Annual Report and Accounts

JANUARY 2015

NEXT IS A UK BASED RETAILER OFFERING EXCITING, BEAUTIFULLY DESIGNED, EXCELLENT QUALITY CLOTHING, FOOTWEAR, ACCESSORIES AND HOME PRODUCTS.

NEXT distributes through three main channels: NEXT Retail, a chain of over more than 500 stores in the UK and Eire; NEXT Directory, our home shopping division with over 4 million active customers in the UK and overseas; and NEXT International Retail, with almost 200 mainly franchised stores.

Business reports

Governance

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Parent Company accounts

Additional information

This document contains Forward Looking Statements — see the important information on page 133.

HIGHLIGHTS:

- Another year of good growth. Sales up 7% to £4.0bn and underlying growth in profit of 12.5% to £782m and in EPS of 15% to 420p.
- Strong net cash generation of £574m before dividends and share buybacks.
- Final ordinary dividend of 100p, making 150p for the year, up 16%. Remains covered 2.8 times.
- £572m returned to shareholders through a combination of ordinary dividends £211m, special dividends £223m and share buybacks £138m.
- Strategy remains focused on products, profitability and returning cash to shareholders through dividends and share buybacks.

Total Sales* +7.2%
Underlying continuing business

Jan 15	**£4.0bn**
Jan 14	£3.8bn
Jan 13	£3.6bn
Jan 12	£3.5bn
Jan 11	£3.3bn

Profit before tax +12.5%
Underlying continuing business

Jan 15	**£782m**
Jan 14	£695m
Jan 13	£622m
Jan 12	£570m
Jan 11	£543m

Earnings per share +14.7%
Underlying

Jan 15	**419.8p**
Jan 14	366.1p
Jan 13	297.7p
Jan 12	255.4p
Jan 11	221.9p

Dividends per share +16.3%
Excluding special dividends

Jan 15	**150p**
Jan 14	129p
Jan 13	105p
Jan 12	90p
Jan 11	78p

** Total Sales excludes VAT and includes the full value of commission based sales (see p. 89)*

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

The year to January 2015 was a good year for NEXT. Underlying Earnings Per Share (EPS) grew by 15% to 420p and we propose to increase our total full year ordinary dividend by 16% to 150p. This is the sixth consecutive year that our EPS and ordinary dividend have grown by 15% or more.

Sales for NEXT Directory, our online and catalogue business, increased by 12% and NEXT Retail by 5%. Total Group sales rose 7% and reached £4 billion for the first time.

Our share price rose by 14% during the year, from £62.80 to £71.50. As a result of the increase we did not buy back as many of our own shares as in previous years. Instead we returned surplus cash to shareholders through special dividends. Cash flow remained strong and we returned £572 million to shareholders through a combination of dividends (£434 million) and buybacks (£138 million). We paid another special dividend of 50 pence per share in February and have since announced a further special dividend of 60 pence, to be paid in May. We will continue to undertake buybacks but only when it would give an effective return on the cash expended of at least 8%.

Returning cash to shareholders has not been at the expense of investment in the business nor has it increased our net debt, which ended the year at the same level as last year. NEXT Retail continues to invest in new, often larger, stores. NEXT Directory continues to increase its active customer base, it now delivers to 71 countries and has a growing business in the sale of third party branded products through the LABEL. We are also increasing our warehouse capacity and improving our distribution capabilities.

We have had a number of changes to the Board. Christos Angelides left the Company in September after 28 years' service. Christos was a very able and effective Director and we wish him well in his new endeavours in the United States. David Keens, who has been with NEXT for 29 years and our Finance Director for 24 years, retires from the Board in April. David has seen many changes over that time and has been an outstanding guardian of our finances. Our financial position today is testament to his diligence and hard work. I am delighted that Amanda James, our Brand Finance Director, will succeed him on the Board.

Jonathan Dawson, our Senior Independent Director, is leaving the Board in May. Jonathan has made a major contribution as a non-executive. I would like to thank him for the wise counsel which he has given both me and the Board over the last ten years. Francis Salway will replace Jonathan as the Senior Independent and Caroline Goodall will become Chairman of the Remuneration Committee.

Finally, I am pleased that Dame Dianne Thompson has joined us as a non-executive Director. She has had a long and distinguished career with Camelot and is a good addition to our Board.

The continued success of NEXT is built on the hard work and dedication of our management team and all the people who work for NEXT. I would like to thank them all for their contribution during the year.

2015 will bring new challenges and opportunities. Our strategy will remain the same, focussed on our products, our profitability and returning cash to our shareholders.

John Barton
Chairman

CHIEF EXECUTIVE'S REVIEW

OVERVIEW

NEXT has had another good year. Overall sales increased by **7.2%** which was close to the top end of guidance we issued in March 2014. However, it was a year of two very different halves. NEXT Brand sales in the first half were exceptionally strong, up +11%, whilst the second half was relatively disappointing and up just +5%.

Growth in underlying profit before tax of £782m was up **12.5%**. This figure is flattered by 1.3% as a result of a £9m accounting profit on currency instruments, which is unlikely to recur in the year ahead. Strong cash generation enabled us to buy back 1.4% of the shares outstanding which, along with the effect of buybacks in the previous year, meant that underlying Earnings Per Share (EPS) grew by **14.7%**.

For much of the year the Company's share price was above our internal buyback price limit and we were unable to return all surplus cash through share buybacks. As a result, and in keeping with our stated intentions, we returned a further £223m to shareholders through three special dividends of 50 pence each. Ordinary dividends for the full year will increase by 16.3%, to £1.50.

SALES excluding VAT *	January 2015 £m	January 2014 £m	
NEXT Retail	**2,348.2**	2,240.5	+ 4.8%
NEXT Directory	**1,540.6**	1,373.9	+ 12.1%
NEXT BRAND	**3,888.8**	3,614.4	+ 7.6%
Other	**139.0**	143.8	
Total Sales excluding VAT	**4,027.8**	3,758.2	+ 7.2%
Statutory Revenue	**3,999.8**	3,740.0	+ 6.9%

* See pages 88 and 89 for Total Sales definition (reflected throughout the Strategic Report) and change in segment sales from previously reported.

PROFIT and EPS	January 2015 £m	January 2014 £m	
NEXT Retail	**383.8**	347.7	+ 10.4%
NEXT Directory	**376.8**	358.5	+ 5.1%
NEXT BRAND	**760.6**	706.2	+ 7.7%
Other	**51.5**	16.6	
Operating profit	**812.1**	722.8	+ 12.3%
Net interest	**(29.9)**	(27.6)	
Profit before tax – underlying	**782.2**	695.2	+ 12.5%
Exceptional disposal gains	**12.6**	–	
Taxation	**(159.9)**	(142.0)	
Profit after tax	**634.9**	553.2	+ 14.8%
EPS – underlying	**419.8p**	366.1p	+ 14.7%
Ordinary dividends per share	**150.0p**	129.0p	+ 16.3%

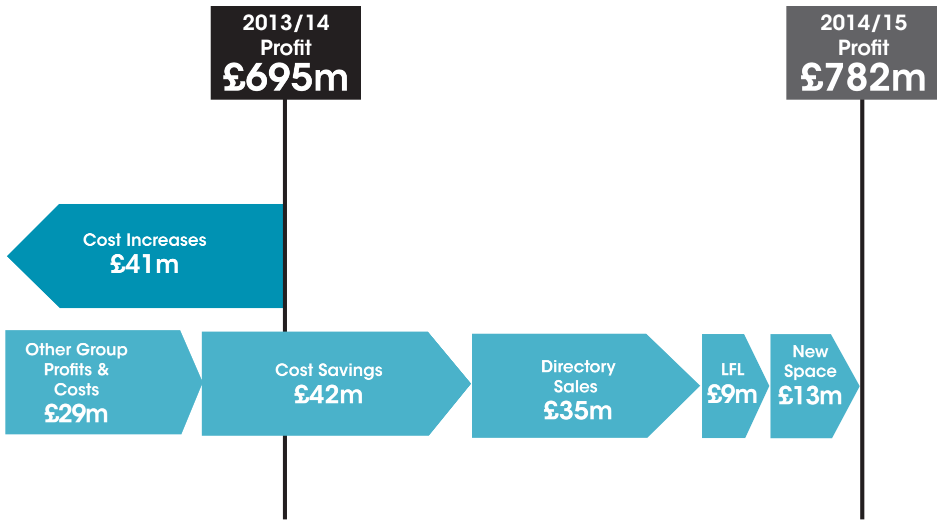
STRATEGIC REPORT

NEXT PLC ECONOMICS

2014/15 PROFIT DRIVERS

The table below sets out the main drivers of the Group's Profit and Loss account for the year. This shows how the sales from (1) new Retail space, (2) existing stores and (3) additional online sales added to the Group's profit. It also shows how (4) cost inflation has, once again, been offset by (5) cost savings. Other Group profits and costs, such as NEXT Sourcing, Lipsy, Estates and Treasury added an unusually large profit this year (see Other Trading Businesses on page 17 and Central Costs on page 18).

Profit Year to January 2014		**£695m**	
Profit from sales increases/decreases			
(1) New Retail space	+£13m		
(2) Existing stores	+ £9m		
(3) Additional online sales	+£35m		
		+£57m	
Cost increases and savings			
(4) Inflation in cost base	- £41m		
(5) Cost savings	+£42m		
(6) Other Group profits and costs	+£29m		
		+£30m	
Profit Year to January 2015		**+£782m**	**+12.5%**



NEXT'S OBJECTIVES

NEXT'S Operating Objectives

The Company has five operational objectives, as set out in the table below. These aims remain broadly unchanged from those given in this report last year.

Develop the NEXT Brand	Continue to focus on delivering better design. In particular focus on improving our buying processes to (1) make better use of the time spent developing long lead time product and (2) respond more powerfully to emerging trends with short lead time product.
Invest in online growth	Invest in growth from our online business, through (1) improving UK delivery services, (2) expanding our new branded business, LABEL, and (3) developing the NEXT Brand in overseas markets.
Invest in profitable new space	Open profitable new retail space, maintaining the Company's payback and profitability hurdles of 15% net store profit (before central overheads) and payback on net capital invested in 24 months.
Improve service	Continue to improve the quality of our service provided in our shops, in our call centres, through website systems and our distribution networks.
Control costs	Control costs through constantly innovating and developing more efficient ways of operating. This must be done without detracting from the quality of our products and services.

NEXT's Financial Objective

In last year's annual review we refined the Company's core financial objective. Up until that point, our goal had been the delivery of long term, sustainable growth in EPS. However this measure did not take account of the value created by paying out surplus cash as dividends; and this has become much more important as we have increasingly paid special dividends in lieu of share buybacks.

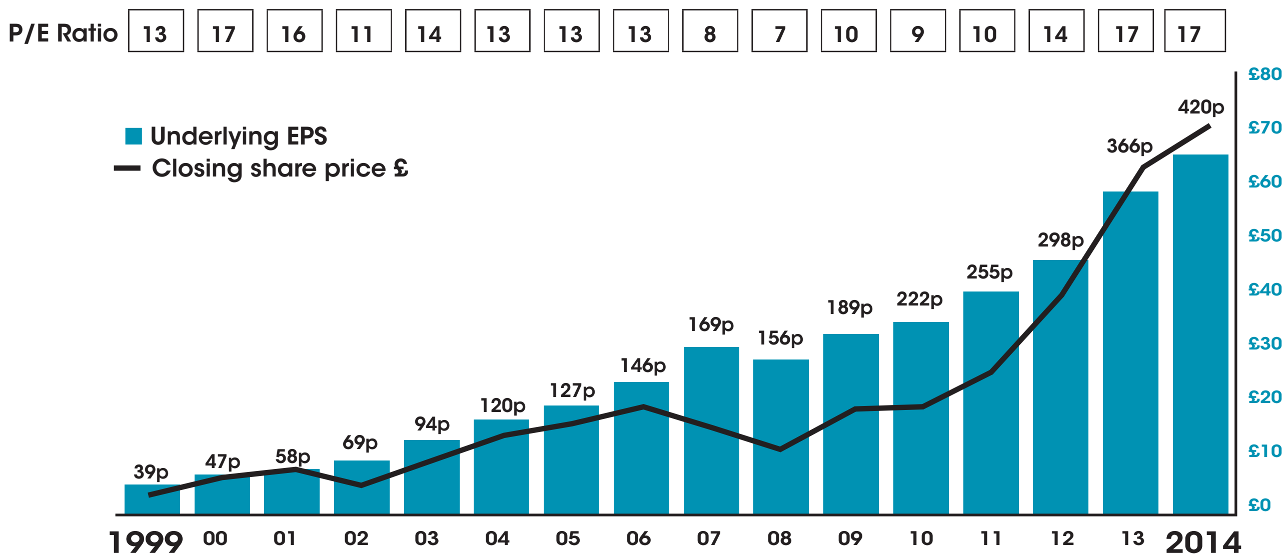
So we restated our objective as the delivery of long term, sustainable growth in Total Shareholder Returns (TSR). We define TSR as growth in Earnings per Share added to the total dividend yield. Taking dividends as a percentage of our share price at the beginning of our financial year (February 2014) our TSR is set out in the table below:

Total Shareholder Returns	
Growth in underlying EPS	+14.7%
Special Dividend Yield* 150p	+2.3%
Ordinary Dividend Yield* 150p	+2.3%
Total Shareholder Returns*	**+19.3%**

*Based on £63.45, being the average share price for the first month of the financial year (i.e. to 25 February 2014)

The inclusion of growth in EPS in Total Shareholder Returns is grounded in the belief that, over time, share price growth will follow growth in EPS. The graph below shows how our share price has tracked EPS over the last 16 years.

The graph also demonstrates that our shares now enjoy a rating well above their historical average. It is important to point out that the high rating means that the deployment of surplus cash, as special dividends or share buybacks, will provide lower returns for shareholders than if the shares were at a lower rating.



The Company maintains its 8% Equivalent Rate of Return (pre-tax) investment hurdle for share buybacks. At the mid-point of guidance issued in this report, our share price limit is £68.27.

PRODUCT AND THE NEXT BRAND

Over the course of the year we have focused on improving the design content of our ranges. We believe the investment in time, effort and resources has been worthwhile. Unusually, our ranges in Spring and Summer 2014 were successful across all of our five product divisions (Womenswear Clothing, Women's Shoes and Accessories, Menswear, Childrenswear and Home). The focus on design continues in the year ahead with further investment in our fabric and print resources.

We also aim to develop and improve our buying processes. Traditionally, NEXT has begun to develop design themes eight months before the launch of a season. We will continue to work this way but believe that we can make much better use of the intervening time to improve our fabrics, design details, prints, trims, shapes and prices on long lead-time product.

In addition to our more traditional buying cycle, we also develop a small amount of product much closer to the season, using shorter lead time territories and quicker response suppliers. This approach to buying is newer and less comfortable for NEXT, and requires a different mind-set to our traditional techniques. We aim to build on the success we have had with shorter lead-time product and make more of this buying method going forward.

RETAIL

Total Retail sales were 4.8% ahead of last year, of which new space contributed 3.4%.

RETAIL SPACE EXPANSION

Space added in the year

Trading space increased by 330,000 square feet to 7.4 million square feet. Store numbers remained broadly the same, with the increase from new stores being offset by the closure of smaller, less profitable stores.

	Store Numbers	Sq. Ft. (000's)	
January 2014	541	7,045	
New stores, including re-sites (9)	+20	+439	
Closures	- 22	- 181	
Extensions (7)	–	+70	
January 2015	**539**	**7,373**	**+4.7%**

Returns on Capital and Profitability

Profitability of stores opened in the last 12 months is forecast to average 20% and payback on the net capital invested is expected to be 20 months. Both figures are within Company investment hurdles of 15% store profitability and 24 months capital payback. The table below sets out the profitability and returns of new space, broken down into Fashion and Home.

New space	Sales vs target	Forecast profitability	Forecast payback
Fashion	+9%	20%	19 months
Large Home format	+13%	20%	21 months
Total	**+10%**	**20%**	**20 months**

Aspirational Out-of-Town Architecture

An unusually large percentage, 75%, of new space was large format Home and Fashion stores. These side-by-side stores give the Company the opportunity to re-define the way we trade out of town, investing in the architecture of our buildings and the quality of shop-fit. We have radically changed the appearance of existing retail park buildings, adding glass frontages, light-wells, and improved facades. We have also built two stores from the ground up (Hedge End and Maidstone), and these have enabled us to create beautiful and iconic buildings. Over the next three years we hope, subject to planning, to open at least eight more of these bespoke new stores.

Maidstone – Opened November 2014

Retail Space – Pipeline to 2017

We continue to look for opportunities to profitably increase UK selling space. For the coming year we expect to add 350,000 square feet (net of closures). Looking further ahead into 2016 and 2017 our pipeline is less certain, but we believe that we will add around 350,000 square feet of net trading space in each of these two years.

High Wycombe – Under construction February 2015

THE LONG VIEW – RETAIL PORTFOLIO ECONOMICS & LEASE TERMS

Since the beginning of the credit crunch in 2008, sales in our existing stores have moved backwards in almost every season. The combined effect of a weak economy and growth in online sales has meant that same-store growth has been hard to achieve across the sector. Despite this, the profitability of our store portfolio remains extremely healthy. The reason for this apparent contradiction is that the active expansion and relocation of our portfolio has allowed us to manage the economics of our retail portfolio to reflect the current retail environment.

In the seven years since 2008 NEXT has increased its net trading space from 5.2 million square feet to 7.4 million square feet. Of the 539 stores we trade in today, almost half are either new or have been significantly extended. Those stores represent 60% of our current trading space. The table below shows the changes to store numbers and square footage since 2008.

	Store Numbers	Sq. Ft.
January 2008	502	5.2m
New stores, including re-sites (63)	179	2.6m
Closures	- 142	- 0.8m
Extensions (82) gross 1.8m sq.ft.		0.4m
January 2015	**539**	**7.4m**

Long Term Profitability Comparisons

The table below gives key measures of performance since 2008. It shows how the 26% fall in sales per square foot have not resulted in the proportionate increase that might be expected in rent, rates, depreciation and branch wages.

In fact, store profitability (before central overheads) has moved forward in the period. This is because savings achieved through more effective Sale stock clearance, lower shrinkage and management of other branch costs have more than offset any increases in rents and rates. Wages have reduced as a percentage of sales, because productivity improvements have more than compensated for the dis-economies of lower sales per square foot and inflationary wage increases.

The table below shows key branch costs as a percentage of VAT inclusive sales in 2008 and 2015.

Store Variables	2007/8	2014/15
Sales per square foot	£491/sq. ft.	£365/sq. ft.
Wages	11.3%	10.9%
Rent	5.5%	6.5%
Rates	2.2%	3.0%
Depreciation	3.1%	3.2%
Markdown, obsolescence & shrinkage	8.7%	5.0%
Net Branch Profitability	**21.4%**	**23.7%**

Current Profitability Profile

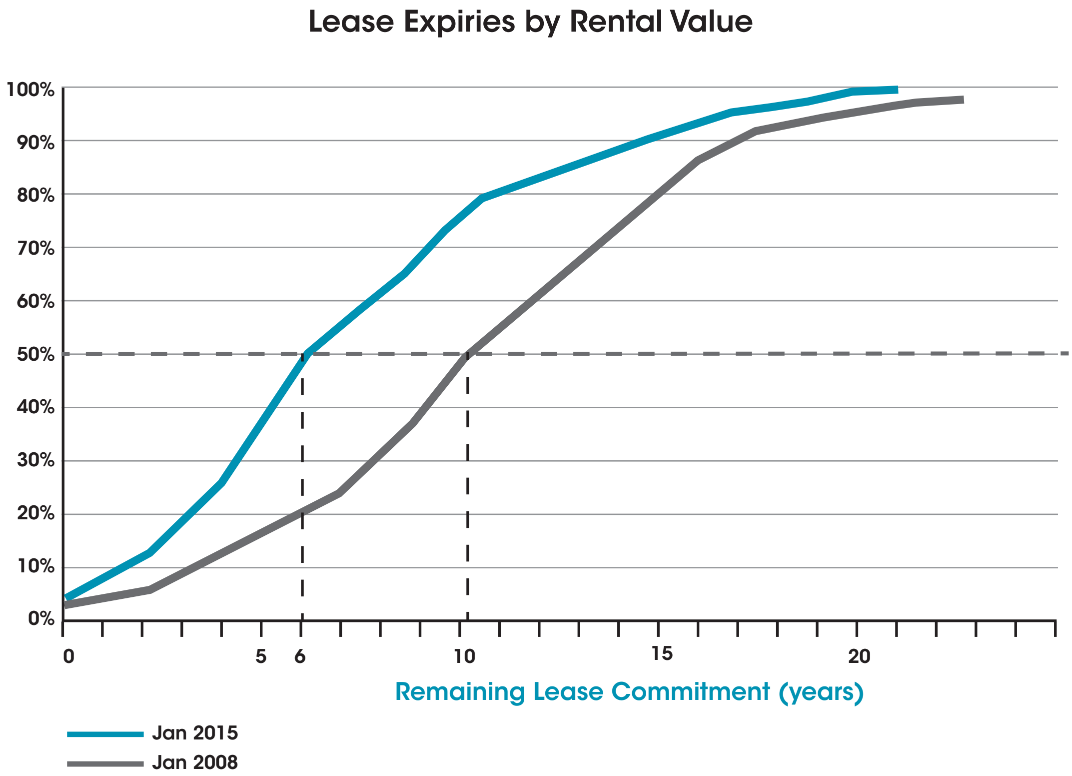
As a result of the active management of our store portfolio, the vast majority of our stores make a healthy profit, with 97% of our space delivering a net branch profit of more than 10%. The table below sets out the percentage of our turnover within stores of different levels of profitability.

Mainline store profitability	Percentage of turnover
>20%	81%
>15%	94%
>10%	97%
>5%	99%
>0%	99.7%

Lease Terms

Over the last ten years we have seen a move away from long lease terms. We are currently only entering into leases of more than 10 years in situations where (1) we believe that the trading location is very unlikely to deteriorate within 20 years, (2) landlords are making a very substantial investment in a new trading location or (3) we are swapping out of an existing store with a significant number of unexpired years on the lease.

The graph below shows the remaining lease commitment in years by percentage of our portfolio (by rental value). This shows that in 2008 approximately 50% of our store leases would have expired in just over ten years' time. Today 50% of our leases will expire in just six years' time.



STRATEGIC REPORT

RETAIL SERVICE

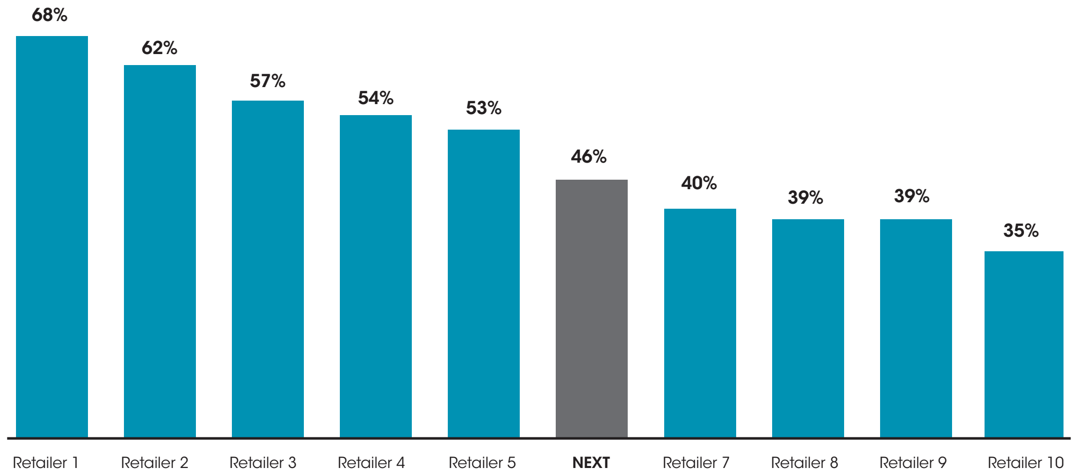
At the beginning of last year we set ourselves the objective of improving our customer service across the Group. Our starting point was a rather disappointing set of customer surveys conducted in June 2013. We re-defined what we meant by great service, focusing on serving our customers in the way *they* want to be served, *not* on traditional retail salesmanship designed to maximise short term sales.

Over the last eighteen months we have:

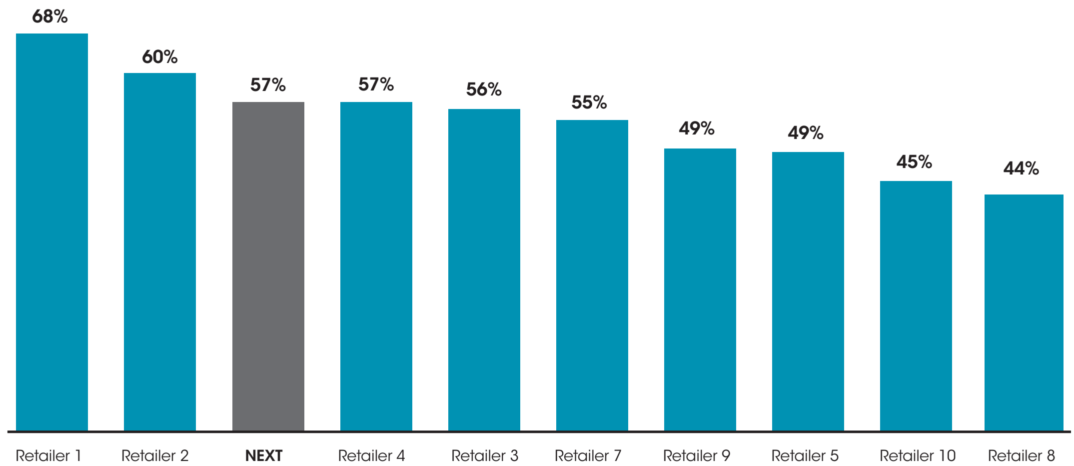
- Overhauled our recruitment process, focusing on attitude rather than experience
- Increased our lowest wage rates by 6%
- Introduced new service training
- Changed our store staff bonus scheme to be awarded on the basis of service, rather than sales
- Re-allocated contract hours throughout the day to achieve better service at peak times
- Increased the average contract hours worked per member of staff. (Any consequent reduction in head count has been achieved through natural wastage and without any redundancies)
- Introduced a shift market-place to allow staff to offer up, swap and accept additional shifts
- Changed our staff appraisal and performance management systems

We believe that all the above changes have had a significant and positive effect on the levels of service we provide in our stores. The two charts below are taken from an independent survey which assesses the number of customers rating service as "Very Good" or "Outstanding", both in our own stores and in other major competitors. As can be seen, we have achieved a marked improvement but still have some way to go to get to best in class.

June 2013: Customer rating Very Good/Outstanding



November 2014: Customer rating Very Good/Outstanding



RETAIL PROFIT ANALYSIS

Full year operating margin improved by 0.8% to 16.3%. The table below sets out significant margin movements by major heads of costs.

Net operating margin on total sales last year		**15.5%**
Bought-in gross margin	Underlying gross margin improved by +0.3% due to a planned increase in Home furniture. In addition, we were able to buy currency at slightly better rates than initially anticipated, resulting in a margin gain of +0.2%.	**+0.5%**
Higher markdown	Retail stock for Sale was up 13% and markdown sales were up 8.5%. Margin reduced as a result of markdown sales growing faster than full price sales and lower Sale clearance rates.	**- 0.4%**
Decrease in occupancy costs	This improvement was due to (1) store asset write-offs in the prior year +0.5%, (2) lower depreciation due to fully depreciated assets +0.3% and (3) leverage of fixed costs from strong first half sales +0.3%.	**+1.1%**
Store payroll	Increased rates of pay would have cost -0.6% but were partially offset by in-store productivity initiatives.	**- 0.3%**
Central overheads	Investment in IT infrastructure.	**- 0.1%**
Net operating margin on total sales this year		**16.3%**

DIRECTORY

DIRECTORY SALES AND CUSTOMER BASE

Directory sales were 12.1% ahead of last year. Sales in the UK grew by 8.2% and overseas online sales increased by 61%. The table below shows the contribution to total Directory growth made by our UK and Overseas businesses. The UK has been broken down to show the contribution made by our brands business, LABEL.

		Contribution to sales growth
UK NEXT	5.7%	
UK LABEL	1.9%	
UK Total		**7.6%**
Overseas		4.5%
Total sales growth		**12.1%**

Active customers increased by 11.3% to 4.1 million. The table below sets out the growth in our UK and Overseas customer base. Most of our new customers in the UK have chosen to pay on order with a debit or credit card (Cash customers).

Average customers ('000s)	**Jan 2015**	**Jan 2014**	**Change**	**% Change**
UK credit account	**2,724**	2,798	- 74	- 2.6%
UK cash	**899**	633	+266	+42.0%
Total UK	**3,623**	3,431	+192	
Overseas	**495**	268	+227	+85.0%
Total active customers	**4,118**	3,699	+419	+11.3%

DIRECTORY DEVELOPMENT – UK

We have developed the UK business through improving our delivery service, improving the levels of customer service, and increasing the frequency of our publications.

Delivery Service

During the year we extended the ordering window for deliveries to stores. From October store orders could be placed until midnight for next day delivery. This service provided the ground work for the much harder exercise of extending our window for deliveries to home, we have recently extended our cut-off to 11pm and hope to extend to midnight by August. Currently we take around 9% of our orders between 10pm and midnight.

NEXT Directory Customer Service

We have made some progress in improving customer service in our call centres. We have taken many of the lessons learnt from Retail and used them to change our recruitment methods, training courses, staff bonus schemes and appraisal methods.

Enquiry levels and complaints have fallen. However, we still feel we have a long way to go to get to the levels of service we would like. In particular we need to ensure that more enquiries are dealt with first time. Of course, much of the effort is about preventing mistakes in the first place. To that extent, our warehouses and distribution network can contribute more to preventing repeat enquiries than our call centres.

We also aim to improve the functionality of our website, with particular emphasis on:

- Improvements to payment processing and account management screens
- Re-launch of our iPad and iPhone Apps in addition to a redesign of our mobile site (m.next.uk)
- Improvements to the operation of specialist Home product web pages where clothing search and selection methods are inappropriate (e.g. dining chairs, tables, fitted wardrobes and beds)

Publications

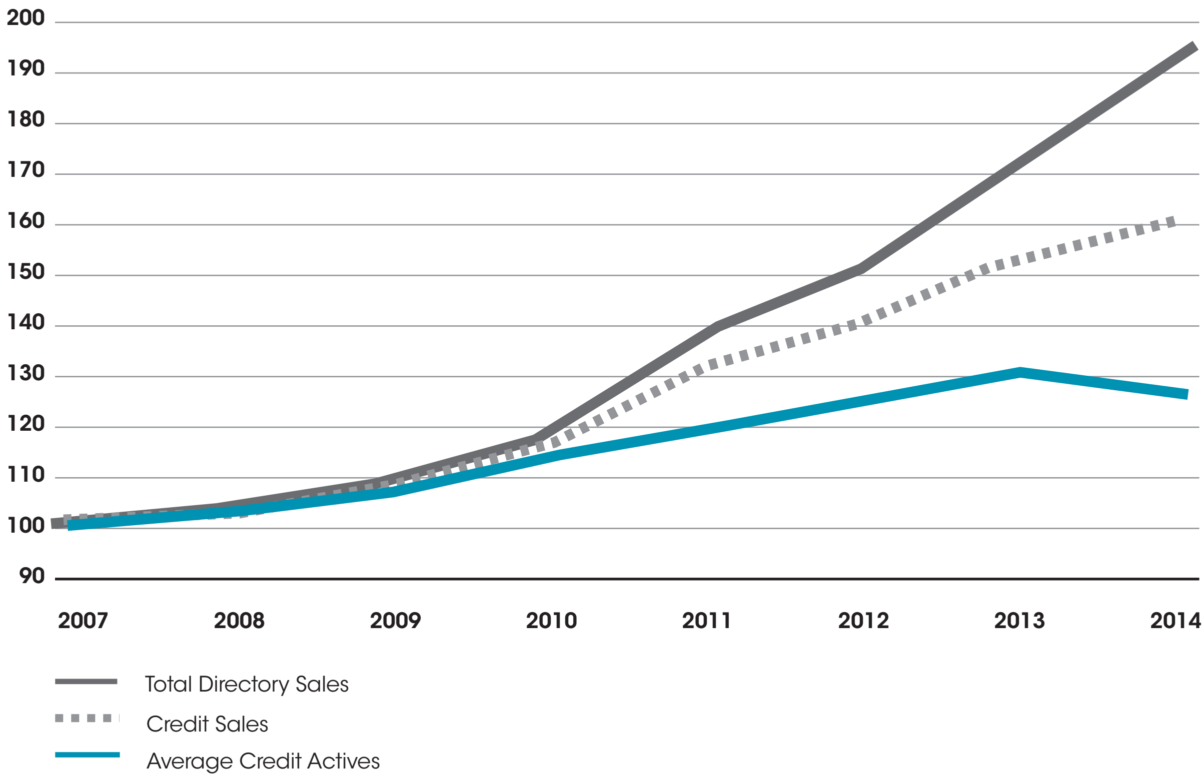
In 2013 we experimented with a number of small "New In" publications. These are now published at six week intervals between the launch our four big hardback Spring, Summer, Autumn and Winter catalogues.

During the year we increased the size and extended the distribution of these publications. In the year ahead we will add one further small new publication in May to offer High Summer and holiday product.

FOCUS ON NEXT DIRECTORY CREDIT BUSINESS

Over the last few years, NEXT Directory has made the transition from Catalogue to Online. In doing so, we have made it easy for new customers to trade using a debit card or credit card (we refer to these customers as "Cash" as opposed to "Credit" customers). This has dramatically increased the reach of the NEXT Directory and we now have 900,000 active Cash customers. However, this has meant that, over the last few years, our Credit customer growth has slowed and this year it has declined by -2.6%. The graph below shows the growth in total Directory sales relative to our Credit customer base, the figures are indexed to 2007. The dotted line shows the growth in Credit sales in the same period.

Total Directory Sales, Credit Sales and Credit Customers indexed to 2007



Effect on Profitability

Net interest income accounts for 8% of the 25.4% net margin made on Credit sales. However, the difference in the profitability of our Cash customers is not as great as might first be expected. Our Cash business experiences much lower returns and marketing costs, boosting the profitability of Directory Cash sales to 23%, and narrowing the difference to 2.4%.

Effect on Credit Sales

Interestingly, the decline in Credit customers has not yet been matched by a decline in Credit sales. Growth in sales to our Credit customers is more than compensating for the decline in customer numbers. Interest income has also started to grow slightly faster than Credit sales. We believe that this is because the customers who are leaving are those who are most likely to have been paying down their balance in full.

Both of these effects do not change the underlying reality, that our Credit business is in decline, but they do mean that the decline is likely to be slower than we initially anticipated.

Promoting the Credit Offer

We have not directly promoted our Credit business but will begin to do so over the course of this year. In addition to providing flexible payments, the account also allows customers to try items before they buy them (customers have at least 28 days to return items without incurring interest charges on them). Most Credit account holders are also eligible to get early access to our End of Season online Sale. Whilst it is very unlikely that we will return to our Credit customer base growing in line with Directory's total UK sales, we may be able to take steps to arrest the decline. We will have further information on this subject at the half year.

STRATEGIC REPORT

DEVELOPING DIRECTORY OVERSEAS

NEXT's online business continues to do well overseas. Around 85% of Directory's overseas sales come from our own website, the remainder is being sold through local third party home shopping operators.

Over the last three years the emphasis of our work overseas has been on opening new territories, translating our website and accepting local currencies. Much of this work is now done and we will shift our focus to improving our delivery service. This can be achieved either through increasing the speed of distribution from our UK warehouses through 3rd party networks or by distributing from our overseas hub warehouses.

Faster From the UK

We have recently improved our delivery service to Germany and France, offering most of our customers a next day delivery service. Initial sales response has been encouraging and we will look to extend this service to other close European countries.

Local Distribution Hubs

In September 2014 we successfully opened a local hub in Northern Ireland. This has allowed us to offer next day delivery in both Northern Ireland and Eire. We will shortly open a local distribution hub and, later in the year, a call centre in Russia. Total investment in this project is £2.5m. Our current delivery promise in Russia is 8 to 12 days. The new hub will allow us to offer a stated day service, next-day to customers in Moscow and St Petersburg, and between 2–5 days for our other Russian customers.

New Territories – China

The only significant new territory launched last year was China. Sales started slowly but are now exceeding our expectations and we believe that China will shortly be one of our top ten trading territories. We are currently working on a local distribution hub to serve mainland China, Hong Kong, Taiwan and Japan. We hope to be operational within the current year. Our aim is to reduce mainland China lead times for most of our customers from 14 days to 1–2 days.

Sales, Profitability History and Outlook for the year ahead

The table below sets out the last three years' sales, profits and net margins for overseas online. The fourth column gives an estimate of the sales and profitability we are expecting in the year ahead.

£m	January 2013	January 2014	January 2015	January 2016(e)
Sales	54	101	163	205(e)
Net Profit	10	18	30	37(e)
Profitability	**19%**	**18%**	**18%**	**18%(e)**

We expect our international online sales to grow by 25% in the year ahead, to around £205m. This rate of growth is significantly lower than last year. This is partly because we have now opened in all our target territories and have limited further opportunities to add local currencies and languages. In addition two of our largest markets, Russia and Ukraine, have both suffered significant currency devaluations. We have had to increase our prices in local currency to maintain profitability in these territories and as a result sales (measured in £ Sterling) are no longer growing. We believe that both countries will return to growth if and when their currencies stabilise. Despite the tough trading environment we remain confident that our Russian distribution hub will be operational with the next two months.

