Next plc
Results for the year to January 2011

- Group revenues increased 1% to £3,454m
- Group profit before tax up 9% to £551m
- Earnings per share up 18% to 222p
- Total dividend increased 18% to 78p, covered 2.8 times
- Cash inflow of £92m, before share and bond buybacks

Profit before tax was at the top end of previous guidance and in line with market expectations.

Chairman's Statement

The year to January 2011 has been another good year for NEXT, with excellent growth in earnings per share of 18% to a new record for the Group of 222p.

At the beginning of the year NEXT adopted a cautious approach to the underlying consumer economy and budgeted conservatively for growth. In hindsight this approach has served the Company well, allowing us to keep tight control of both stock levels and costs. NEXT identified several avenues of growth, despite the weak underlying environment, and we have developed these opportunities aggressively.

We opened profitable new stores, particularly for our Home stand alone format which performed well during the year. The Company continued to grow its online business through the NEXT Directory, which now accounts for 27% of Group sales and 40% of profits.

Our cash generation remains strong, which enables us to invest in new stores and continue our programme of refitting older stores. In addition, we regularly return capital to shareholders through share buybacks, 10 million shares and £205m in the year, and our proposed final dividend gives a full year increase of 18%. Over the last 5 years we have repurchased 26% of our shares and increased our dividend by an average of 12% per annum.

Francis Salway joined the Board in June, replacing Nick Brookes who retired at the AGM in May 2010. Francis has a wealth of property experience and will be a valuable member of the Board.

As ever when reviewing our results, I am reminded that they could not be delivered without an experienced, stable and effective management team. I would again like to thank them, and all the people who work for the Group, for the contribution they have made in delivering these results.

Looking ahead we are facing a tough trading environment. Increases in VAT, cotton prices and labour rates in many of the countries in which we source means the price of our products are rising at a time when our customers are experiencing increased demands on their income. However, we believe NEXT can continue to thrive by keeping to our strategy of investing in the Brand, improving the products, and developing new avenues of growth.

John Barton
Chairman

Chief Executive's Review

OVERVIEW – A New Normal

NEXT has had another good year with record profits, earnings per share and dividend. We believe that this is a reflection of the approach we have taken to coping with a new economic landscape.

Retail in the UK is going to be different over the next few years. The consumer environment is likely to be dominated by the challenges of global inflation, public sector cuts and limited growth in consumer credit. These factors mean that retailers cannot plan for never-ending growth in like for like sales that many have enjoyed over the last fifteen years.

Yet NEXT and the retail industry can still deliver very healthy returns for their shareholders, but we will need to think differently about how we manage and grow our businesses. New avenues of growth, innovative ways to control costs and careful management of the healthy cash flows that retailers tend to generate will become increasingly important.

NEXT has a clear and consistent financial objective: the delivery of sustainable, long term growth in earnings per share. We believe that whatever the short term vagaries of the stock market, in the long run, it is the growth in earnings per share and dividends that will create shareholder value. Despite the difficult retail environment, this year we achieved 18% growth in EPS and increased our dividend by 18% - a performance that would be creditable in a sunnier economic climate.

New sources of revenue continued to support sales. In this respect, profitable new Home stand alone stores and growth in the NEXT Directory Online have been particularly important. As a result, despite the NEXT Retail like for like sales decline, NEXT Brand sales (excluding VAT) were up 0.3% on last year. This growth figure is a little misleading and understates the increase in the amount our customers spent with us. The year ending January 2010 was a 53 week year and the increase in VAT reduced reported sales by 1.4%. Adjusting for these two factors, 52 week VAT inclusive NEXT Brand sales were actually up 3.1%.

Operating profits rose faster than sales as a result of continued operational cost savings. Profit before tax was 9% up on last year at £551m. This is towards the top end of the range we gave in our trading statement in January 2011, it is in line with market expectations and consistent with the guidance we have given throughout the year.

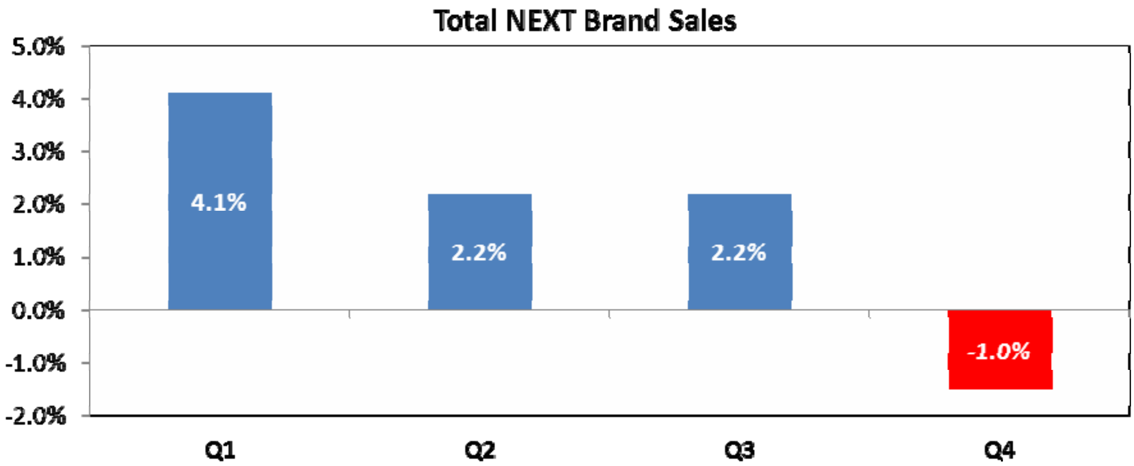
NEXT continues to deliver strong cash flows, generating £92m of surplus cash after capital expenditure, interest, tax and dividends. We expect this inflow to double in the year ahead. Surplus cash has been used to buy back 10m shares, and the combined effect of cash generation and share buybacks (both this year and last) has been to boost EPS by 7.5%. Dividends have risen in line with EPS, up 18% to 78p per share.

