

next plc

**Results for the
Year Ending
January 2018**

CHAIRMAN'S STATEMENT

I joined the Board of NEXT just over a year ago and became Chairman in August 2017. I am enjoying working with the Board and have been impressed by the passion and commitment shown by the Executive Board and all the employees of NEXT.

As anticipated, the year to January 2018 was challenging for NEXT and, in line with our January 2018 guidance, Earnings Per Share declined by -5.6% to 416.7p. We are proposing a final ordinary dividend of 105p taking the total ordinary dividend to 158p, flat on last year.

NEXT Retail full price¹ sales declined by -7.0% and Online² full price sales increased by +11.2%. Total³ Group sales of £4.1bn were marginally down on last year by -0.5%.

Despite difficult trading conditions, cash flow remained strong and we returned £586m to shareholders through a combination of ordinary dividends (£224m), special dividends (£256m) and share buybacks (£106m). During the year we purchased 2.2m shares at an average price of £48.81 and reduced our shares in issue by 1.5%.

We have continued to invest in the business, spending £104m on new stores, warehousing and systems. Net debt increased to £1,002m from £861m driven mainly by the sales growth in nextpay, our online credit business. Net debt remains well within our bond and bank facilities of £1.4bn.

Michael Law, our Group Operations Director who has been with NEXT for 23 years, retires from the Board at the AGM in May. Michael has made a huge contribution to the Group, in particular leading the transformation of our Warehousing, Logistics and Systems operations. On behalf of the Board, I would like to thank Michael for his outstanding service. I am delighted to announce Richard Papp, our Group Merchandise Director with 25 years' service at NEXT, will succeed Michael on the Board as Group Merchandise and Operations Director.

The continued strength of the Group is built on the hard work and dedication of all the people who work for NEXT. I would like to thank them all for their contribution, especially for the determination and commitment they have shown during this demanding year.

Even though the wider economy, clothing market and High Street look set to remain challenging, at our central guidance for the year ahead, Earnings Per Share will modestly move forward. The Board continues to be focused on building shareholder value through the delivery of long term sustainable growth in Earnings Per Share. Our core strategy remains unchanged, focused on our products, our profitability and returning surplus cash to our shareholders.

Michael Roney
Chairman

¹ Full price sales are total sales, excluding items sold in our mid-season or end-of-season Sale events and our Clearance operations. They include interest income relating to those sales.

² Formerly known as NEXT Directory.

³ Total sales are VAT exclusive sales including the full value of commission based sales and interest income (refer to Note 1 of the financial statements).

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION & DOCUMENT STRUCTURE

INTRODUCTION

In many ways 2017 was the most challenging year we have faced for twenty-five years. A difficult clothing market coincided with self-inflicted product ranging errors and omissions. At the same time, the business has had to manage the costs, systems requirements and opportunities of an accelerating structural shift in spending from retail stores to online. In the end our profits were in line with the forecast we issued in January 2017 and the Company goes into the coming year in good financial health.

Whilst it has been an uncomfortable year it has also prompted us to take a fresh look at almost everything we do: from the structure of our store portfolio, the in-store experience and the generation of alternative retail revenue streams, the management of our cost base, our sourcing and buying methods, stock management and, most importantly, our online systems, marketing and fulfilment platform. As a result of these endeavours, many challenges and opportunities have emerged.

STRUCTURE OF THIS DOCUMENT

We have structured this document to give readers: (1) a clear and detailed picture of the financial performance of the Company, (2) an analysis of the cyclical and structural changes affecting the business and our plans to respond to these challenges and (3) our guidance for the year ahead. An overview of each of these sections is set out in the table below:

SECTION		DESCRIPTION	
PART 1	Review of Financial Performance	<i>p5</i>	This section gives a detailed description of the Group's financial performance by business division (Retail, Online and Other Activities). It also gives the structure of the Group's balance sheet, financing and cash flows.
PART 2	Strategic Response to a Changing Market	<i>p20</i>	This section describes the structural and cyclical changes affecting our industry and our thoughts as to how these trends will develop in the year ahead. This section also gives a flavour of some of our plans to address the challenges and harness the opportunities of the current environment.
PART 3	Sales and Profit Guidance for the Year Ahead	<i>p42</i>	This section gives our guidance for full price sales , profits and Earnings Per Share for the year ahead.

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PART 1

REVIEW OF FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE – KEY NUMBERS

NEXT Brand full price sales for the year were up **+0.7%** and total sales (including markdown) were down **-0.6%** on last year. In line with the guidance we gave in our Christmas trading statement, Group profit before tax was down -8.1% and Earnings Per Share (EPS) were down **-5.6%**.

During the year we have changed the cost allocation between our Retail and Online businesses. The aim is to reflect more accurately the costs of fulfilling Online orders through our shops. Prior year operating profit for Retail and Online has been restated throughout this report for comparison; there is no change to total Group operating profit, refer to page 6.

We are proposing an ordinary dividend of 105p per share, making **158p** in total for the year, which is in line with last year and covered 2.6 times by EPS.

TOTAL SALES excluding VAT	Jan 2018	Jan 2017	
	£m	£m	
NEXT Retail	2,123.0	2,304.6	- 7.9%
NEXT Online	1,887.4	1,728.5	+9.2%
NEXT Brand	4,010.4	4,033.1	- 0.6%
Other	107.1	103.7	
Total NEXT Group sales	4,117.5	4,136.8	- 0.5%
Statutory Revenue	4,055.5	4,097.3	

PROFIT and EPS	Jan 2018	Jan 2017	
	£m	Restated £m	
NEXT Retail	268.7	353.3	- 24.0%
NEXT Online	461.2	429.5	+7.4%
NEXT Brand	729.9	782.8	- 6.8%
Other	30.0	44.9	
Operating profit	759.9	827.7	- 8.2%
Net interest	(33.8)	(37.5)	
Profit before tax	726.1	790.2	- 8.1%
Taxation	(134.3)	(154.9)	
Profit after tax	591.8	635.3	
EPS	416.7p	441.3p	- 5.6%
Ordinary dividends per share	158.0p	158.0p	0.0%

NOTE ON COST ALLOCATION

With Retail profitability increasingly under the microscope it has become more important to correctly allocate costs between Retail and Online. Our analysis of cost recharges between the two businesses identified that there was a significant shortfall in the amount that Retail was recharging for the cost of fulfilling Online orders in store. The under charge was £14.6m.

Prior year operating profit for Retail and Online has been restated throughout this report for comparison; there is no change to total Group operating profit. The table below sets out the change made between the two businesses and the corresponding effect on their 2016/17 net operating margins.

Activity	Explanation	Value £m	Effect on Retail margin	Effect on Online margin
Handling Online orders and returns in Retail stores.	Cost per parcel increased from 57p to 89p to reflect total staffing requirements including management costs.	14.6	+ 0.6%	- 0.9%

NEXT, Gateshead Metrocentre



NEXT RETAIL

RETAIL SALES AND PROFIT ANALYSIS

Total Retail sales reduced by -7.9% and full price sales were down -7.0%. Net new space contributed +2.0% to total sales growth. As expected, our Retail business has had a particularly difficult year and profits fell -24.0%, as shown in the table below.

£m	Jan 2018	Jan 2017 ⁴	
Retail total sales	2,123.0	2,304.6	- 7.9%
Retail operating profit	268.7	353.3	- 24.0%
Retail net margin	12.7%	15.3%	

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

Net operating margin on total sales last year - restated		15.3%
Bought-in gross margin	Improved underlying bought-in gross margin has added +0.1% to margin.	+0.1%
Markdown	Stock for Sale was down -9% with markdown sales down -15.5%. Reduced clearance rates lowered margin by -0.3%.	- 0.3%
Stock loss	The Sterling value of branch stock loss was in line with last year, but as a result of falling sales, was a larger percentage of turnover.	- 0.1%
Store payroll	Productivity initiatives more than offset increases in rates of pay.	+0.2%
Store occupancy	Falling sales increased fixed costs as a percentage of sales. Underlying rental inflation was negligible at 0.4%.	- 1.7%
Warehouse & distribution	Falling sales increased fixed costs as a percentage of sales; this has been partially offset by cost saving initiatives in our distribution network.	- 0.2%
Central overheads	Central overheads increased as a percentage of sales.	- 0.6%
Net operating margin on total sales this year		12.7%

Based on our central guidance for the year ahead we expect Retail margins in 2018/19 to reduce from 12.7% to around 10%, mainly as a result of lower like-for-like⁵ sales.

⁴ 2016/17 net operating profit and margin has been restated, refer to page 6.

⁵ Change in sales from stores which have been open for at least one year.

RETAIL SPACE EXPANSION

Net trading space increased by 51,000 square feet this year, taking our portfolio to 8.0m square feet. In September 2017 we forecast our trading space to increase by 85,000 square feet. However, this estimate included two large stores that were planned to open in 2017 which are now expected to open in 2018.

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

	Store numbers	Sq. ft. ('000)	
January 2017	538	7,978	
New stores	+7	+70	
Extensions (4), re-sites (11)	-	+143	
Closed (14), re-sites (3)	- 17	- 162	
January 2018	528	8,029	+0.6%

The profitability⁶ of the portfolio of stores opened or extended in the last 12 months is forecast to be 21% of VAT inclusive sales and payback on the net capital invested is expected to be 24.8 months. The forecast performance of the portfolio of stores opened during the year is set out in the table below:

Performance of new store portfolio

Sales versus target	- 1.5%
Profitability of new store portfolio	21%
Payback on net capital invested	24.8 months

The new store portfolio marginally missed its sales target, largely because many of the targets were set some time ago at the point we negotiated terms for these properties; a time when prospects for retail stores were more benign. Payback is forecast to be slightly higher than our 24 month goal.

Of the 17 store closures, three were as a result of consolidating two stores into one location. As set out in the table below, the remaining 14 stores made an average 12% profit (before central overheads). Excluding the one store which was subject to a compulsory purchase, the average profitability of the stores was 9%. We would not necessarily actively seek to close stores making a 9% margin however we would rarely agree to a new lease at these levels of profit.

Reason for closure	No. of stores	Profit £m	Profit %
Compulsory purchase	1	0.8	24%
Lease end	11	1.7	10%
Sublet	2	0.2	8%
Total	14	2.7	12%

During 2018, we expect to increase net trading space by around 100,000 square feet; this estimate is based on planned closures and on lease terms currently contracted or under offer.

⁶ Store profit refers to net branch contribution. Net branch contribution is defined as profit before central overheads and is expressed as a percentage of VAT inclusive sales.

NEXT ONLINE

ONLINE SALES PERFORMANCE

Total Online sales grew by +9.2%, with full price sales growth of +11.2%. The table below shows the growth in full price sales for each element of the Online business. Full price sales in the UK grew by +8.6% and our overseas business grew by +25.5%. The table on the right shows Online performance split between the first and second half of the year, highlighting the significant improvement in UK NEXT Brand sales in the second half. Overseas sales, on a constant currency basis, grew by +13% in the first half and +8% in the second half.

Full price sales growth	£m	% var	H1	H2
NEXT Brand UK	+16	+1.6%	- 4.1%	+6.9%
LABEL UK	+92	+42.7%	+40.6%	+44.8%
Total UK	+108	+8.6%	+3.1%	+13.6%
Overseas	+59	+25.5%	+30.7%	+20.8%
Total	+167	+11.2%	+7.4%	+14.7%

ONLINE CUSTOMER BASE

Average active customers⁷ increased by +4% to 4.9 million, driven by the growth in overseas and UK 'cash' customers (those who do not use our credit account, **nextpay**, when ordering). The table below sets out the growth in the respective parts of our customer base.

