JANUARY 2016 next

ANNUAL REPORT AND ACCOUNTS

next plc

NEXT is a UK based retailer offering exciting, beautifully designed, excellent quality clothing, footwear, accessories and home products.

NEXT distributes through three main channels:

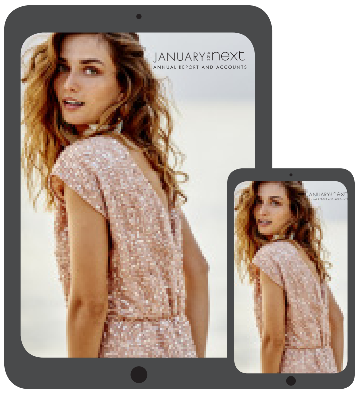
- NEXT Retail, a chain of more than 500 stores in the UK and Eire;
- NEXT Directory, our home shopping division with over 4 million active customers in the UK and overseas; and
- NEXT International Retail, with around 200 mainly franchised stores.

Contents

To view our range of exciting, beautifully designed clothing, footwear, accessories and home products go to **www.next.co.uk**

Investor website

We maintain a corporate website at **www.nextplc.co.uk** containing a wide range of information of interest to investors



Please note: you can register to receive electronic shareholder communications at **www.nextplc.co.uk**

This symbol signposts the reader to other sections within this report

This document contains Forward Looking Statements — see the inside back cover

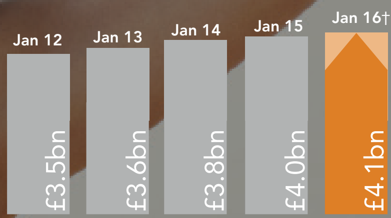
HIGHLIGHTS

- On a comparable 52 week basis:
  - Sales up 3.0% to £4.1bn;
  - Underlying profit before tax up 5.0% to £821m;
  - Underlying EPS up 5.4% to 442.5p.
- 53 week basis: sales £4.2bn, profit before tax £836m, EPS 450.5p.
- £568m paid to shareholders in dividends through a combination of ordinary dividends £227m and special dividends £341m. A further £151m was returned through share buybacks.
- Final ordinary dividend of 105p, making 158p for the year, up 5.3%. Remains covered 2.8 times.
- Strategy remains focused on products, profitability and returning cash to shareholders through dividends and share buybacks.

READ MORE IN THE CHIEF EXECUTIVE'S REVIEW ON PAGES 4 TO 23.

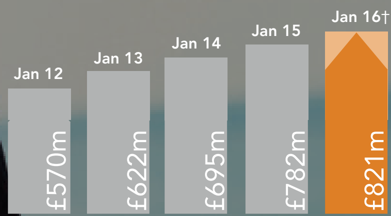
SEE OUR GROUP FINANCIAL STATEMENTS ON PAGES 90 TO 131.

FINANCIAL HIGHLIGHTS



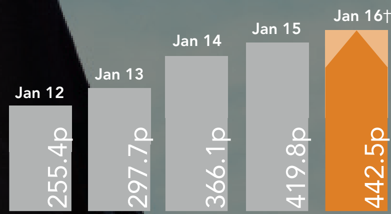
TOTAL SALES* +3.0%

UNDERLYING CONTINUING BUSINESS



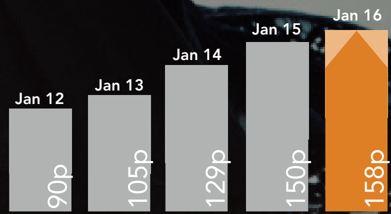
PROFIT BEFORE TAX +5.0%

UNDERLYING CONTINUING BUSINESS



EARNINGS PER SHARE +5.4%

UNDERLYING



DIVIDENDS PER SHARE +5.3%

EXCLUDING SPECIAL DIVIDENDS

* Total Sales excludes VAT and includes the full value of commission based sales.

† Sales, profit and EPS figures for Jan 16 are shown on a comparable 52 week basis.

STRATEGIC REPORT

STRATEGIC REPORT

Strategic Report

Chairman's Statement

The year to January 2016 was a solid year for NEXT. Underlying[1] Earnings Per Share (EPS) grew by 5% to 442p and we propose to increase our total full year ordinary dividend by 5% (to 158p).

Sales for NEXT Directory, our online and catalogue business, increased by 8% and NEXT Retail by 1%. Total Group sales rose by 3% to £4.1bn.

Our share price remained above our declared share buyback price limit for much of the year. Cash flow remained strong and we returned £568m to shareholders through a combination of ordinary dividends (£227m) and special dividends (£341m). In January the share price fell and we re-started our buyback programme, returning a further £151m.

We have continued to invest in the business, spending £151m on new stores, a new warehouse and systems. In addition, we changed the credit terms for our Directory customers, which increased Directory debtors by some £215m. As a result, net debt increased to £850m, well within our bond and bank facilities of £1.3bn.

As I reported last year, David Keens and Jonathan Dawson left the Board at the beginning of the year and Amanda James joined the Board as David's replacement as Group Finance Director.

The strength of the Group is built on the hard work and productivity of all the people who work for NEXT. I would like to thank them all for their contribution throughout the year.

2016 will be a challenging year with much uncertainty in the global economy. For NEXT it makes it particularly important that we remain focussed on our core strategy of delivering long term sustainable growth in EPS, investing in the business, improving the design and quality of our products and returning surplus cash to shareholders.

John Barton
Chairman

1. Sales, profits and EPS figures are all stated on a 52 week versus 52 week basis; this year was in fact 53 weeks.

READ THE CHIEF EXECUTIVE'S REVIEW ON PAGES 4 TO 23.

READ ABOUT OUR GOVERNANCE ON PAGES 45 TO 51.

Strategic Report

Chief Executive's Review

Overview

NEXT Brand full price sales were up **+3.9%**, underlying profit before tax was up **+5.0%** and underlying Earnings per Share (EPS) were up **+5.4%**. Full price sales were slightly ahead of the central guidance (of +3.5%) we issued in March last year. Profits advanced more than sales, mainly as a result of better bought-in gross margins in the first half.

We are proposing a final ordinary dividend of 105p, making **158p** in total for the year, up +5.3%. During the year we also paid a further **230p** of special dividends.

In order to give a picture of the underlying performance of the business, throughout this report numbers are generally stated on a 52 week versus 52 week basis. This year was in fact a 53 week year.

SALES excluding VAT * (52 weeks v 52 weeks)	**January 2016 £m**	January 2015 £m	
NEXT Retail	**2,373.5**	2,348.2	+1.1%
NEXT Directory	**1,658.7**	1,540.6	+7.7%
NEXT BRAND	**4,032.2**	3,888.8	+3.7%
Other	**117.5**	139.0	
Total NEXT Group sales (52 v 52 weeks)	**4,149.7**	4,027.8	+3.0%
Statutory Revenue (53 v 52 weeks)	**4,176.9**	3,999.8	

* See Note 1 to the accounts on sales presentation

PROFIT and EPS (52 weeks v 52 weeks)	**January 2016 £m**	January 2015 £m	
NEXT Retail	**402.1**	383.8	+4.8%
NEXT Directory	**405.2**	376.8	+7.5%
NEXT BRAND	**807.3**	760.6	+6.2%
Other	**44.5**	51.5	
Operating profit	**851.8**	812.1	+4.9%
Net interest	**(30.5)**	(29.9)	
Profit before tax – underlying	**821.3**	782.2	+5.0%
Profit from 53rd week in current year	**14.8**	–	
Exceptional disposal gains last year	**–**	12.6	
Taxation (53 v 52 weeks)	**(169.3)**	(159.9)	
Profit after tax (53 v 52 weeks)	**666.8**	634.9	
EPS – underlying (52 v 52 weeks)	**442.5p**	419.8p	+5.4%
Ordinary dividends per share	**158.0p**	150.0p	+5.3%

Objectives for the Year Ahead

The year ahead may well be the toughest we have faced since 2008. We are very clear on our priorities going forward and whatever challenges we may face, it is important that we remain focused on ensuring that the Company's product, marketing, services and cost controls all improve in the year ahead.

The Company's main operational objectives are set out in the table below. They remain broadly unchanged from those set out last year, with the addition of a plan to upgrade elements of the NEXT Directory:

Develop the NEXT Brand	Continue to develop and advance our buying and design capabilities; delivering better design, improved quality and quicker response to new trends.
Upgrade Directory	Develop new online advertising and email techniques for recruiting new customers and reactivating existing customers. Improve the presentation of our website with particular reference to mobile devices. Defend, develop and promote our credit business. Rationalise and expand the distribution of our printed publications.
Invest in online growth businesses	Continue to invest in and develop NEXT overseas through investment in new advertising and promotion techniques and the development of our existing delivery hubs. Continue to develop LABEL through the addition of new key brands, improving stock availability and stock control.
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.
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.

Strategic Report

Product

The drive to improve our product remains at the heart of the business. Without great product all our other endeavours cannot succeed. We have continued to focus on improving aspects of our buying and design process and are now beginning to buy product in two very different ways. The first is our more traditional buying process, the "long game", which involves a nine month buying cycle and focuses on long lead time product from far away territories. Secondly, there is "short game" buying, which focuses on a more spontaneous reaction to new trends typically sourced from nearby territories.

Long lead time product – "long game"

For long lead time Far Eastern product, emphasis is on the development and *direct* sourcing of better fabric, yarns, trims and embellishment. This involves more work at the front end of the buying cycle. It also means buying fabrics and yarns before we know exactly what garments they will be used for. We expect these improvements to begin to be reflected in our ranges from Autumn 2016 onwards.

Short lead time product – "short game"

For short lead time product sourced closer to home we are working on accelerating the decision making process; encouraging our buying and merchandise teams to make more decisions outside formal selection meetings. This method of buying represents a big cultural change for NEXT and will take time to implement properly. However the early signs are positive and we expect "short game" product to steadily increase as a percentage of our offer as the year progresses.

NEXT Retail

Retail sales and profit analysis (52 weeks v 52 weeks)

£m	Jan 2016	Jan 2015	
Retail total sales	**2,373.5**	2,348.2	+1.1%
Retail operating profit	**402.1**	383.8	+4.8%
Retail net margin	**16.9%**	16.3%	

Total Retail sales were up +1.1%, with net new space contributing +2.4% to growth. Full price sales were up +2.2%. In these circumstances, with property commitments rising faster than sales, it is surprising that Retail margins moved forward. The main reason for the margin improvement is that our buying teams over-achieved against their target margin in the Spring and Summer seasons, assisted by better currency rates.

The table below sets out significant margin movements by major heads of costs.

Net operating margin on total sales last year		**16.3%**
Bought-in gross margin	Over achievement against target buying margin.	**+0.4%**
Markdown	Margin improved as a result of full price sales growing faster than markdown sales.	**+0.1%**
Store payroll	Increased rates of pay and holiday allowances would have cost -0.4% but were offset by in-store productivity initiatives.	**0.0%**
Store occupancy	Rent and rates reduced margin mainly as a result of negative same-store sales. However, this was offset by lower depreciation on existing stores. Underlying rental inflation was less than 1%.	**0.0%**
Warehouse and distribution	The annual pay award increased warehouse wages as a percentage of sales.	**- 0.1%**
Central overheads	Margin increased mainly due to lower staff incentives.	**+0.2%**
Net operating margin on total sales this year		**16.9%**

We expect Retail margins in the year ahead to be lower than last year, mainly due to the impact of rising branch payroll costs and negative same-store sales.

Strategic Report

Retail space expansion

Net trading space increased by 275,000 square feet to 7.6m square feet. Store numbers remained broadly the same, with the increase from new stores being offset by the closure of smaller, less profitable stores.

The table below sets out the change in store numbers and space for the full year:

	Store Numbers	Sq. Ft. (000's)	
January 2015	**539**	**7,373**	
New stores, including 8 re-sites	+21	+406	
Closures, including 11 re-sites	- 20	- 186	
Extensions (14)	–	+55	
January 2016	**540**	**7,648**	**+3.7%**

Profitability of stores opened or extended in the last 12 months is forecast to average 18% and payback on the net capital invested is expected to be 22 months. Both figures meet Company investment hurdles of 15% store profitability and 24 months capital payback.

Looking ahead, we estimate that we will add around 275,000 square feet of net trading space in 2016/17 and a further 350,000 square feet in 2017/18. Of course, these estimates are only a rough guide at this stage; much will depend on the property deals we are able to achieve and required planning permissions. Looking at the openings we have planned for the next 12 months, there are six key locations where we have decided to stretch our payback criteria, although never to more than 30 months.

NEXT, Norwich Longwater Retail Park

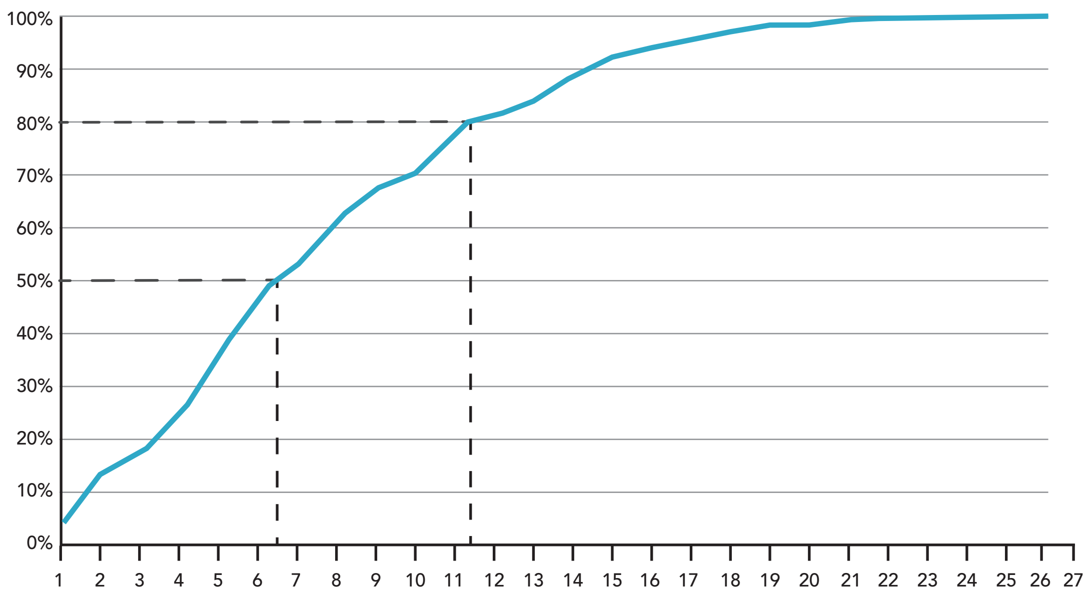
Retail store profitability and average lease lengths

As a result of the active management of our store portfolio, the vast majority of our stores make a healthy profit, with 98% 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%	98%
>5%	99%
>0%	99.5%

The weighted average remaining lease term is 7.4 years, with 50% of our leases (by value) expiring within 7 years, and 80% within 12 years. The graph below shows the remaining lease commitment in years by percentage of our portfolio (by rental value). This includes 20 leases that have exchanged but not yet completed.

Lease expiries by rental value



Strategic Report

NEXT Directory

NEXT Directory sales performance

Total Directory sales grew by +7.7%. Full price sales grew by +6.5%. The table below shows the year on year growth in *full price* sales for each element of the business. Full price sales in the UK grew by +4.6%. Much of the UK growth was driven by LABEL, the core UK NEXT full price business grew by +2.3%. Our overseas business grew by +20.0%.

Full price sales growth	**£m**	**Full price % Var**
UK NEXT	+ 24	+ 2.3%
UK LABEL	+ 31	+ 21.2%
Total UK	**+ 55**	**+ 4.6%**
Overseas	+ 32	+ 20.0%
Total	**+ 87**	**+ 6.5%**

Stock availability issues

During the second half of the year, Directory suffered from poor stock availability as consumers switched to buying more stock from our mid-season "New-In" brochures and less from our large seasonal catalogues.

To address this issue we have increased Directory's overall stock holding in Spring and Summer. For Autumn and Winter we have made a more fundamental change; we have re-written our stock ordering systems to allow more accurate allocation of our buy budget in favour of items that appear in our smaller "New In" publications.

Directory customer base

Active customers increased by 11% to 4.6 million, driven by the acquisition of UK 'cash' customers and customers overseas. The table below sets out the growth in our customer base.

Average customers	**Jan 2016**	Jan 2015	
UK credit account	**2.61m**	2.72m	- 4%
UK cash	**1.21m**	0.90m	+35%
Total UK	**3.82m**	3.62m	+5%
Overseas	**0.76m**	0.50m	+54%
Total active customers	**4.58m**	4.12m	+11%

Directory profit analysis (52 weeks v 52 weeks)

Total NEXT Directory sales grew by +7.7%, profit grew by +7.5%.

£m	**Jan 2016**	Jan 2015	
Directory total sales	**1,658.7**	1,540.6	+7.7%
Directory operating profit	**405.2**	376.8	+7.5%
Directory net margin	**24.4%**	24.5%	

The table below sets out significant margin movements by major heads of costs.

Net operating margin on total sales last year		**24.5%**
Bought-in gross margin	Over achievement against target buying margin.	**+0.4%**
Higher markdown	Directory stock for Sale increased by 12% mainly as a result of less Sale stock being transferred to Retail. Clearance rates (the percentage of units sold in the Sale) reduced.	**- 0.2%**
Bad debt	We have provided for bad debts on the unusually large increase in the Directory debtor balance.	**- 0.5%**
Interest Income	Credit sales grew by only 2%. However, reduced minimum payments led to higher balances. This benefit was partially offset by the APR reduction in October 2015.	**+0.6%**
Warehouse & distribution	Warehouse and distribution costs have risen as a result of increased International sales. In addition, the annual pay award increased warehouse wages as a percentage of sales.	**- 0.5%**
Marketing, photography & catalogue production	Increased costs of photography and marketing were offset by a reduction in the number of catalogues produced.	**+0.1%**
Net operating margin on total sales this year		**24.4%**

The Changing Face of Next Directory

Over the last five years the NEXT Directory has changed profoundly. Sales have grown by +75% and we have developed two new businesses; an online overseas business and a third party branded business, LABEL. Between them these have added over £300m to Directory's turnover and are still growing strongly. However, growth in the core UK Directory business has inevitably slowed as the business has matured. Partly this is as a result of competitors catching up with our delivery and warehousing capabilities; partly as a result of changes in the ways customers are shopping online. It is this last point that provides us with the opportunity to improve the business going forward.

Improving Directory UK

There is a great deal we are doing to improve Directory. The following paragraphs outline some of the ways in which we will be upgrading the business. Projects can be categorised into four areas:

- Improving user interfaces
- Catalogues and marketing
- Delivery service
- Credit

The way our customers trade with us is changing in four important ways. (1) The *devices* they use to purchase items have changed, (2) their desire for *catalogues* has reduced, (3) their propensity to take *credit* has diminished and (4) their preference to collect *deliveries* from stores has increased. The table below shows just how marked some of the changes have been:

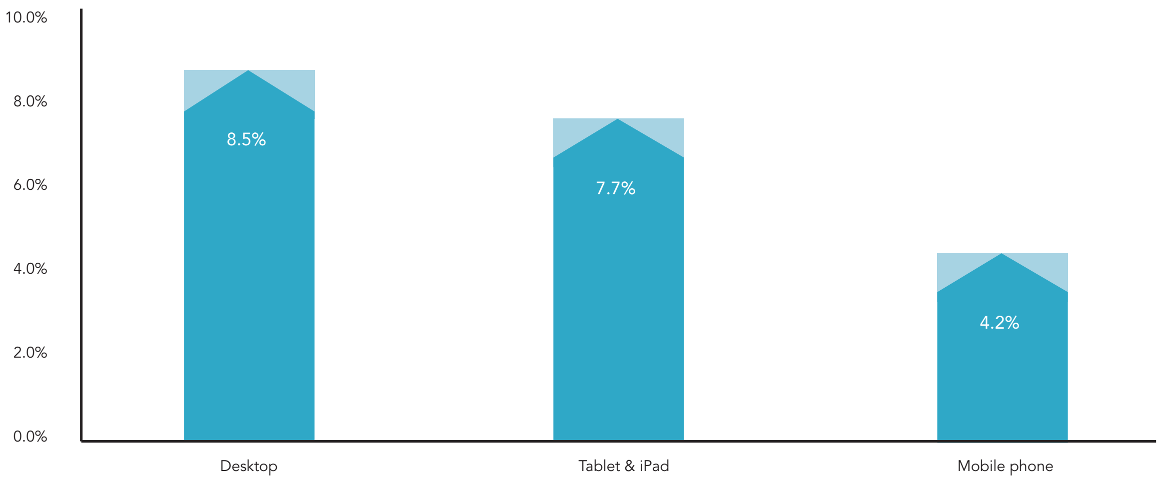
	User interface	Catalogues and marketing	Credit	Deliveries
2010	**95%** of orders (by value) on desktop PC.	**89%** of customers receive large catalogues.	**95%** of orders (by value) placed on a credit account.	**87%** of orders delivered to home.
2015	**37%** of orders (by value) on desktop PC. Balance of orders taken on tablet and phones.	**53%** of customers require large catalogues.	**84%** of orders (by value) use credit account, the rest use credit and debit cards.	**45%** of orders delivered to home, the balance to store.

Strategic Report

Improving user interfaces

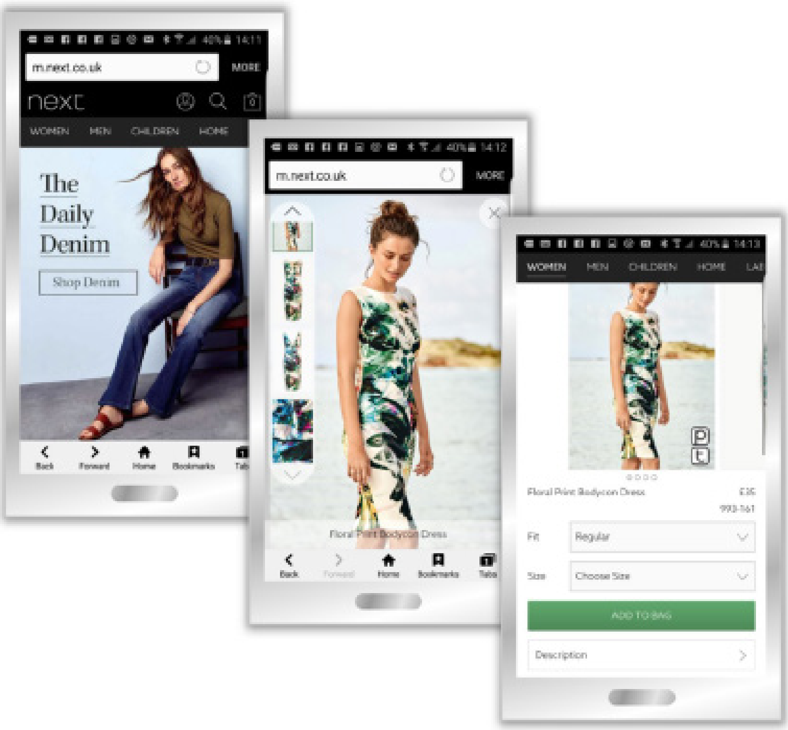
The graph below shows the conversion rates (the percentage of people visiting our website that place an order) for customers shopping using different devices. Conversion rates on mobile phones are always likely to be lower than on desktops, however we believe we can narrow the difference.

Sales conversion rates by device



Mobile site

Until very recently, the vast majority of mobile phone users would have been presented with our normal desktop website on their phone screen. We have recently switched customers browsing on mobile phones (excluding iPhones) to a mobile version of the site (m.next.co.uk). The results have been encouraging with conversion rising significantly, from 4.2% to 5.8%. Over the course of the next few months we will also switch over iPhone users to the mobile site.



iPad app

In August last year we launched our new iPad App. The aim was to give customers the best of both worlds – the look and feel of a page-turning book alongside the search and filtering abilities of a website. The results have been encouraging and we have seen conversion rates improve from 8% to 10% for those customers using the App.

Over the course of the year we will focus on converting more iPad customers to the App. In May, we will release a new version of our iPhone App to mirror the improved functionality on the iPad. In July we will launch an Android version of our iPad App.

NEXT iPad app

Catalogues and marketing

Those customers who continue to receive catalogues still value them, so we do not intend to abandon our printed brochures. Indeed, for the 1.6m customers that want catalogues, providing a regular flow of new and exciting publications remains the most important way we can engage with these customers. We currently publish four large hardback seasonal catalogues, five smaller softback brochures, two hardback home brochures and four LABEL brochures. This means our best customers now receive over 7,000 pages of printed material.

Over the course of the next year we will be rationalising and expanding the distribution of brochures and catalogues. The aim is to ensure that we maximise the opportunity to profitably distribute printed materials to those customers that respond well to them. However, there are a growing number of new customers who no longer require catalogues and we need to replace the interest they provide with other marketing methods. In particular we believe that we can make much better use of online advertising and email marketing technologies.

Over the course of the coming year we will invest an additional £8m (UK and overseas combined) in various forms of targeted online advertising and email campaigns. This marketing will be aimed both at re-activating existing customers and recruiting new customers. Online advertising campaigns must satisfy our internal investment hurdle rate of at least 30% Internal Rate of Return (IRR), which means that on average campaigns will achieve more than that and breakeven at around one year. On the downside, this means that we will be adding costs in the current year that are unlikely to generate a profit until the following year.

From Autumn we will begin the process of personalising our website. This technology will also facilitate more targeted advertising through third party websites to existing customers.

Delivery Service

Over the course of the year we will be working to improve our delivery service in two important ways:

- By giving customers the option to collect and return goods through third party parcel shops (target rollout September 2016)
- By narrowing the window of our home deliveries to a pre-advised two hour window (target rollout from December 2016)

Strategic Report

Credit business

Although credit income is set to rise in the year ahead, maintaining credit customer numbers remains our toughest challenge, and the average number of credit customers declined by -4% last year. The table below sets out the trend in our credit customer base over the last four years showing the average active customer accounts. As can be seen from the table below, the decline in numbers has been offset by the fact that remaining customers are spending more, so we appear to be losing our least active credit customers.

	Jan 2013	Jan 2014	Jan 2015	Jan 2016
Average active credit accounts	2,697k	2,798k	2,724k	**2,606k**
% Change in credit customers base	**+5%**	**+4%**	**- 3%**	**- 4%**
Sales per active credit customer	£404	£423	£450	**£476**
Average balance per customer	£231	£240	£271	**£335**
Total credit sales	£1,090m	£1,183m	£1,227m	**£1,239m**
% Var in credit sales[2]	**+5%**	**+9%**	**+4%**	**+1%**
Total net interest income	£140m	£152m	£166m	**£188m**
Increase in total net interest income	**+11%**	**+9%**	**+9%**	**+13%**

2 Excludes interest income and sales through NEXT Directory Card.

During the year, we made two important changes to our credit offer. Firstly, we reduced minimum payments to improve account flexibility, and secondly we lowered interest rates by 2%. The combined result of these changes was that credit revenues increased as existing customers took advantage of more flexible terms and increased their balances.