SUMMARY OF FINANCIAL RESULTS

REVENUE excluding VAT	2011 £m	2010 £m	
NEXT Retail	**2,222.1**	2,274.2	-2.3%
NEXT Directory	**935.5**	873.2	+7.1%
NEXT International	**67.3**	64.2	
NEXT Sourcing	**4.1**	3.5	
The NEXT Brand	**3,229.0**	3,215.1	+0.4%
Ventura	**156.0**	145.6	
Other activities	**68.7**	45.8	
Total revenue	**3,453.7**	3,406.5	+1.4%

PROFIT and EPS	2011 £m	2010 £m	
NEXT Retail	**328.8**	324.0	
NEXT Directory	**221.9**	183.6	
NEXT International	**5.8**	1.2	
NEXT Sourcing	**26.7**	35.7	
The NEXT Brand	**583.2**	544.5	+7.1%
Ventura	**8.0**	6.0	
Other activities	**(6.8)**	(12.0)	
Share option charge	**(11.8)**	(9.4)	
Unrealised exchange gain	**2.2**	0.7	
Operating profit	**574.8**	529.8	+8.5%
Net interest expense	**(23.4)**	(24.5)	
Profit before tax	**551.4**	505.3	+9.1%
Taxation	**(150.5)**	(141.3)	
Profit after tax	**400.9**	364.0	+10.2%
Basic earnings per share	**221.9p**	188.5p	+17.7%
Dividends per share	**78.0p**	66.0p	+18.2%

2010 CONSUMER ENVIRONMENT



Sales performance worsened as the year progressed. There were a number of factors:

- Consumers and banks have both acted to limit growth in consumer credit.
- As the year advanced, the awareness and then reality of necessary public sector cuts began to impact on consumers.
- Towards the end of the year rising inflation, particularly in food and fuel, began to act as a drain on consumer spend.
- In December severe weather hampered sales.

STOCK AND SUPPLY ISSUES

In the second half of the year we experienced increasing difficulty getting stock into the business on time from our suppliers. This was mainly as a result of manufacturing capacity constraints in the Far East, especially China. Production constraints in China came from a combination of increasing domestic demand and the fact that some suppliers exited the industry during the 2008/9 downturn.

We have taken steps to secure capacity through the addition of new suppliers and booking fabric and production earlier. Currently stock intake has been in line with our requirements and we expect stock levels to be at least 10% ahead of last year throughout the season.

Over and above the issues with supplier deliveries, we had problems in Womenswear keeping in stock of our best-selling lines. This was mainly as a result of not buying enough different colourways of best-selling styles. This problem has been rectified for the current season, and we have increased both the breadth of colours and depth of buy on lines we believe will be important. So far the results of this approach have been encouraging.

NEXT RETAIL

NEXT Retail increased its full year profit, in spite of a small decrease in overall sales.

Retail Sales

Retail finished the year 2.3% down on last year though this figure is distorted by the fact that last year was a 53 week year. On a 52 week basis, total VAT exclusive sales were down 1%, sales from new space contributed +3% and like for like sales (excluding online sales) were down 4%. Revenue at the tills was 1.3% higher than reported sales due to the increase in VAT.

Retail Profit Analysis

Retail profitability improved as achieved gross margins edged forward and overhead savings offset increases in occupancy costs. The table below details the margin movement in the major heads of costs.

Net operating margin last year		**14.2%**
Increase in bought in gross margin	+1.0%	
Increase in markdown	-0.4%	
Increase in achieved gross margin		**+0.6%**
Change in store payroll		0.0%
Increase in store occupancy costs		-0.6%
Decrease in central overheads		+0.6%
Net operating margin this year		**14.8%**

Bought in gross margin increased by 1% as a result of better sourcing and price negotiations which more than offset the adverse impact of the rise in VAT.

Markdown costs increased, reducing margin by 0.4%. Stock for Sale was 4% up on last year and clearance rates were lower. The lower clearance rates reflected the fact that we did not open on Boxing Day this year as it was a Sunday.

Store payroll costs were flat as a percentage of sales as we managed to offset our 1% annual pay award with efficiency savings in the branches.

Occupancy costs increased as a percentage of sales by 0.6%, with rents and rates rising as like for like sales declined. Underlying rent increases were up 2%. Rent increases incurred in any one year are the result of five yearly rent reviews, so this number represents the compound annual growth over the last five years.

A reduction in central overheads increased margin by 0.6% mainly due to lower staff incentive payments, which were high in the previous year.

New Space and Refits

Our programme of extensions and new store openings continued to provide additional sales and profits for the Group.

We increased total trading space by 310,000 square feet, an increase of 5.4% during the year, increasing our portfolio by 8 stores to 525. The payback on net capital invested in new space is forecast to be 17 months. The net store contribution (store profit) on the new portfolio is forecast to be 19%. These forecasts are comfortably ahead of our financial hurdles of 24 months payback and 15% contribution. We opened a further 11 Home stand alone stores, taking our total Home stores to 29. The returns on new Home stores were in line with Mainline returns.

