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Annual Report and Accounts
January 2009

Contents

Forward Looking Statements

Certain statements which appear in a number of places throughout this Report and Accounts may constitute "forward looking statements" which are all matters that are not historical facts, including anticipated financial and operational performance, business prospects and similar matters. These forward looking statements are identifiable by words such as "aim", "anticipate", "believe", "budget", "estimate", "expect", "forecast", "intend", "plan", "project" and similar expressions. These forward looking statements reflect Next's current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any such forward looking statements are subject to various risks and uncertainties, including but not limited to those risks described in "Risks & Uncertainties" on pages 12 to 14; 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 and equity markets. These forward looking statements do not amount to any representation that they will be achieved as they involve risks and uncertainties and relate to events and depend upon circumstances which may or may not occur in the future and there can be no guarantee of future performance. Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. Next does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Summary of Performance
January 2009

“As anticipated, the year to January 2009 was a challenging year for Next. However...”

Group revenues were £3.272m and we delivered profit before tax of £429m.

“The Board is pleased to recommend a final dividend of 37p making 55p for the year, the same as last year.”

The 55p dividend is covered 2.8 times by earnings per share of 156p.

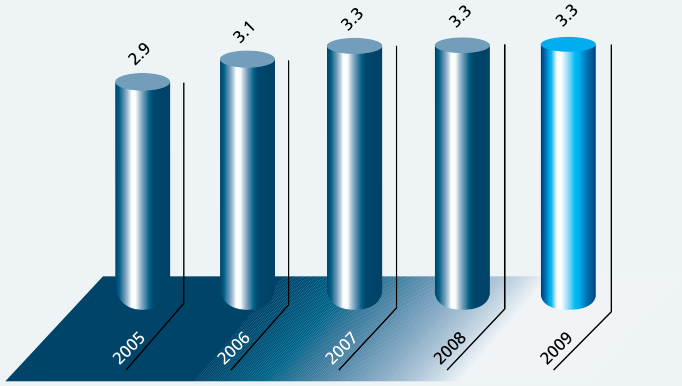
“The Group has a strong financial position with modest debt and excellent cashflows.”

Positive cashflow reduced debt by £111m to £629m and we do not have any refinancing requirements this year.

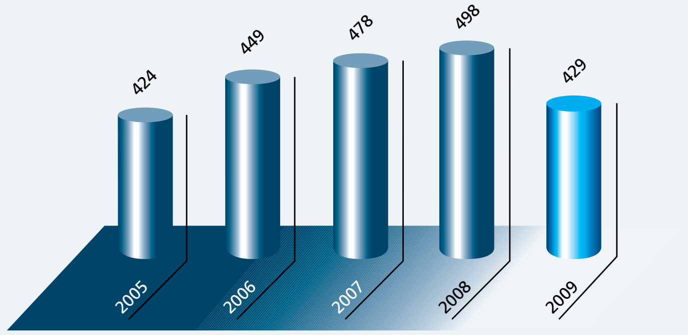
“Our strategy remains to concentrate on the design, quality and value of our product together with excellent customer service and delivery.”

We are focused on ensuring Next’s stores, Directory, personnel and brand remain in good shape.

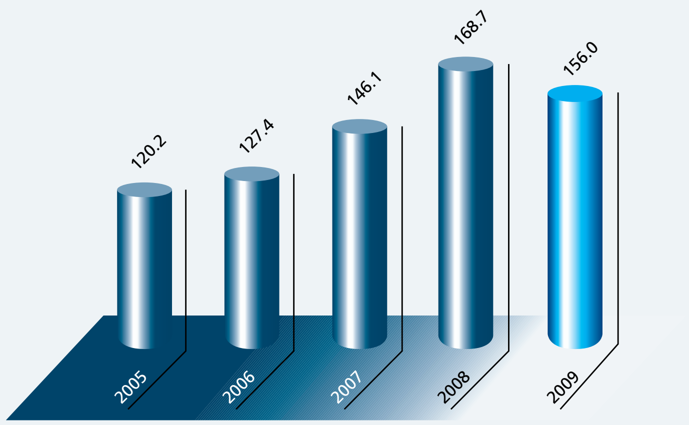
“We believe this will serve us well through the current recessionary period and leave us well placed when the recovery begins.”



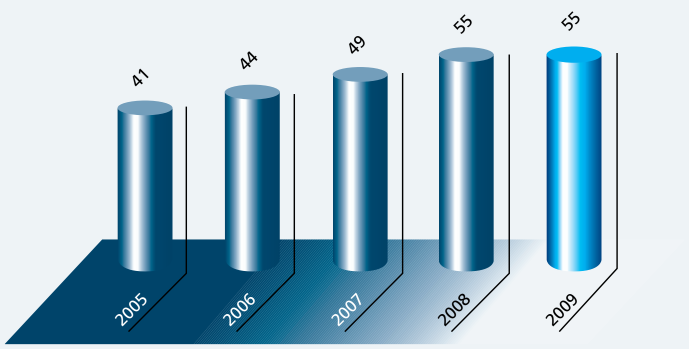
Revenue (£ billion)



Profit before tax (£ million)



Earnings per share (pence)



Dividends per share (pence)

Chairman's Statement

As anticipated, the year to January 2009 was a challenging year for Next. Revenue fell by 1.7% to £3,272m and earnings per share, our primary financial measure, fell by 7.5% to 156p. However, we delivered profit before tax of £429m and reduced net debt by £111m to £629m.

The Board is pleased to recommend a final dividend of 37p making 55p for the year, the same as last year, which is covered 2.8 times by earnings.

Trading conditions in the year ahead will continue to be tough. The current economic climate in the UK is unstable and this brings short term volatility in our sales which, in turn, makes forecasting difficult. In addition, the weakness of Sterling against the US Dollar and the Euro, our main purchasing currencies, has brought further challenges to our buying teams. Their response has been excellent, working hard with our suppliers to protect our customers from unaffordable price increases and our own margins, as far as possible.

Next has a number of assets and opportunities which will enable us to trade through the year as successfully as possible:

- An experienced and stable management team who are responding extremely well to their current challenges.
- A powerful and efficient operating model.
- A strong financial position with modest debt and excellent cash flows.
- A weakening property market which is already providing us with interesting opportunities for profitable new Retail stores.
- The Next Directory, and its strong internet presence, which gives us the base to extend our product offering.

Our strategy remains as it was last year; to concentrate on the design, quality and value of our product, together with excellent customer service and delivery. We believe this will serve us well through the current recessionary period and leave us well placed when the recovery begins.

As we go through difficult trading periods we depend heavily on our management team, all of our staff and, in particular this year, the support of our suppliers. I would like to thank them all for the contribution they have made and their continuing support.

John Barton

John Barton
Chairman

Directors' Report and Business Review

The Directors present their annual report and audited accounts for the financial year ended 24 January 2009.

PRINCIPAL ACTIVITIES

Next is a UK based retailer offering stylish, excellent quality products in 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, the Next Directory, a direct mail catalogue and transactional website with more than 2 million active customers, and Next International, with more than 170 stores overseas.

Other Group businesses include:

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

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

BUSINESS STRATEGIES & OBJECTIVES

The primary financial objective of the Group remains the delivery of sustainable long term growth in earnings per share ("EPS"). In the current economic environment, it will be very challenging to reverse this year's decline in EPS in the short term and for the year ahead EPS is again expected to reduce. However, the Board remains convinced that the Group's long term 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. All new store appraisals must meet demanding financial criteria before any investment is made and success is measured by monitoring achieved sales and profit contribution against appraised targets.
- Increasing the number of customers shopping from home with the Next Directory and their average spend.
- Where possible, improving gross and net margins by better sourcing, continuous cost control and efficient management of stock levels and working capital.
- Maintaining the Group's financial strength through a resilient balance sheet.
- Purchasing shares for cancellation where it is earnings enhancing and in the interest of shareholders generally.

CHIEF EXECUTIVE'S REVIEW

OVERVIEW

Next has emerged from a difficult year in good financial health, with solid net margins, a robust balance sheet, strong positive cash flow and secure financing. During the year we focused on managing our costs and continued to invest in the Next Brand through improved product ranges, stores and marketing. Whilst we do not underestimate the difficulties presented by the year ahead, we believe we are well prepared to meet the challenges of the continued economic downturn.

PROGRESS DURING YEAR

Anticipating a difficult year we set ourselves four key objectives; set realistic sales budgets, control stock, control costs and continue to invest in the Brand. During the year:

- We came within the guidance for sales set out in March 2008. Retail like for likes were down -6.5%, within the guidance range of -3% to -7%. Directory sales were up 2.1%, just ahead of our range of 0% to 2%.
- Stock for the end of season Sales across Retail and Directory was down 10% as a result of realistic budgets and much improved stock control.
- We continued to make operational cost savings.
- We continued to invest in the Next Brand, spending £39m refitting stores, maintaining advertising spend and improving the quality and design of our clothing and Home ranges.

GROUP PROFIT

Group operating profit declined by -11.0% to £478m. Profits in the core Next Brand businesses (Retail, Directory, International and Sourcing) were down just -7%. The main decline elsewhere was in our outsourcing subsidiary, Ventura.

Last year's share buybacks meant the -11% drop in operating profits resulted in only a -7.5% fall in earnings per share, due to the lower average number of shares in issue.

	Revenue excluding VAT		Profit & Earnings per share		
	2009	2008	**2009**	2008	
	£m	£m	**£m**	£m	
Next Retail	**2,197.9**	2,255.1	**288.8**	319.9	
Next Directory	**816.4**	799.8	**157.6**	164.4	
The Next Brand	**3,014.3**	3,054.9	**446.4**	484.3	**-7.8%**
Next International	**68.6**	54.1	**9.0**	7.1	
Next Sourcing	**5.9**	6.4	**32.0**	32.8	
Ventura	**161.9**	203.7	**5.1**	21.5	
Other activities	**20.8**	10.0	**(2.0)**	(2.1)	
Share option charge	**–**	–	**(8.9)**	(8.8)	
Unrealised exchange (loss)/gain	**–**	–	**(3.3)**	2.3	
Revenue & operating profit	**3,271.5**	3,329.1	**478.3**	537.1	**-11.0%**
Net interest expense			**(49.5)**	(39.0)	
Profit before tax			**428.8**	498.1	**-13.9%**
Taxation			**(126.5)**	(144.2)	
Profit after tax			**302.3**	353.9	**-14.6%**
Basic earnings per share			**156.0p**	168.7p	**-7.5%**

PRODUCT, PRICING AND MARKET POSITION

We have been much happier with the positioning and fashion content of our product ranges and in particular the improvements to our women's ranges. We have significantly improved the levels of newness introduced throughout the year and been more aggressive in backing new trends. We have been taking more fashion risks and taking significant positions in new looks without firm evidence that they will materialise into sales. Whilst this may seem counter-intuitive, the way for a fashion business to be successful is by taking fashion risks.

Next maintained its long standing practice of providing customers with certainty over pricing and was one of the few retailers not to mark stock down in the run up to Christmas. Whilst we recognise that this will have reduced our sales potential during this period, it allowed us to maintain our margins and significantly reduce markdown costs year on year.

Going forward we believe the increase in promotional activity on the High Street will continue, albeit that more realistic budgeting in the sector may result in less markdown immediately prior to Christmas. Next intends to continue trading at full price at all times, other than at our traditional end of season and mid-season Sales. Any increase in promotional activity must logically involve either the surrender of margin, or the artificial raising of initial prices in order to offer them as a "bargain" at a later date. Whilst some have made a success of this strategy, we do not believe that this would be right for the Next Brand.

Next's market position at the top end of the mass market is not the most comfortable place to be during a recession and we have two alternatives. We can make the best of our current position by providing customers with what they expect from Next; namely exciting, beautifully designed, great quality clothing and homeware. Alternatively, we could engineer our product ranges to lower price points at the expense of design and quality. We have decided that we will not devalue our ranges and will maintain our market position. We believe that in the long term this integrity will provide us with a solid platform for growth when the economy recovers.

That is not to say we can afford to be complacent about price. We believe there are opportunities to improve opening price points in some areas, without sacrificing quality and design content.

NEXT RETAIL

Retail Sales

Retail sales finished the full year down -2.5%, in line with our expectations. As a result of effective stock control we put 15% less stock into the end of season Sales. Therefore, full price sales differ from total sales, which include markdown, as set out below:

	Full price only	**Total sales including markdown**
Sales	- 2.1%	- 2.5%
Like for like sales	- 6.1%	- 6.5%

New Space and Refits

We increased trading space by 305,000 square feet in the full year, increasing our portfolio to 510 stores. The payback on the net capital invested in new space is forecast to be 19 months. The net store contribution is forecast to be 17%. These results are comfortably ahead of our financial hurdles of 24 months payback and 15% contribution. We expect to open a total of 260,000 square feet in the year ahead.

Whilst the market for homeware is difficult at present, we believe there are significant long term opportunities for Next to gain market share in this area. To this end we have opened 10 stand alone Home stores, all are successful apart from our only city centre store. The 9 out of town stand alone stores are forecast to make a contribution of 23% and pay back the capital invested in 18 months. This year, 120,000 square feet of the new space will be stand alone Home stores in out of town locations.

We continue to invest in improving our stores and we are pleased with the progress made so far. During the year we spent £39m updating our stores and 66% of our space is now new, refitted, or redecorated. This year we intend to spend £21m on refits and this will take the modernised space to 85% of our total space.

Retail Profit

Retail profit declined by -9.7% in the year. In line with our forecast in March 2008, Retail net margins were down -1.1%. 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		14.2%
Decrease in bought in margin	-0.1%	
Provisions and slippage	-0.1%	
Reduction in markdown	+1.6%	
Increase in achieved gross margin		+1.4%
Reduction in store payroll		+0.1%
Increase in store occupancy costs		-2.1%
Increase in warehouse fixed costs	-0.6%	
Operational savings	+0.3%	
Increase in warehouse and distribution		-0.3%
Increase in central overheads		-0.2%
Net operating margin this year		**13.1%**

The improvement in achieved gross margin of +1.4% is primarily a result of reducing the markdown charge by 1.6%. We do not anticipate that there will be the same opportunity to save further markdown in the year ahead.

The bought in gross margin was broadly flat and was below our expectations in the second half. This was as a result of additional foreign currency requirements that were purchased at adverse rates.

Store wages improved slightly as a percentage of sales despite a 2.5% annual pay award. This was achieved as a result of better management of hours used in our stores; we expect man-hour savings to continue to offset wage increases for the current year.

Occupancy costs eroded margins by 2.1%. Like for like sales declined, whilst both rents and rates have continued to grow ahead of inflation. Like for like rents are up 4.6% and rates are up 6.5%. The driver for rental growth is reviews in out of town retail parks, where rents have risen significantly over the last five years. Rent reviews in High Street locations have been lower and continue to decline. In the year ahead we anticipate further rental increases on existing stores despite the current downturn, again this will be driven by out of town reviews. We are seeing a significant softening in the terms for new space.

Warehousing and distribution fixed costs rose by 0.6% as a result of opening new warehouses, which were completed on time and on budget. Operational benefits in both warehousing and distribution saved 0.3%, resulting in a net increase in costs of 0.3%. Central overheads increased due to reallocation of costs between Retail and Directory.

NEXT DIRECTORY

Directory Sales

Directory continues to grow despite the economic environment. We believe the resilience of the Directory is mainly as a result of continued growth in the use of the internet and the continued expansion of new product categories. The provision of credit on Next Directory accounts may also be providing an advantage in the current consumer environment.

Sales were at the top end of our expectations, up +2.1%. Growth was achieved through a 1.9% increase in the average number of active customers and an 8.4% increase in pages. The majority of the additional pages went to new and developing product areas.

The internet continues to be very important to the development of the Directory and now accounts for over 60% of our orders. We will continue to enhance our internet functionality in the coming season and we will re-launch the site in a wider format with improved search and display of products.

Directory Profit

Directory profit was down -4.1% 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		20.6%
Decrease in bought in margin	-0.9%	
Increase in markdown	-0.3%	
Decrease in achieved gross margin		-1.2%
Movement in bad debt		0.0%
Increase in service charge income		+0.2%
Increase in warehouse and distribution		- 0.3%
Increase in marketing and book creation		- 0.4%
Decrease in other central overheads		+0.4%
Net operating margin this year		**19.3%**

Achieved gross margin decreased by -1.2%. The bought in gross margin decreased by -0.9%, this was slightly worse than the position of Retail due to the growth in sales of lower margin non-Next branded categories. The markdown charge increased by 0.3% as a result of less Directory stock being transferred to the Retail Sale.

In contrast to the first half, we experienced a rise in customer credit defaults in the fourth quarter and increased our bad debt provisions accordingly. We currently believe that the bad debt charge in the year ahead will be broadly in line with the year just ended. However, we recognise that the risk here is on the downside and will continue to actively manage our credit offer.

Book creation costs rose as a result of increased pages and increased printing costs. We purchase print services in Euros and 0.2% of the margin loss relates to currency movements. Central overheads benefited from reallocation of costs between Retail and Directory.

