NEXT

Results for the Year Ending January 2022

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CHAIRMAN'S STATEMENT

2021 was another exceptionally productive year for NEXT as we worked hard to adapt and develop our business to enable us to maximise the opportunities of an increasingly online world. An analysis of our performance in 2021/22 and our outlook for the year ahead are covered in detail in the following pages but, looking back on the year, among the highlights are:

- Delivery of record high Earnings Per Share (EPS).
- Growing our third-party branded business LABEL, with the addition of new brands, extending the ranges from existing partners and increasing the number of brands using the Platform Plus and Direct Dispatch operating models. We have further enhanced our branded offer through the manufacture of products under licence from partner brands.
- The outstanding job done by our warehouse team to keep up with servicing the growth in demand online.
- The better than expected performance of our Retail business, when our stores reopened in April following lockdown at the start of the year.
- Increasing the number of Total Platform client brands, with the recent launch of Reiss being our most ambitious and comprehensive Total Platform project to date.
- Significant capital investment programmes, including a highly automated warehouse and modernising our website software.
- Restarting dividend payments, with two special dividends paid in September 2021 and January 2022. In the year ahead we will return to our pre-pandemic ordinary dividend cycle.

During the year, we were delighted to welcome Soumen Das to the Board as a non-executive director. His property knowledge, financial acumen and listed company experience have enhanced the strength and depth of the existing Board's capabilities.

I am very proud to see how everyone within the business has embraced our challenges, opportunities and ambitions. I would like to thank them for this, and also for the continued commitment that they have shown over the past two years whilst having to deal with disruption to both their work and personal lives due to the pandemic.

We enter 2022 with confidence in the outlook for our business and its ability to continue its successful evolution. The effects of the pandemic are ongoing and we remain mindful of macroeconomic and geopolitical risks, but our continued investment over many years in our people and our systems has generated strong and resilient results in the past year and we believe that it will continue to do so.

Michael Roney
Chairman
24 March 2022

CHIEF EXECUTIVE'S REVIEW

OVERVIEW

We have navigated our way through the pandemic and the structural changes affecting our sector, to deliver record sales and Earnings Per Share. We acknowledge that we have been fortunate. We went into the pandemic with a well established Online business and a diverse product offer. This allowed our Online business to make up for much of the sales we lost in Retail; and accommodate the dramatic shift in sales between different product categories experienced during lockdown.

But it has not all been about the pre-pandemic positioning of the Company. Colleagues across the Group have worked tirelessly and effectively to adapt our product offer and operations, as circumstances have changed. We have also added to the Group's revenues through the development of new products, services and business opportunities.

As always, this report gives a detailed review of the financial performance of the constituent parts of the Group and guidance for the year ahead (see Parts 4 and 5 below).

In Part 3, the Big Picture, we take the opportunity to stand back from the near-term performance of the Group and explain how we think our sector is evolving and likely to change going forward. We also detail how we are adapting the organisation, and the economics of the business, to address those changes. We explain how the Buying side and Selling side of the business are gaining more independence from each other and increasingly operate as businesses in their own right. We believe this change of approach has led to a proliferation of initiatives and new ideas.

STRUCTURE OF THIS REPORT

The report is broken down into the following sections:

- **PART 1**: **Headlines and Summary of Financial Performance,** gives a quick overview of the financial performance of the Group and our guidance for the year ahead.
- **PART 2: The Big Picture**, summarises the way in which NEXT is adapting its business model in response to the deep rooted and lasting changes we perceive are at work in our sector.
- **PART 3: Fifteen Year Stress Test,** revisits our 15 year cash flow stress test for the Group. The stress test is *not* a forecast or a plan, but a chance for shareholders to assess the likely cash generation of the Group for a given set of assumptions about our future growth.
- **PART 4: Financial Performance 2021/22,** gives a detailed breakdown of the financial performance of the business in the reported year. This (long) section is mainly for the benefit of analysts and professional investors and may test the patience of those preferring a shorter read!
- **PART 5: Outlook for The Year Ahead**, gives our latest sales and profit guidance for 2022/23.

A Report for Colleagues and Shareholders Alike

For NEXT, the process of writing and presenting our biannual reports is an important part of how we manage the business. They are (i) an important discipline, which forces us to take a hard (and sometimes uncomfortable) look at our numbers and (ii) a means of clearly communicating our plans, aims and objectives to manage the business going forward. Our aim is that colleagues who read at least Parts 1 and 2 of this document will end up with a clearer view of the Company's plans, its values and the part they play in the collective endeavour. So, our reports are as important for our colleagues as they are for shareholders, and written with both audiences in mind.

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PART ONE
HEADLINES & SUMMARY OF FINANCIAL PERFORMANCE

HEADLINES

Performance in the 12 Months to January 2022

- Brand full price sales[1] up **+12.8%** versus 2019/20 (and +32.4% against 2020/21).
- Profit before tax of **£823m**, up +10% versus 2019/20 (and +140% against 2020/21).
- Earnings Per Share of **530.8p** up +12% versus 2019/20 (and +138% against 2020/21).
- Year end net debt (excluding lease debt) of £600m, down -46% versus 2019/20.

Outlook for the Year Ahead

- Following the closure of our websites in Ukraine and Russia, and after moderating growth expectations in some other overseas territories, we have lowered our sales guidance for 2022/23 by **£85m** (-2.0%) and profit guidance by **£10m** (-1.2%) (see page 59).
- In our new guidance, an improved outlook for UK Retail sales has mitigated the anticipated loss of lower margin sales overseas and the associated cost of increased markdown (see page 61).
- Our central scenario for the year ahead is that full price sales will increase by **+5.0%** and that Group profits will increase by **+3.3**% to **£850m** (see page 61).
- Year end net debt[2] is forecast to rise in line with anticipated profits to **£620m**, up +3.3% versus 2021/22.
- Earnings Per Share forecast to be **556.6p**, up +4.9% versus 2021/22.

For a more detailed analysis of our guidance for the year see Part Five, Outlook for the Year Ahead, on page 58.

NOTES ON THE PRESENTATION OF SALES AND PROFIT

Throughout this document, unless otherwise stated, comparisons of sales, profit and debt for 2021/22 will be explained relative to *two years ago* (2019/20). The disruption to last year (2020/21) from COVID means that one year comparisons are generally not meaningful. In the year ahead (2022/23), comparisons will revert to a one year basis (2021/22).

All profit figures given are stated on an IFRS 16 basis. A full explanation of the impact of IFRS 16 is given in the Appendix on pages 65 to 70.

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[1] Full price sales are total sales excluding VAT, less items sold in our mid-season and end-of-season Sale events, our Clearance operations and through Total Platform. These are not statutory sales (refer to Note 2 of the financial statements).

[2] Net debt excludes lease liabilities.

PERFORMANCE LAST YEAR AND GUIDANCE FOR THE YEAR AHEAD

2021/22 - A Good Year

Last year exceeded all our expectations. In the first quarter, during lockdown, we made up for much of the lost Retail sales through Online sales, particularly homeware and children's clothing. In the second half, despite stock shortages, we were able to scale up Online operations to meet pent-up demand for adult clothing. We believe that the second half performance was, in a large part, fuelled by the release of consumer savings accumulated during lockdown.

We have launched four new clients on Total Platform, with that business delivering a year one profit of £10m and expected to deliver circa £20m in the year ahead (see page 39).

2022/23 - Profit Guidance Moderated in an Increasingly Uncertain World

The buoyancy of our sales last year, along with the benign economic environment that accompanied it, make comparatives in the year ahead challenging. Last year's strength contrasts with this year's unusually high level of geopolitical and economic uncertainty. The combination of these factors make accurate guidance particularly difficult.

In our January Trading Statement we set out the reasons for taking a more cautious approach. We highlighted five big uncertainties which tempered our expectations. These were: (i) the unwinding of pandemic savings, (ii) a return to spending on travel and leisure, (iii) inflation in competing essential goods, (iv) inflation in NEXT's selling prices, and (v) likely increases in UK taxes and mortgage rates. At that time, we had not contemplated that a war in Ukraine might add to the cocktail of uncertainties. Weighed against these negative factors, nominal wage inflation is running at 4.8%[3] and UK employment rates remain strong.

It is difficult to draw too many conclusions from sales this year in January, February and March, because our stores were shut for the entire period last year. So far this year, UK sales are ahead of where we expected them to be, mainly driven by better than anticipated sales in our Retail stores. We are also seeing a very sharp reversal of lockdown fashion trends, with a return to more formal dressing and notable reduction in spending on Home and very casual clothing.

After accounting for the combination of: (1) the loss of £18m of profit from the closure of our Ukrainian and Russian businesses and (2) better than expected sales in the UK, we are reducing our central profit guidance for the full year by £10m to £850m, a reduction of -1.2%.

Our guidance for the year ahead is set out in detail in Part Five of this document (page 58).

[3] ONS: Whole Economy Year on Year Three Month Average Growth % Nov 2021 - Jan 2022: Seasonally Adjusted Total Pay Excluding Arrears, issued 15.03.2022.

GROUP SALES AND PROFIT SUMMARY

Brand full price sales were up +12.8% versus 2019/20 and Brand total sales[4] (including markdown and Total Platform sales) were up +12.1%. Statutory sales were up +8.4%. Profit before tax was **£823m,** which was up **+10%** versus 2019/20.

TOTAL SALES BY DIVISION

TOTAL SALES (VAT EX.) £m	Jan 2022	Jan 2020	2 Year var %	Jan 2021	1 Year var %
Online	3,103.8	2,146.6	+44.6%	2,368.4	+31.1%
Retail	1,432.4	1,851.9	- 22.7%	954.5	+50.1%
Finance	249.4	268.7	- 7.2%	250.3	- 0.4%
Brand	**4,785.6**	**4,267.2**	**+12.1%**	**3,573.2**	**+33.9%**
Other	76.2	94.6	- 19.6%	52.7	+44.5%
Total Group sales	**4,861.8**	**4,361.8**	**+11.5%**	**3,625.9**	**+34.1%**
Total Group statutory sales	4,625.9	4,266.2	+8.4%	3,534.4	+30.9%

GROUP PROFIT[5] BY DIVISION AND EARNINGS PER SHARE

PROFIT £m and EPS	Jan 2022	Jan 2020	2 Year var %	Jan 2021	1 Year var %
Online	588.5	410.5	+43.4%	476.5	+23.5%
Retail	107.0	234.0	- 54.3%	(136.3)	- 178.5%
Finance (after charging interest)[6]	141.8	146.7	- 3.3%	127.1	+11.6%
Brand	**837.3**	**791.2**	**+5.8%**	**467.3**	**+79.2%**
Sourcing and Other[7]	26.4	28.1		(2.9)	
Property	10.8	(1.7)		(53.6)	
Recharge of interest from Finance[6]	30.9	36.3		33.7	- 8.2%
Operating profit	**905.4**	**853.9**	**+6.0%**	444.5	+103.7%
Lease interest	(50.4)	(61.8)		(59.9)	
External interest	(31.9)	(43.6)		(42.2)	
Profit before tax	**823.1**	**748.5**	**+10.0%**	**342.4**	**+140.4%**
Taxation	(145.6)	(138.3)	**+5.3%**	(55.7)	
Profit after tax	**677.5**	**610.2**	**+11.0%**	**286.7**	**+136.3%**
Earnings Per Share	**530.8p**	**472.4p**	**+12.4%**	**223.3p**	**+137.7%**

[4] Total sales are VAT exclusive sales including the full value of commission based sales (refer to Note 2 of the financial statements). The difference in the respective growth of Total Sales and Statutory sales is explained in the Appendix.

[5] Profit by division in January 2021 and 2020 is re-stated for IFRS 16. A full explanation of the impact of IFRS 16 is given in the Appendix on page 65.

[6] The interest charged to NEXT Finance in January 2021 has been restated (from £48.4m to £33.7m) to take account of a change in the method used to calculate an internal interest rate (see page 44). This cost is an internal recharge only and the restatement has no impact on Group profit.

[7] Other includes Franchise, Lipsy and other Group costs (see page 50).

PART TWO
BIG PICTURE

SEA CHANGE

The pandemic accelerated the transformation of our industry, delivering in a couple of years, changes we expected to take five or more. As we emerge from the pandemic, and despite the political and economic uncertainties, the future shape of our industry is becoming clearer. Three related factors appear central to the way in which our industry is changing, namely:

An Abundance of Choice

The change to our industry is more profound than a simple shift from high street stores to shopping online. The internet has served to dramatically increase shoppers' choices; bringing consumers more designs, more brands, more colours, more sizes and broader price ranges.

So today, consumers in even the remotest parts of the UK can enjoy a choice of products that would put to shame the very best of the world's high streets in the early 2000's.

The Growth of Online Aggregators

In the last five years the competitive environment has changed beyond recognition. Online aggregators, websites that sell many different third-party brands, have become increasingly important (ASOS, Zalando, Tmall, Myntra, and many others, including NEXT); while many businesses, that seemed part of an immutable retail landscape, have all but disappeared.

New World for New Brands

It has never been less expensive or faster to set up and roll out a new brand. Gone are the days when new brands needed to spend decades developing a store network.

Today, brands can deliver their own fully functioning website, with national reach, in a matter of months (albeit the complexity and cost of website functionality are rising rapidly). *More importantly*, online aggregators can enable new brands to gain access to millions of customers worldwide and overnight.

As time goes on, it appears likely that there will be a greater number of brands, with wider geographical reach, served by a smaller number of aggregators.

In this environment our aim is clear: (i) to extend the NEXT Brand's breadth of offer and international reach and (ii) strive to build an aggregation business that is the natural first choice for fashion, homeware and beauty customers in the UK and Eire.

Opportunities and Threats in an Internet Age

A world in which new brands can rapidly gain scale presents a threat to large, well established brands like NEXT. Particularly those, like us, who have grown market share through building a large store network.

But the possibilities of the internet age present the Group with far more opportunities than threats. NEXT product ranges, liberated from the constraints of finite retail space, can offer far more choice to our customers. And if new and developing brands are going to gain scale at pace, we can enable that process through our own Online aggregation business and through passing on the value of our Online infrastructure and Technology through Total Platform. Finally, in overseas markets, where we have struggled to gain traction, the internet has enabled us to break into new markets, challenging the incumbents in those territories.

ORGANISING OURSELVES TO MEET THE CHALLENGE

With so much going on, it is an exciting time to work at NEXT. It is hard to think of a time when there were more opportunities. But with so many new products, new businesses, new international markets, new partnerships, and with so many of those opportunities reliant on the delivery of new infrastructure and software, there is a risk that the business might lose focus. We think there are two main risks:

- The **Organisation Risk**: The risk that the individuals working within the organisation lose a sense of their part in the endeavour and how their work and ideas can make a difference.
- The **Profitability Risk**: There is a risk, in our enthusiasm to build new business ideas, we overlook or miscalculate the profitability of the individual activities that we are undertaking.

The following section describes:

- How we have adapted our business model to keep things simple.
- Some of the major initiatives we are undertaking in the year ahead.
- The way in which we think about the profitability and returns of the activities we undertake.

For clarity, this is not the announcement of a new management structure or reorganisation! It is a description of how the organisation has evolved and is evolving into a very different business model.

THE INCREASING INDEPENDENCE OF BUYING AND SELLING

This section explains how we have *already* changed, and continue to change, the way in which we organise the Group. The more clearly we describe our business, and the better we explain how we create value, the more likely we are to succeed.

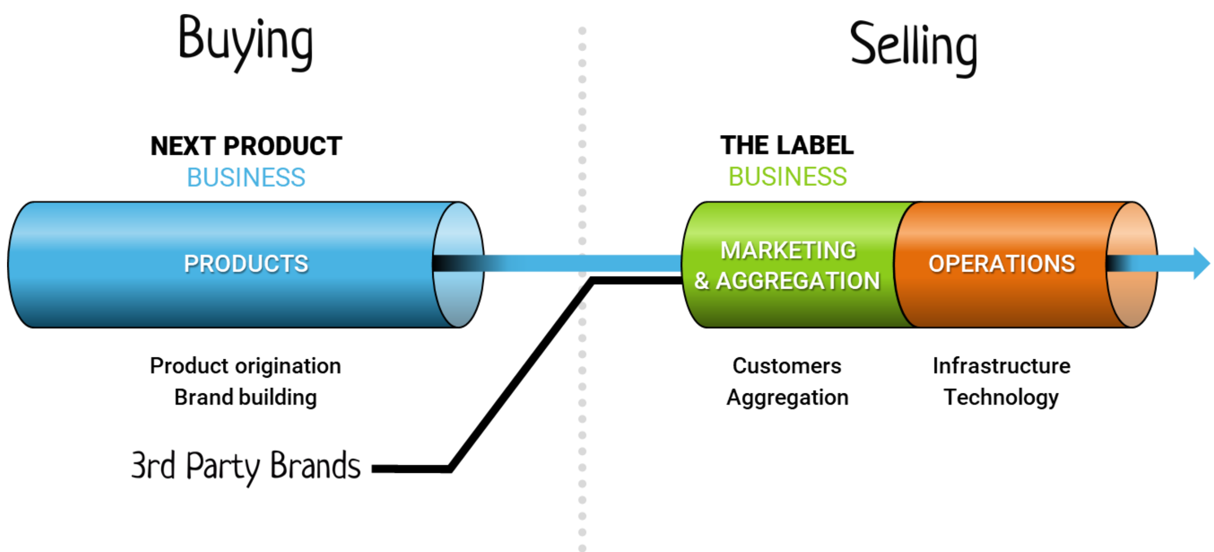
Historic Model

We have been accustomed to thinking about the component activities in our Online business being part of a seamless whole - from product sourcing through to marketing and operations. Operational departments such as Warehousing and Technology have tended to think of themselves as 'support' functions.

Evolving Model

As the sales of third-party brands through our website increases, the marketing and operations side of our business feels more like an independent business in its own right. In some ways, the NEXT brand has become the biggest and most important client of our own aggregation business.

This increasing independence leaves the **Buying Side** more focused on the creation of product and brand building, and the **Selling Side** focused on extending and curating the range of brands we sell, building our customer base, serving customers, building infrastructure and (critically) developing new software.



THE BUYING SIDE

A FOCUS ON PRODUCT AND BRAND

The Buying side of our business focuses on the creative process of developing new products: design, sourcing, quality control, buying, pricing and stock management. These tasks go hand in hand with the promotion of our most valuable asset, the NEXT Brand, through photography and other brand marketing. This part of the business is mainly driven by our Product Teams and Sourcing business (NEXT Sourcing).

INCREASING CHOICE WITHIN THE NEXT BRAND

An Explosion of Choice and Creativity

The internet has enabled our buying teams to stretch their ranges far beyond the constraints imposed by the limited display space in our stores. The table below shows the extent to which we have increased choice within the NEXT Brand over the last five years. In the year ahead, we aim to further increase the diversity of the *design*, *price*, *fabrics*, *prints*, *sizes* and *customer types* within our ranges.

	2022	2017	Var %
NEXT Fashion Options	42,900	13,200	+225%
NEXT Home Options[8]	15,400	9,700	+59%
TOTAL NEXT Options	**58,300**	**22,900**	**+155%**

New Categories

We continue to extend our ranges into new and developing categories; some examples include:

- Men’s, Women’s and Children’s performance sports clothing and footwear.
- “Outdoor” (weather-proof) clothing and footwear.
- Children’s nursery ranges.

Collaborations

Collaborations have allowed us to stretch our own design capabilities through working with external sources of design excellence, using their fabrics, prints and motifs within clothing and homeware ranges. We have enjoyed success working in this way with heritage brands like Morris & Co through to popular entertainment licences such as Disney characters.



Morris & Co. 2022 Ranges

© Disney

[8] In our January 2021 Full Year Results, NEXT Home options of 17,000 included some third-party branded options which have now been reclassified as LABEL.

NEXT as Licensor

In product categories where we feel our design skills are relevant, but we do not have the sourcing and technical capabilities to create our own ranges, we are looking to license our designs and brand name to third-party specialist companies. Examples of upcoming opportunities are:

- Paint (launch *April 2022*)
- Wallpaper (launch *April 2022*)
- Ski wear (launch *October 2022*)

The stock risk is taken by the licensee and, if these products are sold through other retailers, we earn a royalty on sales. If the items are sold through our own channels we charge our normal LABEL commission in addition to the royalty on sales.

PRODUCT DEVELOPMENT BEYOND THE NEXT BRAND

Third-Party Brand Licences

Our licensing business creates value by combining NEXT's sourcing and quality expertise with the design inspiration of partner brands, such as the childrenswear range 'Baker' by Ted Baker. We have focused on areas which require technical expertise and specialist factories. In clothing, we are working with partners in the following areas: childrenswear, swimwear, lingerie, nightwear, shoes and men's tailoring. In Home, areas include upholstery, furniture, lighting, curtains, bedding and children's bedroom furniture and accessories. This licensing business generated sales of c.£40m last year (see page 38 for details).

In the year ahead we have the opportunity to broaden and deepen our relationships with third-party licensors, and estimate we can grow sales to around £60m. Potential areas of opportunity include:

- Children's sportswear.
- Schoolwear.
- Children's premium outerwear.
- Premium homeware.

New Wholly Owned Brands

We have identified some opportunities within the market, which do not sit naturally within the NEXT brand. In these areas we are experimenting with the development of new wholly owned brands. These include:

- *Love and Roses* — Boutique inspired print & design, accessible prices (developed by Lipsy).
- *Friends Like These* — Trend led, affordable women's fashion (developed by Lipsy).
- *WOAH* — High quality vegan skin care (developed by NEXT Home).
- *OWN DENIM* — Young fashion women's jeans (developed by NEXT Womenswear).

There are some early signs of success, but these concepts are all at the development stage, and we have yet to fully understand the scale of opportunity in each area.

Franchising Overseas Brands

The Total Platform partnerships we agreed with *Victoria's Secret* and *GAP* gave us a share in their UK and Eire franchises. So, in addition to operating their websites and stores in the UK and Eire, we have also secured a comprehensive offer of their products on our website.

We have recently concluded a long term agreement with *Bath & Body Works (BBW),* the American personal care and beauty brand, for their UK and Eire franchise. This will involve hosting the BBW website in the UK, selling their product ranges on the NEXT website and opening a small number of concessions within larger NEXT stores. We are actively looking for other opportunities to maximise the potential of other iconic international brands in our home market.

MANAGING INCREASING CHOICE

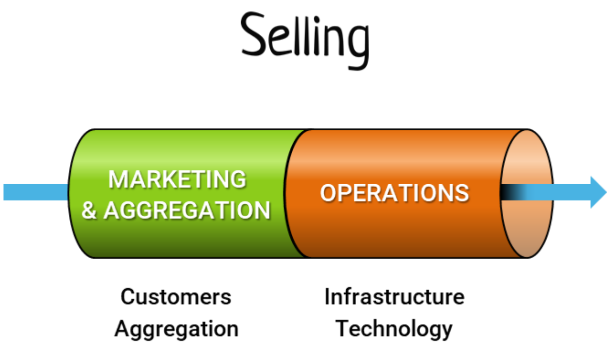
There are practical limits to the amount of choice we offer. There is a risk that too much choice will duplicate existing products, confuse our customers and stretch limited warehouse capacities. To manage this risk we are ensuring that:

- Buying teams only add new options that genuinely offer something different to customers.
- Our website search and navigation works as hard as possible to get customers to the product they want to buy.
- Our warehouse can manage a larger quantity of low volume lines. To that end, we are developing new infrastructure and software specifically designed to store and pick low volume lines.

THE SELLING SIDE

The Selling side of the business focuses on aggregation, technology and infrastructure. This is the process of:

- Curating and building the branded product offer.
- Marketing to attract, retain and maximise sales to customers through advertising, promotion and the optimisation of the website.
- The development of increasingly complex and expensive infrastructure and technology (websites, warehousing, call centres, distribution networks, software, data etc.).



At NEXT these activities correspond to our LABEL and Total Platform businesses, and are the focus of our LABEL buying team, E-Commerce, Warehousing, Distribution, Retail and Technology teams.

THE DEVELOPMENT OF OUR THIRD-PARTY BRANDED BUSINESS

Our Branded business, LABEL, which sells third-party brands through the NEXT website, has had a very successful year. Total LABEL sales (including markdown sales) grew by +69% over the last two years to £865m. For detailed analysis and numbers see page 37.

