next

ANNUAL REPORT & ACCOUNTS

JANUARY 2021

CONTENTS

Strategic Report

Governance

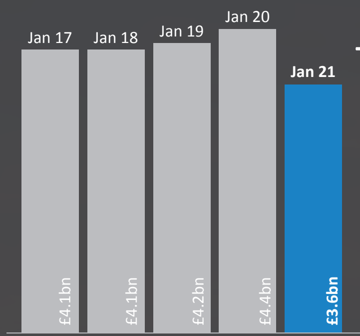
Financial Statements

Shareholder Information

FINANCIAL HIGHLIGHTS

TOTAL SALES* APM

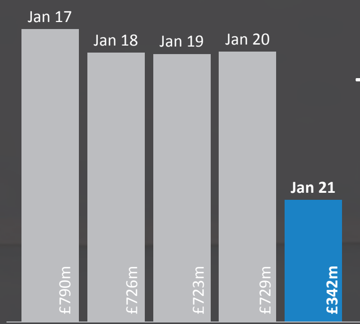
Underlying continuing business



-16.9%

PROFIT BEFORE TAX APM

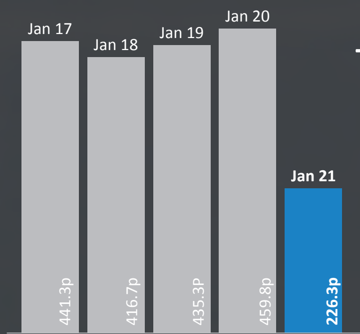
Underlying continuing business – excludes IFRS 16



-53.1%

EARNINGS PER SHARE APM

Underlying – excludes IFRS 16



-50.8%

FINANCIAL HIGHLIGHTS ON STATUTORY BASIS

	Jan 21	Jan 20
Total revenue (£bn)	3.5	4.3
Profit before tax (£m)	342	749
Earnings Per Share (p)	223.3	472.4

* Total sales are VAT exclusive sales and include the full value of commission-based sales and interest income (refer to Note 1 to the financial statements).

APM Alternative Performance Measure

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

In last year's Full Year Results, published just as the UK went into lockdown, we stated that our sector was facing a crisis unprecedented in living memory. We also stated that our strong balance sheet and profit margins would allow us to weather the storm.

Both statements have proved true. A year on, NEXT has delivered profit before tax of £342m (2019/20: £729m, both pre-IFRS 16) in line with the central guidance issued in our January 2021 Trading Statement. Despite most of our stores being closed for a significant portion of 2020/21, Total[1] Group sales decreased by less than 17% to £3.6bn (2019/20: £4.4bn).

In April 2020, we stated our intention to suspend all capital returns to shareholders for the duration of the financial year and until the situation stabilises. Given the continuing uncertainty around when our stores will reopen, no final dividend is proposed for 2020/21 and our share buyback programme remains suspended. We remain committed to returning capital to shareholders in the long term and will review our position later in the year when we have better visibility of our trade once our stores reopen.

Our cash resources have been carefully managed with a number of actions taken to conserve cash during the year. As a result, net debt reduced to £610m (2019/20: £1.1bn).

We expect the shift in consumer behaviour towards Online sales to continue for some time and one of our priorities during the year has been to continue the development of our Online platform. We accelerated part of our planned capital expenditure in the Online business, spending £121m on warehousing and systems.

During the year, the Board appointed Tom Hall as a non-executive director to replace Francis Salway, who has served on our Board for over nine years and will step down at the 20 May 2021 AGM. On behalf of the other directors, I would like to thank Francis for his very significant contribution to the Board and to the Remuneration Committee during his time with NEXT. I have particularly valued his hard work as Chairman of our Remuneration Committee. We will miss Francis' unflappable and persistent good sense. Tom will take over the role of Chair of the Remuneration Committee and Jonathan Bewes will take over the role of Senior Independent Director on Francis' retirement at the 2021 AGM.

I believe that in difficult times there is a clearer separation between the stronger corporate performers and the weaker ones. This result is due to the formation of a good management team and the establishment of robust processes during less volatile periods. Our continued investment over many years in our people and our systems has shown resilient results in the past year.

The strength of the Group is built on the hard work and dedication of all NEXT's people and this year has highlighted their resilience and ability to work together in times of crisis. I would like to thank them for their outstanding work during an extremely demanding year.

M. J. Roney

Michael Roney

Chairman

1 April 2021

1 Total sales are VAT exclusive sales including the full value of commission based sales and interest income (refer to Note 1 of the financial statements).

CHIEF EXECUTIVE'S REVIEW

HEADLINES

Performance in the Year Ending January 2021

- Full price sales [2] down **-15%** on last year.
- Profit before tax of **£342m**[3] and in line with guidance given in January.
- Year end net debt[4] reduced by **£502m** to £610m.

Updated Central Guidance for the Full Year Ending January 2022

- Total Brand full price sales guidance remains unchanged and flat against 2019/20 (a two-year comparison).
- The anticipated end of the third lockdown in April[5] is two weeks later than we had allowed for in our previous guidance. However, the profit lost from those additional two weeks has been offset by the benefit of the extension of business rates relief announced in March.
- In the first eight weeks of the year, Online sales have been stronger than expected and are up more than +60% on two years ago. This overachievement plus the expected transfer of sales from Retail during the additional two weeks of lockdown, are expected to add £30m of profit. As a result, we are raising our central profit guidance by £30m from £670m to **£700m**.

---

[2] Full price sales are Total sales excluding VAT, less items sold in our mid-season and end-of-season Sale events, our Clearance operations and through Total Platform. These are not statutory sales (refer to Note 1 of the financial statements).

[3] Profit before tax of £342m is pre-IFRS 16, Leases. The financial information presented in pages 3 - 60 is that used by management to monitor and assess business performance. They are not statutory measures unless stated as such. A reconciliation to the statutory equivalents is provided in the Appendix on page 61.

[4] Net debt excludes leases.

[5] This refers to the end of the lockdown in England (which represents around 85% of our retail sales). The end of lockdown in parts of Scotland, Northern Ireland and Eire will follow later.

PURPOSE AND STRUCTURE OF THIS DOCUMENT

Mark Twain famously apologised for writing a long letter, he did not have the time to write a short one. The implied self-criticism is not lost on us. This is a long report and, with time, it could be more succinct. But the main reason for its length is that there is so much to explain. The effect that the pandemic has had on the business, the way we coped with its challenges and, most importantly, the shape and economics of the business going forward, all require explanation.

In this report, we have given more detailed guidance for the year ahead across each of our main divisions: Online, Finance and Retail. We have endeavoured to give shareholders a sense of how much the business has changed over the last year and an understanding of the Company's underlying economics as we emerge from the pandemic.

For ease of reading, this document is divided into the following five sections:

CONTENTS

PART 1 - THE BIG PICTURE

This section aims to give an overview of: (1) how the Company has managed through the pandemic; (2) how the business has dramatically evolved its product offer and customer base; (3) the way in which we intend to develop the business going forward and (4) a summary of the outlook for the year ahead.

RESILIENCE THROUGH THE PANDEMIC

Four Underlying Advantages

If we had been told twelve months ago that our shops were going to be shut for 20 weeks, we could not have imagined the Group delivering the sales or profit we achieved last year. We have been very fortunate. For a number of different reasons, our business was well placed to cope with the pandemic. The resilience of the business can be attributed to four main factors; in order of importance these are:

Online Scale Going into the pandemic, Online sales (including Finance) accounted for more than half of the Group's turnover. The scale of our Online business and the breadth of its customer base, both in the UK and Overseas, meant we were able to pick up a significant amount of the business lost in our stores by servicing customers online.

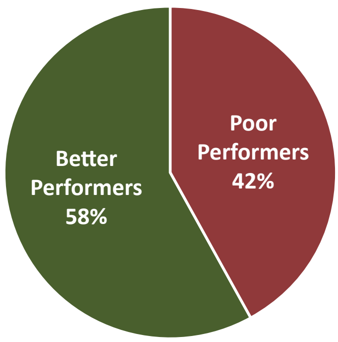
Product Diversity The diversity of our product offer, across the NEXT brand and through LABEL, has proved an invaluable asset during the pandemic. It meant that, when lockdown precipitated a dramatic decline in the demand for adult fashion, other products, more suited to lockdown life, were able to recover much of the loss. So, areas such as homeware, childrenswear, sportswear and stay-at-home basics (underwear, sweat tops, joggers, nightwear, etc.) all served to mitigate declines in adult's formal and casual clothing, footwear and accessories. The graphic below sets out the dramatic divergence in performance between over-performing and under-performing categories.

Balance Sheet The financial resilience of our balance sheet, the extent of our cash resources and the quality of our customer receivables meant that we have not needed to draw on emergency Government lending.

Retail Parks Our retail park store portfolio accounted for 62% of our Retail sales going into the pandemic. In general, retail park stores are local and easier to access, with social distancing simpler to maintain both within and outside the store. So it is not surprising that these locations fared much better than city centres and shopping malls. At the times when stores were open, like-for-like sales in retail parks, although negative, were between 15% and 20% better than our other stores.

Better Performers
Home
Childrenswear
Sports
Lounge & underwear

Total full price sales +3% vs last year



Sales participated going into lockdown

Poor Performers
Formal
Occasion
Holiday
Shoes & accessories

Total full price sales -41% vs last year

Lower Returns Rates Online

We were also fortunate in one other respect. The product areas that did well have much lower returns rates than those that underperformed. For example, customers traditionally order several dresses with the intention of only keeping the one they like, so the returns rate is high. Conversely, the returns rate on babygrows is very low. That, along with customers generally being more selective at point of order, meant that we experienced a material reduction in returns rates. This allowed us to achieve sales growth far in excess of the growth in units we despatched from our warehouses. So, although Online full price sales in the second half increased by +34%, units picked and despatched grew by just +13%.

We expect the level of returns to revert to more normal levels once the pandemic is over. However, the end of social distancing rules should allow for more efficient working practices in our warehouses, which in turn would increase output.

A Thank You

I cannot report on the resilience of the business over the past year without mentioning the extraordinary effort and dedication of colleagues across the business. From warehouses to stores, through our head office departments, contact centres to our overseas sourcing offices; people have worked tirelessly to support the business in the face of unprecedented challenges.

Without exception, every part of the business understood the situation we were in and faced up to its challenges with hard work, innovation, teamwork, and a (mostly!) cheerful determination to make sure their part of the business got through. Whilst the Company had many advantages going into the pandemic, it has been the endeavours and ideas of colleagues that have proven to be our greatest asset; and it has been their collective commitment that allows us to go into the year ahead with the prospect of heading back to the levels of sales and profitability we delivered in 2019/20.

RELEVANCE AND EVOLUTION

DELIVERING CHANGE IN A CHANGING WORLD

We were, in many ways, fortunate that the business was so well placed to ride out the swings in consumer behaviour caused by the pandemic. But the building of a diverse, profitable, and well financed business, along with the development of new online routes to market, has not been accidental. It has come as a result of a conscious and consistent effort to adapt and change the business, and to maximise the opportunities presented by our Online infrastructure, product skills, supplier base, and partnerships.

It is this process of change and constant business development that has kept the business relevant and profitable.

The Extent of the Change

In any one year, the changes in NEXT's business model have been unremarkable, but over time the change has been dramatic. For example, ten years ago our Online Overseas and LABEL businesses were mere glints in the corporate eye. They are now forecast to take £1.3bn in the year ahead accounting for nearly a third of the Group's sales and 28% of our profit. They remain some of the fastest growing parts of the Group.

The tables below demonstrate just how radically the Group has changed its business since 2005. They compare the sales participation of different parts in 2005 to our estimate for sales in the year ahead along with the percentage growth of those areas. Our Online business (including Finance) has increased fivefold, moving from 23% of the Company's revenue to 71%, and our Home business has more than trebled its sales. The year to January 2022 for Retail is artificially low due to the ten weeks when the stores will be closed. If we account for the lost sales in those weeks, then the participation of Retail would be around 34%, instead of 29%.

Online versus Retail sales

	£ sales	% Participation	
	17 year % change	Jan 2005	Jan 2022(e)
Retail	*- 39%*	77%	29%
Online/Finance	*+403%*	23%	71%
Total	*+61%*	100%	100%

Group: Clothing versus Home sales

	£ sales	% Participation	
	17 year % change	Jan 2005	Jan 2022(e)
Clothing	*+43%*	90%	79%
Home	*+219%*	10%	21%
Total	*+61%*	100%	100%

Online: UK versus Overseas sales

	£ sales	% Participation	
	17 year % change	Jan 2005	Jan 2022(e)
UK	*+307%*	100%	81%
Overseas	-	0%	19%
Total	*+403%*	100%	100%

Online: NEXT versus LABEL sales

	£ sales	% Participation	
	17 year % change	Jan 2005	Jan 2022(e)
NEXT Brand	*+265%*	100%	73%
Third-parties	-	0%	27%
Total	*+403%*	100%	100%

No Grand Strategy - Following the Money

At this point it is worth explaining the thinking behind the way in which we have moved the business forward. The transformation has *not* been guided by a grand 'strategy'; mercifully we have not been reliant on boardroom 'vision'. At no point did we set out a "Ten Year Plan" to reach a given point. Financial controls have been, and remain, hugely important in ensuring that individual business endeavours make a profit. But this financial 'control' is a world apart from the sort of 'command and control' that so often hampers innovation and speed.

Instead, the business has *followed the money*, developing new ideas bottom up, drawing on innovations generated throughout the Group - new product ranges, new businesses, new distribution channels, services, partnerships and markets. It is evolution in the true sense of the word, where small trials that fail, fail fast and those that succeed are developed as far as possible.

Guiding Principles

But, it would be a mistake to characterise this evolution as simply random. There are very clear guiding principles that have both encouraged and constrained the direction in which we have taken the business. New ventures must conform to four criteria:

Create Value Whatever businesses we develop, if they are to succeed, they must create real value - for our customers, partners and suppliers. It is not always easy to resist the temptation to sell products where we add little value, for example, we know very little about travel so would not rebadge a third-party travel offer as NEXT travel.

Equally we could be tempted to make too much profit at the expense of our third-party branded partners. Of course, we have to make our target margin, but more than that, we will give back to our partners. To that end, we have unilaterally lowered third-party commission rates twice in the last three years. We will do so again if we are able to deliver further economies of scale. We want our partners to view NEXT as an invaluable ally, not a necessary evil.

Play to our Strengths We are, at heart, a fashion and homeware business with excellent operations and strong financial disciplines. We have spent years honing those skills and the supporting infrastructure - building the trust and confidence of both our customers and partners along the way. It is these qualities that we aim to leverage and develop as we move forward.

Healthy Operating Margins Fashion is risky and volatile; it involves taking on many fixed costs that stick in a difficult year. If our business is to ride out the slips and misfortunes inherent in our sector, we need to maintain margins healthy enough to get us through those difficult periods. Last year was about the most extreme stress test we could have had, and our resilience is testament to the financial disciplines that run through everything that we do.

A Healthy Return on Capital Deliver a return on capital invested commensurate with the risk of any individual business. Capital is the lifeblood of the business; it is what our shareholders have invested in the business and ultimately what they expect to get back from us. Making a good return on their investment has to be our primary mission.

In addition to sticking to the principles set out above, we have also had to be ruthlessly honest with ourselves and the outside world about the nature of the change our sector is experiencing. We have also had to make some uncomfortable decisions.

Uncomfortable Truths and Difficult Decisions

In many ways the last ten years have been about adapting to the simple truth that, initially, we did not want to believe: Retail stores were, and will remain, at a fundamental and irreversible disadvantage to online competition. This is not being driven by price or even home delivery, but by the scale of the *choice* websites can offer relative to any physical store. The annual decline in Retail like-for-like sales has become the new normal, and looks set to remain that way for many years.

The moment we reconciled ourselves to that fact was, in some ways, a new beginning. Managing the transition was harder than fighting it, but much more productive. It allowed us to follow the new money rather than defend the old.

Following the money can be uncomfortable, because new ideas often pose a threat to existing businesses. The decision to compete with ourselves through selling third-party brands and, more recently, the opening up of our sourcing skills to other brands through licensing were not entirely uncontroversial. We have learned to embrace these and other opportunities nonetheless.

Our view is simple: there is nowhere to hide on the internet, and we are better to collaborate with other brands to our mutual benefit, than cling on to past advantages in the vain hope our customers will not find the competition. And of course, the broader our product offer, the more relevant our website becomes to an increasing number of customers.

INCREASING CHOICE WITHIN THE NEXT BRAND

LABEL brands have served to increase the breadth of our website offer far beyond NEXT's natural design, fashion and price boundaries. Just as important, but much less obvious, has been the numerous ways in which our own NEXT product ranges have been extended and diversified.

Liberation from the Constraints of Space

Unlike physical stores, the internet is unconstrained by limited display space. In addition, items can be made available online with minimal stock investment, whereas making an item available across 500 stores, in several sizes, requires thousands of units. The release from Retail constraints has given our product teams the freedom to develop additional designs, product categories and size ranges. Today, the only real constraints on the size of our offer are the minimum order quantities required to make production viable, along with the quality promise inherent in our brand.

Greater Choice Across Wider Price Range

On clothing ranges such as lingerie, sportswear and children's shoes, the size of our offer has grown dramatically. For example, we stock over 1,000 NEXT children's shoes ranging across school shoes, loafers, trainers, wellies, party shoes, sandals, slippers, running shoes, hiking boots and more. In addition, price architectures have been stretched to serve new customer types. Whether that be the introduction of £399 price-starter sofas-in-a-box or a top of the range £160 men's parka, price extensions have served to increase the potential audience for our brand.

The Extent of the Change

The table below sets out the number of unique items that were on sale on our website during the second half of the year ended January 2021 compared to the same period five years ago. NEXT items have grown significantly in both fashion and home product areas. Third-party branded items, sold through LABEL (including Branded Beauty), have seen enormous growth and now make up more than 70% of all the items that are for sale on our website.

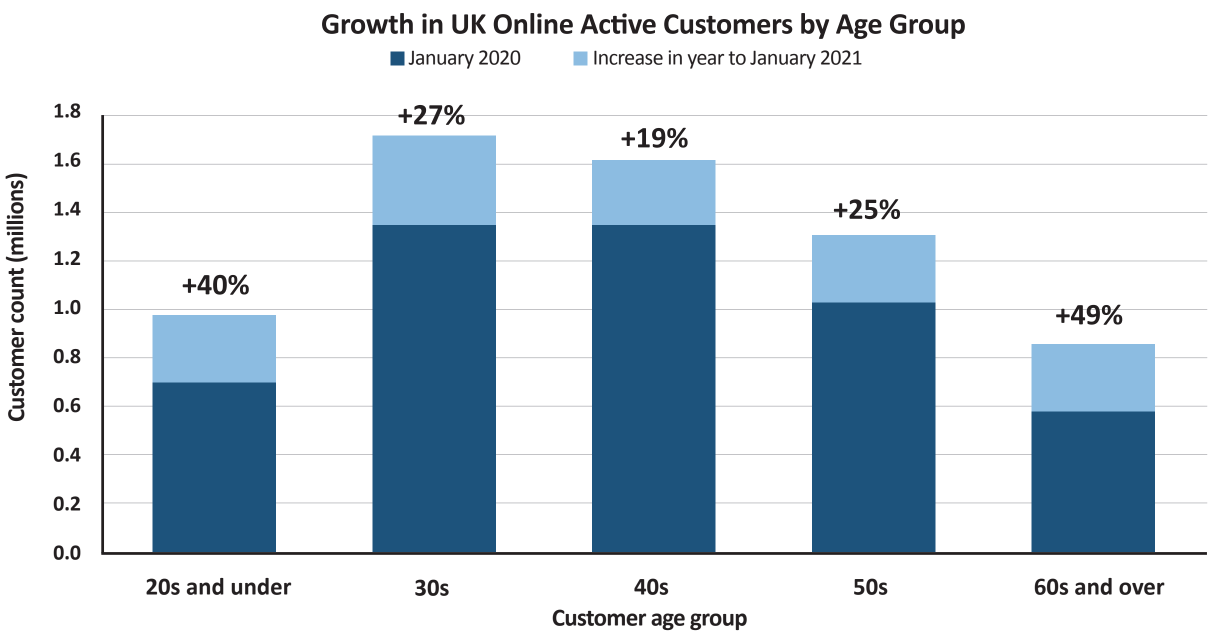
Number of items	H2 2020/21	H2 2015/16	Var %
NEXT Fashion	35,000	13,000	+169%
NEXT Home	17,000	9,000	+89%
NEXT Total	**52,000**	**22,000**	**+136%**
Branded Beauty	20,000	0	
LABEL Brands	130,000	7,000	+1757%
Total	**202,000**	**29,000**	**+597%**

NEW CUSTOMERS

A Broader Online Customer Base

We believe that the net effect of all this additional choice has been to significantly increase the reach and relevance of our website. Over the last two years we have grown our customer base by +40% to 8.4m (see page 30).

The graph below demonstrates how we have grown our UK customer base by age. Each bar shows the number of customers in the UK represented by each age group as at January 2021. Above each bar is the percentage that category has grown since January 2020. The fact that the fastest growing customer segments are the youngest *and* the oldest cohorts is, we believe, testament to the broadening appeal of our website and product ranges.

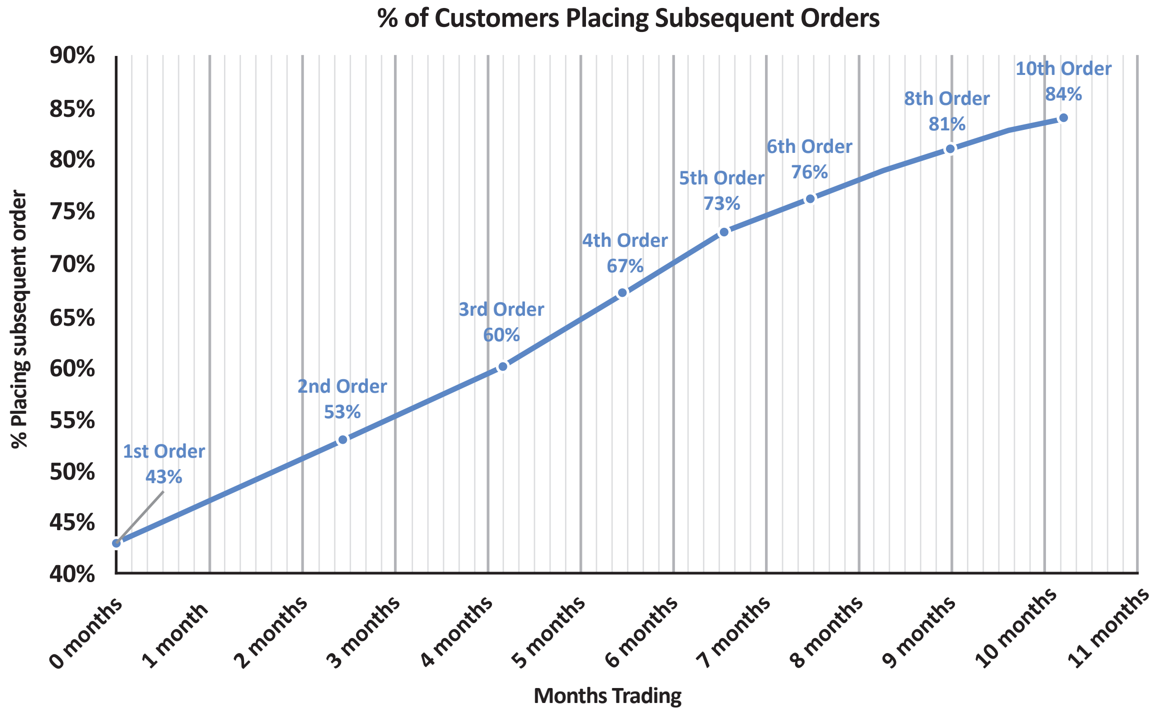


Post Pandemic Retention?

It is impossible to say with certainty how many customers, who shopped Online as a result of the pandemic, will remain shopping Online once stores reopen. Our instinct is that retention rates for customers acquired in 2020 are likely to be similar to those gained in more normal times, though we recognise that might be optimistic.

One thing appears to be certain, the longer the pandemic encourages online shopping, the more likely it is that customers will keep shopping that way. What might start as an experiment or lockdown necessity, over time, becomes increasingly normal and convenient.

The graph below demonstrates this point. It shows the percentage probability of a customer placing a future order relative to the times they have ordered in the past. The horizontal axis shows the average number of months between orders. So, for example, on average a customer places their second order after 2.5 months and has a 53% probability of ordering again. As time goes on, remaining customers are likely to order more frequently.



Data source: NEXT Online UK customers recruited between April-June 2019, orders tracked to end of February 2020

Strategic Report

Governance

Financial Statements

Shareholder Information

THE DEVELOPMENT OF NEW BUSINESS

We continue to develop new business ideas within the Group, chief amongst these being our licensing and Total Platform businesses.

Total Platform

Total Platform aims to leverage NEXT's Online infrastructure and provide partners with a comprehensive solution to trading online - website, call centres, warehousing, distribution, returns and retail services all handled by NEXT.

The objective is to provide a better service at a lower cost, while delivering frictionless growth far faster and more simply than clients could develop their own operations. The service also means clients do not need to invest capital in growing their systems or operations. The capital costs are covered in the price of the Total Platform service, which is charged as a simple percentage of sales. This leaves clients free to focus on the most important aspects of their business: their products, their brand and their marketing.

We now have Total Platform contracts in place with five clients: Childsplay Clothing and Laura Ashley which are both now operational, Victoria's Secret UK which we intend to launch in May this year, a fashion startup brand ('NewBrand'[6]) targeted to open in September and Reiss which is planned to launch in February 2022.

Each client has slightly differing operating models. Some partners (Laura Ashley and NewBrand) will be serviced by their own branded webpages embedded as distinct ring-fenced areas *within* the NEXT website. For these 'Total Platform Light' clients, customers will checkout through NEXT branded checkout pages and deliveries will be made in NEXT packaging. Other clients (Childsplay, Victoria's Secret and Reiss) will have their own completely independent websites, their own branded checkout pages and their goods will be delivered in their own branded packaging.

In addition to signing Total Platform service agreements, we have taken an equity interest in three clients:

- Reiss: 25% with the option of raising our stake to 51% (see page 53)
- Victoria's Secret UK and Eire business[7]: 51%
- NewBrand, which is launching in September: 33%

The aim of the equity stakes is twofold: it serves to align our interests more completely with the client and allows us to benefit from some of the upside that Total Platform can deliver. This approach is discussed in more detail on page 55.

This year, we have the systems and warehousing capacity to introduce four clients. So we do not expect to add further clients this year, although we may lay the foundations for future deals. Our priority now is to smoothly and efficiently execute the transition to Total Platform for these clients. Over the course of the year we will gain a much better understanding of the costs and operational challenges associated with the transition, along with the commercial benefits Total Platform can deliver to our clients. These lessons will determine the shape and speed at which we grow this business in the future.

[6] A new startup brand will be launching in the second half of 2021. Their brand name is currently confidential and will not be shared in this report and we refer to them as NewBrand.

[7] This venture is jointly owned with Victoria's Secret parent company, LBrands. The JV has a seven-year licence for Victoria's Secret and Pink product in the UK and Eire.

Licensing

Our licence business has grown significantly in the year, working with brands such as Baker by Ted Baker childrenswear, Mint Velvet childrenswear, Joules menswear, Scion, and Laura Ashley Upholstery and Flowers. In each case, the aim is to combine our partner's design skills with NEXT's sourcing and quality expertise to create ranges better than either of us could create on our own.

In the year ahead we expect to launch licences with six new partners, and we are budgeting to generate sales of £60m across all our licensed products.

Platform Plus

Last year we began to deliver meaningful returns on the investment we made three years ago in Platform Plus, a system that enables us to take orders on stock available in our partners' warehouses. This service is forecast to generate sales of around £110m in the year ahead and a profit of more than £15m.

THE INFRASTRUCTURE CHALLENGE

One of next year's big challenges will be ensuring that our operational infrastructure keeps up with the speed of our Online growth, the increasing breadth of our offer and the delivery of new business ideas. To this end, we have accelerated capital investment in both warehousing and systems and we expect to make good progress on both fronts in the year ahead (see page 26).

In addition to this investment in infrastructure, we are planning to significantly improve the level of service we give through our contact centres with more people, new systems and improved working practices.

WHERE DOES THAT LEAVE OUR STORES?

Our Retail business has two main challenges. Firstly, we must work towards getting our retail costs in line with the new reality of lower sales. Secondly, we must continue to adapt our store operations to keep them relevant in an online world.

There are three things we will focus on:

- Managing our **occupancy costs** down to levels that can be supported by Retail sales. Last year 80 leases expired; we closed 18 branches and renegotiated rents in 62 stores, achieving an average reduction in rent of -58%.

- Managing our **staffing costs** down to levels that can be supported by Retail sales and Online work available in each store. Over the last two years, the headcount in our stores has reduced from 24,700 to 21,600. The vast majority of that reduction has been achieved through natural staff turnover, with existing members of staff taking up shifts made available when others leave.

- Improving the **store based Online services** we provide through store collections, returns (before the pandemic, Online customers collected nearly 50% of their orders and returned over 80% of returns). More recently, stores have taken on some of the simpler returns processing and some basic packing work, which has proved particularly valuable at peak times. We are also experimenting with how we can allocate contact centre work to our store staff, providing valuable additional hours for staff and harnessing some of their experience and product knowledge for the benefit of our Online business.

OUTLOOK FOR THE YEAR AHEAD

Uncertainty on Many Levels

It is hard to think of a year where the outlook has been so uncertain. The health of the consumer economy, the future course of the pandemic and the prospects for Retail stores remain unknown. It also remains to be seen how many of the product preferences and shopping trends induced by the pandemic will persist once life returns to normal. The following paragraphs set out our thinking on the main uncertainties facing the business and our guidance for the year ahead.

Assumptions About the Consumer Economy and Future Lockdowns

Our best guess is that the consumer economy, at least in the short term, will be healthier than many presume. It seems likely that a combination of pent-up demand along with a healthy overall increase in personal savings will serve to keep the consumer economy moving forward.

Whether or not there will be further lockdowns this year is impossible to predict. We have (perhaps optimistically) assumed that the rollout of COVID vaccines will result in stores remaining open for the year, once the current lockdown has passed. If this assumption is not correct, it is unlikely we will meet our central guidance for sales and profit.

Structural Change and the Future of Retail Stores

There remains a big question mark over the level of sales our stores will achieve when they reopen. The pandemic has served to accelerate a pre-existing social trend - the move to more online shopping. History has been given a shove and, having moved forward, seems unlikely to reverse.

That said, the steady reduction in Retail occupancy costs, the continued relevance of our stores to online shopping through collections and returns and (perhaps) the closure of competing shops, mean that the battle to keep our stores relevant in an online world is far from over.

So our base case for the year ahead is that store sales will decline, on a like-for-like basis, by -20%. At this level (after reversing out the effects of the current lockdown) our store network would remain marginally profitable (see page 49).

Sales and Profit Guidance

Our new central guidance is for the Company to deliver sales in line with those of 2019/20 (two years ago) and profit before tax of £700m, down £29m on two years ago (see page 58). That performance, on the surface, looks unremarkable, but it involves managing the loss of over half-a-billion of sales from our Retail stores and building that turnover back across our various Online businesses.

The scale of that change, with all the risks involved, is considerable. But these are changes that we have spent the last five years addressing. Looking ahead, there is more uncertainty than ever - the consumer economy, future lockdowns and more. But there is one thing about which we are sure: our business will emerge from the pandemic better placed to meet the challenges and opportunities of the online era than it was at this time last year.

PART 2 - GROUP FINANCIAL PERFORMANCE

OVERVIEW OF SALES, PROFIT AND NET DEBT

Brand full price sales in the year were down **-15%** on last year and total sales[8] (including markdown sales) were down **-17%**. This year was a 53-week year and the extra week added +1% to sales.

Profit before tax was **£342m** (pre-IFRS 16) and we reduced our net debt by **£502m** to £610m. The 53rd week added £12m to profit.

In the rest of this document, unless otherwise stated, we will compare sales and profit in the 53 weeks to January 2021 with 52 weeks in the prior year. We would usually provide figures and variances to the prior year on a 52-week basis but, given the level of disruption in the year, we do not believe this would be helpful.

On a statutory basis, total sales were down -17%. Profit before tax was also £342m and net debt (including leases) reduced by £567m to £1,796m.

SALES

Total sales reduced by -£736m, with almost all of this reduction being in the first half of the year. In the second half, the sales lost in Retail (-£368m) were almost entirely offset by sales gained Online (+£364m).

Sales by Division

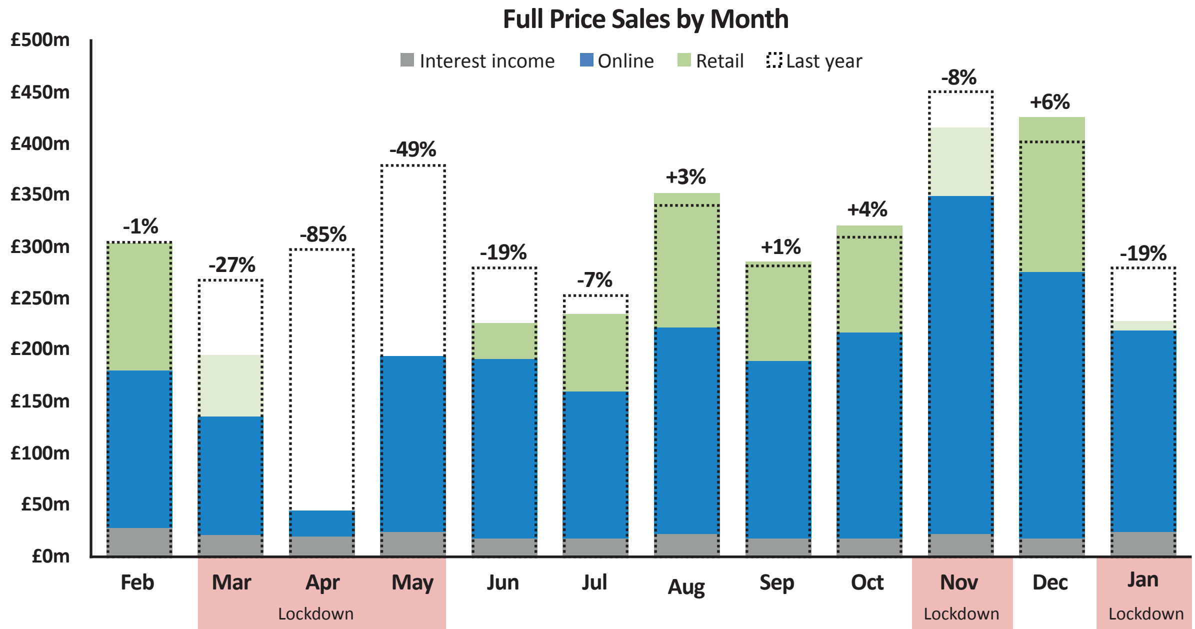
TOTAL SALES £m	Jan 2021	Jan 2020	Var £m	Var %	1st half var £m	2nd half var £m
Online	2,368.4	2,146.6	221.8	+10%	- 142	+364
Retail	954.5	1,851.9	(897.4)	- 48%	- 530	- 368
Finance	250.3	268.7	(18.4)	- 7%	- 6	- 12
Brand	**3,573.2**	**4,267.2**	**(694.0)**	**- 16%**	**- 678**	**- 16**
Other	52.7	94.6	(41.9)	- 44%	- 24	- 18
Total Group sales	**3,625.9**	**4,361.8**	**(735.9)**	**- 17%**	**- 702**	**- 34**

[8] Total sales are VAT exclusive sales including the full value of commission based sales (refer to Note 1 of the financial statements).

Sales Phasing Throughout the Year

The chart below shows full price sales by month by sales channel. Retail sales are shown in green, Online product sales are shown in blue and Finance interest income in grey. The dotted black line shows the total full price sales for last year. The months that were most impacted by lockdowns, resulting in the closure of the majority of our stores, are highlighted in pink.

At the beginning of the pandemic in March 2020, we temporarily closed our warehouse operation for two weeks to make it COVID safe. On reopening in April, picking capacity was gradually increased and was back to more normal levels during May.



Comment on Brand Markdown Sales

Our stock levels were well controlled during the year. Despite the sudden drop in sales following the first lockdown, our surplus stock in the year was down -17% on the prior year.

Markdown sales in the year were down -30% (down -41% in the first half and down -20% in the second half). Markdown sales declined more than full price sales because:

- We were unable to fully service the mid-season Sale event in late March due to the closure of our stores and the temporary closure of our warehouse.
- We reduced the availability of Clearance stock Online when warehouse picking capacity was limited and full price orders were prioritised.

Surplus stock and markdown sales £m	**Jan 2021**	**Jan 2020**	**Var %**
Surplus stock at original selling value (VAT Inc)	*959*	*1,159*	*- 17%*
Markdown sales (VAT ex.)	228	324	- 30%
Clearance sales (VAT ex.)	86	126	- 32%
Total markdown sales (VAT ex.)	**314**	**450**	**- 30%**

PROFIT

Profit Summary (Excluding IFRS16 Leases)

PROFIT £m and Earnings Per Share	Jan 2021	Jan 2020	Var £m	Var %
Online	472.1	399.6	72.5	+18%
Retail	(205.9)	163.9	(369.8)	- 226%
Finance (after charging interest)	112.4	146.7	(34.3)	- 23%
Brand	**378.6**	**710.2**	**(331.6)**	**- 47%**
Sourcing and Other[9]	(2.9)	27.8	(30.7)	
Property	(39.9)	(2.2)	(37.7)	
Group recharge of interest from Finance business	48.4	36.3	12.1	
Operating profit	384.2	772.1	(387.9)	- 50%
Net external interest	(42.2)	(43.6)	1.4	
Profit before tax	**342.0**	**728.5**	**(386.5)**	**- 53%**
Taxation	(51.4)	(134.6)	83.2	**- 62%**
Profit after tax	**290.6**	**593.9**	**(303.3)**	**- 51%**
Earnings Per Share	**226.3p**	**459.8p**		**- 51%**

Statutory Sales and Profit

Profit before tax of £342m shown in the table above is stated on a pre-IFRS 16 (Leases) basis. The financial information presented in pages 3 to 60 is also pre-IFRS 16, and aligns with the accounts we use to monitor and assess the performance of the business. They are not statutory measures unless stated as such. Last year (unusually) profit before tax, on a post IFRS 16 basis, was the same as on a pre-IFRS 16 basis at £342m. The statutory numbers are summarised below and a reconciliation to the pre-IFRS 16 is provided in the Appendix on page 61.

STATUTORY BASIS £m and EPS	Jan 2021	Jan 2020	Var £m	Var %
Sales	3,534.4	4,266.2	(731.8)	- 17%
Profit before tax	342.4	748.5	(406.1)	- 54%
Profit after tax	286.7	610.2	(323.5)	- 53%
Earnings Per Share (Basic)	223.3p	472.4p		

[9] Other includes Franchise, Lipsy and other Group costs (page 50).

Non-recurring Costs, Savings and Profits

Within the reported profit before tax of £342m, there are a number of significant, non-recurring items. These are summarised in the table below and in total, reduced profit by -£16m. The key lines are briefly explained in the text below the table.

It should be noted that all the non-recurring profit items detailed below are cash generative in the year, while almost all the non-recurring loss items are provisions that do not impact on cash flow in the current year.

Full year profit impact (pre-IFRS 16)	£m
Business rates reduction	+82
Property profit from the sale and leaseback of properties	+44
Profit from 53rd week	+12
Subtotal: Benefits to profit	**+138**
Property provisions for store impairment and onerous leases	- 100
Stock and fabric provisions	- 34
Bad debt provisions	- 20
Subtotal: Costs to profit	**- 154**
Total profit impact from non-recurring items	**- 16**

Property Profit

In the first half of the year, we completed the sale and leaseback of a warehouse complex and our head office. These transactions resulted in a cash inflow on sale of £154m and a net profit of £44m[10].

Property Provisions for Store Impairment and Onerous Leases

We anticipate that Retail sales will not fully recover to pre-COVID levels and, as a result, we have increased our property provisions by £100m. This is the combination of an £18m write down of store assets and an £82m provision for future cash losses arising from onerous leases. Further details on our future sales assumptions are given on page 50. Whilst we have estimated future losses to the best of our abilities, it is possible that Retail sales may not be as good as we anticipate in 2021/22. If that is the case, we may need to take further provisions in the year ahead.

Stock and Fabric - Provisions and Write-Offs

In the year, we made additional stock provisions and write-offs of £34m, for the following reasons:

- We have taken a provision for **Spring/Summer 2020 stock** that was hibernated until 2021.
- We made additional provisions against **Clearance stock** carried over into this year**.** Note that this provision is *over and above* the usual 70% write-down we make on stock after our Sale events.
- We have written off 30% of the value of the **Fabric** we purchased from suppliers which had been bought by them to fulfil orders that we subsequently cancelled.

Total stock and fabric provisions have increased in the year from 9% of cost to 16%.

[10] Under IFRS 16 the difference between the cash proceeds and the asset sold (£44m) is not recognised as a gain in the year. Instead, the gain is £8m with the difference amortised over the remaining lease term. The cash benefit and P&L impact over the lease term is the same. See page 61.

Bad Debt Provisions

We are maintaining the £20m provision made in the first half of this year for potential future bad debt write-offs that *might* arise as a result of any adverse economic impact of the pandemic on consumer finances. To date, we have not seen any deterioration in overall payment rates, but there is a risk that this will change when the Government furlough and other schemes come to an end.

Taxation

The Corporation Tax charge of £51m includes the following two adjustments:

1. A significant element of the property profit of £44m from the sale of the warehouse complex does not incur a tax charge. This is due to HMRC's indexation allowance and, to a lesser degree, historical capital losses.
2. The release of historical international tax provisions and prior year true ups with HMRC.

Corporation Tax Effective Rate walk forward

Profit before tax £m	342
Tax charge £m	- 51
Effective tax rate	**15%**
Benefit from £44m property profit	2%
Historical provision release and true ups with HMRC	2%
UK headline tax rate	**19%**

In the year ahead we expect our effective tax rate to be around 17.5%. This is lower than the UK headline rate of 19% due to the following tax benefits, primarily driven by the 3 March 2020 Budget announcement:

1. The Corporation Tax rate increase to 25% with effect from 2023 will require the revaluation of our net deferred tax asset. The increase in the asset position provides a one-off accounting tax rate benefit of 1%.
2. The super deduction for capital expenditure on qualifying plant and machinery results in a tax rate benefit of 0.5%.

RECONCILIATION OF CHANGES IN GROUP SALES, COSTS AND PROFIT

The table below explains how the £736m of sales lost during the pandemic translated into a profit reduction of -£387m. It shows the year-on-year change in sales and major cost categories.

Profit impact January 2021 versus January 2020		**£m**
Lost Retail sales		*- 897*
Gained Online sales		*+222*
Lost Finance interest and other Group sales		*- 61*
Total lost sales		**- 736**
Reduction in cost of stock	The cost of stock reduced due to the reduction in buy budgets and stock cancellations. This was offset by non-recurring stock provisions of -£34m.	+195
Reduced wages	Wage costs reduced, mainly in our Retail business when stores were closed.	+130
Reduced store occupancy costs	Includes business rates reduction of £82m plus savings in rent and other store occupancy costs such as maintenance and utilities (see page 45).	+95
Reduced marketing costs	£15m saved from printing fewer catalogues, £6m saved on photography and £9m saved from the temporary suspension of marketing campaigns during the first lockdown.	+30
Increased costs of Online operations	Higher logistics costs due to higher Online sales. We also incurred cost increases relating to overseas freight surcharges and PPE.	- 55
Property provisions and property profit	Property provisions of -£100m compared to -£10m in the previous year, creating a net increase in property provisions of -£90m. This net increase in provisions was offset by £44m of property profit.	- 46
Year-on-year change in profit		**- 387**

CASH FLOW, FINANCING AND NET DEBT

HEADLINES

In the year to January 2021 we generated £521m of surplus cash before distributions, which compares with £498m in the previous year. Net debt reduced to £610m.

Cash inflows in the year were significantly enhanced by two items that compensated for the fall in profits:

- The net reduction of £206m in customer receivables.
- The sale and leaseback of our Head Office and a warehouse complex which generated a cash inflow of £110m.

£m		Jan 2021	Jan 2020
Profit before tax		**342**	**729**
Depreciation and property provisions		228	131
Capital expenditure	See page 26	(163)	(139)
Proceeds from sale and leaseback (net of profit gain)		110	-
Customer receivables	See page 39	206	(27)
Working capital and other		(89)	(58)
Tax paid		(113)	(138)
Cash flow before shareholder distributions		**521**	**498**
Ordinary dividends	See page 24	-	(214)
Share buybacks	See page 24	(19)	(300)
Movement in net debt		**502**	**(16)**

Tax

HMRC have changed the timing of quarterly Corporation Tax (CT) payments so that UK businesses pay tax in the same year that the taxable profit is earned. Previously, half of the tax payment (two quarters) was deferred until the following year. This change has resulted in a one-off catch up with six tax quarters being paid this year, compared with four payments last year. In the year we paid £113m of CT, of which £60m related to the prior year and £53m related to the current year.

£m	Jan 2021	Jan 2020
Tax paid relating to prior years	60	68
Tax paid relating to current year's profit	53	70
Total tax paid in period	**113**	**138**

Strategic Report

Governance

Financial Statements

Shareholder Information

ORDINARY DIVIDENDS AND SHARE BUYBACKS

In April last year we advised our shareholders that we would suspend all shareholder distributions until we had a better understanding of how the pandemic would impact the finances of the Group. Prior to that announcement, in early February 2020, we had bought back 279,639 shares for £19m.

The finances of the business have been very resilient and the Group's balance sheet is stronger now than at the start of the pandemic. However, there is still much uncertainty in the Retail sector and the wider UK economy. Rather than proposing a dividend at this time, the directors consider it sensible to wait and see how the business performs once the current lockdown comes to an end and COVID restrictions are lifted. In the long term we remain committed to paying dividends and returning surplus cash to our shareholders.

CASH FLOW OUTLOOK FOR THE YEAR ENDING JANUARY 2022

Based on our central scenario, we expect to generate £175m of surplus cash after interest, tax, capital expenditure and investments, but *before* any distributions to shareholders. This surplus cash includes two significant items:

- An increase of £160m in customer receivables. This increase is based on the assumption that payment rates move back to levels closer to those experienced before the pandemic.
- £33m relates to the investment we have made in Reiss (see page 55).

£m		**Jan 2022 (e)**
Profit before tax		**700**
Tax		(113)
Capital expenditure	See page 26	(185)
Acquisition (25% of Reiss)	See page 55	(33)
Customer receivables	See page 43	(160)
Working capital and other		(34)
Cash flow before shareholder distributions and bond repayment		**175**

Tax

Based on our central profit scenario of £700m, we expect to pay Corporation Tax of £113m. This is made up of two elements: (1) Corporation Tax of £133m, which is 19% of profit before tax and (2) a £20m reduction for the capital investment related *super-deduction* announced by the Chancellor in the March Budget.

Tax Super-Deduction: Estimated Benefit

The tax super-deduction will allow an in-year tax deduction of 130% on qualifying capital expenditure in the tax years 2021/22 and 2022/23. Based on our forecast for qualifying expenditure, we anticipate incremental cash tax savings of c.£40m over the next three years as set out in the table below:

£m	**Jan 22 (e)**	**Jan 23 (e)**	**Jan 24 (e)**	**Total**
Tax benefit	20	18	2	**40**

Tax rate change: Longer term

In the March 2021 Budget, the Chancellor also announced that the UK Corporation Tax Rate would increase from 19% to 25% from April 2023. This increase will more than offset the short term benefits of the super-deduction described above. Based on £700m of profit before tax, an increase in the UK headline rate of 6% equates to an additional £42m in cash tax payments.

NET DEBT, BOND AND BANK FACILITIES

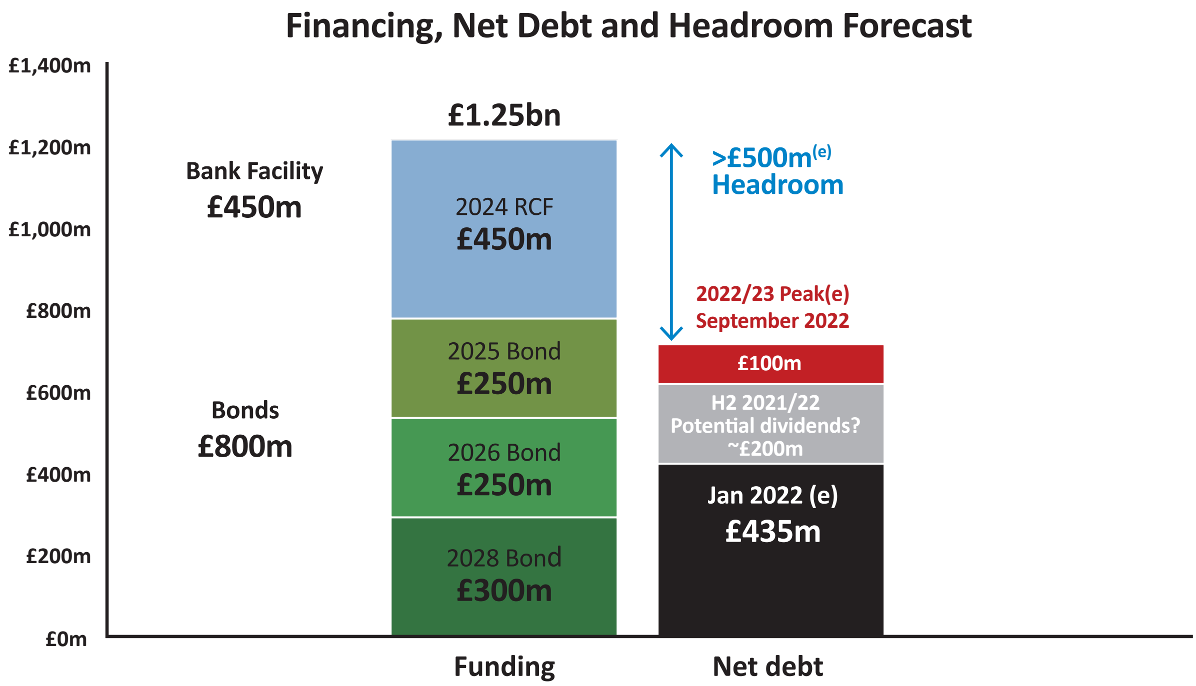
Our year end net debt at January 2021 was £610m, a reduction of £502m in the year. This is comfortably within our existing bond and bank facilities of £1,575m, with headroom of £965m at the year end.

Our existing facilities include a £325m bond which matures in October 2021. It is our intention to repay this bond without issuing a new bond to replace it, effectively reducing the gearing of the Group. Our total bond and bank facilities as at January 2022 would therefore reduce to £1,250m.

Outlook for Net Debt, Bond and Bank Facilities in the Year to January 2023

Based on our central guidance for the year ahead, we expect to generate £175m of surplus cash before distribution to shareholders (see page 24). This would further reduce the Group's net debt to £435m. Even in the event that the Company decides it is appropriate to restart dividends later this year (see page 24), we estimate that the Group would still have more than £500m of headroom the following year, when net debt peaks in September 2022.

The bar chart below sets out our bond and bank facilities, following the repayment of our £325m bond in October 2021.



The Group manages the financing of its debt and liquidity to ensure it maintains its longstanding investment grade credit rating.

CAPITAL EXPENDITURE

SPEND BY CATEGORY

We have invested £163m in capital expenditure in the year to January 2021, an increase of £24m on the prior year. Capex by category is shown below, along with our forecast for the year ahead.

£m	Jan 2022 (e)	Jan 2021	Jan 2020
Warehouse	117	100	87
Systems	38	21	9
Retail space expansion	13	29	24
Retail cosmetic/maintenance capex	14	8	14
Head Office infrastructure	3	5	5
Total capital expenditure	**185**	**163**	**139**

Warehousing

Warehousing was our biggest expenditure at £100m. This was part of a long-term investment programme to increase capacity. In the year ahead we expect warehouse investment to increase to £117m, as we incur costs relating to the fit-out of our new boxed warehouse (Elmsall 3). Planning permission for the new warehouse was granted in September 2020 and we anticipate that the warehouse will be operational in the second half of 2023/24. This first phase will provide a further +60% increase in boxed unit throughput, compared to current levels. Elmsall 3 will be highly automated and our aim is that the labour cost of Online boxed picking will be 45% lower in Elmsall 3 than in the year to January 2020.

Systems

We invested £21m of capital in systems this year. This comprised £4m for hardware and infrastructure and £17m for software, which included the modernisation and development of three core Online systems: our website platform, warehouse systems and product systems.

As we explained in our Half Year Results, until recently almost all our systems costs were expensed as revenue costs. This has changed in recent years as the nature of our systems development has changed to include:

- Long-term software infrastructure projects to update and replace existing legacy systems
- Total Platform third-party websites that will deliver benefits over the life of the Total Platform contracts

In the year ahead we expect to increase capital expenditure on systems to £38m (£9m hardware and £29m software development).

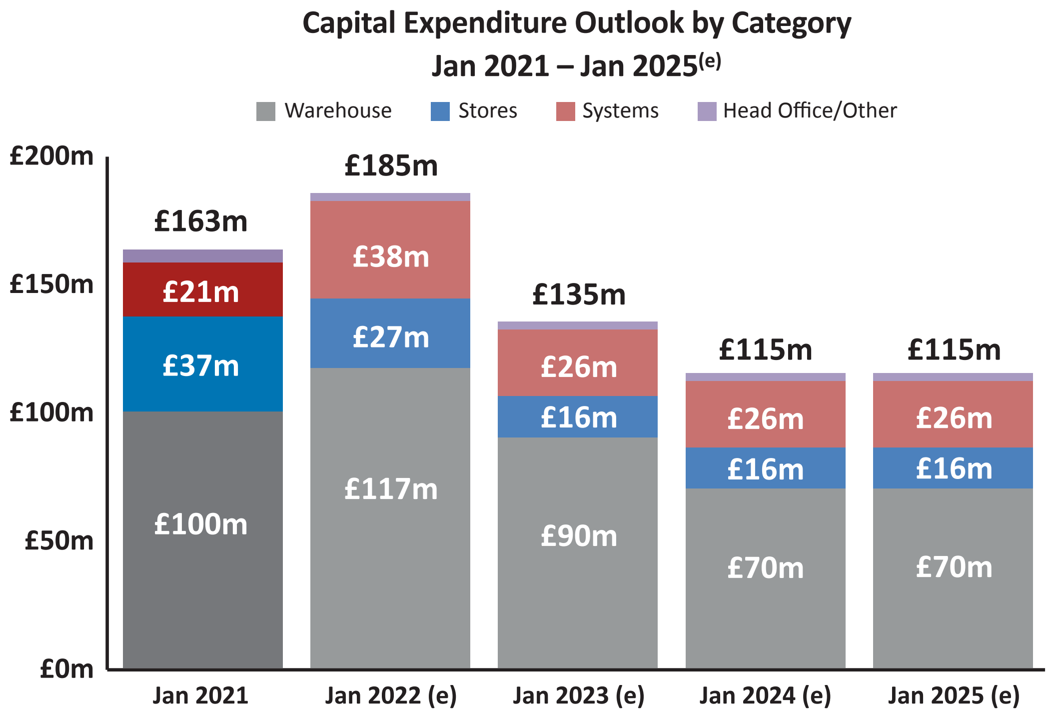
Retail Stores

Capital spent on Retail space expansion, at £29m, was £5m higher than last year. This is primarily the result of delivering four large store re-sites, due to open in Spring 2021 (£18m) and four NEXT Beauty Halls (£8m). Investment in new space is expected to reduce to £13m in the year ahead, due to fewer new store openings.

Cosmetic and maintenance spend was £6m lower than last year as non-essential work was suspended during lockdown. In the year ahead, we expect this to increase to £14m, which would be a return to more normal levels.

OUTLOOK FOR CAPITAL EXPENDITURE

Forecast capital expenditure to the year ending January 2025 is set out below. The warehouse expenditure which totals £447m over five years covers an extensive expansion programme to increase Online capacity. This expenditure will increase our Online warehousing capacity by around 80% from where it was during the year ended January 2020.



Changes in Capex Outlook Since September 2020 Update

During the last six months, our five-year plan for capex spend has increased by around £90m. This is largely due to the acceleration of warehouse and systems spend (£65m). This spend is where we have identified opportunities to increase Online productivity and throughput from our existing estate. In addition, the final costings for our third boxed warehouse, Elmsall 3, is £25m more than we originally estimated. The table below shows the increase by category of spend.

Capex category			Increase
Increased productivity and throughput			**+£65m**
	- Acceleration of investment in Home warehouse capacity	+£30m	
	- Automation and storage	+£15m	
Systems	- Accelerated modernisation of systems platforms	+£20m	
Elmsall 3 overspend			**+£25m**
Total change in capex five-year outlook			**+£90m**

Strategic Report
Governance
Financial Statements
Shareholder Information

PART 3 - DIVISIONAL FINANCIAL PERFORMANCE AND ANALYSIS

This part of the report gives a more detailed view of the financial performance of our three main trading divisions - Online, Finance and Retail. Each section gives a forward looking view of how we believe the divisions will perform in the year ahead, if we achieve the central guidance as set out on page 58. We would not normally give as much forward looking information at this level, but think it is helpful in a year where the economics of the Group have changed so much.

In addition to our main trading divisions, a brief summary of other Group companies and non-trading activities is provided at the end of this section.

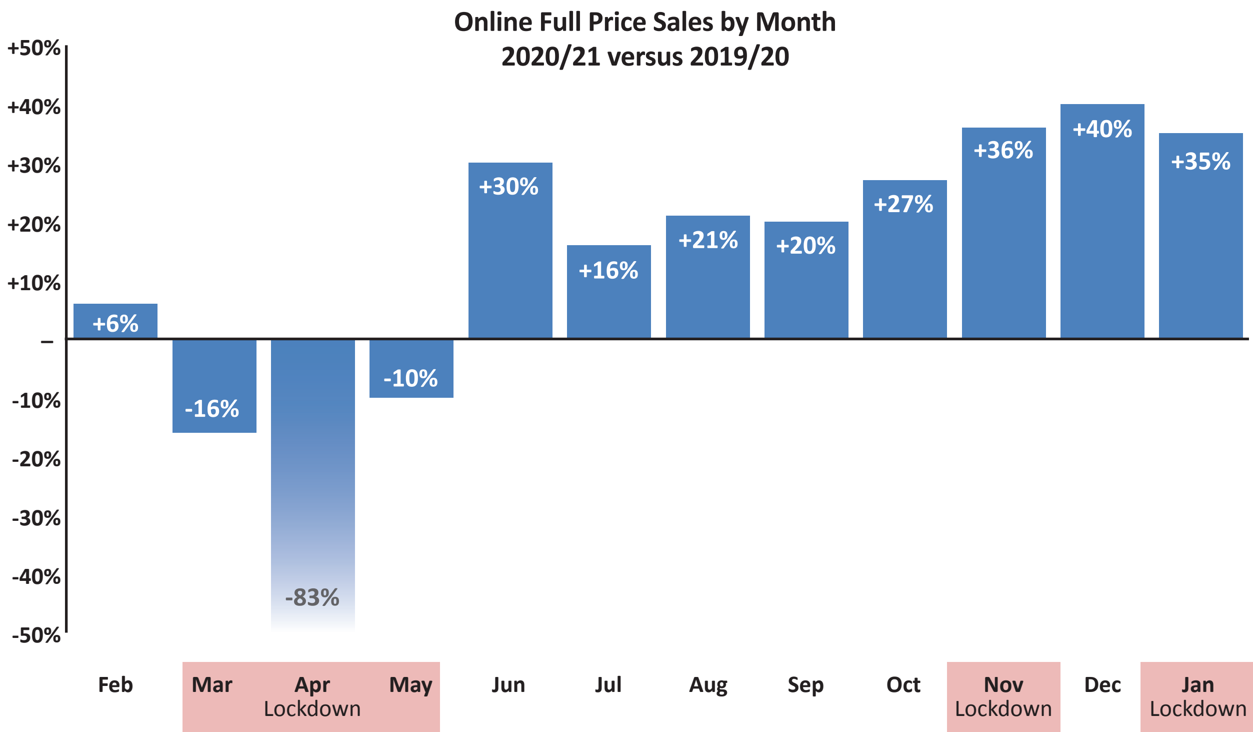
NEXT ONLINE

FULL PRICE SALES

Full price sales for the year were up +13% on last year. The chart below sets out performance by month[11] and shows how sales improved as the year progressed. The months that were severely affected by national lockdowns are highlighted in pink.

Full Price Sales Phasing

At the beginning of the pandemic in March 2020, we temporarily closed our warehouse operation to make it COVID safe. On reopening in April, picking capacity was gradually increased and was back to more normal levels during May. June benefited from the pent-up demand experienced post-lockdown. November, December and January were particularly strong as Online benefitted from the closure of Retail stores during lockdown.

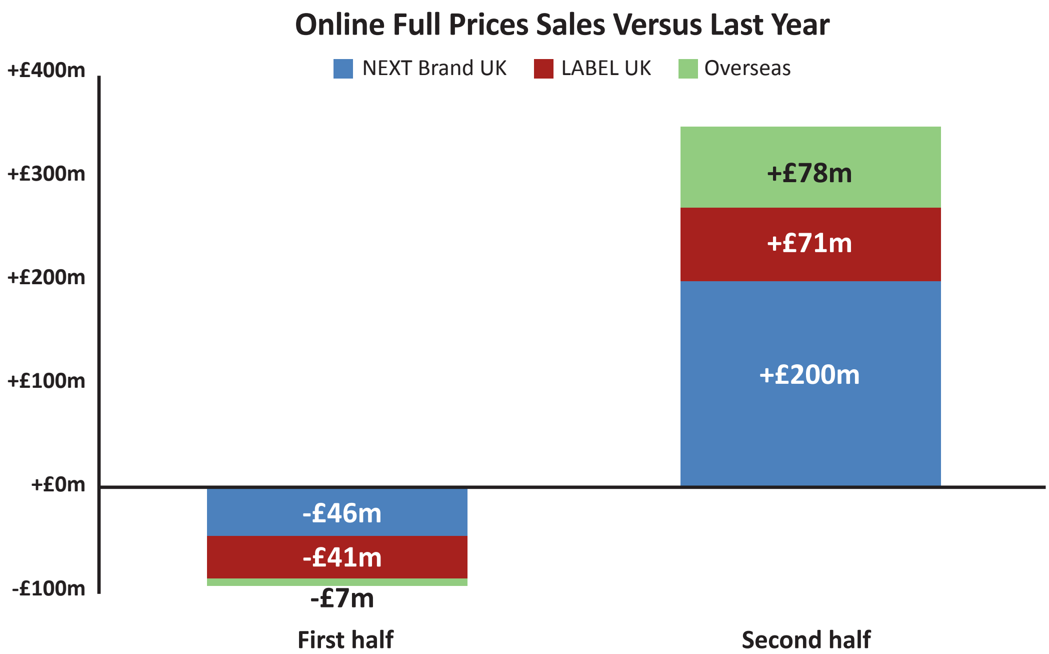


[11] January includes the 53rd week of sales, therefore in the chart we have included an additional comparative week in the prior year to provide a more like-for-like sales performance for January.

Full Price Sales by Division

The table below sets out the full price sales performance by division for the full year and each half of the year. Sales in all divisions stepped forward considerably in the second half and we have shown the sales performance by half in the last two columns of the table. The second half figures are not quite as good as they look, as the addition of the 53rd week boosted sales in the second half by +4%.

Full price sales £m	Jan 2021	Jan 2020	Var %	1st half var %	2nd half var %
NEXT Brand UK	1,177	1,022	+15%	- 10%	+36%
LABEL UK	464	434	+7%	- 21%	+30%
Total UK Online	***1,641***	***1,456***	***+13%***	***- 13%***	***+34%***
Overseas	506	436	+16%	- 3%	+35%
Total Online full price sales	**2,147**	**1,892**	**+13%**	**- 11%**	**+34%**



Full Price Sales by Account Type

UK credit customers still accounted for the largest proportion of full price sales (53%), but UK cash[12] customers and Overseas customers delivered the highest rates of growth. This increase in cash account sales was driven by a significant increase in customer numbers (page 30).

Full price sales £m	Jan 2021	Jan 2020	Var %	1st half var %	2nd half var %
UK credit customers	1,133	1,131	+0%	- 21%	+18%
UK cash customers	508	325	+56%	+16%	+88%
Total UK full price sales	**1,641**	**1,456**	**+13%**	**- 13%**	**+34%**
Overseas cash customers	506	436	+16%	- 3%	+35%
Total Online full price sales	**2,147**	**1,892**	**+13%**	**- 11%**	**+34%**

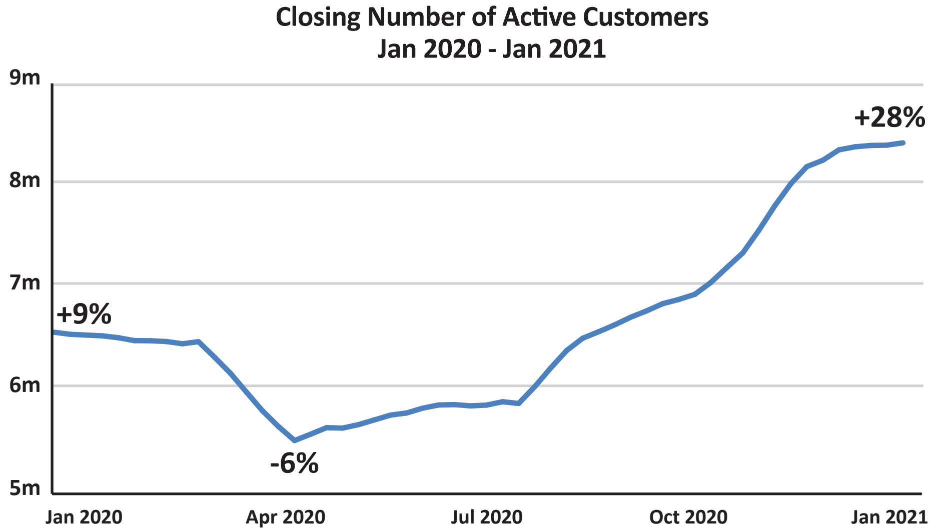
[12] Cash customers are those who do not use a NEXT credit account when ordering. All Overseas accounts are cash accounts.

ONLINE CUSTOMER BASE AND CUSTOMER PROFITABILITY

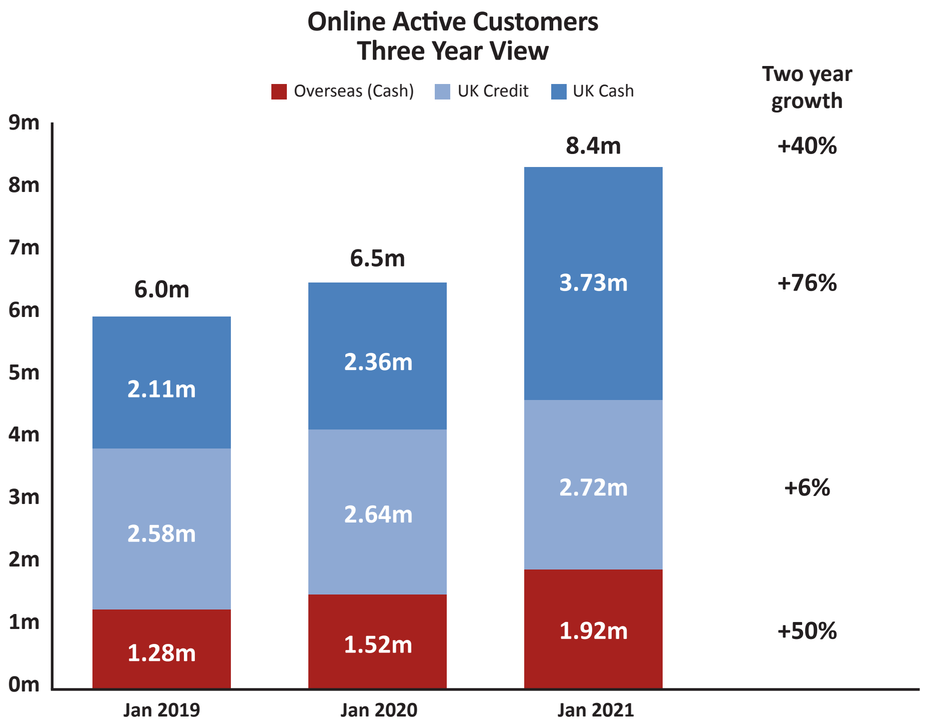
Customer Base Throughout the Year

The temporary closure of our Online operations during the first lockdown meant that we lost customers at that time. Even once we were open, capacity constraints meant that we suspended recruitment activity until such time as we had the capacity to service demand.

