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Half Year Statement
July 2011

In a difficult year NEXT has proven resilient. Group revenue for the first half was 3.6% higher than last year and profit before tax was up 8.5% on a continuing basis. The business remains strongly cash generative and continued buyback of shares further enhanced growth in earnings per share, which were 18.6% ahead of last year. The interim dividend increases by 10% to 27.5p per share. Financial highlights from our continuing business are as follows:

Revenue up 3.6% to £1,565m

Profit before tax up 8.5% to £228m

Earnings per share up 18.6% to 98.3p

Net debt of £640m and committed facilities of £918m

Interim dividend up 10% to 27.5p per share

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HEADLINES

- Sales up 3.6%
- Profit up 8.5%
- Earnings per share up 18.6%
- Dividend up 2.5p to 27.5p

OVERVIEW

In a difficult year NEXT has proven resilient. In many ways 2011 has presented the perfect storm to the retail economy. On the buying front we experienced the first concerted rise in cost prices for nearly twenty years. This, combined with rising VAT, increased NEXT selling prices by around 7%. In a normal environment price rises would have suppressed demand, but the consumer economy has been anything but normal. Discretionary spending has been further squeezed by inflation in food and fuel, tight control of consumer credit, cuts in government expenditure and broadly stagnant wages.

Against this background the NEXT Group has advanced sales, profits and earnings per share. Our approach has been to focus on four primary objectives:

- The delivery of well stocked ranges, that reflect the latest fashion trends in a way that is accessible to our customers, whilst working hard to mitigate the effects of cost price inflation.
- Grow NEXT Retail sales through continuing to add profitable new space, with a particular focus on new large format Home stores.
- Grow NEXT Directory sales through profitably maximising the potential of our business online, both in the UK and overseas.
- Carefully manage our costs, capital expenditure and balance sheet, so that we can continue to return surplus cash through buying back shares and enhancing earnings per share.

NEXT Brand sales (VAT exclusive) were towards the top end of our guidance at +3.2%, of which 2.8% came from new space (see note page 8). Profit before tax was up 8.5%. Our primary measure of success is sustainable long term growth in earnings per share. The business remains strongly cash generative and continued buyback of shares further enhanced growth in EPS, which were 18.6% ahead of last year.

Looking ahead to our full year results, we believe that VAT exclusive NEXT Brand sales for the year will be between 2.0% and 4.5% ahead of last year, which would result in NEXT Group profits being up between +0.4% and +8.7% and EPS up between +7.5% and +16.4%.

Early indications are that retail headwinds are likely to ease as we move into 2012. We have strong evidence that there will be little or no inflation in our own prices and it seems probable that other inflationary pressures will ease as commodity price rises begin to annualise in the first quarter of 2012.

	July 2011 £m	July 2010 £m	
Revenue excluding VAT			
NEXT Retail	1,008.2	1,026.2	-1.8%
NEXT Directory	486.7	422.8	+15.1%
NEXT International	33.6	30.8	+9.2%
NEXT Sourcing	3.2	1.7	
Other activities	33.8	30.2	
Continuing business	1,565.5	1,511.7	+3.6%
Discontinued business — Ventura	64.8	75.5	
Total revenue	1,630.3	1,587.2	

	July 2011 £m	July 2010 £m	
Profit and EPS			
NEXT Retail	122.5	122.9	
NEXT Directory	112.8	101.3	
NEXT International	3.2	2.3	
NEXT Sourcing	10.1	12.5	
	248.6	239.0	+4.0%
Other activities	(2.7)	(4.7)	
Pension credit	3.5	0.1	
Share incentive charge	(7.8)	(5.5)	
Unrealised exchange loss	(0.3)	(6.3)	
Operating profit	241.3	222.6	+8.4%
Net interest expense	(13.3)	(12.4)	
Profit before tax — continuing business	228.0	210.2	+8.5%
Taxation	(60.0)	(58.4)	
Profit after tax — continuing business	168.0	151.8	+10.7%
Discontinued business — Ventura	40.6	3.1	
Total profit after tax	208.6	154.9	
Earnings per share — continuing business			
— basic EPS	98.3p	82.9p	+18.6%
— diluted EPS	96.1p	80.9p	+18.8%
Interim dividend per share	27.5p	25.0p	+10.0%

PRODUCT

Clothing

The performance of our clothing ranges has been encouraging. Last year manufacturing capacity constraints in the Far East extended lead times and delayed deliveries. As a result stock availability hindered sales throughout 2010. In response we changed our buying process, placing larger orders earlier in the buying cycle. In particular we focused on placing deeper buys and additional colours on best-selling lines. This approach has improved stock availability and helped us negotiate prices, mitigating some of the effect of underlying cost price rises.

Whilst stock levels have been higher throughout the season, our stock for the end of season Sale rose in line with sales, up 6.6% against VAT inclusive sales up 5.1%. Sell through rates were ahead of last year and stock left over for our Clearance stores was in line with last year.

On the downside earlier buying has limited our ability to react in season, and we have consciously taken the necessary decision to take bigger risks in backing new trends. It has been one of those occasions where the organisation can either risk success or guarantee failure: so far the riskier, less flexible approach has been successful.

Home

Underlying sales in the wider homeware market have been poor: the result of a slowdown in the housing market and consumers reining in spending on big ticket discretionary items. In addition some Home areas have been particularly affected by commodity price increases, with bedding being the most affected.

In some ways the difficulty in the market has presented NEXT with an opportunity to grow the business: Retail space is readily available on attractive terms (see further analysis of Home space acquisitions in Retail section below).