There are still many opportunities to develop and improve the LABEL business. The priorities are set out in the following paragraphs.

Improved Service for Client Brands

There is room to improve the service we provide to our client brands. The biggest opportunity is to make interaction with our systems easier for third-parties. In particular, making the process of getting our clients' products onto our website with as little administrative hassle as possible. We also aim to improve the quality and timeliness of the information we provide to our clients.

We remain focused on the process of improving our clients' profitability through our site and to that end, this year we lowered our standard commission rate on fashion brands by 1%.

Improved Brands Offer Through Platform Plus

Platform Plus enables us to sell items stocked in our clients' warehouses to our customers on a two-day delivery promise. Items are collected daily from our partners' warehouses, consolidated with other items in the same order, and delivered through our own network, enabling us to take end-to-end ownership of our delivery service.

During the year, we extended the functionality of Platform Plus to allow us to predict future sales and pre-emptively order non-stocked items. In this way Platform Plus begins to tailor our offer to meet future demand. This development opens up the possibility of working on very thin initial stock levels for higher priced products; a development we think may be important for our ability to attract more premium clients to our website.

Last year we extended our Platform Plus service to an additional 60 client brands, adding 30,000 items to our website. We aim to extend this service to a further 40 clients in the year ahead.

Improved Direct Dispatch Offer from Home Suppliers

For very large items, such as furniture, that are unlikely to consolidate with other items, it makes sense to dispatch the goods from our partners' warehouses directly to our customers. The problem with direct dispatch is that it takes control of the delivery process (and problem resolution) out of our hands.

To address this issue we have developed NEXT-Direct-Dispatch (NDD). This service allows items to be delivered from our clients' warehouses through NEXT's nominated two-man carrier, giving us control over service and generally reducing delivery costs. 20% of our large direct dispatch items now travel through NDD and we aim to increase this to 90% in the year ahead.

Welcoming New Brands to Our Website

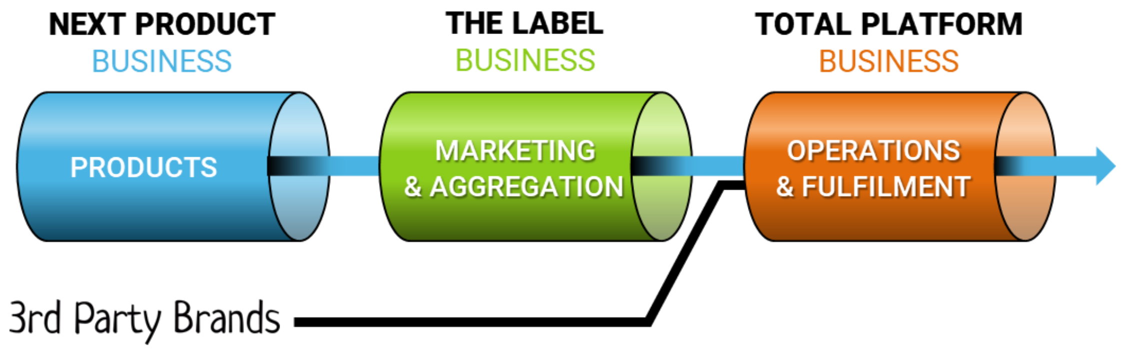
We are planning to add more third-party brands to our website in the year ahead, with the largest increase expected to come from Home brands. In fashion, we aim to increase our offer of premium brands through the Designer Boutique section of our website.

EVOLVING ECONOMICS OF THE GROUP

This section starts by analysing and explaining the profitability of Total Platform and then sets out the insight that gives into the profitability of the NEXT Product and LABEL sides of our business.

TOTAL PLATFORM PROFITABILITY

Total Platform (TP) takes the separation of our business one step further. It allows third-party brands to directly access our infrastructure and to have their websites fully serviced by NEXT. Total Platform aims to give clients access to the £1.5bn that NEXT has invested in warehousing, distribution, call centres, returns processing and software over the last 15 years.



Total Platform Profitability

Our *target* margin for Total Platform is 5% - 7% of the value of the sales it handles (Gross Transaction Value or GTV). This margin is determined so that it is:

- Low enough to give clients a meaningful cost saving when they transition to the new service.
- High enough to maintain an appropriate return on capital invested (we aim for >20%).

In some ways, expressing Total Platform margin as a percentage of GTV is misleading. Total Platform's margin opportunity is driven by the size of the client's *operating costs*, not their *sales*. And, the return we make on our commission is a better gauge of the return we make on our activity and investments than the margin expressed as a percentage of client sales.

This is best demonstrated by showing how margins on GTV and commission vary for two different clients. In the table below, Client 1, with relatively low operating costs, delivers a low margin on GTV but achieves a higher margin on the commission. Clearly we would be over-profiting if we charged this client the same percentage of GTV as Client 2. It is important to stress that neither client is preferable to the other because they both make a healthy return on the activity we undertake.

Total Platform (TP) examples	**Client 1** **Low operating costs**	**Client 2** **High operating costs**
Client sales (indexed)	**100**	**100**
Example TP commission	**15**	**27**
Example TP operating costs	- 11	- 21
Total Platform net margin	**4**	**6**
TP margin on GTV	*4%*	*6%*
TP margin on commission	*27%*	*22%*

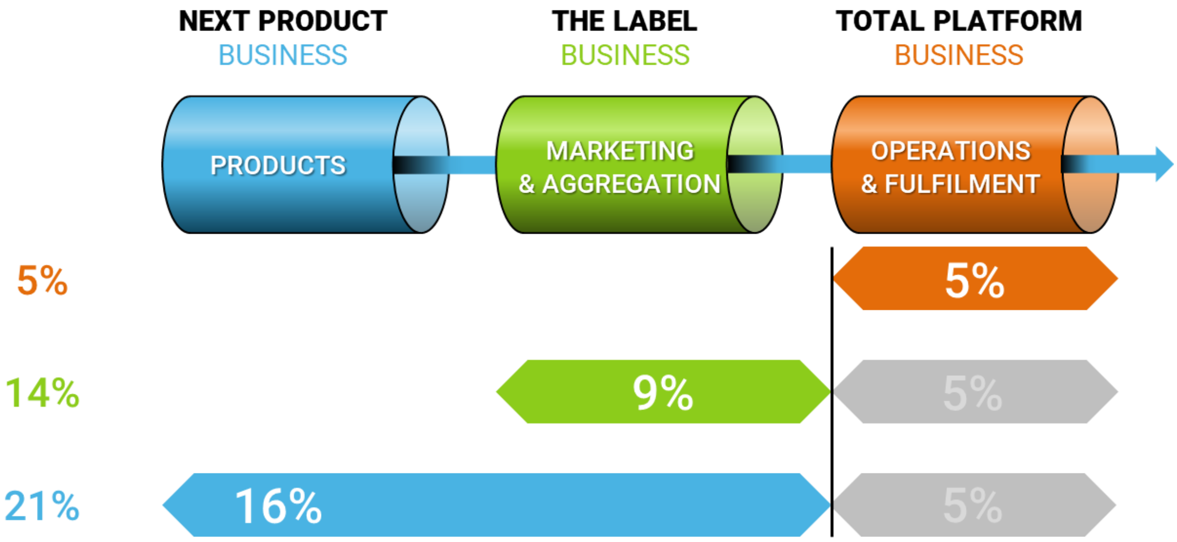
LABEL PROFITABILITY

In effect, LABEL provides all of the services delivered by Total Platform. So why in the year ahead are we forecasting for LABEL to earn 14% on sales rather than the 5% forecast for Total Platform? The answer is that LABEL, *in addition* to making Total Platform's infrastructure profit of 5%, makes a **9%** 'Aggregation Profit'. This Aggregation Profit has two components:

- **The Customer base profit**: LABEL gives client brands access to NEXT's 8.2m Online customer base. In effect, LABEL makes a return on many years of investment spent building the NEXT customer base and reputation.
- **The Aggregation profit**: LABEL takes a share of the operational savings it generates through collating items from different brands into one transaction.

NEXT PRODUCT PROFITABILITY

NEXT branded products sold on our own website in the UK make around 21% net margin (based on our forecast for 2022/23). If you reverse out the profit in infrastructure of 5%, you arrive at a 'Product Profit' of **16%**. This equates to the profit the NEXT Brand business *would* make if it were to contract out all of its operations to Total Platform.



There is a question as to whether we should treat the NEXT brand as a Total Platform client or LABEL client. Our view is that the NEXT brand is more like a Total Platform customer, because the website is branded NEXT and the brand attracts many of the customers. Interestingly, in overseas markets, where we sell on other aggregator sites, our profitability drops to between 7% and 10%, equivalent to the difference between the 21% 'Product Profit' and the 14% LABEL profit.

MARGIN, RISK AND RETURNS

	NEXT PRODUCT BUSINESS	THE LABEL BUSINESS	TOTAL PLATFORM BUSINESS
PROFIT MARGIN	16%	9%	5%
CAPITAL	Low	High	High
RISK	*High*		*Low*

Differing Risk and Reward Profiles

Comparing the Buying side of the business (NEXT Product) with the selling sides of the business (LABEL and Total Platform), two quite different types of investment profile emerge in terms of margin, return on capital and risk. As explained in the paragraph below:

The Buying Side

The Buying side of the business requires very little capital once it 'contracts out' its infrastructure and technology to the Selling side. The vast majority of capital required is tied up in stock and some of this working capital is financed by suppliers. So the Buying side of the business makes high margins and high returns on capital.

BUT fashion is a high risk business, so it requires high returns. It is subject to the vagaries of consumer preferences and buying decisions which can, every so often, be wrong. The large number of fashion businesses that have disappeared over the years are testament to these risks.

The Selling Side

The Selling side (LABEL and Total Platform) is capital intensive and lower margin, but *much* lower risk. This is because it is able to spread the risk of fashion volatility across many different brands and product categories. So this side of the business does not require the margins or returns that the higher risk Buying side demands.

Neither Side a 'Better' Investment

The important point here is that neither side of the business is necessarily a 'better' investment for the Group than the other. As long as the margins and returns on both sides are maintained at levels commensurate with risk, both are equally good investments. That is important, because it means that the Group, which is not capital constrained, can focus on maximising the potential of *both* sides of the business.

And as long as the financial foundations of both sides are strong, the overall economics of the Group will take care of itself, whatever mix of business materialises in the long run.

Why Not Complete Separation?

Having spent time explaining how the two sides of our business are gaining more independence from each other, it would not be unreasonable to ask if there is any logic in complete separation. We think, on balance, the cost and disruption of splitting the Company would far outweigh the value of this exercise for three reasons:

- There is an important piece of **organisational logic** to our current structure: the mutual self-interest of each business owning a part of the other improves the relationship between the client Buyer and the Selling service provider.

  This logic is one of the main reasons we have started to acquire **equity stakes** in Total Platform clients.

- At this stage in the Company's development, the separation would do little to change the way either side was managed.

- There is a natural **financial symbiosis** between the two sides of the business. The riskier Buying side generates cash and the lower risk Selling side provides a good place to invest that cash along with the financial stability it provides to the Group.

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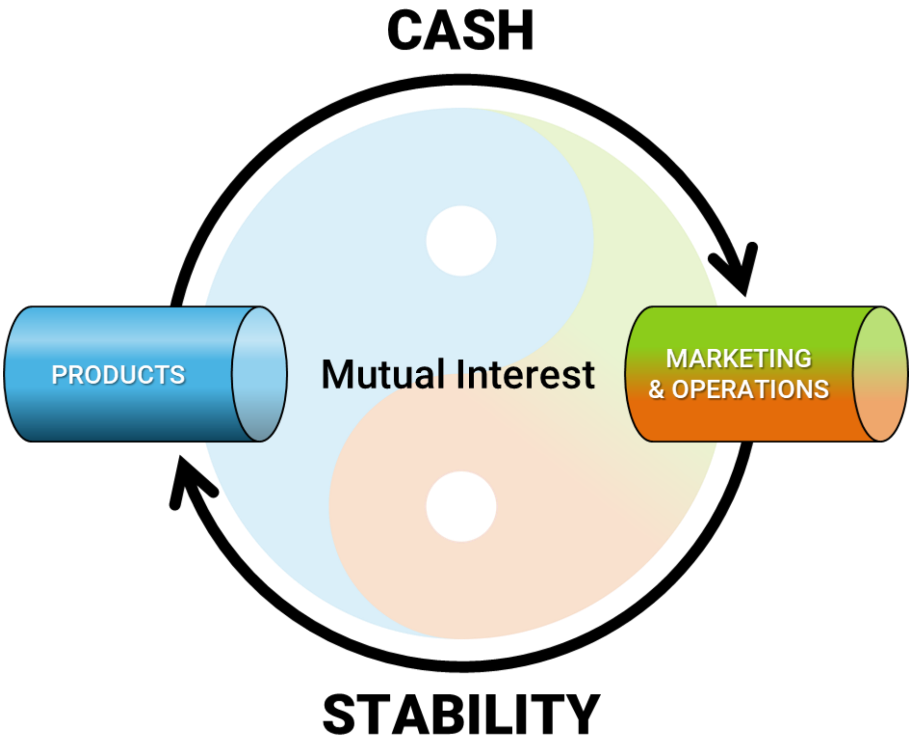


BIG PICTURE SUMMARY

A Bigger But Simpler Organisation

In a rapidly changing world we have steadily changed the way we think about our business activities. We are evolving into two increasingly independent, but complementary, sides of the business - a Selling and a Buying side. Businesses that require very different skill sets and with very different underlying economics.

The increasing independence of both sides of the business has two very positive effects:

- It is generating higher levels of innovation and generating new business ideas across the Group.
- It has given colleagues a clearer sense of where they fit into the Group and how their decisions, creativity and actions translate directly into the success of *their* business.

A Clear Understanding of Where and How We Make Money

The examination of the underlying economics of each side of the business explains how the various activities we undertake create value for our customers and clients. It also gives an understanding of the risks and returns involved. The aim is to ensure that the economic foundations of the business are sound and, that no matter where we can achieve growth, it will fulfil the Company's primary objective of delivering long term, sustainable growth in Earnings Per Share.

Evolution not Strategy

The evolution of the Group might, in hindsight, appear to have been part of a grand strategic plan. In reality, the way in which we have changed has been tactical - lots of individual initiatives taken in response to the opportunities and threats of a rapidly changing market. Our business 'model' was not conceived in the Boardroom, but is the result of countless ideas conceived at every level of the organisation. It is an important distinction, because businesses that are the sum total of their initiatives and values are those that best harness the creative intelligence and energy of all their people.

SUMMARY OF OBJECTIVES FOR THE YEAR AHEAD

Stepping back from the bigger picture, our business objectives for the year ahead can be summarised in the following five points:

- **NEXT PRODUCT BUYING**: Make use of the almost infinite space available online to extend our product offer into new categories, increase the diversity of our designs and customer base, stretch our price architectures and improve the breadth of sizes we offer (see page 11).

- **SELLING NEXT BRAND OVERSEAS**: Extend the reach of the NEXT brand overseas, through a combination of trading our own websites and through the development of our relationships with existing and new overseas aggregators. We will also investigate the possibility of licensing the production of NEXT product in territories where the barriers to entry make direct access difficult.

- **GROWING LABEL**: Continue to strengthen and broaden the offer of third-party brands sitting alongside NEXT on LABEL, our own aggregation business (see page 37). This continues to be achieved through the addition of new brands and through the targeted extension of the ranges available from our existing client brands.

- **DEVELOPING TOTAL PLATFORM**: Leverage our Online infrastructure through Total Platform. The aim is to provide clothing and homeware brands with everything they need to trade online; from website and warehousing through to data security and returns handling, all paid for by a simple commission charged as a percentage of sales. This business, in conjunction with the equity stakes taken in some Total Platform partners, has made good progress during the year and its various business models are beginning to take shape (see page 39).

- **DEFENDING NEXT RETAIL**: Defend the profitability of our store network through the renegotiation of rents (or closure), as and when lease terms end (see page 48).

To achieve all these aims we need to continue to increase the capabilities of our **Technology** and **Warehousing** infrastructure. To that end we have significantly increased our focus and expenditure in these areas (see page 56).

PART THREE
FIFTEEN YEAR STRESS TEST

SUMMARY OF 2022 STRESS TEST OUTPUT

This 15 year Stress Test is the second version of a forward-looking scenario we first published in our annual report, January 2019. It assesses the impact of the continued growth of our Online and Finance businesses alongside a prolonged decline in like-for-like Retail sales. Based on the assumptions detailed below, the model estimates cash generation[9] over the next 15 years will be **£14.7bn.** This compares to cash generation of £12.3bn in the 2019 model.

Performance since the last model

Our actual performance in the year ending January 2022 was better than the 2019 model anticipated as set out in the table below.

	2019 Model prediction for Year End Jan 2022 (Pre-IFRS 16)	**Actual Performance for Year End Jan 2022 (Post-IFRS 16)**	Var %
Sales	£4.3bn	**£4.8bn**	+10%
Profit Before Tax	£735m	**£823m**[10]	+12%

No Account Taken for Potential Growth in Cash Flows from Total Platform

In the stress test, we have not modelled any growth in our Total Platform business. This is because the business is still relatively immature, and any growth assumptions would be impossible to estimate with any degree of accuracy. A comprehensive update on Total Platform and how this business is developing is given on page 39.

A Scenario - Not a Plan, Guidance or Forecast

It is ***not*** a plan or a forecast. It is a scenario which demonstrates that, using a reasonable set of sales and cost assumptions, the underlying economics of the Group are healthy and the Company is likely to remain strongly cash generative for the foreseeable future.

[9] Cash generation is pre-tax and pre-shareholder distributions, but after capital expenditure and funding the increase in Online debtors.

[10] The comparison is somewhat flattered by the switch to IFRS 16 reporting, which adds approximately £10m to the figure we would have reported under the pre-IFRS 16 accounting.

Summary 2022 Versus 2019 Model Inputs and Outputs

The assumptions about the compound annual growth rates (CAGR) for *each constituent part* of our Online business have reduced in the 2022 model (compared to 2019), the decline in Retail like-for-like sales has remained the same. However, because the Online business is a much larger part of the Group in 2022, the Total CAGR for the Group has increased in the new model.

KEY INPUTS	New model	Previous model
SALES ASSUMPTIONS		
Online NEXT UK CAGR	+3.8%	+4.8%
Online LABEL UK CAGR	+7.5%	+8.4%
Online Overseas CAGR	+9.6%	+12.2%
Total Online CAGR	**+6.4%**	**+7.5%**
Retail annual decline in like-for-like sales	- 10.0%	**- 10.0%**
Total Group sales 15 year CAGR	**+4.1%**	**+3.0%**
ONLINE NET MARGINS[11], RETAIL COSTS AND GROUP CAPEX		
Online NEXT UK net margin	21.0%	20.0%
Online LABEL UK net margin	13.6%	16.0%
Online Overseas net margin	12.0%	16.0%
% of store wage costs that vary with sales	80%	80%
2022 market rent as % of current rent	75%	75%
Market rent decline beyond 2022	- 5%	- 5%
Average Group Capex per annum	£160m	£110m

KEY OUTPUTS		
Cumulative cash flow over 15 years	**£14.7bn**	£12.3bn
Year 15 Group cash flow	£1.4bn	£1.1bn
15 year increase in customer receivables	£680m	£900m

The following seven pages set out the assumptions and different stages of the model. Readers who are already familiar with the 2019 model, or who do not require as much detail, should skip the rest of this section and go to the beginning of Part 4, on page 31.

[11] **Online margins** are maintained in line with margins expected in our guidance for 2022/23, although we anticipate that Online Overseas margins will increase from 10% to c.12% once parcel surcharges begin to unwind post-COVID.

How the Model Works

This model gives the *possible* performance of the NEXT Group over the next 15 years in terms of sales and cash flow. It seeks to model the financial consequences of continuing Online growth alongside a -10% fall in Retail like-for-like sales. This is set alongside the continued growth of our Online business in the UK and overseas. The model is set out in four steps, each of which is explained in turn:

Step 1: Retail sales and costs walk forward

Step 2: Projected Retail cash flows

Step 3: Adding Online cash flows

Step 4: Combined Group cash flows

Step 1: Retail Sales and Costs Walk Forward

Retail Sales Assumptions

For the year ahead, we have assumed that we will achieve our sales and profit guidance as set out on page 59. We have then assumed that like-for-like Retail sales decline at **-10% per annum** from 2023/24 onwards. On a store by store basis we have assumed that this decline is mitigated by some transfer of trade from other store closures.

Retail Closure Assumptions

We have assumed that we will close a store once it gets close to making a net loss at branch level (store cash profit before central overheads). At lease renewal we have assumed the following outcomes:

Store profitability	Assumed outcome at lease renewal
Profitability > 20%	Renew for 5 years at market rent
Profitability > 15% and <20%	Renew for 3 years at market rent
Profitability > 4% and < 15%	Hold over* at passing rent
Profitability < 4%	Close

*When stores are held over at passing rent, the retailer carries on paying the historic rent (or in some cases lower) and both landlord and tenant have the right to terminate the lease after a short notice period.

Transfer of Retail Trade on Closure – Assumptions

When we close stores we tend to see some of their sales migrate to other nearby NEXT shops. We observe an average transfer of trade from closing stores of around 25%. Unsurprisingly, this number corresponds to the levels of cannibalisation we usually observe when opening new stores.

The model accounts for transfer of trade on a store by store basis depending on the number and proximity of other local stores. The table below sets out the level of sales transfer we anticipate in different circumstances. For example, if there is only one store within five miles, we have assumed a Retail sales transfer of 20%. For clarity, if there is a store within five miles and another within ten miles, we have made the simple assumption that all the 20% transfer goes to the nearest store and none to the farther one.

Transfer of trade assumptions[12]	Sales transfer %
2 Stores within 5 miles	25%
1 Store within 5 miles	20%
1 Store within 10 miles	10%
No Stores within 10 miles	0%

We have not assumed any transfer of trade from Retail to Online when a store closes, we have assumed that 50% of store collections are transferred to stores within 10 miles and that the balance of collections switch to being delivered to home. This last assumption may be optimistic and in reality, some sales might be lost if customers are unable to collect and return their goods in local stores. This issue is addressed by altering the model to keep some loss--making stores open in order to service Online orders and returns (page 27).

Retail Rent Assumptions

We have assumed that during the term of any lease the rents will not come down. Understandably, landlords will not unilaterally agree to a rent reduction until a lease expires (or a break clause is exercisable). However, at lease break we are currently experiencing significant rent reductions where we are able to agree a new lease. Last year we agreed rent reductions of -44% in the stores where we agreed a new lease and we expect similar rent reductions on renewals agreed in the year ahead, with new lease terms averaging around 2.8 years (page 48).

We have prudently assumed that today's market rent (i.e. the rent which could be achieved for a new lease) is 25% lower than the rent we are currently locked into for all leases more than three years old. We have further assumed that, in an environment of -10% decline in like-for-like sales, market rents would continue to decline by a further -5% per annum after 2026.

The table below shows how the implied market rent would vary for a store indexed to a current rate of 100.

Year end January	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Current rent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Market rent	75	75	75	71	68	64	61	58	55	52	50	47	45	43	41
% var per annum				- 5%	- 5%	- 5%	- 5%	- 5%	- 5%	- 5%	- 5%	-5 %	- 5%	- 5%	- 5%
Total % var	**- 25%**	**- 25%**	**- 25%**	**- 29%**	**- 32%**	**- 36%**	**- 39%**	**- 42%**	**- 45%**	**- 48%**	**- 50%**	**- 53%**	**- 55%**	**- 57%**	**- 59%**

[12] We have assumed lower travel distances for stores in central London with transfer thresholds at 1.5 and 3 miles.

Where we have renewed leases in the model, we have assumed that a store's rent will move to its market rent (as calculated by the table above) upon renewal. At first sight the anticipated falls in rent towards the outer years of the model look aggressive, but remember they are based on the assumption that like-for-like sales continue to fall at -10%. If sales reductions ease, then so should the decline in rent.

