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ANNUAL REPORT AND ACCOUNTS
JANUARY 2012

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 around 3 million active customers and international websites serving approximately 50 countries; and NEXT International, with almost 200 mainly franchised stores around the world.

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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 15; failure by NEXT to predict accurately customer fashion preferences; decline in the demand for merchandise offered by NEXT; competitive influences; changes in level of store traffic or consumer spending habits; effectiveness of NEXT's brand awareness and marketing programmes; general economic conditions or a downturn in the retail industry; the inability of NEXT to successfully implement relocation or expansion of existing stores; insufficient consumer interest in NEXT 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.

The Year in Summary

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“It was another record year for sales, profits, earnings per share and dividends”



Shareholder Highlights:

- Sales up over 4% to £3,441m from ongoing business and 5% profit growth to £570m.
- Dividend for the year increases by 15% to 90p and remains covered 2.8 times.
- Cash proceeds from the sale of Ventura plus strong cash generation enabled £290m of capital returns through share buybacks.
- Secure long term financing through the issue of a new £325m 10 year bond and new £300m 5 year bank facility.

Chairman's Statement

The year to January 2012 finished well for NEXT. Underlying earnings per share before exceptional profits grew by 15% to 255.4p. An excellent result in a year when the UK economy, our largest market, has struggled for growth.

During the year we continued the rapid growth of our online business both in the UK and overseas through NEXT Directory, which now accounts for 32% of group sales and 44% of operating profits. We believe that part of this success is due to our NEXT Retail store network and the ability of the two businesses to work together and support each other. Accordingly, during the year we continued to invest in our stores, upgrading and expanding where opportunities presented themselves. In particular, we now have 43 Home stand-alone stores and will continue to grow the Home business, which will give us a more significant share of this market as the UK economy recovers.

Cash generation remains strong. We continued our programme of share buybacks, buying 12.5 million shares at an average cost of £23.21. During the year we returned £425 million to shareholders in share buybacks and dividends.

We are proposing to increase the full year dividend by 15% to 90p, in line with the increase in earnings per share. This means a higher increase in the final dividend. However, we propose to pay the final dividend one month later to coincide with the peak in our Summer trading cash flows.

We have renewed our medium term bank facilities, issued a new 10 year £325m bond and bought in £158 million of the existing bonds. This leaves the Group well financed for the future.

The key ingredient of our success is the stability and effectiveness of our management teams across the Group. They have had a successful year and I would like to thank them for their contribution towards this performance.

During 2011 our share price and dividend performance ranked NEXT as the second best performing FTSE100 company of the year. It is worth noting that over the last three years our earnings per share have grown at an annual compound rate of 18%.

Next year will bring its own challenges, particularly as growth in the UK will remain sluggish. We continue to believe that we will deliver growth by investing in the Brand, improving our products and managing the business well.



John Barton
Chairman

Directors' Report and Business Review

The Directors present their annual report and audited accounts for the financial year ended 28 January 2012.

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 around 3 million active customers and international websites serving approximately 50 countries; and NEXT International, with almost 200 mainly franchised stores around the world.

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.

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, the outlook continues to be very challenging. However, the Board believes that there are opportunities for sales 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, both in the UK and by growing international online sales.
- 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 secure financing structure.
- Purchasing and cancelling NEXT shares when it is earnings enhancing and in the interests of shareholders generally.

Directors' Report and Business Review

CHIEF EXECUTIVE'S REVIEW

OVERVIEW

2011 presented the Retail Sector with the perfect economic storm. Consumer demand was anaemic, held back by a combination of high inflation, low growth in wages and limited growth in consumer credit. Our own input costs rose as soaring cotton prices and overseas wage inflation were passed on by our manufacturers. This, along with the higher VAT, placed upward pressure on our selling prices. Taken in this context, NEXT has performed remarkably well.

The NEXT Group increased sales on continuing business by +4.3%, operating profit by +5.6% and underlying earnings per share by +15.1%. The latter figure was boosted by strong cash generation, share buybacks and a lower tax rate. The explanation of these numbers comes in three parts: Sales, Margins and Cash.

Sales

On the sales front, although underlying sales in our existing retail stores were down as expected, this was more than compensated for by two significant avenues of sales growth:

- The addition of profitable new retail space which added 2.9% to Group sales.
- The continued growth, both overseas and in the UK, of our online business the NEXT Directory, which now accounts for nearly a third of the Group's total turnover.

Margins

The Group's net operating margins were maintained despite a significant increase in manufacturing costs. We worked to re-source product from new, cheaper sources of supply and negotiated hard with our existing supply base. But this was not enough to completely offset underlying cost increases and, rather than compromise quality, we passed on some of this cost inflation in the form of 7% higher selling prices. Stocks were managed tightly and in line with our budget, we did not discount in the run up to Christmas and we improved clearance rates in our End of Season Sale.

Inflationary pressures in our cost base, mainly in wages, warehousing and occupancy costs, were more than offset by cost saving initiatives in the Group.

Cash

One of NEXT's most important qualities is its ability to turn profits into cash. As the Company has matured we have been very careful to maintain the quality of our earnings and ensure that surplus cash, generated after healthy capital investment and dividends, is consistently returned to shareholders through share buybacks. In the year ending January 2012 cash generation, combined with buybacks, increased earnings per share by 6%.

SUMMARY OF FINANCIAL RESULTS

	2012 £m	2011 £m	
REVENUE excluding VAT			
NEXT Retail	2,191.4	2,222.1	-1.4%
NEXT Directory	1,088.7	935.5	+16.4%
NEXT International	76.3	67.3	+13.4%
NEXT Sourcing	7.5	4.1	
Lipsy	54.9	44.7	
Other activities	22.3	24.0	
Continuing business	3,441.1	3,297.7	+4.3%
Business sold – Ventura	64.8	156.0	
Total revenue	3,505.9	3,453.7	

PROFIT and EPS	2012 £m	2011 £m	
NEXT Retail	323.7	328.8	
NEXT Directory	262.6	221.9	
NEXT International	7.9	5.8	
NEXT Sourcing	21.1	26.7	
	615.3	583.2	+5.5%
Lipsy	1.3	1.0	
Other activities	(6.7)	(9.0)	
Share incentive charge	(16.8)	(11.8)	
Pension credit	6.7	1.2	
Unrealised exchange (loss)/gain	(1.1)	2.2	
Operating profit – continuing business	598.7	566.8	+5.6%
Net interest – underlying	(28.4)	(23.4)	
Underlying profit before tax – continuing business	570.3	543.4	+5.0%
Taxation	(142.9)	(150.3)	
Prior year VAT and interest recovery	6.8	–	
Profit on business sold – Ventura	40.6	7.8	
Total profit after tax	474.8	400.9	
Earnings per share			
– underlying	255.4p	221.9p	+15.1%
– total	282.0p	221.9p	
Dividends per share	90.0p	78.0p	+15.4%

RETAIL

Retail performed in line with our budgets. VAT exclusive sales were down -1.4%, although the cash taken through the till (including VAT) remained in line with last year. Negative like for like sales were offset by sales from new space. Profit margins were maintained with profits down broadly in line with sales at -1.6%.

New Space

We increased trading space by 402,000 square feet, an increase of 6.6%, taking the Retail portfolio to 6.5m sq. feet. Sales from new space contributed +4.3% to retail sales.

The table below sets out the growth in stores and square footage. The net increase in stores is entirely as a result of adding new Home stand-alone stores and although the trading space of clothing increased by around 200,000 sq. feet the number of trading locations reduced by 3.

	Store numbers	Sq. Ft. (000's)
January 2011	525	6,073
New stores	+12	+177
Closed	-15	-83
Re-sites (9)	–	+71
Extensions (18)	–	+34
Home stand-alone	+14	+203
Net change	11	402
January 2012	536	6,475

Directors' Report and Business Review

The new space performed in line with our expectations: net branch profitability and the payback on net capital invested were comfortably within the 15% and 24 month hurdles maintained by the Company. The table below sets out forecasts which are based on sales since the date of opening.

	Sales vs Target	Forecast Profitability	Forecast Payback (months)
Mainline	7.9%	22.4%	18.4
Home	1.3%	19.1%	23.4
Total	5.7%	21.4%	20.2

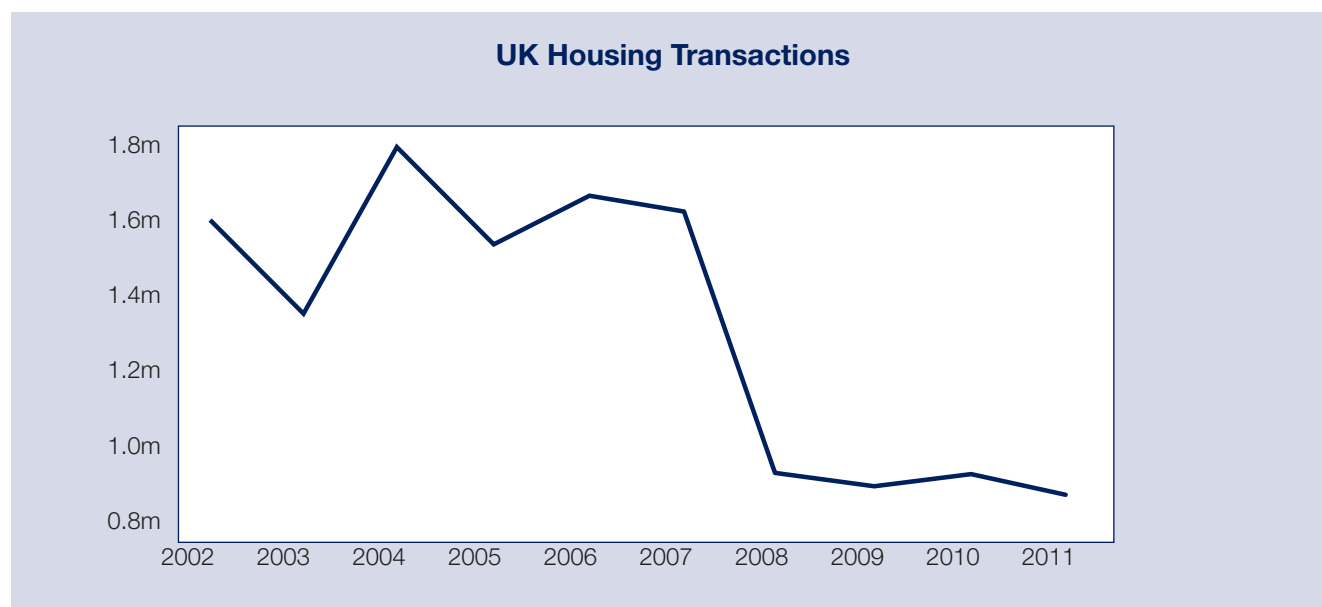
In August we opened a new large concept store in Shoreham which has proven extremely successful. The store consists of a Fashion and a Home shop, sitting side-by-side, on one stand-alone site with its own car park. The Home part of the shop carries an extended range which includes light DIY products and a small garden centre. We have identified 19 other sites around the UK where we would ideally like to open similar stores. However we expect progress to be slow as almost all of these sites require planning permission. We will open at least two more in the year ahead, one near Ipswich the other near Warrington.

We expect to open around a further 300,000 sq. feet in the year ahead and that sales from new space will contribute around 4% to retail sales during the year. This projection has reduced since September as a number of complex projects, many of which require planning permission, have slipped into the following year.

Home Stand-Alone Stores

There is a question as to whether it is wise to be opening Home shops in a market which is so obviously having a difficult time. There are two reasons why we are confident to carry on opening stores in the current environment. The first is that they are extremely profitable and provide an efficient return on capital invested. The Home stand-alone portfolio makes a 21% net branch profit.

The second is that we do not believe that the current rate of decline in the home furnishings market will continue forever, though admittedly it may take a few years to recover. The graph below, which gives UK housing transactions over the last ten years, shows just how profound and unusual a change there has been in the housing market since the credit crisis began.



UK Housing Transactions, Source HM Treasury Databank

Retail Stores in the Internet Age

There is a lot of speculation about the future of retail stores given the rapid growth of online trade generally. We remain convinced that there is a continued place for fashion retail stores and that increasingly customers will see stores and online as part of a single service. We continue to see more and more Directory customers using our shops to receive and return our products.

The table below shows the percentage of Directory orders returned and collected in store compared to the same time six months ago.

	Jan 2012	July 2011
Percentage of parcels collected through stores	20%	13%
Percentage of parcels returned through stores	59%	50%

Store Portfolio Profitability

Even though there is undoubtedly a future for retail stores, we remain mindful of the need to aggressively manage profitability in an environment where there is increasing divergence of performance between good and poor locations. We rarely take on leases of more than 10 years. All lease renewals are reviewed, and we continue to monitor underperforming stores with a view to disposing of them before they become loss making. This year we closed 14 underperforming stores which collectively traded 79,000 sq. feet and whose combined profitability was 7.9%.

The table below sets out the percentage of our turnover taken from mainline stores in different profitability bands; our portfolio of stores remains extremely profitable with very little space making less than 5% profit and 90% of our stores making more than 15% profit contribution.

Profitability of space	Percentage of turnover
>20%	73%
>15%	90%
>10%	97%
>5%	99%
>0%	99.7%

Profit and Margin Analysis – Retail

Retail profitability remained flat as achieved gross margins moved forward offset by increases in occupancy and overhead costs. The table below details the margin movement in the major heads of costs.

Net operating margin last year	14.8%
Increase in bought-in margin	+0.3%
Reduced markdown costs	+0.4%
Increase in achieved gross margin	+0.7%
Decrease in store payroll	+0.3%
Increase in store occupancy costs	-0.4%
Increase in distribution & warehouse costs	-0.3%
Increase in central costs	-0.3%
Net operating margin this year	14.8%

The Company's decision to order stock earlier, and increase stock-holding throughout the year, meant that we were able to reduce the amount of air freight required to transport stock last minute. This increased our bought-in margin by 0.3%. Improved clearance rates in the End of Season Sale and reduced markdowns added a further 0.4% to achieved gross margin, although some of this gain has been offset by increased handling charges as noted below.

Productivity savings in the stores more than offset the cost of living increase in branch wage rates and additional Boxing Day premium pay. The net savings in wages added 0.3% to margin.

Store occupancy costs increased as a percentage of sales, mainly because like for like sales declined. Underlying rent and rates increased by 1.8% and 4.7% respectively. 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. We anticipate that rental inflation will fall further in the year ahead.

Distribution and warehousing costs rose due to wage rate inflation, additional costs incurred re-balancing stock between stores, and as a result of the growth in furniture sales requiring two-man Home deliveries.

Central costs included additional amounts for employee incentives, Carbon Tax and NEXT's commercial arrangements for the 2012 Olympics.

Directors' Report and Business Review

DIRECTORY

The NEXT Directory has had another very good year with sales growing 16.4% and profits up 18.3%.

Directory Sales

Directory sales were driven by a combination of growth in UK full price sales, additional End of Season markdown sales, the new "Offers" tab (which is the equivalent of an online version of our Retail Clearance stores) and international sales. The table below sets out the different components of growth:

	Contribution to growth
UK Full Price Sales	8.4%
International Online	2.4%
UK Offers Tab	2.5%
Increased End of Season Sale	3.1%
Total Growth	16.4%

Directory stock for the Sale was up 26% on last year, whereas markdown stock across the brand was up only 10.7%. The disproportionate growth in Directory was mainly the result of transferring less surplus stock from Directory to Retail.

The "Offers" tab sells prior season stock that has already been written down to one third of cost in exactly the same way as our Clearance stores operate in Retail. These sales do not therefore adversely affect margin in the season they are sold because the obsolescence cost of the stock has already been taken in the previous season.

New Customers

Directory active customers increased by 9.6% to just under three million, only 3.4% of the growth in customers came from traditional credit customers and 6.2% from new cash-only customers. The table below sets out the growth in new customers by category of customer.

	Jan 2012	Jan 2011	Contribution to customer growth
Credit customers	2,557	2,464	3.4%
Cash customers – UK	356	230	
Cash customers – Overseas	82	37	
Total cash customers	438	267	6.2%
Total active customers	2,995	2,731	9.6%

Although credit customers only grew by 3.4%, sales to credit customers grew by 12%, as existing customers increased their average annual spend.

Improving Service

Whilst much of the growth in our internet business has come as a result of the underlying growth in the use of the internet generally, we believe that our service improvements have made a significant difference to sales. In particular, the fact that we now deliver next day as standard to customers who order any time up till 9pm at night. We intend to continue to improve our delivery services in the year ahead with the introduction of Sunday and evening deliveries (both of which will be charged at a premium rate).

The key to our ability to improve our service offer lies in the £236m of capital we have invested over the last ten years in new warehousing capacity and automation. This means that most stocked items can be cost effectively picked, packed, sorted and ready for despatch from our warehouses within 90 minutes of an order being taken.

Directory Overseas

Directory continues to make good progress overseas with annual sales reaching £33m last year against only £10m the previous year. We now trade online in 48 countries overseas with sales being particularly strong in Germany, USA, Australia, Eire, Poland and Russia (the last of which only commenced trading in September last year). We are budgeting for international online sales of £50m in the year ahead, at a profitability of circa 20%.

We now trade in most of the major consumer markets, but there is still the opportunity to open in a further 15 new markets during 2012, the most important of which are likely to be Middle Eastern countries in which we already have successful franchises. We anticipate a Chinese language site will be operational in mainland China during the year, though this has proven harder to get up and running than initially anticipated.

Profit and Margin Analysis – Directory

Over the course of 2011, margins in NEXT Directory have improved by +0.4%, the reasons for which are detailed below.

Net operating margin last year	23.7%
Increase in bought-in gross margin	+0.6%
Reduction in markdown costs	+0.2%
Increase in achieved gross margin	+0.8%
Improvement in bad debt	+0.4%
Reduced service charge income	-0.9%
Reduction in net service charge	-0.5%
Increase in warehouse and distribution costs	-0.7%
Decrease in marketing, other and central costs	+0.8%
Net operating margin this year	24.1%

The achieved gross margin increased by 0.8%. As in Retail, Directory bought-in gross margin increased as a result of lower air freight costs. In addition, higher margin clothing sales grew faster than Home sales, which were restrained by the opening of new stand-alone Retail Home stores. Markdown costs reduced, as improved clearance rates more than offset the 26% increase in stock for the Directory Sale.

