INTERIM STATEMENT
JULY 2009

Chief Executive's Review

SUMMARY

Progress in the first half has been better than expected and the business has proved itself resilient in the face of a weak consumer environment.

Sales in Retail and Directory were both ahead of our initial expectations. Full price VAT exclusive Retail like-for-like sales were down just -1.2% (though full price sales benefited from a smaller end of season Sale). Additional sales from new space meant that total Retail sales were marginally ahead of last year at +0.8%. Directory finished up +1.7%. Overall, Next Brand sales were up +1.0%.

To an extent this sales performance has been the result of a slight improvement in the consumer environment and favourable weather. We also believe that our ranges have improved and in particular we have increased the fashion content through earlier adoption of new trends.

Stock and costs have been controlled well and, as a result, our net operating margin in the first half has moved forward in both Retail and Directory.

Our outlook for the second half remains cautious. We expect continued negative Retail like-for-like sales in the Autumn Winter season. Market consensus for this year's profit moved to a little above £400m following our July trading statement and it is likely to rise again as a consequence of this statement. The major variable, and therefore risk, to our estimates is the Retail like-for-like sales. Assuming that sales are within the budgeted ranges given in the Outlook section then it is likely that we will deliver profits close to last year's £429m. However, we would reiterate that much depends on our sales performance in the critical final quarter.

GROUP PROFIT

Profits in the core Next Brand businesses (Retail, Directory, International and Sourcing) were up 7.6%. Unrealised foreign exchange losses (which are likely to reverse in the second half) and an increased charge for vacant properties reduced operating profit growth to 0.7%. Group profit before tax increased 6.9% to £185m as a result of lower interest expense. Earnings per share increased at the slightly higher rate of 7.6% due to the lower average number of shares in issue following share buybacks in the first half of 2008.

	Revenue excluding VAT Six months to July		**Profit and earnings per share Six months to July**		
	2009	2008	**2009**	2008	
	£m	£m	**£m**	£m	
Next Retail	**1,004.3**	996.4	**112.3**	107.6	
Next Directory	**386.2**	379.9	**83.3**	78.4	
Next International	**30.0**	29.5	**3.1**	3.4	
Next Sourcing	**1.9**	2.7	**16.2**	10.4	
Next Brand	**1,422.4**	1,408.5	**214.9**	199.8	**+7.6%**
Ventura	**72.2**	87.5	**2.1**	3.5	
Other activities	**17.7**	5.0	**(4.9)**	0.4	
Share option charge	**–**	–	**(3.0)**	(4.5)	
Unrealised exchange loss	**–**	–	**(9.6)**	(1.3)	
Revenue and operating profit	**1,512.3**	1,501.0	**199.5**	197.9	**+0.7%**
Interest expense			**(14.0)**	(24.4)	
Profit before tax			**185.5**	173.5	**+6.9%**
Taxation			**(53.8)**	(50.3)	
Profit after tax			**131.7**	123.2	**+6.9%**
Basic earnings per share			**68.2p**	63.4p	**+7.6%**
Interim dividend per share			**19.0p**	18.0p	**+5.6%**

PRODUCT, PRICING AND MARKETING

Over the past two years we have taken steps to improve the fashion content of our clothing ranges. This has been about taking greater fashion risk and adopting new trends in depth before we have any evidence that they will be successful. As a result we believe we have improved our ability to deliver good quality, wearable interpretations of the latest trends at prices our customers can afford.

This year we faced the challenge of buying products in dollars and euros with a weaker pound. As a result of improved sourcing and the lower VAT rate we were able to maintain prices on like-for-like garments and only take a small reduction in bought in margin.

The challenge for Autumn Winter is even greater with a year on year decline in our dollar costing rate of around 25%. We have been very pleased with the extent to which we have been able to re-source, negotiate lower prices and save on the cost of freight. As a result we believe the bought in margin reduction will be little worse in the second half than in the first and we will not need to pass through any price increases to consumers.

