NEXT

Results for the Year Ending January 2024

Date:	Embargoed until 07.00hrs, Thursday 21 March 2024	
Contacts:	Lord Wolfson, Chief Executive Amanda James, Group Finance Director *(analyst calls)* **NEXT PLC**	 **Tel: 0333 777 8888**
	Alistair Mackinnon-Musson **Rowbell PR**	Email: next@rowbellpr.com **Tel: 020 7717 5239**
Photographs:	http://www.nextplc.co.uk/media/image-gallery/campaign-images	

CHAIRMAN'S STATEMENT

In the context of the wider economic environment, the year to January 2024 was a very good year for NEXT and the business materially outperformed our initial expectations. NEXT Group profit before tax[1] rose to a record high of £918m, up +5.0%. Cash flow remained strong and we returned £425 million to shareholders through a combination of dividends (£248 million) and share buybacks (£177 million).

In the last year we have focused on improving our product ranges, improving our online service levels, managing costs and profitability, whilst also laying the foundations for future growth businesses. We launched three new Total Platform clients (JoJo Maman Bébé, Joules and MADE), taking our total number of clients to seven. We also made a number of new investments, increasing our equity stake in Reiss by 21% to 72% and taking a 97% equity stake in FatFace. We also acquired 100% of the intellectual property in Cath Kidston.

The year ahead will see a number of changes to our Board. Amanda James, who has been with NEXT for 28 years and our Finance Director for nine years, retires from the Board in July. Amanda has seen many changes over that time and has made a huge contribution to the Group. She has been an exceptional guardian of our finances and an integral part of the leadership of the Company. Our financial position today is testament to her diligence and hard work and, on behalf of all of us at NEXT, I thank Amanda for her amazing work.

I am delighted that Jonathan Blanchard will succeed Amanda on the Board. Jonathan was most recently the Chief Financial Officer and Chief Operating Officer of the Reiss Group, having joined Reiss as a Board Director in 2017. We have worked closely with Jonathan for over three years since we acquired an equity stake in Reiss. Jonathan brings to the Board a wealth of retail experience, a strong eye for financial detail and a good understanding of our operations, gained through managing Reiss's transition onto Total Platform. I am very confident that he will make an excellent addition to our Board.

Dame Dianne Thompson, one of our non-executive directors, is leaving the Board in May. Dianne has made a valuable contribution to the Board over the last nine years. In particular, I would like to thank Dianne for the time and insight she has given to the Board's relationship with colleagues through her participation in our people and communication forums.

Finally, I am pleased that Amy Stirling and Venetia Butterfield will be joining our Board in April as independent non-executive directors. Between them they bring a breadth and depth of expertise that will enhance and broaden the Board's collective knowledge.

The continued success of NEXT is built on the hard work, dedication and decision making of *all* the people who work for NEXT. I would like to thank them all for their contribution during the year; I have little doubt and much expectation that they will rise to the new challenges and opportunities that are presented in 2024.

Michael Roney
Chairman

21 March 2024

[1] NEXT Group profit before tax excludes: (1) an exceptional gain, (2) the cost of brand amortisation and (3) the profit attributable to shares that we do not own in subsidiary companies. Statutory profit before tax, including exceptionals, brand amortisation and consolidating subsidiaries in which we have a controlling interest, is £1,016m, up +16.9%. See page 29 for a bridge between NEXT Group profit and statutory profit, and Note 2 of the financial statements for further details.

CHIEF EXECUTIVE'S REVIEW

STRUCTURE OF THIS REPORT

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PART ONE
HEADLINES AND SUMMARY OF FINANCIAL PERFORMANCE

SALES AND PROFIT IN THE YEAR TO JANUARY 2024

Sales, profit and EPS	Jan 2024	Jan 2023	Var %
Total Group sales[2]	£5,842m	£5,516m	+5.9%
NEXT Group profit before tax (including brand amortisation)	£908m	£870m	+4.4%
NEXT Group profit before tax (excluding brand amortisation)	**£918m**	**£875m**	**+5.0%**
NEXT Group profit after tax	£702m	£716m	- 2.0%
NEXT Group post-tax Earnings Per Share[3]	578.8p	576.8p	+0.3%
Statutory revenue	*£5,491m*	*£5,034m*	*+9.1%*
Statutory profit before tax	*£1,016m*	*£869m*	*+16.9%*

In our January Trading Statement we explained that going forward we would report our headline profit *excluding* the amortisation of acquired brands. This more accurately reflects the underlying profitability of the Group. Hereinafter, we will report NEXT Group profit and Earnings Per Share (EPS) ***excluding*** brand amortisation as shown above. Prior year figures are stated on the same basis.

HEADLINES

- NEXT Trading full price sales[4] up **+4.0%** and total Group sales (including subsidiaries) up **+5.9%.**
- NEXT Group profit before tax **£918m**, up **+5.0%**. This is £3m ahead of the guidance of £915m[5] given in January, largely due to better than expected clearance rates of Sale stock in January.
- Over and above this, we made an **exceptional gain** (non-cash) on the Reiss acquisition of £109m. We have excluded this gain from our headline profit number.

Guidance for the Year Ahead

- Underlying full price sales growth of **+2.5%** and total Group sales (including subsidiaries) **+6.0%**.
- NEXT Group profit guidance **£960m**, up +4.6%.
- Post-tax Earnings Per Share (EPS) is forecast to be 606.3p, up **+4.8%.**

For a more detailed analysis of our guidance see page 30.

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[2] Total Group sales for January 2023 are restated (previously £5,415m) due to a change in the presentation of Total Platform revenue and sales in subsidiaries, see page 27. Total Group sales are not statutory sales. See page 28 for a bridge between total Group sales and statutory revenue, and Note 2 of the financial statements for further details.

[3] All references to EPS in the CEO Review are 'Basic' EPS, based on 'NEXT Group profit', unless otherwise stated.

[4] NEXT Trading full price sales include items sold in Retail and Online plus NEXT Finance interest income, but excludes Sale events, Clearance, Total Platform commission and the sales from subsidiaries.

[5] Guidance in our January Trading Statement was £905m *including* brand amortisation and £915m *excluding* amortisation.

PART TWO
THE BIG PICTURE

INTRODUCTION

A GOOD PLACE TO START THE YEAR...

It has been a long time since we started a year in a more positive frame of mind. Last year was much better than we anticipated at this time last year, and the Group has delivered its highest ever levels of revenue and profit. Perhaps more encouragingly, we enter the financial year with new avenues of growth along with a cost base that feels under control.

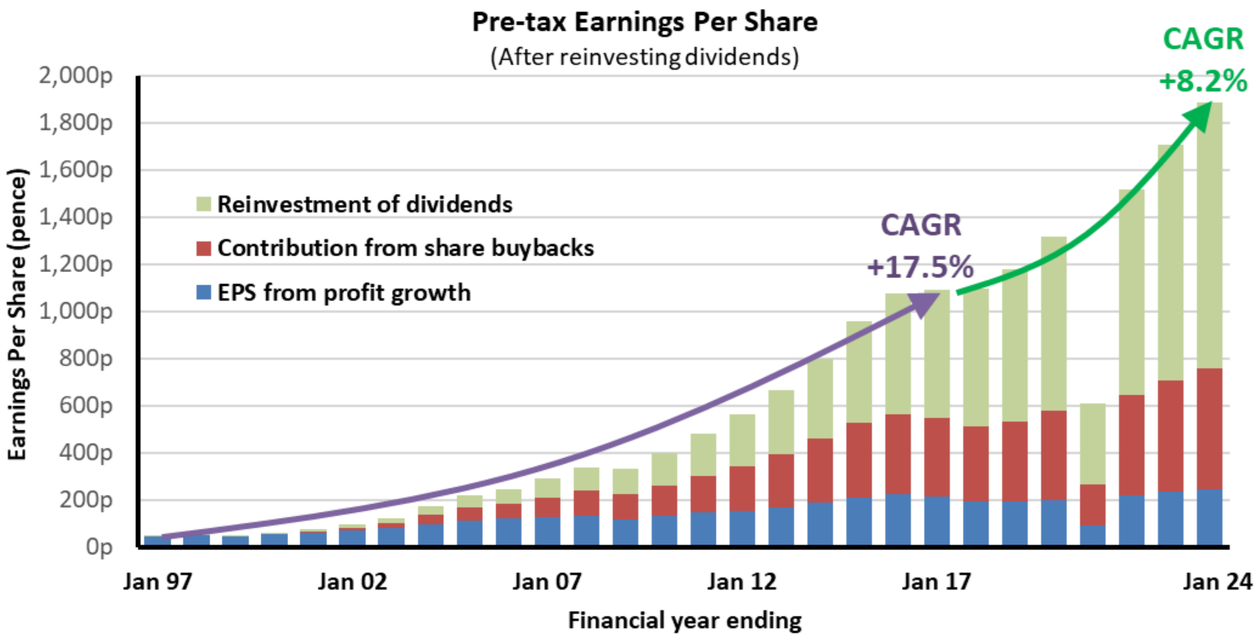
A valuable point of self-reflection

So this report should have been easy to write; it has not. The Group has evolved so much in the last seven years and, in many ways, it feels like we are now entering a new era. With so much to explain, articulating how we plan to take the Group forward in a concise and simple way has been demanding. The aim has been to add enough detail to make it meaningful, without so much detail as to make it arduous.

As is so often the case, the requirement to explain ourselves has been instructive. It has prompted us to step back from the myriad of day-to-day initiatives with which we busy ourselves and reflect on where we are; take a hard look at our two main engines of growth - the **NEXT brand** and its **Infrastructure** - clarify our priorities; and determine what we need to do to maximise our chances of success going forward. Before going into all that, it is worth putting where we are in context.

WHERE WE ARE IN CONTEXT

The Company's financial goal is to deliver sustainable, long term, growth in Earnings Per Share (EPS). Whilst there are many ways to boost share prices in the short term, in the long run the best way to grow the value of a company is to grow its EPS. The chart below shows the growth in the Company's pre-tax EPS since 1997; the blue bars show the effect of underlying profit growth, the red bars show the enhancement from share buybacks, and finally the green bars show the effect of reinvesting dividends. It clearly illustrates two very different eras for the Group; twenty 'glorious' years to 2017 and seven leaner (though respectable) years, from 2017 to the present day.



1997 - 2017: Twenty years of plain sailing

In hindsight, the twenty years from 1997 to 2017 were plain sailing, though it did not feel like it at the time. There were three avenues of profitable growth: (1) increased Retail space, (2) more Directory/Online customers and (3) the expansion of our product offer. These activities were highly cash generative. From 1997 to 2017 £4.4bn of surplus cash was returned to shareholders through share buybacks and special dividends. In total, during this period, we bought back 61.5% of shares in issue. The combined effect of rising profits, reducing share numbers and regular dividends meant that pre-tax EPS[6] increased by a compound annual growth rate (CAGR) of 17.5% in the period.

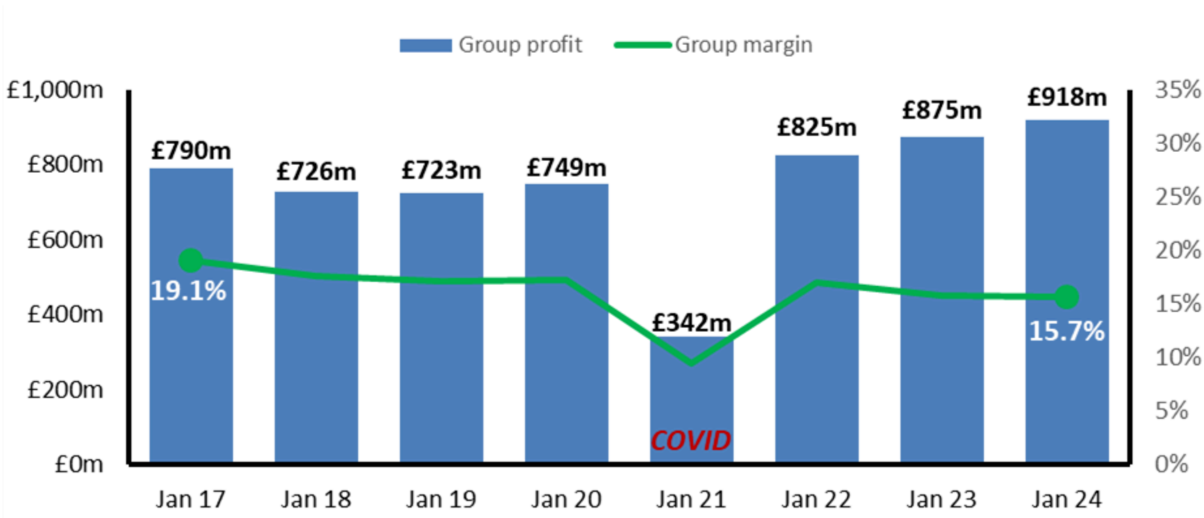
2017: The formula stopped working

We had a formula, or so we thought. In 2017 the formula stopped working (as all business formulas do). NEXT's own growth Online, coupled with growing online competition, began to cannibalise revenues in our stores. Maintaining top line sales across the Group was not enough. With every new Online sale there were additional variable costs; with every lost Retail sale the dead weight of rent, rates, and other fixed costs grew heavier. And then these deep-seated structural challenges were compounded by the pandemic and the subsequent cost-of-living squeeze.

2017 - 2024: A very respectable performance in the circumstances

In the end, we managed to deliver better Online growth than expected, Retail like-for-like sales declines were not quite as bad as we feared and, we painstakingly rebased our Retail cost base to be more commensurate with reduced Retail sales. Group net margins declined, as expected, but revenue growth more than made up for the loss of profitability and we delivered a respectable, if unexciting, increase in profits of **16%** in the period.

Group Pre-Tax Profit[7] and Margins



[6] EPS CAGR calculation accounts for dividends by assuming they were reinvested in NEXT shares when paid.

[7] Profit in the years ending January 2023 and January 2024 are given *excluding* the cost of brand amortisation. (January 2023 was previously reported as £870m.) Prior to January 2023 brand amortisation costs in our accounts were minimal.

THE LESSONS

Core strengths

The ability to weather the storm has been rooted in three core strengths. The ongoing strength of the **NEXT brand**, the exceptional **infrastructure** we have built to sell that product, both underpinned by rigorous **financial discipline**. A discipline that insists on appropriate margins and healthy returns on capital; enforces rigorous cost control; and consistently returns surplus cash to shareholders through share buybacks and dividends.

Cash generation and capital discipline

The ability to generate cash, and return it to shareholders, is often overlooked. It is instructive to note that while profits over the last seven years grew at a compound annual rate of just 2.2%, after accounting for reinvested dividends and share buybacks, the Company delivered a very respectable CAGR in pre-tax EPS of **8.2%.** The table below powerfully demonstrates the contribution of underlying profit growth, share buybacks and dividends (assuming they are reinvested in shares) to the growth in pre-tax EPS.

Contribution to growth in pre-tax EPS 2017-2024	% Var
Underlying pre-tax profits	+2.2%
Share buybacks	+2.7%
Reinvested dividends (including special dividends)	+3.3%
Total growth in pre-tax EPS	**+8.2%**

People who embrace change

There is one further asset, as important as the others and probably more, that has gone to the very heart of the Company's performance in good and not-so-good times. The value of talented individuals who are dedicated to the success of the business. People who love our products, ways of working and values enough to move heaven and earth to get the Company through tough times; people who are open to, and enthusiastic about, change and are prepared to take the initiative to develop new opportunities. It is this commitment that has given the Company the ability and agility to adapt and transform the business.

CORE CAPABILITIES AND NEW OPPORTUNITIES

In many ways we emerge from these turbulent years a very different company. We have quietly reinvented NEXT plc, reshaping and restructuring the Group and emerging with new avenues of growth. However, the two capabilities that ultimately power the business remain unchanged: the ability to develop outstanding product ranges, and the creation of highly effective infrastructure to sell and distribute that product. These capabilities have delivered a **brand** that can play on an international stage and **infrastructure** whose value stretches beyond its service to the NEXT brand.

The continuing development of our brand and its infrastructure gives us three distinct, exciting and new avenues of growth.

- The growth of the NEXT brand **OVERSEAS**.
- The development of **NEW BRANDS** and **LICENCES**.
- The generation of revenues from **TOTAL PLATFORM** and its associated equity investments.

In some ways these new opportunities mirror the three avenues of growth that powered the company from 1997 to 2017. They all give our product skills and our infrastructure the opportunity to play to a wider audience. And in doing so, have the potential to create a huge amount of value for our existing customers, new customers and third-party clients.

THE REST OF THE BIG PICTURE SECTION

The rest of this section explains how we are thinking about the development of these capabilities and is divided into the following sections:

THE NEXT BRAND - MOVING ON UP[8]

Raising the bar, again

The NEXT brand remains the jewel in our crown; the whole Company's success hinges on the success of NEXT's product ranges. So NEXT's success last year was a reflection of the success our product teams had in designing and selecting their ranges. It is hard to think of a year when we have delivered more consistently across all our product ranges. That said, the bar is constantly rising, and we believe that we can take the NEXT brand to another level.

Leading from the ground up…

Our ranges are built ground up; NEXT does not manage its product ranges from the Boardroom. Individual product ranges are inspired and created by small teams of designers, buyers, merchandisers, and product technologists. The success or otherwise of those areas depends on their talent and decision-making abilities. And where they have been most successful, three clear themes emerge. These are: backing **newness** with conviction, giving our customers genuine breadth of **choice**, and delivering better, more aspirational levels of **quality**.

Each of these themes is mutually reinforcing - embracing newness and improving quality enables breadth of design, which encourages *more* newness which leads to *greater* aspiration. To explain, each will be discussed in a little more detail below.

NEWNESS - DELIVERED WITH CONVICTION

To maximise success, we must deliver this year's *most inspiring*, *most relevant* trends in depth and with conviction; delivered in a way that is accessible and wearable. And nowadays, this year's best seller is *hardly ever* last year's best seller. Last year's best trend will simply never do quite as well in its second year. The internet gives us all the choices we could possibly want, 24 hours a day. People who wanted last year's most important new trend have already bought it; they will not buy as much of it again.

The trick is to learn from sales history without being trapped by it. Teams should start with the range they are inspired to buy for this year. Only once they have a range that satisfies their ambitions, should they sense-check it against what they can learn from last year's data.

BREADTH OF CHOICE

In a single year the NEXT brand produces over 75,000 different products. We can harness that volume to address the differing tastes, lifestyles and budgets of our increasingly diverse customer base; offering genuine breadth of style, fits, colours, fabrics, prints, textures, looks and prices. It is all too easy to produce multiple variations of a similar best-selling style, and as profitable as that may be in moderation, this duplication should not be confused with real choice. There is a balance.

Every season, there are lots of new trends. They will not all produce the best sellers, but they will deliver incremental sales if they add genuine choice. Of course there are boundaries. NEXT must fulfil its mission to deliver beautifully designed, excellent quality clothing and homeware that meet the aspirations of our customers at prices that represent excellent value for money. But this is a broad remit.

Investing in alternative trends, fabrics, price points, or products is rarely a mistake, if we believe in them. And today's peripheral trends have an uncanny habit of becoming more important as time goes on - perhaps even pointing the way to next year's best sellers.

[8] With apologies to M People.

QUALITY AND ASPIRATION

Developing the 'better' and the 'best'

Historically our price-entry product often delivered the greatest cash revenues, but increasingly our buying teams have improved sales through additional choice in the middle and top end of our price architecture[9]. There appears to be something of a shift back to investment dressing with customers buying somewhat fewer, slightly more expensive items. Many teams have experimented at prices that are higher than those we would normally sell; stretching the boundaries of the brand to new levels of quality and design through improved fabrics, prints, embellishment techniques, textures and trims[10]. This initiative has also opened up new sources of supply previously considered too expensive.

Focus on fabrics and yarns

The design of great clothing starts with the development and selection of great fabric. We are actively aiming to further improve the quality of the fabrics and yarns we deliver to our customers. With time, effort and investment in the right skills, along with greater collaboration with our mills, we believe that we can deliver improved fabrics for no greater cost to our customers. It will take us time to invest in the skills and relationships we need to achieve this, but we are very clear about our ambitions.

But no excuse for losing sight of value

There is a risk that colleagues reading the paragraphs above might assume that we have lost interest in our entry price points, for clarity, that is not the case. Many of us can remember the year one of our product departments simply dropped their entry level product altogether; it was an expensive mistake and not one we plan to repeat. We are aiming for newness and improved quality across the whole of our price architecture.

BEYOND THE BRAND

We can and will increase the diversity of the NEXT brand, but there are natural limits to the reach of any brand; the point at which the products required to attract a different type of customer undermines your existing brand. To this end we have started to successfully develop product ranges under different brands. Brands with a different heritage, alternative perspective, and different customer base.

We are delivering these new brands in three ways. Firstly, through the development of new wholly-owned brands such as 'Love & Roses'. Secondly, through the acquisition of existing third-party brands, such as Cath Kidston and MADE. And thirdly, licence agreements with iconic third-party brands where the combination of our specialist sourcing and technical skills with their brand heritage can deliver something neither of us could deliver alone. See page 47 for further detail.

[9] Price architecture refers to the number of products we have at different price points in any product category.
[10] Trim is the generic name given to zips, buttons, branding, rivets, piping, lining, etc.

IMPROVING NEXT INFRASTRUCTURE

Retail Infrastructure is part of what we do…

We were once contacted by a senior 'strategy' consultant, who explained to me that his (very grand) consultancy were experts in the specification and development of retail technology and software. I stopped him and said, "that this was an amazing coincidence, so were we, can we help you?" I was not being facetious, and I apologise if it sounds like that. It is just that we believe that specifying and developing great retail software, great warehousing, effective websites etc. is an essential and important part of what we do. We might not be the best developers of retail systems, but we should certainly aim to be so; it is part of our job.

The Total Platform opportunity

Over the years we have developed outstanding retail software and infrastructure - point-of-sale systems, distribution networks, websites, contact centre operations, automated warehousing, product management systems and more. As the complexity and costs of doing these activities has increased, the potential to monetise this infrastructure has emerged. And this business, called Total Platform, along with its associated equity investments is now making a meaningful contribution to our profits. (See page 52 for further details on the financial performance of Total Platform).

Improving warehousing

Over the course of the coming year we will be delivering a host of important improvements to our warehouse infrastructure. We will be commissioning warehouse picking and packing automation in our new Elmsall 3 warehouse, a development that will deliver a step change in efficiency and capacity. See 'Focus on Warehousing' on page 20.

Website and digital marketing

We will also continue to develop our websites and digital marketing software. Here the focus will be on what is loosely referred to as personalisation: connecting customers with the products that they most want to buy. It is an endeavour that becomes all the more important as the breadth of our product ranges and customer base increases.

Modernising software

Alongside the development of all this new functionality and capacity, we will continue the task of modernising and upgrading our legacy software. It is a huge and costly exercise but one that must be done, and done in such a way that it does not interrupt the flow of new applications to the Group in the meantime. The progress of this modernisation programme, along with some of the ways we plan to become more effective and cost efficient, are detailed in the 'Focus on Technology' section on page 22.

The underlying objectives of infrastructure improvement

It would be easy to lose perspective and get lost in the detail of all these improvements. Developers and engineers can begin to see their engineering and development as an end in itself - software and warehousing improvements for the sake of excellent software and warehousing. We are very focussed on the fact that ultimately all these improvements must deliver at least one of the four following objectives:

- Driving **sales growth.**
- Improving **customer service,** with particular emphasis on the speed and accuracy of our deliveries.
- Enhancing and extending **Total Platform services.**
- **Reducing costs.**

DEVELOPING THE NEXT BRAND OVERSEAS

BETTER THAN EXPECTED GROWTH AND MARGINS

Our Online Overseas business has made good progress, with sales up 17% (+14.5% in constant currency) and net margins improving from 8.6% to 13.0% (see page 44). It is unusual for a business to accelerate its top line growth *and* improve net margins at the same time. This has been achieved through a combination of:

- Improved full price sales with overseas **third-party aggregators,** which grew by +52%.
- Increased spending on **digital marketing**, funded through targeted **price increases**.
- The removal of **unprofitable products** from our overseas offer.

Improving sales on third-party aggregators

The dramatic growth on overseas aggregator sites shows little sign of abating. In part, the growth has been driven by improved stock availability. However, stock availability alone is unlikely to explain these levels of growth. It appears that in some markets, awareness of NEXT is increasing and the brand is gaining momentum. It may well be that the operation of AI-driven search engines on third-party websites is accelerating the visibility of our brand; doing so in a way that could never be achieved through conventional marketing. Encouragingly, in most countries, our direct-to-consumer business is still increasing alongside growth in sales on partners' sites.

Overseas marketing

Historically, our approach to international pricing sought to offer the best possible value, by lowering prices to the level that delivered our target net margin. This approach assumed that our marketing expenditure, as a percentage of sales, would be commensurate with the UK (3.7% of sales).