A Note on Turnover or Total Occupancy (TOC) Leases

Stores that are currently on a turnover rent or TOC lease, are assumed to stay on these terms until the rent paid to the landlord falls below £8 per square foot. Below this level, we assume that the store would close. We have set this level as a proxy for the rates liability of the store; a point at which we anticipate that the landlord would terminate the lease and seek an alternative tenant or use.

Rates Assumptions

Rates have been modelled to fall in line with rents based on rates revaluations in the financial years ending January 2024, 2027, 2030 and 2033. The decline in rates is modelled subject to existing rules on transition relief and would be phased in over the period up to the next rates revaluation. We have assumed no change to Uniform Business Rates.

Retail Wage Cost Assumptions

Wages are assumed to decline broadly in line with sales. It has been assumed that twenty percent of the store wage bill will remain fixed (for example management cover and the minimum number of people required to open a store safely). So, the model assumes that 80% of wages will decline in line with sales. The high level of variability is made possible by the fact that increasing numbers of store-based staff are required to handle Online collections and returns.

Central Overheads

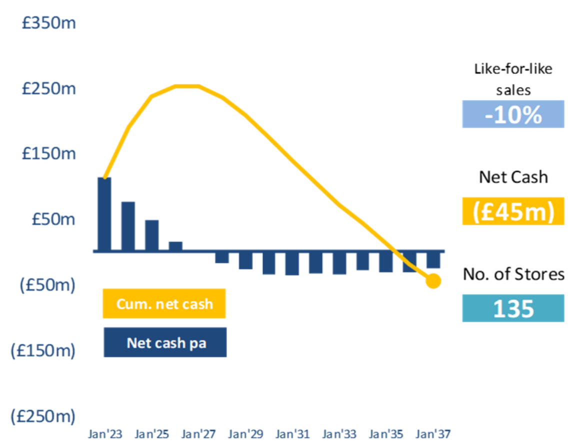
Most of our central overheads are shared between Online and Retail. Our buying, quality, sourcing, finance and HR serve both businesses. It is assumed that these costs are divided between the businesses in proportion to their turnover. So, as long as our total sales move forward, these costs will come down in our Retail business in direct proportion to sales declines.

Step 2: Projected Retail Cash Flows

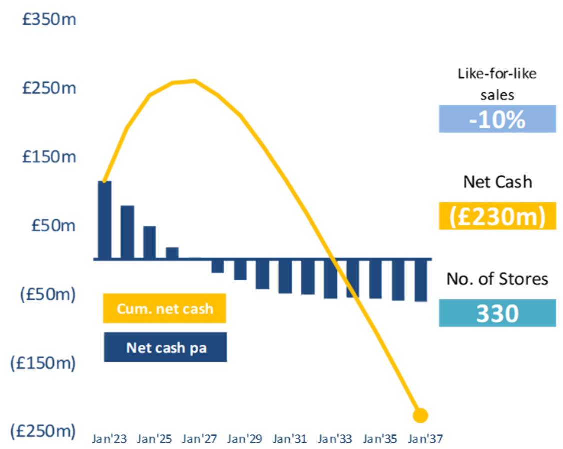
Preliminary Output, Store Numbers and Cash Flows

The left-hand graph below shows the cash flow from our branches by year for the next 15 years after accounting for closures, transfer of trade and reductions in rent, rates and other costs. In year fifteen, 135 stores remain and cumulative cash outflow from the branches over the period is -£45m. In the final year the model assumes that the Retail business will make a -£25m cash loss.

It can be seen from the model that whilst 15 years of -10% like-for-like sales declines in our stores is uncomfortable, the Retail business does not represent a significant financial burden or hindrance to the Group. In fact, it provides a network of stores that remain important to Online sales.



(a) Cash flows assuming closure of all loss-making stores



(b) Cash flows with 195 stores retained for Online services

The Effect of Keeping 195 Stores Open to Service Online Sales

The projected reduction in stores poses a potential threat to Online sales, as we would lose many of our NEXT operated Online collection and return locations. So, we have assumed that we would keep open a further 195 loss-making Retail stores in order to maintain Online store services in key locations. This takes the store numbers up from 135 to 330 and ensures that we maintain coverage at c.90% of 2021's collection volumes.

The cost of carrying these stores is an additional -£35m cash loss per annum in the final year. This represents 0.4% of Online's turnover in 2037, which we believe would be a reasonable cost for the Online business for the use of the 330 store network. In reality, we would probably relocate these stores to smaller less expensive collection shops with a very limited retail offer, but for the purposes of this model we have simply accepted the £35m cost. The Retail cash flows, adjusting for the cost of carrying loss making stores, is set out in the right-hand graphic above. As can be seen the cumulative cash flow has fallen by -£185m to -£230m.

Step 3: Adding Online Cash Flows

This section combines the Retail cash flow scenario with a projection of what might happen to Online sales and cash flows in the period. The assumptions used and cash flow impact are set out in the paragraphs below.

Online Sales Growth Assumptions

The model sets out the likely financial performance of the Group if current sales trends continue, namely:

- The continued growth in Online sales of NEXT branded goods in the UK.
- The continued growth in the sales of our third-party branded business, LABEL.
- The continued growth of our overseas Online business.

The table below sets out the annual sales growth modelled for each year for each constituent part of the business over the next 15 years. The UK Retail line shows the decline of total sales *including* the effect of closures and transfer of trade. The last column gives the effective CAGR over the 15 year period.

CAGR	Years 1-5	Years 6-10	Years 11-15	15-year CAGR
UK NEXT Online	+2.6%	+4.5%	+4.2%	+3.8%
UK LABEL	+11.5%	+6.9%	+4.1%	+7.5%
Total Online UK	**+6.2%**	**+5.6%**	**+4.1%**	**+5.3%**
UK Retail	- 6.1%	- 11.6%	-11.2%	- 9.7%
Total UK	**+2.4%**	**+2.5%**	**+2.8%**	**+2.6%**
Overseas	+9.9%	+11.5%	+7.3%	+9.6%
Group Total (inc. Finance Interest)	**+4.0%**	**+4.3%**	**+3.9%**	**+4.1%**
Total Online	***+7.0%***	***+7.2%***	***+5.1%***	***+6.4%***

For clarity, the Online growth assumptions we have made for the 12 years from 2023 to 2034 (which are the common years in both models) are exactly the same as in the previous model.

Online Cost Assumptions

We have taken a much simpler approach to modelling Online costs and have assumed no economies of scale as Online sales grow. We have maintained the net margins of each channel within the Online business, as set out in the table below, with the exception of Online Overseas. Overseas margin is forecast at 10% for 2022/23 but we expect this to increase to c.12%, when freight surcharges for parcel deliveries overseas reduce, so we have modelled 12% for future years.

Online channel	**Net margin % after all central and fixed costs**
UK NEXT Online	+21.0%
UK LABEL	+13.6%
Overseas	+12.0%

Compared to the previous model, we have reduced our margin expectations for our LABEL and Overseas businesses. In LABEL this is as a result of us lowering our standard partner commission rate by 3% during the last three years, which is part of our objective to be our partners' most profitable route to market. In our Overseas business, we have reduced our margin expectations mainly due to (1) a higher sales mix from lower margin overseas aggregators, (2) increase in customs clearance and administration fees and (3) increased delivery charges.

NEXT Finance

We have assumed a compound annual growth rate of +3.1% in our consumer debt, which is c.60% of the +5.3% growth we are modelling for our UK Online business. The customer receivables balance would increase by c.£680m over the 15 year period. We expect the return on capital employed (after funding costs) to be around 12.5%.

Net Debt and Funding NEXT Finance Customer Receivables

We have assumed that net debt (excluding lease liabilities) will increase in line with the growth in profit before tax, so net debt at the end of the 15 year period would be £1.0bn. The increase in net debt (£0.4bn) will fund approximately two thirds of the increase in customer receivables.

Total Platform

We have **not** assumed any future growth in the Total Platform business, because the business is still in its early stages of development and any growth assumptions would be speculative in terms of the number, size and timing of any new clients. Each year across the 15 year period assumes £20m of profit, in line with our guidance for 2022/23.

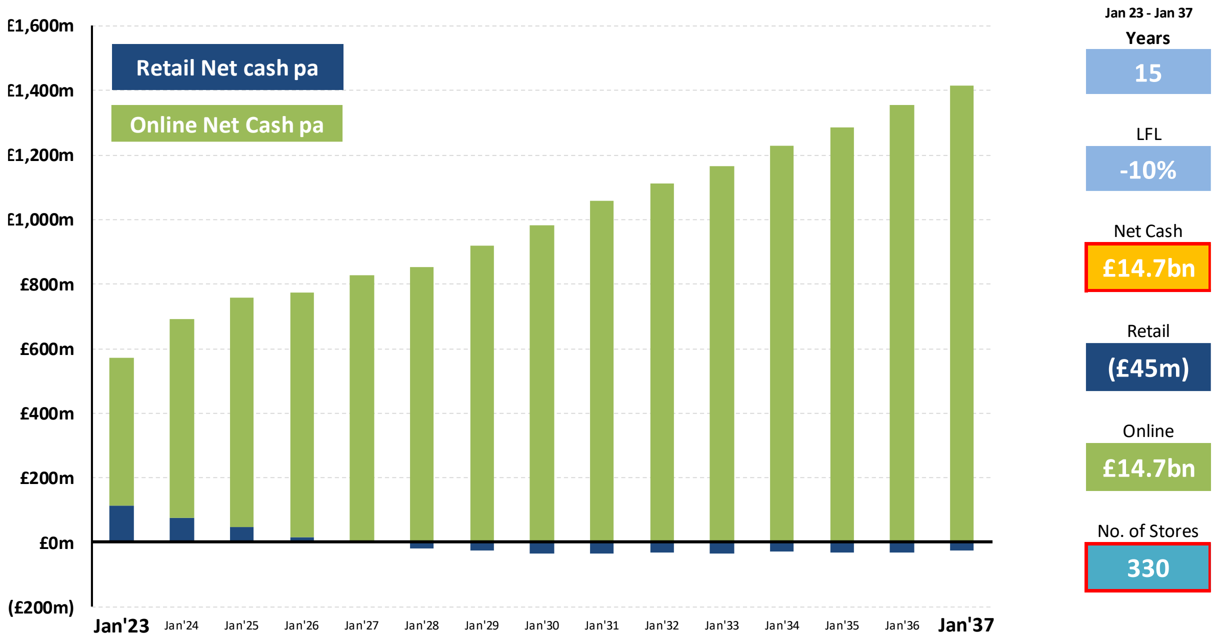
Group Capital Expenditure

Annual capital expenditure has increased from an average of £110m in January 2019's model to £160m. This reflects increased investment in Online infrastructure and technology, with the addition of new warehouse capacity when the level of sales means that we have to increase our capacity.

Step 4: Combined Group Cash Flows

In summary, annual declines of -10% in like-for-like sales in our Retail business, combined with a CAGR of +6.4% in our Online business looks likely to deliver cash[13] generation of £14.7bn over the next 15 years, with cash generation in the final year being in the order of £1.4bn.

The chart below sets out the output of the model by year.



STRESS TEST CONCLUSION

In summary, if the Company is able to grow top line sales by **+4.1%** per annum, with what we believe is a reasonable set of growth and cost assumptions, cash generation over the next 15 years would be **£14.7bn**. In these circumstances we believe the model points to the underlying strength of the Group's economics and leaves us in a position where we will have the financial resources to continue to take advantage of the opportunities presented in a rapidly changing environment.

Overall cash generation is £2.4bn higher than our previous model. This increase is because: (1) growth in our Online business accelerated in the last two years and (2) we are looking at a 15 year period that has moved on by three years (replacing three years of lower cash generation in the early years with three years of high cash generation at the end of the 15-year period).

It is important to re-emphasise that this is a scenario based model and **not a forecast, plan or guidance.** Of course, ultimately, the success or failure of the Group will depend on our ability to execute well. So this scenario does not in any way guarantee success, but it does provide the foundations upon which success might be built.

[13] Cash before tax and distributions.

PART FOUR

GROUP AND DIVISIONAL FINANCIAL PERFORMANCE 2021/22

CONTENTS OF THIS SECTION

GROUP SALES AND PROFIT SUMMARY

Brand full price sales were up +12.8% versus 2019/20 and Brand total sales[14] (including markdown and Total Platform sales) were up +12.1%.

Profit before tax was **£823m,** which was up **+10.0%** versus 2019/20.

TOTAL SALES BY DIVISION

TOTAL SALES (VAT EX.) £m	Jan 2022	Jan 2020	2 Year var %	Jan 2021	1 Year var %
Online	3,103.8	2,146.6	+44.6%	2,368.4	+31.1%
Retail	1,432.4	1,851.9	- 22.7%	954.5	+50.1%
Finance	249.4	268.7	- 7.2%	250.3	- 0.4%
Brand	**4,785.6**	**4,267.2**	**+12.1%**	**3,573.2**	**+33.9%**
Other	76.2	94.6	- 19.6%	52.7	+44.5%
Total Group sales	**4,861.8**	**4,361.8**	**+11.5%**	**3,625.9**	**+34.1%**
Total Group statutory sales	4,625.9	4,266.2	+8.4%	3,534.4	+30.9%

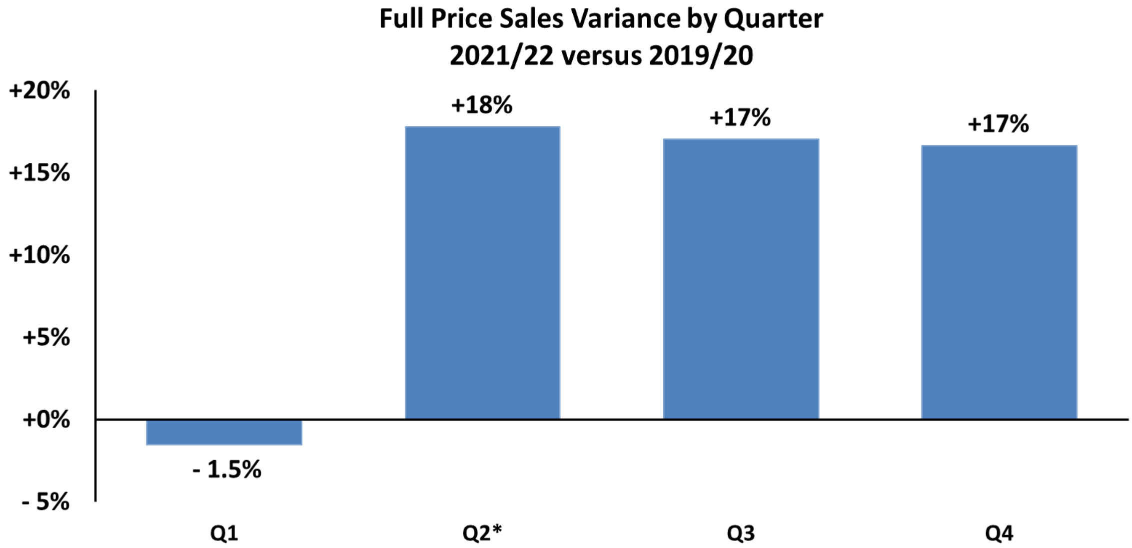
Note on The Difference Between Growth in Statutory and Brand Sales

On a statutory basis, total Group sales were up +8.4%. Statutory sales growth is lower than our Brand total sales growth of +12.1% due to the high level of growth in our commission based sales through LABEL (see page 37) and Total Platform (see page 40). Within Brand total sales, we report the gross transaction value (which includes the sale of stock we do not own and sell on commission). On a statutory basis, the reported revenue is only the commission earned by NEXT.

[14] Total sales are VAT exclusive sales including the full value of commission based sales (refer to Note 2 of the financial statements). The difference in the respective growth of Total Sales and Statutory sales is explained in the Appendix.

BRAND FULL PRICE SALES PERFORMANCE BY QUARTER

Full price sales were down in the first quarter, when most of our Retail stores were closed for ten weeks, but sales recovered strongly post-lockdown and remained strong for the rest of the year.



*Q2 to 17 July, full price sales were up +18.6% as per the early Trading Statement issued on 21 July. Q2 to 31 July, full price sales were up +17.8%.

GROUP PROFIT[15] BY DIVISION AND EARNINGS PER SHARE

PROFIT £m and EPS	Jan 2022	Jan 2020	2 Year var %	Jan 2021	1 Year var %
Online	588.5	410.5	+43.4%	476.5	+23.5%
Retail	107.0	234.0	- 54.3%	(136.3)	- 178.5%
Finance (after charging interest)[16]	141.8	146.7	- 3.3%	127.1	+11.6%
Brand	**837.3**	**791.2**	**+5.8%**	**467.3**	**+79.2%**
Sourcing and Other[17]	26.4	28.1		(2.9)	
Property	10.8	(1.7)		(53.6)	
Recharge of interest from Finance[16]	30.9	36.3		33.7	- 8.2%
Operating profit	**905.4**	**853.9**	**+6.0%**	444.5	+103.7%
Lease interest	(50.4)	(61.8)		(59.9)	
External interest	(31.9)	(43.6)		(42.2)	
Profit before tax	**823.1**	**748.5**	**+10.0%**	**342.4**	**+140.4%**
Taxation	(145.6)	(138.3)	**+5.3%**	(55.7)	
Profit after tax	**677.5**	**610.2**	**+11.0%**	**286.7**	**+136.3%**
Earnings Per Share	**530.8p**	**472.4p**	**+12.4%**	**223.3p**	**+137.7%**

15 Profit by division in January 2021 and 2020 is re-stated for IFRS 16. A full explanation of the impact of IFRS 16 is given in the Appendix on page 65.

16 The interest charged to NEXT Finance in January 2021 has been restated (from £48.4m to £33.7m) to take account of a change in the method used to calculate an internal interest rate (see page 44). This cost is an internal recharge only and the restatement has no impact on Group profit.

17 Other includes Franchise, Lipsy and other Group costs (see page 50).

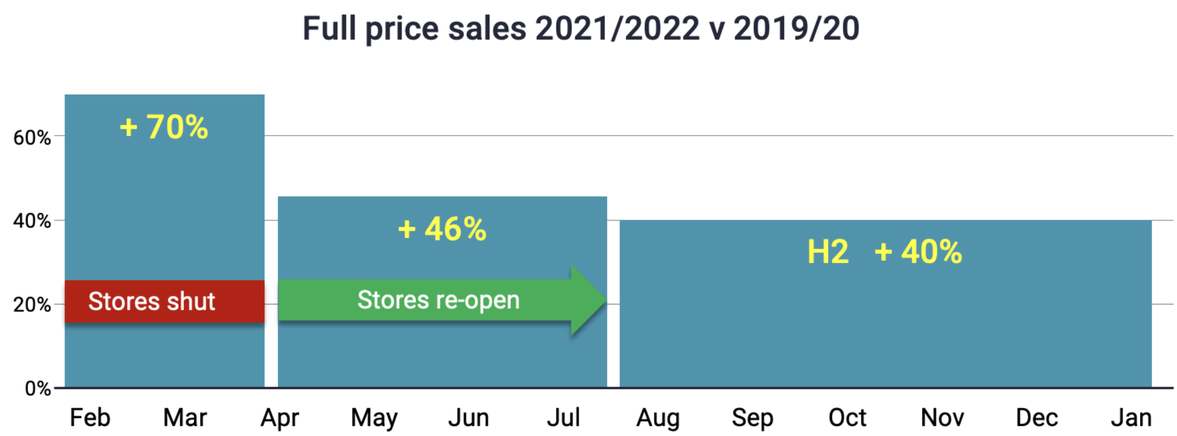
NEXT ONLINE

FULL PRICE SALES BY DIVISION

In the year, full price sales were up +47% versus two years ago. The table below sets out the full price sales performance of each Online division for the year.

Full price sales £m	Jan 2022	Jan 2020	Var %
NEXT Brand UK	1,360	1,022	+33%
LABEL UK	777	434	+79%
Total UK Online	***2,137***	***1,456***	***+47%***
Overseas (nextdirect.com)	543	398	+36%
Overseas aggregators	107	38	+181%
Total Overseas	**650**	**436**	**+49%**
Total Online full price sales	**2,787**	**1,892**	**+47%**

The graph below shows how sales performed during three distinct periods: the first period being lockdown, when our stores were shut, the second period when stores re-opened and the third period where there was very little disruption from COVID.



CUSTOMER RECRUITMENT AND ANALYSIS

Growth in Customer Numbers and Average Spend Per Customer

Customers can be divided into three distinct groups:

- **UK Credit** customers who pay through a NEXT credit account (next**pay** or next**3step**).
- **UK Cash** customers who pay using credit, debit or other tender types.
- **Overseas** customers trading through our international websites.

The table below explains how our customer base has changed over the last two years in terms of total customer numbers, sales per customer and total full price sales value. We do not have visibility of the customers trading through overseas aggregators, but have added sales through these sites to the table below for completeness.

	Average customers		Sales per customer[18]		Full price sales value	
Full Year	**2021**	**vs 2019**	**2021**	**vs 2019**	**2021**	**vs 2019**
UK Credit	2.8m	+7%	£521	+19%	£1,436m	+27%
UK Cash	3.5m	+75%	£198	+23%	£701m	+116%
Overseas	1.9m	+37%	£284	- 0%	£543m	+36%
Aggregators					£107m	+181%
Total	**8.2m**	**+37%**	**£327**	**+6%**	**£2,787m**	**+47%**
UK	*6.3m*	*+37%*	*£340*	*+7%*	*£2,137m*	*+47%*

Customers Recruited During Lockdowns in 2020 and 2021

In our Half Year Results issued in September we asked whether the customers we recruited during lockdown were here to stay? At that time, the initial results looked promising and six months later, retention rates look strong amongst the cohorts recruited during 2020.

The table below summarises the 3.9m customers we recruited between February 2020 and April 2021, compared with the 2.4m customers recruited between February 2018 and April 2019. Comparing these two cohorts, we have seen a +12% higher retention rate and customers, on average, have spent +14% more. Looking at the cohort recruited between February 2021 and April 2021, it looks like retention rates are now returning to more normal levels.

2020/21 Recruitment	**Feb 20 - April 20**	**May - July**	**Aug - Oct**	**Nov - Jan**	**Feb 21 - April 21**	**TOTAL**	
Customers recruited	369k	761k	749k	1,431k	584k	**3,894k**	+59%
Still active in March 2022	100k	202k	202k	350k	130k	**984k**	+79%
Retention rate	27%	27%	27%	24%	22%	**25.3%**	**+12%**
Average spend to date	£231	£221	£200	£145	£133	**£177**	**+14%**

2018/19 Recruitment	**Feb 18 - April 18**	**May - July**	**Aug - Oct**	**Nov - Jan**	**Feb 19 - April 19**	**TOTAL**
Customers recruited	436k	451k	496k	806k	255k	**2,444k**
Still active in March 2020	93k	100k	115k	183k	60k	**551k**
Retention rate	21%	22%	23%	23%	24%	**22.5%**
Average spend to date	£198	£178	£167	£120	£131	**£155**

[18] Note - sales per customer given in January 2021's Year End Results were based on total sales (inc. markdown).

ONLINE PROFIT AND NET MARGIN

Online Margin Analysis

Online margin for the year to January 2022 was 19.0% versus 19.1% two years ago. The margin impact of major cost categories is shown below.

Net margin on total sales to January 2020		**19.1%**
Bought-in gross margin	Higher unplanned inbound freight costs in the second half reduced margin in the year by -0.8%. The higher sales participation of lower margin LABEL, Total Platform and Overseas sales reduced bought-in margin by -2.1%.	**- 2.9%**
Lower surplus	Surplus stock was up +4%, compared to full price sales growth of +47%, improving margin by +1.5%.	**+1.5%**
Warehousing and distribution	Labour and volume efficiencies from a lower returns rate improved margin +0.9%. This was offset, mainly by COVID related surcharges for international parcels -0.7%.	**+0.2%**
Marketing and photography	Margin increased as we are no longer printing catalogues (+1.4%), and photography costs did not increase in line with sales (+0.5%). This was offset by investment in digital marketing spend, which grew faster than sales (-0.2%).	**+1.7%**
Technology	I.T. costs grew faster than sales as we continued to upgrade and modernise our core systems.	**- 0.2%**
Central costs	Growth in central costs reduced margin mainly due to staff incentives.	**- 0.4%**
Net margin on total sales to January 2022		**19.0%**

Profit and Net Margin by Division

Online division	Total sales £m	Profit £m	Margin %	Change in margin vs Jan 20
NEXT Brand UK	1,527	382	25.0%	+2.8%
LABEL UK	865	123	14.3%[19]	+0.0%
Overseas	673	81	12.1%	- 4.4%
Total Platform	39	2	5.5%	n/a
Total Online	**3,104**	**588**	**19.0%**	**- 0.1%**

The change in each division's margin versus the year ending January 2020 is shown in the right-hand column and these are explained as follows:

NEXT Brand UK Margins improved mainly as a result of lower levels of surplus stock and lower returns rates during lockdown. These savings were offset by higher freight costs (-1.3%), staff incentives and other central costs (-0.5%).

