



Annual Report and Accounts
January 2010

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Erratum

The Next plc Annual Report & Accounts for the year ended 30 January 2010 as published contain an error in the reported diluted earnings per share figure on page 42 and the related note to the financial statements (Note 8 on page 62). This does not affect basic earnings per share.

Basic earnings per share, our prime measure of performance, is correctly stated at 188.5p.

The correct figure for diluted earnings per share is 185.6p (and not 177.4p as printed) based on 196.2 million shares including 3.1 million potential ordinary shares (and not 205.2 million including 12.1 million as printed).

The correction of this error has no impact on the Group's reported profits or equity.

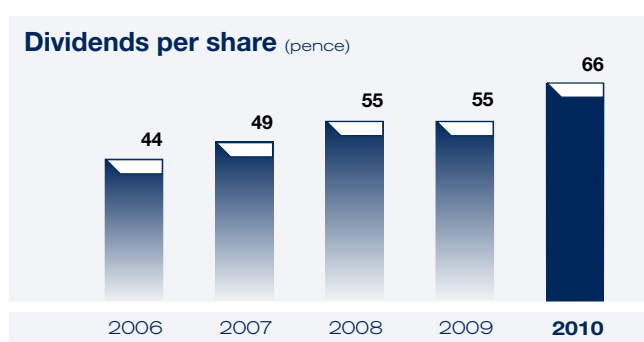
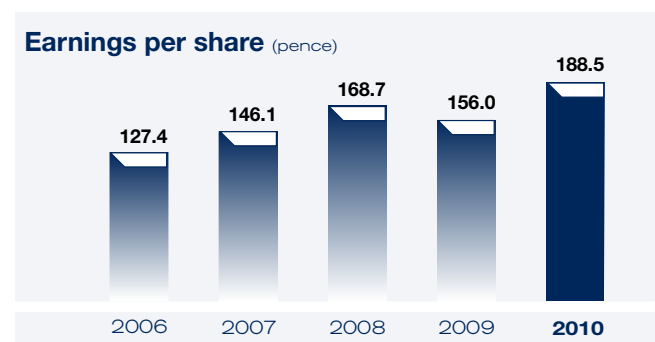
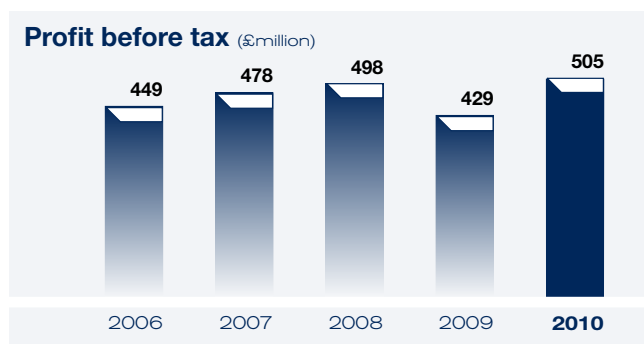
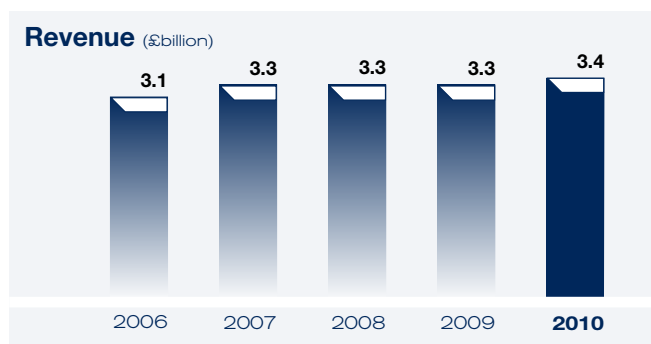
Next is a UK based retailer offering exciting, beautifully designed, excellent quality clothing, footwear, accessories and home products. Next distributes through three main channels: Next Retail, a chain of more than 500 stores in the UK and Eire, Next Directory, a home shopping catalogue and website with more than 2 million active customers, and Next International, with more than 180 stores and growing website capability outside the UK.

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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 13 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; lack of sufficient consumer interest in Next Directory; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial or equity markets. These forward looking statements do not amount to any representation that they will be achieved as they involve risks and uncertainties and relate to events and depend upon circumstances which may or may not occur in the future and there can be no guarantee of future performance. Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. Next does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.



The year to January 2010 was an exceptional year for Next.

We have increased revenues, contained costs, improved our products and continued to invest in our business.

Earnings per share grew 21% to a new record for the Group of 188.5p.

The proposed full year dividend has increased by 20% to 66p.

Our cash generation remained robust – we have bought back £120m of our shares and reduced net debt by over £200m.

We remain confident that our operating model and financial strength position us well to make further progress in uncertain times.

The year to January 2010 was an exceptional year for Next, with growth in earnings per share of 21% to a new record for the Group of 188.5p.

It was an extraordinary year. At the beginning of the year we faced an unstable economy, falling sales and Sterling weakness against both the US Dollar and the Euro, our main purchasing currencies. In the event the consumer economy has been relatively stable. The efforts of our buying teams and the support of our suppliers have helped us hold prices and increase revenues. In addition, the strengths which I outlined in my statement last year, particularly the strength of our management team, have enabled us to contain costs, improve our products and continue to invest in our business.

Our cash generation remained robust, allowing us to increase our proposed full year dividend by 20% to 66p, buy back £120 million of our shares and reduce net debt by over £200 million to £400 million. This leaves the Group in a very strong financial position.

We will continue to expand our store portfolio, particularly our new Home stores which have proved to be a great success this year. We have revamped our UK website and are now trading online in 35 countries outside of the UK. However, our main strategy of investing in the Next brand and improving and extending our product ranges will remain our focus for the foreseeable future.

Nick Brookes, having joined the Board in 2003, is stepping down at the AGM in May and I would like to thank him for his contribution over the last seven years. We will be appointing a new non-executive director after the AGM and a further announcement will be made in due course.

Much of what we have achieved this year is due to the commitment and hard work of all our employees. These results are a testimony to their success. I would like to thank them all for the contribution they have made.

We remain confident that our operating model and financial strength position us well to make further progress in uncertain times.



John Barton
Chairman

The Directors present their annual report and audited accounts for the financial year ended 30 January 2010.

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 more than 2 million active customers, and Next International, with more than 180 stores and growing website capability outside the UK.

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 wholesale, retail and website channels; and
- Ventura, which provides customer services management to clients wishing to outsource their customer contact administration and fulfilment activities.

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

Business strategies & objectives

The primary financial objective of the Group remains the delivery of sustainable long term growth in earnings per share ("EPS"). In the current economic environment, it will be challenging to improve on this year's record EPS although there is a reasonable expectation that this will be achieved. The Board remains convinced that this objective is best achieved by continuation of the following strategies in its 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 selling space. New store appraisals must meet demanding financial criteria before the investment is made and success is measured by monitoring achieved sales and profit contribution against appraised targets.
- Increasing the number of Next Directory customers and their average spend.
- Managing gross and net margins by better product sourcing, continuous cost control and efficient management of stock levels and working capital.
- Maintaining the Group's financial strength through a resilient balance sheet and financing structure.
- Purchasing and cancelling Next shares when it is earnings enhancing and in the interests of shareholders generally.

CHIEF EXECUTIVE'S REVIEW

OVERVIEW

Next's financial objective is clear and consistent, it is to deliver sustainable long term growth in earnings per share. For the year ending January 2010 EPS increased by 21%, with profit before tax increasing by 18% to £505m. Cash flow has been strong and is likely to remain so. We propose to pay a final dividend of 47p which will take the growth in our annual dividend to 20%.

During the year we have made good progress in improving and developing our product ranges, expanding our store portfolio, refitting our stores, developing our online business and controlling costs. We believe the Next Brand has emerged from recession in better shape than it entered, and is well placed to make progress in what we anticipate will be another challenging year.

A Year of Profit Upgrades

During the course of last year we raised our profit guidance several times. At the beginning of the year, at the height of the financial crisis, we felt that we would be unlikely to maintain group profit at the previous year's level. There are four reasons for the significant improvement in our performance, one is external and three are internal.

External Factor – Economy

The recession did not impact consumer spending by as much as most people expected. Employment only decreased by 1.8% (circa 500,000) despite unemployment rising by circa 900,000. The modest drop in employment combined with increased state benefit payments and lower interest rates meant that overall UK disposable income actually increased in 2009, with consumption remaining broadly flat.

Internal Factors

We believe there has been a marked improvement in our ranges; in particular we have been much faster to adopt new trends.

We were able to recover more of the decline in the value of Sterling from our supply base than expected. Therefore, bought in gross margins did not decrease nearly as much as anticipated. We had underestimated the extent to which new sources of supply would be able to improve cost prices and the extent to which our existing manufacturers' dollar cost base would decrease.

We also exceeded our targets for cost savings across the Group.

Long Term View

Next delivered full price like for like sales growth after four years of negative like for likes and we believe this is a reflection of the work done to revitalise the Brand over the last three years. It is, however, worth reflecting that even during the period of negative like for likes we continued to deliver growth in sales and profit. This growth has come from new Retail space and the Directory business. In fact since 2005 our earnings per share have grown by 57%.

	Revenue excluding VAT		Profit & Earnings per share		
	2010 £m	2009 £m	2010 £m	2009 £m	
Next Retail	2,274.2	2,197.9	324.0	288.8	
Next Directory	873.2	816.4	183.6	157.6	
Next International	64.2	68.6	1.2	9.0	
Next Sourcing	3.5	5.9	35.7	32.0	
The Next Brand	3,215.1	3,088.8	544.5	487.4	+11.7%
Ventura	145.6	161.9	6.0	5.1	
Other activities	45.8	20.8	(12.0)	(2.0)	
Share option charge	–	–	(9.4)	(8.9)	
Unrealised exchange gain/(loss)	–	–	0.7	(3.3)	
Revenue & operating profit	3,406.5	3,271.5	529.8	478.3	+10.8%
Net interest expense			(24.5)	(49.5)	
Profit before tax			505.3	428.8	+17.8%
Taxation			(141.3)	(126.5)	
Profit after tax			364.0	302.3	+20.4%
Basic earnings per share			188.5p	156.0p	+20.8%
Diluted earnings per share			177.4p	155.7p	+13.9%
Dividends per share			66.0p	55.0p	+20.0%

Product Development

We have improved the fashion content of our ranges, in particular we have continued to increase the speed at which we incorporate new trends and the depth in which we buy them. This process has been more about reducing the time from concept to order, than reducing supplier lead times. We still have further to go in developing quick response suppliers, both in Europe and by air-freight from the Far East.

In the year ahead we will focus on getting the latest looks into the Directory. We will reduce the lead time of catalogue production and make better use of the internet to allow customers to purchase online late additions to the Retail range.

Next Home continues to be the biggest opportunity for us to gain market share and we have made good progress in developing a stand alone offer. Next Home now has critical mass as a destination for home products. We are also looking at other smaller product opportunities, for example, we have developed our own NX sports brand to sit alongside established sportswear brands in the Directory and in selected Next stores.

NEXT RETAIL

Retail Sales

Retail sales finished the full year +3.5% ahead of last year, however, this includes a 53rd week of sales and the 52 week comparison would have been +2.0%.

Full price like for like sales for the 52 week period were 0.5% ahead of last year. Many retailers choose to include their direct sales within their like for like sales figure, the equivalent figure for Next would have been +1.7%.

As a result of effective stock control 16% less stock went into the end of season Sales. A reconciliation of full price like for like sales and total sales is set out in the table below:

52 week full price LFL	+0.5%
Net sales from new space	+3.2%
52 weeks full price sales	+3.7%
Additional week	+1.5%
Markdowns	-1.7%
Total 53 week sales	+3.5%

New Space and Refits

We increased trading space by 257,000 square feet in the year, increasing our portfolio to 517 stores. The payback on net capital invested in new space is forecast to be 13 months. The net store contribution is forecast to be 21%. These forecasts are comfortably ahead of our financial hurdles of 24 months payback and 15% contribution. We opened 9 Home stand alone stores, taking our total out of town Home stores to 18. These stores are making a contribution of 19% and will pay back the capital invested in 14 months.

We expect to open a total of 340,000 square feet in the year ahead. Included in this number is 150,000 square feet in 12 new Home stand alone stores.

During the year we opened 5 trial Sports Departments in existing Next stores. These departments incorporate non-Next branded sportswear such as Adidas and Puma alongside our own NX Sport brand. This trial has been successful and we plan to open a further 17 Sports Departments in the first half of this year, with more to follow in the second half.

We continue to invest in improving our stores. During the year we spent £26m refitting and £7m extending our stores, this year we intend to spend a further £18m on cosmetic refits, £6m on new sports and shoe departments and £17m on extensions. Three years ago we started a programme to reinvigorate the look and feel of our stores, the vast majority of which are now in keeping with our brand. We expect that a capital investment of £20m per annum will be required to maintain the image of our stores.

Retail Profit

Retail profit increased by +12.2% and net margin increased by +1.1%.

The weakness of Sterling was an enormous challenge to margins. The average rate at which we acquired US Dollars declined by 35 cents and if we had paid the same dollar prices for our merchandise, our bought in gross margin would have been reduced by -5%.

However, we were able to contain the drop in bought in gross margin to just -0.4%. Lower cost prices were achieved by moving to new sources of supply and negotiating better terms with existing suppliers, many of whom were able to pass on the benefits of lower dollar input costs. Lower VAT, significant freight savings and reduced fabric wastage also mitigated the currency weakness. The first table below sets out the detail of the change in achieved gross margin. The second table shows the walk forward from last year's operating margin to this year's result. The figures show the change as a percentage of sales for each of our major heads of cost:

Currency rate	-5.0%
Lower dollar prices from suppliers	+3.7%
VAT reduction	+0.5%
Lower freight and fabric charges	+0.4%
Total change to bought in gross margin	-0.4%

Net operating margin last year		13.1%
Reduction in bought in gross margin	-0.4%	
Reduction in markdown	+1.4%	
Increase in achieved gross margin		+1.0%
Change in store payroll		0.0%
Reduction in branch occupancy costs		+0.3%
Reduction in warehousing & distribution costs		+0.5%
Increase in other central overheads		-0.7%
Net operating margin this year		14.2%

Reduced markdown improved margin by +1.4%. We marked down 16% less stock in our mainline stores (at original retail selling value) and improved the sell through in our clearance stores. This reduction was partly as a result of improved stock control but also as a result of us significantly beating our initial sales budgets. We do not anticipate there will be the same opportunity to save further markdown in the year ahead.

Store wages were flat as a percentage of sales, despite a 1% annual pay award, increased premiums for working on Boxing Day and higher staff bonus payments. This was achieved as a result of improvements to the way we schedule the hours worked in our stores. In the year ahead we again expect savings in worked hours to offset wage increases.

Occupancy costs decreased as a percentage of sales and improved margin by +0.3%, this was largely the result of lower energy costs. In those stores that had a review, rent increased on a compound annual basis by 3.8%. This increase was partially offset as a result of disputed rents being settled at lower levels than originally reserved.

Warehousing and distribution cost savings improved margin by 0.5%. The largest cost reduction was due to lower charges for processing Sale stock with the balance achieved through numerous other efficiency projects.

Central overheads eroded margin by -0.7%. This was mainly due to increased staff incentives and a charge for sponsoring the 2012 Olympic Games.

NEXT DIRECTORY

Directory Sales

Directory sales finished the year up +7.0% (+5.0% on a 52 week basis). Growth was achieved through a 3.6% increase in the average number of active customers and a small 0.2% increase in pages. The internet continues to be very important to the development of the Directory and now accounts for 70% of our orders.

Directory Profit

Directory profit was up +16.4% on last year. The margin movement is detailed below; the figures show the change as a percentage of sales for each of our major heads of cost:

Net operating margin last year	19.3%
Reduction in bought in gross margin	-0.4%
Reduction in markdown	+0.9%
Increase in achieved gross margin	+0.5%
Improvement in bad debt	+0.7%
Service charge income	-0.3%
Decrease in warehouse and distribution costs	+1.0%
Decrease in marketing and book creation	+0.7%
Increase in other central overheads	-0.9%
Net operating margin this year	21.0%

The bought in gross margin decreased by -0.4%, in line with Retail and for the same reasons. Directory generated 13% less markdown stock which increased margin by +0.9%. Achieved gross margin increased by +0.5%.

Bad debt improved against a very difficult period last year. Service charge income did not grow as fast as sales and as a result margin was eroded by -0.3%.

Warehousing and distribution costs improved margin by 1.0%. Delivery charge revenue was up by £3.5m as customers placed smaller orders more often. The balance of the improvement came from numerous small cost saving initiatives.

We achieved efficiencies in book distribution and customer recruitment which gave a margin improvement of +0.7%. An increase in central overheads eroded margin by -0.9%, mainly due to increased staff incentives and Olympic sponsorship.

INTERNATIONAL

Change in Direction

We have changed our approach to International trading and this change is reflected in these results, which include a number of one off charges. We are moving our focus away from wholly owned international stores to direct sales over the internet.

The internet allows us to serve a customer base which is dispersed over a large area without the need to take on fixed assets and stock holdings in numerous locations. Whilst in any one town or city there may not be enough Next customers to justify the investment in a store, there are enough customers in a whole country to justify the investment required for us to trade online.

We are now serving customers in 35 overseas countries through our international website NextDirect.com. Stock is held, picked and packed in our UK warehouses. We are using a number of different third parties to deliver from our warehouses to overseas customers. We charge €5 to deliver to mainland Europe within seven working days. We are now able to deliver to the USA in two business days and charge US\$10 per order.

To date our focus has been on establishing reliable overseas operations and we have not as yet spent significant time or money on marketing. In the year ahead we will test and develop marketing methods overseas, with trials having just started in the USA. We anticipate that over the next twelve months our International website turnover will be circa £7m, generating a profit of £1.4m.

We have 14 owned stores in Central Europe, 5 in Northern Europe and 4 in China. We do not anticipate any new stores in Northern Europe and will keep the existing sites under review. We have taken a provision against certain store assets, incurring a one off charge of £3.3m. We will continue to trade our Central European stores, and expect to expand slowly in the region. However we have taken a full impairment charge of £1.6m against the goodwill acquired with the Czech operations two years ago.

International Sales and Profits

Many of the overseas markets in which we trade have been affected by the world wide recession. International sales have been difficult with sales in our franchise stores being down -7% on a like for like basis. The Czech Republic was particularly difficult and sales in our directly owned Central European stores were down -14%. Reported International profits were down from £9m to £1.2m, however, underlying profits were £6.1m prior to one off charges of £4.9m.

The table below sets out the trading profits of our International retail business and NextDirect.com, the latter is reported within Directory. Also shown is our forecast for the year ahead.

	Trading Profit 2010 £m	One Off Charges 2010 £m	Total Profit 2010 £m	Budget Profit 2011(e) £m
International	6.1	(4.9)	1.2	6.0
NextDirect.com	0.8	(1.3)	(0.5)	1.4
Total	6.9	(6.2)	0.7	7.4

NEXT SOURCING (NSL)

NSL recorded an increase in profit to £35.7m, this included £5m improvement from translating its US Dollar profits into Sterling and £2m from an over provision of profit share in previous years. Dollar operating profits actually reduced as NSL had to contend with lower dollar garment prices and therefore lower commission income, along with stronger competition for Next's business from third party suppliers.