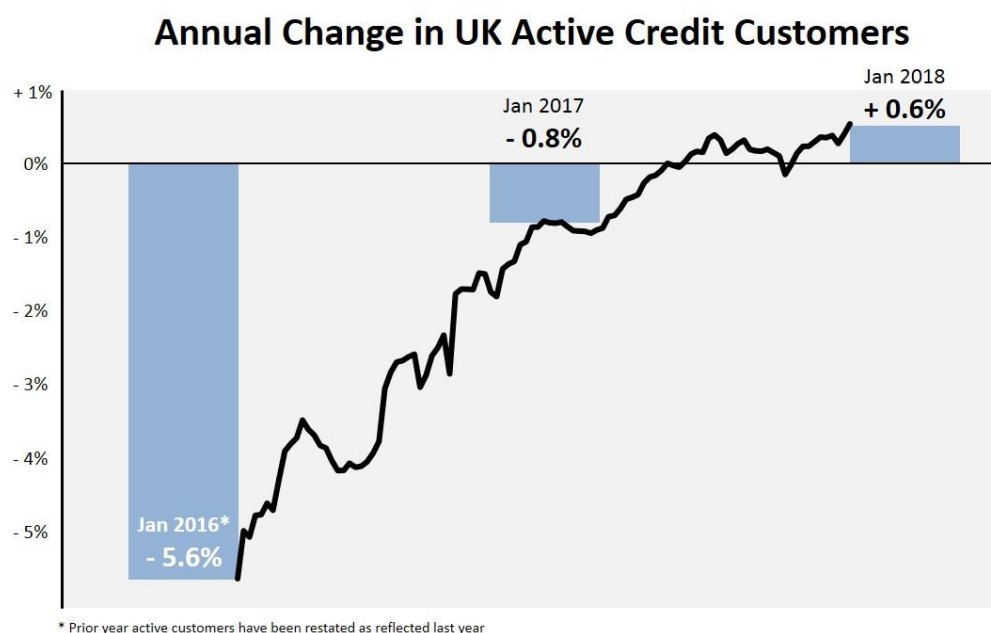
Average active customers (m)	Jan 2018	Jan 2017	
UK credit account	2.49	2.50	+0%
UK cash	1.50	1.38	+8%
Total UK	3.99	3.88	+3%
Overseas	0.94	0.85	+10%
Total	4.93	4.73	+4%

⁷ Active customers are defined as those who have placed an Online order or received a standard account statement in the last 20 weeks.

INCREASING STABILITY OF OUR CREDIT CUSTOMER BASE

The chart below shows that, two years ago, our credit customer base was in decline. We closed the year ending January 2016 with credit customers down -5.6%. Since then, we have re-launched our credit account as nextpay and actively promoted it to our 'cash' customers. As at January 2018, credit customers were up +0.6% on the prior year.

We are pleased with progress made to date and feel more confident about maintaining stability in our credit customer base going forward.



The table below shows the relationship between the number of active credit customers and credit sales. As can be seen, the increase in credit sales has been entirely driven by an increase in sales per customer. We believe this has been driven by a combination of the re-launch of nextpay, the introduction of NEXT Unlimited and investment in the functionality of our website.

	Jan 2018	Jan 2017	
Average active credit customers	2.49m	2.50m	- 0%
Online credit sales (VAT ex.) per active customer	£454	£419	+8%
Average balance per customer	£441	£414	+7%

ONLINE PROFIT ANALYSIS

Total Online sales grew by +9.2% and profit grew by +7.4%, as shown in the table below.

£m	Jan 2018	Jan 2017 ⁸	
Online total sales	1,887.4	1,728.5	+9.2%
Online operating profit	461.2	429.5	+7.4%
Online net margin	24.4%	24.8%	

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

Net operating margin on total sales last year - restated		24.8%
Bought-in gross margin	Improved underlying NEXT bought-in gross margin added +0.2%. International margin has benefited from favourable exchange rates, adding +0.2% to margin. This has been offset by an increase in third-party branded sales, which reduced profitability by -1.0%.	- 0.6%
Markdown	Stock for Sale was up +5.2% with markdown sales down -0.7%. Reduced clearance rates lowered margin by -0.2%.	- 0.2%
Interest income	Credit sales have not grown as fast as total sales, reducing margin by -0.2%. In addition, interest free promotions have further reduced margin by -0.1%.	- 0.3%
Warehouse & distribution	Under normal circumstances we would expect to gain some leverage over warehouse fixed costs. However growth in overseas sales increased our distribution costs and capacity pressures in the run up to Christmas increased operational costs.	+0.0%
Catalogues and mailshots	Production of fewer catalogues and printed mailshots has increased margin by +0.8%. Photography savings have reduced, increasing margin by +0.2%.	+1.0%
Online marketing	Investment in digital marketing means costs have grown faster than sales.	- 0.3%
Systems	Investment in online systems software and development has reduced margin.	- 0.2%
Central overheads	Central overheads have not grown as fast as sales, increasing margin by +0.2%.	+0.2%
Net operating margin on total sales this year		24.4%

Based on our central guidance for the year ahead, we expect Online margins in 2018/19 to increase from 24.4% to around 25%, mainly as a result of our fixed cost base not growing in line with sales.

⁸ 2016/17 net operating profit and margin has been restated, refer to page 6.

ONLINE OVERSEAS

Online Overseas continues to trade well. Full price sales for the year were up +26% and up +10% on a constant currency basis. Margin also improved to 22%, mainly as a result of efficiencies achieved through our overseas distribution hubs. Our German hub now services 14 countries in Continental Europe.

Overseas sales are achieved through our own website nextdirect.com and via third-party websites. Growth by each channel is set out in the table below.

Total Sales £m	Jan 2018	Jan 2017	
Nextdirect.com	265	211	25%
Third-party sites	30	23	35%
Total overseas sales	295	234	26%

The functionality of our overseas website has not yet benefited from many of the improvements we have made to the UK site. We intend to roll out many of the successful changes that have been deployed in the UK. These improvements include: better mobile functionality, retaining and promoting abandoned baskets, improved registration/checkout and intelligent recommendations.

In the year ahead, we expect full price sales on a constant currency basis to be up +8%, and in Pounds Sterling up +10%.

Sales and Profit

The table below sets out the last four years' sales, profits and net margins in Pounds Sterling for Online Overseas, along with an estimate for the year ahead.

£m	Jan 2015	Jan 2016	Jan 2017	Jan 2018	Jan 2019 (e)
Total sales	163	197	234	295	325
Operating profit ⁹	30	31	46	65	71
Net margin	18%	16%	20%	22%	22%

⁹ Operating profit for 2017/18 and 2018/19 now includes an allocation of central overheads and markdown costs. This cost allocation reduces overseas profitability by 3%.

LABEL

LABEL has had a strong year with full price sales up +43% and total sales (including markdown sales) up +40%. Growth has been driven predominantly through existing partner brands where we have successfully increased our breadth of offer and improved stock availability.

LABEL sales are achieved on both a wholesale and commission basis; sales by these channels are set out in the table below.

Total sales £m	Jan 2018	Jan 2017	
Wholesale	151	125	+21%
Commission	139	81	+72%
Total LABEL sales	290	206	+40%

Nearly half of our third-party branded business is now sold on a commission basis (for the purposes of this section we include Lipsy sales as a third-party branded business). Although we make lower net margins on the commission model, we encourage brand partners to adopt it because we believe that, in the long run, it will generate higher sales growth, a belief reinforced by our sales performance.

During the year and looking ahead, we have been working closely with our brand partners to simplify the process of working with LABEL. We are developing our stock systems to enable brand partners to directly manage their stock into our warehouse and onto our website.

Our aim is for LABEL to be the most profitable route to market for our commission brand partners and for the relationship between our businesses to be based on mutual trust and transparency.

Sales and Profit

The table below sets out the last four years' sales, profits¹⁰ and net margins for LABEL, along with our estimate for the year ahead.

£m	Jan 2015	Jan 2016	Jan 2017	Jan 2018	Jan 2019 (e)
Total sales	145	180	206	290	375
Operating profit	20	22	34	50	64
Net margin	14%	12%	16%	17%	17%

In the year ahead, we expect full price sales to be up +30% and net margin to remain in line with the previous year at 17%. This forecast is flattered by the fact that it includes c.£10m of Lipsy & Co. full price sales, previously taken via the lipsy.co.uk website. Following the closure of the lipsy.co.uk website in February 2018, these orders and sales will be routed through next.co.uk and reported within LABEL.

¹⁰ Sales and profit referred to in this section exclude interest income on LABEL items purchased on a nextpay account.

OTHER BUSINESS ACTIVITY

NEXT SOURCING

NEXT Sourcing (NS) is our internal sourcing agent, which procures around 40% of NEXT branded product. In common with the wider manufacturing sector, NS experienced pressure on its margins during the year. NS sales were down -10% in US Dollars, mainly as a result of the reductions in the Dollar cost prices NEXT has negotiated across its supply base.

Falling sales and increased investment in product design meant net margin fell by -1.4% to 6.0%.

The profit impact in Pounds Sterling was partially mitigated by the stronger Dollar. The table below sets out the performance of the business in Sterling and in Dollars.

	Jan 2018 £m	Jan 2017 £m		Jan 2018 USD m	Jan 2017 USD m	
Sales (mainly inter-company)	554.4	605.2	- 8%	726.3	811.0	- 10%
Operating profit	33.0	44.7	- 26%	43.2	59.9	- 28%
Net margin	6.0%	7.4%		6.0%	7.4%	
Exchange rate	1.31	1.34				

We are anticipating that NS will have another challenging year in 2018/19. We expect NS to make around \$40m profit, a decline of -7% on the year to January 2018. At our 2018/19 costing rate¹¹ this would equate to a profit of around £31m in Pounds Sterling, down -£2m on 2017/18.

LIPSY

Lipsy is a wholly owned subsidiary managed from its headquarters in London by an independent management team. Lipsy sells product through a number of different channels, including the NEXT website and NEXT Retail stores. Sales through NEXT are sold on a 50:50 profit share basis and reported through Online and Retail respectively. The working relationship between NEXT Online and Lipsy is very similar to the way LABEL works with commission brands. The table below sets out Lipsy's total sales performance by distribution channel.

Sales £m	Jan 2018	Jan 2017	
Wholesale	8.5	11.9	
Franchise	4.2	4.1	
Lipsy stand-alone retail stores	1.1	2.2	
Lipsy.co.uk	10.4	8.9	
Total Lipsy sales	24.2	27.1	- 11%
Lipsy sales through NEXT Retail (reported in NEXT Retail)	14.6	16.5	- 12%
Lipsy sales through NEXT Online (reported in NEXT Online)	76.1	47.0	+62%
Total sales	114.9	90.6	+27%

Lipsy has continued to reduce its UK wholesale business which is less profitable than (and competes with) its other sales channels. This has been more than offset by increased sales through NEXT Online.

¹¹ Details of Costing rates can be found on page 22.

Operating profit excluding acquisition costs was £12.3m which was up +39% on last year. Net operating profit including acquisition costs was £6.0m, up +9% on last year.

In the year ahead, we are forecasting net operating profit of around £11m; an increase of £5m. This estimated increase is due to a combination of sales growth (+24%) and cost savings associated with the closure of the Lipsy.co.uk website.

INTERNATIONAL RETAIL AND FRANCHISE STORES

Our franchise partners currently operate 194 stores in 32 countries. During the year our partners opened eight new stores and sales have increased by +7.8%. Revenue and profit are set out below.

£m	Jan 2018	Jan 2017	
Franchise income ¹²	55.7	51.6	
Own store sales	11.5	12.1	
Total revenue	67.2	63.7	+5%
Operating profit	7.7	9.3	- 17%

Profit has reduced due to franchise partners lowering their local selling prices (which reduced the royalty we received) and the impairment of assets in six of our overseas stores.

NON-TRADING ACTIVITIES

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

£m	Jan 2018	Jan 2017
Central costs and employee share schemes	(20.2)	(22.5)
Property management	3.6	6.8
Unrealised foreign exchange	(1.1)	0.1
Associate	1.0	1.0
Total	(16.7)	(14.6)

The reduction in central costs reflects the release of a provision against a legal claim in the current year. The reduction in profit in property management is driven by an increase in our onerous lease provisions of £4m, mainly driven by two London stores.

PENSION SCHEME

On the IFRS accounting basis, our defined benefit schemes have moved from £63m surplus at January 2017 to £106m surplus at January 2018. This is primarily due to the impact of returns on investments within the schemes.

A full actuarial valuation of our defined benefit pension scheme was undertaken as at 30 September 2016. The technical funding position was a surplus of £37m when rolled forward to 31 December 2017.

¹² Franchise income is a combination of royalties or commission added to cost of goods sold to franchise partners.

COST INFLATION AND COST CONTROL

In the year to January 2018, cost increases of £44m have been largely offset with cost savings of £38m. The tables below outline the main contributors to cost increases and cost savings over the last year. Cost control remains at the heart of the business and we remain determined that cost savings must come through innovation and efficiency, rather than any compromise to our product quality or services.

The net increase in our costs was £8m higher than we anticipated at the half year. This is mainly due to the additional costs we incurred in our warehouses in the run up to Christmas as we began to run into capacity constraints. Operationally we were able to serve our customers, however the cost of providing our normal service was high.