We have maintained last year's spend on marketing with the majority of our expenditure being on windows, page advertisements, PR and television advertising. Where we have been able to achieve better prices (for example on the cost of our window schemes) we have re-invested the saving in improved quality or increased coverage, rather than take the saving to the bottom line. Free editorial coverage has increased by 30% over last year.

NEXT RETAIL

Retail Sales

Retail sales finished the first half up 0.8%. We went into the end of season Sale with much less stock than last year as a result of beating our sales targets along with effective stock control. Therefore, there was a significant difference between full price sales and total sales (which include markdown). The difference is set out in the table below:

	Full price only	Total including markdown
Total sales	+2.0%	+0.8%
Like-for-like sales	–1.2%	–2.5%

Neither set of figures give an entirely fair picture of underlying demand as full price sales benefited during the Sale as markdown stock ran out. A better figure would be the performance prior to the Sale, which was down -1.9% on a like-for-like basis. We estimate that sales were boosted by 2% to 3% as a result of very favourable weather in May and June.

New Space and Refits

We increased trading space by 69,000 square feet in the first half, increasing our portfolio to 515 stores. The payback on the net capital invested in new space is forecast to be 18 months and the profit contribution of these stores is forecast to be 18%. We expect to open a further 235,000 incremental square feet in the second half taking the total increase in space to around 300,000 for the year, an increase of 5.5%.

During the course of the year we intend to open 11 new Home stand alone stores (126,000 square feet), of which we have already opened 3 in the first half. We have been very encouraged by the performance of these stores which have coincided with a marked recovery in the home furnishings market in the last couple of months. This year we will increase our Home trading space by 16%.

During the period we spent £14m updating our stores. By the end of the year we will have spent £21m on refits and this will take the updated stores to 85% of our total space.

Retail Profit

Retail profit increased by 4.4% in the first half, with net operating margin 0.4% higher at 11.2%. The margin improvement is detailed below; this shows the change as a percentage of sales for each of our major heads of cost:

Net operating margin last year		10.8%
Decrease in bought in margin	–0.2%	
Reduction in markdown	+1.0%	
Increase in achieved gross margin		+0.8%
Store payroll		0.0%
Increase in store occupancy costs		–0.4%
Decrease in warehouse and distribution		+0.5%
Increase in other overheads		–0.5%
Net operating margin this year		**11.2%**

At the beginning of the year we faced a challenge from the weak pound. The rate at which we acquired dollars dropped by 22 cents. The potential impact on margin was substantially offset by improved sourcing and freight rates. This involved not only moving to new cheaper sources of supply but also negotiating better terms with existing suppliers. Many of our suppliers passed on the benefits of lower input costs as commodity prices reduced in their local currency. In addition, there was a +0.6% margin benefit from lower VAT. The net result was that the bought in margin reduction was only -0.2%.

Reduced markdown gave us a significant benefit. We went into the Retail Sale with 19% less surplus stock at selling value and this, combined with improved clearance rates, gave us a benefit of +1.0%.

Store payroll was flat on the previous year as man-hour savings offset wage review costs and increased staff bonus payments (which were higher as a result of beating store sales targets). Occupancy costs increased as a percentage of sales as a result of both falling like-for-likes and increases in underlying rent and rates. Occupancy was better than we forecast, partly as a result of energy costs being much lower than expected (+0.2%) and partly because rent review increases were not as high as we had anticipated.

Warehouse and distribution costs reduced on the previous year as a result of a new distribution schedule and lower fuel costs. In addition this year we radically reduced the costs of preparing Sale stock in our distribution network on the back of much lower Sale stock volumes.

Central overheads increased in the first half mainly as a result of increased staff incentive provisions.

NEXT DIRECTORY

Directory Sales

Directory sales were 1.7% ahead of last year. Active customers grew by 2.8% to 2.26m. Sales grew by less than the customer base as individuals moderated their spending in the current economic climate.

