next plc

# RESULTS FOR THE YEAR ENDING January 2013

## CHAIRMAN'S STATEMENT

The year to January 2013 was another good year for NEXT. Underlying earnings per share before exceptional gains grew by 16.6% to 297.7p and we propose to increase our full year dividend to 105p.

This is the fourth consecutive year that our earnings per share and dividend have grown by over 15%, at a time when the UK economy has continued to struggle for growth.

NEXT Directory, our online and catalogue business, continued to grow, and its sales increased by 9.5%. The growth differential between NEXT Directory and NEXT Retail, where sales were level, narrowed. The two businesses continue to work well together and support each other in many ways. For example, over 20% of Directory sales are delivered through our stores and over 60% of the returns come back that way. Both businesses increased their operating margins during the year and the Group's underlying profit before tax rose by 9.0% to £622 million.

Cash flow was particularly strong, helped by the timing of capital expenditure and stock intake at the year end. We continued with share buybacks, buying 7.5 million shares at an average price of £32.13. During the year we returned £390 million to shareholders through share buybacks and dividends.

Our share price again performed well during 2012, in both absolute and relative terms. Over the last two financial years the share price has risen by over 100%.

As ever, our success is built on the stability and effectiveness of our management across the Group. They performed well in challenging economic conditions. I would like to thank them and all the NEXT employees for their outstanding contribution during the year.

We anticipate another challenging year ahead, with little if any growth in the UK retail economy. In these circumstances we again aim to achieve growth by investing in the Brand, improving our products, controlling costs and returning cash to our shareholders.

**John Barton**
**Chairman**

# CHIEF EXECUTIVE'S REVIEW

## OVERVIEW

NEXT has had a good year, achieving **3.1%** growth in sales and **9.0%** growth in underlying profit before tax. Strong cash generation allowed us to buy back 4.5% of shares outstanding which, along with a lower tax rate, resulted in EPS growing much faster than profits.

In the year to January 2013 post-tax EPS grew by **16.6%**. Our full year dividend has been increased in line with EPS to 105p.

| **REVENUE excluding VAT**<br>Underlying business excluding exceptionals | **January 2013 £m** | January 2012 £m | |
|---|---|---|---|
| NEXT Retail | **2,190.9** | 2,191.4 | 0.0% |
| NEXT Directory | **1,192.6** | 1,088.7 | +9.5% |
| NEXT BRAND | **3,383.5** | 3,280.1 | +3.2% |
| Other | **164.3** | 161.0 | +2.0% |
| Continuing business | **3,547.8** | 3,441.1 | +3.1% |

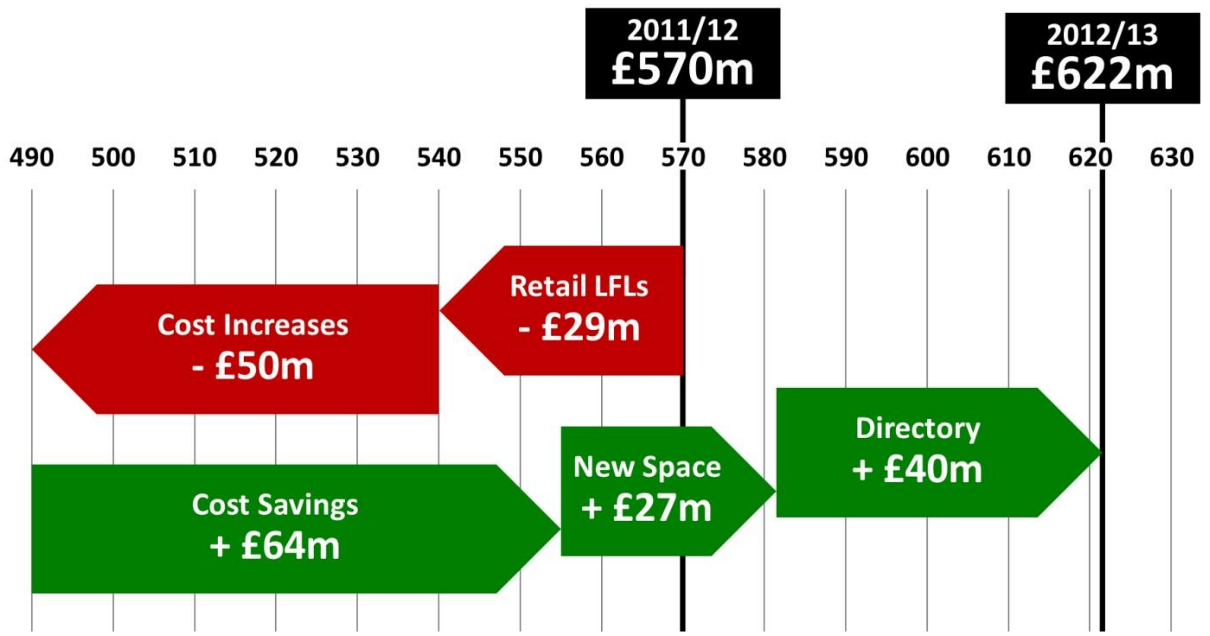
| **PROFIT and EPS**<br>Underlying business excluding exceptionals | **January 2013 £m** | January 2012 £m | |
|---|---|---|---|
| NEXT Retail | **331.1** | 323.7 | +2.3% |
| NEXT Directory | **302.1** | 262.6 | +15.1% |
| Other | **17.0** | 12.4 | |
| Operating profit – underlying | **650.2** | 598.7 | +8.6% |
| Net interest | **(28.6)** | (28.4) | |
| Profit before tax – underlying | **621.6** | 570.3 | +9.0% |
| Taxation | **(148.5)** | (142.9) | |
| Profit after tax – underlying | **473.1** | 427.4 | +10.7% |
| EPS – underlying | 297.7p | 255.4p | +16.6% |
| Dividends per share | 105.0p | 90.0p | +16.7% |

# NEXT PLC ECONOMICS

## FIVE STRAIGHTFORWARD PROFIT DRIVERS

The table below sets out the five main drivers of the Group's Profit and Loss account. It shows how the profit from (1) new Retail space and (2) Online sales, more than offset the profit lost as a result of (3) declining sales in the existing store base. It also shows how (4) cost inflation has been more than offset by (5) cost savings.

| | | | |
|---|---|---|---|
| Profit Year Ending Jan 2012 | | **£570m** | |
| Profit from sales increases/decreases | | | |
| (1) Profit from new space | +27m | | |
| (2) Profit from additional online sales growth | +40m | | |
| (3) Cost of lost sales in existing stores | - 29m | | |
| | | **+38m** | +7% |
| Cost increases and savings : | | | |
| (4) Inflation in cost base | - 50m | | |
| (5) Cost savings | +64m | | |
| | | **+14m** | +2% |
| Profit Year Ending Jan 2013 | | **£622m** | +9% |



## FIVE STRAIGHTFORWARD OBJECTIVES

The Company has five core operational objectives, as set out below. Underlying these operational goals is the ever present and overriding financial objective of delivering long term, sustainable growth in earnings per share.

| | |
|---|---|
| **Develop the NEXT Brand** | Develop, improve and expand our product ranges, focusing on being better by design. |
| **Rigorously control costs** | Control costs through constantly developing more efficient ways of operating. This must be done without detracting from the quality of our products and services. |
| **Invest in profitable new space** | Open profitable new retail space, maintaining the Company's strict payback and profitability hurdles of 15% net store profit (before central overheads) and payback on net capital invested in 24 months. |
| **Invest in online growth** | Invest in growth from our online business, through improving UK services and new overseas markets. |
| **Generate and return cash** | Focus on cash generation. Return funds that are not needed to develop the business to shareholders through share buybacks. This must be earnings enhancing and in the interests of shareholders generally. |

## PRODUCT AND THE NEXT BRAND

Without great product, all our other activities are in vain. We believe there is the opportunity to further improve and expand our product ranges, particularly at the more aspirational end of our collections.