NEXT INTERNATIONAL

Next International had a good year with sales and profits up 27%. Partner sales were up 7%, the balance of the increase in sales is mainly due to the acquisition of our Czech franchise.

Profits were boosted by savings in operational overheads, the non-recurrence of China start up costs and foreign exchange gains.

The outlook for our franchise business reflects the general state of the global economy, with many stores already moving backwards on the year. The anticipated fall in like for like sales will be partially offset by 14 additional stores. Overall we expect sales to be down, with profits around £7m.

NEXT SOURCING (NSL)

NSL is our overseas sourcing business with operations in several countries, the largest two being China (including Hong Kong) and Sri Lanka. NSL is a profit centre and during the year it supplied approximately 50% by value of Next Retail and Directory product purchases. There are over 1,000 employees engaged in all aspects of product design, procurement, quality and factory inspection. There are also over 2,000 employed in the two factories which we own in Sri Lanka.

Total sales decreased to £601m and profits were down -2.6% to £32m. The first half year was lower as a consequence of the timing of Chinese New Year and tighter control over purchases by Next Retail and Directory. The second half year profit was unchanged in local currency and increased on translation at weaker Sterling exchange rates. We expect local currency sales and profits for the coming year to be lower, however, the currency translation effects should again result in profits of around £32m.

VENTURA

Ventura had an extremely difficult year and continued to experience lower business volumes and margins in the second half. Sales for the year of £162m were down -20% and the impact on profits was significantly greater due to lower gross margins and fixed overheads. Some of its clients have reduced both their customer activity and volume of outsourced business. A key contract was renewed during the year at lower margins.

We do not believe the economic environment over the next year will allow us to maintain total business volumes and we have taken action to reduce costs where possible. Therefore, we do not expect any recovery in margins or profit for the year ahead and are currently forecasting for Ventura to broadly break even.

Ventura Network Distribution, our new fulfilment service supplying warehouse and distribution facilities to third parties, now has six clients. We are in advanced discussions with other potential clients and expect further profitable growth in this business.

OTHER ACTIVITIES

The Other Activities loss of £2m was in line with last year, although the constituent parts varied. The Property Management contribution reduced to £1m due to additional rent provisions on vacant properties. Our associated companies of Choice and Cotton Traders again delivered a combined profit share of £1m.

In September we acquired Lipsy, a young female fashion brand, and have made good progress in preparing it for future growth. Its primary routes to market were concessions and wholesale. Last year Lipsy opened its first retail store and commenced direct sales through the internet. In 2009 we are planning to open 9 Lipsy stores in major city centres and malls. We will also broaden the product offer and enhance its internet and home delivery capabilities. Lipsy made a loss before amortisation of £1m in the period and we expect it to achieve a small profit in the year ahead.

Group costs of £2m were down by over £5m. Bonus and long term incentive provisions were reduced as a consequence of group profit and share price performance, and there was also a reduction in the annual pension charge.

INTEREST AND TAXATION

The interest charge increased to £49m due to higher debt and interest rates at the start of the year, both of which reduced towards the end of the year. Interest was covered almost ten times by operating profit. We expect a significantly lower charge of approximately £32m for the year ahead. The tax rate was 29.5% and we expect a similar rate going forward.

BALANCE SHEET AND CASH FLOW

The balance sheet and cash flow remain robust. Cash flow from operations resulted in an inflow of £166m before share buybacks. The reduction in net debt after buybacks was £111m.

Net debt at the year end was £629m, primarily £550m of long term bonds maturing in 2013 and 2016. In addition, we have £445m of medium term bank facilities; £150m is committed until November 2010 and £295m, which was renewed in June 2008, is committed until 2013.

We anticipate cash flow will again be strongly positive for the coming year, with debt peaking at less than £750m after paying the final dividend in July. It is possible that by January 2010 total debt will be less than the £550m of long term bonds and that the £445m of committed bank facilities will be undrawn. Accordingly we do not envisage any refinancing requirements in the year ahead.

Capital expenditure amounted to £121m with reduced spending on our major categories of new retail space, existing store refits and warehousing. This trend will continue through 2009 and we are budgeting for total expenditure of £80m. Depreciation will remain in the region of £120m. We do not expect any significant increase in the combined working capital requirement for stock, debtors and creditors.

SHARE BUYBACKS

At the start of the year we were committed to purchase 1.9% of our shares for £54m. Since then we have not undertaken any further share buybacks and do not intend to do so whilst the outlook for long term debt and the consumer remains so uncertain.

DIVIDEND

The Directors are recommending a final dividend of 37p, bringing the total for the year to 55p, unchanged on last year. The dividend is covered 2.8 times by earnings per share of 156p.

FUTURE TRADING STATEMENTS

We will make two trading statements in the next four months. The first will be an Interim Management Statement covering the first quarter and will be made on 6 May. The second will cover the first half and will be made at the end of July. We will announce our half year results in mid-September as usual.

OUTLOOK FOR 2009/10

2009 presents a double challenge. Weakness in the general economy means we must plan for a fall in like for like sales for the full year. In addition, the weakness of Sterling will put strong upward pressure on cost prices. We are conscious the following paragraphs could make for alarmist headlines, so it is worth stressing that, despite the challenges, we still plan to deliver healthy net margins of more than 10%, generate over £100m of net cash and achieve profits in line with current market consensus.

Outlook for the Economy

The outlook for the consumer economy remains challenging and, as we have said before, the first half will be particularly tough. National earnings will be hit by increasing unemployment. For those in employment, we anticipate there will be less opportunity for overtime and bonus payments. In addition, further falls in property prices are likely to undermine confidence.

However, those in employment are likely to benefit from a reduction in financial pressure. As we progress through the year, anticipated falls in mortgage interest costs, fuel, energy and possibly food mean many will be significantly better off. On balance we believe that negative sentiment will override these positive effects for some time and many consumers will choose to increase savings rather than expenditure.

Looking out longer term into 2010 it is worth cautioning about the risk of higher inflation. Any prolonged weakness in the value of Sterling, combined with higher VAT rates and rapidly rising business rates, could result in a return of inflationary pressure feeding through to the economy.

Outlook for Sales

We anticipate negative like for like sales for the full year with the first half being particularly difficult. We are budgeting for first half Retail like for like sales to be down between -6% and -9%. We are less cautious for Directory, which we expect will benefit from increased use of the internet, new product ranges and availability to customers of its credit offer. We are budgeting for Directory sales to be down between 0% and -2% in the first half.

The Impact of Currency

The precipitous fall in the value of Sterling presents many retailers with an enormous challenge. Whilst much of our currency requirements for the first half have been hedged, in the second half we have bought the Dollar at an average price of around $1.50 to the Pound versus $1.98 last year. The rate against the Euro has also dropped significantly though this is to some extent offset by our Euro revenues.

We believe that some of the currency impact will be absorbed through price negotiations and re-sourcing. However, we expect that both selling prices and gross margins will be adversely affected.

Outlook for Retail and Directory Net Margins

We are budgeting for Retail net operating margins to fall by around 3% to circa 10%. There are two main drivers for the drop in margin. We anticipate that bought in margin will reduce by up to 1.6% as a result of the currency pressures detailed above. In addition, occupancy costs are likely to rise as a percentage of sales as like for likes decline further.

We are budgeting for Directory net operating margins to remain broadly flat at around 19%. We anticipate that falling gross margins will be offset by savings in warehousing and distribution. There is increased risk of bad debt in this environment and we will remain vigilant in our management of customer credit.

SUMMARY

In facing another challenging year, there are four points I would like to re-emphasise:

- We expect the consumer environment to remain difficult for the full year.
- Next is well placed to weather the storm with high net margins, a strong balance sheet, committed long term funding and positive cash flows.
- We expect group net margins to remain above 10% and our internal profit expectations to be in line with current market consensus.
- We do not intend to compromise the integrity of our pricing, nor the quality and design of our ranges in response to economic difficulties.

Whilst we remain cautious in our outlook for the year ahead, we believe that perhaps the economic gloom has been overdone. At some point, the economy will begin to recover and we must focus on ensuring Next's stores, personnel and brand emerge in good shape. To that end, we will set realistic budgets, control our stock and closely manage our cost base, whilst at the same time continuing to invest in our most important asset, the Next Brand.

Simon Wolfson
26 March 2009

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:

Next Retail sales

	2009		2008	
	No. stores	**LFL %**	No. stores	LFL %
Total	**410**	**-7.9%**	411	-4.9%
Underlying	**348**	**-6.5%**	328	-3.8%

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 selling space

	2009	2008	Annual change
Store numbers	**510**	502	+1.6%
Square feet 000's	**5,506**	5,201	+5.8%

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

Retail operating margin

	2009	2008
Net operating margin last year	**14.2%**	14.0%
Increase in achieved gross margin	**+1.4%**	+1.8%
Increase in store occupancy costs	**-2.1%**	-1.0%
Decrease/increase in store payroll costs	**+0.1%**	-0.2%
Increase in central overheads	**-0.5%**	-0.4%
Net operating margin this year	**13.1%**	14.2%

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

Directory customers

	2009	2008	Annual change
Average active customers	**2,202,000**	2,160,000	+1.9%
Average sales per customer	**£371**	£370	+0.3%
Number of pages	**3,960**	3,652	+8.4%

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

	2009	2008
Net operating margin last year	**20.6%**	18.6%
Decrease/increase in achieved gross margin	**-1.2%**	+0.1%
Decrease in bad debt	**0.0%**	+2.7%
Increase in service charge income	**+0.2%**	+0.4%
Increase in central overheads	**-0.3%**	-1.2%
Net operating margin this year	**19.3%**	20.6%

Share buybacks

	2009	2008
Number of shares purchased ('000)	**3,900**	26,057
% of opening share capital	**1.9%**	11.5%
Total cost (£m)	**53.6**	514.4
Average cost per share (£)	**13.74**	19.74

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 all 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 is exposed to a greater degree of credit risk than in previous years. Rigorous procedures are in place with regard to the Group's customers and these procedures have received an increase in focus. 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 has conducted a risk assessment of key suppliers to identify alternatives and developed 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 has critically reassessed its exposure to counterparty risk in the light of the global economic climate and its treasury policy has been amended to further restrict counterparties with which deposits, investments and other transactions may be made.

- **Key personnel**

  The success of Next depends in part on the continued service of its key 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 key 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 its key personnel and an orderly succession and promotion to all key 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 office, 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. There has been significant competition for desirable sites in the retail sector, which has resulted in increased rents and costs of operations. This trend is currently easing but may return in future years.

  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 (credit risk), 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 9,000 Next employees held options over a total of 12.9m shares in Next plc at January 2009. 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 4.1m 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 33 and in Note 23 to the financial statements. As at 24 January 2009, there were 1,867 (2008: 2,088) active members in the Defined Benefit Section and 2,024 (2008: 2,042) 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 37 staff (2008: 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 24 January 2009 were 27 days (2008: 24 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 24 January 2009 or 26 January 2008.

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.

During the year all areas of the business have conducted trials and implemented energy saving initiatives. Examples include replacing existing lighting schemes with more efficient bulbs, installation of occupancy sensors to dim or turn off lights when areas are unoccupied, trialling new technologies for air conditioning designed to draw in cold air from outside, so called "free cooling", and staff awareness training.

Next has continued to investigate opportunities to reduce the total waste it produces and to increase the amount it is able to recycle. Stores and warehouses, where the majority of the waste the business generates is produced, recycled 47% of their total waste (2008: 45%) which included over 14,591 tonnes of cardboard (2008: 16,197 tonnes), 1,429 tonnes of polythene (2008: 1,701 tonnes), and 18,813 tonnes of general waste (2008: 22,361 tonnes). Next reverse hauls all cardboard and polythene from its stores to be recycled and is also working to minimise packaging on its products.

The Waste Electrical and Electronic Equipment (WEEE) Regulations came into effect on 1 July 2007. Next complies with this legislation 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:

	2009	2008
Registered charities	**£839,130**	£730,978
Individual requests, local and national groups and organisations	**£56,669**	£42,969
Commercial support	**£54,018**	£146,156

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

Next charity events	**£24,346**	£433,204
Gifts in kind – product donations	**£764,034**	£394,178
Charity linked sales	**£181,681**	£263,058
Employee fundraising	**£20,960**	£11,201
Ventura fundraising	**£11,701**	£61,461

An example of the positive contribution Next endeavours to make elsewhere in the world is its participation in Soul of Africa. This is an imaginative self-help initiative which resources groups of unemployed workers in Africa with materials and skills to make hand stitch shoes and t-shirts. For each of these products it orders, Next makes a donation to a charitable trust that channels much needed funds into schemes to benefit children orphaned by AIDS.

No donations were made for political purposes (2008: nil).

ANNUAL GENERAL MEETING & OTHER MATTERS

Notice of the Annual General Meeting is on pages 89 to 98 and includes the following business:

Dividends

The Directors recommend that a final dividend of 37p per share be paid on 1 July 2009 to shareholders on the register of members at close of business on 29 May 2009. 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 22 of this report. Mr Netherton retired as a director on 13 May 2008. Mr Angelides and Mr Barton will retire at the 2009 AGM in accordance with the Company’s articles of association and, 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.

The interests of the directors who held office at 24 January 2009 and their families are shown in the Remuneration Report on page 37.

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 Annual General Meeting.

Disclosure of information to auditors
In accordance with the provisions of Section 234ZA of the Companies Act 1985, 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.

Sharesave plan
The Company has operated a Sharesave scheme since 1980. The current scheme expires early next year and the Board believes that it has been very successful in fostering a common interest between employees and shareholders and encouraging employees to take an interest in the Company's success. Accordingly, it is proposed to implement a replacement plan for which approval from shareholders is being sought at the forthcoming Annual General Meeting. This will be known as the Next 2009 Sharesave Plan (the "Plan"). A summary of the main features of the Plan is set out in the Appendix 1 on pages 92 and 93.

Risk/Reward investment plan
The Company first implemented its Risk/Reward investment plan in July 2004 (the "2004 Plan"). The retail employment sector was highly competitive and Next's staff were frequently targeted by its rivals for recruitment. The Remuneration Committee considered that Next offered competitive base salaries, annual bonuses and an appropriate long term incentive plan compared with most publicly listed retailers. However, unlike private companies, publicly listed companies such as Next were unable to offer key executives the opportunity to invest in their equity with the prospect of a leveraged capital profit. The 2004 Plan was introduced by Next to address this issue and assist in the retention and recruitment of its key executives.

As the retail sector remained very competitive in 2005, a revised structure approved by shareholders was implemented in July 2005 (the "2005 Plan") which included enhanced retention features. Both plans required that Next's share price meet demanding thresholds before any return is achieved and details of the 2005 Plan are given in the Remuneration Report on pages 31 and 32. Approval for further plans was given by shareholders at the 2006, 2007 and 2008 Annual General Meetings. However, in the light of prevailing market conditions, the Remuneration Committee did not consider it appropriate to implement a new plan for these years.

Over the six years to January 2009, the management team has achieved total shareholder return of 87%, including share price growth of 44%. During this period, earnings per share have increased by 128%, dividends have grown by 77% and £1.3 billion has been returned to shareholders through the Company's share buyback programme.

Notwithstanding the fact that no returns were realised from the 2004 Plan, nor are any expected on maturity of the 2005 Plan, the Remuneration Committee believes that this incentive is a potentially valuable way to retain and align the interests of key directors and senior management. Accordingly, a resolution will be proposed to approve a further plan (the "2009 Plan"), thereby allowing the Company flexibility to offer a similar incentive to its key executives and attract new talent to the management team. The structure of the 2009 Plan would be the same as the 2005 Plan and the cost to the Company would be limited to a maximum of £2 million. All participants would be required to make a significant investment of personal funds. The principal features of the 2009 Plan are summarised in Appendix 2 to the Notice of the Annual General Meeting.

Renewal of authority to allot shares
Ordinary resolution 9 will, if passed, renew the Directors' authority pursuant to section 80 of the Companies Act 1985 to allot shares until the conclusion of the next Annual General Meeting or, if earlier, 1 August 2010. In accordance with the latest institutional guidelines issued by the Association of British Insurers, the proposed new authority will allow the Directors to allot ordinary shares equal to an amount of up to one third of the Company's existing issued share capital plus, in the case of a fully pre-emptive rights issue only, a further amount of up to an additional one third of the Company's existing issued share capital. As at 23 March 2009 (being the latest practicable date prior to publication of this document) the Company's issued share capital amounted to £19,709,668.70, comprising 197,096,687 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 10 will, if passed, renew the Directors' authority pursuant to Section 95 of the Companies Act 1985 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 to £985,000, being less than 5% of the issued ordinary share capital as at 23 March 2009. 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 Annual General Meeting in 2010 or, if earlier, 1 August 2010. Nor do the Directors 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 shareholder representative organisations.