Directory Profit

Directory profit was 6.4% up on last year, with net operating margin 1.0% higher at 21.6%. The margin improvement is detailed below; this shows 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%	
Reduction in markdown	+1.4%	
Increase in achieved gross margin		+0.5%
Bad debt/Service charge		0.0%
Decrease in warehouse and distribution		+1.2%
Increase in catalogue production		–0.4%
Increase in other overheads		–0.3%
Net operating margin this year		**21.6%**

All things being equal we would expect Directory bought in margin to have declined by the same amount as Retail (-0.2%). However as a result of the increased participation of non-Next branded product and Home product the margin was further eroded by -0.7%.

Directory markdown improved by more than Retail as a result of an improvement in profitability of the online Sale.

Bad debt and service charge were broadly in line with last year, as we predicted in March. Although transfers to third party collection agencies were up on last year these had been provided for in last year's accounts, as they related to last year's sales. We are currently seeing a moderate improvement in transfers from their peak in February/March of this year.

We achieved a considerable reduction in net warehousing and distribution costs. We reduced overheads through the closure of an old warehouse (+0.4%), this was made possible by the increased efficiency of the new mechanised warehouses. We increased our delivery charge to £3.95 from £3.75 (+0.2%) and also reduced the cost of processing returns (+0.2%). A large number of smaller initiatives produced the other +0.4% saving.

The catalogue is paid for in euros and increased in cost as a result of the weaker pound, this was the most significant cause of its production costs rising (-0.4%).

Online Development

Over the course of this year we are implementing a programme of changes to our website. We have significantly enhanced the search and filter functionality and, where necessary, we are now using photography specifically taken for the Internet. The effect is that our website now looks and feels more like an Internet business rather than the online version of a paper catalogue.

In October we will be moving to a wider screen format (1024 pixels) of the website. This will allow us to use better and larger product photography and will give increased opportunities to cross sell when customers select an item to buy.

We have extended our online business overseas and are now able to deliver to most EU countries at a delivery price of €5. Currently all our websites are in English, although we will soon be launching a German language site. We have just started to trade in the USA as nextdirect.com with a delivery price of $10.

Initially we will spend very little on marketing our overseas sites and focus on making sure that we have robust operations to support the business. We estimate that our overseas online business will take in the region of £3 million in its first year of operation. We will start marketing the sites in earnest in 2010.

NEXT INTERNATIONAL

Sales of £30m and profits of £3.1m were similar to last year. As anticipated, sales to our franchise partners were down 5.3% although new stores continue to be added and there are now 156 with a total of 625,000 square feet. Our Eastern Europe franchise was purchased part way through last year and we now report the full retail value of sales.

We expect that difficult trading conditions will continue in many of our International markets, however, we repeat our profit guidance of £7m for Next International this year.

NEXT SOURCING (NSL)

NSL profit for the period was £16.2m against £10.4m last year. Half of this increase was due to the currency translation benefit of converting its dollar profits into sterling at lower rates. In addition, last year we incurred additional costs due to early product shipments prior to Chinese New Year and reorganisation expenses.

Sales were marginally up in sterling terms but down in dollar terms. This was in common with the many dollar and euro based suppliers to Next, who are also having to contend with last year's fall in sterling. Cost management within NSL was excellent and overheads were substantially down in dollars and level in sterling. We now expect that profits in the second half will be similar to the £21m achieved last year, making £37m for NSL this year.

VENTURA

Ventura performed better than we had expected in managing its costs to accommodate the decline in activity. Sales of £72m were down as forecast but profits of £2.1m were ahead of expectations. We have maintained our broad client base and expect to add new clients to help offset the reducing volumes from activities which are no longer being performed. We are experiencing a strong third quarter and anticipate that second half sales and profits will be ahead of those achieved in the first half, to give profits in the range of £6m to £7m for Ventura this year. The outlook for 2010 remains very uncertain.

OTHER ACTIVITIES

The Other Activities loss of £4.9m includes small profits from our Property Management Division and Associated Companies. Property profits were £1.8m lower than last year mainly as a result of an increase in vacant properties.

Lipsy, which we acquired last September, now operates 6 stores of typically 1,500 square feet in addition to wholesale, concessions and the Internet. The 5 stores opened since acquisition are all profitable and as a portfolio are achieving their appraised sales and profit targets.