We continued to see an improvement in bad debt rates, a trend which we have seen for over two years now. Bad debt rates are now the lowest we have ever known them. We believe that this is a result of the credit crunch, which reduced credit availability generally, thus reducing consumers' ability to take on debt they could not afford.

Overall service charge income increased in value but decreased as a percentage of sales. Service charge income grew by 8% whilst total sales were up 16%, so net margins were reduced by -0.9%.

An increase in warehousing and distribution costs reduced margin by -0.7%. Most of this cost increase came from warehousing and was the result of additional labour used to improve stock distribution between Retail and Directory. It was this exercise that allowed us to improve the efficiency of our clearance online. In addition, staffing costs were inflated by the increased use of agency staff, the annual cost of living wage award and increased management cover.

There were significant inflationary rises in the underlying costs of parcel distribution but these were offset by greater use of our stores for deliveries and returns, along with a reduction in free post and packaging promotions throughout the year.

Increases in central overheads, including the payment of higher staff incentives, were more than offset by marketing and call centre savings. These costs were reduced by increased use of the internet and a reduction in the number of customers requesting printed catalogues.

INTERNATIONAL RETAIL

The majority of this business is conducted through our franchise partners. In total, they operate 164 NEXT stores in 30 countries. Reported partner sales increased by 9% in total and 5% on a like for like basis. Sales in our 26 wholly owned and joint venture overseas stores were only marginally up on last year.

Revenue and income for our international business is set out below. The franchise income is the cost of goods sold to our partners plus either a royalty or mark-up.

£m	2012	2011	
Franchise income	58.7	49.9	
Owned and JV sales	17.6	17.4	
Total revenue	76.3	67.3	+13.4%
Profit excluding write offs	8.3	7.0	+18.0%
% to revenue	10.9%	10.4%	
Write offs	(0.4)	(1.2)	
Operating profit	7.9	5.8	+36.9%

We are forecasting that International Retail will make a profit of £8m in the year ahead.

Directors' Report and Business Review

NEXT SOURCING

NEXT Sourcing is the largest single supplier to NEXT and has offices in China, India, Sri Lanka, Bangladesh and Turkey. Sales increased by 1.8% in Sterling terms and slightly more in local currencies. Profit, of £21m, was down on last year as the reduced commission rates implemented in 2010 took full effect. In addition NEXT Sourcing took a significant one off provision relating to faulty stock, most of which was identified before delivery.

£m	2012	2011
External sales	7.5	4.1
Internal sales	511.5	505.7
Total sales	519.0	509.8
Operating profit	21.1	26.7
Operating margin	4.10%	5.20%

We are forecasting NEXT Sourcing profits to recover to around £25m in the year ahead.

OTHER PROFIT AND LOSS MOVEMENTS

Ventura

In July we announced the sale of Ventura to The Capita Group plc for £65m. The proceeds were returned to shareholders through share buybacks and the effect of the transaction was neutral in terms of earnings per share.

Ventura is shown as a discontinued business in these accounts and the profit of £40.6m is made up of:

- The £2.6m post-tax trading profit up to the date of sale,
- Plus the sale proceeds,
- Less the net asset value and sale costs.

Lipsy

After a very difficult first half, the second half was somewhat better. The sales increase came through Lipsy stores and online, with use of the NEXT infrastructure being of significant benefit.

Lipsy now operates 49 stores, 17 are stand-alone and 32 are either separate stores carved out of a NEXT property or integral within a NEXT store and thereby leveraging staff, systems and services. We expect Lipsy to have 55 stores by the end of the year and the majority will be of the integral type.

Online sales increased by 70% to £9m and, whilst sales through the Lipsy site increased, the biggest growth came from a specific Lipsy tab on the NEXT Directory site. This brings Lipsy products to many more potential customers, along with the Directory customer service offer.

Interest and Taxation

The underlying interest charge of £28m was as forecast and included costs relating to the issue of a new 10 year bond, redemption of £158m existing bonds and renewal of our medium term bank facility. Debt averaged £630m at an average rate of 4% on our mix of fixed and floating rate debt. For the year ahead we expect debt to average £600m and a similar interest charge of £28m.

Our tax rate would have reduced to 26.3% due to the reduction in corporation tax rates. However, we have resolved a significant prior year issue and this resulted in a further rate reduction to 25.1%. On the assumption that corporation tax rates continue to reduce as announced, we expect our tax rate to be 25% or less in each of the next two years.

BALANCE SHEET AND CASH FLOW

Cash Flow

During the year the Group generated just over £200m of cash and a further £63m from the sale of Ventura. This cash generation was after capital expenditure, tax and dividends but before buybacks and additional ESOT cover.

Capital expenditure amounted to £126m and we are planning for £115m in the year ahead, we will continue to invest in profitable new stores and will spend less on warehouse developments. At the end of last year we significantly increased our stock-holding to improve availability, so throughout the year stock levels were significantly up. As this step change annualised stock levels came into line with last year and were just 1% up at the year end. Directory debtor balances rose £74m to £574m, up 15% and only slightly less than the growth in sales and was marginally ahead of our expectations.

At the half year we reported on the issue of a new 10 year bond and can now advise that we have renewed our medium term, committed bank facility. We have a syndicate of six banks who commit to provide up to £300m over the next five years. Total debt facilities available are as follows:

	£m
2013 bonds	85
2016 bonds	213
2021 bonds	325
Total bonds nominal value	623
2016 committed bank facility	300
Total debt facilities available	923

We believe NEXT will continue to generate cash in the year ahead to fund growth, pay dividends and continue with share buybacks. We currently estimate a cash inflow of around £200m after capital expenditure, interest, tax and dividends, but before share buybacks.

Share Buybacks and Debt

During the year we acquired 12.5 million shares (6.9% of those in issue at the start of the year) at an average price of £23.21 and a cost of £290m. Since the year end we have purchased a further 0.6m shares at a cost of £16m.

We will continue to use buybacks to manage our capital base efficiently. It is our intention to maintain investment grade credit rating and we will not pursue buybacks to the detriment of developing the business. Subject to market conditions, we intend to return between £140m and £200m to shareholders via share buybacks in the current year. In this scenario, we expect net debt will fluctuate between £550m and £700m for the majority of the year and will again be around £575m by January 2013.

DIVIDENDS

We have proposed raising our final dividend to 62.5p, taking the total dividend for the year to 90p. This is an increase of 15% and broadly in line with growth in underlying EPS. Dividend cover remains at 2.8 times.

In previous years, we have paid the final dividend in early July. We are moving the payment date to early August. This better aligns the dividend outflow of £100m to the matching cash inflows from our late July Summer Sale.

INTERIM MANAGEMENT STATEMENT

Our next statement will cover the first quarter to the end of April and is provisionally scheduled for Wednesday 2 May 2012.

OUTLOOK

The outlook for the year ahead is very uncertain, and in this environment we think it is sensible to again be cautious in our budgeting.

Outlook for the consumer

There is *some* important good news for the consumer. As expected, inflation has begun to fall and looks set to ease further. So by the third quarter consumers should see their incomes rising broadly in line with prices – a welcome end to deflation in real earnings. Inflation in our own prices has also evaporated and selling prices going forward will be in line with those last year.

However, in 2012 there remain two important constraints to growth in consumer spending:

- **Employment** took a turn for the worse in the middle of last year and currently the creation of jobs in the private sector is only barely keeping pace with the reductions in public sector employment. So it looks as though there is little chance of increased employment improving the consumer economy.
- **Credit availability** remains very tight for business and consumers alike. The recent increases in mortgage rates, announced by several UK lenders, is indicative of a world where credit conditions are unlikely to ease.

In addition any worsening in the **Eurozone sovereign debt** crisis would further undermine UK employment and put additional pressure on banks' balance sheets. So this possibility remains a significant downside risk to the UK consumer.

On balance we believe that these ongoing constraints outweigh much of the upside potential for 2012 and accordingly we are budgeting conservatively.

Directors' Report and Business Review

Outlook for Sales

Our plan for the year ahead is similar to the approach taken last year. We anticipate that underlying retail sales will remain negative but that we can continue to move the top line forward (albeit modestly) through the addition of profitable new space and the continued development of the NEXT Directory.

It is too early to give a full year forecast but our budget for the first half is for Brand sales to be up between 1% and 4%, with Retail sales between 0% and -3% and Directory between +9% and +12%. It is worth noting that the growth in the first quarter's sales is likely to be lower than the second, as last year's first quarter was boosted by an exceptionally warm Easter and the Royal Wedding. Last year growth in the first quarter was 5.2% but in the second only 1.3%.

Outlook for Margins and Costs

We anticipate that bought-in gross margin for the full year (the difference between the cost of the stock and its retail selling price before markdown) will be level with last year, with manufacturing costs and selling prices both remaining in line with last year. Stocks are being managed tightly and if sales are within our budgeted range we do not anticipate any significant change to markdown and obsolescence costs.

We estimate that annual inflation in our existing cost base (i.e. excluding the costs of new space) will be around £36m, driven mainly by wage inflation of 2.5% and underlying increases in rent and rates. However we believe that we can offset at least £28m of this increase with cost saving initiatives.

Outlook for Cash and Buybacks

We anticipate that the Company will generate £200m of surplus cash after allowing for capital investment, tax and dividends. We intend to use up to this amount to buy back shares and at a price of £28.00 that sum would buy around 4% of the shares in issue.

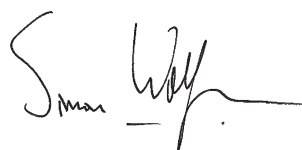
Scenarios for Full Year Profit and Earnings per Share

Our budget for the Autumn Winter season has yet to be finalised. However, if sales for the full year fall within our range for the Spring Summer season and we buy back 4% of the Company's shares, then the table below sets out the likely ranges for growth in sales, profits and EPS.

	Low Scenario	High Scenario
Total Brand Sales	+1%	+4%
Full Year Profit Before Tax	£560m	£610m
Full Year Profit Before Tax	-2%	+7%
EPS Growth	+3%	+12%

In Summary

NEXT has performed well in a difficult year, delivering good growth in sales and profits combined with exceptional advances in earnings per share and dividends. The year ahead looks no less challenging but the Group is well prepared and has further opportunities for growth. We remain strongly cash generative and have every chance of delivering another year of increased sales and earnings per share.



Lord Wolfson of Aspley Guise
Chief Executive
22 March 2012

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	2012	2011	Annual change
Store numbers	536	525	+2.1%
Square feet 000's	6,475	6,073	+6.6%

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

NEXT Retail like for like sales	2012		2011	
	No. stores	LFL %	No. stores	LFL %
Total like for like	512	-6.3%	505	-4.7%
Underlying	432	-5.7%	449	-4.0%

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	2012	2011
Net operating margin last year	14.8%	14.2%
Increase in achieved gross margin	+0.7%	+0.6%
Change in store payroll costs	+0.3%	0.0%
Increase in store occupancy costs	-0.4%	-0.6%
Increase/decrease in other costs	-0.6%	+0.6%
Net operating margin this year	14.8%	14.8%

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	2012	2011	Annual change
Average active customers	2,995,000	2,731,000	+9.7%
Average sales per customer	£363	£342	+6.1%
Number of printed pages	4,180	4,084	+2.4%

Active customers are defined as cash and credit customers who have placed an order or made a payment in the last 20 weeks. 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.

NEXT Directory operating margin	2012	2011
Net operating margin last year	23.7%	21.0%
Increase in achieved gross margin	+0.8%	+1.3%
Decrease in bad debt	+0.4%	+0.6%
Decrease in service charge income	-0.9%	-0.6%
Decrease in other costs	+0.1%	+1.4%
Net operating margin this year	24.1%	23.7%

Share buybacks	2012	2011
Number of shares purchased ('000)	12,482	9,954
% of opening share capital	6.9%	5.2%
Total cost (£m)	289.7	205.4
Average cost per share (£)	23.21	20.63

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

Directors' Report and Business Review

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 are 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 or manufacturing labour costs, NEXT will work with existing suppliers to mitigate the inflationary impact. When necessary, new sources of supply will be developed in conjunction with NEXT Sourcing, 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 review 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 and 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 own and third party call centres to receive and respond to customer orders and enquiries. Insufficient manpower, supplier failures 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 business to ensure that there is sufficient capacity to handle call volumes. Capacity forecasting is used to manage peak demands and growth in business volumes and customer 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 30 to 34 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.

Directors' Report and Business Review

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 6,800 NEXT employees held options over a total of 9.2 million shares in NEXT plc at January 2012, being 5.5% of the total shares in issue. 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 5.6 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 page 37 and in Note 23 to the financial statements. As at 28 January 2012, there were 1,337 (2011: 1,612) active members in the Defined Benefit Section and 1,935 (2011: 2,216) 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 successful and responsible employees, taking responsibility for our impact on the environment and delivering support through contributions to charities and community organisations.

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 45 staff (2011: 44). 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 28 January 2012 were 27 days (2011: 29 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 28 January 2012 or 29 January 2011.

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.

Directors' Report and Business Review

Environment

NEXT recognises that it has a responsibility to manage the impact of its business on the environment both now and in the future. Internally, for a number of years we have measured and reported against a number of reduction targets for NEXT in the UK and Ireland. The targets are measured from a baseline line of 2007 and are in place until 2015.

The key areas of focus are:

■ *Energy use and emissions from stores, warehouses, distribution centres and offices*

Target: Electricity consumption – 35% reduction in kg CO₂e/m²

Progress: 5% reduction compared to last year, and 26% electricity reduction achieved to date

■ *Fuel emissions from the transportation of products*

Target: Retail Distribution – 10% reduction in litres of fuel used/m²

Progress: 9% reduction compared to last year, and 8% reduction achieved to date

■ *Waste created in stores, warehouses, distribution centres and offices*

Target: Waste – to send less than 5% of operational waste to landfill

Progress: 10% increase in waste diverted from landfill compared to last year, and 86% of operational waste diverted from landfill achieved to date

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.

Community

NEXT supports a wide range of charities and organisations in ways that most benefit them and their particular cause. NEXT provided the following financial support during the year:

	2012 £000	2011 £000
Registered charities	876	857
Individual requests, local and national groups and organisations	75	68
Commercial support	73	74

This support has been complemented with the following additional fundraising activities:

	2012 £000	2011 £000
NEXT charity events	–	216
Gifts in kind – product donations	1,652	1,124
Charity linked sales	425	288
Employee fundraising	44	19

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 to charities.

No donations were made for political purposes (2011: nil).

ANNUAL GENERAL MEETING & OTHER MATTERS

Notice of the Annual General Meeting ("AGM") is on pages 93 to 98 and includes the following business:

Dividends

The Directors recommend that a final dividend of 62.5p per share be paid on 1 August 2012 to shareholders on the register of members at close of business on 29 June 2012. The final dividend payment date has been moved from the previous 1 July to enable better management of Group cash flows. During June and July, substantial supplier payments are made as stock builds for Autumn, and rent quarter payments also fall due. The Board has therefore decided that it is appropriate to move the final dividend payment to 1 August, which comes after the cash inflows from NEXT's End of Season Sale. There is no intention to move the January interim dividend, and this change will have no effect on the quantum of the interim, final or full year aggregate dividend.

The Trustee of the NEXT Employee Share Ownership Trust ("ESOT") has waived dividends paid in the year on the shares held by the ESOT, see Note 29.

Directors

The Board has agreed that all directors will stand for re-election at the 2012 AGM in accordance with the UK Corporate Governance Code. All are eligible and willing to serve again. The current Board, including biographical details, is shown on page 24 of this report.

During the year our Chairman, John Barton, was appointed Chairman of Cable and Wireless Worldwide plc (where he had served as a non-executive director) and a non-executive director at Catlin Group plc. He stepped down as non-executive director at WH Smith Plc and Topaz Energy and Marine plc. These changes have not impacted on his ability to allocate sufficient time to NEXT, as confirmed in his performance appraisal led by the senior independent non-executive director.

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 8 years and 7 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 28 January 2012 and their families are shown in the Remuneration Report on pages 39 to 43.

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 Section 551 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 2013 or, if earlier, 1 August 2013. This resolution will allow the directors to allot ordinary shares up to a maximum nominal amount of £5,600,000, representing approximately one third (33.33%) of the Company's existing issued share capital as at 20 March 2012. 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, up to a total maximum nominal amount of £11,200,000, representing approximately two thirds (66.67%) of the Company's existing issued share capital as at that date. As at 20 March 2012 (being the latest practicable date prior to publication of this document) the Company's issued share capital amounted to £16,814,753, comprising 168,147,532 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 Sections 570 to 573 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 £840,000, being less than 5% of the issued ordinary share capital as at 20 March 2012. 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 2013 or, if earlier, 1 August 2013. 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.

Directors' Report and Business Review

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 20 March 2012, NEXT has returned over £2.6 billion to shareholders by way of share buybacks and almost £1.2 billion 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 £670m 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 25,222,000 ordinary shares of 10p each (being less than 15% of the issued share capital at 20 March 2012) and no more than 14.99% 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 according to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date of purchase or, if higher, the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003; and
- (c) the renewed authority will expire at the AGM in 2013 or, if earlier, 1 August 2013.

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 of the Company at the rate of 0.5% of the consideration paid.

The total number of employee share options to subscribe for shares outstanding at 20 March 2012 was 9,724,138. This represents 5.8% of the issued share capital at that date. If the Company were to buy back the maximum number of shares permitted pursuant to both the existing authority granted at the 2011 AGM (which will expire at the 2012 AGM) and the authority sought by this resolution, then the total number of options to subscribe for shares outstanding at 20 March 2012 would represent 7.9% 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. Since the 2011 AGM, and up to 20 March 2012, the Company bought back 950,000 shares for cancellation under such contracts at a discount of up to 7.1% 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 risk of distorting the prevailing share price. This purchase method is also cash flow advantageous insofar as it spreads the cash outflow of 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 five 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, HSBC Bank plc 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 quantity of shares which the Company would be permitted to purchase pursuant to this authority would be the lower of 8,000,000 shares or a total of £200 million.

The principal features of the contracts are set out in Appendix 1 to the Notice of the AGM. Copies of the agreements the Company proposes to enter into with each of the banks (the "Programme Agreements") 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 2011, 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 2013, 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 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 2012 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 26 to the financial statements.