		Store Numbers	Sq. Ft 000's	Change %
January 2010		**517**	**5,763**	
	New	+8	+69	
	Closed	-11	-79	
	Re-sites (9)	-	+106	
	Extensions (19)	-	+53	
	Home stand alones	+11	+161	
January 2011		**525**	**6,073**	**+ 5.4%**

In the year ahead we have the opportunity to accelerate our space expansion programme, driven by further Home stand alone stores. We expect to open at least 440,000 square feet in the year ahead, included in this number is 240,000 square feet in 15 new Home stand alone stores. In addition, we anticipate that we will spend circa £18m on cosmetic refits in order to keep our existing store portfolio up to date.

Store Portfolio Profitability

Despite like for like sales declines we have actively managed our store portfolio to keep it highly profitable; we closed 11 stores during the year.

The table below sets out our Mainline store portfolio, showing the number of stores in different profitability ranges and more importantly the percentage of our turnover taken in those branches.

Store Profitability	Store Numbers	Percentage of Sales
>15%	413	90.7%
10% - 15%	42	6.1%
0% - 10%	27	2.9%
<0%	5	0.3%

NEXT DIRECTORY

NEXT Directory had an excellent year advancing sales, operating margin and profit.

Directory Sales

Directory remains well positioned to take advantage of the general growth in online shopping. Sales ended the year up 7.1% on last year. This number is also distorted by last year's 53 week year and the increase in VAT. The 52 week growth in VAT inclusive sales was +10.5%.

The engine for sales growth has been the increase in active customers, which is set out in the table below split between credit and cash accounts. The dramatic increase in cash accounts is a result of more online customers choosing to pay up front by credit or debit card.

	2011 000's	2010 000's	Change %
Account holders	2,464	2,284	+ 7.8%
Cash customers	267	148	+ 80.6%
Active customers	**2,731**	**2,432**	**+ 12.3%**

Directory Profit Analysis

Directory net margins continued to make good progress, advancing by 2.7% to 23.7%.

Net operating margin last year		**21.0%**
Increase in bought in gross margin	+1.3%	
Markdowns	+0.0%	
Increase in achieved gross margin		**+1.3%**
Improvement in bad debt		+0.6%
Reduced service charge income		-0.6%
Decrease in warehouse & distribution costs		+1.0%
Decrease in central overheads		+0.4%
Net operating margin this year		**23.7%**

Bought in gross margin increased by 1.3%, this was slightly higher than in Retail as a result of the different mix of products in Directory.

Bad debt continued to improve partly as a result of improved credit approval procedures and partly because consumers are managing credit more carefully. Transfers to debt collection agencies were down 22% on last year and margin was improved by 0.6%.

Service charge income decreased as a percentage of sales, reducing margin by 0.6%. This was a result of the increase in cash customers (see above), and the tendency of credit customers to pay down their balances a little faster.

Distribution and warehousing costs decreased as a percentage of sales, improving margin by 1%. This was driven by an increase in third party client contribution to fixed overheads and an increase in the number of returns being made through our stores.

Central overheads reduced as a percentage of sales, improving margin by +0.4% due to the reduction in staff incentive payments which were high last year.

BRAND PROFIT MARGINS

Retail and Directory operations have become increasingly integrated over the last five years as more opportunities have been identified to reduce costs and enhance the Directory service offer.

When NEXT appraises any new store opportunity, it does not include any potential benefit it might realise from the synergies of integration with Directory operations. The Retail cost base is justified by, and incurred for, Retail operations alone. However, an increasing number of Directory customers use Retail's stores, not only to buy goods using their Directory account card, but also to collect and return goods they have ordered at home.

To illustrate, we estimate the profit made on items ordered online, but collected in store, is **£47m** in the last year. Where customers have bought goods in store using their Directory card, there was circa **£16m** of service charge earned by Directory on the resulting debtor balances. In addition, by allowing Directory customers to return unwanted goods through Retail stores, there have been estimated savings of around **£9m** compared to the cost of routing those returns through the Directory courier network.

These benefits would not have been achieved if NEXT was simply a High Street retailer or a home shopping business. It is important to understand the benefits this integration provides as it puts the differences in net margin between Retail and Directory into context. Taken together, the net margin of the combined Retail and Directory businesses is 17.4%.

INTERNATIONAL

Retail overseas

Franchise income to NEXT from our franchise partners increased by 2.3%, although partner sales in local currency were down 3.2%. Underlying like for like sales were down -4.4%, partly offset by +1.2% from new space. We work on a cost plus basis and the difference between our rising income and partners decline in sales is explained by increased franchise markdowns. Sales in our wholly owned stores were up 12.7%, with like for likes down -1.0%.

Overall underlying International profit was up 14.3%. Net margins increased by 0.8% to 10.4% mainly as a result of the closure of a loss making store in Denmark. Operating profits were substantially up on last year due to significant write off charges made on unprofitable stores last year.

	2011 £m	2010 £m	
Franchise income	49.9	48.7	+2.3%
Wholly owned	17.4	15.5	+12.7%
Total revenue	67.3	64.2	+4.8%
Profit excluding write offs	**7.0**	**6.1**	**+14.3%**
% to revenue	10.4%	9.6%	
Write offs	(1.2)	(4.9)	
Operating profit	**5.8**	**1.2**	

Overseas Online

NEXT's online business overseas is a small but potentially important growth business. It is expanding rapidly and, despite the rate of growth, it remains highly profitable. Currently these sales and profit numbers are included within the Directory results, but for clarity we have split them out in this section of the report.

