NEXT

ANNUAL REPORT & ACCOUNTS

JANUARY 2022

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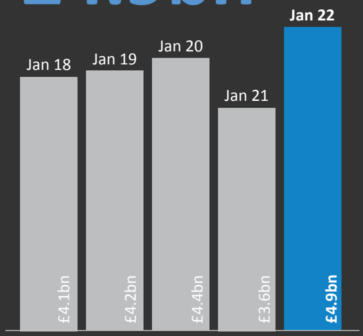
FINANCIAL HIGHLIGHTS

TOTAL SALES[1] APM

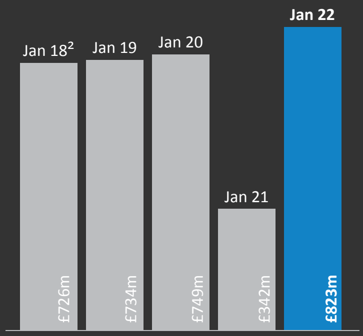
Underlying continuing business

£4.9bn



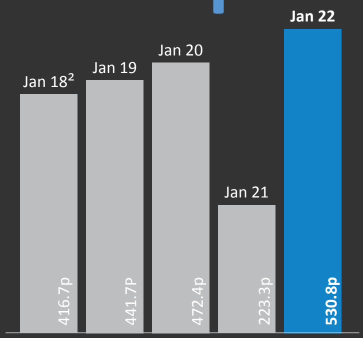
PROFIT BEFORE TAX

£823m



EARNINGS PER SHARE

530.8p



1. Total sales are VAT exclusive full price and markdown sales including the full value of commission based sales and interest income (refer to Note 1 of the financial statements).
2. The January 2018 profit before tax and EPS are pre-IFRS 16.

APM Alternative Performance Measure

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

2021 was another exceptionally productive year for NEXT as we worked hard to adapt and develop our business to enable us to maximise the opportunities of an increasingly online world. An analysis of our performance in 2021/22 and our outlook for the year ahead are covered in detail in the following pages but, looking back on the year, among the highlights are:

- Delivery of record high Earnings Per Share (EPS).
- Growing our third-party branded business LABEL, with the addition of new brands, extending the ranges from existing partners and increasing the number of brands using the Platform Plus and Direct Dispatch operating models. We have further enhanced our branded offer through the manufacture of products under licence from partner brands.
- The outstanding job done by our warehouse team to keep up with servicing the growth in demand online.
- The better than expected performance of our Retail business, when our stores reopened in April following lockdown at the start of the year.
- Increasing the number of Total Platform client brands, with the recent launch of Reiss being our most ambitious and comprehensive Total Platform project to date.
- Significant capital investment programmes, including a highly automated warehouse and modernising our website software.
- Restarting dividend payments, with two special dividends paid in September 2021 and January 2022. In the year ahead we will return to our pre-pandemic ordinary dividend cycle.

During the year, we were delighted to welcome Soumen Das to the Board as a non-executive director. His property knowledge, financial acumen and listed company experience have enhanced the strength and depth of the existing Board's capabilities.

I am very proud to see how everyone within the business has embraced our challenges, opportunities and ambitions. I would like to thank them for this, and also for the continued commitment that they have shown over the past two years whilst having to deal with disruption to both their work and personal lives due to the pandemic.

We enter 2022 with confidence in the outlook for our business and its ability to continue its successful evolution. The effects of the pandemic are ongoing and we remain mindful of macroeconomic and geopolitical risks, but our continued investment over many years in our people and our systems has generated strong and resilient results in the past year and we believe that it will continue to do so.

M. J. Roney

Michael Roney
Chairman

24 March 2022

CHIEF EXECUTIVE'S REVIEW

OVERVIEW

We have navigated our way through the pandemic and the structural changes affecting our sector, to deliver record sales and Earnings Per Share. We acknowledge that we have been fortunate. We went into the pandemic with a well established Online business and a diverse product offer. This allowed our Online business to make up for much of the sales we lost in Retail; and accommodate the dramatic shift in sales between different product categories experienced during lockdown.

But it has not all been about the pre-pandemic positioning of the Company. Colleagues across the Group have worked tirelessly and effectively to adapt our product offer and operations, as circumstances have changed. We have also added to the Group's revenues through the development of new products, services and business opportunities.

As always, this report gives a detailed review of the financial performance of the constituent parts of the Group and guidance for the year ahead (see Parts 4 and 5 below).

In Part 2, the Big Picture, we take the opportunity to stand back from the near-term performance of the Group and explain how we think our sector is evolving and likely to change going forward. We also detail how we are adapting the organisation, and the economics of the business, to address those changes. We explain how the Buying side and Selling side of the business are gaining more independence from each other and increasingly operate as businesses in their own right. We believe this change of approach has led to a proliferation of initiatives and new ideas.

STRUCTURE OF THIS REPORT

The report is broken down into the following sections:

- **PART 1**: **Headlines and Summary of Financial Performance,** gives a quick overview of the financial performance of the Group and our guidance for the year ahead.
- **PART 2: The Big Picture**, summarises the way in which NEXT is adapting its business model in response to the deep rooted and lasting changes we perceive are at work in our sector.
- **PART 3: Fifteen Year Stress Test,** revisits our 15 year cash flow stress test for the Group. The stress test is *not* a forecast or a plan, but a chance for shareholders to assess the likely cash generation of the Group for a given set of assumptions about our future growth.
- **PART 4: Financial Performance 2021/22,** gives a detailed breakdown of the financial performance of the business in the reported year. This (long) section is mainly for the benefit of analysts and professional investors and may test the patience of those preferring a shorter read!
- **PART 5: Outlook for The Year Ahead**, gives our latest sales and profit guidance for 2022/23.

A Report for Colleagues and Shareholders Alike

For NEXT, the process of writing and presenting our biannual reports is an important part of how we manage the business. They are (i) an important discipline, which forces us to take a hard (and sometimes uncomfortable) look at our numbers and (ii) a means of clearly communicating our plans, aims and objectives to manage the business going forward. Our aim is that colleagues who read at least Parts 1 and 2 of this document will end up with a clearer view of the Company's plans, its values and the part they play in the collective endeavour. So, our reports are as important for our colleagues as they are for shareholders, and written with both audiences in mind.

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PART ONE

HEADLINES & SUMMARY OF FINANCIAL PERFORMANCE

HEADLINES

Performance in the 12 Months to January 2022

- Brand full price sales[1] up **+12.8%** versus 2019/20 (and +32.4% against 2020/21).
- Profit before tax of **£823m**, up +10% versus 2019/20 (and +140% against 2020/21).
- Earnings Per Share of **530.8p** up +12% versus 2019/20 (and +138% against 2020/21).
- Year end net debt (excluding lease debt) of £600m, down -46% versus 2019/20.

Outlook for the Year Ahead

- Following the closure of our websites in Ukraine and Russia, and after moderating growth expectations in some other overseas territories, we have lowered our sales guidance for 2022/23 by **£85m** (-2.0%) and profit guidance by **£10m** (-1.2%) (see page 59).
- In our new guidance, an improved outlook for UK Retail sales has mitigated the anticipated loss of lower margin sales overseas and the associated cost of increased markdown (see page 61).
- Our central scenario for the year ahead is that full price sales will increase by **+5.0%** and that Group profits will increase by **+3.3**% to **£850m** (see page 61).
- Year end net debt[2] is forecast to rise in line with anticipated profits to **£620m**, up +3.3% versus 2021/22.
- Earnings Per Share forecast to be **556.6p**, up +4.9% versus 2021/22.

For a more detailed analysis of our guidance for the year see Part Five, Outlook for the Year Ahead, on page 58.

NOTES ON THE PRESENTATION OF SALES AND PROFIT

Throughout this document, unless otherwise stated, comparisons of sales, profit and debt for 2021/22 will be explained relative to *two years ago* (2019/20). The disruption to last year (2020/21) from COVID means that one year comparisons are generally not meaningful. In the year ahead (2022/23), comparisons will revert to a one year basis (2021/22).

All profit figures given are stated on an IFRS 16 basis. A full explanation of the impact of IFRS 16 is given in the Appendix on pages 65 to 70.

[1] 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 2 of the financial statements).

[2] Net debt excludes lease liabilities.

PERFORMANCE LAST YEAR AND GUIDANCE FOR THE YEAR AHEAD

2021/22 - A Good Year

Last year exceeded all our expectations. In the first quarter, during lockdown, we made up for much of the lost Retail sales through Online sales, particularly homeware and children's clothing. In the second half, despite stock shortages, we were able to scale up Online operations to meet pent-up demand for adult clothing. We believe that the second half performance was, in a large part, fuelled by the release of consumer savings accumulated during lockdown.

We have launched four new clients on Total Platform, with that business delivering a year one profit of £10m and expected to deliver circa £20m in the year ahead (see page 39).

2022/23 - Profit Guidance Moderated in an Increasingly Uncertain World

The buoyancy of our sales last year, along with the benign economic environment that accompanied it, make comparatives in the year ahead challenging. Last year's strength contrasts with this year's unusually high level of geopolitical and economic uncertainty. The combination of these factors make accurate guidance particularly difficult.

In our January Trading Statement we set out the reasons for taking a more cautious approach. We highlighted five big uncertainties which tempered our expectations. These were: (i) the unwinding of pandemic savings, (ii) a return to spending on travel and leisure, (iii) inflation in competing essential goods, (iv) inflation in NEXT's selling prices, and (v) likely increases in UK taxes and mortgage rates. At that time, we had not contemplated that a war in Ukraine might add to the cocktail of uncertainties. Weighed against these negative factors, nominal wage inflation is running at 4.8%[3] and UK employment rates remain strong.

It is difficult to draw too many conclusions from sales this year in January, February and March, because our stores were shut for the entire period last year. So far this year, UK sales are ahead of where we expected them to be, mainly driven by better than anticipated sales in our Retail stores. We are also seeing a very sharp reversal of lockdown fashion trends, with a return to more formal dressing and notable reduction in spending on Home and very casual clothing.

After accounting for the combination of: (1) the loss of £18m of profit from the closure of our Ukrainian and Russian businesses and (2) better than expected sales in the UK, we are reducing our central profit guidance for the full year by £10m to £850m, a reduction of -1.2%.

Our guidance for the year ahead is set out in detail in Part Five of this document (page 58).

[3] ONS: Whole Economy Year on Year Three Month Average Growth % Nov 2021 - Jan 2022: Seasonally Adjusted Total Pay Excluding Arrears, issued 15.03.2022.

GROUP SALES AND PROFIT SUMMARY

Brand full price sales were up +12.8% versus 2019/20 and Brand total sales[4] (including markdown and Total Platform sales) were up +12.1%. Statutory sales were up +8.4%. Profit before tax was **£823m,** which was up **+10%** versus 2019/20.

TOTAL SALES BY DIVISION

TOTAL SALES (VAT EX.) £m	Jan 2022	Jan 2020	2 Year var %	Jan 2021	1 Year var %
Online	3,103.8	2,146.6	+44.6%	2,368.4	+31.1%
Retail	1,432.4	1,851.9	- 22.7%	954.5	+50.1%
Finance	249.4	268.7	- 7.2%	250.3	- 0.4%
Brand	**4,785.6**	**4,267.2**	**+12.1%**	**3,573.2**	**+33.9%**
Other	76.2	94.6	- 19.6%	52.7	+44.5%
Total Group sales	**4,861.8**	**4,361.8**	**+11.5%**	**3,625.9**	**+34.1%**
Total Group statutory sales	4,625.9	4,266.2	+8.4%	3,534.4	+30.9%

GROUP PROFIT[5] BY DIVISION AND EARNINGS PER SHARE

PROFIT £m and EPS	Jan 2022	Jan 2020	2 Year var %	Jan 2021	1 Year var %
Online	588.5	410.5	+43.4%	476.5	+23.5%
Retail	107.0	234.0	- 54.3%	(136.3)	- 178.5%
Finance (after charging interest)[6]	141.8	146.7	- 3.3%	127.1	+11.6%
Brand	**837.3**	**791.2**	**+5.8%**	**467.3**	**+79.2%**
Sourcing and Other[7]	26.4	28.1		(2.9)	
Property	10.8	(1.7)		(53.6)	
Recharge of interest from Finance[6]	30.9	36.3		33.7	- 8.2%
Operating profit	**905.4**	**853.9**	**+6.0%**	**444.5**	**+103.7%**
Lease interest	(50.4)	(61.8)		(59.9)	
External interest	(31.9)	(43.6)		(42.2)	
Profit before tax	**823.1**	**748.5**	**+10.0%**	**342.4**	**+140.4%**
Taxation	(145.6)	(138.3)	**+5.3%**	(55.7)	
Profit after tax	**677.5**	**610.2**	**+11.0%**	**286.7**	**+136.3%**
Earnings Per Share	**530.8p**	**472.4p**	**+12.4%**	**223.3p**	**+137.7%**

[4] Total sales are VAT exclusive sales including the full value of commission based sales (refer to Note 2 of the financial statements). The difference in the respective growth of Total Sales and Statutory sales is explained in the Appendix.