NEXT has always maintained that, if we are to succeed, our products must be better by design. Additional time and money has been invested in the design process for Autumn Winter 2013. We hope to see continuing improvements in the fashion content and quality of our ranges as the year progresses.

## COST INFLATION AND COST CONTROL

We are very clear that we must not compromise service or quality to save money, nor should we stop taking on new costs that improve our service offer. So we must control costs through operational innovation and improved purchasing. The tables below outline the main contributors to cost increases and cost savings over the last year.

| **Cost Increases** | **£m** |
|---|---|
| Cost of living awards and other wage related inflation | 17 |
| Costs of Directory delivery service improvements | 15 |
| Rent, rates & other occupancy inflation | 7 |
| Retail in-store design, online overseas and additional brochure | 6 |
| Systems investments and other | 5 |
| **Total** | **50** |

| **Cost Savings** | **£m** |
|---|---|
| Gross margin improvements | 22 |
| Retail manpower efficiencies and other cost savings | 19 |
| Directory operating efficiencies | 10 |
| Lower freight costs | 3 |
| Non-stock purchasing improvements (e.g. paper) | 3 |
| Other | 7 |
| **Total** | **64** |

Looking at the year ahead we expect cost inflation to be less challenging at around £35m. Once again, we believe that we can offset all these increased costs through saving initiatives.

# RETAIL

Retail sales were level with last year. New space added 3.2% to Retail sales and 2.1% to total Brand sales. Retail profit of £331m was 2.3% higher than last year, representing a 0.3% improvement in the Retail net margin.

## RETAIL SPACE

### Retail Expansion in 2012/13

During the year we added 250,000 square feet to our store portfolio. This was less than the 300,000 we had budgeted at the start of the year. The shortfall was because it has taken longer than expected to get planning permission for new projects and because a fire delayed one of our new large sites.

The table below sets out the change in store numbers and space since January 2012.

| | Store Numbers | Sq. Ft. (000's) |
|---|---|---|
| **January 2012** | **536** | **6,475** |
| New stores, re-sites (6) and extensions (9) | +5 | +196 |
| Closures | - 6 | - 28 |
| Home stand-alones | +5 | +85 |
| **January 2013** | **540** | **6,728** |

### Healthy Returns on Capital and High Profitability

New store profitability and payback on net capital invested are both comfortably within Company targets. Forecasts for stores opened in the last 12 months, shown in the table below, are based on sales since their dates of opening.

| | Sales vs target | Forecast profitability | Forecast payback |
|---|---|---|---|
| Mainline | +9% | 24% | 17 months |
| Home | +5% | 19% | 22 months |
| **Total** | **+8%** | **23%** | **19 months** |

### Space Expansion in the Year Ahead

There continue to be good opportunities to profitably increase UK retail selling space. Our expansion programme is built bottom-up, on a location by location basis, and there remain many towns and cities where we believe there is the potential to offer wider ranges in larger stores.

### Space Expansion in the Year Ahead continued ....

Planning remains a problem, though often more of a delay than a brick wall. We are actively working with planning officers, councillors and local communities to deliver new shops, investment and jobs. We continue to make a greater investment in the external architecture of our new stores, particularly on Retail Parks. Our aim is to transform the quality of construction associated with out-of-town retail and create the sort of buildings that communities will see as an asset, not an eyesore.

In our dealing with local councils it is noticeable that some are much more pro-growth and pro-jobs than others. Many local councils are enthusiastic and efficient; but a few remain an unhealthy mix of Luddite intransigence and incompetence. Going forward, in areas where councils traditionally have got away with just saying “no”, we will be more active in harnessing the law and the full weight of public opinion to campaign for growth.

Next year we expect to add at least 250,000 sq. ft. of trading space (net of closures).

## STORE PORTFOLIO PROFITABILITY

We continue to closely monitor the profitability of our store portfolio. Underperforming stores are actively managed with a view to possible closure before they become uneconomic. On average our store leases have 7 years to run before expiry or a break clause.

Our portfolio remains extremely profitable, with 89% of our sales coming from stores delivering more than 15% profit contribution on sales.

| Store profitability | Percentage of turnover |
|---|---|
| >20% | 71% |
| >15% | 89% |
| >10% | 95% |
| >5% | 99% |
| >0% | 99.4% |

Over the last five years the steady process of opening new space and refitting existing stores has transformed our portfolio. Of the 6.7 million square feet of trading space we have today, 3.7 million (54%) is in stores that are either brand new or enlarged. Of the remaining 3 million square feet 2.2 million has been refitted, leaving just 800,000 (13%) square feet of the portfolio unchanged from 2007.

## RETAIL PROFIT ANALYSIS

Operating margin improved slightly on last year. The table below details the margin movement by the major heads of costs.

| | | |
|---|---|---|
| **Net operating margin last year** | | **14.8%** |
| **Increase in bought-in gross margin** | The improvement in bought-in gross margin was driven by an improved USD exchange rate. This improvement was partly offset by selling a higher proportion of Home and Childrenswear; these product categories have a lower gross margin than the average. | +0.3% |
| **Reduction in freight and faulty** | The cost of freight fell and in addition we used less unplanned air freight. Faulty stock rates also reduced. | +0.3% |
| **Increase in store payroll** | The annual cost-of-living pay award and staff bonus would have pushed wage costs up by 0.5% however this cost was almost completely offset by in-store efficiency initiatives. | - 0.1% |
| **Increase in store occupancy** | Rents and rates increased as a percentage of sales mainly as a result of negative like for like sales. Rental inflation was minimal and continued to decline. Business rates inflation, which is linked to September RPI, was very high at 5.6%.<br><br>Electricity costs also increased significantly in the first half. | - 0.4% |
| **Warehouse and distribution** | The annual cost-of-living pay award was offset by cost saving initiatives. | +0.0% |
| **Central overheads** | Central overheads reduced as percentage of sales | +0.2% |
| **Net operating margin this year** | | **15.1%** |

# DIRECTORY

NEXT Directory sales were up 9.5% and profit increased by 15.1%.

## UK SERVICE

NEXT Directory continues to provide good opportunities for growth. In the UK, growth is driven by the wider online market and by improving delivery services. Last year we added Same-Day, Evening, Sunday and Next-Day to Store delivery services, all at a £2.99 premium to the standard service.

In 2013 we have already improved our delivery services further:

- The cut off for standard next day delivery to home has been moved back to 10pm.
- Next-Day delivery to stores has been improved to allow collection after 12.30pm (as opposed to 4.00pm) and the price of this service has been reduced from £2.99 to 50p.

## INTERNATIONAL ONLINE

International sales grew from £33m to £54m. We now sell direct to 60 international territories, and also through 6 partners in 14 of those countries. Our international online business contributed £10m to profit. In the year ahead we expect our overseas online business to grow to at least £70m, adding a further £4m to profit.

