next plc

Results for the Year Ending January 2017

CHAIRMAN'S STATEMENT

As anticipated, the year to January 2017 was a challenging year for NEXT, despite this Earnings per share[1] declined by only -0.3% to 441.3p. We propose to maintain our total full year ordinary dividend flat at 158p.

Whilst total sales[2] for NEXT Retail declined by -2.9%, sales for NEXT Directory increased by +4.2%. Total Group sales were broadly flat at £4.1bn for the year.

Cash flow remained strong and we returned £502m to shareholders through a combination of ordinary dividends (£226m), special dividends (£88m) and share buybacks (£188m).

We have continued to invest in the business, spending £161m on new stores, warehousing and systems. Net debt increased to £861m, well within our bond and bank facilities of £1.4bn.

It has already been announced that I will retire from the Board on 1 August 2017. I have been at NEXT for fifteen years and have immensely enjoyed the experience. NEXT is an excellent company and working with the Board and executive team has been extremely stimulating and enjoyable.

I will be succeeded as Chairman by Michael Roney. The Board appointed Michael as a non-executive director, Deputy Chairman and Chairman Designate in February this year. Michael has extensive business experience and has had a long and distinguished career, including as Chief Executive of Bunzl plc. He also has all the qualities that are necessary in a good chairman and I am very confident that he will make an excellent transition into the role.

I am also pleased that Jonathan Bewes has joined us as a non-executive director during the year. Jonathan has a great deal of experience in investment banking, is a Chartered Accountant and is a very good addition to the Board.

Steve Barber, non-executive director and Chair of the Audit Committee, will step down from the Board at the 2017 AGM in May. Steve has made a much valued and active contribution to the Board and I would like to thank him for his service over the last ten years. Jonathan Bewes will take over from Steve as Chairman of the Audit Committee after the AGM.

The 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 throughout the year. I have been Chairman of NEXT since May 2006. In 2008 our profits fell and our share price halved; by the following year our profits had started to grow again and our share price recovered strongly in the following years. Trading conditions in the year ahead will continue to be tough, however I believe that by focusing on our core strengths, as we did during 2008, we will see NEXT emerge from this period stronger than before.

John Barton
Chairman

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[1] Earnings per share growth is stated on a comparable 52 v 52 week basis.
[2] Total sales are VAT inclusive sales including the full value of commission based sales and interest income (refer to Note 1 of the financial statements).

CHIEF EXECUTIVE'S REVIEW - Contents

CHIEF EXECUTIVE'S REVIEW

OVERVIEW

NEXT Brand total sales were level with last year, full price sales[3] were down -1.3%. Directory has performed better than Retail as customers continue to shop more online. In addition, Directory benefited from improved stock availability, enhanced website functionality and the continued growth of LABEL and Directory overseas.

Profit before tax was down -3.8%. Underlying Earnings per Share (EPS) were down only **-0.3%** as a result of share buybacks during the year.

We are proposing a final ordinary dividend of 105p per share, making **158p** in total for the year, which is in line with last year.

Last year was a 53 week year. In order to give a clear picture of the underlying performance of the business, the figures above and throughout this report are shown on a 52 week versus 52 week basis unless stated otherwise.

SALES excluding VAT (52 weeks v 52 weeks)	**Jan 2017 £m**	**Jan 2016 £m**	
NEXT Retail	2,304.6	2,373.5	- 2.9%
NEXT Directory	1,728.5	1,658.7	+4.2%
NEXT BRAND	4,033.1	4,032.2	**0.0%**
Other	103.7	117.5	
Total NEXT Group sales (52 v 52 weeks)	**4,136.8**	**4,149.7**	- 0.3%
Statutory Revenue (52 v 53 weeks)	**4,097.3**	**4,176.9**	

PROFIT and EPS (52 weeks v 52 weeks)	**Jan 2017 £m**	**Jan 2016 £m**	
NEXT Retail	338.7	402.1	- 15.8%
NEXT Directory	444.1	405.2	+9.6%
NEXT BRAND	782.8	807.3	- 3.0%
Other	44.9	44.5	
Operating profit	827.7	851.8	- 2.8%
Net interest	(37.5)	(30.5)	
Profit before tax – underlying	**790.2**	**821.3**	**- 3.8%**
Profit from 53rd week in prior year	-	14.8	
Taxation (52 v 53 weeks)	(154.9)	(169.3)	
Profit after tax (52 v 53 weeks)	**635.3**	**666.8**	
EPS – underlying (52 v 52 weeks)	**441.3p**	**442.5p**	**- 0.3%**
Ordinary dividends per share	158.0p	158.0p	0.0%

[3] Full price sales are VAT exclusive 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.

OBJECTIVES FOR THE YEAR AHEAD

The year ahead looks set to be another tough year for NEXT. We remain clear on our priorities going forward. We will continue to focus on improving the Company's product, marketing, services, stores and cost control.

The Company's main operational objectives are set out in the table below. They remain broadly unchanged from those set out last year.

Develop the NEXT Brand	Continue to develop our buying and design capabilities; delivering better design, improved quality and quicker response to new trends whilst also re-building some of our heartland business (see page 6).
Upgrade Directory	Continue to build on the improvements we have made to the Directory in the previous year. Development will focus on improving our website functionality, website look and feel, personalisation, our credit offer and the way we promote it, our online marketing capabilities and our delivery services (see page 17).
Invest in online growth businesses	Continue to develop NEXT overseas through investment in our website, in particular the roll out of our overseas mobile site. Continue to develop LABEL through the addition of new key brands, particularly through 'Lipsy & Co'.
Invest in profitable new space	Open profitable new retail space, maintaining the Company's payback and profitability hurdles of 15% net store profit (before central overheads) and payback on net capital invested in 24 months (see pages 8 to 9).
Control costs	Control costs through constantly innovating and developing more efficient ways of operating. This must be done without detracting from the quality of our products and services.

FOCUS ON PRODUCT

Our ranges continue to be at the heart of everything we do.

In our half-year report in September 2016, we explained how we were adapting our buying processes to increase the speed with which we react to new trends. We have made a great deal of progress in this area. Our buying teams are now developing new products and making buying decisions faster, taking products from concept to shop floor in much shorter timescales. In many cases we have reduced the product development times by three months. These gains can be even greater where our buyers have pre-ordered fabric and have it available to use at the time they order an item.

Where we have used these new buying techniques they have proved successful. The items shown below were some of our best-selling lines in the run up to Christmas and were all developed rapidly using new buying and merchandise practices.




However, in focussing so much energy on changing our buying culture, processes and adopting exciting new trends, we have omitted some of our best-selling, heartland product from our ranges. These are the easy to wear styles that can be delivered in large volumes and great prices across several colours.

We identified this issue in January. Corrective action is relatively straightforward and began in late January. We believe that some of these changes will begin to be reflected in our Summer ranges from May onwards, but we will not have our ranges where we want them until the Autumn season (September onwards).

Going forward we will continue to build on what we have learnt about the rapid development of new products and the delivery of new trends, with the proviso that those trends must be delivered in a way that all our customers can easily buy into. In re-balancing our ranges, we must be careful not to become overly conservative and throw away the excellent progress we have made in moving our buying processes forward.

NEXT RETAIL

RETAIL SALES AND PROFIT ANALYSIS

Total NEXT Retail sales reduced by -2.9% and full price sales were down -4.6%. Profit reduced by -15.8%, as shown in the table below.

£m	Jan 2017	Jan 2016	
Retail total sales	2,304.6	2,373.5	- 2.9%
Retail operating profit	338.7	402.1	- 15.8%
Retail net margin	14.7%	16.9%	

Net new space contributed +2.5% to growth.

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

Net operating margin on total sales last year		**16.9%**
Bought-in gross margin	Over-achievement against target margin, mainly as a result of lower freight costs.	**+0.1%**
Markdown	Stock for Sale was up +17% on last year whilst markdown sales were up +13%. The increase in stock for sale eroded margin by -0.7% and lower cash recovery[4] reduced margin by -0.3%.	**- 1.0%**
Store payroll	Increased rates of pay would have reduced margin by -0.5%. However, this adverse effect was offset by productivity initiatives in store.	**0.0%**
Store occupancy	Negative like-for-like[5] sales increased fixed costs as a percentage of sales. Underlying rental inflation was +0.5%.	**- 1.1%**
Warehouse & distribution	Margins were eroded for three reasons. (1) we incurred start-up costs for our new automated furniture warehouse, (2) negative total sales meant that fixed costs increased as a percentage of sales and (3) wage inflation reduced productivity.	**- 0.3%**
Central overheads	Central overheads reduced, mainly due to lower management incentives.	**+0.1%**
Net operating margin on total sales this year		**14.7%**

Based on our central guidance for the year ahead we expect Retail margins in 2017/18 to reduce to around 12%, mainly as a result of lower like-for-like sales.