[5] Profit by division in January 2021 and 2020 is re-stated for IFRS 16. A full explanation of the impact of IFRS 16 is given in the Appendix on page 65.

[6] The interest charged to NEXT Finance in January 2021 has been restated (from £48.4m to £33.7m) to take account of a change in the method used to calculate an internal interest rate (see page 44). This cost is an internal recharge only and the restatement has no impact on Group profit.

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

PART TWO
BIG PICTURE

SEA CHANGE

The pandemic accelerated the transformation of our industry, delivering in a couple of years, changes we expected to take five or more. As we emerge from the pandemic, and despite the political and economic uncertainties, the future shape of our industry is becoming clearer. Three related factors appear central to the way in which our industry is changing, namely:

An Abundance of Choice

The change to our industry is more profound than a simple shift from high street stores to shopping online. The internet has served to dramatically increase shoppers' choices; bringing consumers more designs, more brands, more colours, more sizes and broader price ranges.

So today, consumers in even the remotest parts of the UK can enjoy a choice of products that would put to shame the very best of the world's high streets in the early 2000's.

The Growth of Online Aggregators

In the last five years the competitive environment has changed beyond recognition. Online aggregators, websites that sell many different third-party brands, have become increasingly important (ASOS, Zalando, Tmall, Myntra, and many others, including NEXT); while many businesses, that seemed part of an immutable retail landscape, have all but disappeared.

New World for New Brands

It has never been less expensive or faster to set up and roll out a new brand. Gone are the days when new brands needed to spend decades developing a store network.

Today, brands can deliver their own fully functioning website, with national reach, in a matter of months (albeit the complexity and cost of website functionality are rising rapidly). *More importantly*, online aggregators can enable new brands to gain access to millions of customers worldwide and overnight.

As time goes on, it appears likely that there will be a greater number of brands, with wider geographical reach, served by a smaller number of aggregators.

In this environment our aim is clear: (i) to extend the NEXT Brand's breadth of offer and international reach and (ii) strive to build an aggregation business that is the natural first choice for fashion, homeware and beauty customers in the UK and Eire.

Opportunities and Threats in an Internet Age

A world in which new brands can rapidly gain scale presents a threat to large, well established brands like NEXT. Particularly those, like us, who have grown market share through building a large store network.

But the possibilities of the internet age present the Group with far more opportunities than threats. NEXT product ranges, liberated from the constraints of finite retail space, can offer far more choice to our customers. And if new and developing brands are going to gain scale at pace, we can enable that process through our own Online aggregation business and through passing on the value of our Online infrastructure and Technology through Total Platform. Finally, in overseas markets, where we have struggled to gain traction, the internet has enabled us to break into new markets, challenging the incumbents in those territories.

ORGANISING OURSELVES TO MEET THE CHALLENGE

With so much going on, it is an exciting time to work at NEXT. It is hard to think of a time when there were more opportunities. But with so many new products, new businesses, new international markets, new partnerships, and with so many of those opportunities reliant on the delivery of new infrastructure and software, there is a risk that the business might lose focus. We think there are two main risks:

- The **Organisation Risk**: The risk that the individuals working within the organisation lose a sense of their part in the endeavour and how their work and ideas can make a difference.
- The **Profitability Risk**: There is a risk, in our enthusiasm to build new business ideas, we overlook or miscalculate the profitability of the individual activities that we are undertaking.

The following section describes:

- How we have adapted our business model to keep things simple.
- Some of the major initiatives we are undertaking in the year ahead.
- The way in which we think about the profitability and returns of the activities we undertake.

For clarity, this is not the announcement of a new management structure or reorganisation! It is a description of how the organisation has evolved and is evolving into a very different business model.

THE INCREASING INDEPENDENCE OF BUYING AND SELLING

This section explains how we have *already* changed, and continue to change, the way in which we organise the Group. The more clearly we describe our business, and the better we explain how we create value, the more likely we are to succeed.

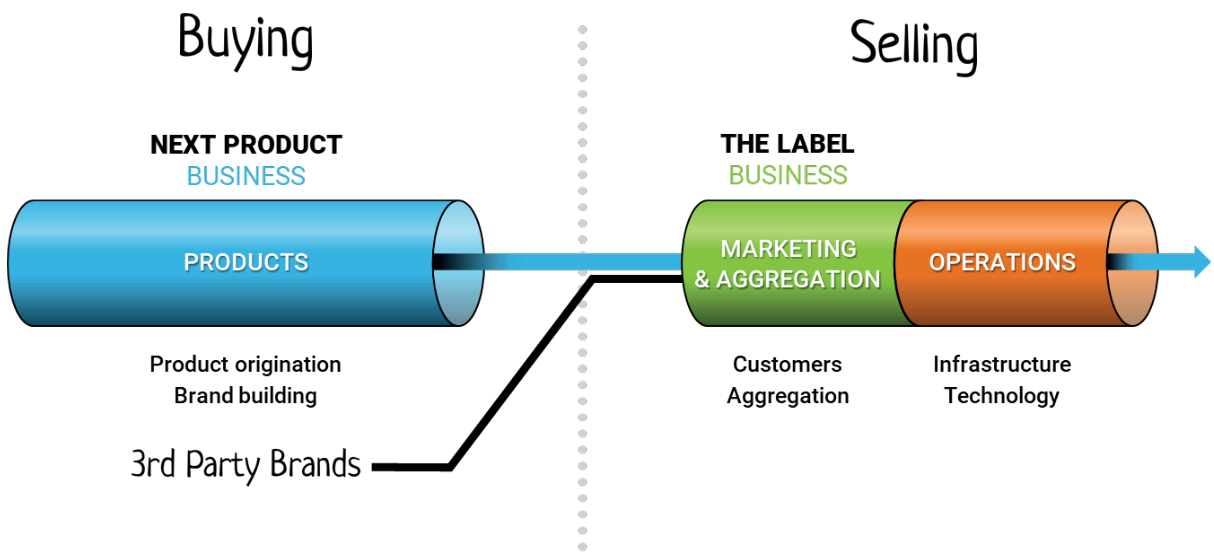
Historic Model

We have been accustomed to thinking about the component activities in our Online business being part of a seamless whole - from product sourcing through to marketing and operations. Operational departments such as Warehousing and Technology have tended to think of themselves as 'support' functions.

Evolving Model

As the sales of third-party brands through our website increases, the marketing and operations side of our business feels more like an independent business in its own right. In some ways, the NEXT brand has become the biggest and most important client of our own aggregation business.

This increasing independence leaves the **Buying Side** more focused on the creation of product and brand building, and the **Selling Side** focused on extending and curating the range of brands we sell, building our customer base, serving customers, building infrastructure and (critically) developing new software.



THE BUYING SIDE

A FOCUS ON PRODUCT AND BRAND

The Buying side of our business focuses on the creative process of developing new products: design, sourcing, quality control, buying, pricing and stock management. These tasks go hand in hand with the promotion of our most valuable asset, the NEXT Brand, through photography and other brand marketing. This part of the business is mainly driven by our Product Teams and Sourcing business (NEXT Sourcing).

INCREASING CHOICE WITHIN THE NEXT BRAND

An Explosion of Choice and Creativity

The internet has enabled our buying teams to stretch their ranges far beyond the constraints imposed by the limited display space in our stores. The table below shows the extent to which we have increased choice within the NEXT Brand over the last five years. In the year ahead, we aim to further increase the diversity of the *design*, *price*, *fabrics*, *prints*, *sizes* and *customer types* within our ranges.

	2022	**2017**	**Var %**
NEXT Fashion Options	42,900	13,200	+225%
NEXT Home Options[8]	15,400	9,700	+59%
TOTAL NEXT Options	**58,300**	**22,900**	**+155%**

New Categories

We continue to extend our ranges into new and developing categories; some examples include:

- Men's, Women's and Children's performance sports clothing and footwear.
- "Outdoor" (weather-proof) clothing and footwear.
- Children's nursery ranges.

Collaborations

Collaborations have allowed us to stretch our own design capabilities through working with external sources of design excellence, using their fabrics, prints and motifs within clothing and homeware ranges. We have enjoyed success working in this way with heritage brands like Morris & Co through to popular entertainment licences such as Disney characters.



Morris & Co. 2022 Ranges

© Disney

[8] In our January 2021 Full Year Results, NEXT Home options of 17,000 included some third-party branded options which have now been reclassified as LABEL.

NEXT as Licensor

In product categories where we feel our design skills are relevant, but we do not have the sourcing and technical capabilities to create our own ranges, we are looking to license our designs and brand name to third-party specialist companies. Examples of upcoming opportunities are:

- Paint (launch *April 2022*)
- Wallpaper (launch *April 2022*)
- Ski wear (launch *October 2022*)

The stock risk is taken by the licensee and, if these products are sold through other retailers, we earn a royalty on sales. If the items are sold through our own channels we charge our normal LABEL commission in addition to the royalty on sales.

PRODUCT DEVELOPMENT BEYOND THE NEXT BRAND

Third-Party Brand Licences

Our licensing business creates value by combining NEXT's sourcing and quality expertise with the design inspiration of partner brands, such as the childrenswear range 'Baker' by Ted Baker. We have focused on areas which require technical expertise and specialist factories. In clothing, we are working with partners in the following areas: childrenswear, swimwear, lingerie, nightwear, shoes and men's tailoring. In Home, areas include upholstery, furniture, lighting, curtains, bedding and children's bedroom furniture and accessories. This licensing business generated sales of c.£40m last year (see page 38 for details).

In the year ahead we have the opportunity to broaden and deepen our relationships with third-party licensors, and estimate we can grow sales to around £60m. Potential areas of opportunity include:

- Children's sportswear.
- Schoolwear.
- Children's premium outerwear.
- Premium homeware.

New Wholly Owned Brands

We have identified some opportunities within the market, which do not sit naturally within the NEXT brand. In these areas we are experimenting with the development of new wholly owned brands. These include:

- *Love and Roses* Boutique inspired print & design, accessible prices (developed by Lipsy).
- *Friends Like These* Trend led, affordable women's fashion (developed by Lipsy).
- *WOAH* High quality vegan skin care (developed by NEXT Home).
- *OWN DENIM* Young fashion women's jeans (developed by NEXT Womenswear).

There are some early signs of success, but these concepts are all at the development stage, and we have yet to fully understand the scale of opportunity in each area.

Franchising Overseas Brands

The Total Platform partnerships we agreed with *Victoria's Secret* and *GAP* gave us a share in their UK and Eire franchises. So, in addition to operating their websites and stores in the UK and Eire, we have also secured a comprehensive offer of their products on our website.

We have recently concluded a long term agreement with *Bath & Body Works (BBW),* the American personal care and beauty brand, for their UK and Eire franchise. This will involve hosting the BBW website in the UK, selling their product ranges on the NEXT website and opening a small number of concessions within larger NEXT stores. We are actively looking for other opportunities to maximise the potential of other iconic international brands in our home market.