LABEL UK Margin at 14.3% was flat versus 2019/20. The benefit from lower returns rates during lockdown were offset by investments in systems development.

Overseas Margin has declined due to: (1) COVID related distribution surcharges applied to parcels being shipped to customers overseas (-2.7%), (2) customs clearance and administration fees (-1.1%), (3) higher inbound freight costs (-0.6%).

Total Platform Total Platform launched in October 2020, so there is no comparative margin for the year ending January 2020. Net margin of 5.5% is broadly in line with our target margin of 6%. For clarity, this £2m of profit *excludes* the profit generated from the equity stakes we have in our Total Platform clients and interest earned on financing arrangements. Across the Group P&L, Total Platform and associated equity stakes and financing profit totalled £10m. (See page 39 for a more detailed update on Total Platform.)

Guidance for Online Sales and Profit for the Year Ahead

We are forecasting for Online full price sales to be up +1% versus 2021/22. Based on this sales guidance, Online profit is forecast to be £512m, down -13% versus 2021/22. The reduction in profit is due to cost increases in the year ahead, which are expected to outweigh cost savings (see page 62). This is mainly due to high inflationary costs (wages and energy) and levels of markdown stock returning to more normal levels. Our expected Online net margins by division are as follows:

Net Online margins by division	Jan 2023 (e)
NEXT Brand UK	~ 21%
LABEL UK	~ 14%
Overseas	~ 10%
Total Platform	~ 5%
Total Online	**15.6%**

[19] As a result of the increasing scale of the LABEL business we have revisited our assumptions on fixed cost allocation and we have increased the proportion of UK fixed costs that LABEL receives. The profit margins given above reflect the new cost allocation and we have restated the January 2020 margins for a like-for-like comparison.

LABEL

Full Price Sales by Product Category

Full price sales £m	Jan 2022	Jan 2020	Var %
Fashion: clothing, footwear and accessories	482	274	+76%
Sports	158	106	+50%
Home	91	37	+142%
Branded Beauty	46	17	+174%
Total full price sales	**777**	**434**	**+79%**

Growth continues to come from both our existing partners as well as new brands. Full price sales with existing brands grew by £222m and new brands (net of discontinued brands) added £121m. Home and Beauty sales have seen particularly strong growth with new brands such as Laura Ashley, Bath & Body Works and MAC.

Wholesale and Commission

There are two ways in which we trade with third-party brands. Some brands are purchased on a wholesale arrangement and any surplus is NEXT's liability. Under our commission model, stock is held in NEXT warehouses but remains the liability of the partner brand, and NEXT earns a commission on sales (full price and markdown).

Full price sales £m	Jan 2022	Jan 2020[20]	Var %
Wholesale	277	191	+45%
Commission	500	243	+106%
LABEL full price sales	**777**	**434**	**+79%**

Commission sales grew faster than wholesale and although we make lower net margins on commission-based sales, we encourage our partners to adopt the commission model as we believe that this model generates higher sales growth. Commission sales are now 64% of total LABEL sales.

Platform Plus and Direct Dispatch

In the last two years, we have significantly increased the number of brands using the Platform Plus and Direct Despatch operating models. This has helped us expand the ranges that we can make available to our customers without utilising our own warehouse capacity. To date, we have 353 third-party brands selling via Platform Plus or Direct Despatch and the combined full price sales from the two operating models have increased from £25m in 2019/20 to £117m in 2021/22.

Platform Plus Stock is held in our partners' warehouses at the time a customer order is placed and then injected into NEXT's logistics network to be delivered to the customer, along with any other NEXT purchases.

Direct Dispatch Stock is held in our partners' warehouses and delivered directly to the customer. Increasingly this stock is delivered by nominated NEXT carriers.

Full price sales £m	Jan 2022	Jan 2020	Var %
Platform Plus	71	11	+966%
Direct Dispatch	46	14	+157%

[20] Sales are categorised according to whether a brand was trading as wholesale or commission in the year ending January 2022, therefore prior year figures are restated to give a like-for-like brand performance.

LICENSING

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

Full price sales in the year to January 2022 were £39.5m, with net margins of around 16%. The table below shows the full price sales made through our licensing business, and includes sales made both Online and in Retail stores. The vast majority of these sales are Online, with around £7m made in Retail, mainly through the Ted Baker childrenswear and Laura Ashley Home ranges.

Licensing full price sales (VAT ex.) £m	Jan 2022	Jan 2020
Womenswear clothing	1.8	0.6
Womenswear non-clothing	7.4	0.0
Menswear	1.3	0.0
Childrenswear	22.6	0.0
Home	6.4	0.3
Total full price sales	**39.5**	**0.9**

Licensing in the Year Ahead

In the year ahead we expect full price sales to increase by around 50% to £60m, £10m of which is planned to be in our Retail stores. This increase is anticipated to come from increasing ranges with our existing partners (£15m) and the introduction of new brands (£5m). We expect net margin to be around 20%.

TOTAL PLATFORM

Our Total Platform business launched in October 2020 and is now live with five clients. In February 2022 we launched our largest client to date, Reiss.

TOTAL PLATFORM OBJECTIVES AND SERVICES

Focus and Stability

Total Platform aims to give clients improved services, at a lower cost. It removes the operational friction and capital costs associated with rapid growth and allows client brands to **focus** on the development of their products and brand.

Total Platform rolls fixed overheads and capital costs into one simple commission, charged as a percentage of a client's sales. In doing so it converts a capital intensive *fixed cost* into a flexible *variable cost*, meaning that in difficult years operational costs go down as fast as sales. So in the volatile world of fashion, Total Platform serves to provide **stability** and reduce risk.

Existing and New Services

In addition to its core activity of powering our clients' online businesses, Total Platform also offers other related services such as retail warehousing, retail distribution, and retail till systems. In general, these other services are charged on a cost plus basis.

In preparation for the launch of Reiss Total Platform we have added the following capabilities:

- Bonded status for UK warehouse stock.
- Warehouse and logistics to other third-party vendors, such as other UK aggregators and concession stores.
- Export documentation, repricing and logistics to overseas aggregators and wholesale partners.
- Retail stock planning.
- Online ordering and fulfilment from Retail store stock.

We intend to continue adding new services to our Total Platform business. Services will include an inbound logistics service, buying and merchandise systems and the provision of stock financing.

FINANCIAL PERFORMANCE AND GUIDANCE FOR THE YEAR AHEAD

In the year to January 2022 we generated **£10.3m** of profit through the combination of:

- Total Platform profit of £2.1m (i.e. the profit for providing Total Platform services).
- Equity and preference share interests in our clients.
- Interest earned from commercial loans to Total Platform clients.

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

£m	Jan 2022	Jan 2023 (e)
Sales (VAT Ex.) (Gross transaction value, GTV)	39.1	168.1
Commission	10.9	34.2
Total Platform profit (reported in Online, page 36)	**2.1**	**8.4**
Total Platform margin %	5.5%	5.0%
Profit from equity shares (reported in Other Business, page 50)	**4.8**	**7.0**
Preference share interest (reported in Interest, page 51)	**2.4**	**4.2**
Loan interest (reported in Interest, page 51)	**1.0**	**0.3**
Total Group profit from Total Platform	**10.3**	**20.0**

SUMMARY OF CLIENTS AND ASSOCIATED EQUITY INVESTMENTS

Client	Launch date	Equity interest	Description
Childsplay	Oct 2020		Online luxury childrenswear
Laura Ashley	Mar 2021		Home and fashion brand
Victoria's Secret (UK and Eire)	May 2021	51% share in UK and Eire franchise	Global lingerie, clothing and beauty brand
Aubin	Sept 2021	33%	Premium menswear brand
Reiss	Feb 2022	25%, increasing to 51% share in April 2022 (see page 50)	Affordable luxury men's and women's apparel brand
GAP	Aug 2022	51% share in UK JV with GAP Coalition	Fashion brand

Potential New Clients

We are currently reviewing a number of opportunities to increase the number of Total Platform clients and our equity interests. We do not expect all of these opportunities to materialise but are reasonably confident that in the year ahead we will contract with at least two new clients. Any new clients are likely to be fully integrated into Total Platform once our new warehouse Elmsall 3 is ready, which is scheduled to open in Q4 2023.

EVOLVING TOTAL PLATFORM OPERATING MODELS

Over the last two years we adapted our Total Platform services to suit the differing needs of each of our five new clients. In doing so, we have arrived at three different operating models for the business. Each version of Total Platform gives a different experience of these three elements:

- The Shopping Experience
- Checkout, Payments and Account Management
- Packaging

The paragraphs below summarise the main differences between the three services.

Total Platform This is the most comprehensive option. The customer experience is completely independent from NEXT, with every touch point (ordering, checkout, packaging, call centre services, etc.) branded for the client.

Total Platform Light (TPL) The shopping experience is still unique to the client brand *but* customers check out through NEXT checkout. The experience is not dissimilar to checking out through third-party payment intermediary services, such as Apple Pay or Google Pay and NEXT's 6.3m UK customers can login using their NEXT credentials. Customer communications, tracking and problem resolution is handled by NEXT services and staff.

Currently TPL customers receive their orders in NEXT GO packaging, from early 2023 we aim to be able to send TPL parcels in bespoke client packaging.

Total Platform Superlight The client has a client-branded home page (including bespoke navigation) which sits on the main NEXT website. The search listings, product pages and shopping bag functions are shared with NEXT. This is the fastest and lowest cost option for clients looking to rapidly achieve a fully functioning Online operation in the UK. This is the model that we anticipate being adopted by our UK and Eire Bath & Body Works franchise.

	Time to implement	**Shopping Experience** *Website, landing pages, browse, search, select and shopping bag*	**Checkout and Account** *Payment, communications, tracking and account*	**Packaging** *Boxes, bags, shrouds, & dispatch notes*
FULL TOTAL PLATFORM	9-12 months	Unique branded shopping experience	Client branded checkout, payments comms and account	Client branded packaging to client specification
TOTAL PLATFORM LIGHT	3-6 months	Unique branded shopping experience	Checkout, payments, communications and account through NEXT checkout	NEXT GO packaging (bespoke packaging possible from early 2023)
TOTAL PLATFORM SUPERLIGHT	< 1 month	Bespoke landing page on next.co.uk with customer access to entire next.co.uk website	Checkout on next.co.uk	NEXT GO packaging

NEXT FINANCE

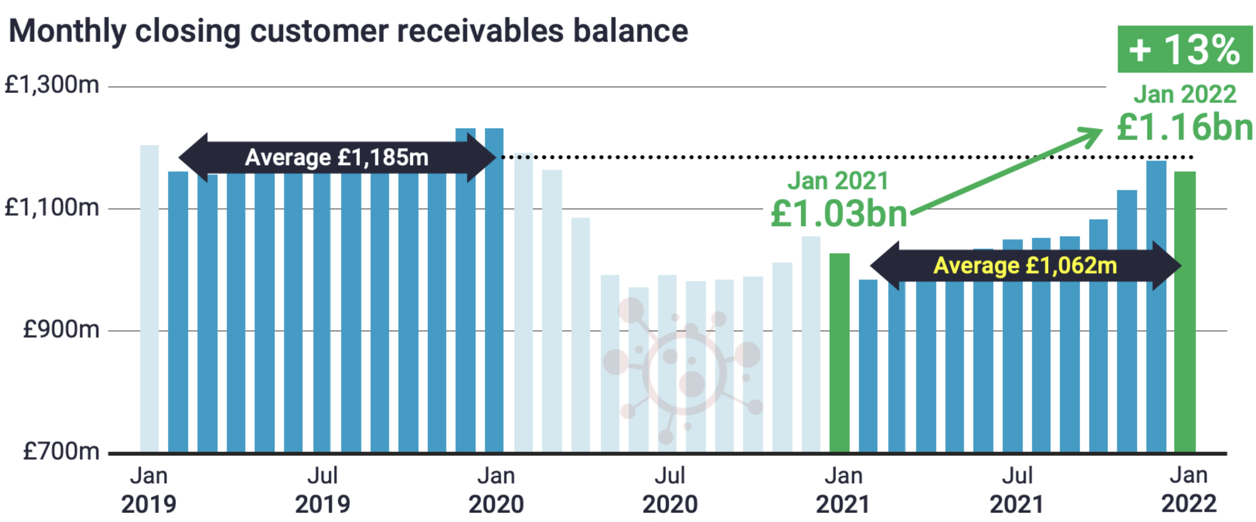
PROFIT & LOSS ACCOUNT SUMMARY

- Interest income was down -7% versus 2019/20 due to a lower customer receivables balance.
- Profit of £142m was down -3% versus 2019/20.

£m	Jan 2022	Jan 2020	Var %
Credit sales	*1,977*	*1,748*	*+13%*
Average customer receivables	***1,062***	***1,185***	***- 10%***
Interest income	249	269	- 7%
Bad debt charge	(27)	(43)	- 37%
Overheads	(49)	(43)	+17%
Profit before cost of funding	**173**	**183**	**- 6%**
Cost of funding	(31)	(36)	- 15%
Net profit	**142**	**147**	**- 3%**
Opening customer receivables	£1,028m	£1,207m	- 15%
Closing customer receivables	£1,163m	£1,234m	- 6%
ROCE (after cost of funding)	13.4%	12.4%	

Customer Receivables Balance Explained

Our average customer receivables balance fell by -10% compared to two years ago. The decline was driven by the reduction in balances during 2020. During 2021 receivables grew along with credit sales, and finished the year up +13% on the balance as at January 2021.

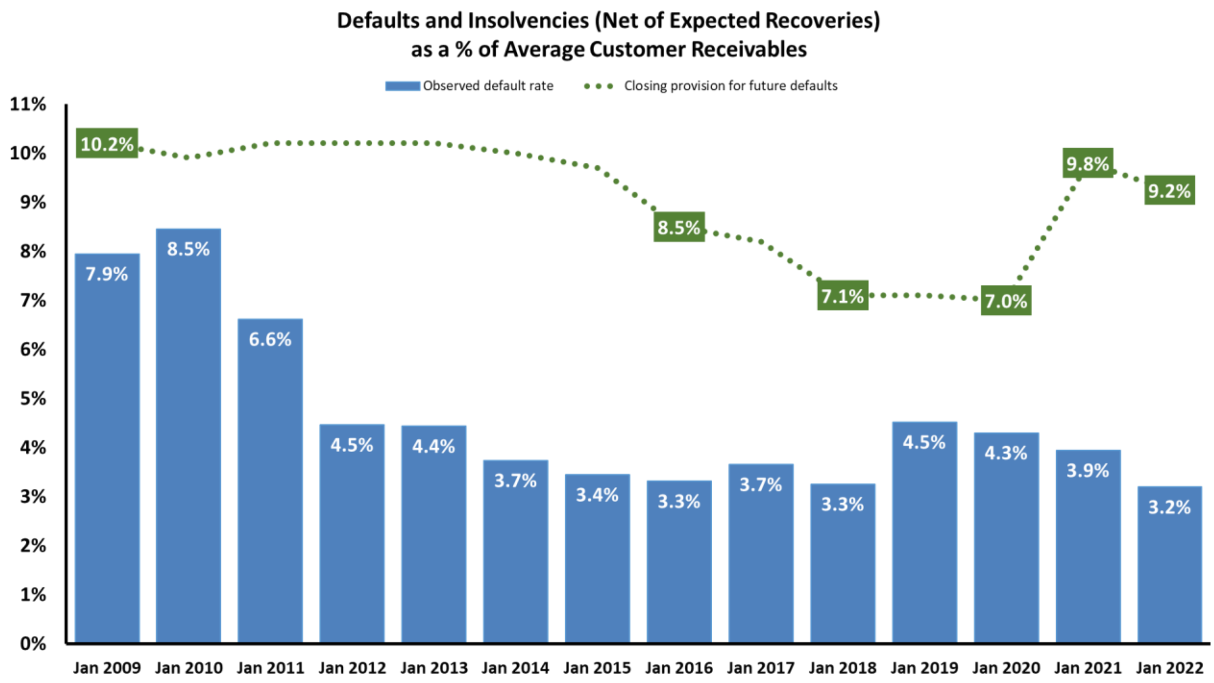


Interest Income
Interest income was down -7% compared to two years ago, which was +3% *ahead* of the -10% fall in average customer receivables. The difference between change in interest and customer receivables is explained by two factors:

1. A higher provision rate for bad debt has reduced customer receivables by around -2%, but this does not affect the generation of interest income.
2. A higher proportion of customer receivables are interest bearing, with lower proportions of defaulted debt and debt on interest-free arrangements. Taken together, around 1% more of the receivables balance is interest bearing.

Default Rates and Bad Debt Charge

Default Rates
The chart below shows (1) our observed rate of default as a percentage of customer receivables since 2010 (blue bars) and (2) the closing rate of provision for future defaults (green dotted line). This year, default rates of 3.2% have been at a historic low and were down -26% versus the 4.3% observed two years ago. The closing provision for future defaults of 9.2% is +2.2% ahead of the pre-pandemic position, due to the additional £20m provision made last year. We are currently maintaining a £20m provision due to wider economic uncertainties that consumers currently face due to the cost of living crisis.



Bad Debt Charge
The bad debt charge of £27m was -£16m lower than two years ago mainly due to (1) the -26% reduction in the default rates and (2) higher recoveries of defaulted debt.

Overheads
Overheads of £49m were £6m higher than two years ago, mainly due to investment in I.T. and higher people costs, including staff incentives.

Cost of Funding

The cost of funding is an internal recharge from the Group based on the assumption that 85% of customer receivables are funded by debt from the Group. This charge reduced by -15% to £31m, due to the -10% reduction in average receivables and a -5% reduction in the Group interest rate.

Calculating the Cost of Funding and Group Interest Rate

The Group interest rate is in line with the interest rate charged on the Group's external debt. The calculation is set out below. Our previous approach to calculating the cost of funding charge for the NEXT Finance business was set out in our January 2021 Annual Report (page 41). Since then, we have made two changes to the method:

1. Cash on deposit has been removed from the average Group debt calculation and interest earned on this cash has been removed from the Group interest charge.
2. Interest income from other investments, e.g. Reiss, has been excluded to provide the underlying cost of interest paid on external debt facilities.

Applying the new method does not impact the internal charge for the full year to January 2020.

Group interest % calculation	Jan 2022	Jan 2020	Var %
Bond – average	£1,050m	£1,052m	
Revolving credit facility	£0m	£155m	
Average Group debt	**£1,050m**	**£1,207m**	**- 13%**
Group net external interest charge	£31.9m	£43.6m	
Add back interest income from investments (e.g. Reiss)	£4.1m	£0.0m	
Underlying cost of Group debt	**£36.0m**	**£43.6m**	**- 18%**
Group interest rate %	**3.4%**	**3.6%**	**- 5%**

OUTLOOK FOR THE YEAR AHEAD

In the year ahead, we anticipate that NEXT Finance will generate a profit of around **£160m**, which would be up +13% on the prior year. We are forecasting the customer receivables balance to end the year at **£1.27bn**, which would be up +9% on the prior year and ahead of pre-COVID levels.

NEXT RETAIL

FULL PRICE SALES

Full price sales in the year were down -23% versus two years ago. On a like-for-like basis, comparing sales only on the days that stores were trading outside of lockdown, full price sales were down -5%.

Like-for-Like Store Performance by Location

The graph below shows the like-for-like performance of our stores by type for the weeks they were open in year ending January 2021 (in grey) and year ending January 2022 (in blue) versus their performance in the year ending January 2020.

The graph above clearly shows the marked underperformance of city centre locations in both years; and the marked recovery across all locations in the year ending 2022.

NEXT, Fosse Park West, Leicester. Opened April 2021.

RETAIL PROFIT & LOSS

Total sales (including the ten weeks of store closures at the start of the year) were down **-23%** and Retail operating profit of £107m was down -54% versus two years ago.

For completeness, in the table below we have also shown Retail profit including the cost of lease interest which, under IFRS 16, is recognised within the interest line of the Group P&L and therefore not included in Retail's operating profit. Accounting for this lease interest charge would result in a Retail profit of **£65m**, down -63% versus two years ago.

£m	Jan 2022	Jan 2020	Var £m	Var %
Total sales	1,432	1,852	(420)	- 23%
Operating profit post-IFRS 16	107	234	(127)	- 54%
Lease interest charge[21]	*(42)*	*(57)*	15	- 26%
Retail profit including lease interest	*65*	*177*	*(112)*	*- 63%*

Full Year Profit Walk Forward

The following table sets out the sales and major heads of cost for this year and two years ago, along with the value and percentage variance. The last column shows the impact on Retail's profit margin.

The paragraphs after the table explain the main changes in margin and costs.

£m	Jan 2022	Jan 2020	Var £m	Var %	Margin impact
Total sales	**1,432**	**1,852**	**(420)**	**- 23%**	
Achieved gross margin	843	1,099	(256)	- 23%	*- 0.5%*
Occupancy costs	(320)	(402)	82	- 20%	*- 0.6%*
Rent depreciation & service charge	*(112)*	*(137)*	*25*	*- 19%*	*- 0.4%*
Rates	*(72)*	*(100)*	*28*	*- 28%*	*+0.4%*
Maintenance, utilities & consumables	*(71)*	*(75)*	*4*	*- 5%*	*- 0.9%*
Depreciation	*(65)*	*(90)*	*25*	*- 28%*	*+0.3%*
Payroll	(176)	(210)	34	- 16%	*- 0.8%*
Warehouse & distribution	(108)	(113)	5	- 4%	*- 1.5%*
Central costs	(132)	(140)	8	- 6%	*- 1.7%*
Retail profit post-IFRS 16	**107**	**234**	**(127)**	**- 54%**	**- 5.1%**
Lease interest	(42)	(57)	15	- 26%	*+0.1%*
Retail profit including lease interest	**65**	**177**	**(112)**	**- 63%**	***- 5.0%***

[21] Lease interest is reported within the Interest line of the consolidated P&L. £42m is the proportion of the total lease interest that is attributable to the Retail business.

Achieved Gross Margin
The achieved gross margin of 58.8% was -0.5% lower than two years ago. There were three factors impacting margin: (1) an unplanned increase in freight costs eroded margin by -1.0%, (2) low levels of markdown stock in the second half improved margin by +0.4% and (3) lower stock losses during the period that stores were closed improved margin by +0.1%.

Rent Depreciation and Service Charge
Costs reduced by £25m, due to (1) stores that have closed in the last two years and (2) rent reductions that were achieved when leases were renegotiated during the last two years.

Business Rates
The £28m reduction in business rates comprises: (1) £20m of Government rates relief, relating to the weeks that our stores were closed due to lockdown, (2) a £6m saving from stores that have closed in the last two years and (3) a £2m saving from lease renewals where business rates are now part of the overall rent deal (see page 48).

Note: A further £29m of business rates relief was available to the Company during the time that stores were *open,* but this was not accepted and was voluntarily repaid in January 2022.

Store Payroll
Inflationary wage increases and lower productivity meant that costs did not fall in line with sales.

Warehouse, Distribution and Central Costs
The fixed nature of certain costs in warehousing, distribution and central overheads meant that these costs did not fall in line with sales.

Lease Interest
Lease interest, relating to Retail lease liabilities, reduced by £15m versus two years ago. This fell as a result of lease liabilities reducing from £1,239m at January 2020 down to £934m at January 2022. The effective interest rate applied on this balance is c.4.5%.