However, in many overseas territories, our prices were already very competitive, the real challenge was to let potential customers know we existed. In these circumstances, it made sense to selectively raise prices and invest the additional margin into marketing. To that end we increased our marketing expenditure as a percentage of overseas direct[11] sales by +18%, taking it from 4.0% to 4.7%.

The results have been encouraging, sales and customer numbers have moved forward; and returns on marketing expenditure have also increased marginally. In the year ahead we expect overseas direct marketing to increase to 5.1% of sales.

[11] Direct sales exclude sales on third-party aggregator sites.

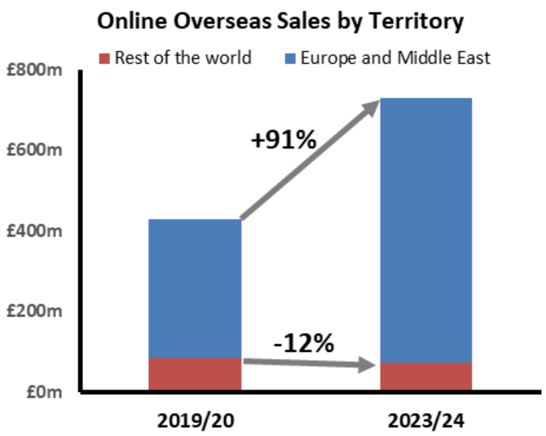
NEAR AND FAR MARKETS

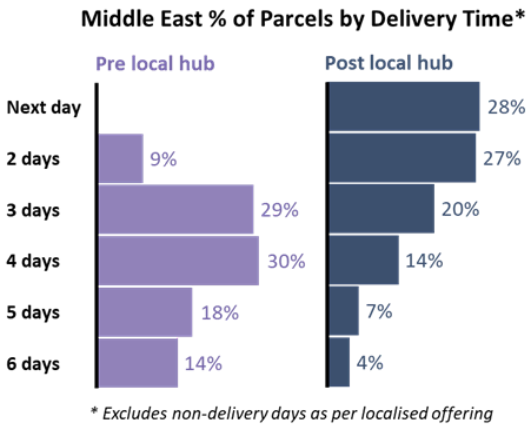
Markets closer to home still dominate

The success of our sales in markets that are closer to home comes in part from greater brand awareness in Europe and the Middle East and as a result of our ability to distribute goods on short lead times at reasonable prices. The chart below shows just how much faster these markets have grown than the rest of the world[12].

Improving service in the Middle East

To help cement our success in the Middle East and further reduce delivery times, we have recently opened a warehouse and distribution hub in the UAE. Around 80% of orders are currently being fulfilled from the hub, with the balance coming from the UK. We expect this number to increase as we fine-tune local stock levels. 28% of orders are now delivered next-day, and more than half (55%) within two days; previously this was just 9%. The graph (below right) clearly demonstrates the scale of improvement.





THE CHALLENGE OF MORE DISTANT MARKETS

Success in the Far East, the Americas and Australasia remains elusive with most territories' sales level with 2019/20 and two significantly down. We believe there are three reasons why we have lost traction in these 'long-haul' territories:

- The improvement in the international appeal of our brand being outweighed by the (often aggressive) growth of online specialists with local operations.
- Serving long haul markets directly from the UK is expensive and slow. Bringing stock from the Far East to the UK, putting it away in expensive warehousing, only to pick and fly it back to the Far East (or other long-haul destinations) cannot make sense.
- Fewer customers have had exposure to the NEXT brand than in Europe and the Middle East.

In order to address these issues we have looked at alternative models for working through third-parties in territories that cannot be effectively served from the UK.

[12] 2019/20 excludes sales in Russia, where we stopped trading in March 2022.

The logic of franchise/wholesale relationships in the Americas, Asia and Australasia

Developing partnerships with strong local retailers and aggregators through wholesale and/or franchise arrangements has the following advantages:

- Partners can leverage their retail and online **infrastructure** and **customer base**.
- Partners can use their **knowledge** of the local market to price and promote our products.
- Stock can be **shipped directly** to partners from manufacturers.

The franchise/wholesale model has the additional advantage of lowering the risk of trading in distant markets (our partners assume most if not all of the stock risk). In effect, in these markets we are trading some of our potential retail margin in exchange for lower risk, ready-made local infrastructure and customer base. In our view, it is a trade worth making.

Progress in the US and Asia

Following a very encouraging trial, we are actively working with Nordstrom (an important US multi-channel retailer with revenues of over USD14bn). We have agreed terms with a second major US retailer and are in active discussion with several others. It is very early days, but the signs are encouraging.

We are also close to finalising a franchising and licensing agreement for NEXT in India and are in very early-stage conversations for similar arrangements in other Asian territories.

TOTAL PLATFORM

Profit and growth

Total Platform (TP) is proving successful. In the year ahead we expect TP, along with its associated equity investments, to contribute £77m of profit to the Group (see page 52), which would represent 8% of Group profit. Three years ago, that number was zero.

A comprehensive platform

While it is possible to individually source the services offered by Total Platform from various excellent third-party contractors, no single organisation can provide the entire integrated package – website, warehousing, customer contact, returns processing, payments, digital marketing, store point-of-sale-systems and distribution, data management, and more. This completeness eliminates the need for clients to engage in complex integration work with multiple partners. Perhaps more importantly, on a day-to-day basis Total Platform manages the complex inter-dependencies and potential conflicts that can arise among these services.

For clients, there is no need to worry about the increasing complexities of online trading or expensive capital investment in warehousing and software. Costs are variable, which eliminates step changes as volumes grow and avoids painful fixed costs if sales decline. But the greatest benefit is that TP allows clients to focus on the activities that really make the difference between success and failure - their product, brand and marketing.

A mergers and acquisitions tool

As discussed at our Half Year Results in September, Total Platform has ended up being more useful as an acquisition tool than a software-as-services business. TP allows us to capture the value of what other acquirers would call synergies. It does so as a profit stream to NEXT, and cost savings and service enhancements to our subsidiary clients. So far, our investment in Total Platform clients, taken as a whole, has been a success; with a return on capital employed of 25% (see page 55 for details).

The value of autonomy

Even if we acquire 100% of a business, we believe it is important to keep thinking about TP services as if we were providing them to an independent client. We want our subsidiaries to maintain their autonomy and preserve their brand’s unique points of difference from NEXT. We are anxious to avoid the pitfalls of becoming a ‘corporate blob’.[13] In addition, this model forces us to maintain the capital disciplines, cost controls and service improvement programmes that would be business as usual for a third-party service provider.

Investment criteria and acquisition pipeline

Occasionally great brands will become available in which NEXT can acquire a majority stake, such as Reiss and FatFace, and we believe there will be more. It is important to stress that corporate goal-setting will not dictate the pace of our investment. We will only invest in businesses that satisfy our investment criteria. Prospective investments must be a **great brand**, with **great management** (either in place or available), they must be able to **add value** through taking on Total Platform and the **price** must be right.

Service improvement programme

And although TP is successful, we think that there are a myriad of service improvements, functionality enhancements and cost reductions that we can pass on to our clients going forward. These are explained in more detail in ‘Focus on Total Platform Enhancements' on page 25.

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[13] See ‘Avoiding the Pitfalls of the Corporate Blob?’ on page 17 of our September 2023 Half Year Results.

DEVELOPING GREAT PEOPLE

All the above may sound like a good plan. But businesses can spend too much time talking about 'strategy' and forget that, however good the plan may be, execution is ninety-five percent of the battle. Getting the detail right is the difference between success and failure; and that is all about the right people, working together to make the right decisions. With that in mind, it is worth saying a little more about our approach to developing great people.

Avoiding platitudes – words must lead to action

We believe the success of NEXT is built on the ambition, hard work and teamwork of its people. But this type of statement is so widely repeated that it risks becoming a platitude: devoid of thought, practical implications, or action. If the claim is to be meaningful, it must have practical implications on our day-to-day ways of working. In particular, the rapid advancement of talent and determined improvement of performance that falls below NEXT's high expectations.

Internal promotions

Whilst it is often beneficial to bring in a fresh pair of eyes and new skills from outside the business, at NEXT we put a great deal of effort into the development and promotion of those within the organisation. This requires the courage to promote talented, ambitious individuals who are unproven in a new position, rather than bringing in a safe-pair-of-hands from outside and already established at that level. It is not uncommon to hear people described as being a year away from being 'ready' for promotion. More often than not, these people enthusiastically seize the opportunity and flourish beyond expectations. Our Chairman talks about his experience of developing 'ordinary folks'[14] who go on to achieve extraordinary things; it is a lesson we have taken to heart.

Honest conversations

Good managers are honest and upfront with people who need to improve. Many people are not comfortable discussing poor performance or unhelpful attitudes, but it is an essential part of being a good manager; and it is only fair to let people know where they stand and help them improve. Conversations about performance can be direct, clear, and timely, whilst at the same time being considerate and polite. As mentioned in previous reports, there is a world of difference between being demanding (which is essential) and being nasty, for which there is never an excuse.

Developing a great team

The success of a team depends on the collective talents, ambitions and efforts of each and every individual in that team. Managers at every level of the organisation should spot and give additional responsibility to those who can do more. At the same we must let those who are struggling to perform know how they can improve, and help them do so. Everyone should have high expectations of themselves and the people they manage. If it is to thrive, a great team cannot accept mediocrity, and a company is just a very big team.

[14] Our Chairman is American.

SUMMARY

A LOT TO DO…

Reading back through this document it is apparent that there is a lot to do. But standing back from the detail, the aims of the business are simple and come down to the following things:

EVEN BETTER PRODUCT

NEXT brand	This is our first and foremost task. We will strive to deliver more newness, greater breadth of design and improved quality. Exceeding the expectations of our existing customers and attracting customers who, until now, might have thought that the NEXT brand was not for them.
New brands and licences	Leveraging and extending our product skills to develop products that reach beyond the natural boundaries of the NEXT brand.

IMPROVING INFRASTRUCTURE

Driving sales	Driving sales, with particular focus on digital marketing and enhancing our website - ensuring that our growing number of customers can find the product they want from within our growing offer.
Improving service	Focusing particularly on the speed and accuracy of our delivery service and brilliant assistance from our contact centres if things don't go to plan.
Reducing costs	It is not enough to deliver good growth and great service. To create value, both must be achieved in a cost-effective way; it is easy to grow amazing services at a cost that makes them unprofitable.
Total Platform services	Improving and broadening the services we offer to TP clients: including improved website content management tools, promotions engine and a comprehensive wholesale system.

All of these objectives are underpinned by our bespoke software, much of which will continue to be modernised as the year progresses.

DEVELOP NEW BUSINESSES

NEXT brand overseas

Extend the global reach of the NEXT brand:

- **Europe and the Middle East:** In markets that are closer to home (through direct marketing and enhanced operations) and further afield.
- **US and Asia:** Develop more efficient ways of reaching customers through partnerships with third-parties. Organisations that already have the infrastructure, knowledge and customer base to accelerate our growth.

Equity and investments

Continue to look for potential investments, equity partners and clients that can leverage our infrastructure through Total Platform and/or our growing licensing capabilities.

CREATING VALUE - THE PRIMARY OBJECTIVE

More than long term growth in earnings per share…

Everything we do at NEXT is underpinned by a very clear financial objective - the delivery of long term, sustainable growth in Earnings Per Share. It is not just a number on a piece of paper, the profit and the returns we make are the best measure we have of ensuring that we create value; that the sum total of what we create is more valuable than the time and resources we expend to make it happen. It is not just a financial measure, it is also a measure of something more profound, the value we add in our working lives to the world around us.

That is important, because every one of us, in some small way, wants to be useful to the world. Ultimately, work is not what we do for an inanimate corporation, it is what we do for other people - our customers, clients, colleagues, suppliers and more. On our own, none of us will make a big difference to the world, but the sum total of the small differences we make together - an amazing shoe, a beautiful print, a more efficient picking system, a brilliant advert, a more reliable delivery service - when added together DO make a real difference. The success of any organisation depends on the flourishing of *individual initiative* along with the *teamwork* and the *leadership* necessary to harness the collective intelligence of the entire organisation.

NEXT aims to create an environment in which people can flourish; a place where they not only feel empowered to take decisions, but understand that decision making and delivering change is part of their job. If we can do this, we have a chance of making the very most of the opportunities that now present themselves to NEXT.

PART THREE
FOCUS ON INFRASTRUCTURE

Part Three gives a feel for the host of improvements we aim to make to our Online and Retail infrastructure. This investment needs to be seen in the context of Total Platform, because it provides additional financial returns for the work we are doing. It is also worth mentioning that providing services to independent third-parties, and having to justify our costs to them, has informed our programme of improvement. The process is not always comfortable but is very valuable.

There are no lasting 'moats' or 'USPs'…

We are, we think rightly, proud of the infrastructure we have built, and it would be easy to convince ourselves that these assets somehow deliver impregnable competitive advantages that others cannot match. But in retail there are no advantages that cannot, in time, be copied or surpassed by others. But *staying ahead* requires a constant and obsessive effort to *improve* our technologies, infrastructure and services. The message to colleagues is simple: a good plan is all very well and good; but execution will make the difference between success and failure, and there is much we can do.

FOCUS ON WAREHOUSING

Elmsall 3

Our new *Elmsall 3* flat-packed[15] stock warehouse will increase NEXT Online's current capacity by c.50%. Within the shell of the building, we have void space which could add a further 34% of current capacity when fitted out. The project has been delivered in three phases, two of which have been delivered, in time and on budget.

- **Phase One** was completed last year when we opened floor space for conventional picking. This reduced operational pressures and meaningfully improved service levels.
- **Phase Two: Automated picking** went live at the beginning of March. This mechanisation reduces the labour required to pick an item by 56%. We aim to ramp up this automation throughout the year so that it accounts for 50% of our picking by November 2024.
- **Phase Three** is planned to go live in October 2024 and facilitates a more **automated packing** process. This reduces the time required to pack a parcel by 36%. We aim to ramp up this automation throughout the year so that it accounts for 50% of our packing by February 2025.

The table below demonstrates the financial effect of Elmsall 3 and other warehouse improvement projects. The phasing of planned cost increases from additional rents, rates, overheads and depreciation are shown in the first row; and estimated savings from enhanced efficiency are shown in the second row.

£m	2022/23	2023/24	2024/25 (e)	2025/26 (e)	Annualised costs
Total cost increases	(5.4)	(9.9)	(16.0)	(1.2)	(32.5)
Total cost savings	-	13.4	20.4	22.5	56.4
Net (costs) / savings	**(5.4)**	**3.5**	**4.4**	**21.3**	**23.8**

[15] Flat-packed stock is delivered in standard cartons and folded. This type of stock accounts for around 90% of our clothing sales and the vast majority of Total Platform clients' stock.

Improving accuracy and costs

Over and above the improvements we expect from the implementation of our new warehouse there are a host of other projects we are undertaking to improve the accuracy of our delivery promise. The table below sets out our key measure of failure (parcels NOT delivered when promised and in full) for autumn/winter of 2022 and 2023. This improvement, along with the improvements we made to our contact centre's software and procedures, has been reflected in a dramatic reduction in the percentage of customers who called us, relative to orders. These improvements not only enhance our reputation, they also serve to reduce costs; every item missing from a parcel has to be sent separately, incurring additional cost.

	Autumn/winter 2022	**Autumn/winter 2023**	**Variance %**
Failure rate (parcels *not* on time and in full)	15%	8%	↓ 47%
Customer contacts as a % of orders	16%	13%	↓ 21%
Trust Pilot scores (January score)	**3.8**	**4.4**	↑ 16%

Whilst these improvements are impressive, our service levels are still below where we would like them to be; and we believe we have plenty of room to improve further. We will be disappointed if we do not reduce our failure rate by at least a third over the course of the coming eighteen months.

Elmsall 3 Warehouse, South Yorkshire

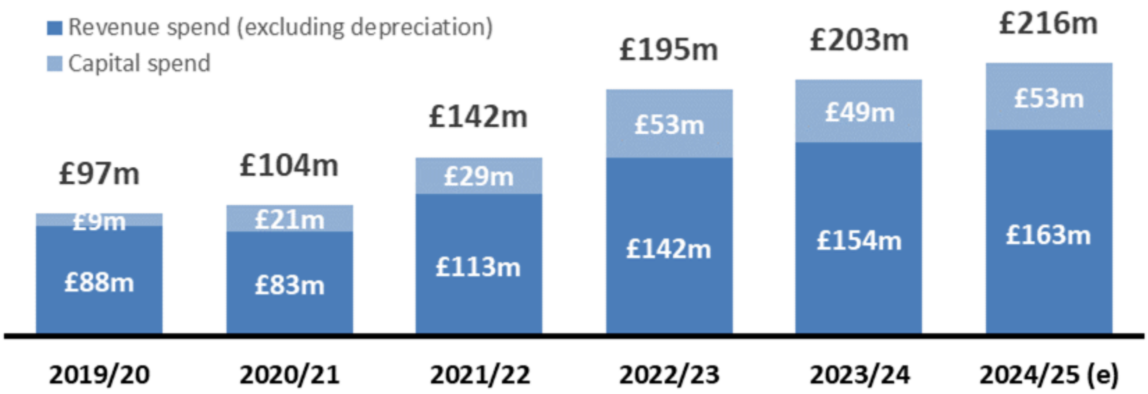
FOCUS ON TECHNOLOGY

A significant increase in technology spend

Over the course of the last five years, we doubled our expenditure on software development. The number of technology professionals has increased from 1,000 to 1,900; meaning that we now employ more people developing technology than in our Product teams. There are three reasons:

- An increasing number of **opportunities** for new systems to generate additional revenues and cost savings. These include Total Platform, new website functionality, overseas distribution hubs, new product areas, new warehouse automation, data security, more advanced customer contact software and more. It appears that virtually every business idea requires a new system.
- The need to **modernise** all our major legacy software applications.
- The rapid expansion of our technology teams **reduced efficiency** as new hires climbed the learning curve, familiarised themselves with our legacy code and business operations.

Technology Cash Spend: 2019/20 - 2024/25 (e)



Platform Modernisation

We believe that developing applications in-house has been key to our success over the past thirty years. However, by 2020, our major software had become overly complex as a result of years of incremental change. This complexity made new developments slow, risky and difficult to test. In response, we have started rewriting these applications into discrete modules, using reliable and scalable cloud technologies where appropriate. We began with operational applications like E-commerce, Payroll & HR, and Contact Centres, and are now moving on to Finance, Data and Product systems. The following table gives a feel for the progress we have made and the costs involved (note only c.80% of the modernisation costs are classed as capex).

	2020	2021	2022	2023	2024	2025	2026	Total project spend (e)	% complete
E-Commerce								**£24m**	96%
Payroll & HR								**£6m**	100%
Product systems								**£12m**	58%
Warehousing							>>>	**£16m**	24%
Contact centres								**£4m**	100%
Data & analytics							>>>	**£3m**	0%
Finance							>>>	**£40m**	5%
								£106m	**55%**
								Weighted	***44%***

AIMING FOR IMPROVED EFFICIENCY

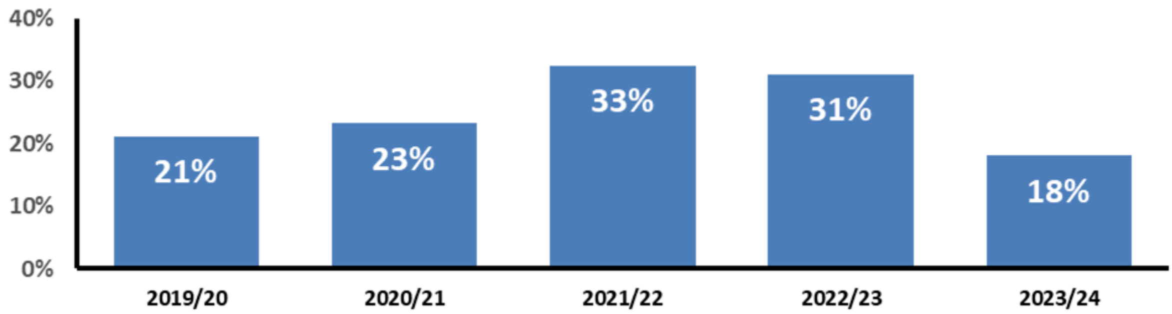
This year we are planning for our cash spend (opex and capex costs) on Technology to peak at £216m, and we aim to steadily reduce this going forward. The aim is not just to save money, our intention is to *spend less* but *deliver more* new functionality. We believe that this is achievable for the following reasons:

- **Steady State Modernisation**. Modernisation costs have steadily increased in the last few years as new projects come on stream; we believe we have now reached a steady state which will persist for the next few years.

- **The Benefits of Modernisation**. The whole point of modernising our software is that it serves to make our software easier to develop, test and maintain going forward.

- **Increasing Experience**. As we reduce the rate at which we take on new technology professionals, we will reduce the inefficiencies of working with large numbers of people who are unfamiliar with our code, business processes and culture. The chart below shows the percentage of our Technology teams that had spent less than 12 months in the business, over the last five years. As can be seen, levels of inexperience have dropped dramatically over the last year.

% of Technology Team With Less Than Twelve Months' Service



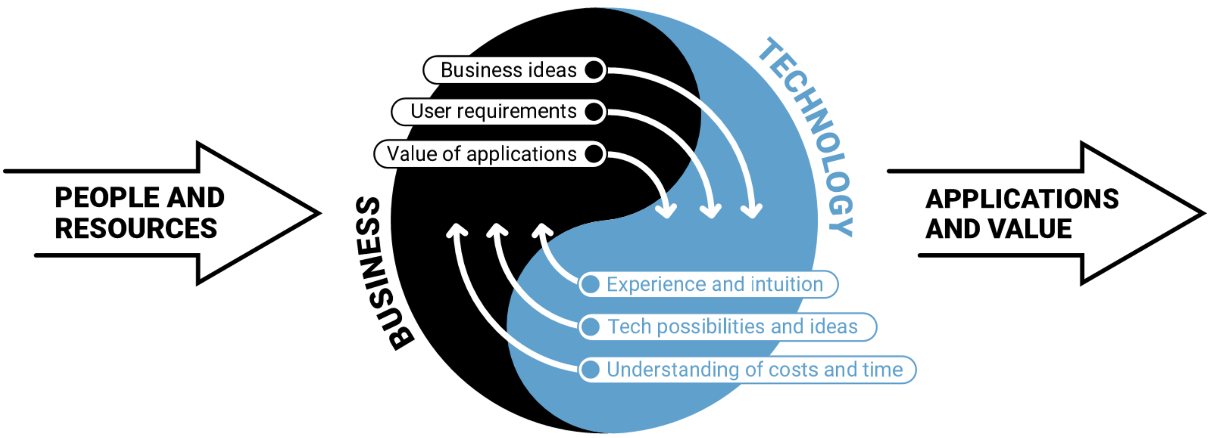
YIN-YANG SYSTEMS DEVELOPMENT

Collaboration between business users and technology professionals, at the *specification stage* of a project can radically improve the speed of development and reduce the costs of new functionality. It is all too easy for business users to specify requirements that, unbeknownst to them, create huge technical complexity and cost. We have learnt that well-informed compromises to our business requirements can increase the speed of development whilst reducing costs.

For example, we recently introduced a new system for managing items returned after the 28-day time limit. By simplifying the live data required for the process, we managed to reduce the costs and development time by more than 50%, for only a small diminution in business functionality.

Business functions have invested time and resources in improving levels of mutual understanding that exist between their areas and our technology teams. This has often involved assigning experienced business managers to act as a point of contact between business operations and software development.

We call this approach “Yin-Yang development” – sometimes a catchy name and graphic help ideas catch on, and we will accept the risk of sounding cheesy. The aim is that we give IT professionals a better understanding of the business, and business managers a better understanding of the costs, limitations and possibilities of technology.



FOCUS ON TOTAL PLATFORM ENHANCEMENTS

Improving the quality and reducing the costs of our services

Whilst Total Platform's current head start might provide some comfort, we know that in order to maintain Total Platform's advantage we have much to do. To that end we have a long list of projects and ideas to improve the **quality** and scope of our services whilst reducing their **costs**. The aim is to pass on the benefit of all these improvements to our clients. Not least, these efforts are essential to support the competitiveness of our most important client, the NEXT brand.

TOTAL PLATFORM WAREHOUSING AND DISTRIBUTION

The paragraphs below set out *some* of the improvements we are planning in the year ahead for our Total Platform warehousing and distribution services.

Enhanced retail picking

Currently TP clients' retail picking is undertaken from our online warehouse. This process (1) can be more efficient and (2) needs to allow clients to better 'ring-fence' stock for their retail and online businesses (currently it is picked on a first-come, first-served basis).

Enhanced retail distribution for smaller stores

Our retail distribution services provide a host of enhanced functionality to stores. For example, they allow them to fulfil online orders from stock held in stores; and deliver online orders next-day to stores. However, in some very small stores, the costs of delivering these additional services are disproportionate to the rewards. So, we need to offer clients a cheaper, less function-rich service in those stores.