MANAGING INCREASING CHOICE

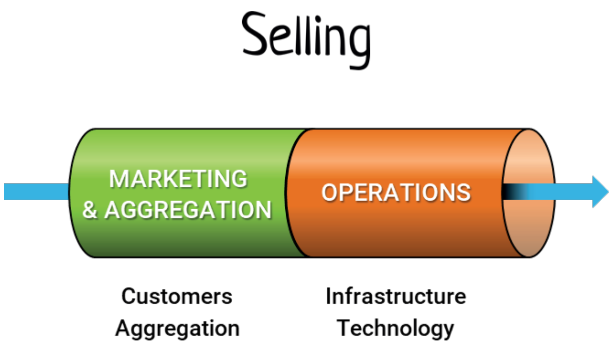
There are practical limits to the amount of choice we offer. There is a risk that too much choice will duplicate existing products, confuse our customers and stretch limited warehouse capacities. To manage this risk we are ensuring that:

- Buying teams only add new options that genuinely offer something different to customers.
- Our website search and navigation works as hard as possible to get customers to the product they want to buy.
- Our warehouse can manage a larger quantity of low volume lines. To that end, we are developing new infrastructure and software specifically designed to store and pick low volume lines.

THE SELLING SIDE

The Selling side of the business focuses on aggregation, technology and infrastructure. This is the process of:

- Curating and building the branded product offer.
- Marketing to attract, retain and maximise sales to customers through advertising, promotion and the optimisation of the website.
- The development of increasingly complex and expensive infrastructure and technology (websites, warehousing, call centres, distribution networks, software, data etc.).



At NEXT these activities correspond to our LABEL and Total Platform businesses, and are the focus of our LABEL buying team, E-Commerce, Warehousing, Distribution, Retail and Technology teams.

THE DEVELOPMENT OF OUR THIRD-PARTY BRANDED BUSINESS

Our Branded business, LABEL, which sells third-party brands through the NEXT website, has had a very successful year. Total LABEL sales (including markdown sales) grew by +69% over the last two years to £865m. For detailed analysis and numbers see page 37.

There are still many opportunities to develop and improve the LABEL business. The priorities are set out in the following paragraphs.

Improved Service for Client Brands

There is room to improve the service we provide to our client brands. The biggest opportunity is to make interaction with our systems easier for third-parties. In particular, making the process of getting our clients' products onto our website with as little administrative hassle as possible. We also aim to improve the quality and timeliness of the information we provide to our clients.

We remain focused on the process of improving our clients' profitability through our site and to that end, this year we lowered our standard commission rate on fashion brands by 1%.

Improved Brands Offer Through Platform Plus

Platform Plus enables us to sell items stocked in our clients' warehouses to our customers on a two-day delivery promise. Items are collected daily from our partners' warehouses, consolidated with other items in the same order, and delivered through our own network, enabling us to take end-to-end ownership of our delivery service.

During the year, we extended the functionality of Platform Plus to allow us to predict future sales and pre-emptively order non-stocked items. In this way Platform Plus begins to tailor our offer to meet future demand. This development opens up the possibility of working on very thin initial stock levels for higher priced products; a development we think may be important for our ability to attract more premium clients to our website.

Last year we extended our Platform Plus service to an additional 60 client brands, adding 30,000 items to our website. We aim to extend this service to a further 40 clients in the year ahead.

Improved Direct Dispatch Offer from Home Suppliers

For very large items, such as furniture, that are unlikely to consolidate with other items, it makes sense to dispatch the goods from our partners' warehouses directly to our customers. The problem with direct dispatch is that it takes control of the delivery process (and problem resolution) out of our hands.

To address this issue we have developed NEXT-Direct-Dispatch (NDD). This service allows items to be delivered from our clients' warehouses through NEXT's nominated two-man carrier, giving us control over service and generally reducing delivery costs. 20% of our large direct dispatch items now travel through NDD and we aim to increase this to 90% in the year ahead.

Welcoming New Brands to Our Website

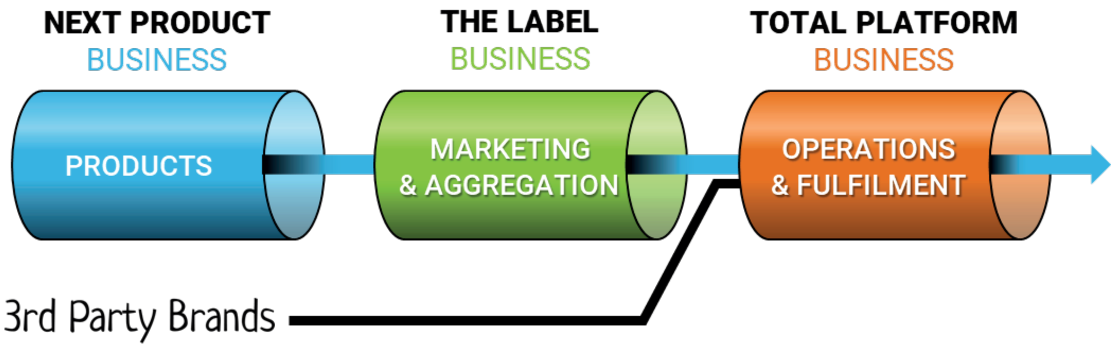
We are planning to add more third-party brands to our website in the year ahead, with the largest increase expected to come from Home brands. In fashion, we aim to increase our offer of premium brands through the Designer Boutique section of our website.

EVOLVING ECONOMICS OF THE GROUP

This section starts by analysing and explaining the profitability of Total Platform and then sets out the insight that gives into the profitability of the NEXT Product and LABEL sides of our business.

TOTAL PLATFORM PROFITABILITY

Total Platform (TP) takes the separation of our business one step further. It allows third-party brands to directly access our infrastructure and to have their websites fully serviced by NEXT. Total Platform aims to give clients access to the £1.5bn that NEXT has invested in warehousing, distribution, call centres, returns processing and software over the last 15 years.



Total Platform Profitability

Our *target* margin for Total Platform is 5% - 7% of the value of the sales it handles (Gross Transaction Value or GTV). This margin is determined so that it is:

- Low enough to give clients a meaningful cost saving when they transition to the new service.
- High enough to maintain an appropriate return on capital invested (we aim for >20%).

In some ways, expressing Total Platform margin as a percentage of GTV is misleading. Total Platform's margin opportunity is driven by the size of the client's *operating costs*, not their *sales*. And, the return we make on our commission is a better gauge of the return we make on our activity and investments than the margin expressed as a percentage of client sales.

This is best demonstrated by showing how margins on GTV and commission vary for two different clients. In the table below, Client 1, with relatively low operating costs, delivers a low margin on GTV but achieves a higher margin on the commission. Clearly we would be over-profiting if we charged this client the same percentage of GTV as Client 2. It is important to stress that neither client is preferable to the other because they both make a healthy return on the activity we undertake.

Total Platform (TP) examples	**Client 1 Low operating costs**	**Client 2 High operating costs**
Client sales (indexed)	**100**	**100**
Example TP commission	**15**	**27**
Example TP operating costs	- 11	- 21
Total Platform net margin	**4**	**6**
TP margin on GTV	*4%*	*6%*
TP margin on commission	*27%*	*22%*

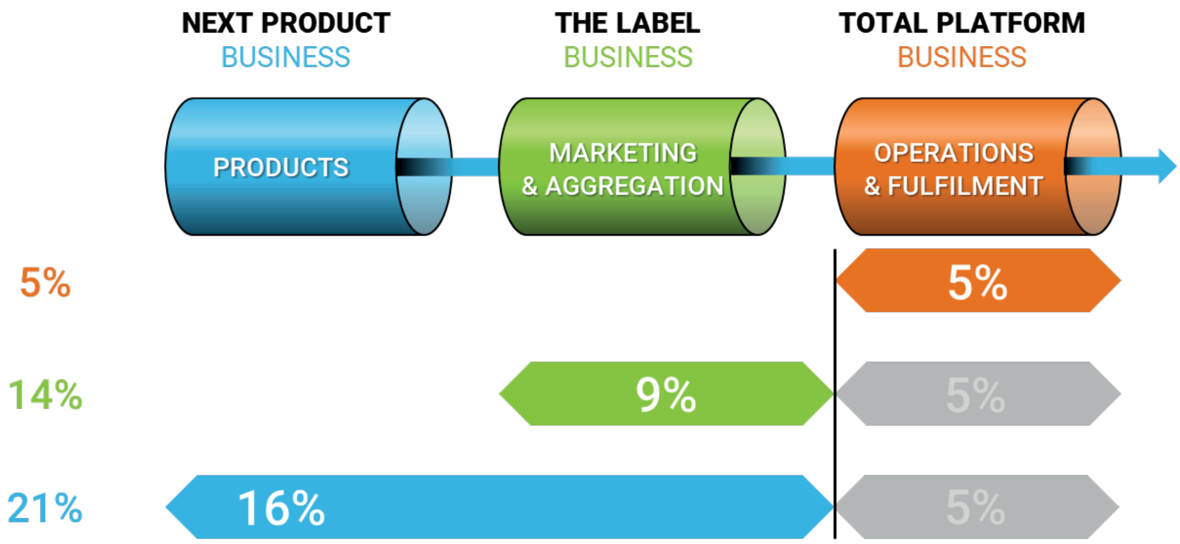
LABEL PROFITABILITY

In effect, LABEL provides all of the services delivered by Total Platform. So why in the year ahead are we forecasting for LABEL to earn 14% on sales rather than the 5% forecast for Total Platform? The answer is that LABEL, *in addition* to making Total Platform's infrastructure profit of 5%, makes a **9%** 'Aggregation Profit'. This Aggregation Profit has two components:

- **The Customer base profit**: LABEL gives client brands access to NEXT's 8.2m Online customer base. In effect, LABEL makes a return on many years of investment spent building the NEXT customer base and reputation.
- **The Aggregation profit**: LABEL takes a share of the operational savings it generates through collating items from different brands into one transaction.

NEXT PRODUCT PROFITABILITY

NEXT branded products sold on our own website in the UK make around 21% net margin (based on our forecast for 2022/23). If you reverse out the profit in infrastructure of 5%, you arrive at a 'Product Profit' of **16%**. This equates to the profit the NEXT Brand business *would* make if it were to contract out all of its operations to Total Platform.



There is a question as to whether we should treat the NEXT brand as a Total Platform client or LABEL client. Our view is that the NEXT brand is more like a Total Platform customer, because the website is branded NEXT and the brand attracts many of the customers. Interestingly, in overseas markets, where we sell on other aggregator sites, our profitability drops to between 7% and 10%, equivalent to the difference between the 21% 'Product Profit' and the 14% LABEL profit.

MARGIN, RISK AND RETURNS

	NEXT PRODUCT BUSINESS	THE LABEL BUSINESS	TOTAL PLATFORM BUSINESS
PROFIT MARGIN	16%	9%	5%
CAPITAL	Low	High	High
RISK	*High*		*Low*

Differing Risk and Reward Profiles

Comparing the Buying side of the business (NEXT Product) with the selling sides of the business (LABEL and Total Platform), two quite different types of investment profile emerge in terms of margin, return on capital and risk. As explained in the paragraph below:

The Buying Side

The Buying side of the business requires very little capital once it 'contracts out' its infrastructure and technology to the Selling side. The vast majority of capital required is tied up in stock and some of this working capital is financed by suppliers. So the Buying side of the business makes high margins and high returns on capital.

BUT fashion is a high risk business, so it requires high returns. It is subject to the vagaries of consumer preferences and buying decisions which can, every so often, be wrong. The large number of fashion businesses that have disappeared over the years are testament to these risks.

The Selling Side

The Selling side (LABEL and Total Platform) is capital intensive and lower margin, but *much* lower risk. This is because it is able to spread the risk of fashion volatility across many different brands and product categories. So this side of the business does not require the margins or returns that the higher risk Buying side demands.

Neither Side a 'Better' Investment

The important point here is that neither side of the business is necessarily a 'better' investment for the Group than the other. As long as the margins and returns on both sides are maintained at levels commensurate with risk, both are equally good investments. That is important, because it means that the Group, which is not capital constrained, can focus on maximising the potential of *both* sides of the business.

And as long as the financial foundations of both sides are strong, the overall economics of the Group will take care of itself, whatever mix of business materialises in the long run.

Why Not Complete Separation?