NSL faces a challenging year with continued competition from external suppliers and general pressure on supplier margins. As a result of these pressures we expect NSL to report profits in the region of £30m for the current year.

VENTURA

The year finished well and Ventura achieved a profit of £6m against £5m last year. Second half sales were steady, with new business offsetting the activities which are no longer performed. Further business has been won with new clients, which will start contributing in the current year. Our wholly owned call centre in India has achieved significant wins with non-UK clients and we expect it to be operating at almost full capacity by the end of this year.

We believe that turnover is now stable and that both sales and profits will increase in the year ahead.

OTHER ACTIVITIES

The Other Activities charge of £12m includes £6m for share based incentive schemes, compared to a £1m credit last year. Volatility in the Next share price over the past two years has resulted in significant changes to the provisions required. As expected, the £10m unrealised foreign exchange loss booked in the first half reversed in the second half, resulting in a net gain of £1m.

Also included here is our young female fashion brand, Lipsy. We have now owned this wholesale, retail and internet business for a full year and are pleased with progress to date. Lipsy made an operating profit before amortisation of £1m on sales of £28m. In the current year we expect to open 11 new stores and anticipate profits of circa £3m before amortisation of £1m.

INTEREST AND TAX

The interest charge for the year halved to £25m, due to both lower borrowings and lower interest rates. We expect a similar charge for the current year on debt which we estimate will average £500m after taking into account share buybacks completed to date. Our average cost of debt is 5%, based on £505m of fixed rate bonds and interest rate swaps.

Our tax rate this year at 28% was slightly lower than anticipated and last year, the main factor was deferred tax adjustments on share option schemes. We expect our tax rate for the year ahead will be no higher than this year.

BALANCE SHEET AND CASH FLOW

In the year the Group generated £331m of cash flow before share buybacks but after interest, tax and dividend payments.

Capital expenditure for the year amounted to £99m and we are planning for £121m in the current year, broadly in line with underlying depreciation. Stock levels were well controlled throughout the year and finished £10m down in value. Directory debtor balances rose by £23m to £484m. We have retained robust provisions against potential defaults and are more comfortable with the consumer debt environment than we were a year ago.

Net debt at the year end was down £229m to £400m. This is comfortably financed by £505m of bonds maturing in 2013 and 2016. In addition to this we have £295m of bank facilities committed until 2013.

We believe that Next is likely to continue to generate cash flow well in excess of that which is required to fund growth in the business. We currently estimate we will generate around £175m of cash in the current year, after paying tax and dividends but before share buybacks.

SHARE BUYBACKS

We have continued our longstanding strategy of using surplus cash to buy back Next shares. During the year we acquired 5.9m shares (3% of those in issue at the start of the year) at a cost of £120m. Since the year end we have purchased a further 3.6m shares at a cost of £70m.

It is our intention to maintain an investment grade credit rating and we will not allow buybacks to constrain investment in the core business. Given these principles and subject to market conditions we intend to continue buying back shares in the current year. In this event, we expect net debt at January 2011 will be between £400m and £500m, broadly in line with our outstanding bonds.

The opportunity to use cash generated to buy back shares is important to our strategy. In the context of a consumer environment that may remain subdued for some time, buybacks from free cash flow can turn modest underlying business growth into healthy EPS growth without adding any operational risk. If, for example, we generate £200m of cash and use it to buy back shares at £20 then EPS would be enhanced by 5% on a full year basis.

DIVIDENDS

We have proposed raising our final dividend to 47p, taking the total dividend for the year to 66p. This is an increase of 20% and is in line with growth in EPS. Dividend cover remains a healthy 2.8 times compared to the sector average of 2.4 times. Given our expectation for further strong cash flow and the current level of cover, we expect to raise dividends in the year ahead by at least 10%.

OUTLOOK FOR 2010/11

Outlook for the Economy

The outlook for the year ahead is hard to predict. The consumer has come through the recession in relatively good shape. Employment is down by less than 2%, mortgages remain low and the savings ratio is back to sustainable levels. There are some slight worries; interest rate reductions annualise in April and we are beginning to see some modest inflationary pressure from the recent spike in commodity prices.

The main concern is the size of the Government deficit. In whichever way a future Government balances its books, the results will be uncomfortable for the consumer. The best outcome will be if the Government is able to reduce the deficit through productivity gains, although this will not be without impact on consumer spending, as inevitably it will result in the loss of some public sector jobs.

A worse scenario for the consumer would be a rise in taxation; direct taxes will reduce consumer spending, indirect taxes are likely to be inflationary. So the outlook for the economy (and therefore for retail sales) remains dependent on policy decisions and their timing and, as yet, we have little certainty as to either.

Outlook for Sales, Costs and Profits

In the current environment, and for the reasons outlined above, it is difficult to make robust predictions about sales. At this stage we are budgeting the first half as follows:

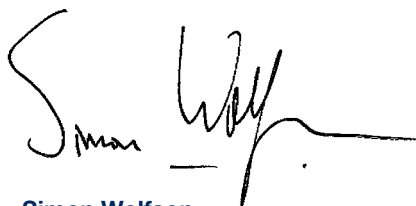
Sales (VAT ex)	First Half Range
Like for like	-2.5% to +0.5%
Total Retail including new space	+0.5% to +3.5%
Directory	+1.0% to +4.0%

The biggest challenge this year will be to absorb the increase in VAT without raising prices to customers. For the Spring Summer season we have succeeded in sourcing lower prices, which broadly offset the effect of increased VAT, so our prices will not be affected. We have yet to source a significant quantity of stock for the Autumn, but increased commodity prices (particularly cotton) may lead to modest inflation in our Autumn Winter cost prices. There are no significant threats to other costs in the year ahead, which are generally very well controlled.

We are reluctant to give full year profit guidance at this early stage. However, we think it is useful to outline how we expect profits to perform in a scenario where total sales are broadly level with last year. In the event that this year's total 52 week Brand sales can match last year's 53 weeks (i.e. full year Retail like for likes down around -2%), then we believe we can further improve the Group's net operating margins by around 1%. It is important to stress that this is not a forecast but does give an indication of the level of cost management within the business.

SUMMARY

Next has had an excellent year and has made good progress in revitalising the Next Brand. Whilst we remain very cautious about the general economic outlook for the year ahead, we believe that we can grow operating profits with very modest increases in sales and continue to further enhance EPS with share buybacks from free cash flow. We are well placed to face the challenges of the coming year.



Simon Wolfson
Chief Executive

25 March 2010

KEY PERFORMANCE INDICATORS

In addition to earnings per share, Group cash flows and divisional revenues and profits which 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:

Retail selling space	2010	2009	Annual change
Store numbers	517	510	+1.4%
Square feet 000's	5,763	5,506	+4.7%

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

	2010		2009	
Retail like for like sales	No. stores	LFL %	No. stores	LFL %
Total like for like	420	+0.1%	410	-7.9%
Underlying	401	+0.3%	348	-6.5%

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 to 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.

Retail operating margin	2010	2009
Net operating margin last year	13.1%	14.2%
Increase in achieved gross margin	+1.0%	+1.4%
Decrease/increase in store occupancy costs	+0.3%	-2.1%
Change in store payroll costs	0.0%	+0.1%
Increase in other costs	-0.2%	-0.5%
Net operating margin this year	14.2%	13.1%

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.

Directory customers	2010	2009	Annual change
Average active customers	2,282,000	2,202,000	+3.6%
Average sales per customer	£382	£371	+3.0%
Number of pages	3,968	3,960	+0.2%

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

Directory operating margin	2010	2009
Net operating margin last year	19.3%	20.6%
Increase/decrease in achieved gross margin	+0.5%	-1.2%
Decrease in bad debt	+0.7%	0.0%
Decrease/increase in service charge income	-0.3%	+0.2%
Decrease/increase in other costs	+0.8%	-0.3%
Net operating margin this year	21.0%	19.3%

Share buybacks	2010	2009
Number of shares purchased ('000)	5,928	3,900
% of opening share capital	3.0%	1.9%
Total cost (£m)	120.1	53.6
Average cost per share (£)	20.26	13.74

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

RISKS & UNCERTAINTIES

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

■ Business strategy development & implementation

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

In the current economic climate, Next remains exposed to a greater degree of credit risk than in previous years, albeit at a lower level than twelve months ago. 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 critically its exposure to counterparty risk in the light of the global economic climate and its treasury policy has been amended as necessary to restrict counterparties with which deposits, investments and other transactions may be made.

■ Management team

The success of Next depends in part 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 packages 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. The Group is nevertheless exposed to short supply of highly qualified candidates in the labour market to fill all key management positions and there can be no assurance that the Group will continue to be successful in attracting, retaining or motivating necessary personnel.

■ 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 a recession or other period in which consumer confidence is negatively affected. 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 is dependent on its supplier base to deliver products on time and to the quality standards it specifies. It continually seeks ways in which to develop and extend its supplier base so as to reduce any over-reliance on particular suppliers of product and services and to improve on the competitiveness of its product offer. This is achieved by development of existing and new sources of supply through its own sourcing operation, NSL, as well as through external agents and direct from 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 attributes of its supplier base to identify any factors that may affect the continuity or quality of supply of its products.

■ Development of retail store network & Directory customer base

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. Whilst the anticipated effect of sales deflection is factored into new store appraisals, 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. Although there have been a number of retail casualties over the last year, prime sites are still in great demand. While rents have eased, increased competition (particularly out of town) will possibly result in higher rents going forwards.

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.

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

■ Treasury & financial risk management

The main financial risks of Next relate to the availability of funds to meet business needs, default by counterparties to financial transactions, 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 would 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.

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 8,500 Next employees held options over a total of 13.1m shares in Next plc at January 2010. 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 3.6m 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 35 and in Note 23 to the financial statements. As at 30 January 2010, there were 1,738 (2009: 1,867) active members in the Defined Benefit Section and 2,065 (2009: 2,024) members in the Defined Contribution Section.

SOCIAL & ENVIRONMENTAL MATTERS

Next is committed to the principles of responsible business. For Next this means delivering value to customers and stakeholders, recruiting and retaining the best people to work for the Group, developing positive relationships with suppliers and developing healthy links with the communities in which it operates.

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

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

Suppliers

Next is a member of the Ethical Trading Initiative and operates a Code of Practice ("COP"), an established set of ethical trading standards which forms 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 40 staff (2009: 37). 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 30 January 2010 were 26 days (2009: 27 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 30 January 2010 or 24 January 2009.

Customers

Next is committed to offering stylish, excellent quality products to its customers and aims to ensure they are safe and fit for purpose 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. The expertise of independent safety specialists for clothing, footwear, accessories, beauty and home products is used where required.

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

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

Health and safety

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

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

Environment

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

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

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

During the year, all areas of the business have implemented energy saving initiatives and undertaken employee training to reduce energy consumption. Examples include replacing existing lighting schemes with more efficient bulbs, installation of occupancy sensors to dim or turn off lights when areas are unoccupied and interrogation of store energy consumption to identify, investigate and correct unusual consumption patterns. As a result, the Group was able to reduce its combined UK consumption of electricity and gas by 15% in the year to January 2010.

During 2008, Next began the construction of its own recycling centre to process cardboard and polythene waste created in the business, which became fully operational in 2009. To achieve the long term aim of no operational waste being sent to landfill, further streams of dry waste materials have been identified that can be segregated and collected for recycling, such as tissue, paper, plastic bottles, timber and metals.

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

Community

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

	2010 £000	2009 £000
Registered charities	903	839
Individual requests, local and national groups and organisations	87	57
Commercial support	61	54

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

	2010 £000	2009 £000
Next charity events	20	24
Gifts in kind — product donations	601	764
Charity linked sales	404	182
Employee fundraising	40	21
Ventura fundraising	6	12

Next is working with a number of charities both in the UK and overseas to raise funds through the sale of specific products where a donation from the sale of each product is passed to the charity. We have continued to support Soul of Africa, an imaginative self-help initiative which resources groups of unemployed workers in Africa with materials and skills to make hand-stitched shoes and t-shirts. In addition we have continued to support a number of health charities through the sale of Next Christmas cards and clothing products.

No donations were made for political purposes (2009: nil).

ANNUAL GENERAL MEETING & OTHER MATTERS

Notice of the Annual General Meeting ("AGM") is on pages 88 to 98 and includes the following business:

Dividends

The Directors recommend that a final dividend of 47p per share be paid on 1 July 2010 to shareholders on the register of members at close of business on 28 May 2010. The Trustee of the Next Employee Share Ownership Trust ("ESOT") has waived dividends paid in the year on shares held by the ESOT, see Note 29.

Directors

The current Board, including biographical details, is shown on page 24 of this report. Mr Barber, Mr Brookes and Mr Keens will retire at the 2010 AGM in accordance with the Company's articles of association. Mr Barber and Mr Keens, being eligible, are offering themselves for re-election. The Board has formally reviewed the performance of these directors and concluded that they remain effective and are committed to their roles at Next. Mr Brookes will not be standing for re-election. Arrangements are in hand to appoint a new independent non-executive director to replace Mr Brookes.

The interests of the directors who held office at 30 January 2010 and their families are shown in the Remuneration Report on pages 38 and 39.

Auditors

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

Disclosure of information to auditors

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

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

Share Matching Plan

Since 2004 the Company has each year sought shareholder authority to operate a Risk/Reward investment plan for the executive directors and certain other senior executives. The Remuneration Report on page 29 explains that no further awards will be made under these arrangements and, instead, it is proposed to introduce a new share matching plan. Approval from shareholders for the new plan, which complies with current best practice guidelines, will be sought at the AGM. It will be known as the Next 2010 Share Matching Plan and a summary of its main features is set out in the Appendix 1 to the Notice of Meeting on pages 91 to 92.

A copy of the rules of the proposed Plan will be available for inspection at the Company's registered office and at the offices of Hewitt New Bridge Street at 6 More London Place, London SE1 2DA during normal business hours up until the close of the AGM, and at the Meeting itself.

Authority to allot shares

Ordinary resolution 8 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 2011 or, if earlier, 1 August 2011. This resolution will allow the directors to allot ordinary shares up to a maximum nominal amount of £6,250,000 representing approximately one third (33.33%) of the Company's existing issued share capital as at 22 March 2010. In accordance with the latest institutional guidelines, resolution 8 will also allow directors to allot further ordinary shares, in connection with a pre-emptive offer by way of a rights issue, of up to a maximum nominal amount of £12,500,000, representing approximately two thirds (66.67%) of the Company's existing issued share capital. As at 22 March 2010 (being the latest practicable date prior to publication of this document) the Company's issued share capital amounted to £18,753,290, comprising 187,532,899 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 9 will, if passed, renew the directors' authority pursuant to Section 560 of the Companies Act 2006 to allot equity securities for cash without first offering them to existing shareholders in proportion to their holdings. This resolution limits the aggregate nominal value of ordinary shares which may be issued by the directors on a non pre-emptive basis to £937,500, being less than 5% of the issued ordinary share capital as at 22 March 2010. 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 2011 or, if earlier, 1 August 2011. The directors do not intend to issue more than 7.5% of the issued share capital of the Company in any rolling three year period without prior consultation with the Investment Committees of major shareholder representative organisations.

On-market purchase of own shares

Next has been returning capital to its shareholders by share repurchase as well as dividend since March 2000 as part of its strategy for delivering sustainable long term growth in earnings per share. Over this period, and up to 22 March 2010, Next has returned over £2.2 billion to shareholders by way of share buybacks and in excess of £900 million 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.

Special resolution 10 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 28,129,000 ordinary shares of 10p each (being 15% of the issued share capital as 22 March 2010) and no more than 15% of the issued ordinary share capital outstanding at the date of the AGM, such limits to be reduced by the number of any shares to be purchased pursuant to special resolution 11: Off-market purchases of own shares, see below;
- (b) the payment per ordinary share is not less than 10p and not more than 105% of the average of the middle market price of the ordinary shares according to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date of purchase; and
- (c) the renewed authority expires on whichever is the earlier of the next AGM of the Company in 2011 and 1 August 2011.

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 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 the shares purchased under this authority.

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

The total number of share options to subscribe for shares outstanding at 22 March 2010 was 12,944,945. This represents 6.9% of the issued share capital at that date. If the Company were to buy back the maximum number of shares permitted pursuant to this resolution, then the total number of options to subscribe for shares outstanding at 22 March 2010 would represent 8.1% of the reduced issued share capital.

Off-market purchases of own shares

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

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

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

Special resolution 11 will give the Company authority to enter into further contingent purchase contracts with each of Goldman Sachs International, UBS AG, Deutsche Bank AG and Barclays Bank plc under which shares may be purchased off-market at a discount to the market price prevailing at the date each contract is entered into. The total number of shares which the Company would be permitted to purchase pursuant to this authority would be 9,500,000 and would not exceed a total cost of £200 million.

The principal features of the contracts are set out in Appendix 2 to the Notice of the AGM. Copies of each contract will be available for inspection at the registered office of the Company, and at the offices of Allen & Overy LLP, One Bishops Square, London, E1 6AD during normal working hours from the date of the Notice of the AGM up to the date of the AGM and at the Meeting itself.

New Articles of Association

It is proposed in resolution 12 to adopt new articles of association in order to update the Company's current articles of association, primarily to take account of the coming into force of the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations") and the implementation of the remaining parts of the Companies Act 2006.

The principal changes introduced in the new Articles are summarised on Appendix 3 pages 95 to 96. A copy of the proposed new Articles and a copy of the Company's current Memorandum and Articles, marked to show all the changes proposed, will be available for inspection at the Company's registered office and at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD during normal business hours up to the date of the AGM, and at the Meeting itself.

Notice of General Meetings

The Shareholders' Rights Regulations came into effect from 3 August 2009 and increase the notice period required for general meetings of the Company to 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. The Company's AGM will continue to be held on at least 21 clear days' notice. Prior to these regulations coming into force, the Company was able to call general meetings other than an AGM on 14 clear days' notice without obtaining such shareholder approval. In order to preserve this ability, special resolution 13 seeks such approval. The approval will be effective until the Company's AGM in 2011, when it is intended that a similar resolution will be proposed. In order to be able to call a general meeting on less than 21 clear days' notice, the Company will make a means of electronic voting available to all shareholders for that meeting.

Recommendation

Your directors are of the opinion that all resolutions which are to be proposed at the 2010 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 2009 AGM to purchase the Company's own shares. During the year the Company purchased a total of 5,928,082 ordinary shares of 10p in the market at a cost of £120.1m, representing 3.0% of its issued share capital. These shares were cancelled.

On 30 January 2010, the Company had 191,168,605 shares in issue. Subsequent to the end of the financial year, the Company purchased for cancellation 3,635,706 of its own ordinary shares at a cost of £70.4m under an irrevocable closed season buyback agreement. As at 22 March 2010 the Company had 187,532,899 shares in issue.