Over the course of the next year we believe we can further improve the way in which we target and market our credit offer. We will also improve our statements and enhance the "My Account" area of our website. However, even with these improvements, we expect our credit customer base to continue to decline by around 5% in the year ahead. We anticipate that it will take a number of years for our credit customer base to stabilise.

Directory overseas

Directory overseas continues to trade well with full price sales up 20%, in line with our guidance. Stripping out the effect of the pound's appreciation, sales in local currencies were up 41%.

Sales and profit history

The table below sets out the last four years' sales, profits and net margins for Directory overseas, along with an estimate for the year ahead. Last year, margin was eroded by 2% mainly due to the decision to absorb some of the effect of currency devaluations, primarily in Russia and the Ukraine.

£m	Jan 2013	Jan 2014	Jan 2015	Jan 2016	Jan 2017 (e)
Sales	54	101	163	**197**	232
Net profit	10	18	30	**31**	37
Profitability	**19%**	**18%**	**18%**	**16%**	**16%**

Distribution hubs

In previous years, our focus has been on translating our site into different languages and accepting local currencies. Our website now trades in 18 languages and 34 currencies. This year the emphasis has been on improving speed of delivery in key territories, building on the success of our hub in Northern Ireland, which opened in October 2014. In 2015, we opened distribution hubs in Russia (March), China (October) and Germany (October).

In Russia and China, we have been able to reduce waiting times by more than 6 days with the majority of our customers now able to order stocked items for delivery within 3 days of ordering. In Germany we were able to deliver next day by air, so the new hub has given little in the way of service improvement, but has allowed us to operate more cost effectively.

In the year ahead, we do not intend to open any new hubs and will focus on operational improvements to existing hubs. These improvements will focus on the following areas:

- Stock level management within the hubs and bulk replenishment methods from the UK
- Cost management and efficiency
- Expanding the territorial reach of hubs (mainly from the German hub)
- Stock rebalancing between the hubs and the UK

International marketing

Until recently, we had been unable to find many profitable advertising methods for our overseas business. We have now begun to experience some success with online advertising in certain countries. We plan to invest £3m in online marketing overseas in the year ahead. As with all our online advertising, campaigns must satisfy our internal hurdle rates of at least 30% IRR.

LABEL

We have continued to engage with new brands that do not directly compete with NEXT ranges and enhance our overall offer. Last year we added 20 major new brands. Sales grew by 25%, but some of this growth was driven by markdown sales. Full price sales grew by 20%[3].

Profit margins in the year have reduced due to a higher level of surplus stock. The table below sets out the last two years' sales, profit and margins for our LABEL business, along with our estimate for the year ahead.

£m	Jan 2015	Jan 2016	Jan 2017 (e)
Total sales exc. VAT[3]	145	**180**	196
Profit	20	**22**	29
Profitability[3]	**14%**	**12%**	**15%**

[3] Excludes interest income on LABEL items purchased on the NEXT Directory account.

Strategic Report

Looking to the year ahead, we expect to add a further 7 important new brands to the business. We expect LABEL full price sales to grow by around 14% with net margins improving to circa 15%. The improvement in planned net margin comes largely as a result of lower anticipated markdowns. We believe we can improve both markdown and service level (the percentage of stock available to order) as we get a better understanding of what sales volumes individual brands are able to achieve.

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.

Costs and savings in the year ending January 2016

Cost increases	£m
Cost of living awards and other wage costs	24
Rent and rates	7
New systems	5
Home warehouse and distribution	3
Total cost increases	**39**

Cost savings	£m
Net margin on product	17
Property savings including fully depreciated assets	13
Retail productivity and cost improvements	9
Banking costs	4
Interest income and bad debt	3
Total cost savings	**46**

Costs and savings in the year ahead

In the year ahead we expect cost increases of around £55m. Anticipated wage increases account for £23m 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 and other income streams of £59m, including £17m of additional interest income.

Other Trading Businesses

NEXT Sourcing

NEXT Sourcing (NS) is our internal sourcing agent, which procures around 40% of NEXT branded product. On a 52 week basis, sales increased by +11% and profits by +22%. Some of the apparent improvement was caused by currency movements and underlying profits were up only +13%, mainly as a result of better cost controls.

The table below sets out the performance of the business in Sterling and in Dollars.

52 v 52 weeks	Jan 2016 £m	Jan 2015 £m		Jan 2016 USD m	Jan 2015 USD m	
Sales (mainly inter-company)	**668.8**	600.6	+11%	**1,016.6**	985.0	+ 3%
Operating profit	**50.5**	41.4	+22%	**76.8**	67.9	+13%
Operating margin	**7.5%**	6.9%		**7.5%**	6.9%	
Exchange rate	**1.52**	1.64				

Looking to the year ahead we expect NS to make around £50m profit.

International Retail and franchise stores

Our franchise partners operate 181 stores in 35 countries, which is similar to last year. Franchise sales in the year have reduced by -12%. The decline is due to a combination of adverse currency movements and weak trading conditions in some important territories. Underlying sales in local currency were down -3%. We own 13 stores in Europe which have broadly broken even. Revenue and profit are set out below.

52 v 52 weeks	Jan 2016 £m	Jan 2015 £m	
Franchise income	**63.0**	71.9	
Own store sales	**11.7**	14.3	
Total revenue	**74.7**	86.2	-13.4%
Operating profit	**10.2**	11.7	-13.5%

Lipsy

Lipsy performed in line with expectations despite the loss of a major wholesale customer, which went into administration in January 2015. Lipsy sales are broken down by distribution channel in the table below.

52 v 52 weeks	Jan 2016 £m	Jan 2015 £m	
Franchise and wholesale	**19.6**	24.4	
Retail (including carve-out shops in NEXT)	**17.5**	19.3	
Online (including sales through NEXT Directory)	**37.2**	29.3	
Total sales	**74.3**	73.0	+1.7%

A growing proportion of Lipsy's sales now come from selling third party, young fashion brands, mainly on a commission basis. This third party business has increased as a percentage of Lipsy sales in the year from 12% to 23%. Lipsy sales made through NEXT Retail and NEXT Directory, amounting to £45.1m, are reported in those divisions. Operating profit was £5.3m on a 52 week basis, slightly ahead of last year. We are anticipating that the business will make a similar profit next year.

Strategic Report

Central costs and non-trading activities

The table below summarises central costs and other non-trading activities:

£m	Jan 2016	Jan 2015
Central costs and share options	**(24.2)**	(23.4)
Property Management	**7.4**	7.0
Unrealised foreign exchange	**(5.6)**	8.9
Associates	**1.0**	0.8
Total	**(21.4)**	(6.7)

The £5.6m unrealised foreign exchange charge reflects the reversal of accounting gains from last year. We are budgeting on the basis of no gain or loss in the year ahead.

Interest and taxation

The interest charge was £30.5m, slightly higher than last year's £29.9m. We are budgeting for a £36m interest charge next year. The anticipated increase in interest cost is largely as a result of a potential bond issue. Our full year tax rate of 20.2% is commensurate with headline UK corporation tax rates. We expect our effective tax rate to be similar next year, and from 2017/18 we would expect it to fall below 20% following the UK Government's decision to reduce the rate further.

Capital Expenditure, Net Debt and Shareholder Distributions

Capital expenditure

This year our capital expenditure was £151m, which was £41m ahead of last year. Capital expenditure is set out by category in the table below with the equivalent figures from last year and an estimate for the year ahead:

£m	Jan 2015	Jan 2016	Jan 2017 (e)
Retail space expansion	74	**86**	94
Retail cosmetic refits	6	**15**	11
Total capex on stores	80	**101**	105
Warehouse	12	**22**	27
Systems	5	**13**	8
Head office infrastructure	13	**15**	8
Total capital expenditure	110	**151**	148

Spending on new retail space was £86m, of which £80m relates to space opened within the year. The underlying cost of shop-fitting new space rose by 4% to £143 per sq. ft., this was mainly as a result of enhanced specification, but partly as a result of some inflation in building costs. We increased expenditure on cosmetic refits and maintenance to £15m; in the year ahead we expect maintenance capex to return to the more normal level of £11m.

In the year to January 2016, warehouse capex of £22m included £12m of expenditure on a new automated furniture warehouse. This new warehouse will be operational in the current year after a further £19m of investment. Investment in systems includes the hardware costs associated with renewing our retail till systems. Expenditure on head office infrastructure increased to £15m as we continue the process of upgrading central facilities.

Balance sheet, net debt and financing

Cash flow for the year ending January 2016

Year end net debt was £850m, this was £180m higher than we forecast at the half year mainly as a result of bringing forward share buybacks into the last few weeks of the year. The table below sets out net debt at the start and end of the year and summarises the significant movements in the year:

£m	Net debt	Cash flow
Net debt January 2015	**515**	
Surplus cash from operations (*after* tax, capital expenditure and *ordinary* dividends but before funding additional Directory debt)		+372
Special Dividends		-341
Financing for additional Directory debt		-215
Buybacks brought forwards from 2016/17		-151
Net debt January 2016	**850**	

Underlying surplus cash generated from operations, after deducting interest, tax, capital expenditure and ordinary dividends, but before funding additional Directory debt, was £372m. This figure was boosted by £14m from the 53rd week and £8m deferred proceeds from the sale of our investment in Cotton Traders. Surplus cash was distributed to shareholders by way of special dividends amounting to £341m.

As explained in our half year statement, we increased net debt to fund additional Directory debt of £215m caused by the change in minimum payments. In January, we brought forward additional shareholder returns of £151m through share buybacks which will be financed through cash flows in the year ahead. Overall, net cash outflow for the year was £335m.

Cash flow for the year ahead

Looking forward to the year ahead, we expect to generate surplus cash of around £350m. We will continue to return surplus cash to shareholders through either share buybacks or special dividends. We anticipate distributing a total of £200m to shareholders in 2016/17, representing £350m of expected surplus cash flow less the £151m of share buybacks brought forward to January 2016. We have already paid a special dividend of £88m in February 2016, so the balance remaining is £112m. Year end net debt is expected to fall to around £740m.

Anticipated cash flows are set out in the table below:

£m	Net debt	Cash flow
Net debt January 2016	**850**	
Surplus cash from operations (after tax, capital expenditure and ordinary dividends but before funding additional Directory debt) (e)		+350
Special dividends / buybacks (e)		-200
Financing for additional Directory debt (e)		-40
Net debt January 2017 (e)	**740**	

Strategic Report

Bonds and bank facilities

Our balance sheet is financed through total facilities of £1,338m, made up of £788m of bonds and £550m of committed bank facilities. In October 2016, our £213m bond matures and during the year we intend to replace this with a further bond of between £250m and £350m.

When and if we issue a replacement bond, we are likely to have bonds and facilities comfortably in excess of our peak borrowing requirements. We are not currently planning to use any of these surplus facilities to fund further buybacks in excess of our surplus cash flow, however we would not want to rule out further buybacks in the event market conditions were favourable. Such buybacks would be subject to our usual constraints that:

- We believe them to be in the interests of shareholders generally
- We do not jeopardise our investment grade credit rating
- Shares are purchased below our buyback price limit (which currently remains at £69.62 based on an Equivalent Rate of Return of 8%)

Final dividend

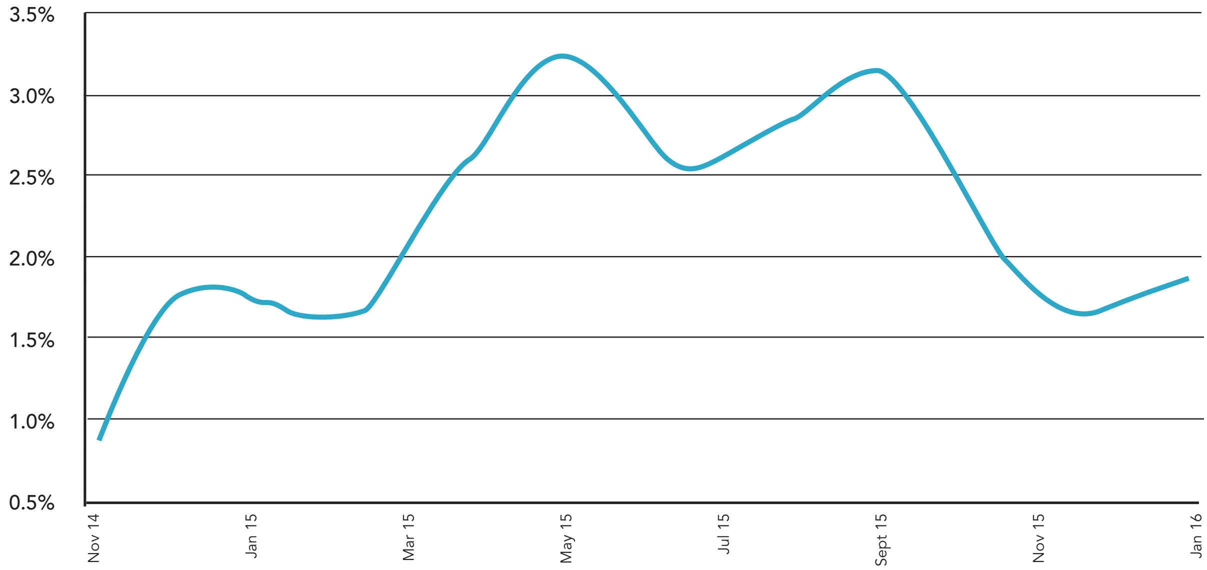
We have proposed a final ordinary dividend of 105p, to be paid on 1 August 2016 and taking the total ordinary dividends for the year to 158p. The increase on last year's 150p is broadly in line with growth in EPS. Shares will trade ex-dividend from 7 July 2016 and the record date will be 8 July 2016.

Outlook for 2016/17

Consumer economy

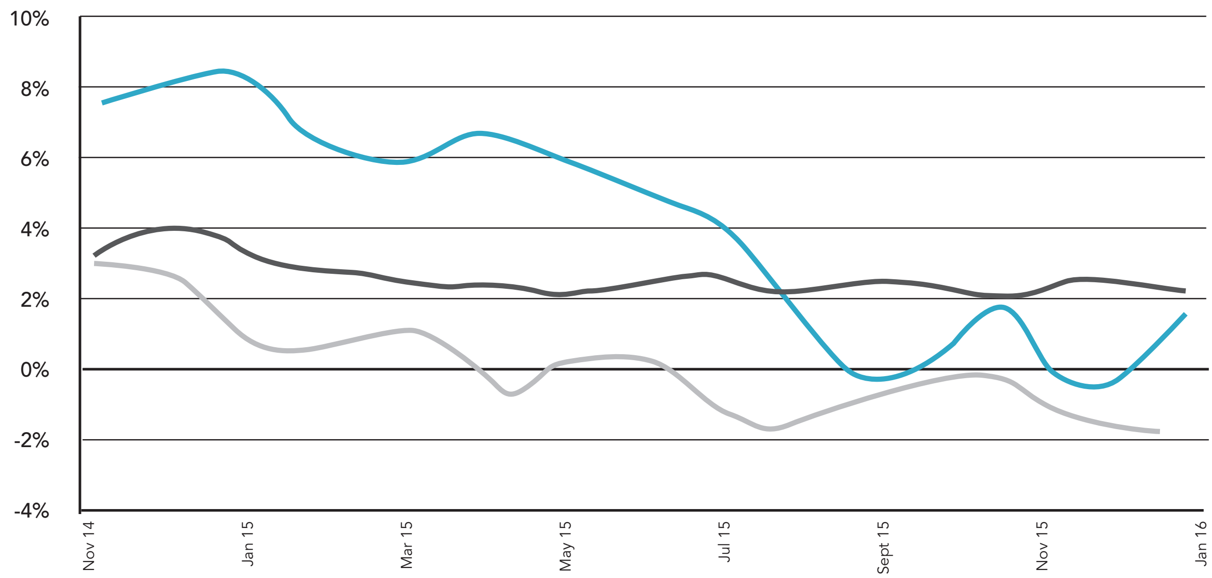
The outlook for consumer spending does not look as benign as it was at this time last year. Although employment rates are at record highs, growth in real earnings (the difference between wage growth and inflation) slowed markedly from September last year. In addition, growth in output across services, manufacturing and construction all decelerated throughout the course of the year.

Real earnings growth



Growth in Real Earnings (Earnings growth less CPI)
Source: ONS March 2016

Output growth



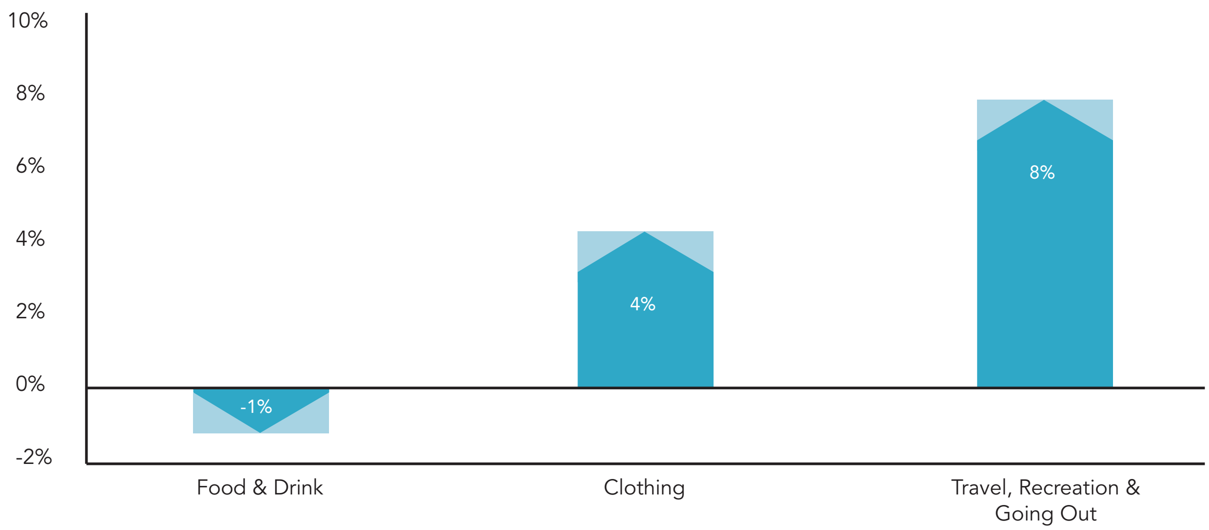
Source: HM Treasury Pocket
Databank February 2016

Construction
Services
Manufacturing

Strategic Report

In addition to our generally more cautious outlook for the economy, we also believe that there *may* be a cyclical move away from spending on clothing back into areas that suffered the most during the credit crunch. Looking at the latest available figures for consumer spending, which were for Q3 2015, the graph below shows growth in spending for groceries, clothing and travel, recreation, and going out[4]. Although Q3 2015 was a good quarter for clothing, it can clearly be seen that growth in experience related expenditure such as eating out, travel and recreation was much stronger.

GDP growth 2015 Q3 vs 2014 Q3



These wider consumer and economic trends may reverse as the year progresses. However our instinct, along with the volatility of our own sales, suggest that it would be sensible to prepare for a tougher economic environment. We are therefore revising our full year guidance for sales and profits in the year ahead.

[4] Source ONS COICOP tables. "Going out" includes: culture, restaurants, hotels and tourism.

Outlook for sales and profit

We now expect NEXT Brand full price sales growth for the full year to be between -1.0% to +4.0%, with a mid-point of +1.5%. At this stage in the year there is inevitably a high degree of uncertainty and we recognise that there is an upside risk to the numbers if we have a colder winter (the fourth quarter of last year being unusually warm). However at this stage we think it is best to prepare ourselves for what could be a difficult year.

Our sales and profit guidance for the year ahead is shown in the table below.

Guidance estimates Year to January 2017 (52 v 52 week basis)	**Lower end of guidance**	**Upper end of guidance**
Total full price NEXT Brand sales growth	- 1.0%	+4.0%
Group profit before tax	£784m	£858m
Group profit before tax growth	- 4.5%	+4.5%
Ordinary dividend yield[5]	2.3%	2.3%
Special dividend yield/share buybacks	~ 3.0%	~ 3.0%
Total Shareholder Returns	**1%**	**10%**

5 Dividend yield is based on dividends expected to be declared for the year. Yields are expressed as a percentage of our average share price during the first month of this financial year, which was £67.66

First quarter trading update

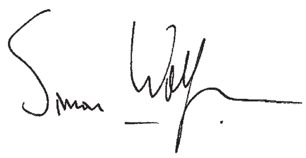
Our next statement will cover the thirteen weeks to 30 April and is scheduled for Wednesday 4 May 2016.

Summary

It looks as though we may be set for a challenging year, with economic and cyclical factors potentially working against us. We are very clear about where we need to focus our energies in the year ahead.

- Continue our efforts to improve our buying processes, pushing the boundaries of what we can achieve in terms of design and quality.
- Upgrade the UK Directory business, developing new ways of recruiting customers, stimulating sales from existing customers, presenting our website, personalising our offer and improving our delivery service.
- Continue to develop Directory's two growth businesses – LABEL and Overseas.
- Develop and profitably expand our UK retail store network.
- Control costs through innovation.

In many ways we have more to do than ever before with complex challenges to our working practices across product, marketing and systems. It may well feel like walking up the down escalator, with a great deal of effort required to stand still. It will not be the first time we have felt this way, and our experience is that the effort put into improving the business in tough times can pay handsome rewards when conditions improve.



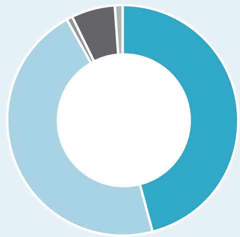
Lord Wolfson of Aspley Guise
Chief Executive
24 March 2016

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 FTSE100 index. The Group is primarily comprised of:

Segment profit



- NEXT Retail, a chain of more than 500 stores in the UK and Eire.
  The majority of our stores sell clothing, footwear, accessories and/or home products; and we now operate over 20 large combined fashion and home stores. The predominantly leased store portfolio is actively managed, with opening and closure decisions based on store profitability and cash payback.
- 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 140% and now represent 40% of Group sales and 46% of segment profit.

  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 35 countries; there are also a small number of stores which NEXT operates directly.
- NEXT Sourcing, which designs and sources NEXT branded products.
  NEXT Sourcing (NS) is our Hong Kong based internal sourcing agent which competes for business against other suppliers to NEXT Retail and Directory. 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 33.
- Lipsy, which designs and sells Lipsy and other branded younger women's fashion products.
  Lipsy trades from around 40 stores, online, and through wholesale and franchise channels.

Further detail on the performance and development of the Group's businesses can be found in the Chief Executive's Review on pages 4 to 23, which forms part of this Strategic Report along with Key Performance Indicators (page 25), Risks & Uncertainties (page 26), Employees (page 32), Social, Community and Human Rights (page 32) and Environmental Matters (page 34).

Business Strategies and Objectives

The primary financial objective of the Group is to deliver long term, sustainable returns to shareholders through a combination of growth in earnings per share ("EPS") and payment of cash dividends. Underlying EPS increased by 5.4% from last year and we paid ordinary and special dividends totalling 383p per share. Over the last ten years, EPS and ordinary dividends per share have both increased by almost 250% and the Company's share price has increased by around 300%. 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 internationally, and complemented by our LABEL publication of branded products.
- 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 special dividends.

READ ABOUT OUR OBJECTIVES FOR THE YEAR AHEAD ON PAGE 5.

READ ABOUT THE OUTLOOK FOR 2016/17 ON PAGE 21.

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	2016	2015	Annual change
Store numbers	**540**	539	
Square feet 000's	**7,648**	7,373	+3.7%

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

NEXT Retail stores and sales	2016		2015	
	No. of stores	LFL Sales %	No. of stores	LFL Sales %
Total like for like	**536**	**-1.9%**	534	+0.7%
Underlying	**477**	**-1.3%**	473	+1.4%

NEXT defines like for like stores as those that have traded for at least one full year. 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	2016	2015
Net operating margin last year	**16.3%**	15.5%
Increase in achieved gross margin	**+0.5%**	+0.1%
Increase/decrease in store payroll	**–**	-0.3%
Increase/decrease in store occupancy	**–**	+1.1%
Decrease/increase in other costs	**+0.1%**	-0.1%
Net operating margin this year	**16.9%**	16.3%

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)	2016	2015	Annual change
Average active customers – credit	**2,606**	2,724	-4.3%
Average active customers – cash	**1,970**	1,394	+41.3%
Average active customers – total	**4,576**	4,118	+11.1%

Active customers are defined as those who have placed an order or made a payment in the last 20 weeks, calculated as an 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	2016	2015
Net operating margin last year	**24.5%**	26.1%
Increase/decrease in achieved gross margin	**+0.2%**	-0.8%
Increase/decrease in bad debt expense	**-0.5%**	+0.3%
Increase/decrease in interest income	**+0.6%**	-0.4%
Increase in other costs	**-0.4%**	-0.7%
Net operating margin this year	**24.4%**	24.5%

Share buybacks	2016	2015
Number of shares purchased (000's)	**2,204**	2,158
% of opening share capital	**1.4%**	1.4%
Total cost	**£150.7m**	£137.9m
Average cost per share	**£68.39**	£63.89

Total cost of shares purchased includes stamp duty and associated costs. The average price before costs was £67.97 (2015: £63.50).

* Sales includes the full value of commission based sales (as described in Note 1 to the accounts).

Strategic Report

Risks & Uncertainties

Risk management and internal control framework

The Board has a policy of continuous identification and review of principal business risks, and oversees risk management. This includes identifying key risks, determining control strategies and considering how those risks may affect the achievement of business objectives, taking into account risk appetite.

Executive directors and operational management are delegated the task of implementing processes to ensure that risks are managed appropriately. On a day-to-day basis, the risk management process is managed and co-ordinated by the corporate compliance team. Each business area is responsible for preparing and maintaining operational risk registers which involves identifying, evaluating, managing, measuring and monitoring the risks in their respective areas. Risk registers are prepared using consistent risk factors and incorporate business impact and likelihood ratings, both before and after the effect of any mitigating factors or controls. Progress and issues are reported to the corporate compliance team on a regular basis, and more formal annual reviews are also carried out to ensure robustness and consistency across the business. In addition, Internal Audit plans are established with regard to the risks and controls identified under this framework.