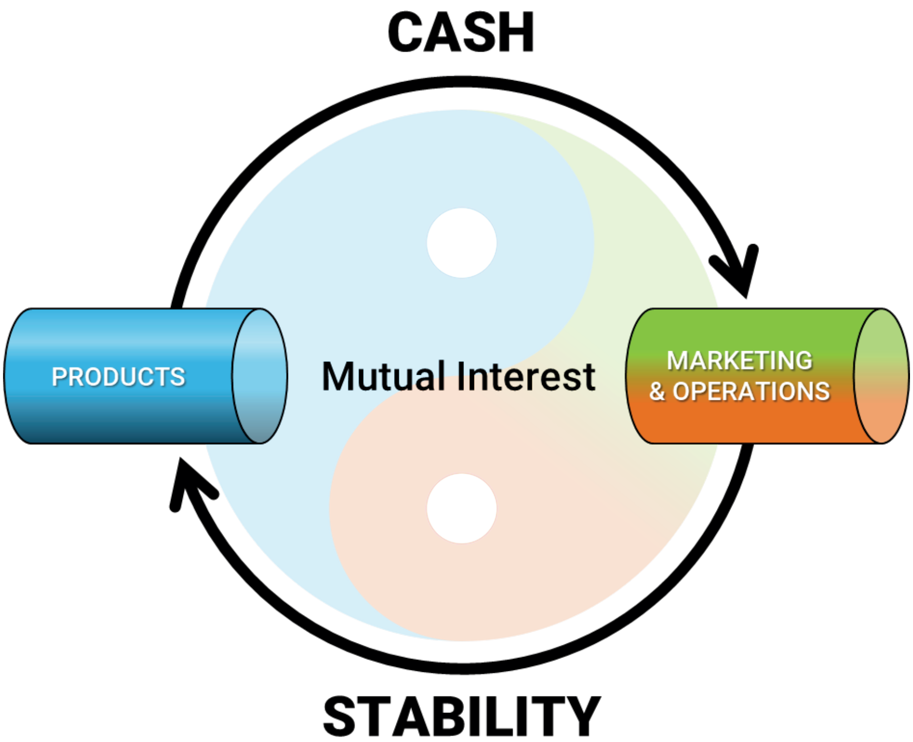
Having spent time explaining how the two sides of our business are gaining more independence from each other, it would not be unreasonable to ask if there is any logic in complete separation. We think, on balance, the cost and disruption of splitting the Company would far outweigh the value of this exercise for three reasons:

- There is an important piece of **organisational logic** to our current structure: the mutual self-interest of each business owning a part of the other improves the relationship between the client Buyer and the Selling service provider.

  This logic is one of the main reasons we have started to acquire **equity stakes** in Total Platform clients.

- At this stage in the Company's development, the separation would do little to change the way either side was managed.

- There is a natural **financial symbiosis** between the two sides of the business. The riskier Buying side generates cash and the lower risk Selling side provides a good place to invest that cash along with the financial stability it provides to the Group.



BIG PICTURE SUMMARY

A Bigger But Simpler Organisation

In a rapidly changing world we have steadily changed the way we think about our business activities. We are evolving into two increasingly independent, but complementary, sides of the business - a Selling and a Buying side. Businesses that require very different skill sets and with very different underlying economics.

The increasing independence of both sides of the business has two very positive effects:

- It is generating higher levels of innovation and generating new business ideas across the Group.
- It has given colleagues a clearer sense of where they fit into the Group and how their decisions, creativity and actions translate directly into the success of *their* business.

A Clear Understanding of Where and How We Make Money

The examination of the underlying economics of each side of the business explains how the various activities we undertake create value for our customers and clients. It also gives an understanding of the risks and returns involved. The aim is to ensure that the economic foundations of the business are sound and, that no matter where we can achieve growth, it will fulfil the Company's primary objective of delivering long term, sustainable growth in Earnings Per Share.

Evolution not Strategy

The evolution of the Group might, in hindsight, appear to have been part of a grand strategic plan. In reality, the way in which we have changed has been tactical - lots of individual initiatives taken in response to the opportunities and threats of a rapidly changing market. Our business 'model' was not conceived in the Boardroom, but is the result of countless ideas conceived at every level of the organisation. It is an important distinction, because businesses that are the sum total of their initiatives and values are those that best harness the creative intelligence and energy of all their people.

SUMMARY OF OBJECTIVES FOR THE YEAR AHEAD

Stepping back from the bigger picture, our business objectives for the year ahead can be summarised in the following five points:

- **NEXT PRODUCT BUYING**: Make use of the almost infinite space available online to extend our product offer into new categories, increase the diversity of our designs and customer base, stretch our price architectures and improve the breadth of sizes we offer (see page 11).

- **SELLING NEXT BRAND OVERSEAS**: Extend the reach of the NEXT brand overseas, through a combination of trading our own websites and through the development of our relationships with existing and new overseas aggregators. We will also investigate the possibility of licensing the production of NEXT product in territories where the barriers to entry make direct access difficult.

- **GROWING LABEL**: Continue to strengthen and broaden the offer of third-party brands sitting alongside NEXT on LABEL, our own aggregation business (see page 37). This continues to be achieved through the addition of new brands and through the targeted extension of the ranges available from our existing client brands.

- **DEVELOPING TOTAL PLATFORM**: Leverage our Online infrastructure through Total Platform. The aim is to provide clothing and homeware brands with everything they need to trade online; from website and warehousing through to data security and returns handling, all paid for by a simple commission charged as a percentage of sales. This business, in conjunction with the equity stakes taken in some Total Platform partners, has made good progress during the year and its various business models are beginning to take shape (see page 39).

- **DEFENDING NEXT RETAIL**: Defend the profitability of our store network through the renegotiation of rents (or closure), as and when lease terms end (see page 48).

To achieve all these aims we need to continue to increase the capabilities of our **Technology** and **Warehousing** infrastructure. To that end we have significantly increased our focus and expenditure in these areas (see page 56).

PART THREE
FIFTEEN YEAR STRESS TEST

SUMMARY OF 2022 STRESS TEST OUTPUT

This 15 year Stress Test is the second version of a forward-looking scenario we first published in our annual report, January 2019. It assesses the impact of the continued growth of our Online and Finance businesses alongside a prolonged decline in like-for-like Retail sales. Based on the assumptions detailed below, the model estimates cash generation[9] over the next 15 years will be **£14.7bn.** This compares to cash generation of £12.3bn in the 2019 model.

Performance since the last model

Our actual performance in the year ending January 2022 was better than the 2019 model anticipated as set out in the table below.

	2019 Model prediction for Year End Jan 2022 (Pre-IFRS 16)	**Actual Performance for Year End Jan 2022 (Post-IFRS 16)**	Var %
Sales	£4.3bn	**£4.8bn**	+10%
Profit Before Tax	£735m	**£823m**[10]	+12%

No Account Taken for Potential Growth in Cash Flows from Total Platform

In the stress test, we have not modelled any growth in our Total Platform business. This is because the business is still relatively immature, and any growth assumptions would be impossible to estimate with any degree of accuracy. A comprehensive update on Total Platform and how this business is developing is given on page 39.

A Scenario - Not a Plan, Guidance or Forecast

It is ***not*** a plan or a forecast. It is a scenario which demonstrates that, using a reasonable set of sales and cost assumptions, the underlying economics of the Group are healthy and the Company is likely to remain strongly cash generative for the foreseeable future.

[9] Cash generation is pre-tax and pre-shareholder distributions, but after capital expenditure and funding the increase in Online debtors.

[10] The comparison is somewhat flattered by the switch to IFRS 16 reporting, which adds approximately £10m to the figure we would have reported under the pre-IFRS 16 accounting.

Summary 2022 Versus 2019 Model Inputs and Outputs

The assumptions about the compound annual growth rates (CAGR) for *each constituent part* of our Online business have reduced in the 2022 model (compared to 2019), the decline in Retail like-for-like sales has remained the same. However, because the Online business is a much larger part of the Group in 2022, the Total CAGR for the Group has increased in the new model.

KEY INPUTS	New model	Previous model
SALES ASSUMPTIONS		
Online NEXT UK CAGR	+3.8%	+4.8%
Online LABEL UK CAGR	+7.5%	+8.4%
Online Overseas CAGR	+9.6%	+12.2%
Total Online CAGR	**+6.4%**	**+7.5%**
Retail annual decline in like-for-like sales	- 10.0%	**- 10.0%**
Total Group sales 15 year CAGR	**+4.1%**	**+3.0%**
ONLINE NET MARGINS[11], RETAIL COSTS AND GROUP CAPEX		
Online NEXT UK net margin	21.0%	20.0%
Online LABEL UK net margin	13.6%	16.0%
Online Overseas net margin	12.0%	16.0%
% of store wage costs that vary with sales	80%	80%
2022 market rent as % of current rent	75%	75%
Market rent decline beyond 2022	- 5%	- 5%
Average Group Capex per annum	£160m	£110m

KEY OUTPUTS		
Cumulative cash flow over 15 years	**£14.7bn**	£12.3bn
Year 15 Group cash flow	£1.4bn	£1.1bn
15 year increase in customer receivables	£680m	£900m

The following seven pages set out the assumptions and different stages of the model. Readers who are already familiar with the 2019 model, or who do not require as much detail, should skip the rest of this section and go to the beginning of Part 4, on page 31.

[11] **Online margins** are maintained in line with margins expected in our guidance for 2022/23, although we anticipate that Online Overseas margins will increase from 10% to c.12% once parcel surcharges begin to unwind post-COVID.

How the Model Works

This model gives the *possible* performance of the NEXT Group over the next 15 years in terms of sales and cash flow. It seeks to model the financial consequences of continuing Online growth alongside a -10% fall in Retail like-for-like sales. This is set alongside the continued growth of our Online business in the UK and overseas. The model is set out in four steps, each of which is explained in turn:

Step 1: Retail sales and costs walk forward

Step 2: Projected Retail cash flows

Step 3: Adding Online cash flows

Step 4: Combined Group cash flows

Step 1: Retail Sales and Costs Walk Forward

Retail Sales Assumptions

For the year ahead, we have assumed that we will achieve our sales and profit guidance as set out on page 59. We have then assumed that like-for-like Retail sales decline at **-10% per annum** from 2023/24 onwards. On a store by store basis we have assumed that this decline is mitigated by some transfer of trade from other store closures.

Retail Closure Assumptions

We have assumed that we will close a store once it gets close to making a net loss at branch level (store cash profit before central overheads). At lease renewal we have assumed the following outcomes:

Store profitability	Assumed outcome at lease renewal
Profitability > 20%	Renew for 5 years at market rent
Profitability > 15% and <20%	Renew for 3 years at market rent
Profitability > 4% and < 15%	Hold over* at passing rent
Profitability < 4%	Close

*When stores are held over at passing rent, the retailer carries on paying the historic rent (or in some cases lower) and both landlord and tenant have the right to terminate the lease after a short notice period.

Transfer of Retail Trade on Closure – Assumptions

When we close stores we tend to see some of their sales migrate to other nearby NEXT shops. We observe an average transfer of trade from closing stores of around 25%. Unsurprisingly, this number corresponds to the levels of cannibalisation we usually observe when opening new stores.

The model accounts for transfer of trade on a store by store basis depending on the number and proximity of other local stores. The table below sets out the level of sales transfer we anticipate in different circumstances. For example, if there is only one store within five miles, we have assumed a Retail sales transfer of 20%. For clarity, if there is a store within five miles and another within ten miles, we have made the simple assumption that all the 20% transfer goes to the nearest store and none to the farther one.

Transfer of trade assumptions[12]	Sales transfer %
2 Stores within 5 miles	25%
1 Store within 5 miles	20%
1 Store within 10 miles	10%
No Stores within 10 miles	0%

We have not assumed any transfer of trade from Retail to Online when a store closes, we have assumed that 50% of store collections are transferred to stores within 10 miles and that the balance of collections switch to being delivered to home. This last assumption may be optimistic and in reality, some sales might be lost if customers are unable to collect and return their goods in local stores. This issue is addressed by altering the model to keep some loss--making stores open in order to service Online orders and returns (page 27).

Retail Rent Assumptions

We have assumed that during the term of any lease the rents will not come down. Understandably, landlords will not unilaterally agree to a rent reduction until a lease expires (or a break clause is exercisable). However, at lease break we are currently experiencing significant rent reductions where we are able to agree a new lease. Last year we agreed rent reductions of -44% in the stores where we agreed a new lease and we expect similar rent reductions on renewals agreed in the year ahead, with new lease terms averaging around 2.8 years (page 48).