## SALES ANALYSIS

The increase in sales came from four main sources which are set out in the table below.

| | **Contribution to growth** |
|---|---|
| UK full price sales | 5.2% |
| Clearance Tab | 2.2% |
| Markdown sales | 0.1% |
| International online | 2.0% |
| **Total sales growth** | **9.5%** |

## CUSTOMER ANALYSIS

Directory active average customers increased year on year by 10.3% to 3.3 million. Customer growth is set out below, broken down into credit and cash customers.

| Average customers '000s | Jan 2013 | Jan 2012 | Change | Increase in customer base |
|---|---|---|---|---|
| Total credit customers | 2,663 | 2,557 | +106 | +3.5% |
| Total cash customers | 641 | 438 | +203 | +6.8% |
| **Total active customers** | **3,304** | **2,995** | **+309** | **+10.3%** |

## DIRECTORY PROFIT ANALYSIS

Operating margin increased by 1.2% to 25.3%. The table below details the margin movement by the major heads of costs.

| | | |
|---|---|---|
| **Net operating margin last year** | | **24.1%** |
| **Increase in bought-in gross margin** | The improvement in bought-in gross margin was driven by an improved USD exchange rate. In addition Directory sold a higher proportion of Womens and Menswear, these product categories have a higher gross margin than the average. | + 1.0% |
| **Reduction in freight** | The cost of freight fell and in addition we used less unplanned air freight. | + 0.2% |
| **Higher markdown & obsolescence** | Directory took more drop stock from Retail for its Clearance Tab. The additional obsolescence charge on this stock was the main cause for this adverse movement in margin. | - 0.4% |
| **Decrease in bad debt & increased service charge** | The continued improvement in bad debt rates increased margin by +0.3%. Service charge growth increased margin by a further +0.2%. | + 0.5% |
| **Decrease in marketing** | The improvement is mainly due to non-recurring costs incurred last year for the development of our new website software. | + 0.3% |
| **Decrease in call centre** | Call centre costs increased margin through improved processes, including automatic credit scheduling (+0.2%), and a reduction in call volumes & length (+0.1%). | + 0.3% |
| **Decrease in catalogue production** | Photography costs reduced, improving margin by +0.3%. More customers elected to trade without a catalogue; this reduced print costs as a percentage of sales. | + 0.5% |
| **Increase in warehouse and distribution** | International distribution costs, to service our growing overseas business, eroded margin by -0.5%. We added new processes in our warehouses to enhance our delivery offer; this eroded margin by a further -0.8%. | - 1.3% |
| **Central overheads** | Overhead costs increased at a lower rate than sales. | + 0.1% |
| **Net operating margin this year** | | **25.3%** |

## INTERNATIONAL RETAIL

We have a profitable franchise business, with partners operating 170 stores in 33 countries. Our 19 directly owned stores (in 7 countries) made a small loss. We do not intend to open any new directly owned international stores going forward. Revenue and income for our international business is set out below.

| £m | 2013 | 2012 | |
|---|---|---|---|
| Franchise income | 61.5 | 58.7 | |
| Owned store sales | 16.2 | 17.6 | |
| Total revenue | 77.7 | 76.3 | +1.8% |
| **Operating profit** | **8.4** | **7.9** | **+6.2%** |

We are budgeting for International Retail to make a profit of £10m in the year ahead, the improvement coming mainly from the closure of loss making stores.

## NEXT SOURCING

NEXT Sourcing (NS) profit recovered from the previous year, when a significant provision was required against unshipped faulty stock. That issue has been resolved and £1m of excess provision has been released this year. NS competes for business against the many other suppliers to NEXT Retail and NEXT Directory, it provides around 40% of NEXT Brand stock.

| £m | 2013 | 2012 |
|---|---|---|
| Sales | 507.1 | 519.0 |
| **Operating profit** | **30.8** | **21.1** |
| Operating margin | 6.1% | 4.1% |

We are forecasting NEXT Sourcing profits to be around £30m in the year ahead.

## OTHER PROFIT AND LOSS ACTIVITIES

| £m | 2013 | 2012 |
|---|---|---|
| Lipsy | 2.0 | 1.3 |
| Property management | 3.5 | 5.6 |
| Central costs | (35.3) | (30.6) |
| Pension variation | 3.6 | 6.7 |
| Unrealised foreign exchange | 3.4 | (1.1) |
| Associates | 0.6 | 1.5 |
| **Total** | **(22.2)** | **(16.6)** |

### LIPSY

The full year sales of £58m and profit of £4m, before amortisation and profit share of £2m, was the best performance under the four years of our ownership. Internet sales, through Lipsy's own site and the NEXT Directory, doubled to £17m and are now ahead of wholesale sales. Lipsy's retail sales were £22m, taken from 51 stores trading 60,000 sq. ft.

### PROPERTY MANAGEMENT

Underlying profit was down by £2m to £3.5m. We now own very few retail freeholds. At the end of the year we sold a development property occupied by Ventura (a business we divested in 2011): the £9m profit is shown as exceptional. We do not anticipate any property management profit in the year ahead.

### CENTRAL COSTS

The charge has increased by £5m mainly due to performance-related pay and Company wide share-based incentives. We expect central costs to decrease by £1m in the year ahead.

### PENSION SCHEME

The actuarial pension credit fell from £7m to £4m. We expect this credit to be around £3m in the coming year. During the year we made changes to our final salary pension scheme (which has been closed to new entrants since 2000). This change gave a credit adjustment which was partially offset by the cost of hedging out a tranche of pension liabilities. The net effect of these two changes was an exceptional post-tax credit of £28m.

### INTEREST AND TAXATION

The interest charge was £28m. For the year ahead we expect net debt to range between £400m and £600m, resulting in a similar interest charge.

Our tax rate reduced as expected to 23.9%, following the reduction in headline UK corporation tax rates. On the assumption that tax rates continue to reduce as announced, we expect our effective rate to be no higher than 23% in each of the next two years.

## BALANCE SHEET

The balance sheet remains strong with year end net debt of £493m and forecast peak borrowing requirements being very adequately financed by our bonds and bank facilities of £923m, as set out in the table below.

| | **£m** |
|---|---|
| 2013 bonds - repayment due September | 85 |
| 2016 bonds | 213 |
| 2021 bonds | 325 |
| **Total bonds nominal value** | **623** |
| 2016 committed bank facility | 300 |
| **Total debt facilities available** | **923** |

We believe NEXT will generate around £250m of cash in the year ahead after capital expenditure, interest, tax and dividends, but before share buybacks.

# CASH GENERATION, NET DEBT AND SHARE BUYBACKS

## STRONGER THAN EXPECTED CASH FLOW

Cash generation was significantly ahead of our expectations. Operational cash flow, before buybacks and before additional cover in the ESOT, was £376m. This was a long way ahead of our original £240m forecast, the variance has been driven by higher profits, lower capital expenditure and year end stock levels, higher Directory customer payments and a number of other one off factors.