Additional space in stand alone Home stores, and in particular the development of a new large format store in Shoreham, has allowed us to extend our Home product offer to include more third party fitted products such as bathrooms, kitchens and wardrobes and other DIY “lite” products such as paint, carpets, tiles and wooden flooring. We also introduced a small garden centre trial, the aim of which is to offer customers a narrow “co-ordinated” set of outdoor products and plants. Whilst all these areas are very small at the moment we hope that, if successful, they will enable us to continue growing our Home business in the longer term.

Prices and quality

There has been significant input price pressure this year as a result of tightening capacity in the Far East alongside soaring commodity prices, most importantly cotton and oil (the latter of which affects both energy prices and the price of critical man made materials such as polyester). The unmitigated effects of these underlying pressures combined with the increase in VAT would have been to increase prices by at least 18%.

In the event we have been able to contain average selling price increases to 7% in the first half and forecast rises in the second half will be around 8%. Mitigation has been achieved through a combination of developing different sources of supply in new territories and the placing of larger individual orders earlier in the season. This approach has not only tempered prices it has also allowed us to maintain better stock availability in Retail and Directory though, inevitably, it has also reduced flexibility.

Another risk is that in pushing for better prices we could degrade quality. The message to our buying teams has been unequivocal: they are clear that we should never sacrifice quality standards to achieve price points. Even with this clear objective there is the risk that a small number of suppliers will skimp on quality or that new suppliers will not be able to achieve the quality levels they initially promise. We are acutely aware of this risk and have taken active steps to ensure that quality remains in line with our high expectations.

Looking forward to 2012 we now believe that prices will not rise any further in the first half of next year. Capacity constraints in the Far East have noticeably eased, and the bubble in cotton prices has burst with prices now 50% below their peak in March.

NEXT RETAIL

Retail Sales

Retail sales were in line with our internal budgets, finishing -1.8% down on last year. The reported figure is given excluding VAT and as such is a little misleading in the context of consumer spending. The amount customers spent with us was broadly flat at -0.3%.

Retail Space Expansion

We estimate that net sales from new space, after accounting for deflection, added a net 4.0% to sales in the first half. Average selling space in the first half was 5.6% higher than in the same period the previous year.

We opened 183,000 square feet taking our total trading space to 6.3m sq. ft. The table below sets out the change in space and store numbers since January 2011.

	Store numbers	Sq.ft (000's)
January 2011	525	6,073
New stores	+5	+52
Closures	-4	-10
Re-sites (4)		+34
Extensions (13)		+22
Home stand alone	+6	+85
July 2011	532	6,256

The total increase in the number of NEXT stores has been driven by new Home stand alone stores. We now have 36 Home stand alone stores. The adverse conditions in the Home market provide NEXT with a good opportunity to acquire new space on reasonable terms.

The opening of new clothing stores has been broadly offset by closures, and more additional clothing space has been acquired through extending and re-locating stores in locations where we are under-spaced rather than by the opening of new stores.

The table below sets out the forecast profitability and payback for the new stores we have opened within the last year. Forecasts are based on sales since the date of opening.

	Mainline	Home	Total
Sales vs target	+5.8%	+9.6%	+6.8%
Forecast profitability	21.3%	23.3%	21.9%
Forecast payback (months)	18	19	18

There is a legitimate question about the wisdom of acquiring additional Retail space at a time when an increasing amount of trade is being conducted online. We believe that NEXT's success online is enhanced by its Retail presence. Directory customers clearly value the integrated delivery and returns facility that we offer in our stores: 13% collect their orders from our stores and more than half of all returns come back through stores. Directory customers can also use their Directory cards to buy goods in our Retail stores. Not only do these services help in retaining existing Directory customers, the shopping experience in our stores makes a Retail customer more amenable to becoming a new Directory recruit online.

However given the uncertainty in the retail landscape over the coming years, we have ensured that new space is highly profitable and that the term of new leases are relatively short. Our average net store profit is 22.5% and over 90% of our turnover comes from stores with profitability of more than 15%. Of the stores opened in the last year, 80% were on leases of 10 years or less.

Looking forward we now expect to add around 400,000 sq.ft. of selling space net of closures in the current year. It is still very early to give an accurate forecast for space acquisitions next year (2012/13), but we currently expect it to be in the order of another 400,000 sq.ft.

Retail Profit Analysis

Retail profitability improved by 0.2%. Achieved net margins moved forward and offset increases in occupancy and overhead costs. The table below details the margin movement in the major heads of costs.

Net operating margin last year		12.0%
Increase in bought in gross margin	+0.1%	
Reduced markdown and slippage	+0.4%	
Increase in achieved net margin		+0.5%
Decrease in store payroll	+0.5%	
Increase in store occupancy costs	-0.5%	
Increase in distribution costs	-0.2%	
Increase in central overheads	-0.1%	
Net operating margin this year		12.2%

Bought in gross margin remained stable with increases in cost prices and VAT being offset by a reduction in air freight costs and increased selling prices. Stock for the Retail end of season Sale was in line with last year but markdown costs reduced significantly as we improved Retail sell through rates. We also reduced markdowns in our Clearance stores.

Store payroll costs decreased as a percentage of sales by 0.5% with productivity savings significantly outweighing increases from our annual pay award.

Occupancy costs reduced margin by 0.5% due mainly to negative like for like sales. Underlying rent increases were up 2.5% and rates up 4.7%. We expect underlying rental inflation to fall to around 2% over the next twelve months. Distribution costs reduced margin by 0.2% due to rising fuel prices and the increase in sofa and furniture deliveries.