At the year end we were trading online in 38 countries outside of the UK, the most important of which are Eire, USA, Australia, Germany and Poland. All of our sites (apart from Germany) trade as English language websites and most are denominated in US dollars or Euros.

We intend to commence trading online in Pakistan and India within the first half, and later in the year in Russia, China and Japan, once we have developed our systems to cope with the complexities of dealing with non-Roman (e.g. Cyrillic) scripts.

Early this year we made an important breakthrough in two of our overseas markets. After many failed experiments, we have now found limited but profitable methods for the recruitment of new customers overseas. This will allow us to accelerate growth in the year ahead and we anticipate that by January 2012 revenue from overseas markets will be at least £20m, from which we will make around 20% net margin. The move away from natural growth to marketing driven expansion will reduce margins by around 4% from the current level of 24%.

The table below sets out the sales and profit for our online business outside the UK and gives an estimate of the figures for the year ahead.

£m	2012(e)	2011	2010
Revenue Annual growth	20.0 +100%	10.1 +115%	4.7
Profit	**4.0**	**2.4**	**1.7**
Profitability	20%	24%	35%

NEXT SOURCING

NEXT Sourcing has had a difficult year. It faced increased competition from independent suppliers who improved their game, and as a result sales to NEXT were down 4.6% from £530m to £506m.

In addition to lower sales, NEXT Sourcing faced intense pressure on its margins, caught between stronger manufacturers, who themselves were experiencing cost pressures, and a retailer (ourselves!) determined to limit increases in prices to its customers. In order to remain competitive, NEXT Sourcing lowered its commission from 8% to 6% and took a step back in profit. The table below sets out sales and profits (internal sales do not appear in our consolidated accounts).

£m	2011	2010	Change %
External sales	4.1	3.5	+16.9%
Internal sales	505.7	529.9	- 4.6%
Profit	**26.7**	**35.7**	**- 25.2%**
Operating margin	5.2%	6.7%	

In the year ahead we expect NEXT Sourcing will still suffer from the reduction in margin, which will not annualise until August. We expect a profit in the region of £20m for the year ahead.

VENTURA

Results for the year were ahead of our expectations and Ventura achieved a profit of £8m against £6m last year. Turnover rose 7.2% to £156m, with new business more than offsetting those activities which declined. Further business has been won with new clients, which will start contributing in the current year. Our wholly owned call centre in India now provides services to non-UK, as well as UK, clients and we expect it to be operating towards full capacity by the end of this year.

The market in which Ventura operates is very competitive, on both price and service, and it is well placed to succeed on both counts. We anticipate that Ventura will increase sales and profits in the year ahead, with full year profits in the region of £9m.

OTHER ACTIVITIES

The Other Activities charge of £7m compares to the £12m charge last year.

Lipsy, our young female fashion brand, achieved its targets. Sales were up 61% to £45m and trading profit was £3.4m. Amortisation and deferred performance charges were £2.4m, resulting in a first time net contribution to group profits of £1m. Lipsy now trades from 27 stores and has important channels in wholesale, concessions and through its own website. In the year ahead we aim to open 20 new Lipsy stores and grow sales through all these channels. We are budgeting to increase sales by 25% and trading profit by 50%.

Our **Property Division** had fewer costs for properties we no longer occupy and reported a net profit of £2m. Our associated companies of **Choice** and **Cotton Traders** also contributed £2m. **Central costs** of £12m were down from £13m last year.

The £12m **employee share option charge** includes a first time charge for the share matching plan introduced last year following approval by shareholders at the AGM. As expected, the £6m **unrealised foreign exchange** loss booked in the first half reversed in the second half; the full year was a net gain of £2m.

INTEREST AND TAX

The interest charge of £23m was less than last year as a result of lower interest rates. We expect a similar charge for the year ahead on debt which we estimate will average £550m, after taking into account further share buybacks. The effective cost of debt is currently around 4%, based on our mix of fixed rate bonds, interest rate swaps and short term borrowings.

Our tax rate of 27.3% was lower than last year, the main factor being resolution of prior year items. We expect our rate for the year ahead will be no higher than the year just ended.

BALANCE SHEET AND CASH FLOW

In the year the Group generated £92m of cash before share and bond buybacks but after capital expenditure, interest, tax and dividends.

Capital expenditure for the year amounted to £144m and we are planning a similar figure for the year ahead as we continue to invest in Home stand alone stores. Stock levels were tightly controlled through the year although they did end the year £59m up; half of this was due to earlier shipments ahead of Chinese New Year and the balance due to earlier deliveries generally. We plan for stock levels during the coming year to increase by an average of 10%. Directory debtor balances rose £16m to £500m, we retain robust provisions against potential defaults and remain comfortable with our management of this consumer debt.

Net debt at the year end was £530m. This is comfortably financed by the £206m of bonds maturing in 2013 and £250m in 2016, together with £295m of bank facilities committed until 2013.

We believe that NEXT will continue to generate cash from its trading operations in excess of that required to fund growth in the business. We currently estimate a surplus inflow of around £180m for the year ahead after tax and dividends, but before share buybacks.

SHARE BUYBACKS

We have continued our longstanding strategy of using surplus cash to buy back NEXT shares. During the year we acquired 10m shares (5.2% of those in issue at the start of the year) at a cost of £205m. Since the year end we have purchased a further 1.4m shares at a cost of £28m.

As we expect the consumer environment to remain subdued for some time, our strategy of buybacks from free cash flow will deliver EPS growth without adding operational risk. As an example, if we generate £180m of cash and use £160m to buy back shares at £20, then EPS would be enhanced this year by around 5%.