COSTS AND SAVINGS FOR THE YEAR ENDING JANUARY 2018

Cost increases	£m
General wage inflation	12
Investment in online systems and marketing	11
Warehousing & distribution	8
Taxes (rates, Apprenticeship Levy, energy taxes)	4
National Living Wage	4
Onerous leases	4
Other increases	1
Total cost increases	44

Clearance costs	£m
Lower clearance rates of Sale stock	22

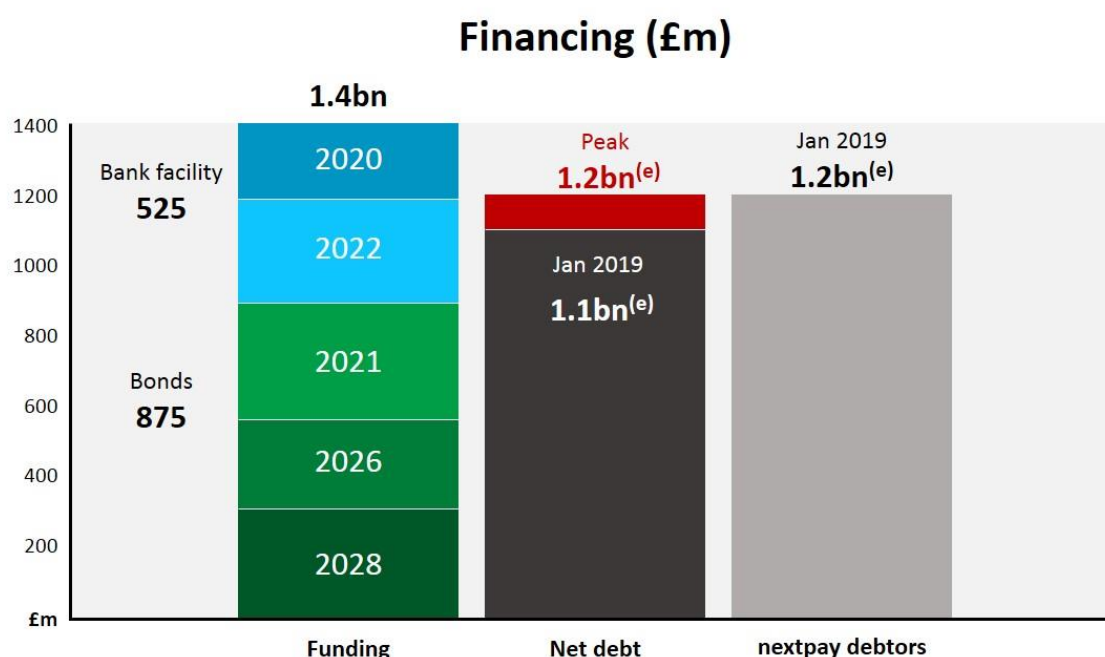
Cost savings	£m
Reduction in depreciation due to fully depreciated assets	11
Retail productivity and cost improvements	10
Brand marketing and catalogue creation	8
Interest payable on bonds and bank debt	4
Other savings	5
Total cost savings	38

NET DEBT AND FINANCING

Our year end net debt was £1,002m, which was £141m higher than last year. The entire value of the Company's net debt is more than matched by the value of our nextpay debtor book, a financial asset worth £1,117m.

In the year ahead we are forecasting continued sales growth from customers using our credit facility, nextpay. As a result we are forecasting nextpay debtors to increase by £110m. We will finance this increase through net debt which we expect to increase to around £1.1bn by January 2019.

Net debt, which is forecast to peak in the year ahead at around £1.2bn, is securely financed through a combination of bonds and committed bank facilities. At January 2018 our financing consists of £875m of bonds and £525m of committed bank facilities as set out in the chart below.



The Group maintains its objective of retaining investment grade status. The Group's current and estimated peak net debt is within the limit of investment grade status which we estimate to be around £1.5bn.

CASH FLOW

Cash generated in the year before interest, tax, depreciation and amortisation was £882m. Cash flow after non-discretionary outflows of taxation, interest and working capital was £663m. After investing in capital expenditure and paying ordinary dividends, the Group generated surplus cash of £335m.

In total, we returned £361m to shareholders through a combination of special dividends (£256m) and share buybacks (£105m¹³). Of the £105m of share buybacks, £79m related to surplus cash generated in 2017/18. A further £26m of buybacks were brought forward from surplus cash generation expected in 2018/19. During the year we purchased 2.2m shares at an average price of £48.81 and reduced our shares in issue at the start of the year by 1.5%.

The table below summarises our main cash flows in the year ended January 2018 and our forecast for the year ahead, based upon our central profit guidance. We expect to generate £300m of surplus cash (after interest, tax, capital expenditure and ordinary dividends). As outlined in our January 2018 trading statement, we intend to return £275m of remaining surplus cash (£300m surplus less £26m purchased in 2017/18) to shareholders through share buybacks, subject to market conditions.

£m	Jan 2018	Central guidance Jan 2019 (e)
Profit before Interest, Tax, Depreciation & Amortisation	882	866
Interest	(32)	(39)
Tax	(106)	(144)
Working capital and other	(81)	(38)
Discretionary cash flow	663	645
Capital expenditure	(104)	(130)
Ordinary dividends	(224)	(215)
Surplus cash	335	300
Financing additional Online debt	(115)	(110)
Special dividends	(256)	-
Share buybacks from cash generated Jan 2018	(79)	-
Share buybacks from cash generated Jan 2019	(26)	(275)
Movement in net debt	(141)	(85)

During February 2018, before the start of the closed period, we purchased 1.4m shares for cancellation at an average price of £49.23 and total cost of £69.1m. Based on our central guidance, this would leave a balance remaining of £206m to return to shareholders during 2018/19.

¹³ £106m of share buybacks were completed in the year; however £1m purchased had not been paid for at the year end.

INTEREST AND TAXATION

Interest paid in the year was £32m. However, as a result of timing differences the interest charged in the year ending January 2018 was £34m, a reduction of £3.7m on the prior year. This was primarily due to the prior year cost of double running Bonds ahead of maturity. We are budgeting for the interest charge next year to increase to £39m, due to higher net debt and interest rates.

Our full year tax rate of 18.5% is slightly lower than the headline UK corporation tax rate of 19.2% (for the corresponding time period) due mainly to closing previous years' open tax filings with HMRC and overseas tax differentials. The tax payment of £106m in the year included a tax refund from HMRC of £31m relating to overpaid corporation tax attributable to prior years. We expect our effective tax rate for the year ending January 2019 to be around 18.5%.

CAPITAL EXPENDITURE

As set out in the table below, capital expenditure this year was £104m, which is £57m lower than the prior year. This reduction was due to lower spend on retail space, including four large store projects (c.£12m) that were delayed until 2018. In addition, there was less spent on warehousing because last year we made a large investment in a new automated furniture warehouse.

£m	Jan 2018	Jan 2017
Retail space expansion	56	108
Retail cosmetic capex	22	11
Total capex on stores	78	119
Warehouse	11	28
Head Office infrastructure	6	10
Systems	9	4
Total capital expenditure	104	161

New retail space remains our biggest investment at £56m. Cosmetic capex of £22m is much higher than normal because it includes £12m for the refit of our store in the Arndale Centre, Manchester which includes a number of important concession trials.

The £5m increase in systems capital expenditure mainly relates to the investment in new RFID scanners for our stores. Expenditure on Head Office infrastructure reduced to £6m as we completed the three year programme to upgrade our central facilities.

In the year ahead we expect capital expenditure to be around £130m, an increase of £26m on the current year. Next year's capex includes additional investment in our Online warehouses in order to increase capacity to manage future Online sales growth.

ORDINARY DIVIDENDS

The Board has proposed a final ordinary dividend of 105p, to be paid on 1 August 2018 and taking the total ordinary dividends for the year to 158p, flat on last year. This is subject to approval by shareholders at the Annual General Meeting to be held on 17 May 2018. Shares will trade ex-dividend from 5 July 2018 and the record date will be 6 July 2018.

PART 2

STRATEGIC RESPONSE TO A CHANGING MARKET

THE CHALLENGES OF 2017 & OUTLOOK FOR 2018

OVERVIEW

2017 was challenging in several different ways. A weak clothing market coincided with self-inflicted product ranging errors and omissions, at the same time, the business has had to manage the costs, systems requirements and opportunities of an accelerating structural shift in spending from retail stores to online.

The next three sections deal with each of the above issues in turn: (1) the clothing market, (2) product ranging issues and (3) the structural shift online. Under each heading we set out what we feel the issues have been in 2017, how they have affected our business and a prognosis for the year ahead.

THE CLOTHING MARKET

During 2017 the clothing and homeware markets were adversely affected by the following economic factors:

- Unusually high **cost price inflation** meant we had to increase selling prices to maintain margins.
- A squeeze on **real incomes** as general inflation rose faster than average earnings put pressure on discretionary spending.
- A **sectorial shift** away from our core markets of clothing and homeware into leisure, entertainment and other experiential spending acted as a further drain on our revenues.

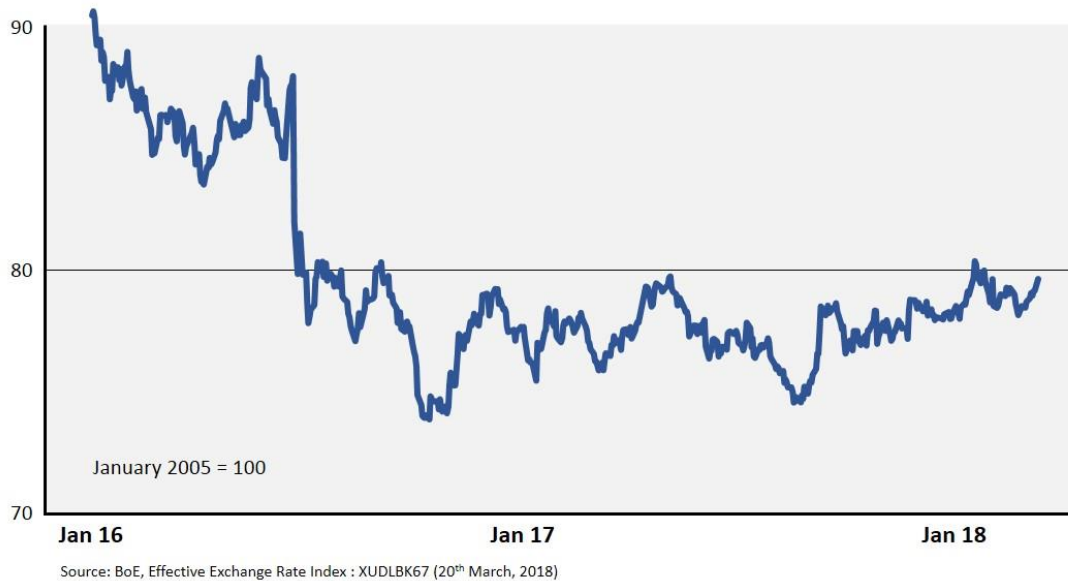
We believe that all of these factors are essentially **cyclical** and are likely, at some point, to reverse. The following three sections expand on each of the above.

Cost Price Inflation

2017 Experience

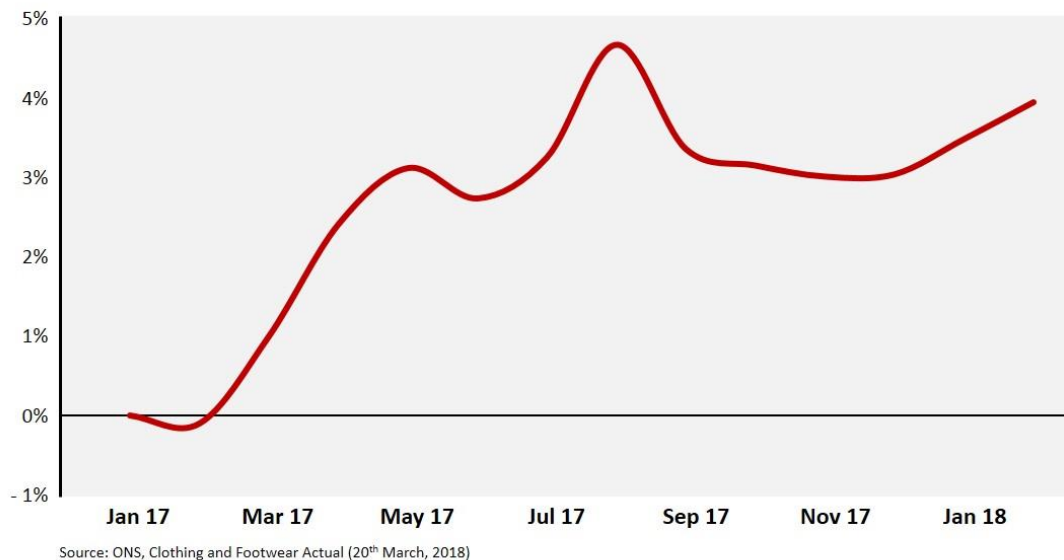
The following chart shows the trade weighted value of the Pound over the last two years. Since the sharp post-referendum correction in June 2016 the Pound has found a new level and appears to have stabilised around 11% lower than its level in January 2016.

GBP Effective Exchange Rate Index



We were able to mitigate much of the Pound's devaluation through negotiating better prices with existing suppliers and developing new sources of supply. NEXT's price increase of +4% was close to the inflation experienced in the UK clothing and homeware market as a whole (see graph below) and we have no evidence that our overall pricing has become less competitive as a result of last year's increases.