Operating margin for the full year is expected to remain flat as a percentage of sales. Anticipated improvements in gross margin are likely to be offset by higher occupancy and distribution costs. In addition the payroll improvements achieved in the first half will be reduced by premium payments for Boxing Day working in 2011.

NEXT DIRECTORY

Directory has had a good first half with sales 15.1% ahead of last year.

Directory Sales – UK

UK sales, excluding the end of season Sale, were up 10.4%. Much of this growth has been driven by the general trend towards shopping online. We believe that, for NEXT, this trend has been accelerated by improvements to our delivery services, in particular the cut off time for next day delivery being extended to 9pm. 3.0% of Directory's growth came from additional overseas sales (see below).

The increase in markdown sales came as a result of the planned retention of more Sale stock in Directory. Traditionally we have moved more than half Directory's surplus to Retail for the end of season Sale, the amount transferred has been reduced as a result of an improvement in online clearance rates.

Active customers increased by 10.3% to 2.9 million. 3.5% of the increase came from new credit account customers and 6.8% from additional cash customers. Cash customers are those who pay for their goods immediately using credit or debit cards rather than taking up our credit offer.

Directory Sales — International

International sales have grown much faster than anticipated. We estimate that full year online sales outside the UK will be in the order of £32m (as against £10m last year). Our most important markets are Germany, USA, Eire, Australia and Poland. We currently trade online in 42 countries and plan to begin trading in Russia, Japan and China within the next six months. In addition to trading our own NextDirect.com site overseas we also sell our products through certain third party sites in overseas markets. Orders are fulfilled from UK warehouses to our partners' distribution hubs and on through their networks, in exchange for a commission payment.

As time progresses we aim to make more sites available in their native language and local currency, more importantly we plan to improve the speed at which we are able deliver stock overseas. The table below sets out by country our site currency, our current delivery promise and the service we aim to deliver within a year.

TERRITORY			Delivery Charge	Current Delivery Promise	Planned Delivery Promise
Europe	Eire	Euro	€5	5–7 days	2–3 days
	Germany	Euro	€5	5–7 days	5 days
	Poland	Zloty	ZL 20	7–10 days	2–3 days
	Other	Euro	€5		
	European	Swedish Krona	SEK 45		
	Countries	Norwegian Krone	NOK 40	7–10 days	2–3 days
		Czech Krona	CZK 130		
North America	USA	US Dollar	\$5	2–3 days	2–3 days
	Canada	Canadian Dollar	\$5	2–3 days	2–3 days
Australasia	Australia	Aus Dollar	Free	7–10 days	4 days
& Other	New Zealand	NZ Dollar	Free	7–10 days	4 days
	Other	US Dollar	\$7.50	7–10 days	7–10 days

DIRECTORY PROFIT ANALYSIS

Operating margin in NEXT Directory reduced by -0.8% in Spring Summer 2011, however there are several costs which reverse in the second half and we expect full year margin to increase by around 0.5%.

Net operating margin last year	24.0%
Increase in bought in gross margin	+0.2%
Markdown costs & other	0.0%
Increase in third party commission	-0.5%
Decrease in achieved net margin	-0.3%
Improvement in bad debt	+1.0%
Reduction in service charge income	-1.1%
Increase in warehouse & distribution costs	-0.8%
Decrease in central overheads	+1.0%
Increase in general management	-0.6%
Net operating margin this year	23.2%

Bought in gross margin has increased by +0.2% broadly in line with Retail as detailed above.

Overall markdown and slippage costs were flat on last year. The increased markdown, taken as a result of Sale stock increasing by 35%, was offset by a much improved sell through rate.

An increase in third party commission, paid to online retailers in overseas territories to sell our product through their websites, reduced margin by -0.5%. This commission is used by our partners to cover operational costs (such as delivery and marketing). Although gross margin is lower on this business so too are the operational costs. The overall net margin for overseas business through third parties remains healthy.

Bad debt improved, partly as a result of consumers managing their finances more carefully and partly as a result of improvements to our credit management and scoring systems. Transfers to debt collection agencies were 26% down on last year.

The margin improvement from reduced bad debt was largely offset by service charge income growing at a lower rate than sales. Service charge income rose by 6% whilst sales increased by 15%. This disparity came as a result of the increase in cash only online customers and credit customers paying down their accounts slightly faster.

Warehousing costs were broadly neutral but distribution costs decreased margin by -0.7%. The most important factor here was the inflationary increase in third party courier costs.

The cost of producing and distributing our catalogues has decreased as a percentage of sales mainly as a result of a reduction in the number of customers requesting a book. These customers are choosing to view product and trade online only. Call centre costs have also declined as a percentage of sales as more business is conducted online.

General management costs have reduced margin by 0.6% mainly as a result of changes to the timing of bonus accruals. These reverse in the second half, so the full year effect of general management is likely to be neutral.

We expect NEXT Directory margins to move forward by +0.5% in the full year, compared to reducing by -0.8% in Spring Summer. This is mainly because gross margins are expected to benefit from currency gains in the second half, the margin attrition from paying overseas commission will annualise, and the timing of the bonus accruals mentioned above.

NEXT SOURCING

Total NEXT Sourcing sales of £229m were up 3.9% on last year. Profit of £10.1m was as expected, albeit 19% down on last year. The fall in profit was mainly as a result of the lower commission rates it now charges. As we explained in our March statement this drop in commission rate was in response to a very competitive sourcing market.