On-market purchase of own shares

Next has been returning capital to its shareholders since March 2000 as part of its strategy for delivering long term sustainable growth in earnings per share. Over this period, Next has returned over £2.0 billion to shareholders by way of share buybacks and in excess of £806m 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 11 will renew the authority for the Company to make market purchases (as defined in Section 163 of the Companies Act 1985) 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 29,500,000 ordinary shares of 10p each or no more than 15% of the issued ordinary share capital outstanding at the date of the Annual General Meeting, such limits to be reduced by the number of any shares to be purchased pursuant to special resolution 12: Contingent contracts and off-market share purchases, see below;

(b) the payment per ordinary share is not less than 10p and not more than the higher of 5% over 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 Annual General Meeting of the Company in 2010 and 1 August 2010.

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 50 pence per £100 or part thereof of the consideration paid by the Company. The liability will be a liability of the Company.

The total number of share options to subscribe for shares outstanding at 23 March 2009 was 12,717,625. This represents 6.45% 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 23 March 2009 would represent 7.59% of the reduced issued share capital.

Contingent contracts and off-market share purchases

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 deteriorating economic environment, the Directors did not consider it appropriate to use the authority granted at the 2008 AGM. However, 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 for cancellation using such contracts if, based on the discounted price contracted (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.

Special resolution 12 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 9,800,000 and would not exceed a total cost of £150 million.

The principal features of the contracts are set out in Appendix 3 to the Notice of the Annual General Meeting. 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 up to the date of the Annual General Meeting and at the Meeting itself.

14 day notice period for Extraordinary General Meetings

Special resolution 13 is required in view of the proposed implementation in the UK in August 2009 of the Shareholder Rights Directive ("SRD"). The Company is currently able to call general meetings (other than annual general meetings) on 14 clear days' notice in accordance with its articles of association and would like to preserve the ability to do so. The regulation implementing the SRD will increase the notice period for general meetings of the Company to 21 days unless shareholders have approved the calling of meetings on 14 days' notice. Under the terms of the SRD, the resolution will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed. The Company will need to meet the requirements for electronic voting under the SRD before it can call a general meeting on 14 days' notice.

Recommendation

Your Directors are of the opinion that all resolutions which are to be proposed at the Annual General Meeting 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 authorised and issued share capital are shown in Note 26 to the financial statements.

The Company was authorised by its shareholders to purchase the Company's own shares for cancellation. During the year the Company purchased a total of 3,900,000 ordinary shares of 10p each for cancellation at a cost of £53.6m, representing 1.9% of its issued share capital.

On 24 January 2009 the Company had 197,096,687 shares in issue. As at 23 March 2009, there had been no changes to the issued share capital of the Company.

As at 23 March 2009 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.	18,881,760	9.58
Schroders plc	14,657,082	7.44
FMR LLC	11,421,468	5.79
AXA S.A.	9,985,271	5.07
Barclays Global Investors	7,018,926	3.56

Additional information

Shareholder and voting rights

All members who hold ordinary shares are entitled to attend and vote at the Annual General Meeting. On a show of hands at a general meeting every member present in person 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. The Notice of Meeting on pages 97 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 reappointed 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 to 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.

By order of the Board

A J R McKinlay
Secretary

26 March 2009

Directors' Responsibility Statement

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 1985. 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.

By order of the Board

Simon Wolfson	**David Keens**
Chief Executive	**Group Finance Director**

26 March 2008

Directors and Officers

CHAIRMAN OF THE BOARD

John Barton
Aged 64
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 41
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 45
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 55
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 multi-national manufacturers of consumer goods.

Andrew Varley, Group Property Director
Aged 58
Joined the Group in 1985 and was appointed to the Board in 1990. Previous experience includes twelve years in retail and commercial property.

BOARD COMMITTEES

Audit Committee
S D Barber (Committee Chairman)
N G Brookes
C Cross
J D S Dawson
This committee reviews the Group's internal control, risk management and financial reporting.

Remuneration Committee
J D S Dawson (Committee Chairman)
S D Barber
R J O Barton
N G Brookes
C Cross
This committee sets the remuneration of the Group's executive directors.

Nomination Committee
R J O Barton (Committee Chairman)
S D Barber
N G Brookes
C Cross
J D S Dawson
This committee considers the appointment of the Group's directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Jonathan Dawson, Senior Independent Non-executive Director
Aged 57
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 57
Became a member of the Board in June 2007. He is also a non-executive director of Palladian Group (the owner of Whitehead Mann) and was formerly finance director of Mirror Group. Previous experience includes almost thirty years in the accountancy profession, principally with Price Waterhouse where he was a senior partner.

Nick Brookes
Aged 58
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 57
Became a member of the Board in 2005. She is also a non-executive director of Premier Foods plc and Empire Co. Ltd (Canada), a member of the Advisory Panel of PricewaterhouseCoopers and a retail advisor to Apax Partners. Previous experience includes fourteen years at Tesco plc and fifteen years lecturing and consulting 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 2006 FRC Combined Code on Corporate Governance.

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. All directors were present at all nine meetings, with the exception of Mr Wolfson who was unable to attend one meeting and Mr Netherton who was unable to attend one of the three meetings held before his retirement in May 2008. 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. No Situational Conflicts have been reported to the Board as at the date of this report.

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. 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 all were fully attended.

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. Six meetings were held during the year and all were fully attended.

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.

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 22, 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 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.

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 shareholder circulars and 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 acknowledges that its 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 and interim management 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 20. The Directors' Report also describes the Group's financial position and borrowing facilities, further information on which is detailed in 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 the Companies Act 1985 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 undertaken a number of significant initiatives during the past year to ensure that remuneration structures for executive directors and senior management are appropriate to the prevailing, and more challenging, economic conditions facing the Company. These initiatives focused on offering fair reward for performance, whilst also delivering an appropriate balance between those rewards and returns to shareholders. The Committee was particularly concerned to ensure that Next would continue to offer consistently attractive remuneration packages to enable the Group to retain and to attract the highest quality people. This overview summarises the main developments in the year; more detailed information on the Group's remuneration arrangements are then set out later in this report.

During the year the Remuneration Committee:

- conducted a major review of senior executive remuneration benchmarked against comparable companies within the retailing sector, with the support of independent consultants, Hewitt New Bridge Street ("HNBS"). The key conclusions of this review were that, whilst the basic structure of salary, short term and long term bonuses was generally appropriate for the Group, the basis on which targets were set for determining performance related pay needed to be modified;
- in August 2008, consulted with Next's top 10 shareholders (representing over 42% of shares in issue), the Association of British Insurers and RiskMetrics (on behalf of the National Association of Pension Funds) to determine whether Next's leading shareholders would support the Committee's proposals for restructuring future performance targets and the basis on which new long term incentive plan ("LTIP") awards would be made. A briefing note was sent to each leading shareholder, which was then supplemented by individual discussions with either the Committee chairman and/or HNBS. This exercise confirmed that a substantial majority of shareholders consulted were supportive of our proposals;
- in September 2008, restructured performance targets for the remainder of the year to January 2009. No changes had retrospective effect or altered first half performance measurement. Revised profit targets for bonuses were set for the second half year and potential bonus payments were capped at a maximum of 50% of the level which would have been earned had the revised profit target been in place for the full year. The revised profit target required pre-tax profits and pre-tax earnings per share ("EPS") for the Group to exceed £427 million and 215 pence per share respectively before any bonus became payable to executive directors; thereafter, the level of bonus was based on the excess of pre-tax EPS over 215 pence per share. The maximum 50% bonus would only be payable if pre-tax EPS were at least 232 pence per share. As the revised targets were set during the financial year the Committee determined that no bonus would be payable for the first half year;
- determined that a similar approach be adopted for the 2009/10 annual performance award, with performance measured on a full year basis against target ranges set by the Committee. The Committee decided that the Chief Executive's maximum potential annual bonus should be increased to 150% of salary from the previous level of 100%. However, in keeping with the Committee's focus on retention and performance, any bonus payable in excess of 100% of salary would be paid in shares, deferred for two years and satisfied by share issues from the Next Employee Share Ownership Trust ("ESOT"). The Committee has set 2009/10 performance targets which will be disclosed in its 2010 Report;
- implemented revised arrangements for issue of LTIP awards. To reduce the volatility inherent in the total shareholder return ("TSR") performance measure, the Committee determined it would be more appropriate to make reduced LTIP grants twice a year, once in March and again in September after the announcement of Next's annual and interim results. This change would also enhance the portfolio effect for participants of more frequent, but smaller LTIP awards. The Committee also decided that the EPS underpin should be modified from the previous growth requirement of RPI to one which was more appropriate to the current economic environment and the specific performance of Next against its comparator group. Whilst the TSR performance condition is to be retained, the financial underpin for each future LTIP award will be in line with general market practice and reflect the Committee's assessment of the Company's underlying performance. The Committee will be rigorous in its assessment and believes it will result in an equally challenging threshold before any award would vest.
- In January 2009, determined that an annual salary award of 1% be made to executive directors, in line with the wider Company award.

While the Company is confident with respect to the long term prospects of the business, the present economic outlook means that it is likely to be much more difficult to achieve significant earnings growth in the next few years. The Committee carefully considered the changes to remuneration policy summarised above and is satisfied that appropriate and effective incentive structures have been put in place. These should assist in retaining Next's executive directors and senior management and incentivising them to deliver superior performance. The objective remains to increase shareholder value in the medium to long term by ensuring that management's interests are fairly aligned with those of shareholders.

The Remuneration Committee

The Committee determines the remuneration of the Group's Chairman and executive directors, and reviews that of senior executives. The members of the Committee who served during the year are listed in 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.

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 and participation in Next's pension plan. It also includes optional participation in a risk/reward investment plan.

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. The normal review date is January and the 2009 award for the executive directors and the Group as a whole was a 1% increment.

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. The performance measure is annual pre-tax EPS. For the six months to July 2008, this had to increase by 5% prior to any bonus becoming payable. The formula for this period also included an upper limit of 50% of salary and EPS growth had to reach a demanding level of at least 10% for the maximum bonus to be earned. As there was no growth in EPS in this period, no bonus was payable for this period.

For the six months to January 2009, revised performance targets were set on a prospective basis only, with no bonus being payable if pre-tax profits were below £427m and pre-tax EPS were 215 pence or less. A maximum bonus of 50% of salary was payable if pre-tax EPS exceeded 232 pence, with a pro-rated award for earnings in this range. Based on pre-tax EPS of 221.2 pence per share, the actual bonus payable is 18.2% of salary, equal to an aggregate of £351,000 for the executive directors.

For future periods, a similar methodology will be applied. Annual performance targets will be 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 will not be disclosed in advance for reasons of commercial sensitivity, the targets and performance against them will be disclosed in the relevant year's Remuneration Report.

The Chief Executive's maximum annual bonus potential will be increased from 100% to 150% of basic salary to reflect the Committee's decision to keep the bias of pay on performance. This brings the potential bonus more into line with the Company's retail sector competitors and similarly sized companies more generally. However, any bonus awarded above the existing 100% of basic salary limit will be payable in shares, deferred for a period of two years and would be forfeited if he voluntarily resigns prior to the end of that period. Maximum bonus potential for other executive directors will remain at 100% of basic salary.

Long term incentive plan

The current plan was approved by shareholders at the 2006 Annual General Meeting. Until April 2008, invitations to participate were issued annually to executive directors and senior executives. As noted above, to reduce the inherent volatility of the total shareholder return ("TSR") performance condition, the Committee decided to adopt a biannual, rather than annual, grant policy from September 2008 for long term incentive plan ("LTIP") awards. Previously, annual awards to the Chief Executive, other executive directors and senior management were 200%, 150% and 120% of basic salary respectively. Under this new policy, the Chief Executive, other executive directors and senior management will receive grants of 100%, 75% and 60% of basic annual salary respectively every six months (in or around March and September each year). The first biannual award, equal to 50% of the previous annual award made in March 2008, was made in respect of the three year performance period ending July 2011 as detailed below.

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, the EPS underpin attached to LTIP awards, which operates in addition to the median to upper quintile TSR performance targets, is replaced by a more conventional underpin. Specifically, the Committee will 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.

The comparator group of companies for the three year performance period to January 2009 was as follows:

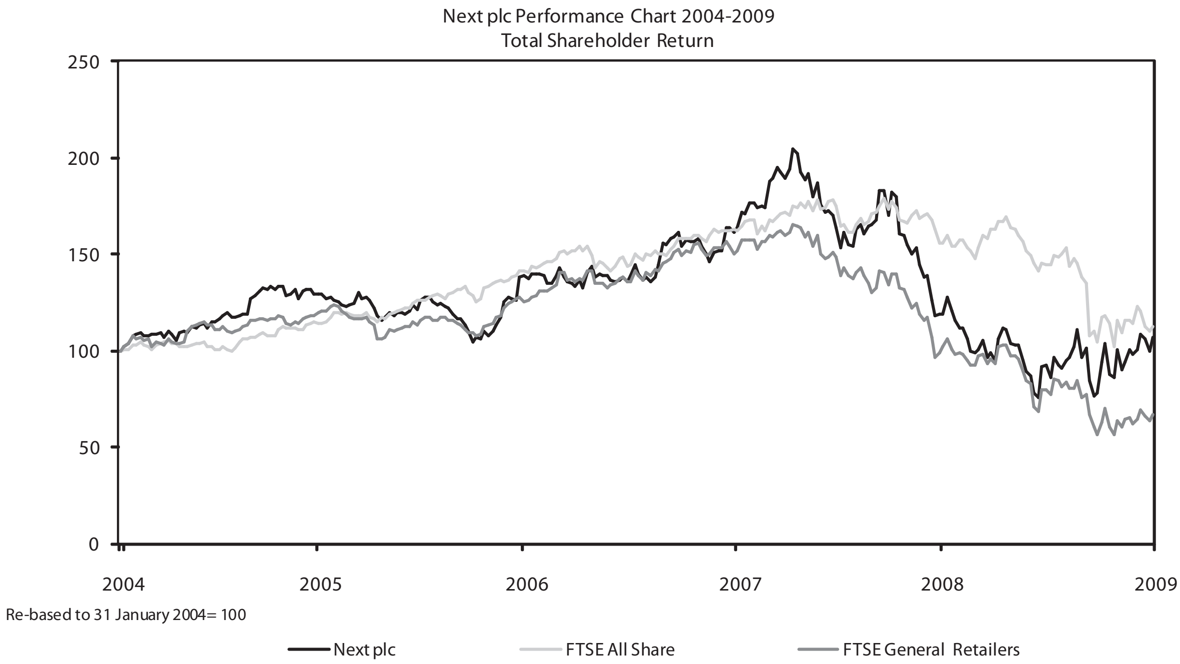
Alliance Boots	Home Retail Group	Marks & Spencer	N Brown
Body Shop	JJB Sports	Matalan	Signet
Burberry	J Sainsbury	MFI Furniture	Tesco
Carpetright	Kesa	Morrisons	W H Smith
DSG	Kingfisher	Mothercare	Woolworths
Findel			

The Committee determines which companies are to be added to or removed from the comparator group for future performance periods. For periods ending January 2010 onwards Body Shop, MFI Furniture and Matalan have been removed from the comparator group and replaced by Debenhams, Carphone Warehouse and French Connection. 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.

Following the merger of Boots Group with Alliance Unichem on 31 July 2006, data for Boots Group is used prior to the merger date and data for the merged entity thereafter. Similarly, following the demergers of GUS and W H Smith data for the appropriate demerged entity (Home Retail Group and W H Smith) is used after the date of the demerger.

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 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. 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). For the performance period commencing February 2005 the maximum award was 100% of basic salary.

Prior to 2008, the Committee generally restricted the maximum potential share award below that possible under the rules of the plan. As disclosed last year, in 2007, an independent benchmarking exercise by HNBS indicated that the level of awards was inconsistent with market practice. Accordingly, the Committee concluded that the level of awards to be made for periods commencing after January 2008 should be moved in line with current market levels. This reduced the level of award that vests at the median performance level from 30% to 20% and increased the performance required at which the maximum award will vest to the upper quintile of the comparator group.

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) Directors	Other employees	% of maximum potential award at median ranking	Ranking for maximum award
February 2006 & 2007	100%(1)	80%	30%	Upper quartile
February 2008	150%(2)	120%	20%	Upper quintile
August 2008	75%(3)	60%	20%	Upper quintile

(1) Incremental awards were made to Mr Angelides, bringing his maximum share award to an equivalent of 130% of salary for the performance period commencing February 2006. The additional 30% award was also contingent on his remaining with the Group for a five year period to January 2009.

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

(3) The maximum potential award made to Mr Wolfson for the performance period commencing August 2008 is 100% of basic salary.

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.

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. A similar plan with additional retention provisions was put in place after shareholder approval was obtained at an Extraordinary General Meeting in July 2005. Shareholders also approved the implementation of further plans at the 2006, 2007 and 2008 AGMs, but the Committee decided it was not appropriate to offer this incentive in any of the three years to January 2009.