Different types of products

At present, most of our clients deliver their products in standard cartons and distribute garments to customers folded. If and when our clients increase their product categories, we will need to extend our services to our other types of warehouses so that goods can be delivered to us (1) on hangers, (2) in non-standard boxes on pallets and (3) as large items of furniture.

WHOLESALE SYSTEMS AND CAPABILITIES

NEXT wholesales very few of its products at present. We have adapted our existing franchise system to allow TP clients to serve their wholesale customers, which works but is far from ideal. We are in the process of designing a comprehensive wholesale system that will drive improvements over the next eighteen months. This programme will, amongst other things, give clients:

- A **catalogue** system allowing their customers to select and order items online.
- **Price management**, allowing different prices to different customers in multiple currencies.
- Improved **contracting**, allowing stock to be pre-assigned and reserved for different clients.
- On-site stock **refurbishment** services, allowing TP clients to label and pack stock to comply with their wholesale customers' specifications.
- More **efficient picking** and storage of wholesale stock.
- The ability to **deliver direct** from manufacturer to UK wholesale clients.
- Improved **invoicing** and **accounting** systems.

The wholesale system will also be important in enabling NEXT to wholesale the new brands and licensed products that we are developing within the Group, such as 'Love & Roses', 'Cath Kidston' and 'smAll Saints' childrenswear. (See page 47 for more information on new wholly-owned brands and licences.)

MORE RESPONSIVE WEBSITE CHANGE PROCESS

Total Platform gives clients complete control over the aesthetics, content, photography and promotion of their online offer. However, the processes used to customise and change the website are somewhat cumbersome, involving some unnecessary administrative steps and delays.

Over the next 12 months, we will deliver new software that streamlines the processes clients use to update every element of their website – from pricing to photography. These enhancements will reduce their reliance on Account Management teams at NEXT, allowing these teams to focus on increasing the value and effectiveness of our clients' sites, rather than managing routine changes.

TOTAL ENTERPRISE PLATFORM - PROGRESS & DEVELOPMENT

Total Enterprise Platform (TEP) gives an even more comprehensive set of software services to clients, providing them with the following functionality:

- **Product Management Systems,** which provide end-to-end management of the buying processes. It allows clients to plan their ranges, price, contract, label, manage freight and inbound logistics, re-forecast, allocate and replenish (retail stores), franchise, and manage margin and markdown.
- **Finance and Accounting** module provides all management and financial reporting services.
- **Payroll & HR** module manages retail and other payroll services.

Of these three services, it is the Product Management Systems (PMS) that adds the most value. It ensures that stock and import processes are compatible with our UK bonded warehousing and allows friction-free, re-export to EU and other countries. The Product functionality will form part of the services we provide to FatFace and we believe it is likely that most new clients will adopt PMS as part of their Total Platform package going forward.

TEP at Joules

Total Enterprise Platform was deployed for Joules in October 2023. In the year ahead we expect TEP to deliver total cost savings of around £4m to Joules.

PART FOUR
GROUP FINANCIAL PERFORMANCE IN 2023/24 AND GUIDANCE FOR 2024/25

NOTES ON THE PRESENTATION OF SALES AND PROFIT

Note 1 - Group sales

Group sales, previously reported in January 2023 as £5,415m, are now £101m higher at £5,516m. This is a result of adding £206m through revenue from investments (see note 2 below) and removing £104m from Total Platform (TP) income (see note 3 below). These changes give a more accurate picture of the Group's underlying net margins in our TP Services business and Equity Investments, by aligning the way in which we report sales with the way we report profits.

Group sales previously reported in January 2023	**5,415**
Revenue from investments (£239m, versus only £33m of Joules' sales previously reported in 'other' sales, as the only consolidated equity investment)	+206
Total Platform (£126m of sales at gross transaction value (GTV) replaced with £22m of commission)	- 104
Group sales restated for January 2023	**5,516**

Note 2 - Revenue from investments

As set out in our January Trading Statement, we have changed our approach to reporting sales in our subsidiaries. In short, this turnover figure is calculated using our share of our subsidiaries' turnover. For example, going forward we own 72% of Reiss so will include 72% of their sales[16] in our top line. Please see Appendix 3 on page 71 for full details.

Note 3 - Total Platform services income

This year we have changed the presentation of **Total Platform sales.** January 2023's TP sales, previously reported as £144m, are now £40m. The £104m reduction is because last year we reported TP sales as (1) the gross transaction value (GTV) taken through our clients' websites plus (2) the income generated from the services we provide on a 'cost-plus' basis (such as retail services). This year, we have decided *not* to report our clients' GTV as sales but, instead, report the *commission* earned by NEXT on our clients' online sales. Revenues from cost-plus services remain as reported.

Note 4 - Brand amortisation costs

As explained in January, we now exclude brand amortisation (a non-cash accounting cost) from our headline profit. The table below shows last year's reported profit and the change made. Full details explaining this change are given in Appendix 2 on page 70.

Profit adjusted for brand amortisation £m	**Jan 2023 as reported**	**Brand amortisation**	**Jan 2023 restated**
Total Platform services and investment	16.3	+4.3	20.6
NEXT Group profit before tax	870.4	+4.3	874.7

Note 5 - Rounding convention and casting

Figures shown in tables throughout the CEO Review are shown in millions or rounded to one decimal place. Subtotals, totals and variances shown in tables are all based on the *actual*, unrounded figures; tables are not adjusted for casting purposes.

[16] This figure excludes their LABEL sales (100% of which are included in our Online sales), Total Platform commission and revenue from TP cost-plus services (which are included within Total Platform sales).

GROUP SALES AND PROFIT SUMMARY

Full price sales in the year were up **+4.0%** versus last year. Total Group sales, including subsidiaries and equity investments, were up **+5.9%**. Group profit before tax was **£918m**, up **+5.0%,** pre-tax EPS was up **+7.4%** and post-tax EPS was up **+0.3%**.

TOTAL GROUP SALES BY DIVISION

TOTAL GROUP SALES (VAT EX.) £m	Jan 2024	Jan 2023[17]	Var %
Online	3,160	3,007	+5%
Retail	1,865	1,865	- 0%
Finance	293	274	+7%
Total NEXT Trading sales	**5,317**	**5,146**	**+3.3%**
Total Platform	52	40	+31%
Franchise, Sourcing, Property & Other	89	91	- 2%
Total NEXT sales	**5,459**	**5,277**	**+3.4%**
Revenue from investments	383	239	+60%
Total Group sales	**5,842**	**5,516**	**+5.9%**
Statutory revenue	5,491	5,034	+9.1%

Walk forward from our headline Group sales to statutory sales

The differences between our headline Group sales and statutory sales are summarised in the table below. By way of reminder, within NEXT Trading sales we report the gross transaction value (GTV) of items that are sold on a commission-basis (mainly in LABEL Online, which sells third-party branded products). Under statutory reporting, instead of reporting the GTV, only the *commission earned* is reported as revenue.

£m	Jan 2024	Jan 2023[17]
Total Group sales	**5,842**	**5,516**
less LABEL & Overseas commission sales (full price and markdown)	- 564	- 552
plus commission earned on LABEL sales	+206	+206
less sales from investments that are not consolidated in NEXT's accounts (Note 1)	- 162	- 218
plus the minority interests' share of sales in subsidiaries that are consolidated in NEXT's accounts (Joules, Reiss and FatFace)	+87	+15
plus other income (e.g. delivery charges)	+80	+67
Total Group statutory sales	**5,491**	**5,034**

Note 1: The drop in this number is mainly due to the change in control in Reiss at the end of September 2023, which means that sales from that date onwards were consolidated into statutory sales. Sales in the equivalent time period last year were *not* consolidated.

[17] Group sales are restated for January 2023, see page 27.

SUMMARY OF GROUP PROFIT BY DIVISION

PROFIT £m and EPS	Jan 2024	Jan 2023[18]	Var %
Online	517	467	+11%
Retail	245	240	+2%
Finance (after funding costs)	163	171	- 4%
Profit from Trading	**925**	**878**	**+5.3%**
Total Platform services and investments[19]	38	21	+86%
Property (including provisions)	2	37	- 95%
Franchise and wholesale	6	7	- 17%
Central costs, FX, Sourcing and Other	(23)	(31)	- 24%
Recharge of interest from Finance	48	34	+39%
Operating profit	**996**	**947**	**+5.2%**
Lease interest	(47)	(47)	- 1%
Operating profit after lease interest	**949**	**900**	**+5.5%**
Underlying operating margin	*16.2%*	*16.3%*	
External interest	(31)	(25)	+24%
NEXT Group profit before tax	**918**	**875**	**+5.0%**
Taxation	(216)	(159)	+36%
Profit after tax	**702**	**716**	**- 2.0%**
Pre-tax Earnings Per Share	**757.2p**	**704.8p**	**+7.4%**
Post-tax Earnings Per Share	**578.8p**	**576.8p**	**+0.3%**
Statutory profit before tax	**1,016**	**869**	**+16.9%**

Walk forward from our headline NEXT Group pre-tax profit to statutory pre-tax profit

Statutory profit of £1,016m is higher than our reported headline figure of £918m mainly due to the £109m exceptional, non-cash, accounting gain from the Reiss acquisition. In addition, statutory profit includes the cost of brand amortisation and the consolidated profits/losses from minority interests in Joules, Reiss and FatFace. These differences are summarised below.

£m	Jan 2024	Jan 2023[18]
Headline NEXT Group profit before tax	**918**	**875**
Exceptional accounting gain on the acquisition of Reiss	*109*	*n/a*
Cost of brand amortisation (see page 70)	*-10*	*-4*
Profit/losses from minority interests in Joules, Reiss and FatFace	*-1*	*-1*
Total Group statutory profit before tax	**1,016**	**869**

[18] NEXT Group profit has been restated to remove the cost of brand amortisation, see page 27.

[19] TP profit excludes £4m of preference share and loan interest from our investments, which is reported within the interest line of the P&L. Total Group profit for TP *including* interest is £43m. See page 52 for more detail.

SALES AND PROFIT GUIDANCE FOR 2024/25

Our full year guidance for sales and profit in 2024/25 (before exceptionals) remains unchanged since our January Trading Statement and is set out below.

OUTLOOK FOR COSTS AND DEMAND IN 2024/25

Our outlook for 2024/25 has changed little since our January Trading Statement. On the face of it, the consumer environment looks more benign than it has for a number of years, albeit there are some significant uncertainties. The table below summarises the positive factors and risks we have balanced in our sales guidance for the year ahead:

Positive Factors

Wages rising faster than prices
UK wages are rising faster than inflation. (See Real Earnings Growth chart below). For many consumers this will ease the pressure they have felt on their cost of living for the last eighteen months.

No inflation in our selling prices
Selling price inflation in our own products has reversed, mainly as a result of decreasing factory gate prices. Selling prices on like-for-like goods[20] are currently down -2.0%, and we expect deflation of -0.5% in the second half.

Risk Factors

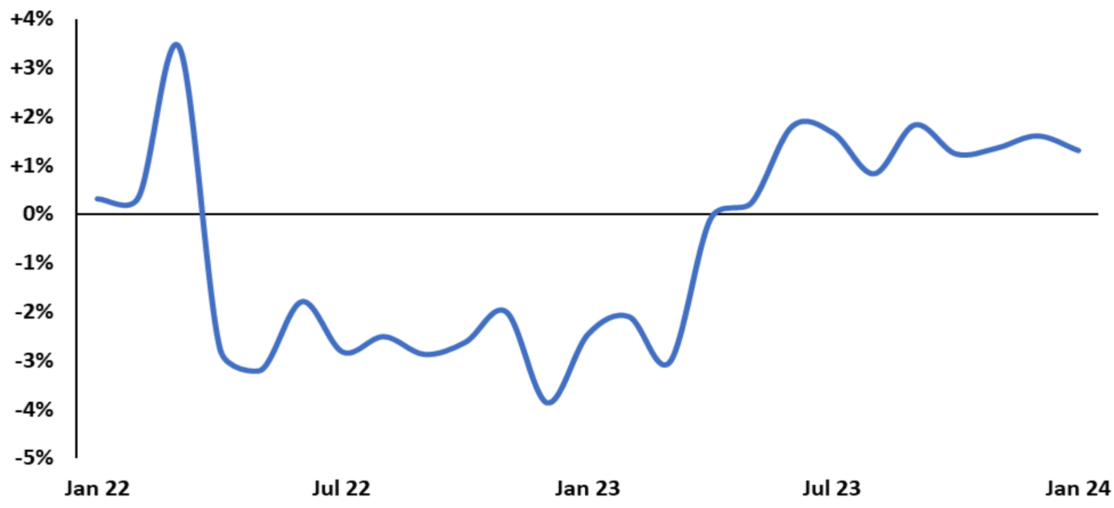
Weakening employment market?
Although rising wages are good for sales, it seems likely that they will result in reduced employment opportunities in the wider economy. Vacancy rates continue to fall and, if that trend continues, it is likely to result in increased unemployment.

Mortgage rates?
Fixed rate mortgage deals will continue to expire and require refinancing at higher rates.

Suez Canal Update

We do not currently anticipate any material adverse impact from stock delays. On average, transit times have been extended by 7-10 days and our product teams have adjusted the timing of their contract bookings to account for this delay. In addition, higher freight costs have been factored into our prices going forward but we still anticipate that our prices will fall as outlined above.

Real Earnings Growth[21]

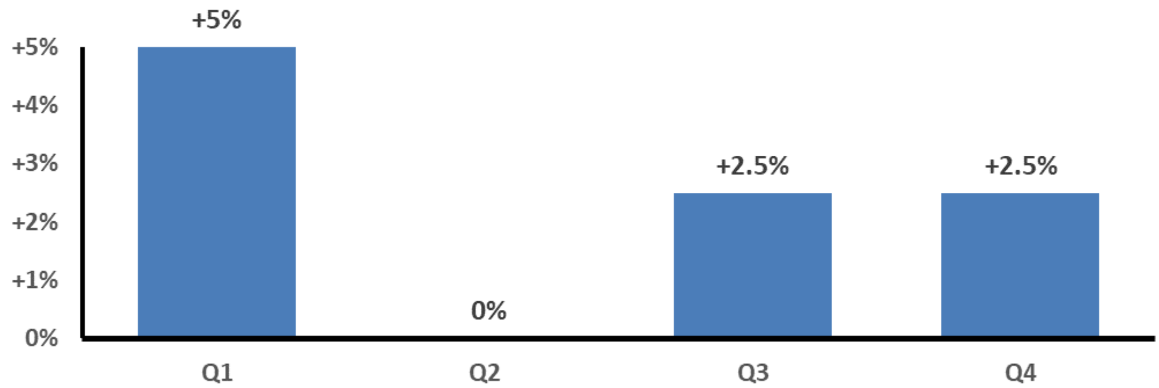


[20] Price increases are solely assessed based on items that we also sold last year (i.e. like-for-like goods). There is no comparative price for new designs. These like-for-like items account for around 30% of our sales.
[21] Source: ONS - Year on year change in Real Average Weekly Earnings, total pay, seasonally adjusted (A3WV).

GUIDANCE FOR FULL PRICE SALES BY QUARTER

We expect full price sales for the full year to be up **+2.5%**. Within the first half we anticipate that the quarters will perform very differently, with sales in the first quarter up +5% and flat in the second. This is because Q1 sales last year were poor (down -0.7%), with unusually cold and wet weather in the run up to Easter; in contrast Q2 was very strong (up +6.9%), with exceptionally warm weather at the end of May and throughout June. Our guidance by quarter is set out below.

Full Price Sales Guidance 2024/25 (e) vs 2023/24 by Quarter



Full Price Sales Guidance by Division

Full price sales growth versus 2023/24	First half (e)	Second half (e)	Full year (e)
Retail	- 2%	- 2%	- 2%
Online	+5%	+5%	+5%
Total full price sales (including Finance interest income)	**+2.5%**	**+2.5%**	**+2.5%**

GUIDANCE FOR TOTAL GROUP SALES

Total Group sales, including subsidiary companies and equity investments, are expected to grow by **+6.0%**. This figure is calculated using our share of our subsidiaries' turnover. For example, we own 72% of Reiss so we include 72% of their sales[22] in our top line. For a more detailed explanation of how we report headline Total Group sales please see Appendix 3 on page 71.

[22] This figure excludes their LABEL sales (100% of which are included in our Online sales), Total Platform commission and revenue from cost-plus services.

GUIDANCE FOR PROFIT BEFORE TAX AND EPS

Guidance for sales, profit before tax (before exceptionals) and EPS is summarised below.

Guidance for the full year 2024/25	% Versus 2023/24	Full year £ (e)
Full price sales (underlying)	+2.5%	
Total Group sales including subsidiary companies	+6.0%	
NEXT Group profit before tax	+4.6%	£960m
Pre-tax EPS	+6.3%	805.2p
Post-tax EPS	+4.8%	606.3p[23]

Our forecast pre-tax EPS growth is +6.3%. This is +1.7% higher than growth in profit, due to share buybacks. An increase in our effective tax rate (ETR) will reduce growth in post-tax EPS down to +4.8%. In April 2023 the headline UK Corporation Tax rate increased from 19% to 25% which led to a blended tax rate for the year of 24%. In the year ahead the tax rate will be at the higher level of 25%.

Further details on our ETR are given on page 58.

An exceptional non-cash charge of c.£20m

This year we expect to incur a non-recurring, non-cash, charge of around £20m relating to our defined benefit pension scheme, which was closed to new members in 2000. In January 2024 the Trustees, with the Company's support, purchased an insurance policy to safeguard all future pension payments (a 'buy-in') and within the next two years we expect to move the pension scheme to a full 'buy-out', meaning the scheme will be managed by the insurance company and removed from our balance sheet.

This charge will not affect the Company's cash flow and will be treated as **exceptional**, so it will not be included in our forecast headline profit.

[23] Guidance for post-tax EPS was previously 603.4p; this was updated to reflect our latest forecast for tax, surplus cash and share buybacks.

Profit Walk Forward from 2023/24 to 2024/25 (e)

The table below walks forward our profit before tax from last year (ending January 2024) to our guidance for the year ending January 2025.

		£m
Profit before tax 2023/24		**918**
Profit from full price sales, Total Platform and subsidiaries		
Profit from +2.5% (£120m) increase in full price sales	+36	
Additional profit from Total Platform services[24]	+4	
Additional profit from Total Platform equity (including new acquisitions)	+30	
Total profit from full price sales, Total Platform and subsidiaries		**+70**
Cost savings		
Staff incentives (budgeted to return to normal levels)	+24	
Bought-in gross margin	+17	
Electricity rate	+12	
TP integration costs	+6	
Warehousing (+£20m of cost savings offset by -£16m cost increases from Elmsall 3)	+4	
Other	+3	
Total cost savings		**+66**
Cost increases		
Wage inflation (including third-party wages, e.g. couriers)	- 60	
Technology (of which -£8m is amortisation of software)	- 17	
Markdown (higher surplus and lower clearance rates)	- 13	
Marketing (growing faster than sales)	- 4	
Total cost increases		**- 94**
Profit before tax 2024/25 (e)		**960**
Growth versus 2023/24		+4.6%

Cost increases and cost savings

The largest cost increase will be wage inflation, which we expect to be around £60m. Within this, around £25m is the difference between the expected rate of general UK wage inflation, and the rise in the National Living Wage. To mitigate some of this cost increase, we plan to recover c.£17m by increasing our bought-in gross margin by +0.4%. Despite this increase in margin, we expect a small reduction in selling prices in the year ahead.

[24] In our January Trading Statement we estimated that we would make £6m of additional profit from our TP services business. Since then we have reallocated £2m of licensing profit, which we believe is more accurately described as equity profit.

PART FIVE
RETAIL, ONLINE, FINANCE, TOTAL PLATFORM & OTHER BUSINESS

NEXT RETAIL

HEADLINES

- Full price sales up +0.2% versus last year
- Like-for-like[25] full price sales up +1.8%
- Total sales (including markdown sales) flat on last year
- Retail profit[25] £210m, up +3.0%
- Net margin[26] 11.3%, up +0.3%

SUMMARY OF RETAIL SALES AND PROFIT

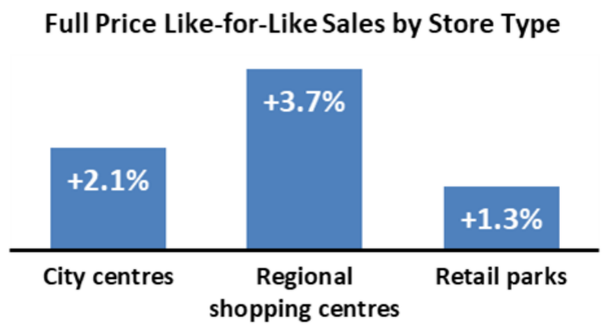
Retail sales and profit for the year are summarised in the table below.

Please note that Retail profits and margins are given *after accounting for the cost of lease interest*[27]*.* Retail's lease interest is down -5% versus last year, due to the reduction in lease liabilities.

£m	Jan 2024	Jan 2023	Var %
Total sales	1,865	1,865	- 0.0%
Operating profit	245	240	+1.7%
Lease interest charge	(34)	(36)	- 5.3%
Retail profit including lease interest	**210**	**204**	**+3.0%**
Retail margin % (including lease interest)	11.3%	11.0%	

FULL PRICE SALES BY STORE TYPE

Full price sales, on a like-for-like basis, were up +1.8% on the prior year; growth by store type is shown below, along with the percentage of sales that each store type accounts for. The participation of sales by store has now returned to those seen pre-COVID as demonstrated in the table on the right below.



% of sales by store type	2019	2023
City centres	28%	26%
Regional shopping centres	10%	11%
Retail parks	62%	63%

[25] Like-for-like sales growth excludes the impact of store closures and store refits.
[26] After deducting Retail lease interest costs.
[27] Lease interest is reported in the Interest line of the P&L. £34m is the proportion of the Group's total lease interest (£47m) attributable to the Retail business. The balance is charged to Online (£11m) and other Group activities (£2m).

RETAIL MARGIN ANALYSIS

Net margin in the year was 11.3%, up +0.3% on last year. The margin impact of major cost categories is summarised below.

Retail net margin (after lease interest) on total sales to January 2023		**11.0%**
Bought-in margin	Lower freight costs increased the bought-in margin.	+0.4%
Markdown	Surplus stock levels were down -17% versus last year and clearance rates were up +3.4%.	+0.7%
Payroll	Wage inflation (-0.9%) was partially offset by productivity improvements (+0.4%).	- 0.5%
Store occupancy costs	Occupancy costs reduced as a percentage of sales for the following reasons: ● Business rates were lower than last year due to the rates revaluation for shops, effective from April 2023 (+0.7%) ● Fully depreciated assets resulted in lower depreciation (+0.4%) ● Lease renewals reduced the cost of rent, rates and service charge (+0.2%) ● Higher electricity rates (-0.9%) were partially offset by initiatives to reduce usage (+0.3%) ● Prior year credits relating to rent settlements and rates rebates were not repeated this year (-0.5%)	+0.2%
Warehousing & distribution	Operational efficiencies and the benefit of higher selling prices (+0.5%) improved margin. This margin benefit was partially offset by cost inflation, mainly in wages and fuel (-0.3%).	+0.2%
Central costs and staff incentives	Higher staff incentives, inflationary cost increases across head office departments (-0.5%) and increased spend in technology (-0.2%).	- 0.7%
Retail net margin (after lease interest) on total sales to January 2024		**11.3%**

Guidance for Retail Sales and Profit for the Full Year to January 2025

In the year ahead we are forecasting Retail full price sales to be down -2% versus last year. Based on this sales guidance we expect Retail net margin, including lease interest, to be 10.5%. The reduction in margin is mainly due to inflationary cost increases, such as wages.

LEASE RENEWALS AND COMMITMENTS

Lease Renewals in the Year to January 2024

In the year, we renewed 56 leases, with an average lease term of 3.9 years (weighted by value, to the earlier of the break clause or the lease end). These new leases reduce our annualised occupancy cash costs by **£6.7m**. The number of leases renewed in the year was lower than the estimate of 73 given in our Half Year Results in September. The remaining leases are still under negotiation; eight are in the final stages of legal agreement, and we anticipate renewing the remaining nine in the first half of 2024.

Lease renewals can be split into two different types of leases: (1) traditional rent leases and (2) 'total occupancy cost' (TOC) leases, where we pay a fixed percentage of turnover to cover rent, business rates and service charge. The occupancy cost savings (in cash terms[28]) from these lease renewals are summarised in the tables below. For clarity we have shown TOC leases separately, to show the overall saving in rent, rates and service charge combined.

Traditional rent leases	**No. of leases**	**Before renewal**	**After renewal**	
Fixed rent charge	39	£10.7m	£8.9m	- 17%
Turnover rent	6	£3.6m	£1.1m	- 70%
Total	**45**	**£14.3m**	**£10.0m**	**- 30%**
Total occupancy (TOC) leases				
Total occupancy lease (rents, rates and service charge)		-	£5.3m	
Previous rent		£4.3m	-	
Previous rates and service charge		£3.4m	-	
Total occupancy - rent, rates and service charge	**11**	**£7.7m**	**£5.3m**	**- 31%**
TOTAL COMBINED LEASE RENEWALS				
Total lease renewals	**56**	**£21.9m**	**£15.2m**	**- 31%**

In addition to the occupancy cost reductions detailed above, we received **£3.8m** from capital contributions and rent free periods, which we will spend upgrading and maintaining our stores.