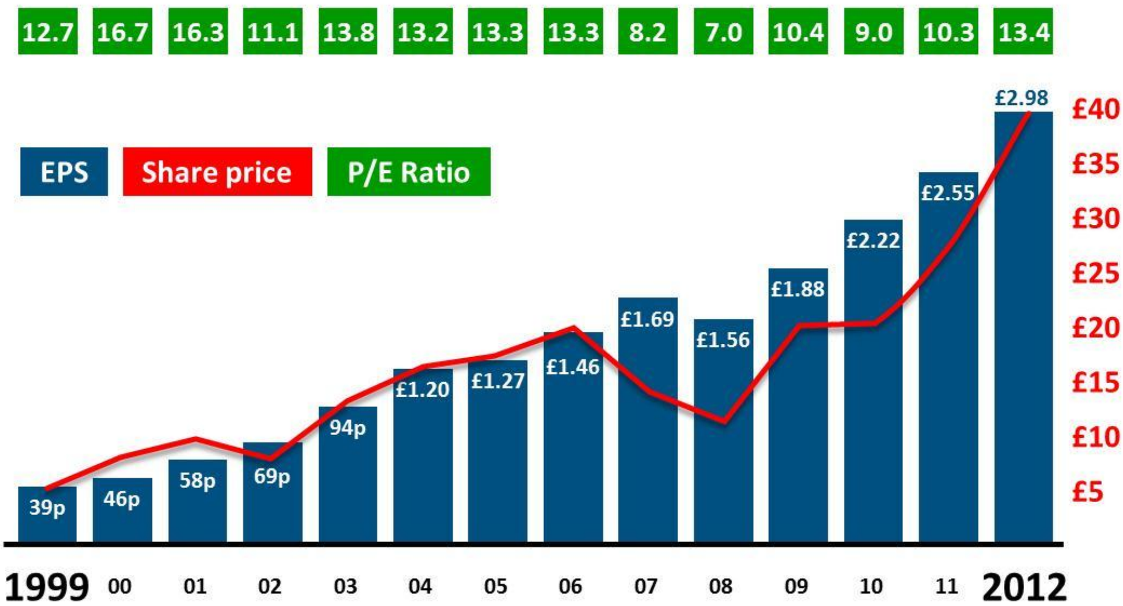
During the year we used surplus cash to buy 7.5 million shares (4.5% of shares outstanding as at Jan 2012) at an average price of £32.13 and a cost of £241m. In addition we used £52m to increase the share option cover in our Employee Share Ownership Trust: this had the effect of reducing net shares in issue by a further 0.7%.

## BUYBACKS, EPS AND SHARE PRICE

Despite their increasing popularity, share buybacks are still widely misunderstood. There are still those who wrongly believe that they are some sort of share support scheme. This, of course, would be futile as any attempt to support a share price would evaporate as soon as the money ran out.

The only reason share buybacks can deliver long term value is because they *permanently reduce the number of shares in issue* and so increase the amount of profit attributable to each share (EPS). An important part of the logic of share buybacks is the implied link between growth in EPS and growth in share price. Whilst, in the short term there might appear to be no link, in the long run share prices tend to reflect the fundamental value of the earnings and dividend stream. If the share price did not rise with EPS, the buyback programme would eventually leave a single share owning all the profits and dividends!

The graph below illustrates the long term correlation of share price to EPS for NEXT plc over the period we have been buying back shares. The blue boxes indicate earnings per share and the red line shows the share price. The green boxes at the top of the chart show the historic price/earnings (PE) ratio.




*Earnings Per Share and Share Price History*

## THE LONG GAME – THE NEXT PLC RULES OF BUYBACKS

Over the long term, we have been following these rules when considering buybacks:

1. Share buybacks must be earnings enhancing and make a healthy Equivalent Rate of Return (see below).

2. Only use the cash the business does not need. NEXT has always prioritised investment in the business over share buybacks.

3. Use surplus cash flow, not ever-increasing amounts of debt. We have never allowed our share buyback programme to threaten our investment grade credit status and will not do so going forward.

4. Maintain the dividend at a reasonable level through growing dividends in line with EPS. NEXT will continue to increase dividends in line with EPS.

5. Be consistent. NEXT has been buying shares every year for more than 10 years, reducing the shares in issue by more than 50%.

6. For share buybacks to be an effective use of shareholder cash, the core business must have the prospect of long term growth.

## EFFECT ON BUYBACKS OF A RISING SHARE PRICE

The graph above demonstrates that the relationship between our EPS and share price has recently returned to its near historical average. It is important to recognise that this relative rise in the PE ratio reduces the benefit of share buybacks. The more expensive the shares become, the smaller the share of the business can be bought with the same amount of surplus cash.

For example, two years ago when our share price was £21, our operational free cash flow of £200m enabled us to buy 5.2% of the Company. Today with the shares around £40 our expected surplus cash flow of £250m will only buy 3.9%.

The overall effect is simple: as the PE ratio rises the earnings enhancement of buybacks falls. So, given our current PE ratio, how should NEXT assess the desirability of share buybacks?

Essentially there are two measures we look at. The first is the *earnings enhancement* of a buyback when compared to the enhancement to earnings from keeping the cash in the bank and earning interest. The second is the comparison between the earnings enhancement of a buyback compared to the return that would have to be achieved from investing the cash in an alternative investment, the *equivalent rate of return (ERR).*

With long term borrowing rates for NEXT at around 4%, a share buyback of £250m at £40 would be 2.5% earnings enhancing. The problem with this method of assessing buybacks is that at low interest rates buybacks remain earnings enhancing beyond £60, so we consider the equivalent rate of return measure to be more helpful.

## EQUIVALENT RATE OF RETURN (ERR)

The tables below set out the maths used to calculate ERR. The top table shows the enhancement achieved from acquiring £250m of shares at £40, which is 4%. The second table shows that if we were to increase our profits by 4% we would have to invest in an asset yielding 10%. Given that share buybacks carry no additional operational risk, the returns at 10% remain very attractive.

**Enhancement £250m Buyback** (pre interest costs)

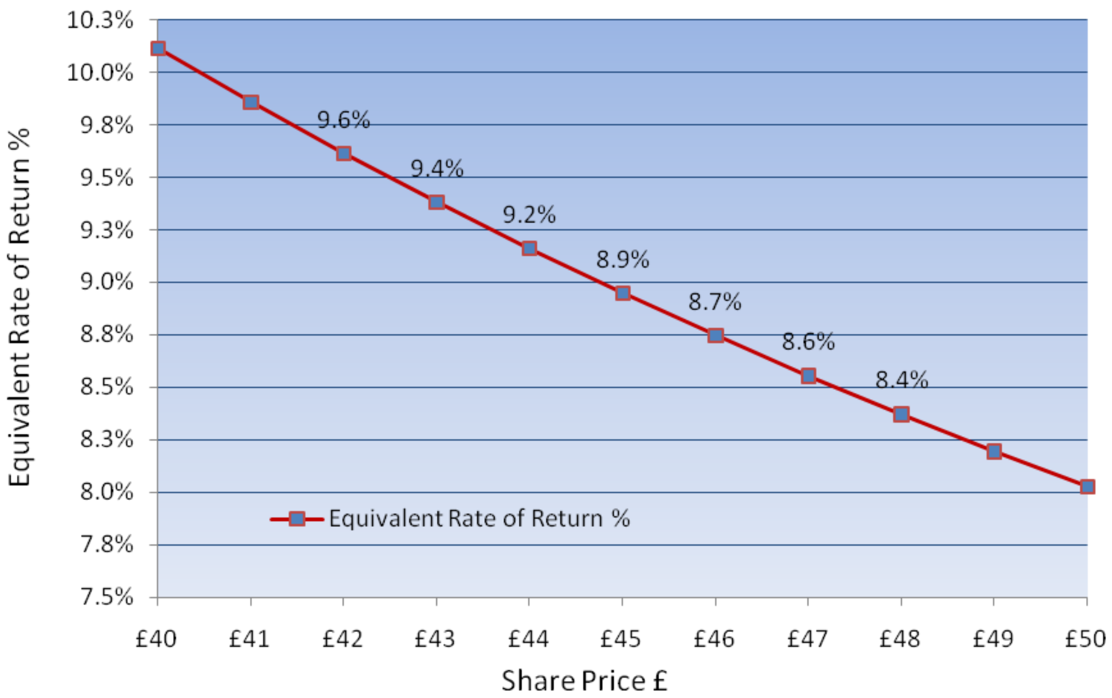
| | |
|---|---|
| Share price | £40.00 |
| Market capitalisation | £6400m |
| Cash used for buyback | £250m |
| % Acquired ( 250/6400 ) | 3.9% |
| EPS Enhancement 1 / (1 - 3.9%) | 4.1% |

**Calculating ERR**

| | |
|---|---|
| Company profits | £622m |
| Additional profit required for 4% growth in EPS | £25.3m |
| Additional profit as percentage of £250m invested in buyback (ERR) | 10.1% |

(These workings are a shown as an explanation of Equivalent Rate of Return. Of course, a simpler way of calculating ERR is to divide profit before tax into market capitalisation!)