[4] Cash recovery is the cash generated from markdown sales expressed as a percentage of the full price value of the stock going into the Sale.
[5] Growth in sales from stores which have been open for at least one year.

RETAIL SPACE EXPANSION

Net trading space increased by 330,000 square feet this year, taking our portfolio to 8.0m square feet. Store numbers remained broadly the same, with the increase in new space being offset by the closure of smaller, less profitable stores.

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

	Store numbers	Sq. Ft. ('000)	
January 2016	**540**	**7,648**	
New stores, including 17 re-sites	+27	+608	
Closures, including 20 re-sites	- 29	- 327	
Extensions (9)	-	+49	
January 2017	**538**	**7,978**	**+4.3%**

The profitability of the portfolio of stores opened or extended in the last 12 months is forecast to be 23% of VAT inclusive sales and payback on the net capital invested is expected to be 24 months. Both measures meet our Company investment hurdles of 15% profitability and 24 months payback.

Looking at the new projects in the year ahead, we estimate we will add 150,000 net square feet and a further 250,000 square feet in the following year. This estimate is only a rough guide at this stage and much will depend on the lease terms we are able to achieve and required planning permissions.

It is worth reiterating that, as we outlined in our Analysts' presentation in September 2016, the new stores are significantly cheaper than the current portfolio, both in terms of rent per square foot and rent to sales ratio. The table below sets out the rent ratios of our existing stores and the equivalent figures for the new space opening in the year.

Store rent analysis	**As at Jan 2017**	**Opening during 2017/18(e)**	
Square feet	8m	343k	
Annual rent	£181m	£6m	
Rent/square foot	£22.68	£17.28	- 24%
Rent/sales	6.6%	5.0%	- 24%

RETAIL STORE PROFITABILITY

As a result of the active management of our store portfolio, the vast majority of our stores make a healthy profit, with 97% of our space delivering a net branch profit[6] of more than 10%. The left hand table below sets out the percentage of our turnover within stores of different levels of profitability at January 2017. The right hand table shows the same information projected forward into next year based on the assumption that like-for-like retail sales are down -7%, which is in line with our central guidance. As can be seen from the tables, our portfolio is extremely profitable and is likely to remain so despite current trading conditions.

Jan 2017

Mainline store profitability	Percentage of turnover
>20%	74%
>15%	92%
>10%	97%
>5%	99%
>0%	99.3%

Jan 2018 (e)

Mainline store profitability	Percentage of turnover (e)
>20%	65%
>15%	88%
>10%	95%
>5%	98%
>0%	98.8%

NEXT: Hull Kingswood

[6] Net branch profit is defined as profit before central overheads and is expressed as a percentage of VAT inclusive sales.

LONG TERM RETAIL PORTFOLIO STRESS TEST

With increasing amounts of business being transferred online, it is legitimate to question the long term viability of retail stores and whether the possession of a retail portfolio is an asset or a liability. We believe that our stores represent a valuable asset and will continue to do so. However, in the unlikely event that like-for-like retail sales continue to decline at high rates for the next ten years, we believe that our lease structure is such that the portfolio could be managed down profitably.

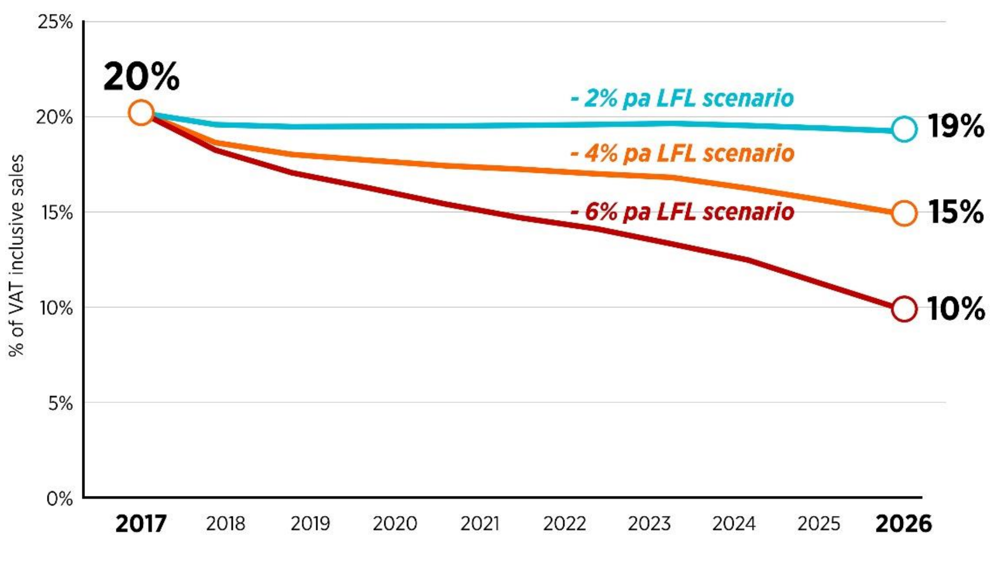
In such a scenario it is extremely likely that rents would fall to reflect the new reality and that is our experience so far, but what if they do not? To answer this question we projected the profitability of our current store portfolio in three different like-for-like sales scenarios over the next ten years: -2% which is the average of the last five years, -4% and -6%. For the purpose of this model we have made the following conservative 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.
- We take on no new space.

As can be seen from the graph below, even in our worst case scenario, the portfolio would still make around 10% net branch profit before central overheads. In such extreme circumstances it is likely that we would be able to renegotiate rents downwards and open some profitable new stores, both of which would increase profitability.

In conclusion, our existing and new stores will remain a profitable asset even in very difficult circumstances. And this is why we continue to take on new space where we have the opportunity to increase sales and profit, as long as we continue to adhere to our strict profitability and payback hurdles and only take relatively short term leases (e.g. ten years).

Projected Net Branch Profitability – Three Scenarios



The weighted average remaining lease term of our current portfolio remains 7.5 years, with 50% of our leases (by value) expiring within six years and 70% within ten years.

NEXT DIRECTORY

NEXT DIRECTORY SALES PERFORMANCE

Total Directory sales grew by +4.2%, with full price sales growth of +3.6%. The table below shows the growth in full price sales for each element of the business. Full price sales in the UK grew by +1.2% and our overseas business grew by +18.5%.

Full price sales growth	**£m**	**Full price % var**
UK NEXT	- 19	- 1.8%
UK LABEL	+34	+18.9%
Total UK	**+15**	**+1.2%**
Overseas	+36	+18.5%
Total	**+51**	**+3.6%**

DIRECTORY CUSTOMER BASE

Average active customers[7] increased by +4% to 4.7 million, driven by the growth of UK 'cash' customers (those who do not use our credit account when ordering) and customers overseas. The table below sets out the growth in our customer base.

Average active customers (m)	**Jan 2017**	**Jan 2016**	
UK credit account[8]	2.50	2.58	- 3%
UK cash	1.38	1.21	+14%
Total UK	**3.88**	**3.79**	**+3%**
Overseas	0.85	0.76	+11%
Total	**4.73**	**4.55**	**+4%**