UK Total Market Clothing and Footwear Inflation



Outlook for Cost Price Inflation 2018 and Beyond

Looking ahead to 2018/19 the pricing environment is much more benign. The devaluation of the Pound has now worked its way through the system and we now have comparable year-on-year costing rates. The table below sets out the exchange rates we secured in Dollars (our most important trading currency) by buying season, the change versus the prior year and the corresponding price increases on like-for-like product.

Buying season	£/USD costing rate	vs Previous year	Average selling price variance
Spring & Summer 17	\$1.39	- 10%	+4%
Autumn & Winter 17	\$1.26	- 14%	+4%
Spring & Summer 18	\$1.26	- 9%	+2%
Autumn & Winter 18 (e)	\$1.32	+5%	0%
Spring & Summer 19 (provisional)	\$1.39	+10%	TBC

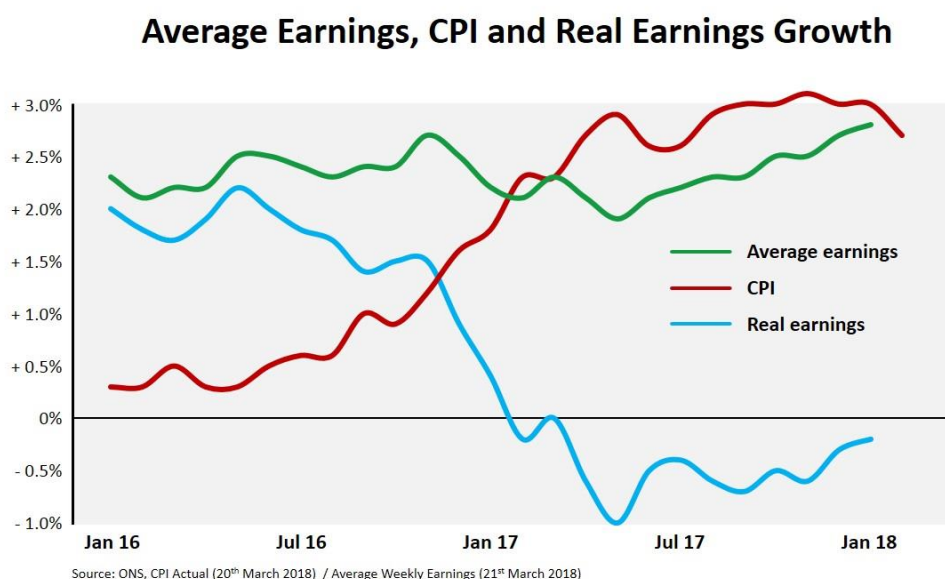
We have secured 98% of currency required for 2018/19 so our costing rates for the current year are fixed. Our provisional costing rate for Spring 2019 is 10% better than the current year, so we may see a return to modest price deflation as we move into 2019. If we do experience any improvement in cost prices it is our intention to pass on any benefit to our customers by way of lower prices.

Declining Real Incomes

Real Incomes in 2017

Real incomes in the UK declined as inflation in the wider economy overtook real earnings. Inevitably this placed pressure on our customers' discretionary spending as the price of essential goods rose faster than our customers' income.

The graph below shows the growth in average earnings and CPI inflation; the blue line shows the difference between the two numbers and is a measure of real income. Real incomes were in decline for almost all of 2017, albeit the decline moderated as we approached the end of the year.



Outlook for Real Income in the Year Ahead

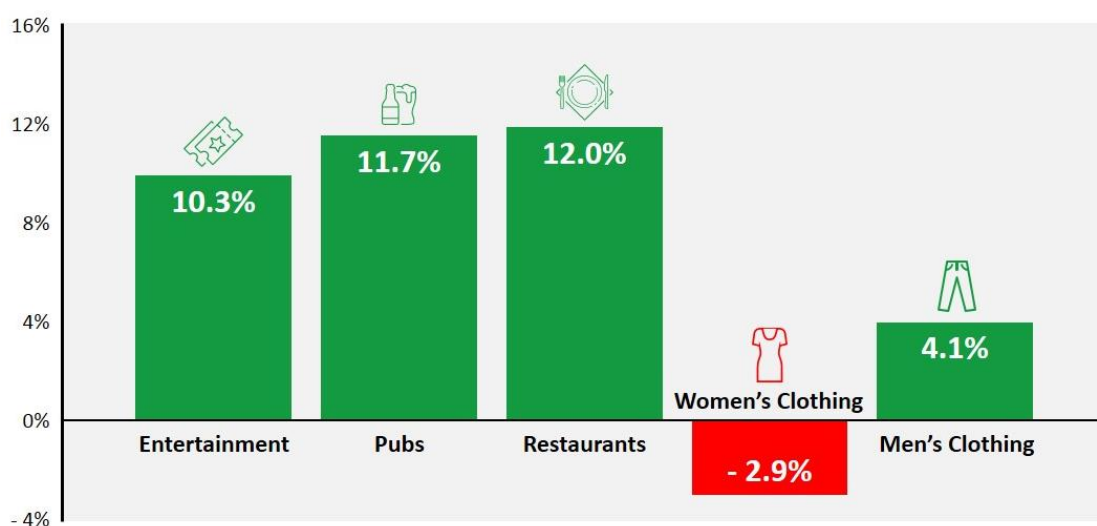
It appears that the easing of inflation in our own sector is being reflected in the wider economy, as other sectors benefit from stabilising currency rates. If that is the case and average nominal income growth remains at current levels, then we should expect to see little or no decline in real incomes during 2018.

Sectorial Shift

Since October 2016 we have seen a shift away from consumer spending on clothing and homeware into other more experiential spending sectors. The illustration below contrasts the spending on entertainment, pubs and restaurants with women's and men's clothing.

We believe that this shift has been driven partly by innovation, investment and change in experiential sectors. This is evidenced by the surge in choice and quality of streaming services, TV shows, restaurants, pubs, bars and other leisure destinations. At some point this cyclical effect will change, but consumer cycles are very hard to predict and can take a long time to reverse, so we are not anticipating any easing of this headwind in the year ahead.

Sector Growth 2017 vs 2016



Source: Average of monthly Barclaycard UK spend data from February 2017 to January 2018

PRODUCT RANGING

Issue and Timescale for Improvement

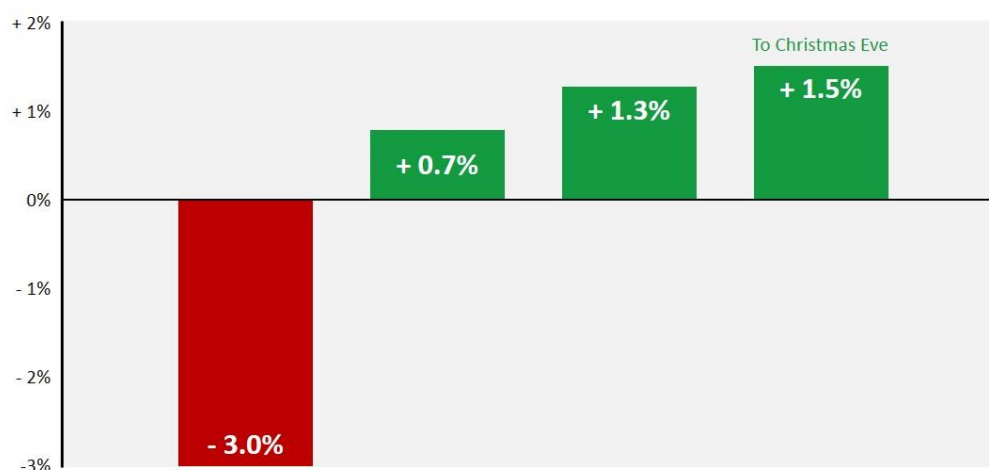
At our results presentation in March last year we talked about the mistakes we had made in our product ranges. In short, we had allowed our ranges to become too focused on more fashionable lines and omitted some of our easier-to-wear heartland product.

At that time we set out timescales for range improvement using the simplified graphic shown below. We believe that the improvements to our ranges were delivered in line with our forecast. Our quarterly full sales performance clearly reflects the progressive improvements to our ranges.



Graphic used in March 2017 to forecast timescales for range improvements

Full Price Sales by Quarter 2017/18



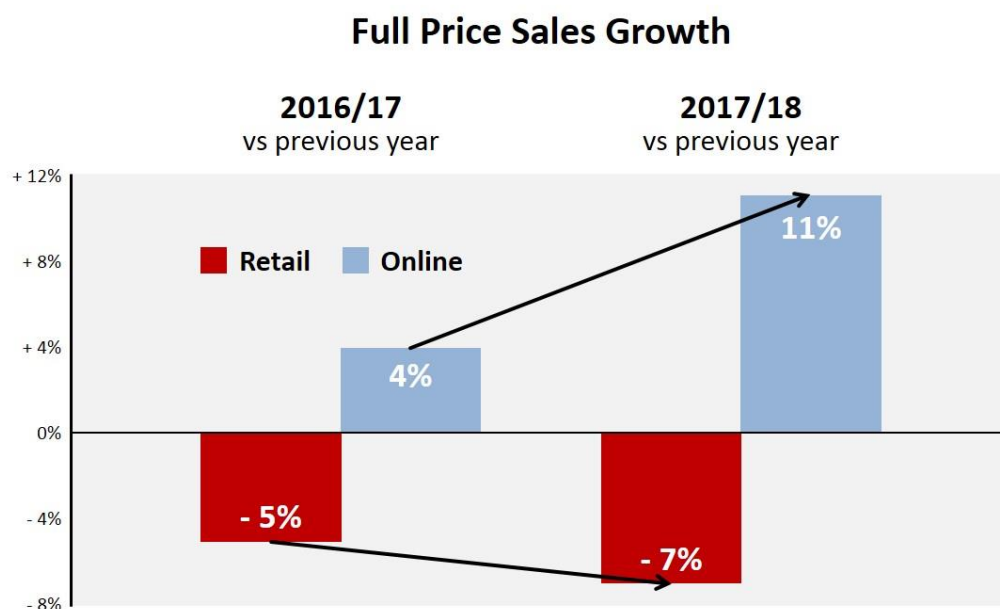
Brand full price sales performance as per NEXT PLC quarterly trading statements

Comparative Numbers and Effect on Sales in the Year Ahead

We are much happier with our ranges as we go into 2018 and expect sales performance in the first half to be flattered by the comparison with the mistakes of last year. This will be important to remember as we issue our trading statements throughout the year. Comparative numbers will harden as the year progresses so shareholders should not expect the performance of later quarters to be in line with the first quarter.

STRUCTURAL CHANGE – THE MOVE ONLINE

We believe that the continuing transfer of sales from stores to online represents a permanent and profound change in the structure of our industry. Last year we saw an acceleration in the rate at which sales have transferred to Online. This change is partly as a result of the improvements we have made in our Online systems and marketing but it is mainly down to changing consumer preferences.



In the long run this shift offers the NEXT Group a valuable opportunity to leverage its distribution, marketing and credit infrastructure in the UK and its brand overseas. However, the immediate effect of this change has been that although Group sales have been maintained, profit has not.

The Changing Shape of NEXT

The table below clarifies the current total sales, profit and the contribution made by each business division. The Online business is, in effect, two businesses: a trading business and a finance business. For completeness, an approximate division between the trading and finance business is shown below.

Business	Sales £m	Profit £m	Sales participation	Profit participation
NEXT Online	1,665	307	40%	43%
NEXT Finance	223	119	5%	16%
Total Online (inc. Finance)	1,888	426¹⁴	45%	59%
NEXT Retail	2,123	269	52%	37%
NEXT Group	107	31	3%	4%
TOTAL	4,118	726	100%	100%

¹⁴ Group interest of £35m has been charged to the Finance P&L.

The Impact of Structural Shift on Profits in 2017

Looking at last year's numbers it appears that every Pound of full price sales lost in Retail cost us 60p whilst every Pound gained Online delivered only 19p of profit.

Full Price Sales and Profit 2017/18 (£m)



This margin erosion is *partly* a result of the shift in sales from Retail to Online. Retail carries large fixed costs (such as rent, rates and energy) which in the short term, are unable to contract with reducing sales. On the other hand, the Online business has significant variable costs which increase with sales (delivery, warehouse picking, returns processing, call centre activity etc.).

In addition to this transfer cost, last year, there were also other factors which eroded profitability in both businesses. It is important to separate these more temporary profitability issues from the margin erosion caused by sales transferring from one business to the other, as the latter is likely to remain an issue for some time whilst the others can be managed out of our P&L.

The table below is a simplified model which walks forward the decline in Retail sales and growth in Online sales.