LABEL

We launched our first LABEL catalogue in March last year. The business was an extension of the small number of third party brands we had been selling through the NEXT Directory. The aim was to offer premium non-competing brands to the 4 million NEXT Directory customer base, leveraging the next day service we are able to offer through our warehouses and distribution networks.

The business has started well and we continue to recruit new, premium brands to the business. Last year we added 34 new major brands to LABEL. In the year ahead we intend to add at least another 30 premium brands. LABEL will publish four catalogues a year with around 400 pages in each. LABEL products can be ordered through a dedicated part of the NEXT website and through LABELONLINE.CO.UK

Sales, Profitability and Outlook

The table below sets out the last three years' sales, profits and net margins for our third party branded business. The fourth column gives an estimate of the sales and profitability we are expecting in the year ahead. Profitability is shown excluding any interest income from those customers who buy items using their Directory account.

£m	January 2013	January 2014	January 2015	January 2016(e)
Sales excluding VAT	81	89	110	150+ (e)
Profitability*	11%	19%	14%	15% (e)

* Profit excluding interest income.

Profitability in the year just ended was lower than the previous year, partly as a result of more partner brands switching to trade with LABEL on a commission basis. This means we take a commission on sales rather than purchase wholesale. The commission model is less profitable for us, but gives partner brands far more freedom to manage the ranges they sell through LABEL and allows us to draw on their selection expertise. Our experience so far is that brands which switch to trading on commission can dramatically increase their sales.

DIRECTORY PROFIT ANALYSIS

Operating margin reduced by 1.6% to 24.5%. The table below sets out significant margin movements by major heads of costs.

Net operating margin last year		**26.1%**
Bought-in gross margin	Underlying gross margin improved by +0.3% due to a planned increase in Home furniture margin. In addition, we were able to buy currency at slightly better rates than initially anticipated, resulting in a gain of +0.2%. This has been offset by an increase in Branded and International sales which have lower margins.	**- 0.1%**
Markdown	Directory stock for Sale increased by more than Sales, up 25%. In addition lower clearance rates have reduced overall margin.	**- 0.4%**
Stock write downs	More stock was damaged whilst in transit. In particular flat pack furniture and items returned via our stores. In addition, we incurred a £0.9m one-off sofa recall cost.	**- 0.3%**
Interest income	Interest income increased, but at a lower rate than total sales. Interest income was also reduced by a 1% APR reduction made in September 2014.	**- 0.4%**
Bad Debt	Bad debt costs have reduced, increasing margin.	**+0.3%**
Warehouse & distribution	Margins have reduced by -0.6% due to increasing International sales. This has been partially offset by savings in International parcel rates, operational savings and increased use of our store network for customer returns.	**- 0.3%**
Photography & catalogue production	A combination of additional LABEL and New In publications increased print costs faster than sales. In addition, we have incurred creative costs for the Summer 2015 LABEL in 2014.	**- 0.3%**
Central overheads	Start-up costs associated with our Russian hub.	**- 0.1%**
Net operating margin this year		**24.5%**

STRATEGIC REPORT

COST INFLATION AND COST CONTROL

This year we have offset cost increases with cost savings. The tables below outline the main contributors to cost increases and cost savings over the last year. Cost control remains at the heart of the business and we remain determined that cost savings must come through innovation and efficiency rather than any compromise to our product quality or services.

Cost Increases	£m
Cost of living awards and other wage related inflation	19
Rent, rates & other occupancy costs	6
Systems investments (mainly new till systems)	5
Additional costs associated with overseas deliveries	4
2015/16 LABEL costs incurred and charged in 2014/15	4
Change in net achieved margin on product (markdown, slippage, gross margin, etc.)	3
Total Cost Increases	**41**

Cost Savings	£m
Reduction in the cost of senior management and staff incentives	12
Non-recurring prior year store asset write-offs	12
Fully depreciated store assets no longer incurring a depreciation charge	8
Directory distribution efficiencies	4
Retail manpower productivity improvements	4
Lower bad debt charges	2
Total Cost Savings	**42**

In the year ahead we expect cost increases of around £36m. Anticipated wage increases account for £18m of this, the majority of which comes from our annual wage award. We again expect cost increases to be more than offset by cost savings. In NEXT Retail, the profit from new stores should offset lower profits from existing stores. In NEXT Directory, profit from growth in UK sales should exceed that from growth in International sales.

Head Office, Warehouse and Systems Projects

The rapid growth of our Online and Home businesses meant that we commenced an unusual number of big systems, warehousing and Head Office Infrastructure projects in 2014.

These projects will give some operational benefits but are mainly required to facilitate continued growth or replace obsolete systems and buildings. Most systems development costs are revenue costs and written off in the year they are incurred. Hardware and other infrastructure are depreciated over the life of the asset.

The table below sets out the largest projects and their revenue and capital costs for the year ended and estimates for the year ahead. The biggest number is the £20m investment in fitting out a new automated Home Sofa and Furniture warehouse, located next to our existing warehouses in Doncaster. We expect to spend a further £12m on this project in the year to January 2017.

		Revenue Cost (£m)		Capital Cost (£m)	
Project Description	Life	Jan 2015	Jan 2016(e)	Jan 2015	Jan 2016(e)
Store till, back office and payment systems upgrade	2yrs	2	1	2	5
Mainframe upgrade and modernisation	2yrs	2	1	–	–
International website re-write and convergence with UK	2yrs	1	–	–	–
Head Office Product, Call Centre and Systems infrastructure	2yrs	–	–	9	11
Home warehouse expansion	3yrs	–	–	3	20
Total		**5**	**2**	**14**	**36**

OTHER TRADING BUSINESSES

NEXT SOURCING

NEXT Sourcing (NS) continues to provide more than 40% of NEXT Brand stock from our global supplier base, sourcing from 18 countries. It employs 3,600 people in 12 countries, including 2,700 in factories which we own. NS provides the Group with an insight into manufacturing and the relative technical strengths of different parts of the world. Although wholly owned, it operates as a stand-alone business and must compete (without favour) with our other suppliers.

NS trades mainly in US Dollars and its sales were up 10% in Dollars. The table below shows sales and profits in Sterling.

£m	2015	2014	
Sales (mainly inter-company)	**600.6**	571.2	+5.1%
Operating margin %	**6.9%**	6.0%	
Operating profit	**41.4**	34.1	+21.3%

We are forecasting NS profits of £47m for the year ahead, which includes a £3m currency benefit from the stronger Dollar. NEXT Sourcing has made excellent progress controlling costs, and its margins are now approaching historical highs. There is an opportunity for NS to be more competitive and their Board has taken the decision to lower their commission rate by 1% for Spring 2016 stock.

INTERNATIONAL RETAIL AND FRANCHISE STORES

Our franchise partners operate 188 stores in 37 countries, sales and profits were little changed on the year. We own 13 stores in Central Europe, which made a small profit. We have no plans to open our own stores in new territories. Revenue and profit are set out below. We are budgeting for International Retail to make £10m profit in the year ahead. The anticipated drop in profit is due to the economic difficulties being experienced by our franchise partners in some eastern European countries.

£m	2015	2014	
Franchise income	**71.9**	71.0	
Own store sales	**14.3**	14.6	
Total revenue	**86.2**	85.6	+0.7%
Operating profit	**11.7**	12.1	- 2.9%

LIPSY

Lipsy performed well, and profit increased to £5.1m. Lipsy sales are broken down by distribution channel in the table below. Lipsy sells stock directly through its own stores, website, to wholesale customers and to franchise partners. Lipsy also sells stock in 34 units inset into NEXT Retail stores and through the NEXT Directory. Sales made through NEXT Retail and Directory are now reported in those divisions (see Note 1 to the financial statements).

£m	2015	2014	
Lipsy.co.uk, standalone stores, franchise and wholesale	**36.8**	35.3	+4%
NEXT Retail	**12.9**	12.1	+7%
NEXT Directory	**23.3**	15.5	+50%
Total Sales	**73.0**	62.9	+16%
Operating Profit	**5.1**	2.7	

Currently, the majority of Lipsy's sales are of Lipsy branded merchandise. Lipsy also sells some other, third party, young fashion brands. These third party branded sales now account for 12% of Lipsy's sales and we anticipate that this participation will increase in the year ahead.

Outlook for Sales and Profits

One of Lipsy's major wholesale customers, Bank, recently went into administration and this customer contributed £1.3m to profit. We believe that some of the lost turnover will be recovered through other channels and the balance of lost profit will be made up for with organic growth. We anticipate that Lipsy profit for the year ahead will be broadly in line with last year.

CENTRAL COSTS AND OTHER ACTIVITIES

The table below sets out other Group and non-trading activities. In aggregate these activities contributed £25m to the growth in profit, a far greater difference than we would normally expect from these activities. Of this £25m, the most significant was a £15m swing in unrealised accounting gains/losses on currency hedging instruments.

£m	2015	2014
Property management	**6.9**	1.8
Central costs	**(23.4)**	(30.7)
Unrealised foreign exchange	**8.9**	(5.9)
Associates	**0.9**	2.5
Total	**(6.7)**	(32.3)

Property Management

The Property Management profit of £7m includes a £4m one-off profit on sale of a NEXT Retail store lease. In the year ahead we anticipate a similar one-off profit will be achieved from the development of at least one other new store.

Central Costs

The reduction in Central Costs is due primarily to lower share-based employee incentives, in the prior year the rate of share price growth and the provisions required had been particularly high.

Unrealised Foreign Exchange IAS 39

The £9m gain this year compares with a £6m loss in the previous year. This accounting volatility is unhelpful and hard to predict, we are working on the basis of no gain or loss in the year ahead.

INTEREST AND TAXATION

The interest charge was £30m as forecast and we expect a similar figure for the year ahead.

Our tax rate of 20.4% was unchanged and is commensurate with current headline UK corporation tax rates. We expect our effective tax rate will be no higher than 21% in each of the next two years.

EXCEPTIONAL DISPOSAL GAINS

During the year we sold our investment in Cotton Traders for £15m, which was £11m above book value. We also released £2m of other prior year disposal provisions.

BALANCE SHEET AND ORDINARY DIVIDENDS

The balance sheet remains strong. Net debt at the end of the year was virtually unchanged at £515m. During the coming year net debt is expected to move between a minimum of £500m and a maximum of £750m, and is expected to finish at around the same level as it started. Our bonds and committed bank facilities of £1,088m remain unchanged, as set out below.

	£m
2016 bonds	213
2021 bonds	325
2026 bonds	250
Total bonds nominal value	788
2019 committed bank facility	300
Total debt facilities available	**1,088**

FINAL ORDINARY DIVIDEND

We have proposed raising our final ordinary dividend to 100p, taking the total ordinary dividend for the year to 150p. The increase of 16% is marginally ahead of growth in underlying EPS, although cover remains at 2.8 times.

CASH GENERATION, SHARE BUYBACKS AND SPECIAL DIVIDENDS

CASH GENERATION

Over the last year we generated £363m of surplus cash after capex, interest, ordinary dividends and tax. We returned £361m of this to shareholders, through special dividends of £223m and share buybacks of £138m.

We expect to generate around £360m surplus cash in the year ahead and, again, we intend to return this to shareholders. We paid a £74m special dividend in February and have committed to a further £90m which will be paid in May. If our share price remains above our maximum limit for buybacks and our profit expectations remain unchanged, then we intend to pay further quarterly special dividends in August and November this year.

SHARE BUYBACK LIMIT GOING FORWARD

We have, on several occasions, set out the criteria by which we would decide the maximum price the Company would pay to buy back shares. We use the concept of Equivalent Rate of Return (ERR). This is the pre-tax return required from an alternative investment, if that investment were to produce the same level of earnings enhancement as the proposed buyback. We set the minimum ERR at 8%, which we consider a reasonable target for a return on equity investments.

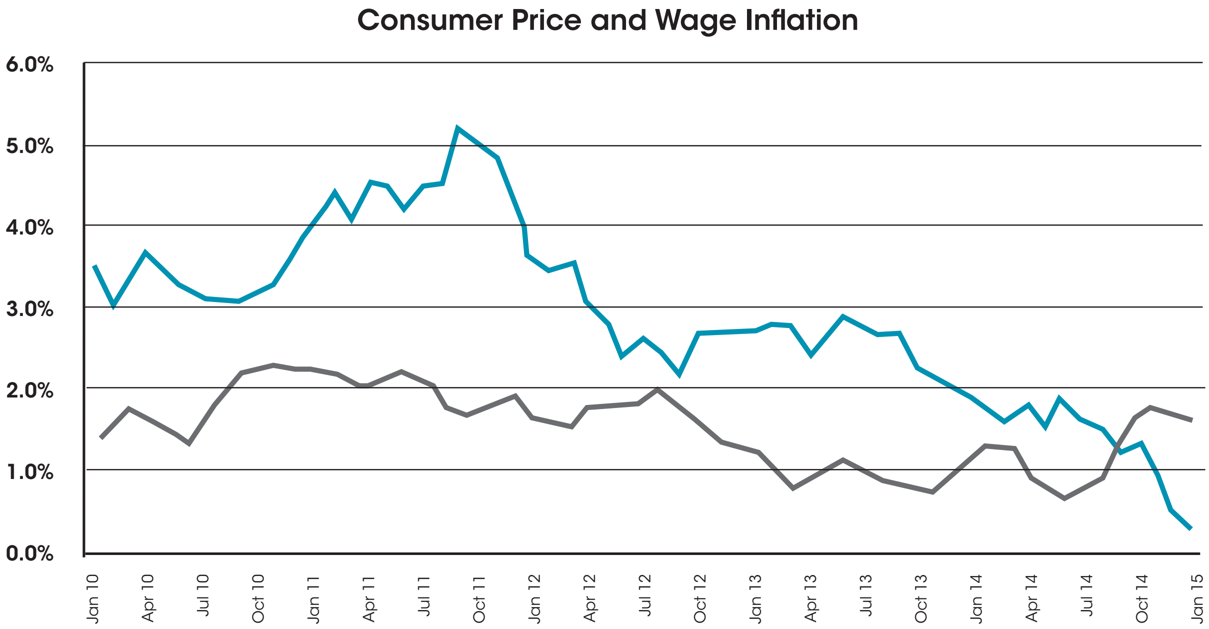
For the year to January 2016, the mid-point of our guidance for profit before tax is £810m. On this basis an 8% ERR gives a new upper limit for buybacks of **£68.27**.

STRATEGIC REPORT

OUTLOOK FOR 2015

ECONOMIC OUTLOOK

The economic outlook for the UK consumer looks benign. Low price inflation, an end to real wage decline, healthy credit markets and strong employment all paint a more positive picture than in recent years.



Source:
CPI: ONS 17 February 2015
Average weekly earnings: ONS 18 March 2015

SALES OUTLOOK FOR NEXT

Although the consumer economy looks benign, we remain very cautious in our sales budgets. Whilst we are happy with most of our current product ranges, we recognise that some collections are not as strong as they were at this point last year. In addition, during the Spring and Summer seasons, we face very tough comparative numbers from last year, when sales were assisted by unusually warm weather. There is a potential upside in the second half as the comparative performance last year weakens, particularly in the third quarter.

We are currently budgeting for full price sales growth for the full year to be up between +1.5% and +5.5%, with the first half expected to be up 0% to 3%, and the second half up 3.5% to 7.5%.

PROFIT AND EPS GUIDANCE FOR THE YEAR AHEAD

The table below sets out our guidance for the full year. For the purposes of this guidance, we have assumed that surplus cash of £360m is generated and returned as special dividends rather than buybacks. In reality the choice between buybacks and special dividends will depend on the prevailing share price as explained above. We have expressed the dividend return as a percentage of our average share price during the first month of this financial year.

Guidance Estimates	Lower end of guidance	Upper end of guidance
Total full price NEXT Brand sales % growth	+1.5%	+5.5%
Group profit before tax £m	£785m	£835m
Group profit before tax % growth	+0.4%	+6.7%
Ordinary dividend yield (based on £72.33 share price)	+2.1%	+2.1%
Special dividend yield (based on £72.33 share price)	+3.3%	+3.3%
Total Shareholder Returns	**+5.8%**	**+12.1%**

This guidance is based on 52 weeks for the years ending January 2015 and 2016. This year will actually be the 53 weeks to 30 January 2016. Our Interim accounts will be for the comparable 26 weeks to 25 July 2015.

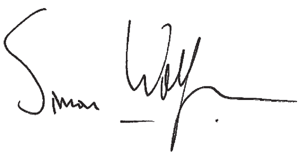
First Quarter Trading Update

Our next statement will cover the first thirteen weeks of the year, to 25 April 2015, and is provisionally scheduled for Wednesday 29 April 2015.

CONCLUSION – A TOUGHER YEAR BUT PLENTY TO DO

Whilst the prospective returns detailed above would be very respectable by most standards, they are low by comparison to NEXT's historical performance. However, they are based on realistic sales estimates and we believe that it would be a mistake to be over-optimistic at this stage. Our experience is that starting with prudent sales budgets is the key to coping with lower sales growth. Stock purchases and other costs can then be tailored to get the business through the year in good shape.

Whatever the sales environment in the current year, the Company has plenty of opportunities to lay foundations for future growth. Of these, the most important are: further improvement to our buying techniques, customer service, delivery capabilities, growing our store portfolio, initiating overseas fulfilment operations, and growing our third party branded business through LABEL.



Lord Wolfson of Aspley Guise
Chief Executive
19 March 2015

STRATEGIC REPORT

BUSINESS MODEL

NEXT is a UK based retailer offering exciting, beautifully designed, excellent quality clothing, footwear, accessories and home products. NEXT is one of the largest clothing and home products retailers in the UK by sales, and a member of the FTSE-100 index. The Group is primarily comprised of:

- NEXT Retail, a chain of more than 500 stores in the UK and Eire.

  The majority of our stores sell clothing, footwear, accessories and home products; we also operate over 60 large Home Standalone and department style stores. The predominantly leased store portfolio is actively managed, with openings and closures based on store profitability and cash payback. Around 60% of Group sales are from NEXT Retail.

- NEXT Directory, an online and catalogue shopping business with over 4 million active customers and international websites serving approximately 70 countries.

  By embracing the internet, providing exceptional customer service and developing overseas opportunities, over the last ten years NEXT Directory's sales have grown by more than 150% and now represent almost 40% of Group sales.

  There are strong synergies between NEXT Retail and NEXT Directory: through efficient stock management and customer service opportunities (such as handling Directory collections and returns in-store) the Group has been able to successfully develop both parts of the business.

- NEXT International Retail, with around 200 mainly franchised stores across the world.

  NEXT's franchise partners operate over 180 stores in 37 countries; there are also a small number of stores which NEXT operates directly. International Retail accounts for around 2% of Group sales.

- NEXT Sourcing, which designs, sources and buys NEXT branded products.

  Last year, around 40% of the Group's products were procured or produced by NEXT Sourcing. Further information on the Group's supply chain and NEXT's commitment to ethical trading can be found on page 28.

- Lipsy, which designs and sells Lipsy branded younger women's fashion products.

  Lipsy trades from around 40 stores, online, and through wholesale and franchise channels. Lipsy contributes around 2% of Group sales.

Further detail on the performance and development of the Group's businesses can be found in the Chief Executive's Review on pages 3 to 21, which forms part of this Strategic Report along with Key Performance Indicators (page 23), Risks & Uncertainties (page 24), Employees (page 27), Social, Community and Human Rights (page 28) and Environmental Matters (page 29).

BUSINESS STRATEGIES AND OBJECTIVES

The primary financial objective of the Group is to deliver long term returns to shareholders through a combination of sustainable growth in earnings per share ("EPS") and payment of cash dividends. Underlying EPS increased by 14.7% from last year. Over the last ten years EPS has increased by 250%, and the share price has increased by 350%. This long term value has been created through the pursuit of the following strategies:

- Improving and developing our product ranges, success in which is measured by sales performance.
- Profitably increasing retail selling space. New store appraisals must meet demanding financial criteria before the investment is made, and success is measured by achieved profit contribution and return on capital against appraised targets.
- Increasing the number of profitable NEXT Directory customers and their spend, both in the UK and through international online sales.
- Managing gross and net margins through efficient product sourcing, stock management and cost control.
- Focussing on customer service and satisfaction levels in both Retail stores and Directory.
- Maintaining the Group's financial strength through an efficient balance sheet and secure financing structure.
- Generating and returning surplus cash to shareholders by way of share buybacks or, more recently, special dividends. Further information on the criteria we use to determine the method by which surplus cash is returned can be found in the Chief Executive's Report.

KEY PERFORMANCE INDICATORS

KPIs of earnings per share, group cash flows and divisional sales, revenues and profits are detailed in the Chief Executive's Review and elsewhere in this Annual Report. Details of other key performance indicators used in the management of the business are provided below:

NEXT Retail selling space	2015	2014	Annual change
Store numbers	**539**	541	-2
Square feet 000's	**7,373**	7,045	+4.7%

Selling space is defined as the trading floor area of a store which excludes stockroom and administration areas.

	2015		2014	
NEXT Retail stores and sales	No. stores	LFL Sales %	No. stores	LFL Sales%
Total like for like	**523**	**+0.7%**	535	-1.8%
Underlying	**462**	**+1.4%**	498	-1.4%

NEXT defines like for like stores as those that have traded for at least one full year and have not benefited from significant capital expenditure. Sales from these stores for the current year are then compared with the same period in the previous year to calculate like for like sales figures. Underlying like for like sales applies the same calculation but excludes stores impacted by new store openings.*

NEXT Retail operating margin movement	2015	2014
Net operating margin last year	**15.5%**	15.0%
Increase in achieved gross margin	**+0.1%**	+1.3%
Increase/decrease in store payroll	**-0.3%**	+0.1%
Decrease/increase in store occupancy	**+1.1%**	-0.7%
Increase in other costs	**-0.1%**	-0.2%
Net operating margin this year	**16.3%**	15.5%

Gross margin is the difference between the cost of stock and the initial selling price; achieved gross margin is after markdown and stock related costs. Net operating margin is profit after deducting markdowns and all direct and indirect trading costs. All are expressed as a percentage of achieved VAT exclusive sales.*

NEXT Directory customers (000's)	2015	2014	Annual change
Average active customers – credit	**2,724**	2,798	-2.6%
Average active customers – cash	**1,394**	901	54.7%
Average active customers – total	**4,118**	3,699	11.3%

Active customers are defined as those who have placed an order or made a payment in the last 20 weeks, calculated as a weighted average of each week's figure. Credit customers are those who order using a Directory credit account, whereas cash customers are those who pay when ordering.

NEXT Directory operating margin movement	2015	2014
Net operating margin last year	**26.1%**	24.8%
Decrease/increase in achieved gross margin	**-0.8%**	+1.9%
Decrease in bad debt expense	**+0.3%**	+0.1%
Decrease in interest income	**-0.4%**	-0.6%
Increase in other costs	**-0.7%**	-0.1%
Net operating margin this year	**24.5%**	26.1%

Share buybacks	2015	2014
Number of shares purchased (000's)	**2,158**	6,202
% of opening share capital	**1.4%**	3.8%
Total cost	**£137.9m**	£295.8m
Average cost per share	**£63.89**	£47.70

Total cost of shares purchased includes stamp duty and associated costs. The average price before costs was £63.50 (2014: £47.40).

* Sales includes the full value of commission based sales (as described in Note 1 to the accounts). Prior year figures have been restated.

RISKS & UNCERTAINTIES

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

Description of risk or uncertainty	How the risk or uncertainty is managed or mitigated
BUSINESS STRATEGY DEVELOPMENT & IMPLEMENTATION	
If the Board adopts the wrong business strategy or does not implement its strategies effectively, the business may suffer. The Board therefore needs to understand and properly manage strategic risk in order to deliver long term growth for the benefit of NEXT's stakeholders.	The Board reviews business strategy on a regular basis to determine how sales and profit budgets can be achieved or bettered, and business operations made more efficient. This process includes the setting of seasonal and annual budgets and longer term financial objectives to identify ways to increase shareholder value. Critical to these processes are the consideration of wider economic and industry specific trends that affect the Group's businesses, the competitive position of its product offer and the financial structure of the Group. In addition, the Audit Committee monitors strategic and operational risk regularly and any significant matters are reported to the Board.
MANAGEMENT TEAM	
The success of NEXT relies on the continued service of its senior management and technical personnel, and on its ability to continue to attract, motivate and retain highly qualified employees. The retail sector is very competitive and NEXT's staff may be targeted by other companies.	The Remuneration and Nomination Committees identify senior personnel, review remuneration at least annually and formulate packages to retain and motivate these employees, including share incentive schemes. In addition, the Board considers the development of senior managers to ensure adequate career development opportunities for key personnel, with orderly succession and promotion to important management positions.
PRODUCT DESIGN & SELECTION	
NEXT's success depends on designing and selecting products that customers want to buy, at appropriate price points and in the right quantities. This includes anticipating and responding to changing consumer preferences and trends, as well as taking into account the wider consumer and economic environment. In the short term, a failure to properly manage this area may mean that NEXT is faced with surplus stocks that cannot be sold at full price and may have to be disposed of at a loss. In the longer term, the reputation of the NEXT Brand may suffer. Product design and selection is therefore at the heart of the business.	Executive directors and senior management continually review the design, selection and performance of NEXT's product ranges. This ensures, so far as possible, that there is a well-balanced product mix that is good value for money, and available in sufficient quantities and at the right time to meet customer demand. To some extent, product risk is also mitigated by the diversity of NEXT's ranges.

Description of risk or uncertainty	How the risk or uncertainty is managed or mitigated
KEY SUPPLIERS & SUPPLY CHAIN MANAGEMENT	
NEXT relies on its supplier base to deliver products on time and to the quality standards it specifies. Failure to do so may result in an inability to service customer demand or adversely affect NEXT's reputation.	NEXT continually seeks ways to develop its supplier base so as to reduce over-reliance on individual suppliers of products and services, and maintain the quality and competitiveness of its product offer. The Group's risk assessment procedures for key suppliers identify alternatives and develop contingency plans in the event of key supplier failure.
Changes in global manufacturing capacity and costs may impact on profit margins.	Existing and new sources of supply are developed in conjunction with NEXT Sourcing, external agents and/or direct suppliers.
Non-compliance by suppliers with the NEXT Code of Practice may increase reputational risk.	NEXT carries out regular inspections of its suppliers' operations to ensure compliance with the standards set out in this code; covering production methods, employee working conditions, quality control and inspection processes. Further details can be found on page 28. NEXT also monitors and reviews the financial, political and geographical aspects of its supplier base to identify any factors that may affect the continuity or quality of supply of its products.
WAREHOUSING & DISTRIBUTION	
NEXT regularly reviews the warehousing and distribution operations that support the business. Risks include business interruption due to physical damage, access restrictions, breakdowns, capacity shortages, IT systems failure (see next page), inefficient processes and third party failures.	Planning processes are in place to ensure there is sufficient warehouse handling capacity for expected future business volumes over the short and longer terms. In addition, service levels, warehouse handling, inbound logistics and delivery costs are monitored continuously to ensure goods are delivered to our warehouses, Retail stores and Directory customers in a timely and cost-efficient manner. Business continuity plans and insurance are in place to mitigate the impact of business interruption.
CUSTOMER EXPERIENCE	
NEXT's performance depends on the recruitment and retention of customers, and on its ability to drive and service customer demand. This includes having an attractive, functional and reliable website and effective call centres, operating successful marketing strategies, and providing both Retail and Directory customers with service levels that meet or exceed their expectations.	The Group continuously monitors website and call centre operations that support the business to ensure that there is sufficient capacity to handle volumes. Capacity forecasting is used to manage peak demands and growth in business volumes. Market research is used to assess customer opinions and satisfaction levels, and regular customer experience visits to our stores help to ensure that our staff remain focussed on delivering excellent customer service.

STRATEGIC REPORT

Description of risk or uncertainty	How the risk or uncertainty is managed or mitigated
RETAIL STORE NETWORK	
NEXT Retail's performance depends on profitably developing the trading space of the store network. The successful development of new stores depends on a number of factors including the identification of suitable properties, obtaining planning permissions and the negotiation of acceptable lease terms. Prime retail sites will generally remain in demand, and increased competition for these can result in higher future rents.	The predominantly leased store portfolio is actively managed by senior management, with openings, refits and closures based on store profitability and cash payback. NEXT will continue to invest in new space where its financial criteria are met, and will renew and refurbish its existing portfolio when appropriate. New store appraisals include the estimated effects of sales deflection from existing stores, but there remains a risk that actual performance may differ from those estimates.
INFORMATION SECURITY, BUSINESS CONTINUITY & CYBER RISK	
NEXT is dependent upon the continued availability and integrity of its IT systems, which must record and process substantial volumes of data and conduct inventory management accurately and quickly. The Group's systems require continuous enhancement and investment to prevent obsolescence and maintain responsiveness. The threat of unauthorised or malicious attack is an on-going risk, the nature of which is constantly evolving.	Systems' vulnerability and penetration testing, business continuity plans and back up facilities are in place and are tested regularly to ensure that business interruptions are minimised and data is protected from corruption or unauthorised access or use. IT risks are also managed through the application of internal policies and change management procedures, contractual service level agreements with third party suppliers, and IT capacity management. The Audit Committee received regular briefings on cyber risk during the year (see page 45).
FINANCIAL, TREASURY, LIQUIDITY & CREDIT RISKS	
The main financial risks are the availability of funds to meet business needs, default by counterparties to financial transactions, the effect of fluctuations in foreign exchange rates and interest rates, and compliance with regulation.	NEXT operates a centralised treasury function which is responsible for managing its liquidity, interest and foreign currency risks. The Group's treasury function operates under a Board-approved policy. This includes approved counter-party and other limits which are designed to mitigate NEXT's exposure to financial risk. Further details of the Group's treasury operations are given in Note 27 to the financial statements.
NEXT has a longstanding policy of returning surplus cash to shareholders through share buybacks and special dividends, whilst maintaining an appropriate level of debt. Adequate financing facilities are therefore required to support the operational needs of the business.	NEXT has adequate medium and long term financing in place to support its business operations, and the Group's cash position and forecasts are regularly monitored and reported to the Board.
NEXT is also exposed to credit risk, particularly in respect of its Directory customer receivables, which at £712m represents the largest item on the Group balance sheet.	Rigorous procedures are in place with regard to the Group's Directory account customers, including the use of external credit reference agencies and applying set risk criteria before acceptance. These procedures are regularly reviewed and updated.

EMPLOYEES

NEXT's employees are key to achieving business objectives. NEXT has established policies for recruitment, training and development of personnel and is committed to achieving excellence in the areas of health, safety, welfare and protection of employees and their working environment.

Equal opportunities and diversity

NEXT is an equal opportunities employer and will continue to ensure it offers career opportunities without discrimination. Full consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. The Group has continued the employment wherever possible of any person who becomes disabled during their employment. Opportunities for training, career development and promotion do not operate to the detriment of disabled employees. The following table shows the gender mix of the Group's employees at the end of the financial year:

	2015		2014	
	Males	Females	Males	Females
Directors of NEXT plc	**7**	**3**	8	3
Subsidiary directors and other senior managers	**29**	**15**	29	13
Total employees	**15,447**	**32,115**	15,929	34,138

Training and development

NEXT aims to realise the potential of its employees by supporting their career progression and promotion wherever possible. It makes significant investment in the training and development of staff and in training and education programmes which contribute to the promotion prospects of employees.

Employee communication

NEXT has a policy of providing employees with financial and other information about the business and ensures that the suggestions and views of employees are taken into account. NEXT has an employee forum made up of elected representatives from throughout the business who attend meetings at least twice a year with directors and senior managers. This forum enables and encourages open discussion on key business issues, policies and the working environment.

Employee share ownership

Approximately 11,600 employees held options or awards over 6.4 million shares in NEXT at January 2015, being 4.2% of the total shares in issue. Its employee share ownership trust ("ESOT") purchases shares for issue to employees when their options are exercised. At the year end the ESOT held 5.0 million shares; the Trustee generally does not vote on this holding on any resolution at General Meetings.

Pension provision

NEXT offers pension benefits to participating employees, details of which are set out in the Remuneration Report and in Note 21 to the financial statements. At January 2015, there were 1,093 (2014: 1,169) active members in the Defined Benefit Section of the NEXT Group Pension Plan and 2,853 (2014: 2,775) UK active members of the Defined Contribution Section. In addition, 12,114 employees (2014: 10,134) participate in the Group's Auto Enrolment defined contribution scheme.

STRATEGIC REPORT

SOCIAL, COMMUNITY AND HUMAN RIGHTS

NEXT is committed to the principles of responsible business. This means addressing key business related social, ethical and environmental matters in a way that aims to bring value to all of its stakeholders, including customers and shareholders. Continuous improvement lies at the heart of NEXT's approach and is achieved by acting in an ethical manner, developing positive relationships with suppliers, recruiting and retaining successful and responsible employees, taking responsibility for our impact on the environment and through contributions to charities and community organisations.

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

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

Suppliers

In common with other retailers, NEXT's product supply chain is both diverse and dynamic. Last year, NEXT used over 500 third party suppliers with products manufactured across some 40 countries. The challenge of trading ethically and acting responsibly towards the workers within our own and our suppliers' factories is a key priority. NEXT is a member of the Ethical Trading Initiative and operates its Code of Practice ("COP"), an established set of ethical trading standards, as an integral part of its operations. The NEXT COP has ten key principles that stipulate the minimum standards with which suppliers are required to comply in relation to workers' rights and conditions of work including working hours, minimum age of employment, health, safety, welfare and environmental issues. NEXT seeks to ensure all products bearing the NEXT brand are produced in a clean and safe environment and in accordance with all relevant laws.

NEXT is committed to its supplier audit and management programme and has a COP audit team of 45 staff (2014: 45) which carried out more than 1,900 factory audits last year. The COP team works directly with suppliers to identify and address causes of non-compliance. Each audited factory is measured against the COP's six tier rating system and the supplier is made aware of its rating and what is required to improve via a corrective action plan. This direct approach allows NEXT to build knowledge and understanding in local communities and monitor suppliers through its auditing process.

Human rights

NEXT is committed to upholding all basic human rights, as outlined in the United Nations' Guiding Principles of Business and Human Rights. In 2014 we carried out an initial risk assessment of potential human rights impacts across our business, looking at the activities of our own direct operations, as well as those of our UK and overseas partners. Labour rights in our supply chain is a key potential impact area, and is monitored and managed through the Next COP programme which reflects international labour conventions. In 2015 we will be using the findings from our initial human rights assessment to engage specific business functions as well as some external partners, and to prioritise our broader human rights activity.

Customers

NEXT is committed to offering stylish, excellent quality products to its customers, which are well made, functional, safe and are sourced in a responsible manner. NEXT works closely with buyers, designers and suppliers to ensure NEXT products comply with all relevant legislation and its own internal standards where these are higher. The expertise of independent safety specialists for clothing, footwear, accessories, beauty and home products is used where required.

NEXT endeavours to provide a high quality service to its customers, whether they are shopping through its stores, catalogues or website. These different ways of shopping must be easily accessible for all customers and be responsive to their needs.

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

Health and safety

NEXT recognises the importance of health and safety and its management is designed to contribute to business performance. Policies and procedures are reviewed and audited regularly to make safety management more robust and current.

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

Community

NEXT supports a wide range of charities and organisations, and provided the following financial support during the year:

	2015 £000	2014 £000
Registered charities	**1,003**	945
Individual requests, local and national groups and organisations	**183**	115
Commercial support	**75**	120

This support was supplemented by the following additional activities:

	2015 £000	2014 £000
NEXT charity events	**279**	34
Gifts in kind – product donations	**1,442**	1,613
Charity linked sales	**353**	363
Employee fundraising	**54**	37

No donations were made for political purposes (2014: nil).

ENVIRONMENTAL MATTERS

NEXT recognises that it has a responsibility to manage the impact of its business on the environment both now and in the future. For several years we have measured and reported against environmental targets for NEXT in the UK and Eire. The targets are measured from 2007 and look forward to 2015/16.

Key areas of focus are:

- Energy use and emissions from stores, warehouses, distribution centres and offices
  Target: Electricity consumption – 35% reduction in kg CO_2e/m^2
  Progress: 3% reduction compared with last year, and 30% electricity reduction achieved to date

- Fuel emissions from the transportation of products
  Target: Retail Distribution – 10% reduction in litres of fuel used/m^2
  Progress: Target achieved in 2012 with 16% reduction

- Waste created in stores, warehouses, distribution centres and offices
  Target: To send less than 5% of operational waste to landfill
  Progress: 91% of operational waste diverted from landfill achieved to date

STRATEGIC REPORT

Greenhouse gas emissions

In our Corporate Responsibility Report last year we provided detailed information on NEXT's global emissions footprint. In accordance with the disclosure requirements for listed companies under the Companies Act, the table below shows the Group's greenhouse gas emissions during the financial year:

	2015 Tonnes of CO_2 equivalent	**2014 Tonnes of CO_2 equivalent**
Combustion of fuel & operation of facilities (Scope 1)	**48,747**	47,764
Electricity, heat, steam and cooling purchased for own use (Scope 2)	**129,491**	117,950
Total Scope 1 and Scope 2 emissions	**178,238**	165,714
Intensity metric: tonnes of CO_2e per £m of sales	**44.25**	44.09

Note: 2014 Scope 1 has been re-stated as a result of data reclassification relating to transport from Scope 3 to Scope 1

Methodology

The methodology used to calculate our emissions is in compliance with the `Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance' and the UK Government's GHG Conversion Factors for Company Reporting (June 2014) issued by the Department for Environment, Food and Rural Affairs (DEFRA). We report our emissions data using an operational control approach which means we include emissions from all parts of the business where we are able to control activities and operating policies. This approach meets the definitional requirements of the Regulations in respect of those emissions for which we are responsible, following the guidelines and principles of the WBCSD/WRI Greenhouse Gas Protocol.