Outstanding Lease Commitments

At the end of January 2024, our average lease commitment (weighted by value) was 4.5 years, compared with 4.7 years at the same time last year. Fifty per cent of our store leases (by value) will expire or break within 3.9 years and 95% within the next ten years.

Forecast Lease Renewals in the Year Ending January 2025

We anticipate renegotiating[29] 74 store leases in the year ahead and based on our latest negotiations we expect to reduce our annualised occupancy cash costs by around £3m (-16%). The average lease term (to the earlier of the break clause or lease end) is expected to be 3.9 years. The expected rent reduction of -16% is lower than we have achieved in recent years. This is because some of the leases coming up for renewal this year have already been renegotiated since 2018; these stores are already on post-pandemic levels of rent and so reductions are likely to be small.

[28] Note that the savings given here are the actual rents payable rather than IFRS 16 rent depreciation.
[29] This includes renegotiations at either lease end or a lease break.

RETAIL SPACE

The year-on-year change in store numbers and square footage for the year to January 2024 is set out below.

	Store numbers	NEXT Sq. ft. (k)	Concessions Sq. ft. (k)	Total Sq. ft. (k)
January 2023	**466**	**7,767**	**479**	**8,246**
Mainline store reconfigurations	0	+ 14	- 4	+ 10
Mainline closures	- 12	- 181	- 4	- 185
Clearance stores	+ 4	+ 34	+ 0	+ 34
January 2024	**458**	**7,634**	**471**	**8,105**
Change	- 8	- 133	- 8	- 141
Change %	- 1.7%	- 1.7%	- 1.7%	- 1.7%

Whilst we will continue to open and close a small number of stores, we do not anticipate any material net change in our Retail selling space in the year ahead.

NEXT, Fosse Park, Leicester

NEXT ONLINE

HEADLINES

- Full price sales up +6.0% versus last year
- Total sales (including markdown sales) up +5.1%
- Online profit (including lease interest costs) was £506m, up +10.8%
- Net margin 16.0%, up +0.8%

SUMMARY OF ONLINE SALES, PROFIT AND MARGIN

The table below summarises total sales and profit for our Online business, which includes NEXT brand UK, LABEL UK and Overseas.

Please note that, consistent with the reporting of Retail margins, we include the cost of lease interest within Online profitability. Lease interest was up +7.2% due to the lease for our new Elmsall 3 warehouse.

£m	**Jan 2024**	**Jan 2023**	**Var %**
Total sales	3,160	3,007	+5.1%
Operating profit	517	467	+10.7%
Lease interest charge	(11)	(10)	+7.2%
Online profit including lease interest	**506**	**457**	**+10.8%**
Online margin including lease interest	16.0%	15.2%	

CONTENTS OF THIS SECTION

This part of the document includes the following sections:

ONLINE SALES ANALYSIS

The table below sets out the different categories of Online's sales for the full year. Further commentary for Online's sales performance is given below the table.

Sales category £m	Jan 2024	Jan 2023	Var %
Full price sales	2,840	2,679	+6%
Clearance[30] sales	99	76	+31%
Total full margin sales	**2,939**	**2,755**	**+7%**
Sale events in-season	221	252	- 12%
Total Online sales	**3,160**	**3,007**	**+5%**

Full price sales by division

Full price sales £m	Jan 2024	Jan 2023	Var %
NEXT Brand UK	1,265	1,221	+4%
LABEL UK	885	869	+2%
Total UK Online	***2,149***	***2,090***	***+3%***
Overseas (nextdirect.com)	499	463	+8%
Overseas aggregators	191	126	+52%
Total Overseas	**691**	**589**	**+17%**
Total Online full price sales	**2,840**	**2,679**	**+6%**

LABEL full price sales were up +2%; with growth in the year adversely affected by the fact that we discontinued a number of unprofitable brands and items.

Overseas full price sales were up +17%, with the biggest area of growth coming from third-party aggregators which were up +52%.

Clearance sales

Clearance sales grew by +31%, which was driven by an unusually high amount of Clearance stock being available online during the first half of the year (up +68% on the prior year). This increase was due to the combination of: (1) having a large Sale at the end of 2022/23; and (2) capacity constraints in our warehouses in the prior year. As a result, Clearance sales were up +81% in the first half but normalised in H2 where they were flat on the prior year.

Sale events

Surplus stock levels during the year were down -14% and clearance rates were broadly flat on last year. Sales from Online sale events were down -12%, which was better than the -14% reduction in surplus, due to the timing of when Sale orders were dispatched to customers.

[30] Clearance stock is the unsold Sale stock from previous seasons, which has been written down in value and is carried over to the following season, where it is then sold at a full margin.

ONLINE CUSTOMER ANALYSIS

Growth in Customer Numbers and Average Spend Per Customer

Customers can be split into three distinct groups:

- **UK credit customers** who pay through a NEXT credit account[31] (next**pay** or next**3step**).
- **UK cash customers** who pay using credit, debit or other tender types.
- **Overseas** customers who shop on our international websites.

The average number of active[32] Online customers in the last twelve months was 8.4m, up +4% versus last year. The table below shows the change in average customer numbers, sales per customer and their total sales value, versus last year. For completeness, the table also includes sales achieved through our third-party aggregators overseas, where we do not have visibility of customer numbers.

	AVERAGE CUSTOMERS		SALES PER CUSTOMER		TOTAL SALES VALUE	
Full year	**Jan 2024**	**vs Jan 2023**	**Jan 2024**	**vs Jan 2023**	**Jan 2024**	**vs Jan 2023**
UK Credit	2.9m	+1%	£565	- 2%	£1,620m	- 1%
UK Cash	3.9m	+7%	£210	+1%	£809m	+9%
UK Total	**6.7m**	**+5%**	**£361**	**- 3%**	**£2,429m**	**+2%**
Overseas (direct to consumer)	1.7m	0%	£310	+9%	£528m	+9%
Total ex. aggregators	**8.4m**	**+4%**	**£351**	**- 1%**	**£2,957m**	**+3%**
Third-party aggregators					£203m	+46%
Total					**£3,160m**	**+5%**

Sales Per Customer

UK sales per customer

In the UK, sales per **credit customer** were down -2% versus the prior year. We believe this has been driven by the reduction in surplus stock in our end-of-season Sale events, which have a high participation of credit customers. Sales per **cash customer** increased by +1%.

The growth in cash customers, who on average spend less than credit customers, means that the overall average spend for UK customers was down -3%.

Overseas sales per customer

Overseas sales per customer increased by +3% in local currency, which translated into a +9% increase in Pounds Sterling.

[31] Both NEXT credit offers are authorised and regulated by the FCA.

[32] Active customers are defined as those who have either placed an order or received an account statement in the last 20 weeks.

ONLINE NET MARGIN

Online Margin Analysis

Overall Online net margin was 16.0%, up +0.8% on last year. The margin impact of major cost categories is summarised below.

Net margin (after lease interest) on total sales to January 2023		**15.2%**
Bought-in gross margin	Bought-in margin improved due to Overseas margin improvements (+0.5%) and lower freight costs (+0.3%).	+0.8%
Markdown	Surplus stock was down -14% versus last year, improving margin.	+1.3%
Warehousing & distribution	Margin improved for the following reasons: • Operational efficiencies from higher average selling prices and productivity improvements (+1.2%) • Lower international parcel rates (+0.4%); offset by • Inflationary cost increases (wages and fuel) (-0.8%) • Higher overheads costs, mainly from our new boxed warehouse Elmsall 3 (-0.3%).	+0.5%
Marketing	Digital marketing spend in both the UK and Overseas grew faster than sales.	- 0.4%
Technology[33]	Increased spend in technology (software development and maintenance) along with higher depreciation, reduced margin.	- 0.1%
Central costs and staff incentives	Higher staff incentive costs[34] and investment in head office teams to support new business initiatives within our LABEL and Overseas businesses.	- 1.3%
Net margin (after lease interest) on total sales to January 2024		**16.0%**

[33] Technology includes the recovery of R&D tax credits on qualifying spend.

[34] Last year, our Online business missed its profit target, therefore did not take any of the bonus charge. This year, Online has performed ahead of our expectations therefore has taken a proportion of the bonus.

Net Margin by Online Division

Online division	Total sales £m	Profit £m	Margin %	Change in margin vs Jan 2023
NEXT brand UK	1,408	281	19.9%	+0.0%
LABEL UK	1,021	130	12.8%	- 0.1%
Overseas	731	95	13.0%	+4.4%
Total Online	**3,160**	**506**	**16.0%**	+0.8%

NEXT UK

Whilst NEXT UK's margin of 19.9% was in line with the prior year, there have been several movements in the cost base as summarised below.

- Margin improved due to: lower freight rates (+0.4%), lower levels of surplus stock (+1.5%) and operational efficiencies within logistics (+1.6%).
- These margin benefits were offset by:
  - Wage inflation across all areas (-1.4%)
  - Additional spend in marketing (-0.5%) and technology (-0.2%)
  - Higher occupancy costs from our new boxed warehouse (-0.3%)
  - Higher central costs, including staff incentives (-1.1%).

LABEL UK

LABEL experienced the same inflationary cost increases as NEXT UK, but these costs were offset by: (1) lower levels of surplus stock than last year, along with higher clearance rates, (2) higher commission rates being charged on products that previously made low margins and (3) the removal of unprofitable brands/items from our product offer. Further detail of LABEL's profitability is given on page 46.

Overseas

Overseas net margin of 13.0% was 4.4% ahead of last year's margin of 8.6%. Overseas also experienced the same inflationary costs as NEXT UK, but these costs were more than offset by: (1) price increases (2) removing unprofitable items from our Overseas websites and third-party aggregators, and (3) renegotiating our parcel rates. Further detail of Overseas profitability is given on page 43.

Guidance for Online Sales and Margin for the Year Ahead

In the year ahead we are forecasting for Online's full price sales to grow by +5% and for net margins to be 15.4%. The forecast reduction in margin against the prior year is mainly due to wage inflation.

ONLINE OVERSEAS

Overview

We have continued to make excellent progress in our Overseas business, with strong sales growth and improved net margins. Sales grew by +17% (+14.5% in constant currency) and net margin improved from 8.6% last year to 13.0%. The table below sets out the headline performance for sales and profits. Full price sales are split between our own websites and third-party aggregators.

£m	Jan 2024	Jan 2023	Var %
Direct to consumer (our own websites)	499	463	+8%
Third-party aggregators	191	126	+52%
Total full price sales	**691**	**589**	**+17%**
Markdown sales	41	36	+14%
Total sales (including markdown)	**731**	**625**	**+17%**
Operating profit	**95**	**54**	**+77%**
Net margin %	*13.0%*	*8.6%*	

What's changed?

As explained in the Big Picture (page 13), sales and margins have grown through a combination of:

- The development and improvement of our relationship with overseas **third-party aggregators.**
- The removal of **unprofitable products** from our overseas offer. This meant removing items with a low selling price and high returns rate, as these cannot justify the high logistics costs associated with shipping stock overseas.
- Increased online **marketing,** funded through price increases.

Investment in overseas marketing

We increased marketing spend as a percentage of total sales[35] from 4.0% to 4.7%. To assess the performance of our marketing, we calculate the net present value (NPV) of cash returned for each £1 of marketing spend. Last year the NPV rose from £2.07 to £2.30 for each £1 spent. It is important to stress that our returns are based on incremental profit and should not be confused with the industry practice of using so-called ROAS (return on advertising spend) which often looks at orders generated without adjusting for cannibalisation or profitability.

The table below shows the total spend on marketing for the last two years and our estimate for the year ahead. If opportunities arise to increase our spend, while maintaining profitability thresholds, we will take advantage of them.

Overseas marketing £m	Jan 2023	Jan 2024	Jan 2025 (e)
Social	10.0	12.3	11.5
Search	5.9	9.4	13.8
Display	0.7	0.5	0.7
Digital marketing spend	**16.6**	**22.2**	**26.0**
Non-digital spend, and marketing teams	2.8	2.7	2.7
Total marketing spend	**19.4**	**24.8**	**28.7**
Versus prior year		*+28%*	+16%

[35] Total sales on our own websites, including markdown sales. This excludes sales on third-party aggregator sites.

Overseas Margin

The table below sets out the profit margin achieved compared to last year and the main reasons for the increase.

Net margin (after lease interest) on Overseas sales to January 2023		**8.6%**
Bought-in gross margin	Bought-in margin improved due to price increases (in sterling) (+2.5%) and lower freight costs (+0.3%). These benefits were partially offset by the higher participation of sales in countries that incur duty charges (-0.2%) and a prior year one-off FX revaluation credit (-0.3%).	+2.3%
Markdown	Lower surplus improved margin	+0.8%
Warehouse & distribution	Margin improved for the following reasons: ● Higher average selling prices & operational efficiencies +2.0%. ● Parcel rate reductions +1.4% ● Inflationary cost increases (wages and fuel) -0.3% ● Middle East hub set up costs -0.2%	+2.9%
Marketing	Marketing costs increase by more than sales.	- 0.3%
Central costs and staff incentives	Higher staff incentives than last year, due to the over-achievement of profit against budget.	-1.3%
Net margin (after lease interest) on Overseas sales to January 2024		**13.0%**

ONLINE LABEL UK

Overview

In this section we discuss LABEL, which sells third-party brands through the NEXT website. For clarity, all sales figures reported in this section are given at their gross transaction value, including commission-based sales.

LABEL Online sales (including full price and markdown sales) were £1,021m, up +1.6% on last year. LABEL margins of 12.8% were down -0.1% against last year, as improved bought-in margins and reduced surplus stock largely compensated for the inflationary pressures seen across the Online business. Further details on LABEL margins are given on the following page.

Full Price Sales Analysis

This section shows the full price sales performance of the four different LABEL business models. Each of these models has different characteristics in terms of (1) who is responsible for design, (2) who sources and manufactures the product and (3) who takes the stock risk. These are summarised in the table below in descending order of third-party involvement.

Business model	Design	Sourcing	Stock risk	Examples
3rd party Brands sold on **Commission**	3rd Party	3rd Party	3rd Party	*River Island, White Stuff, Mint Velvet*
3rd party Brands sold on **Wholesale**	3rd Party	3rd Party	**NEXT Group**	*Nike, Adidas, Superdry*
Licensing	3rd Party	**NEXT Group**	**NEXT Group**	*Clarks Schoolwear, Reebok, Laura Ashley*
Wholly-owned brands	**NEXT Group**	**NEXT Group**	**NEXT Group**	*Lipsy, Love & Roses, Friends Like These*

Total full price sales were up +2% against last year. The -1% decline in third-party brands was as a result of eliminating loss making products; this loss was more than offset by the gains we made through wholly-owned brands and licensing.

Full price sales category £m	Jan 2024	Jan 2023	Var %
Third-party brands (commission)	411	409	+0%
Third-party brands (wholesale)	302	311	- 3%
Total third-party brands	**713**	**720**	**- 1%**
Wholly-owned brands and licensing	171	149	+15%
Total LABEL full price sales	**885**	**869**	**+2%**

LABEL Margin Analysis

Overall LABEL margin of 12.8% was down -0.1% versus last year. The margin impact of major cost categories is summarised below.

Margin walk forward

Net margin (after lease interest) on LABEL sales to January 2023		**12.9%**
Bought-in gross margin	Margin improved due to higher commission rates on low margin product ranges (+0.3%) and the growth in sales of our higher margin wholly-owned brands (+0.1%).	+0.4%
Markdown	Surplus stock levels were down -18% versus last year, and clearance rates were up +3%.	+1.0%
Warehouse & distribution	Inflationary cost increases reduced margin.	- 0.3%
Marketing & photography	Digital marketing and photography costs grew faster than sales.	- 0.2%
Technology	Increased spend in technology (software development and maintenance) along with higher depreciation, reduced margin.	- 0.2%
Staff incentives & central costs	Higher staff incentive costs and investment in product teams to support future growth in wholly-owned brands and licensing.	- 0.8%
Net margin (after lease interest) on LABEL sales to January 2024		**12.8%**

Margin by business model

While LABEL's overall margin was broadly in line with the prior year, there were different margin movements across our different business models, as summarised below.

Margin by category	**Jan 2024**	**Jan 2023**
Third-party brands (commission)	10.6%	10.9%
Third-party brands (wholesale)	15.1%	14.4%
Total third-party brands	**12.5%**	**12.4%**
Wholly-owned brands	14.7%	15.7%
Licensing	12.0%	14.9%
Total LABEL margin	**12.8%**	**12.9%**

Third-party commission brands' margin of 10.6% was down -0.3% versus last year. We increased commission rates on low margin brands, which improved margin by +0.7%. However, this was more than offset by inflationary cost increases (wages and fuel), increasing our product teams, increased marketing activity and technology costs.

Third-party wholesale brands' margin of 15.1% increased +0.7% versus last year, largely due to lower surplus stock and higher clearance rates, which more than offset cost increases.

Wholly-owned brands' margin of 14.7% was down -1.0% versus last year. This was due to inflationary cost increases experienced throughout the Online business and higher surplus stock.

Licensing margin of 12.0% reduced by -2.9% due to investment in our product teams to support future growth and other set up costs.

FOCUS ON WHOLLY-OWNED BRANDS & LICENCES

Most of our non-NEXT branded products (wholly-owned brands, licensed brands and wholly-owned licences like MADE and Cath Kidston) are sold through LABEL in the UK and are included in the sales figures given for LABEL; but we also sell them through Online Overseas, Retail stores and wholesale. The full price sales figures shown below include *all* of the revenue streams sold throughout the Group.

WHOLLY-OWNED BRANDS

Full price sales in our wholly-owned brands grew by £33m to **£166m (+25%)** (£132m was sold through LABEL UK and the balance of £34m sold in Online Overseas, Retail and wholesale). Full price sales by brand are set out below.

Wholly-owned brands £m	Jan 2024	Jan 2023	Var %
Lipsy	90	101	- 10%
Love & Roses	44	16	+181%
Friends Like These	33	17	+90%
Total wholly-owned brands' full price sales	**166**	**133**	**+25%**

Love & Roses and **Friends Like These** are in-house brands developed by our Lipsy team. Love & Roses focus on garments with bold colour combinations and beautiful prints, with a focus on detail and trims in quality fabrics for both occasionwear and daywear. Friends Like These offer a feminine and fashionable clothing and footwear range, at affordable prices. Both brands have become more established and have seen significant growth in the year. Of course, this growth will not be fully incremental to the Group and will have come at the expense of lost sales from other product ranges and brands, including NEXT. Lipsy's sales were down -10% on last year; we believe that last year's sales were exceptionally good and boosted by a return to shopping for dresses and occasionwear post-COVID.

LICENCES

The opportunity

Over the last few years, we have been able to leverage NEXT's product skills - sourcing, technical design, quality assurance, buying and merchandising - to deliver specialist product ranges for third-party brands. For example, children's clothes for smAllsaints; combining AllSaint's unique handwriting with our ability to develop and deliver the product. The following table shows some of the brands we are working with under licence agreements.

	Childrenswear	Home	Accessories and other
Existing	Little Bird By Jools Oliver	Laura Ashley, Lucy Tiffney	Bath & Body Works
New during 2023/24	Clarks, Reebok, Paul Smith	MADE, Jasper Conran, Nina Campbell, Cath Kidston	Preen, Lucy Tiffney
New agreements	Superdry, smAllsaints	Clarke & Clarke, French Connection, Rockett St George	Rockett St George, Cath Kidston

Under our licensing agreements, a third-party brand (the licensor) supplies NEXT (the licensee) with design inspiration and branding. NEXT sources and purchases the stock, which is held at our risk and the licensor earns a royalty on sales. We also collaborate with third-parties who provide prints that we use on products that are designed by NEXT and we include these sales in the analysis below.

Sales performance by product category

The table below sets out the full price sales in our licensing business, through all channels (Online, Overseas, Retail and wholesale), by product category. In the year to January 2024 our licensing business generated a net margin of **12%**. This included some start-up costs and, going forward, we expect margin to increase to around 14%. Some collaborations have naturally come to the end of their agreements, resulting in sales being down -31%.

Full price sales £m	**Jan 2024**	**Jan 2023**[36]	**Var %**
Licensing:			
Childrenswear	32.7	25.7	+27%
Home	9.7	6.2	+57%
Adult Clothing and Accessories	7.8	7.1	+10%
Total licensing	**50.1**	**39.0**	**+29%**
Collaborations	16.3	23.7	- 31%
Total full price sales	**66.4**	**62.6**	**+6%**

ACQUIRING INTELLECTUAL PROPERTY - WHOLLY OWNED LICENCES

In the last 18 months, NEXT acquired the brand name, domain name and intellectual property of **Cath Kidston** and **MADE**. We operate these brands as independent *licensing businesses* within the Group and their management teams focus on delivering inspirational and original ***design***, alongside the development of relationships with licensees (e.g. eyewear, beauty products), who can deliver their products to markets in the UK and overseas. Where appropriate, other NEXT Group departments will act as the licensee (e.g., NEXT children's clothing using Cath Kidston prints). These licensing businesses operate with their own leadership teams, incentive schemes and P&L, with the licence royalty revenues generated being attributed to the business along with its design and marketing costs.

We are budgeting to achieve total turnover from these two brands of around **£20m** in the year ending January 2025.

MADE

Our MADE website launched earlier this year (MADE.com). In addition, we have opened a dedicated showroom in Leeds (Redbrick Mill) as well as adding dedicated retail space in our Sheffield NEXT Home store.

In the year ahead we are planning to expand our product ranges with a focus on furniture and lighting. We will be investing more on targeted marketing campaigns with the aim of growing and reactivating the MADE customer base.

Cath Kidston

We are in the process of re-establishing the Cath Kidston brand and developing a core product offering. We launched a small range of products in autumn 2023 (bags and home textiles), with plans to offer a more significant product range by autumn/winter 2024 focusing on accessories and childrenswear. We are developing distinctive collaborations with third-party licensees with a focus on hand painted prints and storytelling (e.g. Miffy, Paddington). The Cath Kidston brand has a strong identity internationally and we are focusing on rebuilding the presence of the brand in a number of markets, particularly in Southeast Asia.

[36] For January 2023, £11m of sales previously reported as licensing have been recategorised under collaborations (£9m) and wholly-owned brands (£2m).

NEXT FINANCE

HEADLINES

- Interest income was up +7% versus last year.
- Underlying profit (before prior year one-offs and the cost of funding) was up +6%.
- Customer payment rates and default rates were both 0.1% better than last year.
- Net profit of £163m was down -4%, due to a higher cost of funding charge (see note 5) and prior year one-off benefits in bad debt not being repeated this year (see note 3).

FINANCE PROFIT & LOSS SUMMARY

£m		Jan 2024	Jan 2023	Var %
Credit sales[37]		*2,027*	*2,035*	*- 0%*
Average customer receivables	*note 1*	*1,223*	*1,179*	*+4%*
Interest income	*note 2*	293	274	+7%
Bad debt charge (underlying)	*note 3*	(32)	(32)	- 0%
Overheads	*note 4*	(49)	(43)	+14%
Profit before one-offs and cost of funding		**211**	**199**	**+6%**
Bad debt charge one-offs	*note 3*	0	6	
Profit before cost of funding		**211**	**205**	**+3%**
Cost of funding	*note 5*	(48)	(34)	+39%
Profit after cost of funding		**163**	**171**	**- 4%**
ROCE (after cost of funding)		13.4%	14.5%	
Closing customer receivables		1,270	1,255	+1%

The following paragraphs give further explanation of the year-on-year variances in each line of the Finance P&L.