Central costs are higher than last year's unusually low charge, as last year included a pension credit and minimal long and short term bonus provisions. There was a £9.6m unrealised foreign exchange loss, this is an accounting charge on revaluing foreign exchange hedging instruments and we expect much of this to reverse in the second half.

INTEREST AND TAXATION

The net interest charge reduced to £14m as a consequence of reduced debt, lower interest rates and £1m of gains on redeeming £17m of our bonds and the associated interest rate derivatives. We expect a similar charge in the second half. The expected tax rate for the full year is 29%, slightly below last year's rate.

BALANCE SHEET AND CASH FLOW

Stock at the end of July was 12% up on last year. This increase was mainly as a result of the timing of stock intake for the Autumn Winter season, which was earlier than last year, and in addition the cost value of stock has risen slightly as a result of the weaker exchange rate. The value of stock and commitment at selling value is currently flat on last year.

Directory debtors increased by 2.9% on last year. Capital expenditure was £46m and is expected to be £95m for the year. The reduced pension deficit reflects the triennial 2008 scheme valuation and increased company contributions.

Cash flow from operations of £114m was again very strong and represents more than our post-tax and post-dividend earnings for the first half. We purchased and cancelled £17m of the 2013 bonds, these purchases were made from internal cash resources and do not change the net debt or financial ratios of the Group.

Net debt at the end of July reduced to £514m and was financed entirely by the 2013 and 2016 long term bonds, all bank facilities remained undrawn. We anticipate that net debt will peak at less than £600m and at January 2010 it will be less than £450m.

DIVIDEND

With very strong cash flow and dividend cover approaching three times the Directors feel it is appropriate to raise the Interim dividend by 1p to 19p (an increase of 5.6%). This will be paid on 4 January 2010 to shareholders on the register at 27 November 2009. The shares will trade ex-dividend from 25 November.

INTERIM MANAGEMENT STATEMENT

Our next statement will cover the third quarter and will be made in early November.

OUTLOOK FOR THE CONSUMER 2009

As we suggested at the beginning of the year, the consumer recession has been less extreme than many forecasters were predicting. Some assumed that a cataclysm in the financial markets would lead to a similar crisis in consumer markets – this has not been the case. It's been a recession not Armageddon.

There has been a modest fall in employment (currently down about 2% year on year), whilst many of those in employment have accepted fewer hours and less overtime. Consumer and mortgage lending has been tightened and many are choosing to save more even if credit is available to them. The overall effect has been for spending to remain subdued despite the significant benefit of mortgage interest cost reductions being passed on to many borrowers.

Even if the economy technically comes out of recession we can see no reason for the consumer outlook to significantly change through the rest of this year. We are conservatively planning for Retail like-for-like sales to be in the range -3.5% to -6.5% and Directory sales to be 0% to +2%.

OUTLOOK FOR SALES AND PROFITS 2009

We are not expecting profits in the second half to grow as they did in the first for the following reasons:

- We expect the consumer environment to remain unchanged but do not anticipate the 2% to 3% Retail sales boost from the better weather experienced in the first half.

- We face a greater challenge from sterling weakness on our dollar and euro costing rates.

- We are not expecting to repeat the significant improvement in markdown achieved in the first half, as the Winter 2008 season ended with a much smaller Sale than the previous year.

- This year the end of season Sale falls awkwardly and we need to pull our Sale forward to Boxing Day Saturday in order to avoid the first day falling on a Sunday. This will increase the costs of the Sale and we believe may have a negative impact on clearance rates.

Nonetheless we are today upgrading our previous guidance on full year net operating margins and as previously stated we expect full year profits to be close to last year's £429m. We now expect Retail to achieve a net margin modestly below that of last year's 13.1% and Directory to achieve a slight increase on last year's 19.3%.

INITIAL PLANNING FOR 2010

The economic environment of the last eighteen months has been dominated by the crisis in the financial sector and its effects on property prices, investment and consumer spending. Next year we anticipate that the Public Sector deficit will become the dominant influence on the economy, bringing with it the combined downside risks of further increases in taxation and cuts in government expenditure. Tax rises on the consumer will reduce disposable income, VAT increases will put upward pressure on prices whilst Public Sector cuts will put downward pressure on employment.