Profit Walk Forward 2017/18 £m

	Retail	Online	Total
A Change in full price sales	-141	167	26
B Gain / (loss) on gross margin on NEXT branded stock	-92	109	17
C Less (increase) / decrease in variable costs and new space	6	-29	-23
D Change in margin from sales growth	-86	80	-6
E Margin erosion from lower margin third-party brands		-30	-30
F Total gain / (loss) in margin	-86	50	-36
G Loss from lower clearance rates	-15	-7	-22
H Cost Increases	-12	-12	-24
I Cost savings	28	1	29
Total gain / (loss) in margin	-85	32	-53
J Change in Group costs			-11
Total gain / (loss) in margin after Group costs			-64

The walk forward uses approximate margins and requires a bit of explanation which is given for the relevant lines referencing the letters on the left of the column.

Line B shows the lost gross margin on sales *assuming that all items are sold at the gross margin of NEXT branded stock*. In reality, much of the sales growth was delivered by third-party brands that are sold at lower margins.

Line C accounts for the normal variable costs that would be incurred or saved as business levels change.

Line D shows the net effect of the change in sales and variable costs; in effect this is the cost of the structural shift in sales from Retail to Online. It is mitigated by the fact that sales grew faster online than they did in store. If Online sales growth had exactly matched the Retail sales decline the loss would have been £18m, 13p for every Pound transferred.

Line E shows the margin erosion from growth in lower margin third-party branded business.

Line G shows the margin erosion caused by poorer clearance rates.

Lines H and I show the impact of cost increases and savings in our fixed cost base.

Line J shows the change in Group costs.

The analysis shows that although some of the margin erosion was caused by the switch from Retail to Online, the lion's share of the erosion came from other factors. The most important were:

The cost of poorer clearance rates (-£22m), the margin erosion from third-party brands (-£30m) and the step change in Online systems and marketing costs (-£11m) meant that cost increases outweighed cost savings.

Profit Attrition in the Year Ahead

Our central guidance for the year ahead is for Brand full price sales to be up +1.0%, a very similar increase to the year just ended. However, we are not expecting anything like the same level of profit attrition in the year ahead. The walk forward in the following table mirrors the format of the table explained in the previous section.

We estimate that lower margin erosion will be delivered by a combination of slightly higher sales growth, lower rental increases from new space, less erosion from third-party brands and (most significantly) less erosion from Sale clearance rates.

Profit Walk Forward 2018/19 (e) £m		Retail	Online	Total
A	Change in full price sales	-137	172	35
B	Gain / (loss) on gross margin on NEXT branded stock	-89	112	23
C	Less (increase) / decrease in variable costs and new space	13	-29	-16
D	Change in margin from sales growth	-76	83	7
E	Margin erosion from lower margin third-party brands		-23	-23
F	Total gain / (loss) in margin	-76	60	-16
G	Loss from lower clearance rates	-2	-1	-3
H	Cost Increases	-14	-10	-24
I	Cost savings	18	12	30
	Total gain / (loss) in margin	-74	61	-13
J	Change in Group costs			-8
	Total gain / (loss) in margin after Group costs			-21

SUMMARY TABLE OF CHALLENGES

The table below summarises the challenges facing the business, distinguishing between those we believe are cyclical and therefore temporary and those that are structural and permanent.

Cyclical	Internal / external	Outlook	Comments
Rising cost prices	External	Improvement 2018.	Short term issue with price inflation likely to be eliminated by second half.
Consumer squeeze	External	Possible improvement end 2018.	Some possible relief towards the end of the year as general inflation likely to fall back to below wage growth.
Sectorial shift	External	No foreseeable improvement yet.	Difficult to predict when this will correct and no sign of improvement yet. Ultimately cyclical so likely to reverse at some point in the next three years.
Range omissions	Internal	Improvement 2018.	Exceptional level of errors and omissions corrected as we head into 2018.

Structural	Internal / external	Outlook	Comments
Shift of sales online	External	No change to underlying trend.	Permanent change to retail environment with further to go. Continuing implications for cost management and investment across the business.
Online systems	Internal	Improvements ongoing.	Much improved and delivering material benefits, much more to do going forward.

ACTION PLAN FOR THE YEAR AHEAD

In many ways the challenges of the current environment along with the consequent economic changes to our business sets the agenda for the year ahead. We are very clear about our priorities:

- Continue to improve and develop our product ranges.
- Defend Retail sales and profitability.
- Attack costs across the Group (through innovation and negotiation and never at the expense of service or quality).
- Maximise the potential for profitable growth Online.

IMPROVING PRODUCT RANGES

The quality and design of our product ranges remain all important and improving them is at the heart of what we do. The improvements we have made to our buying and design processes are the sum of many small changes, which we will not detail here. The improvement we saw in our quarterly performance last year (see page 24) gives us the confidence that we are moving in the right direction. We believe that we have further to go. In general terms we are looking to achieve the following:

- Ensure that our ranges have well-designed, great quality heartland product at every level of our price architecture.
- Do more to harness and react to the design expertise within the business and its supply base.
- Extend choice online where relatively low stock investment allows us to experiment and extend the breadth of our offer.
- Develop new sources of supply.

DEFEND RETAIL SALES AND PROFITABILITY

We are reconciled to the fact that Retail sales are likely to decline in the medium term and have set our budgets accordingly (see Store Portfolio Stress Test on page 34).

However, that does not mean that we can do nothing to mitigate the effects of declining like-for-like sales. We can introduce restaurants, cafes and other concessions which generate additional revenue and increase footfall to our shops. We can manage both our operational and occupancy costs down to a level that suits the current retail environment. Most importantly, we can develop the positive role our stores already play as an integral part of our Online platform bearing in mind around 50% of our orders are delivered through stores. The average value of store orders is lower than home deliveries but they still account for 43% of all Online sales. There is much more that can be done to make our stores and their stock holding an active part of our Online business.

These ideas are developed in the following sections.

Maximise Online Value of Retail Stores

One of the great advantages any online business has over retail stores is that all its stock is held in one central location. This means choice is not limited by physical display space or stock investment. In addition, stores have the disadvantage that once they have received their allocation, some sell more than planned whilst others sell less. So some stores end up in surplus whilst others are out of stock.

Over the past year we have given much thought as to how we can exploit the one big advantage shops have over Online warehouses – the fact that the stock is already close to our customers. We also looked at how we can mitigate some of the disadvantages caused by the fragmentation of Retail's distributed stock holding.

Find-in-Store and Same Day Click-and-Collect

Ten per cent of the stock our customers attempt to order online is sold out. A further 20% is not available for immediate delivery either because we are waiting for returns or a supplier shipment. Of the items that are sold out online, 10% are likely to be available in a store within 10 miles from our customers' homes. 40% of the delayed items are also available in local stores.

To address this issue we launched a find-in-store function just before Christmas which enables customers to locate stock that is out of stock online. In September we aim to launch a full click-and-collect service that will allow customers to purchase these scarce items online and collect them in a store within one hour.

Store to Store Ordering and Transfers

In June we will also enable store-to-store transfers to fulfil customer orders and introduce an element of stock rebalancing between stores – transferring surplus stock in one store to fill a deficit in another.

The find-in-store, click-and-collect and stock rebalancing projects are part of a wider project to make better use of our store network in its role as a distributed stock holding. Our long term aim is to further integrate our shops ever more closely into our Online trading platform. These projects are greatly assisted by the fact that we currently deliver to most of our stores every day to fulfil Online orders to store. The leveraging of this internal delivery network means that we are able to transfer stock between our stores, depots and warehouses at relatively low cost.

Improving the Retail Experience

Manchester Arndale Experiment

Last year we set out our plans for the refit of our Manchester Arndale store. Arndale has a florist, prosecco bar, restaurant, children's activity centre, café, card & stationery shop, barber and shortly a car showroom. We are also in negotiation to add a spa operator and bridalwear concession. We estimate that the concessions in Manchester will deliver around c.£800k of income to the store, accounting for around 40% of our rent, and 22% of total occupancy cost (rent, rates and service charge).

The restaurant is a 50/50 joint venture with Gino D'Acampo and Individual Restaurant Group and we take 50% of the profit rather than a rent. We have one other Gino's restaurant open in Hull. We have very much appreciated the professionalism, acumen and energy of our restaurant partners. The combined appraisal for the two stores is set out below. The economics of the restaurants are healthy but not as compelling as the appraisal hurdles we set for our investment in retail space. So the key for us will be the positive effect they have on the sales of the stores in which they operate. We plan to invest in four more Gino restaurants in the year ahead.

**Combined appraisal for
Hull & Arndale Gino restaurants**

Turnover	£4m
Profit	£490k
Profit %	12%
Capex	£2.7m
IRR	28%

Concession Expansion and Projected Income in the Year Ahead

In addition to the concessions opened in Arndale we are also in discussions with a travel operator, branded footwear concession and cosmetics concession. In the year ahead we currently plan to open 98 concessions across our store portfolio and expect to generate annualised income of around £5m from these concessions.

Retail Credit

It is often assumed that all of our £1.6bn credit sales are made Online. In fact, many of our Online customers use their nextpay home shopping account in store and c.£240m of Retail sales are charged to Online accounts using their account card.

We are adapting nextpay to allow us to market it directly to Retail customers. Initially we will offer this through online marketing and emails to known Retail customers. Going forward we will trial offering it in stores, though this needs to be done with extreme care to ensure that customers are correctly informed of everything they need to know before opening a credit account and we comply with all credit regulations.

Retail credit is likely to be higher risk than home shopping credit and we will have much to learn about this product. However the introduction of a retail credit offer puts stores on an equal footing with Online by enabling customers to spread the cost of their purchases. All the evidence we have from the nextpay account cards is that customers who are able to spread the cost of their retail purchases are likely to increase their retail spend.

Managing Occupancy Costs

One of the reasons Retail profitability is so highly geared is that our occupancy costs are a high and fixed cost as a percentage of sales. Managing these costs in the short term is very difficult but in the longer term there is scope for some of our occupancy costs to reduce.

The vast majority of our leases are on upward only rent reviews so rents do not come down during the lifetime of a lease. However our store portfolio has an average lease term of just under seven years and 240 of our leases representing 32% of our rental liabilities will be up for renewal within the next three years.

Options at Lease End

When a lease comes up for renewal we have three options:

- Remain: renegotiate rent, lease term, and a capital contribution to the refit of the shop.
- Close the store.
- Hold over: remain in occupation paying the historic rent on a very short term lease with a mutual break.

Lease Renewals 2017

Our experience over the last year is that when we renew leases we get significantly better terms. Where we are unable to secure better terms we generally are not renewing the lease.

During the year ending January 2018 we renewed the leases on 19 stores. The table below sets out the rent before and after the renewal and gives the capital contribution paid to us. These capital contributions were used to refit the renewed stores and get them to a standard that will see them through to the end of the new lease. In many cases we have taken the opportunity of the renewal to add new concessions. The concession income is also shown in the table.

As can be seen from the table the net rent fell by -28%. The capital contribution of £5m would pay for a significant part (though not all) of the cost of refitting these stores. The average lease term was seven years and the portfolio profitability before central overheads is now 21%. This level of profitability is such that the store should remain profitable for the life of the lease, even in adverse like-for-like trading conditions. Before we approve any new store we now test the year ten profitability assuming -10% annual compound like-for-like sales decline.

19 stores renewals 2017/18	Before renewal	After renewal	
Gross rent (before concession income)	£6,500k	£4,900k	- 25%
Concession income	£80k	£250k	
Net Rent	£6,420k	£4,650k	- 28%
Net rent/sales (VAT inc.)	10.3%	7.5%	
Capital contribution		£5,000k	
Average lease term		7 years	
Average net branch contribution		21%	

Prospective Lease Renewals 2018

Looking forward to the year ahead we believe we are likely to renegotiate 29 leases; the remaining stores that are due for renewal will either be held over at the passing rent, pending future negotiation, or will be closed. We currently plan to close 10 small stores next year of which most are at the end of their lease.

The table below shows what we expect to achieve in the 29 stores we plan to renew in the year ahead. It is a similar pattern to last year, though importantly the average lease term is expected to come down to five years.

29 stores renewals 2018/19 (e)	Before renewal	After renewal	
Gross rent (before concession income)	£9,300k	£7,300k	- 22%
Concession income	£90k	£560k	
Net rent	£9,210k	£6,740k	- 27%
Net rent/sales (VAT inc.)	9.0%	6.5%	
Capital contribution		£7,000k	
Average lease term		5 years	
Average net branch contribution		21%	

Store Portfolio Stress Test

A More Pessimistic Longer Term Scenario

Whilst there is much we can do to make our stores more profitable and relevant in an online world, we also need to model a worst case scenario for our stores. In our last report we projected what would happen to the economics of our store portfolio in the event of ten years of -6% negative like-for-like-sales. With last year's like-for-like sales of -9.1%, we have tested what would happen to our stores at -10% over a longer period of time.