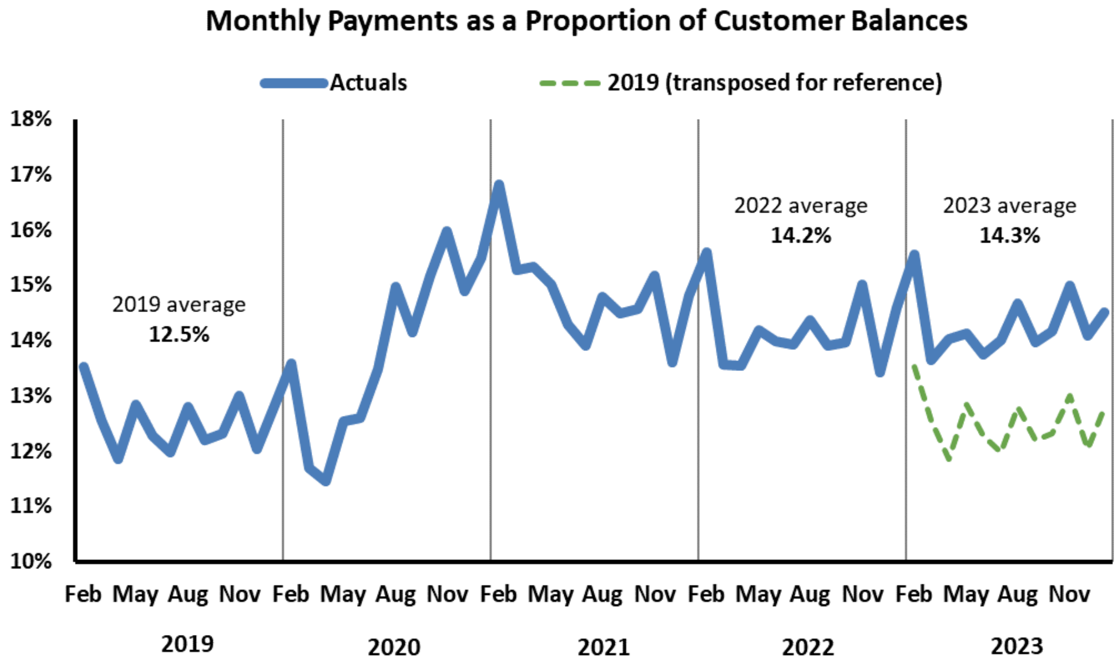
[37] Credit sales include Online sales and Retail sales paid with a NEXT credit account plus interest income.

Note 1 Customer receivables

We started the year with customer receivables up +8% on last year, as customers had rebuilt their balances over the previous 12 months, following the pandemic. In the year, our average customer receivables balance was up +4% versus last year and closed the year at +1%.

Continued resilience of customers' payments

The graph below shows the percentage of customer balances being paid each month since 2019 (pre-COVID). As shown, payment rates continue to be ahead of pre-COVID levels, and 0.1% ahead of last year on average.



Note 2 Interest income

Interest income was up +7%. This was higher than the increase in the average customer receivables balance due to a 1% increase in next**pay** APR from the end of March 2023[38].

Note 3 Bad debt charge and default rates

Bad debt charge

The underlying bad debt charge of £32m was flat compared with last year, in line with credit sales. Last year benefited from two one-off items totalling £6m: (1) a £4m provision release (mainly COVID-related) and (2) a £2m insolvency debt sale[39].

Default rates in context

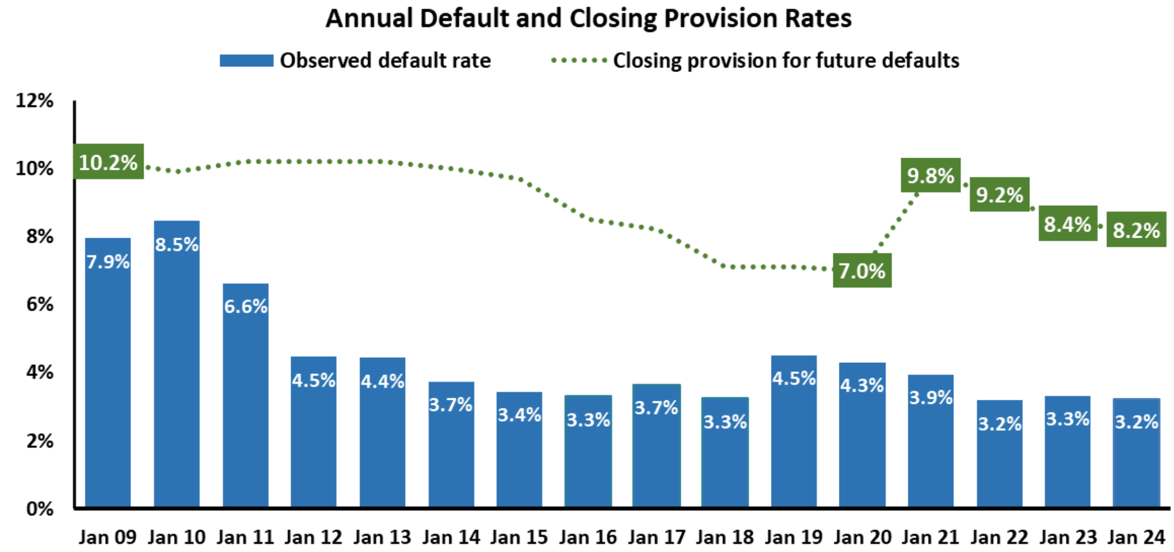
The following chart shows:

- Observed annualised default rates[40] since 2009 (blue bars).
- The closing rate of provision for future defaults (green dotted line), which remains above our current default rates and makes allowance for a material deterioration in defaults.
- The default rate in the year of 3.2% is 0.1% lower than last year and portfolio risk indicators remain stable.

[38] next**pay** APR increased by 1% to 24.9% for new customers recruited from January 2023 and for existing customers from the end of March 2023.

[39] The sale of insolvent debt is carried out periodically, according to the value of available debt to sell; typically, this is not annually.

[40] Defaults are net of expected recoveries and presented as a percentage of the average customer receivables balance.



Note 4 Overheads

Overheads were up +14%, due to increased spending on technology and inflationary cost increases.

Note 5 Cost of Funding

The cost of funding recharge increased by +£13m versus last year; £1m of this increase was due to the increase in average receivables and £12m was due to the effect of the increase in our external cost of borrowing on our calculated internal recharge.

The funding for the Finance business is provided by the NEXT Group[41], which made an additional profit of £5m from this lending. This is because average Group borrowings of £824m were *lower* than average lending of £1,039m to the Finance business, as explained in the table below.

Group lending to NEXT Finance £m	**Jan 2024**	**Jan 2023**	**Variance**
Average Group external borrowing (for reference)	*824*	*859*	*(34)*
Average NEXT Finance borrowing (for reference)	*1,039*	*1,002*	*37*
Group underlying net external interest rate	*4.6%*	*3.4%*	*+1.2%*
Interest charged by Group to NEXT Finance	(48)	(34)	(13)
Underlying net external interest cost for Group	(38)	(29)	(8)
Group profit on its lending to NEXT Finance	**10**	**5**	**5**

OUTLOOK FOR THE FULL YEAR TO JANUARY 2025

For the year ahead, we anticipate that NEXT Finance will generate profits of around **£170m**, up +4% versus last year. We are forecasting that the customer receivables balance at the year end will be **£1.27bn**, in line with last year.

[41] We assume that the Group funds 85% of the Finance business's receivables, with the balance being funded by the Finance business's notional equity.

TOTAL PLATFORM: SERVICES AND INVESTMENTS

Overview

We consider Total Platform (TP) as two related but separate businesses: a ***service** business* and an ***investment** business,* each with its own P&L and returns ratios. Each business is analysed individually in the following sections.

The contribution that TP is making to Group profit is now becoming more meaningful, at **£43m** (including interest)[42] in the year ending January 2024, and **£77m** forecast in the year ahead, which would be around 8% of Group profit. Growth in TP has come through the addition of new clients, the development of new TP services and further acquisitions of third-party brands.

In the last year we have launched **three new TP clients** (JoJo Maman Bébé, Joules and MADE), taking our total number of clients to seven. We have also developed a new category of TP service, **Total Enterprise Platform** (see page 26).

New **investments** in the last year were as follows:

- In September 2023 we increased our equity stake in **Reiss**, by 21% to **72%.**
- In October 2023 we acquired a **97%** equity stake in **FatFace**. We expect to launch FatFace on Total Platform in September 2024.

Full details of all of our TP clients and third-party equity investments are given in Appendix 4 on page 72.

Financial summary of both businesses combined

The combined profit from Total Platform services and investments was **£42.8m,** up +63% on last year and £7.1m ahead of the guidance[43] given in September. The over-achievement against our guidance was mainly due to the acquisition of FatFace in October, which generated £6.5m of additional equity profit. It should be noted that there was not a corresponding increase in Group profit as £3.2m of non-trading set up costs were incurred, which are reported within other Group costs (see page 56).

Profit £m	**Jan 2024**	**Jan 2023**	**Var %**
Total Platform services	10.5	5.4	+94%
Total Platform investments[42]	32.3	21.1	+53%
Total profit continuing clients	**42.8**	**26.5**	**+61%**
Profit from discontinued clients[44]	-	(0.3)	
Total profit	**42.8**	**26.2**	**+63%**

In the year ahead we anticipate total TP profits of **£77m** (£14m from TP services and £63m from TP investments). The increase in forecast profit is driven mainly by (1) recent acquisitions (Reiss and FatFace) and (2) expected improvement in Joules following the actions taken to reduce costs and improve profitability.

[42] Profit includes preference share and loan interest from TP investments, which is reported in the Interest line of the Group P&L (£4.4m in January 2024 and £5.5m in January 2023).
Profit from investments is now stated excluding brand amortisation; January 2023 has been restated (previously reported as £16.8m) to exclude £4.3m of brand amortisation.

[43] Guidance given in September's Half Year Results was £28.0m, *including* the cost of brand amortisation. The equivalent figure *excluding* brand-amortisation was £35.7m.

[44] In the last year two of our lowest turnover clients transitioned away from TP because their turnover was not suited to Total Platform.

TOTAL PLATFORM SERVICES BUSINESS

The table below sets out sales, profits and margins for this year and last year, for continuing clients only. In the prior year, income from discontinued clients was £4.5m and they made a loss of -£0.3m.

Total Platform services £m	Jan 2024	Jan 2023	Var %
(A) Client online sales[45] (GTV)	148.5	110.3	+35%
(B) Commission income on clients' GTV	30.3	21.2	+43%
(C) Income from cost-plus services inc. TEP	13.3	7.7	+74%
(D) Recharges for services at cost	8.8	7.6	+15%
(E) Total Platform income (accounting)	**52.4**	**36.5**	**+44%**
(F) Total Platform profit from services	**10.5**	**5.4**	**+94%**
(G) Total Platform profit as a % of income = F / E	*20.0%*	*14.8%*	
(H) Total Platform profit as a % of clients' sales = F / (A + C)	*6.5%*	*4.6%*	

Total Platform services income

Total income in the year increased by **+44%** to **£52.4m**. This growth is predominantly driven by the launch of new TP clients during the year plus the full year effect of the TP clients who launched part way through the prior year.

Total Platform services margins

We analyse margins in two ways:

(1) Profit as a percentage of our income, and

(2) Profit as a percentage of our clients' sales (online sales plus income from cost-plus services).

Profit as a percentage of our clients' sales rose from **4.6%** to **6.5%**, which is in line with our target margin**.**

Guidance for Total Platform Services in the Year Ahead

We expect TP Services to deliver around **£14m** of profit for the full year which equates to around **6%** of our clients' sales. This growth is driven by the full year effect of clients who launched during the year ended January 2024 and FatFace which will launch in September 2024.

[45] Note to Analysts - this figure only includes the *online* sales going through our TP websites. This differs from Note 1 of the Financial Statements, which reports revenue from subsidiaries (Reiss, Joules and FatFace only), through *all* of their outlets (retail stores, websites, third-parties and wholesale).

TOTAL PLATFORM INVESTMENTS[46]

Performance in the year

Investment profit increased from **£21.1m** in the prior year to **£32.3m**. This year's profit includes a **-£5.7m** trading loss from Joules, against which we have taken extensive actions to improve the business going forward. The large growth in Reiss's full year profit was driven by our increased stakes taken in May 2022 and September 2023.

In the year ahead we are forecasting equity profit will increase to **£63m**, driven by (1) the full year effect of our investments in Reiss and FatFace and (2) reduced trading losses in Joules following the cost saving actions taken.

				Ownership %		
Profit from investments £m	**Jan 2025 (e)**	**Jan 2024**	**Jan 2023**	**Jan 2025**	**Jan 2024[47]**	**Jan 2023**
Reiss	37.6	24.1	15.3	72%	58%	37%
FatFace	14.9	6.5	-	97%	28%	
Joules	0.0	(5.7)	(2.8)	74%	74%	12%
Other investments	10.5	7.4	8.6			
Total investments	**63.0**	**32.3**	**21.1**			

Note to Analysts on subsidiaries' profit reported at Companies House

Please note that profits previously reported by our subsidiaries, and recorded at Companies House, cannot be directly translated into their reported profit given here. This disparity is for a number of reasons:

(1) Results included in the NEXT Group accounts are *after* adjustments made to the fair value of the balance sheet at the date we acquired our stake.

(2) Results in the NEXT Group accounts will include the elimination of any intercompany trade and related profit. Such profits will correctly remain in the local entity accounts.

(3) Accounting policies in the local accounts may differ from those in the NEXT consolidated accounts. For example, Reiss accounts are prepared under UK accounting standards (not International) and therefore they, correctly, do not apply IFRS 16 lease accounting in their local accounts.

(4) The accounting period covered in the local accounts may not always align to the NEXT reporting period. For example, FatFace previously had a May year end.

These differences are common in Group situations where companies have been acquired. The underlying cash generated by the business is not impacted by this.

Profit guidance for equity investments in the year to January 2025

Please note that profits in both Reiss and FatFace are weighted towards the Christmas period and in 2023/24 we already held a 72% and 97% share of these profits respectively during this period. Estimates for 2024/25 should therefore not be calculated on the basis of pro-rating 2023/24's profit for our higher equity stake. In addition, in 2024/25 we will not see the same fair value accounting charges that were made during 2023/24.

[46] Please note, brand amortisation costs are now *excluded* from TP equity profit for Jan 2023 and Jan 2024. (See Appendix 2 on page 70). The guidance and prior year figures given in our Half Year Results in September *included* the cost of brand amortisation. Profit figures for each investment have been restated.

[47] This is the weighted average ownership during the year ending January 2024, consisting of 51% to 22 September 2023 and 72% thereafter for Reiss, and 97% ownership of FatFace from 13 October 2023.

Return on Investments

The table below summarises our capital employed, cash returns and return on capital employed (ROCE) for 2023/24. The **total ROCE achieved was 25%,** including Total Platform services, and **21% on our equity investments** alone; both representing a very healthy return on capital.

A full explanation of how our ROCE is calculated is given below the table.

	Capital employed £m				Cash profit before tax £m			Return on capital	
Investment	**Invested**	**Recovered**	**TP**	**TOTAL**	**Equity**	**TP**	**TOTAL**	**Equity**	**TOTAL**
	A	B	C	D	E	F	G	= E/(A + B)	= G/D
TOTAL	**213.8**	**(20.3)**	**24.0**	**217.5**	**40.4**	**13.1**	**53.5**	**21%**	**25%**

Capital employed consists of:

(A) Capital invested[48] in equity plus debt, *less*

(B) Capital recovered, is the cumulative post-tax profit (excluding brand amortisation costs) earned from the equity investment to January 2023, which is a proxy for cash returned as at the beginning of 2023/24. In addition, it includes the *cash cost* of TP integration costs[49] for Joules and FatFace during 2023/24.

(C) The TP capex required to provide Total Platform services.

Cash profit before tax consists of:

(E) Equity profit before tax (excluding brand amortisation) plus interest received, for the year to January 2024.

(F) TP profit *before* tax and depreciation for the year to January 2024.

Note on equity cash profit before tax

To derive our overall **cash** profit before tax of £40.4m two adjustments, totalling £8.1m, are added to the profit before tax figure of £32.3m reported on the previous page:

(1) Fair value accounting charges (non-cash) are added back (+£6.9m)

(2) A tax charge is added back, where profit was reported on a post-tax basis (i.e. minority shareholdings) (+£1.2m).

Return on capital employed (ROCE) is the cash profit before tax, divided into the capital employed. A ROCE is shown for the equity investment alone, and the overall investment including TP.

[48] Capital invested is weighted for our period of ownership during 2023/24. For Reiss, this was 51% to 22 September 2023 and 72% thereafter. For FatFace, we had 97% ownership from 13 October 2023.

[49] £10.3m of non-recurring *cash* costs for TP integration in Joules and FatFace are reported in Group central costs in the P&L. Please note, the total P&L charge of £12.3m reported on page 56 (£9.1m Joules and £3.2m FatFace) includes *non-cash* charges such as accelerated depreciation.

OTHER BUSINESS ACTIVITIES

The profits and losses in the year from other business activities, including our other Group trading companies and non-trading activities, are summarised below along with our estimates for the year ahead. Non-recurring items that are material are shown separately. Significant changes in profit are explained below the table.

£m	Jan 2025 (e)	Jan 2024	Jan 2023
Central costs and other	(48.2)	(50.5)	(41.9)
NEXT Sourcing (NS)	31.0	27.4	33.1
Franchise and wholesale	8.0	5.8	7.0
Total underlying profit/(loss)	**(9.2)**	**(17.3)**	**(1.8)**
Non-recurring central items			
Joules' non-trading costs	-	(9.1)	-
FatFace non-trading costs	(6.0)	(3.2)	-
Property transaction profit	-	1.7	14.2
Property provisions	-	-	22.8
Foreign exchange	4.7	12.3	(16.3)
Accelerated acquisition costs	-	-	(5.4)
Total non-recurring items	**(1.3)**	**1.7**	**15.3**
Total profit/(loss)	**(10.5)**	**(15.6)**	**13.5**

Central Costs

Central costs of £50.5m were £8.6m higher than last year, mainly due to increased share option costs.

NEXT Sourcing (NS)

The majority of NS income and costs are denominated in Dollars (or linked currencies). The table below sets out NS's sales and profit for the first half in Dollars and Pounds. The exchange rate used is the average market rate of exchange during the year.

NS sales were down -7% due to lower NEXT purchases, partly driven by the reduction in NEXT surplus stock. Net margin reduced to 5.6%, due to: (1) fixed costs that did not reduce with sales, (2) inflationary cost increases in staff costs and travel.

	US Dollars $m			Pounds £m		
	Jan 2024	Jan 2023		Jan 2024	Jan 2023	
Sales (mainly inter-company)	607.0	655.9	- 7%	485.6	533.3	- 9%
Operating profit	34.2	40.7	- 16%	27.4	33.1	- 17%
Net margin	5.6%	6.2%		5.6%	6.2%	
Exchange rate				1.25	1.23	

In the year ahead, we expect NS sales to increase by around +10%, due to a combination of: (1) increased NEXT purchases, and (2) foreign currency gains. Based on this sales estimate, we expect profit to be around **£31m**.

Franchise and Wholesale

Profit reduced by £1.2m to £5.8m, due to (1) lower franchise sales in the Middle East and (2) the closure of our franchise operations in Japan, New Zealand and Greece.

In the year ahead we expect total profit from Franchise and Wholesale to increase to around **£8m.** The increase in expected profit is mainly due to agreements with new international partners (including Nordstrom in the US), as described in more detail on page 15.

Non-Recurring Items

Joules' non-trading[50] costs

We incurred £9.1m of non-recurring, non-trading costs relating to Joules when we accelerated our plans to move Joules onto NEXT's 'Total Enterprise Platform' (TEP). This incurred costs such as:

- Non-cash write-offs from accelerating the depreciation of assets.
- Redundancy costs.
- Dual running certain operations during the transition to TEP.
- Termination costs of third-party contracts which are no longer required under TEP.

In the year ahead, the move to TEP is expected to deliver cost savings of around £4m.

FatFace non-trading costs

In October 2023 we acquired a 97% equity stake in FatFace and we plan to launch FatFace on Total Platform in September 2024. In 2023/24, as part of this transition, the Group incurred £3.2m of non-trading costs, which include redundancy provisions and termination of third-party contracts that will no longer be required under TP. In the year ahead we anticipate a further £6m of non-trading, non-recurring costs.

Property profit and provisions

Profit of £1.7m came from the sale of land in Rotherham. Prior year profit of £14.2m came from two warehouse sale and leaseback transactions; one of which related to the transaction completed in 2020/21 and the other being our Elmsall 3 warehouse, which was completed last year.

There was no change in property provisions in the year to January 2024. In the prior year, there was a £22.8m credit, because some of the store provisions made during COVID were no longer required due to better than expected sales performance when stores reopened.

Foreign exchange (FX)

We enter into FX contracts, some of which cannot be accounted for under Hedge Accounting due to their structure. Gains and losses on the valuation of these contracts outstanding at a year end are recognised in the P&L, as set out below. We anticipate that the £4.7m loss seen in 2023/24 will reverse in 2024/25.

Foreign exchange gains/(losses) £m	Jan 2025 (e)	Jan 2024	Jan 2023
FX contracts placed in 2021/22	-	-	0.7
FX contracts placed in 2022/23	-	17.0	(17.0)
FX contracts placed in 2023/24	4.7	(4.7)	-
Total	**4.7**	**12.3**	**(16.3)**

[50] Please note that the *trading* losses from Joules are reported within Total Platform (see page 54).

INTEREST, TAX, PENSIONS AND ESG

INTEREST

The interest charge in the P&L is made up of four categories, as set out below.

£m	Jan 2025 (e)	Jan 2024	Jan 2023
Net external interest	(33.0)	(35.3)	(30.3)
Lease interest	(48.0)	(46.7)	(47.3)
Reiss Preference share interest	0.0	3.2	4.8
Total Platform loan interest income	1.2	1.2	0.7
Total interest	**(79.8)**	**(77.6)**	**(72.1)**

Net External Interest

The net external interest charge of £35.3m was £5.0m higher than last year, due to the higher interest rates payable on our floating rate instruments. In the year ahead, we anticipate external interest costs to reduce to £33m, due to lower interest rates and lower net debt.

Lease Interest Costs

Lease interest of £46.7m was £0.6m lower than last year. We have seen a reduction in the lease interest cost in our Retail business as our lease liabilities for stores fall, however this reduction was partially offset in our Online business, where costs have increased due to the new Elmsall 3 Online warehouse lease.

Reiss Preference Share Interest

Reiss preference shares were acquired as part of our equity investment. The shares accrued interest at a rate of 8% per annum, giving a benefit of £3.2m in 2023/24. As part of the transaction completed at the end of September 2023, which increased our stake from 51% to 72%, a restructure in equity was agreed meaning there will be no further preference share income.

Total Platform Loan Interest Income

We have loan agreements with six of our equity investments, with £1.2m of interest generated in 2023/24.

TAX

Our effective tax rate (ETR) in 2023/24 was 23.6%. This is lower than the UK headline rate of 24% (24% being the blended rate of 19% for February and March, and 25% from April 2023 onwards) as set out below. In the year ahead we expect an ETR of 24.7%.

	Jan 2025 (e)	Jan 2024
Headline UK Corporation Tax rate	25.0%	24.0%
Overseas tax	- 0.2%	- 0.3%
Equity profit, which has already been taxed	- 0.2%	- 0.2%
Non-deductible costs (e.g. acquisition fees)	+0.1%	+0.1%
ETR	**24.7%**	**23.6%**

PENSION SCHEME

On the IFRS accounting basis, the valuation of our defined benefit schemes' surplus was £59.3m (January 2023: £157.5m). In January 2024 £50m of the plan's accounting surplus was used to fund the purchase of an insurance contract, which safeguards all future pension payments (a 'buy-in'). The remaining £48m reduction was mainly due to a change in actuarial assumptions. Further detail is provided in Note 7 of the financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

We continue to make good progress on our key areas of focus. Below we have provided some examples of the projects that we have undertaken during the year.

Protecting Workers in our Supply Chain

Supporting Children and Young Workers

Our supply chain touches some vulnerable communities including migrant workers. Supporting the children in those communities to receive an education is key to building resilience and avoiding the risk of child labour. As part of a gender empowerment programme in Morocco we have supported 19 child literacy and education sessions.

In Northern India we continue to work with a local non-profit organisation which holds in-person sessions with workers and their families, including mentoring and counselling for vulnerable individuals. They also help those families access healthcare and education. Over 250 students have received tuition on a variety of topics including vocational skills, computing, self-defence, nutrition and health.

Grievance Mechanisms

Key in protecting workers is giving them a mechanism to report any concerns. We have supported the implementation of a grievance App which has an agreed formal process to deal with any concerns raised. Grievance mechanisms have now been introduced into some of our factories in Pakistan, South India and Myanmar with a broader roll out in those territories and UAE planned for early 2024.

Building Safety

We identified that a number of the factories we use in Turkey had extended their facilities to respond to the increased demand during COVID without obtaining full building safety certification and sign off. We commissioned engineers to assess the structural safety of 31 such factories, to ensure the buildings remained safe and where any unsatisfactory findings were reported we ensured that the required remediation work was undertaken.

Responsible Sourcing

We continue to make good progress towards our targets set in 2018 for achievement by 2025. We have already met our target in respect of feathers and expect to meet the target for cotton (our largest material by weight) and timber as originally planned. Although significant progress has been made in responsibly sourcing man-made cellulosic fibres, wool and polyester, we have amended our targets slightly in respect of those materials due to fibre availability in the market and quality issues. By way of example, we use polyester extensively for upholstery in our Home products. Sourcing polyester that is both responsible and compliant with fire retardant obligations has proven to be more challenging than we had expected. We will continue to push towards those targets and publish annual updates on our progress in the Corporate Responsibility Report.

Supporting Workers Health and Mental Wellbeing

We have made the Digicare+ App available to our UK workforce, giving them access to a multitude of health and wellbeing tools and medical advice. Our Mental Wellbeing Charter encourages an environment where mental health is discussed openly, without stigma or fear of discrimination. We have a network of over 165 trained Mental Health First Aiders in all divisions to support colleagues and direct them to the available resources.

