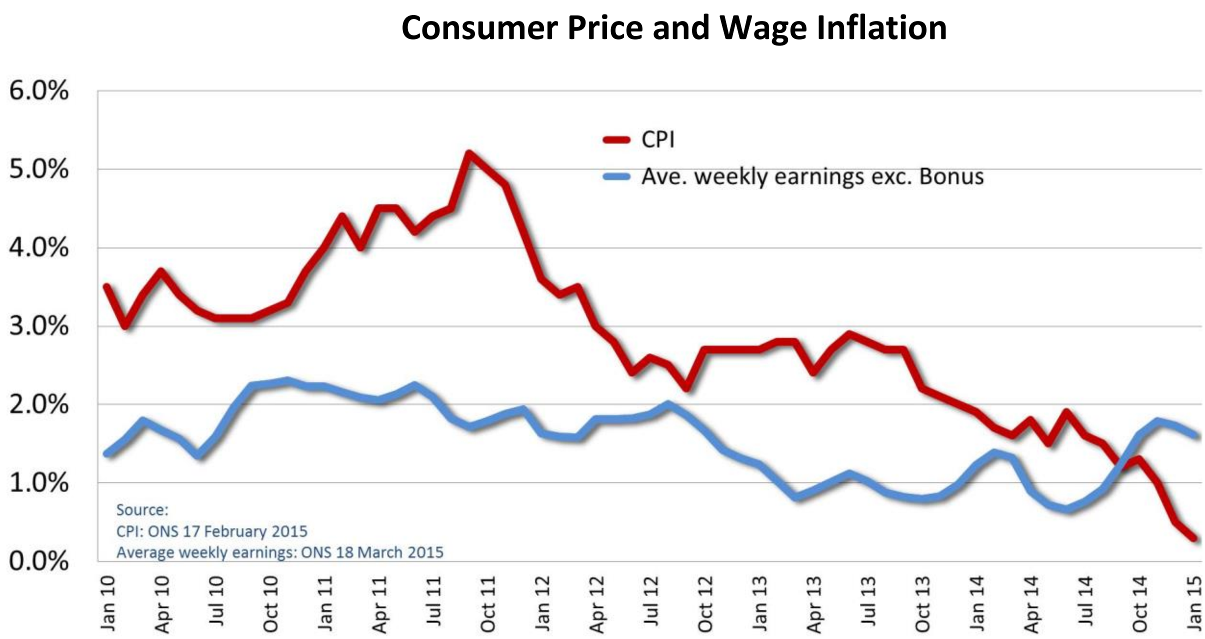
We have, on several occasions, set out the criteria by which we would decide the maximum price the Company would pay to buy back shares. We use the concept of Equivalent Rate of Return (ERR). This is the pre-tax return required from an alternative investment, if that investment were to produce the same level of earnings enhancement as the proposed buyback. We set the minimum ERR at 8%, which we consider a reasonable target for a return on equity investments.

For the year to January 2016, the mid-point of our guidance for profit before tax is £810m. On this basis an 8% ERR gives a new upper limit for buybacks of **£68.27**.

OUTLOOK FOR 2015

ECONOMIC OUTLOOK

The economic outlook for the UK consumer looks benign. Low price inflation, an end to real wage decline, healthy credit markets and strong employment all paint a more positive picture than in recent years.



SALES OUTLOOK FOR NEXT

Although the consumer economy looks benign, we remain very cautious in our sales budgets. Whilst we are happy with most of our current product ranges, we recognise that some collections are not as strong as they were at this point last year. In addition, during the Spring and Summer seasons, we face very tough comparative numbers from last year, when sales were assisted by unusually warm weather. There is a potential upside in the second half as the comparative performance last year weakens, particularly in the third quarter.

We are currently budgeting for full price sales growth for the full year to be up between +1.5% and +5.5%, with the first half expected to be up 0% to 3%, and the second half up 3.5% to 7.5%.

PROFIT AND EPS GUIDANCE FOR THE YEAR AHEAD

The table below sets out our guidance for the full year. For the purposes of this guidance, we have assumed that surplus cash of £360m is generated and returned as special dividends rather than buybacks. In reality the choice between buybacks and special dividends will depend on the prevailing share price as explained above. We have expressed the dividend return as a percentage of our average share price during the first month of this financial year.