It is our intention to maintain investment grade credit rating and we will not pursue buybacks to the detriment of developing the business. Given these principles and subject to market conditions, we intend to continue buying back shares in the current year. In this scenario, we expect net debt will fluctuate between £500m and £600m for the majority of the year and will again be around £500m by January 2012.

DIVIDENDS

We have proposed raising our final dividend to 53p, taking the total dividend for the year to 78p. This is an increase of 18% and is in line with growth in EPS. Dividend cover remains a healthy 2.8 times. Given our prospects for further cash inflows and the current level of cover, we expect to raise dividends in the year ahead.

INTERIM MANAGEMENT STATEMENT

Our next statement will cover the first quarter to the end of April and is provisionally scheduled for Wednesday 4 May 2011.

OUTLOOK FOR 2011/12

Cost Price Inflation and Price Elasticity

In August last year we alerted the market to the fact that we would experience a significant increase in input prices in Spring Summer 2011. So far this year the average selling price of the stock we have *bought* is 8% up on last year (as per previous guidance), however the average selling price of the stock we have *sold* is slightly lower than that at around +6%. The difference is explained by customers trading down our price architecture in certain categories.

Measuring Price Elasticity

The effect of rising prices on consumer demand is tricky to gauge, few products are identical from one season to another, and it is difficult to distinguish the effects of price rises from the impact of the deteriorating economic environment. Where prices have risen on identical products the consequences have been varied. Opening price points have proved to be the most sensitive to change, but we have worked hard to re-source and maintain these where possible.

On average, the effects of price rises appear to have been marginally negative on cash sales, as we predicted last September. Taking a basket of items which do have a direct equivalent last year, our research indicates price elasticity of around -1.1. So an increase in price of 8% would cause a decrease in sales of around -1.5%.

Autumn Winter Prices

The outlook for clothing prices in Autumn Winter looks slightly worse than Spring Summer: wage rates continue to rise in the Far East and, more importantly, commodity prices (especially cotton) have continued to climb to record highs. However, we have made good progress finding new cheaper sources of supply and continue to place large orders earlier in order to get better prices. We are currently negotiating prices for fourth quarter product and our best guess is that we will be able to contain overall price rises to between 8% and 10% during the second half. We will issue more detailed guidance on this subject when we issue our IMS in May.

Looking further forward towards the back end of 2011 there is evidence that cotton supplies will increase as the year progresses and the price of cotton futures is at a very significant discount to current spot prices. It therefore seems likely that we will see some easing in inflationary pressure as we move into 2012.

Outlook for the Wider Consumer Economy

In the year ahead we expect the consumer environment to be somewhat more challenging than it was in 2010. It seems likely that recent worldwide inflation in fuel, food and other essential commodities will further add to the financial pressure on the consumer. We believe inflation is exerting a greater burden on *our* customers' finances than Government cuts or lack of credit.

So, current levels of inflation are bad news for 2011. However inflation is perhaps less worrying in the medium term, commodity price inflation would appear unlikely to compound, and if that is the case then pressure will ease when price rises begin to annualise towards the end of 2011.

Sales, Profits and EPS in the Year Ahead

Despite the gloomy prognosis for the economy, we believe that NEXT can continue to grow new sources of revenue and that total sales can be maintained or possibly advanced on last year. We estimate that total Brand sales in the first half will be in the range -0.5% to +2.5%.

Our cost base remains well controlled and we believe that inflationary pressures in our cost base can be more than offset through saving initiatives. It is too early in the year to give a sales estimate for the full year. However it is helpful for us to indicate the range of profit that we believe could be achieved for a given sales range. We would stress that the sales and profits set out below are *not* forecasts and are only to illustrate what profits could be achieved if sales are within this range.

Estimated profit and EPS outcomes for possible sales range		
Brand sales (VAT exclusive)	Down -0.5%	Up +2.5%
Estimated group profit before tax	£520m	£570m
Profit before tax growth	-5.5%	+3.5%
Share buyback estimate	£160m	£160m
Estimated growth in EPS	-0.5%	+8.5%

So we believe that ***if*** total NEXT Brand sales for the full year fall within -0.5% to +2.5% ***then*** profit before tax would be between £520m and £570m, representing growth on last year of between -5.5% and +3.5%. This estimated profit range is in line with current market expectations.

We anticipate the Group will generate around £180m of surplus cash after allowing for capital expenditure, interest, tax and dividends. We currently intend to use surplus cash to buy back shares. In this event, the combined effect of cash generation and share buybacks will be to enhance earnings per share by around 5%. So given the sales scenarios set out above, earnings per share growth would be in the range -0.5% to +8.5%.

SUMMARY

The year ahead will be yet another challenging year for retailers and, if anything, things are likely to get worse before they get better. Retailing will feel like walking up the down escalator – we will have to work hard to stand still! However, NEXT is well prepared for the current environment: our cost base is under control, we have an efficient well-financed balance sheet and continue to generate strong positive cash flows. We can afford to continue investing in the NEXT Brand and new avenues of growth, whether that be new Home stores, UK online or Directory overseas. Over and above that we are likely to generate surplus cash, which will allow us to further enhance earnings per share through share buybacks and grow our dividend.