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

On behalf of the Board

David Keens
Director
19 March 2015

DIRECTORS' REPORT

Disclosures required under the 2013 amendment to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in respect of employee matters (including the employment, training and advancement of disabled persons), future developments, political donations and greenhouse gas emissions are given in the Strategic Report. Information on financial instruments is given in Notes 27 to 30 of the financial statements.

ANNUAL GENERAL MEETING & OTHER MATTERS

Notice of the Annual General Meeting ("AGM") is on pages 121 to 131 and includes the following business:

Dividends

The Directors recommend that a final dividend of 100p per share be paid on 3 August 2015 to shareholders on the register of members at close of business on 10 July 2015. This resolution relates only to the final dividend. As described in the Chief Executive's Review on page 19 the directors may in future decide to pay special dividends as long as NEXT's share price remains consistently above the Board's buyback price limit. This arrangement will ensure the Company continues to return surplus cash to shareholders, whilst maintaining the flexibility to return to buying back shares if and when the share price returns to levels commensurate with the required Equivalent Rate of Return. Any such special dividends will be declared by the directors as interim dividends. The announcement of any dividend will clearly indicate whether it is a special dividend or not.

The Trustee of the NEXT Employee Share Ownership Trust ("ESOT") has waived dividends paid in the year on the shares held by it, see Note 26.

Directors

Dame Dianne Thompson was appointed as a non-executive director on 1 January 2015. Dame Dianne has significant senior management experience including 14 years as Chief Executive of Camelot Group after joining in 1997 as Commercial Operations Director. During her 42 year career she has also worked in marketing for several retail companies and more recently was Chairman of RadioCentre and a non-executive director of the Home Office. She is currently President of the Market Research Society.

Amanda James, Group Finance Director from 1 April 2015 following the retirement of David Keens, has been at NEXT for 19 years, led the management accounting and commercial finance teams from 2005 and became NEXT Brand Finance Director in 2012. Amanda has comprehensive knowledge of NEXT's operations and has played a central role in the financial management of the business.

On 15 May 2014, following the 2014 AGM, Christine Cross stepped down as a non-executive director after nine years of service and on 10 June 2014 Christos Angelides, Group Product Director, resigned from the Board to pursue an external career opportunity.

The UK Corporate Governance Code recommends that all directors of FTSE companies stand for election every year and all members of the Board will do so at this year's AGM, other than Jonathan Dawson who is stepping down. Directors' biographies are set out on page 38. Each of the directors standing for re-election has undergone a performance evaluation and demonstrated that they remain committed to the role and continue to be an effective and valuable member of the Board. The Board is satisfied that each non-executive director offering themselves for election or re-election is independent in both character and judgement, and their knowledge and other business interests enable them to contribute significantly to the work and balance of the Board.

When Jonathan Dawson steps down from the Board in May, Francis Salway will succeed him as Senior Independent Director and Caroline Goodall will succeed him as Remuneration Committee Chair.

The interests of the directors who held office at 24 January 2015 and their families are shown in the Remuneration Report on page 56.

DIRECTORS' REPORT

Auditor

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

Disclosure of information to the auditor

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

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

The NEXT Long Term Incentive Plan ("LTIP")

Ordinary resolution 14 seeks authority from shareholders to allow the continued operation of the NEXT Long Term Incentive Plan ("LTIP"). This plan, which was previously named the NEXT 2006 Performance Share Plan, has been operated by NEXT for senior executives since it was initially approved by shareholders at the 2006 AGM.

The LTIP is a senior executive share plan, and its key features remain in line with market and best practice.

Whilst not a provision of the LTIP rules, it is the Company's policy that for awards granted after January 2014 main Board executive director participants must retain the shares acquired for a holding period of 2 years from vesting (allowing for any sales to cover payment of tax). In addition, the Company includes suitable claw-back provisions in those executives' service agreements.

The Company's initial 10 year authority to operate the LTIP will expire in 2016 and, accordingly, in resolution 14 the Company is asking shareholders for a renewed authority to operate the LTIP for a further 10 years. The directors believe that it is appropriate to renew a share plan which has operated as intended and which remains "fit for purpose" rather than introducing an entirely new share plan where it is not necessary to do so. The Company is also proposing to renew its standard authority to operate LTIP with appropriate amendments in overseas jurisdictions where this is necessary to take account of local laws and regulations.

A summary of the principal terms of the LTIP is set out at Appendix 1 to the Notice of the AGM on page 124. The NEXT LTIP rules will be available for inspection at the registered office of the Company, and at the offices of Pinsent Masons, 30 Crown Place, Earl Street, London EC2A 4ES during normal working hours from the date of the Notice of the AGM up to the date of the AGM and at the Meeting itself.

Authority to allot shares

Under the 2006 Act, the directors may only allot shares or grant rights to subscribe for, or convert any security into, shares if authorised to do so by shareholders in general meeting. The authority conferred on the directors at last year's AGM under section 551 of the 2006 Act expires on the date of the forthcoming AGM and ordinary resolution 15 seeks a new authority to allow the directors to allot ordinary shares up to a maximum nominal amount of £5,000,000, representing approximately one third of the Company's existing issued share capital as at 18 March 2015. In accordance with institutional guidelines, resolution 15 will also allow directors to allot further ordinary shares, in connection with a pre-emptive offer by way of a rights issue, up to a total maximum nominal amount of £10,000,000, representing approximately two thirds of the Company's existing issued share capital as at that date. As at 18 March 2015 (being the latest practicable date prior to publication of this document) the Company's issued share capital amounted to £15,287,356 comprising 152,873,556 ordinary shares of 10 pence each, none of which are held in treasury. The directors have no present intention of exercising this authority which will expire at the conclusion of the AGM in 2016 or, if earlier, 1 August 2016.

Authority to disapply pre-emption rights

Special resolution 16 will, if passed, renew the directors' authority pursuant to sections 570 to 573 of the 2006 Act to allot equity securities for cash without first offering them to existing shareholders in proportion to their holdings. This resolution limits the aggregate nominal value of ordinary shares which may be issued by the directors on a non pre-emptive basis to £764,000, being less than 5% of the issued ordinary share capital as at 18 March 2015. This authority also allows the directors, within the same aggregate limit, to sell for cash, shares that may be held by the Company in treasury. The directors do not have any present intention of exercising this authority which will expire at the AGM in 2016 or, if earlier, 1 August 2016. In accordance with the Pre-Emption Group's Statement of Principles, the directors do not intend to issue more than 7.5% of the share capital of the Company for cash under this or previous authorities in any rolling three year period without prior consultation with shareholders.

On-market purchase of own shares

NEXT has been returning capital to its shareholders by share repurchases as well as special and ordinary dividends since March 2000 as part of its strategy for delivering sustainable long term growth in earnings per share. Over this period, and up to 18 March 2015, NEXT has returned over £3.2bn to shareholders by way of share buybacks and over £2bn in dividends, of which £297m comprised special dividends. This buyback activity has enhanced earnings per share, given shareholders the opportunity for capital returns (as well as dividends) and has been transparent to the financial markets. Share buybacks have not been made at the expense of investment in the business. Over the last five years, NEXT has invested over £567m in capital expenditure to support and grow the business.

Special resolution 17 will renew the authority for the Company to make market purchases (as defined in Section 693 of the 2006 Act) of its ordinary shares of 10p each provided that:

a) the aggregate number of ordinary shares authorised to be purchased shall be the lesser of 22,915,000 ordinary shares of 10p each (being less than 15% of the issued share capital at 18 March 2015) and no more than 14.99% of the issued ordinary share capital outstanding at the date of the AGM, such limits to be reduced by the number of any shares to be purchased pursuant to special resolution 18: Off-market purchases of own shares, see below;

b) the payment per ordinary share is not less than 10p and not more than 105% of the average of the middle market price according to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date of purchase or, if higher, the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003; and

c) the renewed authority will expire at the AGM in 2016 or, if earlier, 1 August 2016.

The directors intend that this authority to purchase the Company's shares will only be exercised if doing so will result in an increase in earnings per share and, being in the interests of shareholders generally, it is considered to promote the success of the Company. The directors will also give careful consideration to financial gearing levels of the Company and its general financial position. The purchase price would be paid out of distributable profits. It is the directors' present intention to cancel any shares purchased under this authority.

The repurchase of ordinary shares would give rise to a stamp duty liability of the Company at the rate currently of 0.5% of the consideration paid.

The total number of employee share awards and share options to subscribe for shares outstanding at 18 March 2015 was 6,223,008. This represents 4.1% of the issued share capital at that date. If the Company were to buy back the maximum number of shares permitted pursuant to both the existing authority granted at the 2014 AGM (which will expire at the 2015 AGM) and the authority sought by this resolution, then the total number of options to subscribe for shares outstanding at 18 March 2015 would represent 5.7% of the reduced issued share capital.

DIRECTORS' REPORT

Off-market purchases of own shares

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

- Contingent contracts allow the Company to purchase shares at a discount to the market price prevailing at the date each contract is entered into. No shares have been bought back under contingent purchase contracts pursuant to the authority granted at the 2014 AGM up to 18 March 2015.
- Low share liquidity can often prevent the Company from purchasing sufficient numbers of shares on a single day without risk of affecting the prevailing market price. Contingent contracts enable the Company to purchase shares over time without risk of distorting the prevailing share price, and also spread the cash outflow.
- Contingent contracts entered into prior to any close period allow the Company to take delivery of shares during these periods.
- Competitive tendering involving up to five banks is used which minimises the risk of hidden purchase costs. The pricing mechanism ensures the Company retains the benefit of declared and forecast dividends.
- The Company would also have the option to set a suspension price in individual contracts whereby they would automatically terminate if the Company's share price was to fall.

As with any share buyback decision, the directors would use this authority only after careful consideration, taking into account market conditions prevailing at the time, other investment opportunities and the overall financial position of the Company. The directors will only purchase shares using such contracts if, based on the contract discounted price (rather than any future price), it is earnings enhancing and promotes the success of the Company for the benefit of its shareholders generally. It is the directors' present intention to cancel any shares purchased under this authority.

Special resolution 18 will give the Company authority to enter into contingent purchase contracts with any of Goldman Sachs International, UBS AG, Deutsche Bank AG, HSBC Bank plc and Barclays Bank plc under which shares may be purchased off-market at a discount to the market price prevailing at the date each contract is entered into. The maximum which the Company would be permitted to purchase pursuant to this authority would be the lower of 3,000,000 shares or a total cost of £200 million.

The principal features of the contracts are set out in Appendix 2 to the Notice of the AGM. Copies of the agreements the Company proposes to enter into with any of the banks (the "Programme Agreements") will be available for inspection at the registered office of the Company, and at the offices of Pinsent Masons, 30 Crown Place, Earl Street, London EC2A 4ES during normal working hours from the date of the Notice of the AGM up to the date of the AGM and at the Meeting itself.

Notice of General Meetings

The notice period required by the 2006 Act for general meetings of the Company is 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. However, the Company's AGM must always be held on at least 21 clear days' notice. At the AGM of the Company held in 2014, shareholders authorised the calling of general meetings other than an AGM on not less than 14 clear days' notice and it is proposed that this authority be renewed. The authority granted by special resolution 19, if passed, will be effective until the Company's AGM in 2016. In order to be able to call a general meeting on less than 21 clear days' notice, the Company will make electronic voting available to all shareholders for that meeting. The flexibility offered by this resolution will not be used as a matter of routine for such meetings, but only where the directors consider it appropriate, taking account of the business to be considered at the meeting and the interests of the Company and its shareholders as a whole.

Recommendation

The Board are of the opinion that all resolutions which are to be proposed at the 2015 AGM will promote the success of the Company and are in the best interests of its shareholders as a whole and, accordingly, unanimously recommend that you vote in favour of the resolutions.

Share capital and major shareholders

Details of the Company's share capital are shown in Note 23 to the financial statements.

The Company was authorised by its shareholders at the 2014 AGM to purchase its own shares. During the year the Company purchased and cancelled 2,158,761 ordinary shares with a nominal value of £215,876 (none of which were purchased off-market), at a cost of £137.9m, representing 1.4% of its issued share capital at the start of the year. Share buybacks enhanced this year's earnings per share by around 2%. Buybacks during the year were made out of cash and profits generated during the year, and therefore did not result in a reduction in the Group's net assets or an increase in debt compared with January 2014.

At the financial year end (24 January 2015) the Company had 152,873,556 shares in issue, which remained the same as at 18 March 2015.

The following information has been received from holders of notifiable interests in the Company's issued share capital:

	Notifications received up to 24 January 2015 and as at date of notification		
	No. of voting rights	**% of voting rights**	**Nature of holding**
FMR LLC (Fidelity)	**21,470,075**	13.99	Indirect interest
BlackRock, Inc.	**15,449,829**	9.97	Indirect interest
NEXT plc Employee Share Option Trust	**6,190,747**	3.99	Direct interest

No other notifications were received after 24 January up to 18 March 2015.

Additional information

Shareholder and voting rights

All members who hold ordinary shares are entitled to attend and vote at the AGM. On a show of hands at a general meeting every member present in person and every duly appointed proxy shall have one vote and on a poll, every member present in person or by proxy shall have one vote for every ordinary share held or represented. It is intended that voting at the 2015 AGM will be on a poll. The Notice of Meeting on pages 121 to 131 specifies deadlines for exercising voting rights.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and voting rights. There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions imposed by laws and regulations (such as insider trading laws and market requirements relating to close periods) and requirements of the Listing Rules whereby directors and certain employees of the Company require Board approval to deal in the Company's securities.

The Company's articles of association may only be amended by a special resolution at a general meeting. Directors are elected or re-elected by ordinary resolution at a general meeting; the Board may appoint a director but anyone so appointed must be elected by ordinary resolution at the next general meeting. Under the articles of association, directors retire and may offer themselves for re-election at a general meeting at least every three years. However, in line with the provisions of the UK Corporate Governance Code, all directors will stand for re-election at the 2015 AGM other than David Keens who is retiring from the Board in April 2015 and Jonathan Dawson who is stepping down from the Board at the 2015 AGM.

DIRECTORS' REPORT

Change of control

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

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

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

Corporate governance

The corporate governance statement as required by the UK Financial Conduct Authority's Disclosure and Transparency Rules (DTR 7.2.6) comprises the Additional Information section of the Directors' Report and the Corporate Governance statement included in this Annual Report.

The following disclosures are required under Listing Rule 9.8.4 R:

Topic	
Publication of unaudited financial information	In December 2014 NEXT published a PBT forecast of £765m to £785m for the year to January 2015. Actual performance was £782m.
Shareholder waivers of dividends	The NEXT Employee Share Ownership Trust waived its rights to receive dividends during the year.

No further LR 9.8.4 disclosures are required.

David Keens

David Keens
Director
19 March 2015

DIRECTORS' RESPONSIBILITIES STATEMENT

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

As a listed company within the European Union, the directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU. The directors have elected to prepare the parent company financial statements in accordance with Companies Act 2006 and UK Accounting Standard FRS 101 "Reduced Disclosure Framework".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- in respect of the Group financial statements, provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and performance; and
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.
- in respect of the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless they consider that to be inappropriate.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibilities Statement

We confirm that to the best of our knowledge:

a) the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the Group; and

b) the Strategic Report contained in this annual report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face; and

c) the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board

Lord Wolfson of Aspley Guise
Chief Executive
19 March 2015

David Keens
Group Finance Director

DIRECTORS AND OFFICERS

CHAIRMAN OF THE BOARD

John Barton

Aged 70. Became a member of the Board in 2002 and was appointed Deputy Chairman in 2004 and Chairman in 2006. He is also Chairman of Catlin Group Limited and easyJet plc and a non-executive director of SSP. John previously served as Chief Executive of JIB Group plc, Chairman of Cable and Wireless Worldwide plc, Jardine Lloyd Thompson Group plc, Wellington Underwriting plc and Brit Insurance Holdings plc and as a non-executive director of WH Smith plc and Hammerson plc.

EXECUTIVE DIRECTORS

Lord Wolfson of Aspley Guise, Chief Executive

Aged 47. Joined the Group in 1991. Appointed Retail Sales Director in 1993, became responsible for NEXT Directory in 1995 and was appointed to the Board in 1997 with additional responsibilities for systems. Appointed Managing Director of the NEXT Brand in 1999 and Chief Executive in 2001.

Amanda James, Group Finance Director (from 1 April 2015)

Aged 43. Joined the Group in 1995, and has led the management accounting and commercial finance teams since 2005. In 2009 Amanda was appointed Commercial Finance Director and was promoted to NEXT Brand Finance Director in 2012. Amanda has comprehensive knowledge of NEXT's operations and has played a central role in the financial management of the business.

David Keens, Group Finance Director (to 1 April 2015)

Aged 61. Joined NEXT in 1986 as Group Treasurer and was appointed to the Board in 1991. Previous experience includes seven years in the accountancy profession and nine years in the UK and overseas operations of multinational manufacturers of consumer goods, with roles including Group Treasurer and Finance Director. Professional qualifications include the Association of Chartered Certified Accountants and the Association of Corporate Treasurers.

Michael Law, Group Operations Director

Aged 53. Joined the Group in 1995 as Call Centre Manager for the NEXT Directory. Michael was appointed Call Centre Director in 2003 and in 2006 took responsibility for Group IT. In 2010 he was appointed Group Operations Director, adding Warehousing and Logistics to his portfolio. Michael is now responsible for all Systems, Warehousing, Logistics and Call Centres within the Group and was appointed to the Board in 2013.

Jane Shields, Group Sales and Marketing Director

Aged 51. Joined NEXT Retail in 1985 as a Sales Assistant in one of our London stores. Jane worked her way through Store Management to be appointed Sales Director in 2000, responsible for all store operations and training. In 2006 Jane took additional responsibility for Retail Marketing and in 2010 was appointed Group Sales and Marketing Director, adding Directory and online marketing to her portfolio. She was appointed to the Board in 2013.

COMPANY SECRETARY

Seonna Anderson

INDEPENDENT NON-EXECUTIVE DIRECTORS

Jonathan Dawson, Senior Independent Non-executive Director

Aged 63. Became a member of the Board in 2004. He is also a non-executive director of Jardine Lloyd Thompson Group plc and National Grid plc and Chairman of Penfida Limited. Previous experience includes non-executive directorships of National Australia Group Europe Ltd, Standard Life Investments (Holdings) Limited and Galliford Try plc, eight years in the Ministry of Defence and over twenty years in investment banking with Lazard.

Steve Barber

Aged 63. Became a member of the Board in 2007. Previous experience includes almost thirty years in the accountancy profession, principally with Price Waterhouse where he was a senior partner. Formerly Finance Director of Mirror Group and Chief Operating Officer of Whitehead Mann. Founder of The Objectivity Partnership, a member of the Audit Quality Forum and Chairman of Design Objectives Worldwide.

Caroline Goodall

Aged 59. Became a member of the Board in January 2013. Caroline is currently an independent non-executive on the Partnership Board of the accountancy firm Grant Thornton UK LLP and a Trustee of the National Trust and a member of its Council. She was a non-executive director of SVG Capital plc, a FTSE 250 listed private equity investor, from 2010 to October 2014. Prior to that, Caroline had over thirty years' experience in corporate finance and was a corporate finance partner at the international law firm Herbert Smith including five years as Head of the Global Corporate Division.

Francis Salway

Aged 57. Became a member of the Board in June 2010. He is also Chairman of Town & Country Housing Group, Chairman of the Property Advisory Group for Transport for London and a non-executive director of Cadogan Group Limited. Formerly Chief Executive of Land Securities Group plc and past president of the British Property Federation.

Dame Dianne Thompson

Aged 64. Joined the Board in January 2015. Dianne has significant senior management experience including fourteen years as Chief Executive Officer of Camelot Group. During her 42 year career, she has worked in marketing for several retail companies. More recently she was Chairman of RadioCentre and a non-executive director of the Home Office. She is currently President of the Market Research Society.

BOARD COMMITTEES

Audit Committee

Steve Barber (Committee Chairman)
Dame Dianne Thompson
Jonathan Dawson
Caroline Goodall
Francis Salway

Remuneration Committee

Jonathan Dawson (Committee Chairman)
Steve Barber
John Barton
Dame Dianne Thompson
Caroline Goodall
Francis Salway

Nomination Committee

John Barton (Committee Chairman)
Steve Barber
Dame Dianne Thompson
Jonathan Dawson
Caroline Goodall
Francis Salway

CORPORATE GOVERNANCE

Chairman's introduction

Effective corporate governance is essential to the long term success of our business.

As Chairman, my role is to manage the Board, ensuring it operates effectively and contains the right balance of skills and experience to successfully execute the strategy. The Board is collectively responsible for the long term success of the Company and for setting and executing the strategy.

Over many years, NEXT has successfully grown its business and created significant shareholder value against the backdrop of a challenging and changing external environment. This is the ultimate measure of our success and reflects our strong corporate governance structure and the effective management team we have in place. We remain committed to the robust approach to governance which has served the business well.

Code compliance

Except as noted below under Board composition, the Group complied throughout the year under review with the provisions set out in the 2012 UK Corporate Governance Code (copies of which can be downloaded from the Financial Reporting Council website www.frc.org.uk) and the UK FCA Disclosure and Transparency Rules. Disclosures required by DTR 7.2.6 with regard to share capital are presented in the 'Share capital and major shareholders' and 'Additional information' sections of the Directors' Report.

Board composition and succession

During the year there have been a number of Board changes. The Board currently includes five independent non-executive directors and the Chairman who bring considerable knowledge, judgement and experience to the Group. The Board has a good record of recruiting new non-executive directors at regular intervals to achieve appropriate rotation and continuity.

Provision B.1.2 of the UK Corporate Governance Code requires that at least half of the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent. The Group complied with this requirement save for a four week period between the retirement of Christine Cross, a non-executive director, on 15 May 2014 and the resignation of Christos Angelides, NEXT's Group Product Director, on 10 June 2014. Mr Angelides resigned to pursue an external career opportunity.

On 1 January 2015 Dame Dianne Thompson was appointed to the Board as a non-executive director. Her appointment will ensure the continued good balance of skills and experience on the Board after Jonathan Dawson stands down from the Board at the end of the 2015 AGM. Francis Salway will become Senior Independent Director in place of Mr Dawson, and Caroline Goodall will succeed him as Chair of the Remuneration Committee.

The Board considers that all of its non-executive directors are independent in character and judgement, and their knowledge, diversity of experience and other business interests continue to enable them to contribute significantly to the work of the Board. Terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office during normal business hours.

As announced last year, David Keens will retire as Group Finance Director shortly and Amanda James will be appointed in his place. Amanda has been with NEXT for 19 years and her appointment continues to demonstrate NEXT's successful history of promoting internal candidates to most senior management and executive Board positions through career development.

The Company's Articles of Association require directors to submit themselves for re-election by shareholders at least once every three years, however the Board has determined that all directors will stand for re-election at each AGM in accordance with the UK Corporate Governance Code.

CORPORATE GOVERNANCE

Board responsibilities

The Board is responsible for major policy decisions whilst delegating more detailed matters to its committees and officers including the Chief Executive. The Board is responsible for the Group's system of internal control and for monitoring implementation of its policies by the Chief Executive. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has a formal schedule of matters reserved for it and holds regular meetings where it approves major decisions, including significant items of capital expenditure, investments, treasury and dividend policy. Board papers including reports from the Chief Executive and other executive directors are circulated in advance of each Board meeting. The Board is responsible for approving semi-annual Group budgets. Performance against budget is reported to the Board monthly and any substantial variances are explained. Forecasts for each half year are revised and reviewed monthly. Certain other important matters are subject to weekly or monthly reporting to the Board or Board Committee, including sales, treasury operations and capital expenditure. There is a regular flow of written and verbal information between all directors irrespective of the timing of meetings.

All new directors receive a personalised induction programme, tailored to their experience, background and understanding of the Group's operations. Individual training needs are reviewed regularly and training is provided where a need is identified or requested. All directors receive frequent updates on a variety of issues relevant to the Group's business, including regulatory and governance issues.

Meetings of the non-executive directors without the executive directors being present are held at least annually, both with and without the Chairman. The Company Secretary attends all Board meetings and is responsible for advising the Board on corporate governance matters and facilitating the flow of information within the Board.

The Board has appointed committees to carry out certain of its duties, three of which are detailed below. Each of these is chaired by a different director and has written terms of reference which are available for inspection on the Company's website (www.nextplc.co.uk) or on request.

Attendance at meetings

The Board held ten formal meetings during the year and these were fully attended with the exception that Christine Cross missed two meetings and Dianne Thompson missed one meeting. The Audit Committee held five meetings which were fully attended. The Remuneration Committee held nine meetings which were fully attended with the exception that Francis Salway and Christine Cross each missed one meeting. The Nomination Committee held one meeting which was fully attended. In advance of the meetings that the directors missed, they reviewed the meeting papers and communicated their comments to the Company Secretary and Chairman who ensured these were considered at the meetings.

Audit Committee

The Committee consists of the current five independent non-executive directors including the senior non-executive director and at least one member (Steve Barber, the Committee Chairman) with recent and relevant financial experience. Dame Dianne Thompson was appointed to the Committee in February 2015. Jonathan Dawson will stand down at the 2015 AGM following which the Committee will consist of four independent non-executive directors. The Audit Committee Report on page 45 describes the role and activities of the Committee.

Remuneration Committee

The Committee consists of the Chairman and currently five independent non-executive directors. The Committee is chaired by Jonathan Dawson, who will stand down at the 2015 AGM and will be succeeded by Caroline Goodall. Dame Dianne Thompson was appointed to the Committee in February 2015. The Committee determines the remuneration of the executive directors in accordance with the Remuneration Policy and reviews the remuneration of senior management. Page 64 of the Remuneration Report summarises the role and activities of the Committee.

Nomination Committee

The Committee consists of the Chairman and currently five independent non-executive directors (Jonathan Dawson will stand down at the 2015 AGM), including the senior non-executive director. Dame Dianne Thompson was appointed to the Committee in February 2015. The Committee meets whenever necessary to consider succession planning for directors and other senior executives, to ensure that requisite skills and expertise are available to the Board to address future challenges and opportunities.

External consultants may be used to assist in identifying suitable external Board candidates, based on a written specification for each appointment. The Chairman is responsible for providing a shortlist of candidates for consideration by the Committee which then makes its recommendation for final approval by the Board. In seeking a suitable candidate for the recent non-executive vacancy, JCA Group, an external executive search agency, was engaged. JCA Group has no other connection with the Company.

Appointments to the Board, as with other positions within the Group, are made on merit according to the balance of skills and experience offered by prospective candidates. Whilst acknowledging the benefits of diversity, individual appointments are made irrespective of personal characteristics such as race, religion or gender. The number of directors, senior managers and employees by gender is given in the Strategic Report.

Chairman

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

The current Chairman became a member of the Board in 2002 and was an independent non-executive director of the Company prior to his appointment as Chairman on 17 May 2006. His other significant commitments are noted on page 38, and the Board considers that these are not a constraint on his agreed time commitment to the Company.

Chief Executive

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

CORPORATE GOVERNANCE

Management delegation

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

Directors' conflicts of interest

In accordance with the Company's Articles of Association, the Board has a formal system in place for directors to declare situational conflicts to be considered for authorisation by those directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted directors consider the situation in conjunction with their general duties under the Companies Act 2006. They may impose limits or conditions when giving an authorisation or subsequently if considered appropriate. Any situational conflicts considered by the Board, and any authorisations given, are recorded in the Board minutes and in a register of conflicts which is reviewed annually by the Board.

Performance evaluation

This year an internal board and committee evaluation was completed with the process being facilitated by the Company Secretary. The senior independent non-executive director appraises the performance of the Chairman through discussions with all the directors individually and, together with the Chairman, appraises the performance of the Chief Executive. The performance of the executive directors is monitored throughout the year by the Chief Executive and the Chairman. The Chairman also monitors the performance of the non-executive directors.

An externally facilitated review was carried out in 2012/13 by PricewaterhouseCoopers; this concluded that there were no significant weaknesses or risks that required attention. The Board intends to conduct the next externally facilitated review during 2015/16 in line with the UK Corporate Governance Code's recommendation that one is conducted every three years.

Risk management

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

Risk management and internal control is a continuous process and has been considered by the Board on a regular basis throughout the year. This includes identifying and evaluating key risks, determining control strategies and considering how they may impact on the achievement of the business objectives. The Board promotes the development of a strong control culture within the business. The Audit Committee regularly reviews strategic and operational risk, and has reviewed the key risks (described on pages 24 to 26) and the associated controls and mitigating factors.

The Board confirms that it has reviewed the Group's system of internal control and risk management (including financial, operational, compliance and risk management) and considers it to be appropriate and effective. The risk management process has been in place for the year under review and up to the date of approval of the Annual Report.

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

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

Personal use of company assets

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

CORPORATE GOVERNANCE

Relations with shareholders

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

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

All shareholders have an opportunity to ask questions or represent their views to the Board at the Annual General Meeting. The Company's largest shareholders are invited to the annual and interim results presentations, at which executive and non-executive directors are present. Non-executive directors attend other meetings with shareholders if requested. Shareholder views are also communicated to the Board through the inclusion in Board reports of shareholder feedback and statements made by representative associations. Whilst the Board recognises that it is primarily accountable to the Company's shareholders, the views of other providers of capital are also considered.

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also describes the Group's financial position, cash flows and borrowing facilities, further information on which is detailed in the financial statements. Information on the Group's financial management objectives, and how derivative instruments are used to hedge its capital, credit and liquidity risks is provided in Note 27 to the financial statements.

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

AUDIT COMMITTEE REPORT

Audit Committee and external audit

The composition of the Committee is described on page 41.

The Committee holds regular, structured meetings and consults with external auditors and senior management, including internal audit, where appropriate. The Committee frequently requests that executive directors and senior managers attend meetings in order to reinforce a strong culture of risk management and to keep the Committee up to date with events in the business. The Group Finance Director attended all of this year's meetings and the Group Chairman attended all but one.

The Audit Committee regularly reviews strategic and operational risk, and has reviewed the key risks (described on pages 24 to 26) and the associated controls and mitigating factors. The Audit Committee receives regular reports and briefings from internal audit and has reviewed the level of internal audit resource available within the Group and believes that it is adequate for the size, structure and business risks of the Group and is supplemented with appropriate external resources where needed.

The Committee's review of the interim and full year financial statements focused on the following areas of significance:

a) Directory receivables and related provisions for doubtful debts. These, at £712m, represent the largest asset class on the Group's balance sheet. The Committee regularly reviews the basis and level of provisions and was satisfied that the judgements taken were reasonable, consistent and appropriate;

b) Pension scheme funding, accounting and actuarial reports. Prepared in accordance with International Accounting Standards, the Group's balance sheet shows a net surplus of £38m, comprised of £775m assets and £737m liabilities. This compares with a net surplus of £70m in the previous year. The assumptions underlying the calculations are highly sensitive to small changes, particularly in respect of discount rates (see Note 21 to the accounts), and are not intended to reflect the full cost of a fully funded pension buy-out;

c) Foreign currency hedging. Forward contracts and options are used to manage the Sterling cost of future product purchases; this enables selling prices and gross margins to be set. The systems and processes in relation to the valuation and accounting treatment of such contracts were reviewed with management and agreed with the external auditor;

d) Judgemental accounting areas. There is a requirement for industry specific and general accounting estimates, including those in respect of stock valuation, product returns rates, onerous leases, gift card redemptions, taxation and share schemes. The Committee satisfied itself as to the reasonableness and consistency of these estimates through discussions with management and the external auditor.

These were also addressed at the planning stage of the external audit and there were no significant differences between management and external auditor conclusions.

The Audit Committee performed a detailed review of the Group's projected cash flows, facilities and covenants and reported to the Board that, in its view, the going concern assumption remains appropriate.

The operations of the Group and, in particular the Directory business, are highly reliant on the Group's IT systems. The Committee receives regular briefings from the IT and operations teams covering various aspects of IT and cyber security. In this rapidly moving area, there is inevitably a risk that a systems failure or cyber-attack could cause significant business disruption. Significant resources are therefore devoted to the development, maintenance and security of the IT systems.

The Committee also received reports and presentations from senior management on significant activities of the Group, including Directory marketing and e-commerce, regulatory developments, critical supplier risk management, property, corporate responsibility and Code of Practice (ethical and responsible sourcing). The Group's internal control functions in areas such as Finance, IT, and Product are regularly reviewed by the Committee. Frequent briefings are received on Health and Safety, Risk Management, Business Continuity, Whistleblowing and Corporate Governance generally.

AUDIT COMMITTEE REPORT

The Committee is aware of the International Accounting Standards Board (IASB) proposal for bringing all leases on to the balance sheet. The Chairman of the Committee and Group Finance Director have had meetings with representatives of accounting standard setters, and other interested parties, to express the Group's opposition to the current proposals. Implementation of the IASB proposal would fundamentally change the Group's balance sheet by bringing on some £2bn (undiscounted) of theoretical "right to use" assets, together with broadly matching lease liabilities. The proposals would have no impact on the Group's cash flows; but would add volatility, complexity and assumptions to the balance sheet as the Group actively manages the 500+ properties from which it trades or leases, as well as adding compliance costs.

The Committee had discussions with the external auditor on audit planning, fees, accounting policies, audit findings and internal control. The external auditor attended all of this year's Committee meetings. Meetings are also held with the auditor without management present. The effectiveness of the audit was assessed through the review of audit plans, reports and conclusions and through discussions with management and the external auditor. The Committee was satisfied that the audit was effective.

The Audit Committee is responsible for recommending the appointment, re-appointment and removal of the external auditor. Consideration is given each year to an audit tender process, however, a tender was not considered necessary during the current year. EY, or its predecessor firms, have been the Group's auditor for over 20 years. There has been regular partner rotation, most recently in 2012. The Committee is satisfied that EY continues to possess the skills and experience required to fulfil its duties effectively and efficiently. The appointment of the external auditor will continue to be reviewed annually and a tendering process will be undertaken to coincide with the rotation of the current audit partner in 2017, or earlier if the Committee considers it appropriate. The Committee also acknowledges the recent change in the law requiring mandatory auditor rotation.

EY have reported to the Committee that, in their professional judgement, they are independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired. The Audit Committee has assessed the independence of the auditor, and concurs with this statement.

In order to ensure the continued independence and objectivity of the Group's external auditor, the Board has strict policies regarding the provision of non-audit services by the external auditor. The Audit Committee's approval is required in advance for the provision of any non-audit services if the fee exceeds £100,000 for an individual assignment, or if the aggregate non-audit fees for the year exceed either £150,000 or 20% of the audit fee. The Committee reviews audit and non-audit fees twice a year. Proposed assignments of non-audit services with anticipated fees in excess of £50,000 are generally subject to competitive tender and decisions on the award of work are made on the basis of competence, cost-effectiveness and legislation. A tender process may not be undertaken where existing knowledge of the Group enables the auditor to provide the relevant services more cost-effectively than other parties. The Group's external auditor is prohibited from providing any services that would conflict with their statutory responsibilities or which would otherwise compromise their objectivity or independence. During the year, EY's audit fee amounted to £0.5m and EY's non-audit fees were less than £0.1m in total.

The Committee has reviewed its Terms of Reference and composition, and believes that both are appropriate.

Steve Barber
Chairman of the Audit Committee
19 March 2015

REMUNERATION REPORT

This report sets out the remuneration of NEXT's directors for the year to January 2015 and is in three parts: (1) Remuneration Committee Chairman's statement, (2) annual report on remuneration, and (3) the directors' remuneration policy which was approved by shareholders at the 2014 AGM. Each part is prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("the new regulations"), UK Listing Rules and UK Corporate Governance Code.

PART 1: REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

The approach of NEXT's Remuneration Committee has remained consistent with previous years; executive directors receive a mix of annual and long term incentives which reward strong business and financial performance in line with the Company's strategy and which are measured against robust benchmarks. We place special importance on rewarding consistently strong performance over longer periods and, therefore, the balance of incentives is tilted towards the Long Term Incentive Plan, with its 3 year performance period and 2 year holding period following vesting.

During the past year NEXT has achieved record profit before tax of £782.2m and record Earnings Per Share ("EPS") of 419.8p (both measured before exceptional disposal gains) representing annual growth of 12.5% and 14.7% respectively; over the past 3 years EPS has grown by a compound annual average of 18% and profit before tax by 11%. Ordinary dividends have grown by a compound annual average of 19% and a further £223m was paid as special dividends. The Committee considers that the remuneration arrangements promote the long term success of the Company within a suitable risk framework, are suitably aligned to enhancing shareholder value and that the actual remuneration earned by the executive directors continues to be a good reflection of their and NEXT's overall performance.

The Committee has addressed the following matters this year:

Remuneration Policy

Our remuneration policy was approved at the 2014 AGM with 98% of votes cast in favour. The Committee gave full consideration to the operation of the policy prior to proposing it to shareholders at the AGM and considers the level of support obtained to be a strong endorsement. The Committee is not proposing changes to the current policy.

Base salaries

Base salaries for executive directors were increased in February 2015 by 1% (having increased by 2% in both 2013 and 2014), in line with the wider company award.