However, from June onwards we re-activated our Online marketing and, from that point onward, we experienced a sharp recovery in our credit and cash customer base. Our Online customer base ended the year at 8.4m up +28% on the prior year and up +40% on two years ago.



The chart below shows how our customer base has developed over the last two years. Growth is shown for active[13] UK credit and cash customers in blue and Overseas customers in red. The two year growth of each segment is shown to the right of the last bar.



[13] Active customers are defined as those who have placed an Online order or received a standard account statement in the last 20 weeks.

Customer Profitability

Given the very large increase in the participation of cash and Overseas customers. It is worth outlining profitability of each customer type. The table below shows the profitability, as a percentage of Online sales, for each customer segment. The first column shows the profitability for the Online business only, the second column adds the finance profit for credit customers to show their total profitability including credit.

Profitability by customer category	**Online margin %**	**Online + Finance profit as a % of Online sales**	**Average VAT ex. sales per customer**
UK cash (3.73m)	26%	26%	£227
UK credit (2.72m)	19%	27.5%	£490
Overseas cash (1.92m)	16%	16%	£313
Total (8.4m)	**20%**	**24%**	

Before accounting for any finance profit, cash customers are significantly more profitable than credit customers. This is mainly because they are more selective when ordering and so return stock at a much lower rate than credit customers. (Cash customers order more selectively because they do not have the try-before-you-buy facility built into our credit account). In addition, credit customers tend to buy more lower margin (but higher priced) third-party branded stock.

Once the finance profit is added, credit customers are only marginally (1.5%) more profitable than cash customers, and the main advantage of recruiting credit customers is that it facilitates higher sales per customer (as shown in the final column of the table).

ONLINE PROFIT AND NET MARGIN

Profit and Net Margin by Division

The table below sets out the sales, profit and margin for our Online business broken down between (1) the sale of NEXT branded stock in the UK, (2) The sale of third-party branded stock in the UK through LABEL and (3) Overseas.

Online division	**Total sales £m**	**Profit £m**	**Margin %**	**Change in margin vs Jan 20**
NEXT Brand UK	1,319	315	23.9%	+2.9%
LABEL UK	520	72	13.9%	- 1.3%
Overseas	529	85	16.0%	- 0.4%
Total Online	**2,368**	**472**	**19.9%**	**+1.3%**

The movement in margins in each division are shown in the right hand column and are explained as follows:

- **NEXT Brand UK** profitability improved due to savings made in catalogue production and online marketing.
- **LABEL UK** profitability declined due to poorer clearance rates of Sale stock in the first half. Though it is important to note that the margin in the second half improved to 16% and was in line with the prior year.
- **Overseas** margin declined due to increased, COVID related, distribution surcharges.

Overall Online Margin Analysis

Overall Online margin improved from 18.6% to 19.9%. The margin impact of major cost categories is summarised below.

Net margin on total sales to January 2020		18.6%
Bought-in gross margin	Underlying bought-in margin was flat on last year.	**0.0%**
Stock and fabric provisions	Increased stock and fabric provisions reduced margin (see page 20).	**- 0.8%**
Lower surplus	Full price sales grew by +13% but surplus stock was down -10%. So despite lower clearance rates of surplus stock, margin improved.	**+0.3%**
Customer compensation	Higher customer service and complaint resolution costs caused by the disruption of lockdown.	**- 0.3%**
Catalogues & photography	Reduced book volumes and savings in catalogue production improved margin.	**+1.2%**
Marketing	The temporary suspension of marketing campaigns in the first half meant digital marketing fell as a percentage of sales.	**+0.7%**
Systems	Systems revenue costs were lower than last year, boosting margin. Overall spend on systems was up +£11m (+18%) but £14m of Online software costs were capitalised this year (see page 26).	**+0.4%**
Warehousing & distribution	Margin was reduced by: (1) freight surcharges levied during the pandemic to deliver parcels to customers overseas (-0.5%), (2) overseas administrative, duty and customs costs (-0.4%) and (3) COVID related operating costs such as PPE, warehouse fit-out costs and temporary storage (-0.2%). This margin erosion was offset by efficiencies from lower Online return rates and better warehouse productivity (+0.9%).	**- 0.2%**
Net margin on total sales to January 2021		**19.9%**

OUTLOOK FOR ONLINE SALES AND PROFIT IN THE YEAR AHEAD

In our central scenario for the year ahead, we are forecasting for full price sales to be up +31% on 2019/20 (two years ago), this represents an increase of +17% on last year. Total sales, including markdown and Online Total Platform sales, would be up +30% on two years and +18% on last year.

We anticipate that Online net margin will be 20%, which is broadly in line with the last twelve months and an improvement on the 18.6% margin achieved in 2019/20. The main reason for this margin improvement versus 2019/20 is that we are no longer printing and distributing catalogues, which will save around £30m compared with two years ago.

Forecast sales, profit and margins are set out below for the year ending January 2022 along with comparisons with the previous two years. The second table shows operating margins by division.

Online sales, profit and margin	**Jan 2022 (e)**	**Jan 2021**	**Jan 2022(e) vs 1 year**	**Jan 2020**	**Jan 2022(e) vs 2 years**
Total sales £m	2,793	2,368	+18%	2,147	+30%
Profit £m	560	472	+19%	400	+40%
Operating margin %	20.0%	19.9%	+0.1%	18.6%	1.4%

Online margin by division	**Jan 2022 (e)**	**Jan 2021**	**Jan 2022(e) vs 1 year**	**Jan 2020**	**Jan 2022(e) vs 2 years**
NEXT UK	25%	23.9%	+1.1%	21.0%	+4.0%
LABEL UK	15%	13.9%	+1.1%	15.2%	- 0.2%
Overseas	15%	16.0%	- 1.0%	16.4%	- 1.4%
Total	**20%**	**19.9%**	+0.1%	**18.6%**	+1.4%

FOCUS ON LABEL

LABEL now sells over 1,300 women's, men's, children's, home and beauty brands, with the lion's share (98%) of full price sales coming from around 500 brands.

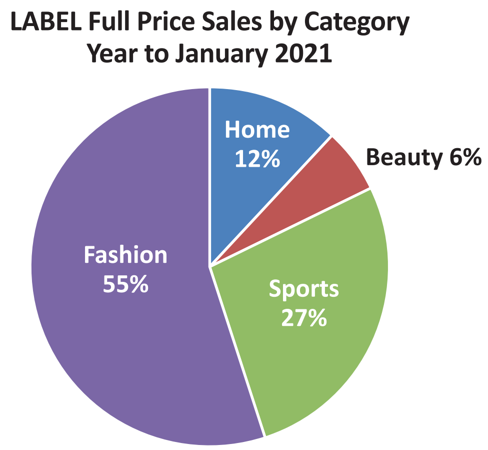
Full Price Sales by Product Category

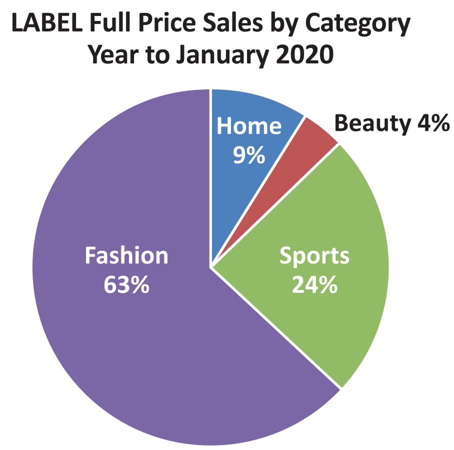
The table below sets out LABEL's sales performance by major category. LABEL's first half was hampered by a combination of (1) the two week closure of our Online business and subsequent capacity constraints, (2) stock shortages in key product categories, particularly sportswear, and (3) the weighting of many of LABEL's clothing ranges to formalwear, which has underperformed since the beginning of lockdown.

These issues were largely corrected for the second half, and performance significantly improved, with Home and Beauty doing particularly well. The table below splits out the first and second half performance in the final column.

Full price sales £m	Jan 2021	Jan 2020	Var %	First half var %	Second half var %
Fashion: clothing, footwear and accessories	254	274	-8%	- 34%	+15%
Sports	124	106	+18%	- 7%	+39%
Home	57	37	+55%	+27%	+78%
Branded Beauty	29	17	+73%	+19%	+108%
Total full price sales	**464**	**434**	**+7%**	**- 21%**	**+30%**

As a result of changes in the year, LABEL's product assortment has diversified and become less reliant on fashion, as demonstrated in the following pie charts.





LABEL Drivers of Growth

The following four developments served to accelerate the growth of LABEL as the year progressed:

- Expanding our ranges in **Home**
- The rapid growth of **Branded Beauty**
- Developing **Platform Plus**, which has allowed us to significantly increase the breadth of offer with over 190 brands
- Developing **licensed** product ranges in conjunction with partner brands.

Growing our Branded Home Business

Our Branded Home business had a strong year and full price sales increased by +£20m (+55%). We achieved significant growth through the Platform Plus model, where stock is offered on the NEXT website but held in our partners' warehouses.

We have expanded our Branded Home product categories to include kitchen, lighting, wall art, wallpaper and paint. In existing areas such as textiles (which includes bedding, curtains, rugs and cushions) we have new brand partners and have been able to offer a wider choice in design and price points. Branded furniture now includes categories such as garden furniture, divan beds and mattresses.

In the year ahead we anticipate full price sales in Branded Home to be around £75m, with profit of c.£13m.

Branded Beauty

The Branded Beauty business continues to deliver strong sales growth. Overall, full price sales increased by +£12m; with £6m of the additional sales coming from new brands and £6m from brands that have traded with us for over a year. In the year ahead, we anticipate full price sales of around £42m. New brands continue to be added in 2021, including many of the market's top premium beauty brands.

Platform Plus

Our Platform Plus model allows customers to order items stocked in our partners' warehouses, which significantly increases the breadth of offer from participating brands. Platform Plus functions in two ways:

- **Delivered by NEXT**: These items are collected from our partners' warehouses and delivered through our logistics network, so that they can be consolidated with other items in the same order.
- **Direct Despatch**: These are large Home items that are despatched directly to the customer by third-party brands through their own carrier networks. In the year ahead, some of our most important Direct Despatch furniture brands will switch to despatching items directly to customers using NEXT's two-man delivery fleet. This should reduce costs for our suppliers and give us greater control over service levels.

The following table sets out this year's growth in brands and sales for both categories of Platform Plus. This now accounts for £67m (14%) of LABEL sales, compared with £25m (6%) last year. We expect this area of our business to continue to see strong growth and, in the year to January 2022 we are budgeting sales to be around £110m, up +64% on this year.

Platform Plus category	Jan 21 No. of brands	Jan 20 No. of brands		Jan 21 £m sales[14]	Jan 20 £m sales	
Delivered by NEXT	96	44	+118%	29	11	+164%
Delivered by brand	97	69	+41%	38	14	+171%
Total	**193**	**113**	**+71%**	**67**	**25**	**+168%**

Wholesale and Commission Sales

Nearly 60% of full price sales were achieved through brands that operate on a commission basis. As summarised below, commission sales grew faster than wholesale brands and were up +11%.

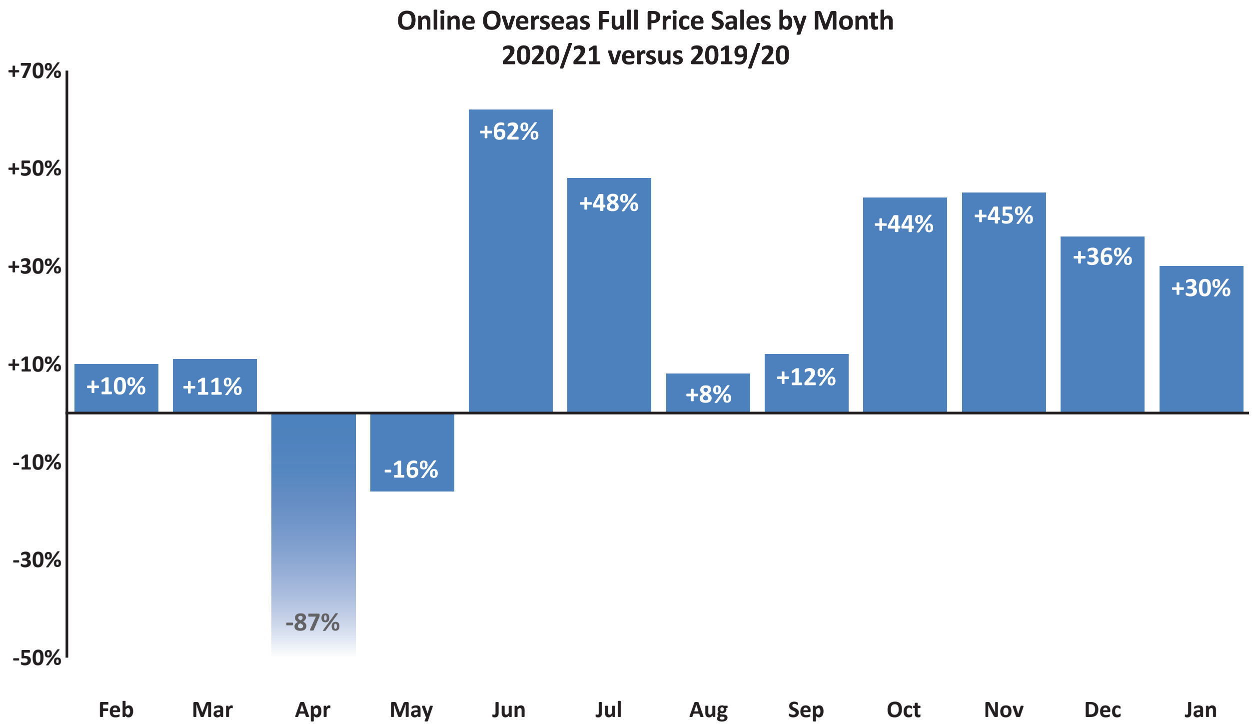
Full price sales £m	Jan 2021	Jan 2020[15]	Var %	First half var %	Second half var %
Wholesale	191	188	+1%	-22%	21%
Commission	273	246	+11%	-20%	37%
LABEL full price sales	**464**	**434**	**+7%**	**- 21%**	**+30%**

[14] Platform Plus sales and brands for Jan 2020 have been restated. Sales of some NEXT products that are Direct Despatch are no longer being classified under Platform Plus because their sales are reported within NEXT UK, not LABEL UK.

[15] Please note that the table categorises sales according to whether a brand was trading as wholesale or commission in the year ended January 2021, therefore prior year figures are restated to give a like-for-like brand performance.

FOCUS ON ONLINE OVERSEAS

Full price sales performance in the Overseas business strengthened following disruption to sales in the first quarter. Sales in the second half were up +35%, with the additional 53rd week[16] boosting this figure by +4%. Full price sales in the year were up +16%.



Full Price Sales via NextDirect.com and Third-Party Websites

The table below summarises the full price sales performance on our own nextdirect.com website and through third-party aggregators such as Zalando (including Zalando Fulfilment Solutions), Otto and others.

The third-party sites are divided into those that were discontinued, those that were new and those that traded continuously. Growth in continuous third-party sales was particularly strong throughout the year, finishing up +39%.

Full price sales £m	Jan 2021	Jan 2020	Var %	1st half % var	2nd half % var
Third-parties					
New	7	-			
Discontinued	-	3	- 100%		
Continuous	49	35	+39%	+45%	+34%
Total third-parties	**56**	**38**	**+48%**	**+55%**	**+43%**
nextdirect.com	451	398	+13%	- 9%	+34%
Total Overseas full price sales	**507**	**436**	**+16%**	**- 3%**	**+35%**

[16] January includes the 53rd week of sales, therefore in the chart we have included an additional comparative week in the prior year to provide a more like-for-like sales performance for January.

FOCUS ON ONLINE WAREHOUSE CAPACITY

Coping with Online Sales Growth

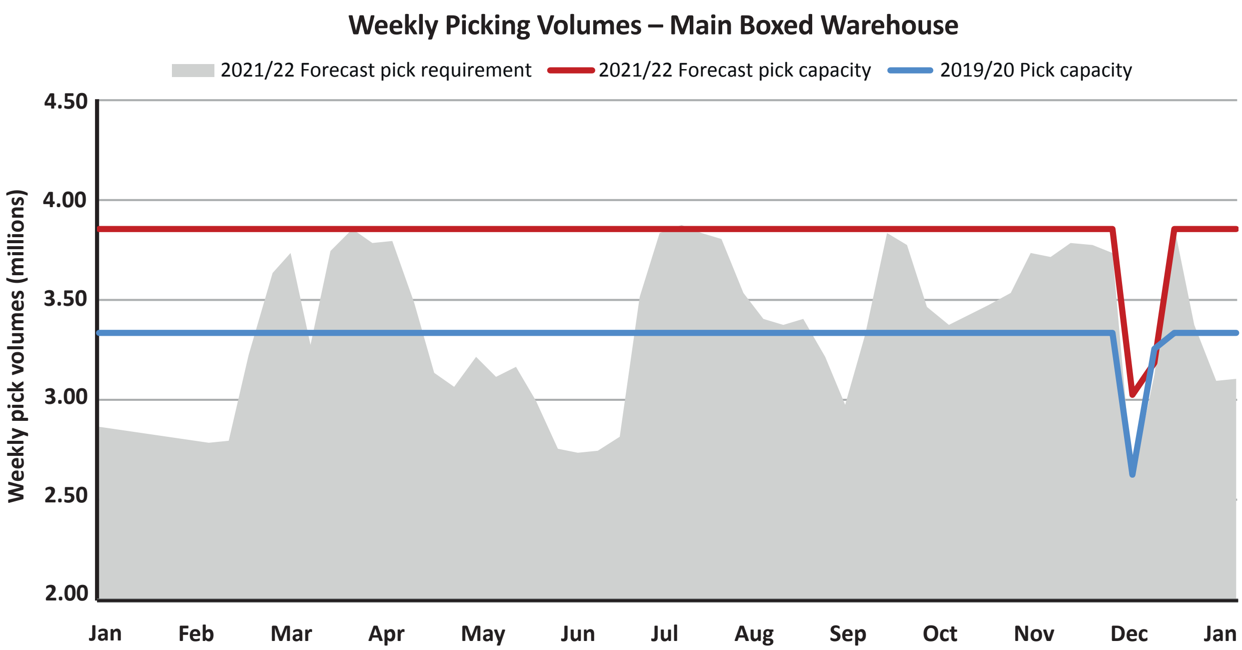
The significant growth in Online sales along with social distancing rules created considerable challenges for our warehouse operations. We benefited from a number of changes to improve output:

- We have invested around £100m over the last two years delivering various **capital projects to both** improve storage capacity and throughput. These projects benefited our Online operation during 2020, including:
    - A new automated storage and retrieval system for boxed returns
    - Additional Online packing capacity
    - New reserve storage capacity in our boxed warehouses.
- We realigned **staff shift patterns** to make maximum use of the warehouse during the quieter times of the day.
- We reallocated as much **space** and as many **staff** from Retail facilities to support our Online operations. We used our store network and staff to support certain simpler warehouse activities at peak times, particularly during the end-of-season Sale.
- When necessary, we limited the availability of **markdown** stock for sale on the website. This allowed us to maximise full price demand.

Through the pandemic, we have discovered that there is one other (reluctant) lever that we can pull to boost warehouse throughput. Moving our delivery promise from next-day to 48hrs allows us to maximise output in the early hours of the day that would otherwise be short of work. Whilst this measure would be a last resort, it gives us some comfort that we have options if we hit capacity at peak times next year.

Warehouse Pick Capacity Growth in 2021/22

In the year ahead we plan to further increase our picking capacity in our main boxed warehouse. The graph below shows our forecast weekly pick capacity in 2021 (red line) and 2019 (blue line) along with our forecast picking requirement for the year ahead (the grey shaded area).



NEXT FINANCE

HEADLINES

- Credit sales down -9%.
- Average receivables down -11%.
- NEXT Finance profit before cost of funding was **£160m** down -12% on last year.

FINANCE PROFIT AND LOSS ACCOUNT

The table below sets out the performance of the Finance business in the 53 weeks to January 2021 compared to the 52 weeks to January 2020. Lower credit sales, which were down -9%, drove down average customer receivables, which were further reduced by an additional £20m bad debt provision taken in respect of a possible deterioration in bad debt in the year ahead.

£m	**Jan 2021**	**Jan 2020**	**Var %**
Note of credit sales	*1,592*	*1,748*	*- 9%*
Average customer receivables	***1,050***	***1,185***	***- 11%***
Interest income	250	269	- 7%
Bad debt charge	(51)	(43)	+17%
Overheads	(39)	(43)	- 8%
Profit before cost of funding	**160**	**183**	**- 12%**
Cost of funding	(48)	(36)	+33%
Net profit	**112**	**147**	**- 23%**
ROCE (after cost of funding)	10.7%	12.4%	
Closing customer receivables	£1,028m	£1,234m	- 17%

Interest Income

Interest income was down -7% on last year. This is 4% ahead of average customer receivables, which were down -11%. The difference between the growth in interest income and receivables is because:

- The 53rd week added 2% to annual interest income
- 2% of the decrease in the average receivables was not a cash loss and came as the result of an additional £20m bad debt provision (see over).

Strategic Report

Governance

Financial Statements

Shareholder Information

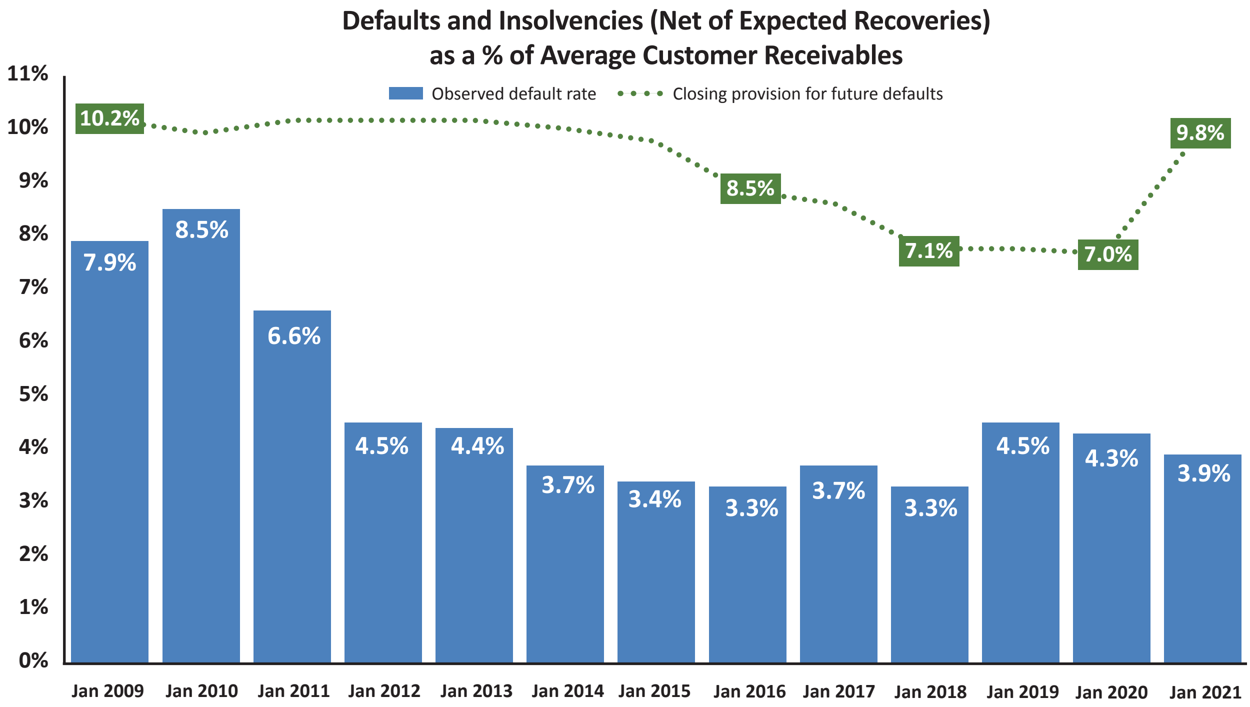
Bad Debt

The bad debt charge of £51m was +£8m higher than last year. The table below shows the key movements in the bad debt charge from last year.

Bad debt walk forward	£m
Bad debt charge at prior year's rate (3.7% of average receivables balance)	(39)
Lower provision from faster payments (reducing balances in arrears)	3
Sale of debt previously written off	5
Provision for potential defaults resulting from COVID	(20)
January 2021 bad debt charge	**(51)**

Last year we saw no evidence that overall bad debt was increasing as a result of the pandemic, indeed, on average, customers accelerated the rate at which they paid down their balances. However, there is a reasonable chance that defaults could increase once Government support schemes such as furlough and payment deferrals end. So we have retained the additional £20m provision for future losses that we charged in the first half of the year.

The chart below shows our observed rate of default as a percentage of customer receivables since 2009. The dotted line shows our closing *provision* for future defaults in those years. The graph demonstrates the significant step up in our provision last year.



Cost of Funding

The Nature of This Charge

The cost of funding increased by +33% to £48m, despite the -11% reduction in average customer receivables. The increase in the funding rate is an internal recharge, and the increased cost for the Finance business is matched by an increase in income for the Group. So whilst the recharge serves to give a more meaningful picture of the underlying profitability of our Finance business, the change in rate has not affected the overall profit of the Group.

Calculating the Cost of Funding

The charge is based on the assumption that the Finance business funds 85% of its receivables balance with debt from the Group. The interest charge is calculated using the average interest rate incurred by the Group. The calculations for the cost of funding and the interest applied are set out in the tables below.

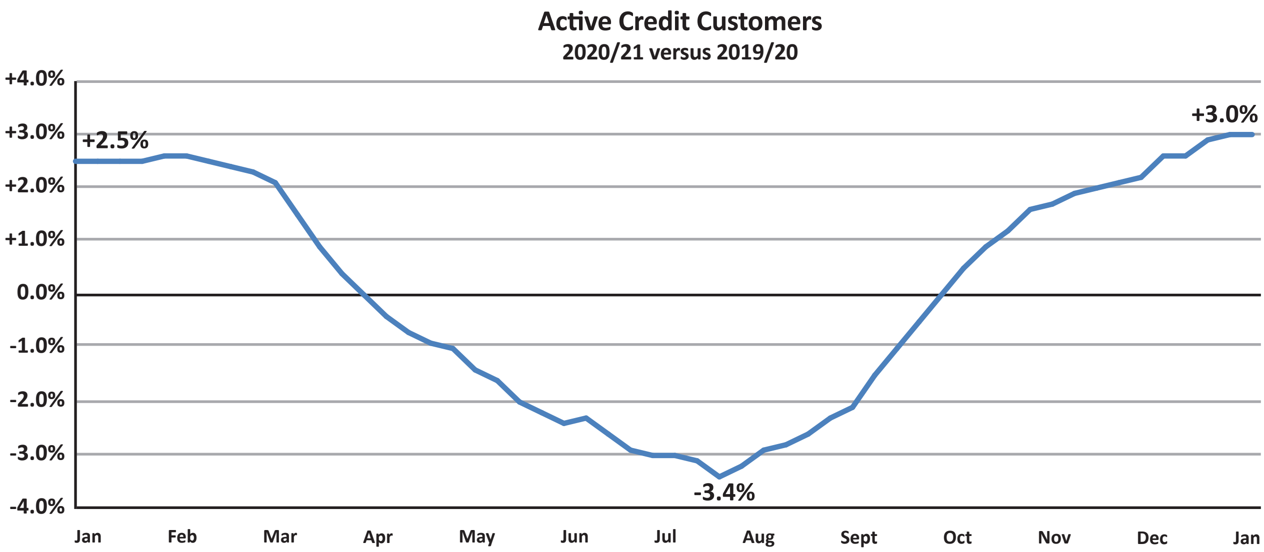
Cost of funding calculation	**Jan 2021**	**Jan 2020**	**Var %**
Average customer receivables	£1,050m	£1,185m	- 11%
Debt funding %	85%	85%	
Customer receivables funded by debt	**£892m**	**£1,008m**	**- 11%**
Group interest rate %	**5.3%**	**3.6%**	
Cost of funding for 12 months	**£48m**	**£36m**	**+33%**

The Group's average interest rate rose from 3.6% to 5.3%. This increase is because the Group has less debt overall, and a greater proportion of debt was financed by higher interest bonds than lower interest borrowing through the Revolving Credit Facility (RCF). The calculation is shown in the table below.

Group interest % calculation	**Jan 2021**	**Jan 2020**	**Var %**
Bond	£1,125m	£1,052m	
RCF less cash on deposit	(£333m)	£152m	
Average net debt	**£792m**	**£1,204m**	**- 34%**
Total net interest charge	£42.2m	£43.6m	- 3%
Group interest rate %	**5.3%**	**3.6%**	**+47%**

CREDIT CUSTOMERS

The number of active credit customers at the end of the year was up +3.0% on last year.[17] At the beginning of the year, the number of active credit customers was up +2.5% but declined to -3.4% during the pandemic. The recovery in the second half has been mainly driven by the return of existing customers who had become inactive during the first lockdown.



The table below shows the opening, average and closing number of active customers against last year.

Credit customers ('000)	Jan 2021	Jan 2020	Var %
Opening actives	2,643	2,578	+2.5%
Average actives	2,584	2,582	+0.1%
Closing actives	2,722	2,643	+3.0%
Credit sales per average active (£ VAT Ex)	*£616*	*£677*	*- 9.0%*
*next**3step** (included in closing actives)*	*125*	45	*+175.0%*
*next**3step** as % of closing actives*	4.6%	1.7%	

next3step

next**3step** was relaunched to new customers in January 2020. This credit product allows customers to pay no interest on purchases if they pay off at least a third of the purchase price each month. next**3step** is fully regulated by the FCA and customers' creditworthiness is assessed on recruitment and monthly thereafter. Around 30% of new credit customers choose next**3step**, which is around 2,000 customers per week. In the 53 weeks to January 2021, sales on next**3step** totalled £41m, which represents 2.6% of credit sales.

[17] The number of active credit customers is provided at the close of Week 53 and comparison is given to Week 52 in the prior year.

PROFIT OUTLOOK FOR THE YEAR AHEAD

Our central guidance assumes a Finance profit of £116m. The table below shows our guidance for the year ahead compared to last year, and two years ago. We are forecasting credit sales to be up +17% against last year, with the majority of the growth coming in the first half, as sales come up against soft comparative numbers. However, we anticipate that this sales increase will take time to flow through into customer receivables.

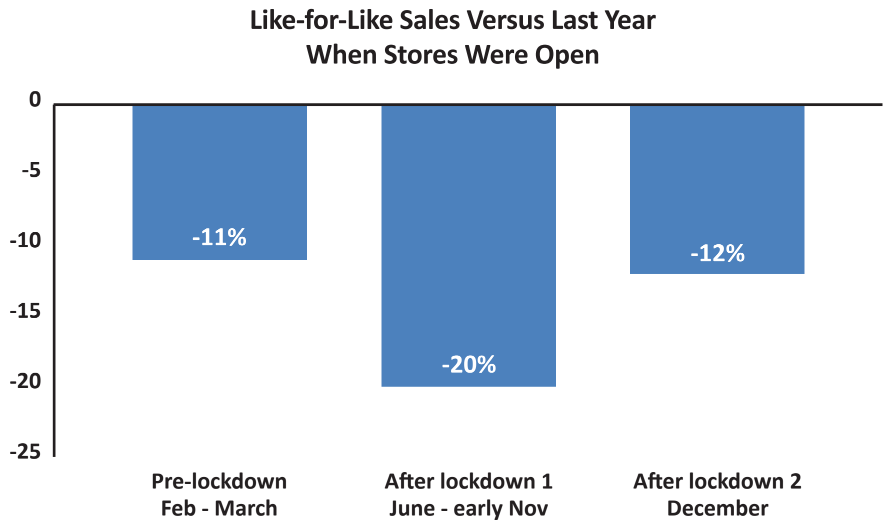
The cost of funding, as a percentage of average receivables, is expected to marginally increase on last year as the effect of last year's reduction in debt annualises.

£m	Jan 2022 (e)	Jan 2021	Jan 2022(e) vs 1 year	Jan 2020	Jan 2022(e) vs 2 years
Note of credit sales	*1,868*	*1,592*	*+17%*	*1,748*	*+7%*
Average customer receivables	***1,072***	***1,050***	***+2%***	***1,185***	***- 10%***
Interest income	248	250	- 1%	269	- 8%
Bad debt charge	(37)	(51)	- 27%	(43)	- 15%
Overheads	(43)	(39)	+9%	(43)	+0%
Profit before cost of funding	**168**	**160**	**+5%**	**183**	**- 8%**
Cost of funding	(52)	(48)	+10%	(36)	+46%
Net profit	**116**	**112**	**+3%**	**147**	**- 21%**
ROCE (after cost of funding)	10.8%	10.7%		12.4%	
Closing customer receivables	£1,188m	£1,028m	+16%	£1,234m	- 4%

NEXT RETAIL

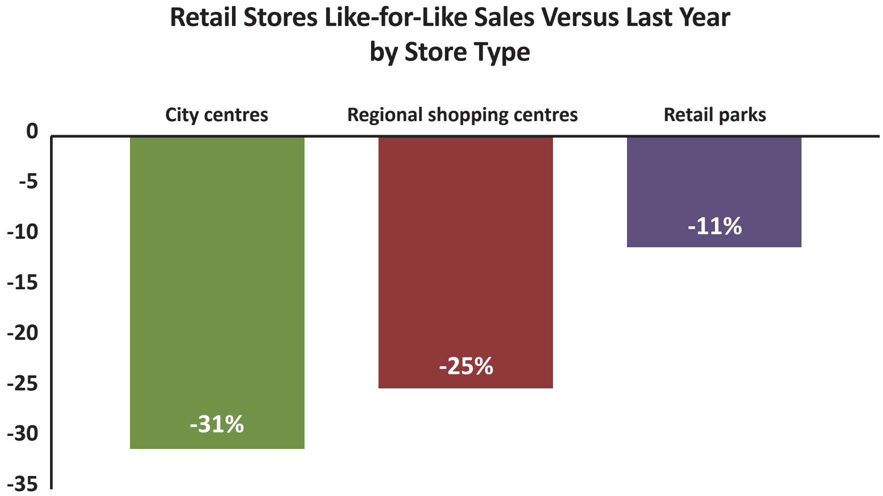
FULL PRICE SALES

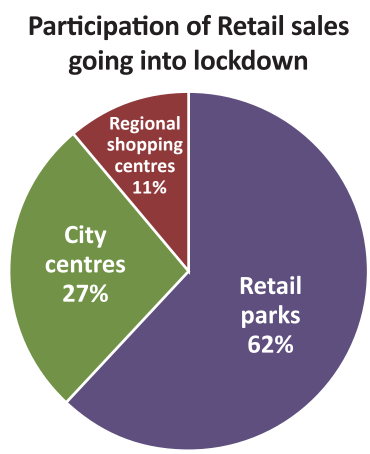
Full price sales in the year were down -48% on last year. On a like-for-like basis, comparing sales to the prior year only on the days that stores were trading outside of lockdown, full price sales were **down -18%**. The chart below shows how like-for-like sales varied between the three periods when stores were able to trade.



Store Performance by Location

Sales performance varied significantly according to the location of stores, with stores in out-of-town retail parks performing much better than those in city centres and regional shopping centres. The bar chart below shows the like-for-like sales performance by store location. Going into the year, 62% of Retail's sales came from stores in retail parks, therefore we were well placed to cope with the change in shopping habits during the pandemic as customers preferred out-of-town locations, while city centres suffered from the loss of office workers and general footfall.





RETAIL PROFIT & LOSS

Total sales (including markdown sales) were down -48% resulting in a loss of -£206m.

£m	Jan 2021	Jan 2020	Var %	Var £m
Total sales	955	1,852	- 48%	- 897
Operating profit/(loss)	(206)	164	- 226%	- 370

The following table sets out the change in sales and major costs versus last year.

Profit impact January 2021 versus January 2020		£m
Full price sales		- 802
Markdown sales		- 95
Total lost sales		**- 897**
Reduction in cost of stock	Stock cancellations at the start of the pandemic and lowering of budgets for the remainder of the year resulted in £320m less being spent on stock. This reduction is net of non-recurring stock provisions and write-offs (-£12m). Underlying bought-in margins remained flat on last year.	+320
Reduced wages	During lockdowns almost all Retail store staff and support teams were furloughed. Costs incurred in Retail stores providing Online services during lockdowns were recharged to the Online business.	+114
Reduced store occupancy costs	The rates holiday generated a saving of £82m. Rents were £14m lower than last year, due to rent reductions negotiated at lease renewals (£10m) and stores closures (£4m). Maintenance, service charges and utilities costs fell by £12m. Rent savings were offset by a £7m loss of rental income from concessions and the addition of a 53rd week increased occupancy costs by £6m.	+95
Store impairment	We impaired store assets by £18m, compared with £4m in the prior year. (In addition to store impairment, an £82m provision for onerous leases was made in the Property Management division of the Group, see page 50.)	- 14
Other operational cost savings	These savings include savings made in Retail logistics, store consumables and central overheads.	+12
Year-on-year change in profit		**- 370**

RETAIL SPACE

In the year to January 2021 net retail space increased by +44,000 square feet but the number of stores reduced by seven. The year-on-year change in store numbers and square footage is set out below. The main addition to space this year has been the opening of four NEXT Beauty Halls.

	Store numbers	NEXT Sq. ft. (k)	Concessions Sq. ft. (k)	Total Sq. ft. (k)
January 2020	**498**	**8,031**	**361**	**8,392**
New mainline stores	+ 2	+ 9	+ 11	+ 20
New NEXT Beauty Halls	+ 4	+ 166	+ 3	+ 169
Mainline closures	- 18	- 190		- 190
Clearance stores	+ 5	+ 43	+ 2	+ 45
January 2021	**491**	**8,059**	**377**	**8,436**
Change	- 7	+ 28	+ 16	+ 44
Change %		+ 0.3%	+ 4.4%	+ 0.5%

Closures

We closed 18 mainline stores after their leases had expired. The stores fall into three categories:

- **Low profitability** stores where stores were loss making or were expected to become loss making in the near future.
- Stores in locations we trade more than one shop and believed we could increase profit by consolidating sales into one location.
- Forced closures where landlords did not wish to renew the lease.

Reason for store closure	No.	Store turnover (pre-COVID)	Store profit	Store profit %
Low profitability	10	£21m	£1.5m	7%
Consolidation	5	£13m	£2.3m	18%
Forced closures	3	£7m	£1.4m	19%
Total	**18**	**£41m**	**£5.2m**	**13%**

Outlook for Retail Space During 2021/22

We anticipate that Retail space will remain broadly flat in the year ahead. This is due to a combination of seven store re-sites that will increase square footage by around 40,000 and the closure of six stores that will reduce square footage by broadly the same amount of space.

LEASE RENEWALS AND COMMITMENTS

Lease Renewals in the Year Ended January 2021

We renewed 62 store leases for an average lease term of three years. Annualised rent costs reduced on average by -58%, saving £9.7m.

As shown in the table below, only 22 leases (35%) were agreed on the basis of a fixed rental charge. Seven were short term leases agreed on a rent-free basis, where we will only pay business rates and service charge where applicable. The remaining 33 leases are linked to store turnover, providing the necessary flexibility to ensure that we can keep them open.

We renewed eleven leases on the basis of a 'total occupancy' deal, where we will pay the landlord a set percentage of turnover to cover rent, business rates and service charge. The figures below recognise the entire value of this deal as a rent saving.

New lease category	No. of leases	Rent before renewal	Rent after renewal	
Fixed rent charge	22	£5.2m	£3.0m	- 42%
Zero rent	7	£1.5m	£0.0m	- 100%
Rent linked to store turnover	33	£10.0m	£4.0m	- 60%
Total	**62**	**£16.7m**	**£7.0m**	**- 58%**
Rent saving			**£9.7m**	
Rent-free incentive / capital contributions			£4.8m	
Average lease term (to earlier of break or lease end)			3 years	

We continue to invest in stores where we have renewed the lease. We received £4.8m of capital contributions or rent-free incentives from our landlords and, in total, we will invest £6.1m upgrading these stores.

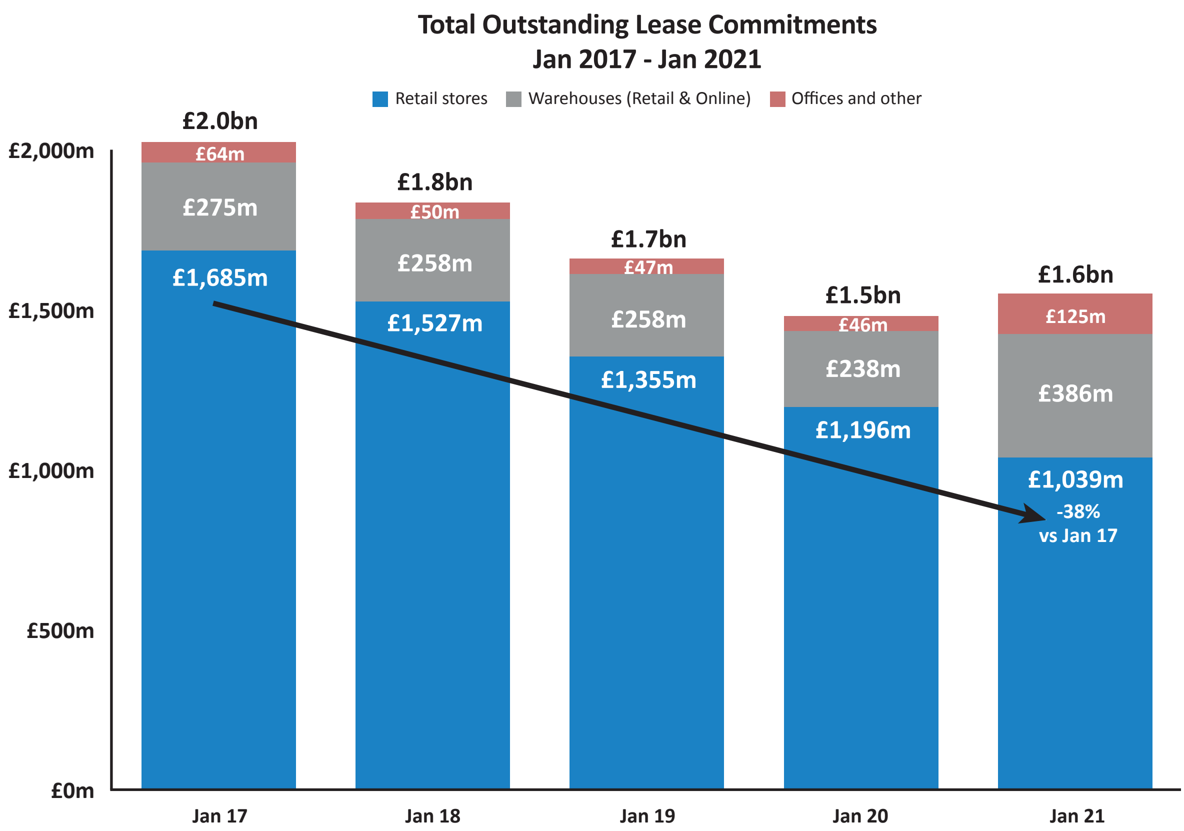
Forecast Lease Renewals for the Year Ending January 2022

We expect to renew 56 store leases in the year ahead with an average lease term of three years. We anticipate rent reductions of -47%, delivering annualised savings of £7m.

Five Year History of Outstanding Lease Commitments

Our Retail store lease commitments (undiscounted) continue to fall as lease renewals are negotiated on lower costs and relatively short lease terms (on average, around three years). At the end of January 2021 our average lease commitment (weighted by value) was 5.5 years, compared with 5.9 years at the same time last year.

The chart below shows a five year history of our total undiscounted lease commitments, for Retail stores, central warehouses, offices and other leases and demonstrates the dramatic reduction in the Group's exposure to Retail rents. Retail store lease commitments have reduced by -£646m since January 2017, a reduction of 38%.



In the same period, lease commitments for warehouses and offices have increased by £111m and £61m respectively. These increases are mainly due to the sale and leaseback transactions completed earlier this year.

THE OUTLOOK FOR RETAIL SALES AND PROFIT IN THE YEAR AHEAD

Central Scenario Sales and Profit

We are forecasting for Retail full price sales to be down -20% on a like-for-like basis versus 2019/20 (two years ago). In addition to like-for-like declines, stores are expected to be closed for the ten week lockdown between February and April. This means that total full price retail sales will be down -34% on two years ago. Total sales, including markdown sales, are forecast to be down -32%.

The anticipated sales, costs and profit for the year ahead are given in the table below versus 2019/20. As can be seen, all costs are falling, although not in line with the sales reduction of -32%. We therefore expect Retail to make a loss of -£20m.

£m	Jan 2022(e)	Jan 2020	Var £m	Var %
Total sales	**1,253**	**1,852**	**(599)**	**- 32%**
Achieved margin	712	1,099	(387)	- 35%
Occupancy costs	(350)	(465)	115	- 25%
Rent and service charge	*(178)*	*(201)*	*23*	*- 11%*
Maintenance, utilities and consumables	*(66)*	*(74)*	*8*	*- 11%*
Depreciation	*(58)*	*(90)*	*32*	*- 36%*
Rates	*(48)*	*(100)*	*52*	*- 52%*
Payroll	(160)	(210)	50	- 24%
Warehouse & distribution	(105)	(119)	14	- 12%
Central costs	(117)	(141)	24	- 17%
Profit/(loss)	**(20)**	**164**	**(184)**	**- 112%**

Non-Recurring Items in Retail

Within the forecast loss of -£20m, we are accounting for the fact that most of our Retail stores will be closed for c.10 weeks. We estimate that this will result in lost sales of around c.£250m and margin of c.£135m. This loss is offset by: (1) business rates relief of c.£48m and (2) a £17m reduction in central costs, which will be re-allocated to our Online business in line with its sales participation of the Group. The net impact of these non-recurring items is to reduce profit by -£70m. So excluding these non-recurring items underlying Retail profit would have been forecast at £50m.

£m	Profit impact
Impact of February - April c.10 week lockdown	(135)
Business rates relief	48
Other costs	17
Retail profit impact from non-recurring items	**(70)**
Underlying Retail profit excluding non-recurring items	***50***

However, it is important to stress that although the lockdown might have cost Retail £70m of lost profit, the cost to the *Group* was considerably less, as many of the lost Retail sales have been recovered through our Online business.

OTHER BUSINESS ACTIVITY

The profits and losses from other business activities, including our other Group trading companies and non-trading activities, are summarised below along with estimates for the year ahead.

£m	Jan 2022 (e)	Jan 2021	Jan 2020
NEXT Sourcing (NS)	27.0	17.8	32.0
Lipsy	14.0	5.2	13.0
Lipsy - Victoria's Secret Joint Venture	6.0	0.5	0.0
Franchise and Retail International	5.0	3.4	6.2
Property management	8.0	(39.9)	(2.2)
Central costs and other non-trading activities	(30.0)	(29.8)	(23.4)
Total profit / (loss)	**30.0**	**(42.8)**	**25.6**

NEXT Sourcing, Lipsy and our Franchise business all experienced significant reductions in profit due to the fall in sales this year. We anticipate that these will recover in the year ahead.

Central costs were £7m higher than last year due mainly to changes to actuarial assumptions for the defined benefit pension scheme and a higher cost of employee share schemes.

Property Management

Property management reported a loss of -£40m in the year. This is mainly due to the net effect of two significant items:

1. Onerous lease provisions of -£82m. This charge relates to expected future cash losses in 55 Retail stores over the remaining terms of their leases. This provision has been driven by the significant fall in Retail sales during the COVID pandemic and our projection for sales over the next ten years.

   In our central scenario for 2021/22 we are forecasting Retail full price sales to be down -34% on 2019/20 (i.e. two years ago, pre-COVID). This decline in sales includes the ten week closure at the start of the year. (On a *like-for-like* basis sales would be down -20% on 2019/20). We have assumed that the sales lost from the temporary closures during February to April 2021 will be recovered in 2022 but like-for-like sales will be down -6% and then continue to fall by -6% per annum for the following eight years.
2. Property profit gain of +£44m from the sale and leaseback of a warehouse complex.

In the year ahead we expect a profit of £8m, mainly from the warehouse sale and leaseback.

Interest

Net interest was £42.2m compared to £43.6m last year, on average net debt that was down -34%. In the year ahead we are forecasting an interest charge of £38m, a reduction of -£4.2m against the previous year, mainly due to the fact that we intend to repay (and not refinance) the £325m bond that falls due in October 2021 (page 25).

PENSION SCHEME

On the IFRS accounting basis, the valuation of our defined benefit schemes moved from a surplus of £133m at January 2020 to a surplus of £99m at January 2021. Further detail is provided in Note 20 of the Financial Statements.

A full actuarial valuation of our defined benefit pension scheme was undertaken as at 30 September 2019 and showed a deficit of £19m. The position when rolled forward to 31 December 2020 was a deficit of £7m. We have paid a £24m contribution into our pension schemes this year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Shareholder expectations and regulatory changes in relation to ESG matters have increased significantly over the last couple of years. Throughout 2020, we have built on the extensive work we already undertake as a responsible business to ensure we respond to these expectations. We have made some good progress on the ESG goals we had previously set ourselves and during 2020 we established some new, more demanding targets.

Our ESG priorities are summarised below. These and many other aspects of our work in the ESG arena are covered in detail on pages 78 to 90.

Carbon Emission Reduction

By 2030 we aim to:

- Reduce our direct and indirect (from NEXT energy consumption) emissions by **55%** against a 2016/17 baseline.
- Reduce our other indirect emissions from NEXT's operations by **40%** against a 2019/20 baseline per £1m sales.

These reduction targets for carbon emissions are consistent with the Science Based Target Initiative to reduce emissions in line with the Paris Agreement.

Climate Change

In 2020 we became a signatory to the British Retail Consortium's Climate Action Roadmap, a framework to guide the industry to **net zero emissions by 2040.**

Responsible Sourcing/Operational Waste

It is our ambition to source **100%** of the main raw materials we use through known, responsible or certified routes. By 2025 we aim to:

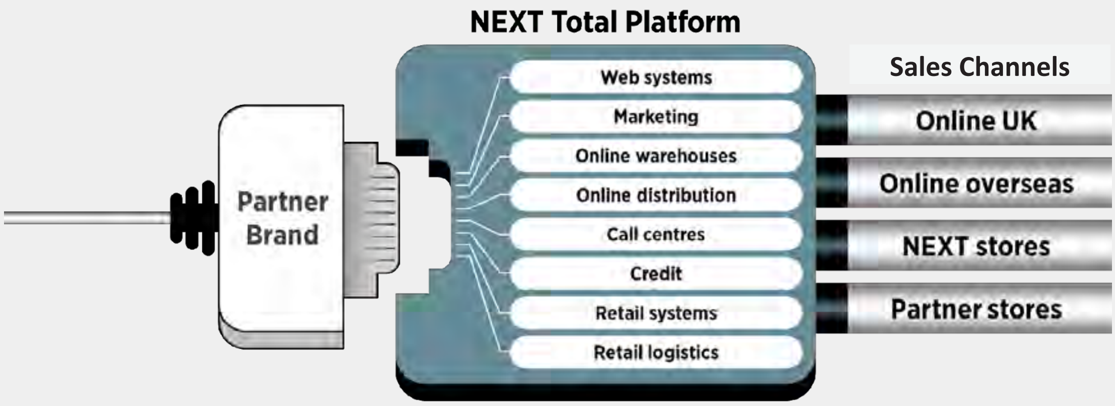
- Eliminate avoidable plastics in product packaging.
- Source 100% of cotton only from Better Cotton Initiative, recycled, Certified Organic or Fairtrade Certified sources.

PART 4 - TOTAL PLATFORM

In our Half Year Report in September we described our new Total Platform business in detail and we have included an excerpt from that report in the box below as a reminder of the rationale of the business. In this section we provide a more detailed update on how Total Platform is developing, the clients we are working with and the equity investments we have made as a result.

CONCEPT - A REMINDER

The aim of Total Platform is to allow clients to grow their business without the capital costs, operational risks and management time associated with developing increasingly complex and expensive infrastructure. No one starts a new brand because they are passionate about warehousing and data protection! Total Platform allows brands to focus on the things they love doing and where they can add the most value - building their product ranges and developing their brand.



Total Platform services include: website systems, an online marketing platform, warehousing for boxed, hanging and palletised products, distribution networks (including to our c.500 stores), returns handling, call centre services, account management systems, payment systems, credit facilities, data management and security systems, international websites and other online infrastructure along with our marketing and operational know-how. We have recently extended the scope of our services to include retail warehousing and distribution alongside the use of our proprietary point-of-sale software.

Total Platform is a **pay-as-you-go** answer to operating an online business. Clients pay through a simple commission on sales, so there are no uncomfortable step-change increases in fixed costs and no capital requirements to support growth. No one needs reminding that fashion is a volatile business and the variable cost base also serves to protect the client should they have a difficult year. And, of course, the commission model has one other vital function: it aligns our interests with those of our clients; if they do well, so do we.

In addition, Total Platform can provide clients who operate retail stores with retail warehousing, distribution, in-store stock systems and till systems.

NEW CLIENTS

We are now working with five Total Platform clients: Childsplay Clothing, Laura Ashley, Victoria's Secret, a new brand[18] start-up that will launch in September (referred to as 'NewBrand') and Reiss. The table below sets out the timescales for implementation and any equity interest we have acquired in the client.

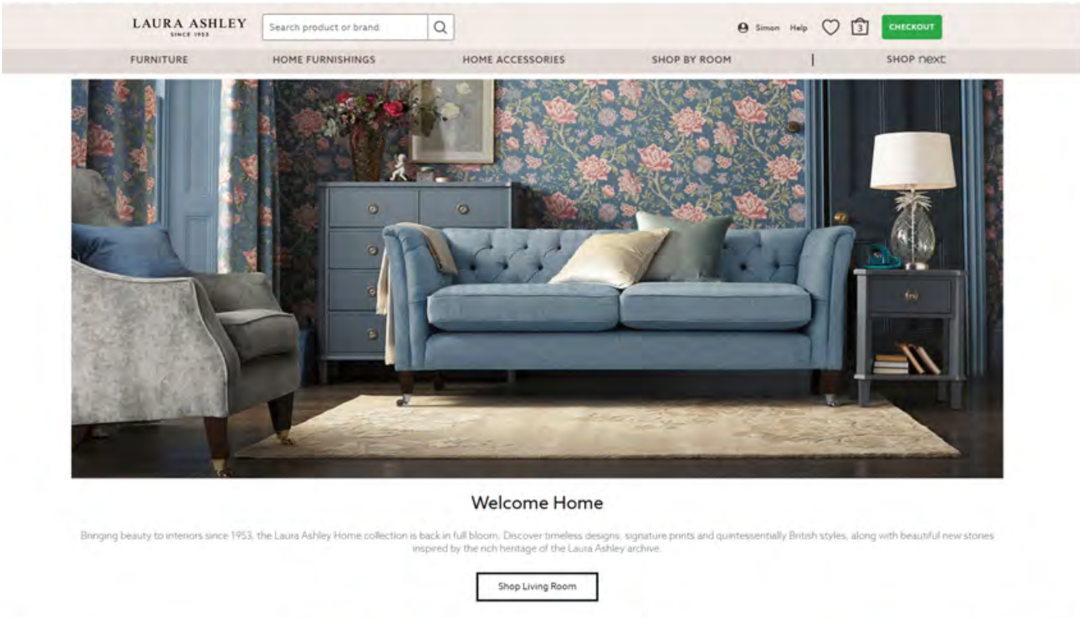
Client	Target Launch Date	Equity Interest	Description
Childsplay	Live Oct 2020		Online luxury childrenswear
Laura Ashley	Live Mar 2021		Iconic home and fashion brand
Victoria's Secret UK and Eire	May 2021	51% share in UK JV with LBrands	Global lingerie, clothing and beauty brand
NewBrand	Oct 2021	33%	
Reiss	Feb 2022	25% with option to buy a further 26%	Affordable luxury men's and women's apparel brand

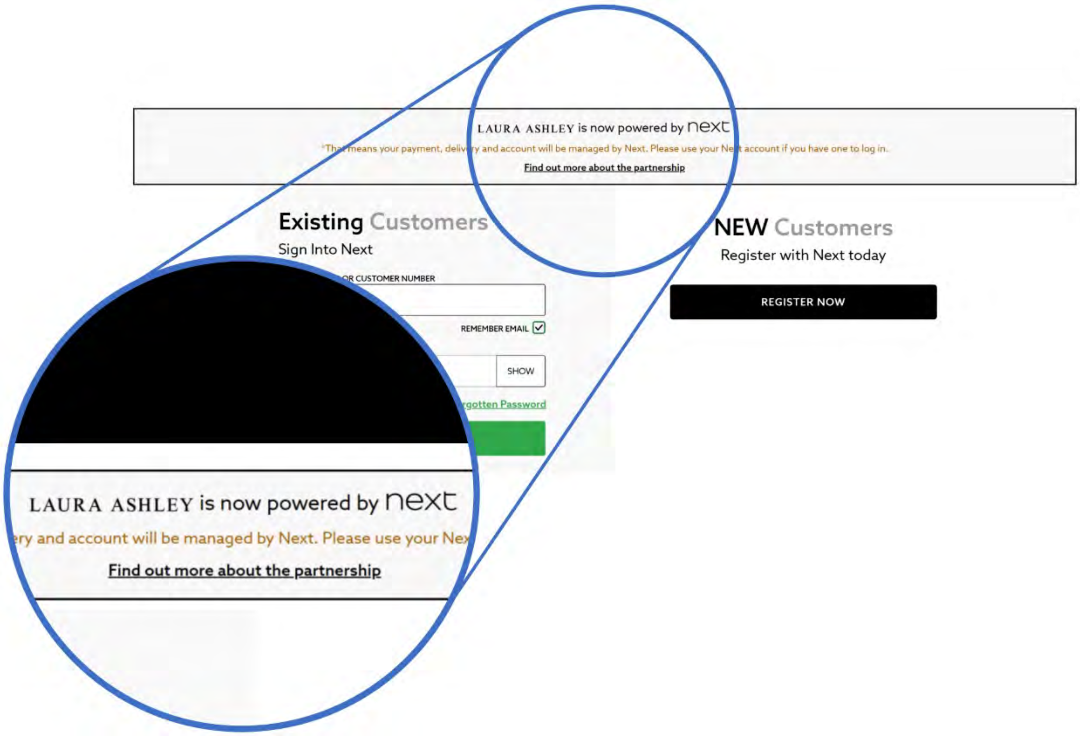
[18] A new start-up brand will be launching in the second half of 2021. Their brand name is confidential and will not be shared in this report and we refer to them as NewBrand.

TOTAL PLATFORM LIGHT

In the course of tailoring Total Platform to cater for the differing timescales and requirements of our new clients, we have developed two slightly different models. The original Total Platform delivers a customer experience completely independent of NEXT, with every touch point (ordering, checkout, packaging, call centre services, etc.) branded for the client in such a way that the customer has no sense that the operations are being managed by NEXT.

Two of our clients (Laura Ashley and NewBrand) have opted for a different approach. The customer will still experience a unique client-branded home page (see image below) and search results will only return the client's products. However, these web pages effectively sit in a ring-fenced area of the main NEXT website, and when customers go to checkout they check out through NEXT (see second image below) and the product is fulfilled by NEXT in our packaging.





Total Platform Light does not deliver the full brand experience of Total Platform but it has a number of big advantages.

- It is much **quicker** and simpler to implement, so brands that are in a hurry can go live in three to six months.
- The cost of implementation is a third to a fifth of full Total Platform, so the commission for Total Platform Light is considerably **cheaper** than full Total Platform.
- Any of our 6.5m **UK NEXT customers** can sign into the Total Platform Light using their NEXT credentials and, if they are credit customers, pay for goods using their next**pay** account.

MARGIN AND RETURN ON CAPITAL

Our target margin for Total Platform is 5%-8% of our client's online business. The larger the client's turnover and the simpler its operations, the lower our margin will be. Retail services are charged on a cost plus basis.

The estimated annualised *online* turnover of all five clients, in their first full year of operation, is £200m (please note that some brands will launch earlier than others, so this turnover will not all fall in the same financial year). The collective Total Platform profit for these clients anticipated to be £10m in their first full year of operation.

EQUITY

The Rationale of an Equity Investment

Although Total Platform delivers a reasonable margin and very healthy return on capital invested, we believe the returns will be much higher for our clients, if we can deliver anything like the growth and operating efficiencies planned. For that reason, we thought it sensible to have a stake in that upside and have agreed to invest in a minority stake in most of our new clients.

As stated above, all five new clients are expected to deliver around **£10m** of profit in their first year of operation. However, the additional profit from our equity share in just three of these clients (which includes a share of their retail and wholesale profits) is estimated to be in the region of **£20m** in the first year of operation (NB most of this profit will fall in the year ending January 2023).

The maths of equity participation is very compelling, and it is possible that Total Platform benefits the Group more through its ability to add value to equity investments, than it does through the profit it delivers on the service contracts.

The Types of Brand We Would Invest In

We believe that there are two key criteria which need to be satisfied before investing in any business - they must be great brands and be businesses to which we can add value.

Excellent Brands

Businesses we invest in must be great brands, and that means they must conform to the following three characteristics:

A Clear Brand Proposition	Brands where both consumers and employees understand what the brand means, what it stands for, and where it sits in the market.
Good Online Economics	Brands that deliver online margins commensurate with the risks involved in trading a fashion brand online. Essentially the higher the average selling price and the lower the returns rate, the more profitable a brand is likely to be.
Customer Goodwill	Brands whose core customers love what they do and want them to succeed.

Businesses Where We Can Add Value

We need to be sure that we can add significant value to the brands we invest in. We believe that the value created will mainly come from the infrastructure, service levels and know how that comes with Total Platform. But for some partners, our other systems, property expertise and sourcing base might also add significant value.

The Rationale of Part Acquisitions versus 100% Takeover

Given how compelling these equity investments appear, some might ask: why are we only buying part of a business, rather than the whole? The disadvantages of a part purchase are lack of day to day control along with the potential to be "dragged along" into a sale of our stake. We believe that, on balance, the advantages of part purchase significantly outweigh the disadvantages of owning a minority stake for the following two reasons:

Diversifying Risk

Through buying smaller parts of many businesses we diversify the impact of any one of them having a 'fashion accident'. It is less risky to own 20% of ten brands than 100% of two.

To some extent this approach goes right to the heart of the Total Platform concept. Total Platform removes operating leverage from individual fashion brands. NEXT takes on that volatility risk but can mitigate it by spreading across a number of different clients.

Avoiding the Retail Conglomerate

We want the businesses we invest in to continue to think and act like independent companies, with their own culture, point of view and approach to fashion. It is our belief that independence of thought and freedom of action go right to the heart of any fashion business. It is important that those who live and breathe the company feel part of something special and distinct.

The mentality of people who work for mono-brand businesses is very different from those who are part of a giant conglomerate; they tend to have a much greater affinity and loyalty to the brand. That mentality is particularly important at the very top of the company.

Looking at the same issue from the opposite perspective, the acquisition of many minority stakes in independently run businesses, reduces the risk that NEXT's management will get sucked into the day to day management of the acquired businesses which would detract from our focus on NEXT.

NEXT STEPS

Many of our shareholders have asked where we see Total Platform in ten years' time. The answer is that we do not yet know; in the same way we could never have imagined the contribution LABEL would make to the business if we had sat down and attempted to model its future ten years ago. The reality is the future success of Total Platform will depend most on the effectiveness with which we implement these first five contracts. So in the year ahead we have three objectives for Total Platform:

- Execute well and ensure that we maximise the success of the five contracts we have in place.
- Ensure that in building these platforms we create software that is reusable for new clients going forward. In effect taking bespoke models and designing them to enable mass production.
- Ensure that we really understand the economics of the business. Of course we have built detailed cost and operating models, but you never quite know how costs will turn out until operations are live.

PART 5 - SALES AND PROFIT OUTLOOK FOR 2021/22

HEADLINES

- Total Brand full price sales guidance remains unchanged and flat against 2019/20 (a two-year comparison).
- The anticipated end of the third lockdown in April[19] is two weeks later than we had allowed for in our previous guidance. However, the profit lost from those additional two weeks, has been offset by the benefit of the extension of business rates relief announced in March.
- In the first eight weeks of the year, Online sales have been stronger than expected and are up more than +60% on two years ago. This overachievement plus the expected transfer of sales from Retail during the additional two weeks of lockdown, are expected to add £30m of profit. As a result, we are raising our central profit guidance by £30m from £670m to **£700m**.

Our central scenario for full price sales and profit by business division is set out in the tables below.

Full price sales £m	Jan 2022 (e)	Jan 2022 (e) % vs 2 years
Online	2,477	+31%
Retail	1,091	- 34%
NEXT Finance interest income	248	- 8%
Total full price sales	**3,816**	**0%**
Total Brand sales	**4,294**	**+1%**

Profit/(loss) before tax £m	Jan 2022 (e)	Jan 2022 (e) % vs 2 years
Online	560	+40%
Retail	(20)	- 112%
NEXT Finance	116	- 21%
Other Group	44	+140%
Total Group profit before tax	**700**	**- 4%**

[19] This refers to the end of the lockdown in England (which represents around 85% of our retail sales). The end of lockdown in parts of Scotland, Northern Ireland and Eire will follow later.

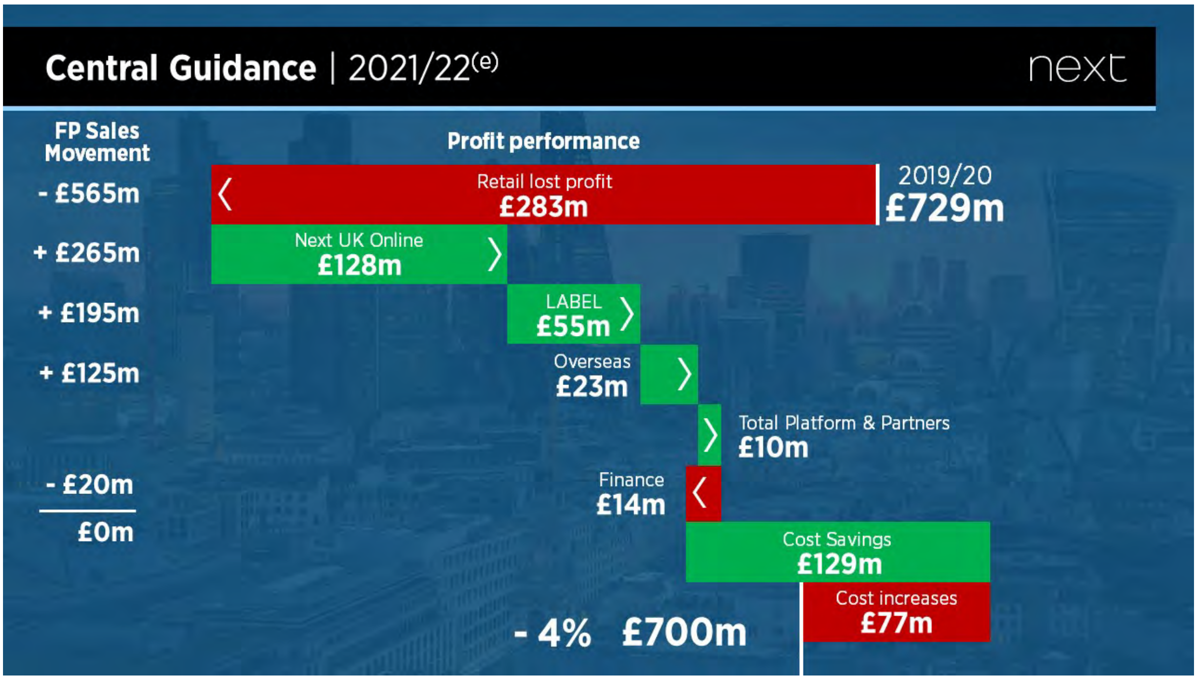
FULL PRICE SALES AND PROFIT SCENARIOS

To give an idea of the sensitivity around our full price sales assumptions, we have set out below an upside and downside scenario for full price sales and profit before tax. All scenarios exclude the effect of any further lockdowns.