PART SIX
CASH FLOW, SHAREHOLDER RETURNS, NET DEBT & FINANCING

CASH FLOW

In the year to January 2024 we generated **£684m** of surplus cash. Surplus cash is defined as cash *after* deducting interest, tax, capital expenditure (including property stock) and growth in customer receivables, but *before* investments and distributions to shareholders. The table below sets out a summarised cash flow forecast for the year, along with last year and our forecast for the year ahead.

Net debt (excluding lease debt) reduced by £97m to £700m. For further details on individual cash flow movements please see the page references given in the table.

In the year ahead, based on the profit guidance given on page 32, we expect to generate **£615m** of surplus cash before investments and distributions. We are currently planning for net debt to reduce by a further £75m. This reduction, along with the £97m reduction in net debt in the 2023/24 year, will contribute towards the potential repayment of a £250m bond that matures in August 2025, should we decide not to refinance (see page 65).

£m		**Jan 2025 (e)**	**Jan 2024**	**Jan 2023**[51]
NEXT Group profit before tax (including brand amortisation)		941	908	870
Brand amortisation		19	10	4
NEXT Group profit before tax (excluding brand amortisation)		**960**	**918**	**875**
Depreciation/impairment on plant, property and equipment, and amortisation of software		138	128	110
Capital expenditure	(see page 62)	(165)	(167)	(206)
Tax paid		(215)	(191)	(151)
Employee share option trust (ESOT)	(see page 61)	(76)	(19)	(89)
Working capital/other	(see page 61)	(27)	44	(140)
Trading cash flow		**615**	**713**	**398**
Customer receivables		-	(16)	(92)
Property stock		-	(14)	53
Surplus cash before investments and distributions		**615**	**684**	**359**
Investments in third-party brands	(see page 61)	-	(161)	(91)
Ordinary dividends	(see page 64)	(252)	(248)	(237)
Share buybacks	(see page 64)	(288)	(177)	(228)
Net cash flow		**75**	**97**	**(197)**
Closing net debt (excluding lease debt)		**(625)**	**(700)**	**(797)**

[51] Please note that working capital previously reported in January 2023's Year End Results (£225m) included the £4m of brand amortisation and £89m from ESOT, which are now both shown on individual rows in this table.

ESOT

Cash flow movements (purchases and exercises) in the ESOT are set out below.

£m	Jan 2025 (e)	Jan 2024	Jan 2023
Share purchases	(136)	(116)	(124)
Share options exercised	60	98	35
Net cash flow	**(76)**	**(19)**	**(89)**

In the year to January 2024 there was a net outflow of £19m as the value of shares purchased, to hedge our share options, exceeded the cash received on exercises. The value of exercises, at £98m, was particularly high as the options granted during 2020 matured in 2023 at a time when the share price was significantly higher than the original grant price.

In contrast, we anticipate lower exercises in the year ahead, because the share options due to mature were originally granted at a price far closer to the current share price.

WORKING CAPITAL

Working capital in the year was an inflow of £44m. This is mainly due to staff incentives (£46m), which were accrued in the P&L in the year ending January 2024, but will not be paid until April 2024.

Last year's unusually high working capital outflow of £140m was explained in detail in our Year End Report in March 2023 (page 56). This included larger than normal outflows into debtors (£65m), stock (£23m) and staff incentives, which were awarded in relation to the prior year but paid during 2022/23 (£44m).

In the year ahead we are forecasting a net outflow of £27m, which is mainly the result of staff incentives being paid (a reversal of the inflow observed in 2023/24). We are expecting other working capital balances to move largely in line with the underlying growth in the business.

INVESTMENTS IN THIRD-PARTY BRANDS

Investments in the year totalled £161m, as summarised below. Please note the acquisition of FatFace was funded partly by cash (£58m) and partly through the issue of 745,912 NEXT plc shares (£53m). Details of last year's investments were given in our Year End Report in March 2023 (page 57).

£m		Jan 2024	Jan 2023
Reiss	*(This year, acquisition of shares from Warburg Pincus)*	(97)	(45)
Reiss dividend received		-	15
FatFace	*(97% equity stake)*	(58)	-
Cath Kidston	*(Brand name, domain names and intellectual property)*	(9)	-
Joules (equity and loan)		-	(29)
Joules head office		-	(7)
JoJo Maman Bébé	*(Deferred consideration)*	(1)	(16)
Swoon		-	(4)
MADE		-	(3)
Sealskinz		-	(2)
Victoria's Secret dividend received		3	-
Total investments		**(161)**	**(91)**

CAPITAL EXPENDITURE

The table below sets out our capital expenditure for this year and our forecast for the year ahead, by category of spend. For comparison, last year is also shown.

£m	Jan 2025 (e)	Jan 2024	Jan 2023
Warehouse	60	62	117
Technology	53	49	53
Total warehouse and technology	**113**	**111**	**170**
Retail space expansion	22	8	8
Retail cosmetic/maintenance capex	12	33	26
Total Retail expenditure	**34**	**41**	**34**
Head office infrastructure and other	**6**	**9**	**2**
Other Group subsidiaries	**12**	**7**	**0**
Total capital expenditure	**165**	**167**	**206**

Warehousing

Warehouse spend, at £62m in the year to January 2024, includes automation projects in Elmsall 3, the extension of our palletised warehouse in Dearne Valley and the refit of our returns operation for hanging garments.

Expenditure was lower than last year as spend on the Elmsall 3 project has begun to slow as it approaches completion. For further details and commentary on our investment in warehousing, see 'Focus on Warehousing' on page 20 of this report.

Technology

In the year, we spent £49m of capital modernising and upgrading our systems technology (£42m on software and £7m on hardware). In the year ahead we expect this to increase to around £53m. Expenditure by category is set out below, alongside last year for comparison and our guidance for the year ahead.

For further details and commentary on our investment in technology, see 'Focus on Technology' on page 22.

Technology capital expenditure by category (£m)	Jan 2025 (e)	Jan 2024	Jan 2023
Modernisation projects	24	23	20
Total Platform, LABEL and warehouse projects	6	6	10
Security and head office department projects	4	3	5
Small development projects	11	9	3
Hardware	9	7	15
Total Technology capital expenditure	**53**	**49**	**53**

Retail stores
Capital expenditure on Retail space expansion was £8m, in line with last year. Cosmetic and maintenance spend was £33m compared to £26m last year. Expenditure on cosmetic refits remains focused on those stores where we have extended the lease. This year's maintenance spend has increased by £7m mainly due to investment in new air conditioning infrastructure and LED lighting.

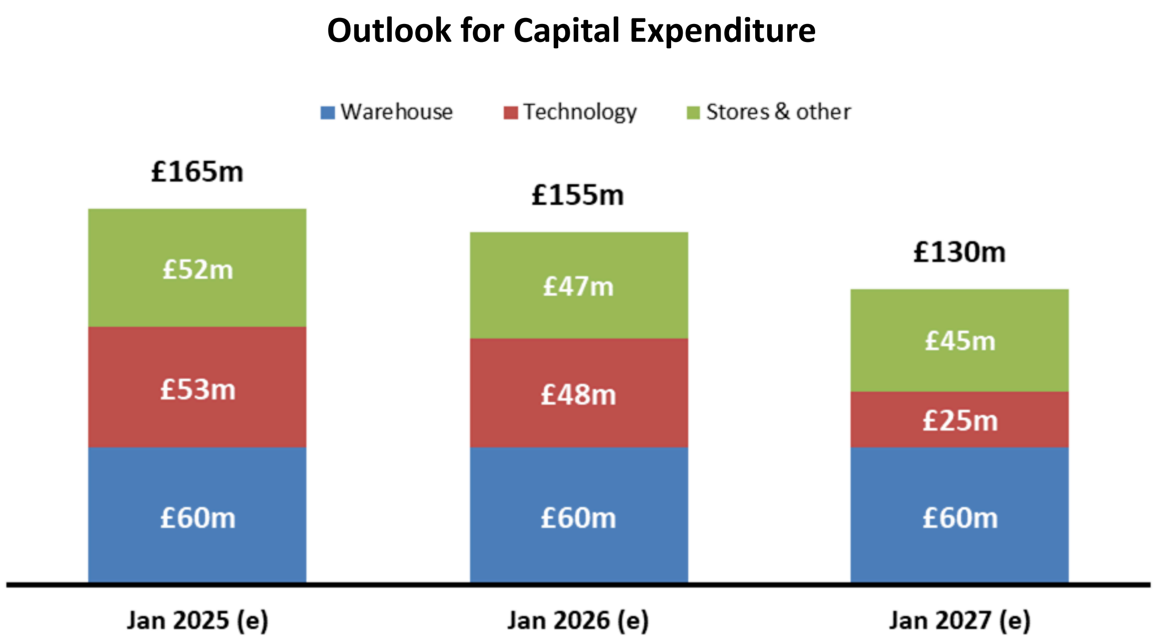
In the year ahead, spend on new space is expected to increase to £22m due to three new store openings. One of these is a large store, where we are relocating from an existing unit in a regional shopping centre to a much larger site.

Head office infrastructure and other
Capex on head office infrastructure increased by £7m to £9m. Most of this increase relates to a new photo studio, which was relocated from one of our distribution centres to a new bespoke standalone facility in December 2023. This has increased our studio capacity, reduced costs, and will allow more of our photography to be completed in-house.

In the year ahead, expenditure is expected to be £6m. Projects include the redevelopment of some of our Head Office facilities, upgrades to our recycling centre and the relocation of our call centre.

Other Group subsidiaries
In the year ahead, expenditure for all subsidiaries is estimated at £12m. The increase versus the prior year spend of £7m is due to the consolidation of Reiss and FatFace in NEXT's accounts for the full year; in the prior year only their capital spend between October and January was consolidated.

OUTLOOK FOR CAPITAL EXPENDITURE
The chart below shows our forecast capital spend by category, for the year ahead and our early estimate of what we anticipate spending in the following two years.



DIVIDENDS & SHAREHOLDER RETURNS

The Company remains committed to returning surplus cash to shareholders if it cannot be profitably invested in our business activities. Surplus cash (after deducting interest, tax, capital expenditure, investments or acquisitions and ordinary dividends) will be returned to shareholders by way of share buybacks or special dividends. Any share buybacks would be subject to achieving a minimum 8% equivalent rate of return (ERR). As a reminder, ERR is calculated by dividing (1) anticipated NEXT Group pre-tax profits by (2) the current market capitalisation[52].

Shareholder returns in 2023/24

Ordinary dividends

An ordinary dividend of 140p was paid on 1 August 2023 (with a total value of £168.4m) and an interim dividend of 66p, in respect of the year to January 2024, was paid on 3 January 2024 (with a total value of £80m).

The Board has proposed a final ordinary dividend of 141p, to be paid on 1 August 2024, taking the total ordinary dividends for the year to 207p. This is subject to approval by shareholders at the Annual General Meeting to be held on 16 May 2024. Shares will trade ex-dividend from 4 July 2024 and the record date will be 5 July 2024.

Share buybacks and share issue

In 2023/24 we purchased 2.6m shares at an average share price of £68.60, totalling £177.3m. This reduced the number of shares in issue by 2.0% since the January 2023 year end and represents an ERR of 11%; ahead of our buyback hurdle of 8%.

In addition, we issued 745,912 of 10p ordinary shares in October 2023 at £71.61 per share (total value £53.4m). These shares were issued as part consideration for the acquisition of FatFace.

Outlook for shareholder returns in 2024/25

Ordinary dividends

Based on achieving our profit guidance of £960m, we currently expect to return £258m to shareholders by way of ordinary dividend. This represents 36% of our forecast post-tax profit and dividend cover of 2.8 times. As is our normal practice, we intend to pay an interim dividend in January 2025 and the final dividend in August 2025.

Share buybacks

For the purpose of this guidance we have assumed that, after paying ordinary dividends, we will return £288m of surplus cash to shareholders by way of share buybacks, although this figure will reduce if we make further equity investments. We estimate that these buybacks, along with those in the last year, will boost pre-tax EPS in 2024/25 by 1.7%.

[52] Market capitalisation is calculated based on shares in circulation, so excludes shares in the NEXT ESOT.

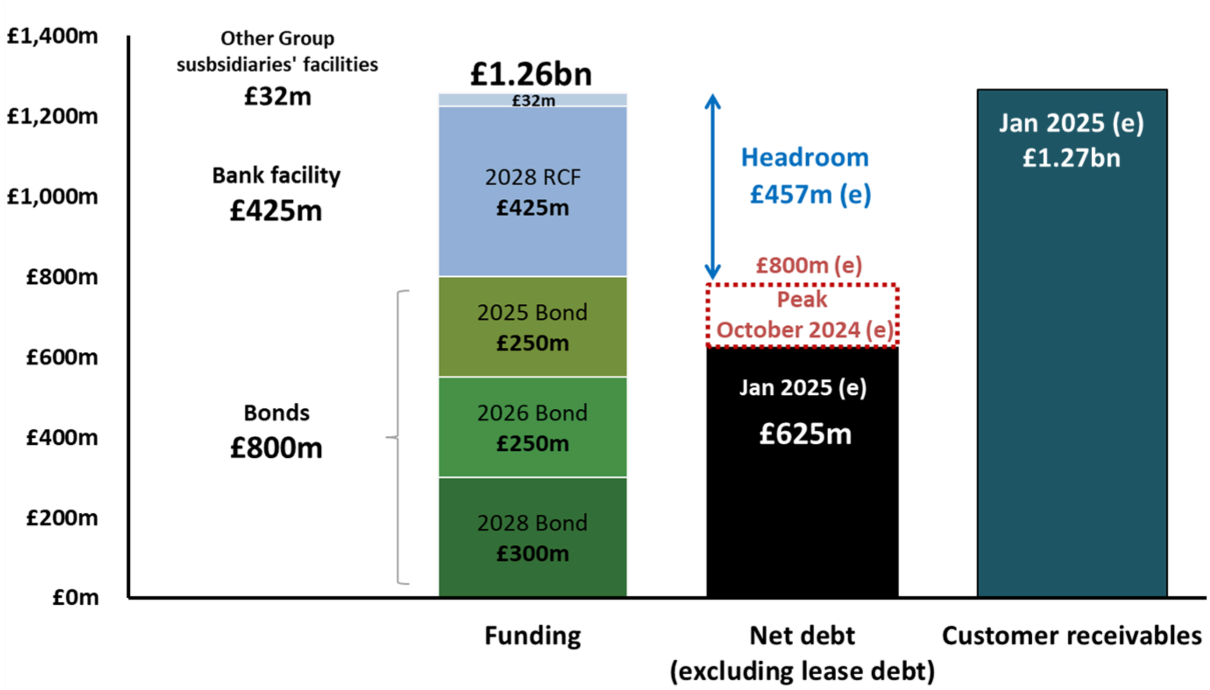
NET DEBT, BOND AND BANK FACILITIES

For the year ending January 2025, the Group's bond and bank facilities will total £1,257m[53].

Based on our cash flow guidance for the year ahead, we believe that our net debt will peak in October 2024 at around £800m, leaving headroom of £457m; comfortably within our bond and bank facilities of £1,257m. We estimate that we will end the year with net debt (excluding lease debt) of around £625m.

The chart below sets out the Group's bond and bank facilities. For context, our forecast for customer receivables at January 2025 is £1.27bn, significantly higher than the value of our net debt.

Group Financing, Net Debt and Headroom 2024/25 (e)



Anticipating the maturity of our August 2025 Bond

The £97m reduction in net debt in 2023/24, along with the anticipated £75m reduction in the year ahead, result in a total reduction in net debt of £172m. This means that if we retain a further £78m the following year (i.e. year ending January 2026), we will not have to refinance the £250m bond due in August 2025. This gives us the flexibility to avoid the bond market if long term corporate interest rates remain at their current (high) level.

[53] NEXT's facilities total £1,225m and Group subsidiaries have facilities totalling £32m.

FIRST QUARTER TRADING UPDATE

Our first quarter Trading Statement will cover the thirteen weeks to Saturday 27 April 2024 and is scheduled for Wednesday 1 May 2024.

Lord Wolfson of Aspley Guise
Chief Executive
21 March 2024

APPENDIX 1
RECONCILIATION TO STATUTORY RESULTS

OVERVIEW

The financial information presented in pages 2 to 66 is used by management in assessing business performance. It is also the financial information used to inform business decisions and investment appraisals. Some of these financial metrics and performance measures are not prepared on a full IFRS statutory accounting basis. It is common for these performance measures to be called 'Alternative Performance Measures' (APMs).

An explanation of the APMs used by the business is provided in the glossary at the end of the Financial Statements.

Reconciliations between Total Group sales and statutory revenue, and NEXT Group profit before tax and statutory profit before tax were given on pages 28 and 29 respectively.

In this appendix we provide a reconciliation between our APMs and their statutory equivalents for the following:

1. NEXT Group EPS and statutory EPS.
2. Capital expenditure.
3. Cash flow presented in the CEO Review and the statutory cash flow statement.

1. STATUTORY EPS

The EPS calculation on NEXT Group profit before tax, and its statutory equivalent are summarised below.

NEXT Group profit (£m) and EPS (pence) (APM)	**Jan 2024**	**Jan 2023**
NEXT Group profit before tax	**918.2**	**874.7**
Tax	(216.4)	(158.8)
NEXT Group profit after tax	**701.8**	**715.9**
Average number of shares (millions)	121.3	124.1
Earnings Per Share (EPS)	**578.8p**	**576.8p**

Statutory profit (£m) and EPS (pence)	**Jan 2024**	**Jan 2023**
Statutory profit before tax	**1,015.8**	**869.3**
Remove non-controlling interests	1.2	1.1
Statutory tax	(214.7)	(158.7)
Statutory profit after tax attributable to NEXT	**802.3**	**711.7**
Average number of shares (millions)	121.3	124.1
Earnings Per Share (EPS)	**661.6p**	**573.4p**

The statutory tax value of £214.7m is calculated as being the £215.3m tax charge in the statutory income statement less the tax on the non-controlling interests of £0.6m (see difference between the profit before tax of £1.2m non-controlling interest and the £1.8m shown on face of the statutory income statement which is the post-tax equivalent).

2. CAPITAL EXPENDITURE

Capital expenditure in the cash flow presented in the CEO Review is presented based on the internal operational view of capital expenditure. From a statutory viewpoint, there are some differences which are reconciled below.

£m	Jan 2024
Capital expenditure per CEO Review	167
Add Cath Kidston (acquiring intellectual property)	9
Add property build costs	23
Add Waltham land purchase	14
Less capital accruals	(24)
Capital expenditure per statutory reporting	**188**

The Cath Kidston expenditure is included under investments in third-parties in the CEO Review while the property build and Waltham land purchase, being non-operational capital expenditure, are shown within the "Property stock" section of the cash flow in the CEO Review.

3. STATUTORY CASH FLOW

The cash flow statement presented in the CEO Review is consistent with the cash flow statement used by management in its decision-making processes and internal reporting. It is this view of the cash flows, and in particular the 'Surplus Cash' line, that informs decision making on distributions. However, this approach, while used by management, is not consistent with the presentation of cash flows on a statutory basis.

In this section we provide a walk forward from Surplus Cash presented in the CEO Review cash flow to 'net cash from operating activities' in the statutory cash flow. The overall total cash flow is the same - the difference is limited to presentation.

The statutory cash flow is split into three main sections:

- *Operating activities:* cash flows primarily derived from our revenue-producing activities.
- *Investing activities:* cash flows that result in the recognition of an asset in the balance sheet (i.e. capex or investing in another company).
- *Financing activities:* cash flows that result from financing - issue of shares, share buybacks, issue of bonds, interest payments/receipts, dividends and leases.

	Note	£m
Trading cash flow	1	**713**
Adjust to get to NEXT Group PBT	2	70
Capital expenditure	3	167
Purchase of shares by ESOT	4	116
Disposal of shares by ESOT	4	(98)
Customer receivables	5	(16)
Lease payments (net of incentives)	6	156
Working capital and other	7	12
Net cash from operating activities - per statutory cash flow	8	**1,120**

Note 1: As per the cash flow statement on page 60 of the CEO Review, cash from trading activities was £713m for the year to January 2024.

Note 2: The cash flow in the CEO Review starts with the NEXT Group profit before tax of £918m, which is after interest costs of £81m and removes both the non-controlling interests from subsidiaries (Joules, Reiss and FatFace) of £1m and brand amortisation of £10m. This differs from the statutory cash flow statement, which starts its cash flow statement with "operating profit" of £988m.

Note 3: Management includes the capital expenditure (capex) which it considers to be part of its trading activity and deducts this capex when calculating surplus cash. In the statutory cash flow, all capex is included within investing activity and hence not part of operating cash flows. Therefore the capex of £167m in the CEO Review has been added back in the bridge above.

Note 4: Surplus cash is recognised after the purchase and disposal of shares in the ESOT. In contrast they are classified as financing activity in the statutory cash flow.

Note 5: The customer receivables cash movement relates to the next**pay** and next**3step** receivables balance. For management purposes, movements in this balance are excluded from surplus cash. In contrast, this is included within operating cash flow for statutory reporting.

Note 6: The cash flows associated with our leases, which are predominantly store related, are considered by management to be an integral part of our trading cash flows and hence are included in the calculation of surplus cash. From a statutory perspective, lease cash flows are included in financing activity (as a lease is deemed a form of debt).

Note 7: The remaining difference relates to immaterial movements on working capital and other items such as the equity profit from our investments.

Note 8: This value of £1,120m can be reconciled to the line "Net cash from operating activities" in the statutory cash flow statement.

APPENDIX 2
NOTE FOR ANALYSTS ON THE TREATMENT OF BRAND AMORTISATION

The explanation below was given in our January Trading Statement and is repeated here for clarity.

As NEXT acquires new businesses, the accounting effect of amortising the value of acquired brands[54] will increasingly understate the underlying profitability of the Group. Amortisation is a non-cash accounting adjustment similar to depreciation; accounting standards require that the value of brands is amortised over their life. In the case of FatFace and Reiss we are amortising the brand over 15 and 25 years respectively. This amortisation assumes that the value of these brands will drop to zero over the amortisation period; in reality it is more likely that they will *increase* in value than fall to zero.

By way of example: If NEXT plc was acquired, at its current market value, by a shell company that issued new shares in exchange for the company's current shares then, under statutory reporting, the acquiring company would then add the brand to the balance sheet and amortise it over the 'life' of the asset. A conservative accounting approach would result in a life of, say, 25 years, which would result in an annual amortisation charge of around £370m. So, despite having exactly the same cash flow, assets and debt as the existing company, the new company's reported profit would be around 40% lower than prior to the transaction - clearly not a true representation of the company's value.

So from 2024/25 we will adopt the accounting convention used by many acquisitive Groups, and report our 'headline profits' excluding brand amortisation costs. In addition, to ensure that comparisons to the current year are consistent, we will also re-state the current year's headline profits to exclude brand amortisation.

Re-stated brand profits and EPS

The table below sets out the impact of removing brand amortisation from our actual headline profits in 2022/23, 2023/24 and our guidance for 2024/25.

	2022/23	**2023/24**	**2024/25 (e)**
NEXT Group profit before tax (including brand amortisation)	£870.4m	£908.4m	£941.4m
Add back brand amortisation	+£4.3m	+£9.8m	+£18.6m
NEXT Group profit before tax (excluding brand amortisation)	**£874.7m**	**£918.2m**	**£960.0m**
Year on year growth		*+5.0%*	*+4.6%*
Pre-tax EPS (excluding brand amortisation)	**704.8p**	**757.2p**	**805.2p**
Year on year growth		*+7.4%*	*+6.3%*
Post-tax EPS (excluding brand amortisation)	**576.8p**	**578.8p**	**606.3p**
Year on year growth		*+0.3%*	*+4.8%*

[54] Acquired brands is used to describe the brand and any other related intangible assets acquired in the business.

APPENDIX 3
REPORTING OF SUBSIDIARIES' SALES AND PROFITS

The explanation below was given in our January Trading Statement and is repeated here for clarity.

Reporting the headline PROFITS of subsidiaries in which we have a part share

As NEXT begins to acquire new businesses the question arises as to how we report the sales and profits from companies in which we own a part share. Accounting standards require our statutory accounts to consolidate the sales and profits of companies in which we have a controlling interest, but in the case of part ownership that means that we would start to include in our headline numbers, profit that our shareholders do not "own". The answer, we believe, is to report *our share* of our subsidiaries' profits; so if we own 50% of the business we will include 50% of its profits in our headline number.

In summary: We will include our share of subsidiary profits in our headline profit number for the Group.

Reporting the headline SALES of subsidiaries in which we have a part share

Until now we have not included the sales of subsidiary companies in our headline sales number. So far that has not been a problem, as they have not been material. As we acquire more businesses the risk is that we overstate the headline net margins of the Group by including our share of their profits but exclude all of their sales.