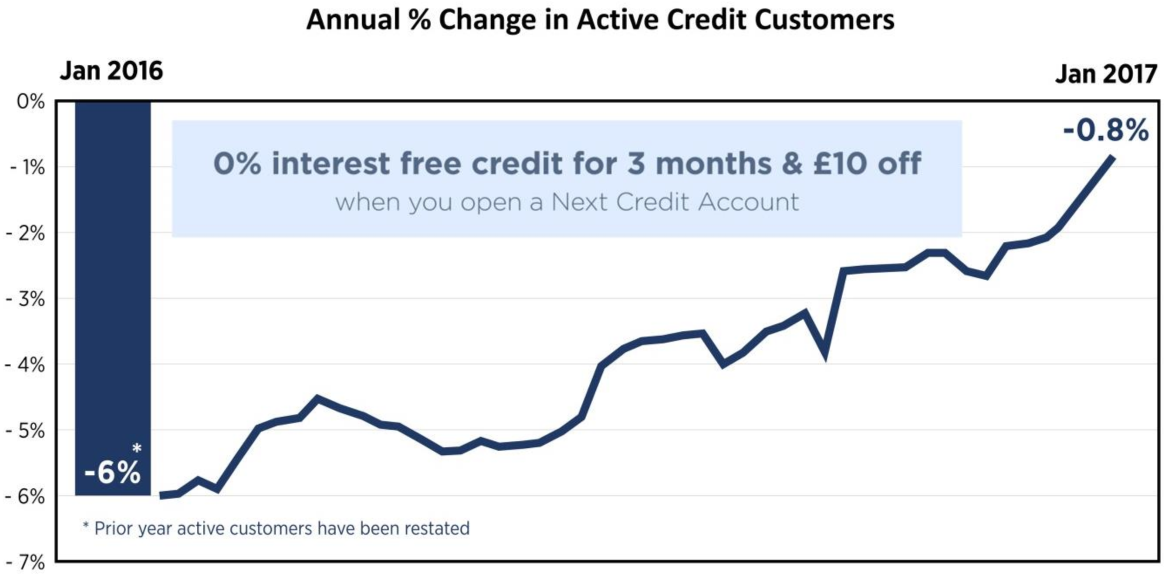
[7] Active customers are defined as those who have placed a Directory order or received a standard account statement in the last 20 weeks.
[8] Prior year active customers have been reduced by 0.04m to exclude inactive accounts that were included in error last year.

Directory Credit Business

As anticipated, our credit customer base has continued to decline, albeit at a slower rate, and our average active customers throughout the year were down -3%.

In January 2016, we began to actively market our credit account to existing and new customers. As a result, we have seen a steady improvement in the rate of attrition in our credit customer base. The graph below shows the percentage decline in our customer base throughout the year. We started the year with -6% fewer credit customers than the year before. As it stands at January 2017 our credit customers are down just -0.8% on last year.

We are encouraged by the increasing stability of our credit customer base. However, we do not expect the trend (shown in the chart below) to necessarily continue into the current year. We have now passed the point at which we began to promote credit accounts last year, so the opportunity for further improvement is limited and we expect the customer base to continue to decline at a modest rate in the year ahead.



DIRECTORY PROFIT ANALYSIS

Total NEXT Directory sales grew by +4.2% and profit grew by +9.6%, as shown in the table below.

£m	Jan 2017	Jan 2016	
Directory total sales	1,728.5	1,658.7	+4.2%
Directory operating profit	444.1	405.2	+9.6%
Directory net margin	25.7%	24.4%	

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

Net operating margin on total sales last year		24.4%
Bought-in gross margin	Bought-in gross margin was +0.1% and in line with Retail. However, this improvement has been offset by an increase in sales of third-party branded products, which have lower margins.	**- 0.3%**
Markdown	Stock for Sale was up +5% on last year, broadly in line with markdown sales.	**- 0.1%**
Interest income	Higher interest income, as a result of reduced minimum payments, increased margin. This has been partially offset by a reduction in the annual percentage rate of interest we charge our customers.	**+1.0%**
Warehouse & distribution	Margin improved as a result of greater efficiency in our warehousing and distribution operations.	**+0.6%**
Marketing, photography & catalogue production	Reduction in print costs have been partially offset by increased UK online marketing costs	**+0.1%**
Net operating margin on total sales this year		**25.7%**

Based on our central guidance for the year ahead we expect Directory margins to reduce by -0.3%, mainly as a result of the growth of sales in our third-party branded products, which have lower margins than our NEXT branded stock.

DIRECTORY OVERSEAS

Directory overseas continues to trade well and full price sales for the full year were up +18% on last year (on a constant currency basis sales were up +19%).

Sales and profit history

The table below sets out the last four years' sales, profits and net margins in Pounds Sterling for Directory overseas, along with an estimate for the year ahead. In the year to January 2017, margin in our overseas business improved, mainly as a result of efficiencies within our parcel networks and distribution hubs.

£m	Jan 2014	Jan 2015	Jan 2016	Jan 2017	Jan 2018 (e)
Total sales	101	163	197	234	*290*
Operating profit	18	30	31	46	*63*[9]
Net margin	**18%**	**18%**	**16%**	**20%**	***22%***

In the year ahead we expect sales to grow by +15% on a constant currency basis. As a result of the weakening of the Pound our overseas business will benefit in two ways. Firstly, our overseas customers will not experience any inflation in selling prices, so selling prices relative to the UK will reduce by around 5%. Secondly, the revenue stream will be more valuable in Sterling. As a result of this we expect sales in Pounds Sterling to increase by +24%.

Distribution hubs

Our overseas hubs (China, Russia and Germany) are working well, and allow us to get our stock to customers more efficiently compared to servicing orders from the UK network. We now service our Polish business from the German hub, a service we will be extending to fourteen surrounding countries during the year. The China hub is operationally very efficient but the administration associated with importing stock into the country continues to be a challenge.

[9] Profit for the year ahead now includes an allocation of central overheads and markdown costs. This cost allocation reduces overseas profitability by 4%.

LABEL

Our branded business, LABEL, continues to perform well, with total sales[10] up +14% and full price sales up +17%. Net margin has improved to 16% largely as a result of less surplus stock. In the year ahead we expect full price and total sales to grow by +17% and to maintain our margin of 16%.

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

£m	**Jan 2015**	**Jan 2016**	**Jan 2017**	**Jan 2018 (e)**
Total sales	145	180	206	*241*
Operating profit	20	22	34	*39*
Net margin	**14%**	**12%**	**16%**	***16%***

Lipsy & Co

Our subsidiary Lipsy, continues to develop its 'Lipsy & Co' business. This enterprise offers other third-party young fashion brands, mainly sold on commission, alongside Lipsy product. These brands now account for 34% of Lipsy's total sales. The aim is to create a younger offer within the NEXT Directory (and on Lipsy's own website). Sales through the NEXT Directory of Lipsy & Co product are included in the LABEL figures above.

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

FOCUS ON THE CHANGING FACE OF NEXT DIRECTORY

At the beginning of last year, we started the process of modernising the Next Directory. The two sections below detail some of the improvements we delivered in the previous year and some of the planned developments for the year ahead.

DEVELOPMENTS DURING THE YEAR

Systems

During the year we implemented the following:

- Converged our UK and overseas websites allowing faster roll-out of new functionality and content across all our websites.
- Launched mobile websites in the UK and Northern Ireland across all hand held devices.
- Launched improved Apps for iPhone and iPad.
- Improved promotion of the NEXT Directory account (see page 12) and Directory card.
- Launched a new stock ordering system for Directory, improving stock availability from 65% to 70%.
- Rationalised catalogue distribution, saving £3.5m. This saving partially offset the increases in online marketing spend (see below).
- Developed online marketing capabilities increasing our online recruitment spend by £6m.
- Delivered the capability and began the process of personalising our website.
- Rolled out parcel shop collection from 4,000 parcel shops spread throughout the UK. This route now accounts for around 2% of our delivery volumes.
- Development of the new flowers website.
- Introduced sofa selection and ordering, adapted for our mobile site.

Online marketing

During the year we increased online marketing expenditure by £6m. It has proven difficult to precisely measure the returns on this expenditure, however our analysis indicates that the internal rate of return (IRR) on investment in online advertising is around 30% in the UK, but unproductive in most overseas territories.