We are therefore planning to continue with what has proved to be a resilient strategy into the first half of next year. We are budgeting for negative like-for-likes in Spring Summer and will continue to focus on tightly controlling our cost base without impacting on the quality of our service. We will continue to mitigate some of the effects of negative like-for-like sales with the addition of profitable new space and modest growth in Next Directory.

The business will remain highly cash generative and we will continue to invest in developing the Next Brand and expanding in areas such as Home stand alone stores and Next Online where there is the potential for growth. We believe the Next Group is well placed to weather a continued weak consumer environment in 2010.

Simon Wolfson
Chief Executive
16 September 2009

Unaudited Consolidated Income Statement

		Six months to July 2009 £m	Six months to July 2008 £m	Year to January 2009 £m
Revenue		**1,512.3**	1,501.0	3,271.5
Trading profit		**199.0**	197.7	477.4
Share of results of associates		**0.5**	0.2	0.9
Operating profit		**199.5**	197.9	478.3
Finance income		**0.3**	1.0	1.3
Finance costs		**(14.3)**	(25.4)	(50.8)
Profit before taxation		**185.5**	173.5	428.8
Taxation		**(53.8)**	(50.3)	(126.5)
Profit for the period		**131.7**	123.2	302.3
Profit for the period attributable to:				
Equity holders of the parent company		**131.8**	123.3	302.4
Minority interest		**(0.1)**	(0.1)	(0.1)
Profit for the period		**131.7**	123.2	302.3
Basic earnings per share	**p**	**68.2**	63.4	156.0
Diluted earnings per share	**p**	**67.6**	63.3	155.7

Unaudited Consolidated Comprehensive Income Statement

	Six months to July 2009 £m	Six months to July 2008 £m	Year to January 2009 £m
Profit for the period	**131.7**	123.2	302.3
Other comprehensive income and expenses			
Exchange differences on translation of foreign operations	**(5.0)**	(0.6)	7.0
(Losses)/gains on cash flow hedges	**(85.0)**	3.4	114.9
Actuarial gains/(losses) on defined benefit pension schemes	**0.9**	(42.6)	(36.2)
Tax on items recognised directly in equity	**26.6**	10.4	(2.0)
	(62.5)	(29.4)	83.7
Reclassification adjustments			
Transferred to income statement on cash flow hedges	**(27.5)**	(5.6)	(30.7)
Transferred to the carrying amount of hedged items on cash flow hedges	**4.3**	(4.1)	(25.9)
Net (expense)/income recognised directly in equity	**(85.7)**	(39.1)	27.1
Total comprehensive income for the period	**46.0**	84.1	329.4
Attributable to:			
Equity holders of the parent company	**46.0**	84.2	329.6
Minority interest	**–**	(0.1)	(0.2)
Total comprehensive income for the period	**46.0**	84.1	329.4

Unaudited Consolidated Statement of Changes in Total Equity

	Six months to July 2009 £m	Six months to July 2008 £m	Year to January 2009 £m
Opening total equity as previously reported		(79.1)	(79.1)
Change in accounting policy (Note 1)		(16.1)	(16.1)
Opening total equity	**140.5**	(95.2)	(95.2)
Total comprehensive income			
Equity holders of the parent company	**46.0**	84.2	329.6
Minority interest	**–**	(0.1)	(0.2)
Shares issued by ESOT	**5.0**	2.2	3.9
Share option charge	**3.0**	4.5	8.9
Equity dividends paid	**(71.5)**	(71.8)	(106.5)
Closing total equity	**123.0**	(76.2)	140.5