The Committee considers that, notwithstanding the lack of returns realised or expected from the previous two plans launched in 2004 and 2005, this incentive structure is a potentially valuable way to retain and align the interests of key directors and senior management with those of shareholders. Accordingly, authority will be sought from shareholders at the 2009 AGM to implement a new risk/reward investment plan if the Committee considers it appropriate, which will be broadly similar to that implemented in 2005. Further details of the proposed Plan are set out in Appendix 2 to the AGM Notice on pages 93 to 95.

Full details of the 2005 Plan were included on page 22 of the 2006 Remuneration Report, the main elements of which are summarised below.

In July 2005 following approval by the Committee, the Group made a special contribution of £1,198,000 to the Next 2003 Employee Share Ownership Trust (the "ESOT") to acquire listed warrants issued by Goldman Sachs Jersey Limited. These warrants are held on revocable trusts for executives who made personal investments totalling £499,000 (including £266,000 by executive directors) from their own resources in financial contracts, the success of which is based on the market price of Next shares in July 2009.

The returns on the warrants and the financial contracts are materially the same and will vary between a minimum of zero (if the final share price is then £20.50 or less) and a maximum of approximately five times the initial investment. The maximum value will only be achieved if the final share price is at or above £25.00. On maturity of the warrants, any returns accruing to the ESOT will only be distributed (either in Next shares and/or cash) to those participants who have remained with Next.

Based on an average Next share price of £14.93 over the three months to July 2005, the Company's share price would need to increase by July 2009 at the equivalent of an annual compound growth rate of 8.3% (adjusted for the difference between assumed dividends payable and actual dividends paid) in order for there to be any return on the initial investment. In order to achieve maximum value the annual compound growth rate would need to be 13.8%.

In addition, the Group also acquired 172,368 warrants direct from Goldman Sachs Jersey Limited in order to hedge its potential employers' National Insurance contributions liability in respect of the plan.

The risk/reward plan that was implemented in July 2004 concluded in July 2008 and no returns accrued to participants on its maturity.

Based on a share price of £12.83 on 23 March 2009, Next's share price must increase by more than 60% in the period to July 2009 for any returns to accrue under the 2005 plan.

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 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 current economic circumstances, the Committee has determined that a growth related performance condition is no longer appropriate and a new performance condition should be applied for future option grants. For the April 2009 award, the Committee has reviewed Next's internal budgets and current analysts' forecasts and determined this performance condition should be that post-tax EPS in the year to January 2012 has to be no less than 133 pence per share. The Committee believes that this performance threshold will be no less demanding than the previous EPS growth condition applied to previous grants. 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. Currently, share based incentives are satisfied from shares held by the ESOT – see Note 29 on page 75. The Committee may recommend further on-market 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 2000 and expires in 2010. A resolution to renew the sharesave option scheme will be proposed at the 2009 AGM. 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.

Sharesave options granted to directors in the year under review are detailed on page 37.

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. For death prior to retirement a spouse/civil partner's pension of 60% of the member's prospective pension is payable. A lump sum of up to three times the member's final pensionable earnings plus a return of the member's contributions with interest is also payable. For death after retirement a spouse/civil partner's pension of 60% of the member's pre-commutation pension is payable. A lump sum equivalent to the balance of five years' pension is payable if death occurs within five years of retirement. If death occurs after leaving service but before the pension becomes payable (i.e. as a deferred pensioner), a spouse/civil partner's pension of 60% of the accrued deferred pension is payable along with a lump sum equal to the member's own contributions with interest. 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 24 January 2009 calculated in accordance with International Financial Reporting Standards was £69.1m; further details are given in Note 23 to the financial statements.

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

No 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 notice 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. 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

2009 **Directors' remuneration £'000**	**Salary/fee**	**Performance related bonus**	**Benefits**	**Total**
Chairman				
R J O Barton	**225**	**–**	**–**	**225**
Executive directors				
S A Wolfson	**675**	**123**	**33**	**831**
C E Angelides	**470**	**85**	**30**	**585**
D W Keens	**450**	**82**	**28**	**560**
A J Varley	**335**	**61**	**27**	**423**
Non-executive directors				
S D Barber	**48**	**–**	**–**	**48**
N G Brookes	**42**	**–**	**–**	**42**
C Cross	**42**	**–**	**–**	**42**
J D S Dawson	**55**	**–**	**–**	**55**
D N D Netherton	**15**	**–**	**–**	**15**
Total	**2,357**	**351**	**118**	**2,826**

2008 Directors' remuneration £'000	Salary/fee	Performance related bonus	Benefits	Total
Chairman				
R J O Barton	217	–	–	217
Executive directors				
S A Wolfson	605	341	33	979
C E Angelides	440	248	29	717
D W Keens	436	246	27	709
A J Varley	325	184	29	538
Non-executive directors				
S D Barber	28	–	–	28
N G Brookes	41	–	–	41
C Cross	41	–	–	41
J D S Dawson	54	–	–	54
D N D Netherton	49	–	–	49
Total	2,236	1,019	118	3,373

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 and Mr Barber who was appointed on 1 June 2007.

Mr Wolfson was the highest paid director in the current and previous year.

The Company also paid a pension under the unfunded, unapproved arrangement to a former director of the Company of £34,593 (2008: £33,754).

Long term incentive plan

The total shareholder return of the Company for the three year performance period which matured in January 2008 ranked twelfth in the comparator group of 22 listed retail companies. As this was below the median position, no award vested.

A further three year performance period of the plan matured in January 2009. The Company's TSR over this period ranked tenth in the group of 22 other listed retail companies. Accordingly, an award of 40% of the maximum is expected to vest, which is payable in Next shares or cash at the Company's discretion. The awards will be settled during 2009 and, based on the share price of 1283p on 23 March 2009, awards to directors would be as follows:

	January 2009		January 2008	
	Actual no. of shares	**Estimated value £000**	Adjustment to estimate £000	Final value £000
S A Wolfson	**15,421**	**198**	–	–
C E Angelides[(1)]	**14,580**	**187**	–	–
D W Keens	**10,514**	**135**	–	–
A J Varley	**7,850**	**101**	–	–
	48,365	**621**	–	–

(1) Mr. Angelides is now entitled to a deferred payment of £137,556 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 January 2010 and 2011 and July 2011 respectively are not yet complete and no entitlement has yet been earned. A charge of £1,669,000 (2008: £514,000) has been made in the accounts in respect of the estimate of the amount for awards relating to the year, of which approximately £692,000 (2008: £110,000) related to the executive directors.

The directors held the following potential awards over shares under the LTIP for which the performance period was not completed as at 24 January 2009:

	Maximum no. of shares to January 2010	Maximum no. of shares to January 2011	Maximum no. of shares to July 2011
S A Wolfson	32,599	80,024	62,791
C E Angelides	23,709	41,790	32,791
D W Keens	23,509	40,012	31,395
A J Varley	17,554	29,787	23,372
	97,371	191,613	150,349

The potential awards for the performance periods to January 2011 and July 2011 were allocated during the year. Save for the changes noted above to performance conditions for plans commencing after July 2008, 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 2009	**Years of pensionable service**	**Accrued annual pension £'000**	**Change in accrued annual pension £'000**	**Transfer value of accrued annual pension 2009 £'000**	Transfer value of accrued annual pension 2008 £'000	**Increase in transfer value less director's contributions £'000**
S A Wolfson	41	14	234	33	2,393	1,985	374
C E Angelides	45	16	206	21	2,670	2,309	337
D W Keens	55	22	314	20	6,338	5,698	617
A J Varley	58	25	132	(128)	2,909	5,746	(2,850)

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 as part of his divorce arrangements. 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. He remains in the service of, and a director of, Next plc. As at 31 October 2008 Mr Varley transferred out of the Plan all benefits relating to his pre-6 April 1997 service, except for those which relate to his Guaranteed Minimum Pension entitlement. This transfer value was £3,309,000 and related to £140,000 of accrued annual pension. His deferred pension as at 31 October 2008 after the transfer and as at 24 January 2009 was £132,000 per annum. The transfer value of Mr Varley's remaining pension entitlement as at 24 January 2009 has been calculated based on his deferred pension and market conditions at that date; this is in line with the approach used for the active members of the Plan. The transfer value of his deferred pension at 31 October 2008, based on January 2009 market conditions, was £56,000 lower, at £2,853,000, due to his younger age at that date.

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**			
	2009 No. of shares	2008 No. of shares	**2009 No. of shares**	**2009 Average exercise price (p)**	2008 No. of shares	2008 Average exercise price (p)
S A Wolfson	**1,602,340**	1,602,340	**1,826**	**917**	1,065	1576
C E Angelides	**90,108**	90,108	**1,046**	**917**	1,081	1514
S D Barber	**3,500**	1,500	**–**	**–**	–	–
R J O Barton	**16,000**	12,000	**–**	**–**	–	–
N G Brookes	**8,000**	5,000	**–**	**–**	–	–
C Cross	**2,500**	1,500	**–**	**–**	–	–
J D S Dawson	**5,000**	2,000	**–**	**–**	–	–
D W Keens	**151,437**	145,963	**1,284**	**1067**	1,873	865
D N D Netherton	**Retired**	2,000	**–**	**–**	–	–
A J Varley	**69,887**	79,887	**1,046**	**917**	748	1253

Share options expire at various dates up to June 2014. The options held by Mr Keens include one over 899 shares at an exercise price of 1131p which exceeded the market price of Next plc shares on 24 January 2009. Share options granted to or exercised by directors during the year were as follows:

Sharesave options	**No. of shares**	**Exercise price (p)**	**Market price (p)**	**Date of grant**	**Date of exercise**
S A Wolfson	1,826	917	–	21 October 2008	–
C E Angelides	1,046	917	–	21 October 2008	–
D W Keens	974	620	1269	–	4 March 2008
D W Keens	385	917	–	21 October 2008	–
A J Varley	1,046	917	–	21 October 2008	–

The total value of options exercised, being the excess of market price over the exercise price on the dates of exercise, was £6,321 (2008: £34,936). The market price of shares at 24 January 2009 was 1097p and the range during the year then ended was 838p to 1522p. As permitted by the Next Sharesave scheme rules, the following directors cancelled options during the year:

Sharesave options	**No. of shares**	**Exercise price (p)**	**Date of grant**	**Date of surrender**
S A Wolfson	1065	1576	23 October 2007	20 October 2008
C E Angelides	1081	1514	24 October 2006	20 October 2008
A J Varley	509	1131	20 October 2005	20 October 2008
A J Varley	239	1514	24 October 2006	20 October 2008

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 4,076,763 shares owned by the Trust at 24 January 2009. Mr Keens has a beneficial holding of £83,000 (2008: £83,000) nominal value of the Company's 2013 5.25% corporate bonds.

There have been no changes to directors' interests in the shares of the Company from the end of the year to 23 March 2009. 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

TO THE SHAREHOLDERS OF NEXT PLC

We have audited the Group and parent company financial statements (the "financial statements") of Next plc for the year ended 24 January 2009 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Recognised Income and Expense, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, Accounting Policies, the related Notes 1 to 45 and Group Companies. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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

The Directors' responsibilities for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report & Business Review is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Summary of Performance, Chairman's Statement, Directors' Report & Business Review, Corporate Governance Statement, the unaudited part of the Remuneration Report, Half Year and Sector Analysis, Five Year History, Notice of Meeting and Shareholder Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 24 January 2009 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 24 January 2009;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report & Business Review is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
Birmingham

26 March 2009

Note

The maintenance and integrity of the Next plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Consolidated Income Statement

For the financial year ended 24 January	Notes	**2009 £m**	2008 £m
Revenue	1, 2	**3,271.5**	3,329.1
Trading profit	2	**477.4**	535.9
Share of results of associates	12	**0.9**	1.2
Operating profit	3	**478.3**	537.1
Finance income	5	**1.3**	4.3
Finance costs	5	**(50.8)**	(43.3)
Profit before taxation		**428.8**	498.1
Taxation	6	**(126.5)**	(144.2)
Profit for the year		**302.3**	353.9
Profit for the year attributable to:			
Equity holders of the parent company		**302.4**	354.1
Minority interest		**(0.1)**	(0.2)
		302.3	353.9
Basic earnings per share	8	**156.0p**	168.7p
Diluted earnings per share	8	**155.7p**	166.6p

Consolidated Statement of Recognised Income and Expense

For the financial year ended 24 January	Notes	**2009 £m**	2008 £m
Income and expenses recognised directly in equity			
Exchange differences on translation of foreign operations		**7.0**	0.6
Gains on cash flow hedges		**114.9**	3.4
Actuarial (losses)/gains on defined benefit pension schemes	23	**(36.2)**	1.7
Tax on items recognised directly in equity	6	**(2.0)**	(11.5)
		83.7	(5.8)
Transfers			
Transferred to income statement on cash flow hedges	2	**(30.7)**	28.2
Transferred to the carrying amount of hedged items on cash flow hedges		**(25.9)**	(0.4)
Net income recognised directly in equity		**27.1**	22.0
Profit for the year		**302.3**	353.9
Total recognised income and expense for the year	27	**329.4**	375.9

	2009 £m	2008 £m
Attributable to:		
Equity holders of the parent company	**329.6**	376.1
Minority interest	**(0.2)**	(0.2)
	329.4	375.9

Consolidated Balance Sheet

As at 24 January	Notes	2009 £m	2008 £m
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant & equipment	9	**612.8**	610.6
Intangible assets	10	**55.4**	36.2
Interests in associates	12	**3.5**	2.9
Other investments	13	**1.0**	1.0
Other financial assets	16	**14.1**	0.5
		686.8	651.2
Current assets			
Inventories	14	**318.7**	319.1
Trade and other receivables	15	**639.6**	591.5
Other financial assets	16	**84.4**	12.6
Cash and short term deposits	17	**47.8**	56.0
		1,090.5	979.2
Total assets		**1,777.3**	1,630.4
Current liabilities			
Bank overdrafts	18	**(46.3)**	(37.7)
Unsecured bank loans	18	**(75.0)**	(205.0)
Trade and other payables	19	**(485.1)**	(466.6)
Other financial liabilities	20	**(15.8)**	(55.0)
Current tax liabilities		**(85.9)**	(92.4)
		(708.1)	(856.7)
Non-current liabilities			
Corporate bonds	21	**(567.8)**	(539.7)
Net retirement benefit obligation	23	**(69.1)**	(45.8)
Provisions	24	**(13.1)**	(9.4)
Deferred tax liabilities	6	**(34.2)**	(22.6)
Other financial liabilities	20	**(2.4)**	(12.3)
Other liabilities	25	**(226.0)**	(223.0)
		(912.6)	(852.8)
Total liabilities		**(1,620.7)**	(1,709.5)
Net assets/(liabilities)		**156.6**	(79.1)
EQUITY			
Share capital	26	**19.7**	20.1
Share premium account	27	**0.7**	0.7
Capital redemption reserve	27	**10.2**	9.8
ESOT reserve	27	**(48.7)**	(54.8)
Fair value reserve	27	**69.6**	11.3
Foreign currency translation reserve	27	**9.7**	2.6
Other reserves	27	**(1,443.8)**	(1,443.8)
Retained earnings	27	**1,539.3**	1,374.9
Shareholders' equity		**156.7**	(79.2)
Minority interest	27	**(0.1)**	0.1
Total equity		**156.6**	(79.1)

Approved by the Board on 26 March 2009

S A Wolfson Director
D W Keens Director

Consolidated Cash Flow Statement

For the financial year ended 24 January	Notes	2009	2008
		£m	£m
Cash flows from operating activities			
Operating profit		**478.3**	537.1
Depreciation and amortisation		**116.8**	108.4
Loss on disposal of property, plant & equipment		**6.2**	5.0
Share option charge		**8.9**	8.8
Share of undistributed profit of associates		**(0.6)**	(0.7)
Exchange movement		**3.9**	(2.4)
Decrease/(increase) in inventories		**1.0**	(37.3)
Increase in trade and other receivables		**(44.2)**	(13.9)
Increase in trade and other payables		**17.3**	31.8
Pension contributions less income statement charge		**(12.9)**	0.5
Cash generated from operations		**574.7**	637.3
Corporation taxes paid		**(125.9)**	(119.3)
Net cash from operating activities		**448.8**	518.0
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**0.3**	0.4
Acquisition of property, plant and equipment		**(120.6)**	(179.3)
Outflow on acquisition of subsidiaries		**(14.1)**	–
Net cash from investing activities		**(134.4)**	(178.9)
Cash flows from financing activities			
Repurchase of own shares		**(55.2)**	(512.8)
Proceeds from disposal of shares by ESOT		**3.9**	23.8
(Repayment)/proceeds of unsecured bank loans		**(130.0)**	204.9
Interest paid		**(50.1)**	(40.6)
Interest received		**1.4**	4.4
Investments by minority interest		**–**	0.3
Payment of finance lease liabilities		**(0.5)**	(0.6)
Dividends paid		**(106.5)**	(109.4)
Net cash from financing activities		**(337.0)**	(430.0)
Net decrease in cash and cash equivalents		**(22.6)**	(90.9)
Opening cash and cash equivalents		**18.3**	109.2
Effect of exchange rate fluctuations on cash held		**5.8**	–
Closing cash and cash equivalents	35	**1.5**	18.3