The graph below shows how ERR falls as the share price rises. As the yield approaches the Market's expected return on equity (say 8%), the buyback becomes less attractive. If the returns dropped much below 9% we would become less enthusiastic, so to a certain extent the share price provides a natural moderator of a disciplined buyback programme.



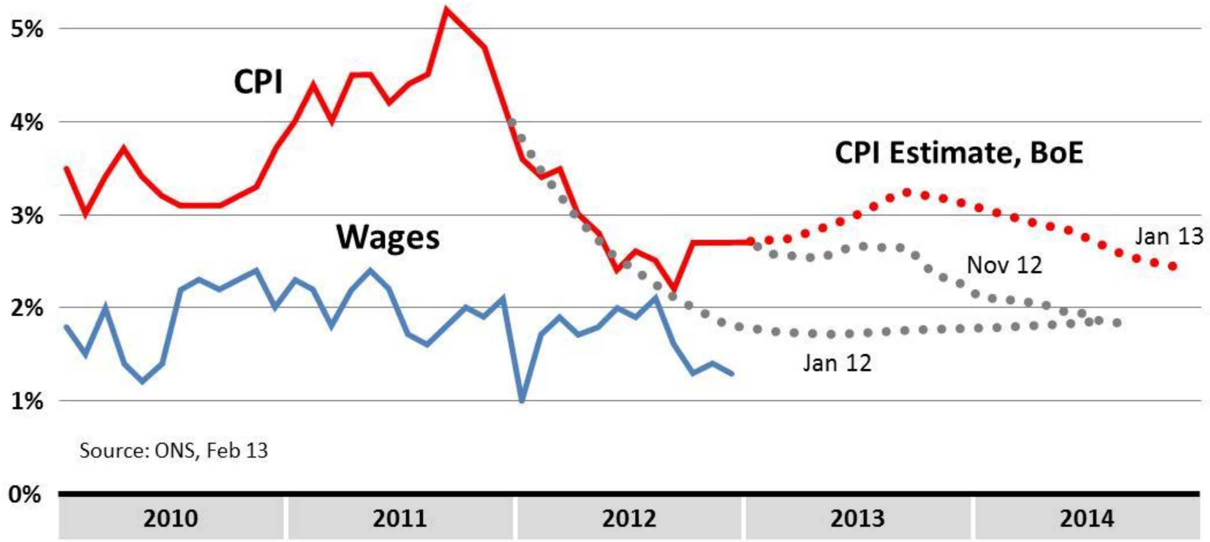
# OUTLOOK FOR 2013

## THE CONSUMER ECONOMY

The consumer environment looks set to remain subdued. The inevitable deleveraging of public and private finances means that the nation must slowly work its way back to affording the lifestyle it was already enjoying before the financial crisis.

This process of retrenchment is manifesting itself in earnings growth running below the rate of inflation. This decline in real earnings looks set to continue for at least one, if not several more years to come. Indeed the outlook for 2013 inflation has worsened since this time last year.

The graph below shows the difference in CPI and wages. The red dotted line is the Bank of England central inflation forecast as at January 2013, the grey dotted lines are the equivalent estimates in January and November 2012. Estimates for inflation steadily rose last year, leaving the outlook for real earnings as difficult as 2012, if not slightly worse. So we are planning on there being very little if any improvement in the underlying consumer economy.




## OUTLOOK FOR NEXT BRAND SALES 2013

In this environment we will continue to budget for our existing stores to take moderately less than the previous year.

Any growth in sales must come from investment in profitable new space and the continuing growth in the online market, both in the UK and overseas. In the year ahead we expect these avenues of growth to continue to exceed underlying declines.

We are budgeting for total NEXT Brand sales for the full year to rise within a range of +1% to +4%.

The first few weeks of the year have been quiet and serve to reinforce a more cautious approach. At present, sales are at the bottom of our target range, though we expect this situation to improve. We will get a better understanding of the underlying consumer environment once temperatures return to seasonal levels. We will issue further guidance with our May trading statement.

## OUTLOOK FOR GROUP PROFITS AND EPS

Assuming sales fall within our budgeted range, we expect Group profits before tax, for the full year, to be in a range of £615m to £665m, which would represent a year on year movement of between -1% to +7%. Assuming we achieve our buyback plan, EPS would rise by between +4% and +13%. The table below sets out our guidance for the full year:

| | Lower end of guidance | Upper end of guidance |
|---|---|---|
| Total Brand sales % growth (E) | +1% | +4% |
| Profit before tax (E) | £615m | £665m |
| Profit before tax % growth (E) | -1% | +7% |
| EPS % growth (E) | +4% | +13% |

## OUTLOOK FOR RETAIL SELLING PRICE INFLATION 2013 AND BEYOND

Overall factory gate prices are stable. Any increases in Far Eastern wages have generally been offset by manufacturing productivity improvements or the development of new Far Eastern sources of supply, in particular Bangladesh and Cambodia.

The recent sharp fall in the value of sterling will have very little impact on this year's pricing as we have bought forward most of our foreign currency requirement for the current year. If the pound remains at its current rate of exchange against the dollar, we would expect our prices to rise in 2014.

# INTERIM MANAGEMENT STATEMENT

Our next statement will cover the first fourteen weeks of the year, to 4 May 2013, and is provisionally scheduled for Wednesday 8 May 2013.

