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Annual Report and Accounts
January 2011

NEXT is a UK based retailer offering exciting, beautifully designed, excellent quality clothing, footwear, accessories and home products. NEXT distributes through three main channels: NEXT Retail, a chain of more than 500 stores in the UK and Eire, NEXT Directory, a home shopping catalogue and website with nearly 3 million active customers, and NEXT International, with more than 180 stores around the world. NEXT also has a growing website capability in more than 30 countries.

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Forward Looking Statements

This Report and Accounts contains "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 risks described in "Risks & Uncertainties" on pages 14 to 16; failure by NEXT to predict accurately customer fashion preferences; decline in the demand for merchandise offered by NEXT; competitive influences; changes in level of store traffic or consumer spending habits; effectiveness of NEXT's brand awareness and marketing programmes; general economic conditions or a downturn in the retail industry; the inability of NEXT to successfully implement relocation or expansion of existing stores; lack of sufficient consumer interest in NEXT Directory; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial or 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.

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“January 2011 was a year of record sales, profits, earnings per share and dividends”



In a challenging environment, we increased revenues, increased profits and continued to invest in our business.

Earnings per share increased by 18% to a new record of 221.9p.

The proposed full year dividend increases by 18% to 78p and is covered 2.8 times by earnings.

Cash generation remained strong and we returned an additional £205m to shareholders through buying back 10 million shares.

The year ahead will be challenging, but NEXT is well prepared and we will continue with our strategy of investing in the business, the products and the NEXT Brand.

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

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

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

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

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

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

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



John Barton
Chairman

The Directors present their annual report and audited accounts for the financial year ended 29 January 2011.

Principal activities

NEXT is a UK based retailer offering exciting, beautifully designed, excellent quality clothing, footwear, accessories and home products. NEXT distributes through three main channels: NEXT Retail, a chain of more than 500 stores in the UK and Eire, NEXT Directory, a home shopping catalogue and website with nearly 3 million active customers, and NEXT International, with more than 180 stores around the world. NEXT also has a growing website capability in more than 30 countries.

Other group businesses include:

- NEXT Sourcing, which designs, sources and buys NEXT branded products.
- Lipsy, which designs and sells its own branded younger women's fashion products through retail, internet and wholesale channels.
- Ventura, which provides customer services management to clients wishing to outsource their customer contact administration and fulfilment activities.

A review of the Group's businesses is set out in the Chief Executive's Review and in the sections headed Business Strategies & Objectives, Key Performance Indicators, Risks & Uncertainties, Employees and Social & Environmental Matters.

Business strategies & objectives

The primary financial objective of the Group is the delivery of sustainable long term growth in earnings per share ("EPS"). As explained more fully in the Chief Executive's Review, it will be challenging to improve on this year's record EPS. However, the Board believes that there are new avenues of growth and further possible cost savings that should allow EPS to grow in the year ahead. In the longer term, the Board considers that growth in EPS is best achieved by continuation of the following strategies in NEXT's operating businesses:

- Improving and developing NEXT product ranges, success in which is reflected in total sales and like for like sales performance.
- Profitably increasing NEXT Retail and Lipsy selling space. New store appraisals must meet demanding financial criteria before the investment is made and success is measured by monitoring achieved sales and profit contribution against appraised targets.
- Increasing the number of NEXT Directory customers and their average spend.
- Managing gross and net margins by better product sourcing, continuous cost control and efficient management of stock levels and working capital.
- Maintaining the Group's financial strength through an efficient balance sheet and financing structure.
- Purchasing and cancelling NEXT shares when it is earnings enhancing and in the interests of shareholders generally.

CHIEF EXECUTIVE'S REVIEW

OVERVIEW – A New Normal

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

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

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

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

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

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

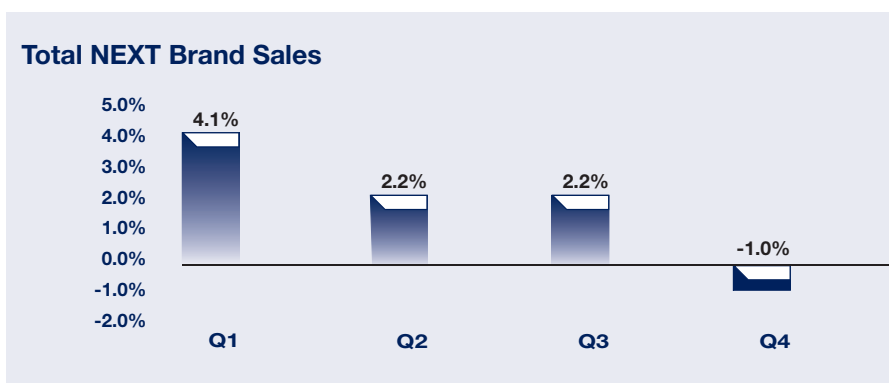
NEXT continues to deliver strong cash flows, generating £92m of surplus cash after capital expenditure, interest, tax and dividends. We expect this inflow to double in the year ahead. Surplus cash has been used to buy back 10 million shares, and the combined effect of cash generation and share buybacks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

SUMMARY OF FINANCIAL RESULTS

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

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

2010 CONSUMER ENVIRONMENT



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

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

STOCK AND SUPPLY ISSUES

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

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

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

NEXT RETAIL

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

Retail Sales

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

Retail Profit Analysis

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

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

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

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

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

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

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

New Space and Refits

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

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

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

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

Store Portfolio Profitability

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

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

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

NEXT DIRECTORY

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

Directory Sales

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

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

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

Directory Profit Analysis

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

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

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

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

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

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

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

BRAND PROFIT MARGINS

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

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

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

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

INTERNATIONAL

Retail overseas

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

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

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

Overseas Online

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

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

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

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

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

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

NEXT SOURCING

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

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

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

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

VENTURA

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

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

OTHER ACTIVITIES

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

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

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

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

INTEREST AND TAX

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

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

BALANCE SHEET AND CASH FLOW

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

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

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

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

SHARE BUYBACKS

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

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

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

DIVIDENDS

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

INTERIM MANAGEMENT STATEMENT

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

OUTLOOK FOR 2011/12

Cost Price Inflation and Price Elasticity

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

Measuring Price Elasticity

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

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

Autumn Winter Prices

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

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

Outlook for the Wider Consumer Economy

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

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

Sales, Profits and EPS in the Year Ahead

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

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

Estimated profit and EPS outcomes for possible sales range

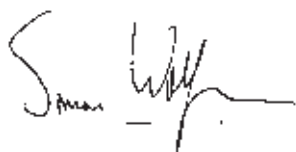
	Down -0.5%	Up +2.5%
Brand sales (VAT exclusive)		
Estimated group profit before tax	£520m	£570m
Profit before tax growth	-5.5%	+3.5%
Share buyback estimate	£160m	£160m
Estimated growth in EPS	-0.5%	+8.5%

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

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

SUMMARY

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



Lord Wolfson of Aspley Guise
Chief Executive

24 March 2011

KEY PERFORMANCE INDICATORS

KPIs of earnings per share, group cash flows and divisional revenues and profits are detailed in the Chief Executive's Review and elsewhere in this Annual Report. Details of other key performance indicators used in the management of the business are provided below:

NEXT Retail selling space	2011	2010	Annual change
Store numbers	525	517	+1.5%
Square feet 000's	6,073	5,763	+5.4%

Selling space is defined as the trading floor area of a store, excluding stockroom, administration and other non-trading areas.

	2011		2010	
NEXT Retail like for like sales	No. stores	LFL %	No. stores	LFL %
Total like for like	505	- 4.7%	420	+0.1%
Underlying	449	- 4.0%	401	+0.3%

NEXT defines like for like stores as those that have traded for at least one full year and have not benefited from significant capital expenditure. Sales from these stores for the current year are then compared with the same period in the previous year to calculate like for like sales figures. Underlying like for like sales applies the same calculation to only those stores which were unaffected by new store openings.

NEXT Retail operating margin	2011	2010
Net operating margin last year	14.2%	13.1%
Increase in achieved gross margin	+0.6%	+1.0%
Increase/decrease in store occupancy costs	-0.6%	+0.3%
Change in store payroll costs	0.0%	0.0%
Decrease/increase in other costs	+0.6%	-0.2%
Net operating margin this year	14.8%	14.2%

Gross margin is the difference between the cost of stock and the initial selling price. Net operating margin is the residual profit after deducting markdowns and all direct and indirect trading costs. Both are expressed as a percentage of the achieved VAT exclusive selling price.

NEXT Directory customers	2011	2010	Annual change
Average active customers	2,731,000	2,432,000	+12.3%
Average sales per customer	£342	£359	-4.7%
Number of pages	4,084	3,968	+2.9%

Active customers include both cash and credit customers and are defined as those who have placed an order in the last 20 weeks or who are paying off a current balance. The average for the year is calculated as a weighted average of each week's figure. Average sales per customer are calculated as statutory sales divided by the average number of active customers. Prior year figures have been restated to include cash accounts.

NEXT Directory operating margin	2011	2010
Net operating margin last year	21.0%	19.3%
Increase in achieved gross margin	+1.3%	+0.5%
Decrease in bad debt	+0.6%	+0.7%
Decrease in service charge income	-0.6%	-0.3%
Decrease in other costs	+1.4%	+0.8%
Net operating margin this year	23.7%	21.0%

Share buybacks	2011	2010
Number of shares purchased ('000)	9,954	5,928
% of opening share capital	5.2%	3.0%
Total cost (£m)	205.4	120.1
Average cost per share (£)	20.63	20.26

Total cost of shares purchased includes stamp duty and associated costs.

RISKS & UNCERTAINTIES

The Board has a policy of continuous identification and review of key business risks and oversees the development of processes to ensure that these risks are managed appropriately. Executive directors and operational management are delegated with the task of implementing these processes and reporting to the Board on their outcomes. The key risks identified by the Board are summarised below:

■ Business strategy development & implementation

If the Board adopts the wrong business strategy or does not implement its strategies effectively, the business may suffer. The Board needs to understand and properly manage strategic risk in order to deliver long term growth for the benefit of NEXT's stakeholders. The Board reviews business strategy on a regular basis to determine how sales and profit budgets can be achieved or bettered and business operations made more efficient. This process involves the setting of annual budgets and longer term financial models to identify ways in which the Group can increase shareholder value. Critical to these processes is the consideration of wider economic and industry specific trends that affect the Group's businesses, the competitive position of its product offer and the financial structure of the Group.

■ Credit risk and liquidity

NEXT is exposed to credit risk in respect of its Directory and other business customers. Rigorous procedures are in place with regard to the Group's credit customers and these procedures are regularly reviewed and updated as required. Key suppliers whose services are essential to the successful running of the business also face credit risk. These include the supply and printing of the Directory, provision of core IT systems and certain systems and suppliers in the Group's delivery and distribution network. The Group's risk assessment procedures for key suppliers enables it to identify alternatives and develop contingency plans in the event any of these suppliers fail.

The Group has adequate medium and long term financing in place to support its business operations for the foreseeable future. The Board continues to assess its exposure to counterparty risk in the light of the prevailing economic climate, both in the UK and globally, and its treasury policy is amended as necessary to restrict counterparties with which deposits, investments and other transactions may be made.

■ Management team

The success of NEXT relies on the continued service of its senior management and technical personnel and on its ability to continue to attract, motivate and retain highly qualified employees. The retail sector is very competitive and NEXT staff are frequently targeted by other companies for recruitment. The Remuneration Committee identifies senior personnel, reviews their remuneration at least annually and formulates packages that are structured to retain and motivate these employees. In addition, the Board considers the development of senior managers to ensure that there are adequate career development opportunities for key personnel and an orderly succession and promotion to all important management positions within the Group's businesses.

■ Product design & selection

The success of NEXT depends on providing exciting, beautifully designed, excellent quality clothing and homeware. Success also depends upon its ability to anticipate and respond to changing consumer preferences and trends. Many of NEXT's products represent discretionary purchases and demand for these products can decline in periods in which consumer confidence is negatively affected. As a consequence, NEXT may be faced with surplus stocks that cannot be sold at full price and have to be disposed of at a loss. Executive directors and senior management continually review the design and selection of NEXT's product ranges. This ensures, so far as possible, that there is a well-balanced product mix on offer that is good value for money and in sufficient quantities at the right time to meet customer demand.

■ Key suppliers & supply chain management

NEXT relies on its supplier base to deliver products on time and to the quality standards it specifies. It continually seeks ways to develop and extend its supplier base so as to reduce any over-reliance on particular suppliers of product and services, and to improve the competitiveness of its product offer. If input costs rise, for example raw materials such as cotton or manufacturing labour costs overseas, NEXT management will work with existing suppliers to mitigate the inflationary impact. When necessary, new sources of supply will be developed, in conjunction with NEXT Sourcing, its own sourcing operation, as well as through external agents and existing direct suppliers.

Non-compliance by suppliers with the NEXT Code of Practice may increase reputational risk. Therefore, NEXT carries out regular inspections of its suppliers' operations to ensure compliance with the standards set out in this code, covering production methods, employee working conditions, quality control and inspection processes. NEXT also monitors and reviews the financial, political and geographical aspects of its supplier base to identify any factors that may affect the continuity or quality of supply of its products.

■ Retail store network

Growth of NEXT's retail business is dependent upon increasing the floor space within its store network and customers spending more. NEXT will continue to invest in new stores where its financial criteria are met and refurbish its existing portfolio when appropriate. The anticipated effect of sales deflection is factored into new store appraisals but there can be no assurance that the impact of new openings will not result in a greater deflection of sales from existing stores.

Successful development of new stores is dependent upon a number of factors including the identification of suitable properties, obtaining planning permissions and the negotiation of acceptable purchase or lease terms. Notwithstanding there have been a number of retail failures in recent years, prime sites will generally be in great demand. In such circumstances, increased competition can result in higher rents going forwards.

■ Directory customer base

Growth of the NEXT Directory business depends upon the recruitment and retention of its customer base and increasing the average spend per customer. NEXT will continue to recruit new customers where they satisfy its credit score requirements. However, there can be no assurance that new customers will result in higher sales per customer or lower incidence of bad debts, compared with the existing customer base.

In addition, NEXT requires its internet website to attract new customers and encourage its existing customers to continue ordering from the Directory. Management continually reviews the configuration, content and functionality of the NEXT website to ensure it enhances the customer shopping experience. Service levels and response times are also monitored to ensure that the website is both resilient and secure at all times.

■ Warehousing & distribution

NEXT regularly reviews its warehouses and the related logistics operations that support its businesses. Risks include business interruption due to physical property damage, access restrictions, breakdowns in warehouse systems, capacity shortages, inefficient processes and delivery service failures. Planning processes are in place to ensure there is sufficient warehouse handling capacity for expected future business volumes over the short and longer terms. In addition, service levels, warehouse handling and delivery costs are monitored continuously to ensure goods are delivered to Retail stores, Directory customers and third party clients in a timely and cost-efficient manner.

■ IT systems & business continuity

NEXT is dependent upon the continued availability and integrity of its computer systems. Each of its businesses must record and process a substantial volume of data and conduct inventory management accurately and quickly. The Group expects that its systems will require continuous enhancements and ongoing investment to prevent obsolescence and maintain responsiveness to business needs. Back up facilities and business continuity plans are in place which are tested regularly to ensure that business interruptions are minimised and data is protected from corruption or unauthorised access or use.

■ Call centre capacity & service levels

NEXT is dependent on the efficient operation of its call centres to receive and respond to customer orders and enquiries in its home shopping and customer service management businesses. Insufficient manpower and interruption in the availability of telephony systems to meet customer service requirements are the principal risks. The Group continuously monitors call centre operations that support the NEXT Directory and Ventura businesses to ensure that there is sufficient capacity to handle call volumes and satisfy clients' customer service level requirements. Capacity forecasting is used to manage peak demands and growth in business volumes and customer and client satisfaction is measured on a regular basis. Business continuity plans ensure the risk of business interruption is minimised.

■ Treasury & financial risk management

The main financial risks of NEXT relate to the availability of funds to meet business needs, default by counterparties to financial transactions (see Credit risk and liquidity), and fluctuations in interest and foreign exchange rates. In addition, NEXT's business expansion and share buyback strategy may necessitate the raising of additional finance, which can in turn increase interest costs and could give rise to fluctuations in profit. Higher debt levels would also result in an increase in the proportion of cash flow dedicated to servicing debt and potentially increase its exposure to interest rate fluctuations.

NEXT operates a centralised treasury function which is responsible for managing its liquidity, interest and foreign currency risks. The Group's treasury policy allows the use of derivative instruments provided they are not entered into for speculative purposes. Further details of the Group's treasury operations are given in Notes 28 to 32 to the financial statements.

In addition, NEXT has to fund its defined benefit pension scheme and ensure that sufficient contributions are made to meet its outstanding liabilities as they fall due. If NEXT fails to provide sufficient and timely funding, action may be taken by either the pension scheme trustees, or the Pensions Regulator, which could result in an acceleration and/or an increase in overall contributions towards any resulting deficit. Management meets regularly with the trustees of its pension scheme to assess fund performance, as well as to agree future contribution levels and any necessary changes to future benefits to be provided to members of the scheme.

EMPLOYEES

People are key to achieving the Group's business objectives. NEXT has established policies for recruitment, training and development of personnel and is committed to achieving excellence in the areas of health, safety, welfare and protection of employees and their working environment.

Equal opportunities

NEXT is an equal opportunities employer and will continue to ensure it offers career opportunities without discrimination. Full consideration is given to application for employment from disabled persons, having regard to their particular aptitudes and abilities. The Group has continued the employment wherever possible of any person who becomes disabled during their employment. Opportunities for training, career development and promotion do not operate to the detriment of disabled employees.

Training and development

NEXT aims to realise the potential of its employees by supporting their career progression and promotion wherever possible. It makes significant investment in the training and development of staff and in training and education programmes which contribute to the internal promotion prospects of employees.

Employee communication

NEXT has a policy of providing employees with financial and other information about the business and ensures that the suggestions and views of employees are taken into account. NEXT has an employee forum made up of a network of elected representatives from throughout the business who attend meetings at least twice a year with Directors and senior managers. This forum enables and encourages open discussion on key business issues, policies and the working environment.

Employee share ownership

Approximately 7,600 NEXT employees held options over a total of 12.5 million shares in NEXT plc at January 2011. Its employee share ownership trust ("ESOT") has purchased shares in the market and issues them to employees when options are exercised. At the year end the ESOT held 6.4 million shares, the voting rights of which are exercisable by the Trustee.

Pension provision

The NEXT Group Pension Plan provides a valuable pension benefit to its participating employees, details of which are set out in the Remuneration Report on pages 33 to 34 and in Note 21 to the financial statements. As at 29 January 2011, there were 1,612 (2010: 1,738) active members in the Defined Benefit Section and 2,216 (2010: 2,065) members in the Defined Contribution Section.

SOCIAL & ENVIRONMENTAL MATTERS

NEXT is committed to the principles of responsible business. For NEXT, this means addressing key business related social, ethical and environmental matters in a way that aims to bring value to all of its stakeholders, including customers and shareholders. Continuous improvement lies at the heart of NEXT's approach and this is achieved by acting in an ethical manner, developing positive relationships with suppliers, recruiting and retaining good people and maintaining healthy links with the communities in which the Group operates.

NEXT has a Corporate Responsibility ("CR") forum of 15 senior managers and directors representing key areas of the business, co-ordinated by a CR Manager, to develop and implement its strategy. The forum identifies potential issues and opportunities and evaluates the success of NEXT's response. The CR Manager holds regular updates with the executive director responsible for CR matters.

A third party provides independent assurance on the content of the Group's CR report which is published on the Company's website each year. NEXT's commitment to CR matters is also recognised externally by its continuing membership of the FTSE4Good Index Series.

Suppliers

NEXT is a member of the Ethical Trading Initiative and operates its Code of Practice ("COP"), an established set of ethical trading standards as an integral part of the Group's operations. The NEXT COP has ten key principles that stipulate the minimum standards with which suppliers are required to comply in relation to workers rights and conditions of work including working hours, minimum age of employment, health, safety, welfare and environmental issues. Through its COP, NEXT seeks to ensure all products bearing the NEXT brand are produced in a clean and safe environment and in accordance with all relevant laws.

NEXT is committed to its internal supplier audit and management programme and has a COP audit team of 44 staff (2010: 40). The COP team works directly with suppliers to identify and address causes of non-compliance. Each audited factory is measured against the COP and is graded against its six tier rating system. The supplier is made aware of its rating and what is required to improve that rating via a corrective action plan. This direct approach also allows NEXT to build knowledge and understanding in the local communities, as well as monitoring suppliers through its auditing process.

NEXT's policy for the payment of suppliers is either to agree terms of payment at the start of business or to ensure that the supplier is aware of the Group's payment terms. Payment is made in accordance with contractual and other legal obligations. Trade creditor days of the NEXT Group at 29 January 2011 were 29 days (2010: 26 days) based on the ratio of the trade creditors at the end of the year to the amounts paid during the year to trade creditors. The Company had no trade creditors at 29 January 2011 or 30 January 2010.

Customers

NEXT is committed to offering stylish, excellent quality products to its customers. It aims to ensure they are well made, functional, safe and are sourced in a responsible manner. Its team of technologists works closely with buyers, designers and suppliers to ensure NEXT products comply with all relevant legislation, and its own internal standards where these are higher. The expertise of independent safety specialists for clothing, footwear, accessories, beauty and home products is used where required.

NEXT endeavours to provide an inclusive, high quality service to all customers, whether they are shopping through its stores, catalogues or website. The different methods of shopping must be easily accessible for all customers and be responsive to their particular needs.

NEXT Customer Services interacts with Retail and Directory customers to resolve enquiries and issues. Findings are documented and the information is used by other areas of the business to review how a product or service can be improved.

Health and safety

NEXT recognises the importance of health and safety at work and its management is designed to contribute to improving business performance. Policies and procedures are reviewed and audited regularly to make safety management more robust and fully up to date.

The Group's objective is to manage all aspects of its business in a safe manner and take practical measures to ensure that its activities and products do not harm customers, employees, contractors, sites or equipment. Procedures are in place to enable effective two way communication and consultation about health, safety and welfare issues in order to achieve a high level of safety awareness.

Environment

NEXT recognises that it has a responsibility to manage the impact of its business on the environment both now and in the future. Key areas of focus continue to be:

- energy use and emissions from stores, warehouses, distribution centres and offices;
- fuel emissions from the transportation of products to either stores or customers' homes; and
- waste created in stores, warehouses, distribution centres and offices.

NEXT is committed to reducing its carbon footprint by reducing energy consumption throughout its operations, minimising and recycling waste, cutting transport emissions and reducing the packaging in our products.

The business has continued to roll out the implementation of energy saving initiatives, such as replacing existing lighting schemes in our stores with more efficient bulbs and using our building management systems to automatically manage when store lighting and air conditioning is turned on or off. During the year, NEXT was able to further reduce its UK and Eire electricity consumption by 4% whilst increasing its store trading space by over 5%. Gas is used for heating within the business and, as a result of the periods of very cold weather experienced during 2010, usage increased by 26%. Nevertheless, overall electricity and gas consumption was reduced by 1% in the year.

For waste, the priorities are to minimise the total amount of waste generated within the Group's operations and to recycle more waste in order to divert it from landfill. During the year the quantity of general waste created by the business was reduced by 25% compared to last year. NEXT has also developed solutions to recycle 76% of its remaining waste, an increase of 11% on the previous year.