The supply chain environment continues to be challenging due to volatility in raw material prices, labour costs and development of new suppliers. NEXT Sourcing has a sound base, good geographic spread and we now expect its full year profit to be £23m.

VENTURA

In July we announced the sale of Ventura to The Capita Group plc for consideration of £65m. The proceeds are being returned to shareholders through share buybacks, which means that the transaction will be neutral overall in terms of its effects on earnings per share.

In this statement, and for the full year, Ventura is accounted for as a discontinued business. The Ventura profit of £40.6m shown in these accounts is made up from:

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

We take this opportunity to thank the staff, managers and directors of Ventura for all their hard work developing the business over the many years it has been part of the NEXT Group. We wish Ventura's employees and its new owners all the very best for the future.

LIPSY

The £2m improvement from other activities came despite the underperformance of Lipsy. Details of the first half performance and full year estimate for the business are set out below:

	Half Year		Full Year	
	July 2011 £m	July 2010 £m	Jan 2012 £m (e)	Jan 2011 £m
Turnover	22.7	18.9	53.0	44.7
Trading Profit	0.2	1.1	2.4	3.4

First half sales were below budget mainly as a result of some ranging errors but we also believe that the younger market in which Lipsy operates is particularly difficult as students face rising fees, debts and a difficult job market. Profit was also hindered by a restructuring charge of £0.4m and a loss of £0.2m from the failure of a Spanish wholesale customer.

By January 2012 we will have 46 UK trading locations; 17 stand alone stores and 29 carved out of NEXT stores. Lipsy will also feature as a site-within-site on the next.co.uk website, allowing NEXT Directory customers to have access to Lipsy's full product range.

Property

The £3.4m profit from our Property Division was £2m ahead of last year, enhanced by £1m from the sale of a freehold and a leasehold property. The remaining improvement was due to rent and associated savings from the disposal or letting of properties leased to, but no longer used by, the Group.

Unrealised Foreign Exchange Loss

The unrealised foreign exchange loss of £0.3m was £6.0m lower than last year's charge. However, last year's charge reversed out in the second half to become a net credit for the full year. We are currently assuming no net charge or credit for the full year, which means last year's second half credit will not be repeated.

INTEREST AND TAXATION

The net interest expense of £13.3m increased by £0.9m due to average debt being £115m higher than last year. This increase in debt resulted from the return of £188m to shareholders during the year through share buybacks. We now anticipate a full year interest charge of £28m and an average rate of 4% on fixed and floating rate debt.

Our full year tax rate is forecast to be 1% lower than last year at 26.3%. This is primarily due to the reduction to 26% in the rate of UK corporation tax, which became effective in April.

BALANCE SHEET AND CASH FLOW

2021 Bond Issue

In May we issued a new 10 year bond of £325m with a coupon of 5.375%. This extends the maturity of our borrowing facilities as part of the proceeds were used to redeem £121m of the 2013 bond and £37m of the 2016 bond. Our facilities are now as follows:

	£m	£m
2013 bonds	85	
2016 bonds	213	
2021 bonds	325	
Total bonds nominal value		623
2013 committed bank facilities		295
Total borrowing facilities available		918

A substantial part of the premium paid to redeem the 2013 and 2016 bonds was offset by gains on terminating the related interest rate swaps and the balance, together with other associated costs, has been expensed as interest.

Cash Flow

Cash flow from operations remains robust and, together with the cash proceeds from Ventura, facilitated the return of £188m to shareholders through buybacks. Net debt increased by £110m in the period to £640m. Debt will generally fluctuate between £600m and £700m during the second half and should finish the year around £580m.

Stocks are 25% higher than last year as our response to the supply chain difficulties experienced in 2010. We expect this increase to annualise as we progress through the second half and stocks to be up around 5% year on year at January 2012. NEXT Directory debtors are ahead of last year by 7%.

SHARE BUYBACKS

During the period we gave guidance on the potential for share buybacks and announced the cancellation of 8.5 million shares at a cost of £187m, representing 4.7% of those in issue at the start of the year. We have also committed to purchase a further 1.25 million shares at a cost of £29m in the second half.

We expect to return £225m to shareholders through share buybacks this year, which would result in there being 171 million shares in issue at January 2012.

DIVIDEND

The interim dividend is being increased by 2.5p to 27.5p. This will be paid on 3 January 2012 to shareholders on the register at 25 November 2011. The shares will trade ex-dividend from 23 November. For the full year we intend to raise the total of dividends payable by a similar percentage to the growth in basic earnings per share from continuing business.

FULL YEAR GUIDANCE AND OUTLOOK

Year Ending January 2012

We can see no reason for there to be any dramatic change in the consumer environment in 2011. Whilst certain inflationary pressures will begin to annualise as we move into November, other pressures may replace them and in particular increases in household energy bills. So the starting point for our sales forecast has been our performance in Spring Summer, albeit that there is some upside risk to the numbers if this year's winter is less extreme than the one we experienced in the run up to Christmas last year.

The table below sets our guidance for full year sales, profits and EPS:

Full Year Estimates — Continuing Business Year to January 2012	Guidance Lower end	Guidance Upper end
Brand sales growth	+2.0%	+4.5%
Implied PBT (excluding Ventura)	£545m	£590m
Implied PBT growth (excluding Ventura)	+0.4%	+8.7%
Basic EPS	238p	258p
Growth in EPS (vs last year reported 221.9p)	+7.5%	+16.4%

Considerations for Next Year

There are indications that 2012 will not be as challenging for the retail economy. We have already negotiated a third of our prices for Spring 2012 so we are confident that we will see little or no inflation in our own selling prices in the first half of next year. This change is important, as we believe that rising prices in the current year have moderately suppressed demand.