Company Balance Sheet

As at 24 January	Notes	2009 £m	2008 £m
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	38	**2,477.7**	2,477.7
Other financial assets	39	**14.1**	0.5
Deferred tax asset	39	**0.1**	0.1
		2,491.9	2,478.3
Current assets			
Trade and other receivables	39	**529.2**	841.2
Current tax asset		**8.0**	10.3
Cash and short term deposits	39	**0.8**	0.4
		538.0	851.9
Total assets		**3,029.9**	3,330.2
Current liabilities			
Bank overdrafts	40	**(24.0)**	(30.0)
Unsecured bank loans	40	**(75.0)**	(205.0)
Trade and other payables	40	**(9.5)**	(12.8)
Other financial liabilities	40	**–**	(53.6)
		(108.5)	(301.4)
Non-current liabilities			
Corporate bonds	21	**(567.8)**	(539.7)
Other financial liabilities	40	**(2.4)**	(12.3)
Other liabilities	40	**–**	(0.5)
		(570.2)	(552.5)
Total liabilities		**(678.7)**	(853.9)
Net assets		**2,351.2**	2,476.3
EQUITY			
Share capital	41	**19.7**	20.1
Share premium account	41	**0.7**	0.7
Capital redemption reserve	41	**10.2**	9.8
ESOT reserve	41	**(48.7)**	(54.8)
Fair value reserve	42	**(2.4)**	–
Other reserves	41	**985.2**	985.2
Retained earnings	42	**1,386.5**	1,515.3
Total equity	42	**2,351.2**	2,476.3

Approved by the Board on 26 March 2009

S A Wolfson Director
D W Keens Director

Company Statement of Recognised Income and Expense

For the financial year ended 24 January	Notes	**2009 £m**	2008 £m
Income and expenses recognised directly in equity			
Tax recognised directly in equity		**(2.6)**	–
Losses on cash flow hedges		**(2.4)**	–
Net expense recognised directly in equity		**(5.0)**	–
(Loss)/profit for the year		**(26.4)**	1,075.8
Total recognised income and expense for the year	42	**(31.4)**	1,075.8

Company Cash Flow Statement

For the financial year ended 24 January	Notes	**2009 £m**	2008 £m
Cash flows from operating activities			
Operating loss		**(0.1)**	(0.1)
Decrease/(increase) in trade and other receivables		**320.9**	(777.9)
Decrease/(increase) in trade and other payables		**(0.8)**	0.3
Cash generated from operations		**320.0**	(777.7)
Corporation taxes received		**10.3**	6.3
Net cash from operating activities		**330.3**	(771.4)
Cash flows from investing activities			
Dividends received		**0.1**	1,100.1
Net cash from investing activities		**0.1**	1,100.1
Cash flows from financing activities			
Repurchase of own shares		**(55.2)**	(512.8)
Proceeds from disposal of shares by ESOT		**3.9**	23.8
Interest paid		**(49.0)**	(40.0)
Interest received		**12.8**	8.4
(Repayment)/proceeds of unsecured bank loans		**(130.0)**	205.0
Dividends paid		**(106.5)**	(109.4)
Net cash from financing activities		**(324.0)**	(425.0)
Net increase/(decrease) in cash and cash equivalents		**6.4**	(96.3)
Opening cash and cash equivalents		**(29.6)**	66.7
Closing cash and cash equivalents	43	**(23.2)**	(29.6)

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 1985.

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.

The useful lives generally applicable are summarised as follows:

Freehold and long leasehold buildings	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
Stock is 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

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.

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.

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 quoted 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 2013 corporate bond. The carrying amount of the bond is 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 recognised income and expense. 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 new accounting standards

In the current financial year, the Group has elected to adopt early the requirements of IFRS 8 *Operating Segments*, which would otherwise become effective for the financial year ending January 2010. IFRS 8 concerns the presentation and disclosure of segment information in the Group's financial statements and consequently has not affected the measurement of the Group's profit, assets or liabilities. IFRS 8 requires segment information to be presented on the same basis as that used for internal reporting purposes. This has resulted in one additional segment, Property Management, being presented.

The Group has also adopted the requirements of IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* in the current year. This standard requires the charge for equity settled share based payments to be recognised in relevant subsidiary companies initially as a capital contribution from the ultimate parent company. The Company recharges the equity settled share based payments expense to subsidiary companies. The adoption of this standard has had no impact on the consolidated profits or equity of the Group.

The Group has not adopted early IAS 38 (Revised) *Intangible Assets*, which is effective for the Group's financial statements from the year ending January 2010. This standard requires the costs of production of the Next Directory to be recognised in the income statement as incurred rather than matched to the related sales. The requirements of the revised standard will be applied by means of a prior year adjustment and will reduce reported net assets by approximately £20m but have no material impact on reported profits.

The Group has not adopted early IAS 1 (Revised) *Presentation of Financial Statements*, which is effective for the Group's financial statements from the year ending January 2010. The standard requires a change in the format and presentation of the Group's primary statements but will have no impact on reported profits or equity.

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.

Change of presentation

With effect from the current year, the group has reclassified certain lease incentive balances between current and non-current liabilities. This has had no impact on the total liabilities or net assets of the group, and prior year figures have been represented on a consistent basis.

1. Segmental analysis

The results for the financial year are for the 52 weeks to 24 January 2009 (last year 52 weeks to 26 January 2008) with the exception of Ventura, Next Sourcing and certain other activities which relate to the calendar year to 31 January.

As noted above, the Group has adopted IFRS 8 *Operating Segments* in the current year. The Group's operating segments under IFRS 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 reportable segments are detailed in the Chief Executive's Review. Under IFRS 8 an additional reportable segment has arisen, Property Management. This segment holds properties which are sub-leased to other segments and external parties.

Information regarding the Group's operating segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

	External revenue		Internal revenue		Total revenue	
	2009	2008	**2009**	2008	**2009**	2008
	£m	£m	**£m**	£m	**£m**	£m
Next Retail	**2,197.9**	2,255.1	**4.0**	–	**2,201.9**	2,255.1
Next Directory	**816.4**	799.8	**–**	–	**816.4**	799.8
Next Brand	**3,014.3**	3,054.9	**4.0**	–	**3,018.3**	3,054.9
Next International	**68.6**	54.1	**–**	–	**68.6**	54.1
Next Sourcing	**5.9**	6.4	**594.8**	613.5	**600.7**	619.9
Ventura	**161.9**	203.7	**4.3**	4.2	**166.2**	207.9
Property Management	**6.7**	6.6	**174.2**	158.3	**180.9**	164.9
Other	**14.1**	3.4	**0.4**	–	**14.5**	3.4
Eliminations	**–**	–	**(777.7)**	(776.0)	**(777.7)**	(776.0)
	3,271.5	3,329.1	**–**	–	**3,271.5**	3,329.1

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

1. Segmental analysis (continued)

	Segment profit 2009 £m	2008 £m
Next Retail	**288.8**	319.9
Next Directory	**157.6**	164.4
Next Brand	**446.4**	484.3
Next International	**9.0**	7.1
Next Sourcing	**32.0**	32.8
Ventura	**5.1**	21.5
Property Management	**0.8**	3.9
Total segment profit	**493.3**	549.6
Other activities	**(3.7)**	(7.2)
Share option charge	**(8.9)**	(8.8)
Unrealised foreign exchange (loss)/gain	**(3.3)**	2.3
Trading profit	**477.4**	535.9
Share of results of associates	**0.9**	1.2
Finance income	**1.3**	4.3
Finance costs	**(50.8)**	(43.3)
Profit before tax	**428.8**	498.1

Transactions between business 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.

	Assets		Capital expenditure		Depreciation	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Next Retail	**754.9**	834.5	**113.2**	170.8	**106.0**	99.5
Next Directory	**585.8**	560.2	**0.7**	1.0	**0.9**	1.1
Next Brand	**1,340.7**	1,394.7	**113.9**	171.8	**106.9**	100.6
Next International	**42.0**	29.2	**1.9**	0.4	**1.0**	–
Next Sourcing	**128.6**	134.7	**1.7**	1.3	**2.3**	1.7
Ventura	**73.4**	81.0	**2.7**	3.3	**5.8**	5.6
Property Management	**142.0**	134.8	**–**	2.5	**0.3**	0.4
Other	**23.3**	1.2	**0.3**	–	**0.1**	–
Segment assets	**1,750.0**	1,775.6	**120.5**	179.3	**116.4**	108.3
Unallocated	**247.3**	71.9	**0.1**	0.1	**0.1**	0.1
Eliminations	**(220.0)**	(217.1)	**–**	–	**–**	–
	1,777.3	1,630.4	**120.6**	179.4	**116.5**	108.4

Segment assets comprise current and non-current assets (including goodwill and intangible assets) relating to the operations of that segment. Inter-segment assets are included where these relate to trading activity, but financing balances, investments and deferred tax assets are excluded. Unallocated assets primarily comprise cash and other financial assets held centrally. Eliminations relate to inter-segment trading balances of £78.5m (2008: £70.9m) and set-off of cash and overdraft balances on consolidation of £145.0m (2008: £149.1m).

1. Segmental analysis (continued)

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

	External revenue		Non-current assets	
	2009	2008	**2009**	2008
	£m	£m	**£m**	£m
United Kingdom	**3,085.6**	3,161.6	**598.3**	580.7
Rest of Europe	**146.9**	132.9	**25.6**	22.5
Middle East	**26.0**	23.3	**5.6**	4.2
Asia	**12.6**	11.3	**38.7**	39.4
Rest of World	**0.4**	–	**–**	–
	3,271.5	3,329.1	**668.2**	646.8

2. Revenue and trading profit

	2009	2008
	£m	£m
Sale of goods	**2,977.9**	3,000.5
Rendering of services	**278.4**	313.9
Rental income	**6.7**	6.6
Royalties	**8.5**	8.1
Revenue	**3,271.5**	3,329.1
Cost of sales	**(2,363.0)**	(2,380.0)
Distribution costs	**(234.4)**	(235.6)
Administrative expenses	**(192.9)**	(178.2)
Other (losses)/gains	**(3.8)**	0.6
Trading profit	**477.4**	535.9

Rendering of services includes £108.6m (2008 £104.4m) of service charge on Directory customer receivables.

Other (losses)/gains are as follows:

	2009	2008
	£m	£m
Other financial assets at fair value through profit or loss:		
Fair value losses	**(0.5)**	(1.7)
Foreign exchange derivatives:		
Held for trading	**(3.3)**	2.3
	(3.8)	0.6

Gains and losses on cash flow hedges removed from equity and included in profit or loss for the period comprise gains of £29.6m (2008: losses of £28.6m) included in cost of sales and gains of £1.1m (2008: £0.4m) included in administrative expenses.

3. Operating profit

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

	2009 £m	2008 £m
Depreciation on tangible assets:		
Owned	**116.1**	107.8
Leased	**0.4**	0.6
Loss on disposal of property, plant & equipment	**6.2**	5.0
Amortisation of intangible assets	**0.3**	–
Operating lease rentals:		
Minimum lease payments	**183.9**	164.4
Contingent rentals payable	**6.2**	7.2
Net foreign exchange losses/(gains)	**24.2**	(4.5)
Cost of inventories recognised as an expense	**1,167.2**	1,205.7
Write down of inventories to net realisable value	**96.6**	121.5
Trade receivables:		
Impairment charge	**40.7**	40.1
Amounts recovered	**(7.0)**	(4.5)

	2009 £000	2008 £000
Auditors' remuneration		
Audit services – group	**168**	168
Other services:		
Subsidiary statutory audit	**317**	303
Tax	**24**	21
Corporate finance	**66**	60
Other	**20**	19
	595	571

4. Staff costs and key management personnel

Total staff costs were as follows:

	2009 £m	2008 £m
Wages and salaries	**571.4**	596.5
Social security costs	**41.5**	44.2
Other pension costs	**12.2**	11.9
	625.1	652.6
Share based payments expense:		
Equity settled	**8.9**	8.8
Cash settled	**0.3**	1.9
	634.3	663.3

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

	2009 £m	2008 £m
Next Brand	**473.7**	481.9
Next Sourcing	**26.8**	26.1
Next International	**1.7**	0.1
Ventura	**126.6**	146.5
Other activities	**5.5**	8.7
	634.3	663.3

	Average employees		Full-time equivalents	
	2009 Number	2008 Number	2009 Number	2008 Number
Next Brand	**46,359**	47,698	**24,885**	25,915
Next Sourcing	**3,680**	3,656	**3,680**	3,656
Next International	**222**	70	**213**	70
Ventura	**8,718**	10,275	**8,102**	9,656
Other activities	**109**	52	**93**	48
	59,088	61,751	**36,973**	39,345

Aggregate compensation for key management personnel, being the directors of Next plc, was as follows:

	2009 £m	2008 £m
Short term employee benefits	**2.8**	3.3
Post-employment benefits	**0.7**	0.7
Share based payments	**0.7**	0.1
	4.2	4.1

Directors' remuneration is detailed in the Remuneration Report on pages 34 to 37.

5. Finance income and costs

	2009 £m	2008 £m
Interest on bank deposits	**0.5**	2.1
Other interest receivable	**0.8**	2.2
Total finance income	**1.3**	4.3
Interest on bank overdrafts	**0.7**	0.6
Interest on bank loans and other borrowings	**48.3**	41.0
Interest on obligations under finance leases	**0.1**	0.1
	49.1	41.7
Unrealised profit on interest rate swaps	**(26.4)**	(6.9)
Fair value adjustment to bond hedged by interest rate swaps	**28.1**	8.5
Total finance costs	**50.8**	43.3

Directory service charge is presented as a component of revenue.

6. Taxation

	2009 £m	2008 £m
Current tax:		
UK corporation tax on profits of the year	**126.1**	147.2
Adjustments in respect of previous years	**(3.1)**	(17.8)
	123.0	129.4
Overseas tax	**3.3**	2.9
Total current tax	**126.3**	132.3
Deferred tax:		
Origination and reversal of temporary differences	**0.2**	11.9
Tax expense reported in the consolidated income statement	**126.5**	144.2

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:

	2009 %	2008 %
UK corporation tax rate	**28.3**	30.0
Expenses not deductible for taxation purposes	**2.6**	3.8
Overseas tax differentials	**(1.4)**	(1.6)
Tax over-provided in previous years	**(0.1)**	(2.8)
Deferred tax rate change	**0.1**	(0.5)
Effective total tax rate on profit before taxation	**29.5**	28.9

6. Taxation (continued)

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

	2009 £m	2008 £m
Current tax:		
Share based payments	**2.2**	–
Foreign exchange losses	**(8.1)**	(1.8)
Retirement benefit obligation	**(3.5)**	–
Deferred tax:		
Share based payments	**0.9**	2.6
Retirement benefit obligation	**(6.5)**	1.3
Fair value movements on derivative instruments	**17.0**	9.4
Tax charge in the statement of recognised income and expense	**2.0**	11.5

Deferred taxation

	2009 £m	2008 £m
Accelerated capital allowances	**38.7**	40.1
Revaluation of derivatives to fair value	**19.2**	3.1
Retirement benefit obligations	**(19.4)**	(13.0)
Share based payments	**(0.4)**	(1.9)
Other temporary differences	**(3.9)**	(5.7)
	34.2	22.6

The movement in the year is as follows:

	2009 £m	2008 £m
At January 2008	**22.6**	(2.6)
Charged to the income statement:		
Accelerated capital allowances	**(1.4)**	4.1
Revaluation of derivatives to fair value	**(0.9)**	0.5
Share based payments	**0.6**	5.6
Retirement benefit obligations	**0.1**	(0.2)
Other temporary differences	**1.8**	1.9
Recognised directly in equity	**11.4**	13.3
At January 2009	**34.2**	22.6

6. Taxation (continued)

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

	Gross value 2009 £m	**Unrecognised deferred tax 2009 £m**	Gross value 2008 £m	Unrecognised deferred tax 2008 £m
Property development trading losses	**3.7**	**1.0**	3.7	1.1
Capital losses	**108.3**	**26.7**	103.2	29.2
	112.0	**27.7**	106.9	30.3

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

	2009 £m	2008 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 26 January 2008 of 37p (2007: 33.5p) per share	**71.8**	73.4
Interim dividend for the year ended 31 January 2009 of 18p (2008: 18p) per share	**34.7**	35.8
	106.5	109.2
Proposed final dividend for the year ended 31 January 2009 of 37p (2008: 37p) per share	**71.4**	71.7

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 £302.4m (2008: £354.1m) being the profit for the year attributable to equity holders of the parent company and 193.8m ordinary shares of 10p each (2008: 209.9m), 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 £302.4m (2008: £354.1m) being the profit for the year attributable to equity holders of the parent company and 194.0m ordinary shares of 10p each (2008: 212.5m), 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 0.2m shares (2008: 2.6m). The total number of share options outstanding at 24 January 2009 was 12.9m (2008: 9.4m).