NEXT complies with the Waste Electrical and Electronic Equipment (WEEE) Regulations through participation in a UK wide WEEE collection system to enable its customers to recycle electrical products free of charge at UK recycling sites.

Community

NEXT aims to make a positive impact in its local communities through a programme of support involving sponsorship, donations and employee time. NEXT has provided the following financial support:

	2011	2010
	£000	£000
Registered charities	857	903
Individual requests, local and national groups and organisations	68	87
Commercial support	74	61

This support has been complemented with the following fundraising activities to generate additional funds for registered charities, groups or organisations:

	2011	2010
	£000	£000
NEXT charity events	216	20
Gifts in kind – product donations	1,124	601
Charity linked sales	288	404
Employee fundraising	19	46

NEXT works with a number of charities both in the UK and overseas to raise funds through the sale of specific products where a donation from their sale is passed to the charity. In addition, NEXT makes donations of surplus stocks for resale by those charities.

No donations were made for political purposes (2010: nil).

ANNUAL GENERAL MEETING & OTHER MATTERS

Notice of the Annual General Meeting ("AGM") is on pages 87 to 92 and includes the following business:

Dividends

The Directors recommend that a final dividend of 53p per share be paid on 1 July 2011 to shareholders on the register of members at close of business on 27 May 2011. The Trustee of the NEXT Employee Share Ownership Trust ("ESOT") has waived dividends paid in the year on shares held by the ESOT, see Note 27.

Directors

Francis Salway was appointed by the Board as a non-executive director on 1 June 2010 and will be subject to election by shareholders at the 2011 AGM. The Board has unanimously agreed that he has made a valuable contribution to the Company, and that his broad range of skills and experience makes him an effective non-executive director. The Board has also agreed that all other directors will stand for re-election at the 2011 AGM in preparation for the 2010 UK Corporate Governance Code. All are eligible and willing to be re-appointed.

The current Board, including biographical details, is shown on page 24 of this report. The Board has formally reviewed the performance of all non-executive directors and concluded that they remain independent, effective and are committed to their roles at NEXT. In addition, the Board was satisfied that both Jonathan Dawson and Christine Cross, who were first appointed to the Board 7 years and 6 years ago respectively, remain independent in both character and judgement, and their knowledge and other business interests continue to enable them to contribute significantly to the work and balance of the Board.

The interests of the directors who held office at 29 January 2011 and their families are shown in the Remuneration Report on pages 35 and 37 to 39.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors of the Group and their reappointment will be proposed at the AGM.

Disclosure of information to auditors

In accordance with the provisions of Section 418 of the Companies Act 2006, each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Authority to allot shares

Ordinary resolution 14 will, if passed, renew the directors' authority pursuant to sections 550 to 573 of the Companies Act 2006 to allot shares or grant rights to subscribe for, or convert any security into, shares until the conclusion of the AGM in 2012 or, if earlier, 1 August 2012. This resolution will allow the directors to allot ordinary shares up to a maximum nominal amount of £5,994,000 representing approximately one third (33.33%) of the Company's existing issued share capital as at 22 March 2011. In accordance with the latest institutional guidelines, resolution 14 will also allow directors to allot further ordinary shares, in connection with a pre-emptive offer by way of a rights issue, of up to a maximum nominal amount of £11,988,000, representing approximately two thirds (66.67%) of the Company's existing issued share capital. As at 22 March 2011 (being the latest practicable date prior to publication of this document) the Company's issued share capital amounted to £17,982,139, comprising 179,821,387 ordinary shares of 10 pence each, none of which are held in treasury. The directors have no present intention of exercising this authority.

Authority to disapply pre-emption rights

Special resolution 15 will, if passed, renew the directors' authority pursuant to Section 560 of the Companies Act 2006 to allot equity securities for cash without first offering them to existing shareholders in proportion to their holdings. This resolution limits the aggregate nominal value of ordinary shares which may be issued by the directors on a non pre-emptive basis to £899,000, being less than 5% of the issued ordinary share capital as at 22 March 2011. This authority also allows the directors, within the same aggregate limit, to sell for cash shares that may be held by the Company in treasury. The directors do not have any present intention of exercising this authority which will expire at the AGM in 2012 or, if earlier, 1 August 2012. The directors do not intend to issue more than 7.5% of the issued share capital of the Company for cash under this or previous authorities in any rolling three year period without prior consultation with shareholders and the Investment Committees of certain shareholder representative organisations.

On-market purchase of own shares

NEXT has been returning capital to its shareholders by share repurchases as well as dividend since March 2000 as part of its strategy for delivering sustainable long term growth in earnings per share. Over this period, and up to 22 March 2011, NEXT has returned over £2.3bn to shareholders by way of share buybacks and almost £1.1bn in dividends. This buyback activity has enhanced earnings per share, given shareholders the opportunity for capital (as well as revenue) returns and has been transparent to the financial markets. Share buybacks have not been made at the expense of investment in the business. Over the last five years, NEXT has invested almost £700m in capital expenditure to support and grow the business.

Special resolution 16 will renew the authority for the Company to make market purchases (as defined in Section 693 of the Companies Act 2006) of its ordinary shares of 10p each provided that:

- (a) the aggregate number of ordinary shares authorised to be purchased shall be the lesser of 26,970,000 ordinary shares of 10p each (being 15% of the issued share capital at 22 March 2011) and no more than 15% of the issued ordinary share capital outstanding at the date of the AGM, such limits to be reduced by the number of any shares to be purchased pursuant to special resolution 17: Off-market purchases of own shares, see below;
- (b) the payment per ordinary share is not less than 10p and not more than 105% of the average of the middle market price of the ordinary shares according to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date of purchase; and
- (c) the renewed authority expires on whichever is the earlier of the next AGM of the Company in 2012 and 1 August 2012.

The directors intend that this authority to purchase the Company's shares will only be exercised if doing so will result in an increase in earnings per share and, being in the interests of shareholders generally, it is considered to promote the success of the Company. The directors will also give careful consideration to financial gearing levels of the Company and its general financial position. The purchase price would be paid out of distributable profits. It is the directors' present intention to cancel any shares purchased under this authority.

The repurchase of ordinary shares would give rise to a stamp duty liability at the rate of 0.5% of the consideration paid by the Company, rounded up to the nearest £5. The liability will be a liability of the Company.

The total number of employee share options to subscribe for shares outstanding at 22 March 2011 was 12,731,620. This represents 7.1% of the issued share capital at that date. If the Company were to buy back the maximum number of shares permitted pursuant to this resolution, then the total number of options to subscribe for shares outstanding at 22 March 2011 would represent 8.3% of the reduced issued share capital.

Off-market purchases of own shares

The directors consider that share buybacks are an important means of returning value to shareholders and maximising sustainable long term growth in EPS. Contingent contracts for off-market share purchases are an integral part of the Company's buyback strategy and offer a number of additional benefits compared to on-market share purchases:

- Contingent contracts allow the Company to purchase shares at a discount to the market price prevailing at the date each contract is entered into. Due to the uncertain economic environment, the directors did not consider it appropriate to use the authorities granted at the 2008, 2009 and 2010 AGMs. Previously, in December 2007 and January 2008 the Company bought back shares for cancellation under such contracts at a discount of up to 11.75% compared with market prices prevailing when the relevant contract commenced.
- Low share liquidity often prevents the Company from purchasing a large number of shares on a single day without affecting the prevailing market price. Contingent contracts enable the Company to purchase blocks of shares over a period of time without distorting the prevailing share price. This purchase method is also cash flow advantageous insofar as it defers the cash outflow of any related buybacks.
- Contingent contracts enhance flexibility in the Company's buyback activity when trading volumes are low or the Company would otherwise be restricted from buying on-market, e.g. during close periods. The Company has previously entered into irrevocable and non-discretionary programmes to allow it to buy shares during close periods. By entering into contingent contracts prior to any close period, the Company is also allowed to purchase shares off-market during these periods. Clearance from the FSA for use of contingent contracts, including for settlement in close periods, has been obtained.
- Competitive tendering involving up to four banks is used which minimises the risk of hidden purchase costs. The tender pricing mechanism ensures that the Company retains the benefit of forecast dividends, as well as any dividends declared, on share purchase commitments covered by contingent contracts.

As with any on-market share buyback decision, the directors would use this authority only after careful consideration, taking into account market conditions prevailing at the time, other investment opportunities, appropriate financial gearing levels and the overall financial position of the Company. The directors will only purchase shares using such contracts if, based on the contract discounted price (rather than any subsequent changes to the share price that cannot be predicted), it is earnings enhancing and promotes the success of the Company for the benefit of its shareholders generally. It is the directors' present intention to cancel any shares purchased under this authority.

Special resolution 17 will give the Company authority to enter into further contingent purchase contracts with each of Goldman Sachs International, UBS AG, Deutsche Bank AG and Barclays Bank plc under which shares may be purchased off-market at a discount to the market price prevailing at the date each contract is entered into. The total number of shares which the Company would be permitted to purchase pursuant to this authority would be 9,000,000 and would not exceed a total cost of £200m.

The principal features of the contracts are set out in Appendix 1 to the Notice of the AGM. Copies of each contract will be available for inspection at the registered office of the Company, and at the offices of Allen & Overy LLP, One Bishops Square, London, E1 6AD during normal working hours from the date of the Notice of the AGM up to the date of the AGM and at the Meeting itself.

Notice of General Meetings

The notice period required by the Companies Act 2006 for general meetings of the Company is 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. The Company's AGM must always be held on at least 21 clear days' notice. At the AGM of the Company held in 2010, shareholders authorised the calling of general meetings other than an AGM on not less than 14 clear days' notice and it is proposed that this authority be renewed. The authority granted by special resolution 18, if passed, will be effective until the Company's AGM in 2012, when it is intended that a similar resolution will be proposed. In order to be able to call a general meeting on less than 21 clear days' notice, the Company will make a means of electronic voting available to all shareholders for that meeting. The flexibility offered by this resolution will only be used where the directors consider it appropriate, taking account of the business to be considered at the meeting and the interests of the Company and its shareholders as a whole.

Recommendation

Your directors are of the opinion that all resolutions which are to be proposed at the 2011 AGM will promote the success of the Company and are in the best interests of its shareholders as a whole and, accordingly, unanimously recommend that you vote in favour of the resolutions.

Share capital and major shareholders

Details of the Company's share capital are shown in Note 24 to the financial statements.

The Company was authorised by its shareholders at the 2010 AGM to purchase the Company's own shares. During the year the Company purchased a total of 9,954,115 ordinary shares of 10p in the market at a cost of £205.4m, representing 5.2% of its issued share capital. These shares were cancelled.

On 29 January 2011 the Company had 181,221,387 shares in issue. Subsequent to the end of the financial year, the Company purchased for cancellation 1,400,000 of its own ordinary shares at a cost of £28.0m under an irrevocable closed season buyback agreement. As at 22 March 2011 the Company had 179,821,387 shares in issue.

As at 22 March 2011 the following notifications had been received from holders of notifiable interests in the Company's issued share capital:

	No. of 10p ordinary shares	%
BlackRock	21,005,504	11.68
Fidelity Investment Services Limited	18,897,492	10.51
Schroders Investment Management	8,021,485	4.46
Next Employee Share Option Trust	6,672,596	3.71
Legal & General Investment Management Limited	6,334,381	3.52

Additional information

Shareholder and voting rights

All members who hold ordinary shares are entitled to attend and vote at the AGM. On a show of hands at a general meeting every member present in person and every duly appointed proxy shall have one vote and on a poll, every member present in person or by proxy shall have one vote for every ordinary share held or represented. The Notice of Meeting on pages 87 to 92 specifies deadlines for exercising voting rights.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and voting rights.

There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions imposed by laws and regulations (such as insider trading laws and market requirements relating to close periods) and requirements of the Listing Rules whereby directors and certain employees of the Company require Board approval to deal in the Company's securities.

The Company's Articles of Association may only be amended by a special resolution at a general meeting. Directors are elected or re-elected by ordinary resolution at a general meeting; the Board may appoint a director but anyone so appointed must be elected by ordinary resolution at the next general meeting. Directors retire and may offer themselves for re-election at general meeting at least every three years. However, in line with the provisions of the 2010 UK Corporate Governance Code, the directors have agreed that all directors will be subject to re-election at the 2011 AGM.

Change of control

The Company is not party to any significant agreements which take effect, alter or terminate solely upon a change of control of the Company following a takeover bid. However, in the event of a change of control, the Company's medium term borrowing facilities may be subject to early repayment if a majority of the lending banks gave written notice to the Company within 30 days of the change of control. In addition, should a change of control cause a downgrading in the credit rating of the Company's 2013 and 2016 corporate bonds to sub-investment grade which is not rectified within 120 days after the change in control, holders of the bonds have the option to call for redemption of the bonds by the Company at their nominal value together with accrued interest. This option is restricted only to a downgrade which occurs as a direct consequence of a change in control.

The Company's share option plans, and its long term incentive and share matching plans, contain provisions regarding a change of control. Outstanding options and awards may vest on a change of control, subject to the satisfaction of any relevant performance conditions.

Directors' service contracts are terminable by the Company on giving one year's notice. There are no agreements between the Company and its directors or employees providing for additional compensation for loss of office or employment (whether through resignation, redundancy or otherwise) that occurs because of a takeover bid.

Corporate governance

The corporate governance statement as required by the UK Financial Services Authority's Disclosure and Transparency Rules (DTR 7.2) comprises the Additional Information section of the Directors' Report and the Corporate Governance statement on pages 25 to 28 of this Report and Accounts.

By order of the Board

Andrew McKinlay
Secretary

24 March 2011

Directors' responsibilities

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The directors are required to prepare financial statements for each financial year which present fairly the position of the Company and the Group and the financial performance and cash flows of the Company and the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and performance; and
- state that the Company and the Group have complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility Statement

We confirm that to the best of our knowledge:

- a) the financial statements, prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union, give a true and fair view of the assets, liabilities, financial position and results of the Company and the Group; and
- b) the management report incorporated into the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Simon Wolfson
Chief Executive

David Keens
Group Finance Director

24 March 2011

CHAIRMAN OF THE BOARD

John Barton

Aged 66

Became a member of the Board in 2002 and was appointed Deputy Chairman in 2004 and Chairman in 2006. He is also a non-executive director of WH Smith Plc, Cable and Wireless Worldwide plc and Topaz Energy and Marine plc. Formerly Chief Executive of JIB Group plc and Chairman of Jardine Lloyd Thompson Group Plc, Wellington Underwriting plc and Brit Insurance Holdings Plc.

EXECUTIVE DIRECTORS

Lord Wolfson of Aspley Guise, Chief Executive

Aged 43

Joined the Group in 1991. Appointed Retail Sales Director in 1993, became responsible for NEXT Directory in 1995 and was appointed to the Board in 1997 with additional responsibilities for systems. Appointed Managing Director of the NEXT Brand in 1999 and Chief Executive in 2001.

Christos Angelides, Group Product Director

Aged 47

Joined the Group in 1986 and was appointed General Manager of NEXT's sourcing office in Hong Kong in 1989, Menswear Product Director in 1994 and Womenswear Product Director in 1998. Appointed to the Board in 2000.

David Keens, Group Finance Director

Aged 57

Joined the Group in 1986 and was appointed to the Board in 1991. Previous experience includes seven years in the accountancy profession and nine years in the UK and overseas operations of multinational manufacturers of consumer goods.

Andrew Varley, Group Property Director

Aged 60

Joined the Group in 1985 and was appointed to the Board in 1990. Previous experience includes twelve years in retail and commercial property. He is also a non-executive director of Metric Property Investments plc.

Company Secretary

Andrew McKinlay

Registered Office

Desford Road, Enderby,
Leicester, LE19 4AT
Registered in England, no. 4412362

Registrars

Equiniti Limited

Auditors

Ernst & Young LLP

Investment Bankers

Goldman Sachs International

Stockbrokers

UBS Limited

INDEPENDENT NON-EXECUTIVE DIRECTORS

Jonathan Dawson, Senior Independent Non-executive Director

Aged 59

Became a member of the Board in 2004. He is also a non-executive director of National Australia Group Europe Ltd, Standard Life Investments Limited and a partner in Penfida Partners LLP. Previous experience includes eight years in the Ministry of Defence and over twenty years in investment banking with Lazard.

Steve Barber

Aged 59

Became a member of the Board in 2007. Previous experience includes almost thirty years in the accountancy profession, principally with Price Waterhouse where he was a senior partner. Formerly Finance Director of Mirror Group and Chief Operating Officer of Whitehead Mann.

Christine Cross

Aged 59

Became a member of the Board in 2005. She is also a non-executive director of Empire Co. Ltd (Canada), Sonae Group Ltd (Portugal), Chief Retail Advisor to PricewaterhouseCoopers and a retail advisor to Apax Partners and Warburg Pincus. Previous experience includes fourteen years as a director at Tesco plc and fifteen years lecturing and course director roles at Edinburgh and Bath Universities.

Francis Salway

Aged 53

Joined the Board on 1 June 2010. Currently Chief Executive of Land Securities Group plc and past president of the British Property Federation.

BOARD COMMITTEES

Audit Committee

Steve Barber (Committee Chairman)
Christine Cross
Jonathan Dawson
Francis Salway

Remuneration Committee

Jonathan Dawson (Committee Chairman)
Steve Barber
John Barton
Christine Cross
Francis Salway

Nomination Committee

John Barton (Committee Chairman)
Steve Barber
Christine Cross
Jonathan Dawson
Francis Salway

Combined Code compliance

The Group complied throughout the year under review with the provisions set out in Section 1 of the June 2008 FRC Combined Code on Corporate Governance and the UK FSA Disclosure and Transparency Rules, except as noted under Board Composition below. Disclosures required by DTR7.6 with regard to share capital are presented in the “Share capital and major shareholders” and “Additional information” sections of the Directors’ Report.

Board composition

The Board includes four independent non-executive directors and the Chairman who bring considerable knowledge, judgement and experience to the Group. Terms and conditions of appointment of non-executive directors are available for inspection at the Company’s registered office during normal business hours.

Provision A.3.2 of the Combined Code requires that at least half of the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent. The Group complied with this requirement save for the two week period between the retirement of Nick Brookes on 18 May 2010 and the appointment of Francis Salway on 1 June 2010.

The Company’s Articles of Association require directors to submit themselves for re-election by shareholders at least once every three years. However, the Board has determined that all directors will stand for re-election at the 2011 AGM in preparation for the 2010 UK Corporate Governance Code.

Board responsibilities

The Board is responsible for major policy decisions whilst delegating more detailed matters to its committees and officers including the Chief Executive. The Board is responsible for the Group’s system of internal control and for monitoring implementation of its policies by the Chief Executive. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board holds regular meetings where it approves major decisions, including significant items of capital expenditure, investments, treasury and dividend policy. Board papers including reports from the Chief Executive and Finance, Property and Product Directors are circulated in advance of each Board meeting. The Board is responsible for approving semi-annual Group budgets. Performance against budget is reported to the Board monthly and any substantial variances are explained. Forecasts of each half year’s anticipated results are revised and reviewed monthly. Certain other important matters are subject to weekly or monthly reporting to the Board or Board Committee, including treasury operations and capital expenditure. There is a regular flow of written and verbal information between all directors irrespective of the timing of meetings.

All new directors receive a personalised induction programme, tailored to their experience, background and understanding of the Group’s operations. Individual training needs are reviewed regularly and training is provided where a need is identified or requested. All directors receive frequent updates on a variety of issues relevant to the Group’s business, including regulatory and governance issues.

Meetings of the non-executive directors without the executive directors being present are held at least annually, both with and without the Chairman.

The Board has appointed committees to carry out certain of its duties, three of which are detailed below. Each of these Committees is chaired by a different director and has written terms of reference which are available for inspection on the Company’s website (www.nextplc.co.uk) or on request. Authority for day to day management of the Group is delegated to other committees.

The Company Secretary attends all Board meetings and is responsible for advising the Board on corporate governance matters and facilitating the flow of information within the Board.

Attendance at meetings

The Board held ten formal meetings during the year and these were fully attended with the exception of one which Christos Angelides was unable to attend. The Audit Committee held five meetings during the year and these were fully attended, with the exception of one which Francis Salway was unable to attend. The Remuneration Committee and Nomination Committee held four and two meetings in the year respectively and all were fully attended.

Audit Committee

The Committee consists of the four independent non-executive directors including the senior non-executive director and at least one member (Steve Barber) with recent and relevant financial experience.

The Committee holds regular, structured meetings and consults with external auditors and senior management, including internal audit, where appropriate. The Committee considers financial reporting and reviews the Group's annual and interim financial statements, including underlying accounting policies. In particular, any major accounting topics or matters of a subjective nature are discussed by the Committee.

During the year, the Committee's review of the interim and full year financial statements focused on Directory receivables, accounting for pensions, leases, incentive schemes and the valuation of inventories, a review of the going concern assumption and the adoption of appropriate accounting policies. In addition, the Committee received reports and presentations from senior management on various activities of the Group, including warehousing and distribution, subsidiary operations, treasury, taxation, legal, the Bribery Act, Code of Practice and other corporate responsibility matters.

Internal audit teams report regularly to the Committee, which also receives frequent briefings on risk management and controls, health and safety, business continuity and corporate governance generally. The Committee had discussions with the external auditors on audit planning, fees, accounting policies, internal control and audit findings. Meetings were also held with the auditors without management present and the performance and independence of the auditors has been assessed.

The Chairman of the Group, executive directors and other members of senior management attend meetings by invitation or as required.

Remuneration Committee

The Committee consists of the Chairman and four independent non-executive directors. The Committee, which is chaired by the senior non-executive director, determines the remuneration of the executive directors and reviews that of senior management. A Remuneration Report is included in this Annual Report which summarises the activities of the Committee.

Nomination Committee

The Committee consists of the Chairman and four independent non-executive directors, including the senior non-executive director. The Committee meets at least twice a year to consider, in particular, succession planning for directors and other senior executives to ensure the requisite skills and expertise are available to the Board to address future challenges and opportunities.

External consultants are used to assist in identifying suitable Board candidates, based on a written specification for each appointment. The Chairman is responsible for providing a shortlist of candidates for consideration by the Committee which then makes its recommendation for final approval by the Board.

In anticipation of Nick Brookes' intended retirement, a description of the role and required capabilities was prepared for a replacement non-executive director. The Committee were advised of the availability of Francis Salway to act in this capacity and considered his suitability for the role and his other commitments in light of the existing skills and knowledge of the Board as a whole. It was concluded that his broad range of skills and experience, particularly in the commercial property sector, would assist the Board and enable him to make a valuable contribution to the Group. The Board as a whole determined it unlikely that external searches would identify other candidates who would improve on the specific knowledge and expertise that Francis offered. Accordingly, Francis was invited to join the Board with effect from 1 June 2010.

Chairman

There is a clear division of responsibilities between the offices of Chairman and Chief Executive, which is set out in writing and agreed by the Board. The Chairman manages the Board to ensure that the Group has appropriate objectives and an effective strategy; that there is a Chief Executive with a team of executive directors able to implement the strategy; that there are procedures in place to inform the Board of performance against objectives; and to ensure the Group is operating in accordance with a high standard of corporate governance.