# IN SUMMARY

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

**Lord Wolfson of Aspley Guise**
**Chief Executive**
**21 March 2013**

# UNAUDITED CONSOLIDATED INCOME STATEMENT

| | **Year to January 2013** | | | Year to January 2012 | | |
|---|---|---|---|---|---|---|
| | **Underlying £m** | **Exceptional items (Note 3) £m** | **Total £m** | Underlying £m | Exceptional items (Note 3) £m | Total £m |
| ***Continuing operations*** | | | | | | |
| **Revenue** | **3,547.8** | **15.0** | **3,562.8** | 3,441.1 | - | 3,441.1 |
| Cost of sales | **(2,431.1)** | **(5.9)** | **(2,437.0)** | (2,395.8) | - | (2,395.8) |
| **Gross profit** | **1,116.7** | **9.1** | **1,125.8** | 1,045.3 | - | 1,045.3 |
| Distribution costs | **(269.5)** | **-** | **(269.5)** | (245.7) | - | (245.7) |
| Administrative expenses | **(201.0)** | **-** | **(201.0)** | (201.3) | - | (201.3) |
| Other gains/(losses) | **3.4** | **35.8** | **39.2** | (1.1) | 3.1 | 2.0 |
| **Trading profit** | **649.6** | **44.9** | **694.5** | 597.2 | 3.1 | 600.3 |
| Share of results of associates | **0.6** | **-** | **0.6** | 1.5 | - | 1.5 |
| **Operating profit** | **650.2** | **44.9** | **695.1** | 598.7 | 3.1 | 601.8 |
| Finance income | **0.4** | **-** | **0.4** | 0.5 | 6.1 | 6.6 |
| Finance costs | **(29.0)** | **-** | **(29.0)** | (28.9) | - | (28.9) |
| **Profit before taxation** | **621.6** | **44.9** | **666.5** | 570.3 | 9.2 | 579.5 |
| Taxation | **(148.5)** | **(9.4)** | **(157.9)** | (142.9) | (2.4) | (145.3) |
| **Profit from continuing operations** | **473.1** | **35.5** | **508.6** | 427.4 | 6.8 | 434.2 |
| Profit from discontinued operations | **-** | **-** | **-** | 2.6 | 38.0 | 40.6 |
| **Profit for the year** | **473.1** | **35.5** | **508.6** | 430.0 | 44.8 | 474.8 |
| **Profit for the year attributable to:** | | | | | | |
| Equity holders of the parent | **473.2** | **35.5** | **508.7** | 430.1 | 44.8 | 474.9 |
| Non-controlling interest | **(0.1)** | **-** | **(0.1)** | (0.1) | - | (0.1) |
| **Profit for the year** | **473.1** | **35.5** | **508.6** | 430.0 | 44.8 | 474.8 |

| | **Year to January 2013** | | Year to January 2012 | |
|---|---|---|---|---|
| | **Underlying** | **Total** | Underlying | Total |
| **Basic earnings per share** **(Note 4)** | | | | |
| Continuing operations | **297.7p** | **320.1p** | 253.9p | 257.9p |
| Discontinued operations | **-** | **-** | 1.5p | 24.1p |
| **Total** | **297.7p** | **320.1p** | 255.4p | 282.0p |
| **Diluted earnings per share** **(Note 4)** | | | | |
| Continuing operations | **289.9p** | **311.7p** | 247.6p | 251.6p |
| Discontinued operations | **-** | **-** | 1.5p | 23.5p |
| **Total** | **289.9p** | **311.7p** | 249.1p | 275.1p |

# UNAUDITED CONSOLIDATED
# STATEMENT OF COMPREHENSIVE INCOME

| | Year to January 2013 £m | Year to January 2012 £m |
|---|---|---|
| **Profit for the year** | **508.6** | 474.8 |
| *Other comprehensive income and expenses* | | |
| Exchange differences on translation of foreign operations | - | (2.0) |
| Gains on cash flow hedges | **1.6** | 15.6 |
| Actuarial losses on defined benefit pension scheme | **(19.7)** | (28.5) |
| Tax relating to components of other comprehensive income | **6.9** | 4.5 |
| | **(11.2)** | (10.4) |
| *Reclassification adjustments* | | |
| Transferred to income statement on cash flow hedges | **(4.5)** | 5.0 |
| Transferred to the carrying amount of hedged items on cash flow hedges | **(0.3)** | (5.9) |
| Exchange gains transferred to income statement on disposal of subsidiary | **-** | (0.6) |
| Other comprehensive expense for the year | **(16.0)** | (11.9) |
| **Total comprehensive income for the year** | **492.6** | 462.9 |
| **Attributable to:** | | |
| Equity holders of the parent company | **492.7** | 463.0 |
| Non-controlling interest | **(0.1)** | (0.1) |
| **Total comprehensive income for the year** | **492.6** | 462.9 |

# UNAUDITED CONSOLIDATED
# STATEMENT OF CHANGES IN EQUITY

| | Year to January 2013 £m | Year to January 2012 £m |
|---|---|---|
| Opening total equity | **222.7** | 232.4 |
| Total comprehensive income | | |
| - equity holders of the parent company | **492.7** | 463.0 |
| - non-controlling interest | **(0.1)** | (0.1) |
| Shares issued | **0.1** | - |
| Share buybacks and commitments | **(220.0)** | (323.0) |
| ESOT share purchases and commitments | **(143.5)** | (112.3) |
| Shares issued by ESOT | **44.3** | 67.6 |
| Share option charge | **17.8** | 17.9 |
| Tax recognised directly in equity | **19.3** | 12.3 |
| Equity dividends paid | **(147.7)** | (135.1) |
| **Closing total equity** | **285.6** | 222.7 |

# UNAUDITED CONSOLIDATED BALANCE SHEET

| | Notes | January 2013 £m | January 2012 £m |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant & equipment | | **537.3** | 581.9 |
| Intangible assets | | **44.8** | 45.6 |
| Associates and other investments | | **7.2** | 7.1 |
| Defined benefit pension surplus | | **65.6** | 35.1 |
| Other financial assets | 6 | **30.9** | 44.6 |
| | | **685.8** | 714.3 |
| **Current assets** | | | |
| Inventories | | **331.8** | 371.9 |
| Customer and other receivables | | **718.1** | 699.1 |
| Other financial assets | 6 | **21.6** | 12.5 |
| Cash and short term deposits | | **136.3** | 56.4 |
| | | **1,207.8** | 1,139.9 |
| **Total assets** | | **1,893.6** | 1,854.2 |
| **Current liabilities** | | | |
| Bank overdrafts | | **(5.4)** | (7.6) |
| Corporate bonds | | **(87.6)** | - |
| Trade payables and other liabilities | | **(537.2)** | (545.0) |
| Other financial liabilities | 6 | **(87.5)** | (87.0) |
| Current tax liabilities | | **(98.3)** | (102.8) |
| | | **(816.0)** | (742.4) |
| **Non-current liabilities** | | | |
| Corporate bonds | | **(566.8)** | (652.1) |
| Provisions | | **(11.2)** | (12.0) |
| Deferred tax liabilities | | **(4.0)** | (15.4) |
| Other financial liabilities | 6 | **-** | (4.4) |
| Other liabilities | 7 | **(210.0)** | (205.2) |
| | | **(792.0)** | (889.1) |
| **Total liabilities** | | **(1,608.0)** | (1,631.5) |
| **Net assets** | | **285.6** | 222.7 |
| **EQUITY** | | | |
| Share capital | | **16.1** | 16.9 |
| Share premium account | | **0.9** | 0.8 |
| Capital redemption reserve | | **13.8** | 13.0 |
| ESOT reserve | | **(215.6)** | (141.1) |
| Fair value reserve | | **8.3** | 11.5 |
| Foreign currency translation reserve | | **2.0** | 2.0 |
| Other reserves | | **(1,443.8)** | (1,443.8) |
| Retained earnings | | **1,904.0** | 1,763.4 |
| Shareholders' equity | | **285.7** | 222.7 |
| Non-controlling interest | | **(0.1)** | - |
| **Total equity** | | **285.6** | 222.7 |

# UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

| | Year to January 2013 £m | Year to January 2012 £m |
|---|---|---|
| *Cash flows from operating activities* | | |
| Operating profit - continuing operations | **695.1** | 601.8 |
| Operating profit - discontinued operations | **-** | 2.9 |
| Depreciation and amortisation | **117.2** | 119.7 |
| Impairment | **1.8** | 1.4 |
| Loss on disposal of property, plant & equipment | **2.5** | 4.5 |
| Share option charge | **17.8** | 16.8 |
| Share of undistributed profit of associates | **(0.1)** | (1.0) |
| Exchange movement | **(3.2)** | (0.7) |
| Decrease/(increase) in inventories | **40.1** | (3.6) |
| Increase in customer and other receivables | **(21.7)** | (93.8) |
| Increase in trade and other payables | **7.4** | 28.2 |
| Pension contributions less income statement charge | **(50.2)** | (6.4) |
| Cash generated from operations | **806.7** | 669.8 |
| Corporation taxes paid | **(147.7)** | (143.9) |
| **Net cash from operating activities** | **659.0** | 525.9 |
| *Cash flows from investing activities* | | |
| Additions to property, plant & equipment | **(81.6)** | (126.1) |
| Decrease in capital accruals | **(10.8)** | (9.0) |
| Payments to acquire property, plant & equipment | **(92.4)** | (135.1) |
| Net proceeds from disposal of subsidiary | **1.5** | 63.0 |
| Proceeds from sale of property, plant & equipment | **5.3** | 1.9 |
| Payment of deferred consideration | **(0.1)** | - |
| **Net cash from investing activities** | **(85.7)** | (70.2) |
| *Cash flows from financing activities* | | |
| Repurchase of own shares | **(241.9)** | (291.1) |
| Purchase of shares by ESOT | **(123.0)** | (106.7) |
| Proceeds from disposal of shares by ESOT | **43.4** | 67.6 |
| Repayment of unsecured bank loans | **-** | (115.0) |
| Net proceeds from bond issue and tender | **-** | 153.3 |
| Interest paid | **(23.8)** | (23.9) |
| Interest received | **2.0** | 5.0 |
| Payment of finance lease liabilities | **(0.1)** | (0.2) |
| Dividends paid | **(147.7)** | (135.1) |
| **Net cash from financing activities** | **(491.1)** | (446.1) |
| Net increase in cash and cash equivalents | **82.2** | 9.6 |
| Opening cash and cash equivalents | **48.8** | 39.1 |
| Effect of exchange rate fluctuations on cash held | **(0.1)** | 0.1 |
| **Closing cash and cash equivalents (Note 8)** | **130.9** | 48.8 |

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation

The results for the financial year are for the 52 weeks to 26 January 2013 (last year 52 weeks to 28 January 2012).

The condensed consolidated financial statements for the year ended 26 January 2013 have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union and the accounting policies set out in the NEXT plc Annual Report and Accounts for the year ended 28 January 2012.

The condensed consolidated financial statements are unaudited and do not constitute statutory accounts of the Company within the meaning of Section 434(3) of the Companies Act 2006. Statutory accounts for the year to January 2012 have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or (3) of the Companies Act 2006.

*Going concern*

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

*Changes in accounting standards*

An amendment to IAS 19 *Employee Benefits* was published in June 2011 and will first apply to the Group next year. It is not expected to have a significant impact.

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

## 2. Segmental analysis

The Group's operating segments under IFRS 8 have been determined based on the management accounts reviewed by the Board. The performance of operating segments is assessed on profits before interest and tax, excluding equity settled share option charges recognised under IFRS 2 *Share Based Payment* and unrealised foreign exchange gains or losses on derivative instruments which do not qualify for hedge accounting.

| | **External revenue** | | **Internal revenue** | | **Total revenue** | |
|---|---|---|---|---|---|---|
| Year to January | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| ***Continuing operations*** | | | | | | |
| NEXT Retail | **2,190.9** | 2,191.4 | **6.0** | 6.7 | **2,196.9** | 2,198.1 |
| NEXT Directory | **1,192.6** | 1,088.7 | **3.7** | - | **1,196.3** | 1,088.7 |
| NEXT International Retail | **77.7** | 76.3 | **-** | - | **77.7** | 76.3 |
| NEXT Sourcing | **8.8** | 7.5 | **498.3** | 511.5 | **507.1** | 519.0 |
| | **3,470.0** | 3,363.9 | **508.0** | 518.2 | **3,978.0** | 3,882.1 |
| Lipsy | **58.1** | 54.9 | **0.5** | 3.5 | **58.6** | 58.4 |
| Property Management | **20.3** | 6.2 | **192.0** | 188.8 | **212.3** | 195.0 |
| Total segment revenues | **3,548.4** | 3,425.0 | **700.5** | 710.5 | **4,248.9** | 4,135.5 |
| Third party distribution | **14.4** | 16.1 | **-** | - | **14.4** | 16.1 |
| Eliminations | **-** | - | **(700.5)** | (710.5) | **(700.5)** | (710.5) |
| **Continuing operations** | **3,562.8** | 3,441.1 | **-** | - | **3,562.8** | 3,441.1 |
| **Discontinued (Ventura)** | **-** | 64.8 | **-** | 2.0 | **-** | 66.8 |

| | **Year to January 2013** | | | Year to January 2012 | | |
|---|---|---|---|---|---|---|
| **Segment profit** | **Underlying** | **Exceptional items** | **Total** | Underlying | Exceptional items | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| ***Continuing operations*** | | | | | | |
| NEXT Retail | **331.1** | **-** | **331.1** | 323.7 | - | 323.7 |
| NEXT Directory | **302.1** | **-** | **302.1** | 262.6 | - | 262.6 |
| NEXT International Retail | **8.4** | **-** | **8.4** | 7.9 | - | 7.9 |
| NEXT Sourcing | **30.8** | **-** | **30.8** | 21.1 | - | 21.1 |
| | **672.4** | **-** | **672.4** | 615.3 | - | 615.3 |
| Lipsy | **2.0** | **-** | **2.0** | 1.3 | - | 1.3 |
| Property Management | **3.5** | **9.1** | **12.6** | 5.6 | - | 5.6 |
| **Total segment profit** | **677.9** | **9.1** | **687.0** | 622.2 | - | 622.2 |
| Central costs and other | **(13.9)** | **35.8** | **21.9** | (7.1) | 3.1 | (4.0) |
| Share option charge | **(17.8)** | **-** | **(17.8)** | (16.8) | - | (16.8) |
| Unrealised foreign exchange | **3.4** | **-** | **3.4** | (1.1) | - | (1.1) |
| **Trading profit** | **649.6** | **44.9** | **694.5** | 597.2 | 3.1 | 600.3 |
| Share of results of associates | **0.6** | **-** | **0.6** | 1.5 | - | 1.5 |
| Finance income | **0.4** | **-** | **0.4** | 0.5 | 6.1 | 6.6 |
| Finance costs | **(29.0)** | **-** | **(29.0)** | (28.9) | - | (28.9) |
| **Profit before tax - continuing operations** | **621.6** | **44.9** | **666.5** | 570.3 | 9.2 | 579.5 |
| **Profit before tax - discontinued (Ventura)** | **-** | **-** | **-** | 2.9 | 38.0 | 40.9 |

## 3. Exceptional items

| | Footnote | **Year to January 2013 £m** | Year to January 2012 £m |
|---|---|---|---|
| **Continuing operations** | | | |
| Pension credit | (a) | **42.1** | - |
| Pension charge | (b) | **(6.3)** | - |
| Sale of property development stock | (c) | **9.1** | - |
| Prior year VAT recovery | (d) | **-** | 9.2 |
| | | **44.9** | 9.2 |
| Associated tax charge | | **(9.4)** | (2.4) |
| | | **35.5** | 6.8 |
| **Discontinued operations** | | | |
| Profit on sale of Ventura | (e) | **-** | 38.0 |

(a) During the year the Group reviewed the operation of the defined benefit section of its pension plan, which was closed to new members in 2000. From November 2012, the future accrual of benefits for remaining employee members is based on pensionable earnings at that time, rather than final earnings. This change gave rise to a one-off accounting gain of £42.1 million.