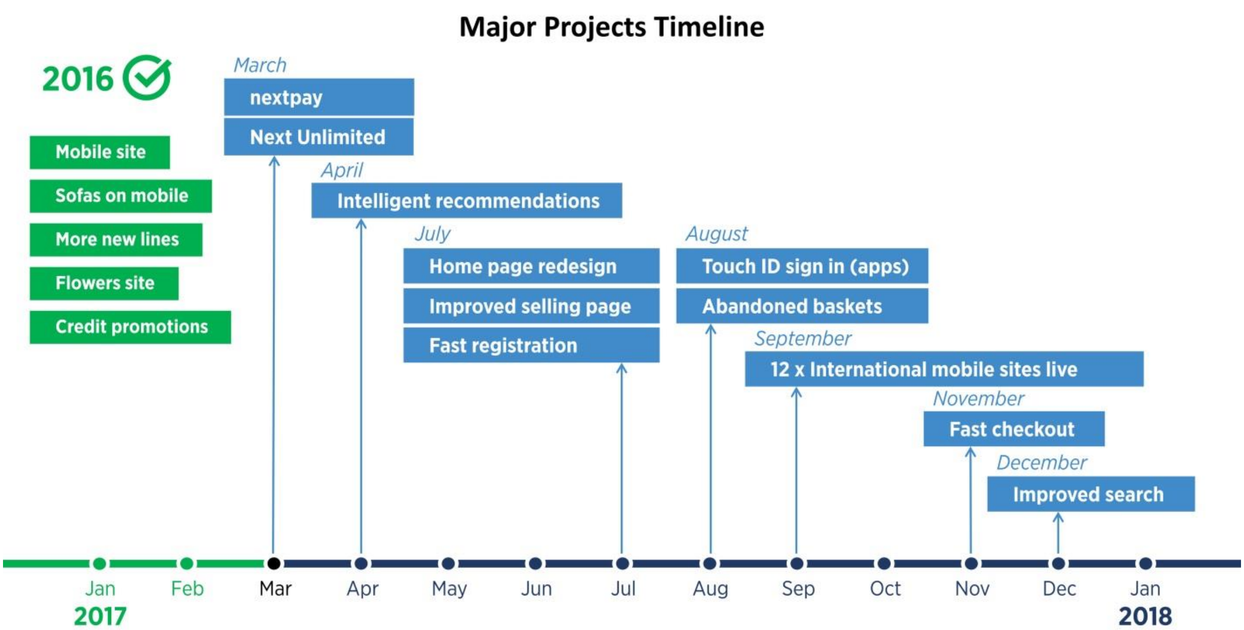
In the year ahead we will be able to target our advertising much more effectively. Firstly, we will be able to prevent recruitment advertising being shown to existing Directory customers (where they are recognised through a cookie). Secondly, we will be able to personalise adverts to our existing customers based on their purchasing history, recent browsing and abandoned baskets. We will also be able to more accurately promote relevant credit offers to existing customers through third-party websites.

DIRECTORY DEVELOPMENTS PLANNED FOR THE YEAR AHEAD

We will continue to develop our online services and capabilities in the year ahead and plan to increase investment in Directory systems and content by £11m. The most important projects are:

- The roll out of **'Next Unlimited'** which allows customers to pay £20 for a year's unlimited next-day delivery anywhere in the UK and Northern Ireland.
- The re-branding and promotion of our Directory Account as 'next**pay'** along with the development of new, more targeted, credit offers.
- **Save for later** facility and **saved bags** across devices.
- Implementation of a Content Management System and Data Management System allowing a deeper level of home page **personalisation**, sort order personalisation, credit marketing, third-party advertising and emails.
- **Precise delivery service** offering a one hour delivery slot, selected at check-out, for a £2 premium.
- Look and feel website redesign, including faster and simpler registration and checkout.
- Launch of **overseas mobile website**. Currently mobile users overseas can only access a desktop website on their mobile devices. 70% of our overseas customers (by sales value) will have access to our mobile site by August.
- Improved **search engine** functionality (longer term).

The chart below shows the timescales for delivery of some of our major online projects throughout the year.



OTHER BUSINESS ACTIVITY

NEXT SOURCING

NEXT Sourcing (NS) is our internal sourcing agent, which procures around 40% of NEXT branded product. NS sales are down -20% in local currency, mainly as a result of competition from other third-party suppliers. The profit impact of these lost sales was partially mitigated by the strengthening of the Dollar.

The table below sets out the performance of the business in Sterling and in Dollars.

	Jan 2017 £m	Jan 2016 £m		Jan 2017 USD m	Jan 2016 USD m	
Sales (mainly inter-company)	606.7	668.8	- 9%	813.0	1,016.6	- 20%
Operating profit	44.7	50.5	- 11%	59.9	76.8	- 22%
Net margin	**7.4%**	**7.6%**		**7.4%**	**7.6%**	
Exchange rate	1.34	1.52				

Looking to the year ahead, based upon our central profit guidance, we expect NS to make around $50m profit, a decline of -17% on the current year. At our 2017/18 costing rates we expect this profit to be **£39m** (in Pounds Sterling).

LIPSY

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 in NEXT Retail and Directory. Lipsy's sales are broken down by distribution channel in the table below; sales through NEXT stores and Directory are reported in those divisions.

Sales	Jan 2017 £m	Jan 2016 £m	
Wholesale	11.9	16.5	
Franchise	4.1	3.3	
Lipsy stand-alone retail stores	2.2	3.2	
Lipsy online (lipsy.co.uk)	8.9	6.2	
Total Lipsy Sales	**27.1**	**29.2**	
Lipsy sales through NEXT Retail (reported in NEXT Retail)	16.5	14.4	
Lipsy sales through NEXT Directory (reported in NEXT Directory)	47.0	30.7	
Total Sales	**90.6**	**74.3**	+22%

Excluding acquisition costs, operating profit was £8.9m which was up +34% on last year. Net operating profit was £5.5m, up +4% on last year. We are anticipating that the business will make net operating profit of around £7m next year.

INTERNATIONAL RETAIL AND FRANCHISE STORES

Our franchise partners currently operate 186 stores in 33 countries. Franchise sales in the year have reduced by -15%, mainly due to retail like-for-like sales decline in some important territories. Our 13 wholly owned stores in Europe have made a small return in the full year. Revenue and profit are set out below.

	Jan 2017 £m	Jan 2016 £m	
Franchise income[11]	51.6	63.0	
Own store sales	12.1	11.7	
Total revenue	**63.7**	**74.7**	- 15%
Operating profit	**9.3**	**10.2**	- 9%

NON-TRADING ACTIVITIES

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

£m	Jan 2017	Jan 2016
Central costs and share options	(22.5)	(24.2)
Property management	6.8	7.4
Unrealised foreign exchange	0.1	(5.6)
Associate	1.0	1.0
Total	**(14.6)**	**(21.4)**

The reduction in central costs and share options reflects lower incentive costs this year. There were minimal gains from unrealised foreign exchange, as budgeted.

PENSION SCHEME

On the *IFRS accounting basis*, our defined benefit scheme has moved from a £46m surplus at January 2016 to **£63m surplus** at January 2017. This is primarily due to the impact of actuarial assumptions and additional contributions of £20m made into the scheme during the year.

A full actuarial valuation of our defined benefit pension scheme was undertaken as at 30 September 2016 which showed a *technical funding* deficit of £70.2m at that date. A recovery plan has been agreed with the Trustees whereby the Group will contribute five annual payments of up to £14m. The first payment of £14m under this agreement was made in January 2017 and future contributions will only be required to be paid to the extent that there is a funding deficit at that time. The *technical funding* position moved to a **surplus of £5m** when rolled forward to 31 January 2017.

[11] 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 2017 we have offset cost increases of £41m with cost savings of £42m. 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.

COSTS AND SAVINGS IN THE YEAR ENDING JANUARY 2017

Cost increases	£m
Cost of living awards and other wage costs	22
Additional systems spending on development and software	5
Inflation in rent and rates (of which rates were £3.5m)	5
Directory marketing and other Directory overheads	5
Net margin on product	4
Total cost increases	**41**

Cost savings and other income	£m
Reduction in the cost of management and staff incentives	27
Warehouse and distribution efficiencies	9
Retail productivity and lower branch controllable costs	6
Total cost savings	**42**
Net interest income and bad debt	22
Total cost savings and interest income	**64**

COSTS AND SAVINGS IN THE YEAR AHEAD

In the year ahead we expect cost increases of around £36m. The table below sets out our central forecast of cost increases next year.

Cost increase forecast for 2017/18	£m (e)
National Living Wage	4
General wage inflation	8
Taxes (rates, Apprenticeship Levy, energy taxes)	9
Investment in online systems	11
Other increases	4
Total cost increases	**36**

We have identified around £26m of cost savings which mitigate some of the cost increases detailed above. This includes a non-cash £10m saving in depreciation.

CASH FLOW

Cash generated in the year before interest, tax and depreciation was £946m. Cash flow after non-discretionary outflows of taxation, interest and working capital was £717m. After investing in capital expenditure and paying ordinary dividends the Company generated surplus cash of £330m. This was used to finance £65m of additional Directory debt and the balancing £276m was returned to shareholders through share buybacks and a special dividend.

The table below summarises our main cash flows in the year ending January 2017 and our forecast for the year ahead, based upon our central profit guidance. We expect the Company to continue to generate significantly more cash than is required to invest in capital expenditure and pay ordinary dividends. As we outlined in our January 2017 trading statement, we intend to return surplus cash to shareholders through four special dividends (See page 23).