The current Chairman was an independent non-executive director of the Company prior to his appointment as Chairman on 17 May 2006. His other significant commitments are noted on page 24, and the Board considers that these are not a constraint on his agreed time commitment to the Company.

Chief Executive

The Board sets objectives and annual targets for the Chief Executive to achieve. The Board is responsible for general policy on how these objectives are achieved and delegates the implementation of that policy to the Chief Executive. The Chief Executive is required to report at each Board meeting all material matters affecting the Group and its performance.

Management delegation

The Chief Executive has delegated authority for the day to day management of the business to operational management drawn from executive directors and other senior management who have responsibility for the respective areas. The most important management meetings are the weekly NEXT Brand trading and capital expenditure meetings which consider the performance and development of the NEXT Brand through its different distribution channels. These meetings cover risk management of all business areas in respect of the NEXT Brand including product, sales, property, warehousing, systems and personnel. Key performance indicators are monitored daily and weekly.

Directors' conflicts of interest

In accordance with the Company's Articles of Association, the Board has a formal system in place for directors to declare situational conflicts to be considered for authorisation by those directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted directors consider the situation in conjunction with their general duties under the Companies Act 2006 and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered by the Board, and any authorisations given, are recorded in the Board minutes and in a register of conflicts which is reviewed annually by the Board.

Performance evaluation

The performance of the Board, its non-executive directors and committees was formally evaluated during the year. The evaluation was conducted by directors completing a detailed questionnaire, the results of which were compiled by the Company Secretary for review by the Chairman and the Board as a whole. The senior independent non-executive director appraises the performance of the Chairman through discussions with all the directors individually and, together with the Chairman, appraises the performance of the Chief Executive. The performance of the executive directors is monitored throughout the year by the Chief Executive and the Chairman.

Risk management

The Board is responsible for the Group's risk management process and has delegated responsibility for its implementation to the Chief Executive and senior management best qualified in each area of the business. The Board sets guidance on the general level of risk which is acceptable and has a considered approach to evaluating risk and reward.

The Board confirms that it has carried out a review of the effectiveness of the Group's system of internal control covering financial, operational, compliance and other controls and risk management. This includes identifying and evaluating key risks, determining control strategies for these risks and considering how they may impact on the achievement of the business objectives. The risk management process has been in place for the year under review and up to the date of approval of the Annual Report and is in accordance with the Turnbull guidance "Internal Control: Guidance for Directors on the Combined Code".

Risk management and internal control is a continuous process and has been considered by the Board on a regular basis during the year. The Board promotes the development of a strong control culture within the business. During the year the Board addressed the business risks which had been identified as key, taking into account any changes in circumstances over the period. The Audit Committee has reviewed the level of internal audit resource available within the Group and believes that it is adequate for the size, structure and business risks of the Group and is supplemented with appropriate external resources where needed for specific projects.

The Board considers that the Group's management structure and timely and continuous monitoring of key performance indicators provide the ability to identify promptly any material areas of concern. Business continuity plans, procedures manuals and codes of conduct are maintained in respect of specific major risk areas and business processes. Through these measures the management of business risk is an integral part of Group policy and the Board will continue to enhance risk management and internal control where practical.

The use of a group accounting manual and prescribed reporting requirements for finance teams throughout the Group ensures that the Group's accounting policies are clearly established and that information is appropriately reviewed and reconciled as part of the reporting process. The use of a standard reporting package by all entities in the Group ensures that information is presented in a consistent way that facilitates the production of the consolidated financial statements.

External auditors

The Group's external auditors, Ernst & Young LLP, have reported to the Audit Committee that, in their professional judgement, they are independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired. The Audit Committee has reviewed this statement and concurs with its conclusion.

In order to ensure the continued independence and objectivity of the Group's external auditors, the Board has established policies regarding the provision of non-audit services by the auditors. The Audit Committee's approval is required in advance for any non-audit services to be provided where the fees exceed £100,000 for an individual assignment or £150,000 in aggregate for the year. The Committee reviews details of audit and non-audit fees twice a year in conjunction with these policies.

Proposed assignments of non-audit services with anticipated fees in excess of £50,000 are generally subject to independent tender, and decisions on the allocation of work are made on the basis of competence, cost-effectiveness and relevant legislation. A tender process is not always undertaken where the auditors' existing knowledge of the Group enables them to provide the required services more cost-effectively than other parties, for example certain overseas taxation compliance services. The Group's auditors are prohibited from providing any services that would conflict with their statutory responsibilities.

Personal use of Company assets

The Board carried out a review during the year and confirmed that there has been no improper personal use of Company assets by directors. Policies are in place to ensure proper approval procedures are applied to expense claims and that these are in accordance with service agreements. The Remuneration Committee has reviewed the level of benefits in kind provided to executive directors.

Relations with shareholders

The Board's primary role is to promote the success of the Company and the interests of shareholders. The Board is accountable to shareholders for the performance and activities of the Group.

The Board communicates with its shareholders in respect of the Group's business activities through its Annual Report, yearly and half yearly announcements, interim management statements and other regular trading statements. Full year, interim and other public announcements are presented in a consistent format with a particular focus on making the presentations as meaningful, understandable and comparable as possible. This information is also made publicly available via the Company's website.

All shareholders have an opportunity to ask questions or represent their views to the Board at the Annual General Meeting. The Company's largest shareholders are invited to the annual and interim results presentations, at which executive and non-executive directors are present. Non-executive directors may attend other meetings with shareholders on request. Shareholder views are also communicated to the Board through the inclusion in Board reports of shareholder feedback and statements made by representative associations.

The Board takes care not to disseminate information of a share price sensitive nature which is not available to the market as a whole.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and Business Review on pages 3 to 22. The Directors' Report also describes the Group's financial position, cash flows and borrowing facilities, further information on which is detailed in the financial statements. Information on the Group's financial management objectives, and how derivative instruments are used to hedge its capital, credit and liquidity risks is provided in Notes 28 to 32 of the financial statements.

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.

This report contains the information required by Schedule 8 to the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 and the relevant parts of the Listing Rules of the UK Listing Authority and the Combined Code on Corporate Governance. The Board of Directors reports that the Company has complied with these regulations throughout the year under review.

INFORMATION NOT SUBJECT TO AUDIT

Introduction and overview of the year

The primary objective of the Remuneration Committee is to ensure that the remuneration paid to NEXT's senior executives is appropriate in both amount and structure. The Committee believes that remuneration structures must be established to reward fairly personal and collective performance by employees at all levels across the Group. This is an essential element in retaining and incentivising NEXT's staff, particularly those critical to delivering value for shareholders.

The Committee is particularly concerned that remuneration structures across the Group are consistent with, and support, NEXT's primary financial objective of delivering sustainable long term growth in earnings per share ("EPS"). Accordingly, the Committee pays careful attention to balancing shareholder returns with the level of remuneration paid to executive directors and senior management to ensure that there is both a strong alignment of management with shareholder interests and also an appropriate balance between incentives for annual performance and those for longer term growth. This is achieved through a remuneration strategy which splits rewards to management between basic salary and benefits, annual bonus and longer-term schemes. The various incentive schemes are structured to include absolute (EPS growth) and relative (total shareholder return) targets, and comprise both cash-based and equity-based awards.

Over the previous two years the Committee made a number of significant changes to executive remuneration structures. These changes included the cessation of the risk/reward investment plan, the introduction of an annual share matching plan (SMP) and the re-phasing of long term incentive plan (LTIP) awards from an annual to a semi-annual basis. The Committee considered whether further modifications to the overall structure for remuneration might be appropriate but concluded the reshaped arrangements were delivering the right incentives for executive directors and senior management. No structural changes will therefore be made for the 2011/12 year. New targets have been set for annual bonus and SMP which the Committee considers will be appropriately stretching. At the same time the Committee determined that increases in basic salaries should continue to be kept to modest levels — generally to around 1% in each of the two previous years and 1.2% for the current year.

During the year the Committee reviewed again whether it remained appropriate to continue to use EPS as the basis for annual bonus or to include some other metrics, such as non-financial and personal targets. After careful consideration the Committee concluded that EPS remained the most appropriate performance measure. In reaching this conclusion the Committee particularly noted:

- NEXT continues to be predominantly a single business selling products under the NEXT brand. It is not a conglomerate or mixed brand retailer with uncorrelated revenue or profit streams. Using a common financial measure reinforces the strengths of a team effort, whereas applying individual or non-financial targets could undermine the focus on collective Group performance. The Committee also believes there is a danger that applying non-financial or qualitative targets might lead to bonuses being paid when there is no financial justification;
- EPS has been consistently applied for many years as the core financial objective of the Group. The achievement of sustainable long term EPS growth continues to be, in the Committee's view, the best indication of the growth in long term shareholder value. EPS growth has been enhanced over the last 11 years by a long term strategy of returning capital to shareholders through share buybacks. All share buybacks are subject to advance Board approval and are only undertaken after the Board is satisfied that the ability of the Group to invest in the growth of business and to continue to grow the annual dividend would not be prejudiced;
- the use of EPS as the basis for calculating executive directors' annual bonuses and as a performance threshold for the SMP is complemented by the use of total shareholder return (relative to the Group's competitors) in determining any vesting under the LTIP.

NEXT has achieved record pre-tax profits and EPS in the year to January 2011, despite the challenges arising from the UK's economic situation. All financial targets set by the Committee were met or exceeded and the Committee determined that it was appropriate that the executive directors achieved their maximum annual bonus potential.

With regard to the year to January 2012, the Committee has determined the following:

- an overall salary increase across the Group, including executive directors, of 1.2%;
- continuation of annual bonus arrangements, save that a higher performance condition has been set by the Committee. Details of the EPS growth target set by the Committee will be disclosed in next year's Remuneration Report;
- a continuation of the semi-annual LTIP programme, with awards being made in March and September after the announcement of NEXT's annual and interim results;
- as last year, a further opportunity for executive directors and selected senior employees to participate in the SMP. The Committee reviewed the level of fully diluted EPS targets to be applied to the 2010 SMP awards and, as set out on page 32, has determined that, notwithstanding the achievement of record profits and EPS, higher EPS targets should be set for awards made in 2011.

Further details of each of the components of the directors' remuneration are given in the report below.

THE REMUNERATION COMMITTEE

Members of the Remuneration Committee

During the year the Committee comprised of the following independent non-executive directors:

Jonathan Dawson (Committee Chairman)
Steve Barber
John Barton
Nick Brookes (until 18 May 2010)
Christine Cross
Francis Salway (from 1 June 2010).

The Committee met four times during the year under review and all meetings were fully attended.

Role of Remuneration Committee

The Committee determines the remuneration of the Group's Chairman and executive directors, and reviews that of senior executives. It is also responsible for determining the targets for any performance related pay schemes operated by the Company, approves any award of the Company's shares under share option or incentive schemes to the Company's employees and oversees any major changes in employee benefit structures throughout the Group. The Committee members have no conflicts of interest arising from cross-directorships and no director is permitted to be involved in any decisions as to his or her own remuneration. The remuneration of non-executive directors is decided by the executive directors of the Board. The Committee's terms of reference are available on the Company's website (www.nextplc.co.uk) or on request from the Company Secretary.

Assistance to the Committee

During the period under review the Committee received input from the Chief Executive and Group Finance Director and retained the services of Aon Hewitt to provide independent external guidance regarding executive remuneration. Aon Hewitt also provide the Board of the Trustee to the NEXT Group Pension Plan with investment advice. PricewaterhouseCoopers provided independent verification services of total shareholder returns for NEXT and the comparator group of companies under the NEXT LTIP.

Remuneration policy

The remuneration packages of directors are reviewed by the Committee at least annually on the same basis as other employees of the Group. The review takes into account market practice and performance of the individual and of the business. Other factors taken into account include the experience and responsibility of the individuals concerned, together with the Group's wider pay structures. In particular, pay and employment conditions elsewhere in the Group are considered by the Committee to ensure that any differences in the pay and employment conditions of directors are justified.

From time to time, the Committee commissions benchmarking exercises by independent consultants covering all aspects of directors' remuneration including share incentives and other performance related reward plans. The Committee also receives information from various independent sources on directors' remuneration and draws on members' experience from other Board positions. The components of the Group's remuneration packages and directors' service contract information are detailed below.

Remuneration is structured with the objective that no single component or measure dominates and that interests are aligned over different time periods with other employees and shareholders. Remuneration policy does not conflict with the Company's approach to environmental, social and corporate governance matters and the Committee believes that the current arrangements do not encourage directors to take undue business risks. Packages include basic salary, annual bonus based on pre-tax EPS, a long term incentive plan based on total shareholder return ("TSR"), a share matching plan based on fully diluted post-tax EPS and participation in NEXT's Group pension plan.

Board remuneration packages

Salary

Directors' salaries are set by reference to those prevailing in the market, particularly within other major retail companies, and according to individual performance, experience and responsibility. Where appropriate, merit increases are awarded. With effect from 1 February 2011 an annual salary increase of 1.2% was awarded to executive directors, in line with the wider Company award.

Annual performance related bonus

The executive directors participate in an annual performance related bonus scheme which is based on pre-tax EPS targets set annually by the Committee. These targets are set taking account of a range of factors, including consensus analysts' profit forecasts, the Company's own internal budgets for the relevant period and the wider background of the UK economy. Whilst Company forecasts are not disclosed in advance for reasons of commercial sensitivity, the targets and performance against them will be disclosed in the relevant year's Remuneration Report.

For the year to January 2011, performance targets were set requiring pre-tax EPS of 277 pence before any bonus became payable. A maximum bonus of 150% of salary in the case of the Chief Executive and 100% of salary for the other executive directors was payable if pre-tax EPS exceeded 300 pence. A sliding scale of payments operated for performance between these minimum and maximum levels. Based on the 16.4% increase in pre-tax EPS of 305 pence per share the maximum level of annual bonus was earned. In the case of the Chief Executive, any annual bonus in excess of 100% of basic salary is payable in shares, deferred for a period of two years and will be forfeited if he voluntarily resigns prior to the end of that period.

Long term incentive plan

From 2008 the Remuneration Committee adopted a semi-annual, rather than annual, grant policy. The Chief Executive, other executive directors and senior management receive grants of 100%, 75% and 60% of basic annual salary respectively every six months (in or around March and September each year), i.e. they are able to receive awards of up to 200%, 150% and 120% of basic salary annually. In recognition of the strategic importance of his product skills to the Group, annual LTIP awards for Christos Angelides were increased from 150% of salary to 250% p.a. for each of the four performance periods ending July 2012 through to January 2014. No equivalent increase for other executive directors was made.

Under the plan, performance is measured over periods of three years, which commence in February and August each year, by comparing TSR against approximately 20 other UK listed retail companies. If no entitlement has been earned at the end of a three year performance period then the award for that period will lapse and there is no retesting. Awards made for all periods starting on or before January 2008 have now either vested or lapsed. For periods from August 2008 onwards, before allowing any of the awards to vest, the Remuneration Committee must have regard to the performance of the Company in light of underlying economic and other circumstances, including EPS performance of the Company and of other UK retailers over the period. Whilst not disclosed in advance, the factors taken into account in determining the awards will be disclosed in the relevant year's Remuneration Report.

The comparator group of companies for the three year performance periods to January and July 2011 was as follows:

Burberry	Findel	Kesa	N Brown
Carpentright	French Connection	Kingfisher	Signet
Carphone Warehouse	Home Retail Group	Marks & Spencer	Tesco
Debenhams	JJB Sports	Morrisons	W H Smith
Dixons Retail	J Sainsbury	Mothercare	Woolworths

For periods ending January 2012 to January 2013, ASOS, Halfords and HMV have been added to the comparator group and Woolworths removed. For periods ending July 2013 onwards Ted Baker has been added to the comparator group and Findel, French Connection and JJB Sports removed.

The Committee considers that the comparator group consists of UK listed retail companies which are most comparable with NEXT in size and/or nature of their business and believes that comparison against such a group of companies is more likely to reflect the Company's relative performance against its peers, thereby resulting in awards being made on an appropriate basis.

If TSR is below the median ranking company in the comparator group there will be no entitlement to any of the award. Median performance earns an entitlement to 20% of the maximum award. For performance above the median the entitlement will rise, with the maximum award being earned for performance which places the Company at or above the upper quintile in the comparator group. Performance against the relative TSR performance targets is calculated by PricewaterhouseCoopers. The maximum aggregate annual award allowed under the current rules of the plan is 200% of basic salary (300% in exceptional circumstances).

Details of potential awards granted for outstanding performance periods are as follows:

Performance periods commencing	Maximum potential award granted (% of basic salary)				
	Simon Wolfson	Christos Angelides	David Keens	Andrew Varley	Other employees
August 2008	100%	75%	75%	75%	60%
February 2009	100%	75%	75%	75%	60%
August 2009	100%	125%	75%	75%	60%
February 2010	100%	125%	75%	75%	60%
August 2010	100%	125%	75%	75%	60%

The Committee has discretion as to whether entitlements earned are payable in NEXT shares or cash and to date it has allowed participants the choice. Entitlements earned are not pensionable and are based on salary and share price at the start of the performance period. No individuals included in the plan have received grants under the management share option scheme in the same year.

Share matching plan

The share matching plan ("SMP") was approved by shareholders at the 2010 AGM and awards made for the first time in June 2010, details of which are given below. Under the SMP selected senior executives (including the four executive directors) are able to invest part or all of their annual bonus in NEXT shares ("Investment Shares") and in return they receive a conditional award of Matching Shares ("Matching Shares"). Investment Shares may be purchased out of the cash element of the annual bonus which, for executive directors, is currently capped at 100% of salary. Deferred shares (i.e. any compulsory deferral element of the annual bonus, which currently only applies to the Chief Executive) do not count as Investment Shares.

Participants will be eligible to receive a maximum matching award of 2 Matching Shares for every 1 Investment Share calculated on the value of gross bonus used to acquire their Investment Shares, with a minimum of 0.5 Matching Shares subject to the achievement of a pre-determined performance threshold. Vesting of matching awards will be subject to remaining in employment, the achievement of 3-year performance targets and the retention of Investment Shares. The scheme will contain the ability to grant a higher matching ratio of up to 3:1 if the Committee considers it appropriate. In practice, the Committee intends to operate the SMP with a maximum 2:1 match and will consult with major shareholders before any higher award is made.

Vesting of the awards made in June 2010 is dependent solely on achieving fully diluted post-tax EPS targets for the year ending January 2013. The threshold level of vesting will require fully diluted EPS of 191.5 pence for the year to January 2013, a match of 1:1 will be earned for fully diluted EPS of 206.5 pence and fully diluted EPS of 221.5 pence will be required to achieve the maximum 2:1 match (with straight-line vesting between each of the threshold points). Details of the basis of calculation of fully diluted EPS are provided in Note 8.

The Committee has determined that, for the year to January 2014, there should be a fully diluted EPS hurdle of 231.3 pence for the minimum 0.5:1 match to vest. The maximum 2:1 match would be achieved if fully diluted EPS for that year is at least 258.1 pence, with vesting calculated on a straight-line basis for EPS falling across the range. The minimum threshold requires fully diluted EPS growth of 12% and the maximum match requires growth of 25% over the three years.

The Committee is able to set different performance measures and targets for future awards but will consult with major shareholders before applying targets which, in its view, are less demanding in the circumstances than these conditions.

Management share options

The management share option plan provides for options over shares, exercisable between three and ten years following their grant, to be allocated to Group employees at the discretion of the Committee. This plan is primarily aimed at middle management and senior store staff. No options were granted to any directors or changes made to existing entitlements in the year under review. No employee is entitled to be granted options under the scheme and be included in NEXT's LTIP or the SMP in the same year.

The total number of options which can be granted is subject to shareholder approved limits and there are no cash settlement alternatives. Options are set at the prevailing market price at the time of grant. The maximum total market value of shares (i.e. the acquisition price of shares) over which options may be granted to any person during any financial year of the Company is three times salary, excluding bonuses and benefits in kind. This limit may be increased to five times salary in circumstances considered by the Committee to be exceptional, for example on the grant of options following recruitment. Grants are generally made annually.

The exercise of options is subject to a performance condition. If the performance condition for any option grant is not met at three years from the date of grant, the options lapse. For the April 2008, April 2010 and April 2011 awards the condition requires the percentage growth in the Group's post-tax EPS over a three year period to exceed RPI plus a further 3% per annum. In the light of economic circumstances at that time, the Committee determined in 2009 that an EPS growth related performance condition was not appropriate. Instead, a specific minimum EPS performance condition of 133p is required for the year to January 2012 if the April 2009 option grant is to vest.

Sharesave options

Executive directors can participate in the Company's Save As You Earn (SAYE) scheme which is open to all employees. Invitations to participate are generally issued annually and the scheme is subject to HMRC rules which limit the maximum monthly savings to £250. Options are granted at the prevailing market rate less a discount of 20% and are exercisable three, five or seven years from the date of grant.

Sharesave options granted to, or exercised by, directors in the year under review are detailed on page 39.

Dilution of share capital by employee share plans

The Company monitors and has complied with dilution limits in its various share scheme rules and has not issued a significant number of new or treasury shares in satisfaction of share schemes in the last 10 years. Currently, share based incentives are generally satisfied from shares held by the ESOT – see Note 27. The Committee may recommend further share purchases be made by the ESOT to satisfy outstanding and future option grants. The Board has also approved in principle the use of market purchases into treasury where necessary for the future settlement of these obligations.

Group pension plan

Executive directors are eligible for membership of the NEXT Group Pension Plan (the "Plan") which has been approved by HM Revenue & Customs and consists of defined benefit and defined contribution sections.

The trustee of the Plan is a limited company, NEXT Pension Trustees Limited (the "Trustee"). The Board of the Trustee includes members of the Plan, a pensioner member and an independent director who is also the Chairman of the Trustee. Two of the directors are member nominated directors and cannot be removed by NEXT; the other directors, including the independent director, are appointed by and can be removed by NEXT. All directors of the Trustee receive a fee for their services, including those directors who are also employees of NEXT. No director of the Company is a director of the Trustee.

The Plan's investments are kept separate from the business affairs of the NEXT Group and the Trustee holds them in trust. Responsibility for investment of the Plan's funds has been delegated by the Trustee to professional investment managers.

From October 2008 the Group initiated a salary sacrifice scheme whereby members from either section can elect to receive a reduced gross salary in exchange for enhanced employer pension contributions. The participation of members in the salary sacrifice scheme does not result in any overall increase in costs to the Group.

Defined contribution section

Employees of the Group can join the defined contribution section of the Plan. Members elect to pay either 3% or 5% of their pensionable earnings which is matched by the Company. For death prior to retirement, a lump sum of three times the member's basic salary at the previous April is payable along with the current value of the member's fund.

Defined benefit section

The defined benefit section of the Plan was closed to new members in 2000 but continues for the benefit of existing members. This section provides members with a retirement benefit of one sixtieth or one eightieth (depending on the member's chosen contribution rate) of final pensionable earnings for each year of pensionable service.

This section also provides a lump sum death in service benefit and dependants' pensions on death in service or following retirement. Children's pensions are only payable on death in service. In the case of ill-health retirement only the accrued pension is payable. All benefits are subject to Plan limits. Increases to pensions in payment are at the discretion of the Trustee although pensionable service post-1997 is subject to limited price indexation.

For all current members, pensionable earnings are composed of basic pay, overtime and, prior to 1 October 2006, annual performance bonuses. No other items of remuneration are taken into account. From 1 October 2006, sales and profit related bonuses are no longer taken into account and the normal retirement age under the Plan was increased from 60 to 65.