As at 22 March 2010 the following notifications had been received from holders of notifiable interests in the Company's issued share capital as shown:

	No. of 10p ordinary shares	%
BlackRock Inc.	18,352,847	9.79
FMR LLC	13,464,951	7.18
Schroders plc	10,235,136	5.46
Legal & General Assurance (Pensions Management) Limited	7,400,141	3.95
Standard Life Investments	6,128,405	3.27

Additional information

Shareholder and voting rights

All members who hold ordinary shares are entitled to attend and vote at the AGM. On a show of hands at a general meeting every member present in person and every duly appointed proxy shall have one vote and on a poll, every member present in person or by proxy shall have one vote for every ordinary share held or represented. The Notice of Meeting on pages 88 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.

Change of control

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

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

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

Corporate governance

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

By order of the Board

A J R McKinlay
Secretary

25 March 2010

Directors' responsibilities

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

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

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

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

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

Responsibility Statement

We confirm that to the best of our knowledge:

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

On behalf of the Board

Simon Wolfson
Chief Executive

David Keens
Group Finance Director

25 March 2010

CHAIRMAN OF THE BOARD

John Barton

Aged 65

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

EXECUTIVE DIRECTORS

Simon Wolfson, Chief Executive

Aged 42

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 46

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 56

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 59

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.

BOARD COMMITTEES

Audit Committee

S D Barber (Committee Chairman)
N G Brookes
C Cross
J D S Dawson

Remuneration Committee

J D S Dawson (Committee Chairman)
S D Barber
R J O Barton
N G Brookes
C Cross

Nomination Committee

R J O Barton (Committee Chairman)
S D Barber
N G Brookes
C Cross
J D S Dawson

INDEPENDENT NON-EXECUTIVE DIRECTORS

Jonathan Dawson, Senior Independent Non-executive Director

Aged 58

Became a member of the Board in 2004. He is also a non-executive director of National Australia Group Europe Ltd 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 58

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.

Nick Brookes

Aged 59

Became a member of the Board in 2003. He is also a non-executive director of business law firm Bond Pearce LLP. He has held a number of directorships within the British American Tobacco Plc group, was Company Secretary and most recently Regional Director, America Pacific. Previous experience includes a career in the legal profession and operational roles in Africa and the USA.

Christine Cross

Aged 58

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

Company Secretary

A J R McKinlay

Registered Office

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

Registrars

Equiniti,
Aspect House, Spencer Road,
Lancing, West Sussex, BN99 6DA

Auditors

Ernst & Young LLP

Investment Bankers

Goldman Sachs International

Stockbrokers

UBS Limited

Combined Code compliance

The Group complied throughout the year under review with the provisions set out in Section 1 of the June 2008 FRC Combined Code on Corporate Governance and the UK FSA Disclosure and Transparency Rules. Certain disclosures required by DTR7.6 with regard to share capital are presented in the 'Share capital and major shareholders' and 'Additional information' sections of the Directors' Report.

The Board of Directors

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. 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 monthly reporting to the Board or Board Committee, including treasury operations and capital expenditure.

The Board held nine formal meetings during the year. Mr Wolfson, Mr Angelides, Mr Barton, Mr Barber and Mrs Cross attended all nine meetings; Mr Brookes, Mr Dawson, Mr Keens and Mr Varley were each unable to attend one of the meetings. All directors are required to submit themselves for re-election by shareholders at least once every three years.

Board papers including reports from the Chief Executive and Finance, Property and Product Directors are circulated in advance of each Board meeting. There is a regular flow of written and verbal information between all directors irrespective of the timing of meetings. Induction is provided to new appointees to provide an introduction to all major areas of the business, and training is provided where a need is identified or training requested.

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

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

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

Directors' conflicts of interest

The Company's Articles of Association were amended at the 2008 AGM with effect from 1 October 2008 to permit the Board to consider and, if it sees fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company ("Situational Conflicts"). 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 must act in the way they consider, in good faith, would be most likely to promote the success of the Company, and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any Situational Conflicts considered by the Board, and any authorisations given, will be recorded in the Board minutes and in a register of conflicts which will be reviewed annually by the Board. In accordance with Companies Act 2006, the Board has considered and authorised any director's reported potential conflicts of interest during the year. The Board will continue to monitor and review potential conflicts of interest on a regular basis.

Audit Committee

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

The Committee holds regular, structured meetings and consults with external auditors and senior management where appropriate. The Committee considers financial reporting and reviews the Group's accounting policies and annual statements. In particular, any major accounting issues of a subjective nature are discussed by the Committee. In addition, the Committee receives briefings, reports and presentations from management on the activities of individual functions within the Group. The Committee also reviews internal and external audit activity and the effectiveness of the risk management process; significant risk issues are referred to the Board for consideration. Four meetings were held during the year and were fully attended, with the exception of one which Mr Brookes was unable to attend.

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. Six meetings were held during the year and all were fully attended, with the exception of one which Mrs Cross was unable to attend.

Nomination Committee

The Committee consists of the Chairman and four independent non-executive directors, including the senior non-executive director. The Committee meets as required to fulfil its duties of reviewing the Board structure and composition and identifying and nominating candidates to fill Board vacancies as they arise. One meeting was held during the year, which was attended by all members of the Committee with the exception of Mrs Cross.

External consultants are used to assist in identifying suitable candidates, based on a written specification for each appointment. The Chairman is responsible for providing a shortlist of candidates for consideration by the Board. The final candidate is then subject to formal nomination by the Committee and approval by the Board.

Chairman

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

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

Chief Executive

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

Management delegation

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

Performance evaluation

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

Risk management

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

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

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

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

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

External auditors

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

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

Proposed assignments of non-audit services with anticipated fees in excess of £50,000 are 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 Ernst & Young's existing knowledge of the Group enables them as the Group's auditors to provide the required services more cost-effectively than other parties, for example certain overseas taxation compliance services. The Group's auditors are prohibited from providing any services that would conflict with their statutory responsibilities.

Personal use of company assets

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

Relations with shareholders

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

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

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

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

Going concern

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

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

Information not subject to audit

Introduction and overview of the year

The Remuneration Committee has continued to focus during the last year on ensuring that the Group's remuneration structure properly achieves its objective. This objective is to ensure that Next's employees at all levels receive appropriate remuneration which reflects the performance of the Company and their contribution to it. The Committee is also keen to ensure that remuneration across Next fairly balances the rewarding of talent and performance with the primary financial objective of sustainable long term growth in earnings per share ("EPS"). Achieving this balance is central to a fair alignment of the interests of management and shareholders. The Committee also aims to maintain an appropriate mix of salary, short term and longer term incentive arrangements so that no single element carries disproportionate weight, particularly for executive directors and other senior employees.

Next has achieved record profits and EPS, despite the challenging economic conditions and outlook for the UK. Bonuses allocated to employees, including executive directors, have therefore been significantly higher than in the year to January 2009. Pre-tax profits in 2009/10 were £505m, an increase of £76m over the previous year, which resulted in total annual bonuses payable to the four executive directors of approximately £2.3m (2009: £0.4m) in accordance with the bonus plan targets set at the start of the year. At a time when competition for managerial, design and retailing talent is very strong, the Committee is determined that the remuneration strategy should continue to enable Next to attract and retain the highest quality people. The Committee believes that the stability in the composition of the team of executive directors and senior management has been a significant contributor to Next's resilient performance.

This overview summarises the principal developments of the year. More detailed information on Next's remuneration arrangements is set out in the following pages.

During the year the Committee:

- reviewed the overall remuneration, incentive and retention arrangements with a particular focus on whether the four-year Risk/Reward investment plans of 2004 and 2005 should continue. This review was conducted with the support and advice of the Committee's independent consultants, Hewitt New Bridge Street. The Committee concluded that the plan no longer met its original objectives. Although approved by shareholders at each Annual General Meeting since 2005, no awards under the plan have been made since 2005 and no payouts have been achieved under the 2004 and 2005 plans. Both plans have now lapsed and the personal investments made by senior executives, totalling £2.0m (including £1.3m by executive directors), have been lost with no return.
- concluded that the Risk/Reward plan should be replaced by an annual Share Matching Plan ("SMP") complying with current best practice guidelines. Under the proposed SMP, selected senior executives (not expected to exceed 30, including the four executive directors) could invest part, or all, of their annual cash bonus in Next shares and receive additional matching shares, depending on growth in EPS over the following three years. The Committee considers that making awards each year will enable executives to build up a 'portfolio' of awards, enhancing both the incentives for executives as well as strengthening their retention value to the Company.
- consulted major shareholders representing over 40% of Next's shares in issue on the proposed terms of the SMP and accordingly concluded that it would be appropriate to submit the SMP for investors to consider at this year's Annual General Meeting. Full details are set out in the Notice of Annual General Meeting on page 88 of the Annual Report. The key elements of the proposal are:
 - depending on the Company's fully diluted EPS performance over 3 years and measured against thresholds the Committee set in advance, executives could receive additional Next shares with a value of up to 2 times the pre-tax amount of the bonus invested. The Committee will have flexibility to make awards in exceptional circumstances of up to 3 times that amount. The Committee has no current intention to use this flexibility and would do so only after consulting Next's major shareholders.

- for any matching shares to vest, Next must achieve pre-determined fully diluted EPS thresholds. For the initial award, it is proposed that executives would receive a matching award of half a share for each share purchased (grossed up for tax as mentioned above) if EPS for the year ending January 2013 is at least 191.5 pence. A one for one match would require EPS of 206.5 pence and the maximum two for one match would require EPS of 221.5 pence. For EPS at points between the thresholds a straight line basis of calculation for the matching amount would be applied. These thresholds equate to growth in EPS over the three year period of 8.5%, 17.0% and 25.5% respectively. The Committee believes that these thresholds are appropriately stretching, particularly given the record profits and EPS achieved in the last year.
- vesting of any award would be conditional on the executive remaining employed with Next for the three-year performance period and retention of their share investment.
- the Committee will set appropriate performance thresholds for later awards which it considers to be no less demanding than for the initial awards, taking account of the Company's recent performance and future prospects.
- considered whether EPS should remain the basis for calculating the level of annual bonuses and whether it would be appropriate to introduce personal performance targets for senior executives, including the executive directors. The Committee decided that the current arrangements should be maintained. The key factors in its assessment were:
 - EPS has been, and remains, the key internal measurement applied by management consistently for many years and used by the Board as a whole for evaluating Group performance.
 - Next is essentially a single business selling products under the Next brand; it is not a conglomerate with diverse businesses and unrelated profit streams.
 - there is a risk in applying different personal, financial or other targets to individual executives. This could undermine the present shared goal, to the detriment of the growth of Next.
 - long term sustainable growth in EPS, complemented by prudent Board oversight of strategy, annual budgets, financial discipline and investment opportunities, is, in the Committee's view, the best indicator of financial performance and the creation of shareholder value.
 - the use of EPS for annual bonuses is complemented by the use of Total Shareholder Return to determine vesting under Next's Performance Share Plan ("LTIP").
 - the use of non-financial or qualitative targets might result in bonuses being paid, or increased, when underlying financial performance might not justify such awards.
- determined that, as his specific product skills are scarce in the fashion retail sector, the annual LTIP awards for Mr Angelides should be increased from 150% to 250% of salary for each of the four performance periods ending July 2012 through to January 2014 to ensure that he is appropriately incentivised. No equivalent increase for other executive directors is currently envisaged.
- approved with effect from 1 February 2010 an annual cost of living salary increase of 1% for executive directors in line with the wider Company award. Where appropriate additional merit increases have been awarded to certain senior executives, including one to Mr Angelides. The cost of living increase is the same increase as awarded last year.

The 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 members of the Committee who served during the year were Mr Dawson (Chairman of the Committee), Mr Barber, Mr Barton, Mr Brookes and Mrs Cross. The directors' biographies can be found on page 24 of this Annual Report. 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 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. 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' collective experience from other board positions. The components of the Group's remuneration packages are detailed below.

Remuneration is structured to ensure that no one 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") and participation in Next's pension plan. Historically, it also included optional participation in a risk/reward investment plan which, if approved by shareholders, will be replaced by the Share Matching Plan commencing this year.

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 as well as pay and employment conditions for employees elsewhere in the Group. Where appropriate, additional merit increases are awarded. With effect from 1 February 2010 an annual cost of living salary increase of 1% was awarded to executive directors, in line with the wider Company award, with one merit award being made to Mr Angelides.

Annual performance related bonus

The executive directors participate in an annual performance related bonus scheme which is based on formulae determined by the Committee measuring the performance of the business. Annual performance targets are set by the Committee based on a range of factors, including consensus analysts' profit forecasts and the Company's own internal budgets for the relevant period. Whilst these are not disclosed in advance for reasons of commercial sensitivity, the targets and performance against them will be disclosed in the relevant year's Remuneration Report.

For the year to January 2010, performance targets were set requiring pre-tax EPS of 195.3 pence before any bonus became payable. A maximum bonus of 150% of salary in the case of the Chief Executive and 100% of salary for the other executive directors was payable if pre-tax EPS exceeded 233.2 pence. A sliding scale of payments operated for performance between these minimum and maximum levels. Based on the pre-tax EPS of 261.8 pence per share, the actual bonus payable is 150% of salary in the case of the Chief Executive and 100% of salary for the other executive directors.

In the case of the Chief Executive, any bonus in excess of 100% of basic salary is payable in shares, deferred for a period of two years and will be forfeited if he voluntarily resigns prior to the end of that period.

Long term incentive plan

Awards under the plan were initially granted annually. However, from September 2008 the Remuneration Committee adopted a biannual, rather than annual, grant policy. The Chief Executive, other executive directors and senior management receive grants of 100%, 75% and 60% of basic annual salary respectively every six months (in or around March and September each year), i.e. they are able to receive awards of up to 200%, 150% and 120% of basic salary annually. As noted above, annual LTIP awards for Mr Angelides will be increased from 150% of salary to 250% p.a. for each of the four performance periods ending July 2012 through to January 2014. No equivalent increase for other executive directors is currently envisaged.

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

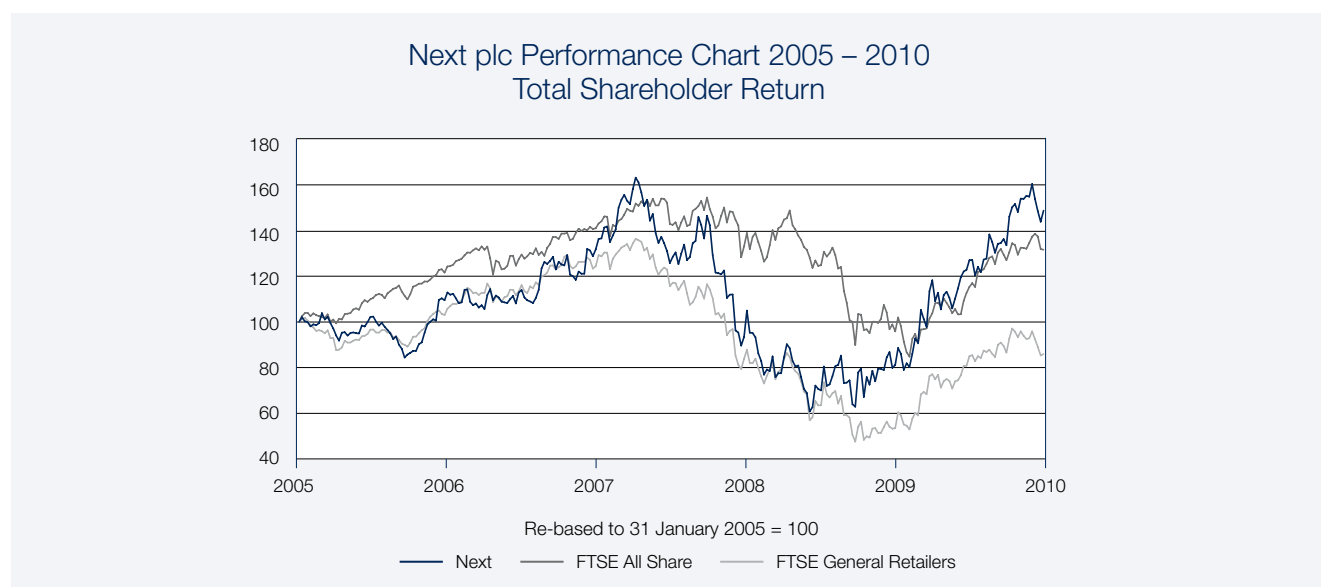
The comparator group of companies for the three year performance period to January 2010 was as follows:

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

For periods ending January 2011 onwards Alliance Boots has been removed from the comparator group. For periods ending January 2012 onwards ASOS, HMV and Halfords have been added to the comparator group and Woolworths has been removed.

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

The graph below shows relative TSR of the Company over five years when compared with the FTSE All Share index and FTSE General Retailers index. This illustrates the Company's performance against a wide all-share UK index and against other companies in the same sector.



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 a minimum percentage of the maximum award. For performance above the median the entitlement will rise, with the maximum award being earned for performance which places the Company at or above a pre-determined ranking in the comparator group. Performance against the relative TSR performance targets is calculated by PricewaterhouseCoopers. Irrespective of where Company performance ranks, no award will vest for any plan commencing prior to April 2008 unless the Company's EPS has increased by at least the increase in the Retail Price Index over the period. For plans commencing after July 2008, the Committee will confirm if the relevant performance conditions, including the economic underpin, have been met before any award vests. The maximum 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 and the performance criteria for maximum awards based on a comparator group of approximately 20 companies are as follows:

Performance periods commencing	Maximum potential award granted (% of basic salary)		% of maximum potential award at median ranking	Ranking for maximum award
	Directors	Other employees		
February 2007	100%	80%	30%	Upper quartile
February 2008	150% ¹	120%	20%	Upper quintile
August 2008	75% ²	60%	20%	Upper quintile
February 2009	75% ^{2, 3}	60%	20%	Upper quintile
August 2009	75% ^{2, 3}	60%	20%	Upper quintile

¹ The maximum potential award made to Mr Wolfson for the performance period commencing February 2008 is 200% of basic salary.

² The maximum potential award made to Mr Wolfson for these performance periods is 100% of basic salary.

³ Incremental awards made to Mr Angelides, bringing his maximum share award to an equivalent of 125% of salary for these performance periods.

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. Individuals included in the plan have not received grants under the management share option scheme in the same year.

Share matching plan

Subject to approval by shareholders at the 2010 AGM, a Share Matching Plan ("SMP") will replace the current Risk/Reward Plan. Selected senior executives (including the four executive directors) will be able to invest part or all of their 2009/10 annual bonus in Next shares ("Investment Shares") under the arrangements to receive a matching award ("Matching Shares").

Participants will be able to purchase Investment Shares each year. In return they would receive a conditional award of Matching Shares. Investment Shares may be purchased out of the cash element of the annual bonus which, for executive directors, is currently capped at 100% of salary. Deferred shares (i.e. any compulsory deferral element of the annual bonus, which currently only applies to the Chief Executive) will not count as Investment Shares.

Participants will be able 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. Vesting of matching awards will be subject to remaining in employment, the achievement of 3-year performance targets and the retention of Investment Shares. The scheme will contain the ability to grant a higher matching ratio of up to 3:1 if the Committee considers it appropriate. In practice, the Committee intends to operate the SMP with a maximum 2:1 match and will consult with major shareholders before any higher award is made.