We have prudently assumed that today's market rent (i.e. the rent which could be achieved for a new lease) is 25% lower than the rent we are currently locked into for all leases more than three years old. We have further assumed that, in an environment of -10% decline in like-for-like sales, market rents would continue to decline by a further -5% per annum after 2026.

The table below shows how the implied market rent would vary for a store indexed to a current rate of 100.

Year end January	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Current rent	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Market rent	75	75	75	71	68	64	61	58	55	52	50	47	45	43	41
% var per annum				- 5%	- 5%	- 5%	- 5%	- 5%	- 5%	- 5%	- 5%	-5 %	- 5%	- 5%	- 5%
Total % var	**- 25%**	**- 25%**	**- 25%**	**- 29%**	**- 32%**	**- 36%**	**- 39%**	**- 42%**	**- 45%**	**- 48%**	**- 50%**	**- 53%**	**- 55%**	**- 57%**	**- 59%**

[12] We have assumed lower travel distances for stores in central London with transfer thresholds at 1.5 and 3 miles.

Where we have renewed leases in the model, we have assumed that a store's rent will move to its market rent (as calculated by the table above) upon renewal. At first sight the anticipated falls in rent towards the outer years of the model look aggressive, but remember they are based on the assumption that like-for-like sales continue to fall at -10%. If sales reductions ease, then so should the decline in rent.

A Note on Turnover or Total Occupancy (TOC) Leases

Stores that are currently on a turnover rent or TOC lease, are assumed to stay on these terms until the rent paid to the landlord falls below £8 per square foot. Below this level, we assume that the store would close. We have set this level as a proxy for the rates liability of the store; a point at which we anticipate that the landlord would terminate the lease and seek an alternative tenant or use.

Rates Assumptions

Rates have been modelled to fall in line with rents based on rates revaluations in the financial years ending January 2024, 2027, 2030 and 2033. The decline in rates is modelled subject to existing rules on transition relief and would be phased in over the period up to the next rates revaluation. We have assumed no change to Uniform Business Rates.

Retail Wage Cost Assumptions

Wages are assumed to decline broadly in line with sales. It has been assumed that twenty percent of the store wage bill will remain fixed (for example management cover and the minimum number of people required to open a store safely). So, the model assumes that 80% of wages will decline in line with sales. The high level of variability is made possible by the fact that increasing numbers of store-based staff are required to handle Online collections and returns.

Central Overheads

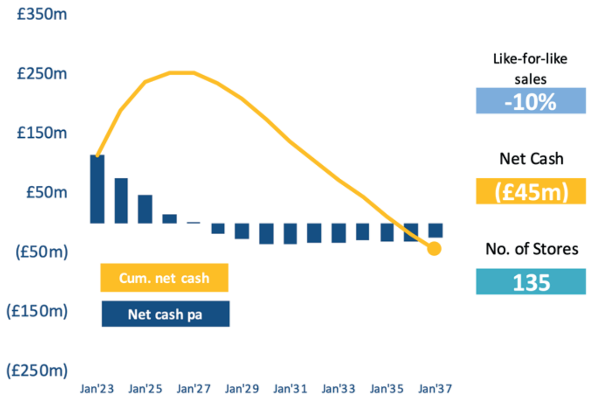
Most of our central overheads are shared between Online and Retail. Our buying, quality, sourcing, finance and HR serve both businesses. It is assumed that these costs are divided between the businesses in proportion to their turnover. So, as long as our total sales move forward, these costs will come down in our Retail business in direct proportion to sales declines.

Step 2: Projected Retail Cash Flows

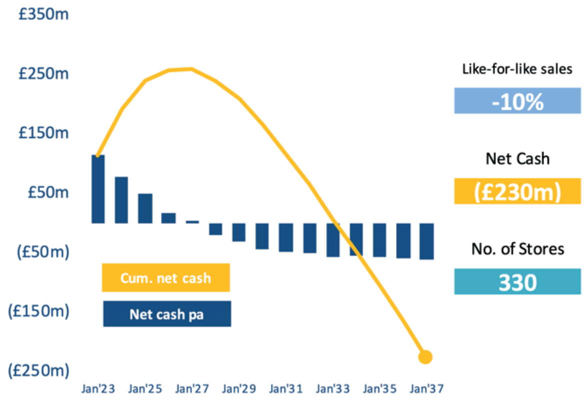
Preliminary Output, Store Numbers and Cash Flows

The left-hand graph below shows the cash flow from our branches by year for the next 15 years after accounting for closures, transfer of trade and reductions in rent, rates and other costs. In year fifteen, 135 stores remain and cumulative cash outflow from the branches over the period is -£45m. In the final year the model assumes that the Retail business will make a -£25m cash loss.

It can be seen from the model that whilst 15 years of -10% like-for-like sales declines in our stores is uncomfortable, the Retail business does not represent a significant financial burden or hindrance to the Group. In fact, it provides a network of stores that remain important to Online sales.



(a) *Cash flows assuming closure of all loss-making stores*



(b) *Cash flows with 195 stores retained for Online services*

The Effect of Keeping 195 Stores Open to Service Online Sales

The projected reduction in stores poses a potential threat to Online sales, as we would lose many of our NEXT operated Online collection and return locations. So, we have assumed that we would keep open a further 195 loss-making Retail stores in order to maintain Online store services in key locations. This takes the store numbers up from 135 to 330 and ensures that we maintain coverage at c.90% of 2021's collection volumes.

The cost of carrying these stores is an additional -£35m cash loss per annum in the final year. This represents 0.4% of Online's turnover in 2037, which we believe would be a reasonable cost for the Online business for the use of the 330 store network. In reality, we would probably relocate these stores to smaller less expensive collection shops with a very limited retail offer, but for the purposes of this model we have simply accepted the £35m cost. The Retail cash flows, adjusting for the cost of carrying loss making stores, is set out in the right-hand graphic above. As can be seen the cumulative cash flow has fallen by -£185m to -£230m.

Step 3: Adding Online Cash Flows

This section combines the Retail cash flow scenario with a projection of what might happen to Online sales and cash flows in the period. The assumptions used and cash flow impact are set out in the paragraphs below.

Online Sales Growth Assumptions

The model sets out the likely financial performance of the Group if current sales trends continue, namely:

- The continued growth in Online sales of NEXT branded goods in the UK.
- The continued growth in the sales of our third-party branded business, LABEL.
- The continued growth of our overseas Online business.

The table below sets out the annual sales growth modelled for each year for each constituent part of the business over the next 15 years. The UK Retail line shows the decline of total sales *including* the effect of closures and transfer of trade. The last column gives the effective CAGR over the 15 year period.

CAGR	Years 1-5	Years 6-10	Years 11-15	15-year CAGR
NEXT Online	+2.6%	+4.5%	+4.2%	+3.8%
UK LABEL	+11.5%	+6.9%	+4.1%	+7.5%
Total Online UK	**+6.2%**	**+5.6%**	**+4.1%**	**+5.3%**
UK Retail	- 6.1%	- 11.6%	-11.2%	- 9.7%
Total UK	**+2.4%**	**+2.5%**	**+2.8%**	**+2.6%**
Overseas	+9.9%	+11.5%	+7.3%	+9.6%
Group Total (inc. Finance Interest)	**+4.0%**	**+4.3%**	**+3.9%**	**+4.1%**
Total Online	***+7.0%***	***+7.2%***	***+5.1%***	***+6.4%***

For clarity, the Online growth assumptions we have made for the 12 years from 2023 to 2034 (which are the common years in both models) are exactly the same as in the previous model.

Online Cost Assumptions

We have taken a much simpler approach to modelling Online costs and have assumed no economies of scale as Online sales grow. We have maintained the net margins of each channel within the Online business, as set out in the table below, with the exception of Online Overseas. Overseas margin is forecast at 10% for 2022/23 but we expect this to increase to c.12%, when freight surcharges for parcel deliveries overseas reduce, so we have modelled 12% for future years.

Online channel	**Net margin % after all central and fixed costs**
UK NEXT Online	+21.0%
UK LABEL	+13.6%
Overseas	+12.0%

Compared to the previous model, we have reduced our margin expectations for our LABEL and Overseas businesses. In LABEL this is as a result of us lowering our standard partner commission rate by 3% during the last three years, which is part of our objective to be our partners' most profitable route to market. In our Overseas business, we have reduced our margin expectations mainly due to (1) a higher sales mix from lower margin overseas aggregators, (2) increase in customs clearance and administration fees and (3) increased delivery charges.

NEXT Finance

We have assumed a compound annual growth rate of +3.1% in our consumer debt, which is c.60% of the +5.3% growth we are modelling for our UK Online business. The customer receivables balance would increase by c.£680m over the 15 year period. We expect the return on capital employed (after funding costs) to be around 12.5%.

Net Debt and Funding NEXT Finance Customer Receivables

We have assumed that net debt (excluding lease liabilities) will increase in line with the growth in profit before tax, so net debt at the end of the 15 year period would be £1.0bn. The increase in net debt (£0.4bn) will fund approximately two thirds of the increase in customer receivables.

Total Platform

We have **not** assumed any future growth in the Total Platform business, because the business is still in its early stages of development and any growth assumptions would be speculative in terms of the number, size and timing of any new clients. Each year across the 15 year period assumes £20m of profit, in line with our guidance for 2022/23.

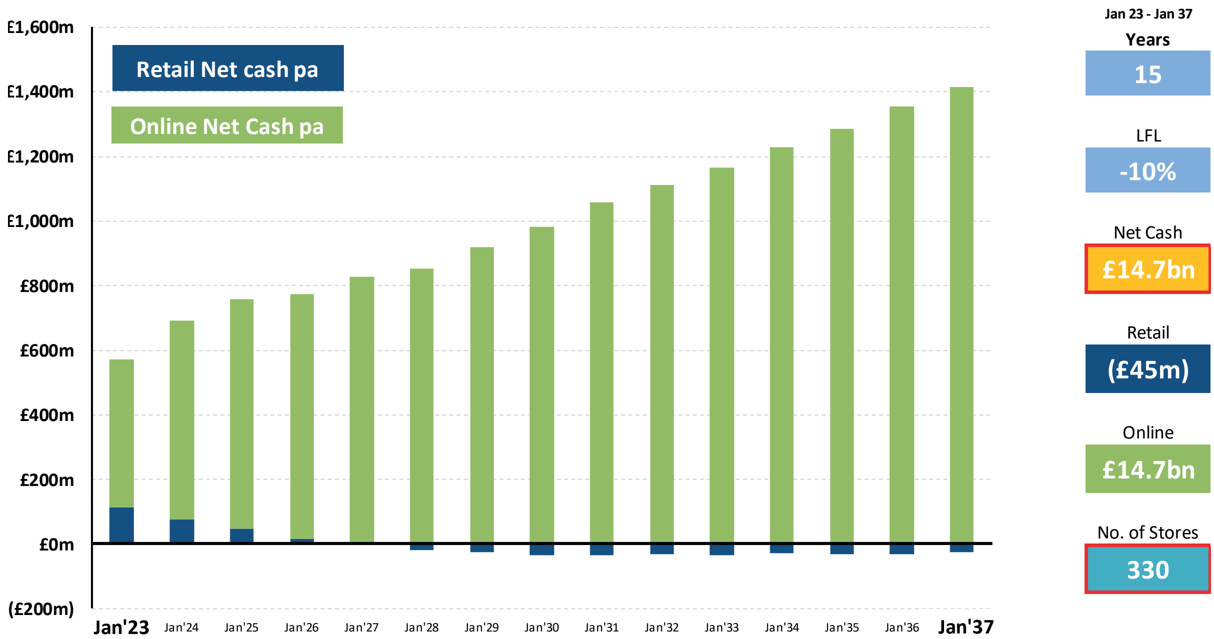
Group Capital Expenditure

Annual capital expenditure has increased from an average of £110m in January 2019's model to £160m. This reflects increased investment in Online infrastructure and technology, with the addition of new warehouse capacity when the level of sales means that we have to increase our capacity.