Unaudited Consolidated Balance Sheet

	Notes	**July 2009 £m**	July 2008 £m	January 2009 £m	January 2008 £m
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant & equipment		**595.0**	632.3	612.8	610.6
Intangible assets		**55.2**	37.7	55.4	36.2
Interests in associates		**3.7**	3.1	3.5	2.9
Other investments		**1.0**	1.0	1.0	1.0
Other financial assets	5	**19.2**	0.7	14.1	0.5
		674.1	674.8	686.8	651.2
Current assets					
Inventories		**326.0**	290.8	318.7	319.1
Trade and other receivables		**572.6**	564.7	622.7	575.9
Other financial assets	5	**1.5**	4.4	84.4	12.6
Cash and short term deposits		**32.4**	57.3	47.8	56.0
		932.5	917.2	1,073.6	963.6
Total assets		**1,606.6**	1,592.0	1,760.4	1,614.8
Current liabilities					
Bank overdrafts		**(9.3)**	(8.8)	(46.3)	(37.7)
Unsecured bank loans		**–**	(250.0)	(75.0)	(205.0)
Trade and other payables		**(515.9)**	(464.4)	(490.5)	(473.3)
Other financial liabilities	5	**(51.0)**	(3.3)	(15.8)	(55.0)
Current tax liability		**(94.1)**	(80.4)	(85.9)	(92.4)
		(670.3)	(806.9)	(713.5)	(863.4)
Non-current liabilities					
Corporate bonds		**(542.4)**	(539.8)	(567.8)	(539.7)
Net retirement benefit obligation		**(55.8)**	(75.4)	(69.1)	(45.8)
Provisions		**(12.7)**	(9.8)	(13.1)	(9.4)
Deferred tax liabilities		**(2.3)**	(4.9)	(28.0)	(16.4)
Other financial liabilities	5	**(2.3)**	(12.0)	(2.4)	(12.3)
Other liabilities	6	**(197.8)**	(219.4)	(226.0)	(223.0)
		(813.3)	(861.3)	(906.4)	(846.6)
Total liabilities		**(1,483.6)**	(1,668.2)	(1,619.9)	(1,710.0)
Net assets/(liabilities)		**123.0**	(76.2)	140.5	(95.2)
EQUITY					
Share capital		**19.7**	19.7	19.7	20.1
Share premium account		**0.7**	0.7	0.7	0.7
Capital redemption reserve		**10.2**	10.2	10.2	9.8
ESOT reserve		**(43.5)**	(51.0)	(48.7)	(54.8)
Fair value reserve		**(38.6)**	5.0	69.6	11.3
Foreign currency translation		**4.7**	2.0	9.7	2.6
Other reserves		**(1,443.8)**	(1,443.8)	(1,443.8)	(1,443.8)
Retained earnings		**1,613.7**	1,381.0	1,523.2	1,358.8
Shareholders' equity		**123.1**	(76.2)	140.6	(95.3)
Minority interest		**(0.1)**	–	(0.1)	0.1
Total equity		**123.0**	(76.2)	140.5	(95.2)

Unaudited Consolidated Cash Flow Statement

	Six months to July 2009 £m	Six months to July 2008 £m	Year to January 2009 £m
Cash flows from operating activities			
Operating profit	**199.5**	197.9	478.3
Depreciation and amortisation	**60.0**	57.3	116.8
Loss on disposal of property, plant & equipment	**2.1**	2.6	6.2
Share option charge	**3.0**	4.5	8.9
Share of undistributed profit of associates	**(0.2)**	(0.2)	(0.6)
Exchange movement	**9.6**	1.1	3.9
(Increase)/decrease in inventories	**(7.3)**	28.3	1.0
Decrease/(increase) in trade and other receivables	**49.8**	11.7	(42.9)
(Decrease)/increase in trade and other payables	**(18.1)**	(20.5)	16.0
Pension contributions less income statement charge	**(12.5)**	(13.0)	(12.9)
Cash generated from operations	**285.9**	269.7	574.7
Corporation taxes paid	**(43.9)**	(63.4)	(125.9)
Net cash from operating activities	**242.0**	206.3	448.8
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment	**0.3**	0.1	0.3
Acquisition of property, plant & equipment	**(45.5)**	(80.5)	(120.6)
Expenditure on intangible assets	**(0.3)**	–	–
Outflow on acquisition of subsidiaries	**–**	(0.7)	(14.1)
Net cash from investing activities	**(45.5)**	(81.1)	(134.4)
Cash flows from financing activities			
Repurchase of own shares	**–**	(52.6)	(55.2)
Proceeds from disposal of shares by ESOT	**5.0**	2.2	3.9
(Repayment)/proceeds of unsecured bank loans	**(75.0)**	45.0	(130.0)
Repurchase of corporate bonds	**(17.0)**	–	–
Interest paid	**(12.4)**	(18.2)	(50.1)
Interest received	**0.3**	0.9	1.4
Payment of finance lease liabilities	**(0.2)**	(0.3)	(0.5)
Dividends paid	**(71.5)**	(71.8)	(106.5)
Net cash from financing activities	**(170.8)**	(94.8)	(337.0)
Net increase/(decrease) in cash and cash equivalents	**25.7**	30.4	(22.6)
Opening cash and cash equivalents	**1.5**	18.3	18.3
Effect of exchange rate fluctuations on cash held	**(4.1)**	(0.2)	5.8
Closing cash and cash equivalents (Note 7)	**23.1**	48.5	1.5