As at 23 March 2009 72,435 employee share options 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 2007	72.8	8.3	926.2	**1,007.3**
Exchange movement	–	–	0.9	**0.9**
Additions	1.4	–	178.0	**179.4**
Disposals	–	–	(33.7)	**(33.7)**
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**
Depreciation				
At January 2007	8.3	1.4	453.2	**462.9**
Exchange movement	–	–	0.3	**0.3**
Provided during the year	–	–	108.4	**108.4**
Disposals	–	–	(28.3)	**(28.3)**
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**
Carrying amount				
At January 2009	**67.1**	**6.9**	**538.8**	**612.8**
At January 2008	65.9	6.9	537.8	610.6
At January 2007	64.5	6.9	473.0	544.4

The carrying amount of plant and fittings above includes an amount of £1.3m (2008: £1.7m) in respect of assets held under finance lease contracts.

At 24 January 2009 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £10.3m (2008: £22.6m).

10. Intangible assets

	Brand names & trademarks £m	Customer relationships £m	Goodwill £m	**Total £m**
Cost				
At January 2007 and 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**
Amortisation				
At January 2007 and January 2008	–	–	–	**–**
Provided during the year	0.1	0.2	–	**0.3**
At January 2009	**0.1**	**0.2**	**–**	**0.3**
Carrying amount				
At January 2009	**3.9**	**1.8**	**49.7**	**55.4**
At January 2007 and 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:

	2009 £m	2008 £m
Next Sourcing	**36.2**	36.2
Lipsy	**11.9**	–
Eastern European owned stores	**1.6**	–
	49.7	36.2

Goodwill is tested for impairment at the balance sheet date on the basis of value in use. As this exceeded carrying value for each of the cash generating units concerned, no impairment loss was recognised (2008: £nil).

Next Sourcing

The key assumptions in the calculation are the future sourcing requirements of the Group and the ability of Next Sourcing to efficiently meet these requirements based on past experience. In assessing value in use, the most recent financial results and internal budgets for the next year were used and extrapolated for four (2008: four) further years with no subsequent growth assumed, and discounted at 8.0% (2008: 6.0%).

In the year ended January 2009, Next Sourcing generated an operating profit before interest of £32.0m (2008: £32.8m).

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%, and discounted at 15.0%. The key assumption in the calculation is the growth in internet sales. A 10% annual shortfall in the projected growth in the first five years would reduce the recoverable amount to a value equal to its carrying amount.

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%.

11. Business combinations

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 has been estimated at £1.5m.

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

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

From the date of the acquisition to 24 January 2009, Lipsy Limited made a loss before tax of £1.1m. If the acquisition of Lipsy Limited had been completed on the first day of the Group's financial year, Group revenue for the period would have been £3,306.7m and the consolidated profit before tax would have been £431.3m.

The goodwill arising on the acquisition of Lipsy Limited includes certain intangible assets that cannot be individually separated and reliably measured due to their nature, such as anticipated future operating synergies from the combination and the value of the assembled workforce.

11. Business combinations (continued)

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.

Combined book and fair values of the net assets of the three entities at the date of acquisition were as follows:

	Book value £m	Fair value £m
Property, plant & equipment	1.6	1.5
Cash and cash equivalents	0.1	0.1
Inventories	0.2	–
Trade and other receivables	0.4	0.4
Trade and other payables	(2.6)	(2.6)
	(0.3)	(0.6)
Goodwill arising on acquisition		1.6
Consideration		1.0
Discharged by:		
Cash consideration at date of acquisition		1.0

From the date of the acquisition to 24 January 2009, the acquired entities made a profit before tax of £0.4m. If the acquisition had been completed on the first day of the Group's financial year, Group revenue and consolidated profit before tax would not have been materially different from the reported figures.

The goodwill arising on the acquisition includes certain intangible assets that cannot be individually separated and reliably measured due to their nature, such as anticipated future operating synergies from the combination.

12. Interests in associates

Aggregated amounts relating to associates:

	2009 £m	2008 £m
Share of associates' revenues and profits:		
Revenue	**31.0**	33.6
Profit	**0.9**	1.2
Share of associates' net assets:		
Total assets	**8.5**	7.8
Total liabilities	**(5.0)**	(4.9)
Carrying amount of investment	**3.5**	2.9

12. Interests in associates (continued)

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

	Sales		Amounts receivable	
	2009	2008	**2009**	2008
	£m	£m	**£m**	£m
Choice Discount Stores Limited	**5.3**	4.8	**0.9**	0.6
Cotton Traders Limited	**2.6**	–	**0.6**	–
	7.9	4.8	**1.5**	0.6

13. Other investments

	2009	2008
	£m	£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

	2009	2008
	£m	£m
Raw materials and work in progress	**7.1**	9.9
Finished goods	**305.7**	303.3
	312.8	313.2
Property development stocks	**5.9**	5.9
	318.7	319.1

15. Trade and other receivables

	2009	2008
	£m	£m
Trade and customer debtors	**609.9**	589.0
Less: allowance for doubtful debts	**(117.2)**	(110.2)
	492.7	478.8
Amounts due from associated undertakings	**1.5**	0.6
Other debtors	**31.7**	13.8
Prepayments	**113.7**	98.3
	639.6	591.5

Trade and customer debtors above include £0.6m (2008: £0.8m) 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 1.2% (2008: 1.7%), although default rates over shorter periods may show significant variations.

15. Trade and other receivables (continued)

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% (2008: 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.

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:

	2009	2008
	£m	£m
Current	**437.3**	427.5
0 – 30 days past due	**59.6**	55.9
30 – 60 days past due	**22.6**	22.0
60 – 90 days past due	**11.7**	9.0
90 – 120 days past due	**12.3**	8.8
Over 120 days past due	**66.4**	65.8
	609.9	589.0

Movement in the allowance for doubtful debts:

	2009	2008
	£m	£m
Opening position	**110.2**	106.0
Amounts charged to the income statement	**40.7**	40.1
Amounts written off as uncollectible	**(26.7)**	(31.4)
Amounts recovered during the year	**(7.0)**	(4.5)
Closing position	**117.2**	110.2

16. Other financial assets

	2009		2008	
	Current	**Non-current**	Current	Non-current
	£m	**£m**	£m	£m
Foreign exchange contracts	**84.4**	**–**	12.6	–
Interest rate derivatives	**–**	**14.1**	–	–
Warrants	**–**	**–**	–	0.5
	84.4	**14.1**	12.6	0.5

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 2013 corporate bond (Note 21). The warrants are listed instruments purchased as part of the 2005 risk/reward plan, as detailed in the Remuneration Report on pages 31 and 32.

17. Cash and short term deposits

	2009	2008
	£m	£m
Cash at bank and in hand	45.7	55.4
Short term deposits	2.1	0.6
	47.8	56.0

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

18. Bank loans and overdrafts

	2009	2008
	£m	£m
Bank overdrafts and overnight borrowings	46.3	37.7
Unsecured bank loans	75.0	205.0
	121.3	242.7

Bank overdrafts are repayable on demand and bear interest at a margin over bank base rates. Overnight borrowings and unsecured bank loans fall due within one year of the balance sheet date and bear interest at a margin above LIBOR. The unsecured bank loans included £75.0m (2008: £205.0m) drawn by the Company under a medium term bank revolving credit facility committed until November 2010 (2008: September 2009), see Note 30.

19. Trade and other payables

	2009	2008
	£m	£m
Trade payables	204.8	175.0
Obligations under finance leases	0.4	0.4
Other taxation and social security	43.6	56.8
Share based payment liability	2.1	–
Other creditors and accruals	234.2	234.4
	485.1	466.6

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

	2009		2008	
	Current	Non-current	Current	Non-current
	£m	£m	£m	£m
Foreign exchange contracts	15.8	–	1.4	–
Interest rate derivatives	–	2.4	–	12.3
Own equity purchase contracts	–	–	53.6	–
	15.8	2.4	55.0	12.3

Foreign exchange contracts comprise forward contracts and options, the majority of which are used to hedge exchange risk arising from the Group's overseas purchases (Note 31). The instruments purchased are 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 measured at amortised cost arising under contingent purchase contracts for the Company's own shares which were entered into during the previous year (Note 26).

21. Corporate bonds

	2009 £m	2008 £m
Corporate bond repayable 2013	**317.8**	289.7
Corporate bond repayable 2016	**250.0**	250.0
	567.8	539.7

The 2013 corporate bond has a face value of £300.0m and carries a fixed coupon of 5.25%. The Group uses interest rate derivatives to hedge part of the associated fair value interest rate risk (Note 31) and its carrying value in the balance sheet is adjusted accordingly. The resulting effective interest rates payable on the bond are as follows:

Effective interest rate	**Repricing**	2009 £m	2008 £m
LIBOR + 0.9%	September 2013	**300.0**	250.0
4.9%	September 2008	**–**	50.0
		300.0	300.0

The 2016 corporate bond was issued in October 2006, has a face value of £250m and carries a fixed coupon of 5.875%.

22. Obligations under finance leases

	2009 £m	2008 £m
Future minimum payments due:		
Within one year	**0.4**	0.5
In two to five years	**0.8**	1.1
Over five years	**0.3**	0.4
	1.5	2.0
Less: finance charges allocated to future periods	**(0.1)**	(0.2)
Present value of minimum lease payments	**1.4**	1.8

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

	2009 £m	2008 £m
Within one year	**0.4**	0.4
In two to five years	**0.7**	1.0
Over five years	**0.3**	0.4
	1.4	1.8

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% (2008: 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:

		2009			2008	
	Funded	**Unfunded**	**Total**	Funded	Unfunded	Total
	£m	**£m**	**£m**	£m	£m	£m
Current service cost	**9.0**	**0.6**	**9.6**	9.4	0.5	9.9
Interest cost on benefit obligation	**25.5**	**0.4**	**25.9**	22.2	0.3	22.5
Expected return on plan assets	**(26.6)**	**–**	**(26.6)**	(22.7)	–	(22.7)
Net benefit expense recognised in administration expenses	**7.9**	**1.0**	**8.9**	8.9	0.8	9.7
Actual return on plan assets	**(67.2)**	**–**	**(67.2)**	(0.5)	–	(0.5)

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

		2009			2008	
	Funded	**Unfunded**	**Total**	Funded	Unfunded	Total
	£m	**£m**	**£m**	£m	£m	£m
Opening obligation	**422.2**	**6.2**	**428.4**	421.7	5.7	427.4
Current service cost	**9.0**	**0.6**	**9.6**	9.4	0.5	9.9
Interest cost	**25.5**	**0.4**	**25.9**	22.2	0.3	22.5
Employee contributions	**1.9**	**–**	**1.9**	2.7	–	2.7
Benefits paid	**(13.3)**	**–**	**(13.3)**	(9.2)	–	(9.2)
Actuarial gains	**(55.5)**	**(2.1)**	**(57.6)**	(24.6)	(0.3)	(24.9)
Closing retirement benefit obligation	**389.8**	**5.1**	**394.9**	422.2	6.2	428.4

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

		2009			2008	
	Funded	**Unfunded**	**Total**	Funded	Unfunded	Total
	£m	**£m**	**£m**	£m	£m	£m
Opening assets	**382.6**	**–**	**382.6**	380.4	–	380.4
Employer contributions	**21.7**	**–**	**21.7**	9.2	–	9.2
Employee contributions	**1.9**	**–**	**1.9**	2.7	–	2.7
Benefits paid	**(13.2)**	**–**	**(13.2)**	(9.2)	–	(9.2)
Expected return on assets	**26.6**	**–**	**26.6**	22.7	–	22.7
Actuarial losses	**(93.8)**	**–**	**(93.8)**	(23.2)	–	(23.2)
Closing retirement benefit assets	**325.8**	**–**	**325.8**	382.6	–	382.6

23. Retirement benefit plans (continued)

The fair value of plan assets was as follows:

	2009		2008	
	£m	**%**	£m	%
Equities	**150.0**	**46.0**	230.7	60.3
Bonds	**130.8**	**40.1**	131.2	34.3
Gilts	**10.2**	**3.1**	–	–
Property	**12.2**	**3.8**	14.4	3.8
Other (cash)	**22.6**	**7.0**	6.3	1.6
	325.8	**100.0**	382.6	100.0

The net retirement benefit obligation is analysed as follows:

	2009			2008		
	Funded	**Unfunded**	**Total**	Funded	Unfunded	Total
	£m	**£m**	**£m**	£m	£m	£m
Total assets	**325.8**	**–**	**325.8**	382.6	–	382.6
Benefit obligation	**(389.8)**	**(5.1)**	**(394.9)**	(422.2)	(6.2)	(428.4)
Net retirement benefit obligation	**(64.0)**	**(5.1)**	**(69.1)**	(39.6)	(6.2)	(45.8)

The actuarial valuation of the defined benefit section was undertaken by an independent qualified actuary as at 24 January 2009 using the projected unit credit method. The principal actuarial assumptions used in the valuation were as follows:

	2009	2008
Discount rate	**6.50%**	6.15%
Salary increases	**3.80%**	5.00%
Inflation	**3.80%**	3.50%
Pension increases	**3.80%**	3.50%
Expected rate of return on assets		
Equities	**8.15%**	7.30%
Bonds	**6.40%**	6.05%
Property	**7.90%**	7.05%
Other	**4.85%**	4.75%
Average	**7.10%**	6.82%
Life expectancy at age 65 (years)		
Pensioner aged 65 – male	**23.5**	22.7
Pensioner aged 65 – female	**25.5**	24.8
Non-pensioner aged 40 – male	**25.9**	24.1
Non-pensioner aged 40 – female	**27.9**	26.0

Expected rates of return on plan assets are based on external historical and forecast market information.

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 £24.2m (2008: £11.0m) were made during the year, including £12.5m (2008: £nil) in respect of the deficit on the defined benefit section and contributions of £2.5m (2008: £1.8m) in respect of the defined contribution section. In addition to regular contributions to the defined benefit estimated at £10.0m next year, the Group is committed to making further contributions in respect of the plan deficit totalling £37.5m over the period to March 2011.

At the year end, outstanding contributions to the defined contribution section included in other creditors were £0.4m (2008: £0.3m).

23. Retirement benefit plans (continued)

History of experience gains and losses:	**2009**	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Fair value of plan assets	**325.8**	382.6	380.4	313.0	235.4
Present value of defined benefit obligation	**(394.9)**	(428.4)	(427.4)	(428.6)	(328.0)
Deficit in the plan	**(69.1)**	(45.8)	(47.0)	(115.6)	(92.6)
Experience gains/(losses) arising on plan liabilities	**19.0**	4.2	(16.9)	9.6	5.7
Experience (losses)/gains arising on plan assets	**(93.8)**	(23.2)	5.4	37.6	4.8

At January 2009 cumulative actuarial losses recognised in the statement of total recognised income and expense since transition to IFRS at 1 February 2004 were £47.3m (2008: losses of £11.1m). 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 2008	9.4
Additional provision in the year	8.0
Utilisation of provision	(2.6)
Release of provision	(1.7)
At January 2009	**13.1**

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 (2008: seven) years.

25. Other non-current liabilities

	2009	2008
	£m	£m
Obligations under finance leases	**1.0**	1.4
Share based payment liability	**6.4**	8.9
Other creditors and accruals	**218.6**	212.7
	226.0	223.0

26. Share capital

	2009	2008	**2009**	2008
	'000	'000	**£m**	£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 2008	**200,997**	227,054	**20.1**	22.7
Purchased for cancellation	**(3,900)**	(26,057)	**(0.4)**	(2.6)
At January 2009	**197,097**	200,997	**19.7**	20.1

The Company purchased for cancellation 3,900,000 (2008: 4,850,000) of its own ordinary shares of 10p each under off-market contingent purchase contracts at a cost of £53.6m (2008: £101.5m). During the previous year the Company also purchased for cancellation 21,207,243 of its own ordinary shares of 10p each in the open market at a cost of £412.9m. No open market purchases were made in the year ended 24 January 2009.

At 26 January 2008 the Company was party to three off-market contingent purchase contracts under which a maximum of 3,900,000 of its own shares might be purchased for cancellation at a maximum potential cost of £53.6m (Note 20). The purchase of these shares was dependent upon the Company's share price not reaching a pre-determined level during the remainder of each contract period. The Company was not party to any such contracts at 24 January 2009.