Members contribute 3% or 5% of pensionable earnings, whilst the Company currently makes contributions at the rate of 17.5%. The most recent full actuarial valuation of the defined benefit section's financial position was undertaken as at 31 March 2010. Adjusting the results as at 31 March 2010 for the subsequent buy-in transaction (described more fully in Note 21) resulted in a fully funded position on an actuarial basis. The Company and the Trustees of the Plan have agreed that no further special contributions are required at this time. As calculated in accordance with International Financial Reporting Standards, the surplus in the Plan at 29 January 2011 was £55.7m; further details are given in Note 21 to the financial statements.

Certain members whose accrued or projected pension fund value exceeds their personal lifetime allowance are provided with benefits through an unfunded, unapproved arrangement where they so elect. The relevant members contribute towards the additional cost of providing these benefits by paying 5% of pensionable earnings into the Plan.

Specific information in respect of executive directors' pension entitlements is detailed on page 40.

Other benefits

Executive directors receive benefits which may include the provision of a fully expensed company car or cash alternative, private medical insurance, annual subscriptions to appropriate professional bodies and staff discount when purchasing the Group's merchandise. Other employees are also eligible for certain of these benefits.

Non-executive directors receive a discount when purchasing the Group's merchandise but do not participate in any of the Group's bonus, pension, share option or other incentive schemes.

Service contracts

Executive directors

Each of the executive directors has a rolling service contract which commenced on 1 February 2009 and which is terminable by the Company on giving one year's notice. The Company has reserved the right to make a payment in lieu of notice on termination of an executive director's contract. If notice of termination is given immediately following a change of control of the Company, the executive director may request the immediate termination of his contract and a payment of liquidated damages from the Company equal to the value of his basic salary and benefits in kind. In the event of any termination payment being made to a director, the Committee will take full account of that director's duty to mitigate any loss and where appropriate the Committee may seek independent professional advice prior to authorising such payment.

Apart from service contracts no director has had any material interest in any contract with the Company or its subsidiaries.

Non-executive directors

Remuneration of the non-executive directors of the Company is determined by the Chairman and the executive directors. Remuneration consists of a basic fee for services in connection with Board and Board Committee meetings (£50,000 per annum from 1 January 2011). Additional fees of £10,000 per annum are paid for the roles of Chairman of the Remuneration Committee, Chairman of the Audit Committee and Senior Independent Non-executive Director.

Letters of appointment for the Chairman and non-executive directors do not contain fixed term periods; however they are appointed in the expectation that they will serve for a minimum of six years, subject to satisfactory performance and successful re-election at Annual General Meetings.

Dates of appointment and notice periods for non-executive directors are set out below:

	Date of appointment	Notice period
Chairman		
John Barton	17 May 2006	12 months
Non-executive directors		
Steve Barber	1 June 2007	1 month
Christine Cross	19 January 2005	1 month
Jonathan Dawson	13 May 2004	1 month
Francis Salway	1 June 2010	1 month

Executive directors' external appointments

Andrew Varley is a non-executive director of Metric Property Investments plc and the Remuneration Committee has approved his retention of the director's fee of £40,000 per annum for this appointment. No other executive director currently holds any non-executive directorships outside of the Group.

Directors' interests

The Company has no formal share ownership requirement for executive directors although all executive directors have significant holdings (see details below) and also participate in the SMP.

Directors' beneficial interests in shares at the beginning of the financial year, or date of appointment if later, and at the end of the year, were as follows:

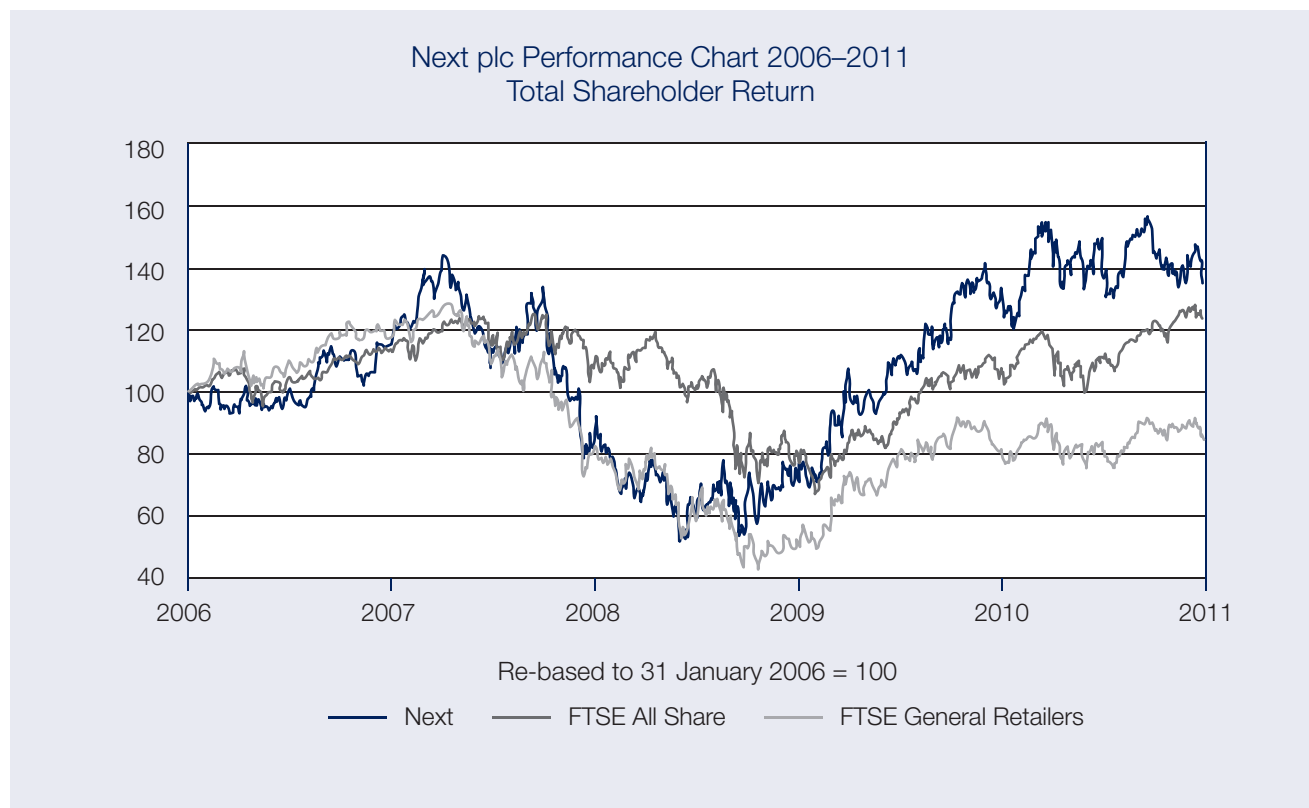
	Ordinary shares of 10p each	
	2011 No. of shares	2010 No. of shares
Simon Wolfson	1,621,571	1,602,340
Christos Angelides	60,000	90,108
Steve Barber	10,000	3,500
John Barton	16,000	16,000
Nick Brookes	N/A	8,000
Christine Cross	2,500	2,500
Jonathan Dawson	5,000	5,000
David Keens	140,599	125,700
Francis Salway	2,556	Nil
Andrew Varley	67,254	61,008

The executive directors are also (together with other employees) discretionary beneficiaries under the ESOT and, as such, were each considered to be interested in the 6,392,633 shares owned by the Trust at 29 January 2011. David Keens has a beneficial holding of £83,000 (2010: £83,000) nominal value of the Company's 2013 5.25% corporate bonds.

From the end of the financial year to 22 March 2011 there have been no changes to directors' interests in the shares of the Company. Full details of directors' interests in the shares and share options of the Company are contained in the Register of Directors' Interests which is open to inspection.

Performance Graph

The graph below illustrates the performance of the Company over five years when compared with the FTSE All Share and FTSE General Retailers index. These have been selected to illustrate the Company's total shareholder return performance against a wide UK index and a sector specific index for a five year period ending January 2011.



INFORMATION SUBJECT TO AUDIT

Directors' remuneration £'000	Salary/ fee	Annual performance related bonus	Benefits	Salary supplement ¹	Total 2011	Total 2010
Chairman						
John Barton	225	–	–	–	225	225
Executive directors						
Simon Wolfson	689	1,034	34	–	1,757	1,737
Christos Angelides	500	500	31	–	1,031	980
David Keens	460	460	28	–	948	936
Andrew Varley	342	342	28	34	746	789
Non-executive directors						
Steve Barber	54	–	–	–	54	53
Nick Brookes	13	–	–	–	13	45
Christine Cross	45	–	–	–	45	45
Jonathan Dawson	59	–	–	–	59	58
Francis Salway	30	–	–	–	30	–
Total	2,417	2,336	121	34	4,908	4,868
Total 2010	2,376	2,332	118	42	4,868	

¹ Andrew Varley receives a salary supplement of 10% in lieu of pension provision. The amount paid of £42,000 in the year to January 2010 included a backdated payment to 1 November 2008, the date of his cessation as a member of the NEXT Group Pension Plan.

All directors were members of the Board throughout the two year period covered by the table above with the exception of Nick Brookes who retired as a director on 18 May 2010 and Francis Salway who was appointed to the Board on 1 June 2010.

Simon Wolfson was the highest paid director in the current and previous year; £345,000 of his annual performance related bonus noted above is payable in NEXT shares, deferred for a period of two years and will be forfeited if he voluntarily resigns prior to the end of that period.

The Company also paid a pension under the unfunded, unapproved arrangement to a former director of the Company of £34,738 (2010: £34,593).

Long term incentive plans

The March 2008 LTIP award matured in January 2011. The Company's TSR over this period ranked eighth in the comparator group of 21 other listed retail companies. Accordingly, an award of 65% of the maximum will vest. The awards will be settled during 2011 and, based on the share price of 1937p on 22 March 2011, awards would be as follows:

	January 2011		January 2010	
	Actual no. of shares	Estimated value £000	Adjustment to estimate £000	Final value £000
Simon Wolfson	52,016	1,008	39	716
Christos Angelides	27,164	526	29	521
David Keens	26,008	504	28	516
Andrew Varley	19,362	375	21	386
	124,550	2,413	117	2,139

Details of directors' interests in long term schemes, comprising the LTIP and deferred bonus shares, are as follows:

	Date of award	Maximum shares receivable at January 2010 ¹	Shares awarded during the year	Shares vested during the year ³	Maximum shares receivable at January 2011 ¹	Market value on date of award (p)	Market value on date of vesting (p)	Vesting date
Simon Wolfson								
LTIP	Mar 2007	32,599	–	32,599	–	1856	2197	31.1.2010
	Mar 2008	80,024	–	–	80,024⁴	1687	–	31.1.2011
	Sept 2008	62,791	–	–	62,791	1075	–	31.7.2011
	Mar 2009	62,374	–	–	62,374	1093	–	31.1.2012
	Sept 2009	44,356	–	–	44,356	1537	–	31.7.2012
	Mar 2010	–	34,228	–	34,228	2013	–	31.1.2013
	Sept 2010	–	32,592	–	32,592	2114	–	31.7.2013
Deferred bonus shares ²	Apr 2010	–	15,615	–	15,615	2183	–	1.4.2012
Total		282,144	82,435	32,599	331,980			
Christos Angelides								
LTIP	Mar 2007	23,709	–	23,709	–	1856	2197	31.1.2010
	Mar 2008	41,790	–	–	41,790⁴	1687	–	31.1.2011
	Sept 2008	32,791	–	–	32,791	1075	–	31.7.2011
	Mar 2009	32,573	–	–	32,573	1093	–	31.1.2012
	Sept 2009	38,606	–	–	38,606	1537	–	31.7.2012
	Mar 2010	–	31,048	–	31,048	2013	–	31.1.2013
	Sept 2010	–	29,565	–	29,565	2114	–	31.7.2013
Total		169,469	60,613	23,709	206,373			
David Keens								
LTIP	Mar 2007	23,509	–	23,509	–	1856	2197	31.1.2010
	Mar 2008	40,012	–	–	40,012⁴	1687	–	31.1.2011
	Sept 2008	31,395	–	–	31,395	1075	–	31.7.2011
	Mar 2009	31,187	–	–	31,187	1093	–	31.1.2012
	Sept 2009	22,178	–	–	22,178	1537	–	31.7.2012
	Mar 2010	–	17,139	–	17,139	2013	–	31.1.2013
	Sept 2010	–	16,320	–	16,320	2114	–	31.7.2013
Total		148,281	33,459	23,509	158,231			
Andrew Varley								
LTIP	Mar 2007	17,554	–	17,554	–	1856	2197	31.1.2010
	Mar 2008	29,787	–	–	29,787⁴	1687	–	31.1.2011
	Sept 2008	23,372	–	–	23,372	1075	–	31.7.2011
	Mar 2009	23,217	–	–	23,217	1093	–	31.1.2012
	Sept 2009	16,510	–	–	16,510	1537	–	31.7.2012
	Mar 2010	–	12,742	–	12,742	2013	–	31.1.2013
	Sept 2010	–	12,133	–	12,133	2114	–	31.7.2013
Total		110,440	24,875	17,554	117,761			

¹ The maximum number of LTIP shares is the award that could be receivable if the performance conditions outlined on pages 31 and 32 are fully met.

² Full details of deferred bonus are set out on pages 31 and 37.

³ The Company's TSR over this period ranked fourth in a comparator group of 21 other listed retail companies. An upper quartile ranking was required for the maximum award to vest in full, and this was achieved.

⁴ The March 2008 LTIP matured in January 2011 and the actual numbers of shares that vested are shown in the table on page 37.

The LTIP performance periods which mature after January 2011 are not yet complete and no entitlement has yet been earned. A charge of £13,368,000 for the year (2010: £15,460,000) has been made in the accounts in respect of the LTIP awards, of which approximately £5,808,000 (2010: £5,849,000) related to the executive directors.

There have been no other changes to awards under the LTIP during the year.

For all LTIP participants, the total maximum shares receivable at January 2010 was 1,585,752 (January 2009: 1,221,420). During the year to January 2011, awards over 216,019 shares vested (2010: 94,376), awards for 4,575 shares lapsed (2010: 141,588) and further awards over 411,126 shares were issued (2010: 600,296). At January 2011 the total maximum shares receivable was 1,776,284 with an average remaining contractual life of 1.5 years (2010: 1.9 years).

Share Matching Plan and Save As You Earn arrangements

Details of directors' interests in the SMP and SAYE option scheme are as follows:

	Date of grant	Maximum shares receivable at January 2010	Options granted during the year	Options exercised during the year	Maximum options receivable at January 2011 ³	Option price (p)	Option period
Simon Wolfson							
SMP ¹	Jun 2010	–	65,190	–	65,190	Nil	Jun 2013 – Jun 2020
SAYE	Oct 2008	1,826	–	–	1,826	917	Dec 2013 – Jun 2014
Total		1,826	65,190	–	67,016		
Christos Angelides							
SMP	Jun 2010	–	46,132	–	46,132	Nil	Jun 2013 – Jun 2020
SAYE	Oct 2008	1,046	–	–	1,046	917	Dec 2011 – Jun 2012
Total		1,046	46,132	–	47,178		
David Keens							
SMP	Jun 2010	–	44,796	–	44,796	Nil	Jun 2013 – Jun 2020
SAYE	Oct 2005	899	–	899 ²	–	1131	Dec 2010 – Jun 2011
SAYE	Oct 2008	385	–	–	385	917	Dec 2011 – Jun 2012
SAYE	Oct 2010	–	319	–	319	1782	Dec 2013 – Jun 2014
Total		1,284	45,115	899	45,500		
Andrew Varley							
SMP	Jun 2010	–	32,204	–	32,204	Nil	Jun 2013 – Jun 2020
SAYE	Oct 2008	1,046	–	–	1,046	917	Dec 2011 – Jun 2012
Total		1,046	32,204	–	33,250		

¹ The performance criteria attached to the Share Matching Plan are described on page 32.

² The market price of shares at the date of exercise was 2016p.

³ The market price for the shares at the end of the financial year was 1994p, the highest and lowest share price during the financial year were 2344p and 1817p respectively.

There have been no other changes to awards under the SMP or SAYE during the year.

Directors' pension entitlements

All executive directors are members of the defined benefit section of the NEXT Group Pension Plan. Directors and some senior managers receive an enhancement from the Plan, increasing the accrual of their retirement benefit up to two thirds of their final pensionable earnings on completion of 20 years pensionable service at age 65 and the lump sum payable is enhanced to four times pensionable salary.

Pension entitlements of the executive directors who held office during the year are as follows:

	Age at January 2011	Years of pension- able service	Accrued annual pension £'000	Change in accrued annual pension £'000	Change in accrued annual pension (net of inflation) £'000	Transfer value of accrued annual pension 2011 £'000	2010 £'000	Change in transfer value less director's contributions £'000
Simon Wolfson	43	16	268	18	11	3,050	2,693	323
Christos Angelides	47	18	240	21	14	3,438	2,970	443
David Keens	57	24	180	13	7	3,923	3,465	435
Andrew Varley	60	24	69	(63)	(67)	1,778	3,168	(1,390)

Years of pensionable service shown above may include bought in service from the transfer of other pension entitlements into the Plan. Simon Wolfson and Christos Angelides have elected to join the unfunded, unapproved pension arrangement and the accrued annual pension and transfer value set out above includes their membership of that arrangement.

Andrew Varley ceased to contribute to the Plan from 31 October 2008. At this date he became a deferred member of the Plan and stopped accruing pensionable service. His pension is therefore no longer linked to salary, but will instead be increased in line with statutory deferred revaluation. His accrued annual pension and transfer value has reduced as a result of his divorce.

Directors' pension arrangements are subject to the same actuarial reduction as other employees on termination or early retirement.

On behalf of the Board

Jonathan Dawson
Chairman of the Remuneration Committee

We have audited the financial statements of NEXT plc for the year ended 29 January 2011 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, Accounting Policies, the related Notes 1 to 42 and Group Companies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 29 January 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 25 to 28 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 28, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- Certain elements of the report to shareholders by the Board on directors' remuneration.

Christopher Voogd (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

24 March 2011

Consolidated Income Statement

For the financial year ended 29 January

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	Notes	2011 £m	2010 £m
Revenue	1, 2	3,453.7	3,406.5
Cost of sales		(2,445.0)	(2,409.6)
Gross profit		1,008.7	996.9
Distribution costs		(223.2)	(232.1)
Administrative expenses		(214.7)	(236.6)
Other gains	2	2.2	0.7
Trading profit		573.0	528.9
Share of results of associates	11	1.8	0.9
Operating profit	3	574.8	529.8
Finance income	5	0.9	0.8
Finance costs	5	(24.3)	(25.3)
Profit before taxation		551.4	505.3
Taxation	6	(150.5)	(141.3)
Profit for the year		400.9	364.0
Profit for the year attributable to:			
Equity holders of the parent company		401.1	364.1
Non-controlling interest		(0.2)	(0.1)
Profit for the year		400.9	364.0
Basic earnings per share	8	221.9p	188.5p
Diluted earnings per share	8	216.5p	185.6p

Results for the financial year are for the 52 weeks to 29 January 2011 (last year 53 weeks to 30 January 2010)

Consolidated Statement of Comprehensive Income

For the financial year ended 29 January

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	Notes	2011 £m	2010 £m
Profit for the year		400.9	364.0
<i>Other comprehensive income and expenses</i>			
Exchange differences on translation of foreign operations		–	(5.0)
Gains/(losses) on cash flow hedges		1.8	(61.4)
Actuarial gains/(losses) on defined benefit pension scheme	21	64.3	(12.6)
Tax relating to components of other comprehensive income	6	(15.5)	19.0
		50.6	(60.0)
<i>Reclassification adjustments</i>			
Transferred to income statement on cash flow hedges	2	(14.8)	(8.3)
Transferred to the carrying amount of hedged items on cash flow hedges		4.7	5.2
		(10.1)	(3.1)
Other comprehensive income/(expense) for the year		40.5	(63.1)
Total comprehensive income for the year		441.4	300.9
Attributable to:			
Equity holders of the parent company		441.5	301.0
Non-controlling interest		(0.1)	(0.1)
Total comprehensive income for the year		441.4	300.9

Consolidated Balance Sheet

As at 29 January

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Financials

	Notes	2011 £m	2010 £m
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant & equipment	9	592.4	577.2
Intangible assets	10	46.5	47.4
Interests in associates	11	5.1	4.0
Other investments	12	1.0	1.0
Defined benefit pension surplus	21	55.7	–
Other financial assets	15	24.3	22.7
		725.0	652.3
Current assets			
Inventories	13	368.3	309.0
Trade and other receivables	14	645.6	616.6
Other financial assets	15	4.1	8.6
Cash and short term deposits	16	49.3	107.0
		1,067.3	1,041.2
Total assets		1,792.3	1,693.5
Current liabilities			
Bank overdrafts	17	(10.2)	(4.7)
Unsecured bank loans	17	(115.0)	–
Trade and other payables	18	(544.6)	(550.3)
Other financial liabilities	19	(54.7)	(93.6)
Current tax liabilities		(108.4)	(109.5)
		(832.9)	(758.1)
Non-current liabilities			
Corporate bonds	20	(471.2)	(520.9)
Defined benefit pension deficit	21	–	(49.5)
Provisions	22	(13.3)	(13.4)
Deferred tax liabilities	6	(23.4)	(3.7)
Other financial liabilities	19	(2.6)	(4.4)
Other liabilities	23	(216.5)	(210.1)
		(727.0)	(802.0)
Total liabilities		(1,559.9)	(1,560.1)
Net assets		232.4	133.4
EQUITY			
Share capital	24	18.1	19.1
Share premium account		0.8	0.7
Capital redemption reserve		11.8	10.8
ESOT reserve		(138.6)	(78.2)
Fair value reserve		(3.2)	5.1
Foreign currency translation reserve		4.6	4.7
Other reserves	25	(1,443.8)	(1,443.8)
Retained earnings		1,782.6	1,615.2
Shareholders' equity		232.3	133.6
Non-controlling interest		0.1	(0.2)
Total equity		232.4	133.4