The Company was authorised by its shareholders at the 2011 AGM to purchase the Company's own shares. During the financial year the Company purchased a total of 12,481,600 ordinary shares with a total nominal value of £1,248,160 (of which 625,000 were purchased off-market), at a total cost of £289.7m, representing 6.9% of its issued share capital at the start of the year. These shares were cancelled.

On 28 January 2012 the Company had 168,739,787 shares in issue. Subsequent to the end of the financial year, the Company purchased for cancellation 592,255 of its own ordinary shares at a cost of £15.4m under an irrevocable closed season buyback agreement and two contingent purchase contracts. As at 20 March 2012, the Company had 168,147,532 shares in issue.

The following information has been received from holders of notifiable interests in the Company's issued share capital:

	Notifications received up to 28 January 2012			Notifications received after 28 January 2012 up to 20 March 2012		
	No. of voting rights	% of voting rights*	Nature of holding	No. of voting rights	% of voting rights*	Nature of holding
BlackRock, Inc.	24,224,581	14.05	Indirect interest	25,350,082	15.03	Indirect interest
FMR LLC (Fidelity)	21,946,100	13.00	Indirect interest	—	—	—
Schroders plc	8,817,239	4.79	Indirect interest	—	—	—
Next plc Employee Share Option Trust	6,814,966	3.95	Direct interest	—	—	—
Legal & General Group plc	7,400,141	3.94	Direct interest	—	—	—

* At date of notification.

Pursuant to notices served under Section 793 of the Companies Act 2006, the Company has also been notified that Capital Research Global Investors held 6,512,000 shares at 28 February 2012, representing 3.87% of voting rights at that date.

Directors' Report and Business Review

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. It is intended that voting at the 2012 AGM will be on a poll. The Notice of Meeting on pages 93 to 98 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 UK Corporate Governance Code, all directors will be subject to re-election at the 2012 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 give 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, 2016 and 2021 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 only applicable 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 7.2.6) comprises the Additional Information section of the Directors' Report and the Corporate Governance statement included in this Annual Report.

By order of the Board

Andrew McKinlay
Secretary
22 March 2012

Directors' Responsibility Statement

Directors' responsibilities

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

Under company law the directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position, 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 in accordance with *IAS8: Accounting Policies, Changes in Accounting Estimates and Errors* 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 adequate accounting records that are sufficient to show and explain the Group's transactions and 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 and Article 4 of the IAS Regulation. 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

Lord Wolfson of Aspley Guise
Chief Executive
22 March 2012

David Keens
Group Finance Director

Directors and Officers

CHAIRMAN OF THE BOARD

John Barton

Aged 67

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

EXECUTIVE DIRECTORS

Lord Wolfson of Aspley Guise, Chief Executive

Aged 44

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 48

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 58

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 61

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 60

Became a member of the Board in 2004. He is also a non-executive director of National Australia Group Europe Ltd and 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 60

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. Founder of The Objectivity Partnership.

Christine Cross

Aged 60

Became a member of the Board in 2005. She is also a non-executive director of Sonae Group Ltd (Portugal), Woolworths Limited (Australia), 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 54

Joined the Board on 1 June 2010. Formerly 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

Corporate Governance

Chairman's introduction

Effective corporate governance is essential to the success of our business.

As Chairman, my role is to manage the Board, ensuring it operates effectively and contains the right balance of skills and experience to successfully execute the strategy. The Board is collectively responsible for the long term success of the Company and for setting and executing the strategy.

Over many years, NEXT has successfully grown its business and created significant shareholder value against the backdrop of a challenging external environment. This is the ultimate measure of our success and reflects our strong corporate governance structure and the stable, effective management team we have in place. We remain committed to the robust approach to governance which has served the business well.

Code compliance

The Group complied throughout the year under review with the provisions set out in the UK Corporate Governance Code and the UK FSA Disclosure and Transparency Rules. Disclosures required by DTR7.2.6 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.

Appointments to the Board, as with other positions within the Group, are made on merit according to the balance of skills and experience offered by prospective candidates. Whilst acknowledging the benefits of diversity, individual appointments are made irrespective of personal characteristics such as race, religion or gender. The Board is comprised of eight male directors and one female director. At the next senior management level, there are thirteen male directors and eleven female directors.

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 2012 AGM in accordance with provision B.7.1 of the 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 sales, 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 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.

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.

Corporate Governance

Attendance at meetings

The Board held nine formal meetings during the year and these were fully attended with the exception of one meeting which Mr Angelides was unable to attend. The Audit Committee, Remuneration Committee and Nomination Committee held four, six and one meetings in the year respectively and all were fully attended.

Audit Committee and external audit

The Committee consists of the four independent non-executive directors including the senior non-executive director and at least one member (Steve Barber, the Committee Chairman) 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 Chairman of the Group, executive directors and other members of senior management attend meetings by invitation or as required.

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 and related provisions, pension fund accounting and actuarial reports, the treatment of exceptional items such as the sale of Ventura, the valuation of treasury items and provisioning generally, together with a review of the going concern assumption and the adoption of appropriate accounting policies. These items were also addressed at the planning stage of the external audit and there were no disagreements between management and external auditors' conclusions.

In addition, the Committee received reports and presentations from senior management on various activities of the Group, including IT systems and controls, overseas operations, treasury and tax, the Bribery Act (including the completion of web-based training), NEXT's involvement with the London 2012 Olympic Games and corporate responsibility matters.

The Group's internal control functions in areas such as finance, IT, security and product are reviewed regularly by the Committee. The Committee also receives frequent briefings on health and safety, risk management, 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 Audit Committee is responsible for recommending the appointment, re-appointment and removal of external auditors. Consideration is given each year to putting the audit out to tender, however it was not considered necessary during the current year. Ernst & Young have been the Group's auditors for over 20 years with regular partner rotation, and the Committee is satisfied that they continue to possess the skills and experience required to fulfil their duties effectively and efficiently. As part of this review, the Committee Chairman and the Group Finance Director interviewed partners from Ernst & Young to select a replacement for the current audit partner who will stand down at the completion of this year's audit. As described below, policies and procedures are also in place to safeguard auditor independence.

The Group's external auditors, Ernst & Young, have reported to the 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.

The Committee has reviewed its terms of reference and composition and believes that both are appropriate.

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 whenever necessary 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 have been 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.

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 that 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. They may impose limits or conditions when giving an authorisation, or subsequently if they think 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 Board acknowledged provision B.6.2 of the UK Corporate Governance Code requiring the appraisal be externally facilitated at least every three years. Whilst an externally facilitated appraisal was not held during the current year, the Board is committed to undertaking such a review in the next two years and has begun the search for a suitable third party to facilitate the process. 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.

Corporate Governance

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.

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.

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. 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 30 to 34 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.

Remuneration Report

This report sets out details of the remuneration paid to NEXT's directors for the year to January 2012. The report is divided into three parts covering an overview of the year, the remuneration strategy adopted by NEXT's Remuneration Committee, and regulatory disclosures under 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 UK Corporate Governance Code. The Board of Directors confirms that the Company has complied with these regulations throughout the year under review.

PART 1: OVERVIEW OF THE YEAR

Information not subject to audit

In a year of challenging economic conditions NEXT delivered a robust performance, achieving record underlying pre-tax profit of £570.3m and earnings per share (EPS) which grew by 15 per cent to 255.4 pence. The Company's key financial objective continues to be the delivery of long term, sustainable growth in EPS, and this is the metric against which the Committee assesses the annual bonuses of the executive directors.

Annual bonuses and base salaries

Despite NEXT achieving record EPS, the annual bonus payable to executive directors fell to 72% of the maximum potential award, giving an aggregate annual bonus of £1.7m compared with the previous year when the maximum bonus was paid. This reduction reflects the Company's EPS performance against the stretching targets set at the start of 2011 by the Remuneration Committee. Details of the targets are set out on page 34. Base salaries of these directors increased by 1.2% in February 2011 and by 2.5% in February 2012, both increments being in line with the wider Company cost of living awards.

Long term incentive plan

Under the LTIP, a variable percentage of a pre-determined number of shares can vest, depending on NEXT's relative total shareholder returns (TSR) performance against the comparator group of companies. The maximum number of shares that may be awarded to each director is a percentage of each director's basic salary at the date of each award, divided by NEXT's average share price over the three months prior to the start of the performance period. Details of awards made to executive directors are set out on page 42.

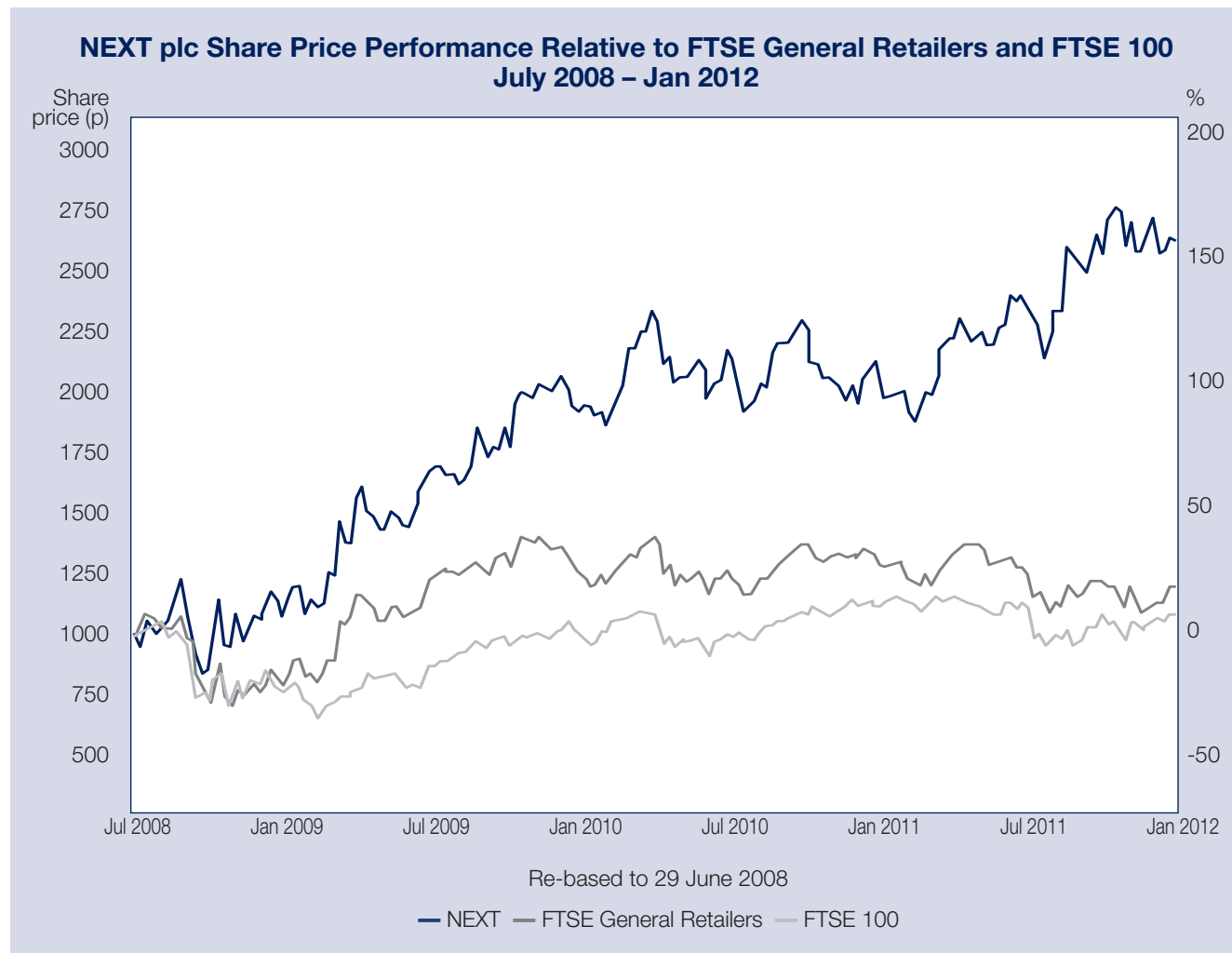
Since 2008 NEXT has made LTIP awards twice a year and two awards matured in the year to January 2012. Over the performance periods of these awards, i.e. between August 2008 to January 2012, NEXT's share price rose from 955p to 2639p. During this period NEXT's market capitalisation grew from £1.9 billion to £4.4 billion; a further £611m was returned to shareholders through share buybacks and a total of £408m was paid in dividends.

Based on NEXT's TSR relative to its comparator group of around 20 other UK retailers, and the Committee's review of NEXT's overall performance against wider economic and other conditions, both LTIP awards have vested. The award that matured in July 2011 vested 100% as the Company's TSR ranked third against the comparator group over the three years to July 2011 and the award that matured in January 2012 vested 83% as the Company's TSR was ranked fifth. It should also be noted that the calculation of TSR excludes the £611m returned to shareholders through share buybacks over this period.

The value of awards that vested this year is higher than last year; this is mainly due to the rise in the Company's share price over the relevant performance period and not to any increase in the maximum number of shares originally awarded. The Committee has determined that the maximum value of any LTIP awards that vest for a participant in a year should be capped at £2.5m and, following discussions with the Chief Executive, this cap will be applied to his awards that have vested this year. After this restriction, the total value to the executive directors of the two LTIP awards that vested during the year is estimated at £6.9m. Of this sum, approximately 60% or £4.2m, is attributable to the growth in NEXT's share price over the performance periods.

Remuneration Report

NEXT's share price growth compared with the FTSE 100 and the FTSE General Retailers indices over this period is illustrated by the graph below:



Total performance-based remuneration

Aggregate performance-based remuneration of the executive directors has increased from £4.9m last year to circa £8.6m – see pages 40 to 41. As noted above, the aggregate annual bonus level fell last year by £0.6m to £1.7m; therefore the increase in the executive directors' performance-based remuneration is primarily due to the increase in the NEXT share price, as reflected in the value of the NEXT shares in the LTIP awards that vested during the year.

The Remuneration Committee has analysed carefully the level of performance remuneration earned by the executive directors and considers that it is a fair reflection of NEXT's operating and financial performance and that it is well aligned with the financial interests of shareholders generally.

PART 2: REMUNERATION STRATEGY

Information not subject to audit

The Remuneration Committee's objective continues to be to ensure that the remuneration paid to NEXT's senior executives is appropriate in both amount and structure and, importantly, is directly linked to the Company's annual and longer term performance to ensure alignment with the interests of shareholders. The Committee's approach reflects its belief that stable and transparent remuneration structures are a key element in ensuring a fair system for rewarding personal and collective contribution across the business. There are bonus structures at all levels throughout the Company's business, including Head Office, stores, call centres and warehouses. The Committee focuses particularly on ensuring that a competitive and appropriate base salary is paid to directors and senior managers, together with disciplined incentive arrangements that, wherever possible, are:

- aligned with shareholders' interests and with NEXT's long term business strategies;
- measured against challenging benchmarks, including both absolute financial targets (which are set in advance) and relative share performance;
- a mix of annual and three year performance periods;
- paid in a combination of cash and shares; and
- transparent, i.e. without any 'soft' non-financial targets which would allow the Committee undue discretion to award bonuses that do not reflect actual financial performance.

We aim to maintain a stable remuneration structure whereby executive directors and senior management know at the start of each year the potential scale of rewards available to them, and the relevant performance thresholds, whilst avoiding significant increases in base salaries. Over each of the past three years, base salary levels for all grades across NEXT, including executive directors, have risen by no more than 1.2%, excluding individual merit awards. Individual merit awards to employees are only given after a careful assessment process which reviews personal performance. Save for a merit award to Christos Angelides made in February 2010, no executive director has received a merit or promotion award during the last three years. As noted above, for the current financial year, base salaries across NEXT will rise by 2.5%, well below the level of general price inflation. The Committee considers it important that base salary increases are kept under tight control given the potential multiplying effect of such increases on future costs.

The Committee gives careful consideration to ensuring that there is an appropriate balance in the overall remuneration structure between both annual and longer term awards as well as between cash and share-based payments. We recognise, however, that corporate performance and share price performance may not always be perfectly correlated in any single accounting period. Notwithstanding this, the Committee believes that the present structure, which is weighted towards rewarding sustainable long term performance, is well aligned with shareholders' interests. This is particularly evident from the high proportion of executive directors' performance-related pay in the year to January 2012 that derived from both growth in EPS and NEXT's share price, as opposed to inflation in salaries or annual bonus.

Annual bonus

Each January the Committee sets financial performance thresholds for the principal incentive arrangements. In addition to the annual bonus targets for executive directors, these include parameters for annual bonuses payable to other Head Office staff, the Share Matching Plan (which is open to executive directors and other senior executives), and management share options (open to middle management and senior store staff). Details of the relevant thresholds for these awards are set out later in this report.

Annual bonuses to executive directors are paid only if there has been growth in pre-tax EPS, with the amount payable being dependent on achieving a target range determined by the Committee at the start of each year. The level of annual bonus earned by executive directors in the year to January 2012 fell by 28% from the previous year as the maximum EPS performance target set by the Committee was not achieved. Against the background of a challenging consumer economy the Committee will continue to set stretching but realistic targets for awards.

Long term incentive plan (LTIP)

The Committee also reviews the composition of the comparator group of around 20 UK listed retailers that are used as a benchmark to assess the level of any vesting of LTIP awards. At the end of each three year performance period the Committee further reviews NEXT's overall performance to determine whether the LTIP's general economic underpin has been satisfied. From July 2008, LTIP awards have been made every six months at half the previous annual rate, as opposed to a single annual award. The Committee believes that this arrangement enhances the portfolio effect for participants through offering more frequent but smaller awards. As noted above, two awards vested during the year, details of which are set out on pages 40 to 41 together with the Committee's conclusions on the economic underpin review.

Remuneration Report

Share Matching Plan (SMP)

Two years ago, with the approval of shareholders, the Committee introduced the SMP. The purpose of this incentive plan was to encourage greater ownership of NEXT shares amongst the executive directors and other senior executives and thereby further align their interests with shareholders. Participants who invest a proportion of their annual cash bonus in NEXT shares can receive up to a maximum of two times their original investment in NEXT shares, calculated on a pre-tax basis. Any matching is conditional upon achieving pre-determined fully diluted EPS growth targets set by the Committee for the following three years. In addition to the executive directors, around 20 other senior executives participate in the scheme.