Several factors have reduced the pressure on input prices, but the most important has been the collapse of the cotton price bubble. In addition, we are experiencing some easing in capacity constraints in the Far East, and we continue to develop more cost effective sources of supply in new countries and territories.

Looking at the wider economy it seems likely that other inflationary pressures will begin to moderate in the first half of next year. The current VAT increase annualises in January and, assuming commodity prices rise no further, many essential commodities (most notably oil) will progressively annualise during the course of the first half. Importantly, employment numbers are also holding steady. If this trend continues then consumer finances should be in better shape as we progress through 2012. Of course we are not anticipating a consumer boom in 2012, nor have we factored in any shocks from a deterioration in European sovereign finances. Any recovery in spending is likely to be slow and take a long time, but it seems reasonable to believe that by the second quarter of next year we will begin to see some recovery in the consumer environment.

Lord Wolfson of Aspley Guise
Chief Executive

14 September 2011

INTERIM MANAGEMENT STATEMENT

Our next statement will cover the third quarter and is provisionally scheduled for 2 November 2011.

NOTE ON CALCULATING NET SALES FROM NEW SPACE

We have revised our estimate of sales from new space from 1.7% to 2.8%. The figure given in August was based upon the absolute level of sales in extended and relocated stores versus the sales taken in those stores last year before they had been refitted or relocated. However, the assumption implied in this calculation is that all of those stores would have traded level with last year had we not moved or extended them. A better assumption is that those stores would have performed in the same way as our like for like stores.

Unaudited Consolidated Income Statement

	Six months to July 2011 £m	Six months to July 2010 £m	Year to January 2011 £m
Continuing operations			
Revenue	1,565.5	1,511.7	3,297.7
Cost of sales	(1,116.0)	(1,090.4)	(2,332.6)
Gross profit	449.5	421.3	965.1
Distribution costs	(115.8)	(105.3)	(223.2)
Administrative expenses	(92.8)	(87.6)	(179.1)
Other (losses)/gains	(0.3)	(6.3)	2.2
Trading profit	240.6	222.1	565.0
Share of results of associates	0.7	0.5	1.8
Operating profit	241.3	222.6	566.8
Finance income	0.3	0.1	0.9
Finance costs	(13.6)	(12.5)	(24.3)
Profit before taxation	228.0	210.2	543.4
Taxation	(60.0)	(58.4)	(150.3)
Profit from continuing operations	168.0	151.8	393.1
Profit from discontinued operations (note 4)	40.6	3.1	7.8
Profit for the period	208.6	154.9	400.9
Profit for the period attributable to:			
Equity holders of the parent company	208.6	155.0	401.1
Non-controlling interest	–	(0.1)	(0.2)
Profit for the period	208.6	154.9	400.9
Basic earnings per share			
Continuing operations	98.3p	82.9p	217.6p
Discontinued operations	23.7p	1.6p	4.3p
Total	122.0p	84.5p	221.9p
Diluted earnings per share			
Continuing operations	96.1p	80.9p	212.3p
Discontinued operations	23.2p	1.6p	4.2p
Total	119.3p	82.5p	216.5p

Unaudited Consolidated Comprehensive Income Statement

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	Six months to July 2011 £m	Six months to July 2010 £m	Year to January 2011 £m
Profit for the period	208.6	154.9	400.9
<i>Other comprehensive income and expenses</i>			
Exchange differences on translation of foreign operations	(0.5)	(1.1)	–
(Losses)/gains on cash flow hedges	(11.2)	1.7	1.8
Actuarial (losses)/gains on defined benefit pension scheme	(12.6)	34.6	64.3
Tax on items recognised directly in equity	3.1	(1.8)	(15.5)
	(21.2)	33.4	50.6
<i>Reclassification adjustments</i>			
Transferred to income statement on cash flow hedges	7.1	(10.2)	(14.8)
Transferred to the carrying amount of hedged items on cash flow hedges	1.9	(19.6)	4.7
Exchange gains transferred to income statement on disposal of subsidiary	(0.6)	–	–
Net (expense)/income recognised directly in equity	(12.8)	3.6	40.5
Total comprehensive income for the period	195.8	158.5	441.4
Attributable to:			
Equity holders of the parent company	195.8	158.6	441.5
Non-controlling interest	–	(0.1)	(0.1)
Total comprehensive income for the period	195.8	158.5	441.4

Unaudited Consolidated Statement of Changes in Total Equity

	Six months to July 2011 £m	Six months to July 2010 £m	Year to January 2011 £m
Opening total equity	232.4	133.4	133.4
<i>Total comprehensive income</i>			
Equity holders of the parent company	195.8	158.6	441.5
Non-controlling interest	–	(0.1)	(0.1)
Issue of shares	–	0.1	0.1
Shares purchased for cancellation	(185.4)	(98.6)	(165.3)
Shares purchased by ESOT	(96.7)	(45.9)	(95.9)
Shares issued by ESOT	41.6	18.8	31.0
Share option charge	8.6	5.5	11.8
Tax recognised directly in equity	6.4	–	5.5
Equity dividends paid	(89.5)	(85.4)	(129.6)
Closing total equity	113.2	86.4	232.4