£m	Jan 2017	*Jan 2018 (e) Central guidance*
Profit before Interest, Tax, Depreciation and Amortisation (EBITDA)	**946**	**885**
Interest	(31)	(36)
Tax	(151)	(144)
Working capital and other	(47)	(50)
Discretionary cash flow	**717**	**655**
Capital expenditure	(161)	(130)
Ordinary dividends	(226)	(225)
Surplus cash	**330**	**300**
Financing additional Directory debt	(65)	-
Special dividends	(88)	(255)
Share buybacks	(188)	-
Movement in net debt	**(11)**	**45**

INTEREST AND TAXATION

The interest paid in the year was £31m. However, as a result of timing differences, the interest charged in the year was £38m, £7m higher than in the prior year. Average net debt during the year was up c.£300m on the previous year. This additional debt funded the step change in Directory debtors following the lowering of minimum payments in February 2015. Average interest rates in the year were lower partly due to the bond we issued in May 2016. We are budgeting for the interest charge next year to reduce to £36m.

Our full year tax rate of 19.6% is broadly in line with the headline UK corporation tax rate of 20%. We expect our effective tax rate to be around 19% next year as the headline UK Corporation tax rate reduces to 19%.

CAPITAL EXPENDITURE

This year our capital expenditure was £161m, which was £10m ahead of last year. The increase on last year is as a result of further investment in profitable new space and warehousing which has been partly offset by a reduction in Head Office and systems capital expenditure.

Our capital expenditure for the last two years is set out in the table below.

£m	Jan 2017	Jan 2016
Retail space expansion	108	86
Retail cosmetic refits	11	15
Total capex on stores	**119**	**101**
Warehouse	28	22
Head Office infrastructure	10	15
Systems	4	13
Total capital expenditure	**161**	**151**

New retail space remained our biggest investment at £108m in the year to January 2017. Warehouse capex was £28m, which included £15m of expenditure to complete our new automated furniture warehouse. The new warehouse cost £30m in total and will be operational from April 2017.

Systems capex of £4m was £9m lower than the prior year's exceptionally high number, which was inflated by the purchase of hardware for a new till system. Expenditure on Head Office infrastructure reduced by £5m as we are near the end of upgrading our central facilities.

In the year ahead we expect capital expenditure to be around £130m, a reduction of £31m on the current year. This is driven by an anticipated decrease in spending on retail space (£102m versus £119m) and lower warehouse expenditure (£16m versus £28m).

DIRECTORY DEBT

Directory debt increased by £70m, £65m of which was due to the change in minimum payments. We believe this has now fully matured and we do not expect to see a further increase in the year ahead.

ORDINARY DIVIDENDS

The Board has proposed a final ordinary dividend of 105p, to be paid on 1 August 2017 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 18 May 2017. Shares will trade ex-dividend from 6 July 2017 and the record date will be 7 July 2017.

SURPLUS CASH AND SHAREHOLDER DISTRIBUTION IN THE YEAR AHEAD

At the mid-point of our sales and profit guidance we expect to generate surplus cash of £300m after capital expenditure and paying ordinary dividends. In our January 2017 trading statement, we advised that we intended to distribute surplus cash to shareholders by way of four quarterly special dividends of 45p each. This broadly represents the cash we would generate at the lower end of our guidance.

The Board has decided to declare the first of these interim special dividends of 45p per share which will be paid on 2 May 2017. Shares will trade ex-dividend from 6 April 2017 and the record date will be 7 April 2017. Payment of the other three special dividends remain subject to our internal forecasts remaining in line with our guidance ranges and no significant changes in market conditions.

Why special dividends not buybacks?

With the share price trading at a relatively low multiple of future earnings, some have reasonably questioned whether the Company would be better to use surplus cash to buy back shares.

The last time the Company was in a similar situation was in 2008. At that time we were suffering from a combination of tough economic conditions, weakening currency rates and some internal product range issues. Profits were forecast to decline in the year ahead and there was much uncertainty in the wider economy as the credit crunch took hold. We took the decision at that time to halt our buyback programme.

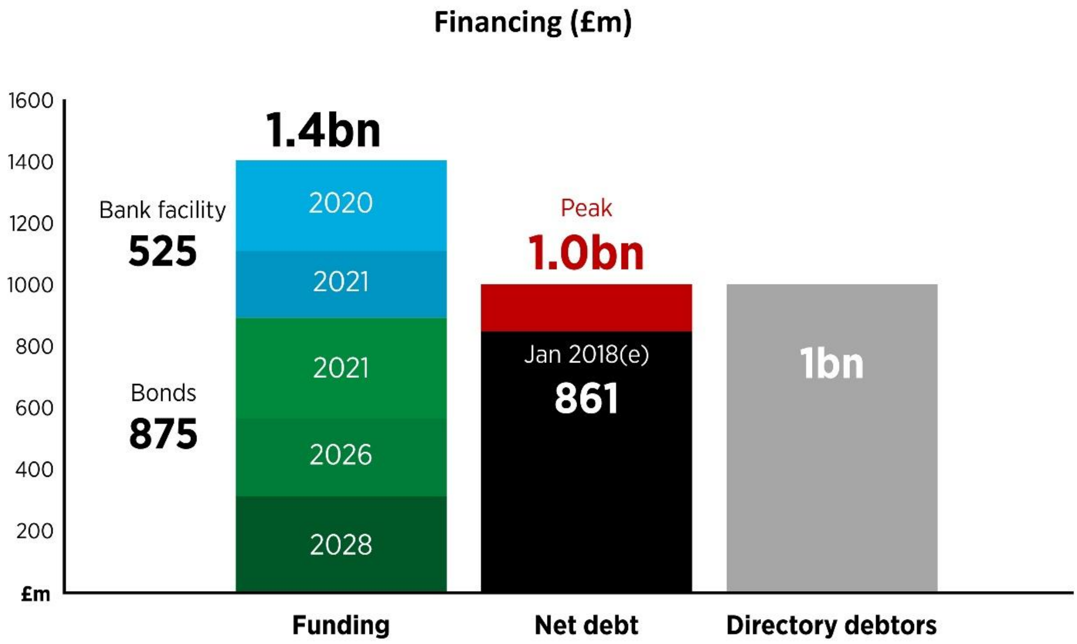
In hindsight, we were wrong to not buy back shares in 2008 and we hope that hindsight will prove us wrong, on this particular decision, once again! But at this time of significant uncertainty, we feel that the decision to buy back shares is best left to shareholders themselves. And of course, shareholders can always use their special dividends to buy shares for themselves. Perhaps we have been overly cautious but companies rarely fail for being prudent with their shareholders' money and in uncertain times such prudence is all the more important.

In the long term share buybacks remain our preferred route for returning capital to shareholders and we intend to return to them when market and trading conditions make it appropriate.

NET DEBT AND FINANCING

Our year end net debt was £861m, which was £11m higher than last year. The entire value of the Company's net debt is more than matched by the value of our Directory debtor book, a financial asset worth £1bn.

Net debt (which peaks at c.£1.0bn) is securely financed through a combination of bonds and committed bank facilities. In May 2016 we issued a new £300m 12-year bond in anticipation of redeeming our £213m bond in October 2016. At January 2017 our financing consists of £875m of bonds and £525m of committed bank facilities. In the year ahead, based on our central guidance, we are forecasting for our net debt to remain at £861m, as set out in the chart below.



The Group maintains its objective of retaining investment grade status. At £861m, the Group's net debt is comfortably within the limit of investment grade status which we estimate to be around £1.5bn.