Approved by the Board on 24 March 2011

Simon Wolfson
Director

David Keens
Director

next plc

Consolidated Statement of Changes in Equity

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	Share capital £m	Share premium account £m	Capital redemp- tion reserve £m	ESOT reserve £m	Fair value reserve £m	Foreign currency trans- lation £m	Other reserves £m	Retained earnings £m	Share- holders' equity £m	Non- controlling interest £m	Total equity £m
At January 2009	19.7	0.7	10.2	(48.7)	69.6	9.7	(1,443.8)	1,523.2	140.6	(0.1)	140.5
Profit for the year	–	–	–	–	–	–	–	364.1	364.1	(0.1)	364.0
Other comprehensive income/(expense) for the year	–	–	–	–	(64.5)	(5.0)	–	6.4	(63.1)	–	(63.1)
Total comprehensive income for the year	–	–	–	–	(64.5)	(5.0)	–	370.5	301.0	(0.1)	300.9
Shares purchased for cancellation	(0.6)	–	0.6	–	–	–	–	(190.5)	(190.5)	–	(190.5)
Shares purchased by ESOT	–	–	–	(59.3)	–	–	–	–	(59.3)	–	(59.3)
Shares issued by ESOT	–	–	–	29.8	–	–	–	3.9	33.7	–	33.7
Share option charge	–	–	–	–	–	–	–	9.4	9.4	–	9.4
Tax recognised directly in equity	–	–	–	–	–	–	–	7.2	7.2	–	7.2
Equity dividends paid	–	–	–	–	–	–	–	(108.5)	(108.5)	–	(108.5)
At January 2010	19.1	0.7	10.8	(78.2)	5.1	4.7	(1,443.8)	1,615.2	133.6	(0.2)	133.4
Profit for the year	–	–	–	–	–	–	–	401.1	401.1	(0.2)	400.9
Other comprehensive income/(expense) for the year	–	–	–	–	(8.3)	(0.1)	–	48.8	40.4	0.1	40.5
Total comprehensive income for the year	–	–	–	–	(8.3)	(0.1)	–	449.9	441.5	(0.1)	441.4
Shares issued	–	0.1	–	–	–	–	–	–	0.1	–	0.1
Shares purchased for cancellation	(1.0)	–	1.0	–	–	–	–	(165.3)	(165.3)	–	(165.3)
Shares purchased by ESOT	–	–	–	(95.9)	–	–	–	–	(95.9)	–	(95.9)
Shares issued by ESOT	–	–	–	35.5	–	–	–	(4.5)	31.0	–	31.0
Share option charge	–	–	–	–	–	–	–	11.8	11.8	–	11.8
Tax recognised directly in equity	–	–	–	–	–	–	–	5.5	5.5	–	5.5
Minority dilution	–	–	–	–	–	–	–	(0.4)	(0.4)	0.4	–
Equity dividends paid	–	–	–	–	–	–	–	(129.6)	(129.6)	–	(129.6)
At January 2011	18.1	0.8	11.8	(138.6)	(3.2)	4.6	(1,443.8)	1,782.6	232.3	0.1	232.4

Consolidated Cash Flow Statement

For the financial year ended 29 January

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Financials

	Notes	2011 £m	2010 £m
<i>Cash flows from operating activities</i>			
Operating profit		574.8	529.8
Depreciation and amortisation		119.3	123.1
Impairment		2.3	6.4
Loss on disposal of property, plant & equipment		6.9	5.5
Share option charge		11.8	9.4
Share of undistributed profit of associates		(1.1)	(0.5)
Exchange movement		(2.6)	(1.6)
(Increase)/decrease in inventories		(59.3)	9.7
(Increase)/decrease in trade and other receivables		(29.0)	6.0
Increase in trade and other payables		11.7	31.1
Pension contributions less income statement charge		(40.9)	(32.2)
Cash generated from operations		593.9	686.7
Corporation taxes paid		(141.9)	(115.2)
Net cash from operating activities		452.0	571.5
<i>Cash flows from investing activities</i>			
Proceeds from sale of property, plant and equipment		1.9	0.4
Acquisition of property, plant and equipment		(120.6)	(98.6)
Payment of deferred consideration		(19.4)	–
Net cash from investing activities		(138.1)	(98.2)
<i>Cash flows from financing activities</i>			
Repurchase of own shares		(221.6)	(101.8)
Purchase of shares by ESOT		(99.7)	(39.2)
Proceeds from disposal of shares by ESOT		31.0	33.7
Proceeds/(repayment) of unsecured bank loans		115.0	(75.0)
Repurchase of corporate bonds		(51.3)	(46.6)
Interest paid		(21.6)	(32.1)
Interest received		0.9	0.9
Payment of finance lease liabilities		(0.3)	(0.4)
Dividends paid		(129.6)	(108.5)
Net cash from financing activities		(377.2)	(369.0)
Net (decrease)/increase in cash and cash equivalents		(63.3)	104.3
Opening cash and cash equivalents		102.3	1.5
Effect of exchange rate fluctuations on cash held		0.1	(3.5)
Closing cash and cash equivalents	33	39.1	102.3

Company Balance Sheet

As at 29 January

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	Notes	2011 £m	2010 £m
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	36	2,475.7	2,475.7
Other financial assets	37	24.3	22.7
Deferred tax asset	37	–	0.1
		2,500.0	2,498.5
Current assets			
Trade and other receivables	37	3.3	100.2
Current tax asset		5.2	7.5
Cash and short term deposits	37	–	61.1
		8.5	168.8
Total assets		2,508.5	2,667.3
Current liabilities			
Unsecured bank loans	38	(115.0)	–
Trade and other payables	38	(11.6)	(28.2)
Other financial liabilities	38	(46.8)	(90.0)
		(173.4)	(118.2)
Non-current liabilities			
Corporate bonds	20	(471.2)	(520.9)
Other financial liabilities	38	(2.6)	(4.4)
		(473.8)	(525.3)
Total liabilities		(647.2)	(643.5)
Net assets		1,861.3	2,023.8
EQUITY			
Share capital	24	18.1	19.1
Share premium account		0.8	0.7
Capital redemption reserve		11.8	10.8
ESOT reserve		(138.6)	(78.2)
Fair value reserve		–	(2.6)
Other reserves	39	985.2	985.2
Retained earnings		984.0	1,088.8
Total equity		1,861.3	2,023.8

Approved by the Board on 24 March 2011

Simon Wolfson
Director

David Keens
Director

Company Statement of Comprehensive Income

For the financial year ended 29 January

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	2011 £m	2010 £m
Profit/(loss) for the year	183.6	(12.1)
<i>Other comprehensive income and expenses</i>		
Losses on cash flow hedges	–	(1.0)
Tax relating to components of other comprehensive income	(0.8)	0.1
	(0.8)	(0.9)
<i>Reclassification adjustments</i>		
Transferred to income statement on cash flow hedges	2.6	0.8
Other comprehensive income/(expense) for the year	1.8	(0.1)
Total comprehensive income/(expense) for the year	185.4	(12.2)

Company Statement of Changes in Equity

	Share capital £m	Share premium account £m	Capital redemption reserve £m	ESOT reserve £m	Fair value reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At January 2009	19.7	0.7	10.2	(48.7)	(2.4)	985.2	1,386.5	2,351.2
Loss for the year	–	–	–	–	–	–	(12.1)	(12.1)
Other comprehensive income/(expense) for the year	–	–	–	–	(0.2)	–	0.1	(0.1)
Total comprehensive expense for the year	–	–	–	–	(0.2)	–	(12.0)	(12.2)
Shares purchased for cancellation	(0.6)	–	0.6	–	–	–	(190.5)	(190.5)
Shares purchased by ESOT	–	–	–	(59.3)	–	–	–	(59.3)
Shares issued by ESOT	–	–	–	29.8	–	–	3.9	33.7
Share option charge	–	–	–	–	–	–	9.4	9.4
Equity dividends paid	–	–	–	–	–	–	(108.5)	(108.5)
At January 2010	19.1	0.7	10.8	(78.2)	(2.6)	985.2	1,088.8	2,023.8
Profit for the year	–	–	–	–	–	–	183.6	183.6
Other comprehensive income/(expense) for the year	–	–	–	–	2.6	–	(0.8)	1.8
Total comprehensive income for the year	–	–	–	–	2.6	–	182.8	185.4
Shares issued	–	0.1	–	–	–	–	–	0.1
Shares purchased for cancellation	(1.0)	–	1.0	–	–	–	(165.3)	(165.3)
Shares purchased by ESOT	–	–	–	(95.9)	–	–	–	(95.9)
Shares issued by ESOT	–	–	–	35.5	–	–	(4.5)	31.0
Share option charge	–	–	–	–	–	–	11.8	11.8
Equity dividends paid	–	–	–	–	–	–	(129.6)	(129.6)
At January 2011	18.1	0.8	11.8	(138.6)	–	985.2	984.0	1,861.3

Financials

Company Cash Flow Statement

For the financial year ended 29 January

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	Notes	2011 £m	2010 £m
<i>Cash flows from operating activities</i>			
Operating (loss)/profit		(0.1)	5.7
Decrease in trade and other receivables		108.7	438.4
Decrease in trade and other payables		(0.7)	(0.8)
Cash generated from operations		107.9	443.3
Corporation taxes received		8.0	7.6
Net cash from operating activities		115.9	450.9
<i>Cash flows from investing activities</i>			
Dividends received		200.0	–
Proceeds from disposal of investments		–	2.0
Net cash from investing activities		200.0	2.0
<i>Cash flows from financing activities</i>			
Repurchase of own shares		(221.6)	(101.8)
Purchase of shares by ESOT		(99.7)	(39.2)
Proceeds from disposal of shares by ESOT		31.0	33.7
Proceeds/(repayment) of unsecured bank loans		115.0	(75.0)
Repurchase of corporate bonds		(51.3)	(46.6)
Interest paid		(21.5)	(31.7)
Interest received		0.7	0.5
Dividends paid		(129.6)	(108.5)
Net cash from financing activities		(377.0)	(368.6)
Net (decrease)/increase in cash and cash equivalents		(61.1)	84.3
Opening cash and cash equivalents		61.1	(23.2)
Closing cash and cash equivalents	40	–	61.1

Basis of preparation

The financial statements of NEXT plc ("the Company") and NEXT plc and its subsidiaries ("the Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use in the European Union and in accordance with the Companies Act 2006.

The financial statements have been prepared on the historical cost basis except for certain financial instruments, pension assets and liabilities and share based payment liabilities which are measured at fair value. The principal accounting policies adopted are set out below.

The Group and Company financial statements are presented in sterling and all values are rounded to the nearest tenth of a million pounds except where otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Non-controlling interests represent the portion of the profit or loss and net assets in subsidiaries that is not held by the Group and is presented in equity in the consolidated balance sheet, separately from parent shareholders' equity.

The results and net assets of associated undertakings are incorporated into these financial statements using the equity method of accounting.

Goodwill

Goodwill arising on acquisition is initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill is not amortised, but is reviewed for impairment at least annually; any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Intangible assets

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight line basis over their expected useful lives as follows:

Brand names and trademarks	10 years
Customer relationships	4 years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Property, plant & equipment

Property, plant and equipment are stated at cost less accumulated depreciation and reviewed annually for impairment.

Depreciation is provided to write down the cost of property, plant and equipment to their estimated residual values, based on current prices at the balance sheet date, over their remaining useful lives by equal annual instalments. Useful lives are also reviewed annually.

Property, plant & equipment (continued)

The useful lives generally applicable are summarised as follows:

Freehold and long leasehold property	50 years
Plant and fittings:	
Plant, machinery and building works	10 – 25 years
Fixtures and fittings	6 – 15 years
Vehicles, IT and other assets	2 – 6 years
Leasehold improvements	the period of the lease, or useful life if shorter

Investments

Investments in subsidiary companies and equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost, subject to review for impairment.

Impairment

The carrying values of non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Where the asset does not generate cash flows which are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell, and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Inventories

Inventories are valued at the lower of standard cost or net realisable value. Net realisable value is based on estimated selling prices less further costs to be incurred to disposal.

Financial assets

Financial assets are classified in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale.

Financial assets at fair value through profit or loss are financial assets held for trading. Derivatives are also categorised as held for trading unless they are designated as hedges. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried at amortised cost. Available-for-sale financial assets are carried at fair value and are non-derivatives that are either specifically designated as such or which are not classified in any of the other categories.

Trade and other receivables

Trade receivables are stated at original invoice amount plus any accrued service charge (in the case of Directory customer receivables). Where there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the receivable is reduced through use of an allowance account. Amounts charged to the allowance account are written off when there is no expectation of further recovery.

Share based payments

The fair value of employee share options granted is calculated using the Black-Scholes model. The resulting cost is charged in the income statement over the vesting period of the option and is adjusted for the expected and actual number of options vesting.

Share based payments (continued)

For cash-settled share based payments (including the long term incentive plan), the fair value of the liability is determined at each balance sheet date and the charge recognised through the income statement over the period in which the related services are received by the Group.

Taxation

Current tax liabilities are measured at the amount expected to be paid, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred tax expected to be payable or recoverable on differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax is not recognised in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax is calculated at the rates of taxation that are expected to apply when the asset or liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date, and is not discounted.

Taxation is charged or credited directly to equity if it relates to items that are credited or charged to equity; otherwise it is recognised in the income statement.

Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and short term deposits, less bank overdrafts which are repayable on demand. Cash and short term deposits comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

Bank loans and overdrafts

Bank loans and overdrafts are initially recognised at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided to customers outside of the Group, stated net of returns and value added and other sales taxes.

Sales of goods are recognised when goods are delivered and title has passed. Interest income, including Directory service charge, is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate. Income from rendering of services is recognised when the services have been performed. Rental income is recognised when receivable in accordance with the terms of the lease. Royalty income is recognised in line with sales reported by the Group's franchise partners.

Foreign currencies

The consolidated financial statements are presented in pounds sterling, which is the Company's functional and presentation currency. Transactions in foreign currencies, which are those other than the functional currency of an entity, are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the balance sheet date. Resulting exchange gains or losses are recognised in the income statement for the period.

Upon consolidation, the assets and liabilities of the Group's foreign operations are translated at the rate of exchange ruling at the balance sheet date. Income and expense items of foreign operations are translated at the weighted average rate during the period. Differences on translation are recognised as a separate equity reserve which was deemed to be zero on transition to IFRS at 1 February 2004. On disposal of a foreign operation, the cumulative exchange differences for that subsidiary are recognised in the income statement as part of the profit or loss on disposal.

Foreign currencies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling denominated assets and liabilities.

Derivative financial instruments

Derivative financial instruments ("derivatives") are used to manage risks arising from changes in foreign currency exchange rates relating to the purchase of overseas sourced products and changes in interest rates relating to the Group's debt. In accordance with its treasury policy, the Group does not enter into derivatives for speculative purposes.

Derivatives are stated at their fair value. The fair value of foreign currency derivative contracts is their market value at the balance sheet date. Market values are calculated using mathematical models and are based on the duration of the derivative instrument together with quoted market data including interest rates, foreign exchange rates and market volatility at the balance sheet date. The fair value of interest rate contracts is the estimated amount that the Group would receive or pay to terminate them at the balance sheet date, taking into account prevailing interest rates.

Hedge accounting

Changes in the fair value of derivatives that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the income statement. When the asset or liability for the hedged transaction is recognised in the balance sheet the associated gain or loss on maturity of the hedging instrument previously recognised in equity is included in the carrying amount of the hedged asset or liability. Gains or losses realised on cash flow hedges will therefore be recognised in the income statement in the same period as the hedged item.

The Group uses certain interest rate derivatives as fair value hedges of the interest rate risk associated with the Company's corporate bonds. The carrying amounts of the bonds are adjusted only for changes in fair value attributable to interest rate risk being hedged and this value adjustment is recognised in the income statement. Any gain or loss from restating the related interest rate derivatives at their market value is also recognised immediately in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument previously recognised in equity is retained in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is then transferred to the income statement.

Changes in the fair value of derivatives which do not qualify for hedge accounting are recognised in the income statement as they arise.

Contingent share purchase contracts

The Group also makes use of contingent contracts for the purchase of its own shares. These derivative contracts are accounted for as equity transactions and the contracts are not stated at their market values. The present value of the obligation to purchase the shares is recognised in full at the inception of the contract, even when that obligation is conditional. Any subsequent reduction in the total obligation arising from the early termination of a contract is credited back to equity at the time of termination.

Shares held by ESOT

The NEXT Employee Share Ownership Trust ("ESOT") provides for the issue of shares to Group employees, including share issues under share options. Shares in the Company held by the ESOT are included in the balance sheet at cost as a deduction from equity.

Employee benefits

The Group operates a pension plan which consists of defined benefit and defined contribution sections. The assets of the plan are held in a separate trustee administered fund. The Group also provides other, unfunded, post-employment benefits to certain plan members.

The cost of providing benefits under the defined benefit section and the unfunded arrangement are determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The net defined benefit pension asset or liability recognised in the balance sheet represents the fair value of the defined benefit plan assets less the present value of the defined benefit section and unfunded liabilities. A net pension asset is only recognised to the extent that it is expected to be recoverable in the future.

Employee benefits (continued)

Actuarial gains and losses are recognised in full in the period in which they occur, are recognised directly in equity and are presented in the statement of comprehensive income. Other income and expenses associated with the defined benefit section are recognised in the income statement.

The pension cost of the defined contribution section is charged in the income statement as incurred.

Provisions

A provision is recognised where the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are discounted where the impact is material.

Leasing commitments

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets used by the Group which have been funded through finance leases are capitalised in property, plant and equipment and the resulting lease obligations are included in liabilities. The assets are depreciated over their useful lives and the interest element of the rental obligations is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to income on a straight line basis over the period of the lease. Contingent rentals payable based on store revenues are accrued in line with the related sales.

Premiums payable, rent free periods and capital contributions receivable on entering an operating lease are released to income on a straight line basis over the lease term.

Significant areas of estimation and judgement

The preparation of the financial statements requires judgements, estimations and assumptions to be made that affect the reported values of assets, liabilities, revenues and expenses. The nature of estimation means that actual outcomes could differ from those estimates. Significant areas of estimation for the Group include the expected future cash flows applied in measuring impairment of trade receivables (Note 14), estimated selling prices applied in determining the net realisable values of inventories and the actuarial assumptions applied in calculating the net retirement benefit obligation (Note 21).

Impact of changes to accounting standards

Changes adopted in the current year

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

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

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

Other changes in accounting standards: future years

Various amendments have arisen from the Improvements to International Financial Reporting Standards (2010) and other new standards or amendments, none of which are expected to have a significant impact on the Group's reported profits or equity.

Notes to the Consolidated Financial Statements

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1. Segmental analysis

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

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

The activities and products and services of the operating segments are detailed in the Directors' Report on page 3. The Property Management segment holds properties which are sub-leased to other segments and external parties.

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

Other revenues comprise sales by Lipsy and third party distribution activities.

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

1. Segmental analysis (continued)

Transactions between operating segments are made on an arm's length basis in a manner similar to those with third parties. Segment revenue and segment profit include transactions between business segments; these transactions are eliminated on consolidation.

	Property, plant & equipment		Capital expenditure		Depreciation	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
NEXT Retail	488.2	473.5	131.8	83.8	109.1	112.0
NEXT Directory	5.1	4.3	2.5	1.0	1.7	1.3
NEXT International	2.4	3.2	1.4	4.8	1.0	1.2
NEXT Sourcing	4.2	3.9	1.7	1.0	1.6	1.7
NEXT Brand	499.9	484.9	137.4	90.6	113.4	116.2
Ventura	11.1	12.7	2.2	2.4	3.5	5.2
Property Management	72.0	74.2	0.1	–	0.2	0.2
Other	9.4	5.4	4.6	5.6	1.3	0.7
Total	592.4	577.2	144.3	98.6	118.4	122.3

Analyses of the Group's external revenues (by customer location) and non-current assets (excluding investments, the defined benefit pension surplus, other financial assets and deferred tax assets) by geographical location are detailed below:

	External revenue		Non-current assets	
	2011 £m	2010 £m	2011 £m	2010 £m
United Kingdom	3,261.2	3,228.5	581.1	565.6
Rest of Europe	153.5	143.1	21.3	22.5
Middle East	21.7	23.6	4.6	4.5
Asia	9.8	9.5	31.4	32.0
Rest of World	7.5	1.8	0.5	–
	3,453.7	3,406.5	638.9	624.6

2. Revenue and trading profit

	2011 £m	2010 £m
Sale of goods	3,146.9	3,118.2
Rendering of services	291.3	273.1
Rental income	6.9	6.3
Royalties	8.6	8.9
Revenue	3,453.7	3,406.5

Rendering of services includes £116.3m (2010: £113.8m) of service charge on Directory customer receivables.

Gains and losses on cash flow hedges removed from equity and included in the income statement for the period comprise gains of £17.2m (2010: gains of £9.3m) included in cost of sales, gains of £0.2m (2010: losses of £0.2m) included in administrative expenses and losses of £2.6m (2010: losses of £0.8m) included in finance costs.

Other gains reported in the income statement represent changes in the fair value of foreign exchange derivative contracts which do not qualify for hedge accounting under IAS 39.

3. Operating profit

Group operating profit is stated after charging/(crediting):

	2011 £m	2010 £m
Depreciation on tangible assets:		
Owned	118.0	121.9
Leased	0.4	0.4
Loss on disposal of property, plant & equipment	6.9	5.5
Amortisation of intangible assets	0.9	0.8
Impairment charges:		
Tangible assets	2.3	4.8
Intangible assets	–	1.6
Operating lease rentals:		
Minimum lease payments (net of amortisation of incentives)	196.6	193.7
Contingent rentals payable	7.9	7.9
Net foreign exchange losses	–	15.3
Cost of inventories recognised as an expense	1,242.5	1,212.8
Write down of inventories to net realisable value	89.1	78.9
Trade receivables:		
Impairment charge	33.1	38.2
Amounts recovered	(5.7)	(7.6)

	2011 £000	2010 £000
<i>Auditors' remuneration</i>		
Audit services – Group	176	171
Other services:		
Subsidiary statutory audits	311	296
Tax	38	35
Corporate finance	–	77
Other	–	13
	525	592

4. Staff costs and key management personnel

Total staff costs were as follows:

	2011 £m	2010 £m
Wages and salaries	591.8	597.7
Social security costs	43.8	40.9
Other pension costs	14.4	14.7
	650.0	653.3
Share based payments expense:		
Equity settled	11.8	9.4
Cash settled	13.4	15.5
	675.2	678.2

Equity settled share based payments comprise management options, sharesave options and potential awards under the Share Matching Plan, details of which are given in Note 26. Cash settled share based payments relate to the Long Term Incentive Plan, details of which are given in the Remuneration Report on pages 37 to 39.

Total staff costs by business sector were made up as follows:

	2011 £m	2010 £m
NEXT Retail and Directory	501.1	517.1
NEXT International	3.5	2.7
NEXT Sourcing	25.3	25.3
Ventura	124.2	113.2
Other activities	21.1	19.9
	675.2	678.2

	Average employees		Full-time equivalents	
	2011 Number	2010 Number	2011 Number	2010 Number
NEXT Retail and Directory	45,056	43,231	24,466	24,403
NEXT International	365	347	258	270
NEXT Sourcing	3,766	3,568	3,766	3,568
Ventura	9,109	7,729	8,476	7,174
Other activities	410	247	254	204
	58,706	55,122	37,220	35,619

Aggregate compensation for key management personnel (including employer's National Insurance contributions), being the directors of NEXT plc, was as follows:

	2011 £m	2010 £m
Short term employee benefits	5.5	5.5
Post-employment benefits	0.5	0.4
Share based payments	6.6	5.8
	12.6	11.7

Directors' remuneration is detailed in the Remuneration Report on pages 37 to 40.

5. Finance income and costs

	2011 £m	2010 £m
Interest on bank deposits	0.2	0.6
Other interest receivable	0.7	0.2
Total finance income	0.9	0.8
Interest on bank overdrafts	0.1	0.2
Interest on bank loans and other borrowings	22.4	27.3
	22.5	27.5
Premium paid on repurchase of corporate bonds	3.3	0.9
Swap gain on bond repurchases	(2.8)	(2.7)
Other fair value movements	1.3	(0.4)
Total finance costs	24.3	25.3

Directory service charge is presented as a component of revenue.