To address this problem, going forward, we will adopt the same convention for sales as we have done for profits. So if we own 50% of a company we will report 50% of its profits and 50% of its sales in our headline numbers (subject to the qualification below). By maintaining the proportion of sales *and* profits in line with our ownership we give a more accurate picture of our profit and net margins.

In summary: We will include our share of subsidiary sales in our headline sales number for the Group.

ISSUE: Avoiding the double counting of LABEL sales

Historically we have always included LABEL sales within our headline sales number, whether goods are sold on a wholesale or commission basis[55] and we will continue with this convention going forward. However, a subsidiary company's sales on LABEL will also be reported within *their* sales numbers. So if we include our share of their sales in our headline sales, including their LABEL sales, we will double count our share of their LABEL sales.

To avoid this problem, we will exclude subsidiaries' LABEL sales from their sales *before* accounting for our share of their sales. So if we own 50% of a subsidiary that turns over £100m, of which £20m are LABEL sales, then we will add 50% of £80m (i.e. £100m - £20m) to our headline sales number. On the same logic, we will also deduct the value of Total Platform commission and revenue from cost-plus services from their sales.

In summary: We will deduct subsidiary sales on LABEL before accounting for our share of their sales.

[55] As previously explained, the gross transaction value of LABEL items sold on commission are not *statutory* sales but are included in our headline numbers.

APPENDIX 4
TOTAL PLATFORM CLIENTS AND EQUITY INVESTMENTS

Our Total Platform clients and investments in third-party brands are shown in the tables below.

Client	Equity interest or investment	TP launch date	Sales channels supported
Laura Ashley	Licence to trade in UK and Eire	Mar 2021	Online and retail
Victoria's Secret (UK and Eire)	51% share in UK and Eire franchise	May 2021	Online and retail
Reiss	72% equity share	Feb 2022	Online, retail and wholesale
GAP	51% share in UK JV with GAP coalition	Aug 2022	Online and retail
JoJo Maman Bébé	44% share in partnership with Davidson Kempner	May 2023	Online, retail and wholesale
MADE	100% acquisition of brand name, domain name and intellectual property	July 2023	Online and retail
Joules	74% share in partnership with Tom Joule	Oct 2023	Online, retail and wholesale
FatFace	97% equity share	Q3 2024	Online, retail and wholesale

Other investments in brands not on Total Platform

Brand	Equity interest or investment
Swoon	25% share
Sealskinz	19.9% share
Aubin	28.9% share
Cath Kidston	100% acquisition of brand name, domain name and intellectual property

In March 2023, we acquired the brand name, domain names and intellectual property of Cath Kidston. We have decided not to develop a separate website until we have rebuilt the brand in the UK. Cath Kidston products will be available on the NEXT website.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	**52 weeks to 27 January 2024 £m**	52 weeks to 28 January 2023 £m
Continuing operations			
Revenue (including credit account interest)	2, 3	**5,491.0**	5,034.0
Cost of sales		**(3,034.5)**	(2,827.7)
Impairment losses on customer and other receivables		**(36.0)**	(31.0)
Gross profit		**2,420.5**	2,175.3
Distribution costs		**(794.1)**	(750.0)
Administrative expenses		**(657.7)**	(481.8)
Other gains / (losses)		**12.3**	(16.3)
Trading profit		**981.0**	927.2
Share of results of associates and joint ventures		**6.9**	14.3
Operating profit		**987.9**	941.5
Gain on Reiss transaction - exceptional item	4	**108.6**	-
Finance income		**6.8**	5.7
Finance costs		**(87.5)**	(77.9)
Profit before taxation		**1,015.8**	869.3
Taxation		**(215.3)**	(158.6)
Profit for the year		**800.5**	710.7
Profit attributable to:			
- Equity holders of the Parent Company		**802.3**	711.7
- Non-controlling interests		**(1.8)**	(1.0)
		800.5	710.7

Earnings Per Share (Note 5)	**52 weeks to 27 January 2024**	52 weeks to 28 January 2023
Basic	**661.6p**	573.4p
Diluted	**655.9p**	570.5p

The Notes 1 to 19 are an integral part of these unaudited consolidated financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	52 weeks to 27 January 2024 £m	52 weeks to 28 January 2023 £m
Profit for the period	**800.5**	710.7
Other comprehensive income and expenses:		
Items that will not be reclassified to profit or loss		
Actuarial (loss)/gain on defined benefit pension scheme	**(103.6)**	0.6
Tax relating to items which will not be reclassified	**25.9**	(0.1)
Subtotal items that will not be reclassified	**(77.7)**	0.5
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(3.8)**	1.2
Foreign currency cash flow hedges:		
- fair value movements	**1.7**	79.2
Cost of hedging		
- fair value movements	**(0.9)**	(0.4)
Tax relating to items which may be reclassified	**(0.2)**	(19.7)
Subtotal items that may be reclassified	**(3.2)**	60.3
Other comprehensive income for the period	**(80.9)**	60.8
Total comprehensive income for the period	**719.6**	771.5

Total comprehensive income attributable to:		
- Equity holders of the Parent Company	**721.4**	772.5
- Non-controlling interests	**(1.8)**	(1.0)
	719.6	771.5

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	**27 January 2024 £m**	28 January 2023 £m
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**687.5**	644.8
Intangible assets		**757.2**	137.1
Right-of-use assets	14	**734.6**	662.0
Associates, joint ventures and other investments	15	**38.0**	114.6
Defined benefit pension asset	7	**59.3**	157.5
Deferred tax assets		**-**	33.3
		2,276.6	1,749.3
Current assets			
Inventories		**769.0**	662.2
Customer and other receivables	9	**1,452.8**	1,425.5
Right of return asset		**30.7**	32.7
Other financial assets	8	**6.9**	9.1
Cash and short term deposits		**188.3**	105.0
		2,447.7	2,234.5
Total assets		**4,724.3**	3,983.8
Current liabilities			
Bank loans and overdrafts		**(58.7)**	(102.3)
Trade payables and other liabilities	10	**(991.8)**	(791.1)
Lease liabilities	14	**(167.8)**	(146.2)
Other financial liabilities	8	**(18.8)**	(40.8)
Current tax liabilities		**(8.6)**	(12.9)
		(1,245.7)	(1,093.3)
Non-current liabilities			
Bank loans and overdrafts		**(29.5)**	-
Corporate bonds	11	**(790.8)**	(790.7)
Provisions		**(52.4)**	(33.8)
Lease liabilities	14	**(869.9)**	(877.1)
Other financial liabilities	8	**(37.4)**	(9.5)
Other liabilities		**(11.7)**	(14.3)
Deferred tax liabilities		**(48.1)**	-
		(1,839.8)	(1,725.4)
Total liabilities		**(3,085.5)**	(2,818.7)
NET ASSETS		**1,638.8**	1,165.1
TOTAL EQUITY		**1,638.8**	1,165.1

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Parent Company											
	Share capital £m	Share premium account £m	Capital redemption reserve £m	ESOT reserve £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Foreign currency translation £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 29 January 2022	**13.3**	**0.9**	**16.6**	**(331.7)**	**27.9**	**0.7**	**(4.9)**	**(1,443.8)**	**2,731.0**	**1,010.0**	**-**	**1,010.0**
Profit for the period	-	-	-	-	-	-	-	-	711.7	**711.7**	(1.0)	**710.7**
Other comprehensive income/(expense) for the period	-	-	-	-	59.4	(0.3)	1.2	-	0.5	**60.8**	-	**60.8**
Total comprehensive income/(expense) for the period	-	-	-	-	59.4	(0.3)	1.2	-	712.2	**772.5**	(1.0)	**771.5**
Share buybacks and commitments	(0.4)	-	0.4	-	-	-	-	-	(224.0)	**(224.0)**	-	**(224.0)**
ESOT share purchases	-	-	-	(124.0)	-	-	-	-	-	**(124.0)**	-	**(124.0)**
Shares issued by ESOT	-	-	-	59.0	-	-	-	-	(18.2)	**40.8**	-	**40.8**
Share option charge	-	-	-	-	-	-	-	-	24.3	**24.3**	-	**24.3**
Reclassified to cost of inventory	-	-	-	-	(128.7)	-	-	-	-	**(128.7)**	-	**(128.7)**
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	**-**	5.6	**5.6**
Gain on disposal of investment	-	-	-	-	-	-	-	-	0.8	**0.8**	-	**0.8**
Tax recognised directly in equity	-	-	-	-	30.1	-	-	-	(4.2)	**25.9**	-	**25.9**
Equity dividends	-	-	-	-	-	-	-	-	(237.1)	**(237.1)**	-	**(237.1)**
At 28 January 2023	**12.9**	**0.9**	**17.0**	**(396.7)**	**(11.3)**	**0.4**	**(3.7)**	**(1,443.8)**	**2,984.8**	**1,160.5**	**4.6**	**1,165.1**
Profit for the period	-	-	-	-	-	-	-	-	802.3	**802.3**	(1.8)	**800.5**
Other comprehensive income/(expense) for the period	-	-	-	-	1.3	(0.7)	(3.8)	-	(77.7)	**(80.9)**	-	**(80.9)**
Total comprehensive income/(expense) for the period	-	-	-	-	1.3	(0.7)	(3.8)	-	724.6	**721.4**	(1.8)	**719.6**
Shares issued in the year	0.1	53.3	-	-	-	-	-	-	-	**53.4**	-	**53.4**
Share buybacks and commitments	(0.3)	-	0.3	-	-	-	-	-	(177.3)	**(177.3)**	-	**(177.3)**
ESOT share purchases	-	-	-	(116.3)	-	-	-	-	-	**(116.3)**	-	**(116.3)**
Shares issued by ESOT	-	-	-	125.7	-	-	-	-	(31.7)	**94.0**	-	**94.0**
Share option charge	-	-	-	-	-	-	-	-	31.9	**31.9**	-	**31.9**
Reclassified to cost of inventory	-	-	-	-	7.1	-	-	-	-	**7.1**	-	**7.1**
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	**-**	124.1	**124.1**
Fair value origination on put options	-	-	-	-	-	-	-	-	(26.1)	**(26.1)**	-	**(26.1)**
Tax recognised directly in equity	-	-	-	-	(1.8)	-	-	-	13.4	**11.6**	-	**11.6**
Equity dividends	-	-	-	-	-	-	-	-	(248.3)	**(248.3)**	-	**(248.3)**
At 27 January 2024	**12.7**	**54.2**	**17.3**	**(387.3)**	**(4.7)**	**(0.3)**	**(7.5)**	**(1,443.8)**	**3,271.3**	**1,511.9**	**126.9**	**1,638.8**

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	52 weeks to 27 January 2024 £m	52 weeks to 28 January 2023 £m
Cash generated from operations (Note 17)	**1,313.6**	950.3
Corporation taxes paid	**(193.3)**	(151.5)
Net cash from operating activities	**1,120.3**	798.8
Cash flows from investing activities		
Additions to property, plant and equipment	**(160.9)**	(207.1)
Movement in capital accruals	**23.9**	2.0
Payments to acquire property, plant and equipment	**(137.0)**	(205.1)
Proceeds from sale of property, plant and equipment	**2.0**	-
Proceeds from sale and leaseback transactions	**3.3**	41.7
Purchase of intangible assets	**(51.2)**	(41.0)
Amounts repaid to associates and joint ventures	**-**	11.3
Disposal of other investment	**-**	1.8
Investment in subsidiaries	**(153.2)**	(28.8)
Investment in associates and joint ventures	**(0.9)**	(64.7)
Acquisition of other investments	**-**	(1.9)
Dividend from jointly controlled entity	**2.6**	9.8
Disposal of preference shares in jointly controlled entity	**-**	5.5
Net cash from investing activities	**(334.4)**	(271.4)
Cash flows from financing activities		
Repurchase of own shares	**(177.3)**	(228.5)
Purchase of shares by ESOT	**(116.3)**	(124.0)
Disposal of shares by ESOT	**97.8**	34.3
Repayment of loan	**(2.5)**	-
Incentives received for leases within the scope of IFRS 16	**-**	0.1
Lease payments	**(156.1)**	(157.1)
Interest paid (including lease interest)	**(79.2)**	(74.1)
Interest received	**-**	0.3
Proceeds from sale and leaseback transactions	**18.6**	59.3
Dividends paid (Note 6)	**(248.3)**	(237.4)
Net cash from financing activities	**(663.3)**	(727.1)
Net increase / (decrease) in cash and cash equivalents	**122.6**	(199.7)
Opening cash and cash equivalents	**2.7**	199.9
Effect of exchange rate fluctuations on cash held	**(1.0)**	2.5
Closing cash and cash equivalents	**124.3**	2.7

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The results for the financial period are for the 52 weeks to 27 January 2024 (last year 52 weeks to 28 January 2023).

The condensed consolidated financial statements for the period ended 27 January 2024 have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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 28 January 2023 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.

In addition to the accounting policies already included in the statutory accounts for the year to 28 January 2023, the Group has also applied the following policies for the year to 27 January 2024:

Exceptional items

For the financial period ended 27 January 2024, the Group has used the term ‘exceptional items’. The Group exercises judgement in assessing whether items should be classified as exceptional items. This assessment covers the nature of the item, cause of occurrence and scale of impact of that item on the reported performance. In determining whether an item should be presented as exceptional items, the Group considers items which are significant because of either their size or their nature. In order for an item to be presented as exceptional items, it should typically meet at least one of the following criteria:

- It is unusual in nature or outside the normal course of business and significant in value.
- Items directly incurred as a result of either a significant acquisition or a divestment, or arising from a major business change or restructuring programme which of itself has significant impact on the Income Statement.

The separate reporting of items, which are presented as exceptional items within the relevant category in the Consolidated Income Statement, helps provide an indication of the Group’s trading performance in the normal course of business. It is also consistent with how management has assessed performance in the period.

1. Basis of preparation (continued)

New accounting standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the condensed consolidated financial statements are the same as those set out in the Group's annual financial statements for the 52 weeks ended 27 January 2024 other than for the interpretations and amendments noted below:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
- Definition of Accounting Estimates - Amendments to IAS 8
- International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) - application of the exception and disclosure of that fact
- International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) - other disclosure requirements

The application of these new interpretations and amendments did not have a material impact on the financial statements.

Going concern

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities including the Group's principal risks and uncertainties. The Board also considered the Group's current cash position, the repayment profile of its obligations, its financial covenants and the resilience of its 12 month cash flow forecasts to a series of severe but plausible downside scenarios such as further enforced store closures. Having considered these factors, the Board is satisfied that the Group has adequate resources to continue in operational existence and therefore it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the 52 weeks ended 27 January 2024.

2. Segmental analysis

The Group's operating segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Group Chief Executive, with support from the Board. The performance of operating segments is assessed on operating profit, excluding equity-settled share option charges recognised under IFRS 2 "Share-based payment", central costs and unrealised gains or losses on derivatives which do not qualify for hedge accounting.

The Property Management segment holds properties and property leases which are recharged to other segments and external parties. The Franchise, Sourcing and other segment (previously called "International Retail, Sourcing and other") comprises franchise and our sourcing business. International online sales are included in the NEXT Online segment. Total Platform represents the sales, profit and related assets from the Total Platform business which includes Joules, Reiss and FatFace alongside our equity investments. The profits disclosed in this Note are all before exceptional items.

Where third-party branded goods are sold on a commission basis, only the commission receivable is included in statutory revenue. "Total NEXT sales" represents the full customer sales value of commission based sales, interest income and service income, excluding VAT. Under IFRS 15 "Revenue from contracts with customers", total sales have also been adjusted for customer delivery charges, promotional discounts, Interest Free Credit commission costs and expired gift card balances (See "Other IFRS 15 adjustments" in the table overleaf). The CODM uses the Total NEXT sales as an important metric in assessing segment performance; accordingly, this is presented below and then reconciled to the statutory revenue.

Restatement

In the prior year, Total Platform sales, as reported within "Total NEXT sales", was based on the total goods transaction value and not the statutory commission basis. For statutory reporting purposes this was adjusted so that the financial statements showed these sales as commission income in accordance with IFRS 15. This year, "Total NEXT sales" used in the CEO Review has changed so that it now shows these sales on a commission basis. Therefore no adjustment is required to show these on a statutory basis. This change is reflected in the prior year comparatives within this note. The change had no impact on statutory sales or profit.

In addition sales in the Joules segment have now been transferred and included within the Total Platform segment. These changes had no impact on Statutory revenue or statutory profit.

2. Segmental analysis (continued)

Segment sales and revenue

	52 weeks to 27 January 2024						
	Total NEXT sales excluding VAT £m	**Revenue from acquired businesses and brands* £m**	**Commission sales adjustment £m**	**Other IFRS 15 adjustments £m**	**External revenue £m**	**Internal revenue £m**	**Total segment revenue £m**
NEXT Online	**3,159.7**	**-**	**(334.6)**	**76.3**	**2,901.4**	**10.5**	**2,911.9**
NEXT Retail	**1,864.9**	**-**	**(22.5)**	**1.3**	**1,843.7**	**0.9**	**1,844.6**
NEXT Finance	**292.7**	**-**	**-**	**-**	**292.7**	**-**	**292.7**
Total NEXT Trading Sales	**5,317.3**	**-**	**(357.1)**	**77.6**	**5,037.8**	**11.4**	**5,049.2**
Total Platform	**52.5**	**308.5**	**-**	**2.8**	**363.8**	**-**	**363.8**
Property Management	**21.5**	**-**	**-**	**-**	**21.5**	**170.9**	**192.4**
Franchise, Sourcing and other	**67.9**	**-**	**-**	**-**	**67.9**	**475.9**	**543.8**
Total NEXT Sales	**5,459.2**	**308.5**	**(357.1)**	**80.4**	**5,491.0**	**658.2**	**6,149.2**
Eliminations	**-**	**-**	**-**	**-**	**-**	**(658.2)**	**(658.2)**
Total	**5,459.2**	**308.5**	**(357.1)**	**80.4**	**5,491.0**	**-**	**5,491.0**

	52 weeks to 28 January 2023 - Restated						
	Total NEXT sales excluding VAT £m	Revenue from acquired businesses and brands* £m	Commission sales adjustment £m	Other IFRS 15 adjustments £m	External revenue £m	Internal revenue £m	Total segment revenue £m
NEXT Online	3,006.6	-	(329.2)	66.2	2,743.6	0.6	2,744.2
NEXT Retail	1,865.1	-	(17.1)	1.1	1,849.1	0.4	1,849.5
NEXT Finance	274.4	-	-	-	274.4	-	274.4
Total NEXT Trading Sales	5,146.1	-	(346.3)	67.3	4,867.1	1.0	4,868.1
Total Platform	40.1	35.6	-	-	75.7	-	75.7
Property Management	18.9	-	-	-	18.9	156.1	175.0
Franchise, Sourcing and other	72.3	-	-	-	72.3	530.2	602.5
Total NEXT Sales	5,277.4	35.6	(346.3)	67.3	5,034.0	687.3	5,721.3
Eliminations	-	-	-	-	-	(687.3)	(687.3)
Total	5,277.4	35.6	(346.3)	67.3	5,034.0	-	5,034.0

* This relates to sales generated from Joules, Reiss and FatFace who retail through websites other than next.co.uk and their own store portfolio. It also includes revenue from Made.com an acquired brand which is 100% owned.

2. Segmental analysis (continued)

Segment profit

	52 weeks to 27 January 2024 £m	52 weeks to 28 January 2023 £m
NEXT Online	**517.1**	467.3
NEXT Retail	**244.7**	240.5
NEXT Finance	**163.4**	170.5
Profit from Trading	**925.2**	878.3
Total Platform [(1)]	**31.2**	15.2
Property Management	**1.7**	37.0
Franchise, Sourcing and Other [(2)]	**33.2**	28.1
Total segment profit	**991.3**	958.6
Central and other costs [(3)]	**(53.7)**	(51.5)
Recharge of interest [(4)]	**50.3**	34.4
Operating profit	**987.9**	941.5
Exceptional items	**108.6**	-
Finance income	**6.8**	5.7
Finance costs	**(87.5)**	(77.9)
Profit before tax	**1,015.8**	869.3

(1) **Total Platform** (TP) includes NEXT's share of profits from its investments in associates and joint ventures. It also includes the profits from our TP subsidiaries (Joules, FatFace and Reiss). It excludes the non recurring TP implementation costs for Joules and FatFace which, as noted below, are reported within Central and Other costs. In the prior year, the results for Joules were shown as its own segment but have now been included within Total Platform. This had no change in the profit before tax.

The Total Platform segment within the CEO Review excludes (1) the operating profit of the non controlling interest of £2.6m (2023: loss of £1.1m) and (2) brand and customer relationship amortisation (both owned brands and those included within our associate and joint venture investments) of £9.8m (2023: £4.3m).

(2) **Franchise, Sourcing and Other** includes Franchise and Wholesale of £5.8m and Sourcing of £27.4m. Note that Sourcing is shown within "Central costs, FX, Sourcing and Other" in the CEO Review Summary of Group Profit by Division. It is then analysed further within Other Business Activities within the CEO Review.

(3) **Central and other costs** include (1) Central costs and other of £18.5m (2023: £10.3m), (2) Share option charge of £31.9m (2023: £24.9m) and (3) unrealised foreign exchange gains of £12.3m (2023: loss of £16.3m). This segment also includes 100% of the non-recurring TP implementation costs associated with Joules and FatFace of £15.6m (2023: £nil) (whereas the CEO Review excludes the non controlling interest element).

(4) **Recharge of interest**: In the current year, the recharge of interest of £50.3m includes £2.5m of interest that has been reallocated to Total Platform. The remaining element is the cost of funding relating to the Finance segment.

3. Revenue

The Group's disaggregated revenue recognised under contracts with customers relates to the following categories and operating segments:

	52 weeks to 27 January 2024					
	Sale of goods £m	**Credit account interest £m**	**Royalties £m**	**Rental income £m**	**Service income £m**	**Total £m**
NEXT Online	**2,901.4**	**-**	**-**	**-**	**-**	**2,901.4**
NEXT Retail	**1,843.7**	**-**	**-**	**-**	**-**	**1,843.7**
NEXT Finance	**-**	**292.7**	**-**	**-**	**-**	**292.7**
Total Platform	**346.7**	**-**	**-**	**-**	**17.1**	**363.8**
Property Management	**-**	**-**	**-**	**21.5**	**-**	**21.5**
Franchise, Sourcing and other	**58.1**	**-**	**9.8**	**-**	**-**	**67.9**
Total	**5,149.9**	**292.7**	**9.8**	**21.5**	**17.1**	**5,491.0**

	52 weeks to 28 January 2023					
	Sale of goods £m	Credit account interest £m	Royalties £m	Rental income £m	Service income £m	Total £m
NEXT Online	2,743.6	-	-	-	-	2,743.6
NEXT Retail	1,849.1	-	-	-	-	1,849.1
NEXT Finance	-	274.4	-	-	-	274.4
Total Platform	60.2	-	-	-	15.5	75.7
Property Management	-	-	-	18.9	-	18.9
Franchise, Sourcing and other	62.3	-	10.0	-	-	72.3
Total	4,715.2	274.4	10.0	18.9	15.5	5,034.0

4. Exceptional items

	52 weeks to 27 January 2024 £m	52 weeks to 28 January 2023 £m
- Exceptional gain on acquisition of subsidiary previously presented as a joint venture (1)	**110.1**	-
- One-off costs associated with acquisitions (2)	**(1.5)**	-
Exceptional items	**108.6**	-

(1) An exceptional gain has been recognised on the step-acquisition of Reiss which equates to the fair value of our joint venture shareholding less the carrying value as at the date of the step-acquisition.
(2) These one-off costs relate to professional fees associated with the step-acquisition of Reiss.

There is no tax impact of the above items, the gain is non-taxable income and the professional fees are treated as non-deductible for tax purposes.

5. Earnings Per Share

	52 weeks to 27 January 2024	52 weeks to 28 January 2023
Basic Earnings Per Share	**661.6p**	573.4p
Basic Earnings Per Share before exceptional items	**572.0p**	573.4p
Diluted Earnings Per Share	**655.9p**	570.5p

Basic Earnings Per Share is based on the profit for the period attributable to the equity holders of the Parent Company divided by the net of the weighted average number of shares ranking for dividend less the weighted average number of shares held by the ESOT during the period. Basic Earnings Per Share before exceptional items is an APM.

Diluted Earnings Per Share is calculated by adjusting 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. Where the option price is above the average market price, the option is not dilutive and is excluded from the diluted EPS calculation. There were 2,632,665 non-dilutive share options in the current year (2023: 3,112,796).

6. Dividends

	Paid	Pence per share	Cash Flow Statement £m	Statement of Changes in Equity £m
Year to 27 January 2024				
Final ordinary dividend for the year to Jan 2023	1 Aug 2023	**140p**	**168.4**	**168.4**
Interim ordinary dividend for the year to Jan 2024	3 Jan 2024	**66p**	**79.9**	**79.9**
			248.3	**248.3**

	Paid	Pence per share	Cash Flow Statement £m	Statement of Changes in Equity* £m
Year to 28 January 2023				
Final ordinary dividend for the year to Jan 2022	1 Aug 2022	127p	156.5	156.5
Interim ordinary dividend for the year to Jan 2023	3 Jan 2023	66p	80.9	80.9
			237.4	237.4

*Dividends included within the Statement of Changes in Equity in the prior year was £237.1m which included £0.3m of dividends previously payable and which have subsequently lapsed.