The Committee has noted the high level of participation in the SMP by the senior executive team and expects to continue to issue annual invitations. The Committee is also mindful of the annual accounting cost of the SMP and the high level of payments made under the LTIP this year. Against this background, the Committee has decided to amend investment parameters for the SMP in 2012 in three ways:

- the amount of annual bonus that may be invested under the SMP has been reduced from 100 per cent of an individual's cash bonus to maxima of between £50,000 and £125,000;
- the matching award has been reduced from a maximum of two times to a maximum of one times the initial investment; and
- the maximum EPS performance threshold has been further increased to aggregate growth of 30% for the 3 year performance period of the 2012 award.

Further details are set out on pages 35 to 36. Whilst the Committee intends the SMP should operate for the foreseeable future, the Committee will continue to review its suitability, structure and thresholds each year. The first SMP award is due to vest at the end of June 2013.

EPS and performance measurement

As noted previously, the Committee reviews each year the basis of annual bonus and performance thresholds under the SMP. We have again concluded that EPS remains the most appropriate measurement basis for the following reasons:

- NEXT has used EPS as the determining measurement for many years; it is therefore both consistent and entirely transparent to participants and shareholders. The Committee will however exercise its discretion to adjust EPS to reflect what it considers to be a fairer outcome for shareholders. Thus, for the year to January 2012, the Committee decided to exclude from the calculation of EPS the capital profit achieved by NEXT on the sale of Ventura and the exceptional VAT refund and interest relating to past years;
- NEXT is predominantly a single business selling products through a number of channels under the NEXT brand. As such its earnings are not derived from uncorrelated businesses and therefore a Group metric such as EPS is logical and consistent with NEXT's strategy;
- EPS continues to be the core financial yardstick by which management and the Board measure and assess the overall performance of NEXT; and
- the use of EPS in determining annual bonuses and awards under the SMP is complemented by the application of TSR for the LTIP.

Furthermore, the Committee considers it right that the impact of share buybacks be included in performance measurement as, for more than a decade, this has been one of the primary strategies of the Company in returning value to shareholders. 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 business and to continue to grow the annual dividend would not be prejudiced.

The Committee believes that the remuneration strategy it pursues, and the structures implementing that strategy, have contributed positively to maintaining the stable and highly motivated management team at NEXT who have consistently delivered strong performances for shareholders.

PART 3: REGULATORY DISCLOSURES

Information not subject to audit

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

THE REMUNERATION COMMITTEE

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

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

The Committee met six 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.

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. There are no uncapped incentive plans.

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 and FIT Remuneration Consultants LLP to provide independent external advice regarding executive remuneration. Aon Hewitt also provided the Board of the Trustee to the NEXT Group Pension Plan with investment advice up to September 2011. PricewaterhouseCoopers provided independent verification services of total shareholder returns for NEXT and the comparator group of companies under the NEXT LTIP.

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 2012 an annual salary increase of 2.5% was awarded to executive directors, in line with the wider Company award. No merit awards were made to executive directors in the year.

Remuneration Report

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 are disclosed in the relevant year's Remuneration Report.

For the year to January 2012, performance targets were set requiring pre-tax EPS of 320p 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 350p. A sliding scale of payments operated for performance between the minimum and maximum levels. Based on the pre-tax EPS of 340p (adjusted as described below) an annual bonus of 72% of salary (108% in respect of the Chief Executive) 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.

Following the sale of Ventura during the year, the Remuneration Committee reviewed the impact on EPS for the purposes of performance measurement of annual bonus, SMP and management share options. The Committee noted that Ventura's trading profit up to the time of its sale and the exceptional profit on its disposal are reported in the Group's consolidated financial statements as earnings arising from discontinued operations. By contrast, any investment income arising from, and EPS enhancement on share buybacks financed by, the Ventura sale monies are included in the calculation of EPS on continuing operations.

In determining whether any incentive awards should be made, the Committee concluded that current year EPS reported in accordance with IFRS (which includes the exceptional capital gain from the disposal of Ventura) should be reduced to a more representative measure of sustainable profitability. The Committee therefore determined that pre-tax EPS should include Ventura's trading profits up to sale of £2.9m but exclude the £38.0m capital profit achieved on disposal. In addition, the Committee decided that an exceptional recovery of VAT overpaid in past years and related interest totalling £9.2m should be excluded from the calculation of this adjusted EPS. Had the Committee not made these adjustments the unadjusted pre-tax EPS of 369p would have resulted in a higher bonus of 100% of salary (150% in the case of Simon Wolfson).

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 conditional awards of NEXT shares, equal to 100%, 75% and 60% of basic annual salary respectively every six months (in or around March and September each year). Therefore, they are able to receive awards of up to 200%, 150% and 120% of basic salary annually. For Christos Angelides, in recognition of the strategic importance of his product skills to the Group, each of the four semi-annual LTIP awards with performance periods ending July 2012 through to January 2014 were increased from 75% of salary to 125%. 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 at least 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 2009 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 are disclosed in the relevant year's Remuneration Report (see pages 40 to 41 for details of the performance reviews for awards vesting in the year).

The comparator group of companies for the three year performance periods to January and July 2012 was as follows:

ASOS	Findel	J Sainsbury	N Brown
Burberry	French Connection	Kesa	Signet
Carpetright	Halfords	Kingfisher	Tesco
Carphone Warehouse	HMV	Marks & Spencer	WH Smith
Debenhams	Home Retail Group	Morrisons	
Dixons Retail	JJJ Sports	Mothercare	

For subsequent performance periods the changes to the comparator group above are:

1. period ending January 2013 – no change;
2. periods ending July 2013 and January 2014 – Ted Baker added and Findel, French Connection and JJB Sports removed;
3. period ending July 2014 – Supergroup added and Signet removed; and
4. period ending January 2015 – Dunelm Group added and HMV 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 within the upper quintile in the comparator group. Performance against the relative TSR performance targets is calculated by PricewaterhouseCoopers and reported to the Remuneration Committee. 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 2009, February 2010, August 2010 and February 2011	100%	125%	75%	60%
August 2011	100%	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 in June 2010 and April 2011, details of which are given below. Under the SMP around 25 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 post-tax cash element of any annual bonus, subject to limits specified by the Remuneration Committee. Deferred shares (i.e. any compulsory deferral element of the annual bonus, which currently only applies to the Chief Executive) do not qualify.

Under the SMP awards made in 2010 and 2011 participants are 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 being received on achievement of a pre-determined performance threshold. Vesting of matching awards is subject to remaining in employment, the achievement of 3-year performance targets and the retention of Investment Shares. The scheme contains the ability to grant a higher matching ratio of up to 3:1 if the Committee considers it appropriate; however 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. As noted above, a reduced match will be offered for the award to be made in 2012.

Vesting of the awards made in June 2010 and April 2011 is dependent solely on achieving the fully diluted post-tax EPS targets detailed below:

Date of grant	Required fully diluted EPS (pence)		
	For 0.5:1 match	For 1:1 match	For 2:1 match
June 2010	191.5	206.5	221.5
April 2011	231.3	240.2	258.1

Remuneration Report

These targets require a minimum three year growth in EPS of 8.8% and 12% respectively before any shares vest and a maximum award is only achieved if EPS growth reaches 25.8% and 25% over three years respectively. The effective matching ratio will be calculated on a straight line basis for EPS falling between each of the threshold points. Details of the calculation of fully diluted EPS are provided in Note 10.

The Committee has reviewed the parameters of awards to be made in 2012 and has reduced the level of the matching award, limited the amount participants can invest and increased the maximum performance hurdle. For the year to January 2015, the fully-diluted EPS hurdle will be 267.2 pence for a minimum match of 0.25 of a share to vest and 310.2 pence for the maximum match of one share with vesting calculated on a straight-line basis across the range. The minimum threshold requires fully diluted EPS growth of 12% and the maximum match requires growth of 30% 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 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. For future awards the Committee has determined this performance condition should refer to CPI rather than RPI.

In the light of the economic circumstances at that time, the Committee determined in 2009 that an EPS growth related performance condition was not appropriate. Instead, a specific minimum post-tax EPS performance condition of 133p was required for the year to January 2012 for the April 2009 option grant to vest. This performance condition has been satisfied (as well as the standard RPI plus 3% per annum condition) and the 2009 grant will vest.

Sharesave options

Executive directors can participate in the Company's Save As You Earn (Sharesave) 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 43.

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 usually satisfied from shares held by the ESOT – see Note 29. 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 these results for the subsequent buy-in transaction (described more fully in Note 23) resulted in a fully funded position on an actuarial basis. The Company and the Trustee 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 28 January 2012 was £35.1m; further details are given in Note 23 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 a deduction of 5% of pensionable earnings.

Since April 2011, where existing members have reached either the annual or lifetime pension contributions limits, the Company has offered those members the choice of leaving the defined benefit section and either joining the defined contribution section (with an enhanced Company contribution) or taking a salary supplement, equal (depending on their existing contributions and benefits) to 10% or 15% of their base salary.

Specific information in respect of executive directors' pension entitlements is detailed on page 44.

Remuneration Report

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 2012 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 of £50,000 per annum. 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. There are no share options or performance related elements in their remuneration.

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 £41,200 per annum for this appointment. No other executive director holds any non-executive directorships outside the Group.

Directors' interests

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

Directors' beneficial interests in shares at the beginning of the financial year and at the end of the year were as follows:

	Ordinary shares of 10p each	
	2012 No. of shares	2011 No. of shares
Simon Wolfson	1,638,010	1,621,571
Christos Angelides	72,975	60,000
Steve Barber	10,000	10,000
John Barton	16,000	16,000
Christine Cross	5,598	2,500
Jonathan Dawson	5,000	5,000
David Keens	151,574	140,599
Francis Salway	9,258	2,556
Andrew Varley	76,460	67,254

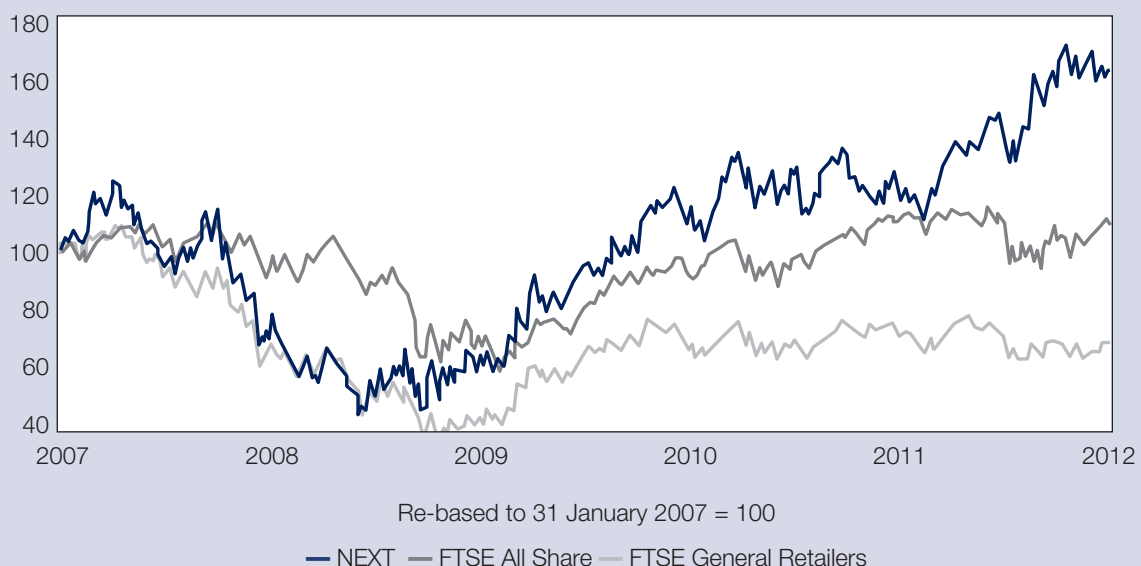
The executive directors are also (together with other employees) discretionary beneficiaries under the ESOT and, as such, were each considered to be interested in the 5,637,388 shares owned by the Trust at 28 January 2012. David Keens has a beneficial holding of £83,000 (2011: £83,000) nominal value of the Company's 2013 5.25% corporate bonds.

Save for the acquisition of 385 ordinary shares by David Keens on exercise of one of his Sharesave options on 30 January 2012, there have been no changes to directors' interests in the shares of the Company from the end of the financial year to 20 March 2012. 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 the five year period ending January 2012.

NEXT plc Performance Chart 2007 – 2012
Total Shareholder Return



Remuneration Report

Information subject to audit

Directors' remuneration £'000	Salary/fee	Annual performance related bonus	Benefits	Salary supplement ¹	Total 2012	Total 2011
Chairman						
John Barton	250	–	–	–	250	225
Executive directors						
Simon Wolfson	697	753	36	–	1,486	1,757
Christos Angelides	506	364	30	–	900	1,031
David Keens	466	385 ²	19	46	916	948
Andrew Varley	346	249	30	49	674	746
Non-executive directors						
Steve Barber	60	–	–	–	60	54
Nick Brookes	–	–	–	–	–	13
Christine Cross	50	–	–	–	50	45
Jonathan Dawson	70	–	–	–	70	59
Francis Salway	50	–	–	–	50	30
Total	2,495	1,751	115	95	4,456	4,908
Total 2011	2,417	2,336	121	34	4,908	

¹ Andrew Varley and David Keens received a salary supplement of 15% in lieu of pension provision from April and June 2011 respectively. Prior to April 2011, Mr Varley's salary supplement was 10%.

² In addition to his annual performance related bonus of £335,000, the Remuneration Committee approved a special bonus payment of £50,000 to David Keens in respect of his contribution to the sale of Ventura.

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; £56,000 of his annual performance related bonus noted above is payable in NEXT shares (2011: £345,000), 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 £35,606 (2011: £34,738).

Long term incentive plans

The first of the semi-annual, rather than annual, awards was made in September 2008 (the July 2008 award) and related to the three year performance period to July 2011. The Company's TSR ranked third in the comparator group of 20 other listed retail companies and 100% vesting accrued. Before allowing the award to vest the Remuneration Committee also assessed the performance of the Company during the performance period in light of underlying economic and other conditions ('the economic underpin'). The Committee noted that NEXT's EPS compound growth of 12.2% and pre-tax profit compound growth of 6.1% over the three year period, was well ahead of RPI compound growth of 2.7%. In addition, NEXT's dividend had grown broadly in line with EPS and the Company had returned over £500m to shareholders through buybacks over the relevant period. The Committee also assessed NEXT's earnings growth against selected comparable major UK retailers and concluded that NEXT had performed favourably. Taking these factors into account, the Committee determined that the economic underpin performance condition for the July 2008 award had been satisfied. Details of the amounts that vested for each executive director are detailed in the table below. The awards were cash settled.

The January 2009 LTIP award matured in January 2012. The Company's TSR over this performance period ranked fifth against the comparator group of 22 other listed retail companies which corresponded to a vesting of 83% of the maximum award. The Remuneration Committee has assessed the performance of the Company in this period on the same basis as the July 2008 LTIP award and noted that NEXT's EPS compound growth of 17.9% and pre-tax profit compound growth of 10.0% were both well ahead of RPI compound growth of 4.2%. In addition, NEXT's dividend had grown broadly in line with EPS and the Company had returned over £600m to shareholders through buybacks over the relevant period. The Committee again assessed NEXT's earnings growth against selected comparable major UK retailers and concluded that NEXT had performed favourably. Taking these factors into account, the Committee determined that the economic underpin performance condition had therefore been satisfied.

Accordingly, the January 2009 award will be settled in April, and based on the share price of 2894p on 20 March 2012, awards for each executive director for the year to January 2012 are detailed below:

	July 2011		January 2012		Total	January 2011	
	Actual no.	Value	Actual no.	Estimated	estimated	Adjustment	Final
	of shares	£000	of shares	value	value	to estimate	value
				£000	£000	£000	£000
Simon Wolfson	62,791	1,643	29,605 ¹	857 ¹	2,500 ¹	45	1,053
Christos Angelides	32,791	858	27,036	782	1,640	24	550
David Keens	31,395	822	25,885	749	1,571	22	526
Andrew Varley	23,372	612	19,270	558	1,170	17	392
	150,349	3,935	101,796	2,946	6,881	108	2,521

¹ As noted on page 29, Lord Wolfson has agreed with the Remuneration Committee to restrict the value of LTIP awards vesting in respect of the financial year ended January 2012 to a maximum of £2.5m.

Remuneration Report

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

	Date of award	Maximum share potential at January 2011 ¹	Shares awarded during the year	Shares vested during the year ³	Shares lapsed during the year	Maximum share potential at January 2012 ¹	Market value on date of award (p)	Market value on date cash equivalent determined (p)	Vesting date
Simon Wolfson									
LTIP	Mar 2008	80,024	–	52,016	28,008	–	1687	2024	31.1.2011
	Sept 2008	62,791	–	62,791	–	–	1075	2617	31.7.2011
	Mar 2009	62,374	–	–	–	62,374⁴	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
	Mar 2011	–	33,684	–	–	33,684	2070	–	31.1.2014
	Sept 2011	–	30,289	–	–	30,289	2302	–	31.7.2014
Deferred bonus shares ²									
	Apr 2010	15,615	–	–	–	15,615	2183	–	1.4.2012
	Apr 2011	–	17,020	–	–	17,020	2024	–	1.4.2013
Total		331,980	80,993	114,807	28,008	270,158			
Christos Angelides									
LTIP	Mar 2008	41,790	–	27,164	14,626	–	1687	2024	31.1.2011
	Sept 2008	32,791	–	32,791	–	–	1075	2617	31.7.2011
	Mar 2009	32,573	–	–	–	32,573⁴	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
	Mar 2011	–	30,556	–	–	30,556	2070	–	31.1.2014
	Sept 2011	–	16,486	–	–	16,486	2302	–	31.7.2014
Total		206,373	47,042	59,955	14,626	178,834			
David Keens									
LTIP	Mar 2008	40,012	–	26,008	14,004	–	1687	2024	31.1.2011
	Sept 2008	31,395	–	31,395	–	–	1075	2617	31.7.2011
	Mar 2009	31,187	–	–	–	31,187⁴	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
	Mar 2011	–	16,866	–	–	16,866	2070	–	31.1.2014
	Sept 2011	–	15,166	–	–	15,166	2302	–	31.7.2014
Total		158,231	32,032	57,403	14,004	118,856			
Andrew Varley									
LTIP	Mar 2008	29,787	–	19,362	10,425	–	1687	2024	31.1.2011
	Sept 2008	23,372	–	23,372	–	–	1075	2617	31.7.2011
	Mar 2009	23,217	–	–	–	23,217⁴	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
	Mar 2011	–	12,536	–	–	12,536	2070	–	31.1.2014
	Sept 2011	–	11,273	–	–	11,273	2302	–	31.7.2014
Total		117,761	23,809	42,734	10,425	88,411			

¹ The maximum number of LTIP shares is the award that could be receivable if the performance conditions outlined on pages 34 to 35 are fully met.