27. Reconciliation of movements in equity

	Share capital £m	Share premium account £m	Capital redemption reserve £m	ESOT reserve £m	Fair value reserve £m	Foreign currency translation £m
At January 2007	22.7	0.7	7.2	(76.9)	(19.9)	2.0
Total recognised income and expense for the year	–	–	–	–	31.2	0.6
Issue of shares in subsidiary	–	–	–	–	–	–
Shares purchased for cancellation	(2.6)	–	2.6	–	–	–
Shares issued by ESOT	–	–	–	22.1	–	–
Share option charge	–	–	–	–	–	–
Realised property profits	–	–	–	–	–	–
Equity dividends paid	–	–	–	–	–	–
At January 2008	20.1	0.7	9.8	(54.8)	11.3	2.6
Total recognised income and expense for the year	–	–	–	–	58.3	7.1
Shares purchased for cancellation	(0.4)	–	0.4	–	–	–
Shares issued by ESOT	–	–	–	6.1	–	–
Share option charge	–	–	–	–	–	–
Equity dividends paid	–	–	–	–	–	–
At January 2009	**19.7**	**0.7**	**10.2**	**(48.7)**	**69.6**	**9.7**

	Other reserves £m	Retained earnings £m	**Shareholders' equity £m**	Minority interest £m	**Total equity £m**
At January 2007	(1,443.7)	1,697.2	**189.3**	–	**189.3**
Total recognised income and expense for the year	–	344.3	**376.1**	(0.2)	**375.9**
Issue of shares in subsidiary	–	–	**–**	0.3	**0.3**
Shares purchased for cancellation	–	(568.0)	**(568.0)**	–	**(568.0)**
Shares issued by ESOT	–	1.7	**23.8**	–	**23.8**
Share option charge	–	8.8	**8.8**	–	**8.8**
Realised property profits	(0.1)	0.1	**–**	–	**–**
Equity dividends paid	–	(109.2)	**(109.2)**	–	**(109.2)**
At January 2008	(1,443.8)	1,374.9	**(79.2)**	0.1	**(79.1)**
Total recognised income and expense for the year	–	264.2	**329.6**	(0.2)	**329.4**
Shares purchased for cancellation	–	–	**–**	–	**–**
Shares issued by ESOT	–	(2.2)	**3.9**	–	**3.9**
Share option charge	–	8.9	**8.9**	–	**8.9**
Equity dividends paid	–	(106.5)	**(106.5)**	–	**(106.5)**
At January 2009	**(1,443.8)**	**1,539.3**	**156.7**	**(0.1)**	**156.6**

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 32 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:

	2009		2008	
	No. of options	**Weighted average exercise price (p)**	No. of options	Weighted average exercise price (p)
Outstanding at beginning of period	**9,386,521**	**1535**	9,230,741	1352
Granted during the period	**5,916,417**	**1020**	2,666,263	1979
Forfeited during the period	**(1,871,991)**	**1478**	(645,954)	1479
Exercised during the period	**(508,835)**	**755**	(1,864,529)	1281
Outstanding at the end of the period	**12,922,112**	**1338**	9,386,521	1535
Exercisable at the end of the period	**3,090,218**	**1331**	1,225,415	1148

Options were exercised on a regular basis throughout the year and the weighted average share price during this period was 1183p (2008: 2112p). Options outstanding at 24 January 2009 are exercisable at prices ranging between 499p and 2189p (2008: 0p – 2189p) and have a weighted average remaining contractual life of 6.4 years (2008: 6.0 years), as analysed in the table below:

	2009		2008	
	No. of options outstanding	**Weighted average remaining contractual life (years)**	No. of options outstanding	Weighted average remaining contractual life (years)
Exercise price range				
0p – 916p	**382,303**	**2.9**	744,886	2.4
917p	**2,171,404**	**4.0**	–	–
920p – 1081p	**3,805,914**	**8.8**	313,441	2.6
1131p – 1413p	**1,138,283**	**3.1**	1,564,642	3.6
1495p	**1,610,000**	**6.3**	1,709,000	7.3
1514p – 1620p	**2,261,424**	**6.0**	3,379,888	5.9
2189p	**1,552,784**	**8.2**	1,674,664	9.2
	12,922,112	**6.4**	9,386,521	6.0

Included in the above balances were 283,444 options (2008: 378,731) 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 26 January 2008 and 24 January 2009 based on information at the date of grant:

Management share options	**2009**	2008
Weighted average share price at date of grant (p)	**1081**	2189
Weighted average exercise price (p)	**1081**	2189
Volatility (%)	**27.00**	21.00
Expected life (years)	**4.00**	4.00
Risk free rate (%)	**4.06**	5.37
Dividend yield (%)	**5.08**	2.24
Weighted average fair value (£)	**1.74**	4.45

Sharesave plans	**2009**	2008
Weighted average share price at date of grant (p)	**1146**	1969
Weighted average exercise price (p)	**917**	1576
Volatility (%)	**37.18**	23.31
Expected life (years)	**3.63**	3.53
Risk free rate (%)	**3.95**	4.98
Dividend yield (%)	**4.80**	2.49
Weighted average fair value (£)	**3.32**	5.72

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 24 January 2009 the ESOT held 4,076,763 (2008: 4,587,161) ordinary shares of 10p each in the Company, the market value of which amounted to £44.7m (2008: £63.1m). 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 24 January 2009 and 26 January 2008 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.

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, 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.

30. Financial instruments: risk management (continued)

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:

2009	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
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**

2008	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	£m	£m	£m	£m	£m
Bank loans and overdrafts	246.8	–	–	–	246.8
Trade and other payables	354.4	–	–	–	354.4
Finance lease liabilities	0.5	0.4	0.7	0.4	2.0
Other liabilities	53.6	–	–	–	53.6
Corporate bonds	30.4	30.4	91.3	624.5	776.6
	685.7	30.8	92.0	624.9	1,433.4
Derivatives: net settled	3.1	2.0	6.2	2.0	13.3
Derivatives: gross settled					
Cash inflows	(420.6)	(7.6)	–	–	(428.2)
Cash outflows	410.4	6.8	–	–	417.2
Total cash flows	678.6	32.0	98.2	626.9	1,435.7

At 24 January 2009 the Group had committed borrowing facilities of £445.0m (2008: £450.0m) in respect of which all conditions precedent have been met, £150.0m of which expires in November 2010 and £295.0m in July 2013. £75.0m of the 2010 facility was drawn down at 24 January 2009 (2008: £205.0 of the 2009 facility).

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.

30. Financial instruments: risk management (continued)

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	
	2009	2008	**2009**	2008
	£m	£m	**£m**	£m
US dollar	**88.9**	7.1	**(126.1)**	(87.2)
Euro	**3.6**	7.5	**(35.5)**	(20.7)
Other	**9.8**	6.9	**(7.7)**	(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 Note 27. 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 long term sustainable 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:

	2009	2008
	£m	£m
Derivatives in designated hedging relationships	**72.0**	11.3
Other foreign exchange derivatives	**(3.4)**	(0.1)
Total foreign exchange derivatives	**68.6**	11.2

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

	2009	2008
	£m	£m
US dollar	**752.4**	375.7
Euro	**32.8**	29.6
Other	**13.7**	22.9
	798.9	428.2

Interest rates: fair value hedges

At 24 January 2009 and 26 January 2008, the Group had interest rate swap agreements in place as fair value hedges of the interest rate risk associated with the Company's 2013 £300m 5.25% fixed rate corporate bond. Under the terms of the swaps, which have the same critical terms 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.

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 the Group's variable rate debt. Under the terms of the swaps, the Group pays a fixed rate of interest between 1.74% and 4.89% and receives a variable rate (6 month LIBOR).

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

	2009	2008
	£m	£m
Derivatives in designated fair value hedging relationships	**14.1**	(12.3)
Derivatives in designated cash flow hedging relationships	**(2.4)**	–
Total interest rate derivatives	**11.7**	(12.3)

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

	2009 £m	2008 £m
Financial assets		
Fair value through profit and loss – held for trading	**10.9**	1.3
Derivatives in designated hedging relationships	**87.6**	11.8
Loans and receivables	**516.2**	491.1
Cash and short term deposits	**47.8**	56.0
Available for sale financial assets	**1.0**	1.0
Financial liabilities		
Fair value through profit and loss – held for trading	**(14.3)**	(0.9)
Derivatives in designated hedging relationships	**(3.9)**	(12.8)
Corporate bond	**(567.8)**	(539.7)
Amortised cost	**(545.3)**	(707.2)
Finance lease obligations	**(1.4)**	(1.8)

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:

	2009		2008	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m
Financial liabilities				
Corporate bonds	**567.8**	**468.9**	539.7	515.8

The fair values of corporate bonds are their market values at the balance sheet date.

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.

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.

	Income statement		Equity	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Sterling strengthens by 10%				
US dollar	**(5.8)**	1.4	**(36.7)**	(18.8)
Euro	**1.8**	0.7	**1.8**	(1.3)
Sterling weakens by 10%				
US dollar	**0.6**	(3.5)	**34.3**	18.5
Euro	**(2.2)**	(0.9)	**(2.2)**	1.2

34. Financial instruments: sensitivity analysis (continued)

Year end exchange rates applied in the above analysis are US dollar 1.37 (2008: 1.98) and Euro 1.06 (2008: 1.35). 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 as at 24 January 2009. The disclosures as at 26 January 2008 were based on a movement of 0.5% change in interest rates, being the Directors' assessment of a reasonably possible change at that date.

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**	
	2009	2008	**2009**	2008
	£m	£m	**£m**	£m
Interest rate increase of 1.0% (2008: 0.5%)	**(0.6)**	(0.6)	**1.7**	(0.6)
Interest rate decrease of 1.0% (2008: 0.5%)	**0.5**	0.6	**(1.8)**	0.6

35. Analysis of net debt

	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)**

35. Analysis of net debt (continued)

	January 2007 £m	Cash flow £m	Other non-cash changes £m	January 2008 £m
Cash and short term deposits	121.7			56.0
Overdrafts	(12.5)			(37.7)
Cash and cash equivalents	109.2	(90.9)	–	18.3
Unsecured bank loans	(0.1)	(204.9)	–	(205.0)
Corporate bonds	(531.2)	–	(8.5)	(539.7)
Fair value hedges of corporate bonds	(19.4)	–	7.1	(12.3)
Finance leases	(2.3)	0.6	(0.1)	(1.8)
Total net debt	(443.8)	(295.2)	(1.5)	(740.5)

36. Operating lease commitments

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

	2009 £m	2008 £m
Within one year	**215.5**	195.0
After one year but not more than five years	**761.6**	707.2
More than five years	**1,106.8**	1,161.9
	2,083.9	2,064.1

At 24 January 2009, future rentals receivable under non-cancellable sub-leases where the Group is the lessor were £24.9m (2008: £25.5m).

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 23 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 230 of the Companies Act 1985, 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 £26.4m (2008: profit of £1,075.8m).

38. Investments in subsidiaries

Details of the Company's subsidiaries are given in Group Companies on page 86.

39. Current and non-current assets

At the balance sheet date, trade and other receivables comprise £525.8m (2008: £838.0m) of amounts due from subsidiary undertakings and £3.4m (2008: £3.2m) of other debtors. The deferred tax asset of £0.1m in 2009 and 2008 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 in the current year comprise interest rate derivatives as detailed in Note 31 which are carried at their fair value. Other financial assets in the prior year comprised listed warrants in the Company's own shares acquired as part of the 2005 risk/reward plan, also carried at their fair value.

40. Current and non-current liabilities

Trade and other payables comprise £9.5m (2008: £12.8m) of other creditors and accruals. Other current financial liabilities in the prior year comprised amounts payable under contingent purchase contracts 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). Other non-current liabilities related to share based payment liabilities.

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

41. Movements on reserves

The movements on share capital, share premium account, capital redemption reserve and ESOT reserve are disclosed in Note 27 to the consolidated financial statements.

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 merger relief. Other reserves totalled £985.2m at 27 January 2007, 26 January 2008 and 24 January 2009.

42. Reconciliation of movements in equity

	Fair value reserve £m	Retained earnings £m	Total equity £m
At January 2007	–	1,115.0	2,053.9
Total recognised income and expense for the year	–	1,075.8	1,075.8
Shares purchased for cancellation	–	(568.0)	(568.0)
Shares issued by ESOT	–	1.7	23.8
Equity dividends paid	–	(109.2)	(109.2)
At January 2008	–	1,515.3	2,476.3
Total recognised income and expense for the year	(2.4)	(29.0)	(31.4)
Shares issued by ESOT	–	(2.2)	3.9
Share option charge	–	8.9	8.9
Equity dividends paid	–	(106.5)	(106.5)
At January 2009	**(2.4)**	**1,386.5**	**2,351.2**

43. Analysis of net debt

	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)**

	January 2007 £m	Cash flow £m	Other non-cash changes £m	January 2008 £m
Cash and short term deposits	66.7			0.4
Overdrafts	–			(30.0)
Cash and cash equivalents	66.7	(96.3)	–	(29.6)
Unsecured bank loans	–	(205.0)	–	(205.0)
Corporate bonds	(531.2)	–	(8.5)	(539.7)
Fair value hedges of corporate bonds	(19.4)	–	7.1	(12.3)
Total net debt	(483.9)	(301.3)	(1.4)	(786.6)

44. 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 2013 £300m 5.25% fixed rate corporate bond 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**	
	2009	2008	**2009**	2008
	£m	£m	**£m**	£m
Interest rate increase of 1.0% (2008: 0.5%)	**(0.6)**	(0.8)	**1.6**	(0.8)
Interest rate decrease of 1.0% (2008: 0.5%)	**0.6**	0.8	**(1.8)**	0.8

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

	2009	2008
	£m	£m
Financial assets		
Fair value through profit and loss – held for trading	**–**	0.5
Derivatives in designated hedging relationships	**14.1**	–
Loans and receivables	**529.2**	841.2
Cash and short term deposits	**0.8**	0.4
Financial liabilities		
Fair value through profit and loss – held for trading	**–**	(0.5)
Derivatives in designated hedging relationships	**(2.4)**	(12.3)
Corporate bonds	**(567.8)**	(539.7)
Amortised cost	**(108.5)**	(301.4)

44. Financial instruments (continued)

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

2009	**Less than 1 year £m**	**1 to 2 years £m**	**2 to 5 years £m**	**Over 5 years £m**	**Total £m**
Bank loans and overdrafts	**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**

2008	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
Bank loans and overdrafts	239.1	–	–	–	239.1
Trade and other payables	1.7	–	–	–	1.7
Other liabilities	53.6	–	0.5	–	54.1
Corporate bonds	30.4	30.4	91.3	624.5	776.6
	324.8	30.4	91.8	624.5	1,071.5
Derivatives: net settled	3.1	2.0	6.2	2.0	13.3
Total cash flows	327.9	32.4	98.0	626.5	1,084.8

45. Related party transactions

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

	2009 £m	2008 £m
Transactions with subsidiary undertakings:		
Recharge of costs	**(167.1)**	(653.5)
Funds (borrowed)/advanced	**(132.6)**	325.3
Dividends received	**0.1**	1,100.1
Interest receivable	**12.6**	6.5
Amounts due from subsidiary undertakings	**525.8**	838.0

Group Companies

The Company has taken advantage of Section 231(5) of the Companies Act 1985 to list only its principal subsidiary and associated undertakings at 24 January 2009. 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
Club 24 Limited (trading as Ventura)	Customer and financial services management
First Retail Finance Limited(1)	Customer and financial services management
Next Sourcing Limited(1)	Overseas sourcing services (Hong Kong)
Next Manufacturing (Pvt) Limited(1)	Garment manufacture (Sri Lanka)
Next Distribution Limited(1)	Warehousing and distribution services
Lipsy Limited(1)	Retailing, home shopping and wholesaling of womenswear and accessories
Associated undertakings	
Choice Discount Stores Limited(1)	Retailing (40%)
Cotton Traders Holdings Limited(1)	Home shopping and retailing (33%)

(1) Shareholdings held by subsidiary undertakings

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

Half Year and Sector Analysis

Year ended January

	First half £m	Second half £m	2009 £m	First half £m	Second half £m	2008 £m
Revenue						
Next Retail	**996.4**	**1,201.5**	**2,197.9**	1,028.7	1,226.4	2,255.1
Next Directory	**379.9**	**436.5**	**816.4**	371.8	428.0	799.8
Next International	**29.5**	**39.1**	**68.6**	25.3	28.8	54.1
Next Sourcing	**2.7**	**3.2**	**5.9**	2.5	3.9	6.4
Ventura	**87.5**	**74.4**	**161.9**	104.6	99.1	203.7
Property Management	**3.2**	**3.5**	**6.7**	3.4	3.2	6.6
Other activities	**1.8**	**12.3**	**14.1**	1.7	1.7	3.4
	1,501.0	**1,770.5**	**3,271.5**	1,538.0	1,791.1	3,329.1
Profit before tax						
Next Retail	**107.6**	**181.2**	**288.8**	112.5	207.4	319.9
Next Directory	**78.4**	**79.2**	**157.6**	73.8	90.6	164.4
Next International	**3.4**	**5.6**	**9.0**	3.4	3.7	7.1
Next Sourcing	**10.4**	**21.6**	**32.0**	16.4	16.4	32.8
Ventura	**3.5**	**1.6**	**5.1**	11.0	10.5	21.5
Property Management	**1.9**	**(1.1)**	**0.8**	2.2	1.7	3.9
Other activities	**(7.3)**	**(7.7)**	**(15.0)**	(6.6)	(5.9)	(12.5)
Operating profit	**197.9**	**280.4**	**478.3**	212.7	324.4	537.1
Net finance costs	**(24.4)**	**(25.1)**	**(49.5)**	(14.5)	(24.5)	(39.0)
Profit before tax	**173.5**	**255.3**	**428.8**	198.2	299.9	498.1

Five Year History

Year ended January

	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
	IFRS	IFRS	IFRS	IFRS	UK GAAP
Revenue	**3,271.5**	3,329.1	3,283.8	3,106.2	2,858.5
Operating profit	**478.3**	537.1	507.5	470.7	442.5
Net finance costs	**(49.5)**	(39.0)	(29.1)	(21.6)	(18.2)
Profit before taxation	**428.8**	498.1	478.4	449.1	424.3
Taxation	**(126.5)**	(144.2)	(146.9)	(135.6)	(118.9)
Profit after taxation	**302.3**	353.9	331.5	313.5	305.4
Total equity	**156.6**	(79.1)	189.3	256.2	276.5
Shares purchased for cancellation	**3.9m**	26.1m	19.0m	15.0m	4.0m
Dividend per share	**55.0p**	55.0p	49.0p	44.0p	41.0p
Earnings per share	**156.0p**	168.7p	146.1p	127.4p	120.2p

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 Belmont Hotel, De Montfort Street, Leicester LE1 7GR on Tuesday 19 May 2009 at 11.00 a.m. at which the following resolutions will be proposed; resolutions 1 to 9 as Ordinary Resolutions and 10 to 13 as Special Resolutions.