Guidance Estimates	Lower end of guidance	Upper end of guidance
Total full price NEXT Brand sales % growth	+1.5%	+5.5%
Group profit before tax £m	£785m	£835m
Group profit before tax % growth	+0.4%	+6.7%
Ordinary dividend yield (based on £72.33 share price)	+2.1%	+2.1%
Special dividend yield (based on £72.33 share price)	+3.3%	+3.3%
Total Shareholder Returns	**+5.8%**	**+12.1%**

This guidance is based on 52 weeks for the years ending January 2015 and 2016. This year will actually be the 53 weeks to 30 January 2016. Our Interim accounts will be for the comparable 26 weeks to 25 July 2015.

First Quarter Trading Update

Our next statement will cover the first thirteen weeks of the year, to 25 April 2015, and is provisionally scheduled for Wednesday 29 April 2015.

CONCLUSION – A TOUGHER YEAR BUT PLENTY TO DO

Whilst the prospective returns detailed above would be very respectable by most standards, they are low by comparison to NEXT's historical performance. However, they are based on realistic sales estimates and we believe that it would be a mistake to be over-optimistic at this stage. Our experience is that starting with prudent sales budgets is the key to coping with lower sales growth. Stock purchases and other costs can then be tailored to get the business through the year in good shape.

Whatever the sales environment in the current year, the Company has plenty of opportunities to lay foundations for future growth. Of these, the most important are: further improvement to our buying techniques, customer service, delivery capabilities, growing our store portfolio, initiating overseas fulfilment operations, and growing our third party branded business through LABEL.

Lord Wolfson of Aspley Guise
Chief Executive
19 March 2015

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Year to January 2015 £m	Year to January 2014 £m
Revenue	**3,999.8**	3,740.0
Cost of sales	**(2,656.4)**	(2,499.9)
Gross profit	**1,343.4**	1,240.1
Distribution costs	**(322.9)**	(296.2)
Administrative expenses	**(218.2)**	(217.7)
Unrealised foreign exchange gains/(losses)	**8.9**	(5.9)
Trading profit	**811.2**	720.3
Share of results of associates	**0.9**	2.5
Operating profit	**812.1**	722.8
Finance income	**0.8**	0.7
Finance costs	**(30.7)**	(28.3)
Profit before tax and exceptional items	**782.2**	695.2
Exceptional gains (Note 3)	**12.6**	-
Profit before taxation	**794.8**	695.2
Taxation	**(159.9)**	(142.0)
Profit for the year attributable to equity holders of the parent company	**634.9**	553.2

	Year to January 2015	Year to January 2014
Basic earnings per share (Note 4)		
Underlying	**419.8p**	366.1p
Total	**428.3p**	366.1p
Diluted earnings per share (Note 4)		
Underlying	**409.7p**	355.6p
Total	**417.9p**	355.6p

UNAUDITED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME

	Year to January 2015 £m	Year to January 2014 £m
Profit for the year	**634.9**	553.2
Other comprehensive income and expenses:		
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit pension scheme	**(34.7)**	(12.6)
Tax relating to items which will not be reclassified	**6.9**	5.0
Sub-total items that will not be reclassified	**(27.8)**	(7.6)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(6.6)**	3.0
Foreign currency cash flow hedges:		
- fair value movements	**62.8**	(21.9)
- reclassified to the income statement	**24.5**	(14.9)
- recognised in inventories	**(13.5)**	8.5
Tax relating to items which may be reclassified	**(14.1)**	5.3
Sub-total items that may be reclassified	**53.1**	(20.0)
Other comprehensive income/(expense) for the year	**25.3**	(27.6)
Total comprehensive income for the year attributable to equity holders of the parent company	**660.2**	525.6

UNAUDITED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

	Year to January 2015 £m	Year to January 2014 £m
Opening total equity	**286.2**	285.6
Total comprehensive income for the year	**660.2**	525.6
Share buybacks & commitments	**(180.6)**	(311.9)
ESOT share purchases & commitments	**(79.8)**	(55.0)
Shares issued by ESOT	**42.9**	38.4
Share option charge	**13.4**	15.8
Equity awards settled in cash	**(3.8)**	(2.4)
Tax recognised directly in equity	**17.3**	29.0
Equity dividends (Note 5)	**(433.9)**	(238.9)
Closing total equity	**321.9**	286.2