Vesting of the initial awards is to be dependent solely on stretching fully diluted EPS targets, with a 0.5:1 match offered for achieving threshold EPS and a 2:1 match for maximum EPS. For EPS performance between these two points, the intention is that the vesting schedule will be "kinked" with a higher than proportional level of match applying for more demanding levels of EPS growth within the range. For the initial awards in 2010, the threshold level of vesting will require EPS of 191.5 pence, a match of 1:1 will be earned for EPS of 206.5 pence and EPS of 221.5 pence will be required to achieve the full 2:1 match (with straight-line vesting between each of the threshold points). 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 initial conditions.

Risk/Reward investment plan

The risk/reward investment plan was first implemented in 2004 in order to provide a retention incentive for executive directors and senior employees who were being targeted by Next's competitors. Shareholders also approved the implementation of further plans at an EGM held in 2005 and at the 2006, 2007, 2008 and 2009 AGMs, but the Committee decided it was not appropriate to offer this incentive in any of the four years to January 2010. The Committee has decided that shareholder approval for the risk/reward investment plan will no longer be sought.

Full details of the 2005 Plan were included on page 22 of the 2006 Remuneration Report.

The risk/reward plan that was last implemented in July 2005 concluded in July 2009 and no returns accrued to participants on its maturity.

Management share options

The management share option plan was approved by shareholders in 2005 and will be due for renewal in 2015. The plan provides for options over shares, exercisable between three and ten years following their grant, to be allocated to Group employees (excluding main board directors and senior executives who participate in Next's LTIP) at the discretion of the Committee. Options can either be approved (where the beneficiary may qualify for tax relief) or unapproved. 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 granted prior to 2009 is subject to a performance condition where the percentage growth in the Group's EPS over a three year period must exceed RPI plus a further 3% per annum.

In the light of prevailing economic circumstances, the Committee determined in 2009 that a growth related performance condition was no longer appropriate and a specific EPS performance condition of 133p should be applied for the April 2009 option grant. For the April 2010 award, the Committee has reviewed Next's internal budgets and current analysts' forecasts and decided this performance condition should revert to the minimum growth in EPS of RPI plus 3% per annum. If the performance condition for any option grant is not met at three years from the date of grant, the options lapse.

No options were granted to directors or changes made to existing entitlements in the year under review. No employee has received option grants under the scheme and been included in Next's LTIP in the same year.

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 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 the use of market purchases into treasury where necessary for the future settlement of these obligations.

Sharesave options

The sharesave option scheme was approved by shareholders in 2009 and expires in 2019. Invitations to participate are generally issued annually to substantially all employees.

The scheme operates on a save-as-you-earn principle and is subject to a maximum contribution limit of £250 per month per employee. 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. A similar scheme is operated by the Company for its employees in the Republic of Ireland.

No sharesave options were granted to directors in the year under review.

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. Pensioner and member representatives have been elected as member nominated directors. 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 is being continued for the benefit of existing members. This section provides members with a retirement benefit of one sixtieth or one eightieth (depending on chosen member 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 Plan members, pensionable earnings are comprised 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 2008 and concluded that the Plan had a 15% deficit of assets compared with actuarial liabilities. The deficit in the Plan at 30 January 2010 calculated in accordance with International Financial Reporting Standards was £49.5m; 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 paying 5% of pensionable earnings into the Plan.

Specific information in respect of executive directors’ pension entitlements is detailed below.

Service contracts

Each of the executive directors has a rolling service contract (current contracts all commenced on 1 February 2009) which is terminable by the Company on giving one year’s notice. The Committee will ensure that in the event of any termination payment being made to a director full account will be taken 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.

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.

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

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. Additional fees are paid for the roles of Chairman of the Remuneration Committee, Chairman of the Audit Committee and Senior Independent Non-executive Director. Letters of appointment for the Chairman and non-executive directors do not contain fixed term periods, however they are appointed in the expectation that they will serve for a minimum of six years, subject to satisfactory performance and successful re-election at Annual General Meetings.

Director	Date of appointment	Notice period
R J O Barton	17 May 2006	12 months
S D Barber	1 June 2007	1 month
N G Brookes	25 June 2003	1 month
C Cross	19 January 2005	1 month
J D S Dawson	13 May 2004	1 month

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.

Information subject to audit

2010

Directors' remuneration £'000	Salary/fee	Performance related bonus	Benefits	Total 2010	Total 2009
Chairman					
R J O Barton	225	–	–	225	225
Executive directors					
S A Wolfson	682	1,022	33	1,737	831
C E Angelides	475	475	30	980	585
D W Keens	454	454	28	936	560
A J Varley	381	381	27	789	423
Non-executive directors					
S D Barber	53	–	–	53	48
N G Brookes	45	–	–	45	42
C Cross	45	–	–	45	42
J D S Dawson	58	–	–	58	55
D N D Netherton	–	–	–	–	15
Total	2,418	2,332	118	4,868	2,826
Total 2009	2,357	351	118	2,826	

All directors were members of the Board throughout the two year period covered by the table above with the exception of Mr Netherton who retired as a director on 13 May 2008.

Mr Wolfson was the highest paid director in the current and previous year; £340,000 of his performance related bonus noted above is payable in Next shares, deferred for a period of two years and will be forfeited if he voluntarily resigns prior to the end of that period.

The Company also paid a pension under the unfunded, unapproved arrangement to a former director of the Company of £34,593 (2009: £34,593).

Long term incentive plan

Estimated monetary values were included in the January 2009 Remuneration Report for the three year performance plan which matured at that date based on a share price of 1283p on 23 March 2009. Performance conditions of the plan are detailed on pages 31 to 33. Awards were made subsequent to the Report on 31 March 2009 when the share price was 1324p. Adjustments to the estimated monetary value together with the final award are included in the table below.

A further three year performance period of the plan matured in January 2010. The Company's TSR over this period ranked fourth in the comparator group of 21 other listed retail companies. The awards will be settled during 2010 and, based on the share price of 2077p on 22 March 2010, awards would be as follows:

	January 2010		January 2009	
	Actual	Estimated	Adjustment	Final
	no. of	value	to estimate	value
	shares	£000	£000	£000
S A Wolfson	32,599	677	6	204
C E Angelides ¹	23,709	492	6	193
D W Keens	23,509	488	4	139
A J Varley	17,554	365	3	104
	97,371	2,022	19	640
Other participants	123,579	2,567		609
	220,950	4,589		1,249

¹ Mr Angelides also received a deferred payment of £137,556 in March 2009 for the performance period maturing in January 2007 which was only payable if he remained with the Group until January 2009.

The LTIP performance periods which mature in 2011 and 2012 respectively are not yet complete and no entitlement has yet been earned. A charge of £15,460,000 for the year (2009: £1,669,000) has been made in the accounts in respect of the long term incentive plan, of which approximately £5,849,000 (2009: £692,000) related to the executive directors.

Potential awards over shares under the LTIP for which the performance period was not completed as at 30 January 2010 were as follows:

	Maximum no. of shares to January 2011	Maximum no. of shares to July 2011	Maximum no. of shares to January 2012	Maximum no. of shares to July 2012
S A Wolfson	80,024	62,791	62,374	44,356
C E Angelides	41,790	32,791	32,573	38,606
D W Keens	40,012	31,395	31,187	22,178
A J Varley	29,787	23,372	23,217	16,510
	191,613	150,349	149,351	121,650
Other participants	236,083	186,461	188,491	140,804
	427,696	336,810	337,842	262,454

Market price at date of grant:	1687p	1075p	1093p	1537p
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The potential awards for the performance periods to January 2012 and July 2012 were allocated during the year. There have been no other changes to awards under the LTIP during the year.

Directors' pension entitlements

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

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

	Age at January 2010	Years of pensionable service	Accrued annual pension £'000	Change in accrued annual pension £'000	Transfer value of accrued annual pension		Change in transfer value less director's contributions £'000
					2010 £'000	2009 £'000	
S A Wolfson	42	15	250	16	2,693	2,393	266
C E Angelides	46	17	219	13	2,970	2,670	276
D W Keens	56	23	167	(147)	3,465	6,338	(2,850)
A J Varley	59	24	132	–	3,168	2,909	259

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

Mr Varley ceased to contribute to the Plan from 31 October 2008. At this date he became a deferred pensioner of the Plan and stopped accruing pensionable service. His pension is therefore no longer linked to salary, but his accrued pension as at 31 October 2008 will instead be increased in line with statutory deferred revaluation (nil for the current year). He remains in the service of, and an executive director of, Next. The increase in the transfer value of his accrued pension increased over the year as a result of his increase in age and changes in external economic conditions.

The accrued annual pension and transfer value for Mr Keens have reduced as a result of his divorce. During the year employer contributions to the Plan on behalf of Mr Keens totalled £79,537.

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

Directors' interests

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

	Ordinary shares of 10p each		Options over ordinary shares of 10p each			
	2010	2009	2010 Average	2010	2009 Average	2009
	No. of shares	No. of shares	No. of shares	exercise price (p)	No. of shares	exercise price (p)
S A Wolfson	1,602,340	1,602,340	1,826	917	1,826	917
C E Angelides	90,108	90,108	1,046	917	1,046	917
S D Barber	3,500	3,500	–	–	–	–
R J O Barton	16,000	16,000	–	–	–	–
N G Brookes	8,000	8,000	–	–	–	–
C Cross	2,500	2,500	–	–	–	–
J D S Dawson	5,000	5,000	–	–	–	–
D W Keens	125,700	151,437	1,284	1067	1,284	1,067
A J Varley	61,008	69,887	1,046	917	1,046	917

Share options expire at various dates up to June 2014. No share options were granted to or exercised by directors during the year. The market price of shares at 30 January 2010 was 1966p and the range during the year then ended was 1088p to 2139p.

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 3,638,271 shares owned by the Trust at 30 January 2010. Mr Keens has a beneficial holding of £83,000 (2009: £83,000) nominal value of the Company's 2013 5.25% corporate bonds.

From the end of the financial year to 22 March 2010 there have been no changes to directors' interests in the shares of the Company other than Mr Varley's shareholding reducing by 3,254 shares as part of his divorce proceedings. 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.

On behalf of the Board

Jonathan Dawson
Chairman of the Remuneration Committee

We have audited the financial statements of Next plc for the year ended 30 January 2010 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 auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 January 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the 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; and
- the part of the Corporate Governance Statement on pages 25 to 28 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

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

25 March 2010

Consolidated Income Statement

for the financial year ended 30 January

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	Notes	2010 £m	2009 £m
Revenue	1, 2	3,406.5	3,271.5
Cost of sales		(2,409.6)	(2,363.0)
Gross profit		996.9	908.5
Distribution costs		(232.1)	(234.4)
Administrative expenses		(236.6)	(192.9)
Other gains/(losses)	2	0.7	(3.8)
Trading profit		528.9	477.4
Share of results of associates	12	0.9	0.9
Operating profit	3	529.8	478.3
Finance income	5	0.8	1.3
Finance costs	5	(25.3)	(50.8)
Profit before taxation		505.3	428.8
Taxation	6	(141.3)	(126.5)
Profit for the year		364.0	302.3
Profit for the year attributable to:			
Equity holders of the parent Company		364.1	302.4
Minority interest		(0.1)	(0.1)
Profit for the year		364.0	302.3
Basic earnings per share	8	188.5p	156.0p
Diluted earnings per share	8	177.4p	155.7p

Results for the financial year are for the 53 weeks to 30 January 2010 (last year 52 weeks to 24 January 2009)

Consolidated Statement of Comprehensive Income

for the financial year ended 30 January

	Notes	2010 £m	2009 £m
Profit for the year		364.0	302.3
<i>Other comprehensive income and expenses</i>			
Exchange differences on translation of foreign operations		(5.0)	7.0
(Losses)/gains on cash flow hedges		(61.4)	114.9
Actuarial losses on defined benefit pension schemes	23	(12.6)	(36.2)
Tax relating to components of other comprehensive income	6	19.0	1.1
		(60.0)	86.8
<i>Reclassification adjustments</i>			
Transferred to income statement on cash flow hedges	2	(8.3)	(30.7)
Transferred to the carrying amount of hedged items on cash flow hedges		5.2	(25.9)
Other comprehensive (expense)/income for the year		(63.1)	30.2
Total comprehensive income for the year		300.9	332.5
Attributable to:			
Equity holders of the parent company		301.0	332.7
Minority interest		(0.1)	(0.2)
Total comprehensive income for the year		300.9	332.5

Consolidated Balance Sheet

as at 30 January

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	Notes	2010 £m	2009 £m <i>Restated</i>	2008 £m <i>Restated</i>
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant & equipment	9	577.2	612.8	610.6
Intangible assets	10	47.4	55.4	36.2
Interests in associates	12	4.0	3.5	2.9
Other investments	13	1.0	1.0	1.0
Other financial assets	16	22.7	14.1	0.5
		652.3	686.8	651.2
Current assets				
Inventories	14	309.0	318.7	319.1
Trade and other receivables	15	616.6	622.7	575.9
Other financial assets	16	8.6	84.4	12.6
Cash and short term deposits	17	107.0	47.8	56.0
		1,041.2	1,073.6	963.6
Total assets		1,693.5	1,760.4	1,614.8
Current liabilities				
Bank overdrafts	18	(4.7)	(46.3)	(37.7)
Unsecured bank loans	18	–	(75.0)	(205.0)
Trade and other payables	19	(550.3)	(490.5)	(473.3)
Other financial liabilities	20	(93.6)	(15.8)	(55.0)
Current tax liabilities		(109.5)	(85.9)	(92.4)
		(758.1)	(713.5)	(863.4)
Non-current liabilities				
Corporate bonds	21	(520.9)	(567.8)	(539.7)
Net retirement benefit obligation	23	(49.5)	(69.1)	(45.8)
Provisions	24	(13.4)	(13.1)	(9.4)
Deferred tax liabilities	6	(3.7)	(28.0)	(16.4)
Other financial liabilities	20	(4.4)	(2.4)	(12.3)
Other liabilities	25	(210.1)	(226.0)	(223.0)
		(802.0)	(906.4)	(846.6)
Total liabilities		(1,560.1)	(1,619.9)	(1,710.0)
Net assets/(liabilities)		133.4	140.5	(95.2)
EQUITY				
Share capital	26	19.1	19.7	20.1
Share premium account		0.7	0.7	0.7
Capital redemption reserve		10.8	10.2	9.8
ESOT reserve		(78.2)	(48.7)	(54.8)
Fair value reserve		5.1	69.6	11.3
Foreign currency translation reserve		4.7	9.7	2.6
Other reserves	27	(1,443.8)	(1,443.8)	(1,443.8)
Retained earnings		1,615.2	1,523.2	1,358.8
Shareholders' equity		133.6	140.6	(95.3)
Minority interest		(0.2)	(0.1)	0.1
Total equity		133.4	140.5	(95.2)

Approved by the Board on 25 March 2010

S A Wolfson
Director

D W Keens
Director

next plc

Consolidated Statement of Changes in Equity

	Share capital £m	Share premium account £m	Capital redemp- tion reserve £m	ESOT reserve £m	Fair value reserve £m	Foreign currency trans- lation £m	Other reserves £m	Retained earnings £m	Share- holders' equity £m	Minority interest £m	Total equity £m
At January 2008	20.1	0.7	9.8	(54.8)	11.3	2.6	(1,443.8)	1,374.9	(79.2)	0.1	(79.1)
Change of accounting policies	–	–	–	–	–	–	–	(16.1)	(16.1)	–	(16.1)
At January 2008 as restated	20.1	0.7	9.8	(54.8)	11.3	2.6	(1,443.8)	1,358.8	(95.3)	0.1	(95.2)
Profit for the year	–	–	–	–	–	–	–	302.4	302.4	(0.1)	302.3
Other comprehensive income/(expense) for the year	–	–	–	–	58.3	7.1	–	(35.1)	30.3	(0.1)	30.2
Total comprehensive income for the year	–	–	–	–	58.3	7.1	–	267.3	332.7	(0.2)	332.5
Shares purchased for cancellation	(0.4)	–	0.4	–	–	–	–	–	–	–	–
Shares issued by ESOT	–	–	–	6.1	–	–	–	(2.2)	3.9	–	3.9
Share option charge	–	–	–	–	–	–	–	8.9	8.9	–	8.9
Tax recognised directly in equity	–	–	–	–	–	–	–	(3.1)	(3.1)	–	(3.1)
Equity dividends paid	–	–	–	–	–	–	–	(106.5)	(106.5)	–	(106.5)
At January 2009	19.7	0.7	10.2	(48.7)	69.6	9.7	(1,443.8)	1,523.2	140.6	(0.1)	140.5
Profit for the year	–	–	–	–	–	–	–	364.1	364.1	(0.1)	364.0
Other comprehensive income/(expense) for the year	–	–	–	–	(64.5)	(5.0)	–	6.4	(63.1)	–	(63.1)
Total comprehensive income for the year	–	–	–	–	(64.5)	(5.0)	–	370.5	301.0	(0.1)	300.9
Shares purchased for cancellation	(0.6)	–	0.6	–	–	–	–	(190.5)	(190.5)	–	(190.5)
Shares purchased by ESOT	–	–	–	(59.3)	–	–	–	–	(59.3)	–	(59.3)
Shares issued by ESOT	–	–	–	29.8	–	–	–	3.9	33.7	–	33.7
Share option charge	–	–	–	–	–	–	–	9.4	9.4	–	9.4
Tax recognised directly in equity	–	–	–	–	–	–	–	7.2	7.2	–	7.2
Equity dividends paid	–	–	–	–	–	–	–	(108.5)	(108.5)	–	(108.5)
At January 2010	19.1	0.7	10.8	(78.2)	5.1	4.7	(1,443.8)	1,615.2	133.6	(0.2)	133.4

Consolidated Cash Flow Statement

for the financial year ended 30 January

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	Notes	2010 £m	2009 £m
<i>Cash flows from operating activities</i>			
Operating profit		529.8	478.3
Depreciation and amortisation		123.1	116.8
Impairment		6.4	–
Loss on disposal of property, plant & equipment		5.5	6.2
Share option charge		9.4	8.9
Share of undistributed profit of associates		(0.5)	(0.6)
Exchange movement		(1.6)	3.9
Decrease in inventories		9.7	1.0
Decrease/(increase) in trade and other receivables		6.0	(42.9)
Increase in trade and other payables		31.1	16.0
Pension contributions less income statement charge		(32.2)	(12.9)
Cash generated from operations		686.7	574.7
Corporation taxes paid		(115.2)	(125.9)
Net cash from operating activities		571.5	448.8
<i>Cash flows from investing activities</i>			
Proceeds from sale of property, plant and equipment		0.4	0.3
Acquisition of property, plant and equipment		(98.6)	(120.6)
Outflow on acquisition of subsidiaries		–	(14.1)
Net cash from investing activities		(98.2)	(134.4)
<i>Cash flows from financing activities</i>			
Repurchase of own shares		(101.8)	(55.2)
Purchase of shares by ESOT		(39.2)	–
Proceeds from disposal of shares by ESOT		33.7	3.9
Repayment of unsecured bank loans		(75.0)	(130.0)
Repurchase of corporate bonds		(46.6)	–
Interest paid		(32.1)	(50.1)
Interest received		0.9	1.4
Payment of finance lease liabilities		(0.4)	(0.5)
Dividends paid		(108.5)	(106.5)
Net cash from financing activities		(369.0)	(337.0)
Net increase/(decrease) in cash and cash equivalents		104.3	(22.6)
Opening cash and cash equivalents		1.5	18.3
Effect of exchange rate fluctuations on cash held		(3.5)	5.8
Closing cash and cash equivalents	35	102.3	1.5