Earlier in the year, the Committee determined that the base salaries for Michael Law and Jane Shields would be reappraised. Michael and Jane were promoted to the Board in July 2013 but did not receive salary increases at that time. The Committee agreed that from August 2014 their base salaries should increase from £306k to £400k due to their development and contribution as executive directors since their promotion. This progression reflects the Committee's belief that salary increases should be timed to reflect performance and contribution rather than simply promotion, and is consistent with the approved remuneration policy.

Annual bonus

As has been the case for many years at NEXT, annual bonus is calculated with reference to pre-tax EPS, including the impact of share buybacks. In last year's Remuneration Report we set out the basis on which we would ensure that executive directors are not incentivised to recommend share buybacks to the Board in preference to special dividends, or vice versa. This is achieved by making a notional adjustment to EPS growth for special dividends, on the basis that the cash distributed had instead been used to purchase shares at the prevailing share price on the day of the special dividend payment. Had no adjustment been made, this year's performance would have resulted in a bonus of 98%. After adjustment, the bonus increased to the capped maximum potential of 100% of salary (150% for Lord Wolfson, with 50% payable in shares deferred for two years). It should also be noted that we have excluded exceptional gains of £12.6m from this EPS calculation. Details of the targets set for last year are on page 50.

REMUNERATION REPORT

Long Term Incentive Plan ("LTIP") and Share Matching Plan ("SMP")

As set out in the Remuneration Report last year, the Committee simplified the overall structure of longer term incentives for executive directors. They are now granted only LTIP awards and no longer receive SMP awards. We believe that a single award is appropriate and in line with our philosophy of clarity to shareholders.

LTIP awards are granted twice a year (each at 100% of base salary for executive directors) and, therefore, during the year, the Committee approved two grants and two awards matured. Over the performance periods for the maturing awards, i.e. August 2011 to January 2015, NEXT's share price rose from £23.36 to £71.50 and its market capitalisation grew from £4.0 billion to £10.9 billion. £792m was paid to shareholders in ordinary and special dividends and a further £778m was returned to shareholders through share buybacks. The LTIP for the three year performance period to July 2014 vested 100% as NEXT's TSR ranked first out of 21 companies in the comparator group and the LTIP for the period to January 2015 also vested 100% as NEXT's TSR ranked fourth. Details of the comparator group are set out on pages 60 to 61.

The estimated value of these matured awards is substantial (see the Single Total Figure of Remuneration table on page 52); as there was no change in the basis of grant, this is largely due to the 206% rise in NEXT's share price over the performance periods. As disclosed last year, since executive directors are no longer granted SMP awards, the Committee removed the self-imposed £2.5m cap on the maximum value of LTIPs vesting for any participant in any one year for LTIP awards granted after January 2014. The cap will remain in force for LTIPs with performance periods ending in the financial years to January 2015 and 2016. Accordingly, the cap will be applied again this year and, as a result, Lord Wolfson's LTIP payments are expected to be reduced by an estimated £1,402k (2014 reduction £1,457k).

During 2014 the Committee reviewed the LTIP to ensure that it continues to operate as intended, and as a result made a modification to the rules to ensure that the Committee has the ability to reduce or withdraw awards where a person is subject to disciplinary processes. Taking into account the successful operation of the current LTIP, the Committee agreed to recommend to shareholders at the 2015 AGM to support a resolution to renew the LTIP rules for a further 10 years. The rules are the same as for the current LTIP and are consistent with best practice; the principal terms are set out in the Notice of Meeting Appendix 1 on page 124.

SMP

While the Committee decided last year that executive directors should no longer participate in the SMP, legacy awards will run their course. The 2012 SMP met its performance condition and will vest in full in April 2015, subject to the continued employment of participants. Lord Wolfson did not participate in the 2012 SMP. The SMP remains open to a small number of senior executives below Board level.

EPS and performance measurement

The Committee reviews each year the basis and performance measures used for the annual bonus and LTIP. The performance measure for the annual bonus continues to be based on growth in pre-tax EPS.

The principal reasons for using the EPS measure have been set out in previous Remuneration Reports. They are:

- it is consistent and transparent to participants and shareholders;
- NEXT is predominantly a single business selling products through a number of channels under the NEXT and third party brands. No significant earnings are derived from uncorrelated businesses and, therefore, a group metric such as EPS is logical and consistent with strategy;
- EPS continues to be the core financial measure by which the Board assesses overall performance; and
- the use of EPS is complemented by the application of TSR and consideration of the general economic underpin condition for the LTIP.

As set out in previous years, we consider it right that the impact of share buybacks on EPS should be included in performance measurement as, for more than a decade, share buybacks have been one of NEXT's primary strategies in generating value for shareholders. Share buybacks are regularly considered by the Board and are subject to prior approval as to timing, price and volume. Shares are only bought when the Board is satisfied that the ability to invest in the business and to grow the ordinary dividend will not be impaired. Similarly, the Board sets the minimum return required from share buybacks and makes special dividend payments where that return cannot be achieved. As I explained last year, the Committee concluded that the basis of calculation for this purpose should incorporate an appropriate adjustment to reflect the benefit to shareholders from special dividends paid in the period. This ensures there is no unintentional reward or penalty for management arising from buybacks or special dividends as a means of returning value to shareholders. The Board will maintain the same robust discipline over the level of special dividends as it does with regard to share buybacks.

Recommendation

Each year the Committee reviews the level of performance-related pay earned by the executive directors. The Committee considers that the remuneration earned continues to be a fair reflection of NEXT's operating and financial performance and is aligned to shareholders' experience over the past 3 years. We believe that the simplicity and transparency of our remuneration arrangements and their consistent application have contributed positively to NEXT's strong management team continuing to deliver resilient performance.

We focus on maintaining an appropriate balance between annual and long term incentive elements and also between cash and share-based elements, with the aim of ensuring that remuneration drives the right behaviours and rewards the right outcomes. We believe that weighting rewards towards the long term ensures proper shareholder alignment, which is illustrated by the significant proportion of directors' performance-related pay derived from growth in NEXT's share price.

There are no proposed changes to the remuneration policy approved last year by shareholders and accordingly this year there is only an advisory vote on the implementation of the policy together with a separate resolution to renew the LTIP. The Committee believes that last year's remuneration has been in line with both the approved policy and its spirit. Therefore, on behalf of the Committee, I commend the report and the renewal of the LTIP to you for approval.

This is my final report to shareholders as Remuneration Committee chairman as I retire from the Board in May after the AGM. It has been a great privilege serving on the Board. I have the highest confidence in NEXT and all of its employees and I wish the Company every success in the future.

Jonathan Dawson

Jonathan Dawson
Chairman of the Remuneration Committee

REMUNERATION REPORT

PART 2: ANNUAL REPORT ON REMUNERATION

Sections of the annual report on remuneration which have been subject to audit are noted accordingly.

IMPLEMENTATION OF REMUNERATION POLICY

The Committee has operated the remuneration policy in accordance with the policy approved by shareholders at the AGM in May 2014. The table below sets out the way that the policy was implemented in 2014 and any significant changes in the way the policy will be implemented in 2015.

Element of Remuneration	Changes for 2014 and 2015
Salary	The Committee determined that the base salaries of Michael Law and Jane Shields would be reappraised after their appointment to the Board. Michael and Jane were appointed in July 2013 but did not receive an increase in base salary at that time. The Committee agreed that from August 2014 their base salaries should increase from £306k to £400k due to their growing experience and contribution over the year. These increases reflect the Committee's belief that salary increases should reward performance and contribution rather than simply promotion. While the Committee does not place significant emphasis on benchmark data, it is worth noting that the increased salaries remain below a median level for directors of equivalent companies. Base salaries of the executive directors increased by 1% in February 2015, in line with the wider company award. Base salaries for the executive directors from February 2015 are: **£'000** Lord Wolfson 751 David Keens 501 Michael Law 404 Jane Shields 404
Annual Bonus	No change. Annual bonus is calculated on pre-tax EPS and we ensure that the executive directors are not incentivised to recommend share buybacks in preference to special dividends, or vice versa. This is achieved by making a notional adjustment to EPS for special dividends, on the basis that the cash distributed had instead been used to purchase shares at the prevailing share price on the day of the special dividend payment. For the year to January 2015, performance targets were set requiring pre-tax EPS growth on the prior year, adjusted for special dividends and excluding exceptional gains, of 5% before any bonus became payable (being pre-tax EPS of 483p). Maximum bonus of 100% and 150% of salary for the executive directors and Chief Executive respectively was payable if pre-tax EPS exceeded growth of 15% (being pre-tax EPS of 529p). Pre-tax EPS growth achieved in the year excluding exceptional gains was 14.7%, which became 16.9% after making the prescribed adjustment for special dividends and was well in excess of the 15% EPS growth at which point bonus reached its capped level. Accordingly, a bonus of 100% of salary for the executive directors and 150% of salary for the Chief Executive was earned. Bonus performance targets for the year ahead have been set but are not disclosed in advance for reasons of commercial sensitivity. The targets and performance will be disclosed in next year's Remuneration Report.

Element of Remuneration	Changes for 2014 and 2015
LTIP	No change. See Single Total Figure of Remuneration table, note 5 for details of LTIP vestings in the year.
Claw-back & holding periods	The Committee previously introduced malus/claw-back provisions in the service contracts of all executive directors to cover the bonus and LTIP, and a 5 year from grant holding period (comprising a 3 year vesting period and a 2 year holding period) under the LTIP for executive directors. They reconsidered these matters following the introduction of the new Corporate Governance Code and concluded that these provisions remain appropriate.
SMP	No change to policy and with effect from 2014 executive directors are no longer eligible to receive grants.
Chairman and non-executive director fees	The fees of the Chairman and non-executive directors were increased by 1% in February 2015, in line with the wider company award. The Chairman will be paid an annual fee of £262,701 (2014/15: £260,100). The basic non-executive director fee is £54,086 (2014/15: £53,550), with a further £10,817 (2014/15: £10,710) paid to the Chairmen of the Audit and Remuneration Committees, and to the Senior Independent Director.
Pension	No change.
Other benefits	No change.
Save As You Earn Scheme	No change.

REMUNERATION REPORT

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

Directors' remuneration £'000

	Fixed pay										Performance-related pay											
	Salary/fees		Benefits[1]		Pension[2]		Salary supplement[3]		Subtotal		Annual bonus[4]		LTIP[5]		Share Matching Plan[6]		Share-save		Subtotal		Total remuneration	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
Chairman																						
John Barton	**260**	255	**–**	–	**–**	–	**–**	–	**260**	255	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**260**	255
Executive directors																						
Lord Wolfson	**743**	729	**50**	49	**140**	160	**112**	109	**1,045**	1,047	**1,115**	1,093	**2,500**	2,500	**–**	–	**–**	6	**3,615**	3,599	**4,660**	4,646*
Christos Angelides†	**195**	529	**11**	33	**–**	140	**29**	79	**235**	781	**–**	529	**1,149**	2,500	**–**	3,121	**–**	–	**1,149**	6,150	**1,384**	6,931
David Keens	**496**	487	**22**	21	**–**	–	**74**	73	**592**	581	**496**	487	**1,954**	1,982	**448**	2,871	**–**	4	**2,898**	5,344	**3,490**	5,925
Michael Law‡	**353**	175	**23**	16	**–**	–	**53**	26	**429**	217	**353**	239	**850**	861	**191**	510	**2**	–	**1,396**	1,610	**1,825**	1,827
Jane Shields‡	**353**	175	**29**	17	**–**	–	**53**	26	**435**	218	**353**	239	**850**	861	**188**	515	**1**	5	**1,392**	1,620	**1,827**	1,838
Andrew Varley†	**n/a**	121	**n/a**	7	**n/a**	–	**n/a**	18	**n/a**	146	**n/a**	–	**n/a**	631	**n/a**	–	**n/a**	–	**n/a**	631	**n/a**	777
Non-executive directors																						
Steve Barber	**64**	63	**–**	–	**–**	–	**–**	–	**64**	63	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**64**	63
Christine Cross†	**16**	53	**–**	–	**–**	–	**–**	–	**16**	53	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**16**	53
Jonathan Dawson	**75**	74	**–**	–	**–**	–	**–**	–	**75**	74	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**75**	74
Caroline Goodall	**54**	53	**–**	–	**–**	–	**–**	–	**54**	53	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**54**	53
Francis Salway	**54**	53	**–**	–	**–**	–	**–**	–	**54**	53	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**54**	53
Dianne Thompson	**4**	–	**–**	–	**–**	–	**–**	–	**4**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**4**	–
	2,667	2,767	**135**	143	**140**	300	**321**	331	**3,263**	3,541	**2,317**	2,587	**7,303**	9,335	**827**	7,017	**3**	15	**10,450**	18,954	**13,713**	22,495

* Lord Wolfson waived his entitlement to the 2011 SMP award that would have matured in April 2014 at a value of £4.3m. Had he not done so, Lord Wolfson's total remuneration would have been £8,947,000 for 2013/14.

† Christos Angelides stepped down from the Board in June 2014 and continued in his role as Group Product Director until he left the business in September 2014. The table shows his remuneration only for the period he remained on the Board. Similarly, Andrew Varley stepped down from the Board in May 2013 and continued in his role as Group Property Director until he retired from the business in May 2014; LTIP remuneration of £631,000 and £842,000 (for the three year performance periods ending July 2013 and January 2014 respectively) was paid to him after he stepped down from the Board and prior to his retirement. During this time his 2011 SMP award also vested at a value of £2.1m. Christine Cross stepped down from the Board in May 2014. No compensation for loss of office was paid to these directors.

‡ Michael Law and Jane Shields joined the Board in July 2013. The 2013/14 values disclosed for salary, benefits and salary supplement relate only to the period of their executive directorship in that financial year. Performance-related remuneration includes pay relating to the period before they became executive directors but paid after their appointment.

Total emoluments paid to directors (salary/fees, benefits, salary supplements and annual bonus) for the year to January 2015 were £5,440,000 (2014: £5,828,000).

Note 1: Benefits

	Car/cash allowance		Fuel		Medical insurance & NEXT clothing allowance		Total	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Lord Wolfson	**40**	40	**7**	7	**3**	2	**50**	49
Christos Angelides	**8**	24	**2**	7	**1**	2	**11**	33
David Keens	**20**	19	**-**	-	**2**	2	**22**	21
Michael Law	**20**	13	**-**	2	**3**	1	**23**	16
Jane Shields	**19**	11	**7**	4	**3**	2	**29**	17
Andrew Varley	**n/a**	5	**n/a**	2	**n/a**	-	**n/a**	7

Note 2: Pension

Pension values are calculated using the method required by remuneration regulations, i.e. the total pension accrued at January 2015 less the total pension accrued at the end of the previous year, adjusted for inflation and multiplied by a factor of 20. It does not necessarily represent the economic value of the pension rights accrued and this benefit is not immediately available to the director. Consistent with other staff participating in the plans, directors' salaries are frozen for pension purposes at October 2012, but directors may continue to accrue pensionable service.

In summary, the pension entitlements of the directors are as follows:

	Age at January 2015	Years of pensionable service	Accrued annual pension £'000	Change in accrued annual pension £'000	Change in accrued annual pension (net of inflation) £'000
Lord Wolfson	47	20	340	16	7
Christos Angelides	51	21	290	4	-
David Keens	61	25	189	1	-
Michael Law	53	25	124	2	-
Jane Shields	51	19	119	1	-

Years of pensionable service shown above may include bought-in service from the transfer of other pension entitlements into the Plan. Directors' pension arrangements are subject to the same actuarial reduction as other employees on termination or early retirement.

Note 3: Salary supplement in lieu of pension

Supplements of 15% of base salary are paid in lieu of pension provision after the directors became deferred members of the defined benefit section of the NEXT Group Pension Plan. David Keens, Jane Shields and Andrew Varley received this supplement from 2011, Michael Law from April 2012 and Lord Wolfson and Christos Angelides from November 2012.

Note 4: Annual bonus

Details of the performance targets for the annual bonus are set out on page 50. For the year to January 2015 a bonus of 150% of salary for the Chief Executive and 100% of salary for the other executive directors was earned.

To provide a retention element in the case of the Chief Executive, any annual bonus in excess of 100% of base salary is payable in shares, deferred for a period of two years and subject to forfeiture if he voluntarily resigns prior to the end of that period.

Note 5: LTIP

Performance targets for the LTIP are set out on page 69. For the three year period to July 2014, NEXT's TSR ranked first in the comparator group of 21 and 100% of the grant made in the second half of 2011 vested. The Committee reviewed the Company's financial performance against underlying economic and other conditions ('the economic underpin') and noted that, during this period, the Company's compound average annual growth in underlying EPS and pre-tax profits was 19.0% and 9.7% respectively, significantly ahead of RPI (2.9%). Ordinary dividends also increased broadly in line with EPS and some £894m was returned to shareholders through share buybacks and special dividends. The Company's performance also compared favourably against its principal retail competitors and FTSE 100 companies. The Committee confirmed that the economic underpin performance condition had been satisfied and, as a consequence, 100% of the award vested.

For the three year period to January 2015, NEXT's TSR ranked fourth in a comparator group of 21 which gives an expected vesting of 100% of the award made in January 2012. In March 2015 the Committee reviewed the Company's financial performance on the same basis as described above and noted that the Company's compound annual growth in EPS and pre-tax profit was 18.0% and 11.1% respectively, significantly ahead of RPI (2.4%). Ordinary dividends continued to increase in line with EPS and £898m was returned to shareholders through share buybacks and special dividends. The Committee also assessed earnings growth against the comparator group of 21 retailers and concluded that NEXT had performed favourably. The Company's performance also compared favourably against its principal retail competitors and FTSE 100 companies. The Committee confirmed that the economic underpin performance condition had been satisfied and, as a consequence, 100% of the award vested.

LTIP values for the January 2015 single figure table comprise the actual value of awards that have vested and been paid for the performance period ending July 2014 plus the **estimated** value of awards that will vest for the performance period ending January 2015 based on the average NEXT share price over the final three months of £66.66. For the January 2014 figures, numbers have been updated to the actual values of the LTIP awards that vested in respect of performance periods ending in that financial year.

The maximum value of LTIP awards that vest for a participant in a year is capped at £2.5m. This cap was applied to awards that vested in the year to January 2014 for Lord Wolfson and Christos Angelides and their payments were reduced by £1,457k and £1,089k respectively. For the awards vesting in the year to January 2015, the cap will again be applied and the payment to Lord Wolfson will be reduced by an estimated £1,402k. The cap will remain in force for vesting LTIPs with performance periods ending in the financial year January 2016 and, in conjunction with the SMP decision made by the Committee during 2013/14, will be removed thereafter.

Note 6: SMP

Whilst executive directors will not receive further grants, legacy awards will run their course. The performance targets are set out on page 61.

Estimated values for the 2012 award assume maximum vesting in April 2015 and are based on the average NEXT share price over the three months to January 2015 of £66.66. Strong growth in EPS means the maximum performance target for this SMP has been achieved and therefore it will vest in full in April 2015, subject to the continued employment of participants. The estimated total pre-tax value for executive directors is £827k, of which £450k (54%) derives from the growth in NEXT's share price since investment in 2012.

The SMP values for January 2014 are actual values at the date of vesting.

REMUNERATION REPORT

Executive directors' external appointments

No current executive director holds any non-executive directorships outside the Group.

PENSION ENTITLEMENTS (AUDITED)

In 2013 all active members of the NEXT Group Pension Plan (the "NEXT Plan"), were transferred to the new 2013 NEXT Group Pension Plan (the "2013 Plan") so that pensioners of the NEXT Plan could be issued individual policies with Aviva. Most deferred pensioners and pensioners who had not previously been subject to a buy-in through Aviva were also transferred to the 2013 Plan. Benefits within the 2013 Plan mirror those in the previous NEXT Plan.

Executive directors are now members of the 2013 Plan which has been approved by HM Revenue & Customs and consists of defined benefit and defined contribution sections.

The trustee of both Plans is a limited company, NEXT Pension Trustees Limited (the "Trustee"). The Board of the Trustee includes members of the 2013 Plan, a pensioner member and a Chairman who is independent with no other connection to NEXT. Two of the directors are member nominated directors and cannot be removed by NEXT. The other directors, including the independent director, are appointed by and can be removed by NEXT. All directors of the Trustee receive a fee for their services, including those directors who are also employees of NEXT. No director of the Company is a director of the Trustee.

The Plans' investments are kept separate from the business of the NEXT Group and the Trustee holds them in separate trusts. Responsibility for investment of the Plans' funds has been delegated to professional investment managers.

The Group operates a salary sacrifice scheme whereby members from either section can elect to receive a reduced gross salary in exchange for enhanced employer pension contributions. The participation of members in the salary sacrifice scheme does not result in any overall increase in costs to the Group.

Defined contribution section

Employees of the Group can join the defined contribution section of the 2013 Plan. Members elect to pay either 3% or 5% of their pensionable earnings which is matched by the Company. For death prior to retirement, a lump sum of three times the member's base salary at the previous April is payable along with the current value of the member's fund.

Defined benefit section

The defined benefit section was closed to new members in 2000. Since 2012 the accrual of pension benefits has been based on pensionable salary frozen at October 2012, rather than final earnings. In addition, those employees can elect to receive up to a 15% salary supplement or additional contributions to the defined contribution section. The defined benefit section now provides members with a retirement benefit of one sixtieth or one eightieth (depending on the member's chosen contribution rate) of pensionable earnings at October 2012 for each year of pensionable service.

Lord Wolfson and a small number of senior employees, on completion of at least 20 years' pensionable service at age 65, receive a retirement benefit of two-thirds of pensionable earnings at October 2012, which accrues uniformly throughout their pensionable service. The deferred pensions for Christos Angelides, David Keens, Jane Shields and Michael Law are based on their pensionable earnings at the time they became deferred pensioners and accrued uniformly throughout their pensionable service.

The defined benefit section provides a lump sum death in service benefit and dependants' pensions on death in service or following retirement. Pensions are only payable to deceased members' children after death in service. In the case of ill-health retirement, only the accrued pension is payable. All benefits are subject to 2013 Plan limits. Increases to pensions in payment are at the discretion of the Trustee although pensionable service post-1997 is subject to limited price indexation. From 2006, sales and profit related bonuses were excluded from pensionable earnings and the normal retirement age under the Plan was increased from 60 to 65. There are no additional benefits payable to directors in the event of early retirement.

Members contribute 3% or 5% of pensionable earnings, whilst the Company currently makes contributions at the rate of 17.5%. The last full triennial valuation of the NEXT Plan was carried out as at March 2013, and the first triennial valuation of the 2013 Plan was carried out as at October 2013. As calculated in accordance with International Financial Reporting Standards, the net pension surplus at January 2015 was £37.9m; further details are given in Note 21 to the financial statements.

Certain members (including Lord Wolfson) whose accrued or projected pension fund value exceeds their personal lifetime allowance are provided with benefits through an unfunded, unapproved arrangement. The relevant members contribute towards the additional cost of providing these benefits by a payment of 5% on all pensionable earnings. Since April 2011, where existing members have reached either the annual or lifetime pension contributions limits, the Company has offered those members the choice of leaving the defined benefit section and either joining the defined contribution section (with an enhanced Company contribution) or taking a salary supplement, in both cases equal to 10% or 15% of their salary (depending on their existing contributions and benefits).

REMUNERATION REPORT

DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED)

Directors' interests

The Company has a formal share ownership requirement for executive directors: the Chief Executive's minimum shareholding is 1.5 times salary and for other executive directors 1 times salary. All executive directors exceed this requirement and, at the year end, no executive director held less than 3 times their salary. Directors' interests in shares at the beginning and end of the financial year were as follows:

	Ordinary shares		Deferred bonus shares[1]		LTIP[2]		SMP[2]		Sharesave[3]	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Lord Wolfson	**1,515,136**	1,514,128	**13,694**	9,844	**109,856**	149,221	**9,204**	9,204	**364**	364
Christos Angelides[4]	**124,476**	105,073	**–**	–	**–**	93,440	**–**	63,986	**–**	431
Steve Barber	**5,000**	5,000	**–**	–	**–**	–	**–**	–	**–**	–
John Barton	**14,000**	14,000	**–**	–	**–**	–	**–**	–	**–**	–
Christine Cross[5]	**5,598**	5,598	**–**	–	**–**	–	**–**	–	**–**	–
Jonathan Dawson	**5,000**	5,000	**–**	–	**–**	–	**–**	–	**–**	–
Caroline Goodall	**nil**	nil	**–**	–	**–**	–	**–**	–	**–**	–
David Keens	**234,488**	201,950	**–**	–	**59,111**	74,715	**13,618**	58,414	**230**	388
Michael Law	**19,183**	11,627	**–**	–	**32,139**	34,493	**5,330**	13,282	**163**	431
Francis Salway	**7,790**	7,790	**–**	–	**–**	–	**–**	–	**–**	–
Jane Shields	**46,852**	37,065	**–**	–	**32,139**	34,493	**5,286**	13,318	**348**	494
Dianne Thompson[6]	**nil**	n/a	**–**	n/a	**–**	n/a	**–**	n/a	**–**	n/a
Andrew Varley[7]	**n/a**	79,885	**n/a**	–	**n/a**	55,531	**n/a**	40,020	**n/a**	431

1. *Full details of the basis of allocation and terms of the deferred bonus are set out on pages 66 and 67.*
2. *The LTIP and SMP amounts above are the maximum potential awards that may vest subject to performance conditions described on pages 61 and 69.*
3. *Executive directors can participate in the Company's Sharesave scheme (see details on page 70) and the amounts above are the options which will become exercisable at maturity.*
4. *Christos Angelides stepped down from the Board in June 2014 and his 2015 ordinary shareholding is as at that date. He left the business in September 2014 and all unvested awards made to him under the LTIP, SMP and Sharesave lapsed in full at that time.*
5. *Christine Cross stepped down from the Board in May 2014 and her 2015 ordinary shareholding is at that date.*
6. *Dianne Thompson joined the Board in January 2015.*
7. *Andrew Varley stepped down from the Board in May 2013 and retired from the Company in May 2014.*

There have been no other changes to directors' interests in the shares of the Company from the end of the financial year to 18 March 2015. Full details of directors' interests in the shares and share options of the Company are contained in the Register of Directors' Interests which is open to inspection.

The table below shows share awards held by directors and movements during the year. Those which have not yet vested are in **bold**.

	Awards during financial year end January	Date of award	Market price at award date £	Option price £	Maximum share potential awarded	Options waived[1]/ lapsed	Shares vested in the year	Vesting date/ Exercisable dates[2]
Lord Wolfson								
Deferred bonus shares	2013	Apr 2012	29.33	n/a	1,902		1,902[3]	Apr 2014
	2014	Apr 2013	44.08	n/a	**7,942**			Apr 2015
	2015	Apr 2014	63.35	n/a	**5,752**			Apr 2016
LTIP	2012	Mar 2011	20.70	Nil	33,684	21,693[4]	11,991[4]	Jan 2014
	2012	Sept 2011	23.02	Nil	30,289[5]		30,289	Jul 2014
	2013	Mar 2012	26.60	Nil	**26,861**[5]			Jan 2015
	2013	Sept 2012	30.83	Nil	**23,175**			Jul 2015
	2014	Mar 2013	37.39	Nil	**19,492**			Jan 2016
	2014	Sept 2013	46.36	Nil	**15,720**			Jul 2016
	2015	Mar 2014	56.37[6]	Nil	**13,187**			Jan 2017
	2015	Sept 2014	65.09[6]	Nil	**11,421**			Jul 2017
SMP	2012	Apr 2011	22.37	Nil	67,098	67,098		n/a
	2014	Apr 2013	43.81	Nil	**9,204**			Apr 2016 – Apr 2023
Sharesave	2014	Oct 2013		41.12	**364**			Dec 2018 – Jun 2019
Christos Angelides								
LTIP	2012	Mar 2011	20.70	Nil	30,556	16,221[4]	14,335[4]	Jan 2014
	2012	Sept 2011	23.02	Nil	16,486[5]		16,486	Jul 2014
	2013	Mar 2012	26.60	Nil	14,619	14,619		n/a
	2013	Sept 2012	30.83	Nil	12,614	12,614		n/a
	2014	Mar 2013	37.39	Nil	10,609	10,609		n/a
	2014	Sept 2013	46.36	Nil	8,556	8,556		n/a
	2015	Mar 2014	56.37[6]	Nil	9,570	9,570		n/a
SMP	2012	Apr 2011	22.37	Nil	48,690		48,690[7]	May 2014
	2013	Apr 2012	30.32	Nil	8,392	8,392		n/a
	2014	Apr 2013	43.81	Nil	6,904	6,904		n/a
Sharesave	2012	Oct 2011		20.84	431	431		n/a

Notes to this table are on page 59.

REMUNERATION REPORT

	Awards during financial year end January	Date of award	Market price at award date £	Option price £	Maximum share potential awarded	Options waived[1]/ lapsed	Shares vested in the year	Vesting date/ Exercisable dates[2]
David Keens								
LTIP	2012	Mar 2011	20.70	Nil	16,866		16,866	Jan 2014
	2012	Sept 2011	23.02	Nil	15,166[5]		15,166	Jul 2014
	2013	Mar 2012	26.60	Nil	**13,449**[5]			Jan 2015
	2013	Sept 2012	30.83	Nil	**11,604**			Jul 2015
	2014	Mar 2013	37.39	Nil	**9,759**			Jan 2016
	2014	Sept 2013	46.36	Nil	**7,871**			Jul 2016
	2015	Mar 2014	56.37[6]	Nil	**8,804**			Jan 2017
	2015	Sept 2014	65.09[6]	Nil	**7,624**			Jul 2017
SMP	2012	Apr 2011	22.37	Nil	**44,796**		44,796[7]	April 2014
	2013	Apr 2012	30.32	Nil	**6,714**			Apr 2015 - Apr 2022
	2014	Apr 2013	43.81	Nil	**6,904**			Apr 2016 - Apr 2023
Sharesave	2012	Oct 2011		20.84	158		158[8]	Jan 2015
	2014	Oct 2013		41.12	**230**			Dec 2018 - Jun 2019
Michael Law								
LTIP	2012	Mar 2011	20.70	Nil	7,333		7,333	Jan 2014
	2012	Sept 2011	23.02	Nil	6,594[5]		6,594	July 2014
	2013	Mar 2012	26.60	Nil	**5,851**[5]			Jan 2015
	2013	Sept 2012	30.83	Nil	**5,048**			Jul 2015
	2014	Mar 2013	37.39	Nil	**4,814**			Jan 2016
	2014	Sept 2013	46.36	Nil	**4,853**			Jul 2016
	2015	Mar 2014	56.37[6]	Nil	**5,428**			Jan 2017
	2015	Sept 2014	65.09[6]	Nil	**6,145**			Jul 2017
SMP	2012	Apr 2011	22.37	Nil	7,952		7,952[7]	Apr 2014
	2013	Apr 2012	30.32	Nil	**2,862**			Apr 2015 – Apr 2022
	2014	Apr 2013	43.81	Nil	**2,468**			Apr 2016 – Apr 2023
Sharesave	2012	Oct 2011		20.84	431		431[8]	Dec 2014
	2015	Oct 2014		54.92	**163**			Dec 2017 – Jun 2018

Notes to this table are on page 59.

	Awards during financial year end January	Date of award	Market price at award date £	Option price £	Maximum share potential awarded	Options waived[1]/ lapsed	Shares vested in the year	Vesting date/ Exercisable dates[2]
Jane Shields								
LTIP	2012	Mar 2011	20.70	Nil	7,333		7,333	Jan 2014
	2012	Sept 2011	23.02	Nil	6,594[5]		6,594	Jul 2014
	2013	Mar 2012	26.60	Nil	**5,851**[5]			Jan 2015
	2013	Sept 2012	30.83	Nil	**5,048**			Jul 2015
	2014	Mar 2013	37.39	Nil	**4,814**			Jan 2016
	2014	Sept 2013	46.36	Nil	**4,853**			Jul 2016
	2015	Mar 2014	56.37[6]	Nil	**5,428**			Jan 2017
	2015	Sept 2014	65.09[6]	Nil	**6,145**			Jul 2017
SMP	2012	Apr 2011	22.37	Nil	8,032		8,032[7]	Apr 2014
	2013	Apr 2012	30.32	Nil	**2,820**			Apr 2015 – Apr 2022
	2014	Apr 2013	43.81	Nil	**2,466**			Apr 2016 – Apr 2023
Sharesave	2010	Oct 2009		14.34	195		195[8]	Dec 2014
	2014	Oct 2013		41.12	**299**			Dec 2018 – Jun 2019
	2015	Oct 2014		54.92	**49**			Dec 2019 – Jun 2020

1. *As disclosed in the 2014 Annual Report, Lord Wolfson waived his potential entitlement under the 2011 SMP (options over 67,098 shares).*
2. *For LTIP awards, the date in this column is the end of the three year performance period. Actual vesting will be the date on which the Committee determines whether any Performance Condition has been satisfied.*
3. *The market value of shares at the time the deferred bonus vested was £63.35.*
4. *For LTIP awards granted prior to February 2014 the maximum value of LTIP awards that vest for a particular year is capped at £2.5m. The cap was applied to the awards that vested in the year to January 2014 for Lord Wolfson and Christos Angelides. The impact of this cap was to reduce the shares vested by 21,693 and 16,221 respectively.*
5. *See page 53 for details of the performance conditions and vesting levels applicable to the LTIP schemes vesting in the year.*
6. *The LTIP price at award date is NEXT's average share price over the three months prior to the start of the performance period.*
7. *David Keens, Jane Shields and Michael Law exercised their SMP options on 30 April 2014 when the market price for the shares was £65.20. Christos Angelides exercised on 1 May 2014 when the market price was £66.50.*
8. *The market price for the shares at the date of Sharesave exercise was £67.55 for Michael Law and Jane Shields (1 December 2014) and £71.50 for David Keens (23 January 2015).*
9. *Within the above table, all awards are subject to performance conditions except for Sharesave options and Deferred Bonus Shares.*

The aggregate gains of directors arising from the exercise of options granted under the SMP, Sharesave and LTIP that vested in the year totalled £18,872,000 (2014: £14,150,000).

REMUNERATION REPORT

SCHEME INTERESTS AWARDED DURING THE YEAR TO JANUARY 2015 (AUDITED)

LTIP

Face value

In respect of the LTIP awards granted during the year to January 2015, the maximum "face value" of awards (i.e. the maximum number of shares that would vest if all performance measures are met multiplied by the average share price used to determine the award) is summarised below:

	Mar 2014 £'000	Sep 2014 £'000	Total £'000
Lord Wolfson	743	743	1,486
Christos Angelides[1]	539	–	539
David Keens	496	496	992
Michael Law	306	400	706
Jane Shields	306	400	706

1. *Christos Angelides left the Company in September 2014 and all his outstanding LTIP awards lapsed at that time.*

Vesting if minimum performance achieved

20% of the entitlement will be earned for relative TSR at median and full vesting requires relative TSR at upper quintile.

Performance period

March 2014 grant: three years to January 2017.

September 2014 grant: period three years to July 2017.

Performance measures

The LTIP performance measures are detailed on page 69. The companies in the TSR comparator group for the awards granted during the financial year are:

ASOS
Burberry
Carpetright
Carphone Warehouse[1]
Debenhams
Dixons/Dixons Carphone[1]
Dunelm
Halfords
Home Retail Group
J Sainsbury
JD Sports
Kingfisher
Marks & Spencer
Morrisons
Mothercare
N Brown
Poundland[1]
Supergroup
Ted Baker
Tesco
W H Smith

1. *Following the merger of Carphone Warehouse and Dixons Retail in August 2014, Poundland Group was added to the comparator group for the September LTIP grant. For the LTIP grants prior to September 2014, Carphone Warehouse and Dixons will continue as two entries with their relative TSRs being measured on pre (independent) and post (identical) merger performance over each performance period.*

Deferred bonus

In addition to the scheme interests detailed above, any annual bonus in excess of 100% of base salary payable to the Chief Executive is deferred for a period of two years and subject to forfeiture if he voluntarily resigns prior to the end of that period. The value of the deferred bonus (£372k) is included in the single total figure of remuneration table on page 52.

PERFORMANCE TARGETS FOR OUTSTANDING AWARDS

Summarised below are the performance targets for all outstanding awards made under the LTIP and SMP schemes:

LTIP

Details of potential awards granted to executive directors for outstanding performance periods are as follows:

	Maximum potential award granted (% of base salary)		
3 year performance periods commencing	Lord Wolfson	David Keens	Jane Shields & Michael Law
August 2012 and February 2013	100%	75%	60%
August 2013	100%	75%	75%
February 2014 and August 2014	100%	100%	100%

The comparator group for the LTIP three year performance periods commencing February 2014 and August 2014 are shown on the previous page. For preceding performance periods the changes to the February 2014 comparator group above are:

1. for the period commencing August 2013 - no change;
2. for the periods commencing February 2013, August 2012 and February 2012 – Kesa added and JD Sports removed;
3. for the period commencing August 2011 – HMV added and Dunelm removed; and
4. for the period commencing February 2011 – HMV and Signet added and Dunelm and Supergroup removed.

SMP (legacy only)

Vesting of awards is dependent solely on achieving the fully diluted post-tax EPS targets detailed below.

	Required fully diluted EPS (pence)		
Date of grant	**For 0.5:1 match**	**For 1:1 match**	**For 2:1 match**
April 2012	267.2	281.5	310.2
April 2013	314.5	331.3	365.0

These targets require a minimum three year growth in EPS of 12% before any shares vest and a maximum award is only achieved if EPS growth reaches 30% over three years. The effective matching ratio will be calculated on a straight line basis for EPS falling between each of the threshold points. The same EPS growth performance targets and matching ratios were also set for the April 2014 SMP (which was not granted to executive directors). Details of the calculation of fully diluted EPS are provided in Note 9 to the financial statements.