6. Taxation

	2011 £m	2010 £m
<i>Current tax:</i>		
UK corporation tax on profits of the year	163.5	151.4
Adjustments in respect of previous years	(9.8)	(2.2)
	153.7	149.2
<i>Overseas tax:</i>		
On profits of the year	2.8	3.8
Adjustments in respect of previous years	(3.5)	–
Total current tax	153.0	153.0
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	(5.6)	(15.0)
Adjustments in respect of previous years	3.1	3.3
Tax expense reported in the consolidated income statement	150.5	141.3

Adjustments in respect of previous years relate to release of provisions for items subsequently agreed with HM Revenue & Customs and overseas tax authorities. The tax rate for the current year varied from the standard rate of corporation tax in the UK due to the following factors:

	2011 %	2010 %
UK corporation tax rate	28.0	28.0
Expenses not deductible for taxation purposes/(non-taxable income)	2.0	(0.1)
Overseas tax differentials	(0.7)	(0.1)
Tax (over)/under-provided in previous years	(1.8)	0.2
Deferred tax rate change	(0.2)	–
Effective total tax rate on profit before taxation	27.3	28.0

6. Taxation (continued)

In addition to the amount charged to the income statement, tax movements recognised through equity were as follows:

	2011 £m	2010 £m
<i>Current tax:</i>		
Retirement benefit obligation	(11.2)	(9.1)
Foreign exchange losses	1.1	2.5
<i>Deferred tax:</i>		
Retirement benefit obligation	28.6	5.6
Fair value movements on derivative instruments	(3.0)	(18.0)
Tax charge/(credit) in the statement of comprehensive income	15.5	(19.0)

	2011 £m	2010 £m
<i>Current tax:</i>		
Share based payments	(2.1)	(0.8)
Other temporary differences	–	(6.2)
<i>Deferred tax:</i>		
Share based payments	(3.4)	(6.4)
Other temporary differences	–	6.2
Tax (credit)/charge in the statement of changes in equity	(5.5)	(7.2)

Deferred taxation

	2011 £m	2010 £m
Accelerated capital allowances	29.0	33.0
Revaluation of derivatives to fair value	(1.0)	1.4
Retirement benefit obligations	15.0	(13.9)
Share based payments	(14.6)	(11.4)
Other temporary differences	(5.0)	(5.4)
	23.4	3.7

The movement in the year is as follows:

	2011 £m	2010 £m
At January 2010	3.7	28.0
Charged to the income statement:		
Accelerated capital allowances	(4.0)	(5.7)
Revaluation of derivatives to fair value	0.6	0.2
Retirement benefit obligations	0.3	(0.1)
Share based payments	0.2	(4.6)
Other temporary differences	0.4	(1.5)
Recognised in the statement of comprehensive income	25.6	(12.4)
Recognised in the statement of changes in equity	(3.4)	(0.2)
At January 2011	23.4	3.7

6. Taxation (continued)

No recognition has been made of the following deferred tax assets:

	Gross value 2011 £m	Unrecognised deferred tax 2011 £m	Gross value 2010 £m	Unrecognised deferred tax 2010 £m
Property development trading losses	3.7	1.0	3.7	1.0
Capital losses	89.3	24.1	108.3	26.7
	93.0	25.1	112.0	27.7

The benefit of unrecognised losses will only accrue when taxable profits are realised on sale of the Group's property development stock or gains are realised on future disposals of the Group's capital assets.

As announced in the Budget Statement on 23 March 2011, it is proposed that the UK Corporation Tax rate will be reduced to 26% with effect from 1 April 2011. Since this rate reduction had not been substantively enacted at the balance sheet date, no recognition of the potential benefit of £0.9m has been made in calculating the above provision for deferred taxation.

7. Dividends

	2011 £m	2010 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year to 30 January 2010 of 47p (2009: 37p) per share	85.3	71.5
Interim dividend for the year to 29 January 2011 of 25p (2010: 19p) per share	44.3	37.0
	129.6	108.5
Proposed final dividend for the year to 29 January 2011 of 53p (2010: 47p) per share	92.0	85.8

The proposed final 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 Trustee of the ESOT has waived dividends paid in the year on shares held by the ESOT.

8. Earnings per share

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

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

Diluted earnings per share is based on the weighted average number of shares used for the calculation of basic earnings per share as increased by the dilutive effect of potential ordinary shares. Dilutive potential ordinary shares arise from employee share option schemes where the exercise price is less than the average market price of the Company's ordinary shares during the period. There were an average of 2.8m share options (2010: 1.5m) which were not included in the calculation of diluted EPS because they were anti-dilutive.

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

9. Property, plant & equipment

	Freehold property £m	Leasehold property £m	Plant and fittings £m	Total £m
Cost				
At January 2009	75.4	8.3	1,171.6	1,255.3
Exchange movement	–	–	(2.9)	(2.9)
Additions	–	–	98.6	98.6
Reclassifications	0.2	–	(0.2)	–
Disposals	–	–	(32.1)	(32.1)
At January 2010	75.6	8.3	1,235.0	1,318.9
Exchange movement	–	–	0.7	0.7
Additions	–	–	144.3	144.3
Disposals	(1.3)	–	(27.4)	(28.7)
At January 2011	74.3	8.3	1,352.6	1,435.2
Depreciation				
At January 2009	8.3	1.4	632.8	642.5
Exchange movement	–	–	(1.7)	(1.7)
Provided during the year	–	–	122.3	122.3
Impairment charge	–	–	4.8	4.8
Disposals	–	–	(26.2)	(26.2)
At January 2010	8.3	1.4	732.0	741.7
Exchange movement	–	–	0.3	0.3
Provided during the year	–	–	118.4	118.4
Impairment charge	–	–	2.3	2.3
Disposals	–	–	(19.9)	(19.9)
At January 2011	8.3	1.4	833.1	842.8
Carrying amount				
At January 2011	66.0	6.9	519.5	592.4
At January 2010	67.3	6.9	503.0	577.2
At January 2009	67.1	6.9	538.8	612.8

The carrying amount of plant and fittings above includes an amount of £0.6m (2010: £0.9m) in respect of assets held under finance lease contracts.

At 29 January 2011 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £21.3m (2010: £15.9m).

10. Intangible assets

	Brand names & trademarks £m	Customer relationships £m	Goodwill £m	Total £m
Cost				
At January 2009	4.0	2.0	49.7	55.7
Adjustment to deferred consideration	–	–	(5.7)	(5.7)
Adjustment to acquisition fair values	–	–	0.1	0.1
At January 2010 and January 2011	4.0	2.0	44.1	50.1
Amortisation and impairment				
At January 2009	0.1	0.2	–	0.3
Provided during the year	0.4	0.4	–	0.8
Impairment charge	–	–	1.6	1.6
At January 2010	0.5	0.6	1.6	2.7
Provided during the year	0.4	0.5	–	0.9
At January 2011	0.9	1.1	1.6	3.6
Carrying amount				
At January 2011	3.1	0.9	42.5	46.5
At January 2010	3.5	1.4	42.5	47.4
At January 2009	3.9	1.8	49.7	55.4

Customer relationships relates to contractual and other arrangements with corporate customers that existed at the date of acquisition.

The carrying amount of goodwill is allocated to the following cash generating units:

	2011 £m	2010 £m
NEXT Sourcing	30.5	30.5
Lipsy	12.0	12.0
	42.5	42.5

Goodwill is tested for impairment at the balance sheet date on the basis of value in use. As this exceeded carrying value for each of the cash generating units concerned, no impairment loss was recognised (2010: £1.6m in relation to Eastern European stores).

NEXT Sourcing

The key assumptions in the impairment calculation are the future sourcing requirements of the Group and the ability of NEXT Sourcing to efficiently meet these requirements based on past experience. In assessing value in use, the most recent financial results and internal budgets for the next year were used and extrapolated for four further years with no subsequent growth assumed, and discounted at 10%.

Lipsy

In assessing the recoverable amount of goodwill and intangibles, the five year business plan for Lipsy was used and cash flows beyond this period extrapolated using a growth rate of 2% (2010: 2%), and discounted at 15% (2010: 15%). The key assumption is the net contribution margin of the retail and internet channels.

For both NEXT Sourcing and Lipsy, the calculated value in use significantly exceeded the carrying value of the goodwill and other intangible assets and no further sensitivity calculations were necessary to conclude that there is no impairment at January 2011.

11. Interests in associates

Aggregated amounts relating to associates:

	2011 £m	2010 £m
<i>Share of associates' revenues and profits:</i>		
Revenue	33.5	31.1
Profit	1.8	0.9
<i>Share of associates' net assets:</i>		
Total assets	10.9	9.3
Total liabilities	(5.8)	(5.3)
Carrying amount of investment	5.1	4.0

During the year the Group sold goods and services in the normal course of business to its associated undertakings as follows:

	Sales		Amounts receivable	
	2011 £m	2010 £m	2011 £m	2010 £m
Choice Discount Stores Limited	5.1	5.4	0.5	0.7
Cotton Traders Limited	5.0	4.4	0.8	–
	10.1	9.8	1.3	0.7

12. Other investments

	2011 £m	2010 £m
Other investments available for sale	1.0	1.0

The investments above relate to a minority interest in Gresse Street Limited, which owns a property used for The Fashion Retail Academy, a registered charity. These unlisted equity securities are carried at cost since they do not have a quoted price in an active market and their fair value cannot be reliably measured. The investments have no maturity or coupon rate. The Group has no present intention of disposing of these assets.

13. Inventories

	2011 £m	2010 £m
Raw materials and work in progress	5.2	5.4
Finished goods	357.2	297.7
	362.4	303.1
Property development stocks	5.9	5.9
	368.3	309.0

14. Trade and other receivables

	2011 £m	2010 £m
Trade and customer debtors	642.1	643.9
Less: allowance for doubtful debts	(108.8)	(123.7)
	533.3	520.2
Amounts due from associated undertakings	1.3	0.7
Other debtors	9.7	9.7
Prepayments	101.3	86.0
	645.6	616.6

Trade and customer debtors above include £0.4m (2010: £0.5m) falling due after more than one year.

The credit quality of trade receivables that are neither past due nor impaired may be assessed by reference to the historical default rate for the preceding 365 days of 1.5% (2010: 1.6%), although default rates over shorter periods may show significant variations.

No interest is charged on Directory customer receivables if the statement balance is paid in full; otherwise balances bear interest at a variable annual percentage rate of 25.99% (2010: 26.49%). Expected irrecoverable amounts on overdue balances are provided for based on past default experience. Customer receivables which are impaired otherwise than by age or default are separately identified and provided for in full.

Other debtors and prepayments do not include impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset above. The Group does not hold any collateral over these balances.

Ageing of trade and customer debtors:

	2011 £m	2010 £m
Current	506.1	479.8
0 – 30 days past due	38.5	43.4
30 – 60 days past due	12.2	13.8
60 – 90 days past due	4.8	6.1
90 – 120 days past due	3.0	3.9
Over 120 days past due	61.2	81.4
Otherwise impaired	16.3	15.5
	642.1	643.9

Movement in the allowance for doubtful debts:

	2011 £m	2010 £m
Opening position	123.7	117.2
Amounts charged to the income statement	33.1	38.2
Amounts written off as uncollectible	(42.3)	(24.1)
Amounts recovered during the year	(5.7)	(7.6)
Closing position	108.8	123.7

15. Other financial assets

	2011		2010	
	Current £m	Non- current £m	Current £m	Non- current £m
Foreign exchange contracts	4.1	–	8.6	–
Interest rate derivatives	–	24.3	–	22.7
	4.1	24.3	8.6	22.7

Foreign exchange contracts comprise forward contracts and options, the majority of which are used to hedge exchange risk arising from the Group's overseas purchases (Note 29). The instruments purchased are denominated primarily in US Dollars and Euros. Interest rate derivatives relate to the corporate bonds (Note 20).

16. Cash and short term deposits

	2011 £m	2010 £m
Cash at bank and in hand	46.4	44.3
Short term deposits	2.9	62.7
	49.3	107.0

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months depending on the cash requirements of the Group and earn interest at market short term deposit rates.

17. Bank loans and overdrafts

	2011 £m	2010 £m
Bank overdrafts and overnight borrowings	10.2	4.7
Unsecured bank loans	115.0	–
	125.2	4.7

Bank overdrafts are repayable on demand and bear interest at a margin over bank base rates. Overnight borrowings and unsecured bank loans fall due within one year of the balance sheet date and bear interest at a margin above LIBOR. The unsecured bank loans relate to £115.0m drawn by the Company under a medium term bank revolving credit facility committed until July 2013, see Note 28.

18. Trade and other payables

	2011 £m	2010 £m
Trade payables	195.5	175.0
Obligations under finance leases	0.2	0.4
Other taxation and social security	58.5	60.9
Share based payment liability	14.2	5.0
Other creditors and accruals	276.2	309.0
	544.6	550.3

Trade payables are not interest-bearing and are generally settled on 30 day terms. Other creditors and accruals are not interest-bearing.

19. Other financial liabilities

	2011		2010	
	Current £m	Non- current £m	Current £m	Non- current £m
Foreign exchange contracts	7.9	–	3.6	–
Interest rate derivatives	1.2	2.6	–	4.4
Own equity purchase contracts	45.6	–	90.0	–
	54.7	2.6	93.6	4.4

Foreign exchange contracts comprise forward contracts and options, the majority of which are used to hedge exchange risk arising from the Group's overseas purchases (Note 29). The instruments purchased are primarily denominated in US Dollars and Euros. Interest rate swaps relate to the corporate bonds and their subsequent partial repurchases (Note 29).

Own equity purchase contracts relate to outstanding liabilities of £30.3m (2010: £70.4m) arising under an irrevocable closed season buyback agreement for the purchase of the Company's own shares which was outstanding at 29 January 2011 (Note 24), and net liabilities of £15.3m (2010: £19.6m) arising under contingent purchase contracts for the Company's own shares entered into by the ESOT (Note 27).

20. Corporate bonds

	Balance sheet value		Nominal value	
	2011 £m	2010 £m	2011 £m	2010 £m
Corporate bond 5.25% repayable 2013	218.6	269.4	206.3	254.3
Corporate bond 5.875% repayable 2016	252.6	251.5	250.0	250.0
	471.2	520.9	456.3	504.3

The 2013 corporate bond had an original nominal value of £300.0m. During the year the Company repurchased a total of £48.0m at a total cost of £51.3m, leaving an outstanding nominal value of £206.3m at 29 January 2011. The Group uses interest rate derivatives to hedge part of the associated fair value interest rate risk (Note 29) and the carrying values in the balance sheet are adjusted accordingly. The effective interest rates payable on the bonds (analysed at nominal value) are as follows:

			2011 £m	2010 £m
<i>Effective interest rate</i>	<i>Maturing</i>	<i>Reverts to LIBOR + 1.7% from</i>		
LIBOR + 0.9%	September 2013	N/A	206.3	254.3
5.875% fixed	October 2016	N/A	200.0	200.0
LIBOR + 1.7%	October 2016	N/A	25.0	–
3.6% fixed	October 2016	October 2010	–	25.0
4.52% fixed	October 2016	October 2011	25.0	25.0
			456.3	504.3

The fair values of the corporate bonds are shown in note 31.

21. Retirement benefit plans

The Group operates a pension plan in the UK which consists of defined benefit and defined contribution sections. The defined benefit section is a funded arrangement which provides benefits based on final pensionable earnings which are salaries, overtime and, prior to 1 October 2006, annual performance bonuses. From 1 October 2006, sales and profit related bonuses ceased to be part of pensionable earnings. The defined benefit section was closed to new members from October 2000. The defined contribution section is for all members who joined after September 2000 and benefits are based on each individual member's personal account. The plan has equal pension rights with respect to members of either sex and complies with the Employment Equality Regulations (2006). The assets of the plan are held in a separate trustee administered fund. The Group also provides further, unfunded retirement benefits to plan members whose benefits would otherwise be restricted by the lifetime allowance.

As part of the Group's risk management strategy for the liabilities arising under the Plan, certain pensioner liabilities were subject to a buy-in arrangement on 2 August 2010. Under the terms of this arrangement, the Plan paid £124m to an insurance company and will in return receive annuity payments equal to the monthly pensions then in payment. This eliminates the Plan's exposure to the interest, inflation and longevity risks associated with these pensioner members.

The buy-in had no impact on the reported profits of the Group for the year to January 2011, or the liabilities of the Plan as calculated under IAS 19. The income stream receivable under the insurance contract is an asset of the Plan with a value equal to the related liabilities as measured under IAS 19. As this asset was less than the cash cost of the buy-in, the transaction reduced the reported assets of the Plan by approximately £15m. In order to mitigate this reduction and facilitate the buy-in transaction, NEXT paid a contribution of £40m to the Plan on 16 August 2010.

The components of the net benefit expense recognised in the consolidated income statement are as follows:

	2011			2010		
	Funded £m	Unfunded £m	Total £m	Funded £m	Unfunded £m	Total £m
Current service cost	9.5	0.5	10.0	8.1	0.4	8.5
Interest cost on benefit obligation	26.7	0.4	27.1	25.0	0.3	25.3
Expected return on plan assets	(27.8)	–	(27.8)	(23.1)	–	(23.1)
Net benefit expense recognised in administration expenses	8.4	0.9	9.3	10.0	0.7	10.7
Actual return on plan assets	39.0	–	39.0	75.5	–	75.5

Changes in the present value of defined benefit pension obligations are analysed as follows:

	2011			2010		
	Funded £m	Unfunded £m	Total £m	Funded £m	Unfunded £m	Total £m
Opening obligation	475.6	6.7	482.3	389.8	5.1	394.9
Current service cost	9.5	0.5	10.0	8.1	0.4	8.5
Interest cost	26.7	0.4	27.1	25.0	0.3	25.3
Employee contributions	0.2	–	0.2	0.2	–	0.2
Benefits paid	(15.1)	–	(15.1)	(11.6)	–	(11.6)
Actuarial (gains)/losses	(53.0)	(0.1)	(53.1)	64.1	0.9	65.0
Closing retirement benefit obligation	443.9	7.5	451.4	475.6	6.7	482.3

21. Retirement benefit plans (continued)

Changes in the fair value of defined benefit pension assets were as follows:

	2011			2010		
	Funded £m	Unfunded £m	Total £m	Funded £m	Unfunded £m	Total £m
Opening assets	432.8	–	432.8	325.8	–	325.8
Employer contributions	50.2	–	50.2	42.9	–	42.9
Employee contributions	0.2	–	0.2	0.2	–	0.2
Benefits paid	(15.1)	–	(15.1)	(11.6)	–	(11.6)
Expected return on assets	27.8	–	27.8	23.1	–	23.1
Actuarial gains	11.2	–	11.2	52.4	–	52.4
Closing retirement benefit assets	507.1	–	507.1	432.8	–	432.8

The fair value of plan assets was as follows:

	2011		2010	
	£m	%	£m	%
Equities	244.0	48.1	211.5	48.9
Bonds	56.9	11.2	111.9	25.9
Gilts	36.7	7.2	11.0	2.5
Property	18.3	3.6	16.3	3.7
Insurance contract	103.8	20.5	–	–
Other (cash)	47.4	9.4	82.1	19.0
	507.1	100.0	432.8	100.0

The net defined benefit pension asset/(liability) is analysed as follows:

	2011			2010		
	Funded £m	Unfunded £m	Total £m	Funded £m	Unfunded £m	Total £m
Total assets	507.1	–	507.1	432.8	–	432.8
Benefit obligation	(443.9)	(7.5)	(451.4)	(475.6)	(6.7)	(482.3)
Net pension asset/(liability)	63.2	(7.5)	55.7	(42.8)	(6.7)	(49.5)

21. Retirement benefit plans (continued)

The IAS 19 valuation of the defined benefit section was undertaken by an independent qualified actuary as at 29 January 2011 using the projected unit credit method. The principal actuarial assumptions used in the valuation were as follows:

	2011	2010
Discount rate	5.70%	5.70%
Salary increases	3.60%	3.60%
Inflation – RPI	3.60%	3.60%
Inflation – CPI	2.90%	N/A
Pension increases	3.60%	3.60%
Expected rate of return on assets		
Equities	7.70%	7.70%
Bonds	4.85%	4.80%
Gilts	4.15%	4.15%
Property	6.25%	6.25%
Insurance contract	5.70%	N/A
Other	4.25%	4.15%
Average	6.34%	6.13%
Life expectancy at age 65 (years)		
Pensioner aged 65 – male	22.3	23.6
Pensioner aged 65 – female	24.7	25.7
Non-pensioner aged 40 – male	25.2	25.6
Non-pensioner aged 40 – female	27.6	27.6

Expected rates of return on plan assets are based on external historical and forecast market information. The key sensitivity in the calculation is the discount rate applied. A decrease of 0.5% in the discount rate would result in an increase in scheme liabilities of approximately 12%. Changes in any of the other assumptions can also have a significant impact on the calculations. For example, using the previous year's mortality assumptions in the January 2011 calculation would increase the IAS 19 pension liability by approximately £14m (3%).

Members contribute 3% or 5% of pensionable earnings, whilst the Company currently makes contributions at the rate of 17.5%. The most recent full actuarial valuation of the defined benefit section's financial position was undertaken as at 31 March 2010. Adjusting the results as at 31 March 2010 for the subsequent buy-in transaction (described above) resulted in a fully funded position on an actuarial basis. The Company and the Trustees of the Plan have agreed that no further special contributions are required.

Total employer contributions of £54.3m (2010: £46.7m) were made during the year, including £40m in respect of the buy-in and the past deficit (2010: £32.5m) and £4.1m (2010: £3.8m) in respect of the defined contribution section.

History of experience gains and losses:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of plan assets	507.1	432.8	325.8	382.6	380.4
Present value of defined benefit obligation	(451.4)	(482.3)	(394.9)	(428.4)	(427.4)
Surplus/(deficit) in the plan	55.7	(49.5)	(69.1)	(45.8)	(47.0)
Experience (losses)/gains arising on plan liabilities	19.0	(0.1)	19.0	4.2	(16.9)
Experience gains/(losses) arising on plan assets	11.2	52.4	(93.8)	(23.2)	5.4

At January 2011 cumulative actuarial gains recognised in the statement of comprehensive income since transition to IFRS at 1 February 2004 were £4.4m (2010: losses of £59.9m). It is not possible to determine the actuarial gains or losses that would have been recognised prior to transition.

22. Provisions

	Vacant property costs £m
At January 2010	13.4
Additional provision in the year	10.3
Utilisation of provision	(5.0)
Release of provision	(5.4)
At January 2011	13.3

Provision is made for the cost of future rentals or estimated exit costs of leases of properties no longer occupied by the Group to which the Group remains committed, over an average remaining lease term of four (2010: six) years.

23. Other non-current liabilities

	2011 £m	2010 £m
Obligations under finance leases	0.5	0.6
Share based payment liability	13.8	16.9
Other creditors and accruals	202.2	192.6
	216.5	210.1

Other non-current creditors and accruals include £199.1m (2010: £191.1m) of lease incentives received which will be credited to the income statement more than one year from the balance sheet date.

24. Share capital

	2011 '000	2010 '000	2011 £m	2010 £m
Authorised				
Ordinary shares of 10p each	400,500	400,500	40.1	40.1
Allotted, called up and fully paid				
Ordinary shares of 10p each				
At January 2010	191,169	197,097	19.1	19.7
Shares issued	6	–	–	–
Purchased for cancellation	(9,954)	(5,928)	(1.0)	(0.6)
At January 2011	181,221	191,169	18.1	19.1

During the year the Company purchased for cancellation 9,954,115 of its own ordinary shares of 10p each in the open market at a total cost of £205.4m, and 6,897 shares were issued to an employee in settlement of an LTIP award. In the prior year, the Company purchased 5,928,082 of its own ordinary shares of 10p each in the open market at a total cost of £120.1m.