	Downside	Central scenario	Upside
Full price sales versus 2019/20	- 3%	0%	+3%
Profit before tax	£645m	£700m	£745m
Profit before tax versus 2019/20	- 11%	- 4%	+2%

FULL PRICE SALES AND PROFIT MOVEMENTS (CENTRAL SCENARIO)

The graphic below sets out how the forecast change in **full price** sales by business is expected to impact on profit, relative to 2019/20, along with the cost savings and cost increases we are forecasting in the year ahead.



Cost Savings and Cost Increases

A summary of the significant cost savings and cost increases is summarised below.

Cost savings	**£m**
Marketing, catalogues and photography	+£30m
Fully depreciated assets	+£25m
Business rates relief and occupancy cost savings	+£55m
Other Retail savings	+£10m
Other Group savings	+£9m
Total cost savings	**+£129m**

Cost increases	**£m**
Inflation (includes wage inflation)	- £30m
Warehouse and distribution	- £20m
Lower clearance rates	- £12m
Other cost increases	- £15m
Total cost increases	**- £77m**

FIRST QUARTER TRADING UPDATE

Our first quarter Trading Statement will cover the thirteen weeks to 1 May 2021 and is scheduled for Thursday 6 May 2021.

Lord Wolfson of Aspley Guise
Chief Executive
1 April 2021

APPENDIX 1 - STATUTORY SALES AND PROFIT

STATUTORY BASIS £m and EPS	Jan 2021	Jan 2020	Var £m	Var %
Sales	3,534.4	4,266.2	(731.8)	- 17%
Profit before tax	342.4	748.5	(406.1)	- 54%
Profit after tax	286.7	610.2	(323.5)	- 53%
Earnings Per Share (Basic)	223.3p	472.4p		
Adjusted net debt (including leases)	(1,796.1)	(2,363.1)	567.0	- 24%

Overview

The financial information presented in pages 3 to 60 is used by the Chief Operating Decision Maker (CODM) and management in assessing business performance against its targets and strategy. It is also the financial information used to inform business decisions and investment appraisals. Having been prepared on a basis that is consistent with prior years and current profit guidance, it is management's view that this provides both a useful and necessary basis for understanding the Group's results. Because these performance measures are not prepared on a full IFRS statutory accounting basis they are commonly referred to as "Alternative Performance Measures" (APMs).

Differences between APMs and Statutory results

The APMs differ to the statutory results in two key ways:

- Firstly, following the introduction of the new lease accounting standard IFRS 16, we decided to maintain the reporting of our profit on a pre-IFRS 16 basis. This was because the pre-IFRS 16 profit was consistent with the financial information used to inform business decisions and investment appraisals.
- Secondly, in common with many retailers, we used "Total Sales" as a measure to assess the performance of the business and not statutory revenue. Having been prepared on a basis that was consistent with prior years, and our Trading Statements, it was our view that this provided both a useful and necessary basis for understanding the Group's results. We have taken the same approach this year.

Total Sales to Statutory Revenue

During the year, on a statutory basis, sales were down -17%. Sales presented in pages 3 to 60 are based on "Total Sales". "Total Sales" represent VAT exclusive sales, including the full value of commission based sales and interest income. For statutory reporting purposes two adjustments are made to derive statutory revenue:

- Where third-party branded goods are sold on a commission basis, only the commission receivable is included in statutory revenue. This adjustment reduces the value of sales recognised for statutory reporting purposes by £159.4m for the period to January 2021 (2020: £137.7m)
- Customer delivery charges, income received from printed publications, promotional discounts, Interest Free Credit commission costs and unredeemed gift card balances are included in statutory revenue (these amounts being reclassified from cost of sales). This adjustment increases the value of sales recognised for statutory reporting purposes by £67.9m for the period to January 2021 (2020: £42.1m)

As a result, Total Sales for the period to January 2021 of £3,625.9m (2020: £4,361.8m) are recognised for statutory purposes as revenue of £3,534.4m (2020: £4,266.2m). A corresponding amount has been recognised in cost of sales.

This change has no impact on profit before taxation, profit after taxation, Earnings Per Share or cash flow.

IFRS 16 Leases and the Impact on the Income Statement

Last year, on adoption of IFRS 16 for the first time, we recognised a significant portion of the lease costs directly in reserves. Where the lease portfolio is stable, this will result in lower lease costs being recognised in the Income Statement going forward. This was evident in the January 2020 Income Statement, which showed a benefit to profit before tax of £20.0m when it was restated for IFRS 16.

However, for the year to January 2021 the impact of IFRS 16 includes both the underlying adjustment and the impact of non-recurring items (store impairments and gain on the sale and leaseback) as set out below:

1. **Underlying IFRS 16 transactions +£20m:** This represents the IFRS 16 adjustment on underlying/normal trade and can be viewed in four components: (1) IAS 17 rent costs net of capital contribution and other lease incentives of +£212m; (2) benefit from reassessment of lease term of +£6m less (3) the IFRS 16 depreciation -£138m; and (4) finance costs on the lease liability of -£60m.
2. **Lease provisions and impairment +£16m**: The property and onerous lease provision charge of £100m recognised under pre-IFRS 16 accounting has been reversed and an impairment charge for store assets and right-of-use assets recognised of £84m. The net charge in the Income Statement for these costs was therefore £16m lower than the pre-IFRS 16 charge.
3. **Sale and leaseback gain -£36m:** In the pre-IFRS 16 accounting the gain on the sale and leaseback is calculated as proceeds less the net book value of the assets being sold. However, under IFRS 16 the approach is different. IFRS 16 effectively limits any gain to the element of the asset which it no longer has access to use. The gain is effectively limited to the 'portion' of the asset not reacquired under the terms of the leaseback. This has resulted in the recognition of a smaller gain of £8.1m.

The net impact of IFRS 16 on both 2021 and 2020 is summarised in the table below. IFRS 16 changes profit before tax, profit after tax and Earnings Per Share.

£m	Jan 2021 excluding IFRS 16	IFRS 16 impact	Jan 2021 including IFRS 16
Profit before taxation	**342.0**	**0.4**	**342.4**
Taxation	(51.4)	(4.3)	(55.7)
Profit after taxation	**290.6**	**(3.9)**	**286.7**
Earnings Per Share (Basic)	**226.3p**		**223.3p**

£m	Jan 2020 excluding IFRS 16	IFRS 16 impact	Jan 2020 including IFRS 16
Profit before taxation	**728.5**	**20.0**	**748.5**
Taxation	(134.6)	(3.7)	(138.3)
Profit after taxation	**593.9**	**16.3**	**610.2**
Earnings Per Share (Basic)	**459.8p**		**472.4p**

It is important to stress that while the timing and nature of costs under IFRS 16 differ to those reported under IAS 17, over the course of the lease term the overall costs remain the same.

This also applies to the gain on the sale and leaseback which, over the life of the lease, will result in the same net impact to the Income Statement.

Taxation

The tax charge in the period to January 2021 under IFRS 16 is £4.3m higher than the charge on a pre-IFRS 16 basis. This is despite the headline profit before tax being just £0.4m higher. The table below walks forward between the two tax charges.

Corporation Tax Effective Rate walk forward	Pre-IFRS 16	IFRS 16
Profit before tax £m	342.0	342.4
Tax charge £m	- 51.4	-55.7
Effective tax rate	**15.0%**	**16.3%**
Benefit from property profit and other non-taxable income	2.2%	0.9%
Historical provision release and true ups with HMRC	1.8%	1.8%
UK headline tax rate	**19.0%**	**19.0%**

The difference in the tax rates is largely driven by the different amount of income recognised under IFRS 16, which reduces the profit on the sale and leaseback from £44m to £8m. This in turn reduces the tax rate benefit for the non-taxable element of the sale.

Non-Recurring Items

In the Chief Executive's Review the impact of non-recurring items is presented based on a pre-IFRS 16 basis. The IFRS 16 equivalent is set out in the below table.

£m	Profit impact (IFRS 16)
Business rates reduction	+82
Profit from 53rd week	+12
Property profit from the sale and leaseback of properties	+8
Store related impairment	- 84
Stock and fabric provisions	- 34
Bad debt provisions	- 20
Total profit impact	**- 36**

The difference between these items and those on a pre-IFRS 16 basis relate to the gain on the sale and leaseback and the store related impairment (as explained in the Income Statement bridge).

Adjusted Net Assets and Retained Earnings

£m	Jan 2021 excluding IFRS 16	IFRS 16 adjustment	Jan 2021 including IFRS 16
Non-current assets	713.7	755.7	1,469.4
Current assets	2,331.4	(42.8)	2,288.6
Total assets	**3,045.1**	**712.9**	**3,758.0**
Current liabilities	(1,077.6)	(119.2)	(1,196.8)
Non-current liabilities	(1,131.4)	(768.9)	(1,900.3)
Total liabilities	**(2,209.0)**	**(888.1)**	**(3,097.1)**
NET ASSETS	**836.1**	**(175.2)**	**660.9**
TOTAL EQUITY	**836.1**	**(175.2)**	**660.9**

The IFRS 16 adjustments to the balance sheet have four key components:

1) The recognition of a right-of-use asset representing the Group's right to use and realise value through the use of assets held under lease terms. These are £720.1m and represent the key movement in the Non-current assets adjustment of £755.7m.
2) Removal of the balance sheet accounts relating to pre-IFRS 16 lease accounting. This includes, for example, the removal of lease incentives, rental prepayments and accruals. These adjustments resulted in the adjustment of £42.8m in current assets.
3) The recognition within current liabilities of the current element of the lease liability of £170.1m. This is offset by the removal of rent-free provisions and other rent accruals resulting in a net adjustment of £119.2m.
4) The recognition of the non-current element of the lease liability of £1,015.8m. This is offset by the removal of long term capital contributions which are subsumed within the IFRS 16 right-of-use asset under IFRS 16.

Adjusted Net Debt

Net debt at January 2021 excluding leases, was £610.2m (2020: £1,112.1m). From a statutory reporting perspective, IFRS 16 results in the recognition of lease debt on the Balance Sheet of £1,185.9m (2020: £1,251.0m). The year-on-year reduction in lease debt reflects the payments made in the period, the reassessment of certain lease terms and the trend towards shorter lease terms on retail stores, offset by the sale and leaseback transactions entered into during the period.

£m	Jan 2021	Jan 2020	Reduction in net debt
Cash and cash equivalents	**514.8**	**52.9**	
Unsecured bank loans	-	(40.0)	
Corporate bonds	(1,163.0)	(1,163.7)	
Fair value hedges of bonds	38.0	38.7	
Net debt excluding leases	**(610.2)**	**(1,112.1)**	**501.9**
Lease debt under IFRS 16	(1,185.9)	(1,251.0)	
Net debt including leases	**(1,796.1)**	**(2,363.1)**	**567.0**

Cash Flow

While IFRS 16 has, from a statutory reporting perspective, had a significant impact on the Balance Sheet and Income Statement it is important to emphasise that it has had no impact on the cash generated by the business.

As disclosed in the Group accounting policies in the financial statements, the impact of IFRS 16 on the cash flow is limited to changes in the presentation of where cash flows are reported.

BUSINESS MODEL

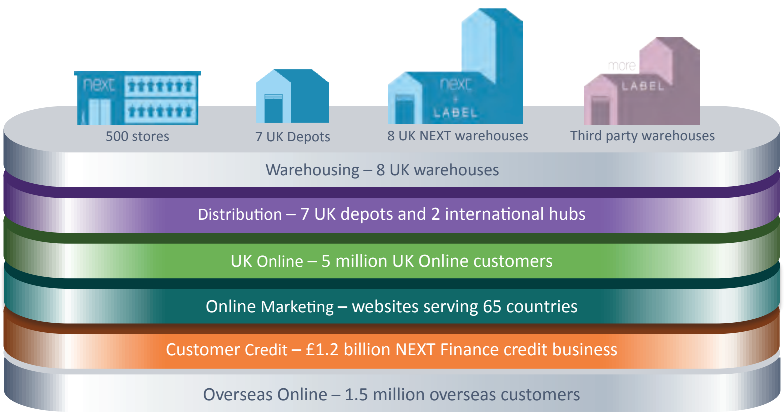
Why we are unique

Our NEXT Platform draws on all our assets – stores, warehouses, delivery networks, systems, marketing, credit facilities – to create a powerful aggregation business selling hundreds of third-party clothing and home brands alongside our own NEXT merchandise. In the UK, the scale of our Online business, supported by our store network and strong relationships with partner brands, enables NEXT to offer a broad product range to satisfy consumer demand for choice. Its importance was demonstrated this year given the enforced store closures during the COVID pandemic.

The shift to online shopping also enables NEXT to benefit from sales commission on third-party brands and sales into overseas markets without the associated retail overheads. In 2020/21, over £500m of third-party brands' products were sold through LABEL and sales of NEXT branded products overseas also exceeded £500m.

Our platform has three very clear objectives:

- To be our customers' first choice destination for clothing and homeware.
- To be the most profitable third-party route to market for our partner brands.
- To provide a quality of service that we and our partner brands can be proud of.



WHAT WE SELL

NEXT BRANDED PRODUCTS

- Our in-house team develop responsibly sourced NEXT branded products offering great design, quality and value for money.
- NEXT Sourcing, our Hong Kong-based international sourcing agent, competes for business with other suppliers.

LABEL

- LABEL is our online aggregation business selling over 1,000 third-party brands.

LIPSY

- Lipsy is our wholly owned subsidiary which designs and sells its own branded and other branded products.
- Aimed at a younger female demographic.
- Multi-channel; trades through NEXT Online, from 40 NEXT stores, and through wholesale and overseas franchise channels.

HOW WE ADD VALUE

More product choice

- A combination of NEXT products and over 1,000 third-party brands means customers can choose from an extensive range of clothing and homeware products.

Strong third-party LABEL relationships

- We aim to be the most profitable route to market for our third-party LABEL partners.

Responsibly sourced materials

- We source globally to deliver NEXT branded products that are responsibly sourced. We are working closely with our suppliers to fulfil our ambition to source 100% of our main raw materials through known, responsible or certified routes by 2025.

Our objectives

Our purpose is to offer beautifully designed, excellent quality clothing and homeware which are responsibly sourced and accessibly priced, and in doing so build shareholder value through long term, sustainable growth in Earnings Per Share (EPS).

We are, at heart, a fashion and homeware business with excellent operations and strong financial disciplines. We have spent years honing those skills and the supporting infrastructure. It is these qualities that we aim to leverage and develop, supported by our core principles of doing business responsibly:

1. Add value

- Use our product skills, distribution networks, systems, services and sourcing to create goods and provide services that consumers cannot easily find elsewhere.
- Focus on customers' satisfaction levels by improving the customer experience in our stores and continuing to develop and enhance our Online website.

2. Play to our strengths

- Improve and develop our product ranges by using our design skills to create quality products at affordable prices.
- Increase the number of profitable Online customers and their spend, both in the UK and internationally. Our UK Online business is complemented by our LABEL offering of branded products and the credit facility (next**pay**). Our objective is to be our customers' first choice online retailer for clothing, footwear and home products.

3. Make a margin

- Achieve healthy gross and net margins through efficient product sourcing, stock management and cost control.
- Healthy margins help create stability that allows the business to withstand the vagaries of any consumer-facing business.

4. Good returns on capital invested

- Support the Group's access to low cost finance by maintaining a strong balance sheet and secure financing structure.
- Make a return on capital commensurate with risk, and using robust investment appraisal models targeting financial hurdles, including cash payback and return on capital invested.
- Maximise the profitability of retail selling space.

5. Generate and return surplus cash to shareholders

- This is done by way of share buybacks and/or special dividends.

HOW WE SELL IT

Flexible and robust infrastructure and distribution channels

- Our warehouse and logistics operations provide an efficient and agile product distribution network.
- 8 UK warehouses, 7 UK depots and 2 International hubs provide cost-effective delivery to our Online and Retail customers.

Digital marketing and websites

- Online sales of NEXT branded products are routed through our own website and third-party websites.
- Together, those websites serve 65 countries.

Well-connected store network

- Around 500 stores in the UK and Eire.
- Our stores play an important role in supporting our Online customers by facilitating the collection of orders and processing of returns.

Overseas

- 1.5 million overseas customers.
- 190 mainly franchised stores in 36 countries.
- Online orders are fulfilled from both our UK. warehouses and our international hubs.

Flexible UK credit financing business

- £1.2bn of consumer credit is currently provided to customers.
- We offer a credit facility for UK NEXT Online customers called next**pay**.
- We also offer next**3step**, a credit account which allows customers to spread the cost of orders over three months interest-free.

Cost and quality control

- Our sourcing structure provides excellent quality and accessibly priced products. It also helps maintain our margin through efficient product sourcing, stock management and cost control.

Creating value for shareholders

- We manage financial resources effectively with a strong focus on cost control and maximising shareholder value.
- NEXT is highly cash generative; after investing in the business, surplus cash is returned to shareholders.

Outstanding customer experience

- Customers can order online or in-store and choose delivery to home or store.
- Next-day delivery as standard for UK Online customers.
- We also offer a 'Collect Today' service in the UK on certain items ordered online.
- Strong supplier relationships.

KEY PERFORMANCE INDICATORS (KPIs)

KPIs are designed to measure the development, performance and position of the business. Group cash flows and divisional results are detailed in the Chief Executive's Review and elsewhere in this Annual Report. Refer to the Glossary on page 217 for further details. The KPIs include Alternative Performance Measures (APMs). The KPIs for the period to 30 January 2021 are based on 53 weeks' trade (2020: 52 weeks).

The directors use APMs as they believe these measures provide additional useful information on the underlying trends, performance and position of the Group. These measures are used for performance analysis. The APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs. These measures are not intended to be a substitute for, or superior to, IFRS measurements.

Sales (%) APM

NEXT Brand full price sales growth

-14.8% +4.0%

2021 2020

NEXT Brand total sales growth

-16.5% +3.5%

2021 2020

Full price sales are VAT exclusive sales of stock items excluding items sold in our mid-season, end-of-season and Black Friday Sale events, our Clearance operations and Total Platform. It includes interest income on those sales.

Total sales are VAT exclusive full price and markdown sales including the full value of commission based sales and interest income (as described in Note 1 to the financial statements).

NEXT profitability APM

NEXT Retail operating margin

-21.6% +8.9%

2021 2020

NEXT Online operating margin*

+19.9% +18.6%

2021 2020

Group profit before tax (£m)

342.0 728.5

2021 2020

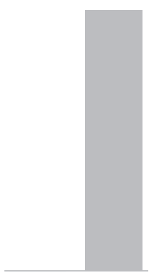
* excluding NEXT Finance

Divisional operating margin is profit after deducting markdowns and all direct and indirect trading costs expressed as a percentage of achieved total sales (refer to Note 1 to the financial statements).

Returns to shareholders (£m)

Ordinary dividends

0 213.6

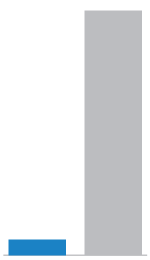


2021 2020

Based on dividends paid in the Cash Flow Statement. Refer to Note 7 to the financial statements.

Share buybacks

19.3 300.2



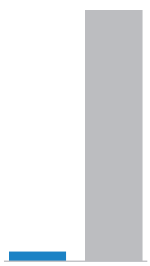
2021 2020

A total of 279,639 shares were purchased in the financial year (2020: 5,376,718) at an average cost per share of £69.15 (2020: £55.83) including stamp duty and associated costs.

The average price before costs was £68.72 (2020: £55.49). Buybacks represented 0.2% (2020: 3.9%) of opening share capital.

Total

19.3 513.8



2021 2020

Earnings Per Share (Basic) APM

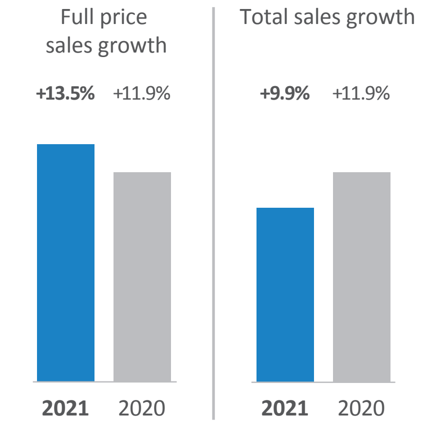
226.3p 459.8p

2021 2020

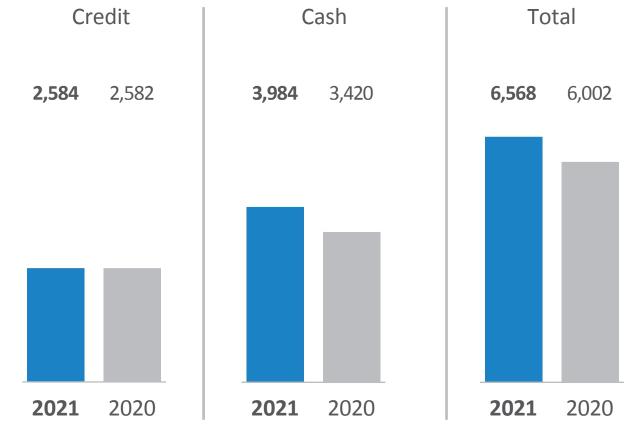
Refer to Note 8 to the financial statements.

APM Alternative Performance Measure. APMs are not defined in IFRS. The statutory equivalents are presented in the financial highlights (page 1) with further explanations and reconciliations provided in Appendix 1 to the Chief Executive's Review, the Glossary, and Note 1 to the financial statements.

NEXT Online sales performance APM



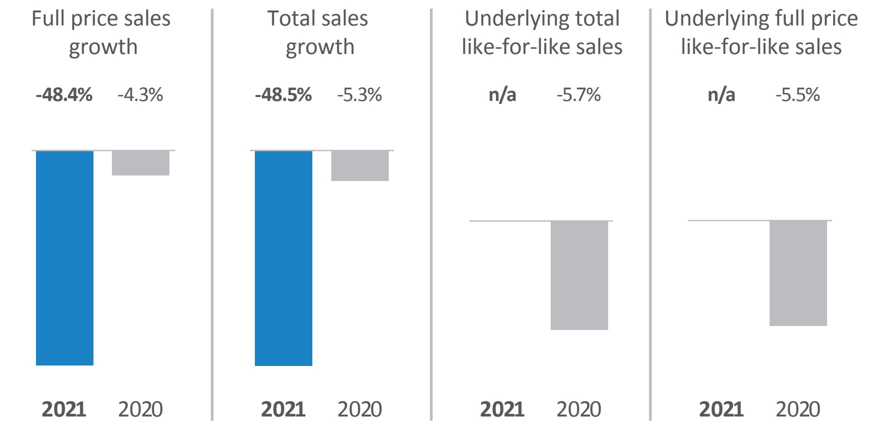
NEXT Online average active customers (000's) APM



Average active customers are defined as those who have placed an Online order or received a standard account statement in the last 20 weeks.

Credit customers are those who order using an Online credit account, whereas cash customers are those who pay when ordering.

NEXT Retail sales performance APM

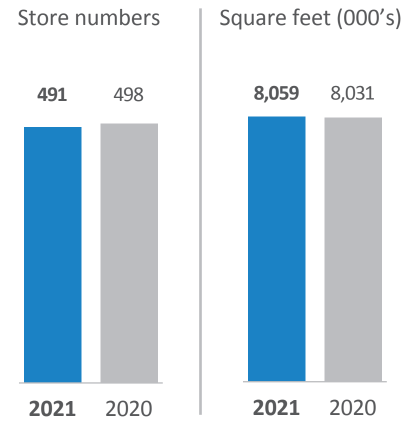


Underlying like-for-like sales represents the growth in sales from stores which have been open for at least one full year, excluding stores impacted by new openings.

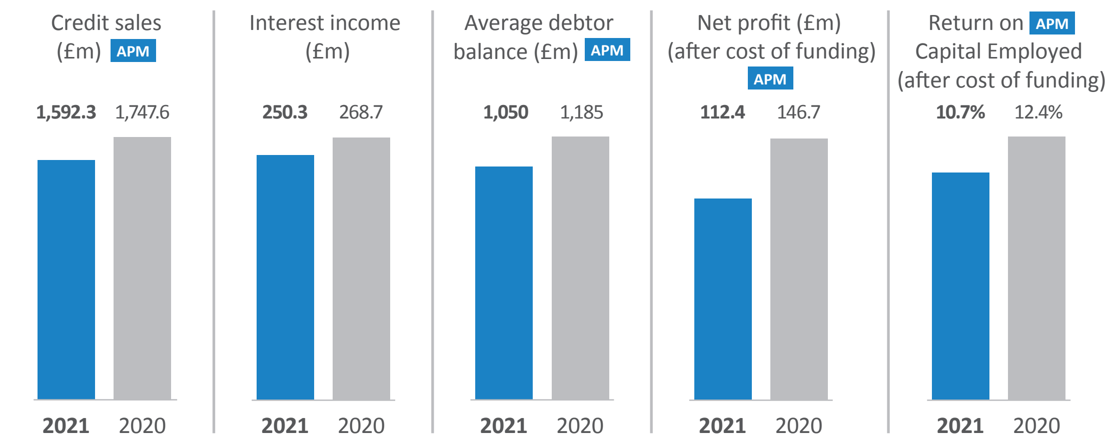
Due to the impact of COVID and the enforced closure of our retail stores the like-for-like comparative is not presented in this year's KPIs. This is because it is not possible to reliably provide an insightful like-for-like performance for Retail sales.

NEXT Retail selling space

Selling space is defined as the trading floor area of a store which excludes stockroom and administration areas and is shown as at the financial year end. The square footage excludes 377k sq. ft. (2020: 361k sq ft) of space occupied by concessions.



NEXT Finance



Credit sales are defined as VAT exclusive sales from Online credit customers who have purchased using their Online account, inclusive of any interest income charges and delivery charges, and after deducting any applicable promotional discounts.

Return on Capital Employed is defined as the NEXT Finance net profit (after the interest charge relating to the cost of funding, divided by the average debtor balance).

RISKS AND UNCERTAINTIES

Risk management and internal control framework

The Board has overall responsibility for risk management, the supporting system of internal controls and for reviewing their effectiveness. The Group operates a policy of continuous identification and review of business risks. This includes the monitoring of key risks, identification of emerging risks and consideration of risk mitigations after taking into account risk appetite and the impact of how those risks may affect the achievement of business objectives.

The risks and uncertainties that the business faces evolve over time and executive directors and senior management are delegated the task of implementing and maintaining controls to ensure that risks are managed appropriately. The Group's risk management framework is designed to identify and manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

Our approach to risk management is illustrated by the following diagram and described in more detail below.

Parties involved in the review, challenge and assessment of risks also scrutinise the reporting, management and control of risks.

Risk identification and assessment – current and emerging risks	• Corporate compliance team • Risk Steering Group • Audit Committee
Operational risk registers	• Senior managers and operational directors • Corporate compliance team
Corporate risk register	• Internal Audit • Risk Steering Group • Corporate compliance team • Executive directors
Principal risks and uncertainties	• Risk Steering Group • Executive directors • Audit Committee • Board
Viability assessment	• Audit Committee • Board

Assess effectiveness of risk management and internal control systems. Challenges are fed back to the management team to consider.

Risk identification, assessment and mitigation

- On a day-to-day basis, the risk management process is coordinated by the corporate compliance team which reports its findings to the Risk Steering Group and Audit Committee regularly.
- Each business area is responsible for preparing and maintaining operational risk registers and for identifying, analysing, evaluating, managing and monitoring the risks and emerging risks in their respective areas. Risk registers are prepared using consistent risk factors and evaluate business impact and likelihood ratings, both before and after the effect of any mitigating activities or controls.
- A corporate risk register is maintained of all significant Group-level risks identified from the operational risk registers. The operational and corporate risk registers help to ensure we have a 'bottom up' system whose objectives are to ensure a comprehensive identification and prioritisation of all important risks. They also help to ensure a robust risk culture company-wide.
- We use the corporate risk register to help us determine the principal risks and uncertainties disclosed in this report. We do so by supplementing the information on the corporate risk register with a 'top down' review which involves the senior management team and Board. The objectives of this review are to distill insights and provide clarity on the most important risks of the business and to provide effective oversight of enterprise-wide risks. These principal risks are also considered during the directors' assessment of viability.

Review, challenge and control

- Issues, incidents and key risk indicators are reported to the corporate compliance team on a regular basis, in addition to a half yearly cycle of risk and control assessments. This helps to identify any control weaknesses for remediation. During this review, the business areas are asked to consider and report on the emerging and material risk events in their areas.
- There is an annual review of operational risk registers by relevant senior managers and operational directors. This is to ensure risks are comprehensively covered and assessed consistently across the business.
- A senior management Risk Steering Group has been established which meets at least six times annually and reports to the Audit Committee. The work of the Risk Steering Group includes: assessing and challenging the consolidated operational and strategic risks; overseeing the development of risk modelling, processes and risk reporting; influencing the prioritisation of mitigating actions; reviewing the Company's horizon-scanning processes to identify emerging risks; monitoring management's responsiveness to findings and recommendations of documented risks and controls; and providing reports and recommendations to the executive directors, Audit Committee and Board.

- The work and findings of the corporate compliance team are considered by the Audit Committee at least twice each year and by the Board at least annually. At that time they also review the principal risks of the business and evaluate the effectiveness of the risk management and internal controls systems.
- Internal audit plans are agreed with the Audit Committee at least annually and are focused on the risks and controls identified through this risk management process.

Emerging risk

As part of the ongoing risk management described opposite, the Group's subject matter experts in each business area, the Risk Steering Group and Board are all specifically tasked to undertake horizon scanning to identify emerging risks and to assess their potential impact on the business. During the review process this year, the Audit Committee challenged management to consider emerging and principal risks in light of the increasing reliance of the business on technology, stakeholder expectations and regulatory attention relating to climate risk, the changing shape of the business, the challenging trading conditions in the retail sector and other external factors.

Climate Risk

During the year we undertook a detailed review to identify the risks and opportunities posed to NEXT by climate change and how they might impact our business. We considered the transitional and physical risks and opportunities presented by rising temperatures, climate-related policy, and emerging technologies. We documented all opportunities and risks using the Task Force on Climate-Related Financial Disclosures (TCFD) framework and quantified financial impacts. We also sought to gain an understanding of timeframes of impact, cost of management and monitoring indicators. Even though there is uncertainty around the time horizon over which climate risks will materialise, stakeholder expectations and regulatory attention could develop at pace, impacting the rate at which the business may need to cut carbon emissions. The output of this work was considered further by the Board when they assessed the principal risks.

Risk appetite

In determining its appetite for specific risks, the Board ensures that the risks are consistent with its financial objectives and values. On page 67 we detail our core principles of doing business and how those principles contribute to managing the business objectives within the Board's risk appetite. Our financial disciplines ensure that each of our business divisions make net margins that are sufficient to allow them to withstand the inevitable vagaries of any consumer facing business. We also ensure that we make healthy returns on capital employed, commensurate with the risks involved in our sector.

Board review

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. This covered all material controls including financial, operational and compliance controls, and the Board is satisfied that they have been operating effectively for the financial year to January 2021 and up to and including the date of this report (see page 107 for further details). The business will continue to review opportunities to develop, strengthen and improve the effectiveness of these systems.

A roadmap of risk management improvement deliverables for 2021 has been developed and includes:

- The implementation of a new Integrated Risk Management software system.
- Establishing clear management appetite on the treatment of operational risks, intended to drive improved ownership, consistency on clarity and risk management.

No significant failings of internal control were identified during these reviews.

COVID

Whilst the Group's risk management remains unchanged, the operational, principal and emerging risk landscape has been reassessed in light of the impact of the pandemic on these risks. During the year, detailed reviews have been undertaken by the Board and senior management on the impact of the pandemic. These included the following:

- Cyber and data security and the impact of home working.
- Health and safety.
- Financial controls, reporting and fraud and the impact of home working and business disruption.
- Regulatory and compliance controls.
- Business resilience and liquidity levers.
- Lessons learned from the Company's response to the first COVID wave.
- Business impact assessment and business continuity.

In all cases, the outcome of these reviews was reported to the Audit Committee or Board and, where appropriate, controls have been strengthened to help mitigate increased risks.

RISKS AND UNCERTAINTIES

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 any emerging risks, and those that would threaten its business model, future performance, solvency or liquidity. Please refer to the Corporate Governance Report on page 107 for further details. Certain changes have been made to the principal risks and uncertainties reported in the previous year as a result of this assessment:

- 'Regulatory compliance in relation to our consumer credit business' has been broadened to 'Legal, regulatory and ethical standards compliance'. This is to recognise the growing and significant risk of other non-FCA regulatory and statutory obligations, including data privacy and environmental, social and governance (ESG), the latter of which also considers changing obligations in relation to carbon emissions.
- 'Information security, data privacy, business continuity and cyber risk' is changed to 'Information security, data protection, business continuity and cyber risk' reflecting the movement of the privacy element to 'Legal, regulatory and ethical standards'.
- 'Customer facing systems' is changed to 'Business critical systems'. This broadens the risk, reflecting our increased reliance on technology whilst continuing to acknowledge the risk that the Company fails to adopt and make effective use of new technologies around software, hardware and mechanisation to ensure we serve our customers well.

The principal risk areas otherwise remain the same as reported last year. Those principal risks are described over the following pages together with an explanation of how they are managed or mitigated.

Reputational risk is not in itself one of the principal risks detailed below, instead it is a key factor in evaluating all principal risks. The Board is committed to ensuring that the key risks are managed on an ongoing basis and the business operates within its risk appetite. Whilst these risks all have the potential to affect future performance, work is undertaken to mitigate and manage these risks such that they should not threaten the overall viability of the business over the three year assessment period (see the viability assessment on page 77).

Link to strategy

- Improving and developing our product ranges
- Maximising the profitability of retail selling space
- Increasing the number of profitable NEXT Online customers
- Managing margins
- Focusing on customer experience and satisfaction
- Maintaining the Group's financial strength
- Generating and returning surplus cash to shareholders

Risk trend: ↑ Increasing ↔ Unchanged ↓ Decreasing

Principal risk and description	How we manage or mitigate the risk
Business strategy development and implementation ↔ If the Board adopts the wrong business strategy or does not implement its strategies effectively, our business may suffer. The Board therefore needs to understand and properly manage strategic risk, taking into account specific retail sector risk factors, 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 can be maximised, and business operations made more efficient. • The Chief Executive provides regular updates at Board meetings regarding key opportunities and progress of major initiatives. • Our International Online business and our third-party LABEL business provide geographic and product diversification. • Our disciplined approach to sales, budgeting, investment returns and cost control ensures the Company continues to generate strong profits and cash flows. • 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 and the financial structure of the Group. • A detailed plan to manage the business going forward and its longer term direction of travel exists and is clearly articulated to our stakeholders in our annual and half yearly reports. • Longer term financial scenarios for our Retail business have been prepared and stress tested. This process provides a mechanism for ensuring that business profitability is maximised through efficient allocation of resources and management of costs.

Principal risk and description	How we manage or mitigate the risk
Product design and selection ↓ Our success depends on designing and selecting products that customers want to buy, at appropriate price points and stocked in the right quantities. In the short term, a failure to manage this risk may result in surplus stocks that cannot be sold and may have to be disposed of at a loss. Over the longer term, a failure to meet the design, quality and value expectations of our customers will adversely affect the reputation of the NEXT Brand.	• Executive directors and senior management continually review the design, selection and performance of NEXT product ranges and those of other brands sold by NEXT. • LABEL brands (along with our new Beauty business) have served to increase the breadth of our website offer far beyond NEXT's natural design, fashion and price boundaries. Just as important, but much less obvious, has been the numerous ways in which our own NEXT product ranges have been extended and diversified. • Executive directors and senior management regularly review product range trends to assess and correct any key selection or product issues. Corrections to significant missed trends or poorer performing ranges are targeted for amendment, with alternative products being sourced within six months where necessary. • Senior product management approves quality standards, with in-house quality control and testing teams in place across all product areas. • Senior management regularly reviews product recalls and product safety related issues.
Key suppliers and supply chain management ↔ Reliance on our supplier base to deliver products on time and to quality standards is essential. Failure to do so may result in an inability to service customer demand or adversely affect NEXT's reputation. Changes in global manufacturing capacity and costs may impact profit margins. Non-compliance by suppliers with the NEXT Code of Practice may increase reputational risk or undermine our reputation as a responsible retailer.	• Stock availability is reviewed on an ongoing basis and appropriate action taken where service or delivery to customers may be negatively impacted. • Management continually seeks ways to develop our supplier base to reduce over-reliance on individual suppliers and to maintain the quality and competitiveness of our offer. The Group's supplier risk assessment procedures establish contingency plans in the event of key supplier failure. • Existing and new sources of product supply are developed in conjunction with NEXT Sourcing, external agents and/or direct suppliers. • Our in-house global Code of Practice team carry out regular audits of our product-related suppliers' operations to ensure compliance with the standards set out in our Code. These standards cover supplier production methods, employee working conditions, quality control and inspection processes. Further details are set out on page 81. • We train relevant employees and communicate with suppliers regarding our expectations in relation to responsible sourcing, anti-bribery, human rights and modern slavery. • The Audit Committee receives Code of Practice and modern slavery updates from senior management during the year. • The Audit Committee receives modern slavery and anti-bribery training progress updates together with whistleblowing reports at each meeting. Significant matters are reported to the Board.

RISKS AND UNCERTAINTIES

Principal risk and description	How we manage or mitigate the risk

Warehousing and distribution

↑

Our warehousing and distribution operations provide fundamental support to the running of the business. Risks include business interruption due to physical damage, access restrictions, breakdowns, capacity and resourcing shortages, IT systems failure, inefficient and slow processes and third-party failures.

Increasing choice in the products NEXT sells has been central to the development of our Online Platform but the proliferation of unique items, along with an accelerated shift from Retail to Online sales resulting from COVID lockdowns has presented our warehouse operation with significant challenges.

- 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 continually monitored to ensure goods are delivered to our warehouses, Retail stores and Online customers in a timely and cost-efficient manner.
- Our Warehouse Leadership Team meets regularly to assess the opportunities and risks in our warehouse and logistics network.
- Business continuity plans and insurance are in place to mitigate the impact of business interruption.
- The Board has approved and keeps under regular review an extensive warehouse investment programme to accommodate further Online growth and transfer in customer demand from Retail to Online (see page 26 for further details).

Business critical systems

↑

NEXT's performance depends on the engagement, recruitment and retention of customers, and on its ability to drive and service customer demand. There is a risk that the business fails to adopt and/or maintain efficient use of suitable software, hardware and mechanisation to provide both Retail and Online customers with service levels that meet or exceed their expectations. These systems, software and platforms are ever changing, as technology continues to evolve. Keeping customers and users up to date and managing the implementation and changes that come with the evolution of these platforms, in addition to maintenance of existing systems, can be challenging.

As detailed in the Strategic Report, our business has an increased reliance on technology and the development of new business ideas within the Group (such as Total Platform) increases that reliance further.

- Continued investment in technology which supports the various component parts of the NEXT Online Platform.
- Continual development and monitoring of performance of NEXT's UK and overseas websites, with a particular focus on improving the online customer experience.
- A range of key trade and operational meetings keep under review the performance, evolution, risks and opportunities of the NEXT customer-facing systems. Executive directors are in attendance at each of these key meetings.
- Market research and customer feedback is used to assess customer opinions and satisfaction levels to help to ensure that we remain focused on delivering excellent customer service.
- Ongoing monitoring of KPIs and feedback from website and call centre support operations.

Principal risk and description	How we manage or mitigate the risk

Management of long term liabilities and capital expenditure

↔

Poor management of NEXT's longer term liabilities and capital expenditure could jeopardise the long term sustainability of the business. It is important to ensure that the business continues to be responsive and flexible to meet the challenges of a rapidly changing Retail sector.

- Our predominantly leased store portfolio is actively managed by senior management, with openings, refits and closures based on strict store profitability and cash payback criteria.
- We undertake regular reviews of lease expiry and break clauses to identify opportunities for exit or renegotiation of commitments. Leases will not be automatically renewed if acceptable terms are not agreed.
- The Board regularly reviews our lease commitments, new store openings and potential store closures.
- We ensure that we make healthy returns on capital employed, commensurate with the risks involved in our sector (in practical terms this means a return of no less than 15% on capital invested).
- Appropriate amortisation accounting policies reduce the risk of unexpected significant write-off.

Information security, data protection, business continuity and cyber risk

↑

The continued availability and integrity of our IT systems is critical to successful trading. Our systems must record and process substantial volumes of data and conduct inventory management accurately and quickly. Continuous enhancement and investment is required to prevent obsolescence and maintain responsiveness.

The threat of unauthorised or malicious attack is an ongoing risk, the nature of which is constantly evolving and becoming increasingly sophisticated. Our brand reputation could be negatively impacted by cyber security breaches.

- We operate an Information Security and Data Privacy Steering Committee. Its main activities include agreement and monitoring of related key risks, activities and incidents. The Committee comprises two executive directors and relevant senior management.
- Significant investment in systems development and security programmes has continued during the year, complemented by in-house dedicated information and physical security resources.
- Systems vulnerability and penetration testing is carried out regularly by both internal and external resources to ensure that data is protected from corruption or unauthorised access or use.
- Critical systems backup facilities and business continuity plans are reviewed and updated regularly.
- Major incident simulations and business continuity tests are carried out periodically.
- IT risks are managed through the application of internal policies and change management procedures, imposing contractual security requirements and service level agreements on third-party suppliers, and IT capacity management.
- All staff and contractors are required to read, accept and comply with the Group's data protection and information security policies, which are kept under regular review and supported by training.
- Information security and data protection risk exposures are reviewed during the year by both the Audit Committee and the Board; this informs an executive-sponsored programme of continuous improvement.

RISKS AND UNCERTAINTIES

Principal risk and description	How we manage or mitigate the risk

Financial, treasury, liquidity and credit risks

↓

NEXT's ability to meet its financial obligations and to support the operations of the business is dependent on having sufficient liquidity over the short, medium and long term.

NEXT is reliant on the availability of adequate financing from banks and capital markets to meet its liquidity needs.

NEXT is exposed to foreign exchange risk and profits may be adversely affected by unforeseen moves in foreign exchange rates.

NEXT might suffer financial loss if a counterparty with which it has transacted fails and is unable to fulfil its contract.

NEXT is also exposed to credit risk, particularly in respect of our Online customer receivables, which at £1bn represents the largest item on the Group Balance Sheet.

- NEXT operates a centralised treasury function which is responsible for managing liquidity, interest and foreign currency risks. It operates under a Board approved Treasury Policy. Approved counterparty and other limits are in place to mitigate NEXT's exposure to counterparty failure. Further details of the Group's treasury operations are given in Note 28 to the financial statements.
- The Group's debt position, available liquidity and cash flow projections are regularly monitored and reported to the Board. The Board will agree funding for the Group in advance of its requirement to mitigate exposure to illiquid market conditions.
- The events of 2020 led to very significant focus on the Group's liquidity position. The Board continues to keep under review the cash generation levers available to it, including the potential quantum and timescales of initiatives to reduce debt and realise cash. Net debt has been significantly reduced in the year and actions taken have further strengthened the liquidity of the business.
- NEXT has a Treasury Committee which includes the Group Finance Director. The Treasury Committee usually meets weekly to review the Group's treasury and liquidity risks including foreign exchange exposures.
- Rigorous procedures are in place with regards to our credit account customers, including the use of external credit reference agencies and applying set risk criteria before acceptance. These procedures are regularly reviewed and updated.
- Continual monitoring of our credit customers' payment behaviours and credit take-up levels is in place.
- The Board and Audit Committee receive regular updates throughout the year regarding the customer credit business.

Legal, regulatory and ethical standards compliance

↑

Failure to continuously adapt to the increasingly broad, stringent and fast-evolving regulatory framework applicable to the operation of the Group's customer credit business could result in significant financial penalties and remediation costs, reputational damage and/or restrictions on our ability to operate.

With growing reliance on our digital online and marketing activities, the Group could inadvertently process customer or employee data in a manner deemed unethical or unlawful, resulting in significant financial penalties, remediation costs, reputational damage and/or restrictions on our ability to operate. This is against a backdrop of:

- The changing attitude of UK consumers toward their data and how it is used.
- Increasingly complex and fast-evolving data protection law and regulation.
- Rapid technological advances delivering an enhanced ability to gather, draw insight from and monetise personal data.

With regards to climate risk, stakeholder expectations and regulatory attention could develop at pace, impacting the rate at which the business may need to cut carbon emissions.

- Policies and training are in place for those employees and contractors working in the business areas that are subject to financial regulation. These are kept under review and updated.
- A dedicated financial regulatory compliance and quality assurance team monitors compliance and any changing requirements, working with external advisers as required.
- NEXT has identified a set of Conduct and Compliance risks, documented in an operational risk register, with owners and associated controls.
- Key risk and control performance indicators are managed through a series of operational meetings and reported quarterly to the Retail Credit Board
- We operate an Information Security and Data Privacy Steering Committee. Its main activities include agreement and monitoring of related key risks, activities and incidents. The Committee comprises two executive directors and relevant senior management.
- With regard to climate risk, the transitional (including regulatory requirements) and physical risks and opportunities presented by rising temperatures, climate-related policy, and emerging technologies will be kept under review using the TCFD framework. Climate risk, regulatory changes and stakeholder expectations are considered on an ongoing basis by our ESG Steering Group and Audit Committee.

VIABILITY ASSESSMENT

Statement of viability

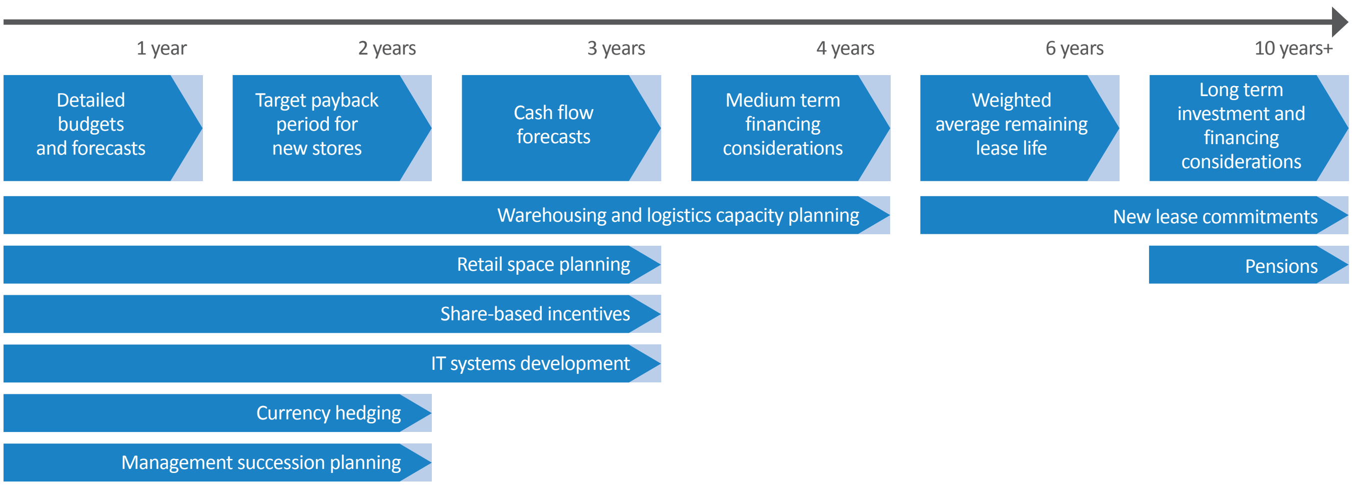
The directors have assessed the prospects of the Group by reference to its current financial position, its recent and historical financial performance and forecasts, its business model (page 66), strategy (page 67) and the principal risks and mitigating factors described on pages 72 to 76. In addition, 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 long track record of consistently generating profits and cash, which is expected to continue both in the short and long term. In each of the three years preceding the financial year to January 2021, the business generated cash, before distributions, in excess of £400m. Actions taken during 2020/21 have further strengthened the cash liquidity of the business and reduced its net debt from £1.1bn to £0.6bn. As a result, the business now has greater financial resilience going forward. The directors review the current financial headroom and cash flow projections on a regular basis to ensure that the business retains sufficient liquidity to meet its obligations in full as they fall due.

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 fashion retail business to be assessed over.



Assessment of viability

Viability has been assessed by:

- 'Top-down' sensitivity and stress testing. This included a recent review by the Audit Committee of three year cash projections which were stress tested to determine the extent to which sales and hence trading cash flows would need to deteriorate before breaching the Group's facilities. This was both before and after anticipated shareholder distributions, and assuming that any bank facilities which expire and bonds which mature during the period are not replaced.
- The financial covenants attached to the Group's debt were stress tested. This testing indicated that the business could withstand a sustained decline in sales of more than 25% over a 12 month period and still remain within its existing financing facilities. This assessment did not require the business to seek any additional or new external financing.
- Considering the likelihood and impact of severe but plausible scenarios in relation to each of the principal risks as described on pages 72 to 76. These principal risks were assessed, both individually and collectively, taking into consideration a broad range of mitigating actions that might be undertaken in particular situations. These mitigating actions included a mix of cost saving measures (such as a deferral of capital expenditure and cancellation of stock purchases) and the ability to realise additional cash inflows from financing or other initiatives (such as the sale of ESOT shares or assets). Whilst the principal risks all have the potential to affect future performance, none of them are considered likely either individually or collectively to give rise to a trading deterioration of the magnitude indicated by the stress testing and to threaten the viability of the business over the three year assessment period.

Specific consideration has also been given to the potential risks associated with COVID and the lockdown restrictions imposed to control the pandemic. This included the preparation of stress tests which model the impact of a sustained decline in Retail sales arising from an extended lockdown and the actions which the business could take to control costs, conserve cash and meet its liabilities as they fall due.

Viability statement

Based on this review, the directors confirm that they have a reasonable expectation that the Group will continue to meet its liabilities as they fall due over the three year period.

CORPORATE RESPONSIBILITY

During 2020, we increased our efforts towards ESG issues. In this report, we explain what NEXT is doing to meet our environmental and social obligations. We have made good progress on setting our near term and longer term aspirations but we realise there is still more to do.

During the year we established an ESG Steering Group which is responsible for overseeing the delivery of our improvement roadmap, ESG targets and emerging ESG risks. Updates on ESG activities were provided during the year to the Audit Committee which has added ESG as a standing agenda item at each of its meetings.

In the year ahead, we will focus on building our data and measuring our indirect (Scope 3) carbon emissions and embedding ESG into our day to day business decisions. We will continue to make progress towards full disclosures in line with the Task Force on Climate-related Financial Disclosure (TCFD) and the standards developed by the Sustainability Accounting Standards Board (SASB).

Our principles

Our business activities impact a wide range of stakeholders and we strive to make this impact a positive one. The way in which we manage our business is underpinned by principles that ensure we conduct our business responsibly. Our purpose is to provide our customers with beautifully designed, excellent quality products but these products also need to be well made, functional, safe and responsibly sourced in a way which respects the environment and the people and animals within our supply chain. We seek always to:

- Act in an ethical manner.
- Recognise, respect and protect human rights.
- Develop positive relationships with our suppliers and business partners.
- Recruit and retain responsible employees.
- Take responsibility for our impact on the environment.
- Deliver value to our customers.
- Provide support through donations to charities and community organisations.

We continue to implement the United Nations Guiding Principles on Business and Human Rights and align our work with the United Nations Sustainable Development Goals (SDGs) that are most relevant to our business operations and products. We focus on those goals where we can make the biggest difference to the environment and society. We are also a member of the FTSE4Good Index Series.

More information can be found in the Group's Corporate Responsibility Report which is published on our corporate website at nextplc.co.uk.

The following pages describe how we uphold our principles in relation to our stakeholders and the work we are doing to reach our SDGs.

OUR PEOPLE

Health, safety and wellbeing

During the year, we worked hard to keep our colleagues and customers safe against a backdrop of rapidly changing risks and regulations. 2020 has presented significant challenges and we are particularly proud of the way in which our colleagues have responded.

The safety and wellbeing of colleagues is always our top priority and the pandemic has reinforced how important it is that we look after each other. Early on in the pandemic and as a result of the feedback from our warehouse colleagues, we quickly made the decision to close our warehouses temporarily in order to redesign our processes and operations to be COVID-safe. Before re-opening, we consulted with our colleagues and our recognised union, USDAW, to make sure employees felt safe with our new ways of working. We initially limited the number of daily online orders to ensure that the new processes worked safely and prioritised items that our customers needed most, such as Childrenswear.

Maintaining a regular flow of communication with colleagues and customers has been more important than ever this year. We provided frequent updates on health, safety and working arrangements, set up an employee hub with a range of COVID-related information and support videos. We also carried out a range of surveys and staff engagement activities, all aimed at understanding how our colleagues were being affected by the new working practices, and how we could support them better.

Good health and wellbeing is one of the SDGs we focus on. We try to make NEXT an exciting and rewarding place to work and we want everyone to work in an environment where they are able to maximise their creativity, productivity and engagement. It is important therefore to have a culture that enables all our employees to achieve positive mental wellbeing. In 2018, we launched our Mental Wellbeing Charter, aimed at encouraging an environment where mental wellbeing is discussed openly, improving how we can identify and help those suffering from mental ill-health, ensuring that people are treated fairly and with care and compassion. In recognition of the fact that retail is the largest private sector employer in the UK, we collaborated with the Samaritans and our peers to develop Wellbeing in Retail, an initiative that supports the mental health and wellbeing of retail workers.

Alongside our wellbeing activities we have also developed our approach to diversity and inclusion in the business:

- In 2019, we created Pride@Next, an employee-led LGBT+ network which works to raise awareness of LGBT+ issues at NEXT and helps shape our policies. For example, with input from Pride@Next, we developed a policy to support transgender colleagues.
- In 2020, we focused on women returning from maternity leave by trialling certain roles as part-time to work around school drop-off and pick-up times and enhancing the support offered to working parents. We continue to look at ways to increase flexibility around maternity and during the year we offered virtual coaching.
- In early 2021, we launched Unity, an employee-led network focused on celebrating the diversity of cultural backgrounds represented at NEXT. This included working with the business on providing more career opportunities for ethnic minority employees. We continue to work with our partner, Business in the Community, on the Mentoring Circles programme which offers young BAME people the chance to connect with mentors in their chosen industry and to share their experiences of the workplace and help mentees with their (own) career progression.

Our face to face diversity and inclusion training will launch by the end of 2021, with an interim digital solution launching in summer 2021.

Equal opportunities and diversity

NEXT is an equal opportunities employer and we offer career opportunities without discrimination. Job vacancies are filled by the candidates who have the most relevant skills and competencies to succeed. Our policy is to treat all employees fairly and equally regardless of gender, sexual orientation, marital status, race, colour, nationality, religion, ethnic or national origin, age, disability or union membership status. Further details of our diversity policy are included in our Nomination Committee Report on page 108.

Full consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. We continue the employment wherever possible of anyone who becomes disabled during their employment, providing assistance and modifications to their environment where possible. Opportunities for training, career development and promotion do not operate to the detriment of disabled employees. In 2019, we signed up to Level 1 of the Disability Confident Scheme which supports employers to make the most of the talents disabled people can bring to the workplace.

We continue to look at ways to improve gender diversity. Women are well-represented throughout the Group, with half of our executive directors and 40% of our Board being female. In relation to our senior management and their direct reports, NEXT was ranked first in the 2020 'Hampton-Alexander Review FTSE Women Leaders: Improving gender balance in FTSE leadership'. In 2020 we created a working party comprising individuals from the Online and IT teams to champion recruitment and development of female talent in technology.

Recognising that women can be disproportionately affected by childcare commitments, our Head Office (which employs over 3,000 people) has a purpose-built Nursery onsite. This is part of our ongoing commitment to support our employees with their pre-school childcare arrangements.

CORPORATE RESPONSIBILITY

The gender mix of the Group's employees at the end of the financial year is set out in the table below.

	2021		2020	
	Male	Female	Male	Female
Directors of NEXT plc	6	4	5	4
Subsidiary directors and other senior managers[1]	33	13	29	14
Total employees	12,976	27,891	14,143	30,271

1. At January 2021, senior managers comprised 14 male and 12 female employees and their direct reports consisted of 66 male employees and 84 female employees.

Gender equality is a fundamental human right and is another SDG that we focus on. This is because gender equality continues to be a challenge in less developed countries where we are looking at ways to support improvements. During the year, we continued to support KADAV, a non-government organisation based in Istanbul, Turkey, which works with predominantly Syrian women to provide them with access to childcare, language lessons and vocational training.

Reward, gender pay and employee share ownership

We aim to reward all employees with fair and competitive salaries and provide the opportunity to earn additional pay in the form of a bonus depending on Company (or, in some cases, store or individual) performance. Our annual Gender Pay Report can be found at nextplc.co.uk.

During the periods of pandemic-related store and warehouse closures, we had to furlough many of our workforce. To support our furloughed employees, we topped up the salaries of all those paid above the furlough scheme cap to 80% of their normal pay.

We operate a Sharesave scheme to encourage employees to own shares in the Company. All UK and Irish employees have the opportunity to save money over three or five years to buy NEXT plc shares at a discounted price. We also operate a share option scheme which extends to more than 1,600 participants ranging from senior management to retail staff.

Approximately 9,600 employees (circa 26% of our total UK and Irish employees) held options or awards at the end of January 2021. These options or awards were held in respect of 6.4m shares in NEXT, being 4.8% of the total shares then in issue. NEXT's employee share ownership trust (ESOT) purchases shares for issue to employees when their options are exercised or awards vest. At the year end the ESOT held 5.0m shares. The Trustee does not vote on any resolution at General Meetings.

Pension provision

Details of the pension benefits we provide to participating employees are set out in the Remuneration Report and in Note 20 to the financial statements. At January 2021, there were 690 (2020: 751) active members in the defined benefit section of the 2013 NEXT Group Pension Plan and 4,072 (2020: 4,418) UK active members of the defined contribution section. In addition, 13,722 employees (2020: 14,390) participate in the Group's auto enrolment defined contribution scheme.

Training and development

We have a good track record of promoting from within; all our executive directors were promoted to the Board having previously served as employees. We aim to realise our employees' potential by supporting their career progression wherever possible. The Group invests significantly in the training and development of staff and in education programmes which contribute to the promotion prospects of employees. We believe that these opportunities will help employees feel supported and equipped to carry out their role to the best of their ability.

Our employees can access a range of development tools or appropriate job-specific training through the integrated training teams within each area of the business. This includes:

- Job role-specific training covering technical, operational and skills training.
- Individually tailored training to address both an employee's individual needs and specific business requirements.
- Training in areas such as health and safety, first aid and manual handling to ensure our employees work in a safe environment.

OUR SUPPLIERS

Ethical trading

In common with other retailers, NEXT's product supply chain is both diverse and dynamic. During the year, NEXT products were manufactured in around 40 countries through over 600 suppliers. Our Tier 1 supply chain comprises some 1.5 million workers.

Diversity of supply provides us with a cost-effective supply chain and an extensive range of products for our customers; it can also increase the risk of sourcing from unethical suppliers. We consider our primary risks in this area to be worker safety, human rights, employment and working conditions, and infringement of workers' rights. Trading ethically and acting responsibly is a fundamental cornerstone of our business – we want our products to be made by workers who are treated fairly and whose safety, human rights and wellbeing are respected. We induct, train and support our suppliers to make sure they understand what is expected of them and to help them raise standards where necessary. Wherever possible, we work with suppliers to raise their standards rather than terminating the relationship as it has the potential to deliver a better outcome for workers and the supply chain as a whole. Our aim is always to support factories in resolving issues, but we will not continue to work with them indefinitely if there is no willingness to improve standards.

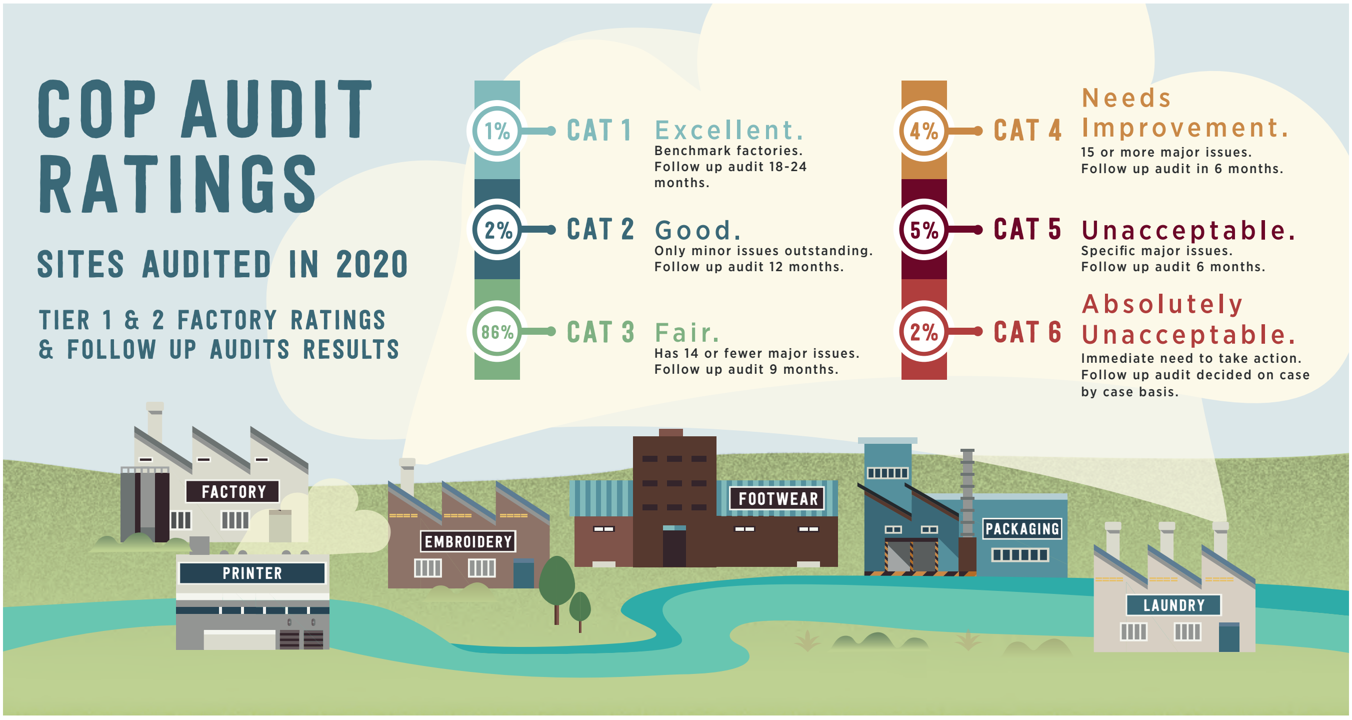
Our drive to support ethical trading in our supply chain includes:

- Working with our suppliers to ensure they understand our requirements and COP Principle Standards.
- Encouraging regular meetings with individual suppliers to share information and develop relationships.
- Our own in-house global Code of Practice (COP) team which comprises approximately 50 employees that administer our COP programme based on the Ethical Trading Initiative Base Code (ETI) and International Labour Organisation Conventions.

Our COP team works directly with new and existing suppliers and their factories. They are based in key sourcing locations and this enables the team to respond quickly if issues occur. It also allows us to develop trust and build strong relationships with our suppliers by being able to offer one-to-one meetings, training and support even before orders are placed by our product teams.

COP Principle Standards are monitored through audits by our Code of Practice team which generally take place unannounced. Our auditing standards provide detailed information to help our suppliers fulfil their obligations. Our audit plan prioritises the human rights of workers in our supply chain and is risk-based, taking into account geographic location, ethical reputation, the type of manufacturing process and the factory's most recent audit rating. Where we find areas for improvement during an audit, we create a Corrective Action Plan which is agreed with the supplier and factory management. Follow up reviews are undertaken to monitor progress under the Corrective Action Plan.

During 2020/21, the COP team carried out almost 1,500 audits. This was a reduction on the previous year due to travel prohibition, restrictions on access and factory closures combined with lockdowns. Despite this, and with the inclusion of virtual audits, we were able to audit more than 900 Tier 1 manufacturing sites. Of the audits conducted, 96% related to Tier 1 suppliers and 4% related to Tier 2 suppliers. We supported 24 factories to successfully remediate critical issues found. Unfortunately, during the year we had to disengage with 10 factories that refused to satisfactorily rectify their critical non-compliance with our Code. A breakdown of audits by rating is provided in the illustration below.



CORPORATE RESPONSIBILITY

Traceability

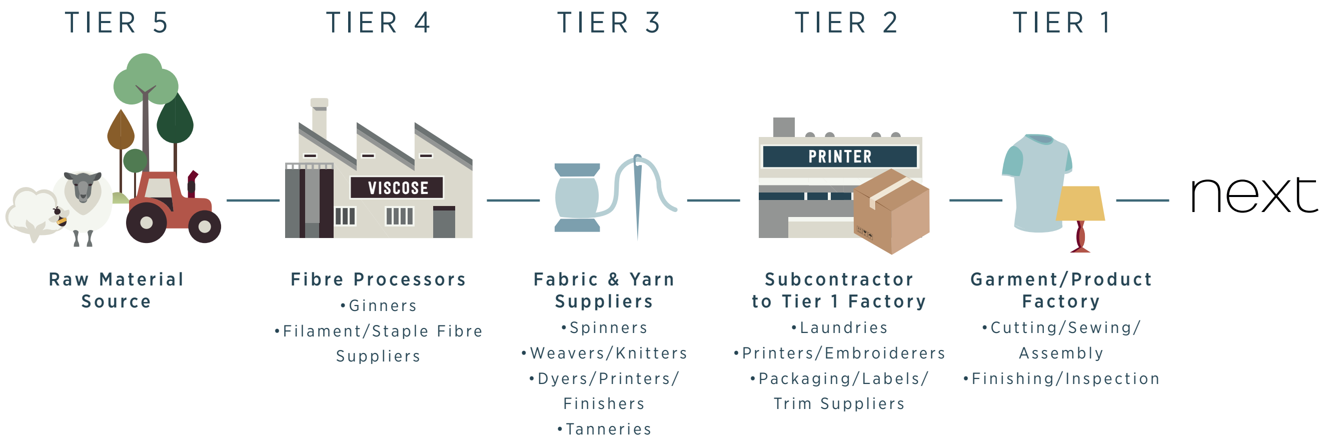
Traceability and transparency of our suppliers' factories are an important part of NEXT's overall approach to corporate responsibility. All suppliers must meet minimum standards set out in our Code of Practice covering workers' safety, human rights, employment and working conditions (COP Principle Standards). Suppliers are categorised into three tiers: Tier 1 are suppliers' factories where bulk production of NEXT branded products are manufactured; Tier 2 are factory sites declared and used by a Tier 1 supplier which include subcontractor locations which manufacture or process materials, components or parts of a finished product for processing by a Tier 1 supplier; and Tier 3 suppliers are suppliers which typically produce yarn or fabric.

Tier 1 and Tier 2 suppliers are contractually bound by our COP Principle Standards and these apply to all their declared sites from which they operate and source. Our contractual arrangements mean we can visit a supplier (often unannounced) to undertake an audit and to ensure they remain compliant. We publish a list of Tier 1 and Tier 2 suppliers' manufacturing sites producing NEXT branded products at nextplc.co.uk. We currently have visibility of our supply chain down to Tier 3 and are working to extend supplier categories to Tier 5. To support our commitment to transparency, we plan to publish a list of our Tier 3 suppliers' sites in the first half of 2021.

Responsible sourcing

Each stage of our supply chain has an environmental and social impact, from sourcing the materials through to post-consumer use and disposal. The majority of the environmental impact lies in the fibre and fabric production stage. While we do not source raw materials directly, we work with our suppliers to ensure we can trace their supply routes. This enables us to source products in ways which support their replenishment, respect human rights and protect natural habitats.