Lord Wolfson of Aspley Guise
Chief Executive

24 March 2011

UNAUDITED CONSOLIDATED INCOME STATEMENT

		Year to January 2011 £m	Year to January 2010 £m
Revenue		**3,453.7**	3,406.5
Cost of sales		**(2,445.0)**	(2,409.6)
Gross profit		**1,008.7**	996.9
Distribution costs		**(223.2)**	(232.1)
Administration expenses		**(214.7)**	(236.6)
Other gains		**2.2**	0.7
Trading profit		**573.0**	528.9
Share of results of associates		**1.8**	0.9
Operating profit		**574.8**	529.8
Finance income		**0.9**	0.8
Finance costs		**(24.3)**	(25.3)
Profit before taxation		**551.4**	505.3
Taxation		**(150.5)**	(141.3)
Profit for the year		**400.9**	364.0
Profit for the year attributable to:			
Equity holders of the parent company		**401.1**	364.1
Non-controlling interest		**(0.2)**	(0.1)
Profit for the year		**400.9**	364.0
Basic earnings per share	**p**	**221.9**	188.5
Diluted earnings per share	**p**	**216.5**	185.6
Fully diluted earnings per share	**p**	**206.5**	176.0
Dividend per share	**p**	**78.0**	66.0

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year to January 2011 £m	Year to January 2010 £m
Profit for the year	**400.9**	364.0
Other comprehensive income and expenses		
Exchange differences on translation of foreign operations	**-**	(5.0)
Gains/(losses) on cash flow hedges	**1.8**	(61.4)
Actuarial gains/(losses) on defined benefit pension schemes	**64.3**	(12.6)
Tax relating to components of other comprehensive income	**(15.5)**	19.0
	50.6	(60.0)
Reclassification adjustments		
Transferred to income statement on cash flow hedges	**(14.8)**	(8.3)
Transferred to the carrying amount of hedged items on cash flow hedges	**4.7**	5.2
	(10.1)	(3.1)
Other comprehensive income/(expense) for the year	**40.5**	(63.1)
Total comprehensive income for the year	**441.4**	300.9
Attributable to:		
Equity holders of the parent company	**441.5**	301.0
Non-controlling interest	**(0.1)**	(0.1)
Total comprehensive income for the year	**441.4**	300.9

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	Year to January 2011 £m	Year to January 2010 £m
Opening total equity	**133.4**	140.5
Total comprehensive income		
Equity holders of the parent company	**441.5**	301.0
Non-controlling interest	**(0.1)**	(0.1)
Issue of shares	**0.1**	-
Shares purchased for cancellation	**(165.3)**	(190.5)
Shares purchased by ESOT	**(95.9)**	(59.3)
Shares issued by ESOT	**31.0**	33.7
Share option charge	**11.8**	9.4
Tax recognised directly in equity	**5.5**	7.2
Equity dividends paid	**(129.6)**	(108.5)
Closing total equity	**232.4**	133.4

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	**January 2011 £m**	January 2010 £m
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant & equipment		**592.4**	577.2
Intangible assets		**46.5**	47.4
Interests in associates		**5.1**	4.0
Other investments		**1.0**	1.0
Defined benefit pension surplus	6	**55.7**	-
Other financial assets	5	**24.3**	22.7
		725.0	652.3
Current assets			
Inventories		**368.3**	309.0
Trade and other receivables		**645.6**	616.6
Other financial assets	5	**4.1**	8.6
Cash and short term deposits		**49.3**	107.0
		1,067.3	1,041.2
Total assets		**1,792.3**	1,693.5
Current liabilities			
Bank overdrafts		**(10.2)**	(4.7)
Unsecured bank loans		**(115.0)**	-
Trade and other payables		**(544.6)**	(550.3)
Other financial liabilities	5	**(54.7)**	(93.6)
Current tax liabilities		**(108.4)**	(109.5)
		(832.9)	(758.1)
Non-current liabilities			
Corporate bonds		**(471.2)**	(520.9)
Defined benefit pension deficit	6	**-**	(49.5)
Provisions		**(13.3)**	(13.4)
Deferred tax liabilities		**(23.4)**	(3.7)
Other financial liabilities	5	**(2.6)**	(4.4)
Other liabilities	7	**(216.5)**	(210.1)
		(727.0)	(802.0)
Total liabilities		**(1,559.9)**	(1,560.1)
Net assets		**232.4**	133.4
EQUITY			
Share capital		**18.1**	19.1
Share premium account		**0.8**	0.7
Capital redemption reserve		**11.8**	10.8
ESOT reserve		**(138.6)**	(78.2)
Fair value reserve		**(3.2)**	5.1
Foreign currency translation reserve		**4.6**	4.7
Other reserves		**(1,443.8)**	(1,443.8)
Retained earnings		**1,782.6**	1,615.2
Shareholders' equity		**232.3**	133.6
Non-controlling interest		**0.1**	(0.2)
Total equity		**232.4**	133.4