Company Balance Sheet

as at 30 January

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	Notes	2010 £m	2009 £m
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	38	2,475.7	2,477.7
Other financial assets	39	22.7	14.1
Deferred tax asset	39	0.1	0.1
		2,498.5	2,491.9
Current assets			
Trade and other receivables	39	100.2	529.2
Current tax asset		7.5	8.0
Cash and short term deposits	39	61.1	0.8
		168.8	538.0
Total assets		2,667.3	3,029.9
Current liabilities			
Bank overdrafts	40	–	(24.0)
Unsecured bank loans	40	–	(75.0)
Trade and other payables	40	(28.2)	(9.5)
Other financial liabilities	40	(90.0)	–
		(118.2)	(108.5)
Non-current liabilities			
Corporate bonds	21	(520.9)	(567.8)
Other financial liabilities	40	(4.4)	(2.4)
		(525.3)	(570.2)
Total liabilities		(643.5)	(678.7)
Net assets		2,023.8	2,351.2
EQUITY			
Share capital	26	19.1	19.7
Share premium account		0.7	0.7
Capital redemption reserve		10.8	10.2
ESOT reserve		(78.2)	(48.7)
Fair value reserve		(2.6)	(2.4)
Other reserves	41	985.2	985.2
Retained earnings		1,088.8	1,386.5
Total equity		2,023.8	2,351.2

Approved by the Board on 25 March 2010

S A Wolfson
Director

D W Keens
Director

Company Statement of Comprehensive Income

for the financial year ended 30 January

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	2010 £m	2009 £m
Loss for the year	(12.1)	(26.4)
<i>Other comprehensive income and expenses</i>		
Losses on cash flow hedges	(1.0)	(2.4)
Tax relating to components of other comprehensive income	0.1	(2.6)
	(0.9)	(5.0)
<i>Reclassification adjustments</i>		
Transferred to income statement on cash flow hedges	0.8	–
Other comprehensive expense for the year	(0.1)	(5.0)
Total comprehensive expense for the year	(12.2)	(31.4)

Company Statement of Changes in Equity

	Share capital £m	Share premium account £m	Capital redemption reserve £m	ESOT reserve £m	Fair value reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At January 2008	20.1	0.7	9.8	(54.8)	–	985.2	1,515.3	2,476.3
Loss for the year	–	–	–	–	–	–	(26.4)	(26.4)
Other comprehensive expense for the year	–	–	–	–	(2.4)	–	(2.6)	(5.0)
Total comprehensive expense for the year	–	–	–	–	(2.4)	–	(29.0)	(31.4)
Shares purchased for cancellation	(0.4)	–	0.4	–	–	–	–	–
Shares issued by ESOT	–	–	–	6.1	–	–	(2.2)	3.9
Share option charge	–	–	–	–	–	–	8.9	8.9
Equity dividends paid	–	–	–	–	–	–	(106.5)	(106.5)
At January 2009	19.7	0.7	10.2	(48.7)	(2.4)	985.2	1,386.5	2,351.2
Loss for the year	–	–	–	–	–	–	(12.1)	(12.1)
Other comprehensive (expense)/income for the year	–	–	–	–	(0.2)	–	0.1	(0.1)
Total comprehensive expense for the year	–	–	–	–	(0.2)	–	(12.0)	(12.2)
Shares purchased for cancellation	(0.6)	–	0.6	–	–	–	(190.5)	(190.5)
Shares purchased by ESOT	–	–	–	(59.3)	–	–	–	(59.3)
Shares issued by ESOT	–	–	–	29.8	–	–	3.9	33.7
Share option charge	–	–	–	–	–	–	9.4	9.4
Equity dividends paid	–	–	–	–	–	–	(108.5)	(108.5)
At January 2010	19.1	0.7	10.8	(78.2)	(2.6)	985.2	1,088.8	2,023.8

Company Cash Flow Statement

for the financial year ended 30 January

	Notes	2010 £m	2009 £m
<i>Cash flows from operating activities</i>			
Operating profit/(loss)		5.7	(0.1)
Decrease in trade and other receivables		438.4	320.9
Decrease in trade and other payables		(0.8)	(0.8)
Cash generated from operations		443.3	320.0
Corporation taxes received		7.6	10.3
Net cash from operating activities		450.9	330.3
<i>Cash flows from investing activities</i>			
Dividends received		–	0.1
Proceeds from disposal of investments		2.0	–
Net cash from investing activities		2.0	0.1
<i>Cash flows from financing activities</i>			
Repurchase of own shares		(101.8)	(55.2)
Purchase of shares by ESOT		(39.2)	–
Proceeds from disposal of shares by ESOT		33.7	3.9
Interest paid		(31.7)	(49.0)
Interest received		0.5	12.8
Repayment of unsecured bank loans		(75.0)	(130.0)
Repurchase of corporate bonds		(46.6)	–
Dividends paid		(108.5)	(106.5)
Net cash from financing activities		(368.6)	(324.0)
Net increase in cash and cash equivalents		84.3	6.4
Opening cash and cash equivalents		(23.2)	(29.6)
Closing cash and cash equivalents	42	61.1	(23.2)

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.

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

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

Goodwill

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

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

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

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

Intangible assets

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

Brand names and trademarks	10 years
Customer relationships	4 years

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

Property, plant & equipment

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

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

Property, plant & equipment (continued)

The useful lives generally applicable are summarised as follows:

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

Investments

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

Impairment

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

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

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

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

Inventories

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

Financial assets

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

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

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

Trade and other receivables

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

Share based payments

The fair value of employee share options granted on or after 7 November 2002 is calculated using the Black-Scholes model. The resulting cost is charged in the income statement over the vesting period of the option and is adjusted for the expected and actual number of options vesting.

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

Taxation

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

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

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

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

Cash and cash equivalents

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

Bank loans and overdrafts

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

Revenue

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

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

Foreign currencies

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

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

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

Derivative financial instruments

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

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

Hedge accounting

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

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

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

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

Contingent purchase contracts

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

Shares held by ESOT

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

Employee benefits

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

The cost of providing benefits under the defined benefit section and the unfunded arrangement are determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The net retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit section and unfunded liabilities as reduced by the fair value of defined benefit plan assets.

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

Impact of changes to accounting standards

Change in accounting policy

An amendment to IAS 38 *Intangible Assets* requires that all advertising and marketing costs, including production costs of the Next Directory, are recognised in the income statement when the goods or services have been received. Prior to this amendment, such costs were charged to the income statement during the season in which the related marketing activity took place.

This change in accounting policy has been applied retrospectively, decreasing net assets by £16.1m at each comparative balance sheet date. As the effect on earnings was not material in each period, reported profits for prior periods have not been restated. Restated balance sheets from the beginning of the comparative period (January 2008) are presented in accordance with IAS 1 (revised) *Presentation of Financial Statements*.

The impact of the change in policy on each relevant line in the financial statements was as follows:

	2009 £m	2008 £m
Trade and other receivables	(16.9)	(15.6)
Trade and other payables	(5.4)	(6.7)
Deferred Tax	6.2	6.2
Retained earnings	(16.1)	(16.1)

While it is not practicable to determine the precise impact of the change in policy on the January 2010 balance sheet, the differences would be expected to be similar to those shown for the preceding two periods above.

Impact of changes to accounting standards (continued)

Other changes adopted in the current year

IAS 1 (revised) *Presentation of Financial Statements*

This is a presentational change only, affecting the titles and positioning of items within the financial statements, including the format of the primary statements which are now the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement. There is no impact on reported profits or total equity.

IFRS 2 *Share based Payment – Vesting Conditions and Cancellations (Amendment)*

The amendment clarifies treatment of vesting conditions and cancellations of share based payments. This has not affected the Group's accounting treatment and there has therefore been no impact on reported profits or total equity.

IFRS 7 *Financial Instruments: Disclosures (Amendment)*

Additional disclosures relating to a hierarchy for measurement of fair values of financial instruments are now required; there is no impact on reported profits or total equity.

IFRS 8 *Operating Segments (Amendment)*

This change means that reporting of the Group's segment assets is no longer required.

Other changes in accounting standards: future years

The Group has not adopted early IFRS 3 (Revised) *Business Combinations*, which will affect the accounting for any acquisitions made during the Group's financial year ending January 2011. Acquisitions made prior to that date will not be affected.

Various amendments have arisen from the Improvements to International Financial Reporting Standards (2009) and other new standards or amendments in the year, none of which are expected to have a significant impact on the Group's reported profits or equity.

1. Segmental analysis

The results for the financial year are for the 53 weeks to 30 January 2010 (last year 52 weeks to 24 January 2009) with the exception of Next Sourcing, Ventura and certain other activities which relate to the calendar year to 31 January.

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

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

	External revenue		Internal revenue		Total revenue	
	2010	2009	2010	2009	2010	2009
	£m	£m	£m	£m	£m	£m
Next Retail	2,274.2	2,197.9	5.2	4.0	2,279.4	2,201.9
Next Directory	873.2	816.4	–	–	873.2	816.4
Next International	64.2	68.6	–	–	64.2	68.6
Next Sourcing	3.5	5.9	529.9	594.8	533.4	600.7
Next Brand	3,215.1	3,088.8	535.1	598.8	3,750.2	3,687.6
Ventura	145.6	161.9	4.3	4.3	149.9	166.2
Property Management	6.3	6.7	181.9	174.2	188.2	180.9
Total segment revenues	3,367.0	3,257.4	721.3	777.3	4,088.3	4,034.7
Other	39.5	14.1	2.8	0.4	42.3	14.5
Eliminations	–	–	(724.1)	(777.7)	(724.1)	(777.7)
	3,406.5	3,271.5	–	–	3,406.5	3,271.5

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

	Segment profit	
	2010	2009
	£m	£m
Next Retail	324.0	288.8
Next Directory	183.6	157.6
Next International	1.2	9.0
Next Sourcing	35.7	32.0
Next Brand	544.5	487.4
Ventura	6.0	5.1
Property Management	0.3	0.8
Total segment profit	550.8	493.3
Other activities (including central costs)	(13.2)	(3.7)
Share option charge	(9.4)	(8.9)
Unrealised foreign exchange gain/(loss)	0.7	(3.3)
Trading profit	528.9	477.4
Share of results of associates	0.9	0.9
Finance income	0.8	1.3
Finance costs	(25.3)	(50.8)
Profit before tax	505.3	428.8

1. Segmental analysis (continued)

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

	Property, plant & equipment		Capital expenditure		Depreciation	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Next Retail	473.5	508.4	83.8	113.2	112.0	106.0
Next Directory	4.3	4.6	1.0	0.7	1.3	0.9
Next International	3.2	3.1	4.8	1.9	1.2	1.0
Next Sourcing	3.9	5.5	1.0	1.7	1.7	2.3
Next Brand	484.9	521.6	90.6	117.5	116.2	110.2
Ventura	12.7	15.8	2.4	2.7	5.2	5.8
Property Management	74.2	74.4	–	–	0.2	0.3
Other	5.4	1.0	5.6	0.4	0.7	0.2
Total	577.2	612.8	98.6	120.6	122.3	116.5

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

	External revenue		Non-current assets	
	2010 £m	2009 £m	2010 £m	2009 £m
United Kingdom	3,228.5	3,085.6	565.6	598.3
Rest of Europe	143.1	146.9	22.5	25.6
Middle East	23.6	26.0	4.5	5.6
Asia	9.5	12.6	32.0	38.7
Rest of World	1.8	0.4	–	–
	3,406.5	3,271.5	624.6	668.2

2. Revenue and trading profit

	2010 £m	2009 £m
Sale of goods	3,118.2	2,977.9
Rendering of services	273.1	278.4
Rental income	6.3	6.7
Royalties	8.9	8.5
Revenue	3,406.5	3,271.5

Rendering of services includes £113.8m (2009: £108.6m) of service charge on Directory customer receivables.

2. Revenue and trading profit (continued)

Other gains/(losses) are as follows:

	2010 £m	2009 £m
Other financial assets at fair value through profit or loss:		
Fair value losses	–	(0.5)
Foreign exchange derivatives: held for trading	0.7	(3.3)
	0.7	(3.8)

Gains and losses on cash flow hedges removed from equity and included in profit or loss for the period comprise gains of £9.3m (2009: gains of £29.6m) included in cost of sales, losses of £0.2m (2009: gains of £1.1m) included in administrative expenses and losses of £0.8m (2009: nil) included in finance costs.

3. Operating profit

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

	2010 £m	2009 £m
Depreciation on tangible assets:		
Owned	121.9	116.1
Leased	0.4	0.4
Loss on disposal of property, plant & equipment	5.5	6.2
Amortisation of intangible assets	0.8	0.3
Impairment charges:		
Tangible assets	4.8	–
Intangible assets	1.6	–
Operating lease rentals:		
Minimum lease payments	194.6	183.9
Contingent rentals payable	7.9	6.2
Net foreign exchange losses	15.3	24.2
Cost of inventories recognised as an expense	1,295.0	1,167.2
Write down of inventories to net realisable value	78.9	96.6
Trade receivables:		
Impairment charge	38.2	40.7
Amounts recovered	(7.6)	(7.0)

	2010 £000	2009 £000
<i>Auditors' remuneration</i>		
Audit services – Group	171	168
Other services:		
Subsidiary statutory audit	296	317
Tax	35	24
Corporate finance	77	66
Other	13	20
	592	595

4. Staff costs and key management personnel

Total staff costs were as follows:

	2010 £m	2009 £m
Wages and salaries	597.7	571.4
Social security costs	40.9	41.5
Other pension costs	14.7	12.2
	653.3	625.1
Share based payments expense:		
Equity settled	9.4	8.9
Cash settled	15.5	0.3
	678.2	634.3

Equity settled share based payments comprise management and sharesave options, details of which are given in Note 28. Cash settled share based payments relate to the Long Term Incentive Plan ("LTIP"), details of which are given in the Remuneration Report on page 37.

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

	2010 £m	2009 £m
Next Brand	517.1	473.7
Next International	2.7	1.7
Next Sourcing	25.3	26.8
Ventura	113.2	126.6
Other activities	19.9	5.5
	678.2	634.3

	Average employees		Full-time equivalents	
	2010 Number	2009 Number	2010 Number	2009 Number
Next Brand	43,231	46,359	24,403	24,885
Next International	347	222	270	213
Next Sourcing	3,568	3,680	3,568	3,680
Ventura	7,729	8,718	7,174	8,102
Other activities	247	109	204	93
	55,122	59,088	35,619	36,973

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

	2010 £m	2009 £m
Short term employee benefits	5.5	3.1
Post-employment benefits	0.4	0.7
Share based payments	5.8	0.7
	11.7	4.5

Directors' remuneration is detailed in the Remuneration Report on pages 36 to 39.

5. Finance income and costs

	2010 £m	2009 £m
Interest on bank deposits	0.6	0.5
Other interest receivable	0.2	0.8
Total finance income	0.8	1.3
Interest on bank overdrafts	0.2	0.7
Interest on bank loans and other borrowings	28.2	48.3
Interest on obligations under finance leases	–	0.1
	28.4	49.1
Unrealised profit on interest rate swaps	(2.0)	(26.4)
Fair value adjustment to bond hedged by interest rate swaps	(1.1)	28.1
Total finance costs	25.3	50.8

Directory service charge is presented as a component of revenue.

6. Taxation

	2010 £m	2009 £m
<i>Current tax:</i>		
UK corporation tax on profits of the year	151.4	126.1
Adjustments in respect of previous years	(2.2)	(3.1)
	149.2	123.0
Overseas tax	3.8	3.3
Total current tax	153.0	126.3
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	(15.0)	(3.7)
Adjustments in respect of previous years	3.3	3.9
Tax expense reported in the consolidated income statement	141.3	126.5

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

	2010 %	2009 %
UK corporation tax rate	28.0	28.3
Expenses not deductible for taxation purposes / (non-taxable income)	(0.1)	2.6
Overseas tax differentials	(0.1)	(1.4)
Tax under/(over)-provided in previous years	0.2	(0.1)
Deferred tax rate change	–	0.1
Effective total tax rate on profit before taxation	28.0	29.5

6. Taxation (continued)

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

	2010 £m	2009 £m
<i>Current tax:</i>		
Foreign exchange losses	2.5	(8.1)
Retirement benefit obligation	(9.1)	(3.5)
<i>Deferred tax:</i>		
Retirement benefit obligation	5.6	(6.5)
Fair value movements on derivative instruments	(18.0)	17.0
Tax credit in the statement of comprehensive income	(19.0)	(1.1)

	2010 £m	2009 £m
<i>Current tax:</i>		
Share based payments	(0.8)	2.2
Other temporary differences	(6.2)	–
<i>Deferred tax:</i>		
Share based payments	(6.4)	0.9
Other temporary differences	6.2	–
Tax (credit)/charge in the statement of changes in equity	(7.2)	3.1

Deferred taxation

	2010 £m	2009 £m <i>Restated</i>	2008 £m <i>Restated</i>
Accelerated capital allowances	33.0	38.7	40.1
Revaluation of derivatives to fair value	1.4	19.2	3.1
Retirement benefit obligations	(13.9)	(19.4)	(13.0)
Share based payments	(11.4)	(0.4)	(1.9)
Other temporary differences	(5.4)	(10.1)	(11.9)
	3.7	28.0	16.4

The movement in the year is as follows:

	2010 £m	2009 £m <i>Restated</i>	2008 £m <i>Restated</i>
At January 2009	28.0	16.4	(2.6)
Charged to the income statement:			
Accelerated capital allowances	(5.7)	(1.4)	4.1
Revaluation of derivatives to fair value	0.2	(0.9)	0.5
Share based payments	(4.6)	0.6	5.6
Retirement benefit obligations	(0.1)	0.1	(0.2)
Other temporary differences	(1.5)	1.8	1.9
Recognised in the statement of comprehensive income	(12.4)	10.5	10.7
Recognised in the statement of changes in equity	(0.2)	0.9	2.6
Change of accounting policy (prior year adjustment)	–	–	(6.2)
At January 2010	3.7	28.0	16.4

6. Taxation (continued)

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

	Gross value	Unrecognised deferred tax	Gross value	Unrecognised deferred tax
	2010	2010	2009	2009
	£m	£m	£m	£m
Property development trading losses	3.7	1.0	3.7	1.0
Capital losses	108.3	26.7	108.3	26.7
	112.0	27.7	112.0	27.7

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

7. Dividends

	2010	2009
	£m	£m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 24 January 2009 of 37p (2008: 37p) per share	71.5	71.8
Interim dividend for the year ended 30 January 2010 of 19p (2009: 18p) per share	37.0	34.7
	108.5	106.5
Proposed final dividend for the year ended 30 January 2010 of 47p (2009: 37p) per share	85.8	71.4

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

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

8. Earnings per share

The calculation of basic earnings per share is based on £364.1m (2009: £302.4m) being the profit for the year attributable to equity holders of the parent company and 193.1m ordinary shares of 10p each (2009: 193.8m), being the weighted average number of shares in issue less the weighted average number of shares held by the ESOT during the year.