1. Basis of preparation

The Group's interim results for the six months ended 25 July 2009 were approved by the Board of Directors on 16 September 2009, and have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

Other than as described below, the accounting policies adopted in the preparation of the interim financial statements are the same as those set out in the Group's annual financial statements for the year ended 24 January 2009. The financial statements have been prepared on the historical cost basis except for certain financial instruments, pension assets and liabilities and share based payment liabilities which are measured at fair value.

The interim financial statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information' and do not include all of the information required for full annual financial statements.

The financial information contained in this report does not constitute statutory accounts of the Company within the meaning of Section 434(3) of the Companies Act 2006. Statutory accounts for the years to January 2008 and January 2009, incorporating unqualified audit reports, have been delivered to the Registrar of Companies. Neither of these reports included statements under Section 237(2) or Section 237(4) of the Companies Act 1985.

Changes to accounting standards

An amendment to IAS 38 *Intangible Assets* requires that all marketing and production costs of the Next Directory are recognised in the income statement as incurred, rather than during the season that the costs relate to.

This change in accounting policy has been applied retrospectively, decreasing net assets by £16.1m at each comparative balance sheet date. As the effect on earnings was not material in each period, reported profits for prior periods have not been restated.

IAS 1 (revised) *Presentation of Financial Statements* has been adopted during the current year. This is a presentational change only, affecting the titles and positioning of items within the financial statements. It has no impact on reported profits or total equity.

An amendment to IFRS 8 *Operating Segments* has been adopted early during the current year. This change means that disclosure of the Group's segment assets is no longer required.

2. Segmental analysis

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

	External revenue		**Internal revenue**		**Total revenue**	
Six months to July	**2009**	2008	**2009**	2008	**2009**	2008
	£m	£m	**£m**	£m	**£m**	£m
Next Retail	**1,004.3**	996.4	**1.5**	0.8	**1,005.8**	997.2
Next Directory	**386.2**	379.9	**–**	–	**386.2**	379.9
Next International	**30.0**	29.5	**–**	–	**30.0**	29.5
Next Sourcing	**1.9**	2.7	**250.3**	238.2	**252.2**	240.9
Next Brand	**1,422.4**	1,408.5	**251.8**	239.0	**1,674.2**	1,647.5
Ventura	**72.2**	87.5	**2.2**	3.5	**74.4**	91.0
Property Management	**2.8**	3.2	**88.8**	85.0	**91.6**	88.2
Other	**14.9**	1.8	**0.9**	–	**15.8**	1.8
Eliminations	**–**	–	**(343.7)**	(327.5)	**(343.7)**	(327.5)
	1,512.3	1,501.0	**–**	–	**1,512.3**	1,501.0