Step 4: Combined Group Cash Flows

In summary, annual declines of -10% in like-for-like sales in our Retail business, combined with a CAGR of +6.4% in our Online business looks likely to deliver cash[13] generation of £14.7bn over the next 15 years, with cash generation in the final year being in the order of £1.4bn.

The chart below sets out the output of the model by year.



STRESS TEST CONCLUSION

In summary, if the Company is able to grow top line sales by **+4.1%** per annum, with what we believe is a reasonable set of growth and cost assumptions, cash generation over the next 15 years would be **£14.7bn**. In these circumstances we believe the model points to the underlying strength of the Group's economics and leaves us in a position where we will have the financial resources to continue to take advantage of the opportunities presented in a rapidly changing environment.

Overall cash generation is £2.4bn higher than our previous model. This increase is because: (1) growth in our Online business accelerated in the last two years and (2) we are looking at a 15 year period that has moved on by three years (replacing three years of lower cash generation in the early years with three years of high cash generation at the end of the 15-year period).

It is important to re-emphasise that this is a scenario based model and **not a forecast, plan or guidance.** Of course, ultimately, the success or failure of the Group will depend on our ability to execute well. So this scenario does not in any way guarantee success, but it does provide the foundations upon which success might be built.

[13] Cash before tax and distributions.

PART FOUR

GROUP AND DIVISIONAL FINANCIAL PERFORMANCE 2021/22

CONTENTS OF THIS SECTION

GROUP SALES AND PROFIT SUMMARY

Brand full price sales were up +12.8% versus 2019/20 and Brand total sales[14] (including markdown and Total Platform sales) were up +12.1%.

Profit before tax was **£823m,** which was up **+10.0%** versus 2019/20.

TOTAL SALES BY DIVISION

TOTAL SALES (VAT EX.) £m	Jan 2022	Jan 2020	2 Year var %	Jan 2021	1 Year var %
Online	3,103.8	2,146.6	+44.6%	2,368.4	+31.1%
Retail	1,432.4	1,851.9	- 22.7%	954.5	+50.1%
Finance	249.4	268.7	- 7.2%	250.3	- 0.4%
Brand	**4,785.6**	**4,267.2**	**+12.1%**	**3,573.2**	**+33.9%**
Other	76.2	94.6	- 19.6%	52.7	+44.5%
Total Group sales	**4,861.8**	**4,361.8**	**+11.5%**	**3,625.9**	**+34.1%**
Total Group statutory sales	4,625.9	4,266.2	+8.4%	3,534.4	+30.9%

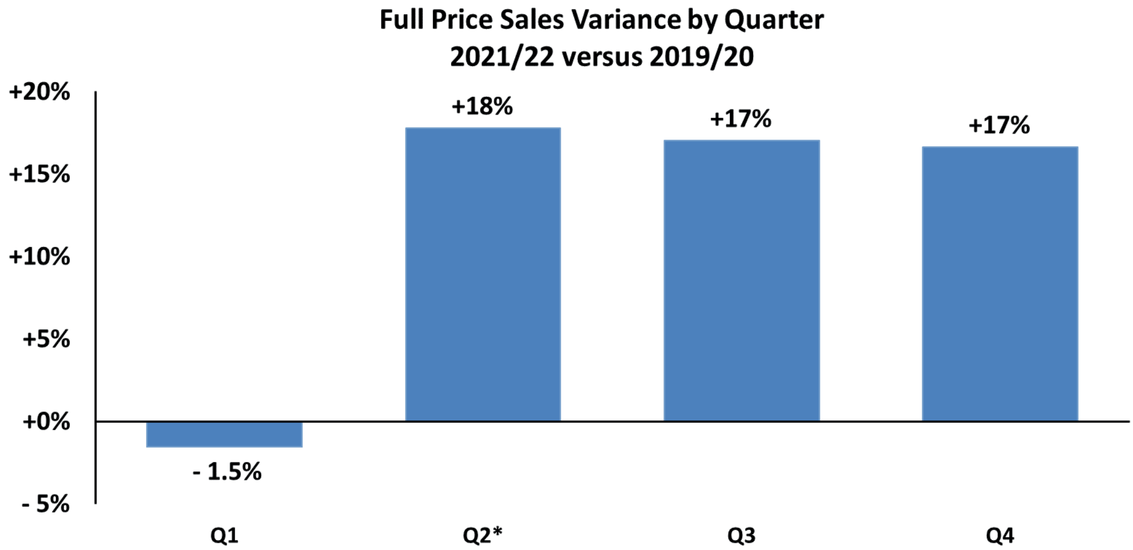
Note on The Difference Between Growth in Statutory and Brand Sales

On a statutory basis, total Group sales were up +8.4%. Statutory sales growth is lower than our Brand total sales growth of +12.1% due to the high level of growth in our commission based sales through LABEL (see page 37) and Total Platform (see page 40). Within Brand total sales, we report the gross transaction value (which includes the sale of stock we do not own and sell on commission). On a statutory basis, the reported revenue is only the commission earned by NEXT.

[14] Total sales are VAT exclusive sales including the full value of commission based sales (refer to Note 2 of the financial statements). The difference in the respective growth of Total Sales and Statutory sales is explained in the Appendix.

BRAND FULL PRICE SALES PERFORMANCE BY QUARTER

Full price sales were down in the first quarter, when most of our Retail stores were closed for ten weeks, but sales recovered strongly post-lockdown and remained strong for the rest of the year.



*Q2 to 17 July, full price sales were up +18.6% as per the early Trading Statement issued on 21 July. Q2 to 31 July, full price sales were up +17.8%.

GROUP PROFIT[15] BY DIVISION AND EARNINGS PER SHARE

PROFIT £m and EPS	Jan 2022	Jan 2020	2 Year var %	Jan 2021	1 Year var %
Online	588.5	410.5	+43.4%	476.5	+23.5%
Retail	107.0	234.0	- 54.3%	(136.3)	- 178.5%
Finance (after charging interest)[16]	141.8	146.7	- 3.3%	127.1	+11.6%
Brand	**837.3**	**791.2**	**+5.8%**	**467.3**	**+79.2%**
Sourcing and Other[17]	26.4	28.1		(2.9)	
Property	10.8	(1.7)		(53.6)	
Recharge of interest from Finance[16]	30.9	36.3		33.7	- 8.2%
Operating profit	**905.4**	**853.9**	**+6.0%**	**444.5**	**+103.7%**
Lease interest	(50.4)	(61.8)		(59.9)	
External interest	(31.9)	(43.6)		(42.2)	
Profit before tax	**823.1**	**748.5**	**+10.0%**	**342.4**	**+140.4%**
Taxation	(145.6)	(138.3)	**+5.3%**	(55.7)	
Profit after tax	**677.5**	**610.2**	**+11.0%**	**286.7**	**+136.3%**
Earnings Per Share	**530.8p**	**472.4p**	**+12.4%**	**223.3p**	**+137.7%**

[15] Profit by division in January 2021 and 2020 is re-stated for IFRS 16. A full explanation of the impact of IFRS 16 is given in the Appendix on page 65.

[16] The interest charged to NEXT Finance in January 2021 has been restated (from £48.4m to £33.7m) to take account of a change in the method used to calculate an internal interest rate (see page 44). This cost is an internal recharge only and the restatement has no impact on Group profit.

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

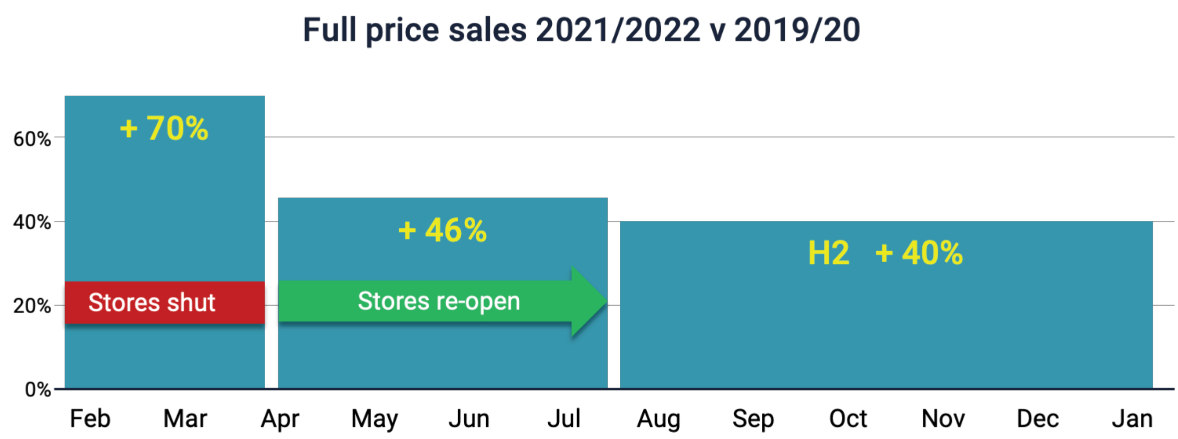
NEXT ONLINE

FULL PRICE SALES BY DIVISION

In the year, full price sales were up +47% versus two years ago. The table below sets out the full price sales performance of each Online division for the year.

Full price sales £m	Jan 2022	Jan 2020	Var %
NEXT Brand UK	1,360	1,022	+33%
LABEL UK	777	434	+79%
Total UK Online	***2,137***	***1,456***	***+47%***
Overseas (nextdirect.com)	543	398	+36%
Overseas aggregators	107	38	+181%
Total Overseas	**650**	**436**	**+49%**
Total Online full price sales	**2,787**	**1,892**	**+47%**

The graph below shows how sales performed during three distinct periods: the first period being lockdown, when our stores were shut, the second period when stores re-opened and the third period where there was very little disruption from COVID.



CUSTOMER RECRUITMENT AND ANALYSIS

Growth in Customer Numbers and Average Spend Per Customer

Customers can be divided into three distinct groups:

- **UK Credit** customers who pay through a NEXT credit account (next**pay** or next**3step**).
- **UK Cash** customers who pay using credit, debit or other tender types.
- **Overseas** customers trading through our international websites.

The table below explains how our customer base has changed over the last two years in terms of total customer numbers, sales per customer and total full price sales value. We do not have visibility of the customers trading through overseas aggregators, but have added sales through these sites to the table below for completeness.

	Average customers		Sales per customer[18]		Full price sales value	
Full Year	**2021**	**vs 2019**	**2021**	**vs 2019**	**2021**	**vs 2019**
UK Credit	2.8m	+7%	£521	+19%	£1,436m	+27%
UK Cash	3.5m	+75%	£198	+23%	£701m	+116%
Overseas	1.9m	+37%	£284	- 0%	£543m	+36%
Aggregators					£107m	+181%
Total	**8.2m**	**+37%**	**£327**	**+6%**	**£2,787m**	**+47%**
UK	*6.3m*	*+37%*	*£340*	*+7%*	*£2,137m*	*+47%*

Customers Recruited During Lockdowns in 2020 and 2021

In our Half Year Results issued in September we asked whether the customers we recruited during lockdown were here to stay? At that time, the initial results looked promising and six months later, retention rates look strong amongst the cohorts recruited during 2020.

The table below summarises the 3.9m customers we recruited between February 2020 and April 2021, compared with the 2.4m customers recruited between February 2018 and April 2019. Comparing these two cohorts, we have seen a +12% higher retention rate and customers, on average, have spent +14% more. Looking at the cohort recruited between February 2021 and April 2021, it looks like retention rates are now returning to more normal levels.

2020/21 Recruitment	**Feb 20 - April 20**	**May - July**	**Aug - Oct**	**Nov - Jan**	**Feb 21 - April 21**	**TOTAL**	
Customers recruited	369k	761k	749k	1,431k	584k	**3,894k**	+59%
Still active in March 2022	100k	202k	202k	350k	130k	**984k**	+79%
Retention rate	27%	27%	27%	24%	22%	**25.3%**	**+12%**
Average spend to date	£231	£221	£200	£145	£133	**£177**	**+14%**

2018/19 Recruitment	**Feb 18 - April 18**	**May - July**	**Aug - Oct**	**Nov - Jan**	**Feb 19 - April 19**	**TOTAL**
Customers recruited	436k	451k	496k	806k	255k	**2,444k**
Still active in March 2020	93k	100k	115k	183k	60k	**551k**
Retention rate	21%	22%	23%	23%	24%	**22.5%**
Average spend to date	£198	£178	£167	£120	£131	**£155**

[18] Note - sales per customer given in January 2021's Year End Results were based on total sales (inc. markdown).