Unaudited Consolidated Balance Sheet

	Notes	July 2011 £m	July 2010 £m	January 2011 £m
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant & equipment		576.0	582.9	592.4
Intangible assets		46.0	46.9	46.5
Interests in associates		5.5	4.2	5.1
Other investments		1.0	1.0	1.0
Defined benefit pension surplus		48.0	–	55.7
Other financial assets	7	42.3	39.7	24.3
		718.8	674.7	725.0
Current assets				
Inventories		391.0	312.0	368.3
Trade and other receivables		608.5	600.9	645.6
Other financial assets	7	1.8	4.2	4.1
Cash and short term deposits		53.3	59.2	49.3
		1,054.6	976.3	1,067.3
Total assets		1,773.4	1,651.0	1,792.3
Current liabilities				
Bank overdrafts		(11.1)	(14.0)	(10.2)
Unsecured bank loans		(58.8)	(45.0)	(115.0)
Trade and other payables		(520.9)	(529.4)	(544.6)
Other financial liabilities	7	(93.5)	(105.8)	(54.7)
Current tax liability		(96.0)	(102.6)	(108.4)
		(780.3)	(796.8)	(832.9)
Non-current liabilities				
Corporate bonds	8	(637.9)	(527.4)	(471.2)
Defined benefit pension deficit		–	(14.9)	–
Provisions		(11.5)	(13.3)	(13.3)
Deferred tax liabilities		(20.1)	(1.2)	(23.4)
Other financial liabilities	7	(6.2)	(5.2)	(2.6)
Other liabilities	9	(204.2)	(205.8)	(216.5)
		(879.9)	(767.8)	(727.0)
Total liabilities		(1,660.2)	(1,564.6)	(1,559.9)
Net assets		113.2	86.4	232.4
EQUITY				
Share capital		17.3	18.4	18.1
Share premium account		0.8	0.8	0.8
Capital redemption reserve		12.6	11.5	11.8
ESOT reserve		(170.5)	(103.4)	(138.6)
Fair value reserve		(5.4)	(23.0)	(3.2)
Foreign currency translation		3.6	3.6	4.6
Other reserves		(1,443.8)	(1,443.8)	(1,443.8)
Retained earnings		1,698.6	1,622.6	1,782.6
Shareholders' equity		113.2	86.7	232.3
Non-controlling interest		–	(0.3)	0.1
Total equity		113.2	86.4	232.4

Unaudited Consolidated Cash Flow Statement

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	Six months to July 2011 £m	Six months to July 2010 £m	Year to January 2011 £m
<i>Cash flows from operating activities</i>			
Operating profit — continuing operations	241.3	222.6	566.8
Operating profit — discontinued operations	2.9	3.1	8.0
Depreciation and amortisation	60.3	59.0	119.3
Impairment	0.5	1.3	2.3
Loss on disposal of property, plant & equipment	1.9	3.1	6.9
Share option charge	7.5	5.5	11.8
Share of undistributed profit of associates	(0.4)	(0.2)	(1.1)
Exchange movement	0.5	5.0	(2.6)
Increase in inventories	(22.7)	(3.0)	(59.3)
(Increase)/decrease in trade and other receivables	(5.3)	15.7	(29.0)
(Decrease)/increase in trade and other payables	(15.4)	(3.1)	11.7
Pension contributions less income statement charge	(3.4)	—	(40.9)
Cash generated from operations	267.7	309.0	593.9
Corporation taxes paid	(67.8)	(69.8)	(141.9)
Net cash from operating activities (note 4)	199.9	239.2	452.0
<i>Cash flows from investing activities</i>			
Net proceeds from disposal of subsidiary	63.0	—	—
Proceeds from sale of property, plant & equipment	1.2	0.2	1.9
Acquisition of property, plant & equipment	(73.3)	(68.6)	(120.6)
Payment of deferred consideration	—	(19.4)	(19.4)
Net cash from investing activities	(9.1)	(87.8)	(138.1)
<i>Cash flows from financing activities</i>			
Repurchase of own shares	(188.3)	(156.7)	(221.6)
Purchase of shares by ESOT	(37.3)	(25.2)	(99.7)
Proceeds from disposal of shares by ESOT	41.6	18.8	31.0
(Repayment)/proceeds from unsecured bank loans	(56.2)	45.0	115.0
Net proceeds from bond issue and tender (note 8)	153.3	—	—
Repurchase of corporate bonds	—	—	(51.3)
Interest paid	(10.9)	(5.1)	(21.6)
Interest received	0.3	0.1	0.9
Payment of finance lease liabilities	(0.1)	(0.2)	(0.3)
Dividends paid	(89.5)	(85.4)	(129.6)
Net cash from financing activities	(187.1)	(208.7)	(377.2)
Net increase/(decrease) in cash and cash equivalents	3.7	(57.3)	(63.3)
Opening cash and cash equivalents	39.1	102.3	102.3
Effect of exchange rate fluctuations on cash held	(0.6)	0.2	0.1
Closing cash and cash equivalents (note 10)	42.2	45.2	39.1

Notes to the Unaudited Consolidated Interim Financial Statements

1. Basis of preparation

The Group's interim results for the six months ended 30 July 2011 were approved by the Board of Directors on 14 September 2011, and have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The accounting policies adopted in the preparation of the interim financial statements are the same as those set out in the Group's annual financial statements for the year ended 29 January 2011. 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 interim financial statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information' and do not include all of the information required for full annual financial statements.

The financial information contained in this report does not constitute statutory accounts of the Company within the meaning of Section 434(3) of the Companies Act 2006. Statutory accounts for the year to January 2011 have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or (3) of the Companies Act 2006.

Going concern

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

2. Segmental analysis

The Group's operating segments under IFRS 8 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 share option charges recognised under IFRS 2 and unrealised foreign exchange gains or losses on derivative instruments.