The main raw materials used in our products are cotton, wool, manmade cellulosic (such as viscose), polyester, timber and leather. These materials can have wide-ranging environmental and social risks associated with their production and extraction if not managed correctly. Our 2025 Responsible Sourcing Strategy sets out our ambition to source 100% of our main raw materials through known, responsible or certified routes and work with our suppliers to help reduce the impact of manufacturing processes on the environment and on the health of those working and living in communities around the sites where our products are made. Products must meet the requirements of our 2025 Responsible Sourcing Manual in order to be promoted as being responsibly sourced. In the year to January 2021, 30% of all NEXT-branded textile products met our 2025 Responsible Sourcing criteria. A total of 39% (2020: 34%) of our cotton was sustainably sourced as part of the Better Cotton Initiative (BCI). Our target is to source 100% of cotton from BCI, recycled, Certified Organic or Fairtrade Certified cotton by 2025. In addition, 36% of timber products within our Home division were certified by the Forest Stewardship Council (FSC) with 2% responsibly sourced through other routes.



Solutions to reduce environmental and social impacts can really only be achieved with collaborative global actions. NEXT, along with other retailers, is involved in a number of initiatives to minimise these adverse impacts. These include:

Zero Discharge of Hazardous Chemicals (ZDHC) Roadmap to Zero	NEXT is a signatory to the ZDHC programme to collaborate on promoting industry-wide change in responsible chemical management in textile and leather production processes (dyeing, printing and laundering of textiles, and tanning and dyeing of leather) to protect workers, customers and the environment. NEXT has its own Restricted Substances Standards which ban or state the limits for harmful chemicals used in or during the manufacture of our products. We provide specially-designed online chemical management training modules to our suppliers (notably our key fabric mills and wet processors) to educate on good practices to reduce and eliminate the discharge of hazardous chemicals from production processes into the environment.
Better Cotton Initiative (BCI)	NEXT joined the BCI in 2017 and in 2020/21 sourced 39% (2019/20: 34%) of its cotton as Better Cotton. Our target is to source 100% of cotton from BCI, recycled, Certified Organic or Fairtrade Certified cotton by 2025. NEXT bans the use of cotton from Uzbekistan, Turkmenistan and the Xinjiang region of China in our textile products due to concerns over the mistreatment of the Uyghur people, child labour and working conditions in these territories.
Changing Markets Foundation's Roadmap Towards Responsible Viscose and Modal Fibre Manufacturing	This Roadmap focuses on the chemicals used to break down timber to make viscose pulp which is spun to create fibre. It aims to minimise the effects of harmful chemicals in the manufacturing process. NEXT works with its viscose and modal manufacturers to help them adopt closed-loop production systems to ensure emissions controls and chemical recovery rates are in line with the EU Best Available Technique (BAT) standards.
CanopyStyle	NEXT is working with Canopy through its CanopyStyle initiative to ensure wood-based fabrics are responsibly sourced. We are committed to ensuring cellulosic fibres used in our products do not come from ancient and endangered forests, endangered species or illegal sources and that the rights and wishes of indigenous communities are respected. We have updated our Manmade Cellulosics Policy to only accept wood based fabrics sourced from Canopy 'Green Shirt' approved suppliers for 2021 onwards.
Timber sourcing	NEXT aims to contribute to zero net deforestation and forest degradation through our sourcing decisions. We risk assess all timber products to verify that the material used was harvested, traded and transported in compliance with the applicable legislation in the country of origin in line with the UK Timber Regulations and our detailed Timber Sourcing Policy.
The Microfibre Consortium (TMC)	In 2017, NEXT joined TMC to collaborate on solutions to minimise microfibres being released into the marine environment. NEXT has provided resources from its in-house laboratory, to develop fibre shedding testing methods which will help TMC to work towards a robust industry-based solution. The testing methodology has now been released and is being used to assess fabrics.
Waste Resources Action Plan – Sustainable Clothing Action Plan (SCAP)	NEXT is a signatory of the SCAP, a UK collaborative framework to deliver industry-led targets on carbon, water and waste to improve the sustainability of textiles across their entire life cycle. This initiative allows participants to measure, in an industry-consistent manner, the embodied carbon of products over their whole lifecycle (from raw material sourcing to product end of life).

Payment practices

NEXT has calculated and uploaded relevant supplier data onto the HMRC government portal under the 'Duty to report on payment practices and performance' legislation under section 3 of the Small Business, Enterprise and Employment Act 2015.

Customers

Understanding what our customers want is essential in the design and manufacture of our products. NEXT Loves to Listen is our online survey and is available to every customer who collects an order or shops in our stores. We also conduct customer interviews and online surveys, accompanied store visits and run customer discussion groups. We have processes in place to monitor, evaluate and respond to customer feedback. For example, our Customer Services teams work closely with central functions and senior management to ensure customer feedback is used to improve products and the customer experience.

Helping our customers to recycle for reuse their unwanted products

Disposal of products such as mattresses, sofas and furniture can be difficult for our customers when they are no longer needed, with many going unnecessarily to landfill. In 2016 we began partnering with a number of charitable organisations, such as the British Heart Foundation (BHF), to provide solutions to reuse products where possible. Since its inception, customers' donated furniture and home products have helped BHF raise over £1.4 million and we have collected over 10,000 items from customers' homes.

CORPORATE RESPONSIBILITY

OUR CUSTOMERS AND PRODUCTS

Continuing our circular economy journey

The circular economy is an economic system aimed at designing out waste and maximising the reuse and recycling of resources along the whole supply chain. Examples of where NEXT is promoting the circular economy are:

- Working to reduce the packaging we use, both in store and online, and exploring ways we can take back packaging to reuse in our supply chain.
- Through our Responsible Sourcing Strategy, working to reduce the impact of and helping drive efficiency of our Tier 3 suppliers as well as our commitment to source our key raw materials responsibly by 2025.
- Developing take-back schemes to ensure valuable resources are kept in circulation, including a mattress recycling programme and help for customers to donate unwanted furniture for reuse.

We recognise there is much more to do and that collaboration across the industry is vital. During 2020, we continued to work with the Waste and Resources Action Programme (WRAP) to develop their Textiles 2030 initiative due to launch in April 2021. The voluntary agreement is funded by its signatories and the Government and will collaborate on carbon, water and circularity targets as well as contribute to national policy discussions with the UK Government. Its partners will use their knowledge to improve the product life cycle - from the way we design our products to how they are delivered to our customers and their reuse and recycle options at the end of their life. As part of the circular economy initiative, we will also consider how our designs and product development can have a positive impact on recycling and reuse such as:

- Product durability and longevity.
- Responsibly sourced materials.
- Safe processing to protect workers and the environment.

The framework will provide a practical tool to engage our Product teams and help to set future product category specific circular economy plans.

Product safety and legislation compliance

Our product safety standards are based on a range of legislation and compliance requirements. Technologists in our Product teams work closely with our suppliers to provide expert guidance to ensure the right materials are chosen to manufacture high quality, durable products in factories with robust product safety processes. Suppliers to NEXT have direct access via our online Supplier Portal to our full range of technical manuals and quality, safety, ethical and responsible sourcing standards. All products are inspected upon receipt into our UK warehouses by our quality assurance team to ensure they meet our required standards.

NEXT also works with our LABEL third-party brands to ensure all products offered for sale are safe for their intended use. Third-party brands need to demonstrate compliance with legislation as well as being able to show the product has been sourced from factories which are compliant with the ETI Base Code and NEXT's own COP Principle Standards.

Chemical Management

Many products contain chemicals in one form or another, most of them harmless. To make sure our products do not contain chemicals which could be harmful to our customers, the workers who make them or the environment, we require our suppliers to adhere to our Restricted Substance Standards (RSS). The RSS bans or states the limits for harmful chemicals used in the manufacture of our products. We also have a thorough due diligence programme in place to support compliance with the RSS. If products fail our requirements, they are removed from sale and may be recalled from customers.

ENVIRONMENT

We are committed to minimising our environmental impacts by reducing both the carbon intensity of our activities and the natural resources we use.

When setting our approach to identify climate-related risks and opportunities, we took into account the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and the eleven recommended climate-related disclosures across four competency areas: Governance, Strategy, Risk Management and Metrics and Targets. The table below summarises our progress this year and focus areas for the year ahead across these TCFD competency areas:

TCFD focus area	Progress in 2020/21	Focus for 2021/22
Governance	ESG Steering Group established to help develop our approach to ESG and drive delivery of all related activities and targets. The ESG Steering Group is responsible for developing our improvement roadmap, prioritising actions and helping to monitor emerging ESG risks. Enhanced Audit Committee and senior leadership governance, including regular reporting on ESG and climate risks and opportunities, regulatory changes and stakeholder expectations.	Building ESG factors into our decision-making and risk management frameworks.
Strategy	During 2020, we have continued to focus on ESG issues through increased engagement with our investors and other stakeholders.	Identify, prioritise and communicate key ESG improvement initiatives and targets.
Risk management	A review of the physical, transition and reputation risks and opportunities arising from climate change (see below). Climate risk was considered by the Board during its review of principal risks (see page 71).	Consider scenario analysis of business resilience under a range of different climate scenarios. Further develop understanding of opportunities and risks posed to the business by climate change.
Metrics and targets	Set stretching targets for reduction in Scope 3 emissions and increased the target for reduction in Scope 1 and 2 emissions (see below). Developed reporting in line with SASB metrics (see below).	Move to full disclosure of SASB metrics. Seek approval for our Scope 1, 2 and 3 carbon reduction targets from the Science-based Emission Targets initiative (SBTi).

During 2020 we undertook a climate-related risk and opportunity assessment using the TCFD framework. The aim of this was to develop a deeper understanding of the key risks and opportunities posed to NEXT by climate change and how they may impact our business in the future. The TCFD recommendations group risks into two categories: physical (e.g. crop failure in cotton supply chain); and transition (e.g. increased regulation) risks. We collaborated across functions to examine the physical and transition risks relevant to our business, including their financial implications. Climate-related risks were identified and assessed using a range of sources, evaluating the likelihood of occurrence and the estimated magnitude of the resulting financial impacts over short term (current annual reporting cycle), medium term (1-3 year) and long term (3-10 year) horizons. The risk assessment considered our operations, supply chain, stakeholder expectations and regulation. Over the coming months, we will be undertaking analysis to review the resilience of our business model, taking into consideration various climate-related scenarios. Any mitigating actions will be undertaken after consideration of this analysis.

Our initial assessment of these climate risks concluded that whilst undesirable, no single event would have a material adverse financial impact on the business. The key climate-related risk is currently around regulation and the speed with which it is implemented, together with stakeholder pressure on the rate at which the business may need to cut carbon emissions.

We expect to report full disclosure against each TCFD recommendation in the 2021/22 annual report.

The directors confirm that they have considered the relevance of material climate-related matters, including the risks of climate change and transition risks associated with the goals of the Paris Agreement, when preparing and signing off the Company's accounts. At this time, they do not consider there to be any material impact on the financial statements.

CORPORATE RESPONSIBILITY

Latest ESG index scores

MSCI	AA
Sustainalytics	14.5
CDP	Climate A- Forest/Timber B
DJSI	37

Direct operations and carbon reduction targets

NEXT is working to reduce the direct impact of our business operations on the environment. To help us understand our impact, we measure our global carbon footprint produced from the operational activities over which we have direct control.

Electricity consumption targets

Year	Target set	Target achieved
2016/7	Reduce our electricity consumption by 10% in kg CO_2e/m^2 by 2020/21	2018/19, achieved 15% reduction
2019	Reduce Scope 1 and Scope 2 absolute carbon emissions by 50% against our 2016/17 baseline	2020/21, achieved 50%
2021	Reduce Scope 1 and Scope 2 absolute carbon emissions by 55% against our 2016/17 baseline by 2030*	n/a

* this target is consistent with achieving a 1.5 degree reduction in line with the SBT pathway.

During 2020 we measured our total Scope 3 emissions across our entire value chain and set a new target to reduce Scope 3 carbon emissions by 40% by 2030 per £1m sales against a 2019/20 baseline.

The majority of our emissions is embedded within the products we purchase and within our supply chain. To help support our work on reducing the emissions associated with the products we sell, we are joining the Sustainable Apparel Coalition. This will give us access to a suite of tools to support the standardised measurement of sustainability from our supply chain, including the Higg Index. We will report our progress in future reports.

In 2020, we became a signatory to the British Retail Consortium's Climate Action Roadmap, a framework to guide the retail industry to net zero by 2040. Through the Roadmap we commit to working with other retailers, suppliers, government and other stakeholders, and to support customers to collectively deliver to the industry's net-zero ambition.

Sustainability Accounting Standards Board

During the year, we carried out a full gap analysis against the SASB metrics for the Apparel, Accessories and Footwear industry (Apparel). Two things became clear as part of this review. The first is that we have a number of policies, procedures and controls in place to support our goal to be a sustainable retailer working to reduce our environmental and social impact. We also have some improvements to make. We have identified areas where we think we can improve, whether from a compliance perspective or from the quality of our disclosures. The following sets out how we comply with the SASB metrics together with the gaps we have found and our remediation plan. More information can be found on our website at nextplc.co.uk/corporate-responsibility.

We are on a journey towards compliance with the SASB Apparel reporting requirements. The Apparel metrics cover four broad areas:

- The Management of Chemicals in Products (Chemicals).
- Environmental Impacts in the Supply Chain (Environment).
- Labour Conditions in the Supply Chain (Labour).
- Raw Materials Sourcing (Raw Materials).

Our initial gap analysis has shown that in the areas of Chemicals, Labour and Raw Materials we are well on our way to full compliance with around 80% of the compliance metrics met. With regard to Chemicals, our key actions are to benchmark all of our suppliers against the standards within the Zero Discharge of Hazardous Chemicals initiative, update our Chemical policies and share them in the public domain.

For Labour and Raw Materials, our main efforts will be around improving our existing policies and internal metrics to align more closely to the SASB requirements. While our compliance in these areas is good, we have more to do on disclosure. We have a plan in place to improve the accessibility of our policies and procedures to bridge this gap between compliance and disclosure, in order that we can improve our level of disclosure by January 2022.

With regard to Environmental matters, the level of disclosure required by SASB is extremely detailed and specific to waste water discharge where the main impact is at Tier 3 in our supply chain. We do not yet capture the level of data required. This is primarily driven by the fact that we are not yet a member of the Sustainable Apparel Coalition although we are in the process of gaining membership. Once we become a member, this will significantly improve our compliance metrics and enable us to learn the best in class standards for compliance and disclosure. By next year end we expect our compliance and disclosure in this area to start to match that in other areas.

The table below reflects our progress towards compliance with SASB and sets out details of where to find further information.

Topic	Sub-topic	Reference
Management of Chemicals in Products	Processes to maintain compliance with restricted substances regulations.	See page 84.
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products.	
Environmental Impacts in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreement.	Read our SASB Board disclosure summary at nextplc.co.uk/corporate-responsibility.
	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment.	
Labour Conditions in the Supply Chain	Percentage of (1) Tier 1 supplier facilities (2) supplier facilities beyond Tier 1 that have been audited to a labour code of conduct, (3) percentage of total audits conducted by a third-party auditor.	(1) 96% (2) 4% (3) 100%
	Priority non-conformance rate and associated corrective action rate for suppliers' labour code of conduct audits.	See page 81.
	Description of the greatest risks in the supply chain concerning:	
	(1) labour and	See page 90.
	(2) environmental, health, and safety	See page 71 and 85.
Raw Materials Sourcing	Description of environmental and social risks associated with sourcing priority raw materials.	See page 82.
	Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard.	Cotton: 39% Better Cotton. Timber: 36% certified by Forest Stewardship Council.

CORPORATE RESPONSIBILITY

Greenhouse gas emissions – Streamlined Energy and Carbon Reporting (SECR)

In accordance with the disclosure requirements for listed companies under the Companies Act 2006, the table below shows the Group's SECR disclosure across Scope 1 and 2 together with an appropriate intensity metric and our total energy use of gas, electricity and other fuels during the financial year.

		2021		2020	
Green House Gas (GHG) Emissions[1]	Unit	**UK**	**Global**	UK	Global
Scope 1[2]	tonnes CO_2e	**36,424**	**36,914**	44,974	45,739
Scope 2 – Location Based[3]	tonnes CO_2e	**39,872**	**43,656**	54,909	60,440
Scope 2 – Market Based[4]	tonnes CO_2e	**1,052**	**4,836**	1,461	6,909
Total Scope 1 & 2 Location Based	**tonnes CO_2e**	**76,296**	**80,570**	99,883	106,179
Total Scope 1 & 2 Market Based	**tonnes CO_2e**	**37,476**	**41,750**	46,435	52,648
Energy consumption[5]					
Electricity	kWh	**172,493,823**	**179,492,824**	216,506,531	225,364,038
Natural Gas	kWh	**48,663,573**	**49,207,109**	45,551,005	46,048,483
Gas Oil	kWh	**1,743,295**	**1,743,295**	2,049,074	2,049,074
Diesel	kWh	**108,135,792**	**108,420,497**	140,972,090	141,476,535
Petrol (including plug in hybrid)	kWh	**2,107,852**	**2,301,766**	2,284,105	2,550,639
Total Energy Consumption	kWh	**333,144,335**	**341,165,491**	407,362,805	417,488,769
Intensity metric					
Location Based	tonnes CO_2e/£1m sales	**21**	**22**	23	24
Market Based	tonnes CO_2e/£1m sales	**10**	**12**	11	12

1 The methodology used to calculate our emissions is based on operational control compliance with WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standards (Revised) and has been calculated using the revised carbon convention factors published by BEIS in 2020. For International electricity, Scope 2 factors published by IEA in 2020 have been used. Further detailed information on NEXT's global emissions footprint can be found in our Corporate Responsibility Report on our corporate website at nextplc.co.uk.

2 Scope 1 being emissions from combustion of fuel and refrigerant gas loses.

3 Scope 2 being electricity (from location-based calculations), heat, steam and cooling purchased for the Group's own use.

4 Scope 2 being electricity (from market-based calculations), heat, steam and cooling purchased for the Group's own use.

5 Energy from electricity, natural gas, gas oil and transport fuel have been included. We have used the conversion factors published in 2020 Defra GHG conversion factors for company report to convert from passenger miles in company-owned vehicles to kWh.

Energy consumption data is captured through monthly bills showing actual or estimated consumption. We continue to work to improve operational efficiency across our property portfolio. We actively track and review energy performance via a central data collection facility to ensure our properties are operating efficiently. During the year we have continued to roll out LED lighting installations in retail stores saving 3,910 MWh (3,910,048 kWh). In addition, due to COVID, our stores have been closed for part of the year which has allowed increased monitoring of electricity consumption leading to identification and resolution of any usage anomalies.

Renewable energy

NEXT is a signatory to the RE100 initiative and has committed to using 100% renewable energy by 2030. Our UK and Eire operations have been run using 100% renewable energy since April 2017, and we continue to work towards achieving this target in our direct operations overseas.

Waste, packaging and recycling

NEXT operates an ongoing programme of reduction, reuse and recycling. We exceeded our target of diverting more than 95% of operational waste from landfill by 2020 for reuse or recycling, achieving 97% in 2020/21.

We continue to identify ways to reduce the amount of packaging and eliminate avoidable plastics in product packaging such as PVC, polystyrene and acetate. All our packaging is recyclable, although not all local authorities recycle all materials. In 2019 we introduced 100% recycled content carrier bags in our retail stores.

COMMUNITY

Supporting charity and community

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

	2021 £000	2020 £000
Registered charities	**543**	1,069
Individual requests, local and national groups and organisations	**2**	8
Commercial support	**85**	95

This support was supplemented by the following additional activities:

	2021 £000	2020 £000
NEXT charity events	**0**	**7**
Gifts in kind – product donations	**1,476**	**1,963**
Charity linked sales	**111**	**208**
Employee fundraising	**47**	**97**

The proceeds from the sale of our reusable carrier bags go to our nominated charities across England, Scotland and Wales. We support both environmental charities and health charities that focus on care for life-limited children, young people and their families. In Northern Ireland, the monies raised are paid to the Government who use the proceeds to fund environmental projects.

As part of our target to divert waste from landfill, products which would have been destined to landfill are now offered to registered charities and social enterprise organisations for reuse.

CORPORATE RESPONSIBILITY

HUMAN RIGHTS AND MODERN SLAVERY

Respect for human rights is a fundamental part of how NEXT operates as a responsible business. We seek to avoid infringing the human rights of others, including addressing firmly any infringements we identify in our supply chain. We uphold internationally recognised human rights principles, including those encompassed in the Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. Any instance of forced labour is unacceptable.

Despite the difficulties caused by the pandemic over the last 12 months we have continued to work with our partners to develop programmes in support of human rights and to understand the complex issues around modern slavery to ensure that all those working within our Group and our supply chain are treated with dignity and respect. We are committed to building knowledge and awareness and have developed a range of training initiatives for our employees, suppliers, business partners and service providers to help promote human rights.

Our approach is to implement the 'Protect, Respect and Remedy' framework of the United Nations Guiding Principles on Business and Human Rights (UN Guiding Principles). Our corporate responsibility reporting aligns with the United Nations Guiding Principles Reporting Framework. It helps us to identify and manage the risk of harm associated with unsatisfactory working conditions, discrimination, modern slavery, human trafficking and forced or bonded labour, particularly to the most vulnerable and exploited, such as women and children.

Using this UN Reporting Framework, we combine the knowledge and experience we gain from working with our global supply chain and business partners, together with learnings from other stakeholders and NGOs, to look at our business and assess the risks to people. Our salient human rights are:

- Freedom of association and collective bargaining.
- Health and safety (including mental health).
- Children's rights.
- Modern slavery (including wage retention).
- Wage levels (including fair wages).
- Harassment and discrimination.
- Water, sanitation and health.
- Working hours.
- Privacy and data security.

Our COP Principle Standards are also designed to address these matters. Human rights issues evolve over time, therefore our approach to tackling them must also evolve, including the development of relevant skills in our own COP team. We regularly review our COP processes to ensure we integrate indicators for new or emerging risks within our COP audits and provide training where needed. Where human rights issues do occur in our supply chain, we recognise the value in being transparent about how we have tackled them – including what worked and what didn't.

In 2020, we undertook an analysis of our top ten sourcing countries to assess the human rights and modern slavery risks present in our supply chain. Taking each of our salient risks in turn, and using the in-depth knowledge of our regional COP teams, we gathered a variety of data, capturing factors such as geographical location, vulnerability of impacted groups, frequency of issues and level of mitigation already in place. Using this output, we agreed an overall risk rating for each sourcing location to identify where we should focus our resource to best effect.

More information on our salient risks is available at nextplc.co.uk/corporate-responsibility.

Collaboration and partnering is key to achieving change. Our in-country COP teams have direct links with locally-based representatives of NGOs and trade unions. This helps to broaden our understanding of root causes and solutions.

SECTION 172 STATEMENT

This section describes how we have engaged with and had regard to the interests of our key stakeholders when exercising our duty to promote the success of the Company under section 172(1) of the Companies Act 2006. The principles underpinning section 172 are not something that are only considered at Board level, they are embedded throughout our Company. Sometimes decisions must be made based on competing priorities of stakeholders. We describe below how the Board seeks to understand what matters to stakeholders and carefully considers all the relevant factors when selecting the appropriate course of action.

Our stakeholders

Our key stakeholder groups are set out below. Our many and varied engagement processes help lead us to a better understanding of what matters to our stakeholders. Their views and needs, as well as the consequences of any decision in the long term are then considered in the business decisions made by the Board and across the entire Company, at all levels. We do this through various methods, including: direct engagement by Board members, receiving reports and updates from members of management who engage with such groups, and coverage in our Board papers of relevant stakeholder interests with regard to proposed plans.

Our workforce – see pages 91 and 92

The strength of our business is built on the hard work and dedication of all of NEXT's people. We also consider the interests of former employees who are members of a group pension scheme. Our colleagues rely on us to provide stable employment and opportunities to realise their potential in a working environment where they can be at their best.

Communities and the Environment – see page 93

Communities and the wider public expect us to act as a responsible company and neighbour, and to minimise any adverse impact we might have on local communities and the environment.

Investors – see page 94

We rely on our shareholders and providers of debt funding as essential sources of capital to further our business objectives.

They rely on us to protect and manage their investments in a responsible and sustainable way that generates value for them.

Regulators – see page 93

We seek to enjoy a constructive and cooperative relationship with the bodies that authorise and regulate our business activities. This helps us maintain a reputation for high standards of business conduct.

They expect us to comply with applicable laws, regulations and licence conditions.

Customers – see page 93

Our customers are the reason we exist. They have near limitless choice, so it is essential to our future that we can consistently and continuously design and offer attractive, stylish products of high quality to new and existing customers at an accessible price. In doing so, we build our brand value and loyalty.

Suppliers – see page 93

We rely on our suppliers to make and distribute our products, provide the real estate through which we store, sell and display our products, and provide essential services we need to operate our business.

Our suppliers rely on us to generate revenue and employment for them.

Employees

How the Board engages:

- Annual Recruitment, Retention and Reward forums
- Discussing the output of employee engagement surveys and agreeing follow-up actions
- Presentations on performance and strategy from the Chief Executive and the Group Finance Director following results announcements
- Attendance at Product Training Days and visits to stores and warehouses
- Online performance, development and feedback tools

Each of our executive directors joined the Company as employees before being promoted to the Board. All of them joined the Company over 25 years ago and this gives them extensive knowledge of the business as well as an acute insight into the mood, culture and views of their colleagues. All are based at NEXT Head Office and have a high degree of personal oversight and engagement in the business.

Engagement with our employees has never been more vital to the success of our business. In a year of profound uncertainty, we had ongoing engagement with our workforce about their health and safety in the face of COVID. Many of our stores were subject to changing restrictions in their operations, often at short notice, and we closed our warehouses temporarily in April 2020 to reconfigure them for COVID-safe operations following feedback from our employees. We would like to thank those colleagues for the feedback we received which helped us to provide and maintain a safe working environment as well as develop better ways of working.

SECTION 172 STATEMENT

Recruitment, Retention and Reward forums

During the year we held our annual Recruit, Retain and Reward (RRR) workforce forums, albeit virtually, given the impact of the pandemic. Dame Dianne Thompson, one of our non-executive directors, attended the meetings along with Lord Wolfson (Chief Executive), the Group HR Director and workforce representatives for each division. Following discussion on the key issues in different parts of the business, actions were agreed and feedback was reviewed by the Board. Agreed actions from matters raised in 2020 included:

- Producing a set of principles for remote and home working
- Reviewing ways to help people feel connected to the office while working from home
- Producing simple documents to help educate teams on key facts relating to COVID
- Considering how to improve video interviews
- Looking into offering additional incentives for high performing team members

These meetings form the workforce advisory panels as referred to in the UK Corporate Governance Code.

Our RRR forums are supplemented by Communication In Action meetings which take place regularly throughout the year. The purpose of Communication In Action meetings is to agree initiatives coming out of the RRR forums.

Employee engagement surveys

The normal format of our employee engagement survey was replaced by surveys pertinent to the COVID pandemic. Head Office, Retail and Online employees completed COVID-19 Safety & Communications surveys to gauge how well the Company responded to the pandemic. 94% of all responses rated the safety measures implemented at a NEXT site or store as either Good or Excellent and 88% of all responses regarding communication were rated Good or Excellent.

In Warehousing & Distribution, regular pulse surveys were sent via text to warehouse colleagues to gauge feelings about safety in the transformed working environment. Results of the pulse surveys for employees returning to work showed that 95% felt their safety had been put before productivity and safety changes made in the workplace scored a 96% approval rating.

In late 2020, NEXT Sourcing conducted its biannual employee survey. Communication In Action meetings were launched in Bangladesh, Sri Lanka, Vietnam, Shanghai and Hong Kong.

The Board considered the results of the surveys and the HR initiatives underway to address the matters raised.

Continuous performance management and feedback

During the year, our online performance and development tool continued to be rolled out. The tool provides a forum for positive and constructive feedback by individuals, peers and managers.

The Group HR Director attended certain meetings of the Board to brief on employee-related matters, including workforce demographics, engagement activities, the results of employee opinion surveys, staff retention rates, diversity, numbers and nature of whistleblowing, disciplinary and grievance procedures, learning and development activity, pay and reward including gender pay gap and HR initiatives.

The Board considers that, taken together, these arrangements deliver an effective means of ensuring the Board stays alert to the views of the workforce.

With regard to health, safety and wellbeing, during the year the Audit Committee received an update from the Group Health and Safety Manager on safety performance, safety risk management and mental health wellbeing initiatives.

Case study

During the year, and perhaps more than ever before, the Board had to consider significant matters where it was important to be mindful of the interests of employees.

One such example came early in the pandemic and at a time when all our stores had been forced to close due to Government restrictions. We listened very carefully to our colleagues working in Warehousing and Distribution Operations to fulfil Online orders and it was clear that many increasingly felt they should be at home given the circumstances. We therefore took the very difficult decision to temporarily close our Online, Warehousing and Distribution Operations in order to redesign our processes and operations to be COVID-safe. The day that our entire business operation fell silent will live long in our memories.

The scale of the task of making our Online operations COVID-safe was huge – 6.8m square feet of warehousing had to be repurposed to achieve rigorous social distancing. Before re-opening, we consulted again with our colleagues and also our recognised union, USDAW, to make sure employees felt safe with the new safe ways of working, and developed a number of induction and training programmes for the new processes. We re-inducted and retrained over 4,000 colleagues. We limited the number of daily online orders for a time to ensure that the processes worked, and we prioritised the items that our customers needed most, such as Childrenswear.

Our relationships with suppliers, customers and others

Suppliers

Throughout the year the Board approved major contract renegotiations and strategy with regard to key suppliers, notably with the Group's providers of freight forwarding services, and with certain landlords of the Group's premises. We balanced the benefits of maintaining strong partnerships with key suppliers alongside the need to obtain value for money for our investors and excellent quality and service for our customers. Further details on how we engage with our suppliers can be found on pages 81 to 83.

We endeavoured to be fair to our suppliers throughout the pandemic. We wrote to our product suppliers at the end of March 2020 committing to honour and pay our suppliers in full, on normal payment terms, for orders that were due to leave supplier factories up to 10 April 2020. Orders due to leave after this date, where no longer required, were cancelled and compensation payments made towards the raw materials that suppliers had acquired. Where possible, we carried over stock to future seasons.

Customers

As a large retail business, the sentiment of customers can be seen in the Company's underlying sales performance figures, which the Board reviews regularly. The executive directors provide updates to the Board on their perceptions and the market view of consumer sentiment. The interests of customers are considered in key decisions e.g. relating to: store portfolio changes; selection of product lines including third-party brands; selection and monitoring of suppliers to ensure quality and safety standards are met; freight and logistics arrangements to maximise efficiencies from order to delivery; the availability of customer credit products; and the development of the Online Platform.

With the interests of customers in mind, during the year the Board reviewed proposals in respect of phased plans to reopen stores following enforced closure, compliance with Government guidance on health and safety measures in-store, store staffing levels, capital expenditure on warehouses and major freight forwarding and parcel delivery contracts.

Regulators

Our Finance business is regulated by the Financial Conduct Authority (FCA) in respect of the provision of consumer credit. As a responsible authorised company, we seek always to co-operate and engage constructively with the FCA and meet its standards. The Audit Committee exercises independent oversight over the regulated Finance business that includes updates on matters under discussion with the FCA.

NEXT manages its tax affairs responsibly and proactively to comply with tax legislation. The Company's approach is to seek to build solid and constructive working relationships with all tax authorities. NEXT's UK tax policy can be found at nextplc.co.uk and was reviewed and approved by the Board during the year. This policy includes that the Company engages with HMRC constructively, honestly and in a timely and professional manner, and seeks to resolve disputed matters through active and transparent engagement. Engagement with HMRC is led by the Company's in-house tax team of qualified tax professionals. The Group Finance Director provides regular updates to the Board on tax matters.

Debt capital/credit facility providers and credit reference agencies

The Group Finance Director and the Company's Treasury team are responsible for managing the relationships with our banks, bond investors and credit rating agencies, and the management of the Group's cash/debt and financing activities. The Group Finance Director provides regular reports to the Board on these activities including the Company's access to liquidity, monitoring the headroom and maturity schedules of our primary credit facilities and future financing plans. The Board approves the Company's Treasury Policy annually.

Our impact on the community and the environment

We have a number of targets and initiatives aimed at reducing the adverse impact of our business on the environment and the communities in which we operate. The ways in which we engage with the communities in which we operate are set out in more detail on page 89 of our Corporate Responsibility Report. During the year we considered our approach to climate change and agreed further measures we can take to reduce our impact on the environment. Further details can be found on pages 85 to 88 of the Corporate Responsibility Report.

Doing the right thing – maintaining high standards of business conduct

Corporate governance

We have a robust corporate governance framework in place, details of which are set out in our Corporate Governance Report on pages 102 to 107.

Ethical trading and responsible sourcing

The Audit Committee exercises strong oversight over the Group's activities in these areas including reviewing the work of the COP team and receiving regular updates on environmental, social and governance issues. It reports to the Board on these topics as appropriate. For further details on our approach to ethical trading and responsible sourcing, please see pages 81 and 82 of the Corporate Responsibility Report.

Political donations

No donations were made for political purposes (2020: £nil).

SECTION 172 STATEMENT

Shareholders

The Company has just one class of share in issue and so all shareholders benefit from the same rights. The Board does not take any decisions or actions, such as selectively disclosing confidential or inside information, that would provide any shareholder or group of shareholders with any unfair advantage or position compared to the shareholders as a whole.

How the Board engages:

- Regular calls and meetings between shareholders and the Chief Executive and Group Finance Director.
- Roadshows and conferences with institutional investors.
- Major shareholders are invited to the annual and half year results presentations.
- Meetings and calls between major shareholders with the Chairman and Remuneration Committee Chairman on governance and remuneration matters.
- Regular communication with institutional investors by the Company Secretary and senior management, particularly on environmental, social and governance matters.

Shareholder engagement

During 2020, we engaged with investors on a range of topics, including:

- Governance including Board composition.
- Executive remuneration and our proposed new Directors' Remuneration Policy.
- Human rights and ethical trading.
- The environment, sustainability and responsible sourcing.
- Company performance against its strategy.

The Board receives regular information on investor views through a number of different channels:

- The Group's corporate broker provides written feedback on market reaction and investor views after full and half year results announcements and investor roadshows.
- Reports from the Chairman and other non-executive directors who have direct dialogue with shareholders.
- Analyst/broker reports and views.
- Shareholder feedback reports and statements made by representative associations.

All shareholders have an opportunity to ask questions or represent their views formally to the Board at the AGM, or with directors after the meeting.

The interests of investors were considered as part of the Board's decisions throughout the year including with regard to the interim and final dividends and the suspension of our share buyback programme.

Long term decisions

Within the fast-moving fashion retailing sector, the operational cycle is short and has become even shorter within recent years. Despite this, we are mindful that our strategic decisions can have long term implications for the business and its stakeholders, and these implications are carefully assessed.

The most prevalent example of this is in the Board's decisions with regard to capital allocation. The Board balanced:

- the expectations of long term investors on dividends and the return of capital to shareholders via the share buyback programme; with
- the increased need for capital expenditure on warehouses and systems to support the growth in Online sales. Despite the reopening of retail stores later this year, we felt that the pandemic has simply accelerated the shift to online shopping and we needed to ensure that we have sufficient capacity to meet future demand.

We recognised the importance of providing our shareholders with consistent and reliable dividend returns. However, with so much uncertainty around the course of the pandemic and its economic effects, we believed it was sensible and appropriate to suspend all capital returns to shareholders for the duration of 2020/21 to protect the Group's balance sheet.

NON-FINANCIAL INFORMATION STATEMENT

The table below sets out where the information required to be disclosed under sections 414CA and 414CB Companies Act 2006 can be found in this Annual Report.

Reporting requirement	Relevant information	Policies and Standards
Information, to the extent necessary for an understanding of the Company's development, performance and position and the impact of its activity, relating to:		
1. Environmental matters (including the impact of the Company's business on the environment)	• Our principles – page 78 • Environment – pages 85 to 88 • Section 172 Statement – Having regard to the impact of the Company's operations on the community and the environment – page 93	• Environment Policy • Timber Sourcing Policy* • Protecting Forests Through Fabric Choices Policy*
2. The Company's employees	• Our principles – page 78 • Our People – pages 79 and 80 • Section 172 Statement – Having regard to the interests of the Company's employees – pages 91 and 92	• Staff Handbook • Diversity Policy • HR Policies including Flexible Working, Safeguarding, Adoption Leave, Parental Leave, Continuing Education and Equal Opportunities • Whistleblowing Policy • Group Health and Safety Policy*
3. Social matters	• Our principles – page 78 • Our People, Our Suppliers, Our Customers and Products, Environment, Community, Human Rights and Modern Slavery – pages 79 to 90 • Section 172 Statement – Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct – page 93	
4. Respect for human rights	• Our principles – page 78 • Human Rights and Modern Slavery – page 90 • Section 172 Statement – Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct – page 93	• Human Rights and Modern Slavery Policy* • Data Retention Policy • Customer Privacy Policy* • Employee Data Privacy Policy
5. Anti-corruption and anti-bribery matters	• Our principles – page 78 • Section 172 Statement – Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct – page 93 • Whistleblowing – Audit Committee Report – page 114	• Staff Handbook • Anti-Bribery Policy* • Competition Law Policy • Supplier Code of Practice Standards* • Whistleblowing Policy*
Required information		
6. Business model	• Business model – page 66	
7. Policies in relation to (1) to (5) above, related due diligence processes and a description of the outcome of those policies*	• Our principles – page 78	
8. Principal risks in relation to (1) to (5) above	• Risks and Uncertainties – pages 72 to 76 • Viability assessment – page 77	
9. Relevant non-financial KPIs	• Section 172 Statement – Having regard to the impact of the Company's operations on the community and the environment – page 93 • Our People, Environment, Community – pages 80, 86 to 88 and 89	

Further information regarding our employees, social, community, human rights and environmental matters is provided in our Corporate Responsibility Report available on our corporate website at nextplc.co.uk.

* Our latest policies are available at nextplc.co.uk.

On behalf of the Board

Amanda James
Director

1 April 2021

GOVERNANCE

DIRECTORS' BIOGRAPHIES
Directors and Officers

Michael Roney
CHAIRMAN

KEY SKILLS AND EXPERIENCE:
Michael joined the Board as Deputy Chairman in February 2017 and became Chairman in August 2017. Michael brings significant international leadership experience to the Board; he was previously the Chief Executive of Bunzl plc from 2005 until his retirement in April 2016, Chief Executive of Goodyear Dunlop Tires Europe BV and non-executive director of Johnson Matthey plc.

PRINCIPAL EXTERNAL APPOINTMENTS:
Chairman of Grafton Group plc
Non-Executive Director of Brown-Forman Corporation (US firm)

APPOINTED TO THE BOARD
February 2017

COMMITTEE MEMBERSHIP
Remuneration and
Nomination (Chairman)

Lord Simon Wolfson of Aspley Guise
CHIEF EXECUTIVE
Executive Director

KEY SKILLS AND EXPERIENCE:
Simon has deep knowledge of all areas of the NEXT business, together with strong leadership and strategic expertise, having led as Chief Executive since 2001. He joined the Group in 1991 and was appointed Retail Sales Director in 1993. He 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 before his appointment as Chief Executive.

PRINCIPAL EXTERNAL APPOINTMENTS:
Non-Executive Director of Deliveroo

APPOINTED TO THE BOARD
February 1997

Amanda James
GROUP FINANCE DIRECTOR
Executive Director

KEY SKILLS AND EXPERIENCE:
Amanda brings extensive financial knowledge to the Board, having joined the Group in 1995 and 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.

APPOINTED TO THE BOARD
April 2015

Jane Shields
GROUP SALES AND MARKETING DIRECTOR
Executive Director

KEY SKILLS AND EXPERIENCE:
Jane has profound understanding of NEXT's operations, having 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 was given additional responsibility for Retail Marketing and in 2010 was appointed Group Sales and Marketing Director, adding Directory and online marketing to her portfolio. She assumed responsibility for Human Resources and the Customer Service Contact Centre in August 2020.

APPOINTED TO THE BOARD
July 2013

Richard Papp
GROUP MERCHANDISE AND OPERATIONS DIRECTOR
Executive Director

KEY SKILLS AND EXPERIENCE:
Richard has a wealth of operational and merchandising experience. He joined NEXT in 1991 as a Merchandiser. Richard worked his way through management, becoming Menswear Product Director in 2001. In 2005 he gained valuable experience in a similar role at another retailer. Richard returned to NEXT in 2006 as Group Merchandise Director, responsible for NEXT's Merchandising function, Product Systems, International Franchise, and Clearance operations. On appointment to the Board, Richard took on additional responsibility for Warehousing, Logistics and Systems within the Group.

APPOINTED TO THE BOARD
May 2018

Seonna Anderson
COMPANY SECRETARY

Francis Salway

Senior Independent Non-Executive Director

KEY SKILLS AND EXPERIENCE:
Francis brings strong listed company experience and property expertise to the Board. He was Chief Executive of Land Securities plc, then the UK's largest commercial property company, between 2004 and 2012. In addition to his roles below, he is also a Visiting Professor in Practice at the London School of Economics and a past President of the British Property Federation.

PRINCIPAL EXTERNAL APPOINTMENTS:
Director of Peabody Trust
Chairman of Town & Country Housing Group
Chairman of the Property Advisory Group for Transport for London
Non-Executive Director of Cadogan Group Limited

APPOINTED TO THE BOARD
June 2010

COMMITTEE MEMBERSHIP
Audit, Remuneration (Chairman) and Nomination

Jonathan Bewes

Independent Non-Executive Director

KEY SKILLS AND EXPERIENCE:
After qualifying as a Chartered Accountant with KPMG, Jonathan spent 25 years as an investment banking adviser, with Robert Fleming, UBS and Bank of America Merrill Lynch. As a senior banker, he provided advice to the boards of many UK and overseas companies on a wide range of financial and strategic issues, including financing, M&A, shareholder engagement and corporate governance. Jonathan is a Fellow of the Institute of Chartered Accountants of England and Wales.

PRINCIPAL EXTERNAL APPOINTMENTS:
Vice Chairman, Corporate and Institutional Banking, Standard Chartered Bank
Non-Executive Director of The Sage Group plc

APPOINTED TO THE BOARD
October 2016

COMMITTEE MEMBERSHIP
Audit (Chairman), Remuneration and Nomination

Tom Hall

Independent Non-Executive Director

KEY SKILLS AND EXPERIENCE:
Tom is a partner at Apax Partners, the global private equity firm. He joined Apax in 1998 and leads its Internet/Consumer investing activities in Europe. In that role, he serves on the board of a number of retailers and digital marketplaces. He has considerable experience of working with businesses dealing with the strategic, operational and managerial challenges and opportunities created by rapidly changing consumer behaviour.
Prior to joining Apax, Tom worked at S.G. Warburg and Deutsche Bank.

PRINCIPAL EXTERNAL APPOINTMENTS:
Advisory Board Director of Takko Fashion, Supervisory Board Director of Wehkamp, Non-Executive Director of MATCHESFASHION

APPOINTED TO THE BOARD
July 2020

COMMITTEE MEMBERSHIP
Audit, Remuneration and Nomination

Tristia Harrison

Independent Non-Executive Director

KEY SKILLS AND EXPERIENCE:
Tristia is Chief Executive Officer of TalkTalk Telecom Group Ltd and as such has experience of running a large-scale consumer-facing company and knowledge of digital and cyber security. Tristia was Managing Director of TalkTalk's consumer business when it demerged from Carphone Warehouse, which she joined in 2000 and held a number of senior management and executive positions.

PRINCIPAL EXTERNAL APPOINTMENTS:
Trustee at Crisis
Trustee at Ambitious about Autism

APPOINTED TO THE BOARD
September 2018

COMMITTEE MEMBERSHIP
Audit, Remuneration and Nomination

Dame Dianne Thompson

Independent Non-Executive Director

KEY SKILLS AND EXPERIENCE:
Dianne has a wealth of marketing experience gained in retail companies as well as significant senior management experience. Her 42 year career has included 14 years as Chief Executive Officer of Camelot Group. More recently she was Chairman of RadioCentre and a non-executive director of the Home Office.

PRINCIPAL EXTERNAL APPOINTMENTS:
Chairman and Non-Executive Director of Sanderson Design Group plc
Non-Executive Director of Pagefield Communications Ltd

APPOINTED TO THE BOARD
January 2015

COMMITTEE MEMBERSHIP
Audit, Remuneration and Nomination

Board Committees

Audit Committee
Jonathan Bewes (Chairman)
Tom Hall
Tristia Harrison
Francis Salway
Dame Dianne Thompson

Remuneration Committee
Francis Salway (Chairman)
Jonathan Bewes
Tom Hall
Tristia Harrison
Michael Roney
Dame Dianne Thompson

Nomination Committee
Michael Roney (Chairman)
Jonathan Bewes
Tom Hall
Tristia Harrison
Francis Salway
Dame Dianne Thompson

DIRECTORS' RESPONSIBILITIES STATEMENT
Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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 Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether, for the Group and Parent Company, international accounting standards in conformity with the requirements of the Companies Act 2006 and, for the Group, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements
- Make judgements and accounting estimates that are reasonable and prudent
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business

The directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that 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 and Parent Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 98 and 99, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, additionally for the Group, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Parent Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Lord Wolfson of Aspley Guise
Chief Executive

Amanda James
Group Finance Director

1 April 2021

CORPORATE GOVERNANCE REPORT
Chairman's Introduction

In last year's report, I spoke of a fast-moving year in corporate governance and the retail environment in which we operate. Shortly afterwards, we were poised to go into lockdown for the first time and working hard to understand the potential impact the pandemic could have on our business operations, our employees, our customers and on the retail sector as a whole. Suffice to say that 2020/21 has surpassed the previous year in terms of fast-moving events.

COVID impact on stakeholders

In good times, corporate governance is crucial; in times of crisis, it is paramount. First and foremost, our executive team has worked hard to preserve the health and safety of our employees and customers. Having listened to employee feedback, they took the difficult decision to close our warehouses temporarily for two weeks in April 2020 in order to re-design the operations to be COVID-safe. Colleagues and our recognised union, USDAW, were consulted before re-opening. The number of daily online orders was limited for a time to ensure that the processes could be carried out safely, and we prioritised the items that our customers needed most, such as Childrenswear.

Some or all of our UK stores have faced enforced closure on multiple occasions. Changing regulations around the operation of retail stores have also required a significant amount of management time to make sure we are doing the right thing for our employees and customers.

During the periods of closure, we had to furlough many of our workforce. To support our furloughed employees, we topped up the salaries of all those paid above the furlough scheme cap to 80% of their normal pay.

In order to preserve cash, we took a number of decisive actions early in the pandemic, including the cancellation of the final and interim dividends to shareholders in 2020. However, we are pleased that the quality and resilience of the business has been recognised through the strong performance of the share price towards the end of the financial year.

In common with many people, as a Board we had to change how we worked and communicated to make sure we were responding appropriately during the pandemic. Very regular Board meetings continued to be held, albeit virtually, and we received weekly written reports from the executives on the latest business position and safety initiatives and employee communications. Our collaboration, communication and effective decision-making during the pandemic was highlighted as a strength during our Board effectiveness review.

I would like to take this opportunity to thank the executive directors and our employees for their dedication, commitment and hard work in making sure the business not only survived but thrived during the year.

Board diversity and appointment

At NEXT we benefit from well-balanced gender representation on our Board, and indeed across the organisation, as illustrated by the table on page 80. This diversity mix allows for rounded discussions from various perspectives that strengthen our decision-making.

We know we have work to do on ethnic diversity at Board and senior management level. We continue to appoint on merit, seeking to appoint the candidate with the most appropriate skills and experience. However we can take steps to ensure that Black, Asian and minority ethnic (BAME) candidates are fairly represented where possible on candidate shortlists. In our recent Board appointment process, we requested that the recruiter produce a longlist which included candidates from BAME groups. As I note in my Nomination Committee Report on page 108, going forward we expect that our next non-executive appointment will be someone from an ethnic minority background. Internally, we are looking into how we can best support and mentor colleagues from ethnically diverse backgrounds in order to improve representation throughout the business. Our initiatives to improve diversity are set out in more detail in the Corporate Responsibility Report.

During the year, the Board appointed Tom Hall as non-executive director to replace Francis Salway, who has served on our Board for over nine years and will step down at the 2021 AGM. Tom joined us in July 2020 and has already made a strong contribution to the Board. As part of his role at Apax Partners, Tom serves on the board of a number of retailers and digital marketplaces. You can read more on the appointment process in the Nomination Committee report on page 108. On behalf of the other directors, I would like to thank Francis for his very significant contribution to the Board and to the Remuneration Committee during his tenure.

Directors' remuneration

As noted above, the impact of the pandemic on the business has had a corresponding effect on our stakeholders. In recognition of this, the Board waived 20% of its salaries and fees for part of the year and the bonus for executive directors was cancelled for 2020/21.

More detail on the decisions taken by the Remuneration Committee during the year can be found in the Directors' Remuneration Report on pages 115 to 118.

Continuing governance commitment

We have once again enhanced our Environmental, Social and Governance (ESG) disclosure in this year's Annual Report. Understandably, ESG is a key area of focus for stakeholders who want to work for, shop with or invest in companies who do business responsibly. We apply robust governance to safeguard the long term interests of the Company and its stakeholders. You can read our Corporate Responsibility Report on pages 78 to 90 and our compliance statement and supporting disclosures on pages 102 to 107.

M. T. Roney

Michael Roney
Chairman

1 April 2021

CORPORATE GOVERNANCE REPORT

Corporate Governance Statement

The statement below, together with the rest of the Corporate Governance Report, provides information on how the Company has applied the principles in the UK Corporate Governance Code 2018 (the "Code"), which is the version of the Code that applies to its 2020/21 financial year.

For the year ended 30 January 2021, the Board considers that it has complied in full with the provisions of the Code (available at www.frc.org.uk). Given the external interest in pension alignment as recommended by provision 38 of the Code, the Board notes that the executive directors at NEXT have very long service at the Company. Whilst, consistent with wider market practice, the pension provision offered to new joiners has changed significantly over time, the Board considers it more relevant to consider the alignment of the pension contribution rates of the executives in the context of the workforce recruited at the same time. Each executive director is provided with pension contributions no more generous than those provided to colleagues recruited at the same time. Full details of the pension arrangements of the executive directors are given on pages 123 and 124 of the Directors' Remuneration Report.

Disclosures required by the Disclosure Guidance and Transparency Rules DTR 7.2.6, with regard to share capital are presented in the Directors' Report on page 140. Disclosures required by DTR 7.2.8 relating to diversity policy are presented in the Nomination Committee Report on page 108.

Directors' biographies and membership of Board Committees are set out on pages 98 and 99.

Board leadership and company purpose

The Board's role is to promote the long term sustainable success of the Company. It does this through:

- Discussions with the executive directors and other members of the senior management team on industry trends.
- Evaluating strategic proposals and considering how these will support and strengthen components of the business model.
- A policy of continuous identification and review of principal business risks, including identifying key and emerging risks, determining control strategies and considering how those risks may affect the achievement of business objectives, taking into account risk appetite, as detailed on pages 70 to 72.
- Our annual viability assessment which is undertaken by reference to the business model, strategy and the principal risks and mitigating factors as well as the current financial position and historical financial performance and forecasts – see page 77.

In particular, during 2020/21:

- The Board assessed a number of potential acquisitions and investments with a view to enhancing the Company's offering to customers. In assessing these opportunities, the Board had regard to strict financial criteria. We approved a number of opportunities which are discussed in more detail in the Chief Executive's Review.
- The Board reviewed and discussed the financial stability of the Company against a number of potential stress test scenarios that could be brought about by the COVID pandemic. In the interests of transparency the scenarios, and their potential impact on the Company, were published in our regular and detailed financial updates to the market.
- The Audit Committee received several briefings on the Company's ESG activities with a particular focus on the environment. It requested that ESG be added as a standing item to its agenda.
- The Board reassessed its principal risks in light of the unforeseen yet impactful nature of the pandemic - see pages 72 to 76 for details of the Company's principal risks.

At its heart, the purpose of the Company is to source and trade excellent quality clothing and homeware in order to make a profit for its shareholders. We aim to do this in a responsible way and to do the right thing by our employees, our customers, our suppliers and our wider stakeholders. Our Corporate Responsibility Report sets out the way in which we fulfilled our responsibilities this year.

Culture

The directors are responsible for ensuring a healthy and supportive culture within the Group. We monitor this through direct employee engagement activities (see page 91) and discussions with the executive directors, Group HR Director and other members of management. We assess and monitor this in the following ways:

- Dedicated time at Board meetings, supported by the Group HR Director, to hold discussions on culture and employee/workforce matters.
- Reviewing the results of the Group's employee opinion surveys.
- Monitoring the levels and nature of whistleblowing reports and grievance and disciplinary hearings.
- Monitoring absenteeism and employee turnover.
- Audit Committee receives internal audit reports on fraud and compliance breaches.
- Review of induction and training policies and practices.
- Engaging with employees directly during site visits.
- Overseeing management's plans to respond to matters raised by the workforce.
- Reviewing the Group's key policies and HR initiatives.

During the year:

- We continued with our employee engagement activities, in particular the workforce focus forum meetings. These were held virtually which, as well as being safer, had the benefit of enabling our NEXT Sourcing colleagues in Hong Kong to join.
- We received updates on the actions taken by the executive team to ensure that COVID-safe processes were implemented and followed at our offices, warehouses and stores. The executive directors maintained an open dialogue with employees and, following feedback, our warehouse operations were temporarily closed and re-designed to ensure that employees felt safe. A number of safety videos were made and induction and training programmes put in place to support the new ways of working.

Our values are set out in the Corporate Responsibility Report on page 78 and the Non-Financial Information Statement summarises the Company's supporting policies on page 95. Our Whistleblowing Policy encourages workers to report concerns or suspicions about any wrongdoing or malpractice, and provides a number of ways to do this, including via the confidential NEXT Integrity line (managed by Crimestoppers). The Audit Committee report contains more details of the Company's whistleblowing procedures and the Audit Committee's oversight.

As Board members we also strive, through our own behaviours, to set the tone from the top in conducting ourselves appropriately and in line with the Group's values. The actions taken by the executive team in response to the pandemic demonstrated the strength of the culture of doing the right thing that permeates the Group.

Information on the Company's approach to investing in and rewarding its workforce is set out in the Strategic Report on page 80.

Resourcing

As a Board, we ensure that the necessary resources are in place for the Company to meet its objectives and measure performance against them. We have an integral role in setting and approving the Company's budget and capital allocation processes, and in monitoring availability of credit/debt capital facilities and the Company's credit ratings. In regard to people resourcing, we receive reports from management on any development gaps in key roles and the plans to address these.

Risk management and internal controls

The Board is responsible for keeping the effectiveness of the systems of risk management and internal controls under review – see page 107.

Engagement with shareholders

Significant time and effort is invested in providing detailed and transparent information to shareholders and in maintaining regular and effective dialogue with them. Rather than delegation to an investor relations team, Lord Wolfson and Amanda James, as Chief Executive and Group Finance Director respectively, engage directly with investors on a regular basis throughout the year. Full year and other public announcements are presented in a consistent format and are made as meaningful, understandable, transparent and comparable as possible. This information is also made publicly available on the Company's corporate website nextplc.co.uk.

Our Section 172 Companies Act statement on page 94 details how the views of shareholders have been taken into account during the year.

Engagement with other stakeholders

The views of other providers of capital and key stakeholders are also considered. Please see the Section 172 Companies Act Statement on page 93 for information on how the Board does this.

With regard to engagement with the workforce, the Board uses various methods including engagement with a workforce panel and attendance by a non-executive director at those panels. More details can be found in the Section 172 Statement on page 92. The Board considers that, taken together, the arrangements described deliver an effective means of ensuring the Board stays alert to the views of the workforce.

Division of responsibilities

Chairman and Chief Executive

There is a clear division of responsibilities between the 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.
- There is a high calibre Chief Executive with a team of executive directors able to implement the strategy.
- There are procedures in place to inform the Board of performance against objectives.
- The Group is operating in accordance with a high standard of corporate governance.

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

The Chairman sets the Board's agenda and is also responsible for promoting a healthy culture of openness, challenge and scrutiny, and ensuring constructive relations between executive and non-executive directors.

Independence of non-executive directors

More than half of the directors, excluding the Chairman, are non-executive directors. The Board considers that all of its non-executive directors, except for the Chairman, are independent when assessed against the requirements of the Code and their knowledge, diversity of experience and other business interests continue to enable them to contribute significantly to the work of the Board. Michael Roney, the Chairman, met the independence requirements set out in the Code on his appointment in 2017.

The independence of the Board was strengthened by the appointment of Tom Hall in July 2020. Tom brings a wealth of relevant experience having worked with value, luxury and online fashion retail businesses. He is therefore attuned to the strategic, operational and managerial challenges and opportunities that are being created by rapidly changing consumer behaviour. Tom's listed company experience includes serving on the board of Ascential plc in 2016 and Auto Trader Group plc until 2016, following its successful IPO in 2015.

Francis Salway, who will step down from the Board at the 2021 AGM, is supporting an orderly handover of his role as Remuneration Committee Chairman to Tom.

Directors' conflicts of interest

In accordance with the Company's Articles of Association, the Board has a formal process in place for situational conflicts to be authorised by non-conflicted directors. In deciding whether to authorise a situational conflict, the non-conflicted directors take into account their general duties under the Companies Act 2006. Limits or conditions can be imposed 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.

Senior Independent Director

Francis Salway is the Company's Senior Independent Director. In this role Francis is available to provide a sounding board for the Chairman and to serve as an intermediary for the other directors and shareholders. Jonathan Bewes, Chairman of the Audit Committee, will take over the role on Francis' retirement at the 2021 AGM and an orderly handover of this role is being undertaken.

CORPORATE GOVERNANCE REPORT

Noting of directors' concerns

The Chairman encourages openness and debate at Board meetings to enable better decision making. Any director who has concerns about the operation of the Board or the management of the Company that cannot be resolved would ordinarily (and especially if requested by that director or the Chairman) be recorded in the minutes of the relevant meeting. If, on resignation, any non-executive director had any such concerns they would be invited to provide a written statement to the Chairman that would be circulated to the Board. No concerns have been raised in the year.

Review of directors' performance

As Senior Independent Director, Francis Salway led the appraisal of Michael Roney's performance as Chairman in the year through individual discussions with the other directors. Michael Roney appraised the performance of Lord Wolfson as 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. Appropriate feedback is provided where necessary. For more information on the Board effectiveness evaluation process, please see page 106.

At each Board meeting the Board receives reports from the Chief Executive on the performance of the business. This includes scrutiny of performance against clear financial objectives.

Overview of governance structure

Due to COVID restrictions, no informal face to face meetings took place between the Chairman and the non-executive directors without the executive directors present. However, the Nomination Committee held several virtual meetings which included discussions on the performance of and succession for executive directors.

Shareholders

Chairman

Responsible for the leadership of the Board and ensuring that it operates effectively through a healthy culture of openness, challenge and scrutiny.

Board of Directors

Responsible for providing effective leadership by setting business strategy and overseeing delivery in a way that delivers long term growth for the benefit of NEXT's shareholders. The Board maintains a balanced approach to risk within a framework of effective controls and taking into account the interests of a diverse range of stakeholders.

Board Committees

The terms of reference for each Committee are documented and agreed by the Board. They are reviewed and updated and are available on the corporate website nextplc.co.uk. Their key responsibilities are set out below.

Nomination Committee

- keep under review the composition, size, structure and diversity of the Board and its Committees
- evaluate the balance of skills, experience and diversity of the Board
- provide succession planning for the Board and senior management
- lead the process for new Board appointments

Committee Report on page 108

Audit Committee

- review and monitor the integrity of the Group's Financial Statements
- review and monitor the adequacy and effectiveness of the risk management framework and the systems of internal controls (including whistleblowing procedures)
- review and monitor the effectiveness and independence of the external and internal auditors

Committee Report on pages 109 to 114

Remuneration Committee

- responsible for setting the Remuneration Policy for all executive directors and the Chairman, including pension rights and any compensation payments
- recommend and monitor the level and structure of remuneration for senior management
- review the ongoing appropriateness and relevance of the remuneration Policy when setting remuneration

Committee Report on pages 115 to 132

Other Key Governance Steering Groups

These meetings have specific areas of responsibility. At least one or more of the executive directors chair or attend these meetings. Appropriate senior management also attend these meetings.

Each of the below steering groups held various meetings during the year to review and monitor specific risks, activities and incidents:

Risk Steering Group – Risk identification and risk management activities

Treasury – Group's treasury policy, treasury operations and funding activities

Information Security – Group's information security and cyber-related activities

Health and Safety – Group's health and safety activities

Brexit – Group's plans and approach to manage the impact

ESG - ESG risk monitoring and setting of ESG priorities

Chief Executive

Responsible for the day-to-day running of the Group's business and performance, and for the development and implementation of business strategy.

Executive/operational management

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

This includes important weekly NEXT Brand trading and capital expenditure meetings which consider the performance and development of the NEXT Brand through its different distribution channels. This and other meetings also focus on risk management of business areas in respect of the NEXT Brand, including product, sales, customer experience, property and stores, warehousing, systems and personnel.

Governance framework

The structure of the Board and its governance framework is set out opposite. The Board believes that it facilitates the operation of an open and straightforward culture without complex hierarchies and over-delegation of responsibilities.

Matters reserved for the Board

There is a formal schedule of matters reserved for the Board. These include investments, significant items of capital expenditure, share buybacks, dividend and treasury policies. The Board is also responsible for:

- The long term success of the Company, setting and executing the business strategy and overseeing its delivery.
- Providing effective leadership.
- Setting and monitoring the Group's risk appetite and the system of risk management and internal control.
- Monitoring implementation of its policies by the Chief Executive.
- Approving semi-annual Group budgets and regular review of performance against budget. Forecasts for each half year are revised and reviewed monthly.

Certain other matters are reported weekly or monthly including sales, treasury operations and capital expenditure programmes.

Board attendance

The table below shows the attendance at Board and Committee meetings during the year to 30 January 2021. All independent non-executive directors are members of the Nomination, Audit and Remuneration Committees. This allows the non-executive directors to deepen their understanding of the NEXT business, control and risk environment and enhance their contribution to the Board and its Committees.

The Board is satisfied that each of the directors is able to allocate sufficient time to the Company to discharge their responsibilities effectively. Contracts and letters of appointment of directors are made available at the AGM, and are available for inspection at the Company's registered office during normal business hours or on request.

Current Directors	Role	Board	Nomination	Audit	Remuneration
Number of meetings held in the year		10	3	5	7
Lord Wolfson	Chief Executive	10/10	–	–	–
Amanda James[1]	Group Finance Director	10/10	–	–	–
Richard Papp	Group Operations & Merchandising Director	10/10	–	–	–
Jane Shields	Group Sales & Marketing Director	10/10	–	–	–
Michael Roney[1]	Chairman	10/10	3/3	–	7/7
Francis Salway	Senior Independent Director	10/10	3/3	5/5	7/7
Jonathan Bewes	Non-executive director	10/10	3/3	5/5	7/7
Tom Hall[2]	Non-executive director	5/5	1/1	3/3	4/4
Tristia Harrison	Non-executive director	10/10	3/3	5/5	7/7
Dame Dianne Thompson	Non-executive director	10/10	3/3	5/5	7/7

1 Michael Roney and Amanda James are not members of the Audit Committee, however they attend Audit Committee meetings during the year by invitation.

2. Tom Hall was appointed to the Board in July 2020.

Board Committees

As detailed in the diagram opposite, the Board has appointed Committees to carry out certain aspects of its duties. Each is chaired by a different director and has written terms of reference which are available on the Company's corporate website nextplc.co.uk. Each Committee Chairman reports regularly to the Board on how that Committee has discharged its responsibilities.

External appointments during the year

As announced in January 2021, Lord Wolfson joined the board of Deliveroo as a non-executive director. He retains the fees from this appointment.

In June 2020, Dame Dianne Thompson was appointed as a non-executive director of Pagefield Communications Ltd.

After confirming that there were no conflicts of interest and considering the likely time commitment required to fulfil these roles, the Board was satisfied that these appointments would not inhibit Lord Wolfson's and Dame Dianne's ability to continue to effectively discharge their duties and responsibilities as directors of NEXT.

Information and support

There is a regular flow of information between all directors. The Company Secretary attends all Board meetings; she advises the Board on corporate governance matters and facilitates the flow of information within the Board. Any decision to appoint or remove the Company Secretary is a matter reserved for the Board.

The Company has an open culture; its non-executive directors meet on a formal and informal basis with a broad range of NEXT management and have unrestricted access to the business and its employees.

If directors decide it is necessary to seek independent advice about the performance of their duties with the Company, they are entitled to do so at the Company's expense. Details of professional assistance in relation to Remuneration Policy matters are shown on page 131.

CORPORATE GOVERNANCE REPORT

Composition, succession and evaluation

Director appointments

The Nomination Committee Report on page 108 contains information on the procedure for appointment of new directors to the Board, succession planning for Board and senior management positions and information on the Company's diversity approach.

Board composition

The Board comprises five independent non-executive directors (including the Senior Independent Director), the Chairman and four executive directors who all bring considerable knowledge, skills and experience to the Group. As is best practice, the Board is continually assessed and periodically refreshed to ensure it maintains an appropriate balance of skills and experience. In July 2020, Tom Hall was appointed as a non-executive director.

Re-election of directors

Under the Company's Articles of Association, directors are required to stand for re-election at least once every three years. However, in accordance with the Code, all directors stand for re-election or election at each AGM.

The specific reasons why the Board considers that each director's contribution is, and continues to be, important to the Company's long term sustainable success are set out in the directors' biographies on pages 98 and 99.

Board induction and development

On joining the Board, new members receive a personalised induction, tailored to their experience, background and understanding of the Group's operations. Tom Hall's induction plan included:

- A visit to one of the warehouses.
- Attendance at a key operational meeting.
- Virtual meetings with operational directors, senior managers and the external audit partner.
- A briefing from the Company Secretary, the Group's corporate broker and external lawyers on the duties of a public company director.
- A briefing from the Remuneration Committee's adviser.
- Access to past Board and Committee papers.

Inductions would also usually contain a store visit and attendance at the Group's biannual Retail stores conference; these events have been deferred until a later date given the current COVID restrictions.

Individual training and development needs are reviewed as part of the annual Board evaluation process and training is provided where appropriate, requested or a need is identified. All directors receive frequent updates on a variety of issues relevant to the Group's business, including legal, regulatory and governance developments, with visits to stores and warehouse operations organised periodically to help directors' understanding of the operational aspects of the business.

Board effectiveness evaluation

During the year, an internal evaluation of the Board, its Committees and directors was undertaken, facilitated by the Company Secretary. The evaluation process took place in the final quarter of the year. Following a briefing provided by the Chairman and Company Secretary, each of the directors completed a questionnaire designed to elicit their views on all aspects of the effectiveness of the Board and its Committees. These included composition, experience, dynamics, the Chairman's leadership, and the extent to which the Board fulfils its role and responsibilities with particular regard to strategy, oversight of risk and succession planning, as well as covering how effectively the Board reacted during the pandemic.

The review concluded that the Board is operating effectively, offering good challenge and adding value. Examples of areas positively reported included:

- The diversity of skills, experience and knowledge on the Board.
- Objective and collaborative decision-making.
- The calm, detailed and sensible response to and communication during the pandemic.

The key areas identified as possible opportunities to develop the Board's effectiveness further include:

- Enhanced assessment of culture.
- Further consideration and communication of the succession and development plans for Board and senior management.

The Chairman and Company Secretary are putting in place appropriate action plans in response to the evaluation findings and will review progress during the course of 2021/22. An external evaluation will be undertaken during the year in line with the Code.

Audit, risk and internal control

Audit Committee and independent auditor

For further information on the Company's compliance with the Code provision relating to the Audit Committee and auditors, please refer to the Audit Committee Report on pages 113 and 114. The independent auditor's responsibilities are set out on page 149 and the Board's statement as to the Annual Report and Accounts being fair, balanced and understandable can be found on page 100.

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, which also describes the Group's financial position, cash flows and borrowing facilities. Further information on these areas 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 28 of 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 also assessed the prospects of the Company over a three year period. Further details of the viability assessment are provided on page 77.

Risk management and internal control

The Board is responsible for the Group's risk management process and delegates 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 and promoting a risk aware culture throughout the business.

Risk management and internal control is a continuous process and has been considered by the Board on a regular basis throughout the year (see the description of the Group's risk management and internal control framework on page 70 for more information). This includes identifying and evaluating principal and any emerging risks, determining control strategies and considering how they may impact on the achievement of business objectives.

The Board has carried out a robust assessment of the principal and emerging risks facing the Company and has also conducted an annual review of the effectiveness of the systems of internal control during the year – see page 71 in the Strategic Report for further information.