The calculation of diluted earnings per share is based on £364.1m (2009: £302.4m) being the profit for the year attributable to equity holders of the parent company and 205.2m ordinary shares of 10p each (2009: 194.0m), being the weighted average number of shares used for the calculation of basic earnings per share above increased by the dilutive effect of potential ordinary shares from employee share option schemes of 12.1m shares (2009: 0.2m). The total number of share options outstanding at 30 January 2010 was 13.1m (2009: 12.9m), the increase in dilutive shares is a consequence of the higher average share price during the year ended 30 January 2010 compared to the previous year.

As at 22 March 2010 employee share options over 148,937 shares had been exercised subsequent to the balance sheet date and had been satisfied by ordinary shares issued by the ESOT.

9. Property, plant & equipment

	Freehold property £m	Leasehold property £m	Plant and fittings £m	Total £m
Cost				
At January 2008	74.2	8.3	1,071.4	1,153.9
Exchange movement	–	–	4.8	4.8
Additions	1.2	–	119.4	120.6
Acquisitions of subsidiaries	–	–	2.2	2.2
Disposals	–	–	(26.2)	(26.2)
At January 2009	75.4	8.3	1,171.6	1,255.3
Exchange movement	–	–	(2.9)	(2.9)
Additions	–	–	98.6	98.6
Reclassifications	0.2	–	(0.2)	–
Disposals	–	–	(32.1)	(32.1)
At January 2010	75.6	8.3	1,235.0	1,318.9
Depreciation				
At January 2008	8.3	1.4	533.6	543.3
Exchange movement	–	–	2.4	2.4
Provided during the year	–	–	116.5	116.5
Disposals	–	–	(19.7)	(19.7)
At January 2009	8.3	1.4	632.8	642.5
Exchange movement	–	–	(1.7)	(1.7)
Provided during the year	–	–	122.3	122.3
Impairment charge	–	–	4.8	4.8
Disposals	–	–	(26.2)	(26.2)
At January 2010	8.3	1.4	732.0	741.7
Carrying amount				
At January 2010	67.3	6.9	503.0	577.2
At January 2009	67.1	6.9	538.8	612.8
At January 2008	65.9	6.9	537.8	610.6

The carrying amount of plant and fittings above includes an amount of £0.9m (2009: £1.3m) in respect of assets held under finance lease contracts.

At 30 January 2010 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £15.9m (2009: £10.3m).

10. Intangible assets

	Brand names & trademarks £m	Customer relationships £m	Goodwill £m	Total £m
Cost				
At January 2008	–	–	36.2	36.2
Acquisitions of subsidiaries	4.0	2.0	13.5	19.5
At January 2009	4.0	2.0	49.7	55.7
Adjustment to deferred consideration	–	–	(5.7)	(5.7)
Adjustment to acquisition fair values	–	–	0.1	0.1
At January 2010	4.0	2.0	44.1	50.1
Amortisation				
At January 2008	–	–	–	–
Provided during the year	0.1	0.2	–	0.3
At January 2009	0.1	0.2	–	0.3
Provided during the year	0.4	0.4	–	0.8
Impairment charge	–	–	1.6	1.6
At January 2010	0.5	0.6	1.6	2.7
Carrying amount				
At January 2010	3.5	1.4	42.5	47.4
At January 2009	3.9	1.8	49.7	55.4
At January 2008	–	–	36.2	36.2

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

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

	2010 £m	2009 £m
Next Sourcing	30.5	36.2
Lipsy	12.0	11.9
Eastern European owned stores	–	1.6
	42.5	49.7

Goodwill is tested for impairment at the balance sheet date on the basis of value in use.

Next Sourcing

The decrease in the goodwill balance relating to Next Sourcing arises from final agreement of deferred consideration payable on its acquisition, which will be settled during 2010. In the year ended January 2010, Next Sourcing generated an operating profit before interest of £35.7m (2009: £32.0m). Since this exceeds the carrying value of the goodwill, no further sensitivity calculations are necessary to conclude that there is no impairment.

10. Intangible assets (continued)

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% (2009: 2%), and discounted at 15.0% (2009: 15%). The key assumption in the calculation is the net contribution margin of the retail and internet channels. The calculated value in use was significantly in excess of carrying value of the related goodwill and intangible assets, and no further sensitivity calculations were necessary to conclude that there is no impairment at January 2010.

Eastern European owned stores

The key assumptions in the calculation are the number of retail stores and like for like sales growth. 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 12.0% (2009: 12%). At January 2010, the value in use calculation did not support the carrying value of the goodwill and accordingly an impairment charge was recognised to reduce the carrying amount to nil.

11. Business combinations

In the year ended 24 January 2009 the Group made the following acquisitions:

Lipsy Limited

On 29 September 2008, the Group acquired 100% of the share capital of Lipsy Limited, a private company incorporated in England. The company is involved in the wholesale and retail of women's fashion in the UK and overseas. Cash consideration of £14.1m was paid at the date of acquisition, and further consideration is payable in 2012, 2013 and 2014 contingent on the performance of the company. The present value of this contingent consideration was estimated at £1.5m.

Eastern European owned stores

On 1 April 2008, the Group acquired the business of its franchise partner in the Czech Republic, Slovakia and Hungary through the acquisition of 100% of the issued capital of Next PK sro, Next AV sro and UJ-Next Kft, incorporated in each of those countries respectively. The consideration for the acquisition was £1.0m in cash.

Book and fair values of the net assets at the dates of acquisition were as follows:

	Lipsy		Eastern Europe	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Intangible assets	0.3	6.0	–	–
Property, plant & equipment	0.8	0.5	1.6	1.5
Cash and cash equivalents	0.9	0.9	0.1	0.1
Inventories	0.7	0.6	0.2	–
Trade and other receivables	3.6	3.6	0.4	0.4
Trade and other payables	(4.5)	(4.5)	(2.6)	(2.6)
Loan notes	(3.4)	(3.4)	–	–
	(1.6)	3.7	(0.3)	(0.6)
Goodwill arising on acquisition		11.9		1.6
Consideration		15.6		1.0
Discharged by:				
Cash consideration at date of acquisition		14.1		1.0
Contingent cash consideration payable		1.5		–
		15.6		1.0

Following an adjustment to the assessment of fair values of net assets acquired, the goodwill relating to Lipsy has been increased by £0.1m in the year ended 30 January 2010.

12. Interests in associates

Aggregated amounts relating to associates:

	2010 £m	2009 £m
<i>Share of associates' revenues and profits:</i>		
Revenue	31.1	31.0
Profit	0.9	0.9
<i>Share of associates' net assets:</i>		
Total assets	9.3	8.5
Total liabilities	(5.3)	(5.0)
Carrying amount of investment	4.0	3.5

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

	<i>Sales</i>		<i>Amounts receivable</i>	
	2010 £m	2009 £m	2010 £m	2009 £m
Choice Discount Stores Limited	5.4	5.3	0.7	0.9
Cotton Traders Limited	4.4	2.6	–	0.6
	9.8	7.9	0.7	1.5

13. Other investments

	2010 £m	2009 £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.

14. Inventories

	2010 £m	2009 £m
Raw materials and work in progress	5.4	7.1
Finished goods	297.7	305.7
	303.1	312.8
Property development stocks	5.9	5.9
	309.0	318.7

15. Trade and other receivables

	2010 £m	2009 £m <i>Restated</i>	2008 £m <i>Restated</i>
Trade and customer debtors	643.9	609.9	589.0
Less: allowance for doubtful debts	(123.7)	(117.2)	(110.2)
	520.2	492.7	478.8
Amounts due from associated undertakings	0.7	1.5	0.6
Other debtors	9.7	31.7	13.8
Prepayments	86.0	96.8	82.7
	616.6	622.7	575.9

Trade and customer debtors above include £0.5m (2009: £0.6m) falling due after more than one year.

The credit quality of trade receivables that are neither past due nor impaired may be assessed by reference to the historical default rate for the preceding 365 days of 1.6% (2009: 1.7%), although default rates over shorter periods may show significant variations.

No interest is charged on Directory customer receivables for the first 30 days from the date of the sale of goods; thereafter balances bear interest at a variable annual percentage rate of 26.49% (2009: 26.49%). Expected irrecoverable amounts on balances between 30 and 120 days overdue are provided for based on past default experience. Customer receivables which are more than 120 days overdue are considered to be impaired and are provided for in full. With effect from the current year, customer receivables which are impaired otherwise than by age or default are separately identified and provided for in full. The ageing analysis below has been restated at January 2009 to reflect the revised presentation.

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

Ageing of trade and customer debtors:

	2010 £m	2009 £m
Current	479.8	436.6
0 – 30 days past due	43.4	57.9
30 – 60 days past due	13.8	19.0
60 – 90 days past due	6.1	8.6
90 – 120 days past due	3.9	5.4
Over 120 days past due	81.4	70.9
Otherwise impaired	15.5	11.5
	643.9	609.9

Movement in the allowance for doubtful debts:

	2010 £m	2009 £m
Opening position	117.2	110.2
Amounts charged to the income statement	38.2	40.7
Amounts written off as uncollectable	(24.1)	(26.7)
Amounts recovered during the year	(7.6)	(7.0)
Closing position	123.7	117.2

16. Other financial assets

	2010		2009	
	Current £m	Non- current £m	Current £m	Non- current £m
Foreign exchange contracts	8.6	–	84.4	–
Interest rate derivatives	–	22.7	–	14.1
	8.6	22.7	84.4	14.1

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 21).

17. Cash and short term deposits

	2010 £m	2009 £m
Cash at bank and in hand	44.3	45.7
Short term deposits	62.7	2.1
	107.0	47.8

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.

18. Bank loans and overdrafts

	2010 £m	2009 £m
Bank overdrafts and overnight borrowings	4.7	46.3
Unsecured bank loans	–	75.0
	4.7	121.3

Bank overdrafts are repayable on demand and bear interest at a margin over bank base rates. Overnight borrowings and unsecured bank loans fall due within one year of the balance sheet date and bear interest at a margin above LIBOR. The unsecured bank loans in 2009 included £75.0m drawn by the Company under a medium term bank revolving credit facility committed until November 2010, see Note 30.

19. Trade and other payables

	2010 £m	2009 £m <i>Restated</i>	2008 £m <i>Restated</i>
Trade payables	175.0	204.8	175.0
Obligations under finance leases	0.4	0.4	0.4
Other taxation and social security	60.9	43.6	56.8
Share based payment liability	5.0	2.1	–
Other creditors and accruals	309.0	239.6	241.1
	550.3	490.5	473.3

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

20. Other financial liabilities

	2010		2009	
	Current £m	Non- current £m	Current £m	Non- current £m
Foreign exchange contracts	3.6	–	15.8	–
Interest rate derivatives	–	4.4	–	2.4
Own equity purchase contracts	90.0	–	–	–
	93.6	4.4	15.8	2.4

Foreign exchange contracts comprise forward contracts and options, the majority of which are used to hedge exchange risk arising from the Group's overseas purchases (Note 31). The instruments purchased are primarily denominated in US Dollars and Euros. Interest rate swaps relate to hedges of the Group's variable rate debt (Note 31).

Own equity purchase contracts relate to outstanding liabilities of £70.4m arising under an irrevocable closed season buyback agreement for the purchase of the Company's own shares which was outstanding at 30 January 2010 (Note 26), and net liabilities of £19.6m arising under contingent purchase contracts for the Company's own shares entered into by the ESOT (Note 29).

21. Corporate bonds

	2010 £m	2009 £m
Corporate bond repayable 2013	269.4	317.8
Corporate bond repayable 2016	251.5	250.0
	520.9	567.8

The 2013 corporate bond carries a fixed coupon of 5.25% and had an original nominal value of £300.0m. During the year the Company repurchased a total of £45.7m at a total cost of £46.6m, leaving an outstanding nominal value of £254.3m at 30 January 2010. The 2016 corporate bond was issued in 2006, has a nominal value of £250m and carries a fixed coupon of 5.875%. The Group uses interest rate derivatives to hedge part of the associated fair value interest rate risk (Note 31) and the carrying values in the balance sheet are adjusted accordingly. The resulting effective interest rates payable on the bonds (analysed at nominal value) are as follows:

			2010 £m	2009 £m
<i>Effective interest rate</i>	<i>Maturing</i>	<i>Repricing</i>		
LIBOR + 0.9%	September 2013		254.3	300.0
3.6%		October 2010	25.0	–
4.52%		October 2011	25.0	–
5.875%	October 2016		200.0	250.0
			504.3	550.0

22. Obligations under finance leases

	2010 £m	2009 £m
Future minimum payments due:		
Within one year	0.4	0.4
In two to five years	0.6	0.8
Over five years	0.1	0.3
	1.1	1.5
Less: finance charges allocated to future periods	(0.1)	(0.1)
Present value of minimum lease payments	1.0	1.4

The present value of minimum lease payments is analysed as follows:

Within one year	0.4	0.4
In two to five years	0.5	0.7
Over five years	0.1	0.3
	1.0	1.4

The Group uses finance leases to acquire certain plant and machinery. Obligations under finance leases carry interest at an average effective rate of 3.9% (2009: 3.9%).

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.

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

	2010			2009		
	Funded £m	Unfunded £m	Total £m	Funded £m	Unfunded £m	Total £m
Current service cost	8.1	0.4	8.5	9.0	0.6	9.6
Interest cost on benefit obligation	25.0	0.3	25.3	25.5	0.4	25.9
Expected return on plan assets	(23.1)	–	(23.1)	(26.6)	–	(26.6)
Net benefit expense recognised in administration expenses	10.0	0.7	10.7	7.9	1.0	8.9
Actual return on plan assets	75.5	–	75.5	(67.2)	–	(67.2)

23. Retirement benefit plans (continued)

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

	2010			2009		
	Funded £m	Unfunded £m	Total £m	Funded £m	Unfunded £m	Total £m
Opening obligation	389.8	5.1	394.9	422.2	6.2	428.4
Current service cost	8.1	0.4	8.5	9.0	0.6	9.6
Interest cost	25.0	0.3	25.3	25.5	0.4	25.9
Employee contributions	0.2	–	0.2	1.9	–	1.9
Benefits paid	(11.6)	–	(11.6)	(13.3)	–	(13.3)
Actuarial losses/(gains)	64.1	0.9	65.0	(55.5)	(2.1)	(57.6)
Closing retirement benefit obligation	475.6	6.7	482.3	389.8	5.1	394.9

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

	2010			2009		
	Funded £m	Unfunded £m	Total £m	Funded £m	Unfunded £m	Total £m
Opening assets	325.8	–	325.8	382.6	–	382.6
Employer contributions	42.9	–	42.9	21.7	–	21.7
Employee contributions	0.2	–	0.2	1.9	–	1.9
Benefits paid	(11.6)	–	(11.6)	(13.2)	–	(13.2)
Expected return on assets	23.1	–	23.1	26.6	–	26.6
Actuarial gains/(losses)	52.4	–	52.4	(93.8)	–	(93.8)
Closing retirement benefit assets	432.8	–	432.8	325.8	–	325.8

The fair value of plan assets was as follows:

	2010		2009	
	£m	%	£m	%
Equities	211.5	48.9	150.0	46.0
Bonds	111.9	25.9	130.8	40.1
Gilts	11.0	2.5	10.2	3.1
Property	16.3	3.7	12.2	3.8
Other (cash)	82.1	19.0	22.6	7.0
	432.8	100.0	325.8	100.0

The net retirement benefit obligation is analysed as follows:

	2010			2009		
	Funded £m	Unfunded £m	Total £m	Funded £m	Unfunded £m	Total £m
Total assets	432.8	–	432.8	325.8	–	325.8
Benefit obligation	(475.6)	(6.7)	(482.3)	(389.8)	(5.1)	(394.9)
Net retirement benefit obligation	(42.8)	(6.7)	(49.5)	(64.0)	(5.1)	(69.1)

23. Retirement benefit plans (continued)

The actuarial valuation of the defined benefit section was undertaken by an independent qualified actuary as at 30 January 2010 using the projected unit credit method. The principal actuarial assumptions used in the valuation were as follows:

	2010	2009
Discount rate	5.70%	6.50%
Salary increases	3.60%	3.80%
Inflation	3.60%	3.80%
Pension increases	3.60%	3.80%
Expected rate of return on assets		
Equities	7.70%	8.15%
Bonds	4.80%	6.40%
Gilts	4.15%	4.85%
Property	6.25%	7.90%
Other	4.15%	4.85%
Average	6.13%	7.10%
Life expectancy at age 65 (years)		
Pensioner aged 65 – male	23.6	23.5
Pensioner aged 65 – female	25.7	25.5
Non-pensioner aged 40 – male	25.6	25.9
Non-pensioner aged 40 – female	27.6	27.9

Expected rates of return on plan assets are based on external historical and forecast market information. The key sensitivity in the calculation is the discount rate applied. A decrease of 0.5% in the discount rate would result in an increase in scheme liabilities of approximately 12%.

Pension contributions for the Group will continue to be set at a level that takes account of the past service funding position of the plan. The Group presently makes employer contributions at 17.5%. Total employer contributions of £46.7m (2009: £24.2m) were made during the year, including £32.5m (2009: £12.5m) in respect of the deficit on the defined benefit section and contributions of £3.8m (2009: £2.5m) in respect of the defined contribution section. In addition to regular contributions to the defined benefit section estimated at £10.0m next year, the Group is committed to making further contributions in respect of the plan deficit totalling £40.0m over the period to March 2013. At the year end, outstanding contributions to the defined contribution section included in other creditors were £nil (2009: £0.4m).

History of experience gains and losses:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of plan assets	432.8	325.8	382.6	380.4	313.0
Present value of defined benefit obligation	(482.3)	(394.9)	(428.4)	(427.4)	(428.6)
Deficit in the plan	(49.5)	(69.1)	(45.8)	(47.0)	(115.6)
Experience (losses)/gains arising on plan liabilities	(0.1)	19.0	4.2	(16.9)	9.6
Experience gains/(losses) arising on plan assets	52.4	(93.8)	(23.2)	5.4	37.6

At January 2010 cumulative actuarial losses recognised in the statement of comprehensive income since transition to IFRS at 1 February 2004 were £59.9m (2009: losses of £47.3m). It is not possible to determine the actuarial gains or losses that would have been recognised prior to transition.

24. Provisions

	Vacant property costs £m
At January 2009	13.1
Additional provision in the year	8.3
Utilisation of provision	(6.3)
Release of provision	(1.7)
At January 2010	13.4

Provision is made for the cost of future rentals or estimated exit costs of leases of properties no longer occupied by the Group to which the Group remains committed, over an average remaining lease term of six (2009: six) years.

25. Other non-current liabilities

	2010 £m	2009 £m
Obligations under finance leases	0.6	1.0
Share based payment liability	16.9	6.4
Other creditors and accruals	192.6	218.6
	210.1	226.0

Other non-current creditors and accruals include £191.1m (2009: £190.2m) of lease incentives received which will be credited to the income statement more than one year from the balance sheet date.