	External revenue		Internal revenue		Total revenue	
	2011	2010	2011	2010	2011	2010
Six months to July	£m	£m	£m	£m	£m	£m
Continuing operations						
NEXT Retail	1,008.2	1,026.2	3.0	2.6	1,011.2	1,028.8
NEXT Directory	486.7	422.8	–	–	486.7	422.8
NEXT International	33.6	30.8	–	–	33.6	30.8
NEXT Sourcing	3.2	1.7	225.7	218.6	228.9	220.3
NEXT Brand	1,531.7	1,481.5	228.7	221.2	1,760.4	1,702.7
Property Management	3.1	3.3	93.8	92.7	96.9	96.0
Total segment revenues	1,534.8	1,484.8	322.5	313.9	1,857.3	1,798.7
Other activities	30.7	26.9	1.9	1.6	32.6	28.5
Eliminations	–	–	(324.4)	(315.5)	(324.4)	(315.5)
	1,565.5	1,511.7	–	–	1,565.5	1,511.7
Discontinued operations						
Ventura	64.8	75.5	2.0	2.4	66.8	77.9

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

Notes to the Unaudited Consolidated Interim Financial Statements

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2. Segmental analysis (continued)

	Segment profit	
	2011 £m	2010 £m
Six months to July		
Continuing operations		
NEXT Retail	122.5	122.9
NEXT Directory	112.8	101.3
NEXT International	3.2	2.3
NEXT Sourcing	10.1	12.5
NEXT Brand	248.6	239.0
Property Management	3.4	1.3
Total segment profit	252.0	240.3
Other activities	(3.3)	(6.4)
Share option charge	(7.8)	(5.5)
Unrealised foreign exchange loss	(0.3)	(6.3)
Trading profit	240.6	222.1
Share of results of associates	0.7	0.5
Finance income	0.3	0.1
Finance costs	(13.6)	(12.5)
Profit before tax — continuing operations	228.0	210.2
Profit before tax — discontinued operations (Ventura)	2.9	3.1

3. Risks & uncertainties

The challenging consumer environment and its potential impact on the Group's sales performance remains a major variable, and therefore risk, to the Group's financial performance. The Chief Executive's Review in this Interim Management Report comments on this and other uncertainties affecting the Group's businesses for the remaining six months of the financial year.

In addition, the Board has considered the principal risks and uncertainties for the remaining six months of the financial year and determined that the risks presented in the 2011 Annual Report, described below, remain relevant to the rest of the financial year:

- Business strategy development & implementation;
- Credit risk & liquidity;
- Management team;
- Product design & selection;
- Key suppliers & supply chain management;
- Retail store network;
- Directory customer base;
- Warehousing & distribution;
- IT systems & business continuity;
- Call centre capacity & service levels; and
- Treasury & financial risk management

These are detailed on pages 14 to 16 of the 2011 Annual Report, a copy of which is available on the Company's website at www.nextplc.co.uk.

Notes to the Unaudited Consolidated Interim Financial Statements

4. Discontinued operations

Ventura, the Group's customer services management business, was sold to The Capita Group plc on 1st 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 is due to be received on 31 January 2012.

In the current period, the £40.6m profit from discontinued operations is comprised of Ventura's post-tax profit for the five month period prior to disposal of £2.6m, a £36.5m capital profit on disposal and a pension credit of £1.5m which arose on Ventura's exit from the NEXT defined benefit scheme.

Profit from discontinued operations in prior periods relates entirely to Ventura.

In the cash flow statement, net cash from operating activities includes an outflow of £9.9m in respect of discontinued operations during the current period. In the prior year, net cash from operating activities includes an inflow from discontinued operations of £1.7m in the first half and an inflow of £7.7m for the full year.

5. Earnings per share

	Six months to July 2011	Six months to July 2010	Year to January 2011
Profit after tax attributable to equity holders of the parent company			
Continuing operations (£m)	168.0	151.9	393.3
Discontinued operations (£m)	40.6	3.1	7.8
Total	208.6	155.0	401.1
Weighted average shares in issue	176.7	186.8	185.0
Weighted average shares held by ESOT	(5.7)	(3.4)	(4.3)
Weighted average shares for basic EPS	171.0	183.4	180.7
Basic earnings per share (p)			
Continuing operations	98.3	82.9	217.6
Discontinued operations	23.7	1.6	4.3
Total	122.0	84.5	221.9
Weighted average shares for basic EPS	171.0	183.4	180.7
Weighted average dilutive potential shares	3.9	4.5	4.6
Weighted average shares for diluted EPS	174.9	187.9	185.3
Diluted earnings per share (p)			
Continuing operations	96.1	80.9	212.3
Discontinued operations	23.2	1.6	4.2
Total	119.3	82.5	216.5
Weighted average shares for basic EPS	171.0	183.4	180.7
Weighted average share options outstanding	12.5	13.6	13.6
Weighted average shares for fully diluted EPS	183.5	197.0	194.3
Fully diluted earnings per share (p)			
Continuing operations	91.6	77.1	202.5
Discontinued operations	22.1	1.6	4.0
Total	113.7	78.7	206.5

Notes to the Unaudited Consolidated Interim Financial Statements

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5. Earnings per share continued

Basic earnings per share is based on the profit for the six months 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 increased by the dilutive effect of potential ordinary shares. Dilutive potential ordinary shares arise from employee share option schemes where the exercise price is less than the average market price of the Company's ordinary shares during the period.