PAYMENTS TO PAST DIRECTORS (AUDITED)

Andrew Varley stepped down from the Board in May 2013 and continued his role as Group Property Director until he retired in May 2014. During the year he was paid £1,536k in relation to two LTIP awards which vested. The second of these vested after he retired and, as a 'good leaver', his entitlement was time pro-rated proportionately to his actual period of service. In April 2014 his award under the 2011 SMP also vested and he received shares valued at £2,135k at that date. In November 2014 he exercised 431 options granted at £20.84 under the Sharesave scheme, the market price at that time was £64.65. There were no other payments made to past directors.

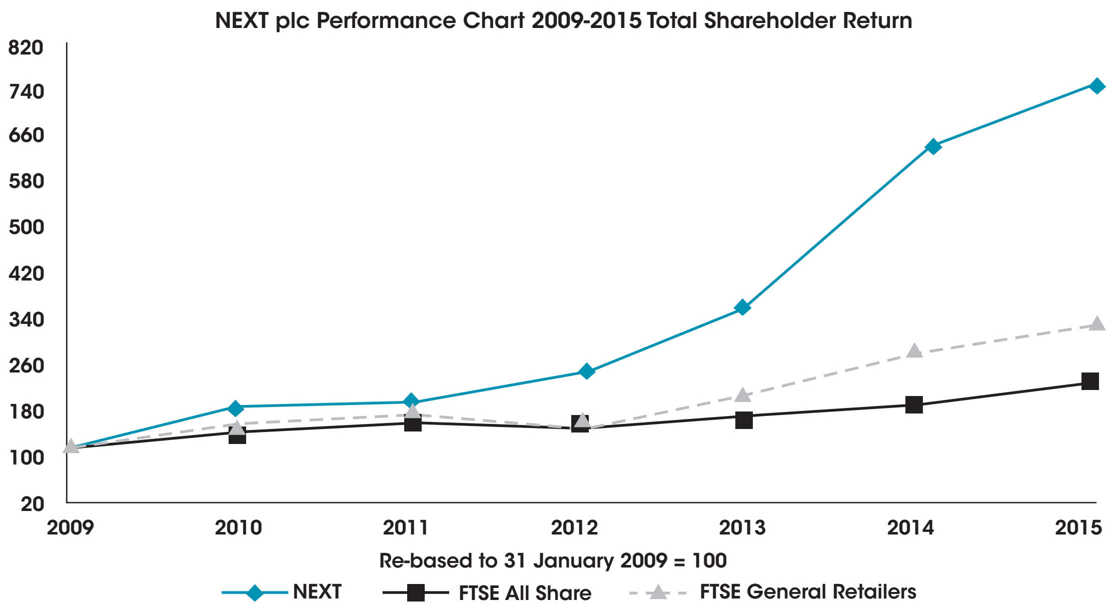
PAYMENTS FOR LOSS OF OFFICE (AUDITED)

There were no payments made to any director in respect of loss of office.

PAY AND PERFORMANCE

Performance graph

The graph below illustrates the performance of the Company when compared with the FTSE All Share and FTSE General Retailers indices. These have been selected to illustrate the Company's total shareholder return performance against a wide UK index and a sector specific index for the six year period ending January 2015.



REMUNERATION REPORT

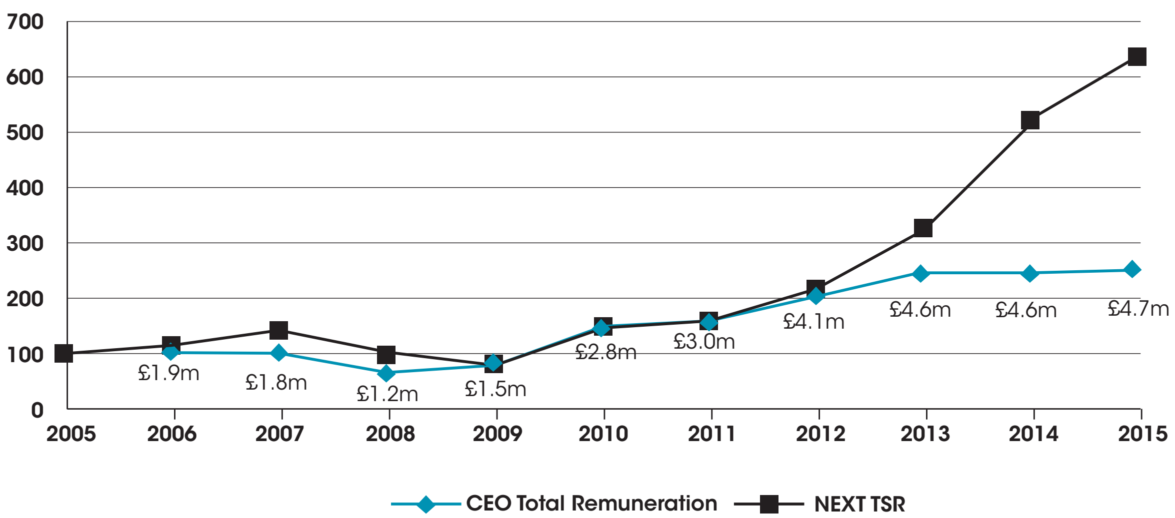
Analysis of Chief Executive's pay over 6 years

Financial year to January	Single figure of total remuneration £'000	Annual bonus pay-out against maximum opportunity[1]	LTIP pay-out against maximum opportunity[2]	SMP pay-out against maximum opportunity
2015	4,660	100%	Two semi-annual awards vested at 100% each, however total value capped at £2.5m	Did not participate in 2012–15 SMP
2014	4,646	100%	Two semi-annual awards vested at 100% each, however total value capped at £2.5m	Entitlement waived[3]
2013	4,630	99%	Two semi-annual awards vested at 96% and 98%, however total value capped at £2.5m	Entitlement waived[3]
2012	4,106	72%	Two semi-annual awards vested at 100% and 83%, however total value capped at £2.5m	n/a
2011	3,010	100%	65%	n/a
2010	2,833	100%	100%	n/a

1 *The maximum bonus for the Chief Executive is 150% of salary.*
2 *The first of semi-annual, rather than annual, awards vested in July 2011.*
3 *Lord Wolfson waived his entitlement to these SMP awards. Had he not done so, his total remuneration would have been £8,947k for January 2014 and £7,601k for January 2013.*

The Remuneration Committee continues to focus on the alignment of executive remuneration and long term growth in shareholder value. The graph below charts total annual remuneration of Lord Wolfson against NEXT's TSR over the last 10 years and shows that TSR grew by 383% more than his remuneration.

10 Year NEXT CEO Pay and NEXT TSR



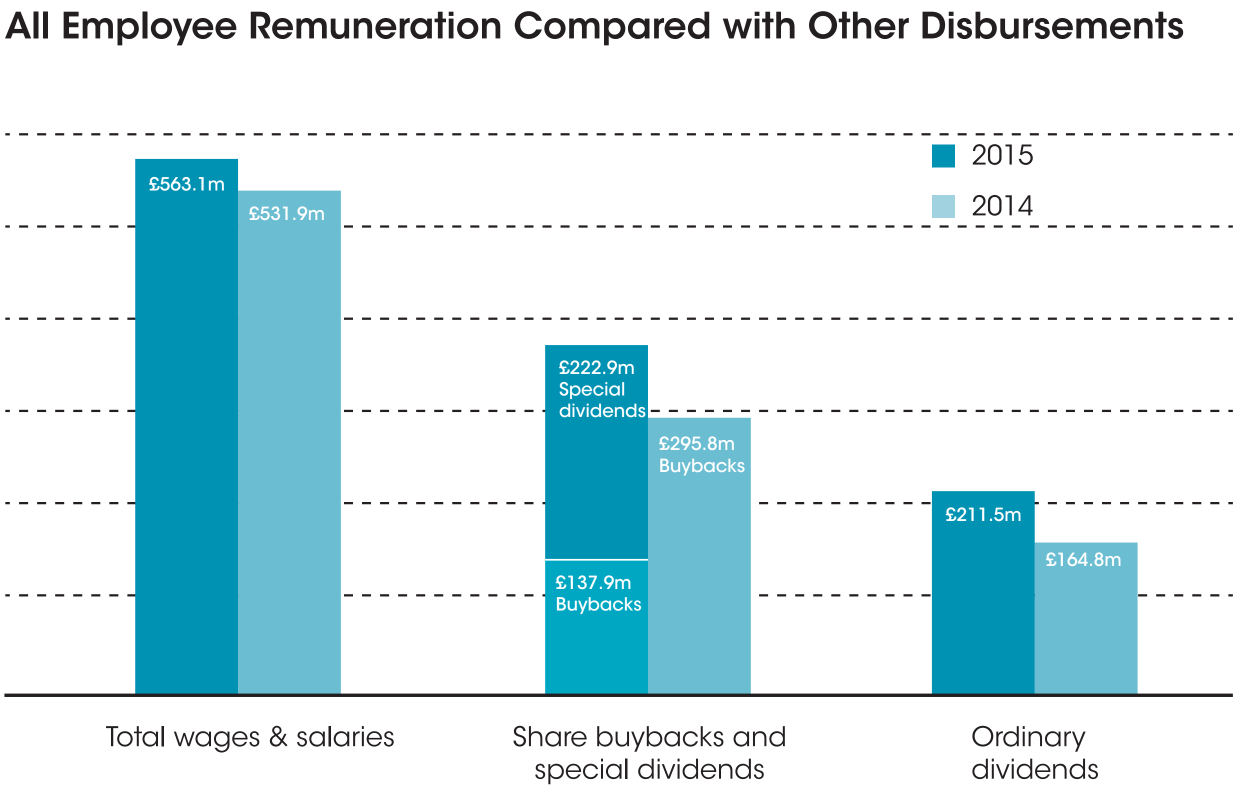
CHANGE IN REMUNERATION OF CHIEF EXECUTIVE

The table below shows the percentage changes in Lord Wolfson's remuneration (i.e. salary, taxable benefits and annual bonus) between 2014/15 and 2013/14 compared with the percentage changes in the average of each of those components of pay for Group employees in the UK and Eire. This group has been selected as the most appropriate comparator and represents over 87% of the Group's workforce.

	Salary % change	Annual bonus % change	Taxable benefits % change
Lord Wolfson	+2.0%	+2.0%	+3.0%
UK/Eire Employees (average per FTE)	+5.1%	-13.2%	+3.7%

RELATIVE IMPORTANCE OF SPEND ON PAY

The graph below illustrates for the years ended January 2015 and 2014 the relative and actual spend on total remuneration paid to all employees of the Group together with other significant distributions and payments (i.e. for share buybacks/special dividends and ordinary dividends).



Dilution of share capital by employee share plans

The Company monitors and complies with dilution limits in its various share scheme rules and has not issued a significant number of new or treasury shares in satisfaction of share schemes in the last 10 years. Share-based incentives are in most cases satisfied from shares purchased and held by the ESOT – see Note 26.

REMUNERATION REPORT

CONSIDERATION OF MATTERS RELATING TO DIRECTORS' REMUNERATION

Remuneration Committee

During the year the Committee comprised the following independent non-executive directors:

Jonathan Dawson (Committee Chairman)
Steve Barber
John Barton
Christine Cross (until May 2014)
Francis Salway
Caroline Goodall

The Committee met nine times during the year under review. All meetings were fully attended except that Christine Cross and Francis Salway were each unable to attend one meeting. In advance of those meetings they reviewed meeting papers and communicated their comments to the Committee Chairman who ensured their comments were considered at the meeting.

Role of Remuneration Committee

The Committee determines the remuneration of the Group's Chairman and executive directors, and reviews that of senior executives. It is also responsible for determining the targets for performance-related pay schemes, approves any award of the Company's shares under share option or incentive schemes to employees and oversees any major changes in employee benefit structures. The Committee members have no conflicts of interest arising from cross-directorships and no director is permitted to be involved in any decisions as to his or her own remuneration. The remuneration of non-executive directors is decided by the Chairman and executive directors of the Board. The Committee's terms of reference are available on the Company's website (www.nextplc.co.uk) or on request from the Company Secretary.

Assistance to the Committee

During the period the Committee received input from the Chief Executive and Group Finance Director. Aon Hewitt Ltd and FIT Remuneration Consultants LLP also provided independent external advice, mostly of a technical nature and related to share plans and the implementation of the Directors' Remuneration reporting regime. Aon Hewitt and FIT have no other connection with the Company and were appointed by the Committee based on their expertise in the relevant areas of interest. Based on the nature of the advice, the relatively small fees and no other connection existing with these advisers, the Committee was satisfied that the advice received was objective and independent. PricewaterhouseCoopers provided independent verification services of total shareholder returns for NEXT and the comparator group of companies under the Long Term Incentive Plan and other technical assistance and Eversheds LLP provided legal advice to the Company. Aon Hewitt and FIT are members of the Remuneration Consultants Group, being the professional body for remuneration consultants and have confirmed to us that they adhere to its code of conduct.

During the year Aon Hewitt, FIT Remuneration Consultants LLP and PricewaterhouseCoopers were each paid less than £35k for the services described above, charged at their standard rates.

VOTING AT GENERAL MEETING

Resolutions to approve the directors' remuneration policy and remuneration report were passed at the Company's 2014 AGM, results as detailed below.

	Votes for	% for	Votes against	% against	Total votes cast	% of shares on register	Votes withheld
To approve the remuneration policy	100,456,860	97.9	2,132,633	2.1	102,589,493	66.2	672,096
To approve the Remuneration Report	102,217,243	99.6	372,175	0.4	102,589,418	66.2	672,171

Service contracts

Executive directors

The Company's policy on notice periods and in relation to termination payments is set out in the policy table on pages 72 and 73. Apart from their service contracts, no director has had any material interest in any contract with the Company or its subsidiaries.

Non-executive directors

Letters of appointment for the Chairman and non-executive directors do not contain fixed term periods; however they are appointed in the expectation that they will serve for a minimum of six years, subject to satisfactory performance and re-election at Annual General Meetings.

Dates of appointment and notice periods for directors are set out below:

	Date of appointment	Notice period
Chairman		
John Barton	17 May 2006	12 months
Executive directors		
Lord Wolfson	3 February 1997	12 months
David Keens	24 May 1991	12 months
Michael Law	1 July 2013	12 months
Jane Shields	1 July 2013	12 months
Non-executive directors		
Steve Barber	1 June 2007	1 month
Jonathan Dawson	13 May 2004	1 month
Caroline Goodall	1 January 2013	1 month
Francis Salway	1 June 2010	1 month
Dianne Thompson	1 January 2015	1 month

PART 3: REMUNERATION POLICY TABLE

The table following summarises the Company's policies with regard to each of the elements of remuneration for existing directors, as approved by shareholders and in the same form as published last year. This is an edited version of last year's report and has not been updated or amended in any way. The full remuneration policy is available in the 2014 Annual Report, pages 41 to 55, which can be accessed on www.nextplc.co.uk.

On behalf of the Board

Jonathan Dawson

Jonathan Dawson
Chairman of the Remuneration Committee
19 March 2015

REMUNERATION REPORT

REMUNERATION POLICY TABLE (AS APPROVED IN 2014)

ELEMENT Purpose and link to strategy	Operation
Salary To provide a satisfactory base salary within a total package comprising salary and performance-related pay. Performance-related components and certain benefits are calculated by reference to base salary. The level of salary broadly reflects the value of the individual, their role, skills and experience.	Reviewed annually, generally effective 1 February. The Committee focuses particularly on ensuring that an appropriate base salary is paid to directors and senior managers. The Committee considers salaries in the context of overall packages with reference to market data, individual experience and performance, and the level and structure of remuneration for other employees and the external environment. External benchmarking analysis is only occasionally undertaken and the Committee has not adopted a prescribed objective of setting salaries by reference to a particular percentile or benchmark.
Annual bonus To incentivise delivery of stretching annual financial goals. To provide focus on the Company's key financial objectives. To provide a retention element in the case of the Chief Executive as any annual bonus in excess of 100% of base salary is payable in shares, deferred for a period of two years and subject to forfeiture if he voluntarily resigns prior to the end of that period.	Performance measures and related performance targets are set at the commencement of each financial year by the Committee. Company policy is to set such measures by reference to pre-tax EPS but the Committee retains flexibility to use different performance measures during the period of this policy if it considers it appropriate to do so. At the threshold level of performance, 20% of the maximum bonus may be earned. A straight sliding scale of payments operates for performance between the minimum and maximum levels. There is no in-line target level although, for the purposes of the scenario charts on pages 52 and 53, 50% of maximum bonus has been assumed because it is the mid-point.

All page references in the table above are to the January 2014 Annual Report and Accounts which is available at www.nextplc.co.uk

Maximum potential value	Performance measures and targets
There is no guaranteed annual increase. The Committee considers it important that base salary increases are kept under tight control given the multiplier effect of such increases on future costs. In recent years, increases in executive directors' salaries have been in line with the wider company cost of living awards. Under the new regulations the Company is required to specify a maximum potential value for each component of pay. Accordingly, for the period of this policy no salary paid to an executive director in any year will exceed the median base salary of FTSE 100 Chief Executives as confirmed by independent advisers. Currently this is circa £850,000 per annum.	Not applicable
At present Company policy is to provide a maximum bonus of 150% of salary for the Chief Executive and 100% of salary for other executive directors. Although the Committee has no current plan to make any changes, for the period of this policy the Committee reserves flexibility to: ▮ increase maximum bonus levels for executive directors in any financial year to 200% of salary. This flexibility would be used only in exceptional circumstances and where the Committee considered any such increase to be in the best interests of shareholders and after appropriate consultation with key shareholders; ▮ lessen the current differentials in bonus maximums which exist between the Chief Executive and other executive directors; and ▮ introduce or extend an element of compulsory deferral of bonus outcomes if considered appropriate by the Committee.	While the Committee reserves flexibility to apply different performance measures, it currently uses stretching pre-tax EPS growth targets set annually, which take account of factors including the Company's budgets and the wider background of the UK economy. Pre-tax EPS has been chosen as the basic metric to avoid executives benefitting from external factors such as reductions in the rate of corporation tax. There has to be growth in EPS before any bonus is payable to executive directors. By contrast the threshold for staff bonuses is set at a lower level than for directors. The Committee reserves flexibility to apply discretion in the interests of fairness to shareholders and executives by making adjustments it considers appropriate. As noted in the Committee Chairman's Statement on page 39, the basis of performance measurement is changing to incorporate an appropriate adjustment to EPS growth to reflect the benefit to shareholders from special dividends paid in any period.

REMUNERATION REPORT

ELEMENT Purpose and link to strategy	Operation
LTIP To incentivise management to deliver superior total shareholder returns ("TSR") over three year performance periods relative to a selected group of retail companies. Retention of key employees over three-year performance periods.	A variable percentage of a pre-determined maximum number of shares can vest, depending on relative TSR performance against the comparator group the Committee selects at grant (current practice is to select a comparator group of retail companies (shown on page 64)). The maximum number of shares that may be awarded to each director is a percentage of each director's base salary at the date of each grant, divided by NEXT's average share price over the three months prior to the start of the performance period. LTIP awards are made twice a year to reduce the volatility inherent in the TSR performance measure and to enhance the portfolio effect for participants of more frequent, but smaller, grants. The Company has the option to settle vested LTIP awards in cash. The LTIP does not credit participants with additional value in respect of dividends paid over any vesting period (except that the Committee has discretion to award such credit for special dividends).
SMP To encourage greater ownership of NEXT shares by senior executives, excluding executive directors, and thereby further align their interests with shareholders.	Participants who invest a proportion of any annual cash bonus in NEXT shares can receive up to a maximum of two times the original number of shares they purchase with their bonus. Any matching is conditional upon achieving performance measures over the following three years. The Committee's policy is to set such performance measures by reference to fully diluted post-tax earnings per share but the Committee retains flexibility to use different measures during the period of this policy if it considers it appropriate to do so, including adjustments to reflect the benefit to shareholders from special dividends. As noted in the Committee Chairman's statement, executive directors will no longer be granted awards under the SMP after January 2014 and participation will be restricted to senior executives below Board level, although the Committee reserves flexibility to re-introduce executive director participation within the period of this policy if it considers it appropriate to do so. The SMP does not credit participants with additional value in respect of dividends paid over any vesting period (except that the Committee has discretion to award such credit for special dividends).

All page references in the table above are to the January 2014 Annual Report and Accounts which is available at www.nextplc.co.uk

Maximum potential value	Performance measures and targets
Since 2008, the maximum aggregate annual award allowed under the current plan rules has been over shares worth 200% of base salary (and up to 300% in exceptional circumstances). With effect from 2012, the maximum value of any LTIP awards that vest for a participant in a year has been capped at £2.5m. Within this maximum, the Chief Executive and other executive directors receive grants equal to 100% and 75% of annual salary respectively every six months. The Committee reserves the right to vary these levels within the overall annual limits described above. For 2014 onwards, the Committee has decided that the maximum possible aggregate value of awards granted to all executive directors will be 200% of annual salary (i.e. 100% every six months). The Committee reserves the right to vary these levels within the overall annual limits described above. In addition, awards granted to executive directors which vest must be taken in shares and the net shares (after payment of tax and NIC) must be held for a minimum period of two further years. The Committee reserves the right to lengthen (but not reduce) the performance period and to introduce a retention period or to further increase this holding period. In light of the cessation of further grants under the SMP (see below), the Committee has reviewed the cap on the maximum value of LTIPs vesting for any participant in any one year and has decided it is appropriate to remove the cap for LTIP awards **granted** to executive directors after January 2014. The £2.5m cap will remain in force for **vesting** LTIPs with three year performance periods ending in financial years to January 2015 and January 2016.	Performance is measured over periods of three years, which commence in February and August, by measuring NEXT's TSR against a group (currently 20 other UK listed retail companies) which are, in the view of the Committee, most comparable with NEXT in size or nature of their business. Comparison against such a group is more likely to reflect the Company's relative performance against its peers, thereby resulting in awards vesting on an appropriate basis. **Relative performance** — **Percentage vesting** Below median — 0% Median — 20% Upper quintile — 100% If no entitlement has been earned at the end of a three year performance period then that award will lapse; there is no retesting. Before any of the awards vest, the Committee must have regard to the performance of the Company in the light of underlying economic and other circumstances, including EPS performance of the Company and of other UK retailers over the period. Whilst not disclosed in advance, the factors taken into account for these purposes are disclosed in the relevant year's Remuneration Report. The Committee reserves flexibility to apply different performance measures and targets in respect of new grants for the period of this policy.
The maximum matching ratio available under SMP is 3:1, matching the pre-tax equivalent of the amount invested in shares. Within this maximum matching ratio, a match of up to 2:1 based on the actual number of investment shares has been offered in practice, although the Company retains flexibility within the period of this policy to offer a different matching ratio within the scope of the maximum ratio set out above.	Although the Company reserves flexibility to apply different performance measures, the Committee currently uses measures based on stretching fully diluted post-tax EPS targets. The targets for awards in each year will be detailed in the report and accounts.

REMUNERATION REPORT

ELEMENT Purpose and link to strategy	Operation
Pension To provide for retirement through Company sponsored schemes or a cash alternative for personal pension planning.	All executive directors are deferred members of the defined benefit ("DB") section of the 2013 NEXT Group Pension Plan ("the Plan"). In addition to being deferred members of the DB section of the Plan, Lord Wolfson and Christos Angelides are members of the unfunded, unapproved supplementary pension arrangement ("SPA"), described on page 59. Their future pensions will be calculated by reference to their October 2012 salaries, rather than final earnings, and future salary changes will have no effect. Jane Shields and David Keens ceased to contribute to the Plan in 2011 and Michael Law in 2012. Their pensions are no longer linked to salary and will increase in line with statutory deferred revaluation only (i.e. in line with CPI). Executive directors receive salary supplements of 15% in lieu of past changes to their pension arrangements, in line with other senior employee members of the DB benefit section of the Plan. New employees of the Group can join the defined contribution ("DC") section of the NEXT Plan or the statutory Auto-Enrolment plan, described on page 59. Bonuses are not taken into account in assessing pensionable earnings in the Plan.
Other benefits To provide market competitive non-cash benefits.	Executive directors receive benefits which may include the provision of a company car or cash alternative, private medical insurance, subscriptions to professional bodies and staff discount on Group merchandise. A driver is also made available to the executive directors for business purposes. The Committee reserves discretion to introduce new benefits where it concludes that it is in the interests of NEXT to do so, having regard to the particular circumstances and to market practice and reserves flexibility to make relocation related payments. Whilst not considered necessarily to be benefits, the Committee reserves the discretion to authorise attendance by directors and their family members (at the Company's cost if required) at corporate events and to receive reasonable levels of hospitality in accordance with Company policies.
Save As You Earn Scheme To encourage all employees to make a long term investment in the Company's shares.	Executive directors can participate in the Company's Save As You Earn (Sharesave) scheme which is HMRC approved and open to all employees. Option grants are generally made annually, with the exercise price discounted by a maximum of 20% of the share price at the date an invitation is issued. Options are exercisable three or five years from the date of grant. Alternatively, participants may ask for their contributions to be returned.

All page references in the table above are to the January 2014 Annual Report and Accounts which is available at www.nextplc.co.uk

Maximum potential value	Performance measures and targets
Under the DB section and the SPA, the maximum potential pension is only achieved on completion of at least 20 years pensionable service at age 65, when two thirds of the executive director's annual pensionable salary at October 2012 could become payable. The lump sum payable on death is four times base salary. No DC contributions, or equivalent salary supplement payments, will be made to an executive director in any year that will exceed the median level of contributions or payments made to FTSE 100 Chief Executives as at the time the rate is set, as confirmed by independent advisers to the Committee.	Not applicable
During the policy period, the value of benefits (other than relocation costs) paid to an executive director in any year will not exceed £100,000. In addition, the Committee reserves the right to pay up to £250,000 relocation costs in any year to an executive director if considered appropriate to secure the better performance by an executive director of their duties. During the policy period, the actual level of taxable benefits provided will be included in the Single Total Figure of Remuneration.	Not applicable
Investment currently limited to a maximum amount of £250 per month but may increase in line with new limits set by HMRC.	Not applicable

REMUNERATION REPORT

ELEMENT Purpose and link to strategy	Operation
Termination payments Consistent with market practice, to ensure NEXT can recruit and retain key executives, whilst protecting the Company from making payments for failure.	The Committee will consider the need for and quantum of any termination payments having regard to all of the relevant facts and circumstances at that time. Future service contracts will take into account relevant published guidance.
Claw-back/malus To ensure the Company can recover any payments made or potentially due to executive directors under performance-related remuneration structures.	Claw-back provisions are in service contracts of all executive directors and will be enforced where appropriate to recover performance-related remuneration which has been overpaid due to: a material misstatement of the Company's accounts; errors made in the calculation of an award; or a director's misconduct. These provisions allow for the recovery of sums paid and/or withholding of sums to be paid.
Chairman and non-executive director fees To ensure fees paid to the Chairman and non-executive directors are competitive and comparable with other companies of equivalent size and complexity.	Remuneration of the non-executive directors is reviewed annually and determined by the Chairman and the executive directors. The Chairman's fee is determined by the Committee (excluding the Chairman). Additional fees are paid to non-executive directors who chair the Remuneration and Audit Committees, and act as the Senior Independent Director. The structure of fees may be amended within the overall limits. External benchmarking is undertaken only occasionally and there is no prescribed policy regarding the benchmarks used or any objective of achieving a prescribed percentile level.

All page references in the table above are to the January 2014 Annual Report and Accounts which is available at www.nextplc.co.uk

Maximum potential value	Performance measures and targets
Each of the executive directors has a rolling service contract which commenced on either 14 March 2013 or, for Michael Law and Jane Shields, on 1 July 2013. The contract is terminable by the Company on giving one year's notice. The Company has reserved the right to make a payment in lieu of notice on termination of an executive director's contract equal to their base salary and contractual benefits (excluding performance-related pay). If notice of termination is given immediately following a change of control of the Company, the executive director may request immediate termination of his contract and payment of liquidated damages equal to the value of his base salary and contractual benefits. In normal circumstances executives have no entitlement in respect of loss of performance bonuses and all share awards would lapse following resignation. However, under certain circumstances (e.g. 'good leaver' or change in control), and solely at the Committee's discretion, annual bonus payments may be made and would ordinarily be calculated up to the date of termination only. In addition, awards made under the LTIP and SMP would in those circumstances generally be time pro-rated and remain subject to the application of the performance conditions at the normal measurement date. The Committee also has a standard discretion to vary the application of time pro-rating in such cases. "Good leaver" treatments are applied in exceptional cases only. In the event of any termination payment being made to a director (including any performance-related pay elements), the Committee will take full account of that director's duty to mitigate any loss and, where appropriate, may seek independent professional advice and consider the views of shareholders as expressed in published guidance prior to authorising such payment. Consistent with market practice, in the event of removal from office of an executive director, the Company may pay a contribution towards the individual's legal fees and fees for outplacement services as part of a negotiated settlement and such other amounts as the Committee considers to be necessary, having taken legal advice, in settlement of potential claims. Any such fees would be disclosed with all other termination arrangements. The Committee reserves the right, if necessary, to authorise additional payments in respect of such professional fees if not ascertained at the time of reporting such termination arrangements up to a maximum of £10,000. A departing gift may be provided up to a value of £1,000 (plus related taxes) per director.	Not applicable
Not applicable	Not applicable
The total of fees paid to the Chairman and the non-executive directors in any year will not exceed the maximum level for such fees from time to time prescribed by the Company's articles of association (currently £750,000 per annum).	Non-executive directors receive staff discount on Group merchandise but do not participate in any of the Group's bonus, pension, share option or other incentive schemes.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEXT PLC

Our opinion on the financial statements is unmodified

We have audited the financial statements of NEXT plc (the "Company") and its subsidiaries (together the "Group") for the year ended 24 January 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 24 January 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Overview of our audit approach:

Materiality	▪ Materiality of £40 million representing 5% of pre-tax profit. ▪ Audit differences in excess of £2 million reported to the Audit Committee.
Audit scope	▪ NEXT plc (the Company) and NEXT Retail Limited were subject to full scope audits with the remaining entities and eliminations subject to specific audit testing based on our judgement of risk and materiality. ▪ NEXT plc and NEXT Retail Limited account for 98% of the Group's revenue and 97% of total segment profit.
Principal risk areas	▪ Adequacy of the directory debt provisions. ▪ The assessment of inventory provisions required in respect of unsold stock. ▪ The valuation of financial instruments which hedge foreign exchange and interest rate fluctuations. ▪ The risk of misstatement arising from management override with regard to estimates and other provisions relevant to the retail environment.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 37, the Directors are responsible for the preparation of the Group and the Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group and the Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

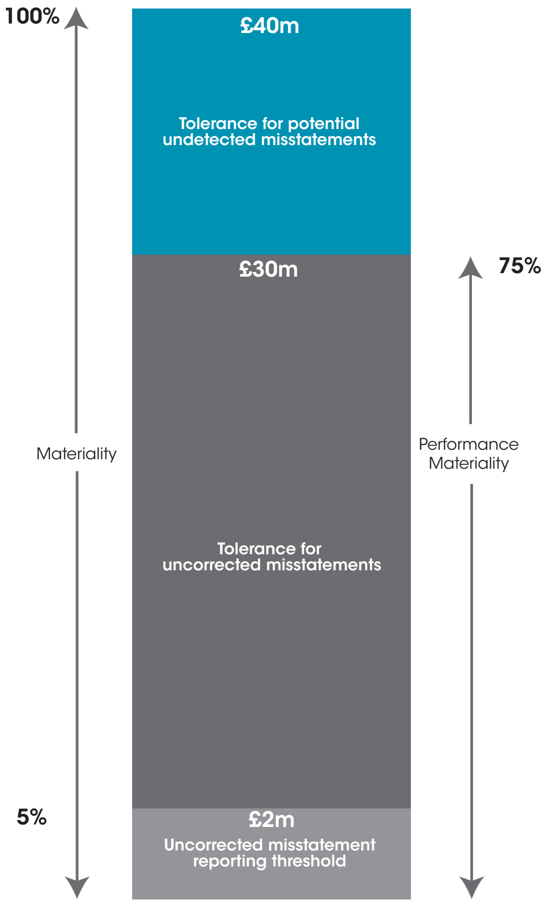
Our audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

We also determine a lower level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of any undetected misstatements added to uncorrected misstatements exceeds materiality for the financial statements as a whole.



When establishing our overall audit strategy, we determined materiality for the Group to be £40 million (2014: £35 million), which is approximately 5% of underlying profit before tax. The rationale for using underlying profit before tax as our basis for materiality is that it provides a consistent year on year approach excluding one off gains, and is considered to be the most relevant performance measure to the Group's stakeholders.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that performance materiality for the Group should be 75% of materiality (2014: 50%), namely £30 million, although we reduce our testing thresholds in areas of significant risk to appropriately reflect our assessment of risk in the business and to focus on the key judgements and estimates. We have increased our assessment of performance materiality from 50% to 75% during the year as a result of limited historical audit findings in prior years, except for the judgements and estimates associated with the areas of significant risk. Our approach is designed to have a reasonable probability of ensuring that the total of uncorrected and undetected misstatements does not exceed our materiality of £40 million for the Group financial statements as a whole.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluated any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEXT PLC

An overview of the scope of our audit

Our Group audit scope focused on six entities along with group eliminations on consolidation. Two of these entities, NEXT plc (the "Company") and NEXT Retail Limited, were full scope with the remaining entities and eliminations component subject to specific audit testing based on our judgement of risk and materiality.

The full scope audit of NEXT Retail Limited which includes the Retail and Directory business operations accounts for 98% of the Group's external revenue and 97% of total segment profit. The overseas Group purchasing division (NEXT Sourcing Limited), Lipsy Limited, and Property Management (NEXT Group plc) contribute 1% of the Group's external revenue and 2% of total segment profit and were subject to specific scope audits in areas where we assessed there was a risk of material misstatement.

NEXT Sourcing Limited and Lipsy Limited are both subject to local statutory audits in their jurisdictions but these are completed after the date of this report. The remaining adjustments to segment profit in deriving Group profit before tax are incorporated within our full scope audit of the Company or specific scope audit of the elimination components.

All the significant risks noted below are included in the full scope entities, NEXT Retail Limited and NEXT plc, and the Group eliminations component.

The audits of the entities are performed at a materiality level calculated by reference to a proportion of the Group materiality appropriate to the relevant scale of the business concerned. The full scope entities were allocated 80% of the Group performance materiality. The range of performance materiality allocated to the specific scope entities was 20% to 30% of the Group performance materiality.

For the elimination components of the Group, we performed other procedures to confirm there were no significant risks of material misstatement in the Group financial statements. The audit of both the full scope entities and all specific scope entities, other than NEXT Sourcing Limited, were undertaken by one audit team in the UK. The NEXT Sourcing Limited audit was performed by an EY team in Hong Kong.

Our assessment of risks of material misstatement

We consider that the following areas present the greatest risk of material misstatement in the Group financial statements and consequently have had the greatest impact on our audit strategy, the allocation of resources, and the efforts of the engagement team, including the more senior members of the team. In addition to understanding the risks in each of these areas and how management controls these risks, our audit responses are set out below:

Principal risk area and rationale for there being a risk of material misstatement	Audit response
Adequacy of the directory debt provisions. This is one of the largest provisions within the Group financial statements relating to a net debtor balance of £712.5 million, see Note 14. Whilst the provision is calculated using a combination of internally and externally sourced information there is significant judgement in determining the assumptions. **Key assumptions:** 1. the assumed default rates representing the likelihood of eventual default for debt within each category of the debtor book; and 2. the assumed recovery rate for debt that has defaulted and passed to debt collection agencies.	Management record a provision where a loss event has occurred using historical default rates and credit score information to determine the extent to which a loss event will result in an actual loss. ▮ We tested management's categorisation of the debtor book by stage of current default based on whether payments have been made in accordance with "the NEXT terms and conditions" for Directory accounts. ▮ We challenged the reasonableness of the key assumptions in determining management's provision as follows: 1. We compared the credit score data used by NEXT plc to stratify the customer base back to third party data obtained. We recalculated the historical default rates for each category of customer by comparison to prior year customer balances and actual default during the last year, as support for the assumed default rates. 2. We compared the assumed recovery rates to historical recovery rates, current performance, and any observed changes in debtor profile in the current period. ▮ We checked how the credit score data used in determining the future default rates was applied to the debtor book. ▮ We tested the arithmetical accuracy of the provision based on management's assumptions in respect of default rates and expected recovery rates, and we also checked the underlying debtor book categorisation to recent customer payment history.
The assessment of inventory provisions required in respect of unsold stock. The net stock balance at the year end, £416.8 million, is significant to the overall balance sheet. The provision is calculated using post year end trading performance and historical sales patterns. Changes in trading performance can result in significant judgement in determining the provision required.	▮ We tested a sample of stock items categorised as Spring Summer 2015, Autumn Winter 2014, and older items, to gain comfort over the categorisation of stock used in the provision calculation. ▮ We examined the Group's historical trading patterns of stock sold at full price, stock marked down below full price in a sale period, and the element of inventory that is passed to a clearance route; together with the related margins/losses achieved for each of these sales channels. ▮ We challenged the reasonableness of the inventory provision by projecting future sales levels to calculate our own estimate of the required provision, taking into account a combination of the evidence of these historical trading patterns and any observed changes to the current year buying cycle and observed sales trends. We also retrospectively assessed the appropriateness of the provision by comparing the net inventory balance to actual post period end sales.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEXT PLC

Principal risk area and rationale for there being a risk of material misstatement	Audit response
Valuation of financial instruments which hedge foreign exchange and interest rate fluctuations. The nature of the business is such that there is exposure to foreign currency receipts and purchases. The Group's hedging strategy to manage this risk is such that at any one point in time there is a significant value of outstanding financial instruments, which are marked to market and whose values are estimated based upon market inputs, rather than being directly observable market values. Note 27 summarises the instruments held.	▮ We identified the different types of financial instruments held by the Group and assessed the level of risk inherent in each of the transaction types such as forwards, options and swaps. ▮ We analysed the features of a sample of the year end instruments per the contractual agreements and checked the details match to the counterparty valuations. ▮ We selected a sample of instruments for valuation testing. This sample covered each instrument, and counterparty combinations for each type of instrument. ▮ The Group audit team was supported by EY experts who independently valued the sample in order to challenge the reasonableness of the counterparty valuations used by the Group.
The risk of misstatement arising from management override of internal controls with regard to estimates and other provisions relevant to the retail environment. Other than stock and debtors dealt with separately above, these primarily relate to property related provisions.	▮ We performed analytical procedures and journal entry testing in order to identify and test the risk of misstatement arising from management override of controls, which in addition to the risks disclosed above, focused on accruals and provisions of a judgemental nature capable of being manipulated through management override. ▮ For material items we re-performed the calculation of the accrual to test mathematical accuracy. ▮ We understood the different accruals and provisions in order to challenge management's underlying assumptions for under or over provision. ▮ We compared these assumptions to subsequent outcomes where available. Where subsequent outcomes were not available to assess their accuracy, we considered the appropriateness of management's previous estimates against historical outcomes. ▮ We considered each of the key judgements and estimates for any evidence of bias, indicating management override of internal controls.