During the year the Board carried out a detailed evaluation of the effectiveness of the risk management and internal controls systems for all parts of the business, which covered all material controls including financial, operational and compliance controls, and is satisfied that they are operating effectively for the financial year to January 2016 and up to and including the date of this report. This review incorporated review of reports, discussion, challenge and assessment of the principal business risks with relevant senior management. During the year, the directors received presentations from management on specific higher risk areas, for example cyber risk, and agreed key action plans including further enhancement of mitigating controls. The work and findings of the corporate compliance team are also reviewed, discussed and agreed by the Audit Committee on a regular basis; any significant matters are communicated to the Board. No significant failings of internal control were identified during these reviews. Limited, though not significant, weaknesses were identified and recorded on the operational risk registers and clear action plans are in place to address these.

As noted in the Directors Report on page 43, during the year to January 2016 the Directors became aware that certain dividends paid in 2014 and 2015 totalling £311.2m had been made otherwise than in accordance with the Companies Act 2006 because interim accounts had not been filed at Companies House prior to payment. The Company has put in place new procedures relating to all distributions which will ensure that relevant legal requirements are complied with at all times. These procedures have been subject to external legal review and will be regularly reassessed to ensure they remain appropriate.

Assessment of principal risks and uncertainties

The directors confirm that they have carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Those principal risks are described below along with explanations of how they are managed or mitigated. The principal risks areas remain the same as reported last year. The Board remains committed to ensuring that the key risks are managed on an on-going basis and operate within an acceptable level. Whilst these risks all have the potential to affect future performance, we aim to mitigate and manage these risks such that they should not threaten the overall viability of the business over the three year assessment period (refer to the viability assessment on page 31).

Description of principal 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, taking into account specific retail sector 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. Seasonal and annual budgets together with longer term financial objectives and cash flow forecasts are produced. The Board and senior management consider strategic risk factors, 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. 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 long term incentive schemes. 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. 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. To some extent, product risk is also mitigated by the diversity of NEXT's ranges.

Strategic Report

Description of principal 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 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 33. NEXT 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. NEXT also monitors and reviews stock availability on an on-going basis to ensure that issues are identified and appropriate action is taken where any issues are impacting service delivery to customers.
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. 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.

Description of principal risk or uncertainty	How the risk or uncertainty is managed or mitigated
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. Call centre employees receive comprehensive and relevant training on an ongoing basis, targeting our service to be at its highest possible levels. Market research is used to assess customer opinions and satisfaction levels, and regular customer experience visits to our stores help to ensure that staff remain focussed on delivering excellent customer service.
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 criteria. Regular reviews of lease expiry and break clauses are undertaken to identify opportunities for exit or renegotiation of commitments. Profiling of the Groups' lease commitments is also regularly reviewed by the Board. NEXT will continue to invest in new space where its financial criteria are met, and will renew and refurbish its existing portfolio when appropriate.
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 and becoming increasingly sophisticated.	Systems' vulnerability and penetration testing are carried out regularly to ensure that data is protected from corruption or unauthorised access or use. Critical systems are reviewed and tested periodically to ensure they have back up facilities and business continuity plans in place; these are updated on an on-going basis to reflect business risk. 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 updates and agreed appropriate actions relating to cyber risk and business continuity during the year (see page 51). As the nature of cyber-attack risk is constantly changing and becoming ever more sophisticated, NEXT continually works towards improving mitigating controls in this critical area.

Strategic Report

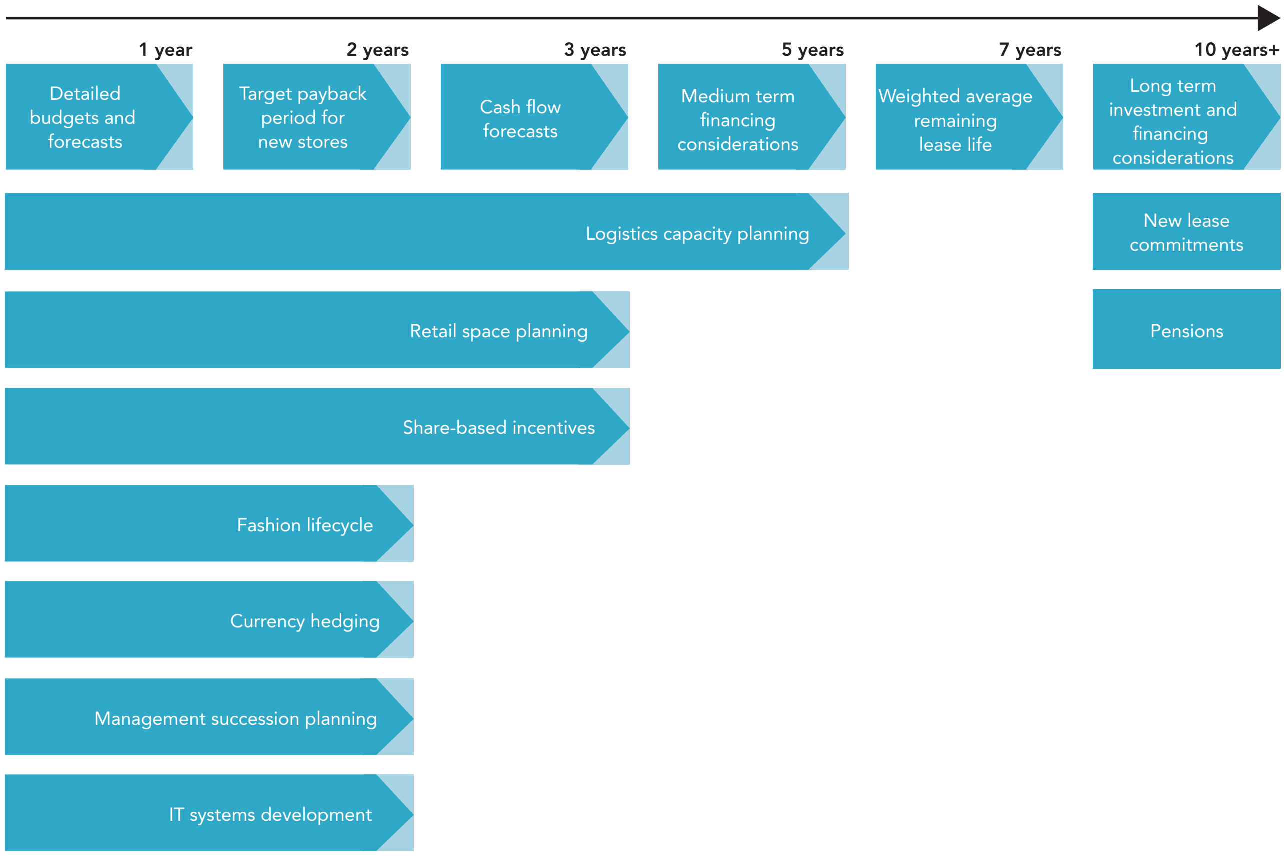
Description of principal risk or uncertainty	How the risk or uncertainty is managed or mitigated
Financial, treasury, liquidity & credit risks	
The main financial risks are the availability of funds to meet business needs, default by counterparties to financial transactions, and the effect of fluctuations 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. Compliance teams are responsible for regulatory compliance in specific areas. NEXT continually strives to maintain and develop the systems and processes that underpin these areas (see page 26). The Audit Committee received regular briefings on regulatory compliance during the year, for example in relation to requirements for the Payment Card Industry Data Security Standards (PCI DSS), and the FCA regulated credit business.
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 £932m 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. The Audit Committee received a formal update regarding the customer credit business during the year.

Viability Assessment

The directors have assessed the prospects of the Group by reference to its current financial position, its recent and historical financial performance and forecasts, and the principal risks and mitigating factors described above. In addition, the Board regularly reviews the financing position of the Group and its projected funding position and requirements. The Group is operationally and financially strong and has a track record of consistently generating profits and cash, which is expected to continue. The Group has grown strongly in recent years but maintaining such growth will continue to be challenging. The directors review cash flow projections on a regular basis. This included a recent review by the Audit Committee of three year cash projections which were stress tested to determine the extent to which trading cash flows would need to deteriorate before breaching the Group's facilities, both before and after anticipated shareholder distributions. In addition, the likelihood and impact of severe but plausible scenarios in relation to the principal risks were assessed, both individually and collectively, taking into consideration mitigating actions that might be undertaken in particular situations.

Whilst the principal risks all have the potential to affect future performance, none of them are considered likely either individually or collectively to threaten the viability of the business over the three year assessment period.

The retail sector is inherently fast-paced, competitive and dynamic, particularly in respect of the fashion product cycle. However, as illustrated in the diagram below, a wide variety of other time horizons are also relevant in the management of the business:



The directors have assessed the viability of the Group over a three year period, as they believe this strikes an appropriate balance between the different time horizons which are used in the business and is a reasonable period for a shareholder to expect a retail business to be assessed upon. Based on this review, the directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over this period.

Strategic Report

Employees

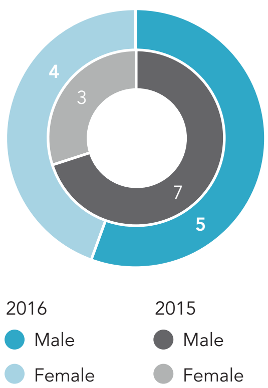
NEXT's employees are key to achieving its business objectives. NEXT has established policies for recruitment, training and development of personnel and is committed to achieving excellence in the areas of health, safety, welfare and protection of employees and their working environment.

Equal opportunities and diversity

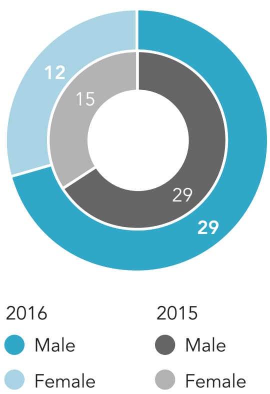
NEXT is an equal opportunities employer and will continue to ensure it offers career opportunities without discrimination. Full consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. The Group has continued the employment 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:

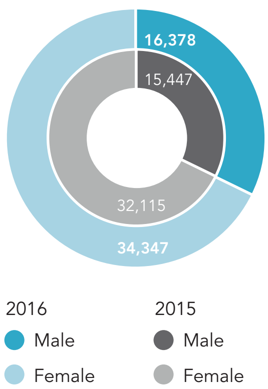
Directors of NEXT plc



Subsidiary directors and other senior mangers



Total employees



Training and development

NEXT aims to realise the potential of its employees by supporting their career progression and promotion wherever possible. It makes significant investment in the training and development of staff and in training and education programmes which contribute to the 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 12,700 employees held options or awards in respect of 5.1 million shares in NEXT at January 2016, being 3.4% 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 4.3 million shares; the Trustee generally does not vote on this holding on any resolution at General Meetings.

Pension provision

NEXT provides 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 2016, there were 1,021 (2015: 1,093) active members in the Defined Benefit Section of the NEXT Group Pension Plan and 2,888 (2015: 2,853) UK active members of the Defined Contribution Section. In addition, 14,583 employees (2015: 12,114) participate in the Group's Auto Enrolment defined contribution scheme.

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. Senior managers and directors representing key areas of the business take responsibility for corporate responsibility and sustainability.

Continuous improvement lies at the heart of NEXT's approach and is achieved through acting in an ethical manner; developing positive relationships with suppliers; recruiting and retaining responsible employees; taking responsibility for our impact on the environment and through contributions to charities and community organisations.

A third party provides independent assurance on the Group's Corporate Responsibility report which is published on the Company's website each year. NEXT is also a member of the FTSE4Good Index Series.

FIND OUT MORE ON OUR WEBSITE BY VISITING WWW.NEXTPLC.CO.UK/CORPORATE-RESPONSIBILITY

Human rights

NEXT recognises its responsibility to respect human rights wherever it operates and is committed to upholding all internationally recognised human rights principles encompassed in the Universal Declaration of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work and to implementing the UN Guiding Principles on Business and Human Rights.

Suppliers

NEXT is committed to fulfilling its commitments and following a detailed initial assessment in 2014 of human rights impacts across the business, is conducting further analysis, focussing in particular on our supply chain.

In common with other retailers, NEXT's product supply chain is both diverse and dynamic. Last year, NEXT used over 600 third party suppliers with products manufactured across 41 countries. The challenge of trading ethically and acting responsibly towards the workers in our own and our suppliers' factories is a key priority which is monitored and managed by the NEXT Code of Practice ("COP") Team made up of 46 employees based in key sourcing locations.

NEXT's COP programme is based on the Ethical Trading Initiative base code and international labour conventions and has ten key principles that stipulate the minimum standards with which suppliers are required to comply. Product teams are trained on the Code, ensuring they understand the vital role they play in our ethical trading programme. Suppliers have started to receive training to promote human rights awareness and help them understand the challenges they may face.

The COP team carried out over 2,000 factory audits last year and work directly with suppliers to identify and address causes of non-compliance. NEXT also recognises the importance of partnership and collaboration, both with our suppliers and with other brands and organisations to work to resolve some of the complex problems we are unable to solve alone.

Customers

NEXT is committed to offering stylish, quality products to its customers which are well made, functional, safe and are sourced in a responsible manner. NEXT technologists work closely with buyers, designers and suppliers to ensure its 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. 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. 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. Policies and procedures are reviewed and audited regularly to make safety management more robust and current.

Community

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

	2016 £000	2015 £000
Registered charities	**1,012**	1,003
Individual requests, local and national groups and organisations	**63**	183
Commercial support	**80**	75

This support was supplemented by the following additional activities:

	2016 £000	2015 £000
NEXT charity events	**64**	279
Gifts in kind – product donations	**3,426**	1,442
Charity linked sales	**403**	353
Employee fundraising	**43**	54

No donations were made for political purposes (2015: nil).

Strategic Report

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 to 2015/16. Key areas of focus are:

Focus	Current Target	Progress	Outcome
Energy use and emissions from stores, warehouses, distribution centres and offices.	Electricity consumption – 35% reduction in kg CO_2e/m².	6% decrease compared with last year, and 36% electricity reduction achieved.	Target achieved.
Fuel emissions from the transportation of products.	Retail Distribution – 10% reduction in litres of fuel used/m².	Target achieved by 2012 with 16% reduction.	Target achieved.
Waste created in stores, warehouses, distribution centres and offices.	To send less than 5% of operational waste to landfill.	91% of operational waste diverted from landfill achieved.	Target not achieved, to continue with this target to 2020.

New targets to 2020 are being determined and will be published in our Corporate Responsibility and Sustainability Report report issued later in 2016.

Greenhouse gas emissions

In accordance with the disclosure requirements for listed companies under the Companies Act 2006, the table below shows the Group's greenhouse gas emissions during the financial year:

	2016 Tonnes of CO_2 equivalent	2015 Tonnes of CO_2 equivalent
Combustion of fuel & operation of facilities (Scope 1)	**52,021**	49,089
Electricity, heat, steam and cooling purchased for own use (Scope 2)	**121,056**	129,491
Total Scope 1 and Scope 2 emissions	**173,077**	178,580
Intensity metric: tonnes of CO_2e per £m of sales	**41.71**	44.34

Note: 2015 Scope 1 has been re-stated as a result of data reclassification relating to vehicle emissions from Scope 3 to Scope 1

Methodology

The methodology used to calculate our emissions is based on operational control in accordance with 2015 DECC/DEFRA using Guidelines WRI/WBCSD GHG Reporting Protocols (Revised edition) and 2014 Scope 2 Guidelines.

NEXT remains committed to reducing its carbon footprint by reducing energy consumption throughout its operations, minimising and recycling waste and cutting transport emissions. Further detailed information on NEXT's global emissions footprint can be found in our Corporate Responsibility and Sustainability Report.

On behalf of the Board

A James

Amanda James
Director
24 March 2016

READ OUR CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT AT WWW.NEXTPLC.CO.UK/CORPORATE-RESPONSIBILITY

GOVERNANCE

Directors' Report

Directors and Officers

John Barton
CHAIRMAN

John was appointed Deputy Chairman in 2004 and Chairman in 2006. He is also Chairman of 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, Catlin Group Limited, 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.

AGE 71

APPOINTED TO THE BOARD
September 2002

COMMITTEE MEMBERSHIP
Remuneration and
Nomination (Chairman)

Lord Wolfson of Aspley Guise
CHIEF EXECUTIVE

EXECUTIVE DIRECTOR

Simon joined the Group in 1991 and was 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. Simon was appointed Managing Director of the NEXT Brand in 1999 and Chief Executive in 2001.

AGE 48

APPOINTED TO THE BOARD
February 1997

Amanda James
GROUP FINANCE DIRECTOR

EXECUTIVE DIRECTOR

(from 1 April 2015)

Amanda 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.

AGE 44

APPOINTED TO THE BOARD
April 2015

Michael Law
GROUP OPERATIONS DIRECTOR

EXECUTIVE DIRECTOR

Michael 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.

AGE 54

APPOINTED TO THE BOARD
July 2013

Jane Shields
GROUP SALES AND MARKETING DIRECTOR

EXECUTIVE DIRECTOR

Jane 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.

AGE 52

APPOINTED TO THE BOARD
July 2013

Francis Salway
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Francis 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.

AGE 58

APPOINTED TO THE BOARD
June 2010

COMMITTEE MEMBERSHIP
Audit, Remuneration and Nomination

Caroline Goodall
INDEPENDENT NON-EXECUTIVE DIRECTOR

Caroline is also 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.

AGE 60

APPOINTED TO THE BOARD
January 2013

COMMITTEE MEMBERSHIP
Audit, Remuneration (Chairman) and Nomination

Steve Barber
INDEPENDENT NON-EXECUTIVE DIRECTOR

Steve is also a non-executive director of Domino's Pizza Group plc. Steve's previous experience includes almost thirty years in the accountancy profession, principally with Price Waterhouse where he was a senior partner. Steve was formerly Finance Director of Mirror Group and Chief Operating Officer of Whitehead Mann. Founder of The Objectivity Partnership, a member of the steering group of the Audit Quality Forum and Chairman of Design Objectives Worldwide.

AGE 64

APPOINTED TO THE BOARD
June 2007

COMMITTEE MEMBERSHIP
Audit (Chairman), Remuneration and Nomination

Dame Dianne Thompson
INDEPENDENT NON-EXECUTIVE DIRECTOR

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.

AGE 65

APPOINTED TO THE BOARD
January 2015

COMMITTEE MEMBERSHIP
Audit, Remuneration and Nomination

Company Secretary

Seonna Anderson

Past Directors

David Keens
GROUP FINANCE DIRECTOR

APPOINTED TO THE BOARD
24 May 1991

RETIRED FROM THE BOARD
1 April 2015

Jonathan Dawson
INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTED TO THE BOARD
13 May 2004

RETIRED FROM THE BOARD
14 May 2015

Board committees

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

Remuneration Committee
Jonathan Dawson (Chairman to 14 May 2015)
Caroline Goodall (Chairman from 14 May 2015)
Steve Barber
John Barton
Francis Salway
Dame Dianne Thompson

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

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 and the use of derivatives 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 140 to 147 and includes the following business:

Dividends

The Directors recommend that a final dividend of 105p per share be paid on 1 August 2016 to shareholders on the register of members at close of business on 8 July 2016. This resolution relates only to the final dividend. 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 buy back shares if and when the share price is at 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

The UK Corporate Governance Code (the "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. Directors' biographies are set out on pages 36 and 37. Each of the directors standing for re-election has undergone performance evaluation and has demonstrated that they remain committed to their role (including making sufficient time available for Board and committee meetings and other duties as required) and continue to be an effective and valuable member of the Board. Steve Barber is the longest serving non-executive director, having been first elected at the 2008 AGM; the ninth anniversary of his first election will therefore be at the 2017 AGM. The Board is satisfied that each non-executive director offering themselves for 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. In line with the Code, the Board was subject to an externally facilitated evaluation during the year, further details of which are on page 48.

The interests of the directors who held office at 30 January 2016 and their connected persons are shown in the Remuneration Report on page 63.

Auditor

Ernst & Young LLP has expressed its willingness to continue in office and its re-appointment will be proposed at the AGM. Details of the audit tender process which will be carried out during 2016/17 are on page 51.

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.

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 14 seeks a new authority to allow the directors to allot ordinary shares up to a maximum nominal amount of £5,022,000, representing approximately one third of the Company's existing issued share capital as at 23 March 2016. In accordance with institutional guidelines, resolution 14 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 £10,044,000, representing approximately two thirds of the Company's existing issued share capital as at that date. As at 23 March 2016 (being the latest practicable date prior to publication of this document) the Company's issued share capital amounted to £15,066,968 comprising 150,669,683 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 2017 or, if earlier, 19 August 2017.

Authority to disapply pre-emption rights

Special resolution 15 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 £1,506,000, being less than 10% of the issued ordinary share capital of the Company as at 23 March 2016 (excluding treasury shares). 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 authority being sought represents an increase of 5% from the resolution passed at the AGM in 2015 due to changes in the Pre-Emption Group's Statement of Principles. The Pre-Emption Group's Statement of Principles now provides that an allotment of up to an additional 5% of the issued ordinary share capital of the Company may be made on a non pre-emptive basis if that allotment is in connection with an acquisition or specified capital investment (within the meaning given in the Pre-Emption Group's Statement of Principles) which is announced at the same time as the allotment, or which has taken place in the six-month period before and is disclosed in the announcement of the allotment. The directors confirm that these guidelines will be adhered to.

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 (excluding treasury shares) under this or previous authorities in any rolling three year period without prior consultation with shareholders, except in connection with an acquisition or specified capital investment.

The directors do not have any present intention of exercising this authority which will expire at the AGM in 2017 or, if earlier, 19 August 2017.

On-market purchase of own shares

NEXT has been returning capital to its shareholders through 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 23 March 2016, NEXT has returned over £3.4bn to shareholders by way of share buybacks and over £2.6bn in dividends, of which £652m 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 £570m in capital expenditure to support and grow the business.

Special resolution 16 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 22,585,000 ordinary shares of 10p each (being less than 15% of the issued share capital at 23 March 2016) 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 17: Off-market purchases of own shares, see below;

b. the payment per ordinary share is not less than 10p and is an amount not more than the higher of: (i) 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 (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share of the Company and the highest current independent bid for an ordinary share of the Company as derived from the London Stock Exchange Trading system; and

c. the renewed authority will expire at the AGM in 2017 or, if earlier, 19 August 2017.

Directors' Report

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 23 March 2016 was 5,075,009. This represents 3.4% 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 2015 AGM (which will expire at the 2016 AGM) and the authority sought by this resolution, then the total number of options to subscribe for shares outstanding at 23 March 2016 would represent 4.7% of the reduced issued share capital.

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 2015 AGM up to 23 March 2016.
- 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 17 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 1 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 Slaughter and May, One Bunhill Row, EC1Y 8YY 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 2015, 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 18, if passed, will be effective until the Company's AGM in 2017. 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 conducted 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 2016 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 they 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 2015 AGM to purchase its own shares. During the year the Company purchased and cancelled 2,203,873 ordinary shares with a nominal value of 10p (none of which were purchased off-market), at a cost of £150.7m, representing 1.4% of its issued share capital at the start of the year.

At the financial year end 30 January 2016, the Company had 150,669,683 shares in issue, which remained the same as at 23 March 2016.

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

	Notifications received up to 30 January 2016			
	No. of voting rights at date of notification	**% of voting rights***	**Nature of holding**	**Date of notification**
FMR LLC (Fidelity)	20,250,185	13.44	Indirect interest	3 December 2015
BlackRock, Inc.	15,449,829	10.25	Indirect interest	8 January 2014

* Based on the total issued share capital at 30 January 2016.

No other notifications were received after 30 January 2016 up to 23 March 2016.

Directors' Report

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 2016 AGM will be on a poll. The Notice of Meeting on pages 140 to 147 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 (the "Articles") 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, 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 2016 AGM.

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. 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 a change of control event. In addition, should a change of control cause a downgrading in the credit rating of the Company's corporate bonds to sub-investment grade or if already sub-investment grade, a further credit rating downgrade which is not rectified within 120 days after a change of control event, 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.

Distributions

As noted in the financial statements, during the year to January 2016, the Directors became aware that certain dividends paid in 2014 and 2015 totalling £311.2m had been made otherwise than in accordance with the Companies Act 2006 because interim accounts had not been filed at Companies House prior to payment. At a General Meeting of the Company's shareholders held on 10 February 2016, a resolution was passed which authorised the appropriation of distributable profits to the payment of the relevant dividends and removed any right for the Company to pursue shareholders or directors for repayment. This constituted a related party transaction under IAS 24. The overall effect of the resolution being passed was to return all parties to the position they would have been in had the relevant dividends been made in full compliance with the Act.

The following disclosures are required under Listing Rule 9.8.4 R:

Publication of unaudited financial information	In January 2016, NEXT published a Profit Before Tax (PBT) forecast for the year to January 2016 of £810m to £824m, based on a 52 week period, plus an additional £15m in respect of week 53. Actual PBT for the 53 week period was £836.1m.
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.

By order of the Board

Amanda James
Director
24 March 2016

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 the 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;
- 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;

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
24 March 2016

Amanda James
Group Finance Director

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. In particular, the Board is responsible for monitoring financial performance together with setting and monitoring our risk framework and risk appetite.

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.

John Barton

John Barton
Chairman
24 March 2016

Code compliance

The Group complied throughout the year under review with the provisions set out in the 2014 UK Corporate Governance Code (the "Code") which is available from the Financial Reporting Council website at 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 on pages 41 and 42.

Board composition and succession

The Board currently includes four 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.

There were a number of changes to the Board during the year. After 29 years at NEXT and 24 years serving on the Board, David Keens retired as Group Finance Director on 1 April 2015 and Amanda James was appointed in his place on the same date. Amanda has been with NEXT for 20 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.

Jonathan Dawson stood down from the Board at the end of the 2015 AGM after serving on the Board for 11 years. Francis Salway became our Senior Independent Director in place of Jonathan Dawson at that time, and Caroline Goodall succeeded Jonathan as Chairman of the Remuneration Committee.

Steve Barber is our longest serving non executive director, having been first elected at the 2008 AGM. The ninth anniversary of his first election is therefore May 2017. The Code requires that any term beyond six years for a non-executive director should be subject to a particularly rigorous review, and should take into account the need for progressive refreshing of the Board. After giving thorough consideration to the matter, the Board consider that Steve Barber's independence, skills and experience allow him to make a very effective contribution as a non-executive director and Chairman of the Audit 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 of appointment of non-executive directors are available for inspection at the Company's registered office during normal business hours.

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 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 risk management and 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 investments, treasury and dividend policies and significant items of capital expenditure. 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 programmes. Board papers including reports from the Chief Executive and other executive directors are circulated in advance of each Board meeting.

There is a regular flow of written and verbal information between all directors irrespective of the timing of meetings. In addition, our executive directors drive forward operational business strategies by way of attendance at key trading meetings and work closely with our business areas. This style of management serves to align with our risk management framework and facilitates senior management setting the tone from the top by their involvement in the business on a day to day basis.