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 72 to 76) and the associated financial, operational and compliance controls and mitigating factors. The Audit Committee discusses these risks with the relevant directors and senior management both at Committee meetings and via other face to face meetings held during the year where required.

The Board considers that the Group's management structure and continuous monitoring of key performance indicators are able to identify promptly any material areas of concern. Business continuity plans, procedures manuals and codes of conduct are maintained in respect of specific risk areas and business processes. 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 procedures 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.

Remuneration

The Company's remuneration policies and practices are designed to support strategy and promote long term sustainable success. They are aligned to the Company's purpose and values and linked to the successful delivery of the Company's long term strategy. You can read about the Company's Remuneration Policy and the work of the Remuneration Committee in the Remuneration Report on pages 115 to 139.

The Remuneration Report also contains information on the Company's compliance with the Code provisions relating to remuneration.

NOMINATION COMMITTEE REPORT

Membership and meetings

Members
Michael Roney (Committee Chairman)
Jonathan Bewes
Tom Hall (from July 2020)
Tristia Harrison
Francis Salway
Dame Dianne Thompson

The Committee member attendance table is shown on page 105. Lord Wolfson also attends the Nomination Committee meetings by invitation. In addition to formal meetings during the year, there were regular informal discussions on succession plans and new appointments to the Board.

The Committee's roles and responsibilities are covered in its terms of reference which are available on our corporate website nextplc.co.uk.

Annual evaluation of the Nomination Committee's performance is undertaken as part of the Board evaluation process. Having been externally facilitated in 2018/19, an internal process was undertaken in 2020/21. Further details are set out on page 106. The review concluded that the Committee continues to operate effectively.

Committee activities in 2020/21

Non-executive director appointment

As I stated in last year's annual report, Francis Salway intends to step down from the Board immediately after the 2021 AGM. Having identified the need for a non-executive director to replace Francis as non-executive director and Chair of the Remuneration Committee, we appointed Heidrick & Struggles/JCA Group (JCA) to identify suitable external candidates for the role. JCA has no other connection with the Company.

We agreed a comprehensive candidate specification and aligned the role brief to the desired Board and Committee composition with reference to diversity, the Board skills matrix, and governance principles for candidates to have at least 12 months' experience on a remuneration committee. We then asked JCA to produce a longlist of potential candidates that would include applicants from Black, Asian and minority ethnic groups. Three candidates were shortlisted and interviewed by Francis Salway and myself. Two of these candidates were subsequently interviewed by each Board member.

Taking into account feedback from the Board members, the role specification and the key skills, knowledge and experience of the candidates in the context of the other directors, the Committee recommended the appointment of Tom Hall to the Board. The Board approved this recommendation, noting in particular that Tom would bring considerable financial acumen and broad experience of working with retail businesses and digital marketplaces on the challenges and opportunities being created by rapidly changing consumer behaviour.

Board responsibilities

In light of Francis' retirement, we recommended to the Board that Jonathan Bewes be appointed as Senior Independent Director with effect from the conclusion of the 2021 AGM. The Board approved this recommendation.

Succession planning

During the year, the Committee considered the succession arrangements for the Board and for the operational directors below Board level. We reviewed a skills matrix which captured the core skills, knowledge, experience and diversity represented by the Board members. This provides a framework for considering the skills we wish to focus on when preparing role specifications and evaluating potential new Board candidates. Our current Board members each bring a broad range of individual skills, knowledge and experience. A summary of the skills of our directors is shown below.

Skills and experience	Number of directors								
Retail/Commercial/Operational	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cyber risk/Digital	✓	✓			✓				
Brand/Marketing	✓	✓	✓	✓					
Former/Current CEO	✓	✓	✓	✓		✓			
Property	✓	✓							
Listed market experience and governance	✓	✓	✓	✓	✓	✓	✓	✓	
Finance/Accounting	✓	✓							

Crisis situation succession

During the year, we also considered crisis situation succession arrangements in the event of sudden changes in the availability of executives and key operational director personnel. The business has a strong track record of successful internal promotions to both operational director and executive director positions, and we were able to clearly identify potential candidates to immediately cover for key personnel should the need arise.

Diversity

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. As a company, we acknowledge the benefits of diversity in terms of business experience and individual appointments are made irrespective of personal characteristics such as race, religion or gender. We are mindful of the recommendations of the Parker Review and, in particular, the recommendation to have at least one director of colour on the Board by the end of 2021. Going forward, we expect that our next non-executive director appointment will be someone from an ethnic minority background. The Committee will always seek to appoint the candidate with the most appropriate skills and experience.

Employment positions throughout the Company are filled with the candidates who possess the most appropriate skills and competencies relevant for the particular job role. We have a policy to treat all employees fairly and equally regardless of gender, sexual orientation, marital status, race, colour, nationality, religion, ethnic or national origin, age, disability or union membership status. Although we do not set specific targets for diversity, women currently represent 40% of our Board. In terms of the combined executive committee and their direct reports, NEXT was ranked first in the 2021 Hampton-Alexander Review "FTSE Women Leaders: Improving gender balance in FTSE leadership". Further analysis of employees by gender is given in the Strategic Report on page 80.

Mike Roney
Chairman of the Nomination Committee

1 April 2021

AUDIT COMMITTEE REPORT
Chairman's Introduction

On behalf of the Board, I am pleased to present the Audit Committee's report for the year ended January 2021. This report explains the Committee's role and its work during the year.

For many businesses 2020/21 has been a year of unprecedented challenge and change. NEXT is no exception to this. As reflected in the Group's performance for the year, the COVID pandemic has accelerated the shift from Retail towards the NEXT Online platform. The risk profile of the Group continues to evolve and the Committee has re-evaluated and challenged the principal risks of the business accordingly. Updated principal risks, which reflect the evolution of the business, are set out on pages 72 to 76 of the Annual Report.

Throughout the year the Audit Committee has regularly reviewed and applied the guidance issued by the Financial Reporting Council and other regulatory bodies. In doing so the Committee has focused its review across a broad range of areas. These include:

- Regular updates on the NEXT Finance credit business including compliance with FCA regulations, updates on customer payment levels, and emergency support plans offered to our customers from March 2020.
- A review of warehouse operations including the operational and health and safety changes as a result of the COVID pandemic.
- An update on the measures taken by the business to safeguard colleague and customer welfare.
- The wider IT considerations presented by home working arrangements including GDPR and cyber security risk.
- Review of all key judgements and estimates applied by management in preparing the financial statements. The Committee has challenged these judgements in light of the principal risks, the wider economic conditions in which the business operates and the need to ensure the financial statements are fair, balanced and understandable.

Given the enforced closure of parts of the Group's business during the year, particular focus was also given to management's assessment on viability and going concern. A number of scenarios were explored to test the financial strength of the Group. These scenarios considered a range of severe, but plausible, events such as an extended close of warehouse operations which could impact both the Retail and Online businesses. These scenarios demonstrated that the business has the capacity to withstand a fall in sales of more than 25% without calling upon the cash levers available to it and still remain within its existing debt and bank facilities. Further detail on this is provided in the Viability Statement on page 77.

The Committee also agreed to add ESG updates as a standing agenda item at its meetings, given its increased importance.

I would like to thank the management team at NEXT and all Committee members for their valuable contribution and support during what has been an extraordinary year.

Jonathan Bewes
Chairman of the Audit Committee

1 April 2021

Membership and meetings

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

Member
Jonathan Bewes (Committee Chairman)
Tom Hall (from July 2020)
Tristia Harrison
Francis Salway
Dame Dianne Thompson

The Committee member meeting attendance table is shown on page 105.

The Committee's wide range of financial and commercial skills and experience serves to provide the necessary knowledge and ability to work as an effective committee and to robustly challenge the Board and senior management as and when appropriate. The Audit Committee Chairman, a Chartered Accountant, possesses recent and relevant financial experience and the Committee as a whole continues to have competence relevant to the sector. Further details of the directors' skills, experience and qualifications can be found in the biographies on pages 98 and 99.

AUDIT COMMITTEE REPORT

The Committee's roles and responsibilities are covered in its terms of reference which are available on our corporate website at nextplc.co.uk. The terms of reference were most recently reviewed in December 2020 and were considered by the Board to remain appropriate.

During the year, the Committee held five scheduled meetings. The Group Finance Director and Chairman attended all of this year's meetings by invitation. The Committee meets without management present on a regular basis, and meets privately with each of the Head of Internal Audit and the external auditor as necessary and at least annually. Executive directors and senior managers are invited to attend Committee meetings regularly in order to reinforce a strong culture of risk management and to keep the Committee up to date with events in the business.

Annual evaluation of the Audit Committee's performance was undertaken as part of the Board evaluation process. During 2020/21 this process was facilitated internally, and further details are included on page 106. The review concluded that the Committee operates effectively.

Role of the Committee

The Committee focuses on ensuring the integrity of the financial reporting and audit processes and the maintenance of sound internal control and risk management systems in order to safeguard shareholder interests. In particular, it focuses on monitoring and/or reviewing:

- The integrity of financial and narrative reporting.
- The viability and going concern statements.
- NEXT's systems of risk management and internal control.
- The activities and effectiveness of the internal audit function.
- The effectiveness of whistleblowing arrangements.
- The effectiveness of the external audit process and the appropriateness of the relationship with the external auditor.

Committee activities during 2020/21

Review of financial statements

The Committee reviews the financial statements of the Group and assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. In order to assist with this review the Committee requested that management present detailed papers explaining and substantiating the basis for the Group's accounting policies and key areas of judgement and estimation.

The Audit Committee also recognise the importance of the views of the external auditor and consequently made enquires to ensure that suitably robust challenges and audit procedures had been performed on these judgements during the course of the audit. There were no significant differences between management and the external auditor.

Having reviewed management's papers and considered the procedures and findings of the external auditor, the Committee is satisfied that the judgements are reasonable, and that suitable accounting policies have been adopted and disclosed in the accounts.

The following areas of significance were all subject to this process and were discussed and addressed with our external auditor throughout the external audit process. The key matters of focus were:

Area of focus	Background and details	Reference to financial statements
1. Online customer receivables and related allowance for expected credit losses	Represents the largest asset class on the Group's Balance Sheet (2021: Gross value £1.3bn and allowance for expected credit losses of £195.5m). Based on detailed reports and thorough discussions with management and the external auditor, the Committee reviewed and assessed the basis and level of provisions under IFRS 9 "Financial instruments" standard methodology and their sensitivity. Consideration was given to the impact of COVID and forward-looking views on the economy, consumer indebtedness and observed defaults. The Committee is satisfied that the judgements made were reasonable and appropriate.	Note 13
2. Hedge accounting	Forward contracts and options are used to manage the Sterling cost of future product purchases; this provides certainty to the cost of purchases and therefore enables selling prices and gross margins to be set with greater certainty. Interest rate swaps are used to manage the Group's exposure to changes in interest rates. The Committee discussed the methodology used in the valuation and accounting treatment of derivative 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.	Notes 27 and 28

Area of focus	Background and details	Reference to financial statements
3. Pension scheme funding and accounting	The Group Balance Sheet shows a funding surplus of £99.2m (2020: £133.4m), comprising £1,058.5m assets and £959.3m defined benefit pension schemes obligation. Pension scheme funding, accounting and actuarial reports have been prepared in accordance with International Accounting Standards. The Committee reviewed the actuarial assumptions underlying the calculations, discussed with the auditor its view on these assumptions, and was satisfied that they are reasonable. The scheme's funding position is highly sensitive to small changes in discount and inflation rates, and the funding position reported in the Group Balance Sheet does not reflect the full cost of the pension scheme on a buyout basis.	Note 20
4. Inventory valuation	The Group Balance Sheet shows a net valuation of £536.9m (2020: £527.6m). The Committee reviewed a paper from management setting out the judgements made in respect of inventory provisions, in particular considering the impact of COVID on trading and the risk of obsolescence. The Committee also took into account the results of the external auditor's work on inventory, which included a review of the provisions held. The Committee concluded that the methodology for calculating the net realisable values of inventories, including management's judgements on provisions, was balanced and appropriate.	Page 166
5. Impairment of store assets	During the year the Group has recognised an impairment charge in relation to its Retail store assets. In determining the charge, management is required to exercise judgement in forecasting the future cash flow projections of the Retail business at a store level. These judgements were applied consistently to both the pre-IFRS 16 results (used by management as one of its Alternative Performance Measures) and the statutory results which include the impact of IFRS 16. Having reviewed papers from management, and the results for the external audit, the Committee concluded that these judgements were balanced and appropriate.	Page 166
6. Lease terms	Due to the acceleration of the transfer of trade from Retail stores to its Online business, management revisited its assessment of store lease terms for those stores where forecast performance is significantly lower than previously expected. This has resulted in the reduction of lease terms from the full lease term to the next break clause. As a result, there has been a reduction in the right-of-use asset of £50.8m, a reduction in the associated lease liability of £55.2m and a gain of £4.4m (recognised within cost of sales) . The Audit Committee reviewed management's judgements and considered this in the wider context of market conditions and recent experience on such stores. Management papers were reviewed and challenged with the views of the external auditor obtained to help ensure the judgements were appropriate.	Page 167

AUDIT COMMITTEE REPORT

Viability statement and going concern

The Committee reviewed the Group's financial position and performance, budgets for 2021/22, three year cash projections which were stress tested under different scenarios having regard to the principal risks faced by the business, and the Group's available borrowing facilities and covenants. The Committee also reviewed management's conclusion that there were no material uncertainties that would cast significant doubt on the Company's ability to operate as a going concern.

As part of this review, specific consideration was given to the potential risks associated with COVID. This included a review of the stress tests prepared by management and in particular the possible cash impact of further restrictions on store openings. The stress test scenarios then set out the measures which the business could take to control costs, conserve cash and meet its liabilities as they fall due.

In reviewing the viability and resilience of the Group to future risks, it was noted that actions taken in the preceding 12 months had already significantly strengthened the liquidity of the Group with net debt reduced from £1,112m to £610m at January 2021. In addition, the Group has significant cash levers which it could utilise should further funding be required. These levers include, but are not limited to, the temporary cessation of capital expenditure, the cancellation and/or reduction in stock commitments and the sale of shares in the Employee Share Option Trust. Evidence of the Group's ability to realise cash through these was present in the first half of the year when both the stores and warehouses were temporarily closed.

Further details of the scenario testing are provided in the Viability Statement. The Committee reported to the Board that, in its view, the going concern assumption remained appropriate.

Fair, balanced and understandable

At the request of the Board, the Committee undertook an assessment as to whether, in its view, the Annual Report and Accounts were fair, balanced and understandable, and provided the necessary information for shareholders to assess NEXT's position and performance, business model and strategy. In forming its opinion, the Committee considered the results of management's assessment of going concern, reviewed the Annual Report and Accounts as a whole, and assessed the results of processes undertaken by management to provide assurance that the Group's financial statements were fairly presented. These processes included, but were not limited to:

- Review by senior management of the Annual Report to ensure that the information presented was accurate and that the narrative was consistent with the fact pattern.
- Monthly Board meetings where the management accounts and KPIs were reviewed to ensure that the business performance was appropriately assessed, reported and understood.
- Discussion with senior management and a review of any significant judgements or estimates made by management in preparing the Annual Report.

The views of the external auditor on this matter were also considered by the Committee. Having completed its assessment, the Committee reported to the Board that it was able to make the corresponding confirmation in its directors' responsibility statement.

Risk management and internal control

While the Board retains ultimate responsibility for risk management, the Committee reviews the overall effectiveness of risk management within the business on a regular basis, and at least annually. During the year the Committee reviewed the key current and emerging risks, together with the associated controls and mitigating factors. At each meeting during the year, the Committee received presentations from management detailing risks and risk management in individual areas of the business.

Further details regarding the risk framework and approach to risk management, together with details of NEXT's principal risks and risk assessment can be found on pages 70 to 76.

During the year the Committee:

- Received regular updates from the IT and operations teams including updates on key projects.
- Reviewed the results of an independent cyber security review, including the plan to incorporate the recommendations arising from that review.
- Considered updates from the warehousing & distribution and product merchandising businesses covering current and anticipated risks together with corresponding mitigating actions.
- Reviewed the anti-money laundering risk assessment and new internal standards.
- Considered additional risks arising as a result of the pandemic, including the risks created by increased numbers of staff working from home, and the increase in health data being processed.
- Received an update from management on lessons learnt from the COVID pandemic and steps taken to further improve the resilience and ability of the business to respond effectively to such events.
- Reviewed the risk appetite for data protection and agreed a revised method of capturing residual data protection risk exposure and controls.
- Reported to the Board on our evaluation of the effectiveness of the Group's systems of internal control and risk management, informed by reports from internal audit and PwC.

IT systems and cyber security

The Committee continued to receive regular updates from the IT and operations teams covering various aspects of IT and cyber security during the year. These included an external cyber security review, which assessed the maturity of the Group's systems and provided recommendations for further reinforcement, and updates from the compliance team on developing a roadmap for further risk reduction.

Warehousing and logistics

The operations of the Group are reliant on an effective and efficient warehousing and logistics function, and this was more crucial than ever during 2020, with the widespread closure of Retail stores for multiple periods.

During the year the Committee received updates from our warehousing and logistics directors covering the safety systems and new ways of working implemented following the temporary closure of the warehouses in March 2020, the operational output of the warehouses, and key lessons learned that will benefit the warehouse operations in the future. The Committee also reviewed progress on a significant four year warehouse expansion and reorganisation project commenced in 2018.

Consumer credit

During the year the Committee received regular updates on the Finance business, including regular reporting on the financial outlook, FCA conduct risks and actions taken to mitigate the impact of the pandemic on the Finance business. The Committee reviewed changes in the Finance business approach to addressing risks arising from the pandemic including Emergency Support Plans, changes to collection procedures and changes to the lending policy.

The Committee also received regular updates on regulatory compliance and other developments in the Finance business.

Other risk management activities

During the year the Committee received reports and presentations from relevant senior management on other significant activities and key control functions of the Group including:

- Anti-Money Laundering
- Business continuity
- Code of Practice supplier audits (including ethical compliance)
- ESG matters
- Health and safety
- Legal matters
- Pensions
- Taxation
- Treasury

Internal audit

During the year the Committee:

- Reviewed the level of internal audit resource, experience and expertise and concluded that it was adequate for the size, structure and business risks of the Group and is supplemented with appropriate external resources where needed.
- Reviewed and approved the scope of the internal audit work plan ensuring that it was aligned to the key risks of the business, including changes to the plan during the year.
- Received an update at each Committee meeting from the Head of Internal Audit on the internal audit work performed and the results.
- Met the Head of Internal Audit without management present to discuss the internal audit plan and resources.

During the year the Head of Internal Audit:

- Attended all Audit Committee meetings and provided reports and verbal updates to the Committee.
- Had direct access to all Committee members and met the Committee Chairman and Committee members separately.
- Met with the Audit Committee Chairman twice to carry out formal reviews of the internal audit department's resources, approach, work performed and audit results.

Using a structured framework, the Committee considered the effectiveness of the internal audit function. It did so by considering the function's purpose and remit, organisation, processes, people and expertise, and performance and communication. The Committee is satisfied that the internal audit function has continued to perform effectively during the year. The Committee received regular updates about progress against the areas of improvement identified.

External auditor

The Audit Committee is responsible for recommending to the Board the appointment, re-appointment, remuneration, and removal of the external auditor. A resolution to propose the re-appointment of PwC was approved by shareholders at the 2020 AGM. When considering whether to recommend the re-appointment of the external auditor, the Committee considers a range of factors, including the effectiveness of the external audit, the period since the last audit tender was conducted, and the ongoing independence and objectivity of the external auditor.

Independence and objectivity

PwC conducted its first audit of NEXT's financial statements in 2018, following a competitive tender process. Andrew Lyon, the Lead Audit Partner, has held his position since that time, and will serve a maximum term of five annual audit cycles. The Committee will conduct an audit services tender at least every ten years to ensure that the independence of the external auditor is safeguarded.

PwC 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. When assessing the independence of the auditor, the Committee considers, amongst other things, the length of tenure of the audit firm and the audit partner, the value of non-audit fees provided by the external auditor, the relationship with the auditor as a whole, and management responses to the independence questions in the questionnaire conducted at the end of the audit process.

Non-audit work carried out by the external auditor

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. An updated policy was approved at the March 2020 Audit Committee meeting. In addition, during the year, PwC split its Risk and Audit practice to create two distinct businesses. The split of these two practices is designed to support the continued development of high-quality, independent audits.

The Committee reviews audit and non-audit fees twice a year.

The Committee's approval is required in advance for the provision of any non-audit services by the external auditor. In any one year the aggregate non-audit fees will not exceed £150,000 and, over a rolling three year period, such fees are limited to 50% of the average audit fee paid in the previous three years. The Audit Committee has set in place procedures to ensure only permitted non-audit services are provided by the auditor and these are in line with the above policy. These procedures also ensure that the new regulatory cap on permitted non-audit services of 70% of the average Group audit fee paid on a rolling three year basis, effective for 2020/21, is not exceeded.

AUDIT COMMITTEE REPORT

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, PwC's audit fee amounted to £1.0m and its non-audit fees were £0.1m in total. In line with the above policy, appropriate advance approval was obtained from the Committee. Non-audit fees related to services provided in relation to the turnover certificates on retail stores and the audit of corporate responsibility reporting. Further details are provided in Note 3 to the financial statements.

Effectiveness and reappointment

It is the Committee's responsibility to assess the effectiveness of the external audit.

The Committee kept under review the effectiveness of the external audit throughout the year. It did this through:

- Reviewing audit plans early in the planning stages and discussing audit planning, audit quality, fees, accounting policies, audit findings and internal control with PwC.
- Reviewing feedback from the parties involved in the external audit process, including PwC's report on its own internal quality procedures, the results of a survey completed by NEXT management on their experience with the external auditor in respect of areas such as audit strategy, professional scepticism, technical strength, communication and planning, and high-level feedback from the Committee itself.
- Reviewing the findings from the FRC's annual audit inspection and the actions PwC was taking as a consequence of the inspection, particularly in relation to the audit of retail companies.
- Considering the areas in which PwC had challenged management's assumptions in key areas of judgement and the number and nature of the accounting and control observations raised by the auditor.
- Considering the manner in which the audit was conducted and the audit areas in which most time was spent.

The Audit Committee Chairman attended the audit close meeting between the external auditor and management to ensure that he was fully aware of:

- The issues that arose during the course of the audit and their resolution.
- The level of errors identified during the audit.
- The interaction between management and the auditor.

The external auditor attended all of this year's Committee meetings.

Based on these reviews, the Committee concluded that PwC had applied appropriately robust challenge and scepticism throughout the audit, that it possessed the skills and experience required to fulfil its duties effectively and efficiently, and that the audit was effective.

Having reviewed the auditor's independence and the effectiveness of its audit, the Committee is satisfied that PwC should be re-appointed as external auditor for the 2021/22 financial year.

Whistleblowing

The Company's whistleblowing procedures ensure that employees, suppliers and other third parties are able to raise concerns about possible improprieties on a confidential basis. Concerns can be raised by telephone or online to an independently provided service. The policy also allows concerns to be reported directly to the Audit Committee Chairman.

During the year, the Committee received updates at every meeting of reported issues, investigation details and follow up actions. The Committee also received updates in relation to anti-bribery and modern slavery training and awareness programmes.

CMA Order 2014 Statement of Compliance

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 2021.

REMUNERATION REPORT

Contents

Remuneration compliance

This report complies with Schedule 8 of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations, the 2018 UK Corporate Governance Code and the Listing Rules.

References to Profit Before Tax (PBT) and Earnings Per Share (EPS) in this Remuneration Report do not reflect the impact of IFRS 16 (Leases).

Part 1: Annual Statement

As Chairman of the Remuneration Committee and on behalf of the Board, I am pleased to present our report on directors' remuneration for 2020/21 which is in line with the Company's approved Remuneration Policy. The Directors' Remuneration Policy was supported by 91.8% of our shareholders at our AGM in 2020.

Pay and performance outcome for 2020/21

Total remuneration

The correlation between the fortunes of executives and stakeholders has become increasingly important in recent times but the unprecedented events of 2020 have brought it into even sharper focus. This statement details the decisions the Committee has taken this year in respect of executive remuneration, taking into account the wider stakeholder environment.

Retailers selling non-essential goods have been hit particularly hard by COVID-19. For NEXT, some or all of our UK stores have faced enforced closure on multiple occasions and our warehouses were closed temporarily to re-design them for COVID-safe operations. This resulted in many staff being furloughed and one of our main concerns was to ensure their financial welfare. We have therefore topped up the pay of all those paid above the furlough scheme cap to 80% of normal pay. Rapid action was also taken to preserve liquidity, with asset disposals and cancellation of dividend payments. In recognition of these factors, all directors agreed to waive 20% of their salaries and fees for part of the year (see below for further details) and the Committee took the decision that it would not be appropriate to pay bonuses for 2020/21.

However, the COVID-related lockdowns have also highlighted how much the business has done over recent years to reposition itself as a successful online platform with new income streams. As outlined in our Strategic Report, NEXT performed well during the year as a whole notwithstanding these exceptionally difficult circumstances, delivering a positive profit before tax of £342.0m (2020: £728.5m). While the share price has been volatile as markets reacted to COVID, it has ended the year at a level which reflects the Company's achievements, whether considered in absolute terms or in comparison to retail peers, increasing by 7.5% from £71.94 to £77.30 in the financial year.

This performance was founded on long term planning to build the scale of NEXT's Online business, which accounted for around half of the Company's turnover going into the pandemic. In engineering the Group's structural shift to Online over the past few years, NEXT's executives have successfully managed the costs and complexities associated with developing the appropriate Online systems and fulfilment platforms, as well as generating new retail revenue streams. It has been encouraging to see the output of their efforts reflected in the resilience of the business in such challenging times, and the success of this long term planning is reflected in LTIP outcomes.

Salary

All Board directors voluntarily waived 20% of their salaries and fees during the particularly challenging initial period of the pandemic from April 2020 to June 2020. For executive directors, the salary reductions were also mirrored in lower pension contributions/cash supplements.

In taking the decision to restore full salaries from 1 July 2020, the Committee took into account the following factors:

- The reopening of Online operations in April 2020
- The reopening of Retail Home stores in May 2020 and a phased re-opening of clothing stores starting in May 2020, with the expectation that all Retail stores in England would be trading by the end of June
- Significant improvements in the forecasts for full year profit, net debt and cash resources

Annual bonus

In April 2020, the decision was taken by the Remuneration Committee to cancel the annual bonus for 2020/21, meaning no bonus will be paid in respect of this financial year. This was considered equitable in the context of the wider stakeholder environment, given that distributions to shareholders were suspended and a significant number of colleagues were furloughed.

REMUNERATION REPORT

Long Term Incentive Plan

LTIP awards are currently granted twice a year. Prior to the approval of the Remuneration Policy at the 2020 AGM, each grant was made at 100% of base salary for executives. An increase in the LTIP opportunity to 225% was approved at the AGM in May 2020; accordingly, the Committee approved grants in March 2020 at 100% and in September 2020 at 125% of base salary. Typically, 112.5% of base salary will be granted every six months.

Two LTIP awards reached the end of their three year performance period. Of these, the first vested at 90% as NEXT's total shareholder return (TSR) ranked fifth out of 21 companies in the comparator group and the second vested at 100% as NEXT's TSR ranked fourth in the comparator group. Of the estimated total value of the two LTIP awards, 31% is due to the increase in share price and a further 7% to the dividends accrued on such awards.

The Committee considered whether it would be appropriate to scale back the LTIP vestings, taking into account the external environment. It decided to allow the awards to vest without adjustment for the following reasons:

- During much of the performance period, the Retail sector has been challenging and the NEXT senior management team has performed very well in managing the costs, systems requirements and evolution of the NEXT warehousing and logistics platform. Many of the actions taken by management during this period means the Company is very well placed to take advantage of the opportunities of the ongoing structural shift in spending from retail stores to online as well as investment and acquisition opportunities arising from the pandemic.
- Financial data shows NEXT is performing well in exceptionally challenging circumstances.
- NEXT has delivered share price growth over the performance periods in contrast to decreases in both the FTSE 100 and the FTSE 350 General Retailers indices.
- The performance period of the LTIPs measured longer term performance over three years (i.e. going beyond the period affected by COVID).
- The performance targets themselves were more demanding than market norms (with only 20% vesting at threshold compared with a norm of 25% and full vesting requiring upper quintile rather than upper quartile performance).
- The Committee had already cancelled the opportunity to earn bonuses for the year to January 2021.

The Committee therefore concluded that the indicative levels of vesting according to the metrics of the scheme were appropriate. Details of the comparator group are set out on page 126.

The Committee also actively considered whether it was necessary to scale back the quantum of LTIP grants. It considered that scaling back was not appropriate for the following reasons:

- NEXT's approach to grants already includes a higher level of smoothing than most other companies through both a) making grants every 6 months, rather than the more typical larger single annual grant and b) using as the relevant share price the average price over the three month period immediately prior to the start of the performance period, rather than the more typical period of 1-5 days thereby ensuring that a temporarily low spot price is not adopted.
- The time horizon of the three year LTIP performance period and two year holding period which would extend beyond the impact of COVID.
- The share price at the time of the awards was well within the trading range of the previous three years.
- The Committee retains the power to apply negative discretion to LTIP vesting percentages if it considered that there had been a windfall gain.

Key remuneration decisions

The Committee addressed a number of matters during the year. The matters relating directly to director remuneration in the context of the pandemic are summarised below.

Salary	All Board directors waived 20% of their salaries and fees from April 2020 to June 2020. The Committee determined that a return to full salaries and fees was justified from July 2020 once the initial impact of the pandemic had become clearer.
Annual bonus	The annual bonus for executive directors was cancelled for the 2020/21 financial year.
LTIP	The grant and vesting of LTIP awards were allowed without adjustment taking into account a number of factors as set out above.

Annual base salary review for 2021/22

The Committee reviewed and set the remuneration for the Chairman, executive directors and senior management. The executives received base salary increases in February 2021 of 0.6%, in line with the wider Company award. Lord Wolfson's annual base salary increases have been in line with the wider Company awards since 2009.

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 pre-tax EPS (on a pre-IFRS 16 basis).

The principal reasons for using EPS are:

- It is consistent and transparent to participants and shareholders.
- The primary financial objective of the Group is to deliver long term, sustainable returns to shareholders through a combination of growth in EPS and payment of cash dividends.
- The use of EPS is complemented by the application of relative TSR 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 special dividends) have been one of NEXT's primary strategies in delivering value to shareholders. Share buybacks or special dividends are regularly considered by the Board. 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.

Malus and clawback

As part of the Remuneration Policy review last year, the Committee reviewed and updated the triggers for malus and clawback, strengthening them to ensure that they have sufficient scope to capture any foreseeable circumstance in which the Committee may wish to apply malus and/or clawback. In addition, as required by the UK Corporate Governance Code, the Committee also introduced a general overriding discretion to reduce variable pay at the point of determination and included this in the executive directors' service agreements.

Other activity during 2020/21

Further information about the work of the Committee is on page 131.

Wider employee considerations and employee engagement

The Committee reviews remuneration arrangements across the Group and considers pay and employment conditions elsewhere in the Group to ensure that differences for executive directors are justified. This includes performance-related pay which is designed to ensure that all employees have the potential to benefit from the success of NEXT. The Committee is responsible for approving the remuneration of the Group's senior executives. It is also responsible for determining the targets for performance-related pay schemes, approving any award of the Company's shares under employee share option or incentive schemes, and overseeing any major changes in employee benefit structures.

There are bonus structures throughout the Company and employee share ownership is strongly encouraged. Market value options over NEXT shares are granted each year (including in 2020) to approximately 1,600 middle management in our Head Office, call centres and warehouses, as well as senior store staff. Participation in our Sharesave scheme is open to all our UK and Eire employees. Around 9,600 employees (circa 26% of our total UK and Eire employees) held options or awards in respect of 6.4 million shares in NEXT at the financial year end.

Our range of workforce engagement activities continued during 2020 despite the pandemic, albeit in a different format and focusing on different issues. We communicated extensively with our colleagues on safety measures throughout the pandemic. As a result of employee feedback, we temporarily closed our warehousing and distribution operations in late March 2020 to rework our operations to make them COVID safe. We implemented extensive additional safety measures in consultation with our employees and our recognised union, USDAW, before recommencing Online operations with a daily limit of orders that could be picked safely.

Our annual employee forum meetings for our Head Office, Warehousing & Distribution, Retail and Online areas were held virtually. Lord Wolfson, Dame Dianne Thompson (non-executive director), our Group HR Director and a cross-section of workforce representatives from each area attended each of the meetings. In addition, Lipsy and NEXT Sourcing have implemented company works councils and will be incorporated into the Recruit, Reward and Retain working party meetings from 2021.

Along with the employee forum feedback, earlier this year the Committee reviewed and discussed a range of 'dashboard' information on important employee matters such as pay and reward, bonuses, benefits, diversity, equality of pay, internal promotions, culture and behaviours, and learning and development. The remuneration framework works best when decisions are made in the context of the workforce as a whole rather than in isolation, and so the Committee took into account the output of the workforce dashboard to ensure the executive directors' pay policy is aligned to the Company's strategy and, where relevant, to performance-related pay for managers below Board level. Following the dashboard review, I circulated a letter to all our employees setting out our approach.

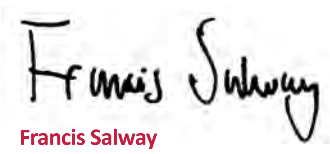
Shareholder engagement

The Committee maintains an ongoing dialogue with the Company's shareholders and proxy agencies to understand their views. Any major changes to the Remuneration Policy or its operation would be subject to prior consultation as necessary. No such changes were contemplated this year but the Committee was very mindful of COVID-related guidance issued by shareholders and proxy agencies when considering the key remuneration decisions set out on pages 116 and 117.

For further details regarding the feedback to the Board on shareholder views, please see page 94.

2021 AGM

The Committee has been very mindful of the requirements of the UK Corporate Governance Code when determining remuneration policy and practices. It considers 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, even in the most challenging of years. The Remuneration Policy structure continues to provide a strong and transparent link between pay and performance and has operated as intended. We hope that this report provides clear insight into the Committee's decisions and look forward to receiving your support at the 2021 AGM for our 2020/21 Directors' Annual Remuneration Report.



Francis Salway
Chairman of the Remuneration Committee

1 April 2021

REMUNERATION REPORT

Part 2: Annual Remuneration Report

This Annual Remuneration Report comprises a number of sections:

Annual Remuneration Report

The Remuneration Committee presents the Annual Remuneration Report, which, together with the Chairman's Introduction on pages 115 to 117, will be put to shareholders for an advisory (non-binding) vote at the AGM to be held on 20 May 2021. Sections which have been subject to audit are noted accordingly.

Implementation of Remuneration Policy

The Committee has implemented the Remuneration Policy in accordance with the policy approved by shareholders at the AGM in May 2020. The table overleaf sets out the way that the policy was implemented in 2020/21 and any significant changes in the way it will be implemented in 2021/22.

<table>
<tr><th>Element of remuneration</th><th>Policy implemented during 2020/21 and changes in 2021/22</th></tr>
<tr><td>Base salary</td><td>Base salaries for the executives increased by 0.6% in February 2021, in line with the wider Company award. The base salaries for the executive directors from February 2021 are:
<table>
<tr><th>£000</th><th>2021/22</th><th>2020/21</th></tr>
<tr><td>Lord Wolfson</td><td>824</td><td>819</td></tr>
<tr><td>Amanda James</td><td>502</td><td>499</td></tr>
<tr><td>Richard Papp</td><td>486</td><td>483</td></tr>
<tr><td>Jane Shields</td><td>486</td><td>483</td></tr>
</table></td></tr>
<tr><td>Annual bonus</td><td>The COVID pandemic has resulted in an economic shock on an unprecedented scale and had a significant adverse impact on 2020/21 performance. In addition, in light of the furloughing of staff and the decision by the Board to suspend dividend payments in the year, the Committee did not feel that it would be appropriate to pay an annual bonus to the executives. Accordingly, the Committee cancelled the Annual Bonus in April 2020 and therefore no bonus is payable in respect of the 2020/21 financial year.

Prior to cancellation, for the year to January 2021 performance targets were set requiring pre-tax EPS growth of at least 3.5% on the prior year, adjusted for special dividends and excluding exceptional gains, before any bonus became payable. At this threshold, 12% bonus was payable. A maximum bonus of 100% and 150% of salary for the executive directors and Chief Executive respectively was payable if pre-tax EPS growth was 12.4% or higher.

For the year to January 2022 no changes to the bonus structure will be made. 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.

The Committee ensures that a mechanism exists so 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.</td></tr>
<tr><td>LTIP</td><td>See Note 6 to the single total figure of remuneration table for details of LTIP vestings in the year.

In accordance with the Remuneration Policy approved by shareholders at the May 2020 AGM, the level of LTIP grants has been increased from 200% to 225% with two grants of 112.5% of salary each anticipated. The September 2020 LTIP grant reflected this new increased level of grant (see page 126). Aside from this, LTIP grants in 2021/22 will be made on the same basis to the 2020/21 grants, with any changes to the TSR comparator group considered immediately prior to each grant.

For grants made from the adoption of the 2017 policy (i.e. the grant vesting from September 2020), consistent with market practice, the LTIP awards increase to reflect dividends paid over the period to vesting (assuming reinvestment at the prevailing share price).</td></tr>
<tr><td>Recovery and withholding provisions</td><td>The Committee previously introduced recovery and withholding 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 for the retention of any net of tax shares that vest) under the LTIP for executive directors. See page 139 for details of the malus and clawback provisions in the service contracts of the executive directors.</td></tr>
<tr><td>Chairman and non-executive director fees</td><td>The fees of the Chairman and non-executive directors were increased by 0.6% in February 2021, in line with the wider Company award. The Chairman, Michael Roney, will be paid an annual fee of £346,112 (2020/21: £344,047). The basic non-executive director fee for 2021/22 is £59,339 (2020/21: £58,985), with a further £11,868 (2020/21: £11,797) paid to the Chairman of each of the Audit and Remuneration Committees respectively, and to the Senior Independent Director.</td></tr>
<tr><td>Pension</td><td>The value of overall pension provision is consistent with the wider workforce for each director when compared with colleagues with an equivalent length of service. Consistent with the Policy approved by shareholders last year, additional caps on Lord Wolfson's potential benefits were added even though these do not apply to other colleagues with his length of service.</td></tr>
<tr><td>Shareholding requirement</td><td>This was increased from 200% of salary for all executive directors to 225% following the AGM in May 2020.</td></tr>
<tr><td>Post cessation shareholding requirement</td><td>Introduction of post cessation shareholding requirements following the AGM in May 2020.</td></tr>
<tr><td>Other benefits</td><td>No change.</td></tr>
<tr><td>Save As You Earn scheme (Sharesave)</td><td>No change.</td></tr>
</table>

Single total figure of remuneration (audited information)

Directors' remuneration

£000	Fixed remuneration										Variable remuneration									
	Salary/fees[1]		Benefits[2]		Pension[3]		Salary supplement[4]		Total		Annual bonus[5]		LTIP[6]		Sharesave		Total		Total remuneration	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Chairman																				
Michael Roney	**327**	338	**–**	–	**–**	–	**–**	–	**327**	338	**–**	–	**–**	–	**–**	–	**–**	–	**327**	338
Executive directors																				
Lord Wolfson	**778**	805	**41**	47	**70**	143	**117**	121	**1,006**	1,116	**–**	350	**2,387**	1,173	**–**	–	**2,387**	1,523	**3,393**	2,639
Amanda James	**474**	490	**22**	24	**2**	20	**21**	4	**519**	538	**–**	142	**1,285**	592	**–**	–	**1,285**	734	**1,804**	1,272
Richard Papp	**459**	475	**23**	23	**–**	–	**23**	24	**505**	522	**–**	138	**1,285**	632	**–**	–	**1,285**	770	**1,790**	1,292
Jane Shields	**459**	475	**42**	42	**–**	–	**69**	71	**570**	588	**–**	138	**1,285**	632	**–**	–	**1,285**	770	**1,855**	1,358
Non-executive directors																				
Jonathan Bewes	**67**	70	**–**	–	**–**	–	**–**	–	**67**	70	**–**	–	**–**	–	**–**	–	**–**	–	**67**	70
Tom Hall*	**33**	–	**–**	–	**–**	–	**–**	–	**33**	–	**–**	–	**–**	–	**–**	–	**–**	–	**33**	–
Tristia Harrison	**56**	58	**–**	–	**–**	–	**–**	–	**56**	58	**–**	–	**–**	–	**–**	–	**–**	–	**56**	58
Francis Salway	**78**	81	**–**	–	**–**	–	**–**	–	**78**	81	**–**	–	**–**	–	**–**	–	**–**	–	**78**	81
Dame Dianne Thompson	**56**	58	**–**	–	**–**	–	**–**	–	**56**	58	**–**	–	**–**	–	**–**	–	**–**	–	**56**	58
	2,787	2,850	**128**	136	**72**	163	**230**	220	**3,217**	3,369	**–**	768	**6,242**	3,029	**–**	–	**6,242**	3,797	**9,459**	7,166

* Tom Hall was appointed to the Board as a non-executive director on 13 July 2020.

Total emoluments paid to directors (salary/fees, benefits, salary supplements and annual bonus) for the year to January 2021 were £3,145,000 (2020: £3,974,000).

Note 1: Salary/fees

The single figure table sets out salary and fee payments taking into account that all Board directors agreed to waive 20% of their salaries and fees during the particularly challenging initial period of the pandemic between April and June.

Note 2: Benefits

	Car/chauffeur charges/cash allowance		Fuel		Medical insurance & NEXT clothing allowance		Total	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Lord Wolfson	34	40	4	4	3	3	41	47
Amanda James	15	17	5	5	2	2	22	24
Richard Papp	20	20	–	–	3	3	23	23
Jane Shields	30	30	9	9	3	3	42	42

Note 3: Pension

Lord Wolfson is accruing pensionable service under the defined benefit supplemental pension arrangement. See page 123 for details, including Lord Wolfson's voluntary cap of the service accrual under his defined benefit (DB) pension plan which was effective from February 2020.

DB pension values are calculated using the method required by remuneration regulations, i.e. the total pension accrued at January 2021 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, Lord Wolfson's salary was frozen for DB pension purposes at October 2012 although he continues to accrue service.

The DB pension entitlement of Lord Wolfson accrued during the year, after the impact of the cap, is as follows:

	Age at January 2021	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	53	26	432	12	5

Directors' DB 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. For just over 1 month of the year Amanda made a contribution equal to 5% of her salary into her pension plan which was matched by the Company (2019/20: for ten months of that year). For the remainder of the year, as Amanda had reached the annual pension allowance limit (i.e. the total amount of contributions that can be paid to defined contribution pension schemes and the total amount of benefits that can build up in DB pension schemes each year, for UK income tax relief purposes), she opted to receive an equivalent cash supplement in lieu of this Company contribution. This is consistent with the Remuneration Policy and with the pension provision and alternatives available to other members of the defined contribution section who have exceeded the Annual or Lifetime Allowance limits.

Note 4: Salary supplement in lieu of pension

Supplements of 15% of base salary are paid to Lord Wolfson and Jane Shields in lieu of past changes to their pension arrangements. Jane Shields has received this supplement from 2011 and Lord Wolfson from 2012. Richard Papp is a deferred member of both the defined benefit and contribution sections of the 2013 NEXT Group Pension Plan and receives a supplement of 5% of base salary. See Note 3 opposite for information regarding Amanda James.

Note 5: Annual bonus

In light of the decision not to pay dividends in the year, the Committee did not feel that it would be appropriate to pay an annual bonus to the executives. Accordingly, the Committee cancelled the Annual Bonus in April 2020 and therefore no bonus is payable in respect of the 2020/21 financial year.

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

Note 6: LTIP

Performance targets for the LTIP are set out on page 135.

For the three year period to July 2020, NEXT's TSR ranked fifth in the comparator group of 21 resulting in 90% of the grant made in the second half of 2017 vesting. This award vested on 21 September 2020. For the three year period to January 2021, NEXT's TSR ranked fourth in the comparator group of 21 resulting in 100% of the award granted in March 2018 vesting. For details of the Committee's consideration as to whether it would be appropriate to scale back the LTIP vestings, taking into account the external environment, please see page 116. The Committee concluded that the indicative formulaic level of vesting was appropriate and allowed such vesting without adjustment.

LTIP values included in the 2020/21 single figure table comprise the actual value of awards that have vested for the performance period ended July 2020 plus the estimated value of awards that will vest for the performance period ended January 2021 based on the average NEXT share price over the final three months of the financial year of £70.32. Of the total value of the two LTIP awards, the amount due to the increase in share price is set out below.

	July 2020			January 2021		
	Increase in value of original award (£000)	Increase in value due to dividend accrual (£000)	Percentage of award attributable to share price appreciation	Estimated increase in value of original award (£000)	Estimated increase in value due to dividend accrual (£000)	Percentage of award attributable to share price appreciation
Lord Wolfson	313	93	28%	424	72	33%
Amanda James	168	50	28%	228	39	33%
Richard Papp	168	50	28%	228	39	33%
Jane Shields	168	50	28%	228	39	33%

LTIP values included in the single figure table for the 2019/20 comparative figures have been updated to reflect the actual market values of the LTIP awards that vested on 23 March 2020 (as set out in the table on pages 125).

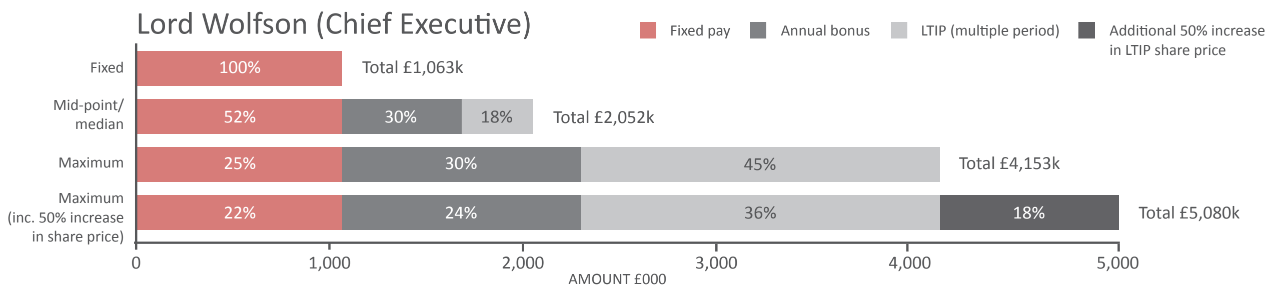
REMUNERATION REPORT

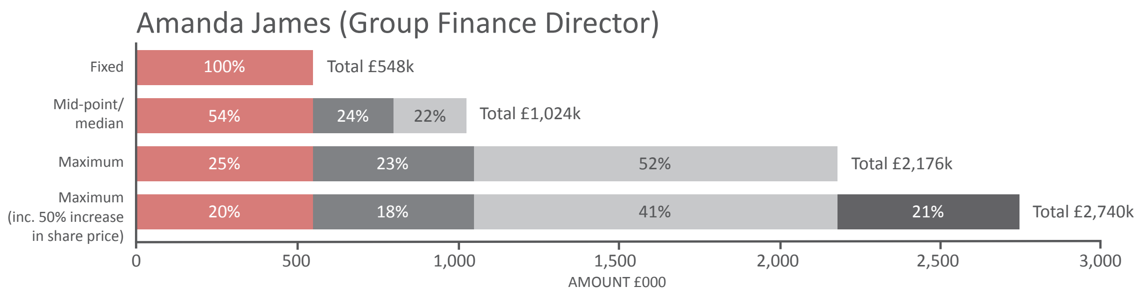
Total remuneration opportunity

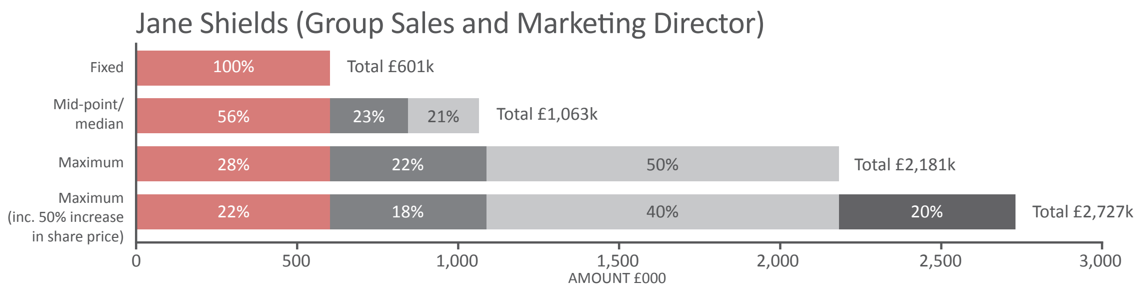
The Committee's objective is to ensure that the remuneration paid to senior executives is appropriate in both amount and structure, is directly linked to the Company's annual and longer term performance and is aligned with the interests of shareholders. Careful consideration is given to ensuring there is an appropriate balance in the remuneration structure between annual and long term rewards, as well as between cash and share-based payments.

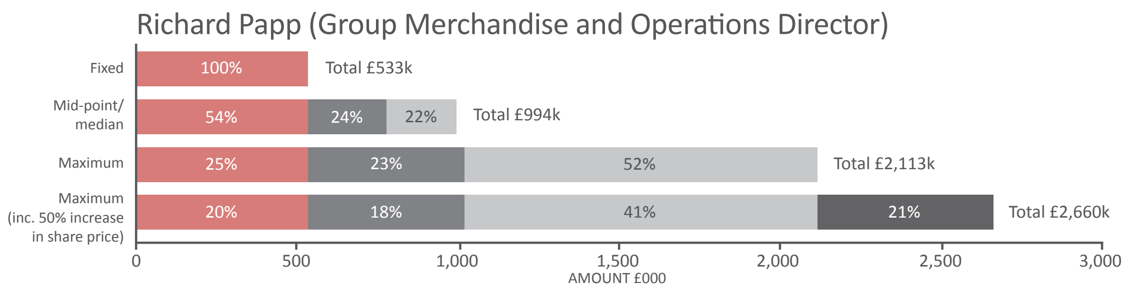
The charts below indicate the level of remuneration that could be received by each executive director in accordance with the Directors' Remuneration Policy at different levels of performance.

Variable pay is linked to measures which are aligned with the Company's long term strategy and objectives. The overall level of executive director pay remains modest compared with that available at other equivalently sized FTSE 100 companies and the maximum remuneration indicated in the charts below reflects the Committee's conservative approach to executive pay.









In the charts on the previous page, the following assumptions have been made:	
Fixed/minimum	Base salaries and salary supplement values as at 2021/22, and benefits values as shown in 2020/21 single figure of remuneration. The pension value for Lord Wolfson has been capped at 24% of his salary (see below).
Mid-point/median	Includes the performance-related pay a director would receive in the scenario where: • 50% of maximum annual bonus is earned • LTIP performance results in a median TSR ranking and therefore 20% of the maximum award would vest
Maximum	Includes the performance-related pay a director would receive in the scenario where performance equalled or exceeded maximum targets: • 100% of the annual bonus • LTIP performance results in an upper quintile TSR ranking and therefore 100% of the maximum award would vest
Maximum inc. 50% growth in share price across relevant performance period	As for the maximum scenario above, plus an increase in the value of the LTIP of 50% across the relevant performance period to reflect possible share price appreciation. Consistent with the reporting regulations, this does not separately include the impact of dividend accrual.

Executive directors' external appointments

Executive directors are allowed external appointments with the permission of the Board. In January 2021, Lord Wolfson joined the Board of Deliveroo as a non-executive director. He retains his remuneration for this appointment.

Pension entitlements (audited information)

Executive directors are members of the 2013 Plan, which has been approved by HMRC and consists of defined benefit and defined contribution sections. Lord Wolfson, Jane Shields and Richard Papp are deferred members of the defined benefit section. Amanda James is an active member and Richard Papp is a deferred member of the defined contribution section. In addition, Lord Wolfson is accruing service in an unfunded, unapproved supplementary pension arrangement (see below).

Lord Wolfson and a small number of senior employees are entitled to receive a pension of two thirds of pensionable earnings as at October 2012 on retirement at age 65, which accrues uniformly throughout their pensionable service, subject to completion of at least 20 years' pensionable service by age 65. The deferred defined benefit pensions for Jane Shields and Richard Papp are based on their pensionable earnings at the time they became deferred pensioners and accrued uniformly throughout their pensionable service.

Since shortly after joining NEXT in 1991, Lord Wolfson has been a member of a DB pension scheme, as was the normal practice at NEXT and across the market more widely at the time. In 2012, the value of Lord Wolfson's DB pension benefits was reduced when his salary was frozen for DB pension purposes and he began to receive a 15% salary supplement as part of this renegotiation of terms by the Company.

With effect from February 2020, Lord Wolfson has volunteered to cap the service accrual under his DB pension annually so that the single figure value attributed to the DB portion of his pension is no more than 9% of salary (giving a single figure of DB pension and salary supplement in aggregate of up to 24% of salary). The Committee is appreciative of Lord Wolfson's offer to cap his pension in this way, acknowledging that he has now twice taken a material reduction in the terms of his pension (the Committee considers that it would not be reasonable for him to take a third reduction if shareholders' views were to change again).

After introduction of the cap on the service accrual under Lord Wolfson's DB pension, all of the executive directors are on pension arrangements no more generous than those offered to the wider colleague population recruited at the same time as them so that the pension proposals align with the relevant all-employee populations.

Our other executive directors receive pension contributions and/or salary supplements of 15% of salary and 5% of salary. These are consistent with the levels available to staff at the time they joined and, therefore, consistent with the benefits enjoyed by other staff with an equivalent length of service. For many years, employees promoted to the Board have not received any enhancement to their pension provision on joining the Board.

The DB section provides a lump sum death in service benefit and dependants' pensions on death in service or following retirement. 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 was increased from 60 to 65. There are no additional benefits payable to directors in the event of early retirement.

REMUNERATION REPORT

Active members of the DB scheme contribute 3% or 5% of pensionable earnings as at October 2012, while the Company makes contributions at the rate of 38%. 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 supplementary pension arrangement. The relevant members contribute towards the additional cost of providing these benefits by a payment of 5% on pensionable earnings as at October 2012. 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 DB 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).

Further information on the Group's DB and defined contribution pension arrangements is provided in Note 20 to the financial statements.

Directors' shareholding and share interests (audited information)

Directors' interests

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]		Sharesave[3]	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Lord Wolfson	**1,249,504**	1,380,890	**–**	–	**94,470**	97,207	**344**	344
Jonathan Bewes	**1,750**	1,750	**–**	–	**–**	–	**–**	–
Tom Hall	**nil**	n/a	**–**	–	**–**	–	**–**	–
Tristia Harrison	**1,000**	1,000	**–**	–	**–**	–	**–**	–
Amanda James	**28,168**	22,253	**–**	–	**55,348**	54,505	**357**	357
Richard Papp	**17,867**	20,452	**–**	–	**54,159**	53,926	**392**	392
Michael Roney	**40,821**	38,275	**–**	–	**–**	–	**–**	–
Francis Salway	**4,520**	9,040	**–**	–	**–**	–	**–**	–
Jane Shields	**37,609**	62,594	**–**	–	**54,159**	53,926	**352**	352
Dame Dianne Thompson	**nil**	nil	**–**	–	**–**	–	**–**	–

1. Full details of the basis of allocation and terms of the deferred bonus are set out on page 134.
2. The LTIP amounts above are the maximum potential conditional share awards that may vest subject to performance conditions described on page 135.
3. Executive directors can participate in the Company's Sharesave scheme (see details on page 137) and the amounts above are the options which will become exercisable at maturity.

There have been no other changes to the directors' interests in the shares of the Company from the end of the financial year to 1 April 2021.

Share ownership guidelines

The minimum shareholding is 225% of salary for all executive directors. An executive director has up to five years from date of appointment to acquire the minimum shareholding. Shares in which the executive director, their spouse/civil partner or minor children have a beneficial interest count towards the shareholding.

As at the 2020/21 financial year end, the value of shareholdings of the executives, based on the average share price over the preceding three months, was as follows:

	Date of appointment to Board	Shareholding % of base salary as at Feb 2021	Shareholding guidelines achieved
Lord Wolfson	February 1997	10,667%	Yes
Amanda James	April 2015	395%	Yes
Richard Papp	May 2018	258%	Yes
Jane Shields	July 2013	544%	Yes

Post-cessation shareholding guidelines also apply to all executive directors. Directors must hold a minimum of 225% of salary for one year post-cessation. The Committee will have the normal discretion to disapply this in exceptional circumstances. The post-cessation guidelines will apply and be enforced through the retention of any (after-tax) shares vesting in respect of 2020 LTIP grants onwards into an escrow account until an amount equal to 225% of salary is held.

The table below shows share awards held by directors and movements during the year. LTIPs are conditional share awards and Sharesaves are options.

	Date of award	Maximum receivable at start of financial year	Awarded during the year	Dividend accrual shares awarded in the year	Shares vested/ exercised in the year	Options lapsed	Maximum receivable at end of financial year	Calculated price at award date £	Option price £	Market price on date of vesting/ exercise £	Vesting date/ exercisable dates[1]
Lord Wolfson											
LTIP	Mar 2017	16,552	–	–	16,552	–	–	46.73	nil	35.54[2]	Jan 2020
	Sept 2017	18,897	–	1,562[3]	18,570[3]	1,889[3]	–	40.93	nil	59.34	Jul 2020
	Mar 2018	17,245	–	–	–	–	17,245	45.75	nil	–	Jan 2021
	Sept 2018	13,472	–	–	–	–	13,472	58.56	nil	–	Jul 2021
	Mar 2019	16,727	–	–	–	–	16,727	48.11	nil	–	Jan 2022
	Sept 2019	14,314	–	–	–	–	14,314	56.22	nil	–	Jul 2022
	Mar 2020	–	11,955	–	–	–	11,955	68.49[4]	nil	–	Jan 2023
	Sept 2020	–	20,757	–	–	–	20,757	49.31[4]	nil	–	Jul 2023
		97,207					**94,470**				
Sharesave	Oct 2018	**344**	–	–	–	–	**344**	–	43.48	–	Dec 2023 – Jun 2024
Amanda James											
LTIP	Mar 2017	8,907	–	–	8,907	–	–	46.73	nil	35.54[2]	Jan 2020
	Sept 2017	10,169	–	839[3]	9,992[3]	1,016[3]	–	40.93	nil	59.34	Jul 2020
	Mar 2018	9,279	–	–	–	–	9,279	45.75	nil	–	Jan 2021
	Sept 2018	7,249	–	–	–	–	7,249	58.56	nil	–	Jul 2021
	Mar 2019	10,185	–	–	–	–	10,185	48.11	nil	–	Jan 2022
	Sept 2019	8,716	–	–	–	–	8,716	56.22	nil	–	Jul 2022
	Mar 2020	–	7,280	–	–	–	7,280	68.49[4]	nil	–	Jan 2023
	Sept 2020	–	12,639	–	–	–	12,639	49.31[4]	nil	–	Jul 2023
		54,505					**55,348**				
Sharesave	Oct 2016	108	–	–	–	–	108	–	38.25	–	Dec 2021 – Jun 2022
	Oct 2018	249	–	–	–	–	249	–	43.48	–	Dec 2023 – Jun 2024
		357					**357**				
Richard Papp											
LTIP	Mar 2017	8,907	–	–	8,907	–	–	46.73	nil	35.54[2]	Jan 2020
	Sept 2017	10,169	–	839[3]	9,992[3]	1,016[3]	–	40.93	nil	59.34	Jul 2020
	Mar 2018	9,279	–	–	–	–	9,279	45.75	nil	–	Jan 2021
	Sept 2018	7,249	–	–	–	–	7,249	58.56	nil	–	Jul 2021
	Mar 2019	9,873	–	–	–	–	9,873	48.11	nil	–	Jan 2022
	Sept 2019	8,449	–	–	–	–	8,449	56.22	nil	–	Jul 2022
	Mar 2020	–	7,057	–	–	–	7,057	68.49[4]	nil	–	Jan 2023
	Sept 2020	–	12,252	–	–	–	12,252	49.31[4]	nil	–	Jul 2023
		53,926					**54,159**				
Sharesave	Oct 2016	**392**	–	–	–	–	**392**	–	38.25	–	Dec 2021 – Jun 2022
Jane Shields											
LTIP	Mar 2017	8,907	–	–	8,907	–	–	46.73	nil	35.54[2]	Jan 2020
	Sept 2017	10,169	–	839[3]	9,992[3]	1,016[3]	–	40.93	nil	59.34	Jul 2020
	Mar 2018	9,279	–	–	–	–	9,279	45.75	nil	–	Jan 2021
	Sept 2018	7,249	–	–	–	–	7,249	58.56	nil	–	Jul 2021
	Mar 2019	9,873	–	–	–	–	9,873	48.11	nil	–	Jan 2022
	Sept 2019	8,449	–	–	–	–	8,449	56.22	nil	–	Jul 2022
	Mar 2020	–	7,057	–	–	–	7,057	68.49[4]	nil	–	Jan 2023
	Sept 2020	–	12,252	–	–	–	12,252	49.31[4]	nil	–	Jul 2023
		53,296					**54,159**				
Sharesave	Oct 2016	70	–	–	–	–	70	–	38.25	–	Dec 2021 – Jun 2022
	Oct 2018	282	–	–	–	–	282	–	43.48	–	Dec 2023 – Jun 2024
		352					**352**				

REMUNERATION REPORT

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. As reported last year, the relative TSR performance condition was assessed at the end of the performance period in January 2020 using NEXT's average share price over the three months prior to that date which was £68.49.
3. See page 121 for details of the performance conditions and vesting levels applicable to the LTIP schemes with performance periods ending in the financial year 2020/21. For grants vesting from September 2020, the award may be increased to reflect dividends paid over the period to vesting (assuming reinvestment at the prevailing share price) with such shares added on vesting.
4. The calculated LTIP price at award date is NEXT's average share price over the three months prior to the start of the performance period.
5. Within the table, all awards are subject to performance conditions except for Sharesave options. 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.

The aggregate gains of directors arising from any exercise of options granted under the Sharesave scheme and the LTIP conditional share awards that vested in the 2020/21 year totalled £4,417,000 (2019/20: £1,490,000).

Scheme interests awarded during the financial year ended January 2021 (audited information)

LTIP

Face value

In respect of the LTIP conditional share awards granted during the year 2020/21, 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. The new Remuneration Policy approved by shareholders in May 2020 increased the level of LTIP grants from 200% to 225% of salary. The September 2020 grant reflected this new increased level of grant, however in future financial years typically 112.5% will be awarded every 6 months.

	Mar 2020 (100% of salary) £000	Sep 2020 (125% of salary) £000	Total £000
Lord Wolfson	819	1,024	1,843
Amanda James	499	623	1,122
Richard Papp	483	604	1,087
Jane Shields	483	604	1,087

Vesting if minimum performance achieved

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

Performance period

March 2020 grant: three years to January 2023.

September 2020 grant: three years to July 2023.

Performance measures

The LTIP performance measures are detailed on page 135. The companies in the TSR comparator group for awards granted during the financial year are:

AO World	Dixons Carphone	JD Sports	Pets at Home
ASOS	Dunelm	Kingfisher	Superdry (March 2020 award only)
B&M European Value Retail	DFS	Marks & Spencer	Studio Retail Group (September 2020 award only)
Burberry	Halfords	Morrisons	Ted Baker
Boohoo	J Sainsbury	N Brown	Tesco
			W H Smith

Dividend roll-up

For grants from September 2017, the award may be increased to reflect dividends paid over the period to vesting (assuming reinvestment at the prevailing share price).

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 2020/21 annual bonus for Lord Wolfson was cancelled.

Performance targets for outstanding LTIP awards

Details of the comparator group for the LTIP three year performance periods commencing February 2020 and August 2020 are shown opposite. Carpetright and Mothercare were replaced by AO World and DFS for both awards and Studio Retail Group replaced Superdry for the August 2020 award.

The comparator group for the performance periods commencing in August 2017, February 2018, August 2018, February 2019 and August 2019 is the same as February 2020 with the exception of Carpetright and Mothercare which were included and AO World and DFS which were not included. In addition, Boohoo replaced Debenhams in the comparator group from August 2019 onwards following Debenhams' delisting.

Payments to past directors (audited information)

There were no payments made to past directors during the 2020/21 financial year.

Payments for loss of office (audited information)

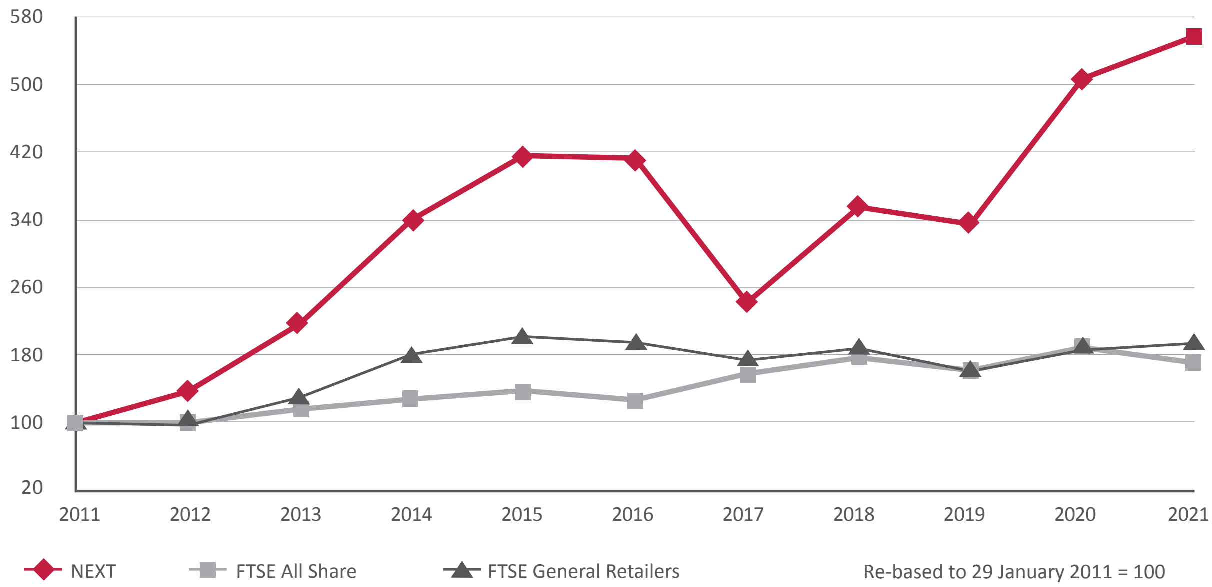
There were no payments made to any director in respect of loss of office during the 2020/21 financial year.

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 over the ten year period ended January 2021.

NEXT plc performance chart 2011 to 2021 Total Shareholder Return



REMUNERATION REPORT

Analysis of Chief Executive's pay over 10 years

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

Financial year to January	Single figure of total remuneration £000	Annual bonus pay-out against maximum opportunity[1]	LTIP pay-out against maximum opportunity[2]	SMP pay-out against maximum opportunity
2012	4,106	72%	Two semi-annual awards vested at 100% and 83%, however total value capped at £2.5m	n/a
2013	4,630	99%	Two semi-annual awards vested at 96% and 98%, however total value capped at £2.5m	Entitlement waived[2]
2014	4,646	100%	Two semi-annual awards vested at 100% each, however total value capped at £2.5m	Entitlement waived[2]
2015	4,660	100%	Two semi-annual awards vested at 100% each, however total value capped at £2.5m	Did not participate in 2012–15 SMP
2016	4,295	45%	Two semi-annual awards vested at 76% and 77%	100%
2017	1,831	0%	Two semi-annual awards vested at 61% and 20%	n/a
2018	1,153	0%	Two semi-annual awards vested at nil	n/a
2019	1,327	13%[3]	Two semi-annual awards vested at 20% and nil	n/a
2020	2,639	29%	Two semi-annual awards vested at 67% and 100%	n/a
2021	3,393	0%	Two semi-annual awards vested at 90% and 100%	n/a

1. The maximum bonus for the Chief Executive is 150% of salary.
2. 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 the financial year to January 2014 and £7,601k for the financial year to January 2013.
3.. Lord Wolfson waived his entitlement to a portion of his annual bonus. Had he not done so, his bonus pay-out against maximum opportunity would have been 40% and his total remuneration would have been £1,642k for the financial year to January 2019.