At 29 January 2011 the Company was party to an irrevocable closed season buyback agreement for the purchase of its own ordinary shares of 10p each for a maximum total cost of £30.3m (January 2010: £70.4m).

25. Other reserves

Other reserves in the consolidated balance sheet comprise the reserve created on reduction of share capital through the Scheme of Arrangement under Section 245 of the Companies Act 1985 (£1,460.7m) less share premium account (£3.8m) and capital redemption reserve (£8.7m) at the time of the capital reconstruction in 2002 plus the accumulated amount of goodwill arising on acquisition after taking into account subsequent disposals (£0.7m) less the unrealised component of revaluations of properties arising under previous accounting standards (£5.1m).

26. Equity settled share based payments

The Group operates a number of share based payment schemes as set out in the Remuneration Report on pages 32 and 33 and below:

Management and Sharesave Options

The following table summarises the number and weighted average exercise prices of, and movements in, management and sharesave options during the year:

	No. of options	2011 Weighted average exercise price (p)	No. of options	2010 Weighted average exercise price (p)
Outstanding at beginning of period	13,136,299	1351	12,922,112	1338
Granted during the period	2,443,191	2107	3,518,454	1405
Exercised during the period	(2,069,313)	1496	(2,416,380)	1399
Forfeited during the period	(1,005,773)	1459	(887,887)	1248
Outstanding at the end of the period	12,504,404	1466	13,136,299	1351
Exercisable at the end of the period	2,130,599	1869	2,460,970	1477

Options were exercised on a regular basis throughout the year and the weighted average share price during this period was 2176p (2010: 1838p). Options outstanding at 29 January 2011 are exercisable at prices ranging between 889p and 2189p (2010: 499p – 2189p) and have a weighted average remaining contractual life of 6.3 years (2010: 6.6 years), as analysed in the table below:

	No. of options	2011 Weighted average remaining contractual life (years)	No. of options	2010 Weighted average remaining contractual life (years)
Exercise price range				
499p – 917p	1,843,187	2.0	2,134,493	1.8
920p – 1081p	3,091,175	7.1	3,494,444	8.3
1131p – 1399p	2,687,308	8.1	3,012,731	8.9
1412p – 1495p	843,843	3.3	1,583,735	4.6
1514p – 1782p	996,253	4.1	1,419,993	5.2
2183p	1,870,533	9.2	–	–
2189p	1,172,105	6.2	1,490,903	7.2
	12,504,404	6.3	13,136,299	6.6

Included in the above balances were 55,000 options (2010: 154,500) that were granted prior to 7 November 2002 and which have not been subsequently modified and are therefore not required to be recognised in accordance with IFRS 2.

Share Matching Plan

Awards under the Share Matching Plan were made for the first time in the financial year. A total of 383,772 nil cost options were granted under this Plan, all of which remained outstanding at the end of the period and none were exercisable. The remaining contractual life for these options is 9.4 years.

Fair value calculation

The fair value of management, sharesave and share matching plan options granted is calculated at the date of grant using a Black-Scholes option pricing model. The following table lists the inputs to the model used for options granted in the years ended 29 January 2011 and 30 January 2010 based on information at the date of grant:

26. Equity settled share based payments (continued)

Management share options

	2011	2010
Weighted average share price at date of grant (p)	2183	1399
Weighted average exercise price (p)	2183	1399
Volatility (%)	40.90	39.50
Expected life (years)	4.00	4.00
Risk free rate (%)	2.35	2.54
Dividend yield (%)	2.57	3.93
Weighted average fair value (£)	6.20	3.44

Sharesave plans

	2011	2010
Weighted average share price at date of grant (p)	2227	1792
Weighted average exercise price (p)	1782	1434
Volatility (%)	43.39	43.15
Expected life (years)	3.49	3.52
Risk free rate (%)	1.11	1.92
Dividend yield (%)	2.96	3.07
Weighted average fair value (£)	7.36	6.02

Share Matching Plan

	2011	2010
Weighted average share price at date of grant (p)	2023	—
Weighted average exercise price (p)	—	—
Volatility (%)	41.40	—
Expected life (years)	4.00	—
Risk free rate (%)	1.24	—
Dividend yield (%)	3.26	—
Weighted average fair value (£)	17.76	—

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period equivalent to the expected life of the option. The expected life applied in the model is based on historical analyses of exercise patterns, taking into account any early exercises.

27. Shares held by ESOT

The NEXT 2003 Employee Share Ownership Trust ("ESOT") has an independent professional trustee resident in Jersey and provides for the issue of shares to Group employees, including share issues under share options, at the discretion of the Trustee.

At 29 January 2011 the ESOT held 6,392,633 (2010: 3,638,271) ordinary shares of 10p each in the Company, the market value of which amounted to £127.5m (2010: £71.5m). Details of outstanding share options are shown in Note 26.

The consideration paid for the ordinary shares of 10p each in the Company held by the ESOT at 29 January 2011 and 30 January 2010 has been shown as an ESOT reserve and presented within equity for the Company and the Group. All other assets, liabilities, income and costs of the ESOT have been incorporated into the accounts of the Company and the Group.

During the year to January 2011, the ESOT purchased 1,500,000 NEXT plc shares in the open market at a total cost of £32.3m and 3,325,000 shares under off-market contingent purchase contracts at a total cost of £68.0m. During the previous year, the ESOT purchased 1,500,000 NEXT plc shares in the open market at a total cost of £30.9m and 475,000 shares under off-market contingent purchase contracts at a total cost of £8.7m.

27. Shares held by ESOT (continued)

At 29 January 2011, the ESOT was party to off-market contingent purchase contracts for a maximum of 725,000 NEXT plc shares at a maximum total cost of £15.3m. At 30 January 2010 the ESOT was party to off-market contingent purchase contracts for a maximum of 1,050,000 NEXT plc shares at a maximum total cost of £19.7m.

As at 22 March 2011 employee share options over 68,537 shares had been exercised subsequent to the balance sheet date and had been satisfied by ordinary shares issued by the ESOT.

28. Financial instruments: risk management

NEXT operates a centralised treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the Group's activities. As part of its strategy for the management of these risks, the Group uses derivative financial instruments. In accordance with the Group's treasury policy, derivative instruments are not entered into for speculative purposes. Treasury policy is reviewed and approved by the Board and specifies the parameters within which treasury operations must be conducted, including authorised counterparties, instrument types and transaction limits, and principles governing the management of liquidity, interest and foreign currency risks.

The Group's principal financial instruments, other than derivatives, are cash and short term deposits, bank overdrafts and loans, and corporate bonds. The main purpose of these financial instruments is to raise finance for the Group's operations. In addition, the Group has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations.

Liquidity risk

The Group manages its cash and borrowing requirements centrally to minimise net interest expense within risk parameters agreed by the Board, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its businesses. The forecast cash and borrowings profile of the Group is monitored to ensure that adequate headroom remains under committed borrowing facilities.

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows of the Group's financial liabilities:

2011	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
Bank loans and overdrafts	125.2	–	–	–	125.2
Trade and other payables	380.2	–	–	–	380.2
Finance lease liabilities	0.2	0.2	0.4	–	0.8
Corporate bonds	25.5	25.5	261.2	264.7	576.9
Other liabilities	45.6	–	–	–	45.6
	576.7	25.7	261.6	264.7	1,128.7
Derivatives: net settled	(6.6)	(6.6)	(7.8)	(0.5)	(21.5)
Derivatives: gross settled					
Cash inflows	(656.0)	–	–	–	(656.0)
Cash outflows	658.4	–	–	–	658.4
Total cash flows	572.5	19.1	253.8	264.2	1,109.6

28. Financial instruments: risk management (continued)

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
2010					
Bank loans and overdrafts	4.7	–	–	–	4.7
Trade and other payables	379.5	–	–	–	379.5
Finance lease liabilities	0.4	0.2	0.4	0.1	1.1
Corporate bonds	28.0	28.0	325.1	279.4	660.5
Other liabilities	90.0	–	–	–	90.0
	502.6	28.2	325.5	279.5	1,135.8
Derivatives: net settled	(5.5)	(3.5)	(13.5)	(0.6)	(23.1)
Derivatives: gross settled					
Cash inflows	(682.0)	–	–	–	(682.0)
Cash outflows	673.8	–	–	–	673.8
Total cash flows	488.9	24.7	312.0	278.9	1,104.5

At 29 January 2011 the Group had committed borrowing facilities of £295m (2010: £295.0m) in respect of which all conditions precedent have been met and which expire in July 2013. £115m of this facility was drawn down at 29 January 2011 (2010: nil).

Interest rate risk

The Group is exposed to fair value interest rate risk on its fixed rate corporate bonds and cash flow interest rate risk on floating rate bank loans and overdrafts. The forecast cash and borrowings profile of the Group is monitored regularly to assess the mix of fixed and variable rate debt, and the Group uses interest rate derivatives where appropriate to reduce its exposure to changes in interest rates and the economic environment.

Foreign currency risk

The Group's principal foreign currency exposures arise from the purchase of overseas sourced products. Group policy allows for but does not demand that these exposures are hedged for up to 18 months ahead in order to fix the cost in sterling. This hedging activity involves the use of spot, forward and option contracts.

The market value of outstanding foreign exchange derivatives is reported regularly at Board level, and reviewed in conjunction with percentage cover taken by season and current market conditions in order to assess and manage the Group's ongoing exposure.

The Group does not have a material exposure to currency movements in relation to translation of overseas assets or liabilities and consequently does not hedge any such exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the balance sheet date are detailed in the table below. The Group's net exposure to foreign currencies, taking hedging activities into account, is illustrated by the sensitivity analysis in Note 32.

	Assets		Liabilities	
	2011 £m	2010 £m	2011 £m	2010 £m
US Dollar	2.8	25.7	(7.9)	(82.4)
Euro	1.3	5.6	–	(21.9)
Other	–	5.9	–	(4.4)

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating and investment criteria approved by the Board. Concentrations of risk are mitigated by the use of a number of different counterparties at any one time.

All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts. The concentration of credit risk is limited due to the Directory customer base being large and diverse.

28. Financial instruments: risk management (continued)

The Group's outstanding receivables balances are detailed in Note 14.

Capital risk

The capital structure of the Group consists of debt, as analysed in Note 33, and equity attributable to the equity holders of the parent company, comprising issued capital, reserves and retained earnings as shown in the consolidated statement of changes in equity. The Group manages its capital with the objective that all entities within the Group continue as going concerns while maintaining an efficient structure to minimise the cost of capital. The Group is not subject to any externally imposed capital requirements.

As part of its strategy for delivering sustainable long term growth in earnings per share, the Group has been returning capital to shareholders by way of share buybacks in addition to dividends. Share buybacks are transacted through both on-market purchases and contingent contracts for off-market share purchases.

29. Financial instruments: hedging activities

Foreign currency: cash flow hedges

The Group uses derivative instruments in order to manage foreign currency exchange risk arising on expected future purchases of overseas sourced products for up to 18 months ahead. These derivatives comprise forward currency contracts and currency options, the terms of which match the terms of the expected purchases. Fair values of foreign exchange derivatives are as follows:

	2011 £m	2010 £m
Derivatives in designated hedging relationships	(3.2)	7.7
Other foreign exchange derivatives	(0.6)	(2.7)
Total foreign exchange derivatives	(3.8)	5.0

The total notional amount of outstanding foreign currency contracts to which the Group was committed at the balance sheet date is as follows:

	2011 £m	2010 £m
US Dollar	573.8	599.8
Euro	77.6	76.2
Other	4.6	6.0
	656.0	682.0

Interest rates: fair value hedges

At 29 January 2011 and 30 January 2010, the Group had interest rate swap agreements in place as fair value hedges of the interest rate risk associated with the Company's 5.25% 2013 corporate bond. Under the terms of the swaps, which have the same key features as the bond, the Group receives a fixed rate of interest of 5.25% and pays a variable rate. Details of the effective rates payable are given in Note 20.

At 29 January 2011 and 30 January 2010, the Group had interest rate swap agreements in place as fair value hedges of £50m of the Company's 5.875% 2016 corporate bond. Under the terms of the swaps, which have the same key features as the bond, the Group receives a fixed rate of 5.875% and pays a combination of a variable rate and a lower fixed rate. Details of the effective rates payable are given in Note 20.

The fair values of the Group's interest rate swaps are as follows:

	2011 £m	2010 £m
Derivatives in designated fair value hedging relationships	17.4	19.5
Other interest rate derivatives	3.1	(1.2)
Total interest rate derivatives	20.5	18.3

29. Financial instruments: hedging activities (continued)

Other interest rate derivatives relate to economic hedges of variable rate interest payments due under swaps relating to the 2013 corporate bond which are not able to be hedge accounted for under IAS 39.

The fair values of foreign exchange and interest rate derivatives have been calculated by discounting the expected future cash flows at prevailing interest rates and are based on market prices at the balance sheet date.

30. Financial instruments: categories

	2011 £m	2010 £m
<i>Financial assets</i>		
Fair value through profit and loss – held for trading	7.9	3.3
Derivatives in designated hedging relationships	20.5	28.0
Loans and receivables	542.0	527.3
Cash and short term deposits	49.3	107.0
Available for sale financial assets	1.0	1.0
<i>Financial liabilities</i>		
Fair value through profit and loss – held for trading	(5.4)	(7.2)
Derivatives in designated hedging relationships	(6.3)	(0.8)
Corporate bonds	(471.2)	(520.9)
Amortised cost	(600.4)	(534.7)
Finance lease obligations	(0.7)	(1.0)

All derivatives are categorised as Level 2 under the requirements of IFRS 7, as they are valued using techniques based significantly on observed market data.

31. Financial instruments: fair values

The fair values of each category of the Group's financial instruments are the same as their carrying values in the Group's balance sheet, other than as noted below:

	2011		2010	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
<i>Corporate bonds</i>				
In hedging relationships	271.2	275.2	320.9	326.0
Not in hedging relationships	200.0	214.3	200.0	214.9
	471.2	489.5	520.9	540.9

The fair values of corporate bonds are their market values at the balance sheet date. Market values include credit risk and are therefore different to the reported carrying value of bonds in fair value hedging relationships, which adjusts the nominal value of the bond for changes in interest rate risk only. Corporate bonds not in hedging relationships are carried at unadjusted amortised cost.

32. Financial instruments: sensitivity analysis

Foreign currency sensitivity analysis

The Group's principal foreign currency exposures are to US Dollars and the Euro. The table below illustrates the hypothetical sensitivity of the Group's reported profit and closing equity to a 10% increase and decrease in the US Dollar/Sterling and Euro/Sterling exchange rates at the year end date, assuming all other variables remain unchanged. The sensitivity rate of 10% represents the directors' assessment of a reasonably possible change, based on historical volatility.

The analysis assumes that exchange rate fluctuations on currency derivatives that form part of an effective cash flow hedge relationship affect the fair value reserve in equity and the fair value of the hedging derivatives. For foreign exchange derivatives which are not designated hedges, movements in exchange rates impact the income statement.

32. Financial instruments: sensitivity analysis (continued)

Positive figures represent an increase in profit or equity.

	Income statement		Equity	
	2011 £m	2010 £m	2011 £m	2010 £m
<i>Sterling strengthens by 10%</i>				
US Dollar	(9.8)	6.9	(33.9)	(17.1)
Euro	0.2	1.1	(2.6)	0.2
<i>Sterling weakens by 10%</i>				
US Dollar	5.2	(18.6)	35.8	6.9
Euro	(1.7)	(4.5)	1.7	(3.3)

Year end exchange rates applied in the above analysis are US Dollar 1.58 (2010: 1.60) and Euro 1.16 (2010: 1.15). Strengthening and weakening of Sterling may not produce symmetrical results depending on the proportion and nature of foreign exchange derivatives which do not qualify for hedge accounting.

Interest rate sensitivity analysis

The table below illustrates the hypothetical sensitivity of the Group's reported profit and closing equity to a 0.5% (2010: 1.0%) increase or decrease in interest rates, assuming all other variables were unchanged. The sensitivity rate of 0.5% (2010:1.0%) represents the directors' assessment of a reasonably possible change, based on historical volatility.

The analysis has been prepared using the following assumptions:

- For floating rate assets and liabilities, the amount of asset or liability outstanding at the balance sheet date is assumed to have been outstanding for the whole year.
- Fixed rate financial instruments that are carried at amortised cost are not subject to interest rate risk for the purpose of this analysis.

Positive figures represent an increase in profit or equity.

	Income statement		Equity	
	2011 £m	2010 £m	2011 £m	2010 £m
Interest rate increase of 0.5% (2010: 1.0%)	(1.4)	–	(1.4)	–
Interest rate decrease of 0.5% (2010: 1.0%)	1.4	(0.1)	1.4	(0.1)

33. Analysis of net debt

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

33. Analysis of net debt (continued)

	January 2009 £m	Cash flow £m	Other non-cash changes £m	January 2010 £m
Cash and short term deposits	47.8			107.0
Overdrafts	(46.3)			(4.7)
Cash and cash equivalents	1.5	104.3	(3.5)	102.3
Unsecured bank loans	(75.0)	75.0	–	–
Corporate bonds	(567.8)	46.6	0.3	(520.9)
Fair value hedges of corporate bonds	14.1	–	5.4	19.5
Finance leases	(1.4)	0.4	–	(1.0)
Total net debt	(628.6)	226.3	2.2	(400.1)

34. Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases where the Group is the lessee:

	2011 £m	2010 £m
Within one year	211.0	210.8
In two to five years	765.8	733.6
Over five years	917.1	972.6
	1,893.9	1,917.0

At 29 January 2011, future rentals receivable under non-cancellable sub-leases where the Group is the lessor were £23.3m (2010: £19.4m).

The Group has entered into operating leases in respect of vehicles, equipment, warehouses, office equipment and retail stores. These non-cancellable leases have remaining terms of between 3 months and 21 years. Contingent rentals are payable on certain retail store leases based on store revenues. The majority of the Group's operating leases provide for their renewal by mutual agreement at the expiry of the lease term.

Additional information on the Group's leasing commitments as at 29 January 2011 is detailed in the table below:

	Minimum lease payments £m	Less sub-lease income £m	Net total £m
Year to January 2010 (Actual)	209.5	(6.3)	203.2
Year to January 2011 (Actual)	208.6	(6.9)	201.7
Year to January 2012	211.0	(5.4)	205.6
Year to January 2013	205.0	(3.3)	201.7
Year to January 2014	196.9	(3.0)	193.9
Year to January 2015	187.5	(2.4)	185.1
Year to January 2016	176.4	(2.2)	174.2
Sub-total 5 years to January 2016	976.8	(16.3)	960.5
5 years from February 2016 to January 2021	643.8	(6.9)	636.9
10 years from February 2021 to January 2031	255.9	(0.1)	255.8
2031 and beyond	17.4	–	17.4
Total future obligations	1,893.9	(23.3)	1,870.6

35. Profit after taxation

As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of the financial statements. The profit after taxation dealt with in the accounts of the holding company was £183.6m (2010: loss of £12.1m).

36. Investments in subsidiaries

Details of the Company's subsidiaries are given in Group Companies on page 85.

37. Current and non-current assets

At the balance sheet date, trade and other receivables comprise £1.2m (2010: £97.4m) of amounts due from subsidiary undertakings and £2.1m (2010: £2.8m) of other debtors. The deferred tax asset of £0.1m in 2010 related to the revaluation of derivatives to their fair values.

Cash and short term deposits comprise cash at bank and in hand and deposits with a maturity of three months or less.

The carrying amount of these assets approximates to their fair value.

Other financial assets comprise interest rate derivatives as detailed in Note 29 which are carried at their fair value.

38. Current and non-current liabilities

Trade and other payables comprise £11.6m (2010: £28.2m) of other creditors and accruals. Other current financial liabilities include amounts payable under the Company's closed season buyback arrangements and contingent purchase contracts entered into by the ESOT for the Company's own shares. The carrying amount of these liabilities approximates to their fair value.

Other non-current financial liabilities comprise interest rate derivative instruments carried at fair value (Note 29).

Details of the terms of bank overdrafts and unsecured bank loans are given in Note 17.

39. Other reserves

Other reserves in the Company balance sheet represent the difference between the market price and the nominal value of shares issued as part of the capital reconstruction on acquisition of NEXT Group plc which has been subject to s131 Companies Act 1985 merger relief. Other reserves totalled £985.2m at 29 January 2011 and 30 January 2010.

40. Analysis of net debt

	January 2010 £m	Cash flow £m	Other non-cash changes £m	January 2011 £m
Cash and short term deposits	61.1			–
Overdrafts	–			–
Cash and cash equivalents	61.1	(61.1)	–	–
Unsecured bank loans	–	(115.0)	–	(115.0)
Corporate bonds	(520.9)	51.3	(1.6)	(471.2)
Fair value hedges of corporate bonds	19.5	–	(2.1)	17.4
Total net debt	(440.3)	(124.8)	(3.7)	(568.8)

40. Analysis of net debt (continued)

	January 2009 £m	Cash flow £m	Other non-cash changes £m	January 2010 £m
Cash and short term deposits	0.8			61.1
Overdrafts	(24.0)			–
Cash and cash equivalents	(23.2)	84.3	–	61.1
Unsecured bank loans	(75.0)	75.0	–	–
Corporate bonds	(567.8)	46.6	0.3	(520.9)
Fair value hedges of corporate bonds	14.1	–	5.4	19.5
Total net debt	(651.9)	205.9	5.7	(440.3)

41. Financial instruments

The Company is exposed to liquidity, interest rate, credit and capital risks and adopts the same approach to the management of these risks as the Group, as detailed in Note 28.

The Company is not exposed to foreign currency risk as it has no foreign currency assets or liabilities.

Trade and other receivables primarily comprise amounts due from Group companies and therefore the Company's exposure to credit risk is limited; none of these assets are overdue or impaired.

The Company hedges its exposure to interest rate risk associated with its corporate bonds as detailed in Notes 20 and 29. The fair values of both of the Company's corporate bonds are shown in Note 31.

The following table shows the Company's sensitivity to movements in interest rates under the same assumptions as detailed in Note 32:

	Income statement		Equity	
	2011 £m	2010 £m	2011 £m	2010 £m
Interest rate increase of 0.5% (2010: 1.0%)	(1.5)	(0.2)	(1.5)	(0.2)
Interest rate decrease of 0.5% (2010: 1.0%)	1.5	0.1	1.5	0.1

The following table shows the carrying values of the Company's financial instruments by category:

	2011 £m	2010 £m
<i>Financial assets</i>		
Fair value through profit and loss – held for trading	6.9	3.2
Derivatives in designated hedging relationships	17.4	19.5
Loans and receivables	3.3	100.2
Cash and short term deposits	–	61.1
<i>Financial liabilities</i>		
Fair value through profit and loss – held for trading	(3.8)	(4.4)
Derivatives in designated hedging relationships	–	–
Corporate bonds	(471.2)	(520.9)
Amortised cost	(172.2)	(118.2)

41. Financial instruments (continued)

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows of the Company's financial liabilities:

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
2011					
Bank loans and overdrafts	115.0	–	–	–	115.0
Trade and other payables	3.4	–	–	–	3.4
Other liabilities	45.6	–	–	–	45.6
Corporate bonds	25.5	25.5	261.2	264.7	576.9
	189.5	25.5	261.2	264.7	740.9
Derivatives: net settled	(6.6)	(6.6)	(7.8)	(0.5)	(21.5)
Total cash flows	182.9	18.9	253.4	264.2	719.4
	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
2010					
Trade and other payables	23.6	–	–	–	23.6
Other liabilities	90.0	–	–	–	90.0
Corporate bonds	28.0	28.0	325.1	279.4	660.5
	141.6	28.0	325.1	279.4	774.1
Derivatives: net settled	(5.5)	(3.5)	(13.5)	(0.6)	(23.1)
Total cash flows	136.1	24.5	311.6	278.8	751.0

42. Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties as follows.