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 on the Company's website or on request.

FIND OUT MORE ON OUR WEBSITE AT
WWW.NEXTPLC.CO.UK/ABOUT-NEXT/CORPORATE-GOVERNANCE/COMMITTEES-TERMS-OF-REFERENCE

Attendance at Board and Committee meetings

The Board held nine formal meetings during the year, the Audit Committee held four meetings, the Remuneration Committee held eight meetings and the Nomination Committee held one meeting. All meetings were fully attended.

Audit Committee

The Committee consists of the four 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. The Audit Committee Report on page 50 describes the role and activities of the Committee.

Remuneration Committee

The Committee consists of the Chairman and the four independent non-executive directors. The Committee is chaired by Caroline Goodall, who succeeded Jonathan Dawson after he stood down following the 2015 AGM. The Committee determines the remuneration of the executive directors in accordance with the Remuneration Policy and reviews the remuneration of senior management. Page 71 of the Remuneration Report summarises the role and activities of the Committee.

Nomination Committee

The Committee consists of the Chairman and the four independent non-executive directors including the senior non-executive director. 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. As noted above, Amanda James, previously our Brand Finance Director with 20 years' experience at NEXT, was promoted to the Board on 1 April 2015.

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 36, and the Board considers that these are not a constraint on his agreed time commitment to the Company.

Chief Executive

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

Management delegation

The Chief Executive has delegated authority for the day to day management of the business to operational management drawn from executive directors and other senior management who have responsibility for their 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.

Corporate Governance

Performance evaluation

During the year a performance review of the Board, its Committees and directors was undertaken with the assistance of an external facilitator, Independent Audit Limited. Independent Audit has no connection with NEXT beyond this review. The Board intends to conduct an externally facilitated review every three years in line with the Code.

The review process took place during the final quarter of the year and involved interviews with each director and the Company Secretary. Independent Audit also reviewed Board and Committee papers over the past year and attended and observed the November Board meeting.

The review covered all aspects of the effectiveness of the Board including composition; experience; dynamics; the Chairman's leadership; the Board's role and responsibilities with particular regard to strategy; oversight of risk; and succession planning. Independent Audit prepared a report to the Board, which was included in the papers for the Board's January meeting, and attended the meeting to present and discuss their findings. The review highlighted that the Board dynamics are positive and constructive, there is a strong focus on shareholder interests and the non-executives bring a broad range of skills and experience and a good degree of commitment. The Chairman and Company Secretary are considering appropriate action in response to areas for possible attention highlighted by the evaluation and are incorporating these into existing plans around succession planning and director training and development.

The senior independent non-executive director leads the appraisal of 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.

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, promoting a risk-aware culture throughout the business.

The Board has carried out a robust assessment of the principal risks facing the Company and has also conducted an annual review of the effectiveness of the systems of internal control during the year. Please refer to pages 26 to 30 for further information. 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 principal 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 principal risks (described on pages 27 to 30) and the associated controls and mitigating factors.

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 benefits in kind provided to executive directors have been reviewed by the Remuneration Committee and considered to be appropriate.

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 and other regular trading statements. Full year 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 (www.nextplc.co.uk).

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 half year results presentations, at which executive and non-executive directors are present. Non-executive directors attend other meetings with shareholders if requested. Soon after their appointment as senior independent non-executive director and Remuneration Committee Chairman, Francis Salway and Caroline Goodall wrote to representatives of our significant shareholders and various investment bodies with an invitation to meet with them to discuss any issues or concerns. Our 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 and viability assessment

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.

The directors have assessed the prospects of the Company over a three year period. Further details of the viability assessment are provided on page 31.

Audit Committee Report

Membership and meetings

The composition of the Committee is described on page 37.

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.

Risks and controls

The Audit Committee regularly reviews the effectiveness of risk management, and has reviewed the key risks together with the associated controls and mitigating factors. Further details regarding the risk framework and approach, together with details of our principal risks and risk assessment are described on pages 26 to 30.

The Head of Internal Audit is invited to all Audit Committee meetings and provides regular reports and updates. The Audit Committee has reviewed the level of internal audit resource available within the Group and believes that it is adequate for the size, structure and business risks of the Group and is supplemented with appropriate external resources where needed. During the year, internal audit resources have been strengthened.

Review of financial statements

The Committee's review of the half year and full year financial statements focused on the following areas of significance, all of which were discussed and addressed with our external auditors throughout the full year external audit process. There were no significant differences between management and external auditor conclusions.

a. Directory receivables and related provisions for doubtful debts. These, at £932m, represent the largest asset class on the Group's balance sheet and have increased significantly during the year, principally as a result of the reduction in the monthly minimum payments now required to be made by our customers.

   Based on detailed reports and through discussions with management and the external auditor, the Committee reviewed and assessed the basis and level of provisions and their sensitivity 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 £46m, comprised of £725m assets and £679m liabilities. This compares with a net surplus of £38m in the previous year.

   The Committee reviewed the actuarial assumptions underlying the calculations and was satisfied that they were reasonable and consistently applied. They are highly sensitive to small changes, particularly in respect of discount rates and inflation (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 Committee discussed the systems and processes in relation to the valuation and accounting treatment of such contracts with management and the external auditor. In addition, the Board reviewed and renewed the detailed operating authority framework and limits in place for execution of such arrangements;

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 and onerous leases.

   During the year the Committee reviewed reports on the reasonableness and consistency of these estimates and through discussions with management and the external auditor was satisfied that they remain appropriate and reasonable.

The Committee is aware of the new IFRS 16 'Leases' accounting standard issued by the International Accounting Standards Board (IASB), which will become effective from 1 January 2019. Implementation of IFRS 16 will significantly impact the Group's balance sheet by adding some £2bn (undiscounted) of lease liabilities, alongside theoretical "right to use" assets.

Other reviews

The Audit Committee performed a detailed review of the Group's projected cash flows, facilities and covenants which covered a three year review period (our viability assessment period). The proposed approach was discussed and agreed by the Committee in October 2015 and followed up more recently by reviewing the Group's current financial position and performance, budgets for 2016/17 and 3 year cash projections which were stress tested for different scenarios having regard to the principal risks faced by the business. The Committee reported to the Board that, in its view, the going concern assumption remains appropriate. In addition, as regards the Group's viability assessment, the directors confirmed that they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the three year review period. Further details of this review are detailed on page 31.

The operations of the Group are highly reliant on the Group's IT systems. The Committee receives regular updates 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 IT systems.

The Committee also received reports and presentations from senior management on other significant activities of the Group, including Directory Marketing, Social Media and E-commerce, Regulatory compliance and developments, Property, Corporate Responsibility, Suppliers and Code of Practice (ethical and responsible sourcing). The Group's internal controls in areas such as Finance, IT, and Product are regularly reviewed by the Committee. Frequent updates are received on Health and Safety, Risk Management, Business Continuity, Whistleblowing and Corporate Governance.

External auditors

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. The Committee assessed the effectiveness of the audit through the review of audit plans, reports and conclusions and through discussions with management (both with and without external auditors present) and the external auditor (both with and without management present). 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. Ernst & Young LLP (EY), or its predecessor firms, have been the Group's auditor for over 20 years and there has been regular partner rotation, most recently in 2012. In addition, the Chairman of the Audit Committee regularly meets with the Audit Partner outside formal meetings. The Committee is satisfied that EY continue to possess the skills and experience required to fulfil its duties effectively and efficiently. Following changes to the UK Corporate Governance Code and EU Regulation which require auditor tendering and rotation, in last year's Audit Committee Report we reported that a tendering process would be undertaken to coincide with the rotation of the current audit partner in 2017/18. In line with this timetable, a tendering process will be undertaken this year and we expect to announce the outcome later in 2016.

In next year's Audit Committee Report we will report further on this and the proposed incoming auditor will be put forward for shareholder approval at the 2017 AGM. The Committee remains satisfied with the effectiveness and efficiency of EY but has decided not to invite EY to tender because, by law, EY would be required to rotate off in 2020 and a second tender process only 3 years later would not be efficient. NEXT confirms that it was in compliance with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 during the financial year ended 30 January 2016.

Audit Committee Report

EY has reported to the Committee that, in its professional judgement, it is 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 reviewed its Terms of Reference and composition in January 2016 and believes that they are appropriate. A copy of the latest Terms of Reference are available on our Company's website (www.nextplc.co.uk).

Steve Barber
Chairman of the Audit Committee
24 March 2016

Remuneration Report

This report sets out the remuneration of NEXT's directors for the year to January 2016 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 Regulations"), UK Listing Rules and UK Corporate Governance Code.

Part 1: Annual Statement from the Remuneration Committee Chairman

Overview

On behalf of the Board, I am pleased to present our Remuneration Report for 2015/16, my first as the Chairman of the Remuneration Committee.

Despite challenging trading conditions during the past year, NEXT has achieved profit before tax of £821.3m and Earnings Per Share (EPS) of 442.5p (both measured on a 52 week basis), representing underlying annual growth of 5.0% and 5.4% respectively. Over the past 3 years underlying EPS has grown by a compound annual average of 14% and underlying profit before tax by 10%, ordinary dividends have grown by a compound annual average of 15% and a further £564m was paid as special dividends.

The Committee considers that the remuneration arrangements promote the long term success of the Company within an appropriate risk framework and are suitably aligned to enhancing shareholder value and the Company's objective of delivery of long term sustainable growth in total shareholder returns (TSR). Moreover, we believe our rigorous approach to target setting and linking pay to performance means that the actual remuneration earned by the executive directors continues to be a good reflection of their and NEXT's overall performance. Thus the challenging trading conditions encountered during the year and the reduction in the rate of growth of profit before tax and in EPS in 2015/16 as compared with the previous year are reflected in an annual bonus which is significantly less than that earned in 2014/15 (2015/16 bonus: 45% for the executive directors and 67% for Lord Wolfson, 2014/15 bonus: 100% for the executive directors and 150% for Lord Wolfson). As detailed below, LTIP vesting rates have also decreased as compared with the previous year.

Matters addressed during the year

The Committee has addressed the following matters this year:

Remuneration policy and link to strategy

We received strong support for our remuneration policy at our 2014 AGM, with 98% of shareholders voting in favour. The Committee reviewed the current remuneration policy during 2015/16 to ensure that shareholders' and executives' longer-term interests continue to be aligned through arrangements which are appropriate for our business and in line with good market practice. It concluded that the policy remains appropriate, that it is aligned with the Company's strategy set out on page 24 and with shareholders' interests in general. Therefore the Committee is not proposing changes to the current remuneration policy and there will be no policy vote at this year's AGM. For ease of reference an extract from the approved policy has been included at the back of this report on pages 74 to 81.

The work of the Committee this year has focused on implementing remuneration under the approved remuneration policy and our approach 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.

Base salaries

Base salaries for executive directors, with the exception of Amanda James, were increased in February 2016 by 2%, in line with the wider company award.

In April 2015, Amanda James was promoted to the Board as Group Finance Director following the retirement of David Keens. Amanda did not receive a salary increase at that time and her salary during 2015/16 was 40% lower than that of the outgoing director and similarly below the market median. The Committee firmly believes that salary increases should be timed to reflect performance and contribution at Board level rather than simply promotion. This prudent approach of delaying an increase is in the interests of shareholders (saving money on salary as well as bonus and LTIP grants which are correspondingly less) and is consistent with both the approach taken with other internal promotions to the Board and with the approved remuneration policy. Amanda

Remuneration Report

has developed strongly during the year and the Committee agreed that from February 2016 Amanda's base salary should increase from £303k to £360k, an increase of 19%. While the Committee does not place significant emphasis on benchmark data, it is worth noting that the revised base salary of £360k remains some 32% below the median of other Finance Directors across the FTSE100 and may continue to progress to a market level as Amanda grows in experience in the role.

On his retirement, David Keens was treated as a good leaver and was allowed to retain some of his unvested share awards on a time apportioned basis, in line with the approved remuneration policy and scheme rules as explained further in the main report.

Store wage review and Lord Wolfson's 2015/16 performance related pay

You will notice from various notes to the statutory tables that Lord Wolfson's September 2012–2015 LTIP award vested later than those held by his colleagues. In April 2015, the Company committed to increasing Retail store standard entry-level wages by at least 5% in the annual October wage review in October 2015. It was anticipated that any additional financial impact of this increase over the original budgeted amount of a 2% wage increase (included in the 2015/16 full year budget which was approved by the Board in January 2015) would be funded through any sales improvements and/or productivity improvements over and above those included in the budget. However, as a demonstration of his personal commitment to delivering the increase, Lord Wolfson offered to surrender some or all of his performance-related pay for the performance periods ending during the financial year 2015/16 or shortly thereafter, if necessary to help fund any shortfall should the requisite sales and/or productivity improvements not materialise.

To facilitate this offer from Lord Wolfson, the terms of his September 2012 LTIP award were amended to defer vesting until the end of the year when a decision had been made as to whether such a contribution by him was necessary. In January 2016, the Committee reviewed the relevant financial information and concluded that there was no funding shortfall. Therefore, the Committee reconsidered the economic underpin performance condition at the year end and reaffirmed that Lord Wolfson's September 2012 LTIP award should vest on its original terms (albeit some months later). The quantum and value of this LTIP was the same as if it had vested at the same time as the September 2012 LTIP awards held by other LTIP participants.

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 the 2014 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.

The challenging trading conditions experienced in the year meant that the growth in pre-tax EPS, as adjusted for special dividends, was significantly lower than last year and a bonus of 45% of salary is payable to the executive directors (67% to Lord Wolfson), compared to 100% for 2014/15 (150% for Lord Wolfson). Details of the targets set for 2015/16 are on page 58.

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

As disclosed in the 2014 Remuneration Report, the Committee simplified the overall structure of longer term incentives for executive directors such that they are now granted only LTIP awards and no longer receive SMP awards. In addition, from 2014 onwards, awards granted to executives 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. We believe that a single award is appropriate and in line with our philosophy of transparency and clarity.

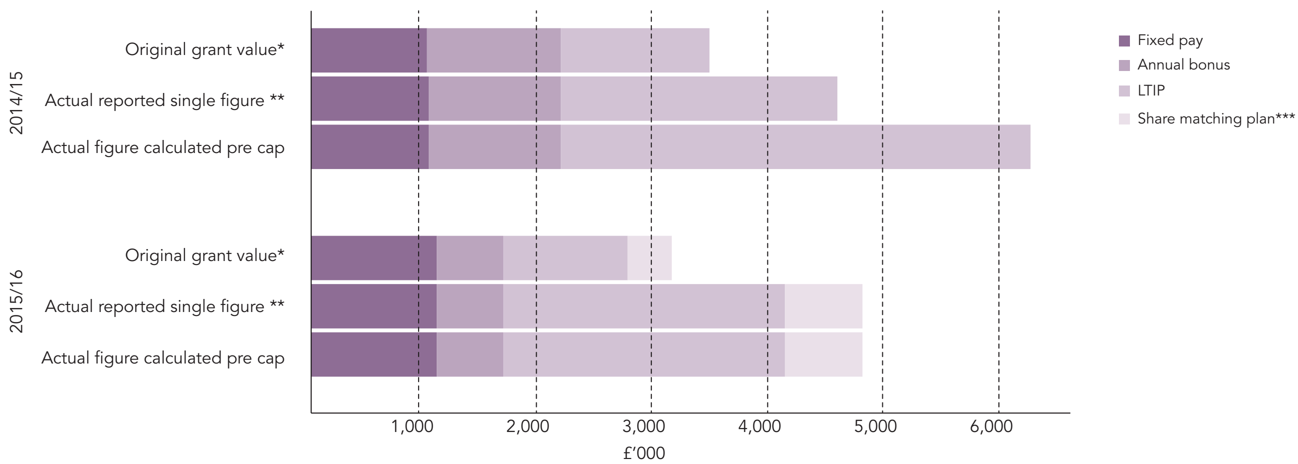
LTIP awards are granted twice a year (each at 100% of base salary for executive directors) and, during the year, the Committee approved two grants and two awards matured. Over the performance periods for the maturing awards, i.e. August 2012 to January 2016, NEXT's share price rose from £34.27 to £69.25 and its market capitalisation grew from £5.6bn to £10.4bn. £1.2bn was paid to shareholders in ordinary and special dividends and a further £712.4m was returned to shareholders through share buybacks. The LTIP for the three year performance period to July 2015 vested 76% (July 2014 LTIP: vested 100%) as NEXT's TSR ranked sixth out of 21 companies in the comparator group, and the LTIP for the three year performance period to January 2016 vested 77% (January 2015 LTIP: vested 100%) as NEXT's TSR also ranked sixth. Over these respective performance periods, NEXT delivered a positive TSR for shareholders of 173% and 128%. Details of the comparator group are set out on pages 66 and 67.

As disclosed in 2014, since executive directors are no longer granted SMP awards, 2015/16 is the last year the Committee's £2.5m cap on the maximum value of LTIPs vesting for any participant in any one year will be applied. However, the estimated value of LTIPs for any participant in 2015/16 is below £2.5m, so the cap will not come into force this year. Lord Wolfson's LTIP payments were reduced by £1,550k for 2014/15 after application of the cap.

While the operation of the cap, to some extent, limits the link between pay and performance, it should be noted that the cap was unique to NEXT and was in place to limit rewards and save shareholders' funds. Without the cap, total pay of Lord Wolfson would have been £6,210k in 2014/15 and is £4,764k in 2015/16 (a fall of 23%); illustrated through the following graph. Note that Lord Wolfson's 2015/16 single figure of remuneration includes the estimated value of his 2013 SMP. Lord Wolfson did not participate in the 2012 SMP so no equivalent amount is included in his 2014/15 single figure of remuneration.

Lord Wolfson (Chief Executive)

	2014/15	2015/16	Change
Original grant value* £'000	£3,572	£3,135	-12%
Actual reported single figure ** £'000	£4,660	£4,764	2%
Actual figure calculated pre cap £'000	£6,210	£4,764	-23%



* Original grant value represents the value of the vesting shares as at the date of grant.
** Actual reported single figure takes into account the £2.5m cap on LTIP vesting (where applicable).
*** Lord Wolfson did not participate in the 2012 SMP which vested during 2014/15.

Remuneration Report

SMP

While the Committee decided in 2014 that executive directors should no longer participate in the SMP, legacy awards will run their course. The 2013 SMP met its performance condition and will vest in full in April 2016, subject to the continued employment of participants. The SMP remains open to a small number of senior executives below Board level.

Overall remuneration

The estimated value of the LTIP and SMP awards included in the Single Total Figure of Remuneration table on page 60 is substantial; there was no change in the basis of grant so this is largely due to the 102% rise in NEXT's share price over the performance periods. The impact of this share price appreciation has been to increase total remuneration by 52% for Lord Wolfson and 38% for the other executive directors.

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 EPS 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 unrelated 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 (or adjustments for special dividends) should be included in performance measurement as share buybacks, and more recently special dividends, have been one of NEXT's primary strategies in returning value to shareholders. Share buybacks or special dividends are regularly considered by the Board. Share buybacks 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. Incorporating an appropriate adjustment to reflect the benefit to shareholders from special dividends paid in the period 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. Unusually, the LTIP does not increase awards to reflect payment of regular dividends.

Wider employee considerations

The Committee is kept informed of remuneration arrangements across the Company, including performance related pay which ensures that all employees benefit from the success of NEXT. There are bonus structures throughout the Company, including Head Office, stores, call centres and warehouses.

Furthermore, employee share ownership is encouraged. Our employees benefitted following the maturity of Sharesave awards during the year, with over 3,800 employees sharing gains averaging over £7,000 each. Participation in Sharesave is open to all employees and continues to grow; this year a record number of employees joined our scheme. Options over NEXT shares are also granted each year to middle management and senior store staff under the terms of the NEXT Management Share Option Plan.

Shareholder engagement

The Committee welcomes the views of shareholders on remuneration on an ongoing basis. Soon after my appointment as Committee Chairman, we wrote to representatives of our significant shareholders and various investment bodies with an invitation to meet with me to discuss our remuneration arrangements. In addition, they were invited to make contact with me directly at any time in the future should they wish to do so.

The formal policy was approved at the 2014 AGM and under the Regulations needs to be resubmitted to shareholders at the 2017 AGM. During the course of 2016, we shall consider what, if any, changes are appropriate and consult with our largest shareholders and their representative bodies in accordance with good practice prior to submitting the new policy for approval at next year's AGM.

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 by shareholders at the May 2014 AGM and accordingly this year there is only an advisory vote on the implementation of the policy.

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 to you.

Caroline Goodall

Caroline Goodall
Chairman of the Remuneration Committee
24 March 2016

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 in 2015/16

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 2015/16 and any significant changes in the way the policy will be implemented in 2016/17.

<table>
<tr><th>Element of remuneration</th><th>Policy implemented during 2015/16 and changes in 2016/17</th></tr>
<tr><td>Salary</td><td>Base salaries of Lord Wolfson, Michael Law and Jane Shields increased by 2% in February 2016, in line with the wider company award. For details about Amanda James' base salary increase, please refer to page 53. The Base salaries for the executive directors from February 2016 are:

<table>
<tr><th></th><th>£000</th></tr>
<tr><td>Lord Wolfson</td><td>766</td></tr>
<tr><td>Amanda James</td><td>360</td></tr>
<tr><td>Michael Law</td><td>412</td></tr>
<tr><td>Jane Shields</td><td>412</td></tr>
</table></td></tr>
<tr><td>Annual bonus</td><td>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 2016, 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 554p). 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 607p). These targets were on a 52 week basis to avoid distortion from the 53rd week in the financial year ended 30 January 2016.

Pre-tax EPS growth achieved in the year, adjusted for special dividends, was 8.1%. In accordance with the bonus formula, a bonus of 45% of the maximum was earned. Had no adjustments for special dividends been made, pre-tax EPS growth would have been 5.2%.

To the extent that the Chief Executive's bonus exceeds 100% of salary, any excess 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.

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.</td></tr>
<tr><td>LTIP</td><td>No change. See Single Total Figure of Remuneration table, note 5 for details of LTIP vestings in the year.</td></tr>
</table>

Element of remuneration	Policy implemented during 2015/16 and changes in 2016/17
Claw-back & holding periods	No change. 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. The Committee reconsidered these matters during the year and concluded that these provisions remain appropriate.
SMP	No change and, with effect from 2014, executive directors are no longer eligible to receive new grants.
Chairman and non-executive director fees	The fees of the Chairman and non-executive directors were increased by 2% in February 2016, in line with the wider company award. The Chairman will be paid an annual fee of £267,955 (2015/16: £262,701). The basic non-executive director fee is £55,168 (2015/16: £54,086), with a further £11,033 (2015/16: £10,817) paid to the Chairman of the Audit and Remuneration Committees respectively, 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 information)

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]		Sharesave		Subtotal		Total remuneration	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Chairman																						
John Barton	263	260	-	-	-	-	-	-	263	260	-	-	-	-	-	-	-	-	-	-	263	260
Executive directors																						
Lord Wolfson	751	743	77	50	184	140	113	112	1,125	1,045	503	1,115	2,456	2,500	680	-	-	-	3,639	3,615	4,764	4,660
Amanda James*	253	n/a	22	n/a	13	n/a	-	n/a	288	n/a	136	n/a	350	n/a	120	n/a	-	n/a	606	n/a	894	n/a
David Keens ‡	84	496	3	22	-	-	13	74	100	592	-	496	600	2,028	-	485	-	-	600	3,009	700	3,601
Michael Law	404	353	23	23	-	-	61	53	488	429	182	353	567	882	182	207	-	2	931	1,444	1,419	1,873
Jane Shields	404	353	32	29	-	-	61	53	497	435	182	353	567	882	182	204	-	1	931	1,440	1,428	1,875
Non-executive directors																						
Steve Barber	65	64	-	-	-	-	-	-	65	64	-	-	-	-	-	-	-	-	-	-	65	64
Jonathan Dawson †	22	75	-	-	-	-	-	-	22	75	-	-	-	-	-	-	-	-	-	-	22	75
Caroline Goodall •	62	54	-	-	-	-	-	-	62	54	-	-	-	-	-	-	-	-	-	-	62	54
Francis Salway •	62	54	-	-	-	-	-	-	62	54	-	-	-	-	-	-	-	-	-	-	62	54
Dame Dianne Thompson	54	4	-	-	-	-	-	-	54	4	-	-	-	-	-	-	-	-	-	-	54	4
	2,424	2,456	157	124	197	140	248	292	3,026	3,012	1,003	2,317	4,540	6,292	1,164	896	-	3	6,707	9,508	9,733	12,520

* Amanda James joined the Board on 1 April 2015. Values disclosed for salary, benefits and pension relate only to the period of her executive directorship. Performance-related remuneration includes pay relating to the period before she became an executive director but paid after her appointment. Executive director bonus (45%) was applied to Amanda's full year salary as Amanda had started her transition to the role of Group Finance Director prior to the date she joined the Board.

‡ David Keens stepped down from the Board on 1 April 2015 and retired from the business in May 2015. The table shows his remuneration only for the period he remained on the Board.

† Jonathan Dawson stepped down from the Board in May 2015. No compensation for loss of office was paid to him.

• Caroline Goodall became Remuneration Committee Chairman and Francis Salway became Senior Independent Director in May 2015.

Total emoluments paid to directors (salary/fees, benefits, salary supplements and annual bonus) for the year to January 2016 were £3,832,000 (2015: £5,440,000).

Note 1: Benefits

	Car/chauffeur charges/cash allowance		Fuel		Medical insurance & NEXT clothing allowance		Total	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Lord Wolfson	66	40	8	7	3	3	77	50
Amanda James	15	n/a	5	n/a	2	n/a	22	n/a
David Keens	3	20	–	–	–	2	3	22
Michael Law	20	20	–	–	3	3	23	23
Jane Shields	23	19	7	7	2	3	32	29

Note 2: Pension

Defined Benefit (DB) pension values are calculated using the method required by remuneration regulations, i.e. the total pension accrued at January 2016 less the total pension accrued at the end of the previous year, adjusted for inflation and multiplied by a factor of 20, less the director's own contribution. 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 DB pension purposes at October 2012, but directors may continue to accrue pensionable service.

In summary, the pension entitlements of the directors who were members of the DB section of the 2013 NEXT Group Pension Plan during the year are as follows:

	Age at January 2016	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	48	21	355	15	11
David Keens	62	25	189	–	–
Michael Law	54	25	124	–	–
Jane Shields	52	19	119	–	–

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.

Amanda James is a member of the Defined Contribution section of the 2013 NEXT Group Pension Plan and the Company makes a contribution equal to 5% of her salary into her pension plan.

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 DB section of the NEXT Group Pension Plan. David Keens and Jane Shields received this supplement from 2011, Michael Law and Lord Wolfson from 2012.