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Year to January 2011 £m	Year to January 2010 £m
Cash flows from operating activities		
Operating profit	**574.8**	529.8
Depreciation and amortisation	**119.3**	123.1
Impairment	**2.3**	6.4
Loss on disposal of property, plant & equipment	**6.9**	5.5
Share option charge	**11.8**	9.4
Share of undistributed profit of associates	**(1.1)**	(0.5)
Exchange movement	**(2.6)**	(1.6)
(Increase)/decrease in inventories	**(59.3)**	9.7
(Increase)/decrease in trade and other receivables	**(29.0)**	6.0
Increase in trade and other payables	**11.7**	31.1
Pension contributions less income statement charge	**(40.9)**	(32.2)
Cash generated from operations	**593.9**	686.7
Corporation taxes paid	**(141.9)**	(115.2)
Net cash from operating activities	**452.0**	571.5
Cash flows from investing activities		
Proceeds from sale of property, plant & equipment	**1.9**	0.4
Acquisition of property, plant & equipment	**(120.6)**	(98.6)
Payment of deferred consideration	**(19.4)**	-
Net cash from investing activities	**(138.1)**	(98.2)
Cash flows from financing activities		
Repurchase of own shares	**(221.6)**	(101.8)
Purchase of shares by ESOT	**(99.7)**	(39.2)
Proceeds from disposal of shares by ESOT	**31.0**	33.7
Proceeds/(repayment) of unsecured bank loans	**115.0**	(75.0)
Repurchase of corporate bonds	**(51.3)**	(46.6)
Interest paid	**(21.6)**	(32.1)
Interest received	**0.9**	0.9
Payment of finance lease liabilities	**(0.3)**	(0.4)
Dividends paid	**(129.6)**	(108.5)
Net cash from financing activities	**(377.2)**	(369.0)
Net (decrease)/increase in cash and cash equivalents	**(63.3)**	104.3
Opening cash and cash equivalents	**102.3**	1.5
Effect of exchange rate fluctuations on cash held	**0.1**	(3.5)
Closing cash and cash equivalents (Note 8)	**39.1**	102.3

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The results for the financial year are for the 52 weeks to 29 January 2011 (last year 53 weeks to 30 January 2010) with the exception of Next Sourcing, Ventura and certain other activities which relate to the calendar year to 31 January.

Other than as described below, the condensed consolidated financial statements for the year ended 29 January 2011 have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union and the accounting policies set out in the Next plc Annual Report and Accounts for the year ended 30 January 2010.

The condensed consolidated financial statements are unaudited and do not constitute statutory accounts of the Company within the meaning of Section 434(3) of the Companies Act 2006. Statutory accounts for the year to January 2010 have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or (3) of the Companies Act 2006.

Going concern

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

Changes to accounting standards

IFRS 3 (Revised 2008) *Business Combinations* applies to any acquisitions which are made during or after the Group's financial year ending January 2011. Acquisitions made prior to that date are not affected. The Group has not yet made any acquisitions which are affected by the revised accounting standard.

The most significant change to the Group's accounting policies as a consequence of the revised standard is that any changes to the cost of an acquisition, including contingent consideration, resulting from events after the date of acquisition are recognised in the income statement. Previously, such changes resulted in an adjustment to goodwill.

The adoption of IFRS 3 (revised 2008) has not resulted in any changes to any assets, liabilities, income or expenditure as previously reported by the Group. For acquisitions made prior to 31 January 2010, any adjustments to contingent consideration will continue to be accounted for under IFRS 3 (2004) as an adjustment to goodwill.

2. Segmental analysis

The Group's operating segments under IFRS 8 have been determined based on the management accounts reviewed by the Board of Directors. The Board assesses the performance of the operating segments based on profits before interest and tax, excluding equity settled share option charges recognised under IFRS 2 and unrealised foreign exchange gains or losses on derivative instruments.

	External revenue		Internal revenue		Total revenue	
Year to January	**2011**	2010	**2011**	2010	**2011**	2010
	£m	£m	**£m**	£m	**£m**	£m
Next Retail	**2,222.1**	2,274.2	**6.4**	5.2	**2,228.5**	2,279.4
Next Directory	**935.5**	873.2	**-**	-	**935.5**	873.2
Next International	**67.3**	64.2	**-**	-	**67.3**	64.2
Next Sourcing	**4.1**	3.5	**505.7**	529.9	**509.8**	533.4
Next Brand	**3,229.0**	3,215.1	**512.1**	535.1	**3,741.1**	3,750.2
Ventura	**156.0**	145.6	**4.6**	4.3	**160.6**	149.9
Property Management	**6.9**	6.3	**186.5**	181.9	**193.4**	188.2
Total segment revenues	**3,391.9**	3,367.0	**703.2**	721.3	**4,095.1**	4,088.3
Other	**61.8**	39.5	**4.4**	2.8	**66.2**	42.3
Eliminations	**-**	-	**(707.6)**	(724.1)	**(707.6)**	(724.1)
	3,453.7	3,406.5	**-**	-	**3,453.7**	3,406.5

	Segment profit	
Year to January	**2011**	2010
	£m	£m
Next Retail	**328.8**	324.0
Next Directory	**221.9**	183.6
Next International	**5.8**	1.2
Next Sourcing	**26.7**	35.7
Next Brand	**583.2**	544.5
Ventura	**8.0**	6.0
Property Management	**2.3**	0.3
Total segment profit	**593.5**	550.8
Other activities (including central costs)	**(10.9)**	(13.2)
Share option charge	**(11.8)**	(9.4)
Unrealised foreign exchange gain	**2.2**	0.7
Trading profit	**573.0**	528.9
Share of results of associates	**1.8**	0.9
Finance income	**0.9**	0.8
Finance costs	**(24.3)**	(25.3)
Profit before tax	**551.4**	505.3

3. Earnings per share

	Year to January 2011	Year to January 2010
Profit after tax attributable to equity holders of the parent company (£m)	**401.1**	364.1
Weighted average shares in issue (m)	**185.0**	196.6
Weighted average shares held by ESOT (m)	**(4.3)**	(3.5)
Weighted average shares for basic EPS (m)	**180.7**	193.1
Basic earnings per share (p)	**221.9**	188.5
Weighted average shares for basic EPS (m)	**180.7**	193.1
Weighted average dilutive potential shares (m)	**4.6**	3.1
Weighted average shares for diluted EPS (m)	**185.3**	196.2
Diluted earnings per share (p)	**216.5**	185.6
Weighted average shares for basic EPS (m)	**180.7**	193.1
Weighted average share options outstanding (m)	**13.6**	13.7
Weighted average shares for fully diluted EPS (m)	**194.3**	206.8
Fully diluted earnings per share (p)	**206.5**	176.0

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

Diluted earnings per share is based on the weighted average number of shares used for the calculation of basic earnings per share as increased by the dilutive effect of potential ordinary shares. Dilutive potential ordinary 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.