Further information on these resolutions can be found in the Directors' Report and Business Review on pages 16 to 19 and in the appendices to this Notice.

1 To receive and adopt the accounts and reports of the directors and auditors for the period ended 24 January 2009.

2 To approve the remuneration report for the period ended 24 January 2009.

3 To declare a final dividend of 37p per share in respect of the period ended 24 January 2009.

4 To re-elect Christos Angelides as a director who retires in accordance with Article 56.

5 To re-elect John Barton 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 22 of the Annual Report.

7 Next 2009 Sharesave Plan

That:

(a) the rules of the Next 2009 Sharesave Plan (the "Plan"), the main features of which are summarised in Appendix 1 on pages 92 to 93 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) make such modifications to the Plan as they may consider appropriate to take account of the requirements of Her Majesty's Revenue & Customs and best practice and to adopt the Plan as so modified and to do all such other acts and things as they may 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 further plans are treated as counting against the limits on individual or overall participation in the Plan.

8 Next Risk/Reward Investment Plan

That the Next Risk/Reward Investment Plan (the "Plan"), the main features of which are described in Appendix 2 on pages 93 to 95, be and is approved and the Directors be and are authorised to take any action they consider necessary to implement the Plan, such authority to expire at the date of the Company's Annual General Meeting in 2010.

9 Directors' authority to allot shares

That:

(a) in accordance with Article 7 of the Company's articles of association:

(i) the directors be authorised to allot relevant securities up to an aggregate nominal amount of £6,569,889; and further

(ii) the directors be authorised to allot relevant securities up to an additional aggregate nominal amount of £6,569,889 in connection with a rights issue (as defined in Article 8 of the Company's articles of association);

(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, on 1 August 2010; and

(c) 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 80(7) of the Companies Act 1985 by reason of any offer or agreement made prior to the date of this resolution, which would or might require relevant securities to be allotted on or after that date).

10 Dissapplication of pre-emption rights

That:

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

(b) the powers under paragraph (a) above (other than in connection with Article 8(a)(i) of the Company's articles of association) shall be limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £985,000;

(c) 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, on 1 August 2010; and

(d) all previous unutilised authorities under section 95 of the Companies Act shall cease to have effect.

11 On-market purchase of own shares

That in accordance with Article 12 of the Articles of Association of the Company and Section 166 of the Companies Act 1985 (the "Act"), the Company be granted general and unconditional authority to make market purchases (as defined in Section 163 of the Act) of any of its own ordinary shares provided that:

(a) the authority conferred by this resolution shall be limited to the lesser of 29,500,000 ordinary shares of 10p each or 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 12 below;

(b) the minimum price which may be paid for ordinary shares is 10p per ordinary share;

(c) the maximum price which may be paid for each ordinary share 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 shall expire on whichever is the earlier of:

(i) the conclusion of the Annual General Meeting of the Company held in 2010, and

(ii) 1 August 2010; and

(e) the Company may make a contract 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 contract.

12 Contingent contracts and off-market share purchases

That, for the purposes of sections 164 and 165 of the Companies Act 1985, 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 contingent forward trades which may be effected or made from time to time under or pursuant to the Programme Agreements for the contingent off-market purchase by the Company of its ordinary shares of 10 pence each for cancellation, as more fully described in Appendix 3 on pages 95 and 96 (the authority conferred by this special resolution to expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company held in 2010 and 1 August 2010, unless such authority is renewed prior to that time (except in relation to the purchase of ordinary shares under any contingent 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 11 above.

13 14 day notice period for 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

16 April 2009

APPENDIX 1

FURTHER INFORMATION ON RESOLUTION 7: PRINCIPAL TERMS OF THE NEXT 2009 SHARESAVE PLAN (THE "PLAN")

Operation

The operation of the Plan will be supervised by the board of directors of the Company (the "Board"). It will be approved by HM Revenue & Customs ("HMRC") in order to provide UK tax-advantaged options to UK employees.

Eligibility

UK tax resident employees and full-time directors of the Company and any designated participating subsidiary can participate. The Board may require completion of a qualifying period of employment of up to five years and may also allow other employees to participate.

Grant of options

Participating employees enter into HMRC approved savings contracts, with monthly savings normally made over three or five years. The price payable for the shares subject to each option will correspond to the maturity proceeds of the related savings contract.

No option may be granted after 18 May 2019. Options are not transferable, except on death, and are not pensionable.

Individual participation

An employee's monthly savings under all savings contracts linked to options granted under any Sharesave scheme may not exceed the statutory maximum (currently £250).

Option price

The price per share payable to exercise of an option will not be less than the higher of:

(i) 80% of the middle-market quotation of a share on the London Stock Exchange up to 42 days before the grant of the option; and

(ii) if the option relates only to new issue shares, the nominal value of a share.

The dealing day(s) by reference to which this price is determined must fall within six weeks of the announcement by the Company of its results for any period (except in exceptional circumstances).

Exercise of options

Options will normally be exercisable for six months from the third, fifth or seventh anniversary of the start of the related savings contracts. Earlier exercise is permitted:

- after ceasing employment by reason of death, injury, disability, redundancy, retirement on reaching age 60 (or contractual retirement age) or the employing business or company ceasing to be part of the Company's group – otherwise, options will lapse on cessation of employment or directorship with the Next group;

- when an employee reaches 60;

- where employment ceases more than three years from grant for any reason other than for misconduct; and

- in the event of a takeover, amalgamation, reconstruction or voluntary winding-up of the Company, except on an internal corporate re-organisation when the Board may decide to exchange existing options for equivalent new options over shares in a new holding company.

Shares will be allotted within or transferred to the participant within 30 days of exercise of an option.

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

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than 10 per cent of its issued ordinary share capital under the Plan and any other employee share plan adopted by the Company. Shares in the group's previous holding company will also count towards this limit.

Treasury shares will count as new issue shares for the purposes of this limit (unless institutional investor advisor bodies decide that they need not count).

Variation of capital
On a variation in the Company's share capital the number of shares under option and the option price may be adjusted.

Rights attaching to shares
Any shares allotted under the Plan will rank equally with shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Alterations to the Plan
The Board may alter the Plan, provided the prior approval of shareholders is obtained for amendments to the advantage of participants where these relate to eligibility, limits on participation and 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 to be acquired and the adjustment of options.

The requirement to obtain the prior approval of shareholders will not, however, apply to 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 any company in the Company's group.

Overseas plans
The shareholder resolution to approve the Plan will allow the Board, without further shareholder approval, to establish further plans for overseas territories, any such plan to be similar to the Plan, but modified to take account of local tax, exchange control or securities laws, provided that any shares made available under such further plans are treated as counting against the limits on individual and overall participation in the Plan.

APPENDIX 2

FURTHER INFORMATION ON RESOLUTION 8 NEXT RISK/REWARD INVESTMENT PLAN (the "Plan")
As noted on page 17 of the Directors' Report and Business Review, the Directors request authority to implement a new risk/reward plan in the current year and shareholders' approval is sought for the Company to offer its key executives an opportunity to participate. A similar plan was last implemented in July 2005 (the "2005 Plan"), details of which are on pages 31 and 32 of the Remuneration Report. Under UKLA Listing Rules, the continued employment condition imposed on participants determines that the Plan is regarded as a long term incentive plan and, as such, requires prior shareholder approval. The principal features of the Plan, which are unchanged from the 2005 Plan and the plan shareholders approved at the 2008 Annual General Meeting ("AGM"), are summarised below.

The Remuneration Committee will determine the executive directors and senior executives (approximately 25) that may participate in the Plan, all of whom would be regarded as important to the future of Next. The Plan requires these participants to make a personal investment in a financial contract out of their own resources. It is proposed that Next will make special contributions to the Next Employee Share Ownership Trust (the "ESOT"), which will make investments in financial contracts with similar potential returns. These investments would be held on revocable trusts for those executives who have made a personal investment. On maturity, any returns accruing to the trust would only be distributed (either in Next shares and/or cash) to those participants who have remained with Next (save to the extent described below). This continued employment condition would therefore incentivise the participant to remain with Next and commit to its future development.

The investments are derivative instruments that require Next's share price to grow substantially. The ESOT investments will be in the form of listed warrants purchased directly from Goldman Sachs International or Barclays Bank plc. Participants' personal investment contracts will be structured as a bet with an independent third party regulated by the FSA which may also purchase warrants to hedge its risk under those contracts. The minimum and maximum share price targets, as well as the potential returns on maturity, will be materially the same for both the ESOT's and the participants' investments.

The pricing of the warrants and participants' personal investment contracts will be determined at the time of their issue and will be primarily dependent on Next's prevailing share price and future dividend expectations. Participants will lose their investment in full if Next's share price does not reach the minimum level.

As with previous plans, the Remuneration Committee believes that targets for the 2009 investments will be extremely challenging for the retail industry in the current economic environment. Participants will be required to invest and risk their own funds and will lose their total investment at all share prices up to the Minimum Share Price (£20.50 in 2005, when the average share price was less than £15.00), whereas shareholders will continue to benefit from any share price increase up to and beyond the Minimum Share Price. By contrast, most LTIP arrangements are of a nil cost nature and lack personal financial commitment by executives.

It is proposed that the total cost to Next of any Plan offered in 2009 will be limited to a maximum of £2 million, inclusive of any employer's national insurance liabilities and corporation tax reliefs available to the Company. If the amount invested by the Company prior to the Company's AGM in 2010 is less than £2 million then no additional investments may be made and this authority will lapse at that time. It is important to note that any returns in excess of these costs will be paid for by the counterparties to the contracts and will not be subsidised, supported or underwritten by Next in any way.

Each participant will be limited to an amount that, in the opinion of the Remuneration Committee, represents a significant, but not excessive, investment of personal funds. In addition, the potential contribution by Next to fund investments made by the ESOT will be limited to the lower of £2 million or a maximum of three times the personal investments of participants. The benefits provided by Next under the Plan will not be pensionable.

In the event that a participant leaves the Company's employment before the maturity of the investment contracts (other than in 'good leaver' circumstances such as redundancy, disability or death), any entitlement to a return on investments held by the ESOT will be forfeited in full. In 'good leaver' circumstances, any entitlement will be restricted pro-rata to the time the participant was employed by Next during the investment period. Any excess returns received by the ESOT which would have otherwise accrued to departing executives will be retained in the trust and used, at the discretion of the trustee, to provide benefits for other employees of the Next group.

Based on a share price of £12.83 at 23 March 2009 and current market conditions, the indicative target price range for the 2009 investments is likely to be in the region of £16.50 to £20.50. The investment of up to £2 million in the Plan by the Company should be viewed in the context of the required growth in shareholder value. On this basis, unless a Final Share Price of £16.50 is achieved in the four year investment period, representing an increase in shareholder value of at least £0.8 billion, the executives would lose all of their investments. If the Final Share Price reaches £20.50, the increase in shareholder value would be around £1.5 billion, whilst executives would receive the maximum return of approximately 10 times their personal investment. Against a share price of around £12.50 and market capitalisation of £2.5 billion, the Board believes that, in conjunction with LTIP incentives, implementation of the Plan in 2009 will help maintain management focus on the long term creation of shareholder value.

The Remuneration Committee will have a general power to amend the terms of the Plan. However, changes to:

- the persons participating in the Plan;
- the maximum amount that Next may contribute in total to the ESOT;
- the maximum Next contribution to the ESOT in relation to each participant's personal investment;
- the basis for determining, and the terms of, a participant's entitlements under the Plan; and
- the basis of adjustments to a participant's entitlements under the Plan in the event of a variation of the Company's share capital

will not be made to the advantage of any participants without the prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the Plan, to take account of a change of legislation or to obtain or maintain favourable tax, or regulatory treatment for participants or the Company or any member of the Next group).

Authority to implement the Plan will expire at the 2010 AGM.

APPENDIX 3

FURTHER INFORMATION ON RESOLUTION 12: CONTINGENT PURCHASE CONTRACTS

As noted on pages 18 and 19 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 13 passed at the Company's Annual General Meeting ("AGM") on 13 May 2008 shareholder authority was given to the Company to make on-market purchases of shares for cancellation. This authority was limited to a maximum of 29.9 million shares and expires on the earlier of the date of the AGM held in 2009 or 26 July 2009. 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 10 million shares and expires on the earlier of the date of the AGM to be held in 2009 or 26 July 2009. No shares have been bought back under the authorities given at the 2008 AGM.

Under Sections 164 and 165 of the Companies Act 1985 (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 2008 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 164 and 165 of the Act, the Programme Agreements and Contingent Forward Trades are contingent purchase contracts to purchase shares by the Company off-market. Accordingly resolution 12, 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 AGM to be held in 2010 or 1 August 2010 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 9.8 million, representing less than 5.0% of its issued share capital at 24 January 2009;
- the total cost of shares that the Company would be permitted to purchase pursuant to this authority may not exceed £150 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 19 May 2009 for on-market purchases. No shares will be purchased under that authority on the same day that a CFT is entered into. The authority granted to the Company under this resolution will expire at the conclusion of the AGM of the Company held in 2010 or on 1 August 2010, whichever is the earlier, unless such authority is renewed prior to that time (except in relation to the purchase of shares under any CFT effected before the expiry of such authority and which might be completed wholly or partly after such expiry). The purchase of shares under the Programme Agreements will always be physically settled by delivery of shares to the Company (except in the case of certain events of default or termination events).

A copy of each of the Programme Agreements will be available at the AGM on 19 May 2009. 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 23 March 2009 was 12,717,625. This represents 6.45% 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 23 March 2009 would represent 6.79% of the reduced issued share capital.

Attendance and voting

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 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" 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.

In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the meeting so that: (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in (i) above.

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and its articles of association, specifies that only those shareholders registered in the register of members of the Company as at 6pm on 17 May 2009 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 17 May 2009 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 12 on contingent share purchase contracts, the Companies Act 1985 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 the poll votes which have been cast in favour of resolution 12 attaching to 9.8 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 23 March 2009 (being the latest practicable date prior to the publication of this Notice) the Company's issued share capital consists of 197,096,687 ordinary shares. All of the ordinary shares carry one vote each and there are no shares held in Treasury.

Electronic proxy appointment through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on 19 May 2009 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 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 register of the transactions (if any) of each director and of their family interests in the shares of the Company, copies of the terms of appointment of the non-executive directors, the Company's memorandum and articles of association, a copy of the rules of the Next 2009 Sharesave Plan pursuant to resolution 7 and copies of each of the Programme Agreements pursuant to resolution 12 are available for inspection at the registered office of the Company during usual business hours and will be available for fifteen minutes prior to and during the meeting. A copy of the proposed Next 2009 Sharesave 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 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.

Shareholder information

Company website
A full copy of this Annual Report, together with that for prior years and other information, can be found on the Next plc website at **www.nextplc.co.uk**

Payment of dividend
The recommended final ordinary dividend, if approved, will be paid on 1 July 2009 to holders of ordinary shares registered at close of business on 29 May 2009. The ordinary shares will trade ex-dividend from 27 May 2009.

Annual General Meeting
The Annual General Meeting will be held at 11.00 a.m. on Tuesday 19 May 2009 at the Belmont Hotel, De Montfort Street, Leicester, LE1 7GR. The notice of the meeting on pages 90 to 99 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 send to our registrars, Equiniti and **must be received by 11.00 a.m. on 17 May 2009.** 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.

Share price data

	2009	2008
Share price at financial year end	**1097p**	1375p
Market capitalisation	**£2,162m**	£2,764m
Share price movement during year:		
High mid-market quotation	**1522p**	2437p
Low mid-market quotation	**838p**	1294p

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. 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.

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.)

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

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

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

For shareholders with disabilities Equiniti provides the following:

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

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

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

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