Note 4: Annual bonus

Details of the performance targets for the annual bonus are set out on page 58. For the year to January 2016, in accordance with the bonus formula, a bonus of 45% of the maximum was awarded to each executive director, representing 67% of salary for the Chief Executive and 45% of salary for the other executive directors.

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 77. For the three year period to July 2015, NEXT's TSR ranked number 6 in the comparator group of 21 and 76% of the grant made in the second half of 2012 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 16.5% and 10.7% respectively, significantly ahead of RPI (2.2%). Ordinary dividends also increased broadly in line with EPS and some £1bn was returned to shareholders through share buybacks and special dividends. The Company's performance also compared favourably against its principal retail competitors and FTSE100 companies. The Committee confirmed that the economic underpin performance condition had been satisfied and, as a consequence, 76% of the award vested. As explained in the Chairman's statement, the vesting of Lord Wolfson's LTIP was delayed until January 2016. The quantum and value of this LTIP was the same as it would have been had it vested on the same date as for other LTIP participants with second half 2012 LTIP awards.

For the three year period to January 2016, NEXT's TSR also ranked number 6 in a comparator group of 21 which gives an expected vesting of 77% of the award made in January 2013. In March 2016 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 underlying EPS and pre-tax profit was 14.1% and 9.7% respectively, significantly ahead of RPI (1.7%). Ordinary dividends continued to increase in line with EPS and £1,148m 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 FTSE100 companies. The Committee confirmed that the economic underpin performance condition had been satisfied and, as a consequence, 77% of the award vested.

LTIP values included in the 2015/16 single figure table comprise the actual value of awards that have vested for the performance period ending July 2015 plus the **estimated** value of awards that will vest for the performance period ending January 2016 based on the average NEXT share price over the final three months of the financial year of £73.92. For the 2014/15 figures, numbers have been calculated and updated to reflect the actual market values of the LTIP awards that vested in respect of performance periods ending in that financial year (as set out in the table on pages 64 and 65).

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 2015 (or shortly thereafter) for Lord Wolfson and his payment was reduced by £1,550k. For the awards vesting in, or shortly after, the year to January 2016, the estimated value of Lord Wolfson's LTIP awards is £2,456k and will therefore not be subject to the cap. In line with the decision made by the Committee during 2014/15, the cap has now been removed so will not apply to any LTIPs vesting in 2016/17 or in any future financial years.

Note 6: SMP

Whilst executive directors will not receive further grants, legacy awards will run their course, including those that were granted to executive directors before they were promoted to the Board. The performance targets are set out on page 67.

Estimated values for the 2013 award assume maximum vesting in April 2016 and are based on the average NEXT share price over the three months to January 2016 of £73.92. Strong growth in EPS means the maximum performance target for this SMP has been exceeded and therefore it will vest in full in April 2016, subject to the continued employment of participants. The estimated total pre-tax value for executive directors is £1,164k, of which £474k (41%) derives from the growth in NEXT's share price since investment in 2013.

The SMP values for 2014/15 are calculated based on actual market values at the date of vesting (as set out in the table on pages 64 and 65). Lord Wolfson did not participate in the 2012 SMP.

Remuneration Report

Executive directors' external appointments

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

Pension entitlements (audited information)

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 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 of the NEXT Plan 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 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 should death in service occur. 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 NEXT 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 2016 was £46.0m; 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 to the 2013 Plan. 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).

Directors' shareholding and share interests (audited information)

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, however, each of the Chief Executive and the executive directors shareholdings as at end January 2016 exceeded three times their respective salaries. Directors' interests in shares (including those of their connected persons) at the beginning and end of the financial year were as follows:

	Ordinary shares		Deferred bonus shares[1]		LTIP[2]		SMP[2]		Sharesave[3]	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Lord Wolfson	**1,515,136**	1,515,136	**10,932**	13,694	**81,189**	109,856	**9,204**	9,204	**364**	364
Steve Barber	**5,000**	5,000	**–**	–	**–**	–	**–**	–	**–**	–
John Barton	**14,000**	14,000	**–**	–	**–**	–	**–**	–	**–**	–
Jonathan Dawson[4]	**5,000**	5,000	**–**	–	**–**	–	**–**	–	**–**	–
Caroline Goodall	**nil**	nil	**–**	–	**–**	–	**–**	–	**–**	–
Amanda James[5]	**14,192**	n/a	**–**	n/a	**18,758**	n/a	**3,036**	n/a	**462**	n/a
David Keens[6]	**206,085**	234,488	**–**	–	**11,371**	59,111	**4,731**	13,618	**–**	230
Michael Law	**24,233**	19,183	**–**	–	**32,739**	32,139	**2,468**	5,330	**163**	163
Francis Salway	**7,790**	7,790	**–**	–	**–**	–	**–**	–	**–**	–
Jane Shields	**53,481**	46,852	**–**	–	**32,739**	32,139	**2,466**	5,286	**348**	348
Dame Thompson	**nil**	nil	**–**	–	**–**	–	**–**	–	**–**	–

1. Full details of the basis of allocation and terms of the deferred bonus are set out on pages 74 and 75.
2. The LTIP and SMP amounts above are the maximum potential awards that may vest subject to performance conditions described on pages 66, 67 and 77.
3. Executive directors can participate in the Company's Sharesave scheme (see details on page 78) and the amounts above are the options which will become exercisable at maturity.
4. Jonathan Dawson stepped down from the Board in May 2015.
5. Amanda James was appointed to the Board in April 2015.
6. David Keens stepped down from the Board in April 2015. See page 68 for details of payments made to David since leaving NEXT.

There have been no other changes to directors' interests in the shares of the Company from the end of the financial year to 23 March 2016. 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.

Remuneration Report

The table below shows share awards held by directors and movements during the year:

	Date of award	Maximum receivable at start of financial year (or at date of appointment)	Awarded during the year	Shares vested in the year	Options lapsed	Maximum receivable at end of financial year	Market price at award date £	Option price £	Market price on date of vesting/ exercise £	Vesting date/ Exercisable dates[1]
Lord Wolfson										
Deferred bonus shares	Apr 2013	7,942	–	7,942	–	–	44.08	n/a	72.28	May 2015
	Apr 2014	5,752	–	–	–	5,752	63.35	n/a	–	Apr 2016
	Apr 2015	–	5,180	–	–	5,180	71.75	n/a	–	Apr 2017
		13,694				**10,932**				
LTIP	Mar 2012	26,861	–	5,386[2]	21,475[2]	–	26.60	Nil	72.20	Jan 2015
	Sept 2012	23,175	–	17,613[3]	5,562[3]	–	30.83	Nil	76.45[6]	Jan 2016
	Mar 2013	19,492[3]	–	–	–	19,492	37.39	Nil	–	Jan 2016
	Sept 2013	15,720	–	–	–	15,720	46.36	Nil	–	Jul 2016
	Mar 2014	13,187	–	–	–	13,187	56.37	Nil	–	Jan 2017
	Sept 2014	11,421	–	–	–	11,421	65.09	Nil	–	Jul 2017
	Mar 2015	–	11,263	–	–	11,263	66.66[4]	Nil	–	Jan 2018
	Sept 2015	–	10,106	–	–	10,106	74.29[4]	Nil	–	Jul 2018
		109,856				**81,189**				
SMP	Apr 2013	**9,204**	–	–	–	**9,204**	43.81	Nil	–	Apr 2016–Apr 2023
Sharesave	Oct 2013	**364**	–	–	–	**364**	–	41.12	–	Dec 2018–Jun 2019
Amanda James										
LTIP	Sept 2012	3,308[3]	–	2,514[3]	794[3]	–	30.83	Nil	76.45	Jul 2015
	Mar 2013	2,783[3]	–	–	–	2,783	37.39	Nil	–	Jan 2016
	Sept 2013	2,244	–	–	–	2,244	46.36	Nil	–	Jul 2016
	Mar 2014	2,342	–	–	–	2,342	56.37	Nil	–	Jan 2017
	Sept 2014	2,765	–	–	–	2,765	65.09	Nil	–	Jul 2017
	Mar 2015	4,545	–	–	–	4,545	66.66[4]	Nil	–	Jan 2018
	Sept 2015	–	4,079	–	–	4,079	74.29[4]	Nil	–	Jul 2018
		17,987				**18,758**				
SMP	Apr 2012	1,470	–	1,470	–	–	30.32	Nil	75.30	Apr 2015–Apr 2022
	Apr 2013	1,618	–	–	–	1,618	43.81	Nil	–	Apr 2016–Apr 2023
	May 2014	1,418	–	–	–	1,418	66.50	Nil	–	May 2017–May 2024
		4,506				**3,036**				
Sharesave	Oct 2011	198	–	–	–	198	–	20.84	–	Dec 2016–Jun 2017
	Oct 2013	264	–	–	–	264	–	41.12	–	Dec 2018–Jun 2019
		462				**462**				
David Keens[5]										
LTIP	Mar 2012	13,449	–	13,449	–	–	26.60	Nil	72.20	Jan 2015
	Sept 2012	11,604	–	7,844[3]	3,760[3]	–	30.83	Nil	76.45	Jul 2015
	Mar 2013	9,759[3]	–	–	2,769	6,990	37.39	Nil	–	Jan 2016
	Sept 2013	7,871	–	–	3,490	4,381	46.36	Nil	–	Jul 2016
	Mar 2014	8,804	–	–	8,804	–	56.37	Nil	–	Jan 2017
	Sept 2014	7,624	–	–	7,624	–	65.09	Nil	–	Jul 2017
		59,111				**11,371**				
SMP	Apr 2012	6,714	–	6,714	–	–	30.32	Nil	72.20	Apr 2015–Apr 2022
	Apr 2013	6,904	–	–	2,173	4,731	43.81	Nil	–	Apr 2016–Apr 2023
		13,618				**4,731**				
Sharesave	Oct 2013	230	–	92	138	**–**	–	41.12	77.65	Nov 2015

	Date of award	Maximum receivable at start of financial year (or at date of appointment)	Awarded during the year	Shares vested in the year	Options lapsed	Maximum receivable at end of financial year	Market price at award date £	Option price £	Market price on date of vesting/ exercise £	Vesting date/ Exercisable dates[1]
Michael Law										
LTIP	Mar 2012	5,851	–	5,851	–	–	26.60	Nil	72.20	Jan 2015
	Sept 2012	5,048	–	3,836[3]	1,212[3]	–	30.83	Nil	76.45	Jul 2015
	Mar 2013	4,814[3]	–	–	–	4,814	37.39	Nil	–	Jan 2016
	Sept 2013	4,853	–	–	–	4,853	46.36	Nil	–	Jul 2016
	Mar 2014	5,428	–	–	–	5,428	56.37	Nil	–	Jan 2017
	Sept 2014	6,145	–	–	–	6,145	65.09	Nil	–	Jul 2017
	Mar 2015	–	6,061	–	–	6,061	66.66[4]	Nil	–	Jan 2018
	Sept 2015	–	5,438	–	–	5,438	74.29[4]	Nil	–	Jul 2018
		32,139				**32,739**				
SMP	Apr 2012	2,862	–	2,862	–	–	30.32	Nil	72.20	Apr 2015–Apr 2022
	Apr 2013	2,468	–	–	–	2,468	43.81	Nil	–	Apr 2016–Apr 2023
		5,330				**2,468**				
Sharesave	Oct 2014	163	–	–	–	163	–	54.92	–	Dec 2017–Jun 2018
Jane Shields										
LTIP	Mar 2012	5,851	–	5,851	–	–	26.60	Nil	72.20	Jan 2015
	Sept 2012	5,048	–	3,836[3]	1,212[3]	–	30.83	Nil	76.45	Jul 2015
	Mar 2013	4,814[3]	–	–	–	4,814	37.39	Nil	–	Jan 2016
	Sept 2013	4,853	–	–	–	4,853	46.36	Nil	–	Jul 2016
	Mar 2014	5,428	–	–	–	5,428	56.37	Nil	–	Jan 2017
	Sept 2014	6,145	–	–	–	6,145	65.09	Nil	–	Jul 2017
	Mar 2015	–	6,061	–	–	6,061	66.66[4]	Nil	–	Jan 2018
	Sept 2015	–	5,438	–	–	5,438	74.29[4]	Nil	–	Jul 2018
		32,139				**32,739**				
SMP	Apr 2012	2,820	–	2,820	–	–	30.32	Nil	72.20	Apr 2015–Apr 2022
	Apr 2013	2,466	–	–	–	2,466	43.81	Nil	–	Apr 2016–Apr 2023
		5,286				**2,466**				
Sharesave	Oct 2013	299	–	–	–	299	–	41.12	–	Dec 2018–Jun 2019
	Oct 2014	49	–	–	–	49	–	54.92	–	Dec 2019–Jun 2020
		348				**348**				

1. 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 Conditions have been satisfied, or shortly thereafter.
2. 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 2015 for Lord Wolfson. The impact of this cap was to reduce the shares vested by 21,475.
3. See page 61 for details of the performance conditions and vesting levels applicable to the LTIP schemes with performance periods ending in the year.
4. The LTIP price at award date is NEXT's average share price over the three months prior to the start of the performance period.
5. David Keens was a 'good leaver' under the terms of the LTIP, SMP and Sharesave scheme rules and his entitlement to awards under these schemes has been reduced, time pro-rated proportionately to his actual period of service.
6. The vesting of Lord Wolfson's September 2012-2015 LTIP was delayed until January 2016, pending the outcome of the Committee's decision regarding the funding of an increase to store staff entry level wages (see page 54 for further details). The quantum and value of this LTIP was the same as it would have been had it vested on the same date as used for other LTIP participants with second half 2012 LTIP awards.
7. Within the above table, all awards are subject to performance conditions except for Sharesave options and Deferred Bonus Shares. From 2014 onwards, LTIP 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.

Remuneration Report

The aggregate gains of directors arising from the exercise of options granted under the SMP, Sharesave and LTIP that vested in the year totalled £5,939,000 (2015: £16,326,000).

Scheme interests awarded during the financial year ended January 2016 (audited information)

LTIP

Face value	In respect of the LTIP awards granted during the year 2015/16, 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 2015 £000	Sep 2015 £000	Total £000
Lord Wolfson	751	751	1,502
Amanda James	303	303	606
Michael Law	404	404	808
Jane Shields	404	404	808

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 2015 grant: three years to January 2018. September 2015 grant: three years to July 2018.
Performance measures	The LTIP performance measures are detailed on page 77. The companies in the TSR comparator group for awards granted during the financial year are:

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

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 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. The 2015/16 annual bonus for Lord Wolfson was 67%, so none is payable in shares.

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)		
Three year performance periods commencing	Lord Wolfson	Amanda James	Jane Shields & Michael Law
August 2013	100%	60%	75%
February 2014 and August 2014	100%	60%	100%
February 2015 and August 2015	100%	100%	100%

The comparator group for the LTIP three year performance periods commencing February 2015 and August 2015 are shown on the previous page. Following the merger of Carphone Warehouse and Dixons Retail in August 2014, Poundland Group was added to the comparator group for the performance period commencing in August 2014. For the LTIP grants prior to that time, 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.

For preceding performance periods, when compared to the comparator group above, the additional changes are:

1. for the periods commencing August 2014, February 2014 and August 2013 – no change;
2. for the periods commencing February 2013, August 2012 and February 2012 – Kesa added and JD Sports removed.

SMP (legacy only)

Vesting of awards is dependent solely on achieving the underlying fully diluted post-tax EPS targets detailed below. Under the formulae, a notional adjustment is made to actual EPS achieved 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.

	Required underlying fully diluted EPS (pence)			
Date of grant	**For 0.5:1 match**	**For 1:1 match**	**For 2:1 match**	**2015/16 actual**
April 2013	314.5	331.3	365.0	426.7

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 May 2014 and April 2015 SMPs (which were not granted to executive directors although those executives who subsequently joined the Board retain awards granted prior to their joining the Board). Details of the calculation of fully diluted EPS are provided in Note 9 to the financial statements.

Remuneration Report

Payments to past directors (audited information)

David Keens stepped down from the Board on 1 April 2015 and retired from the business in May 2015. He received no compensation payments in lieu of notice or otherwise. During the financial year 2015/16 he was paid £600k in relation to an LTIP award which vested after he retired. As a 'good leaver', his entitlement was time pro-rated proportionately to his actual period of service. In April 2015, after stepping down from the Board, he exercised his award under the 2012 SMP and he received shares valued at £485k at that date. In November 2015 he exercised 92 options granted at £41.12 under the Sharesave scheme; the market price per share at that time was £77.65. He will continue to participate in the March and September 2013 LTIP and 2013 SMP awards on a similar basis.

Andrew Varley stepped down from the Board in May 2013 and continued his role as Group Property Director until he retired in May 2014. Again, he received no compensation payments in lieu of notice or otherwise. During the financial year 2015/16 he was paid £789k in relation to two LTIP awards which vested. In April 2015 he exercised his award under the 2012 SMP and he received shares valued at £333k at that date. As a 'good leaver', his entitlement to these LTIP and SMP awards was time pro-rated proportionately to his actual period of service. He will continue to participate in the March 2013 LTIP award on a similar basis.

There were no other payments made to past directors.

Payments for loss of office (audited information)

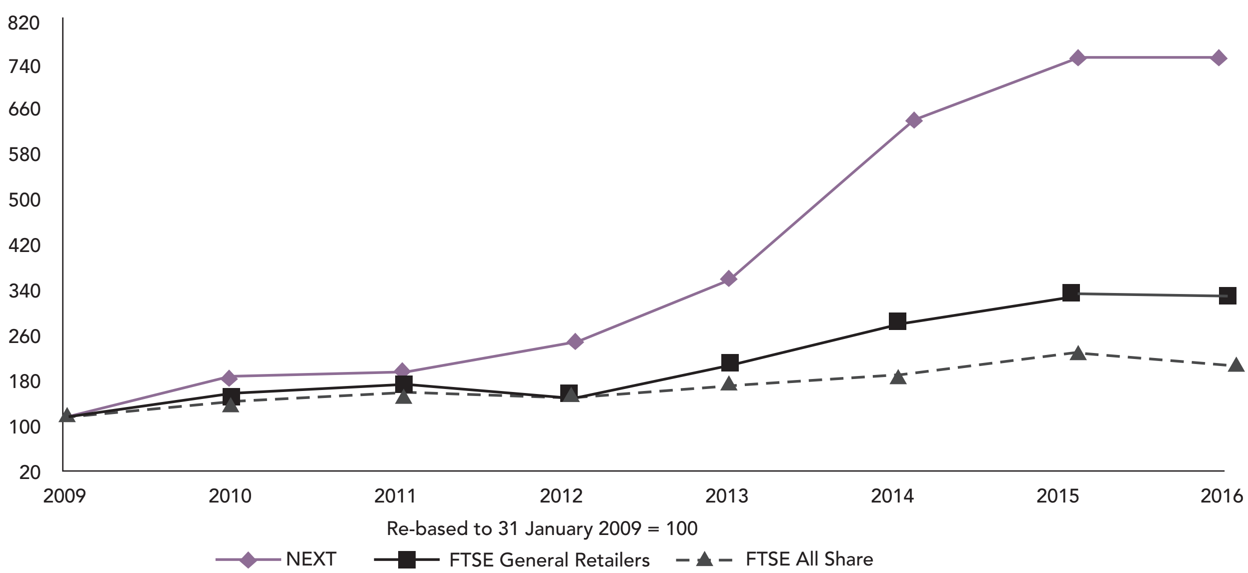
There were no payments made to any director in respect of loss of office.

Performance and CEO remuneration comparison

Performance graph

The graph below illustrates the TSR 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 seven year period ended January 2016.

NEXT plc performance chart 2009-2016 Total Shareholder Return



Analysis of Chief Executive's pay over 7 years

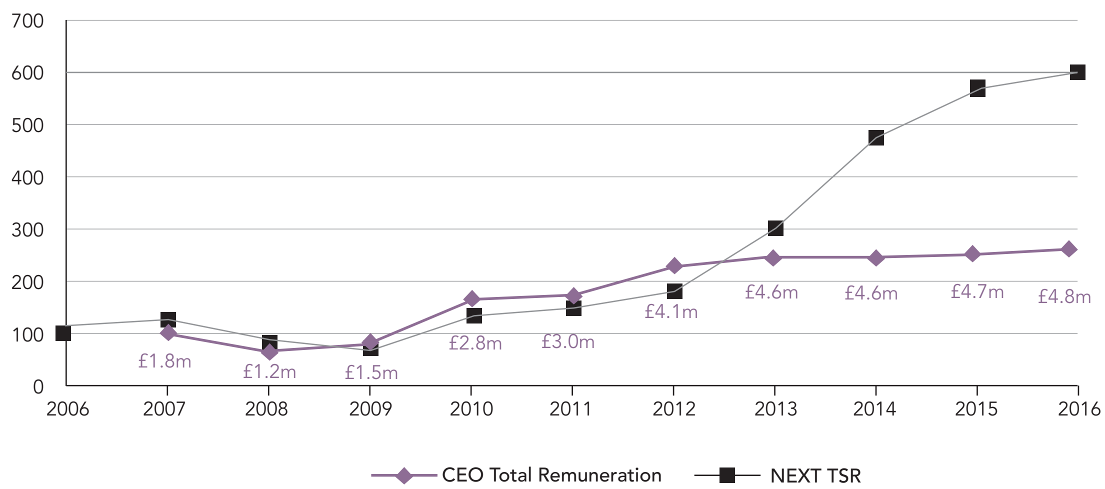
The table below sets out the remuneration for Lord Wolfson who has been the Chief Executive throughout this period.

Financial year to January	2010	2011	2012	2013	2014	2015	2016
Single figure of total remuneration £000	2,833	3,010	4,106	4,630	4,646	4,660	4,764
Annual bonus pay-out against maximum opportunity[1]	100%	100%	72%	99%	100%	100%	45%
LTIP pay-out against maximum opportunity[2]	100%	65%	Two semi-annual awards vested at 100% and 83%, however total value capped at £2.5m	Two semi-annual awards vested at 96% and 98%, however total value capped at £2.5m	Two semi-annual awards vested at 100% each, however total value capped at £2.5m	Two semi-annual awards vested at 100% each, however total value capped at £2.5m	Two semi-annual awards vested at 76% and 77%.
SMP pay-out against maximum opportunity	n/a	n/a	n/a	Entitlement waived[3]	Entitlement waived[3]	Did not participate in 2012–15 SMP	100%

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 SMP awards in these years. 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 NEXT's TSR grew by 320% more than his remuneration.

10 Year NEXT CEO pay and NEXT TSR



Remuneration Report

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 2015/16 and 2014/15 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.

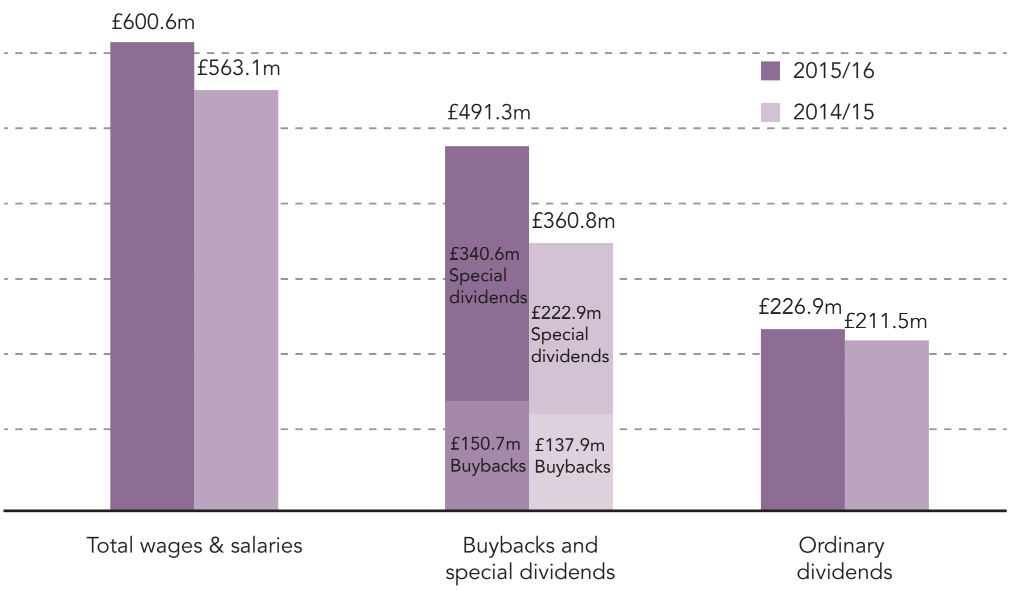
	Salary % change	Annual Bonus % change	Taxable Benefits % change
Lord Wolfson	+1.0%	-54.9%	+53.5%*
UK/Eire Employees (average per FTE)	+2.2%	+7.9%	+6.6%

* Lord Wolfson's Benefits increased by £27k (see Note 1 on page 61).

Relative importance of spend on pay

The graph below illustrates for the years 2015/16 and 2014/15 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).

All employee remuneration compared with other disbursements



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.

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 until May 2015)
Caroline Goodall (Committee member throughout the year and Chairman from May 2015)
Steve Barber
John Barton
Francis Salway
Dame Dianne Thompson

The Committee met eight times during the year under review and all meetings were fully attended.

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, including updates on legislative requirements, best practice, and other matters of a technical nature and related to share plans.

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 LTIP and other technical assistance. Aon Hewitt and FIT are members of the Remuneration Consultants Group, 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 £36k for the services described above, charged at their standard hourly rates.

Remuneration Report

Voting outcomes at general meetings

		Votes for	% for	Votes against	% against	Total votes cast	% of shares on register	Votes withheld
To approve the remuneration policy	2014 AGM	100,456,860	97.9	2,132,633	2.1	102,589,493	66.2	672,096
To approve the 2014/15 remuneration report	2015 AGM	99,473,354	98.2	1,801,516	1.8	101,274,870	66.2	1,858,931
To renew the NEXT Long Term Incentive Plan for a further 10 years	2015 AGM	99,820,341	97.0	3,047,184	3.0	102,867,525	67.3	266,277

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 80 and 81. 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 to the Board	Notice period where given by the Company	Notice period where given by the employee
Chairman			
John Barton	17 May 2006	12 months	6 months
Executive directors			
Lord Wolfson	3 February 1997	12 months	6 months
Amanda James	1 April 2015	12 months	6 months
Michael Law	1 July 2013	12 months	6 months
Jane Shields	1 July 2013	12 months	6 months
Non-executive directors			
Steve Barber	1 June 2007	1 month	1 month
Caroline Goodall	1 January 2013	1 month	1 month
Francis Salway	1 June 2010	1 month	1 month
Dame Dianne Thompson	1 January 2015	1 month	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 in May 2014, and is provided for ease of reference only.

This is an edited version of the policy report and has not been updated or amended in any way. The full remuneration policy is available in the January 2014 Annual Report, pages 41 to 55, which can be accessed on www.nextplc.co.uk.