The above risks are the same as in the prior year. Consistent with the prior year we have excluded revenue recognition as this was not one of the areas requiring greatest audit effort.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, information in the annual report is: ▮ materially inconsistent with the information in the audited Group financial statements; or ▮ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or ▮ is otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable, and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	We are required to report to you if, in our opinion: ▮ adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or ▮ the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or ▮ certain disclosures of Directors' remuneration specified by law are not made; or ▮ we have not received all the information and explanations we require for our audit.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: ▮ the Directors' statement, set out on page 44, in relation to going concern; and ▮ that part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Ernst & Young LLP

Nigel Meredith
Senior Statutory Auditor
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
19 March 2015

CONSOLIDATED INCOME STATEMENT

For the financial year ended 24 January

	Notes	2015 £m	2014 £m
Continuing operations			
Revenue	1,2	**3,999.8**	3,740.0
Cost of sales		**(2,656.4)**	(2,499.9)
Gross profit		**1,343.4**	1,240.1
Distribution costs		**(322.9)**	(296.2)
Administrative expenses		**(218.2)**	(217.7)
Unrealised foreign exchange gains/(losses)	3	**8.9**	(5.9)
Trading profit		**811.2**	720.3
Share of results of associates		**0.9**	2.5
Operating profit	3	**812.1**	722.8
Finance income	5	**0.8**	0.7
Finance costs	5	**(30.7)**	(28.3)
Profit before tax and exceptional items		**782.2**	695.2
Exceptional gains	6	**12.6**	–
Profit before taxation		**794.8**	695.2
Taxation	7	**(159.9)**	(142.0)
Profit for the year attributable to equity holders of the parent company		**634.9**	553.2

Basic earnings per share			
Underlying	9	**419.8p**	366.1p
Total	9	**428.3p**	366.1p
Diluted earnings per share			
Underlying	9	**409.7p**	355.6p
Total	9	**417.9p**	355.6p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 24 January

	Notes	2015 £m	2014 £m
Profit for the year		**634.9**	553.2
Other comprehensive income and expenses:			
Items that will not be reclassified to profit or loss			
Actuarial losses on defined benefit pension scheme	21	**(34.7)**	(12.6)
Tax relating to items which will not be reclassified		**6.9**	5.0
Sub-total items that will not be reclassified		**(27.8)**	(7.6)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(6.6)**	3.0
Foreign currency cashflow hedges:			
– fair value movements		**62.8**	(21.9)
– reclassified to the income statement		**24.5**	(14.9)
– recognised in inventories		**(13.5)**	8.5
Tax relating to items which may be reclassified		**(14.1)**	5.3
Sub-total items that may be reclassified		**53.1**	(20.0)
Other comprehensive income/(expense) for the year		**25.3**	(27.6)
Total comprehensive income for the year attributable to equity holders of the parent company		**660.2**	525.6

CONSOLIDATED BALANCE SHEET

As at 24 January

	Notes	2015 £m	2014 £m
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant & equipment	10	**503.3**	509.2
Intangible assets	11	**44.0**	44.4
Interests in associates and other investments	12	**2.1**	7.9
Defined benefit pension surplus	21	**37.9**	70.3
Other financial assets	15	**65.7**	17.7
Deferred tax assets	7	**13.3**	27.0
		666.3	676.5
Current assets			
Inventories		**416.8**	385.6
Assets under construction	13	**12.7**	–
Customer and other receivables	14	**844.3**	808.0
Other financial assets	15	**66.7**	1.2
Cash and short term deposits	16	**275.5**	273.3
		1,616.0	1,468.1
Total assets		**2,282.3**	2,144.6
Current liabilities			
Bank loans and overdrafts	17	**(2.8)**	(2.6)
Trade payables and other liabilities	18	**(636.5)**	(594.0)
Dividends payable	8	**(73.9)**	(74.4)
Other financial liabilities	19	**(109.4)**	(83.8)
Current tax liabilities		**(64.0)**	(79.7)
		(886.6)	(834.5)
Non-current liabilities			
Corporate bonds	20	**(838.2)**	(800.8)
Provisions	22	**(9.4)**	(8.5)
Other financial liabilities	19	**(11.8)**	(0.9)
Other liabilities	18	**(214.4)**	(213.7)
		(1,073.8)	(1,023.9)
Total liabilities		**(1,960.4)**	(1,858.4)
NET ASSETS		**321.9**	286.2
TOTAL EQUITY		**321.9**	286.2

Approved by the Board on 19 March 2015

Lord Wolfson of Aspley Guise
Chief Executive

David Keens
Group Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 24 January

	Share capital £m	Share premium account £m	Capital redemption reserve £m	ESOT reserve £m	Fair value reserve £m	Foreign currency translation £m	Other reserves £m	Retained earnings £m	Share holders' equity £m	Non-controlling interest £m	Total equity £m
At January 2013	**16.1**	**0.9**	**13.8**	**(215.6)**	**8.3**	**2.0**	**(1,443.8)**	**1,904.0**	**285.7**	**(0.1)**	**285.6**
Profit for the year	–	–	–	–	–	–	–	553.2	**553.2**	–	**553.2**
Other comprehensive income/(expense) for the year	–	–	–	–	(24.3)	3.0	–	(6.3)	**(27.6)**	–	**(27.6)**
Total comprehensive income for the year	–	–	–	–	(24.3)	3.0	–	546.9	**525.6**	–	**525.6**
Share buybacks & commitments (Note 23)	(0.6)	–	0.6	–	–	–	–	(311.9)	**(311.9)**	–	**(311.9)**
ESOT share purchases & commitments (Note 26)	–	–	–	(55.0)	–	–	–	–	**(55.0)**	–	**(55.0)**
Shares issued by ESOT	–	–	–	74.0	–	–	–	(35.6)	**38.4**	–	**38.4**
Share option charge	–	–	–	–	–	–	–	15.8	**15.8**	–	**15.8**
Equity awards settled in cash	–	–	–	–	–	–	–	(2.4)	**(2.4)**	–	**(2.4)**
Tax recognised directly in equity	–	–	–	–	–	–	–	29.0	**29.0**	–	**29.0**
Equity dividends	–	–	–	–	–	–	–	(238.9)	**(238.9)**	–	**(238.9)**
At January 2014	**15.5**	**0.9**	**14.4**	**(196.6)**	**(16.0)**	**5.0**	**(1,443.8)**	**1,906.9**	**286.3**	**(0.1)**	**286.2**
Profit for the year	–	–	–	–	–	–	–	634.9	**634.9**	–	**634.9**
Other comprehensive income/(expense) for the year	–	–	–	–	59.0	(6.6)	–	(27.1)	**25.3**	–	**25.3**
Total comprehensive income for the year	–	–	–	–	59.0	(6.6)	–	607.8	**660.2**	–	**660.2**
Share buybacks & commitments (Note 23)	(0.2)	–	0.2	–	–	–	–	(180.6)	**(180.6)**	–	**(180.6)**
ESOT share purchases & commitments (Note 26)	–	–	–	(79.8)	–	–	–	–	**(79.8)**	–	**(79.8)**
Shares issued by ESOT	–	–	–	84.4	–	–	–	(41.5)	**42.9**	–	**42.9**
Share option charge	–	–	–	–	–	–	–	13.4	**13.4**	–	**13.4**
Equity awards settled in cash	–	–	–	–	–	–	–	(3.8)	**(3.8)**	–	**(3.8)**
Tax recognised directly in equity	–	–	–	–	–	–	–	17.3	**17.3**	–	**17.3**
Equity dividends	–	–	–	–	–	–	–	(433.9)	**(433.9)**	–	**(433.9)**
At January 2015	**15.3**	**0.9**	**14.6**	**(192.0)**	**43.0**	**(1.6)**	**(1,443.8)**	**1,885.6**	**322.0**	**(0.1)**	**321.9**

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 24 January

	2015 £m	2014 £m
Cash flows from operating activities		
Operating profit	**812.1**	722.8
Depreciation, impairment and loss on disposal of property, plant & equipment	**114.3**	132.9
Amortisation and impairment of intangible assets	**0.5**	0.4
Share option charge less amounts settled in cash	**9.6**	13.4
Dividends from associates less share of profits	**0.9**	(0.7)
Exchange movement	**(15.6)**	9.3
Increase in inventories and assets under construction	**(43.9)**	(53.8)
Increase in customer and other receivables	**(28.9)**	(90.9)
Increase in trade and other payables	**49.1**	50.7
Net pension contributions less income statement charge	**(2.3)**	(17.3)
Cash generated from operations	**895.8**	766.8
Corporation taxes paid	**(152.6)**	(152.0)
Net cash from operating activities	**743.2**	614.8
Cash flows from investing activities		
Additions to property, plant & equipment	**(110.2)**	(105.3)
Movement in capital accruals	**(3.3)**	2.4
Payments to acquire property, plant & equipment	**(113.5)**	(102.9)
Proceeds from sale of property, plant & equipment	**1.9**	0.4
Payment of deferred consideration	**(1.4)**	(0.1)
Proceeds from sale of investment in associate (Note 6)	**7.0**	–
Net cash from investing activities	**(106.0)**	(102.6)
Cash flows from financing activities		
Repurchase of own shares	**(137.9)**	(295.8)
Purchase of shares by ESOT	**(79.8)**	(97.5)
Disposal of shares by ESOT	**45.0**	42.9
Bonds issued	**–**	250.0
Bonds redeemed	**–**	(85.5)
Interest paid	**(29.7)**	(21.5)
Interest received	**0.9**	0.5
Payment of finance lease liabilities	**(0.2)**	(0.1)
Dividends paid (Note 8)	**(434.4)**	(164.8)
Net cash from financing activities	**(636.1)**	(371.8)
Net increase in cash and cash equivalents	**1.1**	140.4
Opening cash and cash equivalents	**270.7**	130.9
Effect of exchange rate fluctuations on cash held	**0.9**	(0.6)
Closing cash and cash equivalents (Note 31)	**272.7**	270.7

GROUP ACCOUNTING POLICIES

Basis of preparation
The financial statements of NEXT plc and its subsidiaries ("the Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use in the European Union and in accordance with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for certain financial instruments, pension assets and liabilities and share-based payment liabilities which are measured at fair value. The financial statements are for the 52 weeks to 24 January 2015 (last year 52 weeks to 25 January 2014).

Except for the change to sales presentation described below, there have been no changes to our accounting policies this year and the principal policies adopted are set out below.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of NEXT plc ("the Company") and its subsidiary undertakings. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The results of any subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal. The results and net assets of associated undertakings are incorporated into these financial statements using the equity method of accounting.

Foreign currencies
The consolidated financial statements are presented in pounds Sterling, which is the Company's functional and presentation currency. The Group includes foreign entities whose functional currencies are not Sterling. On consolidation, the assets and liabilities of those entities are translated at the exchange rates at the balance sheet date and income and expenses are translated at weighted average rates during the period. Translation differences are recognised in equity.

Transactions in currencies other than an entity's functional currency are recorded at the exchange rate on the transaction date, whilst assets and liabilities are translated at exchange rates at the balance sheet date. Exchange differences are recognised in the income statement.

Revenue
Revenue represents the fair value of amounts receivable for goods and services and is stated net of sales taxes and returns. Sales of goods are recognised on delivery. Directory account interest is accrued on a time basis by reference to the principal outstanding and the effective interest rate. Revenue from the sale of gift cards is deferred until their redemption. Where third party goods are sold on a commission basis, only the commission receivable is included in statutory revenue.

Underlying profit and exceptional items
Exceptional items are significant items of an unusual or non-recurring nature which are shown separately in the income statement to provide a clearer understanding of the underlying financial performance during the year. Further details are given in Note 6.

Property, plant & equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment.

Depreciation is charged so as to write down the cost of assets to their estimated residual values over their remaining useful lives on a straight line basis. Estimated useful lives and residual values are reviewed at least annually and are summarised as follows:

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

Goodwill
Goodwill is initially measured at cost, being the excess of the acquisition cost over the Group's interest in the assets and liabilities recognised. Goodwill is not amortised, but is reviewed for impairment annually or whenever there is an indication of impairment.

GROUP ACCOUNTING POLICIES

Other intangible assets
Separately identifiable intangible assets obtained in a business acquisition are initially recognised at fair value, if this can be measured reliably and the asset arises from contractual or other legal rights. Other intangible assets are amortised on a straight line basis over their expected useful lives as follows:

Lipsy brand names and trademarks	10 years
Lipsy customer relationships	4 years

Other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate their carrying value may not be recoverable.

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

Impairment
The carrying values of non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any impairment loss arises, the asset value is adjusted to its estimated recoverable amount and the difference is recognised in the income statement.

Pension arrangements
The Group offers pension benefits which include both defined benefit and defined contribution arrangements. Pension assets are held in separate trustee administered funds and the Group also provides other, unfunded, pension benefits to certain plan members.

The cost of providing benefits under the defined benefit and unfunded arrangements are determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The net defined benefit pension asset or liability represents the fair value of the defined benefit plan assets less the present value of the defined benefit and unfunded liabilities. A net pension asset is only recognised to the extent that it is expected to be recoverable in the future.

Actuarial gains and losses are recognised in the statement of comprehensive income in full in the period in which they occur. Other income and expenses are recognised in the income statement.

The cost of the defined contribution section is recognised in the income statement as incurred.

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

Directory and other receivables
Directory customer receivables represent outstanding customer balances less any allowance for impairment which is based on objective evidence and recent default experience by customer account category. Other trade receivables are stated at invoice value less any allowance for impairment.

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

Corporate bonds and bank borrowings
Corporate bonds and bank borrowings are initially recognised at fair value and subsequently adjusted where hedge accounting applies (see interest rate derivatives below). Accrued interest is included within other creditors and accruals.

Share-based payments
The fair value of employee share options is calculated when they are granted using a Black-Scholes model and the fair value of equity settled LTIP awards is calculated at grant using a Monte Carlo model. The resulting cost is charged in the income statement over the vesting period of the option, and is regularly reviewed and adjusted for the expected and actual number of options vesting.

For cash-settled awards, the fair value of the liability is determined at each balance sheet date and the cost is recognised in the income statement over the vesting period.

Taxation

Taxation, comprised of current and deferred tax, is charged or credited to the income statement unless it relates to items in other comprehensive income or directly in equity. In such cases, the related tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax is accounted for using the balance sheet liability method and is calculated using rates of taxation enacted or substantively enacted at the balance sheet date which are expected to apply when the asset or liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is not recognised in respect of investments in subsidiaries and associates where the reversal of any taxable temporary differences can be controlled and are unlikely to reverse in the foreseeable future.

Other financial assets and liabilities: derivative financial instruments and hedge accounting

Derivative financial instruments ("derivatives") are used to manage risks arising from changes in foreign currency exchange rates relating to the purchase of overseas sourced products and changes in interest rates relating to the Group's debt. In accordance with its treasury policy, the Group does not enter into derivatives for speculative purposes. Foreign currency and interest rate derivatives are stated at their fair value, being the estimated amount that the Group would receive or pay to terminate them at the balance sheet date based on prevailing foreign currency and interest rates.

Foreign currency derivatives

Changes in the fair value of foreign currency derivatives which are designated and effective as hedges of future cash flows are recognised in equity in the fair value reserve, and subsequently transferred to the carrying amount of the hedged item or the income statement. Realised gains or losses on cash flow hedges are therefore recognised in the income statement in the same period as the hedged item.

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

Changes in the fair value of foreign currency derivatives which are ineffective or do not meet the criteria for hedge accounting in IAS 39 are recognised in the income statement.

Interest rate derivatives

The Group uses interest rate derivatives to hedge part of the interest rate risk associated with the Company's corporate bonds. The carrying values of the relevant bonds are adjusted only for changes in fair value attributable to the interest rate risk being hedged. The adjustment is recognised in the income statement and is offset by movements in the fair value of the derivatives.

Changes in the fair value of interest rate derivatives which are ineffective or do not meet the criteria for hedge accounting in IAS 39 are recognised in the income statement.

Share buybacks

The Group has regularly returned surplus cash to shareholders through share buybacks. Shares purchased for cancellation are deducted from retained earnings at the total consideration paid or payable. The Company also uses contingent share purchase contracts and irrevocable closed period buyback programmes; the obligation to purchase shares is recognised in full at the inception of the contract, even when that obligation is conditional on the share price. Any subsequent reduction in the obligation caused by the expiry or termination of a contract is credited back to equity at that time.

GROUP ACCOUNTING POLICIES

Shares held by ESOT

The NEXT Employee Share Ownership Trust ("ESOT") provides for the issue of shares to Group employees, principally under share option schemes. Shares in the Company held by the ESOT are included in the balance sheet at cost as a deduction from equity. The ESOT may also use contingent share purchase contracts and irrevocable closed period share purchase programmes which are accounted for as described above.

Provisions

A provision is recognised where the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Leasing commitments

Rentals payable under operating leases are charged to income on a straight line basis over the period of the lease. Contingent rentals payable based on store revenues are accrued in line with the related sales.

Premiums payable, rent free periods and capital contributions receivable on entering an operating lease are released to income on a straight line basis over the lease term.

The Group does not have significant finance leases.

Significant areas of estimation and judgement

The preparation of the financial statements requires judgements, estimations and assumptions to be made that affect the reported values of assets, liabilities, revenues and expenses. The nature of estimation and judgement means that actual outcomes could differ from expectation. Significant areas of estimation and judgement for the Group include:

- Expected future cash flows applied in measuring impairment of Directory customer receivables (Note 14). Bad debt provisions are calculated using a combination of internally and externally sourced information, including historical collection rates and other credit data.
- Estimated selling prices applied in determining the net realisable values of inventories. Historical sales patterns and post year-end trading performance are used to determine these.
- The assumptions applied in determining the defined benefit pension obligation (Note 21), which is particularly sensitive to small changes in assumptions. Advice is taken from a qualified actuary to determine appropriate assumptions at each balance sheet date.

Other areas of estimation and judgement include sales returns rates, onerous lease provisions, gift card redemption rates, taxation and share schemes.

Change to sales presentation

NEXT operates an increasing number of commission based agreements with third party brands, including some which are sourced by Lipsy and sold on next.co.uk and in our Directory and Label publications. Lipsy brand products are also sold through NEXT Directory and in some NEXT Retail stores.

To ensure consistency with all other non-NEXT brands sold by NEXT, this year we have adopted the following approach (prior year figures have been restated, see Note 1 to the financial statements):

1. Lipsy sales made through NEXT Directory (£23m this year) are now reported in NEXT Directory rather than Lipsy.
2. Lipsy sales made in NEXT Retail stores (£13m this year) are now reported in NEXT Retail rather than Lipsy.

Total Sales includes the full customer sales value of commission-based sales, whereas Statutory Revenue (which in total remains as previously reported) includes only the net commission receivable from the supplier.

This change of presentation has no impact on profit.

New accounting standards

Various new or revised accounting standards have been issued which are not yet effective, including IFRS 15 '*Revenue from Contracts with Customers*' and IFRS 9 '*Financial Instruments*'. Neither of these have yet been endorsed by the European Union. Our initial assessment is that they are unlikely to have a significant impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Segmental analysis

The Group's operating segments under IFRS 8 have been determined based on management accounts reviewed by the Board. The performance of operating segments is assessed on profits before interest and tax, excluding equity settled share option charges recognised under IFRS 2 *Share-Based Payment* and unrealised foreign exchange gains or losses on derivatives which do not qualify for hedge accounting. The activities, products and services of the operating segments are detailed in the Strategic Report on page 22. The Property Management segment holds properties and property leases which are sub-let to other segments and external parties.

Segment sales and revenue

Year to January 2015

	Total sales excluding VAT £m	Commission sales adjustment £m	External Revenue £m	Internal Revenue £m	Total Segment Revenue £m
NEXT Retail*	**2,348.2**	**(6.7)**	**2,341.5**	**7.2**	**2,348.7**
NEXT Directory*	**1,540.6**	**(20.8)**	**1,519.8**	**–**	**1,519.8**
NEXT International Retail	**86.2**	**–**	**86.2**	**–**	**86.2**
NEXT Sourcing	**7.5**	**–**	**7.5**	**593.1**	**600.6**
	3,982.5	**(27.5)**	**3,955.0**	**600.3**	**4,555.3**
Lipsy*	**36.8**	**(0.5)**	**36.3**	**24.5**	**60.8**
Property Management	**5.6**	**–**	**5.6**	**196.6**	**202.2**
Total segment sales/revenues	**4,024.9**	**(28.0)**	**3,996.9**	**821.4**	**4,818.3**
Third party distribution	**2.9**	**–**	**2.9**	**–**	**2.9**
Eliminations	**–**	**–**	**–**	**(821.4)**	**(821.4)**
Total	**4,027.8**	**(28.0)**	**3,999.8**	**–**	**3,999.8**

Year to January 2014

	Total sales excluding VAT £m	Commission sales adjustment £m	External Revenue £m	Internal Revenue £m	Total Segment Revenue £m
NEXT Retail*	2,240.5	(0.8)	2,239.7	6.1	2,245.8
NEXT Directory*	1,373.9	(17.4)	1,356.5	–	1,356.5
NEXT International Retail	85.6	–	85.6	–	85.6
NEXT Sourcing	11.0	–	11.0	560.2	571.2
	3,711.0	(18.2)	3,692.8	566.3	4,259.1
Lipsy*	35.3	–	35.3	20.5	55.8
Property Management	4.8	–	4.8	192.9	197.7
Total segment sales/revenues	3,751.1	(18.2)	3,732.9	779.7	4,512.6
Third party distribution	7.1	–	7.1	–	7.1
Eliminations	–	–	–	(779.7)	(779.7)
Total	3,758.2	(18.2)	3,740.0	–	3,740.0

Where third party branded goods are sold on a commission basis, only the commission receivable is included in statutory revenue. Total Sales represents the amount paid by the customer, excluding VAT.

* *Lipsy sales made through NEXT Retail and Directory are now reported in those divisions. For comparability, prior year figures have been restated resulting in £12.1m of Lipsy sales being re-allocated to NEXT Retail and £15.5m to Directory.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Segmental analysis (continued)

Segment profit	2015 £m	2014 £m
NEXT Retail	**383.8**	347.7
NEXT Directory	**376.8**	358.5
NEXT International Retail	**11.7**	12.1
NEXT Sourcing	**41.4**	34.1
	813.7	752.4
Lipsy	**5.1**	2.7
Property Management	**6.9**	1.8
Total segment profit	**825.7**	756.9
Central costs and other	**(10.0)**	(14.9)
Share option charge	**(13.4)**	(15.8)
Unrealised foreign exchange gains/(losses)	**8.9**	(5.9)
Trading profit	**811.2**	720.3
Share of results of associates	**0.9**	2.5
Finance income	**0.8**	0.7
Finance costs	**(30.7)**	(28.3)
Profit before tax and exceptional items	**782.2**	695.2
Exceptional gains	**12.6**	–
Profit before tax	**794.8**	695.2

Transactions between operating segments are made on an arm's length basis in a manner similar to those with third parties. Segment revenue and segment profit include transactions between business segments which are eliminated on consolidation. The substantial majority of NEXT Sourcing's revenues and profits are derived from sales to NEXT Retail and NEXT Directory.

Segment assets, capital expenditure and depreciation

	Property, plant & equipment		Capital expenditure		Depreciation	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
NEXT Retail	**342.1**	347.8	**91.4**	88.0	**96.2**	101.8
NEXT Directory	**81.3**	80.7	**13.5**	8.4	**13.0**	11.8
NEXT International Retail	**1.1**	0.9	**0.6**	0.4	**0.3**	0.4
NEXT Sourcing	**2.3**	2.4	**0.6**	0.8	**0.8**	0.9
Lipsy	**2.3**	4.7	**–**	0.9	**1.5**	1.9
Property Management	**74.1**	72.5	**4.1**	6.6	**0.1**	0.1
Other	**0.1**	0.2	**–**	0.2	**0.1**	0.1
Total	**503.3**	509.2	**110.2**	105.3	**112.0**	117.0

1. Segmental analysis (continued)

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

External revenue by geographical location	2015 £m	2014 £m
United Kingdom	**3,648.0**	3,447.0
Rest of Europe	**225.6**	197.7
Middle East	**60.4**	46.5
Asia	**37.5**	19.6
Rest of World	**28.3**	29.2
	3,999.8	3,740.0

Non-current assets by geographical location	2015 £m	2014 £m
United Kingdom	**508.3**	514.1
Rest of Europe	**7.3**	7.5
Middle East	**4.7**	4.3
Asia	**27.0**	27.6
Rest of World	**–**	0.1
	547.3	553.6

2. Revenue by type

	2015 £m	2014 £m
Sale of goods	**3,813.3**	3,564.5
Rendering of services	**169.2**	158.8
Rental income	**5.6**	4.8
Royalties	**11.7**	11.9
Revenue	**3,999.8**	3,740.0

Rendering of services includes £166.4m (2014: £151.8m) of account interest on Directory customer receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Operating profit

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

	2015 £m	2014 £m
Depreciation on tangible assets:		
Owned	**111.9**	116.9
Leased	**0.1**	0.1
Loss on disposal of property, plant & equipment	**–**	13.0
Amortisation of intangible assets	**0.4**	0.4
Impairment charges:		
Tangible assets	**2.3**	2.9
Intangible assets	**0.1**	–
Operating lease rentals:		
Minimum lease payments (net of amortisation of incentives)	**206.2**	198.5
Contingent rentals payable	**6.5**	7.1
Net foreign exchange losses	**0.6**	6.8
Customer and other receivables:		
Impairment charge	**24.0**	29.0
Amounts recovered	**(2.4)**	(4.6)
Cost of inventories recognised as an expense	**1,452.7**	1,363.5
Write down of inventories to net realisable value	**100.9**	80.7
	1,553.6	1,444.2

	2015 £'000	2014 £'000
Auditor's remuneration		
Audit of the financial statements	**196**	193
Audit of subsidiaries	**295**	279
Total audit fees	**491**	472
Other services:		
Tax compliance	**7**	6
Tax advisory services	**28**	–
Corporate finance (2026 bond issue)	**–**	82
Other assurance services	**42**	31
	568	591

Gains and losses on cash flow hedges removed from equity and included in the income statement for the period comprise losses of £24.5m (2014: gains of £14.9m) included in cost of sales.

Cost of inventories recognised as an expense consists of those costs which are directly attributable to goods sold in the year, including packaging and inbound freight costs.

Unrealised foreign exchange gains/(losses) reported in the income statement represent foreign exchange gains of £8.9m (2014: losses of £5.9m) in respect of derivative contracts which do not qualify for hedge accounting under IAS 39.

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4. Staff costs and key management personnel

Total staff costs were as follows:

	2015 £m	2014 £m
Wages and salaries	**563.1**	531.9
Social security costs	**36.5**	36.0
Other pension costs	**17.7**	16.0
	617.3	583.9
Share-based payments expense – equity settled	**13.4**	15.8
Share-based payments expense – cash settled	**15.4**	26.8
	646.1	626.5

Share-based payments comprise management options, sharesave options and potential LTIP and SMP awards, details of which are given in Note 25.

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

	2015 £m	2014 £m
NEXT Retail and Directory	**603.7**	580.7
NEXT International Retail	**2.5**	2.8
NEXT Sourcing	**26.9**	26.4
Other activities	**13.0**	16.6
Total	**646.1**	626.5

	Average employees		Full-time equivalents	
	2015 Number	2014 Number	2015 Number	2014 Number
NEXT Retail and Directory	**45,864**	48,417	**25,457**	24,618
NEXT International Retail	**205**	204	**157**	164
NEXT Sourcing	**3,642**	3,573	**3,642**	3,573
Other activities	**307**	339	**213**	213
Total	**50,018**	52,533	**29,469**	28,568

The aggregate amount charged in the accounts for key management personnel (including employer's National Insurance contributions), being the directors of NEXT plc, was as follows:

	2015 £m	2014 £m
Short term employee benefits	**6.2**	6.6
Post-employment benefits	**0.1**	0.3
Share-based payments	**4.6**	14.2
	10.9	21.1

Directors' remuneration is detailed in the Remuneration Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Finance income and costs

	2015 £m	2014 £m
Interest on bank deposits	**0.7**	0.7
Other interest receivable	**0.1**	–
Total finance income	**0.8**	0.7
Interest on bonds and other borrowings	**30.6**	25.3
Other fair value movements	**0.1**	3.0
Total finance costs	**30.7**	28.3

Directory account interest is presented as a component of revenue.

6. Exceptional gains

During the year the Group disposed of its investment in Cotton Traders for £15m, realising a profit on disposal of £10.6m. £7m was received on completion and the balance of £8m is due to be received during the period to January 2016. In addition, £2m of other prior year disposal provisions were released.

7. Taxation

	2015 £m	2014 £m
Current tax:		
UK corporation and overseas tax on profits of the year	**168.9**	170.6
Adjustments in respect of previous years	**(8.3)**	(20.6)
Total current tax	**160.6**	150.0
Deferred tax:		
Origination and reversal of temporary differences	**(1.9)**	(9.3)
Adjustments in respect of previous years	**1.2**	1.3
Tax expense reported in the consolidated income statement	**159.9**	142.0

None of this year's tax charge relates to exceptional items (see Note 6). Adjustments in respect of previous years relate to movements in provisions for items under review or subsequently agreed with HM Revenue & Customs and overseas tax authorities.

The tax rate for the current year varied from the standard rate of corporation tax in the UK due to the following factors:

	2015 %	2014 %
UK corporation tax rate	**21.3**	23.2
Non-deductible expenses	**0.3**	0.5
Overseas tax differentials	**(0.6)**	(0.5)
Tax over-provided in previous years	**(0.9)**	(2.8)
Effective total tax rate on profit before taxation	**20.1**	20.4

The 2015 effective tax rate stated above is based on total profit including exceptional items. The effective tax rate on underlying profit was 20.4% (2014: 20.4%).

7. Taxation (continued)

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

	2015 £m	2014 £m
Current tax:		
Pension benefit obligation	**–**	(3.4)
Exchange differences on translation of foreign operations	**(0.6)**	0.6
Deferred tax:		
Pension benefit obligation	**(6.9)**	(1.6)
Fair value movements on derivative instruments	**14.7**	(5.9)
Tax charge/(credit) in other comprehensive income	**7.2**	(10.3)

	2015 £m	2014 £m
Current tax:		
Share-based payments	**(23.9)**	(13.4)
Deferred tax:		
Share-based payments	**6.6**	(15.6)
Tax credit in the statement of changes in equity	**(17.3)**	(29.0)

Deferred tax asset	2015 £m	2014 £m
Accelerated capital allowances	**(3.9)**	(7.5)
Revaluation of derivatives to fair value	**(11.7)**	4.9
Pension benefit obligations	**(7.6)**	(14.1)
Share–based payments	**33.1**	41.1
Other temporary differences	**3.4**	2.6
	13.3	27.0

The deferred tax movement in the year is as follows:	2015 £m	2014 £m
At January 2014	**27.0**	(4.0)
Recognised in the income statement:		
Accelerated capital allowances	**3.6**	10.0
Revaluation of derivatives to fair value	**(1.9)**	1.3
Pension benefit obligations	**(0.4)**	(0.6)
Share-based payments	**(1.4)**	(2.5)
Other temporary differences	**0.8**	(0.3)
Recognised in other comprehensive income	**(7.8)**	7.5
Recognised in the statement of changes in equity	**(6.6)**	15.6
At January 2015	**13.3**	27.0

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

	Gross value 2015 £m	Unrecognised deferred tax 2015 £m	Gross value 2014 £m	Unrecognised deferred tax 2014 £m
Capital losses	**53.4**	**10.7**	74.3	14.9

The benefit of unrecognised capital losses will only accrue if taxable profits are realised on future disposals of the Group's capital assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Dividends

Year to January 2015

	Paid	Pence per share	Cash flow statement £m	Statement of changes in equity £m	Jan 2015 balance sheet £m
First special dividend	3 Feb 2014	50p	74.4	–	–
Second special dividend	1 May 2014	50p	74.5	74.5	–
Third special dividend	1 Aug 2014	50p	74.0	74.0	–
Final ordinary dividend for year to Jan 2014	1 Aug 2014	93p	137.6	137.6	–
Interim ordinary dividend for year to Jan 2015	2 Jan 2015	50p	73.9	73.9	–
Fourth special dividend	2 Feb 2015	50p	–	73.9	73.9
			434.4	**433.9**	**73.9**

The fourth special dividend was announced on 30 December 2014 and shares in NEXT plc traded ex-dividend from 15 January. The liability of £73.9m is recorded in the January 2015 balance sheet on the basis that it could not realistically have been cancelled after the ex-dividend date and it was paid on 2 February 2015.

It is intended that this year's ordinary final dividend of 100p per share will be paid to shareholders on 3 August 2015. NEXT plc shares will trade ex-dividend from 9 July 2015 and the record date will be 10 July 2015. The estimated amount payable is £148.4m.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The Trustee of the ESOT has waived dividends paid in the year on shares held by the ESOT.

9. Earnings per share

	2015	2014
Basic earnings per share		
Total	**428.3p**	366.1p
Underlying	**419.8p**	366.1p

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

Underlying earnings per share is based on profit before the exceptional gains described in Note 6.

	2015	2014
Diluted earnings per share		
Total	**417.9p**	355.6p
Underlying	**409.7p**	355.6p

Diluted earnings per share is based on the weighted average number of shares used for the calculation of basic earnings per share as increased by the dilutive effect of potential ordinary shares. Dilutive shares arise from employee share option schemes where the exercise price is less than the average market price of the Company's ordinary shares during the period. Their dilutive effect is calculated on the basis of the equivalent number of nil-cost options. 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 0.7m such share options in the current year (2014: nil).

9. Earnings per share (continued)

	2015	2014
Fully diluted earnings per share		
Total	**409.6p**	347.1p
Underlying	**401.5p**	347.1p

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

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

	2015 £m	2014 £m
Profit after tax attributable to equity holders of the parent company	**634.9**	553.2
Less exceptional gains (see Note 6)	**(12.6)**	–
Total underlying profit (for underlying EPS)	**622.3**	553.2
Weighted average number of shares (millions)		
Weighted average shares in issue	**153.9**	157.9
Weighted average shares held by ESOT	**(5.6)**	(6.8)
Weighted average shares for basic EPS	**148.3**	151.1
Weighted average dilutive potential shares	**3.6**	4.5
Weighted average shares for diluted EPS	**151.9**	155.6
Weighted average shares for basic EPS	**148.3**	151.1
Weighted average total share options outstanding	**6.7**	8.3
Weighted average shares for fully diluted EPS	**155.0**	159.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Property, plant & equipment

	Freehold property £m	Leasehold property £m	Plant and fittings £m	Total £m
Cost				
At January 2013	**69.5**	**8.3**	**1,458.3**	**1,536.1**
Exchange movement	–	–	(0.9)	(0.9)
Additions	5.4	1.1	98.8	105.3
Disposals	–	–	(62.3)	(62.3)
At January 2014	**74.9**	**9.4**	**1,493.9**	**1,578.2**
Exchange movement	–	–	0.6	0.6
Additions	4.1	–	106.1	110.2
Disposals	(4.2)	–	(59.3)	(63.5)
At January 2015	**74.8**	**9.4**	**1,541.3**	**1,625.5**
Depreciation				
At January 2013	**8.0**	**1.4**	**989.4**	**998.8**
Exchange movement	–	–	(0.7)	(0.7)
Provided during the year	–	–	117.0	117.0
Impairment charge	1.9	–	1.0	2.9
Disposals	–	–	(49.0)	(49.0)
At January 2014	**9.9**	**1.4**	**1,057.7**	**1,069.0**
Exchange movement	–	–	0.5	0.5
Provided during the year	0.1	–	111.9	112.0
Impairment charge	0.1	0.2	2.0	2.3
Disposals	(2.3)	–	(59.3)	(61.6)
At January 2015	**7.8**	**1.6**	**1,112.8**	**1,122.2**
Carrying amount				
At January 2015	**67.0**	**7.8**	**428.5**	**503.3**
At January 2014	65.0	8.0	436.2	509.2
At January 2013	61.5	6.9	468.9	537.3

At January 2015 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £27.1m (2014: £18.2m).