26. Share capital

	2010 '000	2009 '000	2010 £m	2009 £m
Authorised				
Ordinary shares of 10p each	400,500	400,500	40.1	40.1
Allotted, called up and fully paid				
Ordinary shares of 10p each				
At January 2009	197,097	200,997	19.7	20.1
Purchased for cancellation	(5,928)	(3,900)	(0.6)	(0.4)
At January 2010	191,169	197,097	19.1	19.7

During the year, the Company purchased for cancellation 5,928,082 of its own ordinary shares of 10p each in the open market at a total cost of £120.1m. In the prior year, the Company purchased 3,900,000 of its own ordinary shares of 10p each under off-market contingent purchase contracts at a cost of £53.6m.

At 30 January 2010 the Company was party to an irrevocable closed season buyback agreement for the purchase of its own ordinary shares of 10p each to a maximum total cost of £70.4m. No such arrangement was in place as at 24 January 2009.

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

28. Equity settled share based payments

The Remuneration Report on page 34 contains details of management and sharesave options offered to employees of the Group.

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

	No. of options	2010 Weighted average exercise price (p)	No. of options	2009 Weighted average exercise price (p)
Outstanding at beginning of period	12,922,112	1338	9,386,521	1535
Granted during the period	3,518,454	1405	5,916,417	1020
Forfeited during the period	(887,887)	1248	(1,871,991)	1478
Exercised during the period	(2,416,380)	1399	(508,835)	755
Outstanding at the end of the period	13,136,299	1351	12,922,112	1338
Exercisable at the end of the period	2,460,970	1477	3,090,218	1331

Options were exercised on a regular basis throughout the year and the weighted average share price during this period was 1838p (2009: 1183p). Options outstanding at 30 January 2010 are exercisable at prices ranging between 499p and 2189p (2009: 499p – 2189p) and have a weighted average remaining contractual life of 6.6 years (2009: 6.4 years), as analysed in the table below:

	No. of options	2010 Weighted average remaining contractual life (years)	No. of options	2009 Weighted average remaining contractual life (years)
Exercise price range				
499p – 916p	209,388	1.9	382,303	2.9
917p – 1058p	2,017,312	2.9	2,390,620	3.8
1081p	3,402,237	8.2	3,586,698	9.2
1131p – 1399p	3,012,731	8.9	575,283	1.1
1412p – 1495p	1,583,735	4.6	2,173,000	6.0
1514p – 1620p	1,419,993	5.2	2,261,424	5.9
2189p	1,490,903	7.2	1,552,784	8.2
	13,136,299	6.6	12,922,112	6.4

Included in the above balances were options over 154,500 shares (2009: 283,444) that were granted prior to 7 November 2002 which have not been subsequently modified and are therefore not required to be recognised in accordance with IFRS 2.

28. Equity settled share based payments (continued)

The fair value of management and sharesave options granted is calculated at the date of grant using a Black–Scholes option pricing model. The following table lists the inputs to the model used for options granted in the years ended 30 January 2010 and 24 January 2009 based on information at the date of grant:

Management share options

	2010	2009
Weighted average share price at date of grant (p)	1399	1081
Weighted average exercise price (p)	1399	1081
Volatility (%)	39.50	27.00
Expected life (years)	4.00	4.00
Risk free rate (%)	2.54	4.06
Dividend yield (%)	3.93	5.08
Weighted average fair value (£)	3.44	1.74

Sharesave plans

	2010	2009
Weighted average share price at date of grant (p)	1792	1146
Weighted average exercise price (p)	1434	917
Volatility (%)	43.15	37.18
Expected life (years)	3.52	3.63
Risk free rate (%)	1.92	3.95
Dividend yield (%)	3.07	4.80
Weighted average fair value (£)	6.02	3.32

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.

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.

At 30 January 2010 the ESOT held 3,638,271 (2009: 4,076,763) ordinary shares of 10p each in the Company, the market value of which amounted to £71.5m (2009: £44.7m). 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 30 January 2010 and 24 January 2009 has been shown as an ESOT reserve and presented within equity for the Company and the Group. All other assets, liabilities, income and costs of the ESOT have been incorporated into the accounts of the Company and the Group.

During the year the ESOT purchased 1,500,000 Next plc shares in the open market at a total cost of £30.9m and 475,000 shares under off-market contingent purchase contracts at a total cost of £8.7m. At 30 January 2010 the ESOT was party to off-market contingent purchase contracts for a maximum of 1,050,000 Next plc shares at a maximum total cost of £19.7m.

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

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
2009					
Bank loans and overdrafts	121.6	–	–	–	121.6
Trade and other payables	345.9	–	–	–	345.9
Finance lease liabilities	0.4	0.4	0.5	0.3	1.6
Corporate bonds	30.4	30.4	391.3	294.1	746.2
	498.3	30.8	391.8	294.4	1,215.3
Derivatives: net settled	1.3	(3.0)	(11.5)	–	(13.2)
Derivatives: gross settled					
Cash inflows	(798.9)	–	–	–	(798.9)
Cash outflows	718.2	–	–	–	718.2
Total cash flows	418.9	27.8	380.3	294.4	1,121.4

30. Financial instruments: risk management (continued)

At 30 January 2010 the Group had committed borrowing facilities of £295.0m (2009: £445.0m) in respect of which all conditions precedent have been met and which expire in July 2013. None of this facility was drawn down at 30 January 2010 (2009: £75.0 of a £150.0m facility expiring in November 2010).

Interest rate risk

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

Foreign currency risk

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

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

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

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the balance sheet date are detailed in the table below. The Group's net exposure to foreign currencies, taking hedging activities into account is illustrated by the sensitivity analysis in Note 34.

	Assets		Liabilities	
	2010 £m	2009 £m	2010 £m	2009 £m
US Dollar	25.7	88.9	(82.4)	(126.1)
Euro	5.6	3.6	(21.9)	(35.5)
Other	5.9	9.8	(4.4)	(7.7)

Credit risk

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

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

The Group's outstanding receivables balances are detailed in Note 15.

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 subject to any externally imposed capital requirements.

As part of its strategy for delivering sustainable long term growth in earnings per share, the Group has been returning capital to shareholders by way of share buy backs in addition to dividends. Share buy backs 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 during the next twelve months. These derivatives comprise forward currency contracts and currency options, the terms of which match the terms of the expected purchases. Fair values of foreign exchange derivatives are as follows:

	2010 £m	2009 £m
Derivatives in designated hedging relationships	7.7	72.0
Other foreign exchange derivatives	(2.7)	(3.4)
Total foreign exchange derivatives	5.0	68.6

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

	2010 £m	2009 £m
US Dollar	599.8	752.4
Euro	76.2	32.8
Other	6.0	13.7
	682.0	798.9

Interest rates: fair value hedges

At 30 January 2010 and 24 January 2009, the Group had interest rate swap agreements in place as fair value hedges of the interest rate risk associated with the Company's 5.25% 2013 corporate bond. Under the terms of the swaps, which have the same key features as the bond, the Group receives a fixed rate of interest of 5.25% and pays a variable rate. Details of the effective rates payable are given in Note 21.

At 30 January 2010 the Group had interest rate swap agreements in place as fair value hedges of £50m of the Company's 5.875% 2016 corporate bond. Under the terms of the swaps, which have the same key features as the bond, the Group receives a fixed rate of 5.875% and pays a combination of a variable rate and a lower fixed rate. Details of the effective rates payable are given in Note 21.

Interest rates: cash flow hedges

At 24 January 2009 the Group had other interest rate derivatives in place as cash flow hedges in respect of variable rate interest payments. Under the terms of the swaps, the Group paid a fixed rate of interest between 1.74% and 4.89% and received a variable rate (6 month LIBOR).

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

	2010 £m	2009 £m
Derivatives in designated fair value hedging relationships	19.5	14.1
Derivatives in designated cash flow hedging relationships	–	(2.4)
Other interest rate derivatives	(1.2)	–
Total interest rate derivatives	18.3	11.7

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

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

32. Financial instruments: categories

	2010 £m	2009 £m
<i>Financial assets</i>		
Fair value through profit and loss – held for trading	3.3	10.9
Derivatives in designated hedging relationships	28.0	87.6
Loans and receivables	527.3	516.2
Cash and short term deposits	107.0	47.8
Available for sale financial assets	1.0	1.0
<i>Financial liabilities</i>		
Fair value through profit and loss – held for trading	(7.2)	(14.3)
Derivatives in designated hedging relationships	(0.8)	(3.9)
Corporate bonds	(520.9)	(567.8)
Amortised cost	(534.7)	(545.3)
Finance lease obligations	(1.0)	(1.4)

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:

	2010		2009	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
<i>Corporate bonds</i>				
In hedging relationships	320.9	326.0	317.8	266.1
Not in hedging relationships	200.0	214.9	250.0	202.8
	520.9	540.9	567.8	468.9

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

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% 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	
	2010	2009	2010	2009
	£m	£m	£m	£m
<i>Sterling strengthens by 10%</i>				
US Dollar	6.9	(5.8)	(17.1)	(36.7)
Euro	1.1	1.8	0.2	1.8
<i>Sterling weakens by 10%</i>				
US Dollar	(18.6)	0.6	6.9	34.3
Euro	(4.5)	(2.2)	(3.3)	(2.2)

Year end exchange rates applied in the above analysis are US Dollar 1.60 (2009: 1.37) and Euro 1.15 (2009: 1.06). 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 1.0% increase or decrease in interest rates, assuming all other variables were unchanged. The sensitivity rate of 1.0% represents the directors' assessment of a reasonably possible change, based on historical volatility.

The analysis has been prepared using the following assumptions:

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

Positive figures represent an increase in profit or equity.

	Income statement		Equity	
	2010	2009	2010	2009
	£m	£m	£m	£m
Interest rate increase of 1.0%	–	(3.6)	–	(1.3)
Interest rate decrease of 1.0%	(0.1)	3.5	(0.1)	1.2

35. Analysis of net debt

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

35. Analysis of net debt (continued)

	January 2008 £m	Cash flow £m	Other non-cash changes £m	January 2009 £m
Cash and short term deposits	56.0			47.8
Overdrafts	(37.7)			(46.3)
Cash and cash equivalents	18.3	(22.6)	5.8	1.5
Unsecured bank loans	(205.0)	130.0	–	(75.0)
Corporate bonds	(539.7)	–	(28.1)	(567.8)
Fair value hedges of corporate bonds	(12.3)	–	26.4	14.1
Finance leases	(1.8)	0.5	(0.1)	(1.4)
Total net debt	(740.5)	107.9	4.0	(628.6)

36. Operating lease commitments

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

	2010 £m	2009 £m
Within one year	220.9	215.5
In two to five years	769.0	761.6
Over five years	1,013.1	1,106.8
	2,003.0	2,083.9

At 30 January 2010, future rentals receivable under non-cancellable sub-leases where the Group is the lessor were £19.4m (2009: £24.9m).

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 22 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.

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 loss after taxation dealt with in the accounts of the holding company was £12.1m (2009: £26.4m).

38. Investments in subsidiaries

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

39. Current and non-current assets

At the balance sheet date, trade and other receivables comprise £97.4m (2009: £525.8m) of amounts due from subsidiary undertakings and £2.8m (2009: £3.4m) of other debtors. The deferred tax asset of £0.1m in 2010 and 2009 relates to the revaluation of derivatives to their fair values.

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

The carrying amount of these assets approximates to their fair value. Other financial assets comprise interest rate derivatives as detailed in Note 31 which are carried at their fair value.

40. Current and non-current liabilities

Trade and other payables comprise £28.2m (2009: £9.5m) of other creditors and accruals. Other current financial liabilities comprise amounts payable under the Company's closed season buyback arrangements and contingent purchase contracts entered into by the ESOT for the Company's own shares. The carrying amount of these liabilities approximates to their fair value.

Other non-current financial liabilities comprise interest rate derivative instruments carried at fair value (Note 31).

Details of the terms of bank overdrafts and unsecured bank loans are given in Note 18.

41. Other reserves

Other reserves in the Company balance sheet represent the difference between the market price and the nominal value of shares issued as part of the capital reconstruction on acquisition of Next Group plc which has been subject to s131 Companies Act 1985 merger relief. Other reserves totalled £985.2m at 26 January 2008, 24 January 2009 and 30 January 2010.

42. Analysis of net debt

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

	January 2008 £m	Cash flow £m	Other non-cash changes £m	January 2009 £m
Cash and short term deposits	0.4			0.8
Overdrafts	(30.0)			(24.0)
Cash and cash equivalents	(29.6)	6.4	–	(23.2)
Unsecured bank loans	(205.0)	130.0	–	(75.0)
Corporate bonds	(539.7)	–	(28.1)	(567.8)
Fair value hedges of corporate bonds	(12.3)	–	26.4	14.1
Total net debt	(786.6)	136.4	(1.7)	(651.9)

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

The following table shows the Company's sensitivity to movements in interest rates under the same assumptions as detailed in Note 34:

	Income statement		Equity	
	2010	2009	2010	2009
	£m	£m	£m	£m
Interest rate increase of 1.0%	(0.2)	(3.6)	(0.2)	(1.4)
Interest rate decrease of 1.0%	0.1	3.6	0.1	1.2

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

	2010	2009
	£m	£m
<i>Financial assets</i>		
Fair value through profit and loss – held for trading	3.2	–
Derivatives in designated hedging relationships	19.5	14.1
Loans and receivables	100.2	529.2
Cash and short term deposits	61.1	0.8
<i>Financial liabilities</i>		
Fair value through profit and loss – held for trading	(4.4)	–
Derivatives in designated hedging relationships	–	(2.4)
Corporate bonds	(520.9)	(567.8)
Amortised cost	(118.2)	(108.5)

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

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	£m	£m	£m	£m	£m
2010					
Trade and other payables	23.6	–	–	–	23.6
Other liabilities	90.0	–	–	–	90.0
Corporate bonds	28.0	28.0	325.1	279.4	660.5
	141.6	28.0	325.1	279.4	774.1
Derivatives: net settled	(5.5)	(3.5)	(13.5)	(0.6)	(23.1)
Total cash flows	136.1	24.5	311.6	278.8	751.0

43. Financial instruments (continued)

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
2009					
Bank loans and overdrafts	99.3	–	–	–	99.3
Trade and other payables	–	–	–	–	–
Corporate bonds	30.4	30.4	391.3	294.1	746.2
	129.7	30.4	391.3	294.1	845.5
Derivatives: net settled	1.3	(3.0)	(11.5)	–	(13.2)
Total cash flows	131.0	27.4	379.8	294.1	832.3

44. Related party transactions

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

	2010 £m	2009 £m
Transactions with subsidiary undertakings:		
Recharge of costs	(271.6)	(167.1)
Funds (borrowed)/advanced	(162.8)	(132.6)
Dividends received	–	0.1
Interest (payable)/receivable	(0.1)	12.6
Disposal of investment	2.0	–
Loan forgiveness	5.8	–
Amounts due from subsidiary undertakings	97.4	525.8

The Company has taken advantage of Section 410(2) of the Companies Act 2006 to list only its principal subsidiary and associated undertakings at 30 January 2010. All of these are wholly owned by the Company or its subsidiary undertakings, registered in England and Wales, and operate predominantly in the United Kingdom, unless otherwise stated.

Subsidiary undertakings

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

Associated undertakings

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

¹ Shareholdings held by subsidiary undertakings

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

Half Year and Sector Analysis

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Year ended January

	First half £m	Second half £m	2010 £m	First half £m	Second half £m	2009 £m
Revenue						
Next Retail	1,004.3	1,269.9	2,274.2	996.4	1,201.5	2,197.9
Next Directory	386.2	487.0	873.2	379.9	436.5	816.4
Next International	30.0	34.2	64.2	29.5	39.1	68.6
Next Sourcing	1.9	1.6	3.5	2.7	3.2	5.9
Ventura	72.2	73.4	145.6	87.5	74.4	161.9
Property Management	2.8	3.5	6.3	3.2	3.5	6.7
Other activities	14.9	24.6	39.5	1.8	12.3	14.1
	1,512.3	1,894.2	3,406.5	1,501.0	1,770.5	3,271.5
Profit before tax						
Next Retail	112.3	211.7	324.0	107.6	181.2	288.8
Next Directory	83.3	100.3	183.6	78.4	79.2	157.6
Next International	3.1	(1.9)	1.2	3.4	5.6	9.0
Next Sourcing	16.2	19.5	35.7	10.4	21.6	32.0
Ventura	2.1	3.9	6.0	3.5	1.6	5.1
Property Management	0.1	0.2	0.3	1.9	(1.1)	0.8
Other activities	(17.6)	(3.4)	(21.0)	(7.3)	(7.7)	(15.0)
Operating profit	199.5	330.3	529.8	197.9	280.4	478.3
Net finance costs	(14.0)	(10.5)	(24.5)	(24.4)	(25.1)	(49.5)
Profit before tax	185.5	319.8	505.3	173.5	255.3	428.8

Year ended January

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Revenue	3,406.5	3,271.5	3,329.1	3,283.8	3,106.2
Operating profit	529.8	478.3	537.1	507.5	470.7
Net finance costs	(24.5)	(49.5)	(39.0)	(29.1)	(21.6)
Profit before taxation	505.3	428.8	498.1	478.4	449.1
Taxation	(141.3)	(126.5)	(144.2)	(146.9)	(135.6)
Profit after taxation	364.0	302.3	353.9	331.5	313.5

Total equity	133.4	140.5 ¹	(95.2) ¹	189.3	256.2
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Shares purchased for cancellation	5.9m	3.9m	26.1m	19.0m	15.0m
Dividend per share	66.0p	55.0p	55.0p	49.0p	44.0p
Earnings per share	188.5p	156.0p	168.7p	146.1p	127.4p

¹ Restated for change in accounting policy, see Accounting Policies on page 54.

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 Tuesday 18 May 2010 at 11.00 a.m. at which the following resolutions will be proposed; resolutions 1 to 8 as Ordinary Resolutions and 9 to 13 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 appendices to this Notice.

- 1 To receive and adopt the accounts and reports of the directors and auditors for the year ended 30 January 2010.
- 2 To approve the remuneration report for the year ended 30 January 2010.
- 3 To declare a final dividend of 47p per share in respect of the year ended 30 January 2010.
- 4 To re-elect Steve Barber as a director who retires in accordance with Article 56.
- 5 To re-elect David Keens as a director who retires in accordance with Article 56.
- 6 To re-appoint Ernst & Young LLP as auditors and authorise the directors to set their remuneration.

Biographies of directors seeking re-election are shown on page 24 of the Annual Report.

7 Next 2010 Share Matching Plan

That:

- (a) the rules of the Next 2010 Share Matching Plan (the "Plan"), the main features of which are described in Appendix 1 on pages 91 to 92 and a copy of which is produced to the Meeting and for the purposes of identification initialled by the Chairman, be approved; and
- (b) the directors of the Company be authorised to:
 - (i) modify the Plan as they consider appropriate to take account of best practice, adopt the Plan as so modified and take such other action as they consider appropriate to implement the Plan; and
 - (ii) establish further plans based on the Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such plans are counted against the limits on individual or overall participation in the Plan.

8 Directors' authority to allot shares

That:

- (a) the directors be generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006, to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Companies Act 2006):
 - (i) up to a maximum nominal amount of £6,250,000; and
 - (ii) up to a maximum nominal amount of £12,500,000 (as reduced by any equity securities allotted under paragraph (i) above) in connection with an offer by way of a rights issue to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and so that the directors may make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other matter;

- (b) 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 2011;
- (c) the Company may, before this authority expires, make an offer or agreement which would or might require shares to be allotted or rights to be granted after it expires and the directors may allot shares or grant rights in pursuance of such offer or agreement as if this authority had not expired; and
- (d) all previous unutilised authorities under section 80 of the Companies Act 1985 shall cease to have effect (save to the extent that the same are exercisable pursuant to section 551(7) of the Companies Act 2006).

