NEXT Group plc: 11118708

Section 172 Statement

This section describes how the directors have had regard to the matters set out in section 172(1) (a) to (f) Companies Act 2006 in exercising their duty to promote the success of the Company for the benefit of its member, NEXT plc.

References to Group refer to the wider NEXT plc Group structure (hereafter the "Group" or "NEXT").

The Company is a wholly-owned subsidiary of NEXT plc. Its purpose is to provide financing and treasury services to NEXT plc and the wider NEXT Group in order contribute to the objectives of NEXT plc for consistent and profitable returns to shareholders. Therefore the Company considers that, indirectly, its key stakeholders reflect those of NEXT Group. As the Company itself has no employees, external customers or suppliers, the relationships of direct relevance and importance to the long term success of the Company are those with the Group's providers of debt funding (such as bondholders and banks) and regulators (in particular the tax authorities).

Relationship and engagement with stakeholders

Debt capital/credit facility providers

The Company relies on its providers of debt funding as an essential source of capital to further the wider Group's business objectives and they rely on us to protect and manage their investment in a responsible and sustainable way that generates value for them.

The Chief Financial Officer of NEXT plc and the Group Treasury team are responsible for managing the relationships with our bank syndicates, bond trustees and credit rating agencies, and for the Company's cash/debt management and financing activities.

The Chief Financial Officer provides regular reports to the NEXT plc Board ("the Board") on these activities including the Company's access to liquidity, monitoring the headroom and maturity schedules of our primary credit facilities and future financing plans. The Board approves the Group's Treasury Policy annually.

Tax authorities

The Company seeks to maintain a constructive and cooperative relationship with the tax authorities and they expect the Company to comply with all applicable laws.

The Company manages its tax affairs responsibly and proactively to comply with tax legislation. The Company's approach is to seek to build solid and constructive working relationships with all tax authorities. The Company's tax policy is aligned to that of the Group which can be found at nextplc.co.uk, and was reviewed and approved by the Board during the year.

This policy includes that the Company engages with HMRC constructively, honestly and in a timely and professional manner, and seeks to resolve disputed matters through active and transparent engagement. Engagement with HMRC is led by the Group's in-house tax team of qualified tax professionals. The Chief Financial Officer provides regular updates to the NEXT plc Board on tax matters

Principal risks and uncertainties

The Board has a policy of continuous identification and review of principal business risks, and oversees risk management. Directors and operational management are delegated with the task of implementing processes to ensure that risks are managed appropriately. The Group's principal risks and uncertainties relating to the Company are described below along with explanations of how they are managed or mitigated:

Business strategy development and implementation

Risk

If the Board adopts the wrong business strategy or does not implement its strategies effectively, the business may suffer. The Board therefore needs to understand and properly manage strategic risk, taking into account specific retail sector risk, in order to deliver long term growth for the benefit of the Company's stakeholders.

Mitigation

The Board reviews business strategy on a regular basis to determine how sales and profit can be maximised, and business operations made more efficient.

The Board and senior management consider strategic risk factors, wider economic and industry specific trends that affect the Group's businesses, the competitive position of its product and the financial structure of the Group.

A detailed plan to manage the Group going forward and its longer term direction of travel exists and is clearly articulated to the Group's stakeholders in the Group's annual and half yearly reports.

Financial, treasury, liquidity and credit risks

Risk

The Company's ability to meet its financial obligations and to support the operations of the business is dependent on having sufficient liquidity over the short, medium and long term.

The Company and the wider Group is reliant on the availability of adequate financing from banks and capital markets to meet its liquidity needs.

The Company and the Group is exposed to foreign exchange risk and profits may be adversely affected by unforeseen moves in foreign exchange rates.

The Company might suffer financial loss if a counterparty with which it has transacted fails and is unable to fulfil its contract.

Mitigation

The Group operate a centralised treasury function which is responsible for managing liquidity, interest and foreign currency risks. It operates under a Board approved Treasury policy. Approved counterparty and other limits are in place to mitigate the Group's exposure to counterparty failure.

The Group's debt position, available funding and cash flow projections are regularly monitored and reported to the Board. The Board will agree funding for the Group in advance of its requirement to mitigate exposure to illiquid market conditions.

The Group has a Treasury Committee which includes the Chief Financial Officer of NEXT plc. The Treasury Committee usually meets weekly to review the Group's treasury and liquidity risks including foreign exchange exposures.

Management of long term liabilities and capital expenditure

Risk

Poor management of the Group's longer term liabilities and capital expenditure could jeopardise the long term sustainability of the Group and hence NEXT Group plc. It is important to ensure that the business continues to be responsive and flexible to meet the challenges of a rapidly changing Retail sector.

Mitigation

The Board and senior management teams regularly review the alignment of forecast cash inflows and outflows across the Group alongside the Group's ability to repay its existing bond, lease debt obligations and any other long term liabilities and planned capital expenditure.