² Full details of deferred bonus are set out on pages 34 and 40.

³ See above for details of the performance conditions and vesting levels applicable to the LTIP schemes vesting in the year, including the restriction on the value of awards vesting in respect to the financial year ended January 2012 and to be settled in April 2012.

⁴ The March 2009 LTIP matured in January 2012 and the actual numbers of shares that vested are shown in the table on page 41.

The LTIP performance periods which mature after January 2012 are not yet complete and no entitlement has yet been earned. A charge of £17,159,000 for the year (2011: £13,368,000) has been made in the accounts in respect of the LTIP awards, of which approximately £7,956,000 (2011: £5,808,000) related to the executive directors.

For all LTIP participants, the total maximum shares receivable at January 2011 was 1,776,284 (January 2010: 1,585,752). During the year to January 2012, awards over 615,044 shares vested (2011: 216,019), awards for 189,723 shares lapsed (2011: 4,575) and further awards over 392,658 shares were issued (2011: 411,126). At January 2012 the total maximum shares receivable was 1,364,175 (excluding the impact of any cap on the total annual value of LTIP awards which may apply) with an average remaining contractual life of 1.6 years (2011: 1.5 years).

Share matching plan and Sharesave arrangements

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

	Date of grant	Maximum share potential at January 2011	Options granted during the year	Options exercised during the year	Maximum share potential at January 2012 ³	Option price (p)	Option period
Simon Wolfson							
SMP ¹	Jun 2010	65,190	–	–	65,190	Nil	Jun 2013 – Jun 2020
	Apr 2011	–	67,098	–	67,098	Nil	Apr 2014 – Apr 2021
Sharesave	Oct 2008	1,826	–	–	1,826	917	Dec 2013 – Jun 2014
Total		67,016	67,098	–	134,114		
Christos Angelides							
SMP	Jun 2010	46,132	–	–	46,132	Nil	Jun 2013 – Jun 2020
	Apr 2011	–	48,690	–	48,690	Nil	Apr 2014 – Apr 2021
Sharesave	Oct 2008	1,046	–	1,046 ²	–	917	Dec 2011 – Jun 2012
	Oct 2011	–	431	–	431	2084	Dec 2014 – Jun 2015
Total		47,178	49,121	1,046	95,253		
David Keens							
SMP	Jun 2010	44,796	–	–	44,796	Nil	Jun 2013 – Jun 2020
	Apr 2011	–	44,796	–	44,796	Nil	Apr 2014 – Apr 2021
Sharesave	Oct 2008	385	–	–	385	917	Dec 2011 – Jun 2012
	Oct 2010	319	–	–	319	1782	Dec 2013 – Jun 2014
	Oct 2011	–	158	–	158	2084	Dec 2014 – Jun 2015
Total		45,500	44,954	–	90,454		
Andrew Varley							
SMP	Jun 2010	32,204	–	–	32,204	Nil	Jun 2013 – Jun 2020
	Apr 2011	–	33,306	–	33,306	Nil	Apr 2014 – Apr 2021
Sharesave	Oct 2008	1,046	–	1,046 ²	–	917	Dec 2011 – Jun 2012
	Oct 2011	–	431	–	431	2084	Dec 2014 – Jun 2015
Total		33,250	33,737	1,046	65,941		

¹ The performance criteria attached to the SMP are described on pages 35 and 36.

² The market price of shares at the date of exercise was 2600p for Christos Angelides and 2661p for Andrew Varley, equal to gains of £17,604 and £18,242 respectively.

³ The market price for the shares at the end of the financial year was 2639p, the lowest and highest share price during the financial year were 1868p and 2810p respectively.

Save for the more demanding parameters applying to SMP awards to be made in 2012, there have been no other changes to awards under the SMP or Sharesave during the year.

Remuneration Report

Directors' pension entitlements

All executive directors are deferred members of the defined benefit section of the NEXT Group Pension Plan. Directors and some senior managers receive enhancements 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 on death is four times pensionable salary.

Since leaving the defined benefit section of the Plan, Simon Wolfson and Christos Angelides have been members of, and contributed to, the Company's unfunded, unapproved pension arrangement and the accrued annual pension and transfer value set out below includes both their membership of that arrangement and deferred entitlements under the Plan.

Andrew Varley and David Keens ceased to contribute to the Plan in 2008 and May 2011 respectively. Their pensions are no longer linked to salary and will increase in line with statutory deferred revaluation. On ceasing to contribute to the Plan these directors have received salary supplements (from April and June 2011 respectively) of 15%. Prior to April 2011, the salary supplement paid to Mr Varley was 10% and was only paid from November 2008. These supplements are less than the contributions the Company would otherwise have made to the defined benefit section of the Plan.

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

	Age at January 2012	Years of pensionable 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 2012 £'000	2011 £'000	Increase in transfer value less director's contributions £'000
Simon Wolfson	44	17	288	20	6	3,911	3,050	826
Christos Angelides	48	19	256	16	3	4,336	3,438	873
David Keens	58	25	178	(2)	(11)	4,914	3,923	981
Andrew Varley	61	24	72	3	–	2,135	1,778	357

Years of pensionable service shown above may include bought-in service from the transfer of other pension entitlements into the Plan. 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

Independent Auditor's Report to the Members of NEXT plc

We have audited the financial statements of NEXT plc for the year ended 28 January 2012 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 44 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 auditor

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. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 28 January 2012 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; and
- 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; and
- 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.

Independent Auditor's Report to the Members of NEXT plc

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 UK Corporate Governance 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
22 March 2012

Notes:

1. The maintenance and integrity of the Next plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Consolidated Income Statement

For the financial year ended 28 January

	Notes	2012			2011
		Underlying £m	Exceptional items (Note 1) £m	Total £m	Total £m
Continuing operations					
Revenue	3, 4	3,441.1	–	3,441.1	3,297.7
Cost of sales		(2,395.8)	–	(2,395.8)	(2,332.6)
Gross profit		1,045.3	–	1,045.3	965.1
Distribution costs		(245.7)	–	(245.7)	(223.2)
Administration expenses		(201.3)	–	(201.3)	(179.1)
Other (losses)/gains	5	(1.1)	3.1	2.0	2.2
Trading profit		597.2	3.1	600.3	565.0
Share of results of associates	13	1.5	–	1.5	1.8
Operating profit	5	598.7	3.1	601.8	566.8
Finance income	7	0.5	6.1	6.6	0.9
Finance costs	7	(28.9)	–	(28.9)	(24.3)
Profit before taxation		570.3	9.2	579.5	543.4
Taxation	8	(142.9)	(2.4)	(145.3)	(150.3)
Profit from continuing operations		427.4	6.8	434.2	393.1
Profit from discontinued operations	2	2.6	38.0	40.6	7.8
Profit for the year		430.0	44.8	474.8	400.9
Profit for the year attributable to:					
Equity holders of the parent company		430.1	44.8	474.9	401.1
Non-controlling interest		(0.1)	–	(0.1)	(0.2)
Profit for the year		430.0	44.8	474.8	400.9

		Underlying	Total	Total
Basic earnings per share				
	10			
Continuing operations		253.9p	257.9p	217.6p
Discontinued operations		1.5p	24.1p	4.3p
Total		255.4p	282.0p	221.9p
Diluted earnings per share				
	10			
Continuing operations		247.6p	251.6p	212.3p
Discontinued operations		1.5p	23.5p	4.2p
Total		249.1p	275.1p	216.5p

Consolidated Statement of Comprehensive Income

For the financial year ended 28 January

	Notes	2012 £m	2011 £m
Profit for the year		474.8	400.9
<i>Other comprehensive income and expenses</i>			
Exchange differences on translation of foreign operations		(2.0)	–
Gains on cash flow hedges		15.6	1.8
Actuarial (losses)/gains on defined benefit pension scheme	23	(28.5)	64.3
Tax relating to components of other comprehensive income	8	4.5	(15.5)
		(10.4)	50.6
<i>Reclassification adjustments</i>			
Transferred to income statement on cash flow hedges	5	5.0	(14.8)
Transferred to the carrying amount of hedged items on cash flow hedges		(5.9)	4.7
Exchange gains transferred to income statement on disposal of subsidiary		(0.6)	–
		(1.5)	(10.1)
Other comprehensive (expense)/income for the year		(11.9)	40.5
Total comprehensive income for the year		462.9	441.4
Attributable to:			
Equity holders of the parent company		463.0	441.5
Non-controlling interest		(0.1)	(0.1)
Total comprehensive income for the year		462.9	441.4

Consolidated Balance Sheet

As at 28 January

	Notes	2012 £m	2011 £m
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant & equipment	11	581.9	592.4
Intangible assets	12	45.6	46.5
Interests in associates	13	6.1	5.1
Other investments	14	1.0	1.0
Defined benefit pension surplus	23	35.1	55.7
Other financial assets	17	44.6	24.3
		714.3	725.0
Current assets			
Inventories	15	371.9	368.3
Trade and other receivables	16	699.1	645.6
Other financial assets	17	12.5	4.1
Cash and short term deposits	18	56.4	49.3
		1,139.9	1,067.3
Total assets		1,854.2	1,792.3
Current liabilities			
Bank loans and overdrafts	19	(7.6)	(125.2)
Trade and other payables	20	(545.0)	(544.6)
Other financial liabilities	21	(87.0)	(54.7)
Current tax liabilities		(102.8)	(108.4)
		(742.4)	(832.9)
Non-current liabilities			
Corporate bonds	22	(652.1)	(471.2)
Provisions	24	(12.0)	(13.3)
Deferred tax liabilities	8	(15.4)	(23.4)
Other financial liabilities	21	(4.4)	(2.6)
Other liabilities	25	(205.2)	(216.5)
		(889.1)	(727.0)
Total liabilities		(1,631.5)	(1,559.9)
Net assets		222.7	232.4
EQUITY			
Share capital	26	16.9	18.1
Share premium account		0.8	0.8
Capital redemption reserve		13.0	11.8
ESOT reserve		(141.1)	(138.6)
Fair value reserve		11.5	(3.2)
Foreign currency translation reserve		2.0	4.6
Other reserves	27	(1,443.8)	(1,443.8)
Retained earnings		1,763.4	1,782.6
Shareholders' equity		222.7	232.3
Non-controlling interest		–	0.1
Total equity		222.7	232.4

Approved by the Board on 22 March 2012

Lord Wolfson of Aspley Guise
Director

David Keens
Director

Consolidated Statement of Changes in Equity

For the financial year ended 28 January

	Share capital £m	Share premium account £m	Capital redemption 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 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
Profit for the year	–	–	–	–	–	–	–	474.9	474.9	(0.1)	474.8
Other comprehensive income/(expense) for the year	–	–	–	–	14.7	(2.6)	–	(24.0)	(11.9)	–	(11.9)
Total comprehensive income for the year	–	–	–	–	14.7	(2.6)	–	450.9	463.0	(0.1)	462.9
Shares purchased for cancellation	(1.2)	–	1.2	–	–	–	–	(323.0)	(323.0)	–	(323.0)
Shares purchased by ESOT	–	–	–	(112.3)	–	–	–	–	(112.3)	–	(112.3)
Shares issued by ESOT	–	–	–	109.8	–	–	–	(42.2)	67.6	–	67.6
Share option charge	–	–	–	–	–	–	–	17.9	17.9	–	17.9
Tax recognised directly in equity	–	–	–	–	–	–	–	12.3	12.3	–	12.3
Equity dividends paid	–	–	–	–	–	–	–	(135.1)	(135.1)	–	(135.1)
At January 2012	16.9	0.8	13.0	(141.1)	11.5	2.0	(1,443.8)	1,763.4	222.7	–	222.7

Consolidated Cash Flow Statement

For the financial year ended 28 January

	Notes	2012 £m	2011 £m
<i>Cash flows from operating activities</i>			
Operating profit – continuing operations		601.8	566.8
Operating profit – discontinued operations		2.9	8.0
Depreciation and amortisation		119.7	119.3
Impairment		1.4	2.3
Loss on disposal of property, plant & equipment		4.5	6.9
Share option charge		16.8	11.8
Share of undistributed profit of associates		(1.0)	(1.1)
Exchange movement		(0.7)	(2.6)
Increase in inventories		(3.6)	(59.3)
Increase in trade and other receivables		(93.8)	(29.0)
Increase in trade and other payables		28.2	11.7
Pension contributions less income statement charge		(6.4)	(40.9)
Cash generated from operations		669.8	593.9
Corporation taxes paid		(143.9)	(141.9)
Net cash from operating activities	2	525.9	452.0
<i>Cash flows from investing activities</i>			
Net proceeds from disposal of subsidiary	2	63.0	–
Proceeds from sale of property, plant and equipment		1.9	1.9
Additions to property, plant and equipment		(126.1)	(144.3)
(Decrease)/increase in capital accruals		(9.0)	23.7
Payment of deferred consideration		–	(19.4)
Net cash from investing activities		(70.2)	(138.1)
<i>Cash flows from financing activities</i>			
Repurchase of own shares		(291.1)	(221.6)
Purchase of shares by ESOT		(106.7)	(99.7)
Proceeds from disposal of shares by ESOT		67.6	31.0
(Repayment)/proceeds of unsecured bank loans		(115.0)	115.0
Net proceeds from bond issue and tender	22	153.3	–
Repurchase of corporate bonds		–	(51.3)
Interest paid		(23.9)	(21.6)
Interest received		5.0	0.9
Payment of finance lease liabilities		(0.2)	(0.3)
Dividends paid		(135.1)	(129.6)
Net cash from financing activities		(446.1)	(377.2)
Net increase/(decrease) in cash and cash equivalents		9.6	(63.3)
Opening cash and cash equivalents		39.1	102.3
Effect of exchange rate fluctuations on cash held		0.1	0.1
Closing cash and cash equivalents	35	48.8	39.1

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Additional information

Company Balance Sheet

As at 28 January

	Notes	2012 £m	2011 £m
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	38	2,475.7	2,475.7
Other financial assets	39	44.6	24.3
		2,520.3	2,500.0
Current assets			
Trade and other receivables	39	7.4	3.3
Current tax asset		5.5	5.2
Cash and short term deposits	39	10.6	–
		23.5	8.5
Total assets		2,543.8	2,508.5
Current liabilities			
Unsecured bank loans	40	–	(115.0)
Trade and other payables	40	(247.4)	(11.6)
Other financial liabilities	40	(84.4)	(46.8)
		(331.8)	(173.4)
Non-current liabilities			
Corporate bonds	22	(652.1)	(471.2)
Other financial liabilities	40	(4.4)	(2.6)
		(656.5)	(473.8)
Total liabilities		(988.3)	(647.2)
Net assets		1,555.5	1,861.3
EQUITY			
Share capital	26	16.9	18.1
Share premium account		0.8	0.8
Capital redemption reserve		13.0	11.8
ESOT reserve		(141.1)	(138.6)
Other reserves	41	985.2	985.2
Retained earnings		680.7	984.0
Total equity		1,555.5	1,861.3

Approved by the Board on 22 March 2012

Lord Wolfson of Aspley Guise
Director

David Keens
Director

Company Statement of Comprehensive Income

For the financial year ended 28 January

	2012 £m	2011 £m
Profit for the year	179.1	183.6
<i>Other comprehensive income and expenses</i>		
Tax relating to components of other comprehensive income	–	(0.8)
	–	(0.8)
<i>Reclassification adjustments</i>		
Transferred to income statement on cash flow hedges	–	2.6
Other comprehensive income for the year	–	1.8
Total comprehensive income for the year	179.1	185.4

Company Statement of Changes in Equity

For the financial year ended 28 January

	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 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
Profit for the year	–	–	–	–	–	–	179.1	179.1
Other comprehensive income for the year	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	179.1	179.1
Shares purchased for cancellation	(1.2)	–	1.2	–	–	–	(323.0)	(323.0)
Shares purchased by ESOT	–	–	–	(112.3)	–	–	–	(112.3)
Shares issued by ESOT	–	–	–	109.8	–	–	(42.2)	67.6
Share option charge	–	–	–	–	–	–	17.9	17.9
Equity dividends paid	–	–	–	–	–	–	(135.1)	(135.1)
At January 2012	16.9	0.8	13.0	(141.1)	–	985.2	680.7	1,555.5

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Company Cash Flow Statement

For the financial year ended 28 January

	Notes	2012 £m	2011 £m
<i>Cash flows from operating activities</i>			
Operating loss		(1.1)	(0.1)
Share option charge		1.1	–
Decrease in trade and other receivables		1.2	108.7
Increase/(decrease) in trade and other payables		252.3	(0.7)
Cash generated from operations		253.5	107.9
Corporation taxes received		6.8	8.0
Net cash from operating activities		260.3	115.9
<i>Cash flows from investing activities</i>			
Dividends received		200.0	200.0
Net cash from investing activities		200.0	200.0
<i>Cash flows from financing activities</i>			
Repurchase of own shares		(291.1)	(221.6)
Purchase of shares by ESOT		(106.7)	(99.7)
Proceeds from disposal of shares by ESOT		67.6	31.0
(Repayment)/proceeds of unsecured bank loans		(115.0)	115.0
Net proceeds from bond issue and tender		153.3	–
Repurchase of corporate bonds		–	(51.3)
Interest paid		(23.7)	(21.5)
Interest received		1.0	0.7
Dividends paid		(135.1)	(129.6)
Net cash from financing activities		(449.7)	(377.0)
Net increase/(decrease) in cash and cash equivalents		10.6	(61.1)
Opening cash and cash equivalents		–	61.1
Closing cash and cash equivalents	42	10.6	–

Accounting Policies

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 are 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.