Annual change in remuneration of each director compared to employees

The table below shows the percentage changes in the directors' remuneration (i.e. salary, taxable benefits and annual bonus) between 2019/20 and 2020/21 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 because we believe it is the most appropriate comparator group and represents 84% of the Group's workforce. The Company has chosen to voluntarily disclose this information, given that NEXT plc employs only the directors not others in our group of companies.

	Base salary	Taxable benefits	Bonus[3]
Executive directors[1]			
Lord Wolfson	-3%	-13%	-100%
Amanda James	-3%	-8%	-100%
Richard Papp	-3%	–	-100%
Jane Shields	-3%	–	-100%
Non executive directors			
Michael Roney	-3%	–	–
Jonathan Bewes	-3%	–	–
Tom Hall[2]	n/a	–	–
Tristia Harrison	-3%	–	–
Francis Salway	-3%	–	–
Dame Dianne Thompson	-3%	–	–
UK/Eire Employees (average per FTE)	2%	4%	-73%

1. The directors took a 20 per cent voluntary reduction in salary/fees during the lockdown period between April and June 2020.
2. Tom Hall was appointed to the Board as a non-executive director on 13 July 2020.
3. In light of the decision not to pay dividends in the financial year, the Committee did not feel that it would be appropriate to pay an annual bonus to the executives. Accordingly, the Committee cancelled the Annual Bonus and therefore no bonus is payable in respect of the 2020/21 financial year.

Pay ratios

Set out below are ratios which compare the total remuneration of Lord Wolfson (as included in the single total figure of remuneration table on page 120) to the remuneration of the 25th, 50th and 75th percentile of our UK employees. The disclosure will build up over time to cover a rolling ten year period. We expect the pay ratio to vary from year to year, driven largely by the variable pay outcome for Lord Wolfson, which will significantly outweigh any other changes in pay.

Year	Method	25th percentile pay ratio	50th percentile (median) pay ratio	75th percentile pay ratio
2020/21	Option B	192:1	178:1	159:1
2019/20	Option B	151:1	148:1	106:1

We have used Option B in the legislation to calculate the full-time equivalent remuneration for the 25th, 50th and 75th percentile UK employees, leveraging the analysis completed as part of our most recent UK gender pay gap reporting as at 5 April 2020. As we have a very significant employee base, it was felt to be overly complicated to prepare single figure calculations for each individual. Having identified the employees at these three percentiles using the gender pay gap data, we have then used base contract salaries and grossed these up to the full-time equivalents to which we have added actual benefits, bonus, long term incentives and pension (if applicable) of the UK employees falling at these three percentiles. There has been significant disruption to normal working patterns caused by COVID and the closure of our operations during some of the financial year and this method provides a fair representation of employee pay and benefits at the relevant percentiles. The Committee has considered the methodology and is confident the employees identified are reasonably representative since the structure of their remuneration arrangements is in line with that of the majority of the UK workforce. We consider that these ratios are broadly appropriate in the context of comparison with other retailers.

The base salary and total remuneration received during the financial year by the indicative employees on a full-time equivalent basis used in the above analysis are set out below:

	25th percentile	50th percentile (median)	75th percentile
Base salary	£17,514	£18,802	£21,093
Total remuneration	£17,643	£19,063	£21,306

The ratios disclosed above are affected by the following factors:

- Of our UK workforce of 32,000, around 90% work in our retail stores, customer contact centres and warehouses where, in line with the retail sector more generally, rates of pay will not be as high as management grades and those employees based at our head offices in more technical roles. The three indicative employees used in the calculations are either retail sales consultants or warehouse operatives
- The increase in the pay ratios in 2020/21 as compared to 2019/20 is attributable to the increase in the amount of variable remuneration received by Lord Wolfson, who has received shares relating to vesting of two LTIPs in the year. NEXT's share price affects the value of these incentive plans whereas typically incentive plans provided to our non-management employees are unaffected by our share price movements

REMUNERATION REPORT

Relative importance of spend on pay

The table below shows the total remuneration paid to or receivable by all employees in the Group together with other significant distributions and payments (i.e. for share buybacks/special dividends and ordinary dividends).

	Total wages and salaries	Buybacks	Ordinary dividends
2020/21	£593.6m	£19.3m	nil
2019/20	£617.2m	£300.2m	£213.7m
% change	-3.8%	-93.6%	-100%

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 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 (refer to Note 25 to the financial statements).

Consideration of matters relating to directors' remuneration

Remuneration Committee

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

Member
Francis Salway (Committee Chairman)
Jonathan Bewes
Tom Hall (from July 2020)
Tristia Harrison
Michael Roney
Dame Dianne Thompson

Attendance at Committee meetings is shown on page 105.

Role and work of Remuneration Committee

The Committee determines the remuneration of the Group's Chairman and executive directors, and approves that of senior executives (consistent with the 2018 Corporate Governance Code). 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 our corporate website (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 the Group Finance Director. The Committee engaged FIT Remuneration Consultants LLP (FIT) and Deloitte LLP (Deloitte) to provide independent external advice, including updates on legislative requirements, best practice, and other matters of a technical nature and related to share plans. FIT have no other connection with the Company and were appointed by the Committee based on their expertise in the relevant areas of interest. Deloitte provided independent verification services of total shareholder returns for NEXT and the comparator group of companies under the LTIP. Deloitte provides other consultancy services to the Group on an ad hoc basis.

During the year FIT was paid circa £23k and Deloitte was paid circa £3k for the services described above, charged at their standard hourly rates. Both are members of the Remuneration Consultants Group, the body that oversees the Code of Conduct in relation to executive remuneration consulting in the UK and have confirmed to us that they adhere to its Code. Based on the nature of the advice, and the relatively small fees, the Committee was satisfied that the advice received was objective and independent.

Voting outcomes at General Meetings

	AGM	Votes for	% for	Votes against	% against	Total votes cast	% of shares on register	Votes withheld
To approve the Remuneration Policy	2020	92,690,078	91.8	8,252,433	8.2	100,942,511	75.9	393,732
To approve the 2019/20 Remuneration Report	2020	96,952,432	97.0	2,964,177	3.0	99,916,609	75.1	1,419,634
To amend the rules of the NEXT LTIP to reflect a change in the maximum opportunity for participants	2020	98,389,678	97.3	2,781,351	2.8	101,171,029	76.1	165,215
Extension of the NEXT Share Matching Plan for a further 10 years	2020	96,776,834	95.7	4,394,235	4.3	101,171,069	76.1	165,175
Extension of the NEXT Sharesave Plan for a further 10 years	2020	100,560,711	99.4	611,772	0.6	101,172,483	76.1	163,761
Extension of the NEXT Management Share Option Plan for a further 10 years	2020	100,573,749	99.4	597,084	0.6	101,170,833	76.1	165,411

REMUNERATION REPORT

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 page 138. Apart from their service contracts, no director has had any material interest in any contract with the Company or its subsidiaries.

The executive directors' service contracts do not contain fixed term periods.

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			
Michael Roney	14 February 2017*	12 months	6 months
Executive directors			
Lord Wolfson	3 February 1997	12 months	6 months
Amanda James	1 April 2015	12 months	6 months
Richard Papp	14 May 2018	12 months	6 months
Jane Shields	1 July 2013	12 months	6 months
Non-executive directors			
Jonathan Bewes	3 October 2016	1 month	1 month
Tom Hall	13 July 2020	1 month	1 month
Tristia Harrison	25 September 2018	1 month	1 month
Francis Salway	1 June 2010	1 month	1 month
Dame Dianne Thompson	1 January 2015	1 month	1 month

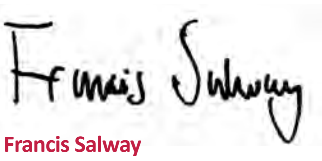
* Appointed Chairman 2 August 2017

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 on 14 May 2020 and is provided for ease of reference only. **This is an extract of the policy report and has not been amended in any way.** The full Remuneration Policy is set out in the January 2020 Annual Report, pages 100 to 110, and is available on our corporate website nextplc.co.uk. The Company considered the factors outlined in provision 40 of the UK Corporate Governance Code as part of that review as explained on page 97 of that report.

A shareholder vote on Remuneration Policy is not required in 2021.

On behalf of the Board



Francis Salway
Chairman of the Remuneration Committee

1 April 2021

Remuneration Policy table, as approved in 2020. For clarity, where the policy table includes page cross references, these references have been updated to this year's Remuneration Report.

Base salary

Purpose and link to strategy

To attract, motivate and retain high calibre individuals, while not overpaying. 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.

Operation

Normally 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 individual experience and performance, the level and structure of remuneration for other employees, the external environment and market data. 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.

Maximum opportunity

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 the normal course of events, increases in executive directors' salaries would be in line with the wider Company cost of living awards.

The Committee reserves flexibility to grant larger increases where considered appropriate. For instance, where a new executive director, being an internal promotion, has been appointed to the Board with an initial salary which is considered below the normal market rate, then the Committee may make staged increases to bring the salary into line as the executive gains experience in the role. Also if there have been significant changes in the size and scope of the executive's role then the Committee would review salary levels accordingly.

Under the reporting regulations, the Company is required to specify a maximum potential value for each component of pay. Accordingly, for the period of this policy, no base salary paid to an executive director in any year will exceed the figure specified in the 2017 Remuneration Policy of £850,000 subject to the amount of the maximum base salary that may be paid to an executive director in any year increasing in line with the growth in RPI from the date of approval of that limit in the preceding Remuneration Policy in 2017.

Performance measures and targets

Not applicable.

Key changes to last approved policy

No material changes.

REMUNERATION REPORT

Annual bonus

Purpose and link to strategy

To incentivise delivery of stretching annual 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.

Operation

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 financial measures (such as 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, although at least 75% of any bonus will continue to be subject to financial measures.

At the threshold level of performance, no more than 20% of the maximum bonus may be earned (the Committee will determine the appropriate percentage each year and recent awards have been set at a lower level). 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 page 122, 50% of maximum bonus has been assumed.

Dividend accruals (both in respect of special and ordinary dividends) may be payable on any deferred bonus awards which vest.

The Company has the flexibility within the rules of the Deferred Share Bonus Plan to grant nil cost options as an alternative to conditional share awards or exceptionally to settle in cash.

Maximum opportunity

At present, Company policy is to provide a maximum bonus opportunity 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
- Introduce or extend an element of compulsory deferral of bonus outcomes if considered appropriate by the Committee

Performance measures and targets

Currently performance is assessed against pre-tax EPS 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 benefiting from external factors such as reductions in the rate of corporation tax. The Committee reserves flexibility to apply discretion in the interests of fairness to shareholders and executives by making adjustments it considers appropriate.

The Committee reserves flexibility to apply different performance measures and targets in respect of the annual bonus for the period of this policy but a financial measure will continue to be used for at least 75% of the award. The Committee will consult with major shareholders before any significant changes are made to the use of performance measures.

The basis of performance measurement incorporates an appropriate adjustment to EPS growth to reflect the benefit to shareholders from special dividends paid in any period.

Key changes to last approved policy

No material changes.

Long Term Incentive Plan (LTIP)

Purpose and link to strategy

To incentivise management to deliver superior total shareholder returns (TSR) over three year performance periods relative to a selected group of retail companies, and align the interests of executives and shareholders.

Retention of key, high calibre employees over three year performance periods and encouraging long term shareholding, through post vesting holding requirement, and commitment to the Company.

Operation

A variable percentage of a pre-determined maximum number of shares can vest, depending on the achievement of performance conditions.

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 any TSR performance measure and to enhance the portfolio effect for participants of more frequent, but smaller, grants.

The Company has the flexibility within the rules of the LTIP to grant nil cost options as an alternative to conditional share awards and to settle vested LTIP awards in cash.

Dividend accruals (both in respect of special and ordinary dividends) may be payable on any vested LTIP awards.

Maximum opportunity

The maximum possible aggregate value of awards granted to all executive directors will be 225% of annual salary (i.e. typically 112.5% every six months, although the first 2020 grant will be 100% and the second, which follows the AGM, will be at 125%) and up to 300% in exceptional circumstances.

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 further increase the holding period or to introduce a retention requirement.

Performance measures and targets

Performance is measured over a period of three years. Currently performance is measured based on 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. The Committee may set different performance conditions for future awards subject to consulting with major shareholders before any significant changes are made.

Key changes to last approved policy

The maximum opportunity has been increased from 200% to 225%.

REMUNERATION REPORT

Pension

Purpose and link to strategy

To provide for retirement through Company sponsored schemes or a cash alternative for personal pension planning and therefore assist attraction and retention.

Operation

Lord Wolfson, Jane Shields and Richard Papp are deferred members of the defined benefit (DB) section of the 2013 NEXT Group Pension Plan (the “Plan”).

In addition to being a deferred member of the DB section of the Plan, Lord Wolfson is accruing service in an unfunded, unapproved supplementary pension arrangement (SPA), described on page 123. His future pension is calculated by reference to his October 2012 salary, rather than his final earnings, and any future salary changes will have no effect.

Jane Shields and Richard Papp ceased to contribute to the Plan in 2011 and 2004 respectively. Their DB pensions are no longer linked to salary and will increase in line with statutory deferred revaluation only (i.e. in line with CPI).

Lord Wolfson and Jane Shields receive salary supplements of 15% in lieu of past changes to their pension arrangements, in line with other senior employee members of the DB section of the Plan.

Amanda James is a member of the defined contribution (DC) section of the Plan and the Company currently makes a contribution equal to 5% of her salary into her pension plan. Amanda James can opt to receive an equivalent cash supplement in lieu of this Company contribution. Richard Papp is a deferred member of the DC section and receives a 5% cash equivalent supplement. The arrangements for Amanda James and Richard Papp are consistent with the pension provision and alternatives available to employees who joined the DC section of the Plan at a similar time. The 5% cash equivalent supplement is only available to members who have exceeded the Annual or Lifetime Allowance limits.

Bonuses are not taken into account in assessing pensionable earnings in the Plan.

New employees of the Group can join the auto enrolment pension plan.

Maximum opportunity

Under the DB section and the SPA, the maximum potential pension is only achieved on completion of at least 20 years of pensionable service at age 65, when two thirds of the executive director’s annual pensionable salary at October 2012 (plus any element of pension which was accrued on bonus payments made prior to 2006, when bonus was removed from the definition of pensionable earnings) could become payable.

The lump sum payable on death in service is four times base salary under the SPA, three times base salary under the DB and DC sections and one times base salary under the auto enrolment plan.

No DC contributions, or equivalent cash supplement payments, will be made to an executive director in any year that will exceed the level offered to the wider colleague population recruited at or about the same time as them.

Lord Wolfson has volunteered to cap the service accrual under his DB pension annually so that the single figure attributed to the DB portion of his pension is no more than 9% of salary (giving single figure of DB pension and salary supplement in aggregate of up to 24% of salary).

Any newly appointed executive directors, whether internal or external appointments, will be invited to join a NEXT Defined Contribution pension arrangement at the prevailing rate for staff across NEXT at the time. This is currently an employer pension contribution of 3% of pensionable salary.

Performance measures and targets

Not applicable.

Key changes to last approved policy

Newly appointed executive directors will receive the prevailing pension contribution rate for staff across NEXT. Lord Wolfson has voluntarily capped his pension at the figures specified above.

Other benefits

Purpose and link to strategy

To provide market competitive non-cash benefits to attract and retain high calibre individuals.

Operation

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.

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.

Reasonable business-related expenses will be reimbursed (including any tax thereon).

Maximum opportunity

During the policy period, the value of benefits (other than relocation costs) paid to an executive director in any year will not exceed £150,000. 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. Relocation benefits would normally only be available for up to 12 months and the Committee would make appropriate disclosures of any provided.

During the policy period, the actual level of taxable benefits provided will be included in the single total figure of remuneration.

Performance measures and targets

Not applicable.

Key changes to last approved policy

No change.

Save As You Earn Scheme (Sharesave)

Purpose and link to strategy

To encourage all employees to make a long term investment in the Company's shares.

Operation

Executive directors can participate in the Company's Sharesave scheme which is HMRC approved and open to all employees in the UK. A similar scheme is available to employees in Eire. 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.

Maximum opportunity

Investment currently limited to a maximum amount of £250 per month. The Committee reserves the right to increase the maximum amount in line with limits set by HMRC (currently £500 per month).

Performance measures and targets

Not applicable.

Key changes to last approved policy

No change.

REMUNERATION REPORT

Termination payments

Purpose and link to strategy

Consistent with market practice, to ensure NEXT can recruit and retain key executives, whilst protecting the Company from making payments for failure.

Operation

The Committee will consider the need for and quantum of any termination payments having regard to all the relevant facts and circumstances at that time.

Future service contracts will take into account relevant published guidance.

Maximum opportunity

Each of the executive directors has a rolling service contract. Dates of appointment and notice periods are disclosed on page 132. The contract is terminable by the Company on giving one year's notice and by the individual on giving six months' notice. For directors appointed prior to the date of approval of the Remuneration Policy in 2017, 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). For directors appointed after that time, any payment in lieu of notice is limited to their base salary only.

For directors appointed prior to the date of approval of the Remuneration Policy in 2017, if notice of termination is given immediately following a change of control of the Company, the executive director may request immediate termination of his/her contract and payment of liquidated damages equal to the value of his/her base salary and contractual benefits. Liquidated damages provisions will not be present in any service contract for executive directors appointed after that date and any service contract since that time will include provision for any termination payments to be made on a phased basis.

In normal circumstances executive directors have no entitlement to compensation 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, based on performance. In addition, awards made under the LTIP 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 not automatic.

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 £10,000 (plus related taxes) per director.

Performance measures and targets

Not applicable.

Key changes to last approved policy

No material changes.

Recovery and withholding provisions

Purpose and link to strategy

To ensure the Company can recover any payments made or potentially due to executive directors under performance-related remuneration structures.

Operation

Recovery and withholding provisions are in the service contracts of all executive directors and will be enforced where appropriate to recover or withhold 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; a director's misconduct; or circumstances that would lead to a sufficiently significant negative impact on the reputation and likely financial strength of the Company. These provisions allow for the recovery of sums paid and/or withholding of sums to be paid.

Maximum opportunity

Not applicable.

Performance measures and targets

Not applicable.

Key changes to last approved policy

Strengthening of recovery and withholding provision to include circumstances that would lead to a sufficiently significant negative impact on the reputation and likely financial strength of the Company.

Chairman and non-executive director fees

Purpose and link to strategy

To ensure fees paid to the Chairman and non-executive directors are competitive and comparable with other companies of equivalent size and complexity so that the Company attracts non-executive directors who have a broad range of experience and skills to oversee the implementation of our strategy.

Operation

Remuneration of the non-executive directors is normally 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.

If the Chairman or non-executive directors are required to spend time on exceptional Company business significantly in excess of the normal time commitment, the Chairman will be paid £1,500 and the non-executive directors £1,000 for each day spent. These are subject to an annual review by the Board. Reasonable business related expenses will be reimbursed (including any tax thereon).

Maximum opportunity

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).

Performance measures and targets

Non-executive directors receive the normal staff discount on Group merchandise but do not participate in any of the Group's bonus, pension, share option or other incentive schemes.

Key changes to last approved policy

No material changes.

The policies as set out above would apply to the promotion of an existing Group employee to the Board.

DIRECTORS' REPORT

Information contained in Strategic Report

As permitted by section 414C of the Companies Act 2006, certain information required to be included in the Directors' Report has been included in the Strategic Report. Specifically, this relates to:

- information in respect of employee matters (including actions taken to introduce, maintain or develop arrangements aimed at employees, details on how the directors have engaged with employees and had regard to employee interests, our approach to investing in and rewarding the workforce, employee diversity and the employment, training and advancement of disabled persons)
- likely future developments
- risk management
- details on how the directors have had regard to the need to foster business relationships with stakeholders
- greenhouse gas emissions

Financial instruments

Information on financial instruments and the use of derivatives is given in Notes 26 to 29 to the financial statements.

Annual General Meeting

The 2021 Annual General Meeting (AGM) of NEXT plc will be held at and broadcast from the registered office of NEXT plc, Desford Road, Enderby, Leicester LE19 4AT on Thursday 20 May 2021 at 9.30 am. The Notice of Annual General Meeting, which includes the business to be transacted at the meeting, is set out from page 220.

Dividends

Information regarding dividends during 2020/21 is provided in the Strategic Report on page 24.

The Trustee of the NEXT ESOT typically waives dividends paid in the year on the shares held by it. No dividends were paid during 2020/21. Please refer to Note 25 to the financial statements for further information.

Share capital and major shareholders

Details of the Company's share capital are shown in Note 22 to the financial statements.

The Company was authorised by its shareholders at the 2020 AGM to purchase its own shares. During the financial year the Company purchased and cancelled 279,639 ordinary shares with a nominal value of 10p each (none of which were purchased off-market), at a cost of £19.3m and representing 0.2% of its issued share capital at the start of the year.

At the financial year end 30 January 2021, the Company had 132,949,276 shares in issue.

As at 30 January 2021, the Company had been notified under the Disclosure and Transparency Rules (DTR 5) of the following notifiable interests in the Company's issued share capital. The information provided below was correct at the date of notification. These holdings are likely to have changed since the Company was notified; however, notification of any change is not required until the next notifiable threshold is crossed:

	Notifications received as at 30 January 2021			
	No. of voting rights at date of notification	% of voting rights at date of notification	Nature of holding	Date of notification
FMR LLC (Fidelity)	14,555,000	10.92	Indirect interest	3 January 2020
BlackRock, Inc.	15,449,829	9.97	Indirect interest	8 January 2014
Invesco Limited	13,738,106	9.76	Indirect interest	8 June 2018
NEXT plc Employee Share Option Trust	5,147,054	3.87	Direct interest	11 January 2021

The following notification was received after 30 January 2021 up to 31 March 2021:

	No. of voting rights at date of notification	% of voting rights at date of notification	Nature of holding	Date of notification
Invesco Limited	6,560,984	4.93	Indirect interest	23 March 2021

Additional information

Shareholder and voting rights

All members who hold ordinary shares are entitled to attend and vote at the AGM. Voting on all resolutions at the 2021 AGM will be by way of a poll. On a poll, every member present in person or by proxy has one vote for every ordinary share held or represented. The Notice of Meeting specifies the 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 closed periods) and requirements of internal rules and procedures whereby directors and certain employees of the Company require prior approval to deal in the Company's securities.

The Company's 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 stand for re-election annually.

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 of the Company or NEXT Group plc, NEXT Group plc's medium term borrowing facilities will be subject to early repayment in full if a majority of the lending banks give written notice or in part if a lending bank gives written notice following a change of control. In addition, the holders of NEXT Group plc's corporate bonds will be entitled to call for redemption of the bonds by NEXT Group plc or the Company as guarantor at their nominal value together with accrued interest in the following circumstances:

- should a change of control cause a downgrading in the credit rating of the corporate bonds to sub-investment grade and this is not rectified within 120 days after the change of control or
- if already sub-investment grade, a further credit rating downgrade occurs and this is not rectified within 120 days after the change of control or
- if the bonds at the time of the change of control have no credit rating and no investment grade rating is assigned within 90 days after the change in control

The Company's share option plans, and its Long Term Incentive Plan, 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.

Branches

NEXT, through various subsidiaries, has established branches in a number of different countries in which the business operates.

Corporate governance

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

The following disclosures are required under Listing Rule 9.8.4 R:

Publication of unaudited financial information	In January 2021, NEXT published a Profit Before Tax (PBT) central guidance forecast for the year to January 2021 of £342m. Actual PBT for the period was £342m. These PBT amounts are on a pre-IFRS 16 basis.
Director emoluments	All board directors voluntarily waived 20% of their salaries and fees during the particularly challenging initial period of the pandemic from April 2020 to June 2020.
Shareholder waivers of dividends	The NEXT Employee Share Ownership Trust typically waives its rights to receive dividends during the year. No dividends were paid during the financial year.

No further LR 9.8.4 disclosures are required.

In the case of each director in office at the date the Directors' Report is approved:

- So far as the director is aware, there is no relevant audit information of which the Group and Parent Company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Parent Company's auditors are aware of that information.

This Directors' Report, comprising pages 98 to 141, has been approved by the Board and is signed on its behalf by

Amanda James
Group Finance Director

1 April 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEXT PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- NEXT plc's Group financial statements and Parent Company financial statements (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 2021 and of the Group's profit and the Group's cash flows for the 53 week period then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: Consolidated and Parent Company Balance Sheets as at 30 January 2021; Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Equity and the Consolidated Cash Flow Statement for the period then ended; the Group Accounting Policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in the Group Accounting Policies, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in the Audit Committee Report, we have provided no non-audit services to the Group in the period under audit.

Our audit approach

Overview

Audit scope

- We conducted an audit of the complete financial information of one financially significant reporting unit as well as two other reporting units (components).
- Two of these components were audited by the UK Group Engagement Team with the remaining component audited by a local component team located in Hong Kong.
- Further specific audit procedures over central functions, the Group consolidation and areas of significant judgement (including goodwill, intangible assets, leases, taxation, treasury and post-retirement benefits) were directly led by the Group Engagement Team.
- Our scoping resulted in coverage of 94% of revenue, 92% of profit before tax and 94% of total assets.

Key audit matters

- Recoverability of customer receivables (Group).
- Valuation of store related assets (Group).
- Inventory being in excess of net realisable value (Group).
- Valuation of financial instruments (Group).
- Accounting for defined benefit pension arrangements (Group).
- COVID-19 pandemic impact (Group and Parent Company).

Materiality

- Overall Group materiality: £30,700,000 (2020: £36,000,000) based on 5% of average profit before tax of the previous three years (2020: 5% profit before tax).
- Overall Parent Company materiality: £26,500,000 (2020: £26,000,000) based on 1% of total assets.
- Performance materiality: £23,000,000 (Group) and £19,875,000 (Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of employment, environmental and consumer credit regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or profits and management bias in significant accounting estimates and judgements. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, internal audit, internal legal counsel, compliance managers and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation or fraud;
- Assessment of matters reported on the Group's whistleblowing log and the results of management's investigation of such matters;
- Review of correspondence with the Financial Conduct Authority;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management;
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements, in particular in relation to recoverability of directory customer receivables (see related key audit matter below).

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEXT PLC

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Valuation of store related assets is a new key audit matter this year. IFRS 16 transition, which was a key audit matter last year, is no longer included because of the key audit matter being specific to the year of transition. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Recoverability of customer receivables **Group** Refer to the Audit Committee Report, the Major Sources of Estimation Uncertainty and Judgement within the Group Accounting Policies and note 13 for Customer and Other Receivables. An allowance of £195.5m (2020: £171.5m) is held against customer receivables of £1,223.6m (2020: £1,405.6m). NEXT's provisioning methodology uses historical experience to quantify, on a discounted and probability weighted basis, the losses expected to be incurred, under different macro-economic scenarios, as a result of projected future default scenarios. This includes consideration of how third party forecast unemployment assumptions might impact the future performance of the customer and other receivables. Manual overlays are applied to address identified risks which are not captured fully by the historical information, as well as anomalies in the modelling where the recent past is not considered to be indicative of expected future trends (for example the impact of furlough and other government support schemes). In arriving at these overlays, management has considered the impact of COVID-19, levels of increasing consumer debt levels and affordability, along with the other key drivers to the performance of the customer receivables. The key manual overlays applied relate to future projections regarding probability of default for those customers who are, or have previously been, on a payment plan or a payment holiday and future cash collection forecasts.	We performed controls testing on the origination and servicing of the underlying customer receivables and related IT systems and have substantively tested the year end receivables balance to which management have applied their provision methodology, as well as testing the integrity of the provisioning model including data feeds. We used financial services specialists and actuarial experts to critically assess and benchmark management's approach, based on the key drivers of performance for the customer receivables, against the requirements of IFRS 9 and current best practice. We tested the key inputs to the provision calculated by management, which are the historical default experience and expected future recoveries (including considering the expected impact of COVID on forecast collection rates), as well as the stratification of the year end book by arrears position, customer indebtedness index and expected month of default. We tested, on a sample basis, the appropriateness of management's assumptions, based on NEXT's historical experience and expected levels of future default. We challenged and validated the appropriateness of NEXT's manual overlays, based on our knowledge of the customer receivables, expected future customer payment assumptions, projected default scenarios and wider macro-economic factors including forecast unemployment rates. As part of this analysis, we considered whether all drivers impacting the performance of the customer receivables had been appropriately captured by management and that appropriate allowance had been made for the impact of the COVID pandemic. We tested, on a sample basis, whether the performing customer receivables were genuinely performing, in order to obtain evidence that receivables were appropriately recorded. We assessed the adequacy and clarity of the accounting policy and credit risk disclosures made in relation to customer receivables. Based on the evidence assessed we found the methodologies, assumptions and data used within the allowance for ECL assessment to be materially appropriate and in line with the requirements of IFRS 9.

Key audit matter	How our audit addressed the key audit matter
Valuation of store related assets **Group** Refer to the Audit Committee Report, the Major Sources of Estimation Uncertainty and Judgement within the Group Accounting Policies and Note 3 for Operating Profit. In accordance with IAS 36 (Impairment of assets), the Group is required to assess the recoverability of right-of-use assets and PPE where there are indicators of impairment. Evidence of a significant downturn in the retail sector, specifically in relation to physical stores, has been identified as a result of the COVID pandemic and therefore an impairment review of all store related assets has been performed. Impairments of £64.2m and £23.3m with respect to right-of-use assets and PPE respectively have been recognised in the financial statements. The impairment review involves management making several estimates to determine the value in use of the stores (being the net present value of the forecast cash flows). This is then compared to the book value of stores' assets to identify whether any impairment is required. In making this assessment, management determines each store to be a cash generating unit (CGU). The significant assumptions in calculating the value in use were cash flows for the period ending January 2022 by CGU, the long-term growth in like-for-like sales and the discount rate.	We obtained an understanding of how management has prepared the impairment analysis and how the significant assumptions were derived. We evaluated the methodology applied by management with reference to the requirements of IAS 36. We tested the integrity of the impairment model prepared by management to ensure the value in use and impairment by CGU was accurate. We have challenged the significant assumptions management has applied in the model: • We have evaluated management's ability to budget based on historical budgets or forecasts and the resultant performance. We have assessed the budget with reference to the Group's historical trading performance, trading results from the past 12 months and external data points; • We have tested the reconciliation between the Group's approved budget and the cash flows used in the individual CGU impairment review and tested the allocation of cash flows by individual CGU by analysing historical store trading performance; • In relation to the discount rate, we have compared the rate used to our independently estimated discount rate determined by our internal valuations team; and • We have assessed the long term like-for-like growth rates with reference to the Group's historical trading performance. We found that the key assumptions and the impairment recorded were consistent with the evidence obtained.
Inventory being in excess of net realisable value **Group** Refer to the Audit Committee Report and the Major Sources of Estimation Uncertainty and Judgement within the Group Accounting Policies. The valuation of inventory involves judgement in recording provisions for slow moving, obsolete and inventory that may not be saleable in future seasons. As a result of COVID-19 management has introduced additional categories of inventory provisioning to take account of fabric and garments which remained unsold from the prior year but are forecast to be sold in 2021. The significant judgements and assumptions as applied when calculating the provisions are: • the forecasted sell through rates of current and prior season inventory to determine inventory expected to be sold via clearance channels; • the forecasted cash recovery rates on inventory sold via clearance channels; and • the forecasted utilisation of fabrics in future seasons. In addition, provisions are recognised for shrinkage and faulty inventory which require an estimate of expected inventory losses and realisable amounts.	We evaluated the forecasted sell through, cash recovery rates and fabric utilisation by corroborating historical rates and assessing management's judgement regarding changes in customer behaviour/macro-economic conditions and the impact of this on forecasted rates. We have performed sensitivity analysis over key judgements taken by management and assessed the impact of this sensitivity analysis on the provision value. We tested the integrity of the provision model to ensure that it was using the underlying data correctly and calculating provision amounts accurately. We examined inventory write-offs in the financial period to ensure they are not inconsistent with the key assumptions used in the inventory provision model at the year end. We challenged management on the higher percentage provisions against the additional COVID-19 categories of inventory and found these to be reasonable given the increased uncertainty over the achievability of forecasted sell through rates and margins. We found that the provisions recorded were consistent with the evidence obtained.
Valuation of financial instruments **Group** Refer to the Audit Committee Report, the Major Sources of Estimation Uncertainty and Judgement within the Group Accounting Policies and notes 27 and 28 for financial instruments. The nature of the Group's business means that it is exposed to fluctuations in foreign exchange rates on purchases and sales. As such, the Group takes out a number of foreign exchange derivatives which are valued on a mark to market basis and are therefore valued on an estimated basis with reference to market inputs rather than directly observable market values. The Group also has in place interest rate derivatives on a similar basis.	We have obtained third party confirmations for all foreign exchange and interest rate derivatives and ensured these are consistent with the amounts recognised by NEXT. We used valuation specialists to form our own independent expectation of the risk-free valuation recognised by NEXT for a sample of foreign exchange and interest rate derivatives. Our valuation specialists also estimated the impact of a credit risk adjustment arising from the counterparty's credit risk when NEXT holds an asset and arising from NEXT's credit risk when holding a liability. We found the valuation of foreign exchange and interest rate derivatives to be consistent with the evidence obtained.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEXT PLC

Key audit matter	How our audit addressed the key audit matter
Accounting for defined benefit pension arrangements **Group** Refer to the Audit Committee Report, the Major Sources of Estimation Uncertainty and Judgement within the Group Accounting Policies and note 20 for pension benefits. The defined benefit pension schemes obligation is calculated based on actuarial assumptions which are subject to significant management judgement and are also sensitive to small changes. In addition, there are restrictions under IAS19 and IFRIC 14 as to when a net pension surplus should be recognised.	We used actuarial specialists to review the key actuarial assumptions across the Original Plan, the 2013 Plan and the SPA. We found that the assumptions utilised by NEXT in the pension obligation valuation in aggregate were reasonable. We reviewed the trust deeds and addendum for the 2013 Plan where a material net surplus is recognised by NEXT. From this review, we concur with management's assessment that under the requirements of IFRIC 14, NEXT should recognise the net surplus on the pension scheme. We are satisfied that the valuation of the defined benefit pension scheme obligations and the recognition of the net surplus is consistent with the evidence obtained.
COVID pandemic impact **Group and parent** Refer to the Audit Committee Report, the Basis of Preparation statement within the Group Accounting Policies, Note 3 for Operating Profit and Note 11 for leases. The impact of COVID on the Group has been significant with revenue (excluding credit account interest) reducing to £3,284.1m and profit before tax reducing to £342.4m. In addition to the above key audit matters documented in respect of the recoverability of customer receivables, valuation of store related assets and PPE and inventory being in excess of net realisable value. The other implications as a result of COVID-19 are as follows: • Assessment of appropriateness of the going concern basis of the Group's financial statements in light of the pandemic. Budgets and models supporting the going concern and impairment assessments were updated to reflect management's best estimates of future cash flows; • Furlough income of £95.1m was received during the year and recognised as a reduction to payroll costs in the income statement; and • Significant properties owned by the Group were sold for £154.9m and leased back during the year. There was no significant impact on the systems or controls of the Group.	In respect of the other key audit matters impacted, see procedures outlined above. We tested the key assumptions in both the base model and the severe but plausible model in management's going concern assessment by agreeing total debt to our audit work performed and expected expenditures and income from sales for the period ending January 2022 to the board approved budget and back to historical figures. We have evaluated management's ability to budget based on historical budgets / forecasts and the resultant performance. We challenged management on their severe but plausible model for going concern and encouraged them to make this more severe by including the impact of additional warehouse closures. We considered the 'levers' available which NEXT would be able to utilise to raise additional funds with the key ones being reductions in stock purchases, share purchases and cessation of dividends determining these were all under management's control. NEXT has received income of £95.1m from the UK Government's Coronavirus Job Retention Scheme (CJRS) for the staff they have furloughed in the year. To obtain an understanding of how management has calculated their claims, we have performed walkthroughs of the preparation and review processes. The cash for all claims made during the year has been agreed to a bank statement. A sample of monthly claims by employee has been selected and we have confirmed that the claim has been correctly calculated, vouching inputs to supporting documentation (i.e. payslips) and performing an independent recalculation. We obtained confirmation letters sent to the employees confirming that they will be furloughed and inspected timesheets to confirm that the employee was not working during the period that they were furloughed. We assessed the contracts entered into as part of the sale and leaseback to identify the terms of the agreement. We agreed cash receipts from the sale back to bank statements and tested a sample of the assets on the balance sheet pre-sale in order to agree the gain on sale and leaseback under IFRS 16, including challenging management on the exclusion of the contingent consideration in relation to this sale. We recalculated the resulting right of use asset and lease liability using the inputs from the contracts, for each of the three warehouses and head office recognised on the balance sheet.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

Our scoping is based on the Group's consolidation structure. We define a component as a single reporting unit which feeds into the Group consolidation. Of the Group's 40 reporting components, we identified one reporting unit which, in our view, required an audit of its complete financial information both due to its size and risk characteristics (forms the majority of the NEXT Retail, NEXT Online and NEXT Finance segments).

In addition, full scope audits were performed over two other reporting units which contribute to the highlighted segments, though these are not considered to be individually significant either financially or due to risk characteristics.

Further specific audit procedures over central functions, the Group consolidation and areas of significant judgement (including goodwill, intangible assets, leases, taxation, treasury and post-retirement benefits) were directly led by the Group Engagement Team.

This scoping as described above results in the following coverage at the key metrics: 94% of revenue; 92% of profit before tax; and 94% of total assets.

Two of the three in-scope components (including the financially significant component) were audited by the UK Group Engagement Team with the remaining component audited by a team in Hong Kong on instruction from the Group Engagement Team. Throughout the audit cycle, senior members of the Group Engagement Team worked closely with the local component team including review of risk assessment and attendance at the local closing meeting with management. Their workpapers were also subject to review by the Group Engagement Team including the Group Engagement Leader.

The Parent Company is comprised of one reporting unit which was subject to a full scope audit for the purposes of the Parent Company financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Parent Company
Overall materiality	£30,700,000 (2020: £36,000,000).	£26,500,000 (2020: £26,000,000).
How we determined it	5% of average profit before tax of the previous three years (2020: 5% profit before tax).	1% of total assets
Rationale for benchmark applied	Profit before tax is the primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark. We have used a three-year average given our view that the business is not significantly different in size or complexity despite the decreased profit in the year ending 30 January 2021.	The Parent Company does not trade and therefore total assets is considered to be the most appropriate benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £9,000,000 and £29,000,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £23,000,000 for the Group financial statements and £19,875,000 for the Parent Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1,500,000 (Group audit) (2020: £1,800,000) and £1,325,000 (Parent Company audit) (2020: £1,500,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included the procedures as described in our COVID-19 pandemic impact key audit matter.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEXT PLC

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 30 January 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these 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 and Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Parent Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Parent Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; 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.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 18 May 2017 to audit the financial statements for the year ended 27 January 2018 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 27 January 2018 to 30 January 2021.

Andrew Lyon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

1 April 2021

GROUP FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Notes	53 weeks to 30 January 2021 £m	52 weeks to 25 January 2020 £m
Continuing operations			
Revenue		**3,284.1**	3,997.5
Credit account interest		**250.3**	268.7
Total revenue (including credit account interest)	1, 2	**3,534.4**	4,266.2
Cost of sales		**(2,231.7)**	(2,584.2)
Impairment losses on customer and other receivables	13	**(54.8)**	(41.5)
Gross profit		**1,247.9**	1,640.5
Distribution costs		**(555.8)**	(517.0)
Administrative expenses		**(246.8)**	(267.7)
Other losses	3	**(1.3)**	(1.5)
Trading profit		**444.0**	854.3
Share of results of associates and joint ventures		**0.5**	(0.4)
Operating profit	3	**444.5**	853.9
Finance income	5	**0.6**	0.2
Finance costs	5	**(102.7)**	(105.6)
Profit before taxation		**342.4**	748.5
Taxation	6	**(55.7)**	(138.3)
Profit for the period attributable to equity holders of the Parent Company		**286.7**	610.2
Earnings Per Share			
Basic	8	**223.3p**	472.4p
Diluted	8	**221.9p**	468.8p

The Notes 1 to 32 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	53 weeks to 30 January 2021 £m	52 weeks to 25 January 2020 £m
Profit for the period		**286.7**	610.2
Other comprehensive income and expenses:			
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains on defined benefit pension scheme	20	**(57.1)**	2.8
Tax relating to items which will not be reclassified	6	**10.8**	(0.5)
Subtotal items that will not be reclassified		**(46.3)**	2.3
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(2.5)**	2.0
Foreign currency cash flow hedges:			
– fair value movements		**(14.2)**	10.5
Cost of hedging:			
– fair value movements		**(0.5)**	0.1
Tax relating to items which may be reclassified	6	**2.8**	(2.8)
Subtotal items that may be reclassified		**(14.4)**	9.8
Other comprehensive (expense)/income		**(60.7)**	12.1
Total comprehensive income for the period		**226.0**	622.3

CONSOLIDATED BALANCE SHEET

	Notes	30 January 2021 £m	25 January 2020 £m
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	**474.8**	578.5
Intangible assets	10	**60.5**	44.2
Right-of-use assets	11	**720.1**	852.7
Associates, joint ventures and other investments	12	**5.0**	5.0
Defined benefit pension asset	20	**99.2**	133.4
Other financial assets	14	**39.4**	48.4
Deferred tax assets	6	**70.4**	55.7
		1,469.4	1,717.9
Current assets			
Inventories		**536.9**	527.6
Customer and other receivables	13	**1,108.1**	1,315.3
Right of return asset		**24.3**	24.2
Other financial assets	14	**11.1**	1.7
Cash and short term deposits	15	**608.2**	86.6
		2,288.6	1,955.4
Total assets		**3,758.0**	3,673.3
Current liabilities			
Bank loans and overdrafts	16	**(93.4)**	(73.7)
Corporate bonds	19	**(326.0)**	–
Trade payables and other liabilities	17	**(555.3)**	(592.0)
Lease liabilities	11	**(170.1)**	(172.3)
Other financial liabilities	18	**(37.2)**	(32.6)
Current tax liabilities	6	**(14.8)**	(79.2)
		(1,196.8)	(949.8)
Non-current liabilities			
Corporate bonds	19	**(837.0)**	(1,163.7)
Provisions	21	**(18.6)**	(17.3)
Other financial liabilities	18	**–**	(7.8)
Lease liabilities	11	**(1,015.8)**	(1,078.7)
Other liabilities	17	**(28.9)**	(14.5)
		(1,900.3)	(2,282.0)
Total liabilities		**(3,097.1)**	(3,231.8)
NET ASSETS		**660.9**	441.5
TOTAL EQUITY		**660.9**	441.5

The financial statements were approved by the Board of directors and authorised for issue on 1 April 2021. 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	Cash flow hedge reserve £m	Cost of hedging reserve £m	Foreign currency translation £m	Other reserves (Note 23) £m	Retained earnings £m	Total equity £m
At 26 January 2019	**13.9**	**0.9**	**16.0**	**(271.6)**	**0.4**	**0.4**	**(2.0)**	**(1,443.8)**	**2,052.0**	**366.2**
Profit for the period	–	–	–	–	–	–	–	–	610.2	**610.2**
Other comprehensive income for the period	–	–	–	–	7.7	0.1	2.0	–	2.3	**12.1**
Total comprehensive income for the period	–	–	–	–	7.7	0.1	2.0	–	612.5	**622.3**
Share buybacks and commitments (Note 22)	(0.6)	–	0.6	–	–	–	–	–	(300.2)	**(300.2)**
ESOT share purchases (Note 25)	–	–	–	(94.2)	–	–	–	–	–	**(94.2)**
Shares issued by ESOT	–	–	–	80.9	–	–	–	–	(15.4)	**65.5**
Share option charge	–	–	–	–	–	–	–	–	14.7	**14.7**
Reclassified to cost of inventory	–	–	–	–	(40.5)	–	–	–	–	**(40.5)**
Tax recognised directly in equity (Note 6)	–	–	–	–	7.7	–	–	–	13.6	**21.3**
Equity dividends (Note 7)	–	–	–	–	–	–	–	–	(213.6)	**(213.6)**
At 25 January 2020	**13.3**	**0.9**	**16.6**	**(284.9)**	**(24.7)**	**0.5**	**–**	**(1,443.8)**	**2,163.6**	**441.5**
Profit for the period	–	–	–	–	–	–	–	–	286.7	**286.7**
Other comprehensive expense for the period	–	–	–	–	(11.5)	(0.4)	(2.5)	–	(46.3)	**(60.7)**
Total comprehensive income/(expense) for the period	–	–	–	–	(11.5)	(0.4)	(2.5)	–	240.4	**226.0**
Share buybacks and commitments (Note 22)	–	–	–	–	–	–	–	–	(19.3)	**(19.3)**
ESOT share purchases (Note 25)	–	–	–	(190.3)	–	–	–	–	–	**(190.3)**
Shares sold/issued by ESOT	–	–	–	204.0	–	–	–	–	(41.9)	**162.1**
Share option charge	–	–	–	–	–	–	–	–	16.7	**16.7**
Reclassified to cost of inventory	–	–	–	–	19.5	–	–	–	–	**19.5**
Tax recognised directly in equity (Note 6)	–	–	–	–	(3.0)	–	–	–	7.7	**4.7**
Equity dividends (Note 7)	–	–	–	–	–	–	–	–	–	**–**
At 30 January 2021	**13.3**	**0.9**	**16.6**	**(271.2)**	**(19.7)**	**0.1**	**(2.5)**	**(1,443.8)**	**2,367.2**	**660.9**

CONSOLIDATED CASH FLOW STATEMENT

	53 weeks to 30 January 2021 £m	52 weeks to 25 January 2020 £m
Cash flows from operating activities		
Operating profit	**444.5**	853.9
Depreciation, impairment and (profit)/loss on disposal of property, plant and equipment	**136.8**	124.9
Depreciation and impairment on right-of-use assets	**196.6**	138.1
Amortisation of intangible assets	**0.4**	–
Share option charge	**16.7**	14.7
Share of (profit)/loss of joint ventures and associates	**(0.5)**	0.1
Profit on disposal of associate	**(1.0)**	–
Exchange movement	**1.1**	1.7
Increase in inventories and right of return asset	**(9.6)**	(25.6)
Decrease/(increase) in customer and other receivables	**205.4**	(34.0)
Decrease in trade and other payables	**(29.5)**	(3.3)
Net pension contributions less income statement charge	**(22.9)**	(5.3)
Cash generated from operations	**938.0**	1,065.2
Corporation taxes paid	**(113.2)**	(138.0)
Net cash from operating activities	**824.8**	927.2
Cash flows from investing activities		
Additions to property, plant and equipment	**(146.3)**	(138.8)
Movement in capital accruals	**1.7**	2.4
Payments to acquire property, plant and equipment	**(144.6)**	(136.4)
Proceeds from sale of property, plant and equipment	**0.5**	0.3
Purchase of intangible assets	**(16.7)**	–
Purchase of subsidiary	**–**	(3.0)
Disposal of minority interest	**3.9**	–
Investment in joint venture	**(2.4)**	–
Net cash from investing activities	**(159.3)**	(139.1)
Cash flows from financing activities		
Repurchase of own shares	**(19.3)**	(300.2)
Purchase of shares by ESOT	**(189.0)**	(94.2)
Disposal of shares by ESOT	**162.7**	66.9
Repayment of unsecured bank loans	**(40.0)**	(215.0)
Issue of corporate bonds	**–**	250.2
Lease repayment	**(171.0)**	(162.6)
Interest paid (including lease interest)	**(101.6)**	(100.9)
Interest received	**0.5**	0.2
Proceeds from sale and leaseback transactions	**154.4**	–
Dividends paid (Note 7)	**–**	(213.6)
Net cash from financing activities	**(203.3)**	(769.2)
Net increase in cash and cash equivalents	**462.2**	18.9
Opening cash and cash equivalents	**52.9**	34.0
Effect of exchange rate fluctuations on cash held	**(0.3)**	–
Closing cash and cash equivalents (Note 30)	**514.8**	52.9

GROUP ACCOUNTING POLICIES

General Information

NEXT plc and its subsidiaries (the "Group") is a UK based retailer which offers beautifully designed, excellent quality clothing and homeware which are responsibly sourced and accessibly priced. The Company is a public limited company, which is listed on the London Stock Exchange and incorporated in England and Wales and domiciled in the UK. The address of the registered office is Desford Road, Enderby, Leicester LE19 4AT.

Basis of Preparation

The financial statements of NEXT plc and the Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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 2021 (last year 52 weeks to 25 January 2020).

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities including the Group's principal risks and uncertainties. The Board also considered the Group's current cash position, the repayment profile of its existing debt structure (including the maturity of the £325m Bond in October 2021) and the resilience of its 12 month cash flow forecasts to a series of severe but plausible downside scenarios such as further enforced store closures. Having considered these factors the Board is satisfied that the Group has adequate resources to continue in operational existence and therefore it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the 53 weeks ended 30 January 2021.

These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of NEXT plc (the "Company") and its subsidiary undertakings. Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Associates and joint ventures are all entities over which the Group has significant influence but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control of those policies. Investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the change in net assets of the associate or joint venture after the acquisition date.

Fair Value Measurement

The Group measures financial instruments such as derivatives and non-listed equity investments at fair value at each Balance Sheet date.

The fair value is the price that would have been received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described in Note 27.

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 other comprehensive income.

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, except when deferred in other comprehensive income as qualifying cash flow hedges.

Revenue

Revenue represents the fair value of amounts receivable for goods and services and is stated net of discounts, value added taxes and returns. Revenue is recognised when control of the goods or services are transferred to the customer i.e. the customer accepts delivery of those goods.

It is the Group's policy to sell its products to the retail customer with a right to return within 28 days. Given the temporary closure of stores due to the COVID pandemic, this policy was adjusted to provide customers with the right to return within 28 days of the store reopening. The Group uses the expected value method to estimate the value of goods that will be returned because this method best predicts the amounts of variable consideration to which the Group will be entitled. A separate right of return asset is recognised on the face of the Balance Sheet which represents the right to recover product from the customer. The refund liability due to customers on return of their goods is recognised either as a component of trade payables and other liabilities (for cash payments) or as a deduction from customer receivables (for purchases using the next**pay** credit facility).

The Group does not operate any loyalty programmes. Deferred income in relation to gift card redemptions is estimated on the basis of historical redemption rates.

Online credit account interest is accrued on a time basis by reference to the principal outstanding, the provision held (where credit impaired) and the effective interest rate.

Royalty income is received from franchisees and is recognised on an accruals basis in accordance with the substance of the relevant agreements.

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 disclosed in the Strategic Report and in Note 1 of the financial statements. Total sales includes the full customer sales value of commission based sales and interest income, excluding VAT.

Dividends

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are approved and paid.

Dividend income is recognised when the right to receive payment is established.

Property, Plant and 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 equipment	6 – 25 years
Leasehold improvements	the period of the lease, or useful life if shorter

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. 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 tested for impairment annually or whenever there is an indication of impairment. For the purposes of impairment testing, goodwill acquired is allocated to the Cash Generating Unit (CGU) that is expected to benefit from the synergies of the combination. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Software

Capitalised software costs include both external direct costs of goods and services, and internal payroll-related costs for employees who are directly associated with the software project.

Development costs are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it is available for use.
- Management intend to complete the software for use in the business.
- There is an ability to use or sell the software.
- It can be demonstrated how the software will generate probable economic benefits in the future.
- Adequate technical, financial and other resources are available to complete the project.

Capitalised software development costs are amortised on a straight-line basis over their expected economic lives, normally between 3 and 5 years. Computer software under development is held at cost less any recognised impairment loss. Any impairment in value is recognised within the income statement.

GROUP ACCOUNTING POLICIES

Other Intangible Assets

Other intangible assets relate to brand names and trademarks obtained on acquisition which were initially recognised at fair value. They are amortised on a straight-line basis over their expected useful lives of 5 – 10 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) are stated at cost, subject to review for impairment.

Impairment – non-financial assets

The carrying values of non-financial assets (excluding goodwill) are reviewed quarterly 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. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

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, an adjustment is applied such that the cost of stock reflects the hedged exchange rate.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVPL).The classification is based on two criteria:

- the Group's business model for managing the assets; and
- whether the instruments' contractual cash flows represent "Solely Payments of Principal and Interest" on the principal amount outstanding (the "SPPI criterion").

A summary of the Group's financial assets is as follows:

Financial assets	Classification under IFRS 9
Derivatives not designated as hedging instruments	Fair value through profit or loss
Derivatives designated as hedging instruments	Fair value – hedging instrument
Customer and other receivables	Amortised cost – hold to collect business model and SPPI met
Cash and short term deposits (excluding money market funds)	Amortised cost
Money market funds	Fair value through profit or loss
Non-listed equity instruments	Fair value through OCI

Under IFRS 9 the Group initially measures a financial asset at its fair value plus directly attributable transaction costs, unless the asset is classified as FVPL. Transaction costs of financial assets carried at FVPL are expensed in the Income Statement. Further details on the accounting for customer and other receivables is included in Note 13.

For details on hedge accounting refer to Note 28.

Subsequent measurement

A summary of the subsequent measurement of financial assets is set out below.

Financial assets at FVPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	Subsequently measured at amortised cost using the effective interest rate (EIR) method. The amortised cost is reduced by impairment losses. Interest income, impairment or gain or loss on derecognition are recognised in profit or loss.
Equity instruments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents recovery of part of the cost of investment, in which case they are recognised in OCI. Other net gains and losses are recognised in OCI and never reclassified to profit or loss.

The Group has designated its non-listed equity investments as held at fair value through OCI because these are investments that the Group intends to hold for long term strategic purposes.

Derecognition

A financial asset is derecognised primarily when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third-party under a “pass-through” arrangement; and either a) the Group has transferred substantially all the risks and rewards of the asset, or b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or
- the Group has taken actions not to pursue collection, for example in instances of bankruptcy or individual voluntary arrangement.

Impairment – financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. The most significant financial assets of the Group are its trade receivables, which are referred to as “customer and other receivables”. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. For further details on the accounting for ECLs on customer and other receivables refer to Note 13.

Financial liabilities

Initial recognition and measurement

The Group has classified its financial liabilities as follows:

Financial liabilities	Classification under IFRS 9
Derivatives not designated as hedging instruments	Fair value through profit or loss
Derivatives designated as hedging instruments	Fair value – hedging instrument
Interest-bearing loans and borrowings:	
Corporate bonds	Amortised cost – designated in hedge relationships
Bank loans and overdrafts	Amortised cost
Trade and other payables	Amortised cost

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

A summary of the subsequent measurement of financial liabilities is set out below.

Financial liabilities at FVPL	Subsequently measured at fair value. Gains and losses are recognised in the Income Statement.
Loans and borrowings	Subsequently measured at amortised cost using the EIR method. The EIR amortisation is included in finance costs in the Income Statement.
Corporate bonds	Subsequently measured at amortised cost and adjusted where hedge accounting applies (see interest rate derivatives on page 161). Accrued interest is included within other creditors and accruals.

GROUP ACCOUNTING POLICIES

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention and ability to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Customer and Other Receivables

Customer receivables are outstanding customer balances less an allowance for impairment. Customer receivables are recognised when the Group becomes party to the contract which happens when the goods are dispatched. They are derecognised when the rights to receive the cash flows have expired e.g. due to the settlement of the outstanding amount or where the Group has transferred substantially all the risks and rewards associated with that contract. Other trade receivables are stated at invoice value less an allowance for impairment. Customer and other receivables are subsequently measured at amortised cost as the business model is to collect contractual cash flows and the debt meets the SPPI criterion.

Impairment

In accordance with the accounting policy for impairment – financial assets, the Group recognises an allowance for ECLs for customer and other receivables. IFRS 9 requires an impairment provision to be recognised on origination of a customer advance, based on its ECL.

The Group has taken the simplification available under IFRS 9 paragraph 5.5.15 which allows the loss amount in relation to a trade receivable to be measured at initial recognition and throughout its life at an amount equal to lifetime ECL. This simplification is permitted where there is either no significant financing component (such as customer receivables where the customer is expected to repay the balance in full prior to interest accruing) or where there is a significant financing component (such as where the customer expects to repay only the minimum amount each month), but the directors make an accounting policy choice to adopt the simplification. Adoption of this approach means that Significant Increase in Credit Risk (SICR) and Date of Initial Recognition (DOIR) concepts are not applicable to the Group's ECL calculations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

ECL is the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), discounted at the original EIR. The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. The forward looking aspect of IFRS 9 requires considerable judgement as to how changes in economic factors might affect ECLs. The ECL model applies three macroeconomic scenarios including a base case which is viewed by management to be the most likely outturn, together with an upside and downside scenario. A 40% weighting is applied to the base case and 30% to each of the up and downside scenarios.

IFRS 9 "Financial instruments" paragraph 5.5.20 ordinarily requires an entity to not only consider a loan, but also the undrawn commitment and the ECL in respect of the undrawn commitment, where its ability to cancel or demand repayment of the facility does not limit its exposure to the credit risk of the undrawn element. However, the guidance in IFRS 9 on commitments relates only to commitments to provide a loan (that is, a commitment to provide financial assets, such as cash) and excludes from its scope rights and obligations from the delivery of goods as a result of a contract with a customer within the scope of IFRS 15 "Revenue from contracts with customers" (that is, a sales commitment). Thus, the sales commitment (unlike a loan commitment) is not a financial instrument, and therefore the impairment requirements in IFRS 9 do not apply until delivery has occurred and a receivable has been recognised.

Impairment charges in respect of customer receivables are recognised in the Income Statement within "Impairment losses on customer and other receivables".

Delinquency is taken as being in arrears and credit impaired is taken as being the loan has defaulted, which is considered to be the point at which the debt is passed to an internal or external Debt Collection Agency (DCA) and a default registered to a Credit Reference Agency (CRA), or any debt 90 days past due. Delinquency and default are relevant for the estimation of ECL, which segments the book by customer indebtedness, banded into 4 risk bands by arrears stage (See Note 28).

Financial assets are written off when there is no reasonable expectation of recovery, such as when a customer fails to engage in a repayment plan with the Group. If recoveries are subsequently made after receivables have been written off, they are recognised in profit or loss.

Customer and Other Receivables (continued)

Impairment (continued)

The key assumptions in the ECL calculation are:

PD: "Probability of Default" is an estimate of the likelihood of default over the expected lifetime of the debt. NEXT has assessed the expected lifetime of customer receivables and other trade receivables, based on historical payment practices. The debt is segmented by arrears stage, Experian's Consumer Indebtedness Index (a measure of customers' affordability) and expected time of default.

EAD: "Exposure at Default" is an estimate of the exposure at that future default date, taking into account expected changes in the exposure after the reporting date, i.e. repayments of principal and interest, whether scheduled by the contract or otherwise and accrued interest from missed payments. This is stratified by arrears stage, Experian's Consumer Indebtedness Index and expected time of default.

LGD: "Loss Given Default" is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that NEXT would expect to receive, discounted at the original EIR. It is usually expressed as a percentage of the EAD. NEXT includes all cash collected over five years from the point of default.

The Group uses probability weighted economic scenarios that are integrated into the model, in order to evaluate a range of possible outcomes as is required by IFRS 9. An analysis of historical performance suggests that the expected performance of the book is most closely aligned to the forecast change in unemployment rate. However, management considers that the inputs and models used for the ECLs may not always capture all characteristics of the market at the Balance Sheet date. To reflect this qualitative adjustments or overlays are made, based on external data, historical performance and future expected performance.

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, overseas sales 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.

The Group designates certain derivatives as either:

a. Hedges of fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

b. Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Hedge documentation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an "economic relationship" between the hedged item and the hedging instrument.
- The effect of the credit risk does not "dominate the value changes" that result from the economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged items that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of the hedged item.

Interest rate derivatives – fair value hedges

The Group uses interest rate derivatives to hedge part of the interest rate risk associated with the Group'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.

For fair value hedges relating to items carried at amortised cost, any adjustment to the carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

GROUP ACCOUNTING POLICIES

Foreign currency derivatives – cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Income Statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency and option contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. Where forward contracts are used to hedge forecast transactions, the Group designates the change in fair value relating to both the spot and forward components as the hedging instrument. The ineffective portion relating to foreign currency contracts is recognised as other gains/losses in the Income Statement.

The fair value of option contracts are divided into two portions:

- the intrinsic value – which is determined by the difference between the strike price and the current market price of the underlying; and
- the time value – which is the remaining value of the option which reflects the volatility of the price of the underlying and the time remaining to maturity.

In accordance with IFRS 9 "Financial instruments", the Group designates the intrinsic value of foreign currency options as hedging instruments for hedging relationships entered into. The intrinsic value is determined with reference to the relevant spot market exchange rate. Changes in the time value of the options that relate to the hedged item are deferred in the cost of hedging reserve and recognised against the related hedge transaction when it occurs.

The amounts accumulated in the cash flow hedge reserve are accounted for depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost for the carrying amount of the hedged asset or liability. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (e.g. when inventory impacts cost of sales). This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Amounts held in money market funds are held at fair value through the profit and loss and are valued using Level 1 inputs. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet. Refer to Note 30 of the financial statements.

Pension Arrangements

The Group provides 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 members.

The cost of providing benefits under the defined benefit and unfunded arrangements are determined separately for each plan using the projected unit credit method, with actuarial valuations being carried out at each Balance Sheet date by external actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. A net pension asset is only recognised to the extent that it is expected to be recoverable in the future through a cash refund or a reduction in future payments.

The current service cost of the defined benefit plan is recognised in the Income Statement as an employee benefit expense. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the plan assets.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

The cost of defined contribution schemes is recognised in the Income Statement as incurred. The Group has no further payment obligations once the contributions have been paid.

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, as an employee benefit expense, over the vesting period of the option or award together with a corresponding increase in equity. The cumulative expense recognised is the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the Income Statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-service performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

No expense is recognised for awards that do not ultimately vest because of non-market performance and/or service conditions that have not been met. When awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are met.

The social security contributions payable in connection with the grant of the share options or LTIP award is considered an integral part of the grant itself, and the charge is treated as a cash-settled transaction. 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 recognised 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 on temporary differences between the tax bases of assets and liabilities and their carrying amounts. It 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. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and there is an intention to settle the balances on a net basis.

Tax provisions are recognised when there is a potential exposure to an uncertain tax position. Management uses professional advisers and in-house tax experts to determine the amounts to be provided.

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. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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, including any directly attributable incremental costs, as a deduction from equity.

Provisions

A provision is recognised where the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

GROUP ACCOUNTING POLICIES

Lease Accounting

Group as lessee

At inception of a contract the Group assesses whether the contract is or contains a lease. A lease is present where the contract conveys, over a period of time, the right to control the use of an identified asset in exchange for consideration. Where a lease term ends and the Group remains within the site on holdover terms, the rental costs associated with this arrangement are recognised in the Income Statement as incurred.

Where a lease is identified the Group recognises a right-of-use asset and a corresponding lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

Lease liability – initial recognition

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted at the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments such as those that depend on an index or rate (such as RPI), initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options where the Group is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Consolidated Balance Sheet, split between current and non-current liabilities.

Lease liability – subsequent measurement

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability – remeasurement

The lease liability is remeasured where:

- there is a change in the assessment of exercise of an option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- the lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

When the lease liability is remeasured, an equivalent adjustment is made to the right-of-use asset unless its carrying amount is reduced to zero, in which case any remaining amount is recognised in profit or loss.

Where the lease liability is denominated in a foreign currency it is retranslated at the Balance Sheet date with foreign exchange gains and losses recognised in profit or loss.

Right-of-use asset – initial recognition

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease incentives received, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the Group has an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use asset is presented as a separate line in the Balance Sheet.

Right-of-use asset – subsequent measurement

Right-of-use assets are depreciated over the shorter of the lease term and useful life of the underlying asset.

Impairment

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment – non-financial assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

Short term leases and low value assets

For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Sale and leaseback

A sale and leaseback transaction is where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the counterparty. A sale is recognised when control of the underlying asset passes to the counterparty. The asset sold is derecognised and a lease liability and right-of-use asset recognised in relation to the lease. Any gain or loss arising on the transaction is recognised in the Income Statement and relates to the rights transferred to the counterparty.

Government Grants

Grants are recognised only when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Grants that are receivable as compensation for expenses already incurred are recognised in profit or loss in the period in which they become receivable.

Major Sources of Estimation Uncertainty and Judgement

The preparation of the financial statements requires estimates and assumptions to be made that affect the reported values of assets, liabilities, revenues and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In applying the Group's accounting policies described above, the directors have identified that the following areas are the key estimates that have a significant risk of resulting in a material adjustment to the carrying value of assets and liabilities in the next financial year.

Expected credit losses on Online customer and other receivables

The provision for the allowance for expected credit losses (refer to Note 13) is calculated using a combination of internally and externally sourced information, including future default levels (derived from historical defaults overlaid by macroeconomic assumptions), future cash collection levels (derived from past trends), arrears stage and customer indebtedness and other credit data.

Once a customer receivable has defaulted, there is limited sensitivity associated with credit risk. Prior to default, the greatest sensitivity relates to the ability of customers to afford their payments (impacting the Probability of Default (PD) and the Exposure at Default (EAD)) and to the expected level of cash collectable following default (impacting the Loss Given Default (LGD)).

Since March 2020, the UK Government has provided an unprecedented level of support to both companies and individuals such as payment freezes and the furlough scheme, with the objective of minimising the long-term economic impact of the pandemic. This support has, in the short-term, reduced the impact the pandemic would otherwise have had on the performance of online customer receivables; but the long-term economic impacts of the pandemic remain uncertain.

GROUP ACCOUNTING POLICIES

Major Sources of Estimation Uncertainty and Judgement (continued)

Expected credit losses on Online customer and other receivables (continued)

The most significant areas of judgement in the January 2021 year end provision, which have collectively resulted in increases in the modelled ECL, are (i) the impact of macroeconomic deterioration as the economy emerges from the pandemic, (ii) the expected performance of borrowers who are currently, or were previously, on repayment plans, and (iii) the identification of higher risk segments, e.g.borrowers with a payment freeze with another lender.

Deterioration in the ability of customers to afford their payments will cause an increase in lifetime ECL. Management considers that current CII values understate the underlying risk due to the Government initiatives detailed above. The weighted average CII has been uplifted by 20% to allow for this uncertainty, aligning the underlying risk to the prior year, preventing a provision release of £14m. This is before forward looking macroeconomic factors are included.

A key assumption within the ECL calculation is the forecast rate of UK unemployment. The expected increase in the rate of unemployment provides a strong indicator of a deterioration in the ability of customers to afford their payments and, in turn, an increase in PD and the EAD. This is a key driver behind the increase in the lifetime ECL of circa £20m in the period. The weighted average unemployment rate, based on forecasts from Experian (IFRS 9 Central Forecast Report November 2020), is expected to peak at 7.5% in Q2 2021 before reducing to 4.3% by Q4 2024. If unemployment was to peak at the upper range of the Experian forecast of 8.1% in Q2 2021 before reducing to 5.2% in Q4 2024 then the lifetime ECL would be £4.0m higher. If unemployment peaks at the lower end of the Experian range 6.7% in Q2 2021 before reducing to 3.5% in Q4 2024 then the lifetime ECL would be £4.3m lower.

A 2% movement upwards (or downwards) in the expected rate of cash collectable following default reduces (or increases) the allowance for lifetime ECL by £2.7m. The choice of a 2% change for the determination of sensitivity represents a reasonable, but not extreme variation in the collection rate. The impact of changes to assumptions on the credit impaired book is not material reflecting the higher ECL rates held.

In the five weeks following the January 2021 year end, £0.2bn of the £1.2bn NEXT customer and other trade receivables has been recovered. Management estimate that a further £0.2bn will be recovered by the date of signing of these financial statements.

Net realisable value of inventories

The selling prices of inventory are estimated to determine the net realisable value of inventory. Historical sales patterns and post year end trading performance are used to determine these. A 2% change in the volume of inventories going to clearance would impact the net realisable value by circa £6m. A 2% change in the level of markdown applied to the selling price would impact the value of inventories going to clearance by circa £8m.

Impairment of right-of-use assets and Plant, Property and Equipment

Property, plant and equipment and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When an impairment review is performed, the recoverable amount is based on the higher of the value in use and fair value less costs to sell. The value in use method requires the Group to apply assumptions in performing its assessment of future cash flows over the useful life of the asset. Key assumptions used are the Board approved budget for year 1, long-term growth rate to be applied to the asset life and the risk adjusted pre-tax discount rate used to discount the assumed cash flows to present value.