ONLINE PROFIT AND NET MARGIN

Online Margin Analysis

Online margin for the year to January 2022 was 19.0% versus 19.1% two years ago. The margin impact of major cost categories is shown below.

Net margin on total sales to January 2020		**19.1%**
Bought-in gross margin	Higher unplanned inbound freight costs in the second half reduced margin in the year by -0.8%. The higher sales participation of lower margin LABEL, Total Platform and Overseas sales reduced bought-in margin by -2.1%.	**- 2.9%**
Lower surplus	Surplus stock was up +4%, compared to full price sales growth of +47%, improving margin by +1.5%.	**+1.5%**
Warehousing and distribution	Labour and volume efficiencies from a lower returns rate improved margin +0.9%. This was offset, mainly by COVID related surcharges for international parcels -0.7%.	**+0.2%**
Marketing and photography	Margin increased as we are no longer printing catalogues (+1.4%), and photography costs did not increase in line with sales (+0.5%). This was offset by investment in digital marketing spend, which grew faster than sales (-0.2%).	**+1.7%**
Technology	I.T. costs grew faster than sales as we continued to upgrade and modernise our core systems.	**- 0.2%**
Central costs	Growth in central costs reduced margin mainly due to staff incentives.	**- 0.4%**
Net margin on total sales to January 2022		**19.0%**

Profit and Net Margin by Division

Online division	Total sales £m	Profit £m	Margin %	Change in margin vs Jan 20
NEXT Brand UK	1,527	382	25.0%	+2.8%
LABEL UK	865	123	14.3%[19]	+0.0%
Overseas	673	81	12.1%	- 4.4%
Total Platform	39	2	5.5%	n/a
Total Online	**3,104**	**588**	**19.0%**	**- 0.1%**

The change in each division's margin versus the year ending January 2020 is shown in the right-hand column and these are explained as follows:

NEXT Brand UK Margins improved mainly as a result of lower levels of surplus stock and lower returns rates during lockdown. These savings were offset by higher freight costs (-1.3%), staff incentives and other central costs (-0.5%).

LABEL UK Margin at 14.3% was flat versus 2019/20. The benefit from lower returns rates during lockdown were offset by investments in systems development.

Overseas Margin has declined due to: (1) COVID related distribution surcharges applied to parcels being shipped to customers overseas (-2.7%), (2) customs clearance and administration fees (-1.1%), (3) higher inbound freight costs (-0.6%).

Total Platform Total Platform launched in October 2020, so there is no comparative margin for the year ending January 2020. Net margin of 5.5% is broadly in line with our target margin of 6%. For clarity, this £2m of profit *excludes* the profit generated from the equity stakes we have in our Total Platform clients and interest earned on financing arrangements. Across the Group P&L, Total Platform and associated equity stakes and financing profit totalled £10m. (See page 39 for a more detailed update on Total Platform.)

Guidance for Online Sales and Profit for the Year Ahead

We are forecasting for Online full price sales to be up +1% versus 2021/22. Based on this sales guidance, Online profit is forecast to be £512m, down -13% versus 2021/22. The reduction in profit is due to cost increases in the year ahead, which are expected to outweigh cost savings (see page 62). This is mainly due to high inflationary costs (wages and energy) and levels of markdown stock returning to more normal levels. Our expected Online net margins by division are as follows:

Net Online margins by division	Jan 2023 (e)
NEXT Brand UK	~ 21%
LABEL UK	~ 14%
Overseas	~ 10%
Total Platform	~ 5%
Total Online	**15.6%**

19 As a result of the increasing scale of the LABEL business we have revisited our assumptions on fixed cost allocation and we have increased the proportion of UK fixed costs that LABEL receives. The profit margins given above reflect the new cost allocation and we have restated the January 2020 margins for a like-for-like comparison.

LABEL

Full Price Sales by Product Category

Full price sales £m	Jan 2022	Jan 2020	Var %
Fashion: clothing, footwear and accessories	482	274	+76%
Sports	158	106	+50%
Home	91	37	+142%
Branded Beauty	46	17	+174%
Total full price sales	**777**	**434**	**+79%**

Growth continues to come from both our existing partners as well as new brands. Full price sales with existing brands grew by £222m and new brands (net of discontinued brands) added £121m. Home and Beauty sales have seen particularly strong growth with new brands such as Laura Ashley, Bath & Body Works and MAC.

Wholesale and Commission

There are two ways in which we trade with third-party brands. Some brands are purchased on a wholesale arrangement and any surplus is NEXT's liability. Under our commission model, stock is held in NEXT warehouses but remains the liability of the partner brand, and NEXT earns a commission on sales (full price and markdown).

Full price sales £m	Jan 2022	Jan 2020[20]	Var %
Wholesale	277	191	+45%
Commission	500	243	+106%
LABEL full price sales	**777**	**434**	**+79%**

Commission sales grew faster than wholesale and although we make lower net margins on commission-based sales, we encourage our partners to adopt the commission model as we believe that this model generates higher sales growth. Commission sales are now 64% of total LABEL sales.

Platform Plus and Direct Dispatch

In the last two years, we have significantly increased the number of brands using the Platform Plus and Direct Despatch operating models. This has helped us expand the ranges that we can make available to our customers without utilising our own warehouse capacity. To date, we have 353 third-party brands selling via Platform Plus or Direct Despatch and the combined full price sales from the two operating models have increased from £25m in 2019/20 to £117m in 2021/22.

Platform Plus	Stock is held in our partners' warehouses at the time a customer order is placed and then injected into NEXT's logistics network to be delivered to the customer, along with any other NEXT purchases.
Direct Dispatch	Stock is held in our partners' warehouses and delivered directly to the customer. Increasingly this stock is delivered by nominated NEXT carriers.

Full price sales £m	Jan 2022	Jan 2020	Var %
Platform Plus	71	11	+966%
Direct Dispatch	46	14	+157%

[20] Sales are categorised according to whether a brand was trading as wholesale or commission in the year ending January 2022, therefore prior year figures are restated to give a like-for-like brand performance.

LICENSING

Under a licensing agreement, a third-party brand (the licensor) supplies NEXT (the licensee) with design inspiration and branding. NEXT sources and purchases the stock, which is held at our risk. The licensor earns a royalty on sales. We generally achieve bought-in gross margins that are similar to those earned on NEXT branded stock.

Full price sales in the year to January 2022 were £39.5m, with net margins of around 16%. The table below shows the full price sales made through our licensing business, and includes sales made both Online and in Retail stores. The vast majority of these sales are Online, with around £7m made in Retail, mainly through the Ted Baker childrenswear and Laura Ashley Home ranges.

Licensing full price sales (VAT ex.) £m	**Jan 2022**	**Jan 2020**
Womenswear clothing	1.8	0.6
Womenswear non-clothing	7.4	0.0
Menswear	1.3	0.0
Childrenswear	22.6	0.0
Home	6.4	0.3
Total full price sales	**39.5**	**0.9**

Licensing in the Year Ahead

In the year ahead we expect full price sales to increase by around 50% to £60m, £10m of which is planned to be in our Retail stores. This increase is anticipated to come from increasing ranges with our existing partners (£15m) and the introduction of new brands (£5m). We expect net margin to be around 20%.

TOTAL PLATFORM

Our Total Platform business launched in October 2020 and is now live with five clients. In February 2022 we launched our largest client to date, Reiss.

TOTAL PLATFORM OBJECTIVES AND SERVICES

Focus and Stability

Total Platform aims to give clients improved services, at a lower cost. It removes the operational friction and capital costs associated with rapid growth and allows client brands to **focus** on the development of their products and brand.

Total Platform rolls fixed overheads and capital costs into one simple commission, charged as a percentage of a client's sales. In doing so it converts a capital intensive *fixed cost* into a flexible *variable cost*, meaning that in difficult years operational costs go down as fast as sales. So in the volatile world of fashion, Total Platform serves to provide **stability** and reduce risk.

Existing and New Services

In addition to its core activity of powering our clients' online businesses, Total Platform also offers other related services such as retail warehousing, retail distribution, and retail till systems. In general, these other services are charged on a cost plus basis.

In preparation for the launch of Reiss Total Platform we have added the following capabilities:

- Bonded status for UK warehouse stock.
- Warehouse and logistics to other third-party vendors, such as other UK aggregators and concession stores.
- Export documentation, repricing and logistics to overseas aggregators and wholesale partners.
- Retail stock planning.
- Online ordering and fulfilment from Retail store stock.

We intend to continue adding new services to our Total Platform business. Services will include an inbound logistics service, buying and merchandise systems and the provision of stock financing.

FINANCIAL PERFORMANCE AND GUIDANCE FOR THE YEAR AHEAD

In the year to January 2022 we generated **£10.3m** of profit through the combination of:

- Total Platform profit of £2.1m (i.e. the profit for providing Total Platform services).
- Equity and preference share interests in our clients.
- Interest earned from commercial loans to Total Platform clients.

These profit streams are reported in different parts of the Group's profit and loss account (P&L). For ease we have consolidated these in the table below, providing a full picture of Total Platform contribution to Group profit. The column on the far right sets out our guidance for the year ahead.

£m	Jan 2022	Jan 2023 (e)
Sales (VAT Ex.) (Gross transaction value, GTV)	39.1	168.1
Commission	10.9	34.2
Total Platform profit (reported in Online, page 36)	**2.1**	**8.4**
Total Platform margin %	5.5%	5.0%
Profit from equity shares (reported in Other Business, page 50)	**4.8**	**7.0**
Preference share interest (reported in Interest, page 51)	**2.4**	**4.2**
Loan interest (reported in Interest, page 51)	**1.0**	**0.3**
Total Group profit from Total Platform	**10.3**	**20.0**

SUMMARY OF CLIENTS AND ASSOCIATED EQUITY INVESTMENTS

Client	Launch date	Equity interest	Description
Childsplay	Oct 2020		Online luxury childrenswear
Laura Ashley	Mar 2021		Home and fashion brand
Victoria's Secret (UK and Eire)	May 2021	51% share in UK and Eire franchise	Global lingerie, clothing and beauty brand
Aubin	Sept 2021	33%	Premium menswear brand
Reiss	Feb 2022	25%, increasing to 51% share in April 2022 (see page 50)	Affordable luxury men's and women's apparel brand
GAP	Aug 2022	51% share in UK JV with GAP Coalition	Fashion brand

Potential New Clients

We are currently reviewing a number of opportunities to increase the number of Total Platform clients and our equity interests. We do not expect all of these opportunities to materialise but are reasonably confident that in the year ahead we will contract with at least two new clients. Any new clients are likely to be fully integrated into Total Platform once our new warehouse Elmsall 3 is ready, which is scheduled to open in Q4 2023.

EVOLVING TOTAL PLATFORM OPERATING MODELS

Over the last two years we adapted our Total Platform services to suit the differing needs of each of our five new clients. In doing so, we have arrived at three different operating models for the business. Each version of Total Platform gives a different experience of these three elements:

- The Shopping Experience
- Checkout, Payments and Account Management
- Packaging

The paragraphs below summarise the main differences between the three services.

Total Platform This is the most comprehensive option. The customer experience is completely independent from NEXT, with every touch point (ordering, checkout, packaging, call centre services, etc.) branded for the client.

Total Platform Light (TPL) The shopping experience is still unique to the client brand *but* customers check out through NEXT checkout. The experience is not dissimilar to checking out through third-party payment intermediary services, such as Apple Pay or Google Pay and NEXT's 6.3m UK customers can login using their NEXT credentials. Customer communications, tracking and problem resolution is handled by NEXT services and staff.

Currently TPL customers receive their orders in NEXT GO packaging, from early 2023 we aim to be able to send TPL parcels in bespoke client packaging.

Total Platform Superlight The client has a client-branded home page (including bespoke navigation) which sits on the main NEXT website. The search listings, product pages and shopping bag functions are shared with NEXT. This is the fastest and lowest cost option for clients looking to rapidly achieve a fully functioning Online operation in the UK. This is the model that we anticipate being adopted by our UK and Eire Bath & Body Works franchise.