Accounting Policies

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 is calculated when they are granted using the Black–Scholes model. The resulting cost is charged in the income statement over the vesting period of the option and is regularly reviewed and 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 vesting period.

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 to the income statement, except to the extent it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is also recognised in other comprehensive income or directly in equity.

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, overdrafts and other borrowings

Bank loans, overdrafts and other borrowings are initially recognised at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, unless hedge accounting applies (see page 58).

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 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.

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.

Accounting Policies

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 uses 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.

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 16), estimated selling prices applied in determining the net realisable values of inventories (Note 15) and the actuarial assumptions applied in calculating the net retirement benefit obligation (Note 23).

Underlying profit and exceptional items

Exceptional items are significant items of an unusual or non-recurring nature which are shown separately in the income statement to provide a clearer understanding of the underlying financial performance during the year. Further details are given in Note 1.

Impact of changes to accounting standards

An amendment to IAS 19 *Employee Benefits* was published in June 2011. The amendment applies to accounting periods beginning after 1 January 2013 and affects the accounting for defined benefit pension schemes. The precise impact will depend on the future position of the pension scheme and future actuarial assumptions, but the changes are not expected to have a material effect on the Group's reported profits or equity.

Various other new accounting standards and amendments have also been issued during the year, none of which have had or are expected to have any significant impact on the Group.

Notes to the Consolidated Financial Statements

1. Exceptional items

The Group recently reached agreement with HM Revenue & Customs for the recovery of overpaid VAT on product sales made during the period from 1973 to 1988. The total amount recoverable is £9.2m, comprising £3.1m of VAT and interest thereon of £6.1m. Together with the gain on the sale of Ventura (see Note 2), this is presented separately in the Income Statement to provide a clearer understanding of the underlying financial performance during the year.

2. Discontinued operations

Ventura, the Group's customer services management business, was sold to The Capita Group plc on 1 July 2011 for £65m on a cash and debt free basis. Net cash proceeds of £63m were received on completion and the balance of the consideration was received on 31 January 2012.

The table below shows the results of Ventura and the impact of its disposal on the Group:

	2012			2011
	Underlying £m	Exceptional items £m	Total £m	Total £m
Revenue	64.8	–	64.8	156.0
Expenses	(61.9)	–	(61.9)	(148.0)
Profit before taxation	2.9	–	2.9	8.0
Taxation	(0.3)	–	(0.3)	(0.2)
Profit after taxation	2.6	–	2.6	7.8
Profit on disposal	–	37.6	37.6	–
Acceleration of share option charge	–	(1.1)	(1.1)	–
Pension credit on disposal	–	1.5	1.5	–
Profit from discontinued operations	2.6	38.0	40.6	7.8

The assets and liabilities of Ventura on disposal were as follows:

	£m
Deferred tax	1.0
Property, plant and equipment	9.9
Trade and other receivables	47.4
Trade and other payables	(36.8)
Net cash/(overdraft)	(0.4)
Net assets on disposal	21.1

In the cash flow statement, net cash from operating activities includes an outflow of £9.9m in respect of Ventura in the current year up to disposal. In the prior year, net cash from operating activities includes an inflow from Ventura of £7.7m.

3. Segmental analysis

The results for the financial year are for the 52 weeks to 28 January 2012 (last year 52 weeks to 29 January 2011) with the exception of NEXT Sourcing 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 Payment* and unrealised foreign exchange gains or losses on derivatives not designated as a hedge. The activities, 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-let to other segments and external parties.

	External revenue		Internal revenue		Total revenue	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
NEXT Retail	2,191.4	2,222.1	6.7	6.4	2,198.1	2,228.5
NEXT Directory	1,088.7	935.5	–	–	1,088.7	935.5
NEXT International	76.3	67.3	–	–	76.3	67.3
NEXT Sourcing	7.5	4.1	511.5	505.7	519.0	509.8
	3,363.9	3,229.0	518.2	512.1	3,882.1	3,741.1
Lipsy	54.9	44.7	3.5	4.4	58.4	49.1
Property Management	6.2	6.9	188.8	186.5	195.0	193.4
Total segment revenues	3,425.0	3,280.6	710.5	703.0	4,135.5	3,983.6
Other	16.1	17.1	–	–	16.1	17.1
Eliminations	–	–	(710.5)	(703.0)	(710.5)	(703.0)
Continuing operations	3,441.1	3,297.7	–	–	3,441.1	3,297.7
Discontinued (Ventura)	64.8	156.0	2.0	4.6	66.8	160.6

Other revenues comprise third party distribution activities.

	Segment profit			
	2012			2011
	Underlying £m	Exceptional items £m	Total £m	Total £m
NEXT Retail	323.7	–	323.7	328.8
NEXT Directory	262.6	–	262.6	221.9
NEXT International	7.9	–	7.9	5.8
NEXT Sourcing	21.1	–	21.1	26.7
	615.3	–	615.3	583.2
Lipsy	1.3	–	1.3	1.0
Property Management	5.6	–	5.6	2.3
Total segment profit	622.2	–	622.2	586.5
Other activities (including central costs)	(7.1)	3.1	(4.0)	(11.9)
Share option charge	(16.8)	–	(16.8)	(11.8)
Unrealised foreign exchange (loss)/gain	(1.1)	–	(1.1)	2.2
Trading profit	597.2	3.1	600.3	565.0
Share of results of associates	1.5	–	1.5	1.8
Finance income	0.5	6.1	6.6	0.9
Finance costs	(28.9)	–	(28.9)	(24.3)
Profit before tax – continuing operations	570.3	9.2	579.5	543.4
Profit before tax – discontinued (Ventura)	2.9	38.0	40.9	8.0

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.

Notes to the Consolidated Financial Statements

3. Segmental analysis (continued)

	Property, plant & equipment		Capital expenditure		Depreciation	
	2012	2011	2012	2011	2012	2011
	£m	£m	£m	£m	£m	£m
NEXT Retail	407.2	411.8	105.4	121.6	100.8	99.7
NEXT Directory	88.8	81.5	16.3	12.7	12.1	11.1
NEXT International	1.7	2.4	0.4	1.4	0.7	1.0
NEXT Sourcing	3.4	4.2	0.7	1.7	1.3	1.6
Lipsy	8.9	8.5	2.9	4.4	2.1	1.3
Property Management	71.8	72.8	–	0.1	0.2	0.2
Ventura (discontinued)	–	11.1	0.3	2.2	1.4	3.5
Other	0.1	0.1	0.1	0.2	0.2	–
Total	581.9	592.4	126.1	144.3	118.8	118.4

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:

	2012	2012	2011	2011
	Continuing	Discontinued	Continuing	Discontinued
	£m	£m	£m	£m
External revenue				
United Kingdom	3,245.7	63.7	3,109.0	152.2
Rest of Europe	148.1	–	153.5	–
Middle East	28.0	–	21.7	–
Asia	11.2	–	9.8	–
Rest of World	8.1	1.1	3.7	3.8
	3,441.1	64.8	3,297.7	156.0

	2012	2011
	£m	£m
Non-current assets		
United Kingdom	579.6	581.1
Rest of Europe	15.0	21.3
Middle East	4.6	4.6
Asia	28.2	31.4
Rest of World	0.1	0.5
	627.5	638.9

4. Revenue

	2012	2012	2011	2011
	Continuing	Discontinued	Continuing	Discontinued
	£m	£m	£m	£m
Sale of goods	3,281.6	–	3,146.9	–
Rendering of services	143.9	64.8	135.3	156.0
Rental income	6.2	–	6.9	–
Royalties	9.4	–	8.6	–
Revenue	3,441.1	64.8	3,297.7	156.0

Rendering of services includes £126.1m (2011: £116.3m) of service charge on Directory customer receivables.

5. Operating profit

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

	2012 £m	2011 £m
Depreciation on tangible assets:		
Owned	118.6	118.0
Leased	0.2	0.4
Loss on disposal of property, plant & equipment	4.5	6.9
Amortisation of intangible assets	0.9	0.9
Impairment charges:		
Tangible assets	1.4	2.3
Operating lease rentals:		
Minimum lease payments (net of amortisation of incentives)	194.3	196.6
Contingent rentals payable	7.8	7.9
Net foreign exchange gains	1.1	–
Cost of inventories recognised as an expense	1,319.2	1,242.5
Write down of inventories to net realisable value	79.4	89.1
Trade receivables:		
Impairment charge	29.9	33.1
Amounts recovered	(3.3)	(5.7)

	2012 £000	2011 £000
<i>Auditors' remuneration</i>		
Audit services – Group	189	176
Other services:		
Subsidiary statutory audits	265	311
Tax	57	38
Corporate finance	25	–
Other	22	–
	558	525

Gains and losses on cash flow hedges removed from equity and included in the income statement for the period comprise losses of £5.0m (2011: gains of £17.2m) included in cost of sales, gains of £nil (2011: gains of £0.2m) included in administrative expenses and gains of £nil (2011: losses of £2.6m) included in finance costs.

Other gains/(losses) 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, and the exceptional VAT credit explained in Note 1.

Notes to the Consolidated Financial Statements

6. Staff costs and key management personnel

Total staff costs were as follows:

	2012 £m	2011 £m
Wages and salaries	536.9	591.8
Social security costs	37.2	43.8
Other pension costs	6.1	14.4
	580.2	650.0
Share based payments expense:		
Equity settled	17.9	11.8
Cash settled	17.9	13.4
	616.0	675.2

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 28. In the current year, the equity settled share based payments expense includes a £1.1m accelerated charge for Ventura employee share options which arose on its disposal. Cash settled share based payments relate to the Long Term Incentive Plan ("LTIP"), details of which are given in the Remuneration Report on pages 34 to 35 and 40 to 43.

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

	2012 £m	2011 £m
NEXT Retail and Directory	516.6	501.1
NEXT International	3.4	3.5
NEXT Sourcing	24.2	25.3
Other activities	20.1	21.1
Continuing operations	564.3	551.0
Ventura (discontinued)	51.7	124.2
	616.0	675.2

	Average employees		Full-time equivalents	
	2012 Number	2011 Number	2012 Number	2011 Number
NEXT Retail and Directory	48,141	45,056	24,531	24,466
NEXT International	303	365	234	258
NEXT Sourcing	3,642	3,766	3,642	3,766
Other activities	483	410	278	254
Continuing operations	52,569	49,597	28,685	28,744
Ventura (discontinued)	3,735	9,109	3,478	8,476
	56,304	58,706	32,163	37,220

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

	2012 £m	2011 £m
Short term employee benefits	5.0	5.5
Post-employment benefits	0.4	0.5
Share based payments	10.5	6.6
	15.9	12.6

Directors' remuneration is detailed in the Remuneration Report on pages 40 to 44.

7. Finance income and costs

	2012 £m	2011 £m
Interest on bank deposits	0.3	0.2
Other interest receivable	6.3	0.7
Total finance income	6.6	0.9
Interest on bank and other borrowings	25.2	22.5
Premium paid on repurchase of corporate bonds	8.2	3.3
Swap hedging gain on bond repurchases	(7.3)	(2.8)
Other fair value movements	2.8	1.3
Total finance costs	28.9	24.3

Directory service charge is presented as a component of revenue.

Other interest receivable includes statutory interest of £6.1m on an exceptional VAT recovery (see Note 1).

The Company redeemed £158.2m of its outstanding 2013 and 2016 bonds during the year and issued a new £325.0m 10 year 2021 bond. Further details are given in Note 22.

8. Taxation

	2012 £m	2011 £m
<i>Current tax:</i>		
UK corporation tax on profits of the year	160.1	163.5
Adjustments in respect of previous years	(12.6)	(9.8)
	147.5	153.7
<i>Overseas tax:</i>		
On profits of the year	2.7	2.8
Adjustments in respect of previous years	–	(3.5)
Total current tax	150.2	153.0
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	(7.8)	(5.6)
Adjustments in respect of previous years	3.2	3.1
Tax expense reported in the consolidated income statement	145.6	150.5
<i>Allocated to:</i>		
Continuing operations	145.3	150.3
Discontinued operations	0.3	0.2
	145.6	150.5

£2.4m of the current year tax charge relates to the exceptional VAT recovery and related interest (see Note 1). 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:

	2012 %	2011 %
UK corporation tax rate	26.3	28.0
(Non-taxable income)/non-deductible expenses	(0.5)	2.0
Overseas tax differentials	(0.5)	(0.7)
Tax over-provided in previous years	(1.5)	(1.8)
Deferred tax rate change	(0.3)	(0.2)
Effective total tax rate on profit before taxation	23.5	27.3

The effective tax rate stated above is based on total profit including the exceptional gain on the sale of Ventura.

Notes to the Consolidated Financial Statements

8. Taxation (continued)

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

	2012 £m	2011 £m
<i>Current tax:</i>		
Pension benefit obligation	–	(11.2)
Foreign exchange losses	–	1.1
<i>Deferred tax:</i>		
Pension benefit obligation	(8.3)	28.6
Fair value movements on derivative instruments	3.8	(3.0)
Tax (credit)/charge in the statement of comprehensive income	(4.5)	15.5

	2012 £m	2011 £m
<i>Current tax:</i>		
Share based payments	(12.3)	(2.1)
<i>Deferred tax:</i>		
Share based payments	–	(3.4)
Tax credit in the statement of changes in equity	(12.3)	(5.5)

Deferred taxation

	2012 £m	2011 £m
Accelerated capital allowances	22.9	29.0
Revaluation of derivatives to fair value	2.4	(1.0)
Pension benefit obligations	8.8	15.0
Share based payments	(15.8)	(14.6)
Other temporary differences	(2.9)	(5.0)
	15.4	23.4

The deferred tax movement in the year is as follows:

	2012 £m	2011 £m
At January 2011	23.4	3.7
Charged to the income statement:		
Accelerated capital allowances	(5.8)	(4.0)
Revaluation of derivatives to fair value	(0.3)	0.6
Pension benefit obligations	2.0	0.3
Share based payments	(2.2)	0.2
Other temporary differences	1.8	0.4
Recognised in the statement of comprehensive income	(4.5)	25.6
Recognised in the statement of changes in equity	–	(3.4)
Disposal of subsidiaries	1.0	–
At January 2012	15.4	23.4

8. Taxation (continued)

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

	Gross value 2012 £m	Unrecognised deferred tax 2012 £m	Gross value 2011 £m	Unrecognised deferred tax 2011 £m
Property development trading losses	5.4	1.4	3.7	1.0
Capital losses	88.5	22.1	89.3	24.1
	93.9	23.5	93.0	25.1

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 21 March 2012, it is proposed that the UK corporation tax rate will be reduced to 24% with effect from 1 April 2012. Since this rate reduction had not been substantively enacted at the balance sheet date, no recognition of the potential benefit of £0.6m has been made in calculating the above provision for deferred taxation.

9. Dividends

	2012 £m	2011 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year to 29 January 2011 of 53p (2010: 47p) per share	89.5	85.3
Interim dividend for the year to 28 January 2012 of 27.5p (2011: 25p) per share	45.6	44.3
	135.1	129.6
Proposed final dividend for the year to 28 January 2012 of 62.5p (2011: 53p) per share	100.0	92.0

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 the shares held by the ESOT.

Notes to the Consolidated Financial Statements

10. Earnings per share

	Year to January 2012			Year to January 2011 Total
	Underlying	Exceptional items (Note 1)	Total	
Profit after tax attributable to equity holders of the parent company				
Continuing operations (£m)	427.5	6.8	434.3	393.3
Discontinued operations (£m)	2.6	38.0	40.6	7.8
Total	430.1	44.8	474.9	401.1
Weighted average shares in issue (m)	174.3		174.3	185.0
Weighted average shares held by ESOT (m)	(5.9)		(5.9)	(4.3)
Weighted average shares for basic EPS (m)	168.4		168.4	180.7
Basic earnings per share (p)				
Continuing operations	253.9		257.9	217.6
Discontinued operations	1.5		24.1	4.3
Total	255.4		282.0	221.9
Weighted average shares for basic EPS (m)	168.4		168.4	180.7
Weighted average dilutive potential shares (m)	4.3		4.3	4.6
Weighted average shares for diluted EPS (m)	172.7		172.7	185.3
Diluted earnings per share (p)				
Continuing operations	247.6		251.6	212.3
Discontinued operations	1.5		23.5	4.2
Total	249.1		275.1	216.5
Weighted average shares for basic EPS (m)	168.4		168.4	180.7
Weighted average share options outstanding (m)	11.9		11.9	13.6
Weighted average shares for fully diluted EPS (m)	180.3		180.3	194.3
Fully diluted earnings per share (p)				
Continuing operations	237.1		240.9	202.5
Discontinued operations	1.4		22.5	4.0
Total	238.5		263.4	206.5

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 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. Where the option price is above the average market price, the option is not dilutive and is excluded from the diluted EPS calculation. There were no such share options in the current year (2011: 2.8 million).

Fully diluted earnings per share is used for the purposes of the Share Matching Plan and is based on total underlying profit and 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.

Underlying earnings per share is based on profit before the exceptional items described in Note 1.

11. Property, plant & equipment

	Freehold property £m	Leasehold property £m	Plant and fittings £m	Total £m
Cost				
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
Exchange movement	–	–	(0.2)	(0.2)
Additions	–	–	126.1	126.1
Disposals	(0.8)	–	(28.9)	(29.7)
Disposal of subsidiaries	–	–	(47.6)	(47.6)
At January 2012	73.5	8.3	1,402.0	1,483.8
Depreciation				
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
Exchange movement	–	–	(0.1)	(0.1)
Provided during the year	–	–	118.8	118.8
Impairment charge	–	–	1.4	1.4
Disposals	(0.1)	–	(23.2)	(23.3)
Disposal of subsidiaries	–	–	(37.7)	(37.7)
At January 2012	8.2	1.4	892.3	901.9
Carrying amount				
At January 2012	65.3	6.9	509.7	581.9
At January 2011	66.0	6.9	519.5	592.4
At January 2010	67.3	6.9	503.0	577.2

The carrying amount of plant and fittings above includes an amount of £0.4m (2011: £0.6m) in respect of assets held under finance lease contracts.

At 28 January 2012 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £9.5m (2011: £21.3m).