(b) In June 2012 a second tranche of pensions in payment were subject to a buy-in arrangement. The Plan paid £23.4m to an insurance company and in return will receive payments equal to those pensions. This eliminates the Plan's exposure to the interest, inflation and longevity risks of those pensions. The contract also allows for the transaction to be converted to a buy-out, following which the insurance company would become directly responsible for those pensions, and steps are being taken to proceed on this basis. Accordingly, the transaction has been accounted for as a settlement, with the £6.3m accounting charge presented in the income statement as an exceptional item.

(c) During the year the Group sold its last remaining stock from its property development activities for £15.0m which had a book value of £5.9m. The £9.1m gain is presented as an exceptional item because of its size and non-recurring nature.

(d) Last year, the Group reached agreement with HM Revenue & Customs for the recovery of overpaid VAT on product sales made during the period from 1973 to 1988. The total amount recoverable was £9.2m, comprising £3.1m of VAT and interest of £6.1m.

(e) The Group sold its customer services management business, Ventura, which resulted in an exceptional gain of £38.0m last year. Net cash proceeds of £63.0m were received on completion and the final balance of £1.5m was received in the current year.

## 4. Earnings per share

| | **Year to January 2013** | Year to January 2012 |
|---|---|---|
| **Basic earnings per share** | | |
| Continuing operations | **320.1p** | 257.9p |
| Discontinued operations | **-** | 24.1p |
| Total | **320.1p** | 282.0p |
| Underlying basic earnings per share | **297.7p** | 255.4p |

Basic earnings per share is based on the profit for the period attributable to the equity holders of the parent company, and the weighted average number of shares ranking for dividend less the weighted average number of shares held by the ESOT during the period.

Underlying earnings per share is based on post-tax profits before the exceptional items described in Note 3.

| | | |
|---|---|---|
| **Diluted earnings per share** | | |
| Continuing operations | **311.7p** | 251.6p |
| Discontinued operations | **-** | 23.5p |
| Total | **311.7p** | 275.1p |
| Underlying diluted earnings per share | **289.9p** | 249.1p |

Diluted earnings per share is based on the weighted average number of shares used for the calculation of basic earnings per share as increased by the dilutive effect of potential ordinary shares. Dilutive shares arise from employee share option schemes where the exercise price is less than the average market price of the Company's ordinary shares during the period. Their dilutive effect is calculated on the basis of the equivalent number of nil-cost options.

| | | |
|---|---|---|
| **Fully diluted earnings per share** | | |
| Continuing operations | **301.9p** | 240.9p |
| Discontinued operations | **-** | 22.5p |
| Total | **301.9p** | 263.4p |
| Underlying fully diluted earnings per share | **280.8p** | 238.5p |

Fully diluted earnings per share is based on the weighted average number of shares used for the calculation of basic earnings per share, increased by the weighted average total employee share options outstanding during the period. Fully diluted earnings per share is used for the purposes of the Share Matching Plan.

## 4. Earnings per share (continued)

The table below shows the key variables used in the earnings per share calculations:

| | **Year to January 2013 £m** | Year to January 2012 £m |
|---|---|---|
| **Profit after tax attributable to equity holders of the parent company:** | | |
| Continuing operations | **508.7** | 434.3 |
| Discontinued operations | **-** | 40.6 |
| **Total** | **508.7** | 474.9 |
| Less exceptional items (Note 3) | **(35.5)** | (44.8) |
| **Total underlying profit (for underlying EPS)** | **473.2** | 430.1 |
| **Weighted average number of shares (millions):** | | |
| Weighted average shares in issue | **164.9** | 174.3 |
| Weighted average shares held by ESOT | **(6.0)** | (5.9) |
| **Weighted average shares for basic EPS** | **158.9** | 168.4 |
| Weighted average dilutive potential shares | **4.3** | 4.3 |
| **Weighted average shares for diluted EPS** | **163.2** | 172.7 |
| Weighted average shares for basic EPS | **158.9** | 168.4 |
| Weighted average total share options outstanding | **9.6** | 11.9 |
| **Weighted average shares for fully diluted EPS** | **168.5** | 180.3 |

## 5. Share buybacks and ESOT shares

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

| | **Ordinary shares (no.)** | **Cost £m** |
|---|---|---|
| Shares in issue at 28 January 2012 | 168,739,787 | |
| Shares issued in settlement of an LTIP award | 4,374 | |
| Shares purchased for cancellation | (7,509,924) | 241.3 |
| **Shares in issue at 26 January 2013** | **161,234,237** | |

## 5. Share buybacks and ESOT shares (continued)

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

| | **Ordinary shares (no.)** | **Cost/ (proceeds) £m** |
|---|---|---|
| Shares held by ESOT at 28 January 2012 | 5,637,388 | |
| Shares purchased by ESOT | 3,859,292 | 122.5 |
| Shares issued by ESOT | (2,964,843) | (43.4) |
| **Shares held by ESOT at 26 January 2013** | **6,531,837** | |

## 6. Other financial assets and liabilities

Other financial assets and other financial liabilities include the fair value of derivative contracts which the Group uses to manage its foreign currency and interest rate risks.

Other current financial liabilities at 26 January 2013 also included £83.3m (January 2012: £84.4m) in respect of contingent purchase contracts and irrevocable close period buyback agreements entered into by the Company and the ESOT for the purchase of shares in NEXT plc. At 20 March 2013, £6.3m of the commitment had been fulfilled, £10.8m remained open for potential completion, and the remainder of £66.2m was not fulfilled and had expired and was therefore subsequently credited back to equity.

In addition, an amount of £1.4m in respect of share purchases completed but not settled at 26 January 2013 is included within trade and other payables (January 2012: £1.8m).

## 7. Other non-current liabilities

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

## 8. Analysis of net debt

| | January 2012 £m | Cash flow £m | Other non-cash changes £m | **January 2013 £m** |
|---|---|---|---|---|
| Cash and short term deposits | 56.4 | | | **136.3** |
| Overdrafts | (7.6) | | | **(5.4)** |
| Cash and cash equivalents | 48.8 | 82.2 | (0.1) | **130.9** |
| Corporate bonds | (652.1) | - | (2.3) | **(654.4)** |
| Fair value hedges of corporate bonds | 29.1 | - | 2.2 | **31.3** |
| Finance leases | (0.5) | 0.1 | - | **(0.4)** |
| **Total net debt** | (574.7) | 82.3 | (0.2) | **(492.6)** |

It is intended that the recommended final dividend will be paid on 1 August 2013 to shareholders registered on 28 June 2013. The Annual General Meeting will be held at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester, LE19 1SW on Thursday 16 May 2013. The Annual Report and Accounts will be sent to shareholders by 16 April 2013 and copies will be available from the Company's registered office: Desford Road, Enderby, Leicester, LE19 4AT and on the Company's website at www.nextplc.co.uk.

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 announcement 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 the Chief Executive's Review; failure by NEXT to predict accurately customer fashion preferences; decline in the demand for merchandise offered by NEXT; competitive influences; changes in level of store traffic or consumer spending habits; effectiveness of NEXT's brand awareness and marketing programmes; general economic conditions or a downturn in the retail industry; the inability of NEXT to successfully implement relocation or expansion of existing stores; insufficient consumer interest in NEXT Directory; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial 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.