In light of the COVID pandemic and its impact on the business performance, the Group's cash flow projections for its Retail stores have been updated and factor in the experience of trade during periods when stores reopened following Government restrictions, the impact of social distancing measures, and the actions the Group is taking to manage its Retail business. The cash flow projections include assumptions on store performance throughout the remaining contractual lease term. In particular, the expected decline in like-for-like Retail sales in the budget for 2021/22 and the subsequent assumptions on our like-for-like Retail sales represent sources of significant estimation uncertainty. A future change to the assumption of sales growth would result in a reassessment of the value in use and could give rise to a significant change in the impairment recognised.

An improvement in the forecast sales in the year 1 budget of +2%, with no subsequent changes to sales, would result in an expected reduction in the impairment charge of circa £5m. A larger change of +4% would result in a reduction in the impairment charge of circa £10m.

Thereafter, in years 2 to 5, the cash flow projections assumed a like-for-like decline in Retail sales of -6%. This was considered an appropriate basis for the forecast given the historical rate of decline evident in our Retail sales in recent years. A change of 1% to the assumed annual change in like-for-like Retail sales in this period, assuming no change in the year 1 budget, would result in a change to the impairment charge of circa £5m while a change of 3% would result in a change in the impairment charge of circa £15m.

An increase of 2% on the discount rate applied to the impairment model would result in an increase in the impairment charge of £5m.

Defined benefit pension valuation

The assumptions applied in determining the defined benefit pension obligation (Note 20), are particularly sensitive. Advice is taken from a qualified actuary to determine appropriate assumptions at each Balance Sheet date. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. A sensitivity analysis is shown in Note 20. In determining the appropriate discount rate, management considers the interest rates of high quality UK corporate bonds, with extrapolated maturities corresponding to the expected duration of the obligation. The mortality rate is based on publicly available mortality tables.

Significant judgements

Significant judgements, apart from those involving estimations, that are applied in the preparation of the consolidated financial statements are discussed below:

Leases

Management exercises judgement in determining the lease term of its lease contracts. Within its lease contracts, particularly those in respect of its Retail business, break options are included to provide operational and financial security should store performance be different to expectations. At inception of the lease management therefore assesses the lease term based on its expectations for the lease.

As noted above, the COVID pandemic has had a significant impact on the Retail business and the operational and financial performance of its stores. As a result, the Group performed an impairment review on its store portfolio and recognised a significant impairment charge. This also acted as a trigger for the Group to reassess the lease term assessment on those stores that are now forecast to be loss making. This is because the Group no longer has a reasonable expectation of remaining in these stores under the current lease terms. As a result, the expected lease term of 79 leases have been reduced resulting in the reduction in the right-of-use asset of £50.8m, a reduction in the associated lease liability of £55.2m and a gain of £4.4m (recognised within Cost of sales).

Financial instruments

The Group has recognised that the value of Financial Instruments and related hedging activity is material to the accounts and relates to a potentially complex area of financial reporting. As a consequence, this has been identified as a key audit matter by the Auditors and an area of focus for the Audit Committee. These instruments are valued on a mark to market basis and are therefore valued with reference to market inputs rather than directly observable market values and with limited or no management judgement or estimation required.

Adoption of new accounting standards, interpretations and amendments

The group has applied the following standards and amendments for the first time in these financial statements:

- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3

The application of these new standards and amendments did not have a material impact on the Financial Statements.

Certain new accounting standards and interpretations have been published that are not yet effective and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Alternative performance measures (APMs)

Management exercises judgement in determining the adjustments to apply to IFRS measurements in order to derive suitable APMs. As set out on page 68, APMs are used as management believe these measures provide additional useful information on the underlying trends, performance and position of the Group. These measures are used for performance analysis. The APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs. These measures are not intended to be a substitute for, or superior to, IFRS measurements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Segmental Analysis

The Group's operating segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Group Chief Executive, with support from the Board. The performance of operating segments is assessed on profits before interest and tax, excluding equity-settled share option charges recognised under IFRS 2 "Share-based payment", IFRS 16 "Leases" (lease costs are instead charged to Cost of sales in the Income Statement on straight line basis) and unrealised gains or losses on derivatives which do not qualify for hedge accounting.

The Property Management segment holds properties and property leases which are sublet to other segments and external parties. The NEXT International Retail segment comprises franchise and wholly owned stores overseas. International online sales are included in the NEXT Online segment.

Where third-party branded goods are sold on a commission basis, only the commission receivable is included in statutory revenue. "Total sales" represents the full customer sales value of commission based sales and interest income, excluding VAT. Under IFRS 15, total sales have also been adjusted for customer delivery charges, income received from printed publications, promotional discounts, Interest Free Credit commission costs and unredeemed gift card balances. The CODM uses the total sales as a key metric in assessing segment performance; accordingly, this is presented below and then reconciled to the statutory revenue.

Segment sales and revenue

	53 weeks to 30 January 2021					
	Total sales excluding VAT £m	Commission sales adjustment £m	IFRS 15 adjustments £m	External revenue £m	Internal revenue £m	Total segment revenue £m
NEXT Online	2,368.4	(157.4)	68.5	2,279.5	–	2,279.5
NEXT Retail	954.5	(2.0)	(0.6)	951.9	0.3	952.2
NEXT Finance	250.3	–	–	250.3	–	250.3
NEXT International Retail	33.2	–	–	33.2	–	33.2
NEXT Sourcing	6.8	–	–	6.8	394.6	401.4
	3,613.2	(159.4)	67.9	3,521.7	394.9	3,916.6
Lipsy	5.2	–	–	5.2	74.1	79.3
NENA	0.1	–	–	0.1	0.6	0.7
Property Management	7.4	–	–	7.4	193.2	200.6
Total segment sales/revenue	3,625.9	(159.4)	67.9	3,534.4	662.8	4,197.2
Eliminations	–	–	–	–	(662.8)	(662.8)
Total	3,625.9	(159.4)	67.9	3,534.4	–	3,534.4

NENA (NEXT Europe and North Africa) is a small sourcing business acquired on 31 January 2020.

1. Segmental Analysis (continued)

Segment sales and revenue (continued)

	52 weeks to 25 January 2020					
	Total sales excluding VAT £m	Commission sales adjustment £m	IFRS 15 adjustments £m	External revenue £m	Internal revenue £m	Total segment revenue £m
NEXT Online	2,146.6	(134.3)	42.4	2,054.7	1.6	2,056.3
NEXT Retail	1,851.9	(3.4)	(0.3)	1,848.2	3.3	1,851.5
NEXT Finance	268.7	–	–	268.7	–	268.7
NEXT International Retail	56.9	–	–	56.9	–	56.9
NEXT Sourcing	9.5	–	–	9.5	533.4	542.9
	4,333.6	(137.7)	42.1	4,238.0	538.3	4,776.3
Lipsy	13.1	–	–	13.1	81.8	94.9
Property Management	15.1	–	–	15.1	196.2	211.3
Total segment sales/revenue	4,361.8	(137.7)	42.1	4,266.2	816.3	5,082.5
Eliminations	–	–	–	–	(816.3)	(816.3)
Total	4,361.8	(137.7)	42.1	4,266.2	–	4,266.2

Segment profit/(loss)

The view of segment profit used by the CODM does not allocate the impact of IFRS 16 because the IFRS 16 profit before tax is not used in internal reporting.

	53 weeks to 30 January 2021 £m	52 weeks to 25 January 2020 £m
NEXT Online	**472.1**	399.6
NEXT Retail	**(205.9)**	163.9
NEXT Finance	**112.4**	146.7
NEXT International Retail	**3.4**	6.2
NEXT Sourcing	**17.8**	32.0
	399.8	748.4
Lipsy	**5.2**	13.0
Property Management	**(39.9)**	(2.2)
Total segment profit	**365.1**	759.2
Central costs and other	**(11.8)**	(6.8)
Recharge of interest	**48.4**	36.3
Share option charge	**(16.7)**	(14.7)
Unrealised foreign exchange losses	**(1.3)**	(1.5)
Trading profit	**383.7**	772.5
Share of results of associates and joint ventures	**0.5**	(0.4)
Finance income	**0.6**	0.2
Finance costs	**(42.8)**	(43.8)
Profit before tax excluding IFRS 16	**342.0**	728.5
IFRS 16	**0.4**	20.0
Profit before tax including IFRS 16	**342.4**	748.5

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 Online.

Further detail on the segment performance is provided in the Chief Executive's Review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Segmental Analysis (continued)

Segment assets, capital expenditure and depreciation

	Property, plant, equipment and software		Capital expenditure inc. software		Depreciation and amortisation of software	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
NEXT Online	**238.9**	127.4	**97.3**	52.3	**23.1**	19.8
NEXT Retail	**239.9**	345.4	**49.6**	68.8	**92.5**	96.8
NEXT Finance	**–**	–	**–**	–	**–**	–
NEXT International Retail	**–**	0.5	**–**	–	**–**	0.1
NEXT Sourcing	**2.0**	2.6	**0.5**	1.1	**0.9**	1.2
Lipsy	**0.5**	2.4	**–**	0.1	**0.9**	1.0
Property Management	**9.7**	100.2	**15.4**	16.5	**0.2**	0.3
Total	**491.0**	578.5	**162.8**	138.8	**117.6**	119.2

These assets are allocated based on the operations of the segment and the physical location of the asset.

Impairment charges in relation to property, plant and equipment are included in the NEXT Retail segment. Segment right-of-use assets, depreciation and impairment on right-of-use assets and liabilities have not been disclosed as these are not regularly provided to the CODM.

Analyses of the Group's external revenues (by customer location) are detailed below:

Non current assets include plant, property and equipment, intangible assets and right-of-use assets. It does not include investments, the deferred tax asset or financial assets.

External revenue by geographical location	2021 £m	2020 £m
United Kingdom	**2,931.5**	3,665.0
Rest of Europe	**311.6**	317.6
Middle East	**215.8**	189.9
Asia	**43.3**	58.3
Rest of World	**32.2**	35.4
Total	**3,534.4**	4,266.2

Non-current assets by geographical location	2021 £m	2020 £m
United Kingdom	**499.5**	583.4
Rest of Europe	**3.3**	6.3
Middle East	**4.3**	4.3
Asia	**28.2**	28.7
Total	**535.3**	622.7

Right-of-use assets by geographical location	2021 £m	2020 £m
United Kingdom	**696.2**	804.3
Rest of Europe	**19.8**	45.5
Middle East	**–**	–
Asia	**4.1**	2.9
Total	**720.1**	852.7

2. Total Revenue

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

	53 weeks to 30 January 2021				
	Sale of goods £m	Credit account interest £m	Royalties £m	Rental income £m	Total £m
NEXT Online	2,279.5	–	–	–	2,279.5
NEXT Retail	951.9	–	–	–	951.9
NEXT Finance	–	250.3	–	–	250.3
NEXT International Retail	29.2	–	4.0	–	33.2
NEXT Sourcing	6.8	–	–	–	6.8
Lipsy	3.6	–	1.6	–	5.2
NENA	0.1	–	–	–	0.1
Property Management	–	–	–	7.4	7.4
Total	3,271.1	250.3	5.6	7.4	3,534.4

	52 weeks to 25 January 2020				
	Sale of goods £m	Credit account interest £m	Royalties £m	Rental income £m	Total £m
NEXT Online	2,054.7	–	–	–	2,054.7
NEXT Retail	1,848.2	–	–	–	1,848.2
NEXT Finance	–	268.7	–	–	268.7
NEXT International Retail	51.6	–	5.3	–	56.9
NEXT Sourcing	9.5	–	–	–	9.5
Lipsy	10.8	–	2.3	–	13.1
NENA	–	–	–	–	–
Property Management	–	–	–	15.1	15.1
Total	3,974.8	268.7	7.6	15.1	4,266.2

3. Operating Profit

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

	2021 £m	2020 £m
Depreciation on tangible assets	117.3	119.2
Depreciation on right-of-use assets	137.9	140.3
Loss on disposal of property, plant and equipment	4.3	1.2
Gain on sale and leaseback	(8.1)	–
Impairment charges on tangible assets	23.3	4.5
Impairment on right-of-use assets	64.2	1.2
Amortisation of intangible assets	0.4	–
Gain on lease modifications and reassessed lease term	(5.5)	(3.4)
Contingent rentals payable	0.8	2.8
Job Retention Scheme receipts	(95.1)	–
Cost of inventories recognised as an expense	1,219.2	1,462.1
Write-down of inventories to net realisable value	150.5	117.4
Total	1,369.7	1,579.5

Strategic Report
Governance
Group Financial Statements Company
Shareholder Information

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Operating Profit (continued)

Due to the impact of COVID the structural shift of trade from the Group's Retail to Online business accelerated during the year. The Group therefore performed an impairment review on all retail stores in which the assets were written down to their value in use which is considered to be the recoverable amount of these assets. The value in use was calculated by reference to management's discounted forecast cash flows for each retail store (each store assessed as a Cash Generating Unit). The cash flows were discounted using the pre-tax weighted average cost of capital, as adjusted for the lease assets, of 7% over the term of the associated asset life.

The resulting impairment charge has been recognised within Cost of sales. A significant amount of estimation was used to determine the impairment required, refer to the Major Sources of Estimation Uncertainty and Judgement section with our Group Accounting Policies for further detail.

Receipts associated with the Job Retention Scheme have been recognised in Cost of sales (£63.3m), distributions costs (£26.7m) and administrative costs (£5.1m) based on where the associated staff payroll costs are recognised. All receipts from the Job Retention Scheme have been paid in full to staff on furlough. This has been recognised as a grant in accordance with the accounting policy set out on page 165.

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.

Other losses reported in the Income Statement represent foreign exchange losses of £1.3m (2020: losses of £1.5m) in respect of derivative contracts which do not qualify for hedge accounting under IFRS 9.

Other foreign exchange differences recognised in the Income Statement were gains of £1.3m (2020: £7.4m).

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates, including expenses:

	2021 £000	2020 £000
Auditor's remuneration		
Audit of the financial statements	**430**	269
Audit of subsidiaries	**485**	408
Total audit fees	**915**	677
Other assurance services	**80**	138
Total	**995**	815

The year on year increase in audit fees reflects the increased complexity of the Group and the compliance costs associated with audits. Other assurance services relate to audit work on Corporate Responsibility reporting and turnover certificates for store leases.

4. Staff Costs and Key Management Personnel

Total staff costs were as follows:

	2021 £m	2020 £m
Wages and salaries	**593.6**	617.2
Social security costs	**44.4**	44.8
Other pension costs	**39.0**	35.3
	677.0	697.3
Share-based payment expense – equity-settled	**16.7**	14.7
Share-based payment benefit – cash-settled	**0.5**	(0.3)
Total	**694.2**	711.7

Share-based payments comprise Management, Sharesave and Share Matching Plan options and LTIP share awards, details of which are given in Note 24. During the year the Group received funds under the UK Governments Job Retention Scheme as disclosed in Note 3.

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

	2021 £m	2020 £m
NEXT Online, Retail and Finance	**640.1**	656.8
NEXT International Retail	**0.2**	1.2
NEXT Sourcing	**29.9**	32.5
Other activities	**24.0**	21.2
Total	**694.2**	711.7

	Average employees		Full-time equivalents	
	2021 Number	2020 Number	2021 Number	2020 Number
NEXT Online, Retail and Finance	**37,097**	39,504	**21,059**	23,888
NEXT International Retail	**12**	59	**7**	45
NEXT Sourcing	**4,119**	4,317	**4,119**	4,317
Other activities	**319**	313	**306**	295
Total	**41,547**	44,193	**25,491**	28,545

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:

	53 weeks to 30 January 2021 £m	52 weeks to 25 January 2020 £m
Short term employee benefits	**3.1**	3.2
Post-employment benefits	**–**	0.2
Share-based payments	**3.1**	2.5
Total	**6.2**	5.9

Directors' remuneration is detailed in the Remuneration Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Finance Income and Costs

	53 weeks to 30 January 2021 £m	52 weeks to 25 January 2020 £m
Interest on bank deposits	**0.4**	0.1
Other interest receivable	**0.2**	0.1
Finance income	**0.6**	0.2
Interest on bonds and other borrowings	**42.9**	43.6
Other fair value movements	**(0.1)**	0.2
Finance costs on lease liability	**59.9**	61.8
Finance costs	**102.7**	105.6

Online account interest is presented as a component of revenue.

6. Taxation

Tax charge for the period

Our tax charge for the period is shown below. Tax is made up of current and deferred tax. Current tax is the amount payable on the taxable income in the period and any adjustments to tax payable in previous years. Deferred tax is explained on page 163.

	2021 £m	2020 £m
Current tax:		
Current tax on profits for the period	**61.2**	141.8
Adjustments in respect of prior periods	**(3.5)**	(0.4)
Total current tax	**57.7**	141.4
Deferred tax:		
Origination and reversal of temporary differences	**(2.5)**	(3.8)
Adjustments in respect of prior periods	**0.5**	0.7
Tax expense reported in the Consolidated Income Statement	**55.7**	138.3

Factors affecting the tax charge in the period

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

	2021 %	2020 %
UK corporation tax rate	**19.0**	19.0
Non-taxable (income)/non-deductible expenses	**(0.9)**	(0.3)
Overseas tax	**(0.9)**	(0.1)
Adjustments in respect of prior period	**(0.9)**	(0.1)
Total	**16.3**	18.5

6. Taxation (continued)

Tax recognised in other comprehensive income and equity

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

	2021 £m	2020 £m
Deferred tax:		
Pension benefit obligation	**(10.8)**	0.5
Fair value movements on derivative instruments	**(2.8)**	2.8
Tax (credit)/charge in other comprehensive income	**(13.6)**	3.3

	2021 £m	2020 £m
Current tax:		
Share-based payments	**(5.6)**	(4.5)
Exchange loss recognised outside of profit or loss	**–**	–
Deferred tax:		
Fair value movements on derivative instruments	**3.0**	(7.7)
Share-based payments	**(2.1)**	(9.1)
Tax credit in the Statement of Changes in Equity	**(4.7)**	(21.3)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences that arise when the carrying value of assets and liabilities differ between accounting and tax treatments. Deferred tax assets represent the amounts of income taxes recoverable in the future in respect of those differences, while deferred tax liabilities represent the amounts of income taxes payable in the future in respect of those differences.

The deferred tax asset is made up of:	2021 £m	2020 £m
Accelerated capital allowances	**23.5**	10.0
Revaluation of derivatives to fair value	**5.2**	5.1
Pension benefit obligation	**(15.9)**	(22.7)
Share-based payments	**20.9**	17.4
IFRS 16 leases	**34.7**	38.2
Other temporary differences	**2.0**	7.7
Total	**70.4**	55.7

The deferred tax movement in the year is as follows:	2021 £m	2020 £m
At the beginning of the period	**55.7**	39.1
Recognised in the Income Statement:		
Accelerated capital allowances	**13.4**	3.7
Revaluation of derivatives to fair value	**0.3**	0.3
Share-based payments	**1.5**	2.2
IFRS 16 Leases	**(3.5)**	(3.7)
Other temporary differences	**(9.7)**	0.6
Recognised in Other Comprehensive Income	**13.6**	(3.3)
Recognised in the Statement of Changes in Equity	**(0.9)**	16.8
At the end of the period	**70.4**	55.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Taxation (continued)

Deferred tax (continued)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. No recognition has been made of the following deferred tax assets:

		Unrecognised		Unrecognised
	Gross value 2021 £m	deferred tax 2021 £m	Gross value 2020 £m	deferred tax 2020 £m
Capital losses	**12.3**	**2.3**	34.7	5.9

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

Factors affecting tax charges in future years

Deferred taxes reflected in these financial statements have been measured using the enacted tax rates at the Balance Sheet date. For UK corporation tax the enacted rate of 19% was used to measure the net deferred tax asset. Following on from the Budget of 3 March 2021 this deferred tax asset will have to be remeasured based on the potential recognition of these assets at the rate of 25% in the year ended 29 January 2022.

Provisions, which are immaterial to the accounts, have been recognised in relation to uncertain tax positions. These relate to the interpretation of tax legislation, including changes arising from the OECD's Base Erosion and Profit Shifting project, which impact our NEXT Sourcing operation in its ordinary course of business. Any uncertainty is likely to lessen as the business responds to these rule changes.

NEXT manages its tax affairs responsibly and proactively to comply with tax legislation. We seek to build solid and constructive working relationships with all tax authorities.

7. Dividends

No interim or final dividend is proposed for the year to January 2021. The Trustee of the ESOT waived dividends paid in the prior year on shares held by the ESOT.

Year to 25 January 2020	Paid	Pence per share	Cash Flow Statement £m	Statement of Changes in Equity £m
Final ordinary dividend for year to Jan 2019	1 Aug 2019	110p	140.3	140.3
Interim ordinary dividend for year to Jan 2020	2 Jan 2020	57.5p	73.3	73.3
			213.6	213.6

8. Earnings Per Share

	53 weeks to 30 January 2021 including IFRS 16	52 weeks to 25 January 2020 including IFRS 16	53 weeks to 30 January 2021 excluding IFRS 16	52 weeks to 25 January 2020 excluding IFRS 16
Basic Earnings Per Share	**223.3p**	472.4p	**226.3p**	459.8p

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

	53 weeks to 30 January 2021 including IFRS 16	52 weeks to 25 January 2020 including IFRS 16	53 weeks to 30 January 2021 excluding IFRS 16	52 weeks to 25 January 2020 excluding IFRS 16
Diluted Earnings Per Share	**221.9p**	468.8p	**224.9p**	456.3p

Diluted Earnings Per Share is calculated by adjusting the weighted average number of shares used for the calculation of basic Earnings Per Share as increased by the dilutive effect of potential ordinary shares. Dilutive shares arise from employee share option schemes where the exercise price is less than the average market price of the Company's ordinary shares during the period. Their dilutive effect is calculated on the basis of the equivalent number of nil cost options. Where the option price is above the average market price, the option is not dilutive and is excluded from the diluted EPS calculation. There were 1,486,779 non-dilutive share options in the current year (2020: 2,424,915).

	53 weeks to 30 January 2021 including IFRS 16	52 weeks to 25 January 2020 including IFRS 16	53 weeks to 30 January 2021 excluding IFRS 16	52 weeks to 25 January 2020 excluding IFRS 16
Fully diluted Earnings Per Share	**212.5p**	449.1p	**215.4p**	437.1p

Fully diluted Earnings Per Share is based on the weighted average number of shares used for the calculation of basic Earnings Per Share, increased by the weighted average total employee share options outstanding during the period. Underlying fully diluted Earnings Per Share is an Alternative Performance Measure (APM) used for the purposes of the Share Matching Plan, described further in Note 24.

The table below shows the key variables used in the Earnings Per Share calculations:

	53 weeks to 30 January 2021	52 weeks to 25 January 2020
Profit after tax attributable to equity holders of the Parent Company (£m)	**286.7**	610.2
Weighted average number of shares (millions)		
Weighted average shares in issue	**133.0**	134.8
Weighted average shares held by ESOT	**(4.6)**	(5.6)
Weighted average shares for basic EPS	**128.4**	129.2
Weighted average dilutive potential shares	**0.8**	1.0
Weighted average shares for diluted EPS	**129.2**	130.2
Weighted average total share options outstanding	**6.5**	6.7
Weighted average shares for fully diluted EPS	**134.9**	135.9

As detailed in the Remuneration Report, the annual bonus for executive directors is determined by reference to underlying pre-tax Earnings per Share of 257.2p (2020: 564.0p). The underlying pre-tax profit on a 52 week basis, excluding IFRS 16, of £330.2m (2020: 52 week £728.5m), is divided by the net of 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

9. Property, Plant and Equipment

	Freehold property £m	Leasehold property £m	Plant and equipment £m	Total £m
Cost				
At January 2019	**80.8**	**9.2**	**1,785.0**	**1,875.0**
Exchange movement	–	–	0.1	0.1
Additions	16.6	–	122.2	138.8
Disposals	–	–	(48.9)	(48.9)
At January 2020	**97.4**	**9.2**	**1,858.4**	**1,965.0**
Exchange movement	–	–	(0.9)	(0.9)
Additions	15.1	2.0	129.2	146.3
Disposals	(105.7)	(8.5)	(69.1)	(183.3)
At January 2021	**6.8**	**2.7**	**1,917.6**	**1,927.1**
Depreciation				
At January 2019	**8.6**	**1.4**	**1,300.1**	**1,310.1**
Exchange movement	–	–	0.1	0.1
Provided during the year	0.3	–	118.9	119.2
Impairment charge	–	–	4.5	4.5
Disposals	–	–	(47.4)	(47.4)
At January 2020	**8.9**	**1.4**	**1,376.2**	**1,386.5**
Exchange movement	–	–	(0.7)	(0.7)
Provided during the year	0.1	–	117.2	117.3
Impairment charge	–	–	23.3	23.3
Disposals	(8.6)	(1.3)	(64.2)	(74.1)
At January 2021	**0.4**	**0.1**	**1,451.8**	**1,452.3**
Carrying amount				
At January 2021	**6.4**	**2.6**	**465.8**	**474.8**
At January 2020	88.5	7.8	482.2	578.5
At January 2019	72.2	7.8	484.9	564.9

At January 2021 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £27.4m (2020: £38.2m). Plant and equipment includes leasehold improvements.

Due to the impact of COVID the structural shift of trade from the Group's Retail to Online business accelerated during the year. As a result, an impairment charge of £23.3m has been recognised on Retail store and other assets. See Note 3 for further detail.

10. Intangible Assets

	Software £m	Brand names and trademarks £m	Goodwill £m	Total £m
Cost				
At January 2019	**–**	**4.0**	**44.2**	**48.2**
Arising on acquisitions	–	0.3	1.3	1.6
At January 2020	**–**	**4.3**	**45.5**	**49.8**
Additions	16.5	–	–	16.5
Arising on acquisitions	–	–	0.2	0.2
At January 2021	**16.5**	**4.3**	**45.7**	**66.5**
Amortisation and impairment				
At January 2019	**–**	**4.0**	**1.6**	**5.6**
Amortisation provided during the year	–	–	–	–
At January 2020	**–**	**4.0**	**1.6**	**5.6**
Amortisation provided during the year	0.3	0.1	–	0.4
At January 2021	**0.3**	**4.1**	**1.6**	**6.0**
Carrying amount				
At January 2021	**16.2**	**0.2**	**44.1**	**60.5**
At January 2020	–	0.3	43.9	44.2
At January 2019	–	–	42.6	42.6

Within software additions £14.4m relates to software costs for projects that are not yet complete and hence do not yet attract amortisation. The carrying amount of goodwill is allocated to the following cash generating units:

	2021 £m	2020 £m
NEXT Sourcing	**30.5**	30.5
Lipsy	**12.1**	12.1
NEXT Beauty (formerly Marie Claire Beauty)	**1.3**	1.3
NENA	**0.2**	–
Total	**44.1**	43.9

At the end of January 2020 the group acquired the trade and assets of NENA (NEXT Europe and North Africa), a small sourcing business, for consideration of £0.2m.

Goodwill is tested for impairment at the Balance Sheet date on the basis of value in use calculations.

NEXT Sourcing

The key assumptions in testing the goodwill for impairment 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, budgets for the next year were used and extrapolated for nine further years using a growth rate of 0% (2020: 0% growth rate) and discounted at a pre-tax rate of 10% (2020: 10%).

Lipsy

The key assumptions in testing the goodwill for impairment are the forecast sales for the Lipsy products, particularly through the NEXT website. In assessing the recoverable amount of goodwill, internal budgets for next year were used and extrapolated for nine further years using a growth rate of 2% (2020: 2% to 5%) and discounted at a pre-tax rate of 10% (2020: 12%).

NEXT Beauty

The key assumptions in testing the goodwill for impairment are the forecast sales for the beauty products, particularly through the NEXT retail stores and website. In assessing the recoverable amount of goodwill, internal budgets for next year were used and extrapolated for nine further years using a growth rate of 2% (2020: 2% to 5%) and discounted at a pre-tax rate of 10% (2020: 12%).

For NEXT Sourcing, Lipsy and NEXT Beauty the calculated value in use significantly exceeded the carrying value of the goodwill and no impairment was recognised (2020: £Nil). If the assumptions were flexed to assume a growth rate of 0% throughout a 10 year period then the recoverable amount of goodwill would still exceed its carrying value. Therefore, there is no reasonably possible change in any of the key assumptions that would give rise to impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Leases

Right-of-use assets	2021 £m	2020 £m
Buildings	**215.0**	133.0
Stores	**492.1**	705.0
Equipment	**3.3**	4.9
Vehicles	**9.7**	9.8
Total	**720.1**	852.7

Due to the impact of COVID the structural shift of trade from the Group's Retail to Online business accelerated during the year. As a result an impairment charge of £64.2m (2020: £1.2m) has been recognised on the Store right-of-use assets. See Note 3 for further detail.

Lease liability	2021 £m	2020 £m
Current	**(170.1)**	(172.3)
Non-current	**(1,015.8)**	(1,078.7)
Total	**(1,185.9)**	(1,251.0)
Additions to the right-of-use assets	**102.5**	40.0

Depreciation on right-of-use assets	2021 £m	2020 £m
Buildings	**20.7**	16.2
Stores	**112.2**	117.3
Equipment	**1.5**	1.9
Vehicles	**3.5**	4.9
Total	**137.9**	140.3

	2021 £m	2020 £m
Finance costs on leases	**(59.9)**	(61.8)
Expense on short term and low value leases	**(5.0)**	(7.1)
Expense on variable leases	**(0.8)**	(2.8)
Gain on sale and leaseback	**8.1**	–

During the year, the Group entered into two sale and leaseback transactions, one in respect of a warehouse and one on its head office site. As a result of these transactions the Group received proceeds of £154.4m and recognised a gain of £8.1m within administrative expenses. The term of the lease on the warehouse site was determined to be 26 years and on the head office 35 years (with a break option at year 25).

Additions to right-of-use assets include new leases and new contracts for leases previously on hold over.

Total lease payments in the year of £230.9m.

12. Associates, Joint Ventures and Other Investments

	Interests in associates and joint ventures £m	Other investments £m	Total £m
Cost			
At January 2019	**4.3**	**1.0**	**5.3**
Additions	–	–	–
Retained profit/(loss)	(0.1)	–	(0.1)
Disposals	–	–	–
At January 2020	**4.2**	**1.0**	**5.2**
Additions	2.4	–	2.4
Retained profit/(loss)	0.5	–	0.5
Disposals	(2.8)	–	(2.8)
At January 2021	**4.3**	**1.0**	**5.3**
Amortisation/Impairment			
At January 2019	**0.2**	**–**	**0.2**
Provided during the year	–	–	–
Impairment charge	–	–	–
Disposals	–	–	–
At January 2020	**0.2**	**–**	**0.2**
Provided during the year	–	–	–
Impairment charge	0.1	–	0.1
Disposals	–	–	–
At January 2021	**0.3**	**–**	**0.3**
Carrying amount			
At January 2021	**4.0**	**1.0**	**5.0**
At January 2020	4.0	1.0	5.0
At January 2019	4.1	1.0	5.1

Additions during the year to January 2021 relate to the consideration paid for the Victoria's Secret joint venture. Although the Group has a 51% equity share, it has joint control of the company's operational and financial activities. Accordingly, it has been treated as a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Customer and Other Receivables

The following table shows the components of net receivables:

	2021 £m	2020 £m
Gross customer receivables	**1,275.4**	1,455.5
Less: refund liabilities	**(51.8)**	(49.9)
Net customer receivables	**1,223.6**	1,405.6
Less: allowance for expected credit losses	**(195.5)**	(171.5)
	1,028.1	1,234.1
Other trade receivables	**14.0**	26.4
Less: allowance for doubtful debts	**(0.6)**	(0.5)
	1,041.5	1,260.0
Presentation of the above, split by total receivables and allowances:		
Net customer receivables	**1,223.6**	1,405.6
Other trade receivables	**14.0**	26.4
	1,237.6	1,432.0
Less: allowance for expected credit losses	**(196.1)**	(172.0)
	1,041.5	1,260.0
Prepayments	**31.5**	38.8
Other debtors	**23.3**	13.3
Amounts due from associates and joint ventures	**11.8**	3.2
	1,108.1	1,315.3

No interest is charged on customer receivables if the statement balance is paid in full and to terms; otherwise balances bear interest at a variable annual percentage rate of 23.9% (2020: 23.9%) at the year-end date, except for £18.6m (2020: £6.0m) of next**3step** balance which bears interest at 29.9% (2020: 29.9%) at the year end date.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, other trade receivables have been allocated to the Risk band 1 (defined in Note 28), representing management's view of the risk and the days past due. The expected credit losses incorporate forward looking information.

The fair value of customer receivables and other trade receivables is approximately £1,005m (2020: £1,200m). This has been calculated based on future cash flows discounted at an appropriate rate for the risk of the debt. The fair value is within Level 3 of the fair value hierarchy (refer to the Fair Value Hierarchy table in Note 27).

Expected irrecoverable amounts on balances with indicators of impairment are provided for based on past default experience, adjusted for expected behaviour. Receivables which are impaired, other than by age or default, are separately identified and provided for as necessary.

The ECL allowance against other debtors is immaterial in the current and prior year. The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset.

13. Customer and Other Receivables (continued)

An analysis of changes in the gross carrying amount in relation to customer receivables and other trade receivables is as follows:

Gross carrying amount	2021 Lifetime ECL £m	Credit impaired £m	Total £m
At 25 January 2020	**1,344.2**	**87.8**	**1,432.0**
New assets originated/recoveries	(139.8)	(14.3)	(154.1)
Transfers from lifetime ECL to credit impaired	(45.9)	45.9	–
Financial assets derecognised during the period	–	(24.1)	(24.1)
Amounts written off	(9.4)	(6.8)	(16.2)
At 30 January 2021	**1,149.1**	**88.5**	**1,237.6**

An analysis of the changes in the impairment allowance for customer receivables and other trade receivables is as follows:

Loss allowance	2021 Lifetime ECL £m	Credit impaired £m	Total £m
At 25 January 2020	**(92.3)**	**(79.7)**	**(172.0)**
New assets originated/recoveries	(5.5)	13.2	7.7
Transfers from lifetime ECL to credit impaired	4.5	(42.8)	(38.3)
Change in the allowance for expected credit losses	(20.1)	(3.1)	(23.2)
Financial assets derecognised during the period	–	22.5	22.5
Amounts written off	0.9	6.3	7.2
At 30 January 2021	**(112.5)**	**(83.6)**	**(196.1)**

In the year, Recoveries exceeded the value of New assets originated. The rate of provision recognised on Recoveries was lower than the rate recognised on New assets originated.

An analysis of changes in the gross carrying amount in relation to customer receivables and other trade receivables in the prior year is as follows:

Gross carrying amount	2020 Lifetime ECL £m	Credit impaired £m	Total £m
At 26 January 2019	**1,317.5**	**79.0**	**1,396.5**
New assets originated/recoveries	96.0	(12.5)	83.5
Transfers from lifetime ECL to credit impaired	(55.4)	55.4	–
Financial assets derecognised during the period	–	(25.9)	(25.9)
Amounts written off	(13.9)	(8.2)	(22.1)
At 25 January 2020	**1,344.2**	**87.8**	**1,432.0**

An analysis of the changes in the impairment allowance for customer receivables and other trade receivables in the prior year is as follows:

Loss allowance	2020 Lifetime ECL £m	Credit impaired £m	Total £m
At 26 January 2019	**(92.6)**	**(73.4)**	**(166.0)**
New assets originated/recoveries	(4.2)	11.0	6.8
Transfers from lifetime ECL to credit impaired	3.9	(49.8)	(45.9)
Change in the allowance for expected credit losses	(0.4)	1.9	1.5
Financial assets derecognised during the period	–	23.2	23.2
Amounts written off	1.0	7.4	8.4
At 25 January 2020	**(92.3)**	**(79.7)**	**(172.0)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Customer and Other Receivables (continued)

	2021		
	Lifetime ECL £m	Credit impaired £m	Total £m
At 25 January 2020	**(92.3)**	**(79.7)**	**(172.0)**
Impairment	**(26.8)**	**(33.0)**	**(59.8)**
Amounts recovered	**2.3**	**2.7**	**5.0**
Charged to the Income Statement	**(24.5)**	**(30.3)**	**(54.8)**
Used during the year	**4.3**	**26.4**	**30.7**
Total movement	**(20.2)**	**(3.9)**	**(24.1)**
At 30 January 2021	**(112.5)**	**(83.6)**	**(196.1)**

The amount charged to the Income Statement of £54.8m (2020: £41.5m) differs to the bad debt charge of £50.5m (2020: £43.3m) in the Chief Executive's Review on page 39 due to recoveries of previously written off assets taken directly to the Income Statement.

	2020		
	Lifetime ECL £m	Credit impaired £m	Total £m
At 26 January 2019	**(92.6)**	**(73.4)**	**(166.0)**
Impairment	(6.5)	(37.6)	(44.1)
Amounts recovered	0.9	1.7	2.6
Charged to the Income Statement	(5.6)	(35.9)	(41.5)
Used during the year	5.9	29.6	35.5
Total movement	0.3	(6.3)	(6.0)
At 25 January 2020	**(92.3)**	**(79.7)**	**(172.0)**

Information on the Group's credit risk in relation to customer receivables is provided in Note 28.

14. Other Financial Assets

	2021		2020	
	Current £m	Non-current £m	Current £m	Non-current £m
Foreign exchange contracts	**5.0**	**–**	1.7	–
Interest rate derivatives	**6.1**	**39.4**	–	48.4
	11.1	**39.4**	1.7	48.4

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 (refer to Note 28). These instruments are primarily for US Dollars and Euros. Interest rate derivatives are used to manage the fixed and floating interest rate risk associated with the corporate bonds (refer to Note 19).

15. Cash and Short Term Deposits

	2021 £m	2020 £m
Cash at bank and in hand	**221.0**	86.6
Short term deposits	**317.2**	–
Money market funds	**70.0**	–
	608.2	86.6

Cash at bank represents the gross cash positions, of which the majority are part of the Group's bank account and interest and balance pooling arrangements. 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.

16. Bank Loans and Overdrafts

	2021 £m	2020 £m
Bank overdrafts and short term borrowings	**93.4**	33.7
Unsecured committed bank loans	**–**	40.0
	93.4	73.7

Bank overdrafts represent the gross overdraft positions, of which the majority are part of the Group's bank account interest and balance pooling arrangements. 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 (refer to Note 30).

17. Trade Payables and Other Liabilities

	2021		2020	
	Current £m	Non-current £m	Current £m	Non-current £m
Trade payables	**172.6**	**–**	212.8	–
Refund liabilities	**6.8**	**–**	5.4	–
Other taxation and social security	**59.1**	**–**	73.4	–
Deferred revenue from the sale of gift cards	**71.7**	**–**	74.9	–
Share-based payment liability	**0.2**	**0.2**	0.2	0.2
Other creditors and accruals	**244.9**	**28.7**	225.3	14.3
	555.3	**28.9**	592.0	14.5

Trade payables do not bear interest and are generally settled on 30 day terms. Other creditors and accruals do not bear interest.

18. Other Financial Liabilities

	2021		2020	
	Current £m	Non-current £m	Current £m	Non-current £m
Foreign exchange contracts	**32.4**	**–**	32.6	–
Interest rate derivatives	**4.8**	**–**	–	7.8
	37.2	**–**	32.6	7.8

Foreign exchange contracts comprise forward contracts and options, of which the majority are used to hedge exchange risk arising from the Group's merchandise purchases (Note 28). These instruments are primarily for US Dollars and Euros. Interest rate derivatives are used to manage the fixed and floating interest rate risk associated with the corporate bonds (Note 19).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Corporate Bonds

	Balance sheet value		Nominal value	
	2021	2020	**2021**	2020
	£m	£m	**£m**	£m
Corporate bond 5.375% repayable 2021	**326.0**	327.0	**325.0**	325.0
Corporate bond 3.000% repayable 2025	**250.0**	250.0	**250.0**	250.0
Corporate bond 4.375% repayable 2026	**287.0**	286.7	**250.0**	250.0
Corporate bond 3.625% repayable 2028	**300.0**	300.0	**300.0**	300.0
	1,163.0	1,163.7	**1,125.0**	1,125.0

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

	2021 Nominal value £m	**2021 Aggregate interest rate**	2020 Nominal value £m	2020 Aggregate interest rate
2021 bonds				
Fixed	**150.0**	**5.375%**	150.0	5.375%
Fixed	**50.0**	**5.200%**	50.0	5.200%
Fixed	**50.0**	**5.150%**	50.0	5.150%
Fixed	**50.0**	**5.050%**	50.0	5.050%
Floating	**25.0**	**6m LIBOR +1.9%**	25.0	6m LIBOR +1.9%
	325.0		325.0	
2025 Bonds				
Fixed	**250.0**	**3.000%**	250.0	3.000%
2026 Bonds				
Floating	**250.0**	**6m LIBOR +1.4%**	250.0	6m LIBOR +1.4%
2028 Bonds				
Fixed	**300.0**	**3.625%**	300.0	3.625%
Total	**1,125.0**		1,125.0	

For the year ended 30 January 2021, the 2021 Bond is recognised within current liabilities as this matures within 12 months of the year end date. Interest rate risk management is explained in Note 28 and the fair values of the corporate bonds are shown in Note 27.

20. Pension Benefits

The Group operates three pension arrangements in the UK: the NEXT Group Pension Plan (the "Original Plan"), the 2013 NEXT Group Pension Plan (the "2013 Plan") and the NEXT Supplemental Pension Arrangement (the "SPA"). NEXT also contributes to the People's Pension which it uses as its auto-enrolment vehicle.

The Group's UK pension arrangements include defined benefit and defined contribution sections. The Original Plan and 2013 Plan are established under trust law and comply with all relevant UK legislation. Pension assets are held in separate trustee administered funds which have equal pension rights with respect to members of either sex. The defined benefit section was closed to new members in 2000 and over recent years the Group has taken steps to manage the ongoing risks associated with its defined benefit liabilities.

The Group also provides additional retirement benefits through the SPA to some plan members whose benefits would otherwise be affected by the Lifetime Allowance.

The Original Plan comprises predominantly members with pensions in payment, following the transfer of active and deferred members (and associated liabilities) to the 2013 Plan. The risks associated with the payment of pensions of the Original Plan have been largely mitigated by the purchase of two insurance contracts ("buy-ins") with Aviva in 2010 and 2012 to cover the liabilities of this Plan, although it remains the ultimate responsibility of the Company to provide members with benefits. The pensions and matching insurance contracts held by the Original Plan will be converted to buy-out in due course and the Original Plan will then be dissolved.

20. Pension Benefits (continued)

The 2013 Plan was established in 2013 via the transfer of liabilities and assets from the Original Plan. This arrangement provides benefits to the majority of members whose pensions were not insured with Aviva. From November 2012, the future accrual of benefits for remaining active employee members has been based on pensionable earnings frozen at that time, rather than final earnings.

In August 2018, the Trustees of the 2013 Plan undertook a buy-in in respect of certain pensioner members of the 2013 Plan, with a premium paid of £94m. As at 30 January 2021 this buy-in policy has a value of £89m (2020: £92m) within the pension scheme assets.

Within the 2013 Plan, following a High Court ruling, a proportion of members' benefits are being equalised to address the inequalities that arise due to differing Guaranteed Minimum Pensions (GMP) entitlements for men and women. This equalisation increased the IAS 19 liabilities of the Plan by £0.4m and was recognised in the 2019 disclosures. Following a further High Court ruling on 20 November 2020, transfers out of the Plan between May 1990 and October 2018 need to be revisited and equalised for GMP. Due to the relatively small impact of GMP equalisation on benefits in the Plan and the amount of benefits transferred out of the Plan, we believe that the impact of this latest ruling is immaterial.

The trustee of both Plans is a limited company, NEXT Pension Trustees Limited (the "Trustee"). The Board of the Trustee currently comprises five directors. Four of these are members of the 2013 Plan, and one director (the Chair) is independent and has no other connection to NEXT. Two of these directors are member nominated directors and cannot be removed by NEXT. The other three 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

The defined contribution section of the 2013 Plan was closed to new members in 2018. Members pay 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. Those employees affected by the change to pensionable salary in 2012 can also 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.

The defined benefit section provides a lump sum death in service benefit and dependants' pensions on death in service or following retirement. 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 Original Plan was increased from 60 to 65.

Certain members whose accrued or projected pension fund value exceeds their personal lifetime allowance are provided with benefits through an unfunded, unapproved supplementary pension 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Pension Benefits (continued)

Principal risks

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. If plan assets underperform corporate bonds, this will create a deficit. Investment risk in the Original Plan is negligible, as almost all liabilities in this plan are covered by the insurance contracts.
Interest rate risk	A fall in corporate bond yields would increase the value of the liabilities. This would be only partially offset by an increase in the value of bond investments and annuity policies held.
Inflation risk	Pensions in payment are increased annually in line with RPI or CPI for Guaranteed Minimum Pensions built up since 1988. Pensions built up since 2005 are capped at 2.5% and pensions built up between 1997 and 2005 are capped at 5%. When discretionary increases have been awarded for pensions built up before 1997, they too have tended to take inflation into account. Therefore an increase in inflation would increase the value of pension liabilities. The assets would be expected to also increase, to the extent that they are linked to inflation, but this would not be expected to fully match the increase in 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 live longer than this mortality assumption, this will increase the liabilities. This is partially offset by the insurance contracts covering part of the liability.

The buy-in insurance contracts represent over 99% of the Original Plan pension liabilities, 11% of the 2013 Plan pension liabilities and 23% of the total pension liabilities. This partially offsets the total risks described above. Derivatives are not used to hedge any of the risks noted above.

Income statement

The components of the net defined benefit expense, recognised in the Consolidated Income Statement within Administrative expenses are as follows:

	2021				2020			
	2013 Plan £m	**Original Plan £m**	**SPA £m**	**Total £m**	2013 Plan £m	Original Plan £m	SPA £m	Total £m
Current service cost	**8.5**	**–**	**0.1**	**8.6**	5.6	–	0.4	6.0
Net interest	**(2.2)**	**(0.1)**	**0.2**	**(2.1)**	(4.1)	(0.1)	0.5	(3.7)
Administration costs	**2.1**	**0.1**	**–**	**2.2**	2.3	0.1	–	2.4
Net defined benefit expense	**8.4**	**–**	**0.3**	**8.7**	3.8	–	0.9	4.7

Other comprehensive income

The components of the net defined benefit expense recognised in other comprehensive income are as follows:

	2021				2020			
	2013 Plan £m	**Original Plan £m**	**SPA £m**	**Total £m**	2013 Plan £m	Original Plan £m	SPA £m	Total £m
Actuarial (losses)/gains due to liability experience	**(50.0)**	**2.6**	**0.4**	**(47.0)**	18.8	2.3	0.2	21.3
Actuarial losses due to liability assumption changes	**(21.0)**	**(2.3)**	**(0.3)**	**(23.6)**	(130.1)	(12.9)	(3.2)	(146.2)
	(71.0)	**0.3**	**0.1**	**(70.6)**	(111.3)	(10.6)	(3.0)	(124.9)
Return on plan assets greater than/(less than) discount rate	**13.9**	**(0.4)**	**–**	**13.5**	116.9	10.8	–	127.7
Actuarial gains/(losses) recognised in other comprehensive income	**(57.1)**	**(0.1)**	**0.1**	**(57.1)**	5.6	0.2	(3.0)	2.8

The surplus in the scheme has moved from £133.4m at January 2020 to £99.2m at January 2021, primarily due to actuarial losses of £57.1m. The majority of this movement results from updating the membership data in line with the most recent triennial valuation for both actual member experience, and the split of the pension liabilities between the various tranches of benefit.

20. Pension Benefits (continued)

Balance sheet valuation

The net defined benefit pension asset recognised in the Consolidated Balance Sheet is analysed as follows:

	2021				2020			
	2013 Plan £m	Original Plan £m	SPA £m	Total £m	2013 Plan £m	Original Plan £m	SPA £m	Total £m
Present value of benefit obligations	(812.1)	(136.2)	(11.0)	(959.3)	(735.1)	(141.5)	(17.3)	(893.9)
Fair value of plan assets	920.2	138.3	–	1,058.5	883.6	143.7	–	1,027.3
Net pension asset/(liability)	108.1	2.1	(11.0)	99.2	148.5	2.2	(17.3)	133.4

A net asset has been recognised as the Trust Deeds of the Original and 2013 Plans provide the Group with an unconditional right to a refund assuming the gradual settlement of the Plans' liabilities over time until all members have left the Plans.

Plan obligations

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

	2021				2020			
	2013 Plan £m	Original Plan £m	SPA £m	Total £m	2013 Plan £m	Original Plan £m	SPA £m	Total £m
Opening obligation	735.1	141.5	17.3	893.9	617.8	134.5	16.4	768.7
Current service cost	8.5	–	0.1	8.6	5.6	–	0.4	6.0
Interest cost	13.3	2.3	0.2	15.8	17.7	3.5	0.5	21.7
Employee contributions	0.1	–	–	0.1	0.1	–	–	0.1
Benefits paid	(15.9)	(7.3)	(6.5)	(29.7)	(17.4)	(7.1)	(3.0)	(27.5)
Actuarial losses/(gains)								
– financial assumptions	16.2	1.9	0.3	18.4	139.6	16.1	3.6	159.3
– experience	50.0	(2.6)	(0.4)	47.0	(18.8)	(2.3)	(0.2)	(21.3)
– demographic assumptions	4.8	0.4	–	5.2	(9.5)	(3.2)	(0.4)	(13.1)
Closing obligation	812.1	136.2	11.0	959.3	735.1	141.5	17.3	893.9

The present value of the defined benefit closing obligation of £959.3m was comprised of approximately 26% relating to active participants, 46% relating to deferred participants and 28% relating to pensioners.

Plan assets

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

	2021				2020			
	2013 Plan £m	Original Plan £m	SPA £m	Total £m	2013 Plan £m	Original Plan £m	SPA £m	Total £m
Opening assets	883.6	143.7	–	1,027.3	757.2	136.5	–	893.7
Employer contributions	25.1	–	–	25.1	7.3	–	–	7.3
Employee contributions	0.1	–	–	0.1	0.1	–	–	0.1
Benefits paid	(15.9)	(7.3)	–	(23.2)	(17.4)	(7.1)	–	(24.5)
Interest income on assets	15.5	2.4	–	17.9	21.8	3.6	–	25.4
Return on plan assets (excluding amounts included in interest)	13.9	(0.4)	–	13.5	116.9	10.8	–	127.7
Administrative costs	(2.1)	(0.1)	–	(2.2)	(2.3)	(0.1)	–	(2.4)
Closing assets	920.2	138.3	–	1,058.5	883.6	143.7	–	1,027.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Pension Benefits (continued)

Plan assets (continued)

The fair value of plan assets was as follows:

	2021				2020			
	2013 Plan £m	Original Plan £m	Total £m	%	2013 Plan £m	Original Plan £m	Total £m	%
Equities	188.1	–	188.1	17.8	169.4	–	169.4	16.5
Equity-linked bonds	67.8	–	67.8	6.4	70.4	–	70.4	6.9
Bonds	118.2	–	118.2	11.2	116.8	–	116.8	11.4
Gilts	331.4	2.4	333.8	31.5	323.7	2.4	326.1	31.7
Property	60.8	–	60.8	5.7	60.2	–	60.2	5.9
Infrastructure	52.4	–	52.4	4.9	49.7	–	49.7	4.8
Insurance contracts	89.3	135.9	225.2	21.3	92.3	141.2	233.5	22.7
Cash and cash equivalents	12.2	–	12.2	1.2	1.1	–	1.1	0.1
	920.2	138.3	1,058.5	100.0	883.6	143.6	1,027.2	100.0

None of the pension arrangements directly invest in any of the Group's own financial instruments nor any property occupied by, or other assets used by, the Group. The fair values of the above equity and debt instruments are determined based on quoted prices in active markets. The property assets relate to investments in property funds and their fair value is based on quoted prices in active markets. The majority of the benefits within the Original Plan are covered by two insurance contracts with Aviva. The insurance assets have been valued so as to match the defined benefit obligations, the value of which was calculated by Aviva.

Principal assumptions

The IAS 19 (accounting) valuation of the defined benefit obligation was undertaken by an external qualified actuary as at January 2021 using the projected unit credit method. The principal actuarial assumptions used in the valuation were as follows:

	2021		2020	
	Original plan	2013 and SPA	Original plan	2013 and SPA
Discount rate	1.55%	1.65%	1.70%	1.75%
Inflation – RPI	3.20%	2.75%	3.25%	2.80%
Inflation – CPI	2.20%	1.95%	2.25%	1.90%
Salary increases	–	–	–	–
Pension increases in payment				
– RPI with a maximum of 5.0%	3.05%	2.70%	3.10%	2.75%
– RPI with a maximum of 2.5% and discretionary increases	2.10%	1.90%	2.15%	1.90%

	2021		2020	
	Pensioner aged 65	Non-pensioner aged 45	Pensioner aged 65	Non-pensioner aged 45
Life expectancy at age 65 (years)				
Male	22.3	24.3	22.3	24.5
Female	24.6	26.8	24.2	26.5

The discount rate has been derived as the single average discount rate appropriate to the term of the liabilities, based on the yields available on high quality Sterling corporate bonds. The expected average duration of the Original Plan's liabilities is 13 years and for the SPA and 2013 Plans it is 21.5 years.

The rate of retail price inflation (RPI) has been derived in a consistent way to the discount rate, so that it is appropriate to the term of the liabilities. The RPI assumption for the 2013 Plan and SPA allows for the inflation risk premium of 0.3% per annum. As in previous years, the Original Plan does not allow for an inflation risk premium because its assets and liabilities are almost fully matched.

The rate of consumer price inflation (CPI) is set lower than the assumption for retail price inflation, reflecting the long term expected gap between the two indices and takes into account the alignment of RPI to CPIH from 2030.

20. Pension Benefits (continued)

Principal assumptions (continued)

For the 2013 Plan and the SPA, the base mortality assumptions reflect the best estimate output from a postcode mortality study. This results in an assumption in line with the standard SAPS Series 3 All Pensioner tables (with a multiplier of 101% for male and female pensioners and 103% for male non-pensioners and 100% for female non-pensioners). Future improvement trends have been allowed for in line with the most recent CMI core projection model (CMI 2019) with a long term trend towards 1.5% per annum and a smoothing factor of 7.5.

The base mortality assumption for the Original Plan is in line with the standard SAPS Series 1 All Pensioner tables, with medium cohort improvements to 2009, and CMI 2013 improvements applied from 2009 with a long term trend towards 1.5% per annum.

Sensitivity analysis

The sensitivity of the net pension asset to changes in the principal assumptions is:

	Sensitivity analysis	**Impact on net pension asset as at 30 January 2021**
Discount rate	0.5% decrease	£82m decrease
Price inflation	0.5% increase to RPI and CPI	£44m decrease
Price inflation	0.1% decrease to CPI (i.e. increase in the gap between RPI and CPI)	£4m increase
Mortality	Life expectancy increased by one year	£19m decrease

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. Aside from the matching insurance contracts held in the Original Plan, no allowance has been made for any change in assets that might arise under any of the scenarios set out above. When calculating the sensitivity of the defined benefit obligation to changes in the significant assumptions, the same method has been applied as when calculating the pension liability recognised within the Consolidated Balance Sheet. The inflation assumption impacts the "pension increases in payment" and deferred pension calculations.

The sensitivities shown are just one possible outcome and should not be taken as an indication of the likelihood of a change occurring in the future. Market metrics used to derive the discount rate and price inflation assumptions could increase or decrease in the future, by more or less than the change set out.

Full actuarial valuation

An actuarial valuation of the 2013 Plan was undertaken as at 30 September 2019 by Mercer, who are the 2013 Plan Actuary to the Trustees. The valuation showed a funding deficit on the Technical Provisions basis required by legislation of £19.1m at that date.

The Group has agreed a recovery plan to meet the funding deficit, which is intended to restore the Plan assets to a fully funded position on a Technical Provisions basis by 31 December 2024. Under that agreement, the Group will contribute five annual payments of £4.0m by 31 December each year if the funding level is below 105% at the preceding 30 September. In addition, if the funding level is below 96.5% for two consecutive quarters, then an additional Company contingent contribution of up to £11.9 million is payable, subject to a maximum contingent contribution of £11.9 million in any Company financial year.

At 31 December 2020 the 2013 Plan was estimated to be circa 99% funded on a Technical Provisions basis, with a deficit on this basis in the region of £6m.

With effect from January 2020, the Company also agreed to pay contributions of 38% per annum of members' frozen pensionable salaries as at 31 October 2012 towards the future accrual of benefits for active members.

Contributions

Members of the defined benefit section of the 2013 Plan contribute 3% or 5% of pensionable earnings; the Group contributes 38% per annum. Members of the defined contribution section contribute 5% of Pensionable Earnings, which is matched by the Group.

Contributions paid by the Group during the year are set out below:

	2021 £m	2020 £m
Defined contribution – recognised as an expense	**17.2**	18.0
Automatic enrolment – recognised as an expense	**13.1**	12.6
Defined benefit	**25.1**	7.3
	55.4	37.9

Strategic Report

Governance

Financial Statements

Group

Company

Shareholder Information

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Pension Benefits (continued)

Contributions (continued)

Employer contributions to the defined benefit section in the year ahead are expected to be around £11m assuming a contribution of £4m is paid by December 2021, although in practice this is contingent on the funding (Technical Provisions) level at this time (refer to details in Full actuarial valuation section above). Employer contributions for the defined contribution scheme are expected to be circa £17m (including salary sacrifice contributions) for the year ahead. Employer contributions for the automatic enrolment scheme are expected to be around £13m, including salary sacrifice contributions.

21. Provisions

	Property costs 2021 £m	2020 £m
At the beginning of the year	**17.3**	15.7
Provisions made in the year	**2.6**	1.0
Utilisation of provisions	**(2.0)**	–
Unwind of discount	**0.7**	0.6
At the end of the year	**18.6**	17.3

Provision is made for the committed cost or estimated exit costs of properties occupied by the Group.

22. Share Capital

	2021 Shares '000	2020 Shares '000	2021 £m	2020 £m
Allotted, called up and fully paid				
Ordinary shares of 10p each				
At the start of the year	**133,229**	138,606	**13.3**	13.9
Purchased for cancellation in the year	**(280)**	(5,377)	–	(0.6)
	132,949	133,229	**13.3**	13.3

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

	2021 Shares '000	2021 Cost £m	2020 Shares '000	2020 Cost £m
Shares purchased for cancellation in the year	**280**	**19.3**	5,377	300.2
Amount shown in Statement of Changes in Equity		**19.3**		300.2

Subsequent to the end of the financial year and before the start of the closed period the Company did not purchase any shares for cancellation.

23. 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 of £1,460.7m less share premium account of £3.8m and capital redemption reserve of £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 of £0.7m, less the unrealised component of revaluations of properties arising under previous accounting standards of £5.1m as at the date of transition to IFRS.

24. 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 Long Term Incentive Plan or Share Matching Plan.

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 Remuneration 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 UK 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. A similar Sharesave scheme is open to the Company's Eire employees. Sharesave options are also accounted for as equity-settled awards under IFRS 2.

Management and Sharesave options

The following table summarises the movements in Management and Sharesave options during the year:

	2021 No. of options	2021 Weighted average exercise price	2020 No. of options	2020 Weighted average exercise price
Outstanding at beginning of year	**5,641,155**	**£50.36**	6,118,155	£47.71
Granted	**1,890,430**	**£45.54**	1,521,902	£53.85
Exercised	**(1,628,763)**	**£46.48**	(1,581,139)	£43.15
Forfeited	**(251,830)**	**£51.22**	(417,763)	£51.59
Outstanding at end of year	**5,650,992**	**£49.83**	5,641,155	£50.36
Exercisable at end of year	**1,168,515**	**£55.37**	1,509,481	£57.99

Options were exercised on a regular basis throughout the year and the weighted average share price during this period was £67.90 (2020: £64.35). Options outstanding at 30 January 2021 are exercisable at prices ranging between £20.70 and £70.80 (2020: £20.70 and £70.80) and have a weighted average remaining contractual life of 6.3 years (2020: 6.2 years), as analysed in the table below:

	2021 No. of options	2021 Weighted average remaining contractual life (years)	2020 No. of options	2020 Weighted average remaining contractual life (years)
Exercise price range				
£20.70 – £43.48	**791,937**	**3.3**	1,975,147	4.8
£44.22	**1,351,334**	**9.3**	–	–
£48.12 – £48.38	**1,801,395**	**5.3**	1,495,544	6.7
£51.84 – £62.00	**1,190,301**	**7.7**	1,308,102	8.4
£66.95 – £70.80	**516,025**	**3.7**	862,362	4.7
	5,650,992	**6.3**	5,641,155	6.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Share-based Payments (continued)

Share Matching Plan (SMP)

The SMP is an equity-settled scheme open to a small number of senior executives below Board level. Executive directors are not granted SMP awards. Under the current awards participants who invest a proportion of any annual cash bonus in NEXT shares will 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 maximum matching ratio which is permitted under the SMP rules is 3:1, matching the pre-tax equivalent of the amount invested in shares. For any SMP grants made from 2018, participants will be entitled to receive ordinary and special dividend accruals on any awards vesting under the SMP.

The Remuneration Committee's policy is to set performance measures by reference to underlying fully diluted post-tax EPS but the Committee has flexibility to use different measures. 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.

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

	2021 No. of options	2020 No. of options
Outstanding at beginning of year	**36,690**	39,454
Granted	**9,804**	9,018
Exercised	**(5,017)**	–
Forfeited	**(13,727)**	(11,782)
Outstanding at end of year	**27,750**	36,690
Exercisable at end of year	**–**	–

The weighted average remaining contractual life of these options is 8.3 years (2020: 5.0 years). SMP options were exercised at different times during the year and the weighted average share price during this period was £50.16 (2020: nil as award did not vest).

Long Term Incentive Plan (LTIP)

As explained in the Remuneration Report, the Group operates an equity-settled LTIP scheme for executive directors and other senior executives. Performance conditions for the LTIP awards are detailed in the Remuneration Report.

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

	2021 No. of awards	2020 No. of awards
Outstanding at beginning of year	**542,749**	476,889
Granted	**188,999**	195,015
Dividend accrual awarded in the year	**7,475**	–
Vested	**(170,471)**	(47,654)
Forfeited	**(33,246)**	(81,501)
Outstanding at end of year	**535,506**	542,749

The weighted average remaining contractual life of these options is 1.4 years (2020: 1.4 years).

Profit Sharing Bonus Plan

The Profit Sharing Bonus Plan provides for options over shares in NEXT for senior employees of Lipsy Limited. Under the arrangement, a profit bonus equal to 3.6% of the average of the post tax profits of Lipsy and any subsidiaries of Lipsy in respect of the financial years ending January 2023 and January 2024, multiplied by ten is payable. Fifty per cent of the profit bonus will be settled in cash with the balance settled in either shares in NEXT (calculated based on the share price at the date of grant) or in cash, or a combination thereof, at the choice of the participants. The participants also have a right to receive up to a 15% cash draw down of value in each year up to an aggregate of 60% based on the average of the post-tax profits of the two most recent financial years of Lipsy in each year (Draw Down). The value of the profit bonus will be reduced to reflect any value which has been received under the Draw Down.

The Share Awards are structured as nil cost options and 159,164 options were granted in July 2019 in accordance with the terms of the Plan. During the year ended 30 January 2021, Draw Downs were made and the number of options outstanding was updated to reflect this and the latest post tax profit forecast for financial years ending January 2023 and January 2024. As at the 30 January 2021 the number of options outstanding was 132,392. As the Profit Sharing Bonus Plan can be cash-settled, the recognition of a liability on the balance sheet is remeasured to fair value each reporting period until it is settled, with any change in fair value recorded in profit or loss. The liability is recognised within Other creditors, non-current liabilities.

24. Share-based Payments (continued)

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 2021 and 25 January 2020 based on information at the date of grant:

Management share options	2021	2020
Share price at date of grant	**£44.22**	£56.46
Exercise price	**£44.22**	£56.46
Volatility	**31.10%**	30.00%
Expected life	**4 Years**	4 years
Risk free rate	**0.04%**	0.78%
Dividend yield	**3.79%**	2.83%
Weighted average fair value per option	**£7.24**	£10.35

Management share options	2021	2020
Share price at date of grant	**£61.86**	–
Exercise price	**£61.86**	–
Volatility	**31.10%**	–
Expected life	**4 Years**	–
Risk free rate	**0.09%**	–
Dividend yield	**2.71%**	–
Weighted average fair value per option	**£11.43**	–

Sharesave plans	2021	2020
Share price at date of grant	**£60.15**	£60.28
Exercise price	**£48.12**	£48.23
Volatility	**27.93%**	29.44%
Expected life	**3.2 years**	3.2 years
Risk free rate	**-0.07%**	0.46%
Dividend yield	**2.78%**	2.74%
Weighted average fair value per option	**£13.92**	£14.90

Share Matching Plan	2021	2020
Share price at date of grant	**£50.28**	£58.50
Exercise price	**Nil**	Nil
Volatility	**27.80%**	31.30%
Expected life	**3 Years**	3 years
Risk free rate	**0.13%**	0.76%
Dividend yield	**0.00%**	0.00%
Weighted average fair value per option	**£50.28**	£58.50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Share-based Payments (continued)

Fair value calculations (continued)

The fair value of 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 2021 and 25 January 2020 based on information at the date of grant:

LTIP awards (granted in March)	2021	2020
Share price at date of grant	**£40.04**	£48.11
Award price	**Nil**	Nil
Volatility	**30.79%**	32.47%
Life of award	**3 years**	3 years
Risk free rate	**0.20%**	0.67%
Dividend yield	**0.00%**	0.00%
Fair value per award	**£19.38**	£23.83

LTIP awards (granted in September)	2021	2020
Share price at date of grant	**£62.54**	£59.88
Award price	**Nil**	Nil
Volatility	**27.60%**	29.01%
Life of award	**3 years**	3 years
Risk free rate	**-0.16%**	0.46%
Dividend yield	**0.00%**	0.00%
Fair value per award	**£29.87**	£29.87

From September 2017, for all new LTIP awards, dividend accruals (both in respect of special and ordinary dividends) may be payable on vested awards.

25. Shares Held by ESOT

The NEXT 2003 ESOT has an independent trustee resident in Jersey and provides for the issue of shares to Group employees to satisfy all awards which vest/are exercised in accordance with the terms of the various share-based schemes detailed in Note 24.

At 30 January 2021 the ESOT held 4,950,224 (2020: 5,430,961) ordinary shares of 10p each in the Company, the market value of which amounted to £382.7m (2020: £390.7m). Details of outstanding share awards and options are shown in Note 24.

The consideration paid for the ordinary shares of 10p each in the Company held by the ESOT at 30 January 2021 and 25 January 2020 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 transactions during the year:

	2021		2020	
	Shares '000	£m	Shares '000	£m
Shares purchased by ESOT in the year	**3,386**	**190.3**	1,551	94.2
Shares sold by ESOT in the year	**2,117**	**87.4**	–	–
Shares issued in respect of employee share schemes	**1,749**	**73.4**	1,583	65.5

Proceeds of £77.3m (2020: £66.9m) were received on the exercise of Management and Sharesave options. The amount shown in the Statement of Changes in Equity of £73.4m (2020: £65.5m) is after the issue of any nil cost LTIP, SMP and Deferred bonus shares. The weighted average cost of shares issued by the ESOT was £92.9m (2020: £80.9m). During 2020, shares were sold by the ESOT to fund a recall of a loan from the Group. The loan recall was to provide funding to the Group during the initial stages of the pandemic. Proceeds received in relation to these share sales totalled £87.4m.

At 30 March 2021, employee share options over 88,498 shares had been exercised subsequent to the Balance Sheet date and had been satisfied by ordinary shares issued by the ESOT.

26. Financial Instruments: Categories

	2021 £m	2020 £m
Financial assets		
Derivatives not designated as hedging instruments	**0.7**	0.3
Derivatives designated as hedging instruments	**49.8**	49.8
Customer and other receivables at amortised cost*	**1,076.5**	1,276.2
Cash, short term deposits and money market funds (note 15)	**608.2**	86.6
Non-listed equity instruments designated at fair value through OCI	**1.0**	1.0
Financial liabilities		
Derivatives not designated as hedging instruments	**(3.9)**	(2.3)
Derivatives designated as hedging instruments	**(33.3)**	(38.1)
Lease liabilities	**(1,185.9)**	(1,251.0)
Interest bearing loans and borrowings:		
Corporate bonds at amortised cost adjusted for the fair value changes attributable to the risk being hedged	**(1,163.0)**	(1,163.7)
Bank loans and overdrafts at amortised cost	**(93.4)**	(73.7)
Trade and other payables at amortised cost**	**(439.4)**	(442.4)

* Prepayments of £31.5m (2020: £38.8m) and other debtors of £0.1m (2020: £0.3m) do not meet the definition of a financial instrument.