OUTLOOK FOR THE YEAR AHEAD

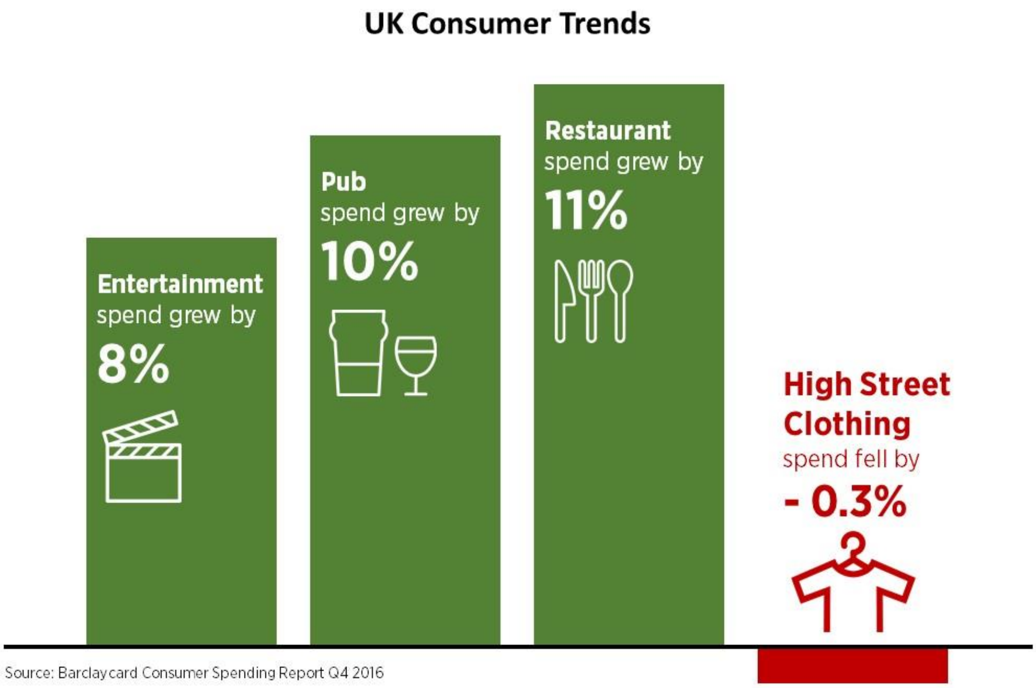
2017 EXTERNAL HEADWINDS

We remain extremely cautious about the outlook for the year ahead. The clothing sector faces three potential threats: a sectorial shift away from spending on clothing, price inflation as a result of Sterling's devaluation and potentially weaker growth in real incomes in the wider economy.

These headwinds are likely to be felt most acutely in our Retail business, as sales continue to migrate away from the High Street to online shopping.

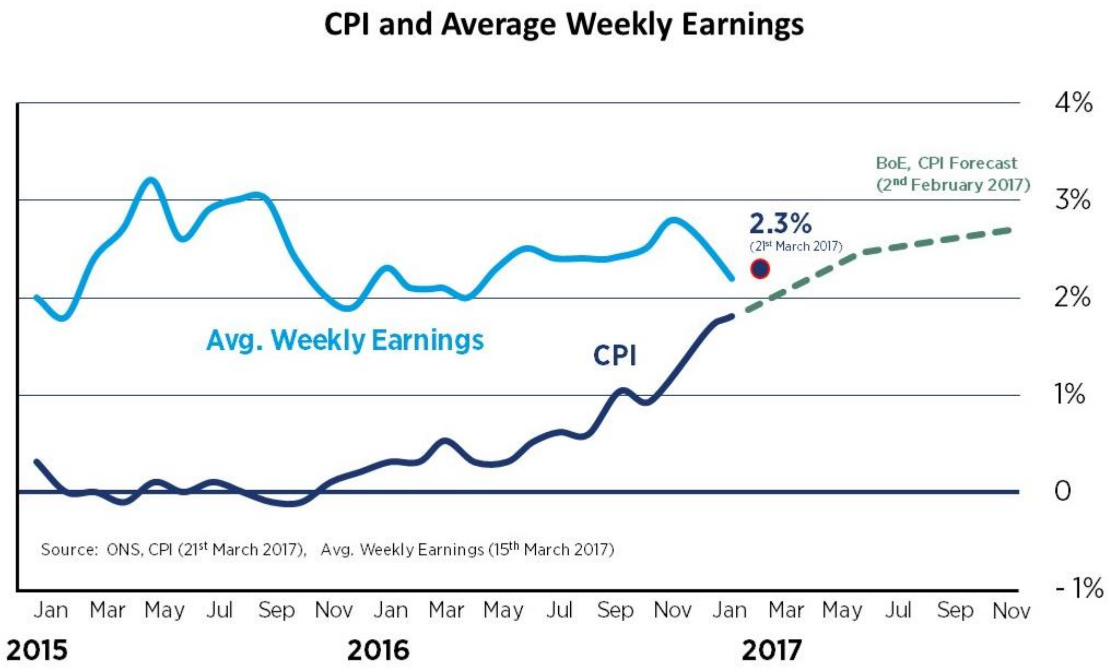
Sectorial shift

The figures issued below by Barclaycard give an indication as to how spending preferences have changed. The chart below shows the growth in spending on pubs, restaurants and entertainment compared to High Street clothing in the fourth quarter of 2016. We believe that these numbers demonstrate the continuing trend towards spending on experiences away from 'things'. Shifts in consumer spending patterns are not unusual and we expect that the trend will stabilise and reverse at some point, though it is impossible to say exactly when this will happen.



Real wage growth

As can be seen from the graph below, inflation is slowly rising to the level of general wage growth and looks set to continue to do so for the remainder of the year. We therefore expect a continuing squeeze on real incomes in the year ahead.



Prices

As expected, prices on like-for-like product in the first half of the year are up less than five percent with average selling prices of sold garments up +4%.

The table below sets out our costing rates for the Dollar (which accounts for around 60% of our total buy) for the year to January 2017 compared to January 2018.

	2016/17	2017/18	Costing rate variance	Selling price variance
Spring & Summer	$1.54	$1.39	- 10%	4%
Autumn & Winter	$1.47	$1.26	- 14%	Less than 5%

As can be seen from the table above, costing rates are more challenging in the second half. This is because some of our currency for the first half of 2017 had been hedged before the devaluation of Sterling in June 2016. Although costing rates are relatively lower in Autumn Winter, we do not expect price rises to be any worse in the second half and they may be a little better. A combination of alternative sources of supply, better negotiation and surplus capacity mean that we have been able to mitigate much of the weakness in Sterling.

Longer term outlook for pricing and inflation

The inflation in our cost prices and the wider economy looks like it has been driven mainly by the devaluation of the Pound. In the event that devaluation is a one off adjustment and Sterling does not devalue again in 2018, pricing pressure should ease as we go into the *second* half of 2018. By the same logic, the pressure on real wages from rising inflation may also work its way through the system by the middle of 2018.

2017 INTERNAL FACTORS

As detailed in the Product section (see page 6) we have substantially improved the Company's ability to respond to new trends. Where we have done so, we have been rewarded with good sales. However, in the process of making our ranges more responsive, we have omitted some best-selling, heartland product.

Over the last three months we have taken corrective action in all the relevant areas. This work will begin to be reflected in our ranges as the summer season progresses. However, our ranges will not be exactly where we want them to be until we get into the third quarter.

So we expect sales in the first quarter to be around the lower end of the 2017/18 guidance range we issued with our January 2017 trading statement. All other things being equal, we expect some improvement in the second quarter and a more marked improvement in the second half of the year. This, of course, is subject to there being no further deterioration in the external environment as the year progresses.

OUTLOOK FOR SALES AND PROFIT

We are maintaining the guidance range we issued for the full year in our January trading statement. We expect total full price sales growth for 2017/18 to be between -3.5% and +2.5%, with earnings per share growth of between -12.4% and +0.5%.

Guidance Estimates Full Year to January 2018	**Lower end of guidance**	**Upper end of guidance**
Total full price sales versus 2016/17 (at constant currency)	- 4.5%	+1.5%
Total full price sales versus 2016/17 (including currency gain)	- 3.5%	+2.5%
Group profit before tax	£680m	£780m
Change in profit before tax versus 2016/17	- 13.9%	- 1.3%
Earnings per share versus 2016/17	**- 12.4%**	**+0.5%**

FIRST QUARTER TRADING UPDATE

Our next trading statement will cover the thirteen weeks to 29 April and is scheduled for Thursday 4 May 2017.

SUMMARY

The year ahead looks like it will be tough with a combination of economic, cyclical and internal factors working against us. Our reaction to these challenges will be, as it has been in the past, to acknowledge where we can improve and focus on our core business. We are very clear about our priorities for the year ahead and how we can continue to make NEXT a better business for our customers. Our objectives are as follows:

- Continue our efforts to improve our buying processes, pushing the boundaries of what we can achieve in terms of design and quality whilst maximising the potential of our best-selling, heartland products.
- Continue the process of modernising the UK Directory business: improving our systems capabilities, developing new ways of recruiting customers, stimulating sales from existing customers, improving the presentation of our website, personalising our product offer and developing our credit offer.
- Continue to grow LABEL and Next Directory overseas.
- Develop and profitably expand our UK retail store network.
- Control costs through innovation.