Guidance for Retail Sales and Profit for the Year Ahead
We are forecasting Retail full price sales to be up +13% versus 2021/22. Excluding the 10 weeks in the prior year when our stores were closed due to lockdown, full price sales are expected to be down -7%. Based on this sales forecast, Retail operating profit is forecast to be c.£150m, up +40% versus 2021/22. Including lease interest, Retail profit is forecast to be c.£115m.

LEASE RENEWALS AND COMMITMENTS

Lease Renewals in the Year Ended January 2022

In the year we renewed 60 leases, with an average lease term of 2.8 years (to the earlier of the break clause or the lease end). These new leases result in an annualised cost saving of **£9.1m**. These 60 renewals can be split into two different types of leases. There were 49 rent deals where we negotiated, on average, a -44% rent reduction. The other 11 leases were 'total occupancy cost' (TOC) deals where we pay a fixed percentage of turnover to cover rent, business rates and service charge, reducing our overall occupancy costs by -52%.

The tables below summarise the leases renewed in the last year along with the rent[22] and occupancy costs before and after renewal. For clarity, we have shown TOC leases separately in order to show the overall impact on the stores' *total* occupancy costs, including rent, rates and service charge.

New rent deal category	No. of leases	Rent before renewal	Rent after renewal	
Fixed rent charge	37	£10.1m	£6.5m	- 35%
Zero rent	4	£0.6m	£0.0m	- 100%
Turnover rent	8	£3.7m	£1.5m	- 58%
Total	**49**	**£14.4m**	**£8.0m**	**- 44%**

TOC leases	No. of leases	Costs before renewal	Costs after renewal	
Total occupancy costs (rents, rates and service charge)		-	£2.6m	
Previous rent		£2.7m	-	
Previous rates and service charge		£2.6m	-	
Total occupancy - rent, rates and service charge	**11**	**£5.3m**	**£2.6m**	**- 52%**

TOTAL COMBINED LEASE RENEWALS	No. of leases	Costs before renewal	Costs after renewal	
Total lease renewals	**60**	**£19.7m**	**£10.6m**	**- 46%**
Total occupancy cost saving			**£9.1m**	
Rent-free incentive/capital contributions			**£2.8m**	

We continue to invest in stores where we have renewed the lease and we spent £5.6m upgrading the stores that we renewed in the last 12 months.

Outstanding Lease Commitments

At the end of January 2022, our average lease commitment (weighted by value) was 4.9 years, compared with 5.5 years at the same time last year. Fifty per cent of our store leases (by value) will expire or break within 4.1 years and 90% within the next ten years.

Forecast Lease Renewals in the Year Ended January 2023

We anticipate renewing 72 store leases and based on our latest negotiations we expect to reduce our occupancy cash costs by c.£17.5m (-45%). This saving is particularly high because some of the stores coming up for renewal include large stores with a high base rent cost, which are moving to a variable TOC lease. The average lease term (to the earlier of the break clause or lease end) is expected to be 4.5 years.

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

RETAIL SPACE

The year-on-year change in store numbers and square footage is set out below.

	Store numbers	NEXT Sq. ft. (k)	Concessions Sq. ft. (k)	Total Sq. ft. (k)
January 2021	**491**	**8,059**	**377**	**8,436**
New mainline stores	+ 0	+ 21	+ 43	+ 64
Mainline closures	- 19	- 146	+ 0	- 146
Clearance stores	+ 5	+ 46	+ 1	+ 47
January 2022	**477**	**7,980**	**421**	**8,401**
Change	- 14	- 79	+ 44	- 35
Change %	- 2.9%	- 1.0%	+ 11.7%	- 0.4%

New Mainline Stores

We opened one new store and re-sited stores in another eight locations. Within the eight re-sites, there was one location where we consolidated two stores into one, reducing our number of stores by one (hence, the number of new mainline stores in the table above is zero). The nine new and re-sited stores have performed well and we expect the stores to make a net profit (before central overheads) of 22%. We anticipate that payback on capital invested will be within 10 months, which is well within our investment criteria hurdle of 24 months.

Mainline Closures

We closed 19 mainline stores, three of which came as a result of being unable to agree acceptable new terms with landlords and two where the landlord did not wish to renew the lease due to redevelopment of the site. The other 14 closures were in locations where we forecast that the store would not achieve our target margin on almost any terms. The table below sets out the profitability and turnover of stores falling into each category of closure.

Reason for store closure	No. of stores	Store turnover	Store profit	Store profit %
Location not viable	14	£16.9m	£1.6m	9%
Landlord redeveloping the site	2	£2.6m	£0.5m	19%
Failure to agree acceptable terms	3	£4.1m	£0.4m	10%
Total	**19**	**£23.6m**	**£2.5m**	**11%**

Clearance Stores

We opened six new Clearance stores and closed one. New stores have an average lease term (to the earlier of break or lease end) of three years. The rent cost in these stores is based on store turnover, with five of the six leases being TOC deals. Opening Clearance stores means that we can sell more of our surplus stock in Retail, alleviating some of the capacity pressures in our Online warehouses.

Outlook for Retail Space in 2022/23

In the year ahead we expect retail space to reduce by around -2%, due to the closure of around 15 stores.

OTHER BUSINESS ACTIVITIES

The profits and losses in the year from other business activities, including our other Group trading companies and non-trading activities, are summarised below. Significant changes in profit are explained beneath the table.

£m	Jan 2022	Jan 2020
NEXT Sourcing (NS)	28.0	32.2
Lipsy	20.5	13.0
Victoria's Secret Joint Venture	3.4	-
Reiss	1.8	-
Franchise and Retail International	5.8	6.4
Property management	10.8	(1.7)
Central costs and other non-trading activities	(33.1)	(23.5)
Total profit	**37.2**	**26.4**

NEXT Sourcing (NS)

Profit was down -13% versus two years ago, due to a -2% fall in sales and additional overhead costs relating to COVID, shipping and container delays, staff incentives and foreign currency movements.

Lipsy

The significant increase in profit was driven by the expansion of our Branded Beauty business (see page 37) and an improvement in clothing sales, with demand for occasion and formalwear being particularly strong in the second half of the year with the return of social events. In the year ahead we anticipate profits of around £30m.

Victoria's Secret Joint Venture

This is the profit from our 51% stake in the Victoria's Secret UK and Eire JV. The UK website, operating on NEXT's Total Platform, launched during May 2021. Profit of £3.4m was lower than our previous forecast of £5m given in September, mainly due to stock shortages experienced in the second half. In the year ahead we anticipate profit of around £4m.

Reiss

This is the profit from our 25% stake in Reiss. In February 2022, Reiss launched on NEXT's Total Platform (see page 39). At the end of February, we exercised our option to buy a further 26% stake in Reiss. The transaction is currently expected to complete in April, subject to regulatory clearance. Based on our increased shareholding, we are forecasting profit in the year ahead of around £4m.

Property Management

Profit of £10.8m came mainly from two sale and leaseback transactions.

We received £6m, the second of three instalments relating to the sale and leaseback of a warehouse complex in 2020. This was payable upon NEXT maintaining its investment grade credit rating. The third and final instalment of £6m, which is also contingent on meeting investment grade conditions, is payable in 2022/23.

During 2021 we entered a sale and leaseback transaction relating to the development of our new Elmsall 3 warehouse, generating £7m of profit in the year.

Central Costs

Central costs were £10m higher than two years ago, mainly due to: (1) higher cost of employee share schemes and (2) higher service costs on the defined benefit pension scheme resulting from a change in actuarial assumptions.

INTEREST, TAX, PENSIONS AND ESG

INTEREST

The interest charge in the P&L is made up of three categories, as set out below, along with our guidance for the year ahead.

£m	Jan 2023 (e)	Jan 2022	Jan 2020
Net external interest	(25.7)	(35.3)	(43.6)
Reiss preference share income and loan interest	4.5	3.4	-
Lease interest	(47.4)	(50.4)	(61.8)
Total interest	**(68.6)**	**(82.3)**	**(105.4)**

The net external interest charge of £35.3m, was £8.3m (-19%) lower than two years ago. This reduction is due to the decline in average net debt, along with lower average interest charges following the repayment of the £325m bond in October 2021 (see page 55).

Reiss preference shares were acquired as part of our investment. The shares accrue interest at a rate of 8% per annum, giving a £2.4m benefit in the year. A further £1m of interest was earned on a £10m loan given to Reiss. We expect this loan to be repaid in the first half of 2022/23. Guidance for the year ahead is based on a 51% equity stake (see page 50).

The reduction in lease interest is consistent with the overall reduction in lease debt, from £1.25bn (January 2020) to £1.1bn (January 2022), as we pay rent and renew leases on shorter terms and lower or variable rents.

TAX

Our effective tax rate (ETR) for 2021/22 was 17.7%. This is lower than the UK headline rate of 19% for two reasons, as set out below. In 2022/23 we are also forecasting our ETR to be 17.7%.

	Jan 2022
Headline UK Corporation Tax rate	19.0%
Remeasurement of deferred tax asset to 25%[23]	- 0.6%
Super deduction for capital allowances (130% deduction for qualifying expenditure)	- 0.7%
ETR	**17.7%**

[23] The remeasurement of the deferred tax asset occurred during the first half of the year. The headline UK Corporation Tax rate effective from April 2023 will be 25%.

PENSION SCHEME

On the IFRS accounting basis, the valuation of our defined benefit schemes' surplus has increased from £99m as at January 2021 to £157m as at January 2022. Further detail is provided in Note 6 of the financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

ESG encompasses a broad range of complex global issues which can be challenging to navigate and prioritise. However, we continue to make good progress and our key ESG initiatives are summarised below. These and other aspects of our work will be covered in detail in our Annual Report, published on 14 April 2022.

Carbon Emission Reductions

As reported at the half year, the targets we set for the reduction in our Scope 1, 2 and 3 greenhouse gas emissions (i.e. those created directly by our operations and indirectly through our wider business activities) were approved in July 2021 by the Science-Based Emission Target initiative (SBTi). Our scope 1 and 2 target ambitions are consistent with the reductions required to keep global warming to +1.5°C, in line with the Paris Agreement.

By 2030 we aim to:

- Reduce our direct and indirect (from NEXT energy consumption) absolute carbon emissions by 55% against a 2016/17 baseline (Scope 1 & 2).
- Reduce our other indirect emissions from NEXT's operations by 40% against a 2019/20 baseline per £1m sales (Scope 3).

Responsible Sourcing

We aim to source 100% of the main raw materials we use through known, responsible or certified routes by 2025. We are making it easier for customers to identify sustainably sourced items; products containing at least 50% of certified responsibly sourced materials are eligible to carry a NEXT Generation label.

In the first half of the year, we launched a small trial menswear range focused on sustainability and made using 100% responsibly-sourced materials. The customer response was muted; this may be due in part to the particular style of the product range but the level of interest also indicates that our customers are not yet prioritising responsible sourcing as a key reason to buy. Rather than producing standalone lines with a responsible sourcing message, our intention is to absorb them into our normal lines.

Electrification of our Car and Van Fleets

We have committed to electrifying our company car and van fleet where possible by 2030. Where electric vehicles are not viable, we will look to use ultra-low emission vehicles.

Packaging

By 2025 we aim to eliminate avoidable plastics in product packaging and we are also investigating opportunities to reduce packaging throughout our operations. By the end of 2022, we plan to install collection points in all our stores for customers to return their plastic packaging for recycling.

CASH FLOW, DIVIDENDS, NET DEBT & FINANCING

CASH FLOW[24]

In the year to January 2022, we generated £363m of surplus cash. Surplus cash is defined as cash after interest, tax, capital expenditure and investments, but *before* distributions to shareholders. Net debt reduced to £600m.

NEXT Finance customer receivables grew by £135m in the year, partly reversing the £206m reduction experienced during the pandemic in the prior year (see page 42). In total, we returned £353m to shareholders, by way of (1) special dividends (£344m) and (2) share buybacks (£9m).

The table below sets out a summarised cash flow for the year, along with the prior two years for context and comparison.

£m		Jan 2022	Jan 2021	Jan 2020
Profit before tax		**823**	**342**	**749**
Depreciation/impairment on plant, property and equipment		111	145	125
Capital expenditure	See page 56	(184)	(163)	(139)
Tax paid		(125)	(113)	(138)
Working capital/other		(30)	(42)	(72)
Surplus cash from trading activities		**595**	**169**	**525**
Customer receivables		(135)	206	(27)
Investments	See page 54			
Investment in Reiss		(43)	-	-
Sale and leaseback / property acquisitions		(54)	146	-
Surplus cash before distribution to shareholders		**363**	**521**	**498**
Shareholder returns	See page 54			
Ordinary dividends		-	-	(214)
Special dividends		(344)	-	-
Share buybacks		(9)	(19)	(300)
Cash flow after distribution to shareholders		**10**	**502**	**(16)**
Bond repayment	See page 55	(325)	-	-
Cash flow after bond repayment		**(315)**	**502**	**(16)**
Closing net debt		**(600)**	**(610)**	**(1,112)**

[24] The cash flow reflects the impact of IFRS 16. Depreciation on right-of-use assets and lease payments are included in working capital. The change is presentational only, it has no impact on the actual cash generated by the business. A reconciliation to statutory cash flow is provided in the Appendix.

INVESTMENTS

Investment in Reiss

We invested £33m in a 25% stake in Reiss and as part of this deal we also provided a £10m loan. We expect this loan to be repaid in the first half of 2022/23. At the end of February 2022, we exercised our option to buy a further 26% stake. The transaction is expected to complete in April 2022, subject to regulatory clearance, taking our total shareholding to 51%.

Sale and Leasebacks and Property Acquisitions

Our new Elmsall 3 warehouse is in the process of being built and the net cash outflow of £30m is the combination of £53m spent in the year *less* £23m of sale and leaseback proceeds received to date. We have also acquired land for a potential future development, costing £24m.

£m	Jan 2022	Jan 2021
2020 warehouse sale and leaseback[25]	-	146
Elmsall 3 warehouse sale and leaseback	(30)	-
Land acquisition for potential future development	(24)	
Total	**(54)**	**146**

DIVIDENDS AND SHAREHOLDER RETURNS

The Company remains committed to its long term policy of returning surplus cash, that cannot be profitably invested in the business, to shareholders.

During the pandemic in 2020/21, we paused dividends to help secure the finances of the business. In the year to January 2022 we paid two special dividends and in the year ahead we will return to our pre-pandemic ordinary dividend cycle.

Special Dividends

On 3 September 2021 we paid a special dividend of 110p per share and on 28 January 2022 we paid a further special dividend of 160p per share. The total value of special dividends paid in the year was £344m.

Ordinary Dividends

In the year ahead it is the Board's intention to return to our pre-pandemic ordinary dividend cycle. Therefore, the Board has proposed the payment of an ordinary dividend of 127p, to be paid on 1 August 2022. The dividend cover has been calculated at 2.8 times post tax profits for the year ending January 2022. The dividend cover of 2.8 times is in line with the Company's long-standing approach to ordinary dividends.

	Jan 2022
January 2022 post tax profit	£677m
Dividend cover	2.8 times
Dividend value	£242m
66% payable August 2022	£160m
Pence per share	127p

This is subject to approval by shareholders at the Annual General Meeting to be held on 19 May 2022. Shares will trade ex-dividend from 7 July 2022 and the record date will be 8 July 2022.

[25] In the prior year the cash flow statement in the CEO Report was based on pre IFRS 16 values. The amount shown in respect of the 2020 sale and leaseback was £110m (this being the cash proceeds of £154m less the gain recognised in profit before tax of £44m). This year we have restated this value to show the cash proceeds less gain in the profit before tax on an IFRS 16 basis of £8m.

Share Buybacks

During January 2022 we purchased 117,500 shares at an average share price of £73.90. The total value of shares purchased was £8.7m, reducing the number of shares in issue by 0.1%.

Shareholder Returns in the Year Ahead

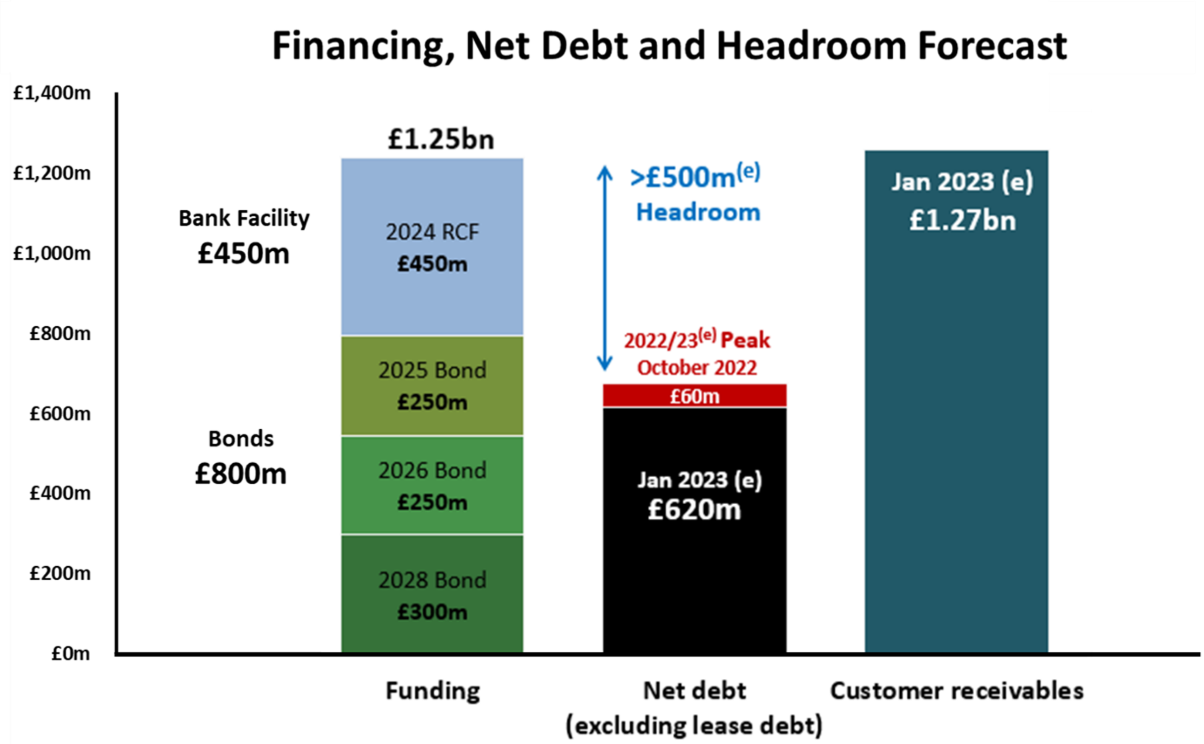
In the year ahead, surplus cash (after interest, tax, capital expenditure, investments or acquisitions and ordinary dividends) will be returned to shareholders by way of share buybacks or special dividends. Any share buybacks would be subject to achieving a minimum 8% equivalent rate of return (ERR). As a reminder, ERR is calculated by dividing the anticipated pre-tax profits by the current market capitalisation.[26]

NET DEBT, BOND AND BANK FACILITIES

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

Based on our profit and cash flow central guidance for the year ahead, our January 2023 year end net debt (excluding lease liabilities) is forecast at £620m, broadly growing in line with Group profit before tax. We expect net debt to peak at around £680m in October 2022. This would be comfortably within our bond and bank facilities of £1,250m, with headroom of £630m at January 2023.

The chart below sets out our bond and bank facilities. For context, our year end forecast for customer receivables is also shown. At £1.27bn, this asset is double the value of our net debt.



[26] Market capitalisation is calculated based on shares in circulation, so excludes shares in the NEXT's Employee Share Option Trust.

CAPITAL EXPENDITURE

SPEND BY CATEGORY

The table below sets out our capital expenditure for the year along with our forecast for the year ahead. For comparison, the prior two years are also shown.

£m	Jan 2023 (e)	Jan 2022	Jan 2021	Jan 2020
Warehouse	125	124	100	87
Technology and other	36	31	26	14
Total warehouse, technology and other	**161**	**155**	**126**	**101**
Retail space expansion	11	14	29	24
Retail cosmetic/maintenance capex	23	15	8	14
Total Retail expenditure	**34**	**29**	**37**	**38**
Total capital expenditure	**195**	**184**	**163**	**139**

Warehousing

The increase in warehouse capex to £124m was mainly driven by the continuing investment in our new, highly automated, boxed warehouse (Elmsall 3) which is planned to open towards the end of 2023. It will deliver an estimated increase in boxed capacity of 45%, with marginal labour cost per unit around 40% lower than the equivalent cost today. We anticipate that warehouse capital expenditure in the year ahead will remain at a similar level.

Technology and Other

This year we invested £31m modernising and upgrading our core systems. £23m was spent on software and £8m on hardware. In the year ahead, we expect to increase capital expenditure on technology to around £36m as we increase the number of developers employed to continue our modernisation programme.

For more details on how we are developing our systems and technology infrastructure please see Page 14 of our July 2021 Half Year Report[27].

Retail Stores

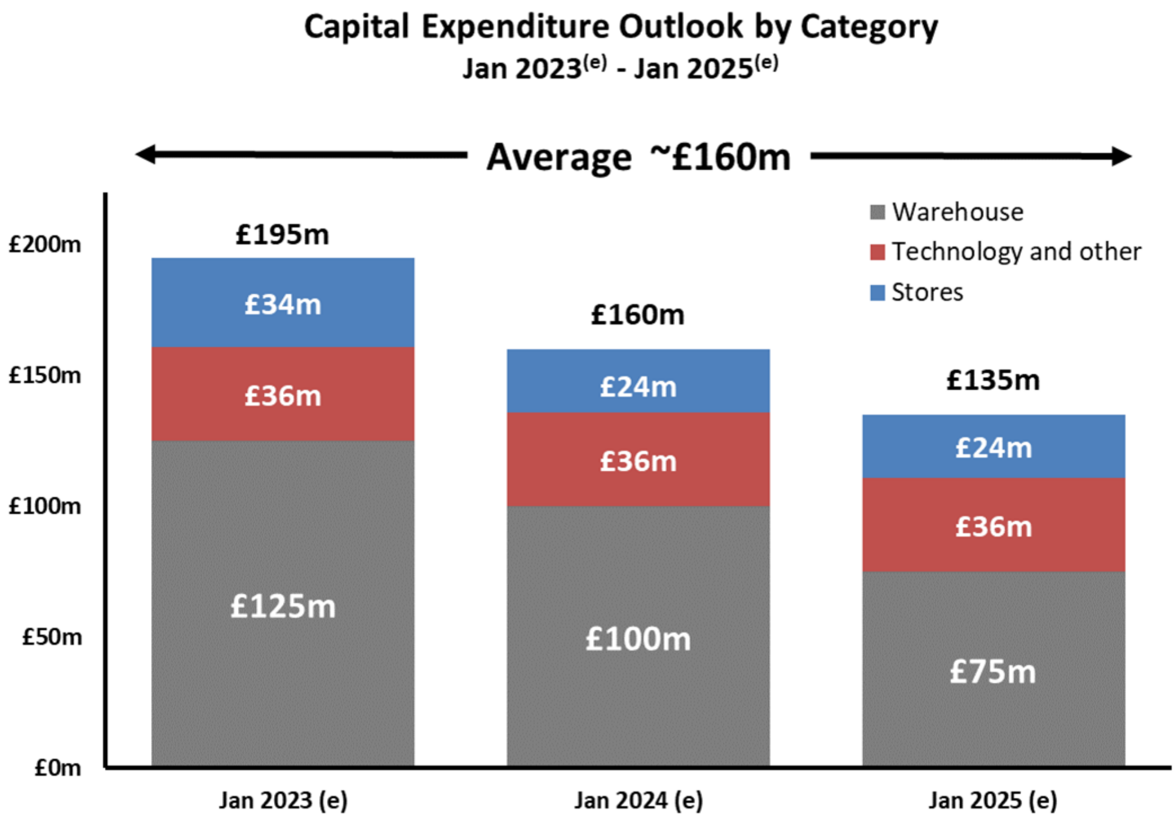
Capital expenditure on Retail space expansion reduced to £14m, from £29m in the prior year, as a result of fewer new store openings. Cosmetic and maintenance spend was £15m, which was more in line with pre-pandemic levels of spend. Spend in the year to January 2021, at £8m, was lower than normal due to work being deferred during the pandemic.