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

The Board has recommended a final dividend for the year ended 27 January 2024 of 141.0p per share. If approved, it will be paid on 1 August 2024 to shareholders who are on the register of members at 5 July 2024. The proposed dividend is subject to approval by shareholders at the Annual General Meeting to be held on 16 May 2024 and has not been included as a liability in the financial statements.

7. Defined benefit pension

The principal defined benefit pension scheme is the 2013 NEXT Group Pension Plan. The net defined benefit pension asset recognised in the Consolidated Balance Sheet is analysed as follows:

	2024 £m	2023 £m
Present value of benefit obligations	**(609.1)**	(623.1)
Fair value of plan assets	**668.4**	780.6
Net pension asset	**59.3**	157.5

The movement in the defined benefit pension surplus in the period is as follows:

	52 weeks to 27 January 2024 £m	52 weeks to 28 January 2023 £m
Net surplus in schemes at the beginning of the period	**157.5**	156.9
Current service cost	**(3.0)**	(6.7)
Past service cost	**(2.4)**	(1.1)
Administration costs	**(2.4)**	(2.5)
Net interest	**7.4**	3.5
Employer contributions	**5.8**	6.8
SPA Plan benefits paid	-	-
Actuarial gains and returns on plan assets	**(103.6)**	0.6
Net surplus in schemes at the end of the period	**59.3**	157.5

In January 2024, the Trustees of the 2013 Plan undertook another buy-in in respect of all remaining members of the 2013 Plan, with a premium paid of £511m. As at 27 January 2024 this buy-in policy has a value of £476m (2023: £Nil) within the pension scheme assets. Insurance assets now account for more than 90% of the overall Plan assets and provide members with enhanced security over their pension.

The main financial assumptions and actuarial valuations have been updated by independent qualified actuaries under IAS 19 "*Employee benefits*". The following financial assumptions have been used for the main scheme, the 2013 plan:

	52 weeks to 27 January 2024	52 weeks to 28 January 2023
Discount rate	**5.00%**	4.60%
Inflation - RPI	**2.95%**	3.10%
Inflation - CPI	**2.65%**	2.70%
Salary increases	**n/a**	n/a
Pension increases in payment		
- RPI with a maximum of 5.0%	**2.80%**	2.85%
- RPI with a maximum of 2.5% and discretionary increases	**1.90%**	1.85%

8. 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. All derivatives are categorised as Level 2 under the requirements of IFRS 13, as they are valued using techniques based significantly on observed market data.

9. Customer and other receivables

The following table shows the components of net receivables:

	2024 **£m**	2023 £m
Gross customer receivables	**1,550.7**	1,521.1
Less: refund liabilities	**(72.9)**	(64.2)
Net customer receivables	**1,477.8**	1,456.9
Less: allowance for expected credit losses	**(207.4)**	(202.2)
	1,270.4	1,254.7
Other trade receivables	**64.9**	42.9
Less: allowance for doubtful debts	**(2.0)**	(0.3)
	1,333.3	1,297.3

Presentation of the above, split by total receivables and allowances:

	2024 **£m**	2023 £m
Net customer receivables	**1,477.8**	1,456.9
Other trade receivables	**64.9**	42.9
	1,542.7	1,499.8
Less: allowance for expected credit losses and doubtful debts	**(209.4)**	(202.5)
	1,333.3	1,297.3
Prepayments	**63.6**	54.9
Other debtors	**43.8**	40.7
Amounts due from associates and joint ventures	**12.1**	32.6
	1,452.8	1,425.5

9. Customer and other receivables (continued)

No interest is charged on customer receivables if the statement balance is paid in full and to terms; otherwise balances bear interest at a variable annual percentage rate of 24.9% (2023: 23.9%) at the year end date, except for £72.9m (2023: £54.8m) of next**3step** balance which bears interest at 29.9% (2023: 29.9%) at the year end date.

The fair value of customer receivables and other trade receivables is approximately £1,310m (2023: £1,260m). This has been calculated based on future cash flows discounted at an appropriate rate for the risk of the debt. The fair value is within Level 3 of the fair value hierarchy.

The amount charged to the Income Statement of £36.0m (2023: £31.0m) differs to the bad debt charge of £32.2m (2023: £26.2m) in the Chief Executive's Review (page 49) due to recoveries of previously written off assets taken directly to the Income Statement.

10. Trade payables and other liabilities

	2024		2023	
	Current £m	**Non-current £m**	Current £m	Non-current £m
Trade payables	**297.1**	**-**	230.1	-
Amounts owed to associates and joint ventures	**1.1**	**-**	2.1	-
Refund liabilities	**11.1**	**-**	8.3	-
Other taxation and social security	**133.4**	**-**	95.7	-
Deferred revenue from the sale of gift cards	**99.0**	**-**	84.2	-
Share-based payment liability	**-**	**0.2**	0.2	-
Other creditors and accruals	**450.1**	**11.5**	370.5	14.3
	991.8	**11.7**	791.1	14.3

11. Corporate bonds

	Balance Sheet value		**Nominal value**	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Corporate bond 3.000% repayable 2025	**250.0**	250.0	**250.0**	250.0
Corporate bond 4.375% repayable 2026	**240.8**	240.7	**250.0**	250.0
Corporate bond 3.625% repayable 2028	**300.0**	300.0	**300.0**	300.0
	790.8	790.7	**800.0**	800.0

12. Share capital

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

	2024 Shares '000	2023 Shares '000	**2024 £m**	2023 £m
Allocated, called up and fully paid				
Ordinary shares of 10p each				
At the start of the year	**129,263**	132,772	**12.9**	13.3
Issued in the year	**746**	-	**0.1**	-
Purchased for cancellation in the year	**(2,585)**	(3,509)	**(0.3)**	(0.4)
	127,424	129,263	**12.7**	12.9

	2024		2023	
	Shares '000	**Cost £m**	Shares '000	Cost £m
Shares issued in the year	**(746)**	**(53.4)**	-	-
Shares purchased for cancellation in the year	**2,585**	**177.3**	3,509	224.0
Amount shown in Statement of Changes in Equity		**123.9**		224.0

Subsequent to the end of the financial year the Company entered into an irrevocable closed period share buyback programme and during the period from 20 February 2024 up to and including 20 March 2024 where no shares were purchased for cancellation.

13. Analysis of net debt

	January 2023 £m	Arising on acquisitions £m	Cash flow £m	Other changes £m	IFRS 16 £m	**January 2024 £m**
Cash and short term deposits	105.0	37.4	45.9	-	-	**188.3**
Overdrafts and short term borrowings	(102.3)	(36.4)	74.7	-	-	**(64.0)**
Cash and cash equivalents	2.7	1.0	120.6	-	-	**124.3**
Loan notes	-	-	-	(24.2)	-	**(24.2)**
Corporate bonds	(790.7)	-	-	(0.1)	-	**(790.8)**
Fair value hedges of corporate bonds	(9.3)	-	-	0.1	-	**(9.2)**
Net debt excluding leases	**(797.3)**	**1.0**	**120.6**	**(24.2)**	**-**	**(699.9)**
Current lease liability	(146.2)	(25.9)	-	-	4.3	**(167.8)**
Non-current lease liability	(877.1)	(58.8)	-	-	66.0	**(869.9)**
	(1,023.3)	(84.7)	-	-	70.3	**(1,037.7)**
Net debt including leases	**(1,820.6)**	**(83.7)**	**120.6**	**(24.2)**	**70.3**	**(1,737.6)**

The IFRS 16 movements represent cash movements in relation to lease payments of £204.0m, and non cash movements relating to disposals of £6.3m and FX/Others of £0.9m offset by additions of £40.1m, modifications of £52.9m, finance costs £47.9m and additions arising from acquisitions of £84.7m. See Note 14 for further details.

Interest of £32.8m was accrued and paid on the Corporate bonds and associated hedges during the year. The unpaid interest accrual of £16.4m is recognised within accruals.

14. Leases

Right-of-use assets

The right-of-use assets are comprised of:

	2024 £m	2023 £m
Buildings	**264.2**	228.0
Stores	**455.0**	420.5
Equipment	**0.7**	1.2
Vehicles	**14.7**	12.3
Total	**734.6**	662.0

The movement in the right-of-use asset is as follows:

	2024 £m	2023 £m
At the beginning of the year	**662.0**	639.1
Additions	**40.2**	58.2
Arising from acquisitions	**80.5**	-
Disposals	**(4.9)**	(4.0)
Modifications and amendments	**68.6**	41.4
Depreciation	**(117.7)**	(107.6)
Reversal of impairment	**5.9**	34.9
At the end of the year	**734.6**	662.0

Lease liability

The movement in the lease liability is as follows:

	2024 £m	2023 £m
At the beginning of the year	**(1,023.3)**	(1,057.5)
Additions	**(40.1)**	(84.2)
Arising from acquisitions	**(84.7)**	-
Modifications and amendments	**(52.9)**	(41.5)
Payments	**204.0**	204.4
Interest	**(47.9)**	(47.3)
Disposals	**6.3**	5.5
Foreign exchange movement	**0.9**	(2.7)
At the end of the year	**(1,037.7)**	(1,023.3)

15. Associates, Joint Ventures and Other Investments

	2024 £m	2023 £m
Opening balance	**114.6**	46.2
Additions	**0.9**	66.6
Retained profit	**6.9**	14.3
Interest on preference shares	**3.4**	4.8
Preference share dividend received	**-**	(9.8)
Dividend received	**(2.6)**	-
Divestment of preference shares	**-**	(5.5)
Disposal of investment	**(84.3)**	(1.0)
Amortisation and impairment in the period	**(0.9)**	(1.0)
Closing balance	**38.0**	114.6

Disposal of interest in Reiss as a Joint Venture / Acquisition of controlling interest in Reiss

On 22 September 2023, NEXT acquired a further 21% interest in the Reiss Group ("Reiss"), thus increasing our existing shareholding from 51% to 72%. As NEXT now has control over Reiss' operational and financial activities, it has been consolidated into the NEXT plc Group and therefore is presented as a disposal of our investment within this note.

16. Acquisition of subsidiary

Current period acquisitions

Reiss

In September 2023, the Group increased its shareholding in the Reiss Group ("Reiss") from 51% to 72%. In addition, due to a change in reserved rights within the Shareholder Agreement, the Group therefore has control of Reiss. Reiss' principal activity is the design and retail of high quality women's, men's and children's fashion clothing and accessories sold exclusively under the Reiss brand in the UK and overseas. Following NEXT's original equity shareholding and the Total Platform partnership, the Reiss business has grown significantly with excellent results. Through the additional shareholding, Reiss will be able to reap the infrastructural benefits of being part of a larger Group.

The amounts recognised in respect of the identifiable assets acquired are set out in the table below:

	£m
Financial assets including cash	43.3
Inventory	61.7
Property, plant and equipment, software and right-of-use assets	42.6
Identifiable intangible assets	365.9
Financial liabilities including loans and lease liabilities	(135.9)
Deferred tax liabilities	(86.6)
Total identifiable assets acquired	**291.0**
Goodwill	140.6
Non-controlling interest in 28% of Pink Holdco Limited	(120.4)
Net assets attributable to NEXT	**311.2**

Satisfied by:	
Cash	98.5
Fair value of joint venture holding	194.5
Loan note and deferred consideration	18.2
Total consideration	**311.2**

16. Acquisition of subsidiary (continued)

FatFace

In October 2023, the Group acquired 97% of the FatFace Group, a consolidated group whose principal activity is the design and retail of lifestyle clothing, footwear and accessories in the UK, Ireland and North America. Fulham Parent Limited trades under the "FatFace" brand name.

The amounts recognised in respect of the identifiable assets acquired are set out in the table below:

	£m
Financial assets including cash	28.3
Inventory	48.7
Property, plant and equipment, software and right-of-use assets	59.5
Identifiable intangible assets	78.2
Financial liabilities including loans and lease liabilities	(115.6)
Deferred tax liabilities	(13.1)
Total identifiable assets acquired	**86.0**
Goodwill	29.3
Non-controlling interest in 3% of Bridgetown Holdco Limited	(3.7)
Net assets attributable to NEXT	**111.6**

Satisfied by:	
Cash	57.6
Shares	53.4
Loan notes	0.6
Total consideration	**111.6**

17. Cash generated from operations

	52 weeks to 27 January 2024 £m	52 weeks to 28 January 2023 £m
Cash flows from operating activities		
Operating profit	**987.9**	941.5
Depreciation, reversal of impairment and (profit)/loss on disposal of property, plant and equipment	**95.7**	80.6
Depreciation and impairment reversal on right-of-use assets	**111.8**	72.7
Amortisation and impairment of intangible assets	**38.5**	12.5
Amortisation, impairment & disposals of investments	**0.8**	1.1
Share option charge	**31.9**	24.3
Share of profit of associates and joint ventures	**(6.9)**	(14.3)
Interest received	**2.8**	-
Exchange movement	**(15.5)**	(0.8)
Decrease/(increase) in inventories and right of return asset	**15.3**	(22.8)
Decrease/(increase) in customer and other receivables	**3.7**	(156.5)
Increase in trade and other payables	**47.6**	12.0
Cash generated from operations	**1,313.6**	950.3

18. Post balance sheet event

Subsequent to the year end, and following a consultation process with affected employees, the Company closed its defined benefit plan to future service accrual. Pension members who were previously accruing service will now become deferred members and their accrued pension will be revalued each year on a basis linked to inflation. As a result of this closure, it is expected that there will be a curtailment loss in the region of £20m will be recognised in the year to January 2025.

19. AGM

The Annual General Meeting will be held at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester LE19 1SW on Thursday 16 May 2024 at 9:30 am and details will be included in the Notice of Meeting which is to be sent to shareholders on 12 April 2024. The Annual Report and Accounts will also be sent to shareholders on 12 April 2024 and copies will be available from the Company's registered office: Desford Road, Enderby, Leicester, LE19 4AT and on our corporate website at nextplc.co.uk.

GLOSSARY

Alternative Performance Measures (APMs) and other non statutory finance measures

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Average active customers Those customers who have purchased products using their Online account or received a standard account statement in the last 20 weeks. Customers can be either Online credit or cash customers.	None	Active customers have a strong correlation with interest income on the Finance P&L and help drive understanding of movements in income. Reconciliation to closest equivalent statutory measure not applicable.
Average customer receivables/debtor balance The average amount of money owed by all next**pay** and next**3step** customers less any provision for bad debt. This represents the total balances we expect to recover, averaged across the relevant period. This is referred to as 'customer receivables' or 'debtor balance'.	None	Average debtor balance has a strong correlation with interest income on the Finance P&L and helps drive understanding of movements in income. It also helps to evaluate the overall health of the balance sheet for the Finance business. The average debtor balance in FY24 was £1,223m (FY23: £1,179m). The statutory accounts do not disclose the monthly debtor balance needed to calculate the average debtor balance. The year end balance is disclosed in Note 9 to the financial statements.
Bad debt charge The charge taken in relation to the performance of our customer debtor book. This consists predominantly of providing for future defaults.	Impairment losses Note 9	Measurement of the quality of the Online debtor book/customer receivables. A lower bad debt charge indicates that the quality and recoverability of the balance are higher. The bad debt charge is the total of the in-year impairment charge, less amounts recovered. In FY24 the total bad debt charge disclosed in the CEO Review was £32m (FY23: £26m). In Note 9 the total Expected Credit Loss charge was £36.0m (2023: £31.0m) with the difference relating to recoveries on previously written off assets.
Bought-in gross margin Difference between the cost of stock and the original VAT exclusive selling price, expressed as a percentage of the original VAT exclusive selling price.	None	Bought-in gross margin is a measure of the profit made on the sale of stock at full price. This is a key internal management metric for assessing category performance. Reconciliation to closest equivalent statutory measure not applicable as full price sales not a statutory metric.
Branch profitability Retail store total sales less cost of sales, payroll, controllable costs, occupancy costs and depreciation, and before allocation of central overheads. Expressed as a percentage of VAT inclusive sales. Net branch profit is a measure of the profitability on a store by store level.	None	Measurement of the Retail business profit by physical branch. Provides an indication of the performance of the store portfolio. This is based on costs which are directly attributable to the store. Therefore, it does not include costs such as central overheads which will be included in the statutory accounts. Reconciliation to closest equivalent statutory measure is therefore not applicable.

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Cost of funding - Finance An internal recharge of interest costs from the Group to the NEXT Finance business, in respect of funding costs for the Online debtor balance (customer receivable). It is calculated by applying the average Group interest rate (i.e. the external borrowing rate of the NEXT Group divided by the average NEXT Group borrowing excluding cash) to the average debtor/customer balance.	None	Used by the business to evaluate the profitability of the Finance business. There is no statutory equivalent as this is a metric specific to how the Group manages its funding and cost allocations. In the year to January 2024 this has been calculated as: Average Group interest = Interest cost/Average debt excluding cash on deposit = £37.9m/£824.2m = 4.6% Then apply 4.6% to 85% of the Average Online customer balance of £1,223m (as we assume that 85% is funded by debt). This equates to a Cost of Funding charge of £47.8m (2023: £34.4m).
Credit sales VAT exclusive sales from customers who have purchased using their NEXT credit account (next**pay** or next**3step)** inclusive of any interest income charges and delivery charges, and after deducting any applicable promotional discounts.	None	Credit sales are a direct indicator of the performance and profitability of the Finance business. Reconciliation to closest equivalent statutory measure not applicable as the statutory accounts split by business segment but not by the mechanism of customer payment.
Divisional operating profit Divisional profit before interest and tax, excluding equity-settled share option charges recognised under IFRS 2 "Share-based payment" and unrealised foreign exchange gains and losses on derivatives which do not qualify for hedge accounting.	Segment profit	A direct indicator of the performance of each division making up the total Group operating profit. A commonly used metric that provides a useful method of performance comparison across the Group. The divisional operating profits in the CEO are closely aligned to the Segment profits presented in Note 2 of the financial statements. The commentary in Note 2 explains the differences which relate primarily to how the NEXT Group Profit before tax basis is used in the CEO.
NEXT post tax earning per share A measure of the profit after tax expressed over the average number of shares.	Basic Earnings per share	Earning per share provides a measure of how much profit has been generated for each share in issue. It is a commonly used metric for listed entities. A comparison of how the NEXT post tax earning per share and its closest statutory equivalent is provided in Appendix 1 of the CEO Review.
Full price sales Total sales excluding items sold in our sale events, Total Platform sales and our Clearance operations. Full price sales include interest income on NEXT credit accounts.	Revenue – sale of goods	Full price sales are a direct indicator of the performance and profitability of the business. NEXT Trading full price sales include items sold in Retail and Online plus NEXT Finance interest income, but excludes Sale events, Clearance, Total Platform commission and the sales from subsidiaries.

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Interest income (NEXT Finance) The gross interest billed to next**pay** and next**3step** customers, before any deduction for unpaid interest on bad debt.	Revenue – credit account interest	Interest income for the Finance business is a direct indicator of the performance and profitability of the Finance business. This is presented within revenue on the face of the Income Statement and Note 3 of the financial statements as “credit account interest”.
Like-for-like sales Change in sales from Retail stores which have been open for at least one full year and not impacted by any transfer of trade from nearby store closures.	None	This metric enables the performance of the Retail stores to be measured on a consistent year-on-year basis and is a common term used in the retail industry. Reconciliation to closest equivalent statutory measure not applicable.
Net debt excluding leases Comprises cash and cash equivalents, bank loans, corporate bonds, and fair value hedges of corporate bonds but excludes lease debt. Net debt is a measure of the Group’s indebtedness.	None	This measure is a good indication of the strength of the Group’s liquidity and is widely used by credit rating agencies. Net debt excluding leases is reconciled to net debt including leases in Note 13 of the financial statements.
Net profit (NEXT Finance) The profit, including interest income and the bad debt charge, and after the allocation of central overheads and the cost of funding.	Profit before tax (for the Finance segment)	A measure of direct profitability of the Finance business. The net profit for the Finance Business is presented in Note 2 to the financial statements.
NEXT Group profit before tax	Profit before tax	NEXT profit before tax differs from the statutory profit before tax for 3 reasons: 1) Amortisation on brands and related acquired intangibles is removed from the NEXT Group profit before tax. 2) For management purposes, the non controlling interests in Joules, Reiss and FatFace are removed from the NEXT Group profit before tax. In contrast, in line with International accounting standards, the statutory profit includes 100% of the Joules, Reiss and FatFace results. 3) Exceptional items - the exceptional item in the year to January 2024 is not included in the headline “NEXT Group profit before tax”. The NEXT Group profit before tax and statutory profit before tax is reconciled in Part 4 of the CEO Review.

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
NEXT Operating profit	Operating profit	Within the CEO the NEXT Operating profit is based on the same principles and adjustments (compared to statutory operating profit) as the NEXT Group profit before tax noted above. It differs from the Statutory operating profit for 3 reasons: 1) Removal of non controlling interest 2) It excludes the effect of amortisation of acquired brands and related intangible assets 3) Within NEXT operating profit, external interest costs borne by Joules, Reiss and FatFace are allocated to those businesses. This contrasts to statutory accounting where finance costs are reported below operating profit. Note 2 provides an explanation with values for how the Operating profit on a statutory basis differs from the approach of the CEO.
Online margin NEXT operating profit for the Online business after deducting lease interest, as a percentage of the Trading sales of the Online division.	None	A measure of the profitability of the Group. A commonly used metric that can be used to compare performance to other businesses. Net margin measures whether profitability is changing at a higher or lower rate relative to revenue. The margin is based on the segmental operating profit, as disclosed in Note 2 of the financial statements, less allocation of lease interest, as a percentage of the NEXT Trading Sales for that segment. A reconciliation between Total NEXT Sales and statutory revenue is provided in Note 2 of the financial statements.
Retail margin Operating profit after deducting lease interest, as a percentage of the Trading sales of the Retail division	None	A measure of the profitability of the Group. A commonly used metric that can be used to compare performance to other businesses. Net margin measures whether profitability is changing at a higher or lower rate relative to revenue. The margin is based on the segmental operating profit, as disclosed in Note 2 of the financial statements, less allocation of lease interest, as a percentage of the NEXT Trading Sales for that segment. A reconciliation between Total NEXT Sales and statutory revenue is provided in Note 2 of the financial statements.

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Return on Capital Employed – ROCE (NEXT Finance) The NEXT Finance net profit (after the interest charge relating to the cost of funding), divided by the average debtor balance.	None	A commonly used metric that can be used to compare performance to other financial businesses. It measures the profit (i.e. return) relative to the amount of capital employed. The higher the ROCE, the greater the return for the capital employed in the business. The ROCE for NEXT Finance in the year to January 2024 was calculated by dividing the Operating profit for the segment of £163.4m by the average customer receivable balance of £1,223m. As a percentage, this is 13.4% (2023: 14.5%). The Operating profit for the segment is disclosed in Note 2 to the financial statements.
Total NEXT Sales Total NEXT Sales are a segment level measure of sales being VAT exclusive full price and markdown sales, including the full value of commission-based sales in our Online division, interest income (as described and reconciled in Note 2 of the financial statements) and the commission income and service income from our Total Platform business.	Statutory revenue	Total NEXT sales are a direct indicator of the performance and profitability of the segment. Total NEXT Sales are reconciled to Statutory revenue in Note 2 to the financial statements.
Total Trading Sales / Total Group sales Total Trading sales are the VAT exclusive aggregation of Total sales from our core trading segments of Retail, Online and Finance. Total Group sales are the aggregation of Total Sales for all of the Group segments plus revenue from investments, which are reported in proportion to our equity share of our investments For further detail see CEO Review Appendix 3.	Statutory revenue	Total Trading Sales are a direct indicator of the performance and profitability of the business from the Online, Retail and Finance business. Total Group Sales are a direct indicator of the performance and profitability of the entire business. Total Trading Sales and Total Group sales are reconciled to Statutory revenue in Note 2 to the financial statements.

This statement, the full text of the Stock Exchange announcement and the results presentation can be found on the Company's website at nextplc.co.uk. This statement has also been submitted in full unedited text to the Financial Conduct Authority's National Storage Mechanism and is available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

To view our range of exciting, beautifully designed, excellent quality clothing and homeware go to next.co.uk.

Certain statements which appear in a number of places throughout this announcement are "forward looking statements" which are all matters that are not historical facts, including anticipated financial and operational performance, business prospects and similar matters. These forward looking statements are identifiable by words such as "aim", "anticipate", "believe", "budget", "estimate", "expect", "forecast", "intend", "plan", "project" and similar expressions. These forward looking statements reflect NEXT's current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any such forward looking statements are subject to risks and uncertainties, including but not limited to those matters highlighted in 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 Online; 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.