	2011 £m	2010 £m
<i>Transactions with subsidiary undertakings:</i>		
Recharge of costs	(402.9)	(271.6)
Funds advanced/(borrowed)	107.4	(162.8)
Dividends received	200.0	–
Interest payable	(0.6)	(0.1)
Disposal of investment	–	2.0
Loan forgiveness	–	5.8
Amounts due from subsidiary undertakings	1.2	97.4

The Company has taken advantage of Section 410(2) of the Companies Act 2006 to list only its principal subsidiary and associated undertakings at 29 January 2011. All of these are wholly owned by the Company or its subsidiary undertakings, registered in England and Wales, and operate predominantly in the United Kingdom, unless otherwise stated.

Subsidiary undertakings

NEXT Group Plc	Intermediate holding Company
NEXT Retail Limited ¹	Retailing of womenswear, menswear, childrenswear, home products, accessories and jewellery
NEXT Directory ²	Home shopping for womenswear, menswear, childrenswear, home products, accessories and jewellery
NEXT Sourcing Limited ¹	Overseas sourcing services (Hong Kong)
NEXT Manufacturing (Pvt) Limited ¹	Garment manufacture (Sri Lanka)
NEXT Distribution Limited ¹	Warehousing and distribution services
Lipsy Limited ¹	Retailing, home shopping and wholesaling of womenswear and accessories
Club 24 Limited (trading as Ventura) ¹	Customer and financial services management
First Retail Finance Limited ¹	Customer and financial services management

Associated undertakings

Choice Discount Stores Limited ¹	Retailing (40%)
Cotton Traders Holdings Limited ¹	Home shopping and retailing (33%)

¹ Shareholdings held by subsidiary undertakings

² The trade of the NEXT Directory is carried out as a division of NEXT Retail Limited

Half Year and Sector Analysis

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Year ended January

	First half £m	Second half £m	2011 £m	First half £m	Second half £m	2010 £m
Revenue						
NEXT Retail	1,026.2	1,195.9	2,222.1	1,004.3	1,269.9	2,274.2
NEXT Directory	422.8	512.7	935.5	386.2	487.0	873.2
NEXT International	30.8	36.5	67.3	30.0	34.2	64.2
NEXT Sourcing	1.7	2.4	4.1	1.9	1.6	3.5
Ventura	75.5	80.5	156.0	72.2	73.4	145.6
Property Management	3.3	3.6	6.9	2.8	3.5	6.3
Other activities	26.9	34.9	61.8	14.9	24.6	39.5
	1,587.2	1,866.5	3,453.7	1,512.3	1,894.2	3,406.5
Profit before tax						
NEXT Retail	122.9	205.9	328.8	112.3	211.7	324.0
NEXT Directory	101.3	120.6	221.9	83.3	100.3	183.6
NEXT International	2.3	3.5	5.8	3.1	(1.9)	1.2
NEXT Sourcing	12.5	14.2	26.7	16.2	19.5	35.7
Ventura	3.1	4.9	8.0	2.1	3.9	6.0
Property Management	1.3	1.0	2.3	0.1	0.2	0.3
Other activities	(17.7)	(1.0)	(18.7)	(17.6)	(3.4)	(21.0)
Operating profit	225.7	349.1	574.8	199.5	330.3	529.8
Net finance costs	(12.4)	(11.0)	(23.4)	(14.0)	(10.5)	(24.5)
Profit before tax	213.3	338.1	551.4	185.5	319.8	505.3

Five year history

Year ended January

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Revenue	3,453.7	3,406.5	3,271.5	3,329.1	3,283.8
Operating profit	574.8	529.8	478.3	537.1	507.5
Net finance costs	(23.4)	(24.5)	(49.5)	(39.0)	(29.1)
Profit before taxation	551.4	505.3	428.8	498.1	478.4
Taxation	(150.5)	(141.3)	(126.5)	(144.2)	(146.9)
Profit after taxation	400.9	364.0	302.3	353.9	331.5

Total equity	232.4	133.4	140.5	(95.2)	189.3
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Shares purchased for cancellation	10.0m	5.9m	3.9m	26.1m	19.0m
Dividend per share	78.0p	66.0p	55.0p	55.0p	49.0p
Basic earnings per share	221.9p	188.5p	156.0p	168.7p	146.1p

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other financial advisor authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your NEXT shares, please send this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

Notice is given that the Annual General Meeting of NEXT plc will be held at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester LE19 1SW on Thursday 19 May 2011 at 9.00 a.m. at which the following resolutions will be proposed; resolutions 1 to 14 as Ordinary Resolutions and 15 to 18 as Special Resolutions.

Further information on these resolutions can be found in the Directors' Report and Business Review on pages 19 to 22 and in the appendix to this Notice. Biographies of directors seeking re-election are shown on page 24 of the Annual Report.

- 1 To receive and adopt the accounts and reports of the directors and auditors for the year ended 29 January 2011.
- 2 To approve the remuneration report for the year ended 29 January 2011.
- 3 To declare a final dividend of 53p per share in respect of the year ended 29 January 2011.
- 4 To re-elect Christos Angelides as a director.
- 5 To re-elect Steve Barber as a director.
- 6 To re-elect John Barton as a director.
- 7 To re-elect Christine Cross as a director.
- 8 To re-elect Jonathan Dawson as a director.
- 9 To re-elect David Keens as a director.
- 10 To elect Francis Salway as a director.
- 11 To re-elect Andrew Varley as a director.
- 12 To re-elect Simon Wolfson as a director.
- 13 To re-appoint Ernst & Young LLP as auditors and authorise the directors to set their remuneration.
- 14 Directors' authority to allot shares

That:

- (a) the directors be authorised to allot equity securities (as defined in section 560 of the Companies Act 2006) in the Company:
 - (i) in accordance with article 7 of the Company's articles of association (the "Articles"), up to a maximum nominal amount of £5,994,000; and
 - (ii) up to a maximum nominal amount of £11,988,000 (as reduced by any equity securities allotted under paragraph (a)(i) above) in connection with an offer by way of a rights issue (as defined in article 8 of the Articles);
- (b) in accordance with article 7 of the Articles this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, or, if earlier, at the close of business on 1 August 2012; and
- (c) all previous unutilised authorities under section 551 of the Companies Act 2006 shall cease to have effect (save to the extent that the same are exercisable pursuant to section 551(7) of the Companies Act 2006 by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted on or after that date).

- 15 Disapplication of pre-emption rights

That:

- (a) in accordance with article 8 of the Company's articles of association (the "Articles"), the directors be given power to allot equity securities for cash;

- (b) the powers under paragraph (a) above (other than in connection with a rights issue, as defined in article 8(b)(ii) of the Articles) shall be limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £899,000;
- (c) in accordance with article 8 of the Articles these authorities shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, at the close of business on 1 August 2012; and
- (d) all previous unutilised authorities under sections 570 and 573 of the Companies Act 2006 shall cease to have effect.

16 On-market purchase of own shares

That in accordance with the Companies Act 2006 (the "Act"), the Company be granted general and unconditional authority to make market purchases (as defined in Section 693 of the Act) of any of its own ordinary shares on such terms and in such manner as the directors may determine provided that:

- (a) the authority conferred by this resolution shall be limited to the lesser of 26,970,000 ordinary shares of 10p each and no more than 15% of the issued ordinary share capital outstanding at the date of the Annual General Meeting, such limit to be reduced by the number of any shares purchased pursuant to the authority granted at resolution 17 below;
- (b) the minimum price which may be paid for ordinary shares (exclusive of expenses) is 10p per ordinary share;
- (c) the maximum price which may be paid for each ordinary share (exclusive of expenses) is an amount not more than 105% of the average of the middle market price of the ordinary shares of the Company according to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date of purchase;
- (d) the authority hereby conferred, unless renewed, shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company held in 2012 and 1 August 2012.
- (e) the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract; and
- (f) all existing authorities for the Company to make market purchases of its own ordinary shares are revoked, except in relation to the purchase of shares under a contract or contracts concluded before the date of this resolution and which has or have not yet been executed.

17 Off-market purchases of own shares

That, in accordance with the Companies Act 2006, the proposed programme agreements to be entered into between the Company and each of Goldman Sachs International, UBS AG, Deutsche Bank AG and Barclays Bank plc (in the form produced to this meeting and initialled by the Chairman for the purpose of identification) ("the Programme Agreements") be and are approved and the Company be and is authorised to enter into the Programme Agreements and all and any forward trades which may be effected or made from time to time under or pursuant to the Programme Agreements for the off-market purchase by the Company of its ordinary shares of 10 pence each for cancellation, as more fully described in Appendix 1 on pages 89 to 90 (the authority conferred by this special resolution to expire on whichever is the earlier of the conclusion of the next annual general meeting of the Company held in 2012 and 1 August 2012, unless such authority is renewed prior to that time (except in relation to the purchase of ordinary shares under any forward trade effected or made before the expiry of such authority and which might be completed wholly or partly after such expiry)), and provided that shares purchased pursuant to this authority will reduce the number of shares that the Company may purchase under the general authority granted under resolution 16 above.

18 Notice of general meetings

That, in accordance with the Company's articles of association, a general meeting (other than an annual general meeting) may be called on not less than 14 clear days' notice.

By order of the Board

A J R McKinlay, Secretary

Registered Office: Desford Road, Enderby, Leicester, LE19 4AT

14 April 2011

APPENDIX 1

FURTHER INFORMATION ON RESOLUTION 17: OFF MARKET PURCHASES OF OWN SHARES

As noted on pages 20 and 21 in the Directors' Report and Business Review, approval will be sought from shareholders to renew the Company's authority to make off-market purchases of its shares.

By virtue of special resolution number 10 passed at the Company's Annual General Meeting ("AGM") on 18 May 2010 shareholder authority was given to the Company to make on-market purchases of shares for cancellation. This authority was limited to a maximum of 28.1m shares and expires on the earlier of the date of the AGM held in 2011 or 1 August 2011. At the same AGM, authority was granted to the Company to make off-market purchases of shares for cancellation under contingent purchase contracts to be entered into with each of Goldman Sachs International, UBS AG, Deutsche Bank AG and Barclays Bank plc (the "Bank(s)"). This authority was limited to a maximum of 9.5m shares and expires on the earlier of the date of the AGM to be held in 2011 or 1 August 2011. Since the granting of those authorities up to 22 March 2011, the Company has bought back 4,718,409 shares for cancellation, representing 2.6% of its issued share capital as at the date of the 2010 AGM, at a total cost of £96.9m. No shares have been bought back under contingent purchase contracts.

Under Sections 693 and 694 of the Companies Act 2006 (the "Act"), the Company is not permitted to make off-market purchases or contingent purchases of its shares unless it obtains advance shareholder approval to the proposed contract terms. Furthermore, under the rules of the UK Listing Authority (the "Listing Rules") the Company may not purchase its shares at a time when any director is in receipt of unpublished price sensitive information about the Company. Accordingly, no purchases of shares would normally be made in periods when the directors might be in receipt of unpublished price sensitive information ("Close Periods"). Typically, these include the periods from the Company's half year end up to the announcement of its interim results in September and the January year end up to the announcement of full year results in March each year. These Close Periods inevitably reduce the number of shares the Company is able to purchase.

In order to achieve maximum flexibility in its share purchase activities, the Company is able to enter into irrevocable and non-discretionary programmes to allow it to buy shares during Close Periods. Another method of providing flexibility in its share purchase activities, and reducing the cost of share buybacks, is for the Company to enter into contingent forward purchase contracts outside of Close Periods. Pursuant to the authority granted at the 2010 AGM, the Company entered into agreements with the Banks (the "Existing Agreements") and the Company intends to terminate the Existing Agreements and enter into new agreements. The Company proposes to enter into an agreement with each of the Banks (the "Programme Agreements"), under which it may (although it is not obliged to) enter into contingent forward trades ("Contingent Forward Trades" or "CFT") from time to time. Under the terms of each CFT, the Company may purchase a fixed number of shares each week over a period of between 20 to 30 weeks. The maximum number of shares that can be purchased under each CFT is limited to 50,000 shares per week. Details of each CFT will be announced to shareholders on the day it is entered into by the Company.

Whether or not the Company purchases shares in a particular week during the term of a CFT is dependent upon the Company's share price not reaching a level set at the time that contract is entered into (the "Suspension Level"). The Suspension Level is determined by the Company and must be between 104% and 110% of the Company's share price as at the start of the CFT.

The price at which the Company may purchase shares during the term of a Contingent Forward Trade (the "Forward Price") shall also be fixed at the start of the CFT. The Forward Price is subject to a maximum of 99% of the share price at the start of the contract and a minimum of 10 pence (the par value of an ordinary share).

This structure would allow the Company to purchase shares at a discount to the market price (as at the time each CFT commences), for so long as the Suspension Level is not reached, without breaching the Listing Rules. If the Suspension Level is reached, the CFT would terminate automatically at that time and no further shares would be purchased under that contract. In such circumstances, a reduced number of shares would be purchased by the Company for cancellation under that contract.

Under the provisions of sections 693 and 694 of the Act, the Programme Agreements and Contingent Forward Trades are contingent purchase contracts to purchase shares by the Company off-market. Accordingly resolution 17, which will be proposed as a special resolution, seeks shareholder approval to the terms of the Programme Agreements to be entered into between the Company and each of the Banks. The Programme Agreements will have a duration of the shorter of the period to the date of the next AGM to be held in 2012 or 1 August 2012 and will incorporate the terms of an ISDA Master Agreement and Schedule. The Programme Agreements will be entered into and each CFT will be effected outside a Close Period but shares may be purchased during a Close Period by the Company. The minimum and maximum amount of time between a CFT being effected and shares being purchased is 5 days and 30 weeks respectively.

Should shareholder approval be granted, any number of CFT may be effected with the Banks at any time, provided that:

- the total maximum number of shares which the Company is permitted to purchase pursuant to this authority would be 9.0m, representing less than 5.0% of its issued share capital at 29 January 2011;
- the total cost of shares that the Company would be permitted to purchase pursuant to this authority may not exceed £200m (including costs);
- the Forward Price may not exceed 105% of the average middle market closing price of the Company's shares as derived from the Official List of the London Stock Exchange for the five days immediately preceding the day on which the Contingent Forward Trade was effected;
- the Forward Price will be no more than 99% of the share price at the time the Contingent Forward Trade was effected;
- the minimum price that can be paid for any share is £0.10; and
- only one Contingent Forward Trade will be entered into on any particular day.

Subject to the limits set out above, the Company will select the Suspension Level and the duration of each CFT, and the Forward Price will be determined by the relevant Bank. Shares purchased via the Programme Agreements will reduce the number of shares that the Company may purchase under any authority granted at the AGM on 19 May 2011 for on-market purchases. No shares will be purchased under that authority on the same day that a CFT is entered into. The authority granted to the Company under this resolution will expire at the conclusion of the AGM of the Company held in 2012 or on 1 August 2012, whichever is the earlier, unless such authority is renewed prior to that time (except in relation to the purchase of shares under any CFT effected before the expiry of such authority and which might be completed wholly or partly after such expiry). The purchase of shares under the Programme Agreements will always be physically settled by delivery of shares to the Company (except in the case of certain events of default or termination events).

A copy of each of the Programme Agreements will be available at the AGM on 19 May 2012. Copies will also be available for inspection at the Company's registered office at Desford Road, Enderby, Leicester LE19 4AT or at the offices of Allen & Overy LLP, One Bishops Square, London, E1 6AD during usual business hours until the date of the AGM and at the Meeting itself.

The total number of employee share options to subscribe for shares outstanding at 22 March 2011 was 12,731,620. This represents 7.1% of the issued share capital at that date. If the Company were to buy back the maximum number of shares permitted pursuant to this special resolution, then the total number of options to subscribe for shares outstanding at 22 March 2011 would represent 7.5% of the reduced issued share capital.

Attendance, voting and questions

All members who hold ordinary shares are entitled to attend and vote at the Annual General Meeting ("AGM"). A member who is entitled to attend and vote may appoint one or more proxies to attend and vote instead of him, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not also be a member. A proxy may vote on any other business which may properly come before the meeting. If you do not intend being present at the meeting please either sign and return a hard copy form of proxy so as to reach the Company's registrars at least 48 hours before the meeting or follow the instructions for electronic proxy appointment through CREST or through www.sharevote.co.uk set out on page 93. The return by a member of a fully completed form of proxy will not preclude any such member from attending in person and voting at the meeting.

A person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between them and the shareholder by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statements of the rights of members in relation to the appointment of proxies in the above paragraph and in the paragraphs headed "Electronic proxy appointment through CREST" and "Proxy card" below do not apply to a Nominated Person. The rights described in these paragraphs can only be exercised by registered members of the Company. Nominated persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investments in the Company.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and its articles of association, specifies that only those shareholders registered in the register of members of the Company as at 6pm on 17 May 2011 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time.

Changes to entries on the relevant register of securities after 6 p.m. on 17 May 2011 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

All resolutions will be put to poll votes. This means that the votes of all shareholders, including those who cannot attend the meeting but who validly appoint a proxy, are counted. The procedures for the poll votes will be explained at the AGM.

In respect of resolution 17 on off-market share purchase contracts, Companies Act 2006 provides that this resolution will not be effective if any member of the Company holding shares to which it relates (i.e. those which may be purchased pursuant to the Programme Agreements) exercised the voting rights carried by any of those shares in voting on the special resolution and the resolution would not have been passed if they had not done so. Therefore, NEXT intends to disregard any poll votes which are cast in favour of resolution 17 attaching to 9.0 million shares (being the total maximum number of shares which the Company is permitted to purchase pursuant to the Programme Agreements) from both the total number of votes cast in favour of this resolution and the total number of votes cast.

As at 22 March 2011 (being the latest practicable date prior to the publication of this Notice) the Company's issued share capital consists of 179,821,387 ordinary shares. All of the ordinary shares carry one vote each and there are no shares held in treasury.

A member attending the meeting has the right to ask questions. The Company must ensure any such question relating to the business being dealt with at the meeting is answered but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Electronic proxy appointment through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on 19 May 2011 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual is available at www.euroclear.com/CREST.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Documents available for inspection

The following documents will be available for inspection at the registered office of the Company during usual business hours and will be available for fifteen minutes prior to and for the duration of the AGM:

- Copies of the terms of appointment of the non-executive directors
- Copies of each of the Programme Agreements pursuant to resolution 17

Copies of each of the Programme Agreements pursuant to resolution 17 will be available for inspection at the offices of Allen & Overy LLP, One Bishops Square, London, E1 6AD during normal working hours until the close of the Annual General Meeting.

You may not use any electronic address provided in this notice of meeting to communicate with the Company for any purposes other than those expressly stated.

Company website

A full copy of this Annual Report, together with that for prior years and other information required by section 311A of the Companies Act 2006 can be found on the NEXT plc website at www.nextplc.co.uk

Under section 527 Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 Companies Act 2006. The Company may not require the members requesting such website publication to pay its expenses in complying with sections 527 or 528 Companies Act 2006, and it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 Companies Act 2006 to publish on its website.

Payment of dividend

The recommended final ordinary dividend, if approved, will be paid on 1 July 2011 to holders of ordinary shares registered at close of business on 27 May 2011. The ordinary shares will trade ex-dividend from 25 May 2011.

Annual General Meeting

The Annual General Meeting will be held at 9.00 a.m. on Thursday 19 May 2011 at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester LE19 1SW. The notice of the meeting on pages 87 to 92 sets out business to be transacted. Full access is available to the venue for those with special requirements.

Proxy card

Completed proxy cards should be sent to our registrars, Equiniti and **must be received by 9.00 a.m. on 17 May 2011**. As an alternative to completing and returning this form of proxy, you may submit your proxy electronically by accessing the Registrar's website www.sharevote.co.uk. You will be asked to enter your unique Voting ID, Task ID and Shareholder Reference Number as printed on your form of proxy. The use by members of the electronic proxy appointment service will be governed by the terms and conditions of use which appear on the website. Electronic proxies must be completed and lodged in accordance with the instructions on the website by no later than 48 hours before the Annual General Meeting. A member must inform the Registrar in writing of any termination of the authority of a proxy.

Share price data

(Stock Exchange Code: NXT.L)

	2011	2010
Share price at financial year end	1994p	1966p
Market capitalisation	£3,614m	£3,758m
Share price movement during year:		
High mid-market quotation	2344p	2139p
Low mid-market quotation	1817p	1088p

Registrars and transfer office

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Telephone 0871 384 2164. Calls to this number are charged at 8p per minute from a BT landline. Other telephony provider costs may vary. Overseas Shareholder Helpline Number +44 (0)121 415 7047. Lines are open 8.30am to 5.30pm Monday to Friday

Discount voucher

The Company offers a discount voucher to any first named, registered shareholder holding 500 or more ordinary shares as at 1 April each year. The voucher entitles the recipient or their immediate family to a 25% discount against most purchases at any one time of full price merchandise in NEXT Retail stores. It cannot be used in conjunction with any other discount voucher or offer, nor can it be used for the purchase of gift cards, Sale merchandise, electrical goods, non-NEXT branded goods or at any branch of NEXT Clearance or purchases from NEXT Directory. The voucher has no monetary purchase limit and expires on 31 October of the same year. Shareholders holding shares in nominee or PEP/ISA accounts are also eligible, but must request the voucher through their nominee or PEP/ISA account manager who should email alyson_wenlock@next.co.uk.

Shareholder enquiries

The Company's share register is maintained by Equiniti. Please contact them if you have any enquiries about your NEXT plc shareholding including the following matters:

- change of name and address
- loss of share certificate, dividend warrant or tax voucher
- if you receive duplicate sets of Company mailings as a result of an inconsistency in name or address and wish, if appropriate, to combine accounts.

The Shareview Portfolio service from our registrar, Equiniti, gives you more online information about your NEXT plc shares and other investments. For direct access to information held for you on the share register including recent balance movements and a daily valuation of investments held in your portfolio visit **www.shareview.co.uk**.

For shareholders with disabilities Equiniti provides the following:

- if requested future communications produced by them will be sent in the appropriate format.
- textphone number 0871 384 2255 for shareholders with hearing difficulties.
- hearing loop facilities in their buildings for use by visiting shareholders.

CREST

The Company's ordinary shares are available for electronic settlement.

Payments of dividends to mandated accounts

Shareholders who do not at present have their dividends paid directly into a bank or building society may wish to do so. A mandate form is attached to your dividend warrant and tax voucher or is available to download from the NEXT plc website on **www.nextplc.co.uk** or from Equiniti, telephone 0871 384 2164.

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