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	January 2015 £m	January 2014 £m
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant & equipment		**503.3**	509.2
Intangible assets		**44.0**	44.4
Interests in associates and other investments		**2.1**	7.9
Defined benefit pension surplus		**37.9**	70.3
Other financial assets	7	**65.7**	17.7
Deferred tax assets		**13.3**	27.0
		666.3	676.5
Current assets			
Inventories		**416.8**	385.6
Assets under construction		**12.7**	-
Customer and other receivables		**844.3**	808.0
Other financial assets	7	**66.7**	1.2
Cash and short term deposits		**275.5**	273.3
		1,616.0	1,468.1
Total assets		**2,282.3**	2,144.6
Current liabilities			
Bank loans and overdrafts		**(2.8)**	(2.6)
Trade payables and other liabilities		**(636.5)**	(594.0)
Dividends payable		**(73.9)**	(74.4)
Other financial liabilities	7	**(109.4)**	(83.8)
Current tax liabilities		**(64.0)**	(79.7)
		(886.6)	(834.5)
Non-current liabilities			
Corporate bonds		**(838.2)**	(800.8)
Provisions		**(9.4)**	(8.5)
Other financial liabilities	7	**(11.8)**	(0.9)
Other liabilities	8	**(214.4)**	(213.7)
		(1,073.8)	(1,023.9)
Total liabilities		**(1,960.4)**	(1,858.4)
NET ASSETS		**321.9**	286.2
EQUITY			
Share capital		**15.3**	15.5
Share premium account		**0.9**	0.9
Capital redemption reserve		**14.6**	14.4
ESOT reserve		**(192.0)**	(196.6)
Fair value reserve		**43.0**	(16.0)
Foreign currency translation reserve		**(1.6)**	5.0
Other reserves		**(1,443.8)**	(1,443.8)
Retained earnings		**1,885.6**	1,906.9
Shareholders' equity		**322.0**	286.3
Non-controlling interest		**(0.1)**	(0.1)
TOTAL EQUITY		**321.9**	286.2

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Year to January 2015 £m	Year to January 2014 £m
Cash flows from operating activities		
Operating profit	**812.1**	722.8
Depreciation, impairment and loss on disposal of property, plant & equipment	**114.3**	132.9
Amortisation and impairment of intangible assets	**0.5**	0.4
Share option charge less amounts settled in cash	**9.6**	13.4
Dividends from associates less share of profits	**0.9**	(0.7)
Exchange movement	**(15.6)**	9.3
Increase in inventories and assets under construction	**(43.9)**	(53.8)
Increase in customer and other receivables	**(28.9)**	(90.9)
Increase in trade and other payables	**49.1**	50.7
Net pension contributions less income statement charge	**(2.3)**	(17.3)
Cash generated from operations	**895.8**	766.8
Corporation taxes paid	**(152.6)**	(152.0)
Net cash from operating activities	**743.2**	614.8
Cash flows from investing activities		
Additions to property, plant & equipment	**(110.2)**	(105.3)
Movement in capital accruals	**(3.3)**	2.4
Payments to acquire property, plant & equipment	**(113.5)**	(102.9)
Proceeds from sale of property, plant & equipment	**1.9**	0.4
Payment of deferred consideration	**(1.4)**	(0.1)
Proceeds from sale of investment in associate (Note 3)	**7.0**	-
Net cash from investing activities	**(106.0)**	(102.6)
Cash flows from financing activities		
Repurchase of own shares	**(137.9)**	(295.8)
Purchase of shares by ESOT	**(79.8)**	(97.5)
Disposal of shares by ESOT	**45.0**	42.9
Bonds issued	**-**	250.0
Bonds redeemed	**-**	(85.5)
Interest paid	**(29.7)**	(21.5)
Interest received	**0.9**	0.5
Payment of finance lease liabilities	**(0.2)**	(0.1)
Dividends paid (Note 5)	**(434.4)**	(164.8)
Net cash from financing activities	**(636.1)**	(371.8)
Net increase in cash and cash equivalents	**1.1**	140.4
Opening cash and cash equivalents	**270.7**	130.9
Effect of exchange rate fluctuations on cash held	**0.9**	(0.6)
Closing cash and cash equivalents (Note 9)	**272.7**	270.7

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The results for the financial year are for the 52 weeks to 24 January 2015 (last year 52 weeks to 25 January 2014).

The condensed consolidated financial statements for the year ended 24 January 2015 have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union and, except for the note below on sales presentation, in accordance with the accounting policies set out in the NEXT plc Annual Report and Accounts for the year ended 25 January 2014.

The condensed consolidated financial statements are unaudited and do not constitute statutory accounts of the Company within the meaning of Section 434(3) of the Companies Act 2006. Statutory accounts for the year to January 2014 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.

Note on sales presentation

NEXT operates an increasing number of commission based agreements with third party brands, including some which are sourced by Lipsy and sold on next.co.uk and in our Directory and Label publications. Lipsy brand products are also sold through NEXT Directory and in some NEXT Retail stores.