A shareholder vote on remuneration policy is not required in 2016.

On behalf of the Board

Caroline Goodall
Chairman of the Remuneration Committee
24 March 2016

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 on our website

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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 FTSE100 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 on our website

Maximum potential value

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 measures and targets

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 on our website

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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 FTSE100 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 on our website

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.

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Independent Auditor's Report to the Members of NEXT plc

What we have audited

We have audited the financial statements of NEXT plc for the 53 week period ended 30 January 2016 which comprise:

Group	Parent company
Group Balance Sheet	Company Balance Sheet
Group Income Statement	
Group Statement of Comprehensive Income	Company Statement of Comprehensive Income
Group Statement of Changes in Equity	Company Statement of Changes in Equity
Group Cash Flow Statement	Company Cash Flow Statement
Related notes 1 to 33 to the financial statements	Related notes C1 to C6 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 January 2016 and of the Group's profit for the 53 week period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent 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

- Overall Group materiality of £40m (2015: £40m) which represents approximately 5% (2015: 5%) of underlying profit before tax.
- Any audit differences in excess of £2m (2015: £2m) are reported to the Audit Committee.

Audit Scope

- We performed an audit of the complete financial information of 3 (Jan-15: 2) full scope components and perfomed audit procedures in respect of 3 (Jan-15: 4) specific scope components.
- The full and specific scope components accounted for 99% of underlying profit before tax (the measure used to calculate materiality), 99% of external revenue and 99% of total assets.

Risks of material misstatement

- Under / over provison for Directory debt.
- Determination of the net realisable value of inventory.
- The valuation of derivatives which hedge foreign exchange and interest rate fluctuations.
- Management override with regard to estimates and other provisions for returns and properties.

The scope of an 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 the Parent 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 the audit, and in evaluating the effect of misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures. (ISA 320)

We determined materiality for the Group to be £40m (2015: £40m), which is approximately 5% (2015: 5%) of profit before tax. The basis for materiality is normally underlying profit before tax, but in the current year this is equivalent to profit before tax as there are no exceptional items. The rationale for using underlying profit before tax as our basis for materiality is that it provides a consistent period on period approach, excluding one off gains or losses which can be significant compared to underlying trading performance.

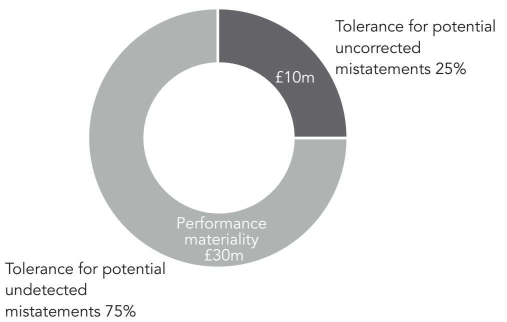
Independent Auditor's Report to the Members of NEXT plc

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. (ISA 320)

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality should be set at 75% (2015: 75%) of materiality, the top end of our range, namely £30m (2015: £30m); although we reduce our testing threshold in areas of significant risk to appropriately reflect our assessment of risk of material misstatement and focus on the key judgements and estimates.

Materiality £40m



Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial. (ISA 450)

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £2m (2015: £2m), which is set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Scope of our audit for the 53 week period ended 30 January 2016

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine the audit scope for each component within the Group. Taken together, this enables us to form an opinion on the financial statements. We take account of size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each component.

After assessing the risk of material misstatement to the Group financial statements, we ensured we had adequate quantitative coverage of significant accounts in the financial statements. Of the 24 reporting components of the Group, we selected 6 components covering entities within the UK and Hong Kong, which represent the principal business units within the Group.

Of the 6 (Jan-15: 6) components selected, we (the Primary audit team) performed an audit of the complete financial information of 3 (Jan-15: 2) components ("full scope components") which were selected based on their size or risk characteristics. These were NEXT plc, NEXT Group plc and NEXT Retail Limited. Together these represent more than 85% (Jan-15: 83%) of underlying profit before tax, 97% (Jan-15: 97%) of external revenue and 92% (Jan-15: 76%) of total assets. NEXT Retail Limited which includes the Retail and Directory businesses accounts for more than 90% (Jan-15: 88%) of underlying profit before tax, 97% (Jan-15: 97%) of external revenue and 78% (Jan-15: 66%) of total assets.

For the remaining 3 (Jan-15: 4) components comprising NEXT Distribution Limited, Lipsy Limited and NEXT Sourcing Limited ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements, either because of the size of these accounts or their risk profile. Together these represent more than 14% (Jan-15: 16%) of underlying profit before tax, 2% (Jan-15: 2%) of external revenue and 7% (Jan-15: 23%) of total assets. The audit scope of these components may not have included testing of all significant accounts of the component, but will have contributed to the overall coverage of significant accounts tested for the Group.

Therefore, the reporting components where we performed audit procedures accounted for more than 99% (2015: 99%) of underlying profit before tax, 99% (2015: 99%) of external revenue and 99% (2015: 99%) of total assets.

The remaining components together represent less than 1% of underlying profit before tax, external revenue and total assets. These entities are subject to overall analytical review procedures to respond to any potential risks of material misstatement to the Group financial statements. Although not relied up on for the purpose of this opinion, the majority of the remaining components have to prepare statutory accounts which are audited by EY member firms.

For the elimination adjustments posted in the Group consolidation, we performed procedures to confirm there were no significant risks of material misstatement in the Group financial statements including the testing of consolidation journals and intercompany eliminations.

The audits of the full and specific scope entities are performed at a materiality level calculated by reference to a proportion of the Group materiality appropriate to the scale of the business concerned. NEXT Retail Limited was allocated 80% of the Group performance materiality. The range of performance materiality allocated to the other full scope components and the specific scope components was 20% to 30% of the Group performance materiality of £30m.

The audit of the full scope components and specific scope components, other than NEXT Sourcing Limited, were undertaken by the Primary audit team in the UK. The NEXT Sourcing Limited audit was performed by the EY firm in Hong Kong.

Independent Auditor's Report to the Members of NEXT plc

Changes from the prior year

The scope designated for NEXT Group plc has been changed from specific scope last year to full scope this year as substantially all of the balances were already in scope due to their size or complexity.

Our assessment of the risks of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
Under/over provision for Directory debt Management records a provision of £162.5m (Jan-15: £140.6m) 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 for the Group. This is the largest provision within the Group financial statements relating to a gross debtor balance of £1,094.1m (2015: £853.1m). 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. How indicators of impairment (or 'loss events') are identified; 2. The default rates representing the likelihood of eventual default for debt within each risk/ageing category of the debtor book; and 3. The recovery rate for debt that has defaulted and passed to debt collection agencies. This risk has increased in the current period due to the gross debtor balance increasing, driven by reductions in the minimum payment amounts. Changes to default stage risk categorisation to meet FCA requirements have also increased the uncertainty and this reduced the comparability of data to assess the risk of loss. *See also the Strategic Report Risks and Uncertainties (page 30); Audit Committee Report (page 50); Accounting Policies (pages 99 & 101); and Note 14 of the Consolidated Financial Statements (page 114).*	We performed audit procedures which covered 100% of the provision balance. • We understood the ongoing impact of the reduction in minimum payments on consumer behavioural patterns, the debt profile and consequently the implications for the provision at the period end. • We investigated the nature of and rationale for significant changes to the model which have been made in the period and considered their appropriateness with reference to the changes in the debt profile. • We challenged the reasonableness of the key assumptions in determining management's provision as follows: 1. We assessed the appropriateness of the definition of a loss event and the method used by management to identify impacted debts/loss events; 2. We recalculated the historical default rates for each risk category of customer by comparing prior year customer balances and actual default during the last year, as support for the assumed default rates; and 3. We compared the assumed recovery rates for debts passed to debt collection agencies to historical recovery rates and current performance. • 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 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. • We compared the credit score data used by management to stratify the customer base to third party data source information.	The provision for impaired Directory debtors of £162.5m (Jan-15: £140.6m) is sensitive to the key assumptions resulting in high levels of estimation uncertainty. We have independently determined our own acceptable range for the provision based on our assessment of these assumptions. While consistently conservative, we consider the provision is within this acceptable range.

Risk	Our response to the risk	What we concluded to the Audit Committee
Determination of the net realisable values of inventories The inventories balance at the period end £486.5m (2015: £416.8m), is held at the lower of cost and net realisable value and is significant to the overall Balance Sheet. The inventory provision is calculated using post period end trading performance and historical sales patterns. Changes in trading performance can result in significant judgement in determining the provision required. We consider the level of risk in this provision to be consistent with previous years. *See also the Audit Committee Report (page 50); Accounting Policies (pages 99 & 101); and Balance Sheet (page 94).*	• We assessed the reasonableness of the inventory provision by projecting future sales levels to calculate our own estimate of the required provision. This was determined by applying the historical sell through performance to the anticipated surplus stock. This included historical data for 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 tested a sample of stock items categorised as Spring Summer 2016, Autumn Winter 2015, and prior season older items, to gain comfort over the categorisation of stock used in the provision calculation.	We consider the valuation of inventory continues to be conservative and not materially misstated based on our assessment of management's assumptions and the provision model they have applied.
Valuation of derivatives 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 derivatives, which are marked to market and whose values are estimated based upon market inputs, rather than being directly observable market values. The Group also uses interest rate derivatives to hedge part of the interest rate risk associated with the Company's corporate bonds. *Refer to the Strategic Report Risks and Uncertainties (page 30); Audit Committee Report (page 50); Accounting Policies (page 100); and Note 27 of the Consolidated Financial Statements (page 125) which summarises the instruments held.*	• We identified the different types of derivative held by the Group and assessed the level of risk inherent in each type of derivative such as forwards, options and swaps. • We analysed the features of a sample of the instruments held at the period end per the contractual agreements and checked that the details matched the counterparty valuations. • We selected a sample of derivatives 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. • We evaluated the associated financial statement disclosures for appropriateness and completeness.	We consider the valuation of derivatives assets of £95.9m (Jan-15: £132.4m) and derivative liabilities of £15.2m (Jan-15: £20.0m) are appropriate based on our assessment of management's process, third party valuations and our sample testing by an internal derivatives valuation expert.
Management override with regard to estimates and other provisions for returns and properties. Other than stock and debtors dealt with separately above, these primarily relate to property related and returns provisions.	• In addition to the risks disclosed above, we focused on accruals and provisions of a judgemental nature and therefore capable of being manipulated through management override such as onerous lease and dilapidations provisions. • For material items we re–performed the calculation of the accrual to test mathematical accuracy. • We understood the basis for these accruals and provisions in order to assess the appropriateness of management's underlying assumptions. • 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 performed targeted journal entry testing focussed on journal entries which we considered to be higher risk.	We concluded the key judgements and estimates were conservative and consistent with the prior year. Therefore, we did not identify evidence of bias indicating management override of controls.

We assessed the design and operating effectiveness of the controls management performs over each of the risks. However, we did not rely on these controls to form our conclusion on those risks.

Independent Auditor's Report to the Members of NEXT plc

The above risks are the same as in the prior year. Revenue recognition risk, being a significant risk prescribed by ISA's, is not included above, as it was not an area of greatest audit effort.

Our 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 period for which the financial statements are prepared is consistent with the 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, financial and non-financial information in the Annual Report and Accounts is: • materially inconsistent with the information in the audited 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 • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; and whether the Annual Report and Accounts appropriately addresses 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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent 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 in relation to going concern, set out on page 49, and longer-term viability, set out on page 31; and • the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Statement on the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the directors' confirmation in the Annual Report and Accounts that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the Annual Report and Accounts that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the directors' explanation in the Annual Report and Accounts as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 44, the directors are responsible for the preparation of the 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 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.

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.

Nigel Meredith (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
24 March 2016

Notes:

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

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

GROUP FINANCIAL STATEMENTS

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Consolidated Income Statement

	Notes	53 weeks to 30 January 2016 £m	52 weeks to 24 January 2015 £m
Continuing operations			
Revenue	1, 2	**4,176.9**	3,999.8
Cost of sales		**(2,724.2)**	(2,656.4)
Gross profit		**1,452.7**	1,343.4
Distribution costs		**(351.6)**	(322.9)
Administrative expenses		**(229.3)**	(218.2)
Unrealised foreign exchange (losses)/gains	3	**(5.6)**	8.9
Trading profit		**866.2**	811.2
Share of results of associates		**1.0**	0.9
Operating profit	3	**867.2**	812.1
Finance income	5	**0.5**	0.8
Finance costs	5	**(31.6)**	(30.7)
Profit before tax and exceptional items		**836.1**	782.2
Exceptional items	6	**–**	12.6
Profit before taxation		**836.1**	794.8
Taxation	7	**(169.3)**	(159.9)
Profit for the year attributable to equity holders of the parent company		**666.8**	634.9
Earnings per share			
53 weeks v. 52 weeks and including exceptional items			
Basic	**9**	450.5p	428.3p
Diluted	**9**	443.0p	417.9p
Underlying earnings per share			
52 weeks v. 52 weeks and excluding exceptional items			
Basic	**9**	442.5p	419.8p
Diluted	**9**	435.1p	409.7p

Consolidated Statement of Comprehensive Income

	Notes	53 weeks to 30 January 2016 £m	52 weeks to 24 January 2015 £m
Profit for the year		**666.8**	634.9
Other comprehensive income and expenses:			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit pension scheme	21	**9.7**	(34.7)
Tax relating to items which will not be reclassified		**(1.9)**	6.9
Sub-total items that will not be reclassified		**7.8**	(27.8)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(3.1)**	(6.6)
Foreign currency cash flow hedges:			
– fair value movements		**26.4**	62.8
– reclassified to the income statement		**(30.0)**	24.5
– recognised in inventories		**(13.4)**	(13.5)
Tax relating to items which may be reclassified		**3.4**	(14.1)
Sub-total items that may be reclassified		**(16.7)**	53.1
Other comprehensive (expense)/income for the year		**(8.9)**	25.3
Total comprehensive income for the year		**657.9**	660.2

Consolidated Balance Sheet

	Notes	30 January 2016 £m	24 January 2015 £m
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant & equipment	10	**536.4**	503.3
Intangible assets	11	**43.7**	44.0
Interests in associates and other investments	12	**2.1**	2.1
Defined benefit pension surplus	21	**46.0**	37.9
Other financial assets	15	**57.0**	65.7
Deferred tax assets	7	**2.7**	13.3
		687.9	666.3
Current assets			
Inventories		**486.5**	416.8
Assets under construction	13	**–**	12.7
Customer and other receivables	14	**1,050.5**	844.3
Other financial assets	15	**38.9**	66.7
Cash and short term deposits	16	**66.3**	275.5
		1,642.2	1,616.0
Total assets		**2,330.1**	2,282.3
Current liabilities			
Bank loans and overdrafts	17	**(128.6)**	(2.8)
Corporate bonds	20	**(213.8)**	–
Trade payables and other liabilities	18	**(673.5)**	(636.5)
Dividends payable	8	**(88.3)**	(73.9)
Other financial liabilities	19	**(1.3)**	(109.4)
Current tax liabilities		**(65.1)**	(64.0)
		(1,170.6)	(886.6)
Non-current liabilities			
Corporate bonds	20	**(615.0)**	(838.2)
Provisions	22	**(7.3)**	(9.4)
Other financial liabilities	19	**(13.9)**	(11.8)
Other liabilities	18	**(211.5)**	(214.4)
		(847.7)	(1,073.8)
Total liabilities		**(2,018.3)**	(1,960.4)
NET ASSETS		**311.8**	321.9
TOTAL EQUITY		**311.8**	321.9

The financial statements were approved by the Board of directors and authorised for issue on 24 March 2016. They were signed on its behalf by:

Lord Wolfson of Aspley Guise
Chief Executive

Amanda James
Group Finance Director

Consolidated Statement of Changes in Equity

	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 25 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 24 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**
Profit for the year	–	–	–	–	–	–	–	666.8	**666.8**	–	**666.8**
Other comprehensive income/(expense) for the year	–	–	–	–	(13.6)	(3.2)	–	7.8	**(9.0)**	0.1	**(8.9)**
Total comprehensive income for the year	–	–	–	–	(13.6)	(3.2)	–	674.6	**657.8**	0.1	**657.9**
Share buybacks & commitments (Note 23)	(0.2)	–	0.2	–	–	–	–	(49.6)	**(49.6)**	–	**(49.6)**
ESOT share purchases & commitments (Note 26)	–	–	–	(108.7)	–	–	–	–	**(108.7)**	–	**(108.7)**
Shares issued by ESOT	–	–	–	92.0	–	–	–	(37.2)	**54.8**	–	**54.8**
Share option charge	–	–	–	–	–	–	–	13.7	**13.7**	–	**13.7**
Tax recognised directly in equity	–	–	–	–	–	–	–	3.7	**3.7**	–	**3.7**
Equity dividends	–	–	–	–	–	–	–	(581.9)	**(581.9)**	–	**(581.9)**
At 30 January 2016	**15.1**	**0.9**	**14.8**	**(208.7)**	**29.4**	**(4.8)**	**(1,443.8)**	**1,908.9**	**311.8**	**–**	**311.8**

Consolidated Cash Flow Statement

	53 weeks to 30 January 2016 £m	52 weeks to 24 January 2015 £m
Cash flows from operating activities		
Operating profit	**867.2**	812.1
Depreciation, impairment and loss on disposal of property, plant & equipment	**117.7**	114.3
Amortisation and impairment of intangible assets	**0.3**	0.5
Share option charge less amounts settled in cash	**13.7**	9.6
Dividends from associates less share of profits	**–**	0.9
Exchange movement	**2.9**	(15.6)
Increase in inventories and assets under construction	**(57.0)**	(43.9)
Increase in customer and other receivables	**(214.5)**	(28.9)
Increase in trade and other payables	**29.4**	49.1
Net pension contributions less income statement charge	**1.6**	(2.3)
Cash generated from operations	**761.3**	895.8
Corporation taxes paid	**(153.0)**	(152.6)
Net cash from operating activities	**608.3**	743.2
Cash flows from investing activities		
Additions to property, plant & equipment	**(151.0)**	(110.2)
Movement in capital accruals	**3.5**	(3.3)
Payments to acquire property, plant & equipment	**(147.5)**	(113.5)
Proceeds from sale of property, plant & equipment	**0.2**	1.9
Payment of deferred consideration	**–**	(1.4)
Proceeds from sale of investment in associate (Note 6)	**8.0**	7.0
Net cash from investing activities	**(139.3)**	(106.0)
Cash flows from financing activities		
Repurchase of own shares	**(150.7)**	(137.9)
Purchase of shares by ESOT	**(108.7)**	(79.8)
Disposal of shares by ESOT	**53.0**	45.0
Proceeds from unsecured bank loans	**115.0**	–
Interest paid	**(30.8)**	(29.7)
Interest received	**0.6**	0.9
Payment of finance lease liabilities	**(0.1)**	(0.2)
Dividends paid (Note 8)	**(567.5)**	(434.4)
Net cash from financing activities	**(689.2)**	(636.1)
Net (decrease)/increase in cash and cash equivalents	**(220.2)**	1.1
Opening cash and cash equivalents	**272.7**	270.7
Effect of exchange rate fluctuations on cash held	**0.2**	0.9
Closing cash and cash equivalents (Note 31)	**52.7**	272.7

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. As is common in the retail sector, the Group operates a weekly accounting calendar and this year the financial statements are for the 53 weeks to 30 January 2016 (last year 52 weeks to 24 January 2015) which means that some figures may not be directly comparable. To aid comparability, we have also presented 52-week sales and profit figures for the current year which are shown in Note 1 to the financial statements.

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. To aid comparability, "Total Sales" are also disclosed which includes the full customer sales value of commission-based sales, excluding VAT.

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.

Group Accounting Policies

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. Estimated useful lives 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.

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 (Parent Company only) 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. Where hedge accounting applies, a basis adjustment is applied such that the cost of stock reflects the hedged exchange rate.

Directory and Other Receivables

Directory customer receivables represent outstanding customer balances less any allowance for impairment which is based on objective evidence and relevant 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, subsequently measured at amortised cost and adjusted where hedge accounting applies (see interest rate derivatives on next page). 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 or award, and is regularly reviewed and adjusted for the expected and actual number of options or awards 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.

Group Accounting Policies

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.

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 product returns rates and onerous lease provisions.

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', IFRS 9 'Financial Instruments' and IFRS 16 'Leases' which was published very recently. None of these have yet been endorsed for use in the European Union. The most significant of these to the financial statements of NEXT will be IFRS 16. Detailed work has not yet been completed to assess the full effect, but under the new leasing standard the substantial majority of the Group's operating lease commitments (c£2bn on an undiscounted basis as shown in Note 32 of the financial statements) would be brought on to the balance sheet, resulting in the recognition of significant lease assets and liabilities which would be depreciated and amortised separately. IFRS 16 would first apply to NEXT for the financial year ending January 2020.

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 24. The Property Management segment holds properties and property leases which are sub-let to other segments and external parties.

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 payable by the customer, excluding VAT.

As the current year is a 53-week period, to aid comparability the 52-week equivalent sales and profit figures are also shown for the current year.

Segment sales and revenue

	52 weeks Total sales excluding VAT £m	53 weeks to 30 January 2016 Total sales excluding VAT £m	Commission sales adjustment £m	External Revenue £m	Internal Revenue £m	Total Segment Revenue £m
NEXT Retail	**2,373.5**	**2,406.0**	**(6.1)**	**2,399.9**	**6.2**	**2,406.1**
NEXT Directory	**1,658.7**	**1,687.7**	**(29.4)**	**1,658.3**	**–**	**1,658.3**
NEXT International Retail	**74.7**	**75.9**	**–**	**75.9**	**–**	**75.9**
NEXT Sourcing	**7.0**	**7.2**	**–**	**7.2**	**675.7**	**682.9**
	4,113.9	**4,176.8**	**(35.5)**	**4,141.3**	**681.9**	**4,823.2**
Lipsy	**29.2**	**30.1**	**(1.3)**	**28.8**	**27.9**	**56.7**
Property Management	**6.6**	**6.8**	**–**	**6.8**	**197.4**	**204.2**
Total segment sales / revenue	**4,149.7**	**4,213.7**	**(36.8)**	**4,176.9**	**907.2**	**5,084.1**
Eliminations	**–**	**–**	**–**	**–**	**(907.2)**	**(907.2)**
Total	**4,149.7**	**4,213.7**	**(36.8)**	**4,176.9**	**–**	**4,176.9**

	52 weeks to 24 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 / revenue	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

1. Segmental Analysis (continued)

Segment profit	52 weeks to 23 January 2016 £m	53 weeks to 30 January 2016 £m	52 weeks to 24 January 2015 £m
NEXT Retail	402.1	**408.1**	383.8
NEXT Directory	405.2	**413.3**	376.8
NEXT International Retail	10.2	**10.4**	11.7
NEXT Sourcing	50.5	**51.1**	41.4
	868.0	**882.9**	813.7
Lipsy	5.3	**5.7**	5.1
Property Management	7.4	**7.5**	6.9
Total segment profit	880.7	**896.1**	825.7
Central costs and other	(10.6)	**(10.6)**	(10.0)
Share option charge	(13.7)	**(13.7)**	(13.4)
Unrealised foreign exchange (losses)/gains	(5.6)	**(5.6)**	8.9
Trading profit	850.8	**866.2**	811.2
Share of results of associates	1.0	**1.0**	0.9
Finance income	0.5	**0.5**	0.8
Finance costs	(31.0)	**(31.6)**	(30.7)
Profit before tax and exceptional items	821.3	**836.1**	782.2
Exceptional gains	–	**–**	12.6
Profit before tax	821.3	**836.1**	794.8

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	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
NEXT Retail	**367.0**	342.1	**126.7**	91.4	**95.7**	96.2
NEXT Directory	**85.6**	81.3	**17.7**	13.5	**14.4**	13.0
NEXT International Retail	**0.8**	1.1	**–**	0.6	**0.3**	0.3
NEXT Sourcing	**2.7**	2.3	**1.2**	0.6	**0.9**	0.8
Lipsy	**3.2**	2.3	**2.1**	–	**1.0**	1.5
Property Management	**77.1**	74.1	**3.3**	4.1	**0.3**	0.1
Other	**–**	0.1	**–**	–	**–**	0.1
Total	**536.4**	503.3	**151.0**	110.2	**112.6**	112.0

Notes to the Consolidated Financial Statements

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	2016 £m	2015 £m
United Kingdom	**3,781.9**	3,648.0
Rest of Europe	**238.2**	225.6
Middle East	**75.7**	60.4
Asia	**52.8**	37.5
Rest of World	**28.3**	28.3
	4,176.9	3,999.8

Non-current assets by geographical location	2016 £m	2015 £m
United Kingdom	**541.3**	508.3
Rest of Europe	**6.5**	7.3
Middle East	**5.0**	4.7
Asia	**27.3**	27.0
Rest of World	**–**	–
	580.1	547.3

2. Revenue by Type

	2016 £m	2015 £m
Sale of goods	**3,966.8**	3,813.3
Directory account interest	**192.5**	166.4
Royalties	**10.8**	11.7
Rental income	**6.8**	5.6
Rendering of services	**–**	2.8
Revenue	**4,176.9**	3,999.8

3. Operating Profit

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

	2016 £m	2015 £m
Depreciation on tangible assets:		
Owned	**112.6**	111.9
Leased	**–**	0.1
Loss on disposal of property, plant & equipment	**1.0**	–
Amortisation of intangible assets	**0.3**	0.4
Impairment charges:		
Tangible assets	**4.1**	2.3
Intangible assets	**–**	0.1
Operating lease rentals:		
Minimum lease payments (net of amortisation of incentives)	**208.6**	206.2
Contingent rentals payable	**6.0**	6.5
Customer and other receivables:		
Impairment charge	**28.7**	24.0
Amounts recovered	**(2.1)**	(2.4)
Cost of inventories recognised as an expense	**1,474.6**	1,452.7
Write down of inventories to net realisable value	**103.7**	100.9
	1,578.3	1,553.6

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.

Gains and losses on cash flow hedges removed from equity and included in the income statement for the period comprise gains of £30.0m (2015: losses of £24.5m) included in cost of sales.

Unrealised foreign exchange (losses)/gains reported in the income statement represent foreign exchange losses of £5.6m (2015: gains of £8.9m) in respect of derivative contracts which do not qualify for hedge accounting under IAS 39.

Other foreign exchange differences recognised in the income statement were gains of £1.4m (2015: losses of £0.6m).