** Other taxation and social security payables of £59.1m (2020: £73.4m), deferred income of £71.7m (2020: £74.9m), share-based payment liabilities of £0.4m (2020: £0.4m) and other creditors of £13.6m (2020: £15.4m) do not meet the definition of a financial instrument.

27. 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 corporate bonds, based on the following assumptions:

Trade receivables, trade payables, short term deposits and borrowings	The fair value approximates the carrying amount because of the short maturity of these instruments.
Long term borrowings	The fair value of bank loans and other borrowings approximates the carrying value reported in the Balance Sheet as the majority are floating rate where interest rates are reset at intervals less than one year.
Derivative financial instruments	The fair value is determined as the net present value of cash flows using observable market rates at the reporting date.

The fair value of corporate bonds is as follows:

	2021		2020	
Corporate bonds	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
In hedging relationships	**463.0**	**474.3**	463.7	481.6
Not in hedging relationships	**700.0**	**774.4**	700.0	772.0
	1,163.0	**1,248.7**	1,163.7	1,253.6

Corporate bonds are held at amortised cost adjusted for the fair value changes attributable to the interest rate risk being hedged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Financial Instruments: Fair Values (continued)

Fair Value Hierarchy

The fair values of financial instruments measured by reference to the following levels under IFRS 13 *"Fair value measurement"*:

Hierarchy level	Inputs	Financial instruments	Valuation methodology
Level 1	Quoted prices in active markets for identical assets or liabilities	Corporate bonds and Money Market Funds	Market value includes accrued interest and change in credit risk and interest rate risk, and is therefore different to the reported carrying amounts.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)	Derivative financial instruments	Valuation techniques include forward pricing and swap models using net present value calculation of future cash flows. The model inputs include the foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves.
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable market data)	Non-listed equity instruments at fair value through OCI	The fair value of these non-listed equity investments has been estimated using a discounted cash flow model.

28. Financial Instruments: Financial Risk Management and Hedging Activities

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework and for establishing the Group's risk management policies.

The Group has exposure to the following risks arising from financial instruments:

- Liquidity risk
- Interest rate risk
- Foreign currency risk
- Credit risk
- Capital risk

Treasury function

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 financial instruments. In accordance with the Group's treasury policy, financial instruments are not entered into for speculative purposes. The 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 financial instruments also include cash, short term deposits, bank overdrafts, 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.

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

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.

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:

2021	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	93.4	–	–	–	93.4
Lease liabilities	216.6	193.7	419.5	764.5	1,594.3
Trade and other payables	406.0	26.8	–	–	432.8
Corporate bonds	371.8	29.3	337.9	593.6	1,332.6
	1,087.8	249.8	757.4	1,358.1	3,453.1
Derivatives: net settled	(8.4)	(6.9)	(18.7)	(5.6)	(39.6)
Derivatives: gross settled					
Cash inflows	(912.7)	–	–	–	(912.7)
Cash outflows	942.4	–	–	–	942.4
Total cash flows	**1,109.1**	**242.9**	**738.7**	**1,352.5**	**3,443.2**

2020	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	73.7	–	–	–	73.7
Lease liabilities	214.0	199.9	457.9	694.0	1,565.8
Trade and other payables	420.3	12.7	–	–	433.0
Corporate bonds	46.8	371.8	87.9	872.9	1,379.4
	754.8	584.4	545.8	1,566.9	3,451.9
Derivatives: net settled	(6.4)	(6.8)	(16.8)	(11.0)	(41.0)
Derivatives: gross settled					
Cash inflows	(881.6)	–	–	–	(881.6)
Cash outflows	905.6	–	–	–	905.6
Total cash flows	772.4	577.6	529.0	1,555.9	3,434.9

At 30 January 2021, the Group had borrowing facilities of £450.0m (2020: £450.0m) committed until November 2024, in respect of which all conditions precedent have been met. None of the facilities were drawn down at January 2021 (2020: £40.0m).

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 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 manage 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 against part of the interest rate risk associated with the corporate bonds. Under the terms of the swaps, which have matching features as the bonds, the Group receives a fixed rate of interest equivalent to the relevant coupon rate, and pays a variable rate interest related to LIBOR. The Group also has interest rate swaps where the Group receives a variable rate of interest related to LIBOR, and pays a fixed rate. Details of the aggregate rates payable are given in Note 19.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swaps match the terms of the fixed rate corporate bonds (e.g.notional amount and maturity). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. To test the hedge effectiveness, the Group compares the changes in the fair value of the hedging instrument against the changes in the fair value of the hedged item attributable to the hedged risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Effect of IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. The FCA has now confirmed that the LIBOR fixings relevant to the Group will no longer be representative after 31 December 2021 which creates a requirement for the Group's contracts which currently reference a LIBOR to use an alternative benchmark rate. As the cessation of IBORs has been well signposted by global regulators, the Group's stakeholders have been engaged and a review undertaken of impacted documentation resulting in a number of workstreams being created to ensure the Group is ready for the cessation of LIBOR at the end of this year. The Group's most significant risk exposure affected by these changes relates to its corporate bonds. The notional amount of interest rates swaps designated within fair value hedges relating to LIBOR is disclosed below.

In calculating the change in fair value attributable to the hedged risk for the fixed-rate bond, the Group has assumed that pre-existing fallback provisions in the corporate bonds do not apply to IBOR reform and that no other changes to the terms of the hedged items or hedging instruments are anticipated.

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and the hedging instrument.
- Differences in timing of cash flows of the hedged item and hedging instrument.
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and the hedged item.

Fair value of group swaps

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

	2021 £m	2020 £m
Derivatives in designated fair value hedging relationships	**40.7**	40.6

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.

The timing of the nominal amounts of the interest rate swaps are as follows:

	October 2021		October 2026
At 30 January 2021	Fixed to floating	Floating to fixed	Fixed to floating
Nominal amount (£m)	**175.0**	**150.0**	**250.0**
Average price	**6 month LIBOR + 1.878**	**5.133**	**6 month LIBOR + 1.434**

	October 2021		October 2026
At 25 January 2020	Fixed to floating	Floating to fixed	Fixed to floating
Nominal amount (£m)	175.0	150.0	250.0
Average price	6 month LIBOR + 1.878	5.133	6 month LIBOR + 1.434

The impact of the hedging instrument on the Balance Sheet is as follows:

At 30 January 2021	Notional amount £m	Carrying amount* £m	Line item in the Balance Sheet	Changes in fair value used for measuring ineffectiveness in the period £m
Interest rate swaps – assets	**425.0**	**45.5**	Other financial assets	**(2.9)**
Interest rate swaps – liabilities	**150.0**	**(4.8)**	Other financial liabilities	**3.0**
At 25 January 2020				
Interest rate swaps – assets	425.0	48.4	Other financial assets	6.8
Interest rate swaps – liabilities	150.0	(7.8)	Other financial liabilities	1.5

* The carrying amount of derivatives includes £2.7m of interest accrual (2020: £1.9m).

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

Fair value of group swaps (continued)

The impact of the hedged items on the Balance Sheet is as follows:

At 30 January 2021	Carrying amount £m	Accumulated fair value adjustments £m	Line item in the Balance Sheet	Changes in fair value used for measuring ineffectiveness in the period £m
Fixed-rate borrowings	**275.0**	**38.0**	Corporate bonds	**(0.8)**
At 25 January 2020				
Fixed-rate borrowings	275.0	38.8	Corporate bonds	8.5

The ineffectiveness recognised in the Income Statement for the period ended 30 January 2021 was a gain of £0.1m (2020: loss of £0.2m).

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 the use of spot, forward and option contracts.

The market value of outstanding foreign exchange contracts is reported regularly to the Board 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 the 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 29.

Foreign currency hedges

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange contracts match the terms of highly probable forecast transactions (e.g. notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts are identical to the hedged risk components. To test hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in the fair value of the hedged items attributable to the hedged risks.

In these hedge relationships, the main sources of ineffectiveness are:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments.
- Different indices (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments.
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items.
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

The fair values of foreign exchange derivatives are as follows:

	2021 £m	2020 £m
Derivatives in designated hedging relationships	**(24.2)**	(29.0)
Other foreign exchange derivatives not designated in hedging relationships	**(3.2)**	(1.9)
Total foreign exchange derivatives	**(27.4)**	(30.9)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign currency hedges (continued)

Derivatives designated in hedging relationships at 30 January 2021:

	Maturity			
US Dollars (highly probable forecast purchases)	1–6 months	6–12 months	More than one year	Total
Notional amount (in £m)	**558.0**	**223.8**	–	**781.8**
Average GBP: USD contract rate	**1.31**	**1.34**	–	**1.32**
EURO (highly probable forecast purchases)				
Notional amount (in £m)	–	–	–	–
Average GBP: EURO contract rate	–	–	–	–
Other (highly probable forecast sales)				
Notional amount (in £m)	**100.5**	–	–	**100.5**
Average GBP: Other contract rate	Various currencies*			

* 6 currencies are hedged, which are individually not material to the financial statements.

Derivatives designated in hedging relationships at 25 January 2020:

	Maturity			
US Dollars (highly probable forecast purchases)	1–6 months	6–12 months	More than one year	Total
Notional amount (in £m)	497.8	236.8	–	734.6
Average GBP: USD contract rate	1.26	1.25	–	1.26
EURO (highly probable forecast purchases)				
Notional amount (in £m)	53.4	–	–	53.4
Average GBP: EURO contract rate	1.17	–	–	1.17
Other (highly probable forecast sales)				
Notional amount (in £m)	52.2	1.8	–	54.0
Average GBP: Other contract rate	Various currencies*			

* 4 currencies were hedged, which are individually not material to the financial statements.

The impact of the hedging instruments on the Balance Sheet are as follows:

At 30 January 2021	Notional amount £m	Carrying amount £m	Line item in the Balance Sheet	Changes in fair value used for measuring ineffectiveness in the period £m
Foreign exchange contracts	**223.7**	**5.0**	Other financial assets	**2.3**
Foreign exchange contracts	**665.1**	**(32.4)**	Other financial liabilities	**(17.0)**
At 25 January 2020				
Foreign exchange contracts	167.4	1.7	Other financial assets	35.4
Foreign exchange contracts	1,095.7	(32.6)	Other financial liabilities	(24.9)

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

Foreign currency hedges (continued)

The impact of the hedged items on the Balance sheet is as follows:

	30 January 2021			25 January 2020		
	Changes in fair value used for measuring ineffectiveness in the period £m	Closing cash flow hedge reserve £m	Closing cost of hedging reserve £m	Changes in fair value used for measuring ineffectiveness in the period £m	Closing cash flow hedge reserve £m	Closing cost of hedging reserve £m
Highly probable forecast sales	**0.8**	**1.3**	**–**	(1.0)	(1.1)	–
Highly probable forecast stock purchases	**(15.6)**	**(27.1)**	**1.6**	11.5	(28.9)	0.1

The effect of the cash flow hedge in the Income Statement or other comprehensive income is as follows:

Year ended 30 January 2021	Ineffectiveness recognised in Income Statement £m	Recycled to cost of inventories £m	Cost of hedging recognised in OCI £m	Amount reclassified from OCI to the Income Statement £m	Line item in the Income Statement
Highly probable forecast sales	**–**	**–**	**–**	**0.5**	**Revenue**
Highly probable forecast stock purchases	**–**	**19.0**	**1.0**	**–**	**–**
Year ended 25 January 2020					
Highly probable forecast sales	–	–	–	(0.1)	Revenue
Highly probable forecast stock purchases	–	(40.4)	–	–	–

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Group's Online customer receivables. The carrying amount of financial assets represents the maximum residual credit exposure, which was £1,041.5m at the reporting date (2020: £1,260.0m). These are detailed in Note 13.

The Group's credit risk in relation to customer receivables is influenced mainly by the individual characteristics of each customer. The Board has established a credit policy under which each new credit customer is analysed individually for creditworthiness and subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts using forward looking estimates. The concentration of credit risk is limited due to the Online customer base being large and diverse. At January 2021 there were 2.72m active customers (2020: 2.64m) with an average balance of £449 (2020: £532). The Group's outstanding receivables balances and impairment losses are detailed in Note 13. The performance of our credit risk policies and the risk of the debtor book are monitored weekly by management. Any trends and deviations from expectations are investigated. Senior management review is carried out monthly.

Customer receivables with a value of £33.2m (2020: £26.8m) were on a Reduced Payment Indicator (RPI) plan or COVID related Emergency Support Plan (ESP). An allowance for Expected Credit Losses (ECLs) of £22.5m (2020: £18.0m) has been made against these balances. Customers are typically on RPI plans for a period of 12 months during which no interest is charged and repayment rates are reduced. Customers may take one or two three-month ESP plans, during which they typically make a £1 payment a month. On completion of the RPI or ESP plan the customer would be treated as higher risk than the arrears stage and customer indebtedness would otherwise suggest. Any modification gain or loss recognised is immaterial to the financial statements.

In addition to those identified as previously being on an RPI or ESP, data provided by Experian has been used to identify customers who are, or have been, on a similar 'payment freeze' with another lender. These customers are also treated as higher risk than the arrears stage and customer indebtedness would otherwise suggest. The ECLs applied in calculating the overlay have been uplifted by an average of c.7%, weighted by value.

The Group uses Experian Delphi for Customer Management which provides a suite of characteristics and scores to monitor the credit behaviour of new and existing customers. The principal score for making risk decisions around credit limit changes, and monitoring the risk of associated sales, is the Account and Arrears Management ("AAM") score. The principal measure to assess a customer's ability to afford repayments, and our allowance for expected credit losses under IFRS 9, is the Consumer Indebtedness Index ("CII"). The CII is a score within the range of 1 to 99. A lower CII score is representative of a lower level of risk associated with the debt (i.e. a lower CII score indicates the customer has a greater ability to afford repayments).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Credit risk (continued)

The following table contains an analysis of customer and other receivables segmented by CII score at the end of the reporting period. For the purpose of this analysis, trade receivables are recognised in Risk band 1.

	2021 Total £m	2020 Total £m
Risk exposure determined by CII score		
Risk band 1 (CII<=10)	**677.5**	648.8
Risk band 2 (10>CII=<20)	**185.9**	355.3
Risk band 3 (20>CII=<47)	**167.2**	239.3
Risk band 4 (47>CII)	**118.5**	100.8
Gross carrying amount before credit impaired	**1,149.1**	1,344.2
Credit impaired	**88.5**	87.8
Gross carrying amount after credit impaired	**1,237.6**	1,432.0
Loss allowance	**(196.1)**	(172.0)
Carrying amount	**1,041.5**	1,260.0

Analysis of customer receivables and other trade receivables, stratified by credit grade, is provided in the tables below. Due to Government initiatives to support customers at this time, the underlying risk is higher than the CII index may otherwise suggest. Expected loss rates have been uplifted using internal and external data to allow for this, in particular in relation to debt previously on payment plans.

2021	Current £m	1–30 days past due £m	31–60 days past due £m	61–90 days past due £m	91–120 days past due £m	> 120 days past due £m	Payment plans £m	Total £m
Customer receivables and other trade receivables								
Risk band 1 (CII<=10)	663.1	7.6	0.4	0.1	–	0.1	6.2	677.5
Risk band 2 (10>CII=<20)	176.9	3.5	0.5	0.1	–	0.1	4.8	185.9
Risk band 3 (20>CII=<47)	151.9	4.7	1.2	0.6	0.3	0.3	8.2	167.2
Risk band 4 (47>CII)	91.1	5.1	2.2	1.9	1.8	2.4	14.0	118.5
Otherwise impaired	–	–	–	–	–	88.5	–	88.5
Total	**1,083.0**	**20.9**	**4.3**	**2.7**	**2.1**	**91.4**	**33.2**	**1,237.6**
Loss allowance								
Risk band 1 (CII<=10)	(17.0)	(0.3)	(0.1)	–	–	–	(2.7)	(20.1)
Risk band 2 (10>CII=<20)	(13.9)	(0.3)	(0.2)	(0.1)	–	–	(2.6)	(17.1)
Risk band 3 (20>CII=<47)	(25.1)	(0.9)	(0.6)	(0.4)	(0.2)	(0.2)	(5.2)	(32.6)
Risk band 4 (47>CII)	(23.0)	(1.7)	(1.4)	(1.4)	(1.4)	(1.8)	(12.0)	(42.7)
Otherwise impaired	–	–	–	–	–	(83.6)	–	(83.6)
Total	**(79.0)**	**(3.2)**	**(2.3)**	**(1.9)**	**(1.6)**	**(85.6)**	**(22.5)**	**(196.1)**
Expected loss rate %								
Risk band 1 (CII<=10)	2.6%	4.6%	16.5%	21.9%	0.0%	49.1%	43.6%	3.0%
Risk band 2 (10>CII=<20)	7.8%	8.7%	33.4%	53.0%	0.0%	60.9%	53.8%	9.2%
Risk band 3 (20>CII=<47)	16.6%	19.9%	47.0%	64.7%	69.1%	72.0%	63.0%	19.6%
Risk band 4 (47>CII)	25.3%	32.7%	68.4%	70.4%	72.8%	72.7%	85.9%	36.0%
Otherwise impaired	–	–	–	–	–	94.5%	–	94.5%
Total	**7.3%**	**15.5%**	**53.9%**	**67.0%**	**72.2%**	**93.8%**	**67.7%**	**15.8%**

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

Credit risk (continued)

2020	Current £m	1–30 days past due £m	31–60 days past due £m	61–90 days past due £m	91–120 days past due £m	> 120 days past due £m	Payment plans £m	Total £m
Customer receivables and other trade receivables								
Risk band 1 (CII<=10)	631.3	13.6	0.8	0.2	–	0.1	2.8	648.8
Risk band 2 (10>CII=<20)	333.9	12.9	1.7	0.5	0.2	0.4	5.7	355.3
Risk band 3 (20>CII=<47)	212.5	13.6	2.8	1.5	1.0	0.8	7.1	239.3
Risk band 4 (47>CII)	67.8	8.6	3.5	2.7	2.7	4.3	11.2	100.8
Otherwise impaired	–	–	–	–	–	87.8	–	87.8
Total	**1,245.5**	**48.7**	**8.8**	**4.9**	**3.9**	**93.4**	**26.8**	**1,432.0**
Loss allowance								
Risk band 1 (CII<=10)	(3.9)	(0.2)	(0.1)	(0.1)	–	(0.1)	(1.2)	(5.6)
Risk band 2 (10>CII=<20)	(11.4)	(1.0)	(0.5)	(0.2)	(0.1)	(0.3)	(3.0)	(16.5)
Risk band 3 (20>CII=<47)	(23.0)	(2.2)	(1.3)	(1.0)	(0.6)	(0.6)	(4.4)	(33.1)
Risk band 4 (47>CII)	(15.2)	(2.8)	(2.4)	(2.0)	(2.1)	(3.2)	(9.4)	(37.1)
Otherwise impaired	–	–	–	–	–	(79.7)	–	(79.7)
Total	**(53.5)**	**(6.2)**	**(4.3)**	**(3.3)**	**(2.8)**	**(83.9)**	**(18.0)**	**(172.0)**
Expected loss rate %								
Risk band 1 (CII<=10)	0.6%	1.8%	14.9%	20.5%	–	34.2%	42.7%	0.9%
Risk band 2 (10>CII=<20)	3.4%	7.4%	32.0%	51.2%	53.3%	66.7%	52.7%	4.7%
Risk band 3 (20>CII=<47)	10.8%	16.4%	46.5%	62.1%	62.4%	75.8%	61.7%	13.8%
Risk band 4 (47>CII)	22.3%	32.4%	68.1%	73.7%	80.7%	74.2%	84.2%	36.8%
Otherwise impaired	–	–	–	–	–	90.8%	–	90.8%
Total	**4.3%**	**12.7%**	**49.6%**	**66.9%**	**74.1%**	**89.8%**	**67.1%**	**12.0%**

Credit risk on other financial assets

Investments of cash surpluses and derivative contracts are made through banks and companies which must fulfil credit rating and investment criteria approved by the Board. Risk is further mitigated by diversification and limiting counterparty exposure. The Group does not consider there to be any impairment loss in respect of these balances (2020: £nil). The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset as the debt is not collaterized.

Capital risk

The capital structure of the Group consists of debt, as analysed in Note 30, 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 returns to shareholders, 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 off-market contingent contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Financial Instruments: Sensitivity Analysis

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 the 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	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Interest rate increase of 0.5%	**(0.8)**	(1.4)	**(0.8)**	(1.4)
Interest rate decrease of 0.5%	**0.8**	1.4	**0.8**	1.4

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 reporting 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	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Sterling strengthens by 10%				
US Dollar	**(6.7)**	(4.2)	**(48.1)**	(47.3)
Euro	**–**	–	**0.1**	(1.6)
Sterling weakens by 10%				
US Dollar	**0.7**	2.1	**55.8**	58.2
Euro	**–**	–	**(0.1)**	1.9

Year end exchange rates applied in the above analysis are US Dollar 1.37 (2020: 1.31) and Euro 1.13 (2020: 1.19). 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.

30. Analysis of Net Debt

	January 2020 £m	Cash flow £m	Fair value changes £m	IFRS 16 £m	January 2021 £m
Cash and short term deposits	86.6	521.6	–	–	**608.2**
Overdrafts and short term borrowings	(33.7)	(59.7)	–	–	**(93.4)**
Cash and cash equivalents	52.9	461.9	–	–	**514.8**
Unsecured committed bank loans	(40.0)	40.0	–	–	**–**
Corporate bonds	(1,163.7)	–	0.7	–	**(1,163.0)**
Fair value hedges of corporate bonds	38.7	–	(0.7)	–	**38.0**
Net debt excluding leases	(1,112.1)	501.9	–	–	**(610.2)**
Current lease liability	(172.3)			2.2	**(170.1)**
Non-current lease liability	(1,078.7)			62.9	**(1,015.8)**
	(1,251.0)			65.1	**(1,185.9)**
Net debt including leases	**(2,363.1)**	**501.9**	**–**	**65.1**	**(1,796.1)**

The IFRS 16 movements represent the net movement of lease additions, modifications, lease payments, finance costs and the change in the ageing profile as each year passes.

31. Related Party Transactions

During the year the Group sold goods and services in the normal course of business to its associate undertaking, Choice Discount Stores Limited, as follows:

	2021 £m	2020 £m
Sales	**3.9**	6.6
Loans advanced	**1.3**	–
Amounts outstanding at year end	**1.4**	0.9

The loan of £1.4m earns interest at a commercial arms-length rate.

During the year the Group entered into the following transactions with its joint venture, Retail Restaurants Limited, as follows:

	2021 £m	2020 £m
Loans advanced	**0.1**	0.4
Recharge of costs and loan interest	**0.2**	0.1
Amounts outstanding at year end	**3.0**	2.9

Amounts outstanding at the year end include a loan of £2.9m which earns interest at a commercial arms-length rate.

During the year the Group entered into the following transactions with its associate undertaking Custom Gateway Limited, as follows:

	2021 £m	2020 £m
Costs recharged by Custom Gateway	**(0.4)**	(0.7)
Amounts owed at year end	**–**	–

During the year, the Group sold its interest in Custom Gateway for consideration of £3.9m.

During the year, the Group entered into the following transactions with its new joint venture, VS Brands Holdings UK Limited, as follows:

	2021 £m	2020 £m
Loans advanced	**7.7**	–
Recharge of costs	**0.9**	–
Amounts outstanding at year end	**8.2**	–

The loan of £7.7m is interest free and repayable on demand.

The Group's other related party transactions were the remuneration of key management personnel (refer to Note 4).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Post balance sheet events

On 10 March 2021 NEXT acquired a 25% indirect interest in Reiss Limited ("Reiss") through the acquisition of shares from existing shareholders, in the holding company of the Reiss business. Upon completion of this deal, NEXT will make an equity investment of £33m and a debt investment of £10m, financed from NEXT's own cash resources.

Under the terms of the agreement, NEXT has an option to acquire an additional 26% interest at pre-agreed terms which, if exercised, would take NEXT's holding to 51%. The option falls away after July 2022.

Further details of the acquisition and its strategic fit with the Group are provided on page 53.

In the March 2021 Budget, the Chancellor announced an increase to the headline corporation tax rate to 25% from April 2023. As disclosed in on page 174, this change will require a remeasurement of our net deferred tax position to 25%.

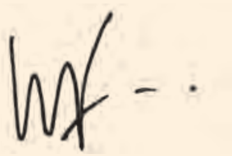
PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY BALANCE SHEET

	Notes	30 January 2021 £m	25 January 2020 £m
Fixed assets			
Investments	C2	**2,475.7**	2,475.7
		2,475.7	2,475.7
Current assets			
Other debtors	C3	**153.1**	154.1
Corporation tax		**–**	0.1
Cash at bank and in hand		**22.0**	0.2
		175.1	154.4
Creditors: amounts falling due within one year	C4	**(553.7)**	(502.2)
Net current liabilities		**(378.6)**	(347.8)
Total assets less current liabilities		**2,097.1**	2,127.9
NET ASSETS		**2,097.1**	2,127.9
Capital and reserves			
Called up share capital	C5	**13.3**	13.3
Share premium account		**0.9**	0.9
Capital redemption reserve		**16.6**	16.6
ESOT reserve	C5	**(271.1)**	(284.8)
Other reserves	C5	**985.2**	985.2
Profit and loss account		**1,352.2**	1,396.7
TOTAL EQUITY		**2,097.1**	2,127.9

The loss for the year in the accounts of the Company is £Nil (2020: profit of £1,134.6m).

The financial statements were approved by the Board of directors and authorised for issue on 1 April 2021. 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	Retained earnings £m	Total equity £m
At 26 January 2019	13.9	0.9	16.0	(271.6)	985.2	776.6	1,521.0
Profit for the period	–	–	–	–	–	1,134.6	1,134.6
Other comprehensive income for the period	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	1,134.6	1,134.6
Share buybacks (Note C5)	(0.6)	–	0.6	–	–	(300.2)	(300.2)
ESOT share purchases (Note C5)	–	–	–	(94.1)	–	–	(94.1)
Shares sold/issued by ESOT	–	–	–	80.9	–	(15.4)	65.5
Share option charge	–	–	–	–	–	14.7	14.7
Equity dividends	–	–	–	–	–	(213.6)	(213.6)
At 25 January 2020	13.3	0.9	16.6	(284.8)	985.2	1,396.7	2,127.9
Profit for the year	–	–	–	–	–	–	–
Other comprehensive income for the period	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	–	–
Share buybacks (Note C5)	–	–	–	–	–	(19.3)	(19.3)
ESOT share purchases (Note C5)	–	–	–	(190.3)	–	–	(190.3)
Shares sold/issued by ESOT	–	–	–	204.0	–	(41.9)	162.1
Share option charge	–	–	–	–	–	16.7	16.7
Equity dividends	–	–	–	–	–	–	–
At 30 January 2021	13.3	0.9	16.6	(271.1)	985.2	1,352.2	2,097.1

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 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 156 to 167. The ESOT is consolidated on the basis that the parent has control, thus the assets and liabilities of the ESOT are included in the Balance Sheet and shares held by the ESOT in the Company are presented as a deduction from equity. 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.

C2. Investments

The £2,475.7m (2020: £2,475.7m) investment shown in the Balance Sheet of NEXT plc relates to its investment in NEXT Group plc (formerly NEXT Group Limited). 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	Desford Road, Enderby, Leicester, LE19 4AT, UK	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, UK	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, UK	49
VS Brands Holdings UK Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	51
Intimate Apparel Digital UK Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100*
Intimate Apparel Retail Ireland Limited	28-29 Grafton Street, Dublin, 2 D02C953 Ireland	100*
Intimate Apparel Retail UK Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100*
Lipsy Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
LLC Next	7 Dolgorukovskaya Street, 127006, Moscow, Russian Federation	100
Next Beauty Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next (Asia) Limited	14/F Cityplaza 1, 1111 King's Road, Taikoo Shing, Quarry Bay, Hong Kong	100
Next AV s.r.o.	Pribinova 8, 811 09, Bratislava, Slovakia	100
Next Brand Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next Distribution Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next-E-NA Portugal, Unipessoal LDA	R. dos Transitários 182 RCH, 4455–565 Matosinhos, Portugal	100
Next Europe & North Africa Morocco SARL	Jean Jaures SARL, 49 rue Jean Jaurès, Quartier Gauthier, 6ème étage, Apt N° 12, Casablanca, Morocco	100
Next Europe & North Africa Tunisia SARL	Centre le Millennium, B30, 2046 Sidi Daoud, La Marsa, Tunis	100
Next Financial Services Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next Germany GmbH	c/o BDO AG Wirtschaftsprüfungsgesellschaft, Landaubogen 10, 81373, Munich, Germany	100
Next Group plc	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next Holdings Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next Holding Wholesale Private Limited	2nd Floor, Unit No 201, Alpha Hiranandani Gardens, Powai, Mumbai, 400076 India	100
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, UK	100
Next Near East Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next Pension Trustees Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next PK s.r.o.	Rohanské nábřeží 671/15, Karlín, Prague 8, 186 00, Czech Republic	100
Next Procurement (Private) Limited	House No.680, Safari Villas, Sector B Bahria Town, Lahore, Pakistan	100
Next Properties Ltd	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next Retail Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next Retail (Ireland) Limited	13–18 City Quay, Dublin 2, D02 ED70, Ireland	100
Next Sourcing Company Limited	2nd Floor S.I. Building, No. 93 Preash Sihanouk Blvd, Sangkat Chaktomuk, Khan Daun Penh, Phnom Penh, Cambodia	100
Next Sourcing (UK) Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next Sourcing Limited	14/F Cityplaza 1, 1111 King's Road, Taikoo Shing, Quarry Bay, Hong Kong	100
Next Sourcing Limited Domestic and/or Foreign Trade Limited Liability Company	Kemankes Karamustafapasa Mahallesi Tophane iskele Cad. No: 12/5 Beyoglu, Istanbul, Turkey	100
Next Sourcing Services Limited	Giant Business Tower, Level 4 & 5, Plot #3, Sector-3, Dhaka Mymensingh Road, Uttara Commercial Area, Dhaka, 1230 Bangladesh	100
Next Sourcing Services (India) Private Limited	207 Jaina Tower, 1 District Centre, Janakpuri, New Delhi, 110058, India	100
Next Sourcing VM Limited	14/F Cityplaza 1, 1111 King's Road, Taikoo Shing, Quarry Bay, Hong Kong	100
NSL Limited	14/F Cityplaza 1, 1111 King's Road, Taikoo Shing, Quarry Bay, Hong Kong	100
Project Norwich Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Retail Restaurants Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	50
The Next Directory Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Paige Group Limited (The)	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Ventura Group Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Ventura Network Distribution Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100

* 100% owned by VS Brands Holdings UK Limited.

C3. Other Debtors

	2021 £m	2020 £m
Amounts due from subsidiary undertaking	**149.8**	154.1
Other receivables	**3.3**	–
	153.1	154.1

C4. Creditors due within one year

	2021 £m	2020 £m
Amounts due to subsidiary undertaking	**553.5**	502.1
Accruals and other creditors	**0.2**	0.1
	553.7	502.2

C5. Share Capital, ESOT and Other Reserves

Details of the Company's share capital and share buybacks are given in Note 22. ESOT transactions are detailed in Note 25. Other reserves in the Company Balance Sheet of £985.2m (2020: £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 Holdings Limited (formerly NEXT Group plc) which was subject to Section 131 Companies Act 1985 merger relief.

C6. UK registered subsidiaries exempt from Audit

The following UK subsidiaries will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the year ended 30 January 2021.

Company name	Registered office address	% held by Group companies
AgraTech Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Lipsy Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next Beauty Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next Brand Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next Distribution Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next Holdings Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next Manufacturing Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next Near East Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next Properties Ltd	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Next Retail Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
The Next Directory Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100
Project Norwich Limited	Desford Road, Enderby, Leicester, LE19 4AT, UK	100

The Company will guarantee the debts and liabilities of the above UK subsidiary undertakings at the balance sheet date in accordance with Section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

SHAREHOLDER INFORMATION

HALF YEAR AND SEGMENT ANALYSIS (UNAUDITED)[1]

	First half £m	Second half £m	53 weeks to Jan 2021 £m	First half £m	Second half £m	52 weeks to Jan 2020 £m
Total sales[1]						
NEXT Retail	344.6	609.9	**954.5**	874.3	977.6	1,851.9
NEXT Online	862.6	1,505.8	**2,368.4**	1,004.9	1,141.7	2,146.6
NEXT Finance	127.9	122.4	**250.3**	134.0	134.7	268.7
NEXT International Retail	12.0	21.2	**33.2**	28.9	27.9	56.9
NEXT Sourcing & NENA Sourcing	2.8	4.1	**6.9**	3.4	6.1	9.5
Lipsy	2.5	2.7	**5.2**	5.9	7.2	13.1
Property Management	4.4	3.0	**7.4**	7.4	7.8	15.2
Total	**1,356.8**	**2,269.1**	**3,625.9**	2,058.8	2,303.0	4,361.8
Profit before tax						
NEXT Retail	(175.2)	(30.7)	**(205.9)**	56.0	107.9	163.9
NEXT Online	128.2	343.9	**472.1**	177.1	222.5	399.6
NEXT Finance	58.9	53.5	**112.4**	75.8	70.9	146.7
NEXT International Retail	0.5	2.9	**3.4**	3.1	3.1	6.2
NEXT Sourcing	4.9	12.9	**17.8**	16.9	15.1	32.0
Lipsy	0.1	5.1	**5.2**	5.7	7.3	13.0
Property Management	4.0	(43.9)	**(39.9)**	0.2	(2.4)	(2.2)
Total segment profit	**21.4**	**343.7**	**365.1**	334.8	424.4	759.2
Recharge of interest	20.4	28.0	**48.4**	17.8	18.5	36.3
Other activities	(11.4)	(18.0)	**(29.4)**	(11.7)	(11.7)	(23.4)
Net finance costs	(21.4)	(20.7)	**(42.1)**	(21.3)	(22.3)	(43.6)
Profit before tax excluding IFRS 16	**9.0**	**333.0**	**342.0**	319.6	408.9	728.5
IFRS 16	(25.5)	25.9	**0.4**	7.8	12.2	20.0
Profit before tax including IFRS 16	**(16.5)**	**358.9**	**342.4**	327.4	421.1	748.5

1 As defined in Note 1 to the Consolidated Financial Statements.

FIVE YEAR HISTORY (UNAUDITED)

Excluding IFRS 16 Period to January	**2021** **£m**	2020 £m	2019 £m	2018 £m	2017 £m
Underlying[1] continuing business					
Total sales[2]	**3,625.9**	4,361.8	4,220.9	4,117.5	4,136.8
Statutory revenue	**3,534.4**	4,266.2	4,167.4	4,090.7	4,097.3
Operating profit	**384.2**	772.1	762.0	759.9	827.7
Net finance costs	**(42.2)**	(43.6)	(39.1)	(33.8)	(37.5)
Profit before tax	**342.0**	728.5	722.9	726.1	790.2
Taxation	**(51.4)**	(134.6)	(132.5)	(134.3)	(154.9)
Profit after taxation	**290.6**	593.9	590.4	591.8	635.3
Total equity	**836.1**	612.9	553.8	482.6	510.5
Shares purchased for cancellation	**0.3m**	5.4m	6.3m	2.2m	3.6m
Dividends per share – ordinary	–	57.5p	165.0p	158.0p	158.0p
– special	–	–	–	180.0p	–
Basic Earnings Per Share					
Underlying	**226.3p**	459.8p	435.3p	416.7p	441.3p
Total	**226.3p**	459.8p	435.3p	416.7p	441.3p

IFRS 16 basis Period to January	**2021** **£m**	2020 £m
Underlying[1] continuing business		
Total sales[2]	**3,625.9**	4,361.8
Statutory revenue	**3,534.4**	4,266.2
Operating profit – underlying	**444.5**	853.9
Net finance costs – underlying	**(102.1)**	(105.4)
Profit before tax – underlying	**342.4**	748.5
Taxation	**(55.7)**	(138.3)
Profit after taxation	**286.7**	610.2
Total equity	**660.9**	441.5
Shares purchased for cancellation	**0.3m**	5.4m
Dividends per share – ordinary	–	57.5p
Basic Earnings Per Share		
Underlying	**223.3p**	472.4p
Total	**223.3p**	472.4p

1 Underlying is shown pre-exceptional items. There were no exceptional items in the data presented above.
2 As defined in Note 1 to the Consolidated Financial Statements.

GLOSSARY

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

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Average active customers Those customers who have purchased products using their Online account or received a standard account statement in the last 20 weeks. Customers can be either Online credit or cash customers.	None	Active customers have a strong correlation with interest income on the Finance P&L and helps drive understanding on movements in income. Reconciliation to closest equivalent statutory measure not applicable.
Average customer receivables/ debtor balance The average amount of money owed by all next**pay** and next**3step** customers less any provision for bad debt. This represents the total balances we expect to recover averaged across the relevant period. This is referred to as 'customer receivable' or 'debtor balance'.	None	Average debtor balance has a strong correlation with interest income on the Finance P&L and helps drive understanding on movements in income. It also helps to evaluate the overall health of the balance sheet for the Finance business. The average debtor balance in FY21 was £1,050m (FY20: 1,185m). The statutory accounts do not disclose the monthly debtor balance needed to calculate the average debtor balance. The year end balance is disclosed in Note 13 to the financial statements.
Bad debt charge The charge taken in relation to the performance of our customer debtor book. This consists predominantly of providing for future defaults.	Impairment losses	Measurement of the quality of the Online debtor book/customer receivables. A lower bad debt charge indicates that the quality and recoverability of the balance is higher. The bad debt charge is the total of the in-year impairment charge, less amounts recovered. In FY21 the total bad debt charge disclosed in the CEO report was £51m. In Note 13 the total Expected Credit Loss charge was £54.8m with the difference relating to recoveries on previously written off assets.
Bought-in gross margin Difference between the cost of stock and initial selling price, expressed as a percentage of achieved total VAT exclusive selling prices.	None	Bought-in gross margin is a measure of the profit made on the sale of stock at full price. This is a key internal management metric for assessing category performance. Reconciliation to closest equivalent statutory measure not applicable as full price sales not a statutory metric.
Branch profitability Retail store total sales less cost of sales, payroll, controllable costs, occupancy costs and depreciation, and before allocation of central overheads. Expressed as a percentage of VAT inclusive sales. Net branch profit is a measure of the profitability on a store by store level.	None	Measurement of the Retail business profit by physical branch. Provides an indication of the performance of the store portfolio. This is based on costs which are directly attributable to the store. Therefore, it does not include costs such as central overheads which will be included in the statutory accounts. Reconciliation to closest equivalent statutory measure is therefore not applicable.
Cost of funding Interest is charged to the NEXT Finance business in respect of funding costs for the Online debtor balance (customer receivable). It is calculated by applying the average Group interest rate (i.e. the external borrowing rate of the NEXT Group divided by the average NEXT Group borrowing) to the average debtor/customer balance.	None	Required to evaluate the underlying profitability of the Finance business. There is no statutory equivalent as this is a metric specific to how the Group manages its funding and cost allocations. In the year to January 2021 this has been calculated as: Average Group interest = Interest cost/Average debt = £42.2m/£792m = 5.3% Then apply 5.3% to 85% of the Average Online customer balance of £1,050m (as we assume that 85% is funded). This equates to a Cost of Funding charge of £48m (prior year £36m). Note the increase in the year on year charge is due to the significant reduction in average debt while external finance costs are largely unchanged. The latter has not varied as much because the external finance costs are based on the Bonds which have not materially changed year on year.

GLOSSARY

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

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Credit sales VAT exclusive sales from Online credit customers who have purchased using their online NEXT account, inclusive of any interest income charges and delivery charges, and after deducting any applicable promotional discounts.	None	Credit sales are a direct indicator of the performance and profitability of the Finance business. Reconciliation to closest equivalent statutory measure not applicable as the statutory accounts split by business segment but not by the mechanism of customer payment.
Divisional operating profit Divisional profit before interest and tax, excluding equity-settled share option charges recognised under IFRS 2 "Share-based payment" and unrealised foreign exchange gains and losses on derivatives which do not qualify for hedge accounting. Refer to Note 1 of the financial statements.	Segment profit	A direct indicator of the performance of each division making up the total Group operating profit. A commonly used metric that provides a useful method of performance comparison across the Group. The divisional operating profits are the same as the Segment profits presented in Note 1 of the Financial Statements. They do not include the impact of IFRS 16 because the segments are not managed using IFRS 16 metrics.
Earnings Per Share (EPS) excluding IFRS 16 The level of growth in EPS provides a suitable measure of the financial health of the Group and its ability to deliver returns to shareholders. Refer to Note 8 of the financial statements.	Earnings per share (including IFRS 16)	A measure of the financial health of the Group and its ability to deliver returns to shareholders. A commonly used metric that can be used to compare performance to other businesses. To reconcile the EPS excluding IFRS 16 to the statutory EPS the impact of IFRS 16 on the profit after taxation must be included in the Earnings part of the EPS calculation. Appendix 1 includes a reconciliation of the pre and post IFRS 16 profit before tax and a walk forward of the effective tax rate while Note 8 of the Financial Statements presents both EPS excluding IFRS 16 and EPS including IFRS 16.
Full price sales Total sales excluding items sold in our sale events, Total Platform sales and our Clearance operations and includes interest income relating to those sales.	Revenue – sale of goods	Full price sales are a direct indicator of the performance and profitability of the business.
Interest income The gross interest billed to next**pay** and next**3step** customers, before any deduction for unpaid interest on bad debt.	Revenue – credit account interest	Interest income is a direct indicator of the performance and profitability of the Finance business. This is presented on the face of the Income Statement and Note 2 of the Financial Statements.
Like-for-like sales Change in sales from Retail stores which have been open for at least one full year.	None	This metric enables the performance of the Retail stores to be measured on a consistent year-on-year basis and is a common term used in the retail industry. Reconciliation to closest equivalent statutory measure not applicable. Note in the current year like-for-like sales on Retail stores are not being used as a KPI due to the disruption caused by COVID.
Net debt Comprises cash and cash equivalents, bank loans, corporate bonds, fair value hedges of corporate bonds but excludes lease debt. Net debt is a measure of the Group's indebtedness.	Statutory net debt	This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies. As used in the Annual Report this excludes the debt on leases unless otherwise stated. Net debt is reconciled to statutory net debt (which includes leases) in Note 30 of the Financial Statements.

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Net operating margin Profit after deducting markdowns and all direct and indirect trading costs, expressed as a percentage of achieved total sales.	None	A measure of the profitability of the Group. A commonly used metric that can be used to compare performance to other businesses. Net margin measures whether profitability is changing at a higher or lower rate relative to revenue.
Net profit (NEXT Finance) The profit, including interest income and the bad debt charge, and after the allocation of central overheads and the cost of funding.	Profit before tax	A measure of direct profitability of the Finance business. The Net profit for the Finance Business is presented in Note 1 to the financial statements. It does not include the impact of IFRS 16 as the business does not report the impact of IFRS 16 at a segment level.
Return on Capital Employed – ROCE (NEXT Finance) The NEXT Finance net profit (after the interest charge relating to the cost of funding), divided by the average debtor balance.	None	A commonly used metric that can be used to compare performance to other financial businesses. It measures the profit (ie return) relative to the amount of capital employed. The higher the ROCE the greater the return for the capital employed in the business. The ROCE for NEXT Finance in the year to January 2021 was calculated by dividing the Operating profit for segment of £112m by the average debt balance of £1,050m. As a percentage this is 10.7% (2020: 12.4%). The Operating profit for the segment is disclosed in Note 1 to the financial statements.
Total sales VAT exclusive full price and markdown sales including the full value of commission based sales and interest income (as described and reconciled in Note 1 of the financial statements).	Revenue – sale of goods	Total sales are a direct indicator of the performance and profitability of the business. Total sales are reconciled to Statutory sales in Note 1 to the Financial Statements.
Underlying like-for-like sales Like-for-like sales, excluding stores impacted by new openings. This is a measure of the annual performance of stores taking into account the impact of new store openings on existing stores.	None	This metric enables the performance of the Retail stores to be measured on a consistent year-on-year basis, without distortion from new openings, and is a common term used in the retail industry. Reconciliation to closest equivalent statutory measure not applicable. Note in the current year like-for-like sales on Retail stores are not being used as a KPI due to the disruption caused by COVID.
Underlying profit and Earnings Per Share Underlying profit and Earnings Per Share measures exclude exceptional items and are shown on a consistent 52 week basis, where relevant. Allows for more consistent comparison, excluding one-off items.	None	This metric enables the profitability of the Group and its ability to return funds to shareholders to be evaluated consistently year on year, and against other businesses. EPS is disclosed in Note 8 of the Financial Statements. The group has not incurred any exceptional items in either the year to January 2021 or the year to January 2020. However, as used in the CEO review, underlying profit and EPS exclude the impact of IFRS 16, Leases. To reconcile the underlying EPS to the statutory EPS, the impact of IFRS 16 on the profit after taxation must be included in the Earnings part of the EPS calculation. Note 8 of the Financial Statements presents both EPS excluding IFRS 16 and EPS including IFRS 16.

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 should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent 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, to the purchaser or transferee, or to the stockbroker or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

Notice is given that the Annual General Meeting (AGM) of NEXT will be held at and broadcast from NEXT Head Offices, Desford Road, Enderby, Leicestershire LE19 4AT on Thursday 20 May 2021 at 9.30 am.

Potential impact of Coronavirus (COVID) on the AGM

The ongoing Government restrictions on mass gatherings, non-essential travel and social contact in relation to COVID are likely to impact the ability of shareholders to attend the AGM. Based on current restrictions, the Board has concluded that it is appropriate to strongly urge shareholders not to attend the AGM in person this year. Shareholders are instead requested to make use of the electronic facilities to participate and vote remotely.

Shareholders can access the AGM at https://web.lumiagm.com. For further information on how to join electronically, please see the guidance included in Appendix 2 of this Notice. A step by step user guide is set out on page 228.

If you will not be participating in the meeting electronically, or wish to vote in advance of the meeting, details on how to submit your proxy vote by post, online or through CREST are set out on pages 225 and 226 of this Notice.

Shareholders may submit questions in advance on resolutions to be put to the AGM by emailing investors@next.co.uk. Questions submitted by the close of business on 19 May 2021 will be answered at the meeting as appropriate. Shareholders will also have the opportunity to submit questions through the Lumi platform during the AGM.

The health and safety of our colleagues and shareholders is very important to us. For any shareholder choosing to attend in person against our recommendation, strict health and safety measures will be enforced and will include temperature checks prior to admission and face coverings to be worn at all times. It will not be possible to provide refreshments. The situation in relation to COVID is constantly evolving, and the UK Government may change current restrictions or implement further measures relating to the holding of general meetings during the affected period. We will continue to monitor the situation, and any changes to the AGM will be communicated to shareholders before the meeting through our website at nextplc.co.uk/investors/shareholder-information/company-meetings and, where appropriate, by stock exchange announcement.

As a precautionary measure, only a limited number of the Board will be in attendance at the AGM to reduce the risk of all Board members being present in the same room at the same time. Directors will be unable to informally converse with shareholders before or after the meeting due to social distancing measures.

The following resolutions will be proposed at the AGM, resolutions 1 to 14 as ordinary resolutions and 15 to 20 as special resolutions. **Further information on these resolutions can be found in Appendix 1 to this Notice.**

1 To receive and adopt the accounts and reports of the directors and auditor for the period ended 30 January 2021.

2 To approve the Directors' Remuneration Report set out on pages 115 to 132.

To elect the following director appointed by the directors since the last AGM who is seeking election in accordance with the Company's Articles of Association:

3 Tom Hall

To re-elect the following directors who are seeking annual re-election in accordance with the UK Corporate Governance Code:

4 Jonathan Bewes

5 Tristia Harrison

6 Amanda James

7 Richard Papp

8 Michael Roney

9 Jane Shields

10 Dame Dianne Thompson

11 Lord Wolfson

12 To re-appoint PricewaterhouseCoopers LLP as auditor of the Company, to hold office until the conclusion of the 2022 AGM of the Company.

13 To authorise the Audit Committee, on behalf of the Board, to set the remuneration of the Company's auditor in respect of its appointment for the period ending at the conclusion of the next AGM.

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. up to a maximum nominal amount of £4,400,000 (as reduced by any equity securities allotted under paragraph (a)(ii) below); and

ii. up to a maximum nominal amount of £8,800,000 (as reduced by any equity securities allotted under paragraph (a)(i) above) in connection with an offer by way of a rights issue;

b. 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 20 August 2022.

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 General disapplication of pre-emption rights

That, subject to resolution 14 being passed:

a. 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) shall be limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £664,000 representing 5% of the issued ordinary share capital;

c. 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 20 August 2022; 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 Additional disapplication of pre-emption rights

That, subject to resolutions 14 and 15 being passed:

a. the directors be given the power to allot additional equity securities for cash;

b. the power under paragraph (a) above (other than in connection with a rights issue) shall be:

   i. limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £664,000 representing 5% of the issued ordinary share capital; and

   ii. used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice;

c. 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 20 August 2022; and

d. other than in respect of authorities granted pursuant to resolution 15, all previous unutilised authorities under Sections 570 and 573 of the 2006 Act shall cease to have effect (save to the extent that they are exercisable by reason of any offer or agreement made prior to the date of this new resolution which would or might require shares to be allotted on or after that date).

17 On-market purchases 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 19,929,000 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 shares purchased pursuant to the authority granted at resolution 18 below;

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

c. the maximum price which may be paid for each ordinary share (exclusive of expenses) is an amount not more than the higher of: (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. 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 20 August 2022;

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

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

18 Off-market purchases of own shares

That, in accordance with Section 694 of the 2006 Act, the proposed programme agreements to be entered into between the Company and any of Goldman Sachs International, UBS AG London Branch, BNP Paribas and Barclays Bank plc (the “Bank(s)”) (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 for the off-market purchase by the Company of its ordinary shares of 10 pence each under or pursuant to the Programme Agreements, as more fully described on pages 223 and 224. The authority conferred by this special resolution shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at close of business on 20 August 2022 (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).

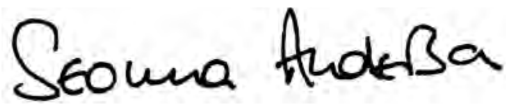
19 Amendment to the articles of association

That the articles of association produced to the meeting and signed by the Chairman of the meeting for the purpose of identification, are adopted as the articles of association of the Company in substitution for, and to the exclusion of, the Company’s existing articles of association.

20 Notice of general meetings

That 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
Company Secretary
Registered Office: Desford Road, Enderby, Leicester LE19 4AT

20 April 2021

NOTICE OF MEETING

APPENDIX 1

Explanatory notes to resolutions

1 To receive and adopt the report and accounts

Shareholders are asked to receive and adopt the Strategic Report, Directors' Report, and the financial statements for the period ended 30 January 2021, together with the report of the auditor.

2 To approve the Directors' Remuneration Report

The Directors' Remuneration Report sets out the pay and benefits received by each of the directors for the period ended 30 January 2021 and is subject to an advisory vote by shareholders. The Report (excluding the Directors' Remuneration Policy) is set out on pages 115 to 132 of the Annual Report for the period ended 30 January 2021.

3–11 Directors

In accordance with the UK Corporate Governance Code 2018, all directors will stand for election or re-election at this year's AGM.

Directors' biographies are set out on pages 98 and 99 of the Annual Report and provide a summary of the range of skills, knowledge and experience of each director.

Following a formal performance evaluation, the Chairman confirms that each director has demonstrated that they continue to be an effective and valuable member of the Board and that they remain committed to their role (including making sufficient time available for Board and Committee meetings and other duties).

The Board is satisfied that each non-executive director offering themselves for election or re-election is independent in both character and judgement, and that their experience, knowledge and other business interests enable them to contribute significantly to the work and balance of the Board.

12 and 13 Appointment and remuneration of auditor

On the recommendation of the Audit Committee, the Board proposes that PwC be reappointed as auditor of the Company. Resolution 13 proposes that the auditor's remuneration be determined by the Audit Committee.

14 Renewal of the powers of directors to allot shares

Ordinary resolution 14(a)(i) seeks authority to allow the directors to allot ordinary shares up to a maximum nominal amount of £4,400,000, representing approximately one third of the Company's existing issued share capital, excluding treasury shares, as at 31 March 2021. In accordance with institutional guidelines, resolution 14(a)(ii) 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 £8,800,000, representing approximately two thirds of the Company's existing issued share capital, excluding treasury shares, as at that date. As at 31 March 2021 (being the latest practicable date prior to publication of this document) the Company's issued share capital amounted to £13,294,928 comprising 132,949,276 ordinary shares of 10 pence each. No shares were held in treasury. The directors have no present intention of exercising this authority, however, the Board wishes to ensure that the Company has maximum flexibility in managing the Group's capital resources. The authority sought under this resolution will expire at the conclusion of the AGM in 2022 or, if earlier, 20 August 2022.

15 and 16 Authority to disapply pre-emption rights

In special resolution 15, the directors are seeking authority 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 £664,000, representing 5% of the issued ordinary share capital of the Company as at 31 March 2021. 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.

Special resolution 16 seeks separate and additional authority to allot up to an additional 5% of the issued ordinary share capital of the Company on a non-pre emptive basis 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.

In accordance with the Pre-Emption Group's Statement of Principles, the directors do not intend to issue more than 7.5% of the share capital of the Company for cash under this or previous authorities in any rolling three year period without prior consultation with shareholders, 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 2022 or, if earlier, 20 August 2022.

17 On-market purchase of the Company's 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 returns to shareholders. Over this period, and up to 31 March 2021, NEXT has returned over £4bn to shareholders by way of share buybacks and over £3.5bn in dividends, of which £0.9bn 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 £675m in capital expenditure to support and grow the business.

The directors intend that this authority 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 Company has no warrants in issue in relation to its shares and no options to subscribe for its shares outstanding. Exercise of outstanding employee share options and share awards are generally satisfied by the transfer of market-purchased shares from the ESOT (refer to Note 25 to the financial statements).

The renewed authority will expire at the AGM in 2022 or, if earlier, 20 August 2022.

18 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 Earnings Per Share. Contingent contracts for off-market share purchases 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 2020 AGM up to 31 March 2021.
- 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 closed 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 22, passed at the Company's 2020 AGM, granted authority to the Company to make on-market purchases of a maximum number of 19,929,000 shares and expires on the earlier of the date of the 2021 AGM or 14 August 2021. 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, 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 2021 AGM or 14 August 2021. Pursuant to those authorities and up to 31 March 2021, the Company has not bought back any shares for cancellation and no shares were bought back under contingent purchase contracts.

Sections 693 and 694 of the 2006 Act provide that the terms of any contract to make off-market purchases or contingent purchases of its shares must be approved by shareholders. The Company also typically does not purchase its shares during the period commencing 30 days before the announcement of its interim results and full year results in September and March (respectively) each year (a "Closed Period"). In the absence of a Programme Agreement (as defined below), these Closed 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 permitted outside of Closed Periods to enter into irrevocable and non-discretionary programmes and/or contingent forward purchase contracts which would allow it to buy shares during Closed 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 (but 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" and together with the Upper Suspension Level, the "Suspension Levels"). The Suspension Levels and duration are determined by the Company and are set at the time the CFT is entered into. The Upper Suspension Level must be set between 104% and 110% of the Company's share price at the start of the CFT. If the Company chooses to incorporate a Lower Suspension Level, it must be set between 80% and 95% of the price at the start of the CFT. The inclusion of a Lower Suspension Level would help mitigate the Company's financial commitment under a CFT if its share price was to fall below this level after the CFT had been executed. If the Lower Suspension Level is not included, the level of discount to the market share price would be higher.

The price at which the Company may purchase shares during the term of a CFT (the "Forward Price") is fixed at the start of the CFT. The Forward Price is 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 period 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 Financial Conduct 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 terminates automatically at that time and no further shares would be purchased under that contract.

Under Sections 693 and 694 of the 2006 Act, the Programme Agreements and Contingent Forward Trades are contingent purchase contracts to purchase shares by the Company off-market. Accordingly, resolution 18, which will be proposed as a special resolution, seeks shareholder

NOTICE OF MEETING

approval of 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 2022 and 20 August 2022 and will incorporate the terms of an ISDA Master Agreement and Schedule. The Programme Agreements will be entered into and each CFT will be effected outside a Closed Period but shares may be purchased by the Company during a Closed Period.

Should shareholder approval be granted, any number of CFT may be effected with the Banks at any time, provided that:

- the total maximum number of shares which the Company is permitted to purchase pursuant to this authority would be 3 million, representing circa 2.3% of its issued share capital at 31 March 2021;
- the total cost of shares that the Company would be permitted to purchase pursuant to this authority may not exceed £200m (including costs);
- the Forward Price may not exceed 105% of the average of the middle market price of a share according to the Daily Official List of the London Stock Exchange for the 5 business days immediately preceding the day on which the share is purchased;
- 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 20 May 2021 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 2022 AGM or on 20 August 2022, 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 and on Lumi for 15 minutes prior to and for the duration of the AGM on 20 May 2021. 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.

The Company has no warrants in issue in relation to its shares and no options to subscribe for its shares outstanding. Exercise of all outstanding employee share options and share awards will generally be satisfied by the transfer of market-purchased shares from the ESOT (refer to Note 25 to the financial statements).

The Programme Agreements will have a duration of the shorter of the period to the date of the next AGM to be held in 2022 and 20 August 2022 and will incorporate the terms of an ISDA Master Agreement and Schedule. The Programme Agreements will be entered into and each CFT will be effected outside a Closed Period but shares may be purchased by the Company during a Closed Period.

19 Articles of Association

Special resolution 19 proposes a change to the Company's Articles of Association to increase the maximum total fees payable to non-executive directors. The current Article 61 (directors' fees) of the articles will be amended by increasing the numerical limit from £750,000 to £1,000,000.

The limit has not been increased for a number of years, and this increase will bring the Company's articles in line with those of its peers. The increase will provide the Company with the flexibility to appoint additional non-executive directors if appropriate. No increase to the existing non-executive directors' fees is planned as a result of this limit increase.

20 Notice of general meetings

In accordance with the Companies Act 2006 (the "2006 Act"), the notice period for general meetings (other than an AGM) is 21 clear days' notice unless the Company:

(i) has gained shareholder approval for the holding of general meetings on 14 clear days' notice by passing a special resolution at the most recent AGM; and

(ii) offers the facility for all shareholders to vote by electronic means.

The Company would like to preserve its ability to call general meetings (other than an AGM) on 14 clear days' notice. This shorter notice period would not be used as a matter of routine, but only where the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole.

Resolution 20 seeks such approval and, should this resolution be approved, it will be valid until the end of the next AGM. This is the same authority that was sought and granted at last year's AGM.

Recommendation

The Board are of the opinion that all resolutions which are to be proposed at the 2021 AGM are in the best interests of its shareholders as a whole and, accordingly, unanimously recommend that they vote in favour of all the resolutions as the directors intend to do in respect of their own beneficial shareholdings.

MEETING FORMALITIES AND VOTING

Voting at the Annual General Meeting

To be entitled to vote at the AGM and for the purposes of determining the number of votes they may cast, shareholders must be registered in the register of members of the Company as at 6.30 pm on 18 May 2021 or, if the meeting is adjourned, at 6.30 pm on the day which is two working days before the adjourned meeting.

In line with best practice, voting on all resolutions at the 2021 AGM will be by way of a poll. On a poll, every member present in person or by proxy, including by electronic means, has one vote for every ordinary share held or represented.

The directors believe a poll is most representative of shareholders' voting intentions because shareholders' votes are counted according to the number of shares held, and the proxy vote is added to the votes of shareholders present so that all votes are taken into account. The procedures for the poll votes will be explained during the AGM.

In respect of resolution 18 on off-market share purchase contracts, the 2006 Act provides that this resolution will not be effective if any member of the Company holding shares to which it relates (i.e. shares which may be purchased pursuant to the Programme Agreements) voted for the resolution and the resolution would not have been passed if they had not done so. Therefore, NEXT intends to disregard any poll votes which are cast in favour of resolution 18 attaching to 3 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 total number of the Company's issued share capital on 31 March 2021, which is the latest practicable date before the publication of this Notice, is 132,949,276 ordinary shares. All of the ordinary shares carry one vote each and there are no shares held in treasury.

Voting and proxies

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 9.30 am on 18 May 2021.

To vote using the form of proxy, please complete and return the form to Equiniti, to arrive not later than 9.30 am on 18 May 2021 (or 48 hours before any adjourned meeting).

A shareholder who is entitled to vote at the AGM may appoint one or more proxies to 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 paragraphs and in the paragraph headed "CREST voting facility" below can only be exercised by registered members of the Company and do not apply to a Nominated Person. Nominated persons 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 (i.e. the first named joint holder recorded in the Company's share register) will be accepted.

A member who appoints as their proxy someone other than the Chairman of the Meeting, should ensure that the proxy 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.

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.

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 20 May 2021 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

NOTICE OF MEETING

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 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

Please see page 228 for details of how to submit questions electronically. The Company will answer any such question relating to the business being dealt with at the AGM but no such answer need be given if (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (ii) the answer has already been given on a website in the form of an answer to a question, or (iii) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

Data protection statement

Your personal data includes all data the Company holds which relates to you as a Shareholder, including your name and contact details, the votes you cast and your Shareholder Reference Number (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's registrar) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the Shareholder rights you exercise. A copy of the Company's privacy policy can be found at www.nextplc.co.uk/site-services/privacy-and-cookies.

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 for 15 minutes prior to and for the duration of the AGM:

- A copy of each executive director's contract of service and each non-executive director's letter of appointment
- The Programme Agreements pursuant to resolution 18
- Articles that reflect the changes proposed in resolution 19

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. A copy of the proposed articles will be made available on the Company's website and copies of the other documents will be made available on request.

Company website

A full copy of the Annual Report (which includes this Notice), together with those for prior years, and other information required by Section 311A of the 2006 Act can be found 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 no 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.

APPENDIX 2

Accessing the AGM website

For the 2021 AGM, shareholders will be able to attend and participate in the meeting electronically. This can be done by accessing the AGM website, https://web.lumiagm.com

Lumi AGM can be accessed using most internet browsers such as Edge, Chrome, Firefox and Safari on a PC, laptop or other internet-enabled device such as a tablet or smartphone. Access to the meeting via the website https://web.lumiagm.com will be available from 8.30 am on 20 May 2021. The AGM will commence at 9.30 am.

Logging In

You will be prompted to enter a Meeting ID which is 135-277-531.

You will then be prompted to enter your unique Shareholder Reference Number (SRN) and PIN which is the first two and last two digits of your SRN. These can be found on your form of proxy.

Broadcast

Once logged in, and at the commencement of the meeting, you will be able to listen to the proceedings of the meeting on your device.

Voting

Once the Chairman has formally opened the meeting, the voting procedure will be explained. Voting will be enabled on all resolutions at the start of the formal meeting when the Chairman formally declares the poll open. Shareholders may, at any time while the poll is open, vote on any or all the resolutions in the Notice of Meeting. Resolutions will not be put forward separately.

Once the resolutions have been proposed, the list of resolutions will appear on your screen along with the voting options. Select the option that corresponds with how you wish to vote, "FOR", "AGAINST" or "WITHHELD". Once you have selected your choice, the option will change colour and a confirmation message will appear to indicate your vote has been cast and received. Please note that there is no 'Submit' button. If you make a mistake or wish to change your vote, simply select the correct choice. If you wish to 'cancel' your vote, select the 'Cancel' button. You will be able to do this at any time whilst the poll remains open and before the Chairman announces its closure at the end of the meeting.

Questions

To submit a question through the Lumi website, click on the speech bubble icon and type your question at the bottom of the screen. Once finished, press the 'send' icon to the right of the message box.

Questions will be moderated before being sent to the Chairman. This is to avoid repetition and to ensure the smooth running of the meeting. If multiple questions on the same topic are received, the Chairman may provide a single answer to address shareholder queries on the same topic. We will publish questions and answers on our website after the AGM.

Requirements

An active internet connection is required at all times in order to allow you to cast your vote when the poll opens, submit questions and listen to the audiocast. It is the user's responsibility to ensure you remain connected for the duration of the meeting.

Duly appointed proxies and corporate representatives

Please contact the Company's registrar before 09:30 am on 19 May 2021 on 0371 384 2164 or +44(0) 121 415 7047 if you are calling from outside the UK for your SRN and PIN.

Lines are open 8.30 am to 5.30 pm Monday to Friday (excluding public holidays in England & Wales).

User Guide to Joining the Next plc 2021 Annual General Meeting Remotely

Meeting ID: 135-277-531
To login you must have your SRN and PIN

1

Open the Lumi AGM website and you will be prompted to enter the Meeting ID. If a shareholder attempts to login to the website before the meeting is live*, a pop-up dialogue box will appear.

* 8:30 am on 20th May 2021. The meeting starts at 9.30 am.

2

After entering the Meeting ID, you will be prompted to enter your unique SRN and PIN.

3

When successfully authenticated, you will be taken to the Home Screen.

4

To view the meeting presentation, expand the "Broadcast Panel", located at the bottom of your device. If viewing through a browser, it will appear automatically.

This can be minimised by pressing the same button.

5

When the Chairman declares the poll open, a list of all resolutions and voting choices will appear on your device.

Scroll through the list to view all resolutions.

6

For each resolution, press the choice corresponding with the way in which you wish to vote.

When selected, a confirmation message will appear.

For - Vote received

7

To change your mind, simply press the correct choice to override your previous selection. To cancel your vote, press Cancel.

To return to the voting screen whilst the poll is open, select the voting icon.

8

If you would like to ask a question, select the messaging icon.

Type your message within the chat box at the bottom of the messaging screen.

Click the send button to submit.

OTHER SHAREHOLDER INFORMATION

Registered office

Desford Road, Enderby, Leicester LE19 4AT

Registered in England and Wales, company no. 4412362

Annual General Meeting

The AGM will be held at and broadcast from the registered office of NEXT plc, Desford Road, Enderby, Leicester LE19 4AT at 9.30 am on Thursday 20 May 2021. The Notice of the Meeting on pages 220 to 228 sets out business to be transacted.

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 Online (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 contact the Company Secretary's office (companysecretariat@next.co.uk).

Registrars and transfer office

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Telephone +44 (0) 371 384 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 8.30 am to 5.30 pm Monday to Friday.

Shareholder enquiries

The Company share register is maintained by Equiniti ('EQ'). 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 dividend confirmation;
- 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 EQ 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 EQ provides the following:

- if requested future communications produced by them will be sent in the appropriate format;
- telephone 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 available to download from the NEXT website at www.nextplc.co.uk or from EQ, 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 72 to 76; failure by NEXT to predict accurately customer fashion preferences; decline in the demand for merchandise offered by NEXT; competitive influences; changes in level of store traffic or consumer spending habits; effectiveness of NEXT's Brand awareness and marketing programmes; general economic conditions or a downturn in the retail industry; the inability of NEXT to successfully implement relocation or expansion of existing stores; insufficient consumer interest in NEXT Online; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial 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.

revive™ Silk
100% recycled
When you have finished with this leaflet please recycle it
Printed using vegetable oil based inks by Pureprint Group, a CarbonNeutral® Company with FSC® certification.
Pureprint is a CarbonNeutral Company and FSC certified.

This document is printed on Revive Silk 100 paper, manufactured from FSC® Recycled certified fibre derived from 100% pre and post-consumer waste and Carbon Balanced with World Land Trust.

CARBON BALANCED PAPER WORLD LAND TRUST™
www.carbonbalancedpaper.com
CBP00019082504183028

The paper is Carbon Balanced with World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.

Through protecting standing forests, under threat of clearance, carbon is locked in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere, referred to as REDD (Reduced Emissions from Deforestation and forest Degradation). This is now recognised as one of the most cost-effective and swiftest ways to arrest the rise in atmospheric CO_2 and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including a number of species identified at risk of extinction on the IUCN Red List of Threatened Species.

FSC®
www.fsc.org
RECYCLED
Paper made from recycled material
FSC® C022913

Produced by **Radley Yeldar** www.ry.com

next.co.uk | nextplc.co.uk