Fully diluted earnings per share is used for the purposes of the Share Matching Plan and is based on the weighted average number of shares used for the calculation of basic earnings per share increased by the weighted average total employee share options outstanding during the period. The profit figure used for the calculation is the same as for basic and diluted earnings per share, with no adjustments for interest income that would arise on proceeds from exercise of these options.

4. Share purchases

During the year to January 2011, the Company purchased for cancellation 9,954,115 of its own ordinary shares of 10p each in the open market at a total cost of £205.4m. Of these, 3,635,706 shares were purchased under the irrevocable close season buyback agreement to which the Company was party at 30 January 2010.

4. Share purchases (continued)

On 26 April 2010 the Company issued 6,897 ordinary shares of 10p each to an employee in settlement of an LTIP award. On 29 January 2011 the Company had 181,221,387 shares in issue.

At 29 January 2011 the Company was party to an irrevocable close season buyback agreement for the purchase for cancellation of a maximum of 1,400,000 of its own ordinary shares of 10p each. As at 9 March 2011 the Company had subsequently purchased and cancelled all 1,400,000 shares under this agreement at a total cost of £28.0m.

In addition, during the year to January 2011, the ESOT purchased 4,825,000 Next plc ordinary shares of 10p each at a total cost of £100.3m. At 29 January 2011 the ESOT was party to off-market contingent purchase contracts for a maximum of 725,000 Next plc shares at a maximum total cost of £15.3m.

At 29 January 2011 the ESOT held 6,392,633 (2010: 3,638,271) ordinary shares of Next plc.

5. Other financial assets and liabilities

Other financial assets and other financial liabilities comprise the fair value of derivative contracts which the Group uses to manage its foreign currency and interest rate risks. At 29 January 2011, other current financial liabilities also included a total of £45.6m arising under irrevocable close season buyback agreements entered into by the Company and contingent purchase contracts for the purchase by the ESOT of shares in Next plc.

6. Retirement benefit plans

The net pension position reported under IAS 19 for the defined benefit section of the Next Group Pension Plan (the "Plan") has changed from a £49.5m deficit at January 2010 to a £55.7m surplus at January 2011 as a result of the following:

Based on updated full membership data, there was a decrease in the calculated value of the Plan liabilities, primarily due to rates of increase of salaries and pensions in payment being lower than had previously been assumed. In addition, actual returns on Plan assets were greater than the expected returns assumed at January 2010.

As part of the Group's risk management strategy for the liabilities arising under the Plan, certain pensioner liabilities were subject to a buy-in arrangement on 2 August 2010. Under the terms of this arrangement, the Plan paid £124m to an insurance company and will in return receive annuity payments equal to the monthly pensions then in payment. This eliminates the Plan's exposure to the interest, inflation and longevity risks associated with these pensioner members. The buy-in had no impact on the reported profits of the Group for the year to January 2011, or the liabilities of the Plan as calculated under IAS 19. The income stream receivable under the annuity payments became an asset of the Plan with a value equal to the related liabilities under IAS 19. As this was less than the cash cost of the buy-in, the transaction reduced the reported assets of the Plan by approximately £15m. In order to mitigate this reduction and facilitate the buy-in transaction, Next paid a contribution of £40m to the Plan on 16 August 2010.

7. Other non-current liabilities

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

8. Analysis of net debt

	January 2010 £m	Cash flow £m	Other non-cash changes £m	**January 2011 £m**
Cash and short term deposits	107.0			**49.3**
Overdrafts	(4.7)			**(10.2)**
Cash and cash equivalents	102.3	(63.3)	0.1	**39.1**
Unsecured bank loans	-	(115.0)	-	**(115.0)**
Corporate bonds	(520.9)	51.3	(1.6)	**(471.2)**
Fair value hedges of corporate bonds	19.5	-	(2.1)	**17.4**
Finance leases	(1.0)	0.3	-	**(0.7)**
Total net debt	(400.1)	(126.7)	(3.6)	**(530.4)**

It is intended that the recommended final dividend will be paid on 1 July 2011 to shareholders registered on 27 May 2011. The Annual General Meeting will be held at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester, LE19 1SW on Thursday 19 May 2011. The Annual Report and Accounts will be sent to shareholders by 13 April 2011 and copies will be available from the Company's registered office: Desford Road, Enderby, Leicester, LE19 4AT and on the Company's website at www.nextplc.co.uk.

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

Certain statements which appear in a number of places throughout this announcement may constitute "forward looking statements" which are all matters that are not historical facts, including anticipated financial and operational performance, business prospects and similar matters. These forward looking statements are identifiable by words such as "aim", "anticipate", "believe", "budget", "estimate", "expect", "forecast", "intend", "plan", "project" and similar expressions. These forward looking statements reflect Next's current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any such forward looking statements are subject to various 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; lack of sufficient consumer interest in Next Directory; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial and equity markets. These forward looking statements do not amount to any representation that they will be achieved as they involve risks and uncertainties and relate to events and depend upon circumstances which may or may not occur in the future and there can be no guarantee of future performance. Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. Next do 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.