9 Disapplication of pre-emption rights

That:

- (a) the directors be given power:
 - (i) subject to the passing of resolution 8, to allot equity securities for cash pursuant to the authority conferred on them by that resolution; and
 - (ii) to allot equity securities held by the Company as treasury shares for cash,
 - in either case as if section 561 of the Companies Act 2006 did not apply to the allotment but this power shall be limited:
 - (A) to the allotment of equity securities in connection with a rights issue (as defined in article 8 of the Company's articles of association); and
 - (B) otherwise, to the allotment of equity securities up to a maximum nominal amount of £937,500;
- (b) this power 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 2011;
- (c) all previous unutilised authorities under section 95 of the Companies Act 1985 shall cease to have effect; and
- (d) the Company may, before this power expires, make an offer or agreement which would or might require equity securities to be allotted after it expires and the directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

10 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 28,129,000 ordinary shares of 10p each and no more than 15% of the issued ordinary share capital outstanding at the date of the Annual General Meeting, such limit to be reduced by the number of any shares purchased pursuant to the authority granted at resolution 11 below;
- (b) the minimum price which may be paid for ordinary shares (exclusive of expenses) is 10p per ordinary share;
- (c) the maximum price which may be paid for each ordinary share (exclusive of expenses) is an amount not more than 105% of the average of the middle market price of the ordinary shares of the Company according to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date of purchase;
- (d) the authority hereby conferred, unless renewed, shall expire on whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company held in 2011, and
 - (ii) 1 August 2011;
- (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.

11 Off-market purchases of own shares

That, in accordance with the Companies Act 2006, the proposed programme agreements to be entered into between the Company and each of Goldman Sachs International, UBS AG, Deutsche Bank AG and Barclays Bank plc (in the form produced to this meeting and initialled by the Chairman for the purpose of identification) ("the Programme Agreements") be and are approved and the Company be and is authorised to enter into the Programme Agreements and all and any forward trades which may be effected or made from time to time under or pursuant to the Programme Agreements for the off-market purchase by the Company of its ordinary shares of 10 pence each for cancellation, as more fully described in Appendix 2 on pages 93 to 94 (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 2011 and 1 August 2011, 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 10 above.

12 New Articles of Association

That, with effect from the conclusion of the Annual General Meeting:

- (a) the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and
- (b) the Articles of Association produced to the meeting and initialled by the Chairman for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

13 Notice of general meetings

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

By order of the Board.

A J R McKinlay, Secretary

Registered Office
Desford Road, Enderby
Leicester, LE19 4AT

15 April 2010

APPENDIX 1

FURTHER INFORMATION ON RESOLUTION 7: SUMMARY OF THE PRINCIPAL TERMS OF THE NEXT PLC 2010 SHARE MATCHING PLAN (THE “PLAN”)

Operation

The Company's Remuneration Committee will supervise the operation of the Plan.

Eligibility

Any employee (including an executive director) of the Company and its subsidiaries may participate at the discretion of the Remuneration Committee. It is intended that awards will be granted following the 2010 Annual General Meeting to selected executives (currently not envisaged to exceed 30 in all, including the Company's executive directors).

Grant of awards

Awards to acquire ordinary shares in the Company may be granted within 6 weeks of the Company's announcement of its results for any period, within 6 weeks of shareholder approval of the Plan or at any other time when the Remuneration Committee considers there are exceptional circumstances. Awards may only be granted within 10 years of shareholder approval of the Plan.

Awards may be granted as conditional awards to acquire shares, as nil (or nominal) cost options, normally exercisable between 3 and 10 years following grant, or as forfeitable shares. They may also be cash-based awards of an equivalent value.

Awards will be made to individuals who invest part, or all, of the cash element of their discretionary annual bonus in ordinary shares in Next plc (“Investment Shares”). No other payment is required for an award. After Investment Shares have been purchased, the Company will grant awards over shares with a value of up to 200% of the pre-tax amount used to buy Investment Shares. An award of up to 300% of that amount may be made if considered appropriate but only following consultation with major shareholders.

Awards are not transferable (except on death) and are not pensionable.

Performance condition

Vesting of awards will be subject to a performance condition set by the Remuneration Committee. For awards made following the 2010 Annual General Meeting, the condition will require the attainment of earnings per share (“EPS”) targets for the year ending January 2013: 25% of awards will vest if EPS growth over 2010 reaches 15p, 50% if it reaches 30p, and 100% if it reaches 45p. Between these EPS growth levels, straight line vesting will apply. For this purpose, EPS will be the Company's post-tax fully diluted EPS, although the Remuneration Committee may adjust this EPS measure for exceptional items.

The Remuneration Committee can set different performance conditions for future awards. However, major shareholders will be consulted regarding any condition that, in the opinion of the Remuneration Committee, is less demanding than the initial condition.

The Remuneration Committee may vary an existing award's performance condition if an event occurs which causes the Remuneration Committee to consider a variation to be appropriate. The varied condition must be fair and reasonable and not materially less challenging than the original condition (but for the relevant event).

Vesting of awards

Awards normally vest 3 years after grant to the extent that the performance condition has been satisfied, provided the Investment Shares have been retained by the participant and they are still employed in the Next group. If any Investment Shares are disposed of by the participant before the vesting date, awards will lapse on a pro-rata basis. Once vested, awards granted as options will normally remain exercisable until the day before the 10th anniversary of their grant.

Leaving employment

Awards will vest following cessation of employment due to death, injury, disability, retirement, redundancy, an employing company or the business being sold out of the Next group or in other circumstances at the discretion of the Remuneration Committee. The extent of vesting will depend on: (i) the extent to which the performance condition has been satisfied; (ii) pro-rating to reflect the reduced period from grant to vesting, (although the Remuneration Committee need not pro-rate if it regards this as inappropriate); and (iii) quantum of Investment Shares still held at the time of leaving. Employees who resign will generally lose their rights to an award.

Vesting in these circumstances will generally occur at the normal time. However, the Remuneration Committee can decide that awards will vest immediately on such cessation (in which case performance will be measured over the period to cessation).

Where an award granted as an option is exercisable following cessation of employment, it will normally be exercisable for 12 months from when it vests.

Corporate events

On a takeover (not being an internal reorganisation), or winding up of the Company awards will vest early subject to: (i) the extent that the performance condition has been satisfied; and (ii) pro-rating to reflect the reduced period from grant to vesting (although the Remuneration Committee can decide not to pro-rate awards if it regards this as inappropriate).

On an internal reorganisation, awards will be replaced by equivalent awards over shares in the new holding company unless the Remuneration Committee decides that they should vest (on the same basis as for a takeover).

If a demerger, special dividend or other similar event is proposed which, in the Remuneration Committee's opinion, would affect the market price of shares to a material extent, the Remuneration Committee may decide that awards will vest (as on a takeover).

Participants' rights

Holders of awards of forfeitable shares will have shareholder rights from when they are made except they may be required to waive their dividend rights.

Other awards will not confer shareholder rights until participants have received their shares. The Remuneration Committee may, however, decide that participants will receive a payment (in cash and/or shares) of an amount equivalent to the dividends that would have been paid on the shares subject to the awards from when they were granted to when shares are acquired. Alternatively, the awards may be increased as if dividends were paid on the shares subject to the awards and then reinvested in further shares.

Rights attaching to shares

Any shares allotted under the Plan will rank equally with other issued shares (except where record date is prior to their allotment).

Adjustment of awards

On a variation of the Company's share capital or on a demerger, payment of a special dividend or similar event which materially affects the market price of shares, the Remuneration Committee may adjust the number of shares subject to an award and/or any exercise price payable.

Overall Plan limits

The Plan may operate over new issue shares, treasury shares or shares purchased in the market.

In any ten calendar years, the Company may not issue (or grant rights to issue) more than:

- (a) 10 per cent of its issued ordinary share capital under the Plan and any other employee share plan; and
- (b) 5 per cent of its issued ordinary share capital under the Plan and any other executive share plan.

Treasury shares will count as new issue shares for these purposes unless institutional investors decide that they need not count.

Alterations to the Plan

The Remuneration Committee may amend the Plan, although prior shareholder approval is normally required for amendments to the advantage of participants, including inter alia the rules governing eligibility, limits on participation, the overall limits on the issue of shares or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, the shares or cash to be acquired and the adjustment of awards.

Such approval is not, however required for minor alterations to benefit Plan administration, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group and any performance condition.

Overseas Plans

The shareholders' resolution to approve the Plan will allow the Board to establish further plans for overseas territories. Such plans will be similar to the Plan, but modified to take account of local tax, exchange control or securities laws. Any shares made available under them will count against the Plan's limits on individual and overall participation.

APPENDIX 2

FURTHER INFORMATION ON RESOLUTION 11: OFF MARKET PURCHASES OF OWN SHARES

As noted on page 20 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 11 passed at the Company's Annual General Meeting ("AGM") on 19 May 2009 shareholder authority was given to the Company to make on-market purchases of shares for cancellation. This authority was limited to a maximum of 29.5 million shares and expires on the earlier of the date of the AGM held in 2010 or 1 August 2010. 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 9.8 million shares and expires on the earlier of the date of the AGM to be held in 2010 or 1 August 2010. Since the granting of those authorities up to 22 March 2010, the Company has bought back 9,563,788 shares for cancellation, representing 4.9% of its issued share capital as at the date of the 2009 AGM, at a total cost of £190.6 million. No shares have been bought back under contingent purchase contracts.

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

In order to achieve maximum flexibility in its share purchase activities, the Company is able to enter into irrevocable and non-discretionary programmes to allow it to buy shares during Close Periods. Another method of providing flexibility in its share purchase activities, and reducing the cost of share buybacks, is for the Company to enter into contingent forward purchase contracts outside of Close Periods. Pursuant to the authority granted at the 2009 AGM, the Company entered into agreements with the Banks (the "Existing Agreements") and the Company intends to terminate the Existing Agreements and enter into new agreements. The Company proposes to enter into an agreement with each of the Banks (the "Programme Agreements"), under which it may (although it is not obliged to) enter into contingent forward trades ("Contingent Forward Trades" or "CFT") from time to time. Under the terms of each CFT, the Company may purchase a fixed number of shares each week over a period of between 20 to 30 weeks. The maximum number of shares that can be purchased under each CFT is limited to 50,000 shares per week. Details of each CFT will be announced to shareholders on the day it is entered into by the Company.

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

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

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

Under the provisions of sections 693 and 694 of the Act, the Programme Agreements and Contingent Forward Trades are contingent purchase contracts to purchase shares by the Company off-market. Accordingly resolution 11, which will be proposed as a special resolution, seeks shareholder approval to the terms of the Programme Agreements to be entered into between the Company and each of the Banks. The Programme Agreements will have a duration of the shorter of the period to the date of the next AGM to be held in 2011 or 1 August 2011 and will incorporate the terms of an ISDA Master Agreement and Schedule. The Programme Agreements will be entered into and each CFT will be effected outside a Close Period but shares may be purchased during a Close Period by the Company. The minimum and maximum amount of time between a CFT being effected and shares being purchased is 5 days and 30 weeks respectively.

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

- the total maximum number of shares which the Company is permitted to purchase pursuant to this authority would be 9.5 million, representing less than 5.0% of its issued share capital at 30 January 2010;
- 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 105% of the average middle market closing price of the Company's shares as derived from the Official List of the London Stock Exchange for the five days immediately preceding the day on which the Contingent Forward Trade was effected;
- the Forward Price will be no more than 99% of the share price at the time the Contingent Forward Trade was effected;
- the minimum price that can be paid for any share is £0.10; and
- only one Contingent Forward Trade will be entered into on any particular day.

Subject to the limits set out above, the Company will select the Suspension Level and the duration of each CFT, and the Forward Price will be determined by the relevant Bank. Shares purchased via the Programme Agreements will reduce the number of shares that the Company may purchase under any authority granted at the AGM on 18 May 2010 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 next AGM of the Company held in 2011 or on 1 August 2011, 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 18 May 2010. 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 share options to subscribe for shares outstanding at 22 March 2010 was 12,944,945. This represents 6.9% of the issued share capital at that date. If the Company was to buy back the maximum number of shares permitted pursuant to this special resolution, then the total number of options to subscribe for shares outstanding at 22 March 2010 would represent 7.3% of the reduced issued share capital.

APPENDIX 3

FURTHER INFORMATION ON RESOLUTION 12: NEW ARTICLES OF ASSOCIATION

It is proposed in resolution 12 to adopt new articles of association (the “New Articles”) in order to update the Company’s current articles of association (the “Current Articles”), primarily to take account of the coming into force of the Companies (Shareholders’ Rights) Regulations 2009 (the “Shareholders’ Rights Regulations”) and the implementation of the remaining parts of the Companies Act 2006 (“CA 2006”).

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by CA 2006 or the Shareholders’ Rights Regulations have not been noted.

The Company’s objects

Prior to 1 October 2009, the provisions regulating the operations of the Company were set out in the Company’s memorandum and articles of association. The Company’s memorandum contained, among other things, the objects clause which sets out the scope of the activities the company is authorised to undertake. This is drafted to give a wide scope. CA 2006 significantly reduces the constitutional significance of a company’s memorandum, providing that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under CA 2006, the objects clause and all other provisions which are contained in a company’s memorandum are deemed to be contained in the company’s articles of association, but the company can remove these provisions by special resolution.

Further, CA 2006 states that, unless a company’s articles provide otherwise, a company’s objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason, the Company is proposing to remove its objects clause, together with all other provisions of its memorandum which, by virtue of CA 2006, are now treated as forming part of its articles of association. Resolution 12 (a) confirms the removal of these provisions although, where appropriate, to preserve the status quo, certain directors’ powers that were previously dealt with in the memorandum have been reflected in the New Articles. As the effect of Resolution 12 (a) will also be to remove the statement currently in the Company’s memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

Authorised share capital and unissued shares

CA 2006 abolishes the requirement for a company to have an authorised share capital, and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under CA 2006, save in respect of employees’ share schemes.

Redeemable shares

Under Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption, whereas CA 2006 enables directors to determine such matters themselves, provided that they are authorised to do so by the articles. The New Articles contain such an authorisation for the directors. The Company has no plans to issue redeemable shares but, if it did so, the directors would need shareholders’ authority to issue new shares in the usual way.

Suspension of registration of share transfers

The Current Articles permit the directors to suspend the registration of share transfers. This power has been removed in the New Articles because it is inconsistent with CA 2006, which requires share transfers to be registered as soon as practicable.

Notice of general meetings

The Shareholders’ Rights Regulations amend CA 2006 to require the Company to give 21 clear days’ notice of general meetings unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed. Annual General Meetings must be held on 21 clear days’ notice. The New Articles amend the provisions of the Current Articles to be consistent with the new requirements.

Adjournments for lack of quorum

Under CA 2006, as amended by the Shareholders’ Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The New Articles amend the provisions of the Current Articles to reflect this requirement.

Chairman's casting vote

The New Articles remove the provision in the Current Articles giving the chairman a casting vote in the event of an equality of votes, as this is no longer permitted under CA 2006.

Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended CA 2006 so that it now provides that, subject to a company's articles, each proxy appointed by a member has one vote on a show of hands, unless the proxy is appointed by more than one member, in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles amend the provisions of the Current Articles to reflect these changes, and to clarify the procedure to be followed if a proxy is appointed by more than one member and is given discretion as to how to vote by one or more of those members.

Voting record date and proxy appointment deadline

Under CA 2006, as amended by the Shareholders' Rights Regulations, the Company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days that are not working days. CA 2006 also allows companies to set a time limit for the receipt of proxy appointments and related documents that is not more than 48 hours before the time for the holding of the meeting, not taking account of days that are not working days. The New Articles amend the Current Articles to reflect these provisions.

Voting in accordance with instructions

Under the Shareholders' Rights Regulations, proxies are expressly required to vote in accordance with instructions given to them by members. For the avoidance of doubt, the New Articles contain a provision stating that the Company is not obliged to check whether a proxy or corporate representative has voted in accordance with the members' instructions.

Change of name

Prior to 1 October 2009, a company could only change its name by special resolution, but now, under CA 2006, a company is able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name.

Scrip dividends

In line with market practice, the New Articles update the Current Articles to provide that the value of shares issued in connection with a scrip dividend may be determined by ordinary resolution, or by reference to the average middle-market quotation for shares of the same class on the London Stock Exchange Daily Official List for the day on which the shares are first quoted "ex" dividend, and the four subsequent dealing days. The New Articles also allow the directors the flexibility at any time before the further shares are allotted to decide that the dividend will be paid in cash instead.

General

Generally, the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles to the language used in CA 2006.

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 16 May 2010 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 16 May 2010 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 11 on off-market share purchase contracts, Companies Act 2006 provides that this resolution will not be effective if any member of the Company holding shares to which it relates (i.e. those which may be purchased pursuant to the Programme Agreements) exercised the voting rights carried by any of those shares in voting on the special resolution and the resolution would not have been passed if they had not done so. Therefore, Next intends to disregard any poll votes which are cast in favour of resolution 11 attaching to 9.5 million shares (being the total maximum number of shares which the Company is permitted to purchase pursuant to the Programme Agreements) from both the total number of votes cast in favour of this resolution and the total number of votes cast.

As at 22 March 2010 (being the latest practicable date prior to the publication of this Notice) the Company's issued share capital consists of 187,532,899 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 18 May 2010 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to 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
- A copy of the rules of the Next 2010 Share Matching Plan pursuant to resolution 7
- Copies of each of the Programme Agreements pursuant to resolution 11
- A copy of the proposed New Articles pursuant to resolution 12 and a copy of the existing Memorandum and Articles marked to show the changes being proposed

A copy of the proposed Next 2010 Share Matching Plan will be available for inspection at Hewitt New Bridge Street at 6 More London Place, London SE1 2DA and copies of each of the Programme Agreements pursuant to resolution 11 and the Memorandum and Articles pursuant to resolution 12 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.

Company website

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

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

Payment of dividend

The recommended final ordinary dividend, if approved, will be paid on 1 July 2010 to holders of ordinary shares registered at close of business on 28 May 2010. The ordinary shares will trade ex-dividend from 26 May 2010.

Annual General Meeting

The Annual General Meeting will be held at 11.00 a.m. on Tuesday 18 May 2010 at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester LE19 1SW. The notice of the meeting on pages 88 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 11.00 a.m. on 16 May 2010**. 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

	2010	2009
Share price at financial year end	1966p	1097p
Market capitalisation	£3,758m	£2,162m
Share price movement during year:		
High mid-market quotation	2139p	1522p
Low mid-market quotation	1088p	838p

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.)

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.

Shareholder enquiries

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

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

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

For shareholders with disabilities Equiniti provides the following:

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

CREST

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

Payments of dividends to mandated accounts

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

This report has been printed on recycled paper.



Greencoat 55 – is produced from 55% recovered fibre, diverting waste from landfill.

Contains material sourced from responsibly managed and sustainable forests together with recycled fibre.

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