	Time to implement	Shopping Experience *Website, landing pages, browse, search, select and shopping bag*	Checkout and Account *Payment, communications, tracking and account*	Packaging *Boxes, bags, shrouds, & dispatch notes*
FULL TOTAL PLATFORM	9-12 months	Unique branded shopping experience	Client branded checkout, payments comms and account	Client branded packaging to client specification
TOTAL PLATFORM LIGHT	3-6 months	Unique branded shopping experience	Checkout, payments, communications and account through NEXT checkout	NEXT GO packaging (bespoke packaging possible from early 2023)
TOTAL PLATFORM SUPERLIGHT	< 1 month	Bespoke landing page on next.co.uk with customer access to entire next.co.uk website	Checkout on next.co.uk	NEXT GO packaging

NEXT FINANCE

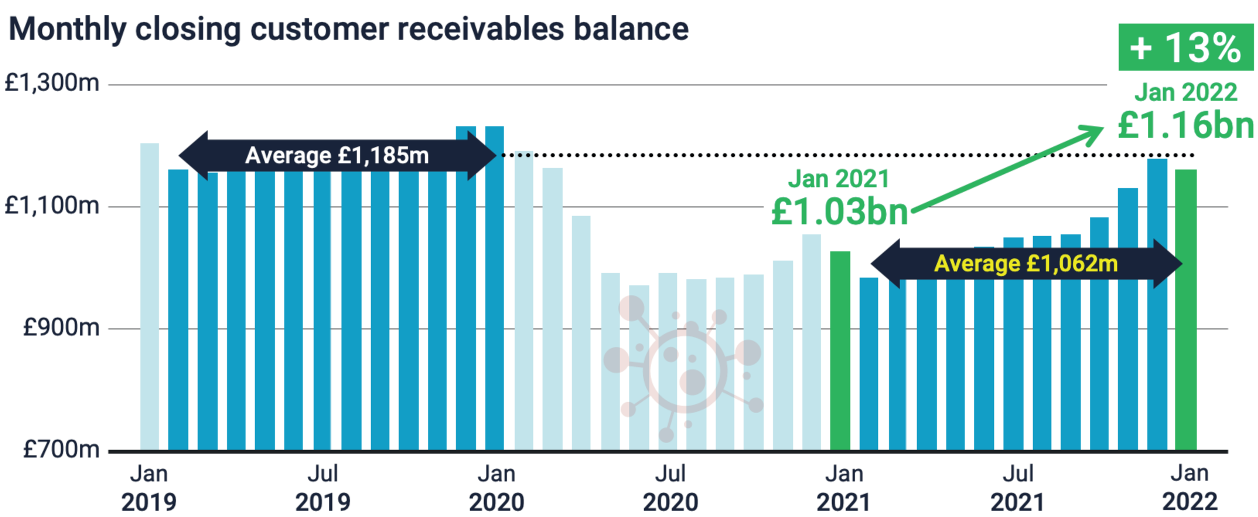
PROFIT & LOSS ACCOUNT SUMMARY

- Interest income was down -7% versus 2019/20 due to a lower customer receivables balance.
- Profit of £142m was down -3% versus 2019/20.

£m	Jan 2022	Jan 2020	Var %
Credit sales	*1,977*	*1,748*	*+13%*
Average customer receivables	***1,062***	***1,185***	***- 10%***
Interest income	249	269	- 7%
Bad debt charge	(27)	(43)	- 37%
Overheads	(49)	(43)	+17%
Profit before cost of funding	**173**	**183**	**- 6%**
Cost of funding	(31)	(36)	- 15%
Net profit	**142**	**147**	**- 3%**
Opening customer receivables	£1,028m	£1,207m	- 15%
Closing customer receivables	£1,163m	£1,234m	- 6%
ROCE (after cost of funding)	13.4%	12.4%	

Customer Receivables Balance Explained

Our average customer receivables balance fell by -10% compared to two years ago. The decline was driven by the reduction in balances during 2020. During 2021 receivables grew along with credit sales, and finished the year up +13% on the balance as at January 2021.



Interest Income

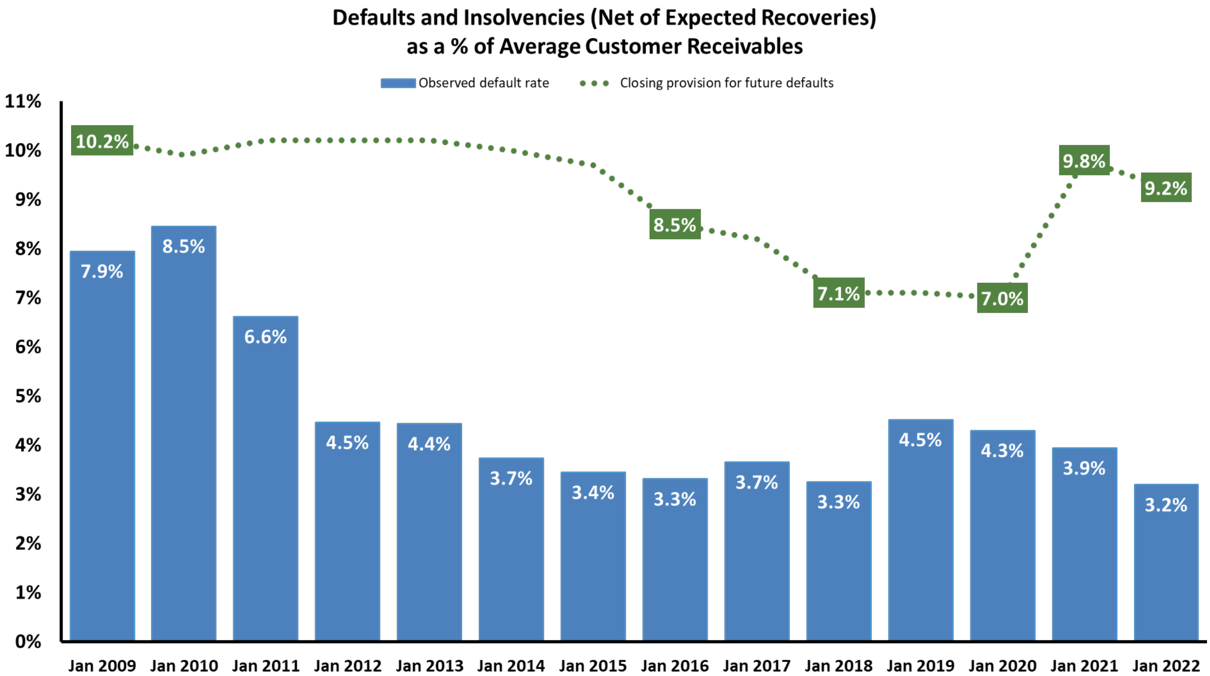
Interest income was down -7% compared to two years ago, which was +3% *ahead* of the -10% fall in average customer receivables. The difference between change in interest and customer receivables is explained by two factors:

1. A higher provision rate for bad debt has reduced customer receivables by around -2%, but this does not affect the generation of interest income.
2. A higher proportion of customer receivables are interest bearing, with lower proportions of defaulted debt and debt on interest-free arrangements. Taken together, around 1% more of the receivables balance is interest bearing.

Default Rates and Bad Debt Charge

Default Rates

The chart below shows (1) our observed rate of default as a percentage of customer receivables since 2010 (blue bars) and (2) the closing rate of provision for future defaults (green dotted line). This year, default rates of 3.2% have been at a historic low and were down -26% versus the 4.3% observed two years ago. The closing provision for future defaults of 9.2% is +2.2% ahead of the pre-pandemic position, due to the additional £20m provision made last year. We are currently maintaining a £20m provision due to wider economic uncertainties that consumers currently face due to the cost of living crisis.



Bad Debt Charge

The bad debt charge of £27m was -£16m lower than two years ago mainly due to (1) the -26% reduction in the default rates and (2) higher recoveries of defaulted debt.

Overheads

Overheads of £49m were £6m higher than two years ago, mainly due to investment in I.T. and higher people costs, including staff incentives.

Cost of Funding

The cost of funding is an internal recharge from the Group based on the assumption that 85% of customer receivables are funded by debt from the Group. This charge reduced by -15% to £31m, due to the -10% reduction in average receivables and a -5% reduction in the Group interest rate.

Calculating the Cost of Funding and Group Interest Rate

The Group interest rate is in line with the interest rate charged on the Group's external debt. The calculation is set out below. Our previous approach to calculating the cost of funding charge for the NEXT Finance business was set out in our January 2021 Annual Report (page 41). Since then, we have made two changes to the method:

1. Cash on deposit has been removed from the average Group debt calculation and interest earned on this cash has been removed from the Group interest charge.
2. Interest income from other investments, e.g. Reiss, has been excluded to provide the underlying cost of interest paid on external debt facilities.

Applying the new method does not impact the internal charge for the full year to January 2020.

Group interest % calculation	**Jan 2022**	**Jan 2020**	**Var %**
Bond – average	£1,050m	£1,052m	
Revolving credit facility	£0m	£155m	
Average Group debt	**£1,050m**	**£1,207m**	**- 13%**
Group net external interest charge	£31.9m	£43.6m	
Add back interest income from investments (e.g. Reiss)	£4.1m	£0.0m	
Underlying cost of Group debt	**£36.0m**	**£43.6m**	**- 18%**
Group interest rate %	**3.4%**	**3.6%**	**- 5%**

OUTLOOK FOR THE YEAR AHEAD

In the year ahead, we anticipate that NEXT Finance will generate a profit of around **£160m**, which would be up +13% on the prior year. We are forecasting the customer receivables balance to end the year at **£1.27bn**, which would be up +9% on the prior year and ahead of pre-COVID levels.

NEXT RETAIL

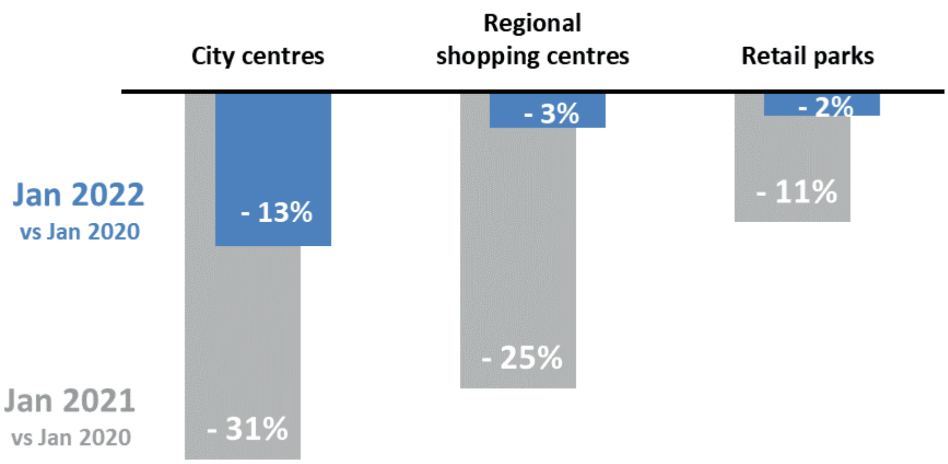
FULL PRICE SALES

Full price sales in the year were down -23% versus two years ago. On a like-for-like basis, comparing sales only on the days that stores were trading outside of lockdown, full price sales were down -5%.

Like-for-Like Store Performance by Location

The graph below shows the like-for-like performance of our stores by type for the weeks they were open in year ending January 2021 (in grey) and year ending January 2022 (in blue) versus their performance in the year ending January 2020.

Retail Store Like-for-Like Sales by Store Type



The graph above clearly shows the marked underperformance of city centre locations in both years; and the marked recovery across all locations in the year ending 2022.

NEXT, Fosse Park West, Leicester. Opened April 2021.

RETAIL PROFIT & LOSS

Total sales (including the ten weeks of store closures at the start of the year) were down **-23%** and Retail operating profit of £107m was down -54% versus two years ago.

For completeness, in the table below we have also shown Retail profit including the cost of lease interest which, under IFRS 16, is recognised within the interest line of the