In the year ahead, we anticipate that total expenditure on Retail stores will be £34m, although within this figure less will be spent on new space and more will be spent on existing stores, mainly where leases are being renewed.

[27] https://www.nextplc.co.uk/~/media/Files/N/Next-PLC-V2/documents/2022/results-for-the-half-year-ending-july-2021%20290921.pdf

THREE YEAR OUTLOOK FOR CAPITAL EXPENDITURE

In the next 24 months, phase one of our new Online boxed warehouse (Elmsall 3) will be completed. Following this, the expected capital expenditure in warehousing will fall to around £75m.



PART FIVE
OUTLOOK FOR THE YEAR AHEAD

CONSUMER AND ECONOMY

A World of Uncertainty

From an economic perspective, it is hard to recall a time when sales have been harder to forecast. The table below sets out the negative and positive factors that we have considered when estimating our sales for the year ahead.

	Negative For Sales Growth	Positive For Sales Growth
External Economic Factors	(i) The unwinding of pandemic savings. (ii) A return to spending on travel and leisure. (iii) Inflation in competing essential goods. (iv) Likely increases in UK taxes and mortgage rates. (v) Further disruption to supply chain and prices as a result of conflict in Ukraine.	(i) Strong growth in nominal earnings up +4.8%[28] in January. (ii) Employment rates remain high at 75.6%[29] and 31.2m people in work.
Internal Factors	(i) Inflation in NEXT's selling prices in the first half is forecast to be +3.7%. In the second half this figure is now forecast to be 8% (6.5% fashion and 13% on Home); this is 2% higher than our January estimate. (ii) Reversal of lockdown trends, particularly spending on homeware.	(i) Much better anticipated stock levels in Q3 and Q4 of 2022/23 compared to the previous year. (ii) A marked return to spending on adult fashion, particularly formal clothing for events and work. (iii) Opportunities to develop new products and business activities.

Honestly…

It would be wrong for NEXT to imply that it had any special insight into how all these uncertainties will translate into sales growth for the Group. Our central guidance represents our best guess, based partly on our assessment of the economy but also on our instinct and the evidence we have from our sales so far this year.

Implications for Sales Guidance

When we issued our guidance in January, many believed that NEXT was being overly cautious, today that guidance looks realistic, if not a little optimistic. Actually, sales to date, *in the UK,* are ahead of our January forecast and our expectations for total UK sales in the year have increased by +£45m, as we now think our stores will fare slightly better than initially anticipated. So the -2% reduction in our sales guidance is caused by the closure of our Russian and Ukrainian websites, along with reductions in sales estimates for some other overseas territories.

28 ONS: Whole Economy Year on Year3 Month Avg Growth (%) (Nov 21 to Jan 22): Total Pay Excluding Arrears, issued 15.03.22.

29 ONS: Labour market by age group 16-64 (seasonally adjusted) issued 15.03.22.

NEW FULL PRICE SALES GUIDANCE IN DETAIL

REVISED GUIDANCE BY DIVISION

We have reduced our central guidance for full year full price sales growth from +7% to +5% versus 2021/22. This reduces full price sales by £85m, all of which can be accounted for by anticipated losses overseas. The following table breaks out the change between UK Online (LABEL and NEXT Brand), Online Overseas and Retail.

For completeness, the right-hand column of the table shows our guidance for the last three quarters of the year. This is a better measure of our expectations for underlying sales as our stores were open in the comparable period of the previous year.

Full price sales (VAT ex) 2022/23 versus 2021/22		Previous guidance %	Change in guidance £m	New guidance Full Year %	New guidance Q2 -Q4 %
Online NEXT UK		- 5%	- £26m	- 7%	- 1%
Online LABEL UK		+17%	- £7m	+16%	+16%
UK Online	*(Note 4)*	**+3%**	**- £33m**	**+2%**	**+5%**
Online Overseas	*(Note 1 & 2)*	+20%	- £135m	- 1%	+1%
Total Online		**+7%**	**- £168m**	**+1%**	**+5%**
Retail	*(Note 3)*	+6.5%	+£78m	+13%	- 7%
Full price product sales		**+7%**	**- £90m**	**+5%**	**+0%**
NEXT Finance interest income		+7%	+£5m	+9%	+8%
Total Brand full price sales		**+7%**	**- £85m**	**+5%**	**+1%**

Note 1: Sales in Russia and Ukraine

In early March we closed our websites in Ukraine and Russia. For clarity, we had no Retail stores or franchise partners in either country. We have assumed that we will remain closed in both countries for the rest of the year, and have removed -£65m from our full price sales guidance.

Note 2: Sales in Other Overseas Territories

We have reduced our sales expectations in other overseas territories by -£70m. In our initial forecast we had not reversed enough of the sales gained last year from the closure of retail stores during overseas lockdowns last year. Like-for-like sales in territories excluding Russia and Ukraine are expected to be up +10% in Q2-Q4.

Note 3: Retail Faring Better than Expected

We have Increased UK retail sales estimate by +£78m, reflecting our stores' better than expected performance versus three years ago.

Note 4: UK Online Sales Moderated

We have reduced our expectations for UK online sales by -£33m (of which -£7m from LABEL and -£26m from NEXT Brand) as a result of potentially better than anticipated sales in Retail stores.

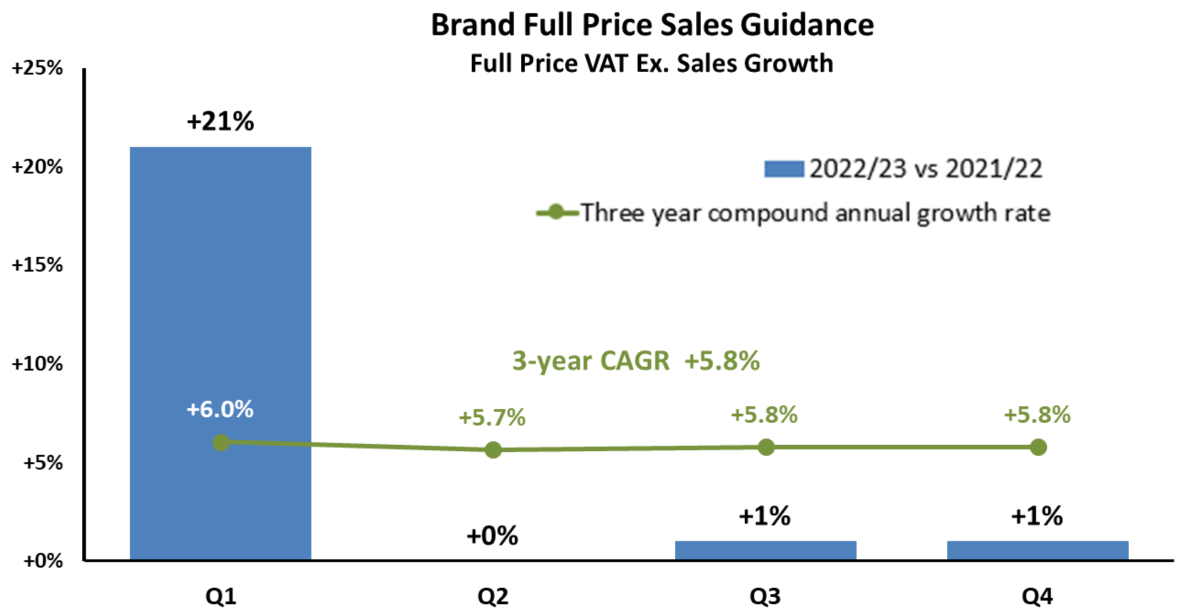
REVISED SALES GUIDANCE BY QUARTER

It is helpful to break our guidance down into two parts:

- The period of time when our stores were closed in February, March and April (broadly corresponding to the first quarter of the year).
- The last three quarters of the year when our stores were open in 2021.

In the first quarter we expect strong growth, driven by exceptionally weak comparatives in 2021. In Q2, Q3 and Q4 we face the opposite effect, with sales in these periods *last year* boosted by the spending of lockdown savings and the release of pent-up demand for clothing.

The graph below shows the sales growth we anticipate in our central scenario for each quarter. The solid bars show the growth against last year, the green line gives the compound annual growth rate (CAGR) against three years ago (2019/20) which is the last year unaffected by COVID.



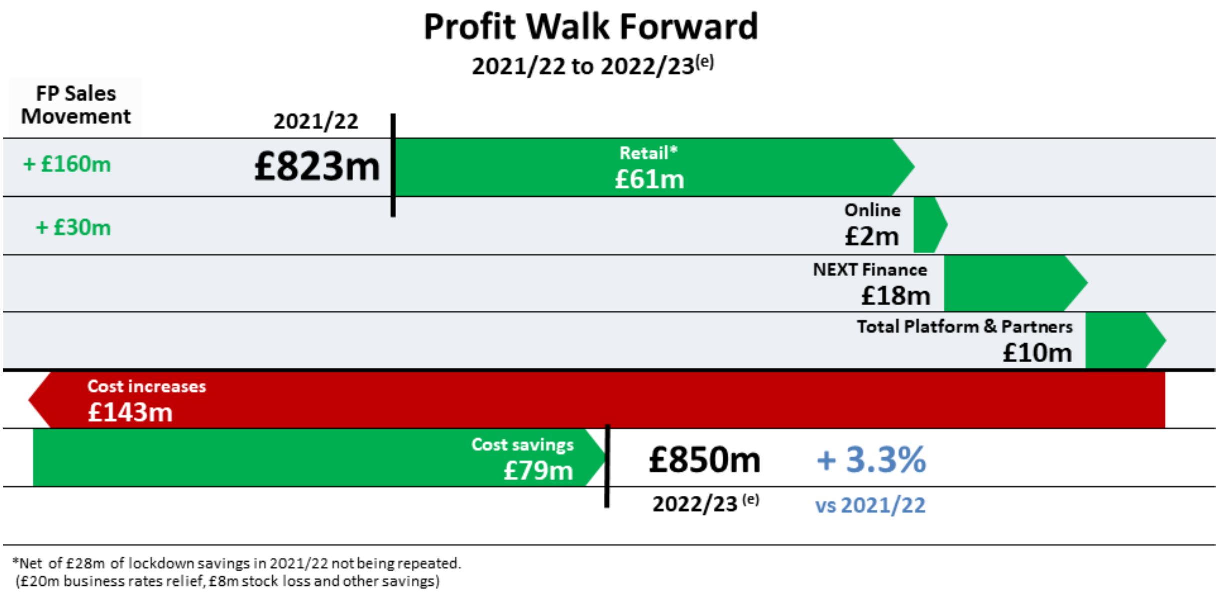
NEW PROFIT GUIDANCE

The table below sets out three scenarios for sales, profit and EPS. For completeness, the second row in the table shows the implied full price sales growth for Q2 to Q4.

Guidance for 2022/23	Lower	Central	Upper
Full price sales versus 2021/22	+2%	+5%	+8%
Implied growth Q2 - Q4	- 2.9%	+0.8%	+4.6%
Profit before tax	£795m	£850m	£895m
Profit before tax versus 2021/22	- 3.4%	+3.3%	+8.7%
Earnings Per Share[30]	520.6p	556.6p	585.9p
Earnings Per Share versus 2021/22	- 1.9%	+4.9%	+10.4%

FULL PRICE SALES AND PROFIT MOVEMENTS

The first three bars of the graphic below demonstrate how the changes in **full price** sales in each business division are expected to impact on profit, relative to 2021/22. The last two bars show the impact on profit of the cost savings and cost increases we anticipate in the year ahead.



The reason that the anticipated £30m Online sales growth delivers so little margin is down to sales mix. We anticipate losing £40m of own brand Online sales and gaining £70m of lower margin LABEL sales. The loss of NEXT Online sales comes from the reversal of the gains we made Online when our Retail stores were closed last year.

30 Earnings Per Share is calculated based on an estimate of the timing of potential share buybacks and forecast ETR, assuming a share price of £65.00.

FORECAST OF COST SAVINGS AND COST INCREASES FOR 2022/23

Cost increases £m	Jan 2023 (e)
Wage inflation across the Group	- 55
Higher surplus stock and lower clearance rates	- 35
Energy cost inflation	- 20
NEXT Technology	- 17
Marketing and photography	- 5
Warehousing and distribution	- 5
Product team travel and other	- 6
Total cost increases	**- 143**

Cost savings £m	Jan 2023 (e)
Lower staff incentives	+35
Price increases to cover freight cost increases	+25
Lower external interest costs	+10
Reduction in overseas parcel freight surcharges	+7
Other cost savings	+2
Total cost savings	**+79**

NEXT Selling Price Inflation

Our expectations for inflation in our like-for-like selling prices, for the first half, remains at +3.7%, in line with the estimate we gave in January. Our estimate for selling price inflation in the second half of the year has increased from +6% to +8% (a combination of +6.5% on fashion and +13% on homeware and furniture).

NEXT COMMENT ON THE ECONOMY

A Supply Side Problem

The disruption to global supply chains along with chronic labour shortages in many parts of the UK economy, mean that there are simply not enough goods, energy and skilled workers to maintain living standards at the levels we have become used to. It is important to understand that the cost of living crisis is a supply side crisis; the inflation we are experiencing is a symptom of underlying constraints in the supply of goods.

Can Government Policy Help?

There are two types of measures the Government can take in response to a squeeze on supply. Firstly, they can (and should) ensure that those most in need can afford basic essentials, through targeted subsidies and grants. Secondly, they can take action to increase the supply of goods, property and services that are in such short supply.

We applaud the efforts the Chancellor has made to help out those most in need. But we are disappointed that the wider Government has done little or nothing within its powers to increase the underlying supply of goods, energy and skilled workers. It is important to recognise that Government interventions to ‘pay for’ inflationary increases does nothing to increase the underlying supply of goods and services.

The good news is that there is much the Government can do to increase supply. It can reverse the self-defeating barriers it has placed on overseas workers supporting our economy and accelerate, simplify and reform the planning process to increase the supply of desperately needed housing.

We hope that the Government will use its powers wisely and do all it can to tackle the UK’s many supply side constraints.

CASH FLOW FORECAST FOR 2022/2023

Based on our revised sales and profit guidance, we expect to generate surplus cash, before distribution to shareholders, of £440m. Our intention is to return surplus cash to shareholders by way of (1) ordinary dividends and (2) special dividends or share buybacks (see page 54). We expect net debt to grow in line with profit growth, therefore closing the year at January 2023 at £620m.

£m		Jan 2023 (e)	Jan 2022
Profit before tax		**850**	**823**
Depreciation/impairment on plant, property and equipment		105	111
Capital expenditure	See page 56	(195)	(184)
Tax paid		(145)	(125)
Working capital/other		(70)	(30)
Surplus cash from trading activities		**545**	**595**
Customer receivables		(110)	(135)
Investments	See page 54		
Investment in Reiss / other		(36)	(43)
Sale and leaseback / property acquisitions		41	(54)
Surplus cash before distribution to shareholders		**440**	**363**
Shareholder returns	See page 54		
Ordinary dividends	See page 54	(240)	-
Special dividends		-	(344)
Share buybacks		-	(9)
2022/23 share buybacks, special dividends or investments		(220)	-
Cash flow after distribution to shareholders		**(20)**	**10**
Bond repayment	See page 55	-	(325)
Cash flow after bond repayment		**(20)**	**(315)**
Closing net debt		**(620)**	**(600)**

FIRST QUARTER TRADING UPDATE

Our first quarter Trading Statement will cover the thirteen weeks to 30 April and is scheduled for Thursday 5 May 2022.

Lord Wolfson of Aspley Guise
Chief Executive
24 March 2022

APPENDIX

SECTION 1 - STATUTORY SALES AND IFRS 16 LEASES

STATUTORY BASIS £m and EPS	Jan 2022	Jan 2021	Jan 2020
Revenue	4,625.9	3,534.4	4,266.2
Profit before taxation	823.1	342.4	748.5
Earnings Per Share (Basic)	530.8p	223.3p	472.4p
Net debt (including leases)	(1,657.6)	(1,796.1)	(2,363.1)

OVERVIEW

The financial information presented in pages 2 to 64 is used by management in assessing business performance. It is also the financial information used to inform business decisions and investment appraisals.

Some of these financial metrics and performance measures are not prepared on a full IFRS statutory accounting basis. It is common for the use of performance measures that are not based on the statutory IFRS values to be called "Alternative Performance Measures" (APMs).

An explanation of the APMs used by the business is provided in the glossary.

Differences between APMs and Statutory Results

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

In previous years we have also reported our Group profit and EPS on a pre-IFRS 16 basis. This year we have fully embedded IFRS 16 into our reported results so that they align with their statutory equivalents.

Offset Sales

The financial year ended 30 January 2021 was a 53 week period. This means that 2021/22 started one calendar week *later* than the previous two financial years. Throughout this document, unless otherwise stated, the results presented are not adjusted for this "offset" week and we show the results for the 52 weeks to 29 January 2022, 53 weeks to 30 January 2021 and 52 weeks to 24 January 2020. This is to ensure consistency with the results previously presented for each period.

When presenting sales analysis by week, month or quarter, we believe it is more helpful for the reader to view information on a like-for-like calendar week basis. For these charts and tables we have adjusted the comparative data so that each period is prepared on a *like-for-like* week basis.

	Accounting period		Like-for-like sales reporting period	
Full year	**Start**	**End**	**Start**	**End**
Jan 2022	31 Jan 2021	29 Jan 2022	31 Jan 2021	29 Jan 2022
Jan 2021	25 Jan 2020	30 Jan 2021	01 Feb 2020	30 Jan 2021
Jan 2020	26 Jan 2019	24 Jan 2020	02 Feb 2019	31 Jan 2020

SALES AND STATUTORY REVENUE

Sales presented on pages 2 to 64 are based on "Total Sales". "Total Sales" are VAT exclusive sales, including the full value of commission based sales and interest income. For statutory reporting purposes two adjustments are made to derive statutory revenue:

1. Where third-party branded goods are sold on a commission basis, only the commission receivable is included in statutory revenue.
2. Other income, which includes customer delivery charges, income for printed publications, promotional discounts, interest free credit commission costs and unredeemed gift card balances is included in statutory revenue.

The impact of these adjustments is summarised as follows:

£m	Jan 2022	Jan 2021	Jan 2020	Jan 2022 vs Jan 2021	Jan 2022 vs Jan 2020
Total Sales	4,861.8	3,625.9	4,361.8	+34.1%	+11.5%
Adjusted for:					
Commission based sales	(308.7)	(159.4)	(137.7)	+93.7%	+124.2%
Other statutory income	72.8	67.9	42.1	+7.2%	+72.9%
Statutory revenue	**4,625.9**	**3,534.4**	**4,266.2**	**+30.9%**	**+8.4%**

This adjustment has no impact on profit before tax, EPS or cash flow. The reduction in Total Sales has a corresponding adjustment recognised in cost of sales.

The percentage of our Total Sales achieved on a commission basis has increased significantly due to the growth in our third-party branded businesses, LABEL and Total Platform. Because only the *commission* element is recognised in statutory revenue, this means that growth in statutory revenue (+8.4% versus 2019/20) is lower than the growth reported in Total Sales (+11.5%).

IFRS 16 LEASES

While NEXT has applied IFRS 16 in its statutory accounts since January 2020, this is the first full year reporting period in which we have fully integrated the impact of IFRS 16 into the CEO Report.

As a result of this change, key metrics used in the CEO Report, including Group profit before tax, EPS and segmental profits, are different to those presented in prior years as they are now based on the statutory (i.e. IFRS) values.

In order to help readers understand the impact of this change the following pages provide:

1) A brief reminder on how IFRS 16 accounts for leases and, in particular, how the profile of the NEXT leases impacts on its financial statements.
2) Summary income statements that show the impact of IFRS 16 for January 2021, January 2020 and January 2019. For the year ended January 2022, we have fully embedded IFRS 16 so no bridge is presented for this year.

IFRS 16 Leases - A Brief Reminder

Prior to IFRS 16, the total rent payable under an operating lease was charged to the P&L on a straight line basis each year. The future rental commitment, and the right to use the leased asset, was not recognised in the accounts - the lease was “off balance sheet”.

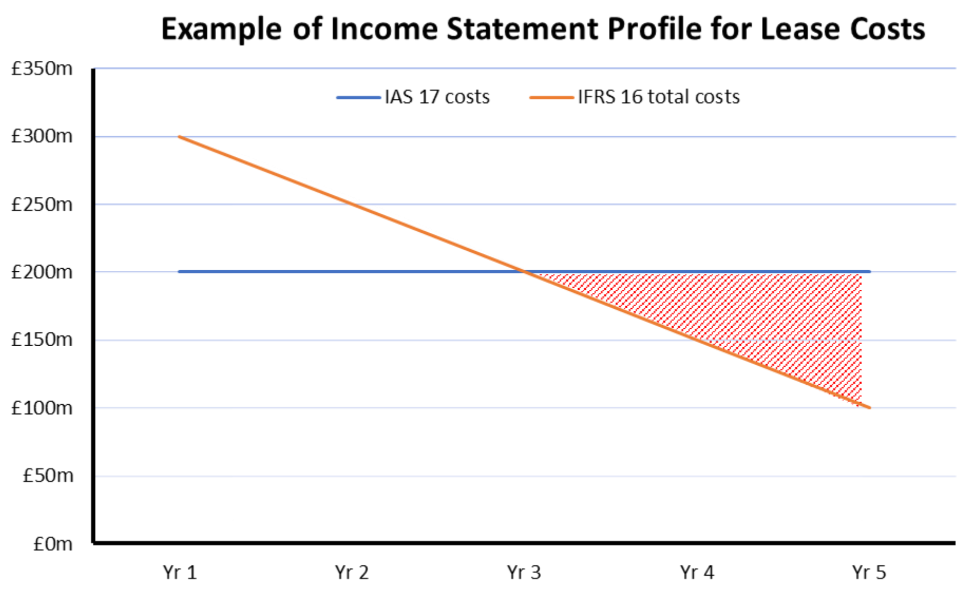
In contrast, IFRS 16 applies an “on balance sheet” approach to leases. This is achieved by:

- Recognising a right-of-use asset; this represents the lessee’s right to use the leased asset for the lease term.
- Recognising a lease liability which reflects the lessee's obligation to make payments under the terms of the lease.

This has the effect of bringing operating leases onto the balance sheet.

Due to the changes on the balance sheet, the nature and timing of costs being recognised in the income statement also change, with depreciation being recognised on the right-of-use asset and finance costs being recognised on the lease liability. The rental costs recognised under the previous accounting standard for leases, IAS 17, are then excluded.

This change impacts the phasing of costs recognised in the income statement, as shown in the illustrative graph below.



Under IFRS 16 depreciation costs are recognised on the right-of-use asset and remain consistent during the lease term. Finance costs charged to the P&L are higher at the start of the lease (when the liability to pay is higher) and reduce over the lease term. The total IFRS 16 cost is therefore higher in the early years (see years 1-2 in the graph above).

In contrast, under the previous accounting rules (IAS 17) the entire lease cost was recognised on a straight line basis as represented by the horizontal line in the chart above.

It is important to note that while the nature and profile of the P&L charge has changed, the total cost recognised over the term of the lease will remain the same.

Impact of IFRS 16 on the Income Statement in 2020/21 and 2019/20

Income Statement by Segment

Under IFRS 16 the lease costs, being split between depreciation and finance costs, are shown in **two** separate lines - depreciation is above operating profit, finance costs below. IFRS 16 has a significant, positive impact on the reported operating profit; this is then partially offset by the finance costs which are below operating profit.

To illustrate the impact, the tables below show the pre and post IFRS 16 Income Statement for our main business segments in 2020/21, down to post tax profit.