We are in a good position to deliver these objectives. NEXT is financially strong with high net margins, healthy cash generation, good cost control and a robust, well financed balance sheet. We have a highly profitable, well maintained and relatively flexible store portfolio and excellent home shopping operations in the UK and overseas. For NEXT these have proven to be the foundations of long term success. We aim to build on them in the year ahead.

Lord Wolfson of Aspley Guise
Chief Executive
23 March 2017

UNAUDITED CONSOLIDATED INCOME STATEMENT

	52 weeks to 28 January 2017 £m	53 weeks to 30 January 2016 £m
Revenue	**4,097.3**	4,176.9
Cost of sales	**(2,710.7)**	(2,724.2)
Gross profit	**1,386.6**	1,452.7
Distribution costs	**(345.1)**	(351.6)
Administrative expenses	**(214.9)**	(229.3)
Unrealised foreign exchange gains/(losses)	**0.1**	(5.6)
Trading profit	**826.7**	866.2
Share of results of associates	**1.0**	1.0
Operating profit	**827.7**	867.2
Finance income	**0.3**	0.5
Finance costs	**(37.8)**	(31.6)
Profit before taxation	**790.2**	836.1
Taxation	**(154.9)**	(169.3)
Profit for the year attributable to equity holders of the parent company	**635.3**	666.8

Earnings per share (Note 3)		
52 weeks v. 53 weeks		
Basic	**441.3p**	450.5p
Diluted	**438.1p**	443.0p

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	52 weeks to 28 January 2017 £m	53 weeks to 30 January 2016 £m
Profit for the year	**635.3**	666.8
Other comprehensive income and expenses:		
Items that will not be reclassified to profit or loss		
Actuarial (losses)/gains on defined benefit pension scheme	**(2.4)**	9.7
Tax relating to items which will not be reclassified	**0.2**	(1.9)
Subtotal items that will not be reclassified	**(2.2)**	7.8
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**0.3**	(3.1)
Foreign currency cash flow hedges:		
- fair value movements	**111.6**	26.4
- reclassified to the income statement	**(91.2)**	(30.0)
- recognised in inventories	**(25.6)**	(13.4)
Tax relating to items which may be reclassified	**2.0**	3.4
Subtotal items that may be reclassified	**(2.9)**	(16.7)
Other comprehensive expense for the year	**(5.1)**	(8.9)
Total comprehensive income for the year	**630.2**	657.9

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	52 weeks to 28 January 2017 £m	53 weeks to 30 January 2016 £m
Opening total equity	**311.8**	321.9
Total comprehensive income for the year	**630.2**	657.9
Share buybacks & commitments	**(187.6)**	(49.6)
ESOT share purchases & commitments	**(50.9)**	(108.7)
Shares issued by ESOT	**30.5**	54.8
Share option charge	**13.1**	13.7
Tax recognised directly in equity	**(10.8)**	3.7
Equity dividends (Note 4)	**(225.8)**	(581.9)
Closing total equity	**510.5**	311.8

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	28 January 2017 £m	30 January 2016 £m
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant & equipment		**578.6**	536.4
Intangible assets		**43.3**	43.7
Interests in associates and other investments		**2.1**	2.1
Defined benefit pension surplus		**62.9**	46.0
Other financial assets	6	**57.3**	57.0
Deferred tax assets		**-**	2.7
		744.2	687.9
Current assets			
Inventories		**451.1**	486.5
Customer and other receivables		**1,125.8**	1,050.5
Other financial assets	6	**34.0**	38.9
Cash and short term deposits		**49.7**	66.3
		1,660.6	1,642.2
Total assets		**2,404.8**	2,330.1
Current liabilities			
Bank loans and overdrafts		**(35.3)**	(128.6)
Corporate bonds	7	**-**	(213.8)
Trade payables and other liabilities		**(615.8)**	(673.5)
Dividends payable		**-**	(88.3)
Other financial liabilities	6	**(3.2)**	(1.3)
Current tax liabilities		**(70.7)**	(65.1)
		(725.0)	(1,170.6)
Non-current liabilities			
Corporate bonds	7	**(913.5)**	(615.0)
Provisions		**(6.7)**	(7.3)
Other financial liabilities	6	**(16.5)**	(13.9)
Other liabilities	8	**(226.9)**	(211.5)
Deferred tax liabilities		**(5.7)**	-
		(1,169.3)	(847.7)
Total liabilities		**(1,894.3)**	(2,018.3)
NET ASSETS		**510.5**	311.8
EQUITY			
Share capital		**14.7**	15.1
Share premium account		**0.9**	0.9
Capital redemption reserve		**15.2**	14.8
ESOT reserve		**(215.4)**	(208.7)
Fair value reserve		**26.2**	29.4
Foreign currency translation		**(4.5)**	(4.8)
Other reserves		**(1,443.8)**	(1,443.8)
Retained earnings		**2,117.2**	1,908.9
TOTAL EQUITY		**510.5**	311.8

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	52 weeks to 28 January 2017 £m	53 weeks to 30 January 2016 £m
Cash flows from operating activities		
Operating profit	**827.7**	867.2
Depreciation, impairment and loss on disposal of property, plant & equipment	**116.3**	117.7
Amortisation and impairment of intangible assets	**0.4**	0.3
Share option charge less amounts settled in cash	**13.1**	13.7
Exchange movement	**0.3**	2.9
Decrease/(increase) in inventories	**35.3**	(57.0)
Increase in customer and other receivables	**(73.7)**	(214.5)
(Decrease)/increase in trade and other payables	**(49.7)**	29.4
Net pension contributions less income statement charge	**(19.3)**	1.6
Cash generated from operations	**850.4**	761.3
Corporation taxes paid	**(150.9)**	(153.0)
Net cash from operating activities	**699.5**	608.3
Cash flows from investing activities		
Additions to property, plant & equipment	**(160.8)**	(151.0)
Movement in capital accruals	**3.8**	3.5
Payments to acquire property, plant & equipment	**(157.0)**	(147.5)
Proceeds from sale of property, plant & equipment	**2.7**	0.2
Proceeds from sale of investment in associate	**-**	8.0
Net cash from investing activities	**(154.3)**	(139.3)
Cash flows from financing activities		
Repurchase of own shares	**(187.6)**	(150.7)
Purchase of shares by ESOT	**(50.9)**	(108.7)
Disposal of shares by ESOT	**29.9**	53.0
(Repayment)/proceeds from unsecured bank loans	**(115.0)**	115.0
Issue of corporate bond	**297.3**	-
Repayment of corporate bond	**(212.6)**	-
Interest paid	**(31.5)**	(30.8)
Interest received	**0.1**	0.6
Payment of finance lease liabilities	**-**	(0.1)
Dividends paid (Note 4)	**(314.1)**	(567.5)
Net cash from financing activities	**(584.4)**	(689.2)
Net decrease in cash and cash equivalents	**(39.2)**	(220.2)
Opening cash and cash equivalents	**52.7**	272.7
Effect of exchange rate fluctuations on cash held	**0.9**	0.2
Closing cash and cash equivalents (Note 9)	**14.4**	52.7

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The results for the financial year are for the 52 weeks to 28 January 2017 (last year 53 weeks to 30 January 2016).

The condensed consolidated financial statements for the year ended 28 January 2017 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 30 January 2016.

The condensed consolidated financial statements are unaudited and do not constitute statutory accounts of the Company within the meaning of Section 434(3) of the Companies Act 2006. Statutory accounts for the year to January 2016 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 under IFRS 8 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 24 of the 2016 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 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 amount payable by the customer, excluding VAT. As the prior year was a 53 week period, to aid comparability the 52 week equivalent sales and profit figures are also shown.