11. Intangible assets

	Brand names & trademarks £m	Customer relationships £m	Goodwill £m	Total £m
Cost				
At January 2013 and January 2014	**4.0**	**2.0**	**44.1**	**50.1**
Additions	–	–	0.1	0.1
At January 2015	**4.0**	**2.0**	**44.2**	**50.2**
Amortisation and impairment				
At January 2013	**1.7**	**2.0**	**1.6**	**5.3**
Provided during the year	0.4	–	–	0.4
At January 2014	**2.1**	**2.0**	**1.6**	**5.7**
Provided during the year	0.4	–	–	0.4
Impairment	0.1	–	–	0.1
At January 2015	**2.6**	**2.0**	**1.6**	**6.2**
Carrying amount				
At January 2015	**1.4**	**-**	**42.6**	**44.0**
At January 2014	1.9	–	42.5	44.4
At January 2013	2.3	–	42.5	44.8

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

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

	2015 £m	2014 £m
NEXT Sourcing	**30.5**	30.5
Lipsy	**12.1**	12.0
	42.6	42.5

Goodwill is tested for impairment at the balance sheet date on the basis of value in use. As this exceeded carrying value for each of the cash generating units concerned, no impairment loss was recognised (2014: £nil).

NEXT Sourcing

The key assumptions in the calculation are the future sourcing requirements of the Group and the ability of NEXT Sourcing to meet these requirements based on past experience. In assessing value in use, the most recent financial results and internal budgets for the next year were used and extrapolated for four further years with no subsequent growth assumed, and discounted at 10% (2014: 10%).

Lipsy

In assessing the recoverable amount of goodwill and intangibles, the most recent financial results and internal budgets for next year were used and extrapolated for nine further years using a growth rate of 2% (2014: 2%) and discounted at 12% (2014: 12%). The key assumption is that Lipsy will continue to trade profitably through its different sales channels.

For both NEXT Sourcing and Lipsy, the calculated value in use significantly exceeded the carrying value of the goodwill and other intangible assets and no further sensitivity calculations were necessary to conclude that there was no impairment.

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12. Interests in associates and other investments

	2015 £m	2014 £m
Interests in associates	**1.1**	6.9
Other investments	**1.0**	1.0
	2.1	7.9

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

	Sales		Amounts receivable	
	2015 £m	2014 £m	2015 £m	2014 £m
Choice Discount Stores Limited	**6.0**	5.6	**0.8**	0.5
Cotton Traders Limited	**3.2**	5.9	**–**	0.5
	9.2	11.5	**0.8**	1.0

During the year the Group received a dividend of £1m from Cotton Traders and sold its investment for £15m (see Note 6).

13. Assets under construction

The balance of £12.7m in current assets primarily relates to costs incurred building a new retail store in High Wycombe which will be sold and leased back in 2015/16.

14. Customer and other receivables

	2015 £m	2014 £m
Directory customer receivables	**853.1**	806.4
Less: allowance for doubtful debts	**(140.6)**	(124.2)
	712.5	682.2
Other trade receivables	**25.5**	21.6
Less: allowance for doubtful debts	**(0.2)**	(0.2)
	737.8	703.6
Prepayments	**89.9**	94.0
Other debtors	**15.8**	9.4
Amounts due from associated undertakings	**0.8**	1.0
	844.3	808.0

No interest is charged on Directory customer receivables if the statement balance is paid in full and to terms; otherwise balances bear interest at a variable annual percentage rate of 24.99% (2014: 25.99%).

14. Customer and other receivables (continued)

Expected irrecoverable amounts on overdue balances are provided for based on past default experience. Receivables which are impaired, other than by age or default, are separately identified and provided for as necessary.

The credit quality of customer receivables that are neither past due nor impaired can be assessed by reference to the historical default rate for the preceding 365 days of approximately 1% (2014: 1%), although default rates over shorter periods may show significant variations.

Other debtors and prepayments do not include impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset. The Group does not hold any collateral over these balances.

Ageing of customer and other trade receivables:

	2015 £m	2014 £m
Not past due	**727.3**	687.2
0 – 30 days past due	**41.8**	46.4
30 – 60 days past due	**10.2**	10.4
60 – 90 days past due	**4.4**	3.8
90 – 120 days past due	**2.7**	2.8
Over 120 days past due	**67.6**	55.6
Otherwise impaired	**24.6**	21.8
Total customer and other trade receivables	**878.6**	828.0

Movement in the allowance for doubtful debts:

	2015 £m	2014 £m
Opening position	**124.4**	125.6
Charged to the income statement	**24.0**	29.0
Written off as uncollectible	**(5.2)**	(25.6)
Recovered during the year	**(2.4)**	(4.6)
Closing position	**140.8**	124.4

15. Other financial assets

	2015		2014	
	Current £m	Non-current £m	Current £m	Non-current £m
Foreign exchange contracts	**66.7**	**–**	1.2	–
Interest rate derivatives	**–**	**65.7**	–	17.7
	66.7	**65.7**	1.2	17.7

Foreign exchange contracts comprise forward contracts and options, the majority of which are used to hedge exchange risk arising from the Group's merchandise purchases (Note 27). These instruments are primarily for US Dollars and Euros. Interest rate derivatives relate to the corporate bonds (Note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Cash and short term deposits

	2015 £m	2014 £m
Cash at bank and in hand	**95.5**	70.0
Short term deposits	**180.0**	203.3
	275.5	273.3

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

17. Bank loans and overdrafts

	2015 £m	2014 £m
Bank overdrafts and short term borrowings	**2.8**	2.6

Bank overdrafts and short term borrowings are repayable on demand and bear interest at a margin over bank base rates. The Group also has medium term bank facilities of £300m (2014: £300m) committed until May 2019. None of this facility was drawn down at January 2015 or January 2014.

18. Trade payables and other liabilities

	2015		2014	
	Current £m	Non-current £m	Current £m	Non-current £m
Trade payables	**224.9**	**–**	194.8	–
Other taxation and social security	**83.9**	**–**	75.1	–
Deferred revenue from sale of gift cards	**73.7**	**–**	69.0	–
Property lease incentives received	**26.2**	**197.7**	25.7	195.6
Share-based payment liability	**15.4**	**10.6**	19.4	16.0
Other creditors and accruals	**212.3**	**6.1**	209.9	1.9
Finance leases	**0.1**	**–**	0.1	0.2
	636.5	**214.4**	594.0	213.7

Trade payables do not bear interest and are generally settled on 30 day terms. Other creditors and accruals do not bear interest. Property lease incentives are classified as non-current to the extent that they will be credited to the income statement more than one year from the balance sheet date.

19. Other financial liabilities

	2015		2014	
	Current £m	Non-current £m	Current £m	Non-current £m
Foreign exchange contracts	**8.3**	**–**	25.4	–
Interest rate derivatives	**–**	**11.8**	–	0.9
Own equity share purchase contracts	**101.1**	**–**	58.4	–
	109.4	**11.8**	83.8	0.9

Foreign exchange contracts comprise forward contracts and options, the majority of which are used to hedge exchange risk arising from the Group's merchandise purchases (Note 27). These instruments are primarily for US Dollars and Euros. Interest rate derivatives relate to the corporate bonds (Note 20).

Own equity share purchase contracts relate to liabilities of £101.1m (2014: £58.4m) arising under an irrevocable closed season buyback agreement for the purchase of the Company's own shares which subsequently expired unfulfilled (Note 23).

20. Corporate bonds

	Balance sheet value		Nominal value	
	2015 £m	2014 £m	2015 £m	2014 £m
Corporate bond 5.875% repayable 2016	**215.5**	216.5	**212.6**	212.6
Corporate bond 5.375% repayable 2021	**337.4**	336.9	**325.0**	325.0
Corporate bond 4.375% repayable 2026	**285.3**	247.4	**250.0**	250.0
	838.2	800.8	**787.6**	787.6

The Group uses interest rate derivatives to manage the interest rate risk associated with its bonds, the profile of which is shown below:

	2015 Nominal value £m	2015 Effective interest rate	2014 Nominal value £m	2014 Effective interest rate
2016 bonds				
Fixed	**162.6**	**5.875%**	162.6	5.875%
Floating	**50.0**	**6m LIBOR +1.7%**	50.0	6m LIBOR +1.7%
	212.6		212.6	
2021 bonds				
Fixed	**150.0**	**5.375%**	150.0	5.375%
*Floating**	**175.0**	**6m LIBOR +1.9%**	175.0	6m LIBOR +1.9%
	325.0		325.0	
2026 bonds				
Floating	**250.0**	**6m LIBOR +1.4%**	250.0	6m LIBOR +1.4%
Total	**787.6**		787.6	

** £150m of which reverts to an average fixed rate of 5.1% from October 2016.*

The fair values of the corporate bonds are shown in Note 29.

21. Pension benefits

The Group's UK pension arrangements include defined benefit and defined contribution sections. The Group also provides unfunded retirement benefits to some plan members whose benefits would otherwise be restricted by the lifetime allowance. Pension assets are held in separate trustee administered funds which have equal pension rights with respect to members of either sex and comply with the Employment Equality Regulations (2006). Further information on the Group's pension arrangements is given in the Remuneration Report on pages 54 and 55.

The defined benefit section was closed to new members in 2000 and over recent years the Group has taken steps to manage the on-going risks associated with it:

- In 2010, most pensions in payment were subject to a buy-in contract with an insurance company. This was followed in 2012 by a further buy-in contract for pensions that had come into payment since 2010;
- From November 2012, the future accrual of benefits for remaining employee members is based on pensionable earnings frozen at that time, rather than final earnings. Those employees receive either additional contributions to the defined contribution section, or a salary supplement;
- To enable future conversion of the buy-in to buy-out, in 2013 a new Plan was established for members whose pensions are not insured through the buy-in contracts and the associated assets and liabilities were transferred across. It is intended that the pensions and matching insurance contracts held by the original Plan will be converted to buy-out and the original Plan will then be dissolved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Pension benefits (continued)

The following table summarises the principal risks associated with the Group's defined benefit arrangements:

Investment Risk	The present value of defined benefit liabilities is calculated using a discount rate set by reference to high quality corporate bond yields. To the extent that the return on plan assets is lower than the discount rate, the pension surplus may reduce and a deficit may emerge.
Interest Rate Risk	A fall in bond yields would increase the value of the liabilities. This would be only partially offset by an increase in the value of bond investments held.
Inflation Risk	An increase in inflation would increase the value of pension liabilities.
Longevity Risk	The present value of the defined benefit liabilities is calculated having regards to a best estimate of the mortality of plan members. If members are expected to live longer, this will increase the liabilities.

The buy-in contracts represent approximately 22% of the total pension liabilities and provide a partial hedge to the risks described above.

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

	2015				2014			
	New 2013 Plan £m	Original Plan £m	Unfunded £m	Total £m	New 2013 Plan £m	Original Plan £m	Unfunded £m	Total £m
Current service cost	**7.2**	**–**	**0.4**	**7.6**	2.0	4.7	0.3	7.0
Interest on benefit obligation	**19.0**	**6.3**	**0.4**	**25.7**	5.3	19.2	0.4	24.9
Interest on plan assets	**(22.5)**	**(6.3)**	**–**	**(28.8)**	(6.6)	(21.8)	–	(28.4)
Administration costs	**1.1**	**0.4**	**–**	**1.5**	0.2	1.2	–	1.4
Net benefit expense	**4.8**	**0.4**	**0.8**	**6.0**	0.9	3.3	0.7	4.9
Actual return on plan assets	**89.3**	**26.2**	**–**	**115.5**	23.7	26.1	–	49.8

The expected average duration of the original Plan is 13 years and the new 2013 Plan is 26 years.

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

	2015				2014			
	New 2013 Plan £m	Original Plan £m	Unfunded £m	Total £m	New 2013 Plan £m	Original Plan £m	Unfunded £m	Total £m
Opening obligation	**431.5**	**155.9**	**9.9**	**597.3**	–	534.7	8.5	543.2
Current service cost	**7.2**	**–**	**0.4**	**7.6**	2.0	4.7	0.3	7.0
Interest cost	**19.0**	**6.3**	**0.4**	**25.7**	5.3	19.2	0.4	24.9
Employee contributions	**0.1**	**–**	**–**	**0.1**	–	0.1	–	0.1
Benefits paid	**(5.8)**	**(8.0)**	**(0.9)**	**(14.7)**	(0.8)	(11.1)	–	(11.9)
Transferred to new 2013 Plan	**–**	**–**	**–**	**–**	391.3	(391.3)	–	–
Actuarial losses								
– financial assumptions	**96.5**	**22.1**	**2.4**	**121.0**	25.9	0.4	0.7	27.0
– experience	**0.8**	**(0.4)**	**–**	**0.4**	4.3	(1.8)	–	2.5
– demographic assumptions	**–**	**–**	**–**	**–**	3.5	1.0	–	4.5
Closing obligation	**549.3**	**175.9**	**12.2**	**737.4**	431.5	155.9	9.9	597.3

21. Pension benefits (continued)

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

	2015				2014			
	New 2013 Plan £m	Original Plan £m	Unfunded £m	Total £m	New 2013 Plan £m	Original Plan £m	Unfunded £m	Total £m
Opening assets	**512.6**	**155.0**	**–**	**667.6**	–	608.8	–	608.8
Employer contributions	**7.4**	**–**	**–**	**7.4**	7.4	14.8	–	22.2
Employee contributions	**0.1**	**–**	**–**	**0.1**	–	0.1	–	0.1
Benefits paid	**(5.8)**	**(8.0)**	**–**	**(13.8)**	(0.8)	(11.1)	–	(11.9)
Transferred to new 2013 Plan	**–**	**–**	**–**	**–**	482.5	(482.5)	–	–
Interest income on assets	**22.5**	**6.3**	**–**	**28.8**	6.6	21.8	–	28.4
Return on plan assets greater than discount rate	**66.8**	**19.9**	**–**	**86.7**	17.1	4.3	–	21.4
Administrative costs	**(1.1)**	**(0.4)**	**–**	**(1.5)**	(0.2)	(1.2)	–	(1.4)
Closing assets	**602.5**	**172.8**	**–**	**775.3**	512.6	155.0	–	667.6

The fair value of plan assets was as follows:

	2015				2014			
	New 2013 Plan £m	Original Plan £m	Total £m	%	New 2013 Plan £m	Original Plan £m	Total £m	%
Equities	**384.8**	**10.2**	**395.0**	**50.9**	340.3	–	340.3	51.0
Bonds	**135.1**	**–**	**135.1**	**17.4**	106.9	–	106.9	16.0
Gilts	**47.5**	**1.9**	**49.4**	**6.4**	35.0	–	35.0	5.2
Property	**25.5**	**–**	**25.5**	**3.3**	23.4	–	23.4	3.5
Insurance contracts	**–**	**159.0**	**159.0**	**20.5**	–	142.9	142.9	21.4
Other (cash deposits)	**9.6**	**1.7**	**11.3**	**1.5**	7.0	12.1	19.1	2.9
	602.5	**172.8**	**775.3**	**100.0**	512.6	155.0	667.6	100.0

The fair values of the above equity and debt instruments are determined based on quoted prices in active markets.

The net defined benefit pension asset/(liability) is analysed as follows:

	2015				2014			
	New 2013 Plan £m	Original Plan £m	Unfunded £m	Total £m	New 2013 Plan £m	Original Plan £m	Unfunded £m	Total £m
Total assets	**602.5**	**172.8**	**–**	**775.3**	512.6	155.0	–	667.6
Benefit obligation	**(549.3)**	**(175.9)**	**(12.2)**	**(737.4)**	(431.5)	(155.9)	(9.9)	(597.3)
Net pension asset/(liability)	**53.2**	**(3.1)**	**(12.2)**	**37.9**	81.1	(0.9)	(9.9)	70.3

The most recent full actuarial valuation of the original Plan was undertaken at March 2013. The IAS 19 valuation of the defined benefit obligation was undertaken by an independent qualified actuary as at January 2015 using the projected unit credit method. The principal actuarial assumptions used in the valuation were as follows:

	2015		2014	
	Original Plan	New 2013 Plan	Original Plan	New 2013 Plan
Discount rate	**3.00%**	**3.35%**	4.15%	4.40%
Inflation – RPI	**2.95%**	**3.00%**	3.40%	3.35%
Inflation – CPI	**1.95%**	**2.00%**	2.40%	2.35%

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21. Pension benefits (continued)

	2015		2014	
	Pensioner aged 65	Non-pensioner aged 45	Pensioner aged 65	Non-pensioner aged 45
Life expectancy at age 65 (years)				
Male	**22.7**	**24.9**	22.6	24.8
Female	**25.1**	**27.4**	25.0	27.3

The key sensitivities in the calculation are the discount rate and the inflation assumption. A decrease of 0.25% in the discount rates used would increase the gross liabilities by approximately £37m, which would be partly mitigated by an increase of approximately £5m on the insurance assets. An increase of 0.25% in the inflation assumption would increase the gross liabilities by £24m, offset by an increase of approximately £3m on the insurance assets.

Members of the defined benefit section contribute 3% or 5% of pensionable earnings whilst the employer contribution rate is 17.5%. Members of the defined contribution section contribute 3% or 5% of pensionable earnings which is matched by the employing company. Contribution rates are expected to remain the same for the year ahead.

Total employer contributions of £18.4m (2014: £32.5m) were made during the year, including £9.6m (2014: £9.1m) in respect of the defined contribution section, £7.4m (2014: £22.2m) in respect of the defined benefit section and £1.4m (2014: £1.2m) in respect of automatic enrolment contributions.

22. Provisions

	Vacant property costs £m
At January 2014	8.5
Provisions made in the year	3.6
Utilisation of provisions	(2.4)
Release of provisions	(0.6)
Unwind of discount	0.3
At January 2015	**9.4**

Provision is made for the committed cost of future rentals or estimated exit costs of properties no longer occupied by the Group. The average remaining lease term is five years (2014: three years).

23. Share capital

	2015 Shares '000	2014 Shares '000	2015 £m	2014 £m
Allotted, called up and fully paid				
Ordinary shares of 10p each				
At the start of the year	**155,032**	161,234	**15.5**	16.1
Purchased for cancellation	**(2,158)**	(6,202)	**(0.2)**	(0.6)
At the end of the year	**152,874**	155,032	**15.3**	15.5

23. Share capital (continued)

The table below shows the movements in equity from share purchases and commitments during the year:

	2015		2014	
	Shares '000	£m	Shares '000	£m
Shares purchased for cancellation in the year	**2,158**	**137.9**	6,202	295.8
Less: Commitment at start of year	**(1,000)**	**(58.4)**	(1,050)	(42.3)
Add: Commitment at end of year	**1,500**	**101.1**	1,000	58.4
Amount shown in statement of changes in equity		**180.6**		311.9

All £58.4m of the commitment outstanding at January 2014 expired unfulfilled.

At 18 March 2015, all £101.1m of the January 2015 commitment was also unfulfilled and had expired, and will therefore be credited back to equity in 2015/16.

24. Other reserves

Other reserves in the consolidated balance sheet comprise the reserve created on reduction of share capital through a Scheme of Arrangement under Section 425 of the Companies Act 1985 (£1,460.7m) less share premium account (£3.8m) and capital redemption reserve (£8.7m) at the time of a capital reconstruction in 2002, plus the accumulated amount of goodwill arising on acquisition after taking into account subsequent disposals (£0.7m), less the unrealised component of revaluations of properties arising under previous accounting standards (£5.1m) as at the date of transition to IFRS.

25. Share-based payments

The Group operates a number of share-based payment schemes as follows:

Management share options

The NEXT Management Share Option Plan provides for options over shares, exercisable between three and ten years following their grant, to be allocated to Group employees at the discretion of the Remuneration Committee. This plan is primarily aimed at middle management and senior store staff. No options were granted to any directors or changes made to existing entitlements in the year under review. No employee is entitled to be granted options under the scheme and be included in NEXT's LTIP or the SMP in the same year.

The total number of options which can be granted is subject to shareholder approved limits. There are no cash settlement alternatives and they are therefore accounted for under IFRS 2 as equity-settled awards. Options are set at the prevailing market price at the time of grant. The maximum total market value of shares (i.e. the acquisition price of shares) over which options may be granted to any person during any financial year of the Company is three times salary, excluding bonuses and benefits in kind. This limit may be increased to five times salary in circumstances considered by the Committee to be exceptional, for example on the grant of options following recruitment. Grants are generally made annually.

Sharesave options

The Company's Save As You Earn (Sharesave) scheme is open to all employees. Invitations to participate are generally issued annually and the scheme is subject to HMRC rules. The current maximum monthly savings limit for the schemes detailed below is £250. Options are granted at the prevailing market rate less a discount of 20% and are exercisable three or five years from the date of grant. Sharesave options are also accounted for as equity–settled awards under IFRS 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Share-based payments (continued)

Management and Sharesave options

The following table summarises the movements in management and sharesave options during the year:

	2015 No. of options	2015 Weighted average exercise price	2014 No. of options	2014 Weighted average exercise price
Outstanding at beginning of year	**7,013,642**	**£26.75**	7,951,797	£21.52
Granted	**1,196,298**	**£62.24**	1,611,943	£41.52
Exercised	**(2,245,410)**	**£20.25**	(2,265,840)	£18.84
Forfeited	**(229,400)**	**£43.40**	(284,258)	£27.49
Outstanding at end of year	**5,735,130**	**£36.22**	7,013,642	£26.75
Exercisable at end of year	**1,208,356**	**£18.75**	1,188,164	£17.60

Options were exercised on a regular basis throughout the year and the weighted average share price during this period was £65.98 (2014: £48.29). Options outstanding at January 2015 are exercisable at prices ranging between £9.17 and £66.95 (2014: £9.17 and £41.70) and have a weighted average remaining contractual life of 5.8 years (2014: 6.1 years), as analysed below:

	2015 No. of options	2015 Weighted average remaining contractual life (years)	2014 No. of options	2014 Weighted average remaining contractual life (years)
Exercise price range				
£9.17 – £20.70	**933,508**	**4.2**	2,561,670	5.9
£20.84 – £27.56	**938,631**	**2.6**	1,562,360	3.2
£29.67	**1,273,231**	**7.2**	1,348,688	8.2
£41.12 – £41.70	**1,432,874**	**6.6**	1,540,924	7.5
£54.92 – £66.95	**1,156,886**	**7.0**	–	–
	5,735,130	**5.8**	7,013,642	6.1

Share Matching Plan (SMP) and Long Term Incentive Plan (LTIP)

As explained in the Remuneration Report, the Group operates LTIP and SMP schemes for executive directors and other senior executives. The SMP is an equity-settled scheme. Prior to January 2014, all LTIP awards were accounted for as cash–settled share based payments. From January 2014 onwards, new LTIP grants to executive directors will be settled in shares with no cash settlement alternative. Those awards are therefore accounted for under IFRS 2 as equity-settled. Awards to other senior executives and legacy awards to executive directors will continue to be treated as cash-settled. From January 2014, executive directors are no longer granted SMP awards. Performance conditions for SMP and LTIP awards are detailed in the Remuneration Report.

Share Matching Plan

The following table summarises the movements in nil cost SMP options during the year:

	2015 No. of options	2014 No. of options
Outstanding at beginning of year	**354,904**	675,046
Granted	**26,104**	53,490
Exercised	**(243,426)**	(290,650)
Forfeited	**(19,301)**	(82,982)
Outstanding at end of year	**118,281**	354,904

25. Share-based payments (continued)

The weighted average remaining contractual life of these options is 8.1 years (2014: 7.7 years). SMP options were exercised at different times in the year and the weighted average share price during this period was £65.73 (2014: £48.12). No options were exercisable at the end of the period (2014: 12,338).

Cash-settled LTIP awards

The following table summarises the movements in cash-settled LTIP awards during the year:

	2015 No. of awards	**2014 No. of awards**
Outstanding at beginning of year	**863,306**	1,084,471
Granted	**94,151**	217,087
Exercised	**(333,950)**	(385,956)
Forfeited	**(116,343)**	(52,296)
Outstanding at end of year	**507,164**	863,306

A charge of £15.4m for the year (2014: £26.8m) has been made in the accounts in respect of cash-settled LTIP grants, of which £3.5m (2014: £11.0m) related to the executive directors. The weighted average remaining contractual life of these awards is 1.8 years (2014: 1.6 years).

Equity-settled LTIP awards

The following table summarises the movements in nil cost equity-settled LTIP awards during the year:

	2015 No. of awards	**2014 No. of awards**
Outstanding at beginning of year	**–**	–
Granted	**73,752**	–
Forfeited	**(9,570)**	–
Outstanding at end of year	**64,182**	–

The weighted average remaining contractual life of these awards is 2.4 years.

Fair value calculations

The fair value of Management, Sharesave and SMP options granted is calculated at the date of grant using a Black–Scholes option pricing model. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period equivalent to the expected life of the option. The expected life applied in the model is based on historical analyses of exercise patterns, taking into account any early exercises. The following table lists the inputs to the model used for options granted in the years ended 24 January 2015 and 25 January 2014 based on information at the date of grant:

Management share options (granted in April)	**2015**	**2014**
Share price at date of grant	**£66.95**	£41.70
Exercise price	**£66.95**	£41.70
Volatility	**21.7%**	24.7%
Expected life	**4 years**	4 years
Risk free rate	**1.60%**	0.45%
Dividend yield	**1.64%**	2.24%
Weighted average fair value per option	**£10.73**	£6.38

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Share-based payments (continued)

Sharesave plans (granted in October)	2015	2014
Share price at date of grant	£68.65	£51.40
Exercise price	£54.92	£41.12
Volatility	19.5%	21.8%
Expected life	3.3 years	3.4 years
Risk free rate	1.1%	0.87%
Dividend yield	1.88%	2.04%
Weighted average fair value per option	£15.33	£11.82

Share Matching Plan (granted in April)	2015	2014
Share price at date of grant	£66.50	£43.81
Exercise price	Nil	Nil
Volatility	20.0%	22.4%
Expected life	3 years	3 years
Risk free rate	1.09%	0.34%
Dividend yield	1.94%	2.40%
Weighted average fair value per option	£62.74	£40.77

The fair value of equity-settled LTIP awards granted is calculated at the date of grant using a Monte Carlo option pricing model. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period equivalent to the life of the award. The following table lists the inputs to the model used for awards granted in the year ended 24 January 2015 based on information at the date of grant:

Equity-settled LTIP awards (granted in March)	2015	2014
Share price at date of grant	£67.00	–
Exercise price	Nil	–
Volatility	19.78%	–
Life of award	3 years	–
Risk free rate	1.1%	–
Dividend yield	1.64%	–
Fair value per award	£28.04	–

Equity-settled LTIP awards (granted in September)		
Share price at date of grant	£69.45	–
Exercise price	Nil	–
Volatility	18.81%	–
Life of award	3 years	–
Risk free rate	1.1%	–
Dividend yield	1.86%	–
Fair value per award	£29.79	–

26. Shares held by ESOT

The NEXT 2003 Employee Share Ownership Trust ("ESOT") has an independent trustee resident in Jersey and provides for the issue of shares to Group employees, including share issues under share options, at the discretion of the Trustee. All Management and Sharesave options which were exercised during the year were satisfied by shares issued from the ESOT.

At 24 January 2015 the ESOT held 5,010,614 (2014: 6,190,747) ordinary shares of 10p each in the Company, the market value of which amounted to £358.3m (2014: £388.8m). Details of outstanding share options are shown in Note 25.

The consideration paid for the ordinary shares of 10p each in the Company held by the ESOT at 24 January 2015 and 25 January 2014 has been shown as an ESOT reserve and presented within equity for the Company and the Group. All other assets, liabilities, income and costs of the ESOT have been incorporated into the accounts of the Company and the Group.

The table below shows the movements in equity from ESOT share purchases and commitment movements during the year:

	2015		2014	
	Shares '000	**£m**	**Shares '000**	**£m**
Shares purchased by ESOT in the year	**1,226**	**79.8**	2,136	96.0
Less: Commitment at start of year	**-**	**-**	(1,062)	(41.0)
Add: Commitment at end of year	**-**	**-**	–	–
Amount shown in Statement of Changes in Equity		**79.8**		55.0
Shares issued on employee option exercises	**2,406**	**42.9**	2,477	38.4

Proceeds of £45.0m (2014: £42.9m) were received on the exercise of Management and Sharesave options. The amount shown in the Statement of Changes in Equity of £42.9m (2014: £38.4m) is after the issue of nil-cost LTIP, SMP and Deferred Bonus shares. The weighted average cost of shares issued by the ESOT was £84.4m (2014: £74.0m).

At 18 March 2015, employee share options over 191,411 shares had been exercised subsequent to the balance sheet date and had been satisfied by ordinary shares issued by the ESOT.

27. Financial instruments: risk management and hedging activities

NEXT operates a centralised treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the Group's activities. As part of its strategy for the management of these risks, the Group uses derivative financial instruments. In accordance with the Group's treasury policy, derivative instruments are not entered into for speculative purposes. Treasury policy is reviewed and approved by the Board and specifies the parameters within which treasury operations must be conducted, including authorised counterparties, instrument types and transaction limits, and principles governing the management of liquidity, interest and foreign currency risks.

The Group's principal financial instruments, other than derivatives, are cash and short term deposits, bank overdrafts and loans, and corporate bonds. The main purpose of these financial instruments is to raise finance for the Group's operations. In addition, the Group has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations.

Liquidity risk

The Group manages its cash and borrowing requirements centrally to minimise net interest expense within risk parameters agreed by the Board, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its businesses. The forecast cash and borrowings profile of the Group is monitored to ensure that adequate headroom remains under committed borrowing facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Financial instruments: risk management and hedging activities (continued)

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows (including interest) of the Group's financial liabilities:

2015	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
Bank loans and overdrafts	**2.8**	**–**	**–**	**–**	**2.8**
Trade and other payables	**480.5**	**5.2**	**–**	**–**	**485.7**
Finance lease liabilities	**0.1**	**–**	**–**	**–**	**0.1**
Corporate bonds	**40.9**	**253.5**	**85.2**	**686.5**	**1,066.1**
Other liabilities	**101.1**	**–**	**–**	**–**	**101.1**
	625.4	**258.7**	**85.2**	**686.5**	**1,655.8**
Derivatives: net settled	**(12.3)**	**(11.4)**	**(14.3)**	**(20.8)**	**(58.8)**
Derivatives: gross settled					
Cash inflows	**(1,258.0)**	**–**	**–**	**–**	**(1,258.0)**
Cash outflows	**1,210.6**	**–**	**–**	**–**	**1,210.6**
Total cash flows	**565.7**	**247.3**	**70.9**	**665.7**	**1,549.6**

2014	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Total £m
Bank loans and overdrafts	2.6	–	–	–	2.6
Trade and other payables	380.9	1.0	–	–	381.9
Finance lease liabilities	0.1	0.1	0.1	–	0.3
Corporate bonds	40.9	40.9	310.3	714.9	1,107.0
Other liabilities	58.4	–	–	–	58.4
	482.9	42.0	310.4	714.9	1,550.2
Derivatives: net settled	(7.7)	(2.6)	(1.8)	(3.0)	(15.1)
Derivatives: gross settled					
Cash inflows	(819.7)	(6.1)	–	–	(825.8)
Cash outflows	845.8	6.1	–	–	851.9
Total cash flows	501.3	39.4	308.6	711.9	1,561.2

At 24 January 2015 the Group had borrowing facilities of £300m (2014: £300m) in respect of which all conditions precedent have been met and which are committed to May 2019 (2014: December 2016). None of this facility was drawn down at January 2015 (2014: £nil).

Interest rate risk

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

Interest rates: fair value hedges

The Group has interest rate swap agreements in place as fair value hedges of part of the interest rate risk associated with the Company's corporate bonds. Under the terms of the swaps, which have the same key features as the bonds, the Group receives a fixed rate of interest equivalent to the relevant coupon rate, and pays a variable rate. Details of the effective rates payable are given in Note 20.

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

	2015 £m	2014 £m
Derivatives in designated fair value hedging relationships	**53.9**	16.8

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

27. Financial instruments: risk management and hedging activities (continued)

Foreign currency risk

The Group's principal foreign currency exposures arise from the purchase of overseas sourced products. Group policy allows for these exposures to be hedged for up to 24 months ahead in order to fix the cost in Sterling. This hedging activity involves, *inter alia*, the use of spot, forward and option contracts.

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

The Group does not have a material exposure to currency movements in relation to translation of overseas investments and consequently does not hedge any such exposure. The Group's net exposure to foreign currencies, taking hedging activities into account is illustrated by the sensitivity analysis in Note 30.

Foreign currency hedges

The fair values of foreign exchange derivatives are as follows:

	2015 £m	2014 £m
Derivatives in designated hedging relationships	**53.7**	(20.0)
Other foreign exchange derivatives	**4.7**	(4.2)
Total foreign exchange derivatives	**58.4**	(24.2)

The total notional amount of outstanding foreign exchange contracts at the balance sheet date is as follows:

	2015 £m	2014 £m
US Dollar	**1,066.1**	752.8
Euro	**163.6**	64.8
Other	**28.3**	8.2
	1,258.0	825.8

Prior to its disposal, the Group had entered agreements to supply its associated company, Cotton Traders, with US Dollars. The notional value of contracts outstanding at January 2015 was £13.2m (2014: £22.8m).

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating and investment criteria approved by the Board. Concentrations of risk are mitigated by the use of various counterparties at any one time. All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts. The concentration of credit risk is limited due to the Directory customer base being large and diverse. The Group's outstanding receivables balances are detailed in Note 14.

Capital risk

The capital structure of the Group consists of debt, as analysed in Note 31, and equity attributable to the equity holders of the parent company, comprising issued capital, reserves and retained earnings as shown in the Consolidated Statement of Changes in Equity. The Group manages its capital with the objective that all entities within the Group continue as going concerns while maintaining an efficient structure to minimise the cost of capital. The Group is not restricted by any externally imposed capital requirements.

As part of its strategy for delivering sustainable long term growth in earnings per share, the Group has been returning capital to shareholders by way of share buybacks in addition to dividends (including special dividends). Share buybacks are transacted through both on-market purchases and contingent contracts for off-market share purchases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Financial instruments: categories

	2015 £m	2014 £m
Financial assets		
Derivatives at fair value through profit and loss – held for trading	**7.7**	0.8
Derivatives in designated hedging relationships	**124.7**	18.1
Loans and receivables	**753.5**	712.4
Cash and short term deposits	**275.5**	273.3
Available for sale financial assets	**1.0**	1.0
Financial liabilities		
Derivatives at fair value through profit and loss – held for trading	**(3.0)**	(5.0)
Derivatives in designated hedging relationships	**(17.0)**	(21.3)
Corporate bonds	**(838.2)**	(800.8)
Amortised cost	**(589.7)**	(442.9)
Finance lease obligations	**(0.1)**	(0.3)

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.

29. Financial instruments: fair values

The fair values of each category of the Group's financial instruments are the same as their carrying values in the Group's balance sheet, other than as noted below:

	2015		2014	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Corporate bonds				
In hedging relationships	**525.6**	**557.9**	488.2	513.5
Not in hedging relationships	**312.6**	**359.3**	312.6	353.0
	838.2	**917.2**	800.8	866.5

The fair values of corporate bonds are their market values at the balance sheet date (IFRS 13 Level 1). Market values include accrued interest and changes in credit risk and interest rate risk, and are therefore different to the reported carrying amounts.

30. Financial instruments: sensitivity analysis

Foreign currency sensitivity analysis

The Group's principal foreign currency exposures are to US Dollars and the Euro. The table below illustrates the hypothetical sensitivity of the Group's reported profit and closing equity to a 10% increase and decrease in the US Dollar/Sterling and Euro/Sterling exchange rates at the year end date, assuming all other variables remain unchanged. The sensitivity rate of 10% represents the directors' assessment of a reasonably possible change, based on historic volatility.

The analysis assumes that exchange rate fluctuations on currency derivatives that form part of an effective cash flow hedge relationship affect the fair value reserve in equity and the fair value of the hedging derivatives. For foreign exchange derivatives which are not designated hedges, movements in exchange rates impact the income statement.

30. Financial instruments: sensitivity analysis (continued)

Positive figures represent an increase in profit or equity.

	Income statement 2015 £m	Income statement 2014 £m	Equity 2015 £m	Equity 2014 £m
Sterling strengthens by 10%				
US Dollar	**(9.1)**	(3.8)	**(55.3)**	(43.4)
Euro	**(2.9)**	0.3	**(9.3)**	(3.6)
Sterling weakens by 10%				
US Dollar	**1.5**	(0.8)	**62.1**	44.7
Euro	**0.9**	(1.2)	**9.2**	3.5

Year end exchange rates applied in the above analysis are US Dollar 1.50 (2014: 1.65) and Euro 1.33 (2014: 1.21). Strengthening and weakening of Sterling may not produce symmetrical results depending on the proportion and nature of foreign exchange derivatives which do not qualify for hedge accounting.

Interest rate sensitivity analysis

The table below illustrates the hypothetical sensitivity of the Group's reported profit and closing equity to a 0.5% increase or decrease in interest rates, assuming all other variables were unchanged. The sensitivity rate of 0.5% represents the directors' assessment of a reasonably possible change, based on historic volatility.

The analysis has been prepared using the following assumptions:

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

Positive figures represent an increase in profit or equity.