It is important to emphasise that the scenario we set out below is only a scenario. It is not what we actually think will happen. I have little doubt that shareholders may read that this worst case scenario is what NEXT is planning and that the projected store closures required in these circumstances are what the Company will actively seek to achieve. That is not the case, although it does make for a better news story! The purpose of this scenario is not to plan the future; rather it is to test whether our store portfolio is an asset or a liability in extreme circumstances.

Our verdict is that it remains an asset, albeit one that is declining in value, and not a liability.

A Very Profitable Portfolio

Before discussing the stress test, it is important to point out that our current store portfolio is extremely profitable. Currently the vast majority of our stores make a healthy profit, with 94% of turnover delivering a net branch profit of more than 10%.

The left hand table below sets out the percentage of our turnover within stores of different levels of profitability as at January 2018. The second table shows the same information projected forward one year, based on the assumption that like-for-like sales are down -8.5%, which is in line with our central guidance.

January 2018		January 2019 (e)	
Store profitability	% of turnover	Store profitability	% of turnover
>20%	59%	>20%	46%
>15%	85%	>15%	74%
>10%	94%	>10%	90%
>5%	97%	>5%	95%
>0%	98.7%	>0%	96.8%

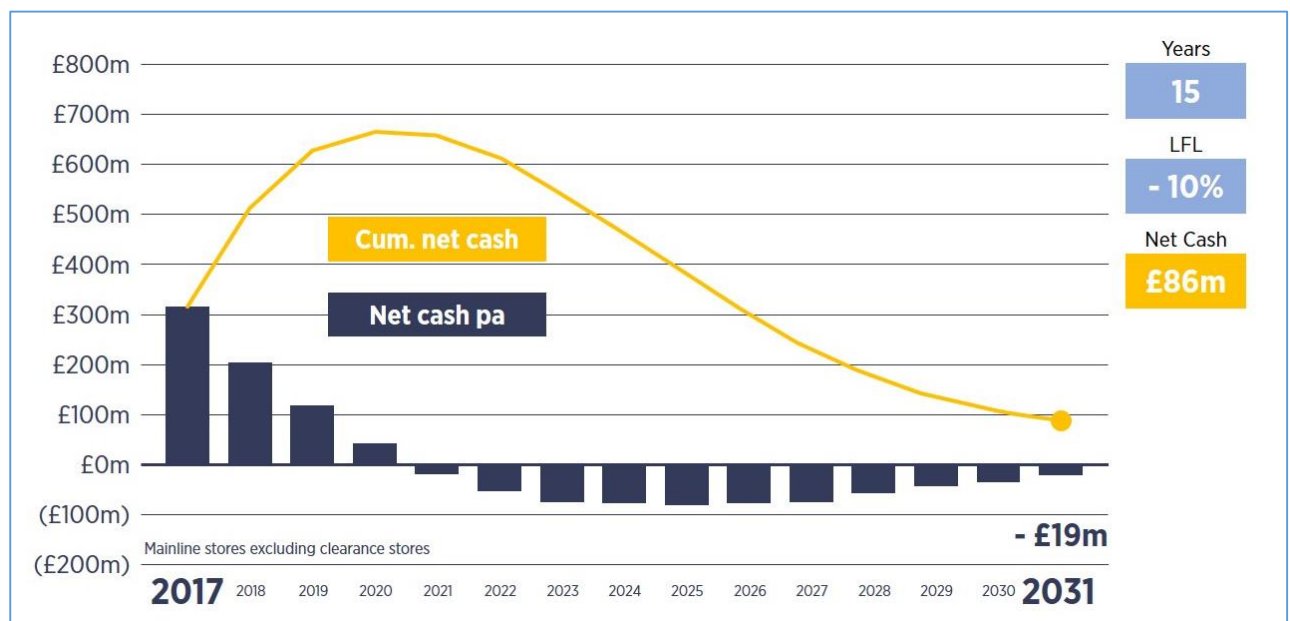
Stress Test Assumptions

The following stress test is based on the following assumptions:

- We shut unprofitable stores at their lease expiry.
- When profitable stores reach the end of their lease we are able to continue trading, paying the same rent on a short term lease ('holding over').
- We take on no new space, are unable to reduce any rents and take on no concession income.
- Fixed costs that are shared between the Retail and Online businesses are absorbed as the Online business grows. For the purpose of this model, it is assumed that Online sales growth matches the Retail sales decline.

Base Scenario: Like-for-Like Sales at -10% for Fifteen Years

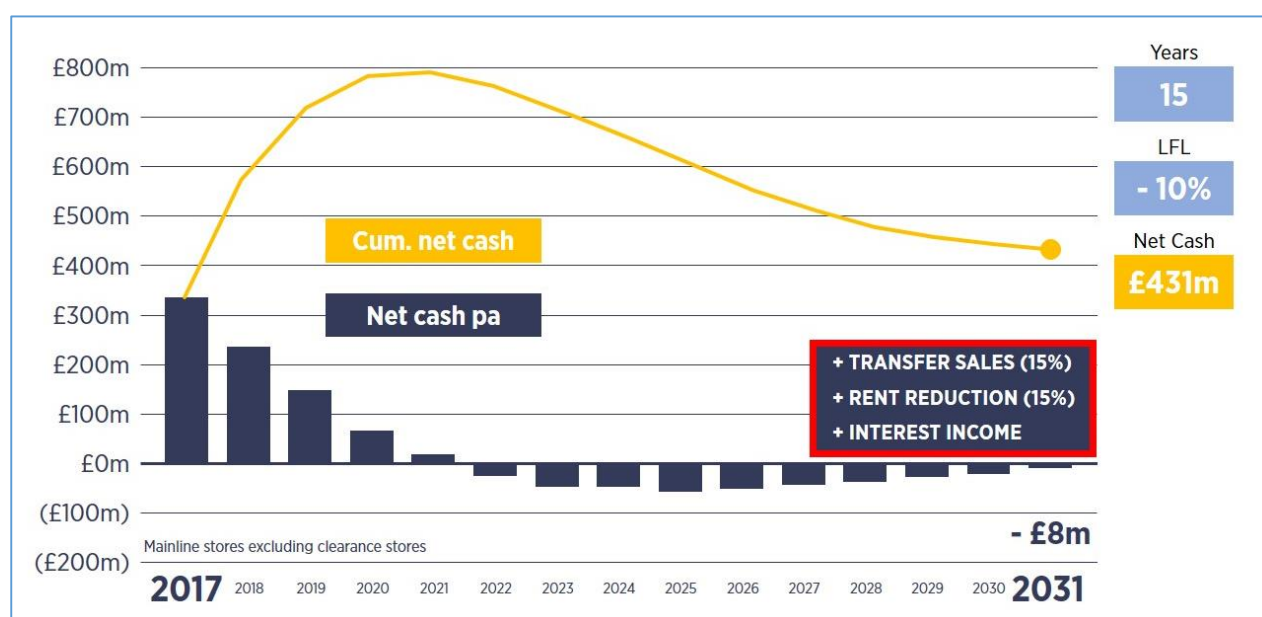
In this scenario the cumulative cash generated by our stores over fifteen years is £86m and in Year 15 there is a £19m cash loss from the remaining portfolio.



Scenario Accounting for Rent Reductions, Interest Income and Sales Transfer

The scenario above does not account for three factors that would improve the portfolio profitability. These factors are set out in the table below:

Factor	Description	Cum cash effect	Year 15 cash effect
Retail interest income	Retail stores generate a profit from the use of our Online credit account in stores. This profit is a genuine Retail profit but is not accounted for in the Retail P&L.	+£167m	+£1m
Rent reductions	In the scenario of -10% like-for-like sales it is very likely that retail rents would fall at lease renewal. Our experience last year was that rents fell by -25% on average at lease renewal. This scenario assumes that rent reductions are -15% at renewal.	+£23m	+£0m
Sales transfer	When we open new shops that are close to existing stores we would normally experience some cannibalisation, whereby some of the sales gained in the new store come at the expense of a nearby shop. When we close stores we would expect to see this effect in reverse. Currently we generally experience cannibalisation of 15% to 25%. In this scenario we have assumed a 15% transfer of sales from closing stores to nearby shops.	+£155m	+£10m



In this, more complete scenario, the store portfolio generates **£431m** of cash and only loses **-£8m** in year 15. Whilst the outlook for Retail in a -10% like-for-like scenario severely undermines the value of our Retail business, it does not create a liability. Nor does it in any way detract from the value of our Online business which is very likely to grow in the event Retail sales move back at this rate.

MAXIMISE GROWTH ONLINE

We continue to develop our product offer online: expanding the breadth of our own product offers alongside those of our partner brands through LABEL and Lipsy & Co. (whose progress is described on page 13). This section focuses on our systems and logistics infrastructure.

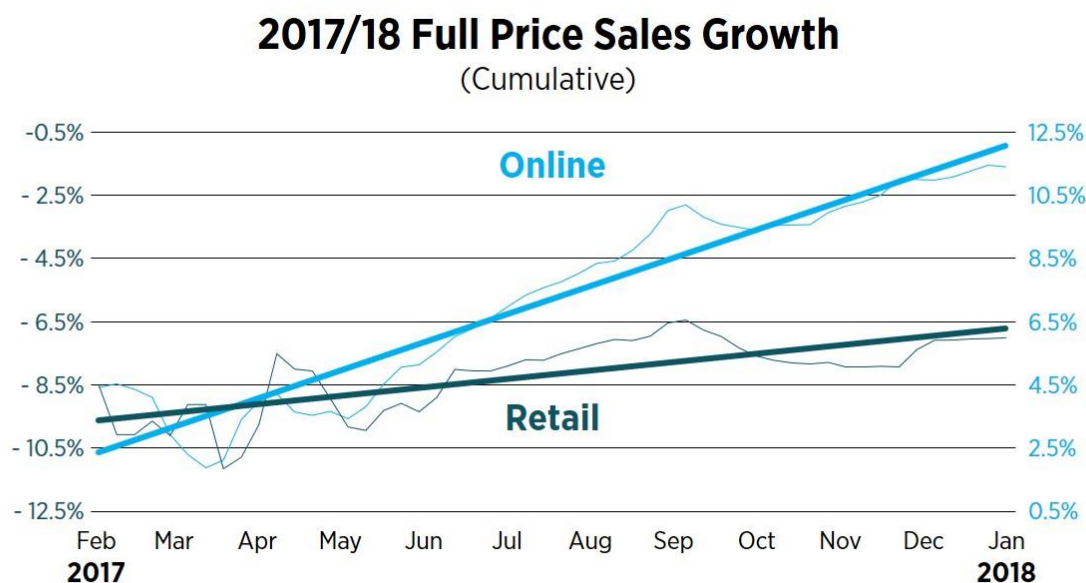
Online Investment Paying Dividends

In March 2016 we acknowledged that we had fallen behind best in class in terms of our website functionality, online marketing and data management. During the last twenty-four months we have significantly increased our investment in the systems and the people required to improve our performance. We spent an additional £11m in the year on software and IT and marketing professionals. This investment included a new Data Management Platform, Content Management System, Customer Segmentation System, and Optimisation and Testing Platform. None of this software has been capitalised and is fully expensed in the year of purchase.

These systems all served to improve our online capability and resulted in a large number of small improvements to the online shopping experience. Initiatives include intelligent recommendations, a new mobile site, new flowers site, faster checkout and registration, the introduction of NEXT Unlimited (unlimited deliveries to home for £20 a year) and a whole host of other small improvements.

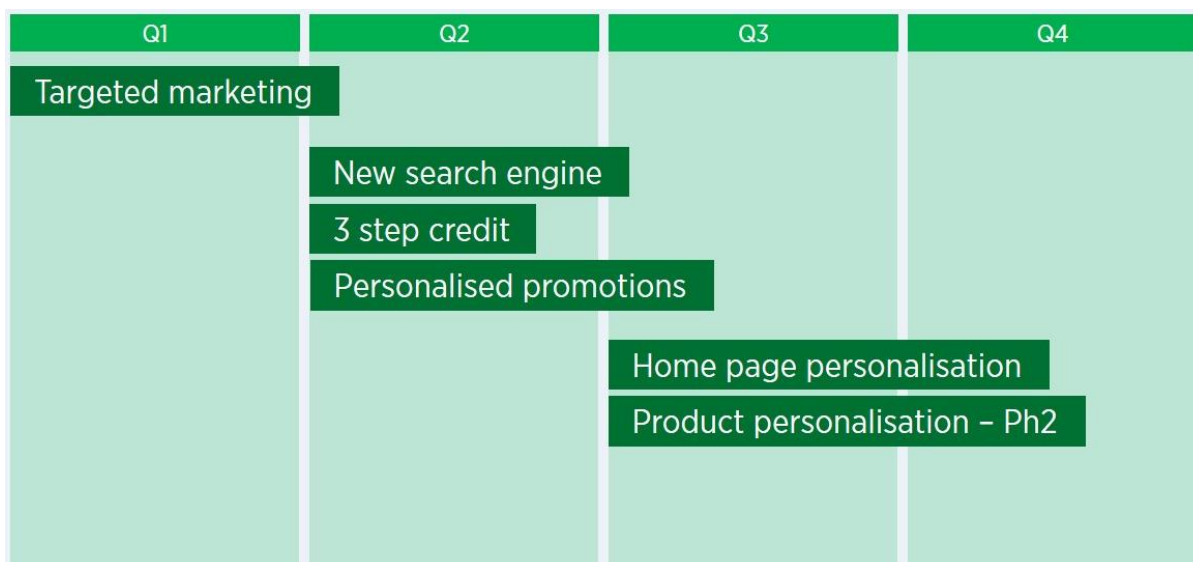
The graph below shows that both the Retail and Online businesses improved as our ranges recovered. However, the acceleration online was much more pronounced, and we believe that this was largely as a result of the improvements we made to our website, marketing and online services.