Notes to the Consolidated Financial Statements

12. Intangible assets

	Brand names & trademarks £m	Customer relationships £m	Goodwill £m	Total £m
Cost				
At January 2010, January 2011 and January 2012	4.0	2.0	44.1	50.1
Amortisation and impairment				
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
Provided during the year	0.4	0.5	–	0.9
At January 2012	1.3	1.6	1.6	4.5
Carrying amount				
At January 2012	2.7	0.4	42.5	45.6
At January 2011	3.1	0.9	42.5	46.5
At January 2010	3.5	1.4	42.5	47.4

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

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

	2012 £m	2011 £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 (2011: £nil).

NEXT Sourcing

The key assumptions in the calculation are the future sourcing requirements of the Group and the ability of NEXT Sourcing to 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% (2011: 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% (2011: 2%), and discounted at 15% (2011: 15%). The key assumption is the net contribution margin of retail and internet sales.

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 2012.

13. Interests in associates

Aggregated amounts relating to associates:

	2012 £m	2011 £m
<i>Share of associates' revenues and profits:</i>		
Revenue	36.3	33.5
Profit	1.5	1.8
<i>Share of associates' net assets:</i>		
Total assets	12.1	10.9
Total liabilities	(6.0)	(5.8)
Carrying amount of investment	6.1	5.1

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

	Sales		Amounts receivable	
	2012 £m	2011 £m	2012 £m	2011 £m
Choice Discount Stores Limited	4.8	5.1	0.7	0.5
Cotton Traders Limited	5.5	5.0	0.5	0.8
	10.3	10.1	1.2	1.3

14. Other investments

	2012 £m	2011 £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.

15. Inventories

	2012 £m	2011 £m
Raw materials and work in progress	7.1	5.2
Finished goods	358.9	357.2
	366.0	362.4
Property development stocks	5.9	5.9
	371.9	368.3

Notes to the Consolidated Financial Statements

16. Trade and other receivables

	2012 £m	2011 £m
Trade and customer debtors	710.7	642.1
Less: allowance for doubtful debts	(113.7)	(108.8)
	597.0	533.3
Amounts due from associated undertakings	1.2	1.3
Other debtors	10.4	9.7
Prepayments	90.5	101.3
	699.1	645.6

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 1.0% (2011: 1.5%), 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% (2011: 25.99%). 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. The Group does not hold any collateral over these balances.

Ageing of trade and customer debtors:

	2012 £m	2011 £m
Current	580.3	506.1
0 – 30 days past due	37.7	38.5
30 – 60 days past due	10.8	12.2
60 – 90 days past due	4.5	4.8
90 – 120 days past due	2.9	3.0
Over 120 days past due	56.4	61.2
Otherwise impaired	18.1	16.3
	710.7	642.1

Movement in the allowance for doubtful debts:

	2012 £m	2011 £m
Opening position	108.8	123.7
Charged to the income statement	29.9	33.1
Written off as uncollectible	(19.9)	(42.3)
Recovered during the year	(3.3)	(5.7)
Disposal of subsidiaries	(1.8)	–
Closing position	113.7	108.8

17. Other financial assets

	2012		2011	
	Current £m	Non- current £m	Current £m	Non- current £m
Foreign exchange contracts	12.5	–	4.1	–
Interest rate derivatives	–	44.6	–	24.3
	12.5	44.6	4.1	24.3

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 31). The instruments purchased are denominated primarily in US Dollars and Euros. Interest rate derivatives relate to the corporate bonds (Note 22).

18. Cash and short term deposits

	2012 £m	2011 £m
Cash at bank and in hand	45.8	46.4
Short term deposits	10.6	2.9
	56.4	49.3

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.

19. Bank loans and overdrafts

	2012 £m	2011 £m
Bank overdrafts and overnight borrowings	7.6	10.2
Unsecured bank loans	–	115.0
	7.6	125.2

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. In the previous year, the unsecured bank loans related to amounts drawn down by the Company under a medium term bank revolving credit facility. This was repaid during the current year and a new £300m committed bank facility was put in place, expiring in December 2016. None of this facility was drawn down at 28 January 2012.

20. Trade and other payables

	2012 £m	2011 £m
Trade payables	193.1	195.5
Obligations under finance leases	0.1	0.2
Other taxation and social security	61.6	58.5
Share based payment liability	15.1	14.2
Other creditors and accruals	275.1	276.2
	545.0	544.6

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

Notes to the Consolidated Financial Statements

21. Other financial liabilities

	2012		2011	
	Current	Non-current	Current	Non-current
	£m	£m	£m	£m
Foreign exchange contracts	2.6	–	7.9	–
Interest rate derivatives	–	4.4	1.2	2.6
Own equity share purchase contracts	84.4	–	45.6	–
	87.0	4.4	54.7	2.6

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 31). 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 22).

Own equity share purchase contracts relate to outstanding liabilities of £63.6m (2011: £30.3m) arising under contingent purchase contracts and an irrevocable closed season buyback agreement for the purchase of the Company's own shares (Note 26), and net liabilities of £20.8m (2011: £15.3m) arising under contingent purchase contracts for the Company's own shares entered into by the ESOT (Note 29).

22. Corporate bonds

	Balance sheet value		Nominal value	
	2012	2011	2012	2011
	£m	£m	£m	£m
Corporate bond 5.25% repayable 2013	89.9	218.6	85.5	206.3
Corporate bond 5.875% repayable 2016	218.8	252.6	212.6	250.0
Corporate bond 5.375% repayable 2021	343.4	–	325.0	–
	652.1	471.2	623.1	456.3

During the year, the Company issued £325m of new 10-year 2021 bonds and redeemed £158.2m of its existing 2013 and 2016 bonds. Holders of the Company's 2013 and 2016 bonds were invited to tender their holdings, either for cash or in exchange for the new 10-year issue.

The table below shows the effect of the transactions during the period:

	2013 bonds £m	2016 bonds £m	2021 bonds £m	Total £m	Consid- eration £m
Nominal value at January 2011	206.3	250.0	–	456.3	–
Bonds tendered and accepted	(120.8)	(37.4)	–	(158.2)	(169.7)
New issue	–	–	325.0	325.0	323.0
Nominal value at January 2012	85.5	212.6	325.0	623.1	153.3

Consideration paid is before settlement of accrued interest and includes premiums on redemption of £11.3m in respect of the 2013 and 2016 bonds. The 2016 bond redemption has been treated as a modification, rather than as a debt extinguishment and, accordingly, the redemption premium of £3.1m has been capitalised. Consideration received is stated net of transaction fees of £2m.

Of the 2013 bonds that were redeemed in the year, £74.2m were exchanged for the new 2021 issue and £46.6m were redeemed for cash. All £37.4m of the redeemed 2016 bonds were exchanged for new 2021 bonds. The transactions were settled on a net basis.

The Group uses interest rate derivatives to manage the interest rate risk associated with its bonds. After accounting for fees and gains on interest rate swaps, which partly offset the premiums paid on redemption, the transactions resulted in a net £1.5m charge to finance costs.

22. Corporate bonds (continued)

During the year, £175m of the new £325m bond issue was swapped into floating rate liabilities using interest rate swaps which have been designated as fair value hedges. The table below shows the nominal value and effective interest rates over the remaining lives of all bonds:

	2012 Nominal value £m	2012 Effective interest rate	2011 Nominal value £m	2011 Effective interest rate
2013 bonds				
<i>Floating</i>	85.5	6m LIBOR + 0.9%	206.3	6m LIBOR + 0.9%
2016 bonds				
<i>Fixed</i>	162.6	5.875%	200.0	5.875%
<i>Floating</i>	50.0	6m LIBOR + 1.7%	25.0	6m LIBOR + 1.7%
<i>Fixed</i>	–	–	25.0	4.52%
	212.6		250.0	
2021 bonds				
<i>Fixed</i>	150.0	5.375%	–	–
<i>Floating</i>	175.0	6m LIBOR + 1.9%	–	–
	325.0		–	
Total	623.1		456.3	

The fair values of the corporate bonds are shown in Note 33.

23. 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.

In 2010, as part of the Group's risk management strategy for the liabilities arising under the Plan, most pensioner liabilities were subject to a buy-in arrangement. Under the terms of this arrangement, the Plan paid £124m to an insurance company and receives 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 components of the net benefit expense recognised in the consolidated income statement are as follows:

	Funded £m	2012 Unfunded £m	Total £m	Funded £m	2011 Unfunded £m	Total £m
Current service cost	8.7	0.5	9.2	9.5	0.5	10.0
Interest cost on benefit obligation	25.0	0.4	25.4	26.7	0.4	27.1
Expected return on plan assets	(32.1)	–	(32.1)	(27.8)	–	(27.8)
Net benefit expense recognised in administration expenses	1.6	0.9	2.5	8.4	0.9	9.3
Curtailment gain on disposal of Ventura (Note 2)	1.5	–	1.5	–	–	–
Actual return on plan assets	34.3	–	34.3	39.0	–	39.0

Notes to the Consolidated Financial Statements

23. Retirement benefit plans (continued)

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

	2012			2011		
	Funded £m	Unfunded £m	Total £m	Funded £m	Unfunded £m	Total £m
Opening obligation	443.9	7.5	451.4	475.6	6.7	482.3
Current service cost	8.7	0.5	9.2	9.5	0.5	10.0
Interest cost	25.0	0.4	25.4	26.7	0.4	27.1
Disposal of Ventura	(1.5)	–	(1.5)	–	–	–
Employee contributions	0.2	–	0.2	0.2	–	0.2
Benefits paid	(10.4)	–	(10.4)	(15.1)	–	(15.1)
Actuarial losses/(gains)	29.7	1.0	30.7	(53.0)	(0.1)	(53.1)
Closing retirement benefit obligation	495.6	9.4	505.0	443.9	7.5	451.4

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

	2012			2011		
	Funded £m	Unfunded £m	Total £m	Funded £m	Unfunded £m	Total £m
Opening assets	507.1	–	507.1	432.8	–	432.8
Employer contributions	8.9	–	8.9	50.2	–	50.2
Employee contributions	0.2	–	0.2	0.2	–	0.2
Benefits paid	(10.4)	–	(10.4)	(15.1)	–	(15.1)
Expected return on assets	32.1	–	32.1	27.8	–	27.8
Actuarial gains	2.2	–	2.2	11.2	–	11.2
Closing retirement benefit assets	540.1	–	540.1	507.1	–	507.1

The fair value of plan assets was as follows:

	2012		2011	
	£m	%	£m	%
Equities	223.2	41.3	244.0	48.1
Bonds	62.9	11.6	56.9	11.2
Gilts	62.0	11.5	36.7	7.2
Property	19.8	3.7	18.3	3.6
Insurance contract	114.8	21.3	103.8	20.5
Other (cash deposits)	57.4	10.6	47.4	9.4
	540.1	100.0	507.1	100.0

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

	2012			2011		
	Funded £m	Unfunded £m	Total £m	Funded £m	Unfunded £m	Total £m
Total assets	540.1	–	540.1	507.1	–	507.1
Benefit obligation	(495.6)	(9.4)	(505.0)	(443.9)	(7.5)	(451.4)
Net pension asset/(liability)	44.5	(9.4)	35.1	63.2	(7.5)	55.7

23. Retirement benefit plans (continued)

The IAS 19 valuation of the defined benefit section was undertaken by an independent qualified actuary as at 28 January 2012 using the projected unit credit method. The principal actuarial assumptions used in the valuation were as follows:

	2012	2011
Discount rate	5.00%	5.70%
Salary increases	3.10%	3.60%
Inflation – RPI	3.10%	3.60%
Inflation – CPI	2.10%	2.90%
Pension increases	3.10%	3.60%
Expected rate of return on assets		
Equities	6.95%	7.70%
Bonds	3.95%	4.85%
Gilts	2.65%	4.15%
Property	5.55%	6.25%
Insurance contract	5.00%	5.70%
Other	2.65%	4.25%
Average	5.18%	6.34%
Life expectancy at age 65 (years)		
Pensioner aged 65 – male	22.5	22.3
Pensioner aged 65 – female	24.9	24.7
Non-pensioner aged 40 – male	25.3	25.2
Non-pensioner aged 40 – female	27.7	27.6

Expected rates of return on plan assets are based on external historical and forecast market information, and actual rates will most likely vary from those shown above. 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 gross scheme liabilities of approximately £59m, although this would be partly mitigated by an increase of approximately £7m on the buy-in insurance asset.

Members of the defined benefit section 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 these results 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. Members of the defined contribution section contribute 3% or 5% of pensionable earnings, which is matched by the Company.

Total employer contributions of £13.1m (2011: £54.3m) were made during the year, including £4.2m (2011: £4.1m) in respect of the defined contribution section. Employer contributions in the previous year also included £40.0m in respect of the buy-in.

History of experience gains and losses:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Fair value of plan assets	540.1	507.1	432.8	325.8	382.6
Present value of defined benefit obligation	(505.0)	(451.4)	(482.3)	(394.9)	(428.4)
Surplus/(deficit) in the plan	35.1	55.7	(49.5)	(69.1)	(45.8)
Experience (losses)/gains arising on plan liabilities	(3.3)	19.0	(0.1)	19.0	4.2
Experience gains/(losses) arising on plan assets	2.2	11.2	52.4	(93.8)	(23.2)

At January 2012 cumulative actuarial losses recognised in the statement of comprehensive income since transition to IFRS at 1 February 2004 were £24.1m (2011: gains of £4.4m). It is not possible to determine the actuarial gains or losses that would have been recognised prior to transition.

Notes to the Consolidated Financial Statements

24. Provisions

	Vacant property costs £m
At January 2011	13.3
Provisions made in the year	7.1
Utilisation of provision	(5.7)
Release of provision	(3.5)
Unwind of discount	0.8
At January 2012	12.0

Provision is made for the cost of future rentals or estimated exit costs of properties no longer occupied by the Group to which the Group remains committed, over an average remaining lease term of three years (2011: four years).

25. Other non-current liabilities

	2012 £m	2011 £m
Obligations under finance leases	0.4	0.5
Share based payment liability	10.6	13.8
Other creditors and accruals	194.2	202.2
	205.2	216.5

Other non-current creditors and accruals include £188.9m (2011: £199.1m) of property lease incentives received which will be credited to the income statement more than one year from the balance sheet date.

26. Share capital

	2012 '000	2011 '000	2012 £m	2011 £m
Allotted, called up and fully paid				
Ordinary shares of 10p each				
At January 2011	181,221	191,169	18.1	19.1
Shares issued	–	6	–	–
Purchased for cancellation	(12,481)	(9,954)	(1.2)	(1.0)
At January 2012	168,740	181,221	16.9	18.1

During the year the Company purchased for cancellation 12,481,600 of its own ordinary shares at a total cost of £289.7m (2011: 9,954,115 shares at a total cost of £205.4m).

At 28 January 2012 the Company was party to an irrevocable closed season buyback agreement and outstanding contingent purchase contracts for the purchase of its own ordinary shares for a maximum total cost of £63.6m (January 2011: £30.3m). At 20 March 2012, £15.4m of the year end commitment had been fulfilled, £41.2m was unfulfilled and had expired, and £7.0m remained open for potential completion under contingent purchase contracts.

27. 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 425 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).

28. Equity settled share based payments

The Group operates a number of share based payment schemes as set out in the Remuneration Report on pages 35 to 36 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:

	2012		2011	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Outstanding at beginning of year	12,504,404	£14.66	13,136,299	£13.51
Granted	2,773,077	£20.73	2,443,191	£21.07
Exercised	(5,447,415)	£12.42	(2,069,313)	£14.96
Forfeited	(610,873)	£16.72	(1,005,773)	£14.59
Outstanding at end of year	9,219,193	£17.67	12,504,404	£14.66
Exercisable at end of year	1,410,373	£16.74	2,130,599	£18.69

Options were exercised on a regular basis throughout the year and the weighted average share price during this period was 2407p (2011: 2176p). Options outstanding at 28 January 2012 are exercisable at prices ranging between 889p and 2189p (2011: 889p to 2189p) and have a weighted average remaining contractual life of 6.5 years (2011: 6.3 years), as analysed below:

	2012		2011	
	No. of options	Weighted average remaining contractual life (years)	No. of options	Weighted average remaining contractual life (years)
Exercise price range				
889p – 1131p	807,075	3.4	4,960,403	5.2
1302p – 1399p	2,369,571	7.2	2,661,267	8.2
1412p – 1782p	1,183,255	2.7	1,840,096	3.8
2070p	1,985,360	9.2	–	–
2084p – 2189p	2,873,932	6.6	3,042,638	8.0
	9,219,193	6.5	12,504,404	6.3

Included in the above balances were 3,000 options (2011: 55,000) 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

The following table illustrates the number and weighted average exercise prices of, and movements in, share matching plan options during the year:

	2012 No. of options	2011 No. of options
Outstanding at beginning of year	383,772	–
Granted	314,092	383,772
Forfeited	(18,632)	–
Outstanding at end of year	679,232	383,772

There have been two awards of nil cost options under the share matching plan (June 2010 and April 2011). The weighted average remaining contractual life of these options is 8.8 years (2011: 9.4 years). There were no exercises of share matching plan options during the current or prior year, and none were exercisable at the end of the current or prior year.

Notes to the Consolidated Financial Statements

28. Equity settled share based payments (continued)

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. 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.

The following table lists the inputs to the model used for options granted in the years ended 28 January 2012 and 29 January 2011 based on information at the date of grant:

Management share options

	2012	2011
Weighted average share price at date of grant	£20.70	£21.83
Weighted average exercise price	£20.70	£21.83
Volatility	41.4%	40.9%
Expected life	4 years	4 years
Risk free rate	2.37%	2.35%
Dividend yield	3.48%	2.57%
Weighted average fair value per option	£5.51	£6.20

Sharesave plans

	2012	2011
Weighted average share price at date of grant	£26.05	£22.27
Weighted average exercise price	£20.84	£17.82
Volatility	34.4%	43.4%
Expected life	3.3 years	3.5 years
Risk free rate	0.96%	1.11%
Dividend yield	2.99%	2.96%
Weighted average fair value per option	£7.23	£7.36

Share matching plan

	2012	2011
Weighted average share price at date of grant	£22.37	£20.23
Weighted average exercise price	nil	nil
Volatility	41.4%	41.4%
Expected life	3 years	4 years
Risk free rate	1.59%	1.24%
Dividend yield	3.49%	3.26%
Weighted average fair value per option	£20.15	£17.76

29. 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. All employee share options which were exercised during the year were satisfied by shares issued from the ESOT.