To ensure consistency with all other non-NEXT brands sold by NEXT, this year we have adopted the following approach (prior year figures have been restated):

1. Lipsy sales made through NEXT Directory (£23m this year) are now reported in NEXT Directory rather than Lipsy
2. Lipsy sales made in NEXT Retail stores (£13m this year) are now reported in NEXT Retail rather than Lipsy

Total Sales includes the full customer sales value of commission-based sales, whereas Statutory Revenue (which in total remains as previously reported) includes only the net commission receivable from the supplier.

This change of presentation has no impact on profit.

2. Segmental analysis

The Group's operating segments under IFRS 8 have been determined based on the management accounts reviewed by the Board. The performance of operating segments is assessed on profits before interest and tax, excluding equity settled share option charges recognised under IFRS 2 *Share Based Payment* and unrealised foreign exchange gains or losses on derivatives which do not qualify for hedge accounting. The activities, products and services of the operating segments are detailed on page 18 of the 2014 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

Year to January 2015

	Total sales excluding VAT £m	**Commission sales adjustment £m**	**External Revenue £m**	**Internal Revenue £m**	**Total Segment Revenue £m**
NEXT Retail *	**2,348.2**	**(6.7)**	**2,341.5**	**7.2**	**2,348.7**
NEXT Directory *	**1,540.6**	**(20.8)**	**1,519.8**	**-**	**1,519.8**
NEXT International Retail	**86.2**	**-**	**86.2**	**-**	**86.2**
NEXT Sourcing	**7.5**	**-**	**7.5**	**593.1**	**600.6**
	3,982.5	**(27.5)**	**3,955.0**	**600.3**	**4,555.3**
Lipsy *	**36.8**	**(0.5)**	**36.3**	**24.5**	**60.8**
Property Management	**5.6**	**-**	**5.6**	**196.6**	**202.2**
Total segment sales/revenues	**4,024.9**	**(28.0)**	**3,996.9**	**821.4**	**4,818.3**
Third party distribution	**2.9**	**-**	**2.9**	**-**	**2.9**
Eliminations	**-**	**-**	**-**	**(821.4)**	**(821.4)**
Total	**4,027.8**	**(28.0)**	**3,999.8**	**-**	**3,999.8**

Year to January 2014

	Total sales excluding VAT £m	Commission sales adjustment £m	External Revenue £m	Internal Revenue £m	Total Segment Revenue £m
NEXT Retail *	2,240.5	(0.8)	2,239.7	6.1	2,245.8
NEXT Directory *	1,373.9	(17.4)	1,356.5	-	1,356.5
NEXT International Retail	85.6	-	85.6	-	85.6
NEXT Sourcing	11.0	-	11.0	560.2	571.2
	3,711.0	(18.2)	3,692.8	566.3	4,259.1
Lipsy *	35.3	-	35.3	20.5	55.8
Property Management	4.8	-	4.8	192.9	197.7
Total segment sales/revenues	3,751.1	(18.2)	3,732.9	779.7	4,512.6
Third party distribution	7.1	-	7.1	-	7.1
Eliminations	-	-	-	(779.7)	(779.7)
Total	3,758.2	(18.2)	3,740.0	-	3,740.0

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.

* Lipsy sales made through NEXT Retail and Directory are now reported in those divisions. For comparability, prior year figures have been restated resulting in £12.1m of Lipsy sales being re-allocated to NEXT Retail and £15.5m to Directory.

2. Segmental analysis (continued)

Segment profit	Year to January 2015 £m	Year to January 2014 £m
NEXT Retail	**383.8**	347.7
NEXT Directory	**376.8**	358.5
NEXT International Retail	**11.7**	12.1
NEXT Sourcing	**41.4**	34.1
	813.7	752.4
Lipsy	**5.1**	2.7
Property Management	**6.9**	1.8
Total segment profit	**825.7**	756.9
Central costs and other	**(10.0)**	(14.9)
Share option charge	**(13.4)**	(15.8)
Unrealised foreign exchange gains/(losses)	**8.9**	(5.9)
Trading profit	**811.2**	720.3
Share of results of associates	**0.9**	2.5
Finance income	**0.8**	0.7
Finance costs	**(30.7)**	(28.3)
Profit before tax and exceptional items	**782.2**	695.2
Exceptional gains	**12.6**	-
Profit before tax	**794.8**	695.2

3. Exceptional gains

During the year the Group disposed of its investment in Cotton Traders for £15m, realising a profit on disposal of £10.6m. £7.0m was received on completion and the balance of £8.0m is due to be received during the period to January 2016. In addition, £2.0m of other prior year disposal provisions were released.