	2016 £000	2015 £000
Auditor's remuneration		
Audit of the financial statements	**212**	196
Audit of subsidiaries	**324**	295
Total audit fees	**536**	491
Other services:		
Tax compliance	**21**	7
Tax advisory services	**–**	28
Other assurance services	**22**	42
	579	568

Notes to the Consolidated Financial Statements

4. Staff Costs and Key Management Personnel

Total staff costs were as follows:

	2016 £m	2015 £m
Wages and salaries	**600.6**	563.1
Social security costs	**37.9**	36.5
Other pension costs	**21.1**	17.7
	659.6	617.3
Share-based payments expense – equity-settled	**13.7**	13.4
Share-based payments expense – cash-settled	**7.4**	15.4
	680.7	646.1

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:

	2016 £m	2015 £m
NEXT Retail and Directory	**634.3**	603.7
NEXT International Retail	**1.8**	2.5
NEXT Sourcing	**27.0**	26.9
Other activities	**17.6**	13.0
Total	**680.7**	646.1

	Average employees		Full-time equivalents	
	2016 Number	2015 Number	2016 Number	2015 Number
NEXT Retail and Directory	**47,039**	45,864	**26,528**	25,457
NEXT International Retail	**152**	205	**124**	157
NEXT Sourcing	**3,743**	3,642	**3,743**	3,642
Other activities	**245**	307	**196**	213
Total	**51,179**	50,018	**30,591**	29,469

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

	2016 £m	2015 £m
Short term employee benefits	**4.4**	6.2
Post-employment benefits	**0.2**	0.1
Share-based payments	**2.1**	4.6
	6.7	10.9

Directors' remuneration is detailed in the Remuneration Report.

5. Finance Income and Costs

	2016 £m	2015 £m
Interest on bank deposits	**0.5**	0.7
Other interest receivable	**–**	0.1
Finance income	**0.5**	0.8
Interest on bonds and other borrowings	**31.9**	30.6
Other fair value movements	**(0.3)**	0.1
Finance costs	**31.6**	30.7

Directory account interest is presented as a component of revenue.

6. Exceptional Items

During the previous year the Group disposed of its investment in Cotton Traders for £15m, realising a profit on disposal of £10.6m. Of the sale proceeds, £7m was received on completion and the balance of £8m was received in the year ended January 2016. In addition, in the prior year, £2m of other disposal provisions were released.

7. Taxation

	2016 £m	2015 £m
Current tax:		
UK corporation and overseas tax on profits of the year	**174.1**	168.9
Adjustments in respect of previous years	**(2.9)**	(8.3)
Total current tax	**171.2**	160.6
Deferred tax:		
Origination and reversal of temporary differences	**(6.4)**	(1.9)
Adjustments in respect of previous years	**4.5**	1.2
Tax expense reported in the consolidated income statement	**169.3**	159.9

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.

Notes to the Consolidated Financial Statements

7. Taxation (continued)

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

	2016 %	2015 %
UK corporation tax rate	**20.2**	21.3
Non-deductible expenses	**0.4**	0.3
Overseas tax differentials	**(0.5)**	(0.6)
Tax over-provided in previous years	**0.1**	(0.9)
Effective total tax rate on profit before taxation	**20.2**	20.1

The 2015 effective tax rate stated above is based on total profit including exceptional items. The effective tax rate on underlying profit last year was 20.4% .

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

	2016 £m	2015 £m
Current tax:		
Exchange differences on translation of foreign operations	**–**	(0.6)
Deferred tax:		
Pension benefit obligation	**1.9**	(6.9)
Fair value movements on derivative instruments	**(3.4)**	14.7
Tax (credit)/charge in other comprehensive income	**(1.5)**	7.2

	2016 £m	2015 £m
Current tax:		
Share-based payments	**(17.8)**	(23.9)
Deferred tax:		
Share-based payments	**14.1**	6.6
Tax (credit)/charge in the statement of changes in equity	**(3.7)**	(17.3)

Deferred tax asset/(liability)

	2016 £m	2015 £m
Accelerated capital allowances	**(1.1)**	(3.9)
Revaluation of derivatives to fair value	**(7.1)**	(11.7)
Pension benefit obligations	**(9.2)**	(7.6)
Share-based payments	**18.2**	33.1
Other temporary differences	**1.9**	3.4
	2.7	13.3

7. Taxation (continued)

The deferred tax movement in the year is as follows:

	2016 £m	2015 £m
At January 2015	**13.3**	27.0
Recognised in the income statement:		
Accelerated capital allowances	**2.8**	3.6
Revaluation of derivatives to fair value	**1.2**	(1.9)
Pension benefit obligations	**0.3**	(0.4)
Share-based payments	**(0.8)**	(1.4)
Other temporary differences	**(1.5)**	0.8
Recognised in other comprehensive income	**1.5**	(7.8)
Recognised in the statement of changes in equity	**(14.1)**	(6.6)
At January 2016	**2.7**	13.3

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

	Gross value 2016 £m	Unrecognised deferred tax 2016 £m	Gross value 2015 £m	Unrecognised deferred tax 2015 £m
Capital losses	**42.6**	**8.5**	53.4	10.7

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

8. Dividends

Year to January 2016	**Paid**	**Pence per share**	**Cash flow statement £m**	**Statement of changes in equity £m**	**Jan 2016 balance sheet £m**
Special interim dividend	2 Feb 2015	50p	73.9	–	–
Special interim dividend	1 May 2015	60p	88.9	88.9	–
Special interim dividend	3 Aug 2015	60p	88.9	88.9	–
Final ordinary dividend for year to Jan 2015	3 Aug 2015	100p	148.1	148.1	–
Special interim dividend	2 Nov 2015	60p	88.9	88.9	–
Interim ordinary dividend for year to Jan 2016	4 Jan 2016	53p	78.8	78.8	–
Special interim dividend	1 Feb 2016	60p	–	88.3	88.3
			567.5	**581.9**	**88.3**

The February 2016 special interim dividend was announced on 5 January 2016 and shares in NEXT plc traded ex-dividend from 14 January. The liability of £88.3m is recorded in the January 2016 balance sheet on the basis that it could not realistically have been cancelled after the ex-dividend date, and was paid on 1 February 2016.

Notes to the Consolidated Financial Statements

8. Dividends (continued)

Year to January 2015	Paid	Pence per share	Cash flow statement £m	Statement of changes in equity £m	Jan 2015 balance sheet £m
Special interim dividend	3 Feb 2014	50p	74.4	–	–
Special interim dividend	1 May 2014	50p	74.5	74.5	–
Special interim 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	–
Special interim dividend	2 Feb 2015	50p	–	73.9	73.9
			434.4	**433.9**	**73.9**

It is intended that this year's ordinary final dividend of 105p per share will be paid to shareholders on 1 August 2016. NEXT plc shares will trade ex-dividend from 7 July 2016 and the record date will be 8 July 2016. The estimated amount payable is £154m.

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

	2016	2015
Basic earnings per share		
Total (53 weeks v. 52 weeks and including exceptional items)	**450.5p**	428.3p
Underlying (52 weeks v. 52 weeks and excluding exceptional items)	**442.5p**	419.8p

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.

	2016	2015
Diluted earnings per share		
Total (53 weeks v. 52 weeks and including exceptional items)	**443.0p**	417.9p
Underlying (52 weeks v. 52 weeks and excluding exceptional items)	**435.1p**	409.7p

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 no such non-dilutive share options in the current year (2015: 0.7m).

9. Earnings Per Share (continued)

	2016	2015
Fully diluted earnings per share		
Total	**434.4p**	409.6p
(53 weeks v. 52 weeks and including exceptional items)		
Underlying	**426.7p**	401.5p
(52 weeks v. 52 weeks and excluding exceptional items)		

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. Underlying 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:

	2016 £m	2015 £m
Profit after tax attributable to equity holders of the Parent Company	**666.8**	634.9
Less exceptional items (see Note 6)	**–**	(12.6)
Less 53rd week profit in current year (post-tax)	**(11.8)**	–
52-week underlying profit (for underlying EPS)	**655.0**	622.3
Weighted average number of shares (millions)		
Weighted average shares in issue	**152.7**	153.9
Weighted average shares held by ESOT	**(4.7)**	(5.6)
Weighted average shares for basic EPS	**148.0**	148.3
Weighted average dilutive potential shares	**2.5**	3.6
Weighted average shares for diluted EPS	**150.5**	151.9
Weighted average shares for basic EPS	**148.0**	148.3
Weighted average total share options outstanding	**5.5**	6.7
Weighted average shares for fully diluted EPS	**153.5**	155.0

As detailed in the Remuneration Report, the annual bonus for executive directors is determined by reference to underlying pre-tax earnings per share of 554.8p (2015: 527.6p). This is calculated using 52-week underlying pre-tax profit of £821.3m (2015: £782.2m) as shown in Note 1 divided by the weighted average number of shares in issue less the weighted average number of shares held by the ESOT during the period.

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 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**
Exchange movement	–	–	0.2	0.2
Additions	2.6	–	148.4	151.0
Disposals	–	–	(93.0)	(93.0)
At January 2016	**77.4**	**9.4**	**1,596.9**	**1,683.7**
Depreciation				
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**
Exchange movement	–	–	0.2	0.2
Provided during the year	0.2	–	112.4	112.6
Impairment charge	–	–	4.1	4.1
Disposals	**–**	**–**	**(91.8)**	**(91.8)**
At January 2016	**8.0**	**1.6**	**1,137.7**	**1,147.3**
Carrying amount				
At January 2016	**69.4**	**7.8**	**459.2**	**536.4**
At January 2015	67.0	7.8	428.5	503.3
At January 2014	65.0	8.0	436.2	509.2

At January 2016 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £33.6m (2015: £27.1m).

11. Intangible Assets

	Brand names & trademarks £m	Customer relationships £m	Goodwill £m	Total £m
Cost				
At January 2014, January 2015 and January 2016	**4.0**	**2.0**	**44.2**	**50.2**
Amortisation and impairment				
At January 2014	**2.1**	**2.0**	**1.6**	**5.7**
Amortisation provided during the year	0.4	–	–	0.4
Impairment	0.1	–	–	0.1
At January 2015	**2.6**	**2.0**	**1.6**	**6.2**
Amortisation provided during the year	0.3	–	–	0.3
At January 2016	**2.9**	**2.0**	**1.6**	**6.5**
Carrying amount				
At January 2016	**1.1**	**–**	**42.6**	**43.7**
At January 2015	1.4	–	42.6	44.0
At January 2014	1.9	–	42.5	44.4

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:

	2016 £m	2015 £m
NEXT Sourcing	**30.5**	30.5
Lipsy	**12.1**	12.1
	42.6	42.6

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 (2015: £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% (2015: 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% (2015: 2%) and discounted at 12% (2015: 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.

Notes to the Consolidated Financial Statements

12. Interests in Associates and Other Investments

	2016 £m	2015 £m
Interests in associates	**1.1**	1.1
Other investments	**1.0**	1.0
	2.1	2.1

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

	Sales		Amounts receivable	
	2016 £m	2015 £m	2016 £m	2015 £m
Choice Discount Stores Limited	**7.7**	6.0	**0.7**	0.8
Cotton Traders Limited	**–**	3.2	**–**	–
	7.7	9.2	**0.7**	0.8

During the previous year the Group disposed of its investment in Cotton Traders (see Note 6).

13. Assets Under Construction

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

14. Customer and Other Receivables

	2016 £m	2015 £m
Directory customer receivables	**1,094.1**	853.1
Less: allowance for doubtful debts	**(162.5)**	(140.6)
	931.6	712.5
Other trade receivables	**22.5**	25.5
Less: allowance for doubtful debts	**–**	(0.2)
	954.1	737.8
Prepayments	**86.1**	89.9
Other debtors	**9.6**	15.8
Amounts due from associated undertakings	**0.7**	0.8
	1,050.5	844.3

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 22.9% at the year end date (2015: 24.99%).

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% (2015: 1%).

14. Customer and Other Receivables (continued)

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:

	2016 £m	2015 £m
Not past due	**983.3**	727.3
0 – 30 days past due	**21.8**	41.8
30 – 60 days past due	**6.6**	10.2
60 – 90 days past due	**3.5**	4.4
90 – 120 days past due	**2.9**	2.7
Over 120 days past due	**78.8**	67.6
Otherwise impaired	**19.7**	24.6
Total customer and other trade receivables	**1,116.6**	878.6

Movement in the allowance for doubtful debts:

	2016 £m	2015 £m
Opening position	**140.8**	124.4
Charged to the income statement	**28.7**	24.0
Written off as uncollectible	**(4.9)**	(5.2)
Recovered during the year	**(2.1)**	(2.4)
Closing position	**162.5**	140.8

15. Other Financial Assets

	2016		2015	
	Current £m	Non-current £m	Current £m	Non-current £m
Foreign exchange contracts	**37.2**	**–**	66.7	–
Interest rate derivatives	**1.7**	**57.0**	–	65.7
	38.9	**57.0**	66.7	65.7

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).

16. Cash and Short Term Deposits

	2016 £m	2015 £m
Cash at bank and in hand	**46.3**	95.5
Short term deposits	**20.0**	180.0
	66.3	275.5

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.

Notes to the Consolidated Financial Statements

17. Bank Loans and Overdrafts

	2016 £m	2015 £m
Bank overdrafts	**13.6**	2.8
Unsecured bank loans	**115.0**	–
	128.6	2.8

Bank overdrafts are repayable on demand and bear interest at a margin over bank base rates. Unsecured bank loans relate to amounts drawn under a medium term bank revolving credit facility which bear interest at a margin above LIBOR (see Note 27).

18. Trade Payables and Other Liabilities

	2016		2015	
	Current £m	**Non-current £m**	Current £m	Non-current £m
Trade payables	**219.0**	**–**	224.9	–
Other taxation and social security	**76.8**	**–**	83.9	–
Deferred revenue from sale of gift cards	**74.0**	**–**	73.7	–
Property lease incentives received	**31.4**	**198.4**	26.2	197.7
Share-based payment liability	**10.2**	**6.4**	15.4	10.6
Other creditors and accruals	**262.1**	**6.7**	212.3	6.1
Finance leases	**–**	**–**	0.1	–
	673.5	**211.5**	636.5	214.4

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

	2016		2015	
	Current £m	**Non-current £m**	Current £m	Non-current £m
Foreign exchange contracts	**1.3**	**–**	8.3	–
Interest rate derivatives	**–**	**13.9**	–	11.8
Own equity share purchase contracts	**–**	**–**	101.1	–
	1.3	**13.9**	109.4	11.8

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).

In the prior year, own equity share purchase contracts relate to liabilities of £101.1m 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	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Corporate bond 5.875% repayable 2016	**213.8**	215.5	**212.6**	212.6
Corporate bond 5.375% repayable 2021	**332.7**	337.4	**325.0**	325.0
Corporate bond 4.375% repayable 2026	**282.3**	285.3	**250.0**	250.0
	828.8	838.2	**787.6**	787.6

The 5.875% 2016 corporate bond is repayable in October 2016 and has therefore been classified as a current liability at 30 January 2016. The 2021 and 2026 bonds are classified as non-current liabilities.

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

	2016 Nominal value £m	**2016 Effective interest rate**	2015 Nominal value £m	2015 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.

Interest rate risk management is explained in Note 27 and 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 62 and 63.

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; and
- To enable future conversion of the buy-in to buy-out, in 2013 a new Plan was established for the majority of active members whose pensions are not insured through the buy-in contracts and the associated assets and liabilities were transferred across. The pensions and matching insurance contracts held by the original Plan are being 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 21% of the total pension liabilities and provide a partial hedge to the risks described above.

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

	2016				2015			
	2013 Plan £m	Original Plan £m	Unfunded £m	Total £m	2013 Plan £m	Original Plan £m	Unfunded £m	Total £m
Current service cost	8.8	–	0.4	9.2	7.2	–	0.4	7.6
Net interest	(1.8)	0.1	0.4	(1.3)	(3.5)	–	0.4	(3.1)
Administration costs	0.8	0.2	–	1.0	1.1	0.4	–	1.5
Net defined benefit expense	7.8	0.3	0.8	8.9	4.8	0.4	0.8	6.0

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

	2016				2015			
	2013 Plan £m	Original Plan £m	Unfunded £m	Total £m	2013 Plan £m	Original Plan £m	Unfunded £m	Total £m
Opening obligation	549.3	175.9	12.2	737.4	431.5	155.9	9.9	597.3
Current service cost	8.8	–	0.4	9.2	7.2	–	0.4	7.6
Interest cost	18.2	5.0	0.4	23.6	19.0	6.3	0.4	25.7
Employee contributions	0.1	–	–	0.1	0.1	–	–	0.1
Benefits paid	(17.2)	(11.9)	–	(29.1)	(5.8)	(8.0)	(0.9)	(14.7)
Transfers	3.9	(3.9)	–	–	–	–	–	–
Actuarial (gains)/losses								
– financial assumptions	(35.1)	(7.2)	(1.0)	(43.3)	96.5	22.1	2.4	121.0
– experience	(6.7)	(5.6)	–	(12.3)	0.8	(0.4)	–	0.4
– demographic assumptions	–	(6.2)	–	(6.2)	–	–	–	–
Closing obligation	521.3	146.1	12.0	679.4	549.3	175.9	12.2	737.4

21. Pension Benefits (continued)

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

	2016				2015			
	2013 Plan £m	Original Plan £m	Unfunded £m	Total £m	2013 Plan £m	Original Plan £m	Unfunded £m	Total £m
Opening assets	602.5	172.8	–	775.3	512.6	155.0	–	667.6
Employer contributions	7.3	–	–	7.3	7.4	–	–	7.4
Employee contributions	0.1	–	–	0.1	0.1	–	–	0.1
Benefits paid	(17.2)	(11.9)	–	(29.1)	(5.8)	(8.0)	–	(13.8)
Transfers	2.7	(2.7)	–	–	–	–	–	–
Interest income on assets	20.0	4.9	–	24.9	22.5	6.3	–	28.8
Return on plan assets (less than)/ greater than discount rate	(35.4)	(16.7)	–	(52.1)	66.8	19.9	–	86.7
Administrative costs	(0.8)	(0.2)	–	(1.0)	(1.1)	(0.4)	–	(1.5)
Closing assets	579.2	146.2	–	725.4	602.5	172.8	–	775.3
Actual return on plan assets	(15.4)	(11.8)	–	(27.2)	89.3	26.2	–	115.5

The fair value of plan assets was as follows:

	2016				2015			
	2013 Plan £m	Original Plan £m	Total £m	%	2013 Plan £m	Original Plan £m	Total £m	%
Equities	370.1	4.4	374.5	51.6	384.8	10.2	395.0	50.9
Bonds	123.8	–	123.8	17.1	135.1	–	135.1	17.4
Gilts	49.6	1.9	51.5	7.1	47.5	1.9	49.4	6.4
Property	27.6	–	27.6	3.8	25.5	–	25.5	3.3
Insurance contracts	–	139.7	139.7	19.3	–	159.0	159.0	20.5
Other (cash deposits)	8.1	0.2	8.3	1.1	9.6	1.7	11.3	1.5
	579.2	146.2	725.4	100.0	602.5	172.8	775.3	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:

	2016				2015			
	2013 Plan £m	Original Plan £m	Unfunded £m	Total £m	2013 Plan £m	Original Plan £m	Unfunded £m	Total £m
Total assets	579.2	146.2	–	725.4	602.5	172.8	–	775.3
Benefit obligation	(521.3)	(146.1)	(12.0)	(679.4)	(549.3)	(175.9)	(12.2)	(737.4)
Net pension asset/(liability)	57.9	0.1	(12.0)	46.0	53.2	(3.1)	(12.2)	37.9

Notes to the Consolidated Financial Statements

21. Pension Benefits (continued)

The most recent full actuarial valuation of the original Plan was undertaken as at March 2013 and the first valuation of the 2013 Plan was undertaken as at October 2013. The next full actuarial valuation will be carried out as at September 2016. The IAS 19 valuation of the defined benefit obligation was undertaken by an independent qualified actuary as at January 2016 using the projected unit credit method. The principal actuarial assumptions used in the valuation were as follows:

	2016		2015	
	Original Plan	**New 2013 Plan**	Original Plan	New 2013 Plan
Discount rate	**3.40%**	**3.65%**	3.00%	3.35%
Inflation – RPI	**3.05%**	**3.05%**	2.95%	3.00%
Inflation – CPI	**2.05%**	**2.05%**	1.95%	2.00%

	2016		2015	
	Pensioner aged 65	**Non-pensioner aged 45**	Pensioner aged 65	Non-pensioner aged 45
Life expectancy at age 65 (years)				
Male	**22.8**	**25.0**	22.7	24.9
Female	**25.2**	**27.5**	25.1	27.4

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

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 £35m, 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 £23m, offset by an increase of approximately £2m 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.

Total employer contributions of £18.9m (2015: £18.4m) were made during the year, including £10.0m (2015: £9.6m) in respect of the defined contribution section, £7.3m (2015: £7.4m) in respect of the defined benefit section and £1.6m (2015: £1.4m) in respect of automatic enrolment contributions. Employer contributions are expected to be similar in the year ahead subject to the outcome of the next full actuarial valuation which will be carried out as at September 2016.

22. Provisions

	Vacant property costs £m
At January 2015	9.4
Provisions made in the year	1.2
Utilisation of provisions	(2.6)
Release of provisions	(0.9)
Unwind of discount	0.2
At January 2016	**7.3**

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 for these properties is 10 years (2015: 7 years).

23. Share Capital

	2016 Shares '000	2015 Shares '000	2016 £m	2015 £m
Allotted, called up and fully paid				
Ordinary shares of 10p each				
At the start of the year	**152,874**	155,032	**15.3**	15.5
Purchased for cancellation in the year	**(2,204)**	(2,158)	**(0.2)**	(0.2)
At the end of the year	**150,670**	152,874	**15.1**	15.3

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

	2016		2015	
	Shares '000	Cost £m	Shares '000	Cost £m
Shares purchased for cancellation in the year	**2,204**	**150.7**	2,158	137.9
Less: commitment at start of year	**(1,500)**	**(101.1)**	(1,000)	(58.4)
Add: commitment at end of year	**–**	**–**	1,500	101.1
Amount shown in statement of changes in equity		**49.6**		180.6

All £101.1m of the commitment outstanding at January 2015 expired unfulfilled.

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 if, in the same financial year, they have received an award under NEXT's LTIP or SMP.

The total number of options which can be granted is subject to limits. There are no cash settlement alternatives and they are therefore accounted for under IFRS 2 as equity-settled awards. Option prices 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 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:

	2016 No. of options	2016 Weighted average exercise price	2015 No. of options	2015 Weighted average exercise price
Outstanding at beginning of year	**5,735,130**	**£36.22**	7,013,642	£26.75
Granted	**1,155,664**	**£66.41**	1,196,298	£62.24
Exercised	**(2,032,959)**	**£25.84**	(2,245,410)	£20.25
Forfeited	**(233,676)**	**£50.53**	(229,400)	£43.40
Outstanding at end of year	**4,624,159**	**£47.60**	5,735,130	£36.22
Exercisable at end of year	**998,094**	**£22.37**	1,208,356	£18.75

Options were exercised on a regular basis throughout the year and the weighted average share price during this period was £74.82 (2015: £65.98). Options outstanding at January 2016 are exercisable at prices ranging between £9.17 and £70.80 (2015: £9.17 and £66.95) and have a weighted average remaining contractual life of 5.6 years (2015: 5.8 years), as analysed below:

	2016 No. of options	2016 Weighted average remaining contractual life (years)	2015 No. of options	2015 Weighted average remaining contractual life (years)
Exercise price range				
£9.17 – £21.89	**726,878**	**3.3**	1,408,594	4.0
£27.56 – £41.12	**799,939**	**3.4**	2,167,682	5.1
£41.70 – £54.92	**1,328,810**	**5.9**	1,458,887	6.8
£59.76 – £66.95	**1,099,933**	**6.3**	699,967	9.2
£70.80	**668,599**	**9.2**	–	–
	4,624,159	**5.6**	5,735,130	5.8

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.

25. Share-based Payments (continued)

Share Matching Plan

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

	2016 No. of options	2015 No. of options
Outstanding at beginning of year	**118,281**	354,904
Granted	**17,686**	26,104
Exercised	**(48,137)**	(243,426)
Forfeited	**(2,173)**	(19,301)
Outstanding at end of year	**85,657**	118,281

The weighted average remaining contractual life of these options is 7.5 years (2015: 8.1 years). SMP options were exercised at different times in the year and the weighted average share price during this period was £72.92 (2015: £65.73). No options were exercisable at the end of the period (2015: nil).

Equity-settled LTIP awards

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

	2016 Maximum No. of awards	2015 Maximum No. of awards
Outstanding at beginning of year	**64,182**	–
Granted	**52,991**	73,752
Lapsed	**(16,428)**	(9,570)
Outstanding at end of year	**100,745**	64,182

At the year end date, the weighted average remaining life of these awards was 1.9 years (2015: 2.4 years).

Cash-settled LTIP awards

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

	2016 Maximum No. of awards	2015 Maximum No. of awards
Outstanding at beginning of year	**507,164**	863,306
Granted	**83,633**	94,151
Vested	**(188,218)**	(333,950)
Lapsed	**(63,819)**	(116,343)
Outstanding at end of year	**338,760**	507,164

A charge of £7.4m for the year (2015: £15.4m) has been made in the accounts in respect of cash-settled LTIP grants, of which £0.6m (2015: £3.5m) related to the executive directors. The weighted average remaining contractual life of these awards is 1.5 years (2015: 1.8 years).