£m	Jan 21 excluding IFRS 16	IFRS 16 impact	Jan 21 including IFRS 16
Online	472.1	4.4	**476.5**
Finance	127.1	-	**127.1**
Retail	(205.9)	69.6	**(136.3)**
Other business activity	(42.8)	(13.7)	**(56.5)**
Recharge of interest costs	33.7	-	**33.7**
Operating profit	**384.2**	**60.3**	**444.5**
Net external interest	(42.2)	-	**(42.2)**
Lease interest	-	(59.9)	**(59.9)**
Profit before tax	**342.0**	**0.4**	**342.4**
Tax	(51.4)	(4.3)	**(55.7)**
Profit after tax	**290.6**	**(3.9)**	**286.7**
Earnings Per Share (basic)	**226.3p**		**223.3p**

£m	Jan 20 excluding IFRS 16	IFRS 16 impact	Jan 20 including IFRS 16
Online	399.6	10.9	**410.5**
Finance	146.7	-	**146.7**
Retail	163.9	70.0	**233.9**
Other business activity	25.6	0.9	**26.5**
Recharge of interest costs	36.3	-	**36.3**
Operating profit	**772.1**	**81.8**	**853.9**
Net external interest	(43.6)	-	**(43.6)**
Lease interest	-	(61.8)	**(61.8)**
Profit before tax	**728.5**	**20.0**	**748.5**
Tax	(134.6)	(3.7)	**(138.3)**
Profit after tax	**593.9**	**16.3**	**610.2**
Earnings Per Share (basic)	**459.8p**		**472.4p**

In January 2020, on adoption of IFRS 16 for the first time in the statutory accounts, we recognised a significant portion of the lease costs directly in reserves. Where the lease portfolio is stable, this will result in lower lease costs being recognised in the Income Statement going forward. This was evident in the January 2020 Income Statement, which showed a benefit to profit before tax of £20.0m when it was restated for IFRS 16.

In contrast, for the year to January 2021 the impact on profit before tax of IFRS 16 was just £0.4m and was the result of (1) the underlying adjustment, (2) the impact of store impairments and (3) gain on the sale and leaseback as set out below:

1. **Underlying IFRS 16 transactions +£20m:** This represents the IFRS 16 adjustment on underlying/normal trade and can be viewed in four components: (1) IAS 17 rent costs net of capital contribution and other lease incentives of +£212m; (2) benefit from reassessment of lease term of +£6m less (3) the IFRS 16 depreciation -£138m; and (4) finance costs on the lease liability of -£60m.

2. **Lease provisions and impairment +£16m:** The property and onerous lease provision charge of £100m recognised under pre-IFRS 16 accounting has been reversed and an impairment charge for store assets and right-of-use assets of £84m was recognised. The net charge in the Income Statement for these costs was therefore £16m lower than the pre-IFRS 16 charge.

3. **Sale and leaseback gain -£36m:** Under pre-IFRS 16 accounting the gain on the sale and leaseback is calculated as proceeds less the net book value of the assets being sold. However, under IFRS 16 the approach is different. IFRS 16 limits any gain to the element of the asset which it no longer has access to use. The gain is effectively limited to the 'portion' of the asset not reacquired under the terms of the leaseback. This resulted in the recognition of a smaller gain of £8.1m.

Cash Flow Bridge

The cash flow statement presented in the CEO Review is consistent with the cash flow statement used by management in its decision making processes and internal reporting. It is this view of the cash flows, and in particular the "Surplus Cash" line, that informs decision making on distributions. However, this approach, while used by management, is not consistent with the presentation of cash flows on a statutory basis.

In this section we provide a walk forward from Surplus Cash presented in the CEO Review cash flow to "net cash from operating activities" in the statutory cash flow. The overall total cash flow is the same - the difference is limited to presentation.

Statutory Cash Flow

The statutory cash flow is split into three main sections:

- ***Operating activities:*** Cash flows primarily derived from our revenue-producing activities.
- ***Investing activities***: Cash flows that result in the recognition of an asset in the balance sheet (i.e. capex or investing in another company).
- ***Financing activities***: Cash flows that result from financing - issue of shares, share buybacks, issue of bonds, interest payments/receipts, dividends and leases.

The cash flow in the CEO Review is presented in a different way, as explained further overleaf.

Cash Flow Bridge

The table below, and accompanying notes, provide a high level bridge between the “surplus cash” used by management and its closest statutory equivalent “cash from operating activities”.

	Note	£m
Surplus cash from trading activities – per CEO Review	*1*	**595**
Add back interest charge to get to Group PBT	*2*	82
Depreciation/impairment on plant, property and equipment	*3*	(16)
Capital expenditure	*4*	184
Purchase of shares by ESOT	*5*	151
Disposal of shares by ESOT	*5*	(72)
Customer receivables	*6*	(135)
Lease payments (net of incentives)	*7*	160
Working capital and other	*8*	22
Net cash from operating activities – as per statutory cash flow	*9*	**971**

Note 1: As per the cash flow statement on page 53 of the CEO Review, Surplus Cash was £595m for the year to January 2022.

Note 2: The cash flow in the CEO Review starts with the Group profit before tax of £823m, which is after interest costs. This differs from the statutory cash flow statement, which starts its cash flow statement with “operating profit” of £905m. The difference of £82m relates to the Group interest charge.

Note 3: The cash flow in the CEO Review includes the depreciation, amortisation, impairment and disposals of our plant, property and equipment. In the statutory cash flow these items are presented within operating cash flows and investing activities.

Note 4: Management includes the capital expenditure (capex) which it considers to be part of its trading activity and hence within its Surplus Cash. In the statutory cash flow *all* capex is included within investing activity and hence not part of operating cash flows. Therefore the capex of £184m in the CEO Review has been added back in the bridge above.

Note 5: The purchase and disposal of shares in the ESOT is recognised as part of Surplus cash in the CEO Review. This is classified as financing activity in the statutory cash flow.

Note 6: The customer receivables cash movement relates to the nextpay receivables balance. For management purposes, movements in this balance are excluded from Surplus Cash. In contrast, this is included within operating cash flow for statutory reporting.

Note 7: The cash flows associated with our leases, which are predominantly store related, are considered by management to be an integral part of our trading cash flows and hence are included in the calculation of Surplus Cash. From a statutory perspective, lease cash flows are included in financing activity (as a lease is deemed a form of debt).

Note 8: The remaining difference relates to immaterial movements on working capital and other items such as the equity profit from our investments.

Note 9: This value of £971m can be reconciled to the line “Net cash from operating activities” in the statutory cash flow statement.

SECTION 2 - THREE YEAR COMPARATIVES

Throughout the CEO Report, unless otherwise stated, comparisons of sales, profit and debt have been explained relative to *two years ago* (2019/20). Disruption in the prior year (2020/21) from COVID means that one year comparisons are generally not meaningful.

However, in accordance with the statutory requirements, the financial statements present the results for the current year and the prior period (2020/21). As a result, this report includes results for January 2022, January 2021 and January 2020. In order to assist readers with the accounts we have therefore provided a summary of the Income Statement, Balance Sheet and Cash Flow, for all three periods in this section.

Income Statement

£m	Jan 2022	Jan 2021	Jan 2020
Continuing operations			
Revenue	**4,625.9**	3,534.4	4,266.2
Cost of sales	**(2,625.3)**	(2,231.7)	(2,584.2)
Impairment losses on customer and other receivables	**(28.6)**	(54.8)	(41.5)
Gross profit	**1,972.0**	1,247.9	1,640.5
Distribution costs	**(693.7)**	(555.8)	(517.0)
Administrative expenses	**(380.2)**	(246.8)	(267.7)
Other gains/(losses)	**2.5**	(1.3)	(1.5)
Trading profit	**900.6**	444.0	854.3
Share of results of associates and joint ventures	**4.8**	0.5	(0.4)
Operating profit	**905.4**	444.5	853.9
Finance income	**4.2**	0.6	0.2
Finance costs	**(86.5)**	(102.7)	(105.6)
Profit before taxation	**823.1**	342.4	748.5
Taxation	**(145.6)**	(55.7)	(138.3)
Profit attributable to equity holders of the Parent Company	**677.5**	286.7	610.2

Balance Sheet

	Jan 2022	Jan 2021	Jan 2020
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	**601.1**	474.8	578.5
Intangible assets	**79.3**	60.5	44.2
Right-of-use assets	**639.1**	720.1	852.7
Associates, joint venture and other investments	**46.2**	5.0	5.0
Defined benefit pension asset	**156.9**	99.2	133.4
Other financial assets	**18.0**	39.4	48.4
Deferred tax assets	**34.0**	70.4	55.7
	1,574.6	1,469.4	1,717.9
Current assets			
Inventories	**633.0**	536.9	527.6
Customer and other receivables	**1,280.9**	1,108.1	1,315.3
Right of return asset	**24.8**	24.3	24.2
Other financial assets	**35.5**	11.1	1.7
Cash and short term deposits	**433.0**	608.2	86.6
	2,407.2	2,288.6	1,955.4
Total assets	**3,981.8**	3,758.0	3,673.3
Current liabilities			
Bank loans and overdrafts	**(233.1)**	(93.4)	(73.7)
Corporate bonds	**-**	(326.0)	-
Trade payables and other liabilities	**(798.4)**	(555.3)	(592.0)
Lease liabilities	**(162.6)**	(170.1)	(172.3)
Other financial liabilities	**(1.0)**	(37.2)	(32.6)
Current tax liabilities	**(13.0)**	(14.8)	(79.2)
	(1,208.1)	(1,196.8)	(949.8)
Non-current liabilities			
Corporate bonds	**(815.7)**	(837.0)	(1,163.7)
Provisions	**(21.9)**	(18.6)	(17.3)
Other financial liabilities	**-**	-	(7.8)
Lease liabilities	**(894.9)**	(1,015.8)	(1,078.7)
Other liabilities	**(31.2)**	(28.9)	(14.5)
Deferred tax liabilities	**-**	-	-
	(1,763.7)	(1,900.3)	(2,282.0)
Total liabilities	**(2,971.8)**	(3,097.1)	(3,231.8)
NET ASSETS	**1,010.0**	660.9	441.5
TOTAL EQUITY	**1,010.0**	660.9	441.5

Cash Flow (summary)

	Jan 2022	Jan 2021 restated*	Jan 2020
Cash generated from operations	**1,096.7**	938.0	1,065.2
Corporation taxes paid	**(125.3)**	(113.2)	(138.0)
Net cash from operating activities	**971.4**	824.8	927.2
Cash flows from investing activities			
Payments to acquire property, plant and equipment	**(243.6)**	(144.6)	(136.4)
Proceeds from sale of property, plant and equipment	**3.4**	0.5	0.3
Purchase of subsidiary	**-**	-	(3.0)
Proceeds from sale and leaseback transactions	**15.5**	28.4	-
Amounts (lent)/repaid (to)/from associates and joint ventures	**(10.8)**	-	-
Payments to acquire intangible assets	**(22.7)**	(16.7)	-
Disposal of minority interest	**-**	3.9	-
Investment in associates / joint venture	**(34.3)**	(2.4)	-
Net cash from investing activities	**(292.5)**	(130.9)	(139.1)
Cash flows from financing activities			
Repurchase of own shares	**(8.7)**	(19.3)	(300.2)
Purchase of shares by ESOT	**(151.3)**	(189.0)	(94.2)
Disposal of shares by ESOT	**72.5**	162.7	66.9
(Issue)/repayment of corporate bonds	**(325.0)**	-	250.2
(Repayment)/proceeds from unsecured bank loans	**-**	(40.0)	(215.0)
Incentives received for leases within the scope of IFRS 16	**11.9**	-	-
Proceeds from sale and leaseback transactions	**14.3**	126.0	-
Lease repayment	**(172.3)**	(171.0)	(162.6)
Net interest paid	**(90.3)**	(101.1)	(100.7)
Dividends paid	**(344.5)**	-	(213.6)
Net cash from financing activities	**(993.4)**	(231.7)	(769.2)
Net increase in cash and cash equivalents	**(314.5)**	462.2	18.9
Opening cash and cash equivalents	**514.8**	52.9	34.0
Effect of exchange rate fluctuations on cash held	**(0.4)**	(0.3)	-
Closing cash and cash equivalents	**199.9**	514.8	52.9

Financial Statements

January 2022

UNAUDITED CONSOLIDATED INCOME STATEMENT

	52 weeks to 29 January 2022 £m	53 weeks to 30 January 2021 £m
Continuing operations		
Revenue	**4,376.5**	3,284.1
Credit account interest	**249.4**	250.3
Total revenue (including credit account interest)	**4,625.9**	3,534.4
Cost of sales	**(2,625.3)**	(2,231.7)
Impairment losses on customer and other receivables	**(28.6)**	(54.8)
Gross profit	**1,972.0**	1,247.9
Distribution costs	**(693.7)**	(555.8)
Administrative expenses	**(380.2)**	(246.8)
Other gains/(losses)	**2.5**	(1.3)
Trading profit	**900.6**	444.0
Share of results of associates and joint ventures	**4.8**	0.5
Operating profit	**905.4**	444.5
Finance income	**4.2**	0.6
Finance costs	**(86.5)**	(102.7)
Profit before taxation	**823.1**	342.4
Taxation	**(145.6)**	(55.7)
Profit for the period attributable to equity holders of the Parent Company	**677.5**	286.7

Earnings Per Share (Note 4)	**52 weeks to 29 January 2022**	53 weeks to 30 January 2021
Basic	**530.8p**	223.3p
Diluted	**524.0p**	221.9p

The Notes 1 to 14 are an integral part of these unaudited consolidated financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	52 weeks to 29 January 2022 £m	53 weeks to 30 January 2021 £m
Profit for the period	**677.5**	286.7
Other comprehensive income and expenses:		
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on defined benefit pension scheme	**55.1**	(57.1)
Tax relating to items which will not be reclassified	**(13.8)**	10.8
Subtotal items that will not be reclassified	**41.3**	(46.3)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(2.4)**	(2.5)
Foreign currency cash flow hedges:		
- fair value movements	**36.9**	(14.2)
Cost of hedging:		
- fair value movements	**0.8**	(0.5)
Tax relating to items which may be reclassified	**(7.2)**	2.8
Subtotal items that may be reclassified	**28.1**	(14.4)
Other comprehensive income/(expense) for the period	**69.4**	(60.7)
Total comprehensive income for the period	**746.9**	226.0

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	**29 January 2022 £m**	30 January 2021 £m
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**601.1**	474.8
Intangible assets		**79.3**	60.5
Right-of-use assets	13	**639.1**	720.1
Associates, joint ventures and other investments		**46.2**	5.0
Defined benefit pension asset	6	**156.9**	99.2
Other financial assets	7	**18.0**	39.4
Deferred tax assets		**34.0**	70.4
		1,574.6	1,469.4
Current assets			
Inventories		**633.0**	536.9
Customer and other receivables	8	**1,280.9**	1,108.1
Right of return asset		**24.8**	24.3
Other financial assets	7	**35.5**	11.1
Cash and short term deposits	12	**433.0**	608.2
		2,407.2	2,288.6
Total assets		**3,981.8**	3,758.0
Current liabilities			
Bank loans and overdrafts	12	**(233.1)**	(93.4)
Corporate bonds	10	**-**	(326.0)
Trade payables and other liabilities	9	**(798.4)**	(555.3)
Lease liabilities	13	**(162.6)**	(170.1)
Other financial liabilities	7	**(1.0)**	(37.2)
Current tax liabilities		**(13.0)**	(14.8)
		(1,208.1)	(1,196.8)
Non-current liabilities			
Corporate bonds	10	**(815.7)**	(837.0)
Provisions		**(21.9)**	(18.6)
Lease liabilities	13	**(894.9)**	(1,015.8)
Other liabilities	9	**(31.2)**	(28.9)
		(1,763.7)	(1,900.3)
Total liabilities		**(2,971.8)**	(3,097.1)
NET ASSETS		**1,010.0**	660.9
TOTAL EQUITY		**1,010.0**	660.9

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium account £m	Capital redemption reserve £m	ESOT reserve £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Foreign currency translation £m	Other reserves £m	Retained earnings £m	Total equity £m
At 25 January 2020	**13.3**	**0.9**	**16.6**	**(284.9)**	**(24.7)**	**0.5**	**-**	**(1,443.8)**	**2,163.6**	**441.5**
Profit for the period	-	-	-	-	-	-	-	-	286.7	**286.7**
Other comprehensive expense for the period	-	-	-	-	(11.5)	(0.4)	(2.5)	-	(46.3)	**(60.7)**
Total comprehensive income/(expense) for the period	-	-	-	-	(11.5)	(0.4)	(2.5)	-	240.4	**226.0**
Share buybacks and commitments	-	-	-	-	-	-	-	-	(19.3)	**(19.3)**
ESOT share purchases	-	-	-	(190.3)	-	-	-	-	-	**(190.3)**
Shares sold/issued by ESOT	-	-	-	204.0	-	-	-	-	(41.9)	**162.1**
Share option charge	-	-	-	-	-	-	-	-	16.7	**16.7**
Reclassified to cost of inventory	-	-	-	-	19.5	-	-	-	-	**19.5**
Tax recognised directly in equity	-	-	-	-	(3.0)	-	-	-	7.7	**4.7**
Equity dividends (Note 5)	-	-	-	-	-	-	-	-	-	**-**
At 30 January 2021	13.3	0.9	16.6	(271.2)	(19.7)	0.1	(2.5)	(1,443.8)	2,367.2	**660.9**
Profit for the period	-	-	-	-	-	-	-	-	677.5	**677.5**
Other comprehensive income/(expense) for the period	-	-	-	-	29.9	0.6	(2.4)	-	41.3	**69.4**
Total comprehensive income/(expense) for the period	-	-	-	-	29.9	0.6	(2.4)	-	718.8	**746.9**
Share buybacks and commitment	-	-	-	-	-	-	-	-	(13.1)	**(13.1)**
ESOT share purchases	-	-	-	(151.3)	-	-	-	-	-	**(151.3)**
Shares issued by ESOT	-	-	-	90.8	-	-	-	-	(24.4)	**66.4**
Share option charge	-	-	-	-	-	-	-	-	19.9	**19.9**
Reclassified to cost of inventory	-	-	-	-	21.7	-	-	-	-	**21.7**
Tax recognised directly in equity	-	-	-	-	(4.0)	-	-	-	7.1	**3.1**
Equity dividends (Note 5)	-	-	-	-	-	-	-	-	(344.5)	**(344.5)**
At 29 January 2022	**13.3**	**0.9**	**16.6**	**(331.7)**	**27.9**	**0.7**	**(4.9)**	**(1,443.8)**	**2,731.0**	**1,010.0**

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	52 weeks to 29 January 2022 £m	53 weeks to 30 January 2021 Restated* £m
Cash flows from operating activities		
Operating profit	**905.4**	444.5
Profit on disposal of associate	**-**	(1.0)
Depreciation, impairment and (profit)/loss on disposal of property, plant and equipment	**90.3**	136.8
Depreciation and impairment on right-of-use assets	**112.6**	196.6
Amortisation and impairment of intangible assets	**4.3**	0.4
Share option charge	**19.9**	16.7
Share of profit of associates and joint ventures	**(4.8)**	(0.5)
Exchange movement	**(1.6)**	1.1
Increase in inventories and right of return asset	**(96.5)**	(9.6)
(Increase)/decrease in customer and other receivables	**(165.4)**	205.4
Increase/(decrease) in trade and other payables	**235.2**	(29.5)
Net pension contributions less income statement charge	**(2.7)**	(22.9)
Cash generated from operations	**1,096.7**	938.0
Corporation taxes paid	**(125.3)**	(113.2)
Net cash from operating activities	**971.4**	824.8
Cash flows from investing activities		
Additions to property, plant and equipment	**(239.2)**	(146.3)
Movement in capital accruals	**(4.4)**	1.7
Payments to acquire property, plant and equipment	**(243.6)**	(144.6)
Proceeds from sale of property, plant and equipment	**3.4**	0.5
Proceeds from sale and leaseback transactions	**15.5**	28.4
Purchase of intangible assets	**(22.7)**	(16.7)
Amounts lent to associates and joint ventures	**(10.8)**	-
Disposal of minority interest	**-**	3.9
Investment in joint venture	**(34.3)**	(2.4)
Net cash from investing activities	**(292.5)**	(130.9)
Cash flows from financing activities		
Repurchase of own shares	**(8.7)**	(19.3)
Purchase of shares by ESOT	**(151.3)**	(189.0)
Disposal of shares by ESOT	**72.5**	162.7
Repayment of unsecured bank loans	**-**	(40.0)
Repayment of bond	**(325.0)**	-
Incentives received for leases within the scope of IFRS 16	**11.9**	-
Lease payments	**(172.3)**	(171.0)
Interest paid (including lease interest)	**(91.1)**	(101.6)
Interest received	**0.8**	0.5
Proceeds from sale and leaseback transactions	**14.3**	126.0
Dividends paid (Note 5)	**(344.5)**	-
Net cash from financing activities	**(993.4)**	(231.7)
Net (decrease)/increase in cash and cash equivalents	**(314.5)**	462.2
Opening cash and cash equivalents	**514.8**	52.9
Effect of exchange rate fluctuations on cash held	**(0.4)**	(0.3)
Closing cash and cash equivalents (Note 12)	**199.9**	514.8

*Restatement: See Note 1 Basis of Preparation for further details on the restatement of the prior year cash flow statement.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The results for the financial period are for the 52 weeks to 29 January 2022 (last year 53 weeks to 30 January 2021).

The condensed consolidated financial statements for the period ended 29 January 2022 have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Next plc transitioned to UK-adopted International Accounting Standards in its company financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

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 30 January 2021 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.

Restatement of Prior Year cash flow

During the year to January 2021 the sale and leaseback proceeds of £154.4m were presented within the Group consolidated cash flow as “cash flows from financing activities”.

Following discussions with the FRC, in connection with their review of the Group’s 2021 Annual Report and Accounts, we have concluded that £28.4m of the proceeds (being the portion of the assets sold and not subject to the leaseback) should have been classified within investing activities.

While not material to the 2021 financial statements, we considered it appropriate to make this restatement so that the nature of the transaction, being a sale and then leaseback transaction, is properly reflected in the presentation of the cash flow statement. We have therefore reclassified the £28.4m from “cash flows from financing activities” into “cash flows from investing activities”. The remaining sale and leaseback proceeds of £126.0m are still presented within financing activity.

This adjustment only relates to the reclassification of proceeds between financing activities and investing activities in the January 2021 cash flow statement. It has no impact on the net increase in cash and cash equivalents, no impact on profit, no impact on basic or diluted EPS and no impact on the balance sheet.

New accounting standards, interpretations and amendments adopted by the Group
The accounting policies adopted in the preparation of the condensed consolidated financial statements are the same as those set out in the Group's annual financial statements for the 53 weeks ended 30 January 2021 other than for the interpretations and amendments noted below:

- Interest Rate Benchmark Reform - Phase 2 - amendments to IFS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- COVID-19 related rent concessions beyond 30 June 2021 - amendment to IFRS 16
- Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)—Agenda Paper 2

The application of these new interpretations and amendments did not have a material impact on the financial statements.

Going concern

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities including the Group's principal risks and uncertainties. The Board also considered the Group's current cash position, the repayment profile of its obligations, its financial covenants and the resilience of its 12 month cash flow forecasts to a series of severe but plausible downside scenarios such as further enforced store closures. Having considered these factors the Board is satisfied that the Group has adequate resources to continue in operational existence and therefore it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the 52 weeks ended 29 January 2022.