4. Earnings per share

	Year to January 2015	Year to January 2014
Basic earnings per share	**428.3p**	366.1p
Underlying basic earnings per share	**419.8p**	366.1p

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

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

4. Earnings per share (continued)

	Year to January 2015	Year to January 2014
Diluted earnings per share	**417.9p**	355.6p
Underlying diluted earnings per share	**409.7p**	355.6p

Diluted earnings per share is based on the weighted average number of shares used for the calculation of basic earnings per share as increased by the dilutive effect of potential ordinary shares. Dilutive shares arise from employee share option schemes where the exercise price is less than the average market price of the Company's ordinary shares during the period. Their dilutive effect is calculated on the basis of the equivalent number of nil-cost options. Where the option price is above the average market price, the option is not dilutive and is excluded from the diluted EPS calculation. There were 0.7m such share options in the current year (2014: nil).

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

	Year to January 2015 £m	Year to January 2014 £m
Profit after tax attributable to equity holders of the parent company	**634.9**	553.2
Less exceptional gains (see Note 3)	**(12.6)**	-
Total underlying profit (for underlying EPS)	**622.3**	553.2
Weighted average number of shares (millions):		
Weighted average shares in issue	**153.9**	157.9
Weighted average shares held by ESOT	**(5.6)**	(6.8)
Weighted average shares for basic EPS	**148.3**	151.1
Weighted average dilutive potential shares	**3.6**	4.5
Weighted average shares for diluted EPS	**151.9**	155.6

5. Dividends

Year to January 2015

	Paid	Pence per share	Cash flow statement £m	Statement of changes in equity £m	Jan 2015 balance sheet £m
First special dividend	3 Feb 2014	50p	74.4	-	-
Second special dividend	1 May 2014	50p	74.5	74.5	-
Third special dividend	1 Aug 2014	50p	74.0	74.0	-
Final ordinary dividend for year to Jan 2014	1 Aug 2014	93p	137.6	137.6	-
Interim ordinary dividend for year to Jan 2015	2 Jan 2015	50p	73.9	73.9	-
Fourth special dividend	2 Feb 2015	50p	-	73.9	73.9
			434.4	**433.9**	**73.9**

The fourth special dividend was announced on 30 December 2014 and shares in NEXT plc traded ex-dividend from 15 January. The liability of £73.9m is recorded in the January 2015 balance sheet on the basis that it could not realistically have been cancelled after the ex-dividend date and it was paid on 2 February 2015.

6. Share buybacks and ESOT shares

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

	Ordinary shares (no.)	Cost £m
Shares in issue at 25 January 2014	155,032,317	
Shares purchased for cancellation	(2,158,761)	137.9
Shares in issue at 24 January 2015	**152,873,556**	

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

	Ordinary shares (no.)	Cost/ (proceeds) £m
Shares held by ESOT at 25 January 2014	6,190,747	
Shares purchased by ESOT	1,225,664	79.8
Shares issued by ESOT	(2,405,797)	(45.0)
Shares held by ESOT at 24 January 2015	**5,010,614**	

7. Other financial assets and liabilities

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

Other current financial liabilities at 24 January 2015 also included £101.1m (2014: £58.4m) arising under an irrevocable closed season buyback agreement for the purchase of the Company’s own shares. At 18 March 2015, all £101.1m of this commitment was unfulfilled and had expired, and will therefore be credited back to equity in 2015/16.

8. 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.

9. Analysis of net debt

	January 2014 £m	Cash flow £m	Other non-cash changes £m	**January 2015 £m**
Cash and short term deposits	273.3			**275.5**
Overdrafts and short term borrowings	(2.6)			**(2.8)**
Cash and cash equivalents	270.7	1.1	0.9	**272.7**
Corporate bonds	(800.8)	-	(37.4)	**(838.2)**
Fair value hedges of corporate bonds	13.0	-	37.3	**50.3**
Finance leases	(0.3)	0.2	-	**(0.1)**
Total net debt	(517.4)	1.3	0.8	**(515.3)**

10. Final dividend and AGM

It is intended that the recommended final dividend of 100p per share will be paid on 3 August 2015 to shareholders registered on 10 July 2015. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The Annual General Meeting will be held at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester, LE19 1SW on Thursday 14 May 2015. The Annual Report and Accounts will be sent to shareholders on 14 April 2015 and copies will be available from the Company's registered office: Desford Road, Enderby, Leicester, LE19 4AT and on the Company's website at www.nextplc.co.uk.

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

Certain statements which appear in a number of places throughout this announcement 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 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 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.