At 28 January 2012 the ESOT held 5,637,388 (2011: 6,392,633) ordinary shares of 10p each in the Company, the market value of which amounted to £148.8m (2011: £127.5m). Details of outstanding share options are shown in Note 28.

The consideration paid for the ordinary shares of 10p each in the Company held by the ESOT at 28 January 2012 and 29 January 2011 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.

29. Shares held by ESOT (continued)

During the year to January 2012, the ESOT purchased 2,660,000 NEXT plc shares in the open market at a total cost of £62.6m and 2,025,000 shares under off-market contingent purchase contracts at a total cost of £45.1m. During the previous year, 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.

At 28 January 2012, the ESOT was party to off-market contingent purchase contracts for a maximum of 825,000 NEXT plc shares at a maximum liability of £20.8m. 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 20 March 2012, £7.3m of the ESOT's year end purchase commitment had been fulfilled. The remainder was unfulfilled and is no longer open for completion. At 20 March 2012, employee share options over 157,679 shares had been exercised subsequent to the balance sheet date and had been satisfied by ordinary shares issued by the ESOT.

30. 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 (including interest) of the Group's financial liabilities:

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
2012					
Bank loans and overdrafts	7.6	–	–	–	7.6
Trade and other payables	373.5	–	–	–	373.5
Finance lease liabilities	0.1	0.1	0.3	–	0.5
Corporate bonds	34.4	120.0	302.5	412.3	869.2
Other liabilities	84.4	–	0.7	–	85.1
	500.0	120.1	303.5	412.3	1,335.9
Derivatives: net settled	(11.6)	(10.6)	(10.3)	(10.4)	(42.9)
Derivatives: gross settled					
Cash inflows	(819.2)	–	–	–	(819.2)
Cash outflows	810.0	–	–	–	810.0
Total cash flows	479.2	109.5	293.2	401.9	1,283.8

Notes to the Consolidated Financial Statements

30. 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
2011					
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

At 28 January 2012 the Group had borrowing facilities of £300m (2011: £295.0m) in respect of which all conditions precedent have been met and which are committed to December 2016 (2011: July 2013). None of this facility was drawn down at 28 January 2012 (2011: £115m).

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 these exposures to be hedged for up to 18 months ahead in order to fix the cost in Sterling. This hedging activity involves, inter alia, the use of spot, forward and option contracts.

The market value of outstanding foreign exchange contracts 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 34.

	Assets		Liabilities	
	2012 £m	2011 £m	2012 £m	2011 £m
US Dollar	12.1	2.8	(1.8)	(7.9)
Euro	0.4	1.3	(0.8)	–

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 various 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.

The Group's outstanding receivables balances are detailed in Note 16.

30. Financial instruments: risk management (continued)

Capital risk

The capital structure of the Group consists of debt, as analysed in Note 35, 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 restricted by 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.

31. 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 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:

	2012 £m	2011 £m
Derivatives in designated hedging relationships	11.5	(3.2)
Other foreign exchange derivatives	(1.6)	(0.6)
Total foreign exchange derivatives	9.9	(3.8)

The total notional amount outstanding at the balance sheet date is as follows:

	2012 £m	2011 £m
US Dollar	727.5	573.8
Euro	90.3	77.6
Other	–	4.6
	817.8	656.0

Interest rates: fair value hedges

The Group has interest rate swap agreements in place as fair value hedges of part of the interest rate risk associated with the Company's corporate bonds. Under the terms of the swaps, which have the same key features as the bonds, the Group receives a fixed rate of interest equivalent to the relevant coupon rate, and pays a variable rate. Details of the effective rates payable are given in Note 22.

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

	2012 £m	2011 £m
Derivatives in designated fair value hedging relationships	31.4	17.4
Other interest rate derivatives	8.8	3.1
Total interest rate derivatives	40.2	20.5

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 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.

Notes to the Consolidated Financial Statements

32. Financial instruments: categories

	2012 £m	2011 £m
<i>Financial assets</i>		
Derivatives at fair value through profit and loss – held for trading	13.8	7.9
Derivatives in designated hedging relationships	43.3	20.5
Loans and receivables	608.4	542.0
Cash and short term deposits	56.4	49.3
Available for sale financial assets	1.0	1.0
<i>Financial liabilities</i>		
Derivatives at fair value through profit and loss – held for trading	(6.6)	(5.4)
Derivatives in designated hedging relationships	(0.4)	(6.3)
Corporate bonds	(652.1)	(471.2)
Amortised cost	(466.2)	(551.0)
Finance lease obligations	(0.5)	(0.7)

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.

33. 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:

	2012		2011	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
<i>Corporate bonds</i>				
In hedging relationships	339.5	328.5	271.2	275.2
Not in hedging relationships	312.6	336.0	200.0	214.3
	652.1	664.5	471.2	489.5

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.

34. 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% (2011: 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.

Positive figures represent an increase in profit or equity.

34. Financial instruments: sensitivity analysis (continued)

	Income statement		Equity	
	2012	2011	2012	2011
	£m	£m	£m	£m
<i>Sterling strengthens by 10%</i>				
US Dollar	(11.3)	(9.8)	(39.0)	(33.9)
Euro	(2.3)	0.2	(5.7)	(2.6)
<i>Sterling weakens by 10%</i>				
US Dollar	(8.0)	5.2	35.5	35.8
Euro	(1.2)	(1.7)	4.1	1.7

Year end exchange rates applied in the above analysis are US Dollar 1.57 (2011: 1.58) and Euro 1.19 (2011: 1.16). 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% (2011: 0.5%) increase or decrease in interest rates, assuming all other variables were unchanged. The sensitivity rate of 0.5% (2011: 0.5%) 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	
	2012	2011	2012	2011
	£m	£m	£m	£m
Interest rate increase of 0.5% (2011: 0.5%)	(1.3)	(1.4)	(1.3)	(1.4)
Interest rate decrease of 0.5% (2011: 0.5%)	1.3	1.4	1.3	1.4

35. Analysis of net debt

	January 2011	Cash flow	Other non-cash changes	January 2012
	£m	£m	£m	£m
Cash and short term deposits	49.3			56.4
Overdrafts	(10.2)			(7.6)
Cash and cash equivalents	39.1	9.6	0.1	48.8
Unsecured bank loans	(115.0)	115.0	–	–
Corporate bonds	(471.2)	(153.3)	(27.6)	(652.1)
Fair value hedges of corporate bonds	17.4	–	11.7	29.1
Finance leases	(0.7)	0.2	–	(0.5)
Total net debt	(530.4)	(28.5)	(15.8)	(574.7)

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35. Analysis of net debt (continued)

	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)

36. Operating lease commitments

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

	2012 £m	Excluding Ventura 2011 £m	Total 2011 £m
Within one year	207.5	205.3	211.0
In two to five years	756.7	743.0	765.8
Over five years	821.0	882.7	917.1
	1,785.2	1,831.0	1,893.9

Ventura was sold during the current year (see Note 2). Prior year figures excluding Ventura are shown above to provide a more meaningful comparison of the year-on-year change for the Group's ongoing business.

At 28 January 2012, future rentals receivable under non-cancellable sub-leases where the Group is the lessor were £39.0m (2011: £23.3m).

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 20 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.

36. Operating lease commitments (continued)

Additional information on the Group's leasing commitments as at 28 January 2012 is detailed in the table below:

	Minimum lease payments £m	Less sub-lease income £m	Net total £m
Year to January 2011 (Actual)	208.6	(6.9)	201.7
Year to January 2012 (Actual)	206.8	(6.2)	200.6
Year to January 2013	207.5	(5.0)	202.5
Year to January 2014	204.6	(4.5)	200.1
Year to January 2015	195.3	(4.1)	191.2
Year to January 2016	183.9	(3.7)	180.2
Year to January 2017	172.9	(3.5)	169.4
Sub-total 5 years to January 2017	964.2	(20.8)	943.4
5 years from February 2017 to January 2022	607.8	(12.7)	595.1
10 years from February 2022 to January 2032	206.1	(5.5)	200.6
2032 and beyond	7.1	–	7.1
Total future obligations	1,785.2	(39.0)	1,746.2

Notes to the Parent Company Financial Statements

37. 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 £179.1m (2011: profit of £183.6m).

38. Investments in subsidiaries

Details of the Company's principal subsidiaries are given in Group Companies on page 91.

39. Current and non-current assets

At the balance sheet date, trade and other receivables comprise £nil (2011: £1.2m) of amounts due from subsidiary undertakings and £7.4m (2011: £2.1m) of prepaid finance costs.

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 current and non-current assets approximates to their fair value.

Other financial assets comprise interest rate derivatives as detailed in Note 17 which are carried at their fair value.

40. Current and non-current liabilities

Trade and other payables comprise £235.5m (2011: £nil) of amounts due to subsidiary undertakings and £11.9m (2011: £11.6m) of other creditors and accruals. Other current financial liabilities include amounts payable under the Company's closed season buyback arrangements and contingent purchase contracts, including those 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 21).

Details of the terms of bank overdrafts and unsecured bank loans are given in Note 19.

41. Other reserves

Other reserves in the Company balance sheet of £985.2m (2011: £985.2m) 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 Section 131 Companies Act 1985 merger relief.

42. Analysis of net debt

	January 2011 £m	Cash flow £m	Other non-cash changes £m	January 2012 £m
Cash and short term deposits	–			10.6
Overdrafts	–			–
Cash and cash equivalents	–	10.6	–	10.6
Unsecured bank loans	(115.0)	115.0	–	–
Corporate bonds	(471.2)	(153.3)	(27.6)	(652.1)
Fair value hedges of corporate bonds	17.4	–	11.7	29.1
Total net debt	(568.8)	(27.7)	(15.9)	(612.4)

	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)

43. 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 30.

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 22 and 31. The fair values of the Company's corporate bonds are shown in Note 33.

The following table shows the sensitivity of the Company's reported profit and closing equity to movements in interest rates under the same assumptions as detailed in Note 34:

	Income statement		Equity	
	2012 £m	2011 £m	2012 £m	2011 £m
Interest rate increase of 0.5% (2011: 0.5%)	(1.4)	(1.5)	(1.4)	(1.5)
Interest rate decrease of 0.5% (2011: 0.5%)	1.4	1.5	1.4	1.5

Notes to the Parent Company Financial Statements

43. Financial instruments (continued)

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

	2012 £m	2011 £m
<i>Financial assets</i>		
Derivatives at fair value through profit and loss – held for trading	13.2	6.9
Derivatives in designated hedging relationships	31.4	17.4
Cash and short term deposits	10.6	–
<i>Financial liabilities</i>		
Derivatives at fair value through profit and loss – held for trading	(4.4)	(3.8)
Corporate bonds	(652.1)	(471.2)
Amortised cost	(331.8)	(172.2)

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
2012					
Trade and other payables	237.7	–	–	–	237.7
Other liabilities	84.4	–	–	–	84.4
Corporate bonds	34.4	120.0	302.5	412.3	869.2
	356.5	120.0	302.5	412.3	1,191.3
Derivatives: net settled	(11.6)	(10.6)	(10.3)	(10.4)	(42.9)
Total cash flows	344.9	109.4	292.2	401.9	1,148.4
	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

44. Related party transactions

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

	2012 £m	2011 £m
<i>Transactions with subsidiary undertakings:</i>		
Recharge of costs	(419.4)	(402.9)
Funds advanced/(borrowed)	(16.3)	107.4
Dividends received	200.0	200.0
Interest payable	(1.0)	(0.6)
Amounts due (to)/from subsidiary undertakings	(235.5)	1.2

Group Companies

The Company has taken advantage of Section 410(2) of the Companies Act 2006 to list only its principal subsidiary and associated undertakings at 28 January 2012. 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

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

Year ended January

	First half £m	Second half £m	2012 £m	First half £m	Second half £m	2011 £m
Revenue						
NEXT Retail	1,008.2	1,183.2	2,191.4	1,026.2	1,195.9	2,222.1
NEXT Directory	486.7	602.0	1,088.7	422.8	512.7	935.5
NEXT International	33.6	42.7	76.3	30.8	36.5	67.3
NEXT Sourcing	3.2	4.3	7.5	1.7	2.4	4.1
Lipsy	22.7	32.2	54.9	18.9	25.8	44.7
Property Management	3.1	3.1	6.2	3.3	3.6	6.9
Other activities	8.0	8.1	16.1	8.0	9.1	17.1
Total – continuing	1,565.5	1,875.6	3,441.1	1,511.7	1,786.0	3,297.7
Ventura (discontinued)	64.8	–	64.8	75.5	80.5	156.0
Profit before tax						
NEXT Retail	122.5	201.2	323.7	122.9	205.9	328.8
NEXT Directory	112.8	149.8	262.6	101.3	120.6	221.9
NEXT International	3.2	4.7	7.9	2.3	3.5	5.8
NEXT Sourcing	10.1	11.0	21.1	12.5	14.2	26.7
Lipsy	(0.4)	1.7	1.3	0.3	0.7	1.0
Property Management	3.4	2.2	5.6	1.3	1.0	2.3
Other activities	(10.3)	(10.1)	(20.4)	(18.0)	(1.7)	(19.7)
Operating profit	241.3	360.5	601.8	222.6	344.2	566.8
Net finance costs	(13.3)	(9.0)	(22.3)	(12.4)	(11.0)	(23.4)
Total – continuing	228.0	351.5	579.5	210.2	333.2	543.4
Ventura (discontinued)	2.9	–	2.9	3.1	4.9	8.0

Five Year History

Year ended January

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Continuing and discontinued operations					
Revenue	3,505.9	3,453.7	3,406.5	3,271.5	3,329.1
Operating profit	604.7	574.8	529.8	478.3	537.1
Net finance costs	(22.3)	(23.4)	(24.5)	(49.5)	(39.0)
Profit on disposal of Ventura	38.0	–	–	–	–
Profit before taxation	620.4	551.4	505.3	428.8	498.1
Taxation	(145.6)	(150.5)	(141.3)	(126.5)	(144.2)
Profit after taxation	474.8	400.9	364.0	302.3	353.9
Total equity	222.7	232.4	133.4	140.5	(95.2)
Shares purchased for cancellation	12.5m	10.0m	5.9m	3.9m	26.1m
Dividend per share	90.0p	78.0p	66.0p	55.0p	55.0p
Basic earnings per share					
Total	282.0p	221.9p	188.5p	156.0p	168.7p
Underlying	255.4p	221.9p	188.5p	156.0p	168.7p

Notice of Meeting

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 17 May 2012 at 9.30 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 18 to 21 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 28 January 2012.
- 2 To approve the remuneration report for the year ended 28 January 2012.
- 3 To declare a final dividend of 62.5p per share in respect of the year ended 28 January 2012.
- 4 To re-elect John Barton as a director.
- 5 To re-elect Christos Angelides as a director.
- 6 To re-elect Steve Barber 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 re-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 £5,600,000; and
 - (ii) up to a maximum nominal amount of £11,200,000 (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 2013; 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;

Notice of Meeting

- (b) the power 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 £840,000;
- (c) in accordance with article 8 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 2013; 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 25,222,000 ordinary shares of 10p each and no more than 14.99% of the issued ordinary shares 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 the higher of 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 and the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
- (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 2013 and 1 August 2013;
- (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 Section 694 of 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, HSBC Bank plc 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, as more fully described in Appendix 1 on pages 95 to 96 (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 2013 and 1 August 2013, 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

Andrew McKinlay, Secretary

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

17 April 2012

APPENDIX 1

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

As noted on pages 20 to 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 16 passed at the Company's Annual General Meeting ("AGM") on 19 May 2011 shareholder authority was given to the Company to make on-market purchases of shares. This authority was limited to a maximum of 26.97 million shares and expires on the earlier of the date of the AGM held in 2012 or 1 August 2012. 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 million shares and expires on the earlier of the date of the AGM to be held in 2012 or 1 August 2012. Since the granting of those authorities and up to 20 March 2012, the Company has bought back 6,298,926 shares for cancellation, representing 3.6% of its issued share capital as at the date of the 2011 AGM, at a total cost of £157.9 million. Of these, 950,000 shares were 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 2011 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 with each of the Banks and HSBC Bank plc (together the "New Banks"). Under these agreements (the "Programme Agreements"), the Company may (although it is not obliged to) enter into contingent forward trades ("Contingent Forward Trades" or "CFT") from time to time. The terms of each CFT will provide for the Company to 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 New 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 2013 or 1 August 2013 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.

Notice of Meeting

Should shareholder approval be granted, any number of CFT may be effected with the New 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 8.0 million, representing less than 5% of its issued share capital at 20 March 2012;
- the total cost of shares that the Company would be permitted to purchase pursuant to this authority may not exceed £200 million (including costs);
- the Forward Price may not exceed the higher of 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 and the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
- 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 New 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 17 May 2012 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 2013 or on 1 August 2013, 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 17 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 20 March 2012 was 9,724,138. This represents 5.8% of the issued share capital at that date. If the Company were to buy back the maximum number of shares permitted pursuant to both the existing authority for off-market purchases granted at the 2011 AGM (which will expire at the 2012 AGM) and the authority sought by this special resolution, then the total number of options to subscribe for shares outstanding at 20 March 2012 would represent 6.4% 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 below. 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 15 May 2012 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 6pm on 15 May 2012 (or 6pm on the day that is two days before any adjourned meeting) 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, the 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 8.0 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 20 March 2012 (being the latest practicable date prior to the publication of this Notice) the Company's issued share capital consists of 168,147,532 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 17 May 2012 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.

Notice of Meeting

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.

Shareholder Information

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 of the 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 August 2012 to holders of ordinary shares registered at close of business on 29 June 2012. The ordinary shares will trade ex-dividend from 27 June 2012.

Annual General Meeting

The Annual General Meeting will be held at 9.30 a.m. on Thursday 17 May 2012 at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester LE19 1SW. The notice of the meeting on pages 93 to 98 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 9.30 a.m. on 15 May 2012** (or 48 hours before any adjourned meeting). 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)

	2012	2011
Share price at financial year end	2639p	1994p
Market capitalisation	£4,453m	£3,614m
Share price movement during year:		
High mid-market quotation	2810p	2344p
Low mid-market quotation	1868p	1817p

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.

Shareholder Information

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.
- telephone 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.

This report has been printed on recycled paper.



www.nextplc.co.uk

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next