2. Segmental analysis

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

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

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

Segment sales and revenue

	52 weeks to 29 January 2022					
	Total sales excluding VAT £m	**Commission sales adjustment £m**	**IFRS 15 adjustments £m**	**External revenue £m**	**Internal revenue £m**	**Total segment revenue £m**
NEXT Online	**3,103.8**	**(301.5)**	**72.1**	**2,874.4**	**-**	**2,874.4**
NEXT Retail	**1,432.4**	**(7.2)**	**0.7**	**1,425.9**	**0.2**	**1,426.1**
NEXT Finance	**249.4**	**-**	**-**	**249.4**	**-**	**249.4**
NEXT International Retail	**49.2**	**-**	**-**	**49.2**	**-**	**49.2**
NEXT Sourcing	**10.3**	**-**	**-**	**10.3**	**485.2**	**495.5**
	4,845.1	**(308.7)**	**72.8**	**4,609.2**	**485.4**	**5,094.6**
Lipsy	**3.8**	**-**	**-**	**3.8**	**130.3**	**134.1**
NENA	**0.2**	**-**	**-**	**0.2**	**0.8**	**1.0**
Property Management	**12.7**	**-**	**-**	**12.7**	**167.3**	**180.0**
Total segment sales/revenue	**4,861.8**	**(308.7)**	**72.8**	**4,625.9**	**783.8**	**5,409.7**
Eliminations	**-**	**-**	**-**	**-**	**(783.8)**	**(783.8)**
Total	**4,861.8**	**(308.7)**	**72.8**	**4,625.9**	**-**	**4,625.9**

2. Segmental analysis (continued)

Segment sales and revenue

	53 weeks to 30 January 2021					
	Total sales excluding VAT £m	Commission sales adjustment £m	IFRS 15 adjustments £m	External revenue £m	Internal revenue £m	Total segment revenue £m
NEXT Online	2,368.4	(157.4)	68.5	2,279.5	-	2,279.5
NEXT Retail	954.5	(2.0)	(0.6)	951.9	0.3	952.2
NEXT Finance	250.3	-	-	250.3	-	250.3
NEXT International Retail	33.2	-	-	33.2	-	33.2
NEXT Sourcing	6.8	-	-	6.8	394.6	401.4
	3,613.2	(159.4)	67.9	3,521.7	394.9	3,916.6
Lipsy	5.2	-	-	5.2	74.1	79.3
NENA	0.1	-	-	0.1	0.6	0.7
Property Management	7.4	-	-	7.4	193.2	200.6
Total segment sales/revenue	3,625.9	(159.4)	67.9	3,534.4	662.8	4,197.2
Eliminations	-	-	-	-	(662.8)	(662.8)
Total	3,625.9	(159.4)	67.9	3,534.4	-	3,534.4

NENA (NEXT Europe and North Africa) is a small sourcing business acquired on 31 January 2020.

Segment profit restatement

During the financial year to 29 January 2022, the segment profit used by the CODM has had two changes. Firstly the segmental profits have been amended to incorporate the impact of IFRS 16, Leases. Previously the impact on profit before tax of IFRS 16 was not allocated to the segmental results. Following a review of its internal reporting process, the Group has now fully embedded IFRS 16 into its internal reporting and key performance measures so that they are more closely aligned to statutory reporting. As a result of this change, the segment profits have been restated (see table below for previously reported and restated values). This change had no overall impact on Group profit. Further details on the impact of IFRS 16 on the CODM segmental profits is set out in the Chief Executives Review.

In addition, the CODM has altered the internal reporting of finance costs allocated to NEXT Finance. Page 41 of the January 2021 Annual Report sets out how this calculation previously operated. Since then we have made two changes to the methodology:

1. Cash on deposit has been removed from the average Group debt calculation and interest earned on this cash has been removed from the Group interest charge so that it is now based on the bond debt and revolving credit facility.
2. Interest income from associates and joint ventures has been excluded.

2. Segmental analysis (continued)

The effect of these changes reduces the effective interest charge applied to the NEXT Finance business and ensures consistency with the interest rate on the Group's external debt. The impact of these changes has increased the NEXT Finance profit by £37.6m (2021: £14.7m) but there is no impact on overall Group profit as this is a recharge between segments only.

Segment profit

	52 weeks to 29 January 2022 £m	53 weeks to 30 January 2021 Restated £m	*53 weeks to 30 January 2021 previously reported £m*
NEXT Online	**588.5**	476.5	*472.1*
NEXT Retail	**107.0**	(136.3)	*(205.9)*
NEXT Finance	**141.8**	127.1	*112.4*
NEXT International Retail	**5.7**	3.4	*3.4*
NEXT Sourcing	**28.0**	17.8	*17.8*
	871.0	488.5	*399.8*
Lipsy	**20.5**	5.2	*5.2*
Property Management	**10.8**	(53.6)	*(39.9)*
Total segment profit	**902.3**	440.1	*365.1*
Central costs and other	**(15.2)**	(11.8)	*(11.8)*
Recharge of interest	**30.9**	33.7	*48.4*
Share option charge	**(19.9)**	(16.7)	*(16.7)*
Unrealised foreign exchange gains / (losses)	**2.5**	(1.3)	*(1.3)*
Trading profit	**900.6**	444.0	*383.7*
Share of results of associates and joint venture	**4.8**	0.5	*0.5*
Finance income	**4.2**	0.6	*0.6*
Finance costs	**(86.5)**	(102.7)	*(42.8)*
Impact of IFRS 16	**-**	-	*0.4*
Profit before tax	**823.1**	342.4	*342.4*

3. Revenue

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

	52 weeks to 29 January 2022				
	Sale of goods £m	**Credit account interest £m**	**Royalties £m**	**Rental income £m**	**Total £m**
NEXT Online	**2,874.4**	**-**	**-**	**-**	**2,874.4**
NEXT Retail	**1,425.9**	**-**	**-**	**-**	**1,425.9**
NEXT Finance	**-**	**249.4**	**-**	**-**	**249.4**
NEXT International Retail	**44.4**	**-**	**4.8**	**-**	**49.2**
NEXT Sourcing	**10.3**	**-**	**-**	**-**	**10.3**
Lipsy	**2.2**	**-**	**1.6**	**-**	**3.8**
NENA	**0.2**	**-**	**-**	**-**	**0.2**
Property Management	**-**	**-**	**-**	**12.7**	**12.7**
Total	**4,357.4**	**249.4**	**6.4**	**12.7**	**4,625.9**

	53 weeks to 30 January 2021				
	Sale of goods £m	Credit account interest £m	Royalties £m	Rental income £m	Total £m
NEXT Online	2,279.5	-	-	-	2,279.5
NEXT Retail	951.9	-	-	-	951.9
NEXT Finance	-	250.3	-	-	250.3
NEXT International Retail	29.2	-	4.0	-	33.2
NEXT Sourcing	6.8	-	-	-	6.8
Lipsy	3.6	-	1.6	-	5.2
NENA	0.1	-	-	-	0.1
Property Management	-	-	-	7.4	7.4
Total	3,271.1	250.3	5.6	7.4	3,534.4

4. Earnings Per Share

	52 weeks to 29 January 2022	53 weeks to 30 January 2021
Basic Earnings Per Share	**530.8p**	223.3p
Diluted Earnings Per Share	**524.0p**	221.9p

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

Diluted Earnings Per Share is calculated by adjusting 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 1,474,577 non-dilutive share options in the current year (2021: 1,486,779).

5. Dividends

Year to 29 January 2022	**Paid**	**Pence per share**	**Cash Flow Statement £m**	**Statement of Changes in Equity £m**
Special interim dividend	3 Sep 2021	110p	140.3	140.3
Special interim dividend	28 Jan 2022	160p	204.2	204.2
			344.5	**344.5**

No interim or final dividends were paid in the year to January 2021. The Trustee of the ESOT waived dividends paid in the year on shares held by the ESOT.

It is intended that an ordinary dividend of 127.0p per share will be paid to shareholders on 1 August 2022. NEXT plc shares will trade ex-dividend from 7 July 2022 and the record date will be 8 July 2022. The estimated amount payable is £160m. The proposed dividend is subject to approval by shareholders at the Annual General Meeting to be held on 19 May 2022 and has not been included as a liability in the financial statements.

6. Defined benefit pension

The principal pension scheme is the 2013 NEXT Group Pension Plan, which includes defined benefit and defined contribution sections.

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

	52 weeks to 29 January 2022 £m	53 weeks to 30 January 2021 £m
Surplus in schemes at the beginning of the period	**99.2**	133.4
Current service cost	**(8.4)**	(8.6)
Administration costs	**(2.5)**	(2.2)
Net interest	**1.6**	2.1
Employer contributions	**11.8**	25.1
SPA Plan benefits paid	**0.1**	6.5
Actuarial gains and returns on plan assets	**55.1**	(57.1)
Surplus in schemes at the end of the period	**156.9**	99.2

The main financial assumptions and actuarial valuations have been updated by independent qualified actuaries under IAS 19 "*Employee benefits*". The following financial assumptions have been used for the main scheme, the 2013 plan:

	52 weeks to 29 January 2022	53 weeks to 30 January 2021
Discount rate	**2.15%**	1.65%
Inflation - RPI	**3.50%**	2.75%
Inflation - CPI	**3.05%**	1.95%
Salary increases	**n/a**	n/a
Pension increases in payment		
- RPI with a maximum of 5%	**3.05%**	2.70%
- RPI with a maximum of 2.5% and discretionary increases	**2.00%**	1.90%

7. Other financial assets and liabilities

Other financial assets and other financial liabilities include the fair value of derivative contracts which the Group uses to manage its foreign currency and interest rate risks. All derivatives are categorised as Level 2 under the requirements of IFRS 13, as they are valued using techniques based significantly on observed market data.

8. Customer and other receivables

The following table shows the components of net receivables:

	2022 £m	2021 £m
Gross customer receivables	**1,403.3**	1,275.4
Less: refund liabilities	**(49.4)**	(51.8)
Net customer receivables	**1,353.9**	1,223.6
Less: allowance for expected credit losses	**(191.2)**	(195.5)
	1,162.7	1,028.1
Other trade receivables	**24.9**	14.0
Less: allowance for doubtful debts	**(0.5)**	(0.6)
	1,187.1	1,041.5

Presentation of the above, split by total receivables and allowances:

	2022 £m	2021 £m
Net customer receivables	**1,353.9**	1,223.6
Other trade receivables	**24.9**	14.0
	1,378.8	1,237.6
Less: allowance for expected credit losses and doubtful debts	**(191.7)**	(196.1)
	1,187.1	1,041.5
Prepayments	**53.1**	31.5
Other debtors	**14.1**	23.3
Amounts due from associates and joint ventures	**26.6**	11.8
	1,280.9	1,108.1

No interest is charged on customer receivables if the statement balance is paid in full and to terms; otherwise balances bear interest at a variable annual percentage rate of 23.9% (2021: 23.9%) at the year-end date, except for £40.6m (2021: £18.6m) of next**3step** balance which bears interest at 29.9% (2021: 29.9%) at the year end date.

The fair value of customer receivables and other trade receivables is approximately £1,150m (2021: £1,005m). This has been calculated based on future cash flows discounted at an appropriate rate for the risk of the debt. The fair value is within Level 3 of the fair value hierarchy.

The amount charged to the Income Statement in respect of Expected Credit loss was £28.6m (2021: £54.8m). This differs to the bad debt charge of £27m in the Chief Executive's Review due to recoveries of previously written off assets taken directly to the Income Statement.

9. Trade payables and other liabilities

	2022		2021	
	Current £m	**Non-current £m**	Current £m	Non-current £m
Trade payables	**275.4**	**-**	172.6	-
Amounts owed to associates and joint ventures	**0.5**	**-**	-	-
Refund liabilities	**4.8**	**-**	6.8	-
Other taxation and social security	**76.8**	**-**	59.1	-
Deferred revenue from the sale of gift cards	**79.5**	**-**	71.7	-
Share-based payment liability	**0.2**	**0.1**	0.2	0.2
Other creditors and accruals	**361.2**	**31.1**	244.9	28.7
	798.4	**31.2**	555.3	28.9

10. Corporate bonds

	Balance Sheet value		**Nominal value**	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Corporate bond 5.375% repayable 2021	**-**	326.0	**-**	325.0
Corporate bond 3.000% repayable 2025	**250.0**	250.0	**250.0**	250.0
Corporate bond 4.375% repayable 2026	**265.7**	287.0	**250.0**	250.0
Corporate bond 3.625% repayable 2028	**300.0**	300.0	**300.0**	300.0
	815.7	1,163.0	**800.0**	1,125.0

During the year the Group settled its 2021 Bond (nominal value: £325m) in line with its maturity and terms. This was settled through the use of existing cash funds.

11. Share capital

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

	2022 Shares '000	2021 Shares '000	**2022 £m**	2021 £m
Allocated, called up and fully paid				
Ordinary shares of 10p each				
At the start of the year	**132,949**	133,229	**13.3**	13.3
Purchased for cancellation in the year	**(177)**	(280)	**-**	-
	132,772	132,949	**13.3**	13.3

	2022		2021	
	Shares '000	**Cost £m**	Shares '000	Cost £m
Shares purchased for cancellation in the year	**177**	**13.1**	280	19.3
Amount shown in Statement of Changes in Equity		**13.1**		19.3

Subsequent to the end of the financial year and before the start of the closed period the Company purchased 504,222 shares for cancellation at a cost of £37.1m.

12. Analysis of net debt

	January 2021 £m	Cash flow £m	Fair value changes £m	IFRS 16 £m	**January 2022 £m**
Cash and short term deposits	608.2	(175.2)	-	-	**433.0**
Overdrafts and short term borrowings	(93.4)	(139.7)	-	-	**(233.1)**
Cash and cash equivalents	514.8	(314.9)	-	-	**199.9**
Corporate bonds	(1,163.0)	325.0	22.3	-	**(815.7)**
Fair value hedges of corporate bonds	38.0	-	(22.3)	-	**15.7**
Net debt excluding leases	(610.2)	10.1	-	-	**(600.1)**
Current lease liability	(170.1)	-	-	7.5	**(162.6)**
Non-current lease liability	(1,015.8)	-	-	120.9	**(894.9)**
	(1,185.9)	-	-	128.4	**(1,057.5)**
Net debt including leases	**(1,796.1)**	**10.1**	**-**	**128.4**	**(1,657.6)**

The IFRS 16 movements represent the net movement of lease payments of £222.7m, disposals of £9.5m and FX/Others of £0.7m offset by additions of £41.2m, modifications of £12.9m and finance costs £50.4m.

13. Leases

Right-of-use assets	**2022 £m**	2021 £m
Buildings	**193.0**	215.0
Stores	**433.5**	492.1
Equipment	**2.0**	3.3
Vehicles	**10.6**	9.7
Total	**639.1**	720.1

Lease Liability	**2022 £m**	2021 £m
Current	**162.6**	170.1
Non-current	**894.9**	1,015.8
Total	**1,057.5**	1,185.9

The income statement shows the following amounts relating to leases:

	2022 £m	2021 £m
Finance costs on leases	**(50.4)**	(59.9)
Expense on short term and low value leases	**(3.5)**	(5.0)
Expense on variable leases	**(4.1)**	(0.8)
Gain on sale and leasebacks	**13.4**	8.1

During the year, the Group entered into a sale and leaseback transaction in respect of a warehouse currently under construction. As a result of this transaction the Group received proceeds of £23.4m and recognised a gain of £7.0m within administrative expenses. The gain has been recognised in relation to the performance obligations under the contract for the sale of the land. It reflects the proportion of the asset not retained in the future lease and is a proportion of the total gain expected on the sale and leaseback transaction. As at the balance sheet date the sale of the warehouse had not completed as performance obligations, including build of the warehouse, were not complete. No lease has yet been recognised as we do not yet have access to use the asset.

During the year, the Group also recognised a gain of £6.4m in relation to contingent consideration on a previous sale and leaseback transaction.

During the prior year, the Group entered into two sale and leaseback transactions, one in respect of a warehouse and one on its head office site. As a result of these transactions the Group received proceeds of £154.4m and recognised a gain of £8.1m within administrative expenses. The term of the lease on the warehouse site was determined to be 26 years and on the head office 35 years (with a break option at year 25).

14. AGM

The Annual General Meeting will be held at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester, LE19 1SW on Thursday 19 May 2022 at 9:30 am and details will be included in the Notice of Meeting which is to be sent to shareholders on 14 April 2022. The Annual Report and Accounts will also be sent to shareholders on 14 April 2022 and copies will be available from the Company's registered office: Desford Road, Enderby, Leicester, LE19 4AT and on our corporate website at nextplc.co.uk.

GLOSSARY

Alternative Performance Measures (APMs) and other non statutory finance measures

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Average active customers Those customers who have purchased products using their Online account or received a standard account statement in the last 20 weeks. Customers can be either Online credit or cash customers.	None	Active customers have a strong correlation with interest income on the Finance P&L and help drive understanding on movements in income. Reconciliation to closest equivalent statutory measure not applicable.
Average customer receivables/debtor balance The average amount of money owed by all next**pay** and next**3step** customers less any provision for bad debt. This represents the total balances we expect to recover averaged across the relevant period. This is referred to as 'customer receivable' or 'debtor balance'.	None	Average debtor balance has a strong correlation with interest income on the Finance P&L and helps drive understanding on movements in income. It also helps to evaluate the overall health of the balance sheet for the Finance business. The average debtor balance in FY22 was £1,062m (FY21: £1,050m). The statutory accounts do not disclose the monthly debtor balance needed to calculate the average debtor balance. The year end balance is disclosed in Note 8 to the financial statements.
Bad debt charge The charge taken in relation to the performance of our customer debtor book. This consists predominantly of providing for future defaults.	Impairment losses Note 8	Measurement of the quality of the Online debtor book/customer receivables. A lower bad debt charge indicates that the quality and recoverability of the balance is higher. The bad debt charge is the total of the in-year impairment charge, less amounts recovered. In FY22 the total bad debt charge disclosed in the CEO report was £27m (2021: £51m). In Note 8 the total Expected Credit Loss charge was £28.6m (2021: £54.8m) with the difference relating to recoveries on previously written off assets.
Bought-in gross margin Difference between the cost of stock and initial selling price, expressed as a percentage of achieved total VAT exclusive selling prices.	None	Bought-in gross margin is a measure of the profit made on the sale of stock at full price. This is a key internal management metric for assessing category performance. Reconciliation to closest equivalent statutory measure not applicable as full price sales not a statutory metric.

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Branch profitability Retail store total sales less cost of sales, payroll, controllable costs, occupancy costs and depreciation, and before allocation of central overheads. Expressed as a percentage of VAT inclusive sales. Net branch profit is a measure of the profitability on a store by store level.	None	Measurement of the Retail business profit by physical branch. Provides an indication of the performance of the store portfolio. This is based on costs which are directly attributable to the store. Therefore, it does not include costs such as central overheads which will be included in the statutory accounts. Reconciliation to closest equivalent statutory measure is therefore not applicable.
Cost of funding Interest is charged to the NEXT Finance business in respect of funding costs for the Online debtor balance (customer receivable). It is calculated by applying the average Group interest rate (i.e. the external borrowing rate of the NEXT Group divided by the average NEXT Group borrowing excluding cash) to the average debtor/customer balance. Note the basis for Cost of Funding was changed in the year as explained in Note 2 of the financial statements.	None	Used by the business to evaluate the profitability of the Finance business. There is no statutory equivalent as this is a metric specific to how the Group manages its funding and cost allocations. In the year to January 2022 this has been calculated as: Average Group interest = Interest cost/Average debt excluding cash (all figures exclude leases) = £36m/£1,050m = 3.4% Then apply 3.4% to 85% of the Average Online customer balance of £1,062m (as we assume that 85% is funded). This equates to a Cost of Funding charge of £30.9m (prior year, restated: £33.7m). Note the basis for calculating the Cost of Funding was changed in the year as explained in Note 2 of the financial statements. As a result the prior year comparative is restated.
Credit sales VAT exclusive sales from Online credit customers who have purchased using their online NEXT account, inclusive of any interest income charges and delivery charges, and after deducting any applicable promotional discounts.	None	Credit sales are a direct indicator of the performance and profitability of the Finance business. Reconciliation to closest equivalent statutory measure not applicable as the statutory accounts split by business segment but not by the mechanism of customer payment.
Divisional operating profit Divisional profit before interest and tax, excluding equity-settled share option charges recognised under IFRS 2 “Share-based payment” and unrealised foreign exchange gains and losses on derivatives which do not qualify for hedge accounting. Refer to Note 2 of the financial statements.	Segment profit	A direct indicator of the performance of each division making up the total Group operating profit. A commonly used metric that provides a useful method of performance comparison across the Group. The divisional operating profits are the same as the Segment profits presented in Note 2 of the financial statements.

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Full price sales Total sales excluding items sold in our sale events, Total Platform sales and our Clearance operations and includes interest income relating to those sales.	Revenue – sale of goods	Full price sales are a direct indicator of the performance and profitability of the business. They are based on Total Sales (defined below) excluding markdown (ie discounted).
Interest income (NEXT Finance) The gross interest billed to nextpay and next3step customers, before any deduction for unpaid interest on bad debt.	Revenue – credit account interest	Interest income for the Finance business is a direct indicator of the performance and profitability of the Finance business. This is presented on the face of the Income Statement and Note 3 of the financial statements as "credit account interest".
Like-for-like sales Change in sales from Retail stores which have been open for at least one full year.	None	This metric enables the performance of the Retail stores to be measured on a consistent year-on-year basis and is a common term used in the retail industry. Reconciliation to closest equivalent statutory measure not applicable. Note in the current year like-for-like sales on Retail stores are not being used as a KPI due to the disruption caused by COVID.
Net debt excluding leases Comprises cash and cash equivalents, bank loans, corporate bonds, fair value hedges of corporate bonds but excludes lease debt. Net debt is a measure of the Group's indebtedness.	None	This measure is a good indication of the strength of the Group's liquidity and is widely used by credit rating agencies. Net debt excluding leases is reconciled to net debt including leases in Note 12 of the financial statements.
Net operating margin Profit after deducting markdowns and all direct and indirect trading costs, expressed as a percentage of achieved total sales.	None	A measure of the profitability of the Group. A commonly used metric that can be used to compare performance to other businesses. The margin is based on the segmental operating profit, as disclosed in Note 2 of the financial statements, as a percentage of the Total Sales for that segment. A reconciliation between Total Sales and statutory revenue is provided in Note 2 of the financial statements. Net margin measures whether profitability is changing at a higher or lower rate relative to revenue.

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Net profit (NEXT Finance) The profit, including interest income and the bad debt charge, and after the allocation of central overheads and the cost of funding.	Profit before tax (for the Finance segment)	A measure of direct profitability of the Finance business. The net profit for the Finance Business is presented in Note 2 to the financial statements.
Return on Capital Employed – ROCE (NEXT Finance) The NEXT Finance net profit (after the interest charge relating to the cost of funding), divided by the average debtor balance.	None	A commonly used metric that can be used to compare performance to other financial businesses. It measures the profit (ie return) relative to the amount of capital employed. The higher the ROCE the greater the return for the capital employed in the business. The ROCE for NEXT Finance in the year to January 2022 was calculated by dividing the Operating profit for segment of £141.8m by the average debt balance of £1,062m. As a percentage this is 13.4% (prior year restated: 12.1%). The Operating profit for the segment is disclosed in Note 2 to the financial statements.
Total sales VAT exclusive full price and markdown sales including the full value of commission based sales and interest income (as described and reconciled in Note 2 of the financial statements).	Revenue – sale of goods	Total sales are a direct indicator of the performance and profitability of the business. Total sales are reconciled to Statutory sales in Note 2 to the financial statements.
Underlying like-for-like sales Like-for-like sales, excluding stores impacted by new openings. This is a measure of the annual performance of stores taking into account the impact of new store openings on existing stores.	None	This metric enables the performance of the Retail stores to be measured on a consistent year-on-year basis, without distortion from new openings, and is a common term used in the retail industry. Reconciliation to the closest equivalent statutory measure not applicable. Note in the current year like-for-like sales on Retail stores are not being used as a KPI due to the disruption caused by COVID in both prior and current year.
Underlying profit and Earnings Per Share Underlying profit and Earnings Per Share measures exclude exceptional items and are shown on a consistent 52 week basis, where relevant. Allows for more consistent comparison, excluding one-off items.	None	This metric enables the profitability of the Group and its ability to return funds to shareholders to be evaluated consistently year on year, and against other businesses. EPS is disclosed in Note 4 of the financial statements. The group has not incurred any exceptional items in either the year to January 2022 or the year to January 2021.

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

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

Certain statements which appear in a number of places throughout this announcement are "forward looking statements" which are all matters that are not historical facts, including anticipated financial and operational performance, business prospects and similar matters. These forward looking statements are identifiable by words such as "aim", "anticipate", "believe", "budget", "estimate", "expect", "forecast", "intend", "plan", "project" and similar expressions. These forward looking statements reflect NEXT's current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any such forward looking statements are subject to risks and uncertainties, including but not limited to those matters highlighted in the Chief Executive's review; failure by NEXT to predict accurately 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; insufficient consumer interest in NEXT Online; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial and equity markets. These forward looking statements do not amount to any representation that they will be achieved as they involve risks and uncertainties and relate to events and depend upon circumstances which may or may not occur in the future and there can be no guarantee of future performance. Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. NEXT does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.