Interestingly, no single development made a significant difference on its own. Each improvement made shopping with NEXT just a little bit easier and delivered a small increase in sales. It appears that sales have benefitted more than might have been expected from the sum of the parts, as the cumulative effect of developments collectively made for a much better shopping experience.



Online Systems and Marketing Development in the Year Ahead

There is still a great deal more that we can do to improve our Online business systems and we intend to maintain the levels of increased investment reached last year, although we are not planning for another step change in our Online cost base. The graphic below shows the time table for some of our more important projects in the upcoming year. This is by no means a definitive list and we have many other smaller projects that we will deliver during the year. The table beneath the graphic summarises the nature and benefits of each project.



Project	Description
Targeted marketing roll out	To date we have only really experimented with our Data Management Platform. In the coming year we will deploy it in anger. This technology enables us to more accurately target our spend on third-party websites, tailoring the products we offer and the amount we pay for an advert to the expected productivity and preferences of each potential customer. Early signs are encouraging. Trials indicate that we can deliver an improvement of at least 12% return on advertising spend (i.e. 12% more sales for the same investment in advertising.) However this application is not just about improving returns on marketing spend, it also allows us to target customer groups we could not identify in the past.
New search engine	We aim to launch a new Artificial Intelligence based search engine in the second quarter of the year. The main advantage it will have over our current search engine is that it will be able to learn from customer behaviour. So it is much less reliant on the attributes we manually allocate to our products.

3 Step credit offer	This is a new credit product for next, aimed at customers who do not have (or do not want) a nextpay account. It will enable customers to split the cost of any purchase into three equal monthly amounts without incurring interest, as long as each monthly 3 step payment is made in full and on time. Customers will have the flexibility to pay less than the monthly 3 step payment provided they pay at least the monthly minimum, but if they do, they will incur interest on the balance they have not yet paid. We anticipate that this product will generate some interest income from those who choose not to pay the full 3 Step payments; but the main aim of the product is to drive sales growth by allowing customers to spread the cost of their purchases.
Personalised promotions	We will deliver a personalised promotions engine that will allow us to target specific promotions on specific products to specific customers. We believe that there may be particular merit in selectively promoting new product categories to existing customers (e.g. women's jeans to female customers who currently only buy our children's clothing).
True personalised home pages	Currently our level of home page personalisation is crude. This application will allow us to serve 12,000 home page variations driven by the product and service preferences of individual customers.
Product personalisation	This will allow us to embellish and personalise our own NEXT product, for example embroidering names on NEXT babygrows or jeans.

Developing our Delivery Network

We have already discussed the ways in which we can further integrate our store network into our online trading platform (see section entitled "Maximise Online Value of Retail Stores" on page 30). We are also planning to integrate some of our newest suppliers into our online platform.

Last year we started to sell personalised products on our website. Orders are passed to a network of independent suppliers who personalise their products and send them directly to our customers. The new business started well and looks as though it will take at least £7m this year.

This service has two operational problems. Firstly, we are unable to deliver these products through our stores. Secondly, delivery tracking and problem resolution is convoluted if items do not arrive as expected. In addition, we lose the opportunity to consolidate items into a single delivery which would be more cost effective.

In October we intend to integrate key personalised gift suppliers into our delivery network. We will use our next-day to store delivery fleet to collect items from suppliers and inject them into our network when our vans return from their rounds. Most of these suppliers are not more than a few miles from one of our existing delivery routes so the cost of collection will be low. We believe that by bringing these deliveries into our network we have the opportunity to increase the quality of the delivery service, reduce costs and potentially increase speed of delivery.

ATTACK COSTS

Saving Money in the Right Way

In light of the costs inherent in the structural shift online the need to make cost savings is greater than ever. However, we need to be careful. It would be easy to cut costs by reducing the quality of goods and services or underinvest at a time investment is central to online growth.

We are acutely aware of these risks and are clear that cost savings must not come at the expense of our customers or the business. Cost savings need to come through working smarter, using new technology, right sizing our Retail fixed costs and ensuring that we are cutting the marketing expenditure which is losing relevance in the online world. Three case studies illustrate these points.

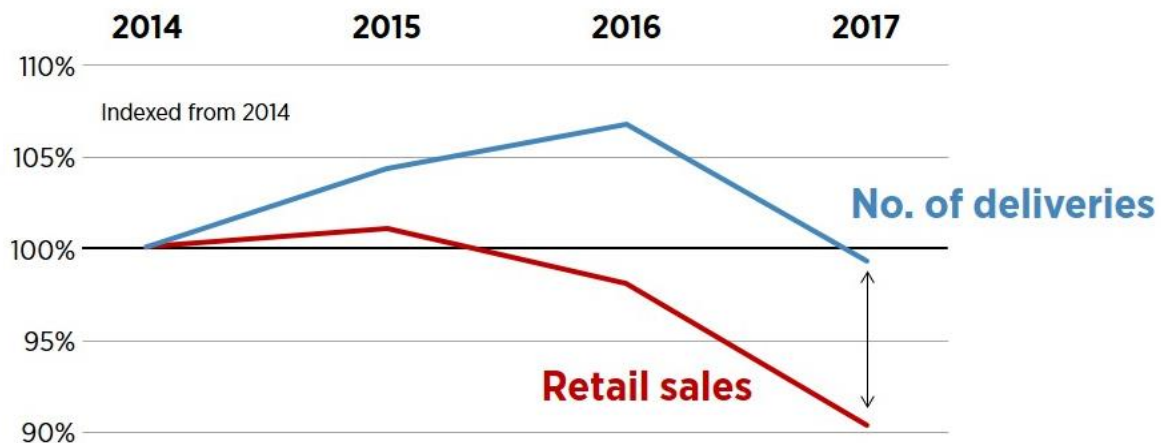
RFID Stock Counting – Technology Driving Efficiency

Every week our stores scan all stock on their shop floors to ensure that we accurately replenish from stock rooms to the shop floor. Using a traditional Hand Held Terminal (HHT) staff can scan 1,275 items per hour.

We have recently introduced new Radio Frequency Identification (RFID) tags in our stores allowing us to scan using new RFID enabled HHTs. This is forecast to increase hourly scanning rates to 5,100, saving £2m per annum in wage costs.

New Delivery Schedule – Right Sizing Our Delivery Fleet

Over the last three years our Retail sales have fallen by 10% but the number of deliveries we make has remained broadly in line with 2014. We are in the process of changing our delivery schedule to bring it in line with the volume of units moving through the business. We anticipate that this will eliminate £4m of unnecessary cost at a time our Retail business desperately needs to save money. The graph below shows our sales and deliveries indexed to 2014.



Reduction in the Costs of Catalogue Production

Our catalogues and other brochures remain an important part of our business. We distribute our major publications nine times in the year, to coincide with the launches of nine seasonal ranges. These brochures remain popular with large numbers of customers and are proven to drive sales if sent to the right people.

However as digital technology advances catalogues have become less relevant to an increasing number of new customers. We are constantly analysing the effect of catalogues on different customer segments and are careful to prevent distribution of free brochures when they no longer generate a return. This exercise, along with efficiency savings in photography and reduced page numbers, is expected to save £7m in the coming year.

Costs and Savings in the Year Ahead

In our central forecast we are budgeting for cost increases of around £35m, as set out in the table below.

Cost increase forecast for 2018/19	£m (e)
General wage inflation	17
Interest payable on bonds and bank debt	5
Investment in online systems	4
National Living Wage	3
Occupancy (rates, energy taxes)	3
Lower clearance rates of Sale stock	3
Total cost increases	35

To date, we have identified around £30m of cost savings which mitigate some of the cost increases detailed above. This includes a non-cash £12m saving in depreciation.

PART 3

SALES AND PROFIT GUIDANCE

OUTLOOK FOR SALES

The table below sets out the central guidance for full price sales growth in Retail and Online for the year ahead. For comparison we give the actual figure for last year in the second column. The divisional guidance comes with a health warning: it is very early in the year to be giving sales guidance by division but we have more confidence in guidance for the Group as a whole than we do for the individual parts.

% Variance on previous year	Central Guidance for 2018/19	Performance in 2017/18
Retail full price like-for-like sales	- 8.5%	- 9.1%
Total Retail full price sales (inc. contribution from new space)	- 7.4%	- 7.0%
Online full price sales	+10.3%	+11.2%
Total full price sales	+1.0%	+0.7%

We are budgeting for a slightly better full price sales performance in the year ahead than last year. This is because in the first half last year we were adversely affected by ranging errors, which we believe we have now corrected. As a result we expect growth in the first half to be stronger than the second when comparative sales improve (for quarterly sales history and guidance see page 24).

OUTLOOK FOR PROFITS

We are maintaining the guidance range we issued for the full year in our January 2018 trading statement. At our central guidance of full price sales growth of +1.0%, we estimate that Group profit would be around £705m. This profit is marginally down on the current year as we expect operational costs to continue to grow faster than sales. We expect EPS to be enhanced by +4.3% as a result of the continuing distribution of surplus cash generation in the form of share buybacks. So, at our central guidance EPS would grow by +1.4%. Our central guidance for sales, profits and Earnings Per Share is set out in the table below.

Full year estimate to January 2019	Central Guidance
Total full price sales versus 2017/18	+1.0%
Group profit before tax	£705m
Group profit before tax versus 2017/18	- 2.9%
Earnings Per Share growth versus 2017/18¹⁵	+1.4%

Lord Wolfson of Aspley Guise

Chief Executive

23 March 2018

¹⁵ EPS growth is based on our latest forecast of the timing of share buybacks.

FIRST QUARTER TRADING UPDATE

Our first quarter trading statement will cover the fourteen weeks to 5 May 2018 and is scheduled for Thursday 10 May 2018. This is one week later than originally planned in order to give a more meaningful comparison with last year due to the timing of the May Day Bank Holiday.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	52 weeks to 27 January 2018 £m	52 weeks to 28 January 2017 £m
Revenue	4,055.5	4,097.3
Cost of sales	(2,699.3)	(2,710.7)
Gross profit	1,356.2	1,386.6
Distribution costs	(363.9)	(345.1)
Administrative expenses	(232.3)	(214.9)
Other (losses)/gains	(1.1)	0.1
Trading profit	758.9	826.7
Share of results of associate and joint venture	1.0	1.0
Operating profit	759.9	827.7
Finance income	1.3	0.3
Finance costs	(35.1)	(37.8)
Profit before taxation	726.1	790.2
Taxation	(134.3)	(154.9)
Profit for the year attributable to equity holders of the parent company	591.8	635.3
Earnings per share (Note 3)		
Basic	416.7p	441.3p
Diluted	415.7p	438.1p

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	52 weeks to 27 January 2018 £m	52 weeks to 28 January 2017 £m
Profit for the year	591.8	635.3
Other comprehensive income and expenses:		
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gains/(losses) on defined benefit pension scheme	43.4	(2.4)
Tax relating to items which will not be reclassified	(7.4)	0.2
<i>Subtotal items that will not be reclassified</i>	36.0	(2.2)
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	7.8	0.3
Foreign currency cash flow hedges:		
- fair value movements	(79.8)	111.6
- reclassified to the income statement	(12.3)	(91.2)
- recognised in inventories	8.8	(25.6)
Tax relating to items which may be reclassified	14.2	2.0
<i>Subtotal items that may be reclassified</i>	(61.3)	(2.9)
Other comprehensive expense for the year	(25.3)	(5.1)
Total comprehensive income for the year	566.5	630.2

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	52 weeks to 27 January 2018 £m	52 weeks to 28 January 2017 £m
Opening total equity	510.5	311.8
Total comprehensive income for the year	566.5	630.2
Share buybacks and commitments	(106.1)	(187.6)
ESOT share purchases and commitments	(37.0)	(50.9)
Shares issued by ESOT	10.3	30.5
Share option charge	14.1	13.1
Acquisition of minority interest in subsidiary	(0.4)	-
Tax recognised directly in equity	4.4	(10.8)
Equity dividends (Note 4)	(479.7)	(225.8)
Closing total equity	482.6	510.5