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

6. Share purchases

Movement in the Company's issued share capital are shown in the table below:

	Ordinary shares (no.)	Cost £m
Shares in issue at 29 January 2011	181,221,387	
Shares purchased for cancellation*	(8,506,600)	186.9
Shares in issue at 30 July 2011	172,714,787	
Outstanding contingent purchase contracts at 30 July 2011 (maximum)	1,250,000	28.8

* Shares purchased for cancellation during the period includes 1.4 million shares purchased under an irrevocable close season buyback agreement to which the Company was party at 29 January 2011.

In addition, movements in NEXT plc ordinary shares held by the NEXT Employee Share Ownership Trust (ESOT) were as follows:

	Ordinary shares (no.)	Cost/ (proceeds) £m
Shares held by ESOT at 29 January 2011	6,392,633	
Shares purchased by ESOT	2,460,000	56.3
Shares issued by ESOT	(3,324,897)	(41.6)
Shares held by ESOT at 30 July 2011	5,527,736	
Outstanding contingent purchase contracts commitment of ESOT at 30 July 2011 (maximum)	950,000	20.6
Irrevocable closed season purchase commitment of ESOT at 30 July 2011 (maximum)	1,400,000	35.2

Subsequent to the balance sheet date, the ESOT's closed season purchase commitment was completed at a total cost of £32.1m.

7. Other financial assets and liabilities

At 30 July 2011, other financial assets and other financial liabilities included £44.1m of assets and £14.6m of liabilities relating to the fair value of derivative contracts which the Group uses to manage its foreign currency and interest rate risks.

Other current financial liabilities at 30 July 2011 includes £84.6m in respect of contingent purchase contracts and irrevocable close season buyback agreements entered into by the Company and the ESOT for the purchase of shares in NEXT plc (see note 6 above). In addition, an amount of £20.1m in respect of NEXT plc and ESOT share purchases completed but not settled as at 30 July 2011 is included within trade and other payables.

Notes to the Unaudited Consolidated Interim Financial Statements

8. Corporate bonds

In May 2011 NEXT issued £325m of new 10-year bonds and redeemed £158m of its existing 2013 and 2016 bonds. Holders of the Company's 2013 and 2016 bonds were invited to tender some or all of 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 5.25% £m	2016 bonds 5.875% £m	2021 bonds 5.375% £m	Total £m	Cash flow* £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 July 2011	85.5	212.6	325.0	623.1	153.3

* Cash flow includes premiums paid on redemption and is stated net of transaction fees and before settlement of accrued interest.

As explained in Note 29 of the January 2011 Annual Report and Accounts, the Group uses interest rate derivatives to manage the interest rate risk associated with its bonds. After accounting for 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.

During the period, £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 the bonds:

BOND PROFILE July 2011	Nominal Value £m	Effective Interest rate
2013 bonds		
<i>Floating</i>	85.5	6m LIBOR +0.9%
2016 bonds		
<i>Fixed</i>	162.6	5.875%
<i>Fixed</i>	25.0	4.52%*
<i>Floating</i>	25.0	6m LIBOR +1.7%
	212.6	
2021 bonds		
<i>Fixed</i>	150.0	5.375%
<i>Floating</i>	175.0	6m LIBOR +1.9%
	325.0	
Total	623.1	

* Reverts to 6m LIBOR + 1.7% from October 2011.

The balance sheet liability of £637.9m includes £14.8m of fair value adjustments relating to interest rate swaps which are designated as fair value hedges.

Notes to the Unaudited Consolidated Interim Financial Statements

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9. Other non-current liabilities

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

10. Analysis of net debt

	January 2011 £m	Cash flow £m	Other non-cash changes £m	July 2011 £m
Cash and short term deposits	49.3			53.3
Overdrafts	(10.2)			(11.1)
Cash and cash equivalents	39.1	3.7	(0.6)	42.2
Unsecured bank loans	(115.0)	56.2	–	(58.8)
Corporate bonds	(471.2)	(153.3)	(13.4)	(637.9)
Fair value hedges of corporate bonds	17.4	–	(2.5)	14.9
Finance leases	(0.7)	0.1	–	(0.6)
Total net debt	(530.4)	(93.3)	(16.5)	(640.2)

We confirm that to the best of our knowledge:

- a) The condensed set of financial statements has been prepared in accordance with IAS 34;
- b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Simon Wolfson
Chief Executive

David Keens
Group Finance Director

14 September 2011

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

Certain statements which appear in a number of places throughout this Interim Management Report may constitute "forward looking statements" which are all matters that are not historical facts, including anticipated financial and operational performance, business prospects and similar matters. These forward looking statements are identifiable by words such as "aim", "anticipate", "believe", "budget", "estimate", "expect", "forecast", "intend", "plan", "project" and similar expressions. These forward looking statements reflect Next's current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any such forward looking statements are subject to risks and uncertainties, including but not limited to those matters highlighted in note 3 of these interim financial statements; failure by Next to accurately predict customer fashion preferences; decline in the demand for merchandise offered by Next; competitive influences; changes in level of store traffic or consumer spending habits; effectiveness of Next's brand awareness and marketing programmes; general economic conditions or a downturn in the retail industry; the inability of Next to successfully implement relocation or expansion of existing stores; lack of sufficient consumer interest in Next Directory; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial and equity markets. These forward looking statements do not amount to any representation that they will be achieved as they involve risks and uncertainties and relate to events and depend upon circumstances which may or may not occur in the future and there can be no guarantee of future performance. Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. Next does not undertake any obligation to publicly update or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.





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