Fair value calculations

The fair value of Management, Sharesave and Share Matching Plan 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 30 January 2016 and 24 January 2015 based on information at the date of grant:

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25. Share-based Payments (continued)

Management share options (granted in April)	2016	2015
Share price at date of grant	**£70.80**	£66.95
Exercise price	**£70.80**	£66.95
Volatility	**19.6%**	21.7%
Expected life	**4 years**	4 years
Risk free rate	**1.03%**	1.60%
Dividend yield	**2.02%**	1.64%
Weighted average fair value per option	**£9.09**	£10.73

Sharesave plans (granted in October)	2016	2015
Share price at date of grant	**£74.70**	£68.65
Exercise price	**£59.76**	£54.92
Volatility	**18.0%**	19.5%
Expected life	**3.3 years**	3.3 years
Risk free rate	**0.7%**	1.1%
Dividend yield	**2.01%**	1.88%
Weighted average fair value per option	**£15.53**	£15.33

Share Matching Plan (granted in April/May)	2016	2015
Share price at date of grant	**£71.75**	£66.50
Exercise price	**Nil**	Nil
Volatility	**18.4%**	20.0%
Expected life	**3 years**	3 years
Risk free rate	**0.9%**	1.09%
Dividend yield	**1.99%**	1.94%
Weighted average fair value per option	**£67.59**	£62.74

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 30 January 2016 and 24 January 2015 based on information at the date of grant:

Equity-settled LTIP awards (granted in March)	2016	2015
Share price at date of grant	**£72.75**	£67.00
Exercise price	**Nil**	Nil
Volatility	**18.2%**	19.78%
Life of award	**3 years**	3 years
Risk free rate	**1.1%**	1.1%
Dividend yield	**1.97%**	1.64%
Fair value per award	**£31.10**	£28.04

Equity-settled LTIP awards (granted in September)	2016	2015
Share price at date of grant	**£77.40**	£69.45
Exercise price	**Nil**	Nil
Volatility	**18.2%**	18.81%
Life of award	**3 years**	3 years
Risk free rate	**0.9%**	1.1%
Dividend yield	**1.94%**	1.86%
Fair value per award	**£32.38**	£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 30 January 2016 the ESOT held 4,348,344 (2015: 5,010,614) ordinary shares of 10p each in the Company, the market value of which amounted to £301.1m (2015: £358.3m). 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 30 January 2016 and 24 January 2015 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:

	2016		2015	
	Shares '000	£m	Shares '000	£m
Shares purchased by ESOT in the year	**1,468**	**108.7**	1,226	79.8
Less: Commitment at start of year	**–**	**–**	–	–
Add: Commitment at end of year	**–**	**–**	–	–
Amount shown in Statement of Changes in Equity		**108.7**		79.8
Shares issued on employee option exercises	**2,130**	**54.8**	2,406	42.9

Proceeds of £53.0m (2015: £45.0m) were received on the exercise of Management and Sharesave options. The amount shown in the Statement of Changes in Equity of £54.8m (2015: £42.9m) is after the issue of nil-cost LTIP, SMP and Deferred Bonus shares. The weighted average cost of shares issued by the ESOT was £92.0m (2015: £84.4m).

At 23 March 2016, employee share options over 70,830 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, including cash flows in respect of derivatives:

2016	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	128.6	–	–	–	128.6
Trade and other payables	445.3	5.7	–	–	451.0
Dividends	88.3	–	–	–	88.3
Corporate bonds	253.5	28.4	85.2	658.1	1,025.2
	915.7	34.1	85.2	658.1	1,693.1
Derivatives: net settled	(12.1)	(6.6)	(16.8)	(16.7)	(52.2)
Derivatives: gross settled					
Cash inflows	(1,070.2)	–	–	–	(1,070.2)
Cash outflows	1,025.4	–	–	–	1,025.4
Total cash flows	858.8	27.5	68.4	641.4	1,596.1

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

At 30 January 2016 the Group had borrowing facilities of £550m (2015: £300m) in respect of which all conditions precedent have been met. £300.0m is committed until November 2020 and a further £250.0m is committed until September 2017. £115.0m of this facility was drawn down at January 2016 (2015: £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.

27. Financial Instruments: Risk Management and Hedging Activities (continued)

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

	2016 £m	2015 £m
Derivatives in designated fair value hedging relationships	**44.8**	53.9

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.

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:

	2016 £m	2015 £m
Derivatives in designated hedging relationships	**36.8**	53.7
Other foreign exchange derivatives	**(0.9)**	4.7
Total foreign exchange derivatives	**35.9**	58.4

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

	2016 £m	2015 £m
US Dollar	**987.4**	1,066.1
Euro	**59.2**	163.6
Other	**23.6**	28.3
	1,070.2	1,258.0

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.

Notes to the Consolidated Financial Statements

27. Financial Instruments: Risk Management and Hedging Activities (continued)

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 may be transacted through both on-market purchases and contingent contracts for off-market share purchases.

28. Financial Instruments: Categories

	2016 £m	2015 £m
Financial assets		
Derivatives at fair value through profit and loss – held for trading	–	7.7
Derivatives in designated hedging relationships	**95.9**	124.7
Loans and receivables	**963.4**	753.5
Cash and short term deposits	**66.3**	275.5
Available for sale financial assets	**1.0**	1.0
Financial liabilities		
Derivatives at fair value through profit and loss – held for trading	**(0.9)**	(3.0)
Derivatives in designated hedging relationships	**(14.3)**	(17.0)
Corporate bonds	**(828.8)**	(838.2)
Amortised cost	**(667.9)**	(589.7)
Finance lease obligations	–	(0.1)

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:

	2016		2015	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Corporate bonds				
In hedging relationships	**516.2**	**533.9**	525.6	557.9
Not in hedging relationships	**312.6**	**345.4**	312.6	359.3
	828.8	**879.3**	838.2	917.2

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.

Positive figures represent an increase in profit or equity.

	Income statement		Equity	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Sterling strengthens by 10%				
US Dollar	**(2.8)**	(9.1)	**(41.9)**	(55.3)
Euro	**–**	(2.9)	**(3.1)**	(9.3)
Sterling weakens by 10%				
US Dollar	**(5.6)**	1.5	**51.6**	62.1
Euro	**–**	0.9	**3.8**	9.2

Year end exchange rates applied in the above analysis are US Dollar 1.42 (2015: 1.50) and Euro 1.31 (2015: 1.33). 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		Equity	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Interest rate increase of 0.5%	**(2.8)**	(1.1)	**(2.8)**	(1.1)
Interest rate decrease of 0.5%	**2.8**	1.1	**2.8**	1.1

Notes to the Consolidated Financial Statements

31. Analysis of Net Debt

	January 2015 £m	Cash flow £m	Other non-cash changes £m	January 2016 £m
Cash and short term deposits	275.5			**66.3**
Overdrafts and short term borrowings	(2.8)			**(13.6)**
Cash and cash equivalents	272.7	(220.2)	0.2	**52.7**
Unsecured bank loans	–	(115.0)	–	**(115.0)**
Corporate bonds	(838.2)	–	9.4	**(828.8)**
Fair value hedges of corporate bonds	50.3	–	(9.1)	**41.2**
Finance leases	(0.1)	0.1	–	**–**
Total net debt	(515.3)	(335.1)	0.5	**(849.9)**

32. Operating Lease Commitments

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

	2016 £m	2015 £m
Within one year	**242.6**	231.3
In two to five years	**828.9**	796.2
Over five years	**917.2**	885.2
	1,988.7	1,912.7

At January 2016, future rentals receivable under non-cancellable sub-leases where the Group is the lessor were £11.3m (2015: £14.2m).

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 30 January 2016 is detailed in the table below:

	Minimum lease payments £m	Less sub-lease income £m	Net total £m
Year to January 2015 (Actual)	227.1	(5.6)	221.5
Year to January 2016 (Actual)	**236.2**	**(6.8)**	**229.4**
Year to January 2017	242.6	(5.2)	237.4
Year to January 2018	236.7	(2.8)	233.9
Year to January 2019	218.6	(1.7)	216.9
Year to January 2020	201.0	(1.4)	199.6
Year to January 2021	172.6	(0.2)	172.4
Sub-total 5 years to January 2021	**1,071.5**	**(11.3)**	**1,060.2**
5 years from February 2021 to January 2026	547.4	–	547.4
10 years from February 2026 to January 2036	333.2	–	333.2
2036 and beyond	36.6	–	36.6
Total future obligations	**1,988.7**	**(11.3)**	**1,977.4**

33. Related Party Transactions

During the year to January 2016, the directors became aware that certain dividends paid in 2014 and 2015 totalling £311.2m had been made otherwise than in accordance with the Companies Act 2006 because interim accounts had not been filed at Companies House prior to payment. At a General Meeting of the Company's shareholders held on 10 February 2016, a resolution was passed which authorised the appropriation of distributable profits to the payment of the relevant dividends and removed any right for the Company to pursue shareholders or directors for repayment. This constituted a related party transaction under IAS 24. The overall effect of the resolution being passed was to return all parties to the position they would have been in had the relevant dividends been made in full compliance with the Act.

The Group's other related party transactions were the remuneration of key management personnel (Note 4) and transactions with associated undertakings (Note 12).

COMPANY FINANCIAL STATEMENTS

Parent Company Balance Sheet

	Notes	30 January 2016 £m	30 January 2015 £m
Fixed assets			
Investments	C2	**2,475.7**	2,475.7
Other financial assets	C3	**57.0**	65.7
		2,532.7	2,541.4
Current assets			
Debtors		**13.2**	12.7
Cash at bank and in hand		**20.1**	155.0
		33.3	167.7
Total assets		**2,566.0**	2,709.1
Creditors: amounts falling due within one year	C4	**(488.0)**	(413.5)
Net current liabilities		**(454.7)**	(245.8)
Total assets less current liabilities		**2,078.0**	2,295.6
Creditors: amounts falling due after more than one year	C4	**(628.9)**	(850.0)
Total liabilities		**(1,116.9)**	(1,263.5)
NET ASSETS		**1,449.1**	1,445.6
Capital and reserves			
Called up share capital	C5	**15.1**	15.3
Share premium account		**0.9**	0.9
Capital redemption reserve		**14.8**	14.6
ESOT reserve	C5	**(208.7)**	(192.0)
Other reserves	C5	**985.2**	985.2
Profit and loss account	C6	**641.8**	621.6
TOTAL EQUITY		**1,449.1**	1,445.6

The financial statements were approved by the Board of directors and authorised for issue on 24 March 2016. They were signed on its behalf by:

Lord Wolfson of Aspley Guise
Chief Executive

Amanda James
Group Finance Director

Parent Company Statement of Changes in Equity

	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 25 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 24 January 2015	**15.3**	**0.9**	**14.6**	**(192.0)**	**985.2**	**621.6**	**1,445.6**
Profit for the year	–	–	–	–	–	675.2	**675.2**
Other comprehensive income for the year	–	–	–	–	–	–	**–**
Total comprehensive income for the year	–	–	–	–	–	675.2	**675.2**
Share buybacks and commitments (Note C5)	(0.2)	–	0.2	–	–	(49.6)	**(49.6)**
ESOT share purchases and commitments (Note C5)	–	–	–	(108.7)	–	–	**(108.7)**
Shares issued by ESOT	–	–	–	92.0	–	(37.2)	**54.8**
Share option charge	–	–	–	–	–	13.7	**13.7**
Equity dividends	–	–	–	–	–	(581.9)	**(581.9)**
At 30 January 2016	**15.1**	**0.9**	**14.8**	**(208.7)**	**985.2**	**641.8**	**1,449.1**

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"). 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 accounting policies adopted for the Parent Company, NEXT plc, are otherwise consistent with those used for the Group which are set out on pages 97 to 101. 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 £675.2m (2015: profit of £576.1m).

C2. Investments

The £2,475.7m investment shown in the balance sheet of NEXT plc relates to its investment in NEXT Group plc. A full list of the Group's related undertakings is contained in the table below.

Company Name	Registered Office address	% held by Group companies
AgraTech Limited	Glen House, 200-208 Tottenham Court Road, London, W1T 7PL	100
Belvoir Insurance Company Limited	Maison Trinity, Trinity Square, St Peter Port, GY1 4AT, Guernsey	100
Brecon Debt Recovery Limited	Desford Road, Enderby, Leicester, LE19 4AT, United Kingdom	100
Cairns Limited	14/F Cityplaza 1, 1111 King's Road, Taikoo Shing, Quarry Bay, Hong Kong	100
Callscan, Inc.	McSwiney, Semple, Hankin-Birke & Wood PC, PO Box 2450, 280 Main Street, New London, NH 03257, USA	100
Choice Discount Stores Limited	14-14A Rectory Road, Hadleigh Benfleet, Essex, SS7 2ND, United Kingdom	40
Lipsy Limited	Desford Road, Enderby, Leicester, LE19 4AT, United Kingdom	100
LLC Next	7 Dolgorukovskaya Street, 127006, Moscow, Russian Federation	100
Next (Asia) Limited	14/F Cityplaza 1, 1111 King's Road, Taikoo Shing, Quarry Bay, Hong Kong	100
Next (Europe) BV	Herikerbergweg 238, Luna Arena,1101CM Amsterdam, Netherlands	100
Next Sourcing Limited Shanghai Office	Floor 9, Building 1, Highstreet Loft, No.508 Jiashan Road, Shanghai, China 200031	100
Next AV s.r.o.	Pribinova 8, 811 09, Bratislava, Slovakia	100
Next Brand Limited	Desford Road, Enderby, Leicester, LE19 4AT, United Kingdom	100
Next Distribution Limited	Desford Road, Enderby, Leicester, LE19 4AT, United Kingdom	100
Next Financial Services Limited	Desford Road, Enderby, Leicester, LE19 4AT, United Kingdom	100
Next Group plc	Desford Road, Enderby, Leicester, LE19 4AT, United Kingdom	100
Next Hempel Fashions (Shanghai) Co Ltd	Unit 103 Building 1, No.2802 Gonghexin Road, Shanghai, China	90
Next Manufacturing (Pvt) Limited	Phase 1, Ring Road, 2,E.P.Z, Katunayake, Sri Lanka	100
Next Manufacturing Limited	Desford Road, Enderby, Leicester, LE19 4AT, United Kingdom	100
Next Near East Limited	Desford Road, Enderby, Leicester, LE19 4AT, United Kingdom	100
Next Pension Trustees Limited	Desford Road, Enderby, Leicester, LE19 4AT, United Kingdom	100
Next PK s.r.o.	Rohanské nábreží 671/15, Karlín, Prague 8, 186 00, Czech Republic	100
Next Properties Limited	Desford Road, Enderby, Leicester, LE19 4AT, United Kingdom	100
Next Retail Limited	Desford Road, Enderby, Leicester, LE19 4AT, United Kingdom	100
Next Sourcing (UK) Limited	Desford Road, Enderby, Leicester, LE19 4AT, United Kingdom	100
Next Sourcing Limited	14/F Cityplaza 1, 1111 King's Road, Taikoo Shing, Quarry Bay, Hong Kong	100
Next Sourcing Services (India) Private Limited	5th Floor, Tower A, Diamond District, Airport Road, Bangalore 560008, India	100
Next Sourcing VM Limited	14/F Cityplaza 1, 1111 King's Road, Taikoo Shing, Quarry Bay, Hong Kong	100
Next Sweden AB	Unit E115, Entre Shooping Centre, 212 12 Malmo, Sweden	100
Next Trading (Shanghai) Co Limited	Room 303, Building No.4, No.58 Ruixing Road of Shanghai (pilot) free trading zone, Shanghai, China	100
NSL Limited	14/F Cityplaza 1, 1111 King's Road, Taikoo Shing, Quarry Bay, Hong Kong	100

Notes to the Parent Company Financial Statements

C2. Investments (continued)

Company Name	Registered Office address	% held by Group companies
Perimeter Technology Inc.	McSwiney, Semple, Hankin-Birke & Wood PC, PO Box 2450, 280 Main Street, New London, NH 03257, USA	100
The Next Directory Limited	Desford Road, Enderby, Leicester, LE19 4AT, United Kingdom	100
The Paige Group Limited	Desford Road, Enderby, Leicester, LE19 4AT, United Kingdom	100
UJ Next Kereskedelmi Korlatolt Felelossegu Tarsasag	1132 Budapest, Vaci ut 22-24, Budapest, Hungary	100
Ventura Group Limited	Desford Road, Enderby, Leicester, LE19 4AT, United Kingdom	100
Ventura Network Distribution Limited	Desford Road, Enderby, Leicester, LE19 4AT, United Kingdom	100

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

	2016		2015	
	Current £m	**Non-current £m**	Current £m	Non-current £m
Corporate bonds	**213.8**	**615.0**	–	838.2
Unsecured bank loans	**115.0**	**–**	–	–
Amounts due to subsidiary undertaking	**58.6**	**–**	226.9	–
Dividends payable	**88.3**	**–**	73.9	–
Other financial liabilities	**–**	**13.9**	101.1	11.8
Accruals and other creditors	**12.3**	**–**	11.6	–
	488.0	**628.9**	413.5	850.0

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, in the prior year, amounts payable under the Company's closed season buyback arrangements for the Company's own shares (Note 19) which subsequently expired unfulfilled.

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 (2015: £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.

C6. Profit and Loss Account and Distributable Reserves

The profit and loss account of the Parent Company does not include any unrealised profits, however the amount available for distribution under the Companies Act 2006 by reference to these accounts is effectively reduced by the ESOT reserve of £208.7m. At January 2016, therefore, the amount available for distribution by reference to these accounts is £433.1m. The Group also has substantial retained profits in its subsidiary companies which are expected to flow up to the Parent Company in due course, such that surplus cash generated can continue to be returned to our external shareholders.

During the year to January 2016, the directors became aware that certain dividends paid in 2014 and 2015 were made otherwise than in accordance with the Companies Act 2006 because interim accounts had not been filed at Companies House prior to payment. At a General Meeting of the Company's shareholders held on 10 February 2016, a resolution was passed which authorised the appropriation of distributable profits to the payment of the relevant dividends and removed any right for the Company to pursue shareholders or directors for repayment. The overall effect of this resolution being passed was to return all parties to the position they would have been in had the relevant dividends been made in full compliance with the Companies Act 2006.

SHAREHOLDER INFORMATION

Half Year and Sector Analysis

	First half £m	Second half £m	53 weeks to Jan 2016 £m	First half £m	Second half £m	52 weeks to Jan 2015 £m
Total Sales *						
NEXT Retail	**1,083.0**	**1,323.0**	**2,406.0**	1,080.9	1,267.3	2,348.2
NEXT Directory	**767.0**	**920.7**	**1,687.7**	709.2	831.4	1,540.6
NEXT International Retail	**36.3**	**39.6**	**75.9**	40.2	46.0	86.2
NEXT Sourcing	**3.2**	**4.0**	**7.2**	3.3	4.2	7.5
Lipsy	**14.9**	**15.2**	**30.1**	17.5	19.3	36.8
Property Management	**3.0**	**3.8**	**6.8**	2.6	3.0	5.6
Other activities	**–**	**–**	**–**	2.8	0.1	2.9
Total	**1,907.4**	**2,306.3**	**4,213.7**	1,856.5	2,171.3	4,027.8
Profit before tax						
NEXT Retail	**161.0**	**247.1**	**408.1**	152.3	231.5	383.8
NEXT Directory	**184.1**	**229.2**	**413.3**	172.1	204.7	376.8
NEXT International Retail	**4.7**	**5.7**	**10.4**	5.1	6.6	11.7
NEXT Sourcing	**22.9**	**28.2**	**51.1**	15.9	25.5	41.4
Lipsy	**1.8**	**3.9**	**5.7**	1.9	3.2	5.1
Property Management	**6.6**	**0.9**	**7.5**	2.0	4.9	6.9
Other activities	**(19.1)**	**(9.8)**	**(28.9)**	(10.2)	(3.4)	(13.6)
Operating profit	**362.0**	**505.2**	**867.2**	339.1	473.0	812.1
Exceptional items	**–**	**–**	**–**	–	12.6	12.6
Net finance costs	**(14.9)**	**(16.2)**	**(31.1)**	(14.9)	(15.0)	(29.9)
Total	**347.1**	**489.0**	**836.1**	324.2	470.6	794.8

Five Year History

Year to January	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Underlying continuing business					
Total Sales *	**4,213.7**	4,027.8	3,758.2	3,562.5	3,456.2
Revenue	**4,176.9**	3,999.8	3,740.0	3,547.8	3,441.1
Operating profit – underlying 52 weeks	**851.8**	812.1	722.8	650.2	598.7
Net finance costs – underlying 52 weeks	**(30.5)**	(29.9)	(27.6)	(28.6)	(28.4)
Profit before tax – underlying 52 weeks	**821.3**	782.2	695.2	621.6	570.3
53rd week (pre-tax)	**14.8**	–	–	–	–
Exceptional items (pre-tax)	**–**	12.6	–	44.9	47.2
Ventura profit before tax (discontinued)	**–**	–	–	–	2.9
Taxation	**(169.3)**	(159.9)	(142.0)	(157.9)	(145.6)
Profit after taxation	**666.8**	634.9	553.2	508.6	474.8
Total equity	**311.8**	321.9	286.2	285.6	222.7
Shares purchased for cancellation	**2.2m**	2.m	6.2m	7.5m	12.5m
Dividends per share					
– ordinary	**158.0p**	150.0p	129.0p	105.0p	90.0p
– special	**240.0p**	150.0p	50.0p	–	–
Basic earnings per share					
Underlying (52 weeks)	**442.5p**	419.8p	366.1p	297.7p	255.4p
Total	**450.5p**	428.3p	366.1p	320.1p	282.0p

* As defined in Note 1 to the accounts.

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 plc ("NEXT" and/or the "Company") 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 affected, for delivery to the purchaser or transferee.

Notice is given that the Annual General Meeting ("AGM") of NEXT will be held at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester LE19 1SW on Thursday 19 May 2016 at 9.30 a.m. at which the following resolutions will be proposed; resolutions 1 to 14 as Ordinary Resolutions and 15 to 18 as Special Resolutions.

Further information on these resolutions can be found in the Directors' Report on pages 38 to 42 and in the appendix to this Notice. Biographies of the directors who are all seeking re-election are shown on pages 36 and 37 of the Annual Report.

1. To receive and adopt the accounts and reports of the directors and auditor for the year ended 30 January 2016.
2. To approve the Remuneration Report (excluding the directors' remuneration policy set out on pages 74 to 81) for the year ended 30 January 2016.
3. To declare a final dividend of 105p per share in respect of the year ended 30 January 2016.
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 re-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 re-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. 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 £5,022,000 (as reduced by any equity securities allotted under paragraph (a)(ii) below); and

        ii. up to a maximum nominal amount of £10,044,000 (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 AGM of the Company after the passing of this resolution, or, if earlier, at the close of business on 19 August 2017; 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).

15. Disapplication of pre-emption rights

That:

a. in accordance with article 8 of 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 £1,506,000 representing 10% of the issued ordinary share capital;

c. in accordance with article 8 of the Articles this authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 19 August 2017; 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).

16. 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 22,585,000 ordinary shares of 10p each and no more than 14.99% of the issued ordinary shares outstanding at the date of the AGM, such limit to be reduced by the number of any shares purchased pursuant to the authority granted at resolution 17 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: (i) 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 (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share of the Company and the highest current independent bid for an ordinary share of the Company as derived from the London Stock Exchange Trading System;

d. the authority hereby conferred, unless renewed, shall expire on whichever is the earlier of the conclusion of the AGM of the Company held in 2017 and 19 August 2017;

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.

Notice of Meeting

17. 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 1 on pages 143 to 144 (the authority conferred by this special resolution to expire on whichever is the earlier of the conclusion of the next AGM of the Company held in 2017 and 19 August 2017, 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 16 above.

18. Notice of general meetings

    That, in accordance with the Articles, a general meeting (other than an AGM) may be called on not less than 14 clear days' notice.

By order of the Board

Seonna Anderson

Seonna Anderson
Company Secretary
Registered Office: Desford Road, Enderby,
Leicester, LE19 4AT
19 April 2016

Appendix 1

Further information on resolution 17: Off-market purchases of own shares

As noted in the Directors' Report on page 40, 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 17 passed at the Company's 2015 AGM, shareholder authority was given to the Company to make on-market purchases of shares. This authority was limited to a maximum of 22,915,000 shares and expires on the earlier of the date of the AGM held in 2016 or 1 August 2016. 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 3 million shares and expires on the earlier of the date of the AGM to be held in 2016 or 1 August 2016. Pursuant to those authorities and up to 23 March 2016, the Company has bought back 2,203,873 shares for cancellation, representing 1.4% of its issued share capital as at the date of the 2015 AGM, at a total cost of £150.7m. No shares were bought back under contingent purchase contracts.

Under sections 693 and 694 of 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.

Notice of Meeting

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 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 17, 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 2017 or 19 August 2017 and will incorporate the terms of an ISDA Master Agreement and Schedule. The Programme Agreements will be entered into and each CFT will be affected 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 affected 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 23 March 2016;
- 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: (i) 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 (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share of the Company and the highest current independent bid for an ordinary share of the Company as derived from the London Stock Exchange Trading System;
- the Forward Price will be no more than 99% of the share price at the time the CFT was effected;
- the minimum price that can be paid for any share is 10p; and
- only one CFT 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 19 May 2016 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 2017 or on 19 August 2017, whichever is the earlier, unless such authority is renewed prior to that time (except in relation to the purchase of shares under any CFT effected before the expiry of such authority and which might be completed wholly or partly after such expiry). The purchase of shares under the Programme Agreements will always be physically settled by delivery of shares to the Company (except in the case of certain events of default or termination events).

A copy of each of the Programme Agreements will be available at the AGM on 19 May 2016. 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 Slaughter and May at One Bunhill Row, London, EC1Y 8YY 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 23 March 2016 was 5,075,009. This represents 3.4% 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 2015 AGM (which will expire at the 2016 AGM) and the authority sought by this special resolution, then the total number of options to subscribe for shares outstanding at 23 March 2016 would represent 3.5% of the reduced issued share capital.

Meeting Formalities and Voting

Attending the Annual General Meeting

To be entitled to attend and vote at the AGM (and in accordance with the Articles 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 17 May 2016 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 23 March 2016, which is the latest practicable date before the publication of this Notice, is 150,669,683 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. The directors believe a poll is more representative of shareholders' voting intentions because shareholders' votes are counted according to the number of shares held and all votes tendered are taken into account. The procedures for the poll votes will be explained at the AGM.

In respect of resolution 17 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 17 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 17 May 2016 (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.

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.

Notice of Meeting

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 19 May 2016 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.

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. Copies will also be available for inspection at the offices of Slaughter and May at One Bunhill Row, London, EC1Y 8YY during usual business hours until the close of the AGM.

- Terms of appointment of the non-executive directors
- The Programme Agreements pursuant to resolution 17

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 AGM; 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 AGM 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 Shareholder 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 1 August 2016 to holders of ordinary shares registered at close of business on 8 July 2016. The ordinary shares will trade ex-dividend from 7 July 2016.

Annual General Meeting

The AGM will be held at 9.30am on Thursday 19 May 2016 at the Leicester Marriott Hotel, Smith Way, Grove Park, Leicester LE19 1SW. The notice of the meeting on pages 140 to 147 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)

	2016	2015
Share price at financial year end	**£69.25**	£71.50
Market capitalisation	**£10,434m**	£10,930m
Share price movement during year:		
High mid-market quotation	**£80.15**	£72.15
Low mid-market quotation	**£65.25**	£61.35

Discount voucher

The Company offers a discount voucher to any first named, registered shareholder holding a minimum number of 100 ordinary shares as at 1 April each year. 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 +44 (0) 0371 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 online at www.shareview.co.uk or using the contact details above if you have any enquiries about your NEXT 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 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 +44 (0) 371 384 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 website on **www.nextplc.co.uk** or from Equiniti, telephone +44 (0) 371 384 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 27 to 30; 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.

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This Annual Report is printed on Amadeus Revive 100% Recycled Silk. The paper is made from 100% post consumer waste and is fully recyclable and biodegradable. The mill of manufacture is certified to the ISO 9001 Quality Standard and the ISO 14001 Environmental Standard.

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