	Income statement 2015 £m	Income statement 2014 £m	Equity 2015 £m	Equity 2014 £m
Interest rate increase of 0.5%	**(1.1)**	(1.1)	**(1.1)**	(1.1)
Interest rate decrease of 0.5%	**1.1**	1.1	**1.1**	1.1

31. Analysis of net debt

	January 2014 £m	Cash flow £m	Other non-cash changes £m	January 2015 £m
Cash and short term deposits	273.3			**275.5**
Overdrafts and short term borrowings	(2.6)			**(2.8)**
Cash and cash equivalents	270.7	1.1	0.9	**272.7**
Corporate bonds	(800.8)	–	(37.4)	**(838.2)**
Fair value hedges of corporate bonds	13.0	–	37.3	**50.3**
Finance leases	(0.3)	0.2	–	**(0.1)**
Total net debt	(517.4)	1.3	0.8	**(515.3)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Operating lease commitments

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

	2015 £m	2014 £m
Within one year	**231.3**	227.0
In two to five years	**796.2**	784.9
Over five years	**885.2**	786.3
	1,912.7	1,798.2

At January 2015, future rentals receivable under non-cancellable sub-leases where the Group is the lessor were £14.2m (2014: £15.7m).

The Group has entered into operating leases primarily in respect of retail stores and lesser amounts for warehouses, vehicles and equipment. These non-cancellable leases have remaining terms of between one month and approximately 25 years. Contingent rentals are payable on certain retail store leases based on store revenues. The majority of the Group's property leases provide for their renewal by mutual agreement at the expiry of the lease term.

Additional information on the Group's leasing commitments as at 24 January 2015 is detailed in the table below:

	Minimum lease payments £m	Less sub-lease income £m	Net total £m
Year to January 2014 (Actual)	218.5	(4.8)	213.7
Year to January 2015 (Actual)	**227.1**	**(5.6)**	**221.5**
Year to January 2016	231.3	(5.4)	225.9
Year to January 2017	218.7	(3.8)	214.9
Year to January 2018	208.4	(2.2)	206.2
Year to January 2019	192.4	(1.6)	190.8
Year to January 2020	176.7	(1.2)	175.5
Sub-total 5 years to January 2020	**1,027.5**	**(14.2)**	**1,013.3**
5 years from February 2020 to January 2025	532.3	–	532.3
10 years from February 2025 to January 2035	309.4	–	309.4
2035 and beyond	43.5	–	43.5
Total future obligations	**1,912.7**	**(14.2)**	**1,898.5**

PARENT COMPANY BALANCE SHEET

As at 24 January

	Notes	2015 £m	2014 £m
Fixed assets			
Investments	C2	**2,475.7**	2,475.7
Other financial assets	C3	**65.7**	17.7
		2,541.4	2,493.4
Current assets			
Debtors		**12.7**	12.3
Cash at bank and in hand		**155.0**	203.3
		167.7	215.6
Total assets		**2,709.1**	2,709.0
Creditors: amounts falling due within one year	C4	**(413.5)**	(396.7)
Net current liabilities		**(245.8)**	(181.1)
Total assets less current liabilities		**2,295.6**	2,312.3
Creditors: amounts falling due after more than one year	C4	**(850.0)**	(801.7)
Total liabilities		**(1,263.5)**	(1,198.4)
NET ASSETS		**1,445.6**	1,510.6
Capital and reserves			
Called up share capital	C5	**15.3**	15.5
Share premium account		**0.9**	0.9
Capital redemption reserve		**14.6**	14.4
ESOT reserve	C5	**(192.0)**	(196.6)
Other reserves	C5	**985.2**	985.2
Profit and loss account		**621.6**	691.2
TOTAL EQUITY		**1,445.6**	1,510.6

Approved by the Board on 19 March 2015

Lord Wolfson of Aspley Guise
Chief Executive

David Keens
Group Finance Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 24 January

	Share capital £m	Share premium account £m	Capital redemption reserve £m	ESOT reserve £m	Other reserves £m	Profit and loss account £m	Total equity £m
At January 2013	**16.1**	**0.9**	**13.8**	**(215.6)**	**985.2**	**784.8**	**1,585.2**
Profit for the year	–	–	–	–	–	478.8	**478.8**
Other comprehensive income for the year	–	–	–	–	–	–	**-**
Total comprehensive income for the year	–	–	–	–	–	478.8	**478.8**
Share buybacks and commitments (Note C5)	(0.6)	–	0.6	–	–	(311.9)	**(311.9)**
ESOT share purchases and commitments (Note C5)	–	–	–	(55.0)	–	–	**(55.0)**
Shares issued by ESOT	–	–	–	74.0	–	(35.6)	**38.4**
Share option charge	–	–	–	–	–	15.8	**15.8**
Equity awards settled in cash	–	–	–	–	–	(2.4)	**(2.4)**
Tax recognised directly in equity	–	–	–	–	–	0.6	**0.6**
Equity dividends	–	–	–	–	–	(238.9)	**(238.9)**
At January 2014	**15.5**	**0.9**	**14.4**	**(196.6)**	**985.2**	**691.2**	**1,510.6**
Profit for the year	–	–	–	–	–	576.1	**576.1**
Other comprehensive income for the year	–	–	–	–	–	–	**-**
Total comprehensive income for the year	–	–	–	–	–	576.1	**576.1**
Share buybacks and commitments (Note C5)	(0.2)	–	0.2	–	–	(180.6)	**(180.6)**
ESOT share purchases and commitments (Note C5)	–	–	–	(79.8)	–	–	**(79.8)**
Shares issued by ESOT	–	–	–	84.4	–	(41.5)	**42.9**
Share option charge	–	–	–	–	–	13.4	**13.4**
Equity awards settled in cash	–	–	–	–	–	(3.8)	**(3.8)**
Tax recognised directly in equity	–	–	–	–	–	0.7	**0.7**
Equity dividends	–	–	–	–	–	(433.9)	**(433.9)**
At January 2015	**15.3**	**0.9**	**14.6**	**(192.0)**	**985.2**	**621.6**	**1,445.6**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

C1. Accounting policies

The parent company financial statements of NEXT plc have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"), which was first applied last year. FRS 101 enables the financial statements of the parent company to be prepared in accordance with EU-adopted IFRS but with certain disclosure exemptions. The main areas of reduced disclosure are in respect of equity-settled share based payments, financial instruments, the cash flow statement, and related party transactions with Group companies. The Company's reported profits and net assets were unaffected by the transition to FRS 101 and remain consistent with EU-adopted IFRS which was applied previously. The accounting policies adopted for the parent company, NEXT plc, are otherwise consistent with those used for the Group which are set out on pages 85 to 88. As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of the financial statements. The profit after taxation dealt with in the accounts of the holding company was £576.1m (2014: profit of £478.8m).

C2. Investments

The Company has taken advantage of section 410(2) of the Companies Act 2006 to list only its subsidiary and associated undertakings which principally affect the figures shown in the financial statements. All of these are wholly owned by the Company or its subsidiary undertakings, registered in England and Wales, and operate predominantly in the United Kingdom unless otherwise stated.

Subsidiary undertakings

NEXT Group plc	Intermediate holding company
NEXT Retail Limited[1]	Retailing of fashion and home products
NEXT Directory[2]	Home shopping, including international online
NEXT Distribution Limited[1]	Warehousing and distribution
Lipsy Limited[1]	Fashion retailing
NEXT Sourcing Limited[1]	Overseas sourcing services (Hong Kong)
NEXT Manufacturing (Pvt) Limited[1]	Garment manufacture (Sri Lanka)

Associated undertakings

Choice Discount Stores Limited[1]	Retailing (40%)

1 *Shareholdings held by subsidiary undertakings*
2 *The trade of the NEXT Directory is carried out by NEXT Retail Limited*

C3. Other financial assets

Other financial assets comprise interest rate derivatives as detailed in Note 15 of the consolidated financial statements, which are carried at their fair value.

C4. Current and non-current creditors

	2015		2014	
	Current £m	Non-current £m	Current £m	Non-current £m
Corporate bonds	**–**	**838.2**	–	800.8
Amounts due to subsidiary undertaking	**226.9**	**–**	252.3	–
Dividends payable	**73.9**	**–**	74.4	–
Other financial liabilities	**101.1**	**11.8**	58.4	0.9
Accruals and other creditors	**11.6**	**–**	11.6	–
	413.5	**850.0**	396.7	801.7

Further information on the Company's corporate bonds is given in Note 20. For dividends payable see Note 8. Other financial liabilities include interest rate swaps carried at fair value (Note 19) and amounts payable under the Company's closed season buyback arrangements for the Company's own shares (Note 19).

C5. Share capital, ESOT and other reserves

Details of the Company's share capital and share buybacks are given in Note 23. ESOT transactions are detailed in Note 26. Other reserves in the Company balance sheet of £985.2m (2014: £985.2m) represent the difference between the market price and the nominal value of shares issued as part of the capital reconstruction in 2002 on acquisition of NEXT Group plc which was subject to section 131 Companies Act 1985 merger relief.

HALF YEAR AND SECTOR ANALYSIS

	First half £m	Second half £m	Year to Jan 2015 £m	First half £m	Second half £m	Year to Jan 2014 £m
Total Sales*						
NEXT Retail	**1,080.9**	**1,267.3**	**2,348.2**	1,006.2	1,234.3	2,240.5
NEXT Directory	**709.2**	**831.4**	**1,540.6**	611.4	762.5	1,373.9
NEXT International Retail	**40.2**	**46.0**	**86.2**	40.4	45.2	85.6
NEXT Sourcing	**3.3**	**4.2**	**7.5**	5.2	5.8	11.0
Lipsy	**17.5**	**19.3**	**36.8**	15.8	19.5	35.3
Property Management	**2.6**	**3.0**	**5.6**	2.3	2.5	4.8
Other activities	**2.8**	**0.1**	**2.9**	3.7	3.4	7.1
Total	**1,856.5**	**2,171.3**	**4,027.8**	1,685.0	2,073.2	3,758.2
Profit before tax						
NEXT Retail	**152.3**	**231.5**	**383.8**	124.3	223.4	347.7
NEXT Directory	**172.1**	**204.7**	**376.8**	156.1	202.4	358.5
NEXT International Retail	**5.1**	**6.6**	**11.7**	5.1	7.0	12.1
NEXT Sourcing	**15.9**	**25.5**	**41.4**	13.6	20.5	34.1
Lipsy	**1.9**	**3.2**	**5.1**	0.8	1.9	2.7
Property Management	**2.0**	**4.9**	**6.9**	1.1	0.7	1.8
Other activities	**(10.2)**	**(3.4)**	**(13.6)**	(16.1)	(18.0)	(34.1)
Operating profit	**339.1**	**473.0**	**812.1**	284.9	437.9	722.8
Exceptional items	**–**	**12.6**	**12.6**	–	–	–
Net finance costs	**(14.9)**	**(15.0)**	**(29.9)**	(13.1)	(14.5)	(27.6)
Total	**324.2**	**470.6**	**794.8**	271.8	423.4	695.2

FIVE YEAR HISTORY

Year to January	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Underlying continuing business					
Total Sales *	**4,027.8**	3,758.2	3,562.5	3,456.2	3,312.0
Revenue	**3,999.8**	3,740.0	3,547.8	3,441.1	3,297.7
Operating profit – underlying	**812.1**	722.8	650.2	598.7	566.8
Net finance costs – underlying	**(29.9)**	(27.6)	(28.6)	(28.4)	(23.4)
Profit before taxation – underlying	**782.2**	695.2	621.6	570.3	543.4
Exceptional items (pre-tax)	**12.6**	–	44.9	47.2	–
Ventura profit before tax (discontinued)	**–**	–	–	2.9	8.0
Taxation	**(159.9)**	(142.0)	(157.9)	(145.6)	(150.5)
Profit after taxation	**634.9**	553.2	508.6	474.8	400.9
Total equity	**321.9**	286.2	285.6	222.7	232.4
Shares purchased for cancellation	**2.2m**	6.2m	7.5m	12.5m	10.0m
Dividends per share					
– ordinary	**150.0p**	129.0p	105.0p	90.0p	78.0p
– special	**150.0p**	50.0p	–	–	–
Basic earnings per share					
Underlying	**419.8p**	366.1p	297.7p	255.4p	221.9p
Total	**428.3p**	366.1p	320.1p	282.0p	221.9p

** As defined in Note 1.*

NOTICE OF MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other financial advisor authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your NEXT shares, please send this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

Notice is given that the Annual General Meeting of NEXT plc (the "Company") will be held at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester LE19 1SW on Thursday 14 May 2015 at 9.30 a.m. at which the following resolutions will be proposed; resolutions 1 to 15 as Ordinary Resolutions and 16 to 19 as Special Resolutions.

Further information on these resolutions can be found in the Directors' Report on pages 31 to 35 and in the appendices to this Notice. Biographies of directors seeking election and re-election are shown on page 38 of the Annual Report.

1. To receive and adopt the accounts and reports of the directors and auditor for the year ended 24 January 2015.
2. To approve the Remuneration Report (excluding the directors' remuneration policy set out on pages 66 to 73) for the year ended 24 January 2015.
3. To declare a final dividend of 100p per share in respect of the year ended 24 January 2015.
4. To re-elect John Barton as a director.
5. To re-elect Steve Barber as a director.
6. To re-elect Caroline Goodall as a director.
7. To elect Amanda James as a director.
8. To re-elect Michael Law as a director.
9. To re-elect Francis Salway as a director.
10. To re-elect Jane Shields as a director.
11. To elect Dame Dianne Thompson as a director.
12. To re-elect Lord Wolfson as a director.
13. To re-appoint Ernst & Young LLP as auditor and authorise the directors to set their remuneration.
14. NEXT Long Term Incentive Plan ("LTIP")

    That the directors be authorised:

    a) to continue to operate the LTIP, the principal terms of which are summarised in Appendix 1 to this notice, for a period of ten years from the date of this meeting; and

    b) to establish further plans based on the LTIP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual and overall participation in the LTIP.

NOTICE OF MEETING

15. Directors' authority to allot shares

That:

a) the directors be authorised to allot equity securities (as defined in section 560 of the Companies Act 2006 (the "2006 Act")) in the Company:

   (i) in accordance with article 7 of the Company's articles of association (the "Articles"), up to a maximum nominal amount of £5,000,000; and

   (ii) up to a maximum nominal amount of £10,000,000 (as reduced by any equity securities allotted under paragraph (a)(i) above) in connection with an offer by way of a rights issue (as defined in article 8 of the Articles);

b) in accordance with article 7 of the Articles this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, or, if earlier, at the close of business on 1 August 2016; and

c) all previous unutilised authorities under section 551 of the 2006 Act shall cease to have effect (save to the extent that the same are exercisable pursuant to section 551(7) of the 2006 Act by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted on or after that date).

16. Disapplication of pre-emption rights

That:

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

b) the power under paragraph (a) above (other than in connection with a rights issue, as defined in article 8(b)(ii) of the Articles) shall be limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £764,000;

c) in accordance with article 8 of the Articles this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, at the close of business on 1 August 2016; and

d) all previous unutilised authorities under sections 570 and 573 of the 2006 Act shall cease to have effect (save to the extent that they are exercisable by reason of any offer or agreement made prior to the date of this new resolution which would or might require shares to be allotted on or after that date).

17. On-market purchase of own shares

That in accordance with the 2006 Act, the Company be granted general and unconditional authority to make market purchases (as defined in section 693 of the 2006 Act) of any of its own ordinary shares on such terms and in such manner as the directors may determine provided that:

a) the authority conferred by this resolution shall be limited to the lesser of 22,915,000 ordinary shares of 10p each and no more than 14.99% of the issued ordinary shares outstanding at the date of the Annual General Meeting, such limit to be reduced by the number of any shares purchased pursuant to the authority granted at resolution 18 below;

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

c) the maximum price which may be paid for each ordinary share (exclusive of expenses) is an amount not more than the higher of 105% of the average of the middle market price of the ordinary shares of the Company according to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date of purchase and the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;

NOTICE OF MEETING

d) the authority hereby conferred, unless renewed, shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company held in 2016 and 1 August 2016;

e) the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract; and

f) all existing authorities for the Company to make market purchases of its own ordinary shares are revoked, except in relation to the purchase of shares under a contract or contracts concluded before the date of this resolution and which has or have not yet been executed.

18. Off-market purchases of own shares

That, in accordance with section 694 of the 2006 Act, the proposed programme agreements to be entered into between the Company and any of Goldman Sachs International, UBS AG, Deutsche Bank AG, HSBC Bank plc and Barclays Bank plc (in the form produced to this meeting and initialled by the Chairman for the purpose of identification) (the "Programme Agreements") be and are approved and the Company be and is authorised to enter into the Programme Agreements and all and any forward trades which may be effected or made from time to time under or pursuant to the Programme Agreements for the off-market purchase by the Company of its ordinary shares of 10 pence each, as more fully described in Appendix 2 on pages 127 to 128 (the authority conferred by this special resolution to expire on whichever is the earlier of the conclusion of the next annual general meeting of the Company held in 2016 and 1 August 2016, unless such authority is renewed prior to that time (except in relation to the purchase of ordinary shares under any forward trade effected or made before the expiry of such authority and which might be completed wholly or partly after such expiry)), and provided that shares purchased pursuant to this authority will reduce the number of shares that the Company may purchase under the general authority granted under resolution 17 above.

19. Notice of general meetings

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

By order of the Board

Seonna Anderson
Secretary
Registered Office: Desford Road, Enderby, Leicester, LE19 4AT
14 April 2015

NOTICE OF MEETING

APPENDIX 1
FURTHER INFORMATION ON RESOLUTION 14: SUMMARY OF THE PRINCIPAL TERMS OF THE NEXT LONG TERM INCENTIVE PLAN ("LTIP")

Operation

The Remuneration Committee of the Board of directors of the Company (the "Committee") will supervise the operation of the LTIP.

Eligibility

Any employee (including an executive director) of the Company and any of its subsidiaries will be eligible to participate in the LTIP at the discretion of the Committee.

Grant of awards

The Committee may grant an award in one of two forms:

(i) a conditional award, where a participant will receive free ordinary shares in the Company ("Shares") on the vesting of his/her award; or

(ii) nil or nominal cost options, where a participant can decide when to exercise his/her award over Shares during a limited period of time after it has vested.

The Committee may also allow the grant of cash-based awards of an equivalent value to share–based awards or may allow share-based awards to be settled in cash (in whole or part) where the Committee considers it appropriate to do so.

The Committee may normally grant awards within six weeks following the Company's announcement of its results for any period. The Committee may also grant awards when there are exceptional circumstances which the Committee considers justifies the granting of awards.

Awards may only be granted within 10 years of the 2015 AGM. No payment will be required for the grant of an award. Awards are not transferable (other than to the participant's personal representatives in the event of death). Awards are not pensionable.

Individual limit

The maximum number of Shares that may be awarded to a participant in any financial year will be limited so that the market value of such Shares when awarded and in the aggregate will not exceed 200% of the individual's base salary. However, if the Committee decides that exceptional circumstances exist in relation to the recruitment or retention of an individual, then the individual may be granted awards over Shares with a market value of up to 300% of the individual's base salary in a financial year. In calculating these limits, the average closing share price over the 3 months preceding the start of the period over which performance conditions are measured (or such later date as specified by the Committee) will be used.

Overall LTIP limits

The LTIP may operate over new issue Shares, treasury Shares or Shares purchased in the market. The current intention is that all awards will be satisfied using shares purchased in the market.

In any period of ten years the Company may not issue (or have the possibility to issue) more than:

a) 10% of the issued ordinary share capital of the Company under the LTIP and any other employees' share plan adopted by the Company; and

b) 5% of the issued ordinary share capital of the Company under the LTIP and any other executive share plan adopted by the Company.

Treasury Shares will count as new issue Shares for the purposes of this limit but they will also cease to count towards this limit if institutional investor bodies decide that they need not count.

NOTICE OF MEETING

Vesting of awards
Awards will normally vest on the later of: (a) the expiry of the vesting period; (b) the third anniversary of the grant date; (c) the date that the Committee determines the extent to which the applicable performance conditions (see below) have been satisfied; and (d) such later date (within three months of the third anniversary of the grant date) as specified by the Committee; and provided the participant is still a director or employee in the Company's group.

Performance conditions
The performance conditions for awards will be set each year in line with the Company's approved directors' remuneration policy. The Committee will also have the power to vary the terms of existing performance conditions if an event occurs that causes the Committee to consider that the performance condition would not, if left unamended, achieve its original purpose. However, the amended performance condition will have to be, in the Committee's view, no less difficult to satisfy as a result of the change.

Reduction of vesting of awards
If at any time before an award vests a participant has been either suspended for a disciplinary matter or the subject of an investigation in relation to a disciplinary matter, or if the participant has performed in a manner considered by the Committee to be unsatisfactory (as evidenced by notifying the participant in writing) then the Committee may reduce the vesting of that award in such manner as it considers appropriate or withhold the vesting of that award pending further investigation.

Leaving employment
As a general rule, an award will lapse upon a participant leaving the employment of the Company's group. However, if before the vesting of an award a participant ceases to be a director or employee within the Company's group by reason of death or in other circumstances which the Committee in its absolute discretion determines are exceptional circumstances, then the award will be retained and may vest on the normal vesting date to the extent determined by the performance conditions measured over the full performance period. The Committee may, at its discretion, allow awards to vest in such circumstances at the time of cessation of employment, in which case awards would normally be subject to the performance conditions as measured over the shorter period.

In either case, there will also be a pro-rata reduction in the size of the award for the time that has elapsed up to the date of cessation compared to a three-year vesting period unless the Committee determines that it would be inappropriate to apply a pro-rata reduction in the particular circumstances.The Committee may also apply further restrictions on the vesting of awards held by individuals who cease employment.

Corporate events
In the event of a takeover, scheme of arrangement or winding up of the Company (not being an internal corporate reorganisation), all awards would vest early to the extent that the performance conditions have, in the opinion of the Committee, been satisfied at that time. The awards would normally be pro-rated to reflect the shorter than normal period of time between the date of the award and the time of vesting. The Committee can decide not to pro-rate awards if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation, awards will be replaced by equivalent new awards over shares in a new holding company, unless the Committee decides that awards should vest on the same basis as described above.

Awards may also vest on the same basis if a demerger, special dividend or other similar event is proposed which, in the opinion of the Committee, would affect the market price of the Shares to a material extent.

Participants' rights
Awards structured as conditional awards and options will not confer any shareholder rights on participants until the awards have vested and the participants have received their Shares. The LTIP does not credit participants with additional value in respect of dividends paid over any vesting period (except that the Committee has discretion to award such credit for special dividends).

NOTICE OF MEETING

Rights attaching to Shares
Any Shares allotted when an award vests (or for an award structured as an option, when it is exercised) will rank equally with all other Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of capital
In the event of any variation of the Company's share capital, or in the event of a demerger, payment of a special dividend or other similar event which materially affects the market price of the Shares, the Committee may make such adjustments as it considers appropriate to the number of Shares subject to an award and/or the exercise price payable (if any).

Alterations to the LTIP
The Committee may, at any time, amend the provisions of the LTIP in any respect, provided that the prior approval of shareholders must be obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on individual participation, the overall limits on the issue of Shares or the transfer of Shares held in treasury, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash to be provided under the LTIP and the adjustment of awards or options.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group.

Overseas plans
The Board may at any time without further shareholder approval establish further plans in overseas territories, any such plan to be similar to the LTIP, but modified to take account of local tax, exchange control or securities laws. Any Shares made available under such further plans will count against the LTIP's limits on individual and overall participation.

NOTICE OF MEETING

APPENDIX 2
FURTHER INFORMATION ON RESOLUTION 18: OFF MARKET PURCHASES OF OWN SHARES

As noted on page 34 in the Directors' Report, approval will be sought from shareholders to renew the Company's authority to make off-market purchases of its shares.

By virtue of special resolution number 18 passed at the Company's 2014 Annual General Meeting ("AGM") shareholder authority was given to the Company to make on-market purchases of shares. This authority was limited to a maximum of 23.239 million shares and expires on the earlier of the date of the AGM held in 2015 or 1 August 2015. At the same AGM, authority was granted to the Company to make off-market purchases of shares for cancellation under contingent purchase contracts to be entered into with any of Goldman Sachs International, UBS AG, Deutsche Bank AG, HSBC Bank plc and Barclays Bank plc (the "Bank(s)"). This authority was limited to a maximum of 4 million shares and expires on the earlier of the date of the AGM to be held in 2015 or 1 August 2015. Pursuant to those authorities and up to 18 March 2015, the Company has bought back 2,158,761 shares for cancellation, representing 1.4% of its issued share capital as at the date of the 2014 AGM, at a total cost of £137.9 million. No shares were bought back under contingent purchase contracts.

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

In order to achieve maximum flexibility in its share purchase activities, the Company is able to enter into irrevocable and non-discretionary programmes to allow it to buy shares during Close Periods. Another method of providing flexibility and reducing the cost, is for the Company to enter into contingent forward purchase contracts outside of Close Periods. As in previous years, the Company intends to enter into new agreements (the "Programme Agreements"), with each of the Banks, under which the Company may (although it is not obliged to) enter into contingent forward trades ("Contingent Forward Trades" or "CFT") from time to time.

The terms of a CFT will be agreed between the Company and the Bank before it is entered into. The Company is committed to purchase shares under a CFT on the day it is executed subject to the terms of the Programme Agreement. The terms of each CFT will provide for the Company to purchase a fixed number of shares each week over a period of between 20 to 30 weeks. The maximum number of shares that can be purchased under each CFT is limited to 30,000 shares per week.

Whether or not the Company purchases shares in a particular week during the term of a CFT is dependent upon the Company's share price either not rising to, or above, a level (the "Upper Suspension Level") or, if applicable, falling to or below a level (the "Lower Suspension Level"). The Suspension Levels and duration are determined by the Company and are set at the time the CFT is entered into. The Upper Suspension Level must be set between 104% and 110% of the Company's share price at the start of the CFT. If the Company chooses to incorporate a Lower Suspension Level, it must be set between 80% and 95% of the price at the start of the CFT. The inclusion of a Lower Suspension Level would help mitigate the Company's financial commitment under a CFT if its share price was to fall below this level after the CFT had been executed. If the Lower Suspension Level is not included, the level of discount to the market share price would be higher.

The price at which the Company may purchase shares during the term of a CFT (the "Forward Price") shall also be fixed at the start of the CFT. The Forward Price will be determined by the Bank with reference to the volume weighted average price for shares traded in NEXT on the day the CFT is entered into. The Forward Price is subject to a maximum of 99% of the share price at the start of the contract and a minimum of 10 pence (the par value of an ordinary share). The minimum and maximum amount of time between entering a CFT and shares being purchased is 5 days and 30 weeks respectively. The Company will announce the details of each CFT on the day it is entered into and any subsequent termination via the UK Listing Authority's Regulatory News Service. This

NOTICE OF MEETING

structure would allow the Company to purchase shares at a discount to the market price (as at the time each CFT commences), for so long as the Suspension Levels are not reached, without breaching the Listing Rules. If any Suspension Level is reached, the CFT would terminate automatically at that time and no further shares would be purchased under that contract.

Under the provisions of sections 693 and 694 of the 2006 Act, the Programme Agreements and Contingent Forward Trades are contingent purchase contracts to purchase shares by the Company off-market. Accordingly resolution 18, which will be proposed as a special resolution, seeks shareholder approval to the terms of the Programme Agreements to be entered into between the Company and each of the Banks. The Programme Agreements will have a duration of the shorter of the period to the date of the next AGM to be held in 2016 or 1 August 2016 and will incorporate the terms of an ISDA Master Agreement and Schedule. The Programme Agreements will be entered into and each CFT will be effected outside a Close Period but shares may be purchased during a Close Period by the Company.

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

- the total maximum number of shares which the Company is permitted to purchase pursuant to this authority would be 3 million, representing circa 2.0% of its issued share capital at 18 March 2015;
- the total cost of shares that the Company would be permitted to purchase pursuant to this authority may not exceed £200 million (including costs);
- the Forward Price may not exceed the higher of 105% of the average middle market closing price of the Company's shares as derived from the Official List of the London Stock Exchange for the five days immediately preceding the day on which the CFT was effected and the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
- the Forward Price will be no more than 99% of the share price at the time the Contingent Forward Trade was effected;
- the minimum price that can be paid for any share is £0.10; and
- only one Contingent Forward Trade will be entered into on any particular day.

Shares purchased under the Programme Agreements will reduce the number of shares that the Company may purchase under any authority granted at the AGM on 14 May 2015 for on-market purchases. No shares will be purchased under that authority on the same day that a CFT is entered into. The authority granted to the Company under this resolution will expire at the conclusion of the AGM of the Company held in 2016 or on 1 August 2016, whichever is the earlier, unless such authority is renewed prior to that time (except in relation to the purchase of shares under any CFT effected before the expiry of such authority and which might be completed wholly or partly after such expiry). The purchase of shares under the Programme Agreements will always be physically settled by delivery of shares to the Company (except in the case of certain events of default or termination events).

A copy of each of the Programme Agreements will be available at the AGM on 14 May 2015. Copies will also be available for inspection at the Company's registered office at Desford Road, Enderby, Leicester LE19 4AT and at the offices of Pinsent Masons, 30 Crown Place, Earl Street, London EC2A 4ES during usual business hours until the date of the AGM and at the Meeting itself.

The total number of employee share awards and share options to subscribe for shares outstanding at 18 March 2015 was 6,223,008. This represents 4.1% of the issued share capital at that date. If the Company were to buy back the maximum number of shares permitted pursuant to both the existing authority for off-market purchases granted at the 2014 AGM (which will expire at the 2015 AGM) and the authority sought by this special resolution, then the total number of options to subscribe for shares outstanding at 18 March 2015 would represent 4.3% of the reduced issued share capital.

NOTICE OF MEETING

MEETING FORMALITIES AND VOTING

Attending the Annual General Meeting ("AGM")

To be entitled to attend and vote at the AGM (and in accordance with the Company's Articles of Association and pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001) and for the purposes of determining the number of votes shareholders may cast, shareholders must be registered in the register of members of the Company as at 6pm on 12 May 2015 or, if the meeting is adjourned, shareholders must be entered on the Company's register of members at 6pm on the day two days before the adjourned meeting.

The total number of the Company's issued share capital on 18 March 2015, which is the latest practicable date before the publication of this Notice, is 152,873,556 ordinary shares. All of the ordinary shares carry one vote each and there are no shares held in treasury. On a vote by a show of hands every member who is present has one vote and every proxy present who has been duly appointed by a member entitled to vote has one vote. On a poll vote every member who is present in person or by proxy has one vote for every ordinary share they hold.

In line with best practice, all resolutions will be put to poll votes. This means that the votes of all shareholders, including those who cannot attend the meeting but who validly appoint a proxy, are counted. The procedures for the poll votes will be explained at the AGM.

In respect of resolution 18 on off-market share purchase contracts, the 2006 Act provides that this resolution will not be effective if any member of the Company holding shares to which it relates (i.e. those which may be purchased pursuant to the Programme Agreements) exercised the voting rights carried by any of those shares in voting on the resolution and the resolution would not have been passed if they had not done so. Therefore, NEXT intends to disregard any poll votes which are cast in favour of resolution 18 attaching to 3.0 million shares (being the total maximum number of shares which the Company is permitted to purchase pursuant to the Programme Agreements) from both the total number of votes cast in favour of this resolution and the total number of votes cast.

The results of the AGM will be posted on the Company's website (www.nextplc.co.uk) after the meeting and notified to the UK Listing Authority.

Voting and proxies

Whether or not you intend to attend the AGM in person, you are requested to complete and return the form of proxy to Equiniti, to arrive as soon as possible but in any event not later than **9.30am on 12 May 2015** (or 48 hours before any adjourned meeting). The completion and return of the form of proxy will not prevent you from attending and voting at the meeting if you so wish.

A shareholder who is entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote instead of him/her, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not also be a shareholder of the Company and may vote on any other business which may properly come before the meeting.

The statements of the rights of members in relation to the appointment of proxies in the above paragraph and in the paragraphs headed "Electronic Voting" and "CREST voting facility" below do not apply to a Nominated Person. The rights described in these paragraphs can only be exercised by registered members of the Company. Nominated persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investments in the Company.

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted, the senior holder being the first named of the joint holders to appear in the Company's share register.

A member who appoints as their proxy someone other than the Chairman, is responsible for ensuring that the proxy attends the meeting and is aware of the voting intention of the member. If no voting instruction is given, the proxy has discretion on whether and how to vote.

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A person to whom this notice is sent who is a person nominated under section 146 of the 2006 Act to enjoy information rights (a "Nominated Person") may, under an agreement between them and the shareholder by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Electronic voting

As an alternative to completing and returning a form of proxy, you may submit your proxy electronically by accessing our Registrar's website www.sharevote.co.uk. You will require your unique Voting ID, Task ID and Shareholder Reference Number as printed on the proxy card. The use by members of the electronic proxy appointment service will be governed by the terms and conditions of use which appear on the website. Electronic proxies must be completed and lodged in accordance with the instructions on the website by no later than 48 hours before the AGM.

CREST voting facility

Those shareholders who hold shares through CREST may choose to appoint a proxy or proxies using CREST for the AGM to be held on 14 May 2015 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual is available at www.euroclear.com.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate representatives

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Right to ask questions

Any shareholder attending the meeting has the right to ask questions. The Company must answer any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

NOTICE OF MEETING

Documents available for inspection

Copies of the following documents will be available for inspection at the Company's registered office during usual business hours and will be available for 15 minutes prior to and for the duration of the AGM:

- Terms of appointment of the non-executive directors
- Rules of the NEXT Long Term Incentive Plan ("LTIP") pursuant to resolution 14
- The Programme Agreements pursuant to resolution 18

Rules of the NEXT Long Term Incentive Plan ("LTIP") pursuant to resolution 14 and copies of each of the Programme Agreements pursuant to resolution 18 will also be available for inspection at the offices of Pinsent Masons, 30 Crown Place, Earl Street, London EC2A 4ES during usual business hours until the close of the Annual General Meeting.

Company website

A full copy of the Annual Report (which includes the Notice of Meeting), together with those for prior years, and other information required by section 311A of the 2006 Act can be found on the NEXT plc website at **www.nextplc.co.uk**.

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

You may not use any electronic address provided in this notice of meeting to communicate with the Company for any purposes other than those expressly stated.

OTHER INFORMATION

Registered Office

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

Payment of dividend

The recommended final dividend, if approved, will be paid on 3 August 2015 to holders of ordinary shares registered at close of business on 10 July 2015. The ordinary shares will trade ex-dividend from 9 July 2015.

Annual General Meeting

The Annual General Meeting will be held at 9.30am on Thursday 14 May 2015 at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester LE19 1SW. The notice of the meeting on pages 121 to 131 sets out business to be transacted. Full access is available to the venue for those with special requirements.

Share price data

(Stock Exchange Code: NXT.L)

	2015	2014
Share price at financial year end	**£71.50**	£62.80
Market capitalisation	**£10,930m**	£9,736m
Share price movement during year:		
High mid-market quotation	**£72.15**	£63.65
Low mid-market quotation	**£61.35**	£40.58

Discount voucher

The Company offers a discount voucher to any first named, registered shareholder holding a minimum number of ordinary shares as at 1 April each year. Following a shareholder question at last year's AGM, the minimum holding has been reduced from 500 to 100 shares. The shareholder discount voucher entitles the recipient or their immediate family to a 25% discount against most purchases at any one time of full price NEXT merchandise in NEXT Retail stores. There is no limit on the value of goods that can be purchased at that time. The voucher expires on 31 October of the year in which it was issued. It cannot be used in conjunction with any other discount voucher or offer, nor can it be used for the purchase of gift cards, Sale merchandise, electrical goods, non-NEXT branded goods or purchases from NEXT Directory (unless ordered through one of our retail stores). Shareholders holding shares in nominee or ISA accounts are also eligible, but must request the voucher through their nominee or ISA account manager who should email alyson_wenlock@next.co.uk.

Registrars and transfer office

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

Telephone 0871 384 2164. Calls to this number are charged at 8p per minute plus network extras. Overseas Shareholder Helpline Number +44 (0)121 415 7047. Lines are open 8.30am to 5.30pm Monday to Friday.

Shareholder enquiries

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

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

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

For shareholders with disabilities Equiniti provides the following:

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

CREST

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

Payments of dividends to mandated accounts

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

FORWARD LOOKING STATEMENTS

This Report and Accounts contains "forward looking statements" which are all matters that are not historical facts, including anticipated financial and operational performance, business prospects and similar matters. These forward looking statements are identifiable by words such as "aim", "anticipate", "believe", "budget", "estimate", "expect", "forecast", "intend", "plan", "project" and similar expressions. These forward looking statements reflect NEXT's current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any such forward looking statements are subject to risks and uncertainties, including but not limited to those risks described in "Risks & Uncertainties" on pages 24 to 26; failure by NEXT to predict accurately customer fashion preferences; decline in the demand for merchandise offered by NEXT; competitive influences; changes in level of store traffic or consumer spending habits; effectiveness of NEXT's brand awareness and marketing programmes; general economic conditions or a downturn in the retail industry; the inability of NEXT to successfully implement relocation or expansion of existing stores; insufficient consumer interest in NEXT Directory; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial or equity markets. These forward looking statements do not amount to any representation that they will be achieved as they involve risks and uncertainties and relate to events and depend upon circumstances which may or may not occur in the future and there can be no guarantee of future performance. Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. NEXT does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

This report has been printed on recycled paper.

SHAREHOLDER NOTES

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