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	27 January 2018 £m	28 January 2017 £m
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		558.9	578.6
Intangible assets		42.9	43.3
Interests in associate, joint venture and other investments		2.1	2.1
Defined benefit pension asset		106.2	62.9
Other financial assets	6	48.1	57.3
Deferred tax assets		5.8	-
		764.0	744.2
Current assets			
Inventories		490.1	451.1
Customer and other receivables		1,248.2	1,125.8
Other financial assets	6	5.7	34.0
Cash and short term deposits		53.5	49.7
		1,797.5	1,660.6
Total assets		2,561.5	2,404.8
Current liabilities			
Bank loans and overdrafts		(180.0)	(35.3)
Trade payables and other liabilities		(580.2)	(615.8)
Other financial liabilities	6	(59.3)	(3.2)
Current tax liabilities		(95.3)	(70.7)
		(914.8)	(725.0)
Non-current liabilities			
Corporate bonds	7	(908.5)	(913.5)
Provisions		(10.4)	(6.7)
Other financial liabilities	6	(12.4)	(16.5)
Other liabilities	8	(232.8)	(226.9)
Deferred tax liabilities		-	(5.7)
		(1,164.1)	(1,169.3)
Total liabilities		(2,078.9)	(1,894.3)
NET ASSETS		482.6	510.5
EQUITY			
Share capital		14.5	14.7
Share premium account		0.9	0.9
Capital redemption reserve		15.4	15.2
ESOT reserve		(231.6)	(215.4)
Fair value reserve		(42.9)	26.2
Foreign currency translation		3.3	(4.5)
Other reserves		(1,443.8)	(1,443.8)
Retained earnings		2,166.8	2,117.2
TOTAL EQUITY		482.6	510.5

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	52 weeks to 27 January 2018 £m	52 weeks to 28 January 2017 £m
<i>Cash flows from operating activities</i>		
Operating profit	759.9	827.7
Depreciation, impairment and loss on disposal of property, plant and equipment	122.6	116.3
Amortisation of intangible assets	0.4	0.4
Share option charge	14.1	13.1
Exchange movement	6.1	0.3
(Increase)/decrease in inventories	(39.0)	35.3
Increase in customer and other receivables	(126.0)	(73.7)
Decrease in trade and other payables	(16.9)	(49.7)
Net pension contributions less income statement charge	-	(19.3)
Cash generated from operations	721.2	850.4
Corporation taxes paid	(106.0)	(150.9)
Net cash from operating activities	615.2	699.5
<i>Cash flows from investing activities</i>		
Additions to property, plant and equipment	(104.2)	(160.8)
Movement in capital accruals	(8.6)	3.8
Payments to acquire property, plant and equipment	(112.8)	(157.0)
Proceeds from sale of property, plant and equipment	1.0	2.7
Outflow on the acquisition of minority interest in a subsidiary	(0.4)	-
Net cash from investing activities	(112.2)	(154.3)
<i>Cash flows from financing activities</i>		
Repurchase of own shares	(105.1)	(187.6)
Purchase of shares by ESOT	(37.0)	(50.9)
Disposal of shares by ESOT	11.3	29.9
Proceeds from/(repayment of) unsecured bank loans	135.0	(115.0)
Issue of corporate bond	-	297.3
Repayment of corporate bond	-	(212.6)
Interest paid	(33.4)	(31.5)
Interest received	1.3	0.1
Dividends paid (Note 4)	(479.7)	(314.1)
Net cash from financing activities	(507.6)	(584.4)
Net decrease in cash and cash equivalents	(4.6)	(39.2)
Opening cash and cash equivalents	14.4	52.7
Effect of exchange rate fluctuations on cash held	(1.3)	0.9
Closing cash and cash equivalents (Note 9)	8.5	14.4

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The results for the financial year are for the 52 weeks to 27 January 2018 (last year 52 weeks to 28 January 2017).

The condensed consolidated financial statements for the year ended 27 January 2018 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (“IFRS”) as adopted for use in the European Union and in accordance with the accounting policies set out in the NEXT plc Annual Report and Accounts for the year ended 28 January 2017.

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 28 January 2017 have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or (3) of the Companies Act 2006.

Going concern

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

2. 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 foreign exchange gains or losses on derivatives which do not qualify for hedge accounting. The activities, products and services of the operating segments are detailed on page 26 of the 2017 Annual Report. The Property Management segment holds properties and property leases which are sublet 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 (formerly NEXT Directory) 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.

Segment sales and revenue

52 weeks to 27 January 2018					
	Total sales excluding VAT £m	Commission sales adjustment £m	External revenue £m	Internal revenue £m	Total segment revenue £m
NEXT Retail	2,123.0	(1.0)	2,122.0	5.5	2,127.5
NEXT Online	1,887.4	(59.8)	1,827.6	-	1,827.6
NEXT International Retail	67.2	-	67.2	-	67.2
NEXT Sourcing	6.6	-	6.6	547.8	554.4
	<u>4,084.2</u>	<u>(60.8)</u>	<u>4,023.4</u>	<u>553.3</u>	<u>4,576.7</u>
Lipsy	24.2	(1.2)	23.0	53.9	76.9
Property Management	9.1	-	9.1	206.2	215.3
	<u>4,117.5</u>	<u>(62.0)</u>	<u>4,055.5</u>	<u>813.4</u>	<u>4,868.9</u>
Total segment sales / revenue	4,117.5	(62.0)	4,055.5	813.4	4,868.9
Eliminations	-	-	-	(813.4)	(813.4)
Total	<u>4,117.5</u>	<u>(62.0)</u>	<u>4,055.5</u>	<u>-</u>	<u>4,055.5</u>

52 weeks to 28 January 2017					
	Total sales excluding VAT £m	Commission sales adjustment £m	External revenue £m	Internal revenue £m	Total segment revenue £m
NEXT Retail	2,304.6	(3.9)	2,300.7	5.9	2,306.6
NEXT Online	1,728.5	(34.1)	1,694.4	-	1,694.4
NEXT International Retail	63.7	-	63.7	-	63.7
NEXT Sourcing	5.3	-	5.3	599.9	605.2
	<u>4,102.1</u>	<u>(38.0)</u>	<u>4,064.1</u>	<u>605.8</u>	<u>4,669.9</u>
Lipsy	27.1	(1.5)	25.6	38.8	64.4
Property Management	7.6	-	7.6	205.6	213.2
	<u>4,136.8</u>	<u>(39.5)</u>	<u>4,097.3</u>	<u>850.2</u>	<u>4,947.5</u>
Total segment sales / revenue	4,136.8	(39.5)	4,097.3	850.2	4,947.5
Eliminations	-	-	-	(850.2)	(850.2)
Total	<u>4,136.8</u>	<u>(39.5)</u>	<u>4,097.3</u>	<u>-</u>	<u>4,097.3</u>

2. Segmental analysis (continued)

During the year to January 2018, the recharges between NEXT Retail and NEXT Online were altered to better reflect the costs of the standalone businesses. Prior year segment profit results for 2017 have been restated to provide comparability.

	52 weeks to 27 January 2018	52 weeks to 28 January 2017 Restated	52 weeks to 28 January 2017
Segment profit	£m	£m	£m
NEXT Retail	268.7	353.3	338.7
NEXT Online	461.2	429.5	444.1
NEXT International Retail	7.7	9.3	9.3
NEXT Sourcing	33.0	44.7	44.7
	770.6	836.8	836.8
Lipsy	6.0	5.5	5.5
Property Management	3.6	6.8	6.8
Total segment profit	780.2	849.1	849.1
Central costs and other	(6.1)	(9.4)	(9.4)
Share option charge	(14.1)	(13.1)	(13.1)
Other (losses)/gains	(1.1)	0.1	0.1
Trading profit	758.9	826.7	826.7
Share of results of associate and joint venture	1.0	1.0	1.0
Finance income	1.3	0.3	0.3
Finance costs	(35.1)	(37.8)	(37.8)
Profit before tax	726.1	790.2	790.2

3. Earnings Per Share

	2018	2017
Basic Earnings Per Share	416.7p	441.3p

Basic Earnings Per Share is calculated by dividing the profit for the year attributable to the equity holders of the Parent Company 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.

3. Earnings Per Share (continued)

	2018	2017
Diluted Earnings Per Share	415.7p	438.1p

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 4,779,181 non-dilutive share options in the current year (2017: 2,578,878). The table below shows the key variables used in the Earnings Per Share calculations:

	2018	2017
Profit after tax attributable to equity holders of the parent company (£m)	591.8	635.3
Weighted average number of shares (millions):		
Weighted average shares in issue	146.7	148.4
Weighted average shares held by ESOT	(4.7)	(4.4)
Weighted average shares for basic EPS	142.0	144.0
Weighted average dilutive potential shares	0.4	1.0
Weighted average shares for diluted EPS	142.4	145.0

4. Dividends

Year to January 2018

	Paid	Pence per share	Cash flow statement £m	Statement of changes in equity £m
Special interim dividend	2 May 2017	45p	64.3	64.3
Final ordinary dividend for the year to Jan 2017	1 Aug 2017	105p	149.3	149.3
Special interim dividend	1 Aug 2017	45p	64.0	64.0
Special interim dividend	1 Nov 2017	45p	63.8	63.8
Interim ordinary dividend for the year to Jan 2018	2 Jan 2018	53p	74.8	74.8
Special interim dividend	25 Jan 2018	45p	63.5	63.5
			479.7	479.7

4. Dividends (continued)

Year to January 2017

	Paid	Pence per share	Cash flow statement £m	Statement of changes in equity £m
Special interim dividend	1 Feb 2016	60p	88.3	-
Final ordinary dividend for year to Jan 2016	1 Aug 2016	105p	150.2	150.2
Interim ordinary dividend for year to Jan 2017	3 Jan 2017	53p	75.6	75.6
			314.1	225.8

5. Share buybacks

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

	2018 Shares '000	2018 Cost £m	2017 Shares '000	2017 Cost £m
Shares in issue at start of year	147,057	14.7	150,670	15.1
Shares purchased for cancellation in the year	(2,175)	(0.2)	(3,613)	(0.4)
Shares in issue at end of year	144,882	14.5	147,057	14.7

The table below shows the movements in equity from share purchases and commitments:

	2018 Shares '000	2018 Cost £m	2017 Shares '000	2017 Cost £m
Shares purchased for cancellation in the year	2,175	106.1	3,613	187.6
Amount shown in statement of changes in equity		106.1		187.6

Subsequent to the end of the financial year and before the start of the closed period, the Company purchased for cancellation 1,403,228 shares at a cost of £69.1m.

6. Other financial assets and liabilities

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

7. Corporate bonds

The table below shows the nominal and balance sheet values of the Group's outstanding corporate bonds.

	Nominal value		Balance sheet value	
	2018 £m	2017 £m	2018 £m	2017 £m
Corporate bond 5.375% repayable Oct 2021	325.0	325.0	328.4	329.5
Corporate bond 4.375% repayable Oct 2026	250.0	250.0	280.1	284.0
Corporate bond 3.625% repayable May 2028	300.0	300.0	300.0	300.0
	875.0	875.0	908.5	913.5

The Group uses interest rate derivatives to manage part of the interest rate risk associated with its corporate bonds, whereby the carrying value of the relevant bonds is adjusted for changes in fair value attributable to the hedged risk. At January 2018, the fair value of the Group's corporate bonds was £966.7m (2017: £959.8m). The fair values are market values at the balance sheet date (IFRS 13 Level 1).

8. Other non-current liabilities

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

9. Analysis of net debt

	January 2017 £m	Cash flow £m	Other non-cash changes Foreign exchange £m	Fair value changes £m	January 2018 £m
Cash and short term deposits	49.7				53.5
Overdrafts and short term borrowings	(35.3)				(45.0)
Cash and cash equivalents	14.4	(4.6)	(1.3)	-	8.5
Unsecured bank loans	-	(135.0)	-	-	(135.0)
Corporate bonds	(913.5)	-	-	5.0	(908.5)
Fair value hedges of corporate bonds	38.6	-	-	(5.1)	33.5
Total net debt	(860.5)	(139.6)	(1.3)	(0.1)	(1,001.5)

10. Final dividend and AGM

It is intended that the recommended final dividend of 105p per share will be paid on 1 August 2018 to shareholders registered on 6 July 2018, with shares trading ex-dividend from 5 July 2018. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The Annual General Meeting will be held at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester, LE19 1SW on Thursday 17 May 2018. The Annual Report and Accounts will be sent to shareholders on 17 April 2018 and copies will be available from the Company's registered office: Desford Road, Enderby, Leicester, LE19 4AT and on our corporate 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.

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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.