Segment sales and revenue

	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 Directory	**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**
	4,102.1	**(38.0)**	**4,064.1**	**605.8**	**4,669.9**
Lipsy	**27.1**	**(1.5)**	**25.6**	**38.8**	**64.4**
Property Management	**7.6**	**-**	**7.6**	**205.6**	**213.2**
Total segment sales / revenue	**4,136.8**	**(39.5)**	**4,097.3**	**850.2**	**4,947.5**
Eliminations	**-**	**-**	**-**	**(850.2)**	**(850.2)**
Total	**4,136.8**	**(39.5)**	**4,097.3**	**-**	**4,097.3**

	52 weeks	53 weeks to 30 January 2016				
	Total sales excluding VAT £m	Total sales excluding VAT £m	Commission sales adjustment £m	External Revenue £m	Internal Revenue £m	Total Segment Revenue £m
NEXT Retail	*2,373.5*	2,406.0	(6.1)	2,399.9	6.2	2,406.1
NEXT Directory	*1,658.7*	1,687.7	(29.4)	1,658.3	-	1,658.3
NEXT International Retail	*74.7*	75.9	-	75.9	-	75.9
NEXT Sourcing	*7.0*	7.2	-	7.2	675.7	682.9
	4,113.9	4,176.8	(35.5)	4,141.3	681.9	4,823.2
Lipsy	*29.2*	30.1	(1.3)	28.8	27.9	56.7
Property Management	*6.6*	6.8	-	6.8	197.4	204.2
Total segment sales / revenue	*4,149.7*	4,213.7	(36.8)	4,176.9	907.2	5,084.1
Eliminations	*-*	-	-	-	(907.2)	(907.2)
Total	*4,149.7*	4,213.7	(36.8)	4,176.9	-	4,176.9

2. Segmental analysis (continued)

Segment profit	52 weeks to 28 January 2017 £m	52 weeks to 23 January 2016 £m	53 weeks to 30 January 2016 £m
NEXT Retail	**338.7**	*402.1*	408.1
NEXT Directory	**444.1**	*405.2*	413.3
NEXT International Retail	**9.3**	*10.2*	10.4
NEXT Sourcing	**44.7**	*50.5*	51.1
	836.8	*868.0*	882.9
Lipsy	**5.5**	*5.3*	5.7
Property Management	**6.8**	*7.4*	7.5
Total segment profit	**849.1**	*880.7*	896.1
Central costs and other	**(9.4)**	*(10.6)*	(10.6)
Share option charge	**(13.1)**	*(13.7)*	(13.7)
Unrealised foreign exchange gains/(losses)	**0.1**	*(5.6)*	(5.6)
Trading profit	**826.7**	*850.8*	866.2
Share of results of associates	**1.0**	*1.0*	1.0
Finance income	**0.3**	*0.5*	0.5
Finance costs	**(37.8)**	*(31.0)*	(31.6)
Profit before tax	**790.2**	*821.3*	836.1

3. Earnings per share

	2017	2016
Basic earnings per share *52 weeks v. 53 weeks*	**441.3p**	450.5p
Underlying basic earnings per share *52 weeks v. 52 weeks*	**441.3p**	442.5p

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)

	2017	2016
Diluted earnings per share *52 weeks v. 53 weeks*	**438.1p**	443.0p
Underlying diluted earnings per share *52 weeks v. 52 weeks*	**438.1p**	435.1p

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 2,578,878 non-dilutive share options in the current year (2016: nil). The table below shows the key variables used in the earnings per share calculations:

	2017 £m	2016 £m
Profit after tax attributable to equity holders of the parent company	**635.3**	666.8
Less 53rd week profit in current year (post-tax)	**-**	(11.8)
52 week underlying profit (for underlying EPS)	**635.3**	655.0
Weighted average number of shares (millions):		
Weighted average shares in issue	**148.4**	152.7
Weighted average shares held by ESOT	**(4.4)**	(4.7)
Weighted average shares for basic EPS	**144.0**	148.0
Weighted average dilutive potential shares	**1.0**	2.5
Weighted average shares for diluted EPS	**145.0**	150.5

4. Dividends

Year to January 2017

	Paid	**Pence per share**	**Cash flow statement £m**	**Statement of changes in equity £m**	**Jan 2017 balance sheet £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**	**-**

4. Dividends (continued)

Year to January 2016

	Paid	Pence per share	Cash flow statement £m	Statement of changes in equity £m	Jan 2016 balance sheet £m
Special interim dividend	2 Feb 2015	50p	73.9	-	-
Special interim dividend	1 May 2015	60p	88.9	88.9	-
Special interim dividend	3 Aug 2015	60p	88.9	88.9	-
Final ordinary dividend for year to Jan 2015	3 Aug 2015	100p	148.1	148.1	-
Special interim dividend	2 Nov 2015	60p	88.9	88.9	-
Interim ordinary dividend for year to Jan 2016	4 Jan 2016	53p	78.8	78.8	-
Special interim dividend	1 Feb 2016	60p	-	88.3	88.3
			567.5	**581.9**	**88.3**

The February 2016 special interim dividend was announced on 5 January 2016 and shares in NEXT plc traded ex-dividend from 14 January. The liability of £88.3m is recorded in the January 2016 balance sheet on the basis that it could not realistically have been cancelled after the ex-dividend date, and was paid on 1 February 2016.

5. Share buybacks

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

	2017 Shares ('000s)	**2017 Cost £m**	2016 Shares ('000s)	2016 Cost £m
Shares in issue at start of year	**150,670**	**15.1**	152,874	15.3
Shares purchased for cancellation in the year	**(3,613)**	**(0.4)**	(2,204)	(0.2)
Shares in issue at end of year	**147,057**	**14.7**	150,670	15.1

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

	2017 Shares ('000s)	**2017 Cost £m**	2016 Shares ('000s)	2016 Cost £m
Shares purchased for cancellation in the year	**3,613**	**187.6**	2,204	150.7
Less: commitment at start of year	**-**	**-**	(1,500)	(101.1)
Amount shown in statement of changes in equity		**187.6**		49.6

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

In May 2016, NEXT plc issued a new £300.0m 12 year bond. The amount received of £297.3m shown in the cash flow statement is net of discount and issue costs. The table below shows the nominal and balance sheet values of the Group's outstanding corporate bonds.

	Nominal value		Balance sheet value	
	28 Jan 2017 £m	30 Jan 2016 £m	**28 Jan 2017 £m**	30 Jan 2016 £m
Corporate bond 5.875% repayable Oct 2016	**-**	212.6	**-**	213.8
Corporate bond 5.375% repayable Oct 2021	**325.0**	325.0	**329.5**	332.7
Corporate bond 4.375% repayable Oct 2026	**250.0**	250.0	**284.0**	282.3
Corporate bond 3.625% repayable May 2028	**300.0**	-	**300.0**	-
	875.0	787.6	**913.5**	828.8
Classified as:				
Current liabilities			**-**	213.8
Non-current liabilities			**913.5**	615.0
			913.5	828.8

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 2017, the fair value of the Group's corporate bonds was £959.8m (2016: £879.3m). 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 2016 £m	Cash flow £m	Other non-cash changes £m	**January 2017 £m**
Cash and short term deposits	66.3			**49.7**
Overdrafts and short term borrowings	(13.6)			**(35.3)**
Cash and cash equivalents	52.7	(39.2)	0.9	**14.4**
Unsecured bank loans	(115.0)	115.0	-	**-**
Corporate bonds	(828.8)	(84.7)	-	**(913.5)**
Fair value hedges of corporate bonds	41.2	-	(2.6)	**38.6**
Total net debt	(849.9)	(8.9)	(1.7)	**(860.5)**

10. Final dividend and AGM

It is intended that the recommended final dividend of 105p per share will be paid on 1 August 2017 to shareholders registered on 7 July 2017, with shares trading ex-dividend from 6 July 2017. 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 18 May 2017. The Annual Report and Accounts will be sent to shareholders on 18 April 2017 and copies will be available from the Company's registered office: Desford Road, Enderby, Leicester, LE19 4AT and on the Company's website at www.nextplc.co.uk.

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

To view our range of exciting, beautifully designed clothing, footwear, accessories and Home products go to www.next.co.uk

Certain statements which appear in a number of places throughout this announcement may constitute "forward looking statements" which are all matters that are not historical facts, including anticipated financial and operational performance, business prospects and similar matters. These forward looking statements are identifiable by words such as "aim", "anticipate", "believe", "budget", "estimate", "expect", "forecast", "intend", "plan", "project" and similar expressions. These forward looking statements reflect NEXT's current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any such forward looking statements are subject to risks and uncertainties, including but not limited to those matters highlighted in the Chief Executive's review; failure by NEXT to accurately predict customer fashion preferences; decline in the demand for merchandise offered by NEXT; competitive influences; changes in level of store traffic or consumer spending habits; effectiveness of NEXT's brand awareness and marketing programmes; general economic conditions or a downturn in the retail industry; the inability of NEXT to successfully implement relocation or expansion of existing stores; insufficient consumer interest in NEXT Directory; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial and equity markets. These forward looking statements do not amount to any representation that they will be achieved as they involve risks and uncertainties and relate to events and depend upon circumstances which may or may not occur in the future and there can be no guarantee of future performance. Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. NEXT does not undertake any obligation to publicly update or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.