2. Segmental analysis (continued)

Six months to July	Segment profit 2009 £m	2008 £m
Next Retail	**112.3**	107.6
Next Directory	**83.3**	78.4
Next International	**3.1**	3.4
Next Sourcing	**16.2**	10.4
Next Brand	**214.9**	199.8
Ventura	**2.1**	3.5
Property Management	**0.1**	1.9
Total segment profit	**217.1**	205.2
Other activities	**(5.5)**	(1.7)
Share option charge	**(3.0)**	(4.5)
Unrealised foreign exchange loss	**(9.6)**	(1.3)
Trading profit	**199.0**	197.7
Share of results of associates	**0.5**	0.2
Finance income	**0.3**	1.0
Finance costs	**(14.3)**	(25.4)
Profit before tax	**185.5**	173.5

3. Risks & uncertainties

The Board has considered the principal risks and uncertainties for the remaining six months of the financial year and determined that the risks presented in the 2009 Annual Report, described below, remain for the rest of the financial year:

- Business strategy development and implementation;
- Credit risk and liquidity;
- Recruitment and retention of key personnel;
- Product design and selection;
- Key suppliers & supply chain management;
- Development of retail store network & Directory customer base;
- Warehousing & distribution;
- IT systems & business continuity;
- Call centre capacity & service levels;
- Treasury & financial risk management

These are detailed on pages 12 and 13 of the 2009 Annual Report, a copy of which is available on the Company's website at **www.nextplc.co.uk**.

Pandemic flu has also been identified as a risk to the business. We have not yet observed any material effect on sales, but higher infection rates or more virulent strains of the virus may deter shoppers.

A major variable, and therefore risk, to the Group's financial performance in the second half of this year is the Retail like-for-like sales performance. The Chief Executive's Review in this Interim Management Report comments on this and other uncertainties affecting the Group's businesses for the remaining six months of the financial year.

4. Earnings per share

The calculation of basic earnings per share is based on £131.8m (2008: £123.3m) being the profit for the six months attributable to the equity holders of the parent company and 193.2m ordinary shares of 10p each (2008: 194.6m), being the weighted average number of shares ranking for dividend less the weighted average number of shares held by the ESOT during the period.

Diluted earnings per share is based on £131.8m (2008: £123.3m) being the profit for the six months attributable to the equity holders of the parent company and 195.1m ordinary shares of 10p each (2008: 194.9m) being the weighted average number of shares used for the calculation of earnings per share above increased by the dilutive effect of potential ordinary shares from employee share option schemes of 1.9m shares (2008: 0.3m shares).

5. Other financial assets and liabilities

Other financial assets and other financial liabilities comprise the fair value of derivative contracts which the Group uses to manage its foreign currency and interest rate risks. At January 2008 and July 2008, other current financial liabilities also included amounts arising under contingent purchase contracts for the purchase of shares in Next plc.

6. Other non-current liabilities

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

7. Analysis of net debt

	January 2009 £m	Cash flow £m	Other non-cash changes £m	**July 2009 £m**
Cash and short term deposits	47.8			**32.4**
Overdrafts	(46.3)			**(9.3)**
Cash and cash equivalents	1.5	25.7	(4.1)	**23.1**
Unsecured bank loans	(75.0)	75.0	–	**–**
Corporate bonds	(567.8)	17.0	8.4	**(542.4)**
Fair value hedges of corporate bonds	14.1	–	(7.2)	**6.9**
Finance leases	(1.4)	0.2	–	**(1.2)**
Total net debt	(628.6)	117.9	(2.9)	**(513.6)**

Responsibility Statement

We confirm that to the best of our knowledge:

(a) The condensed set of financial statements has been prepared in accordance with IAS 34;

(b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

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

16 September 2009

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

Certain statements which appear in a number of places throughout this Interim Management Report may constitute "forward looking statements" which are all matters that are not historical facts, including anticipated financial and operational performance, business prospects and similar matters. These forward looking statements are identifiable by words such as "aim", "anticipate", "believe", "budget", "estimate", "expect", "forecast", "intend", "plan", "project" and similar expressions. These forward looking statements reflect Next's current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any such forward looking statements are subject to various risks and uncertainties, including but not limited to those matters highlighted in note 3 of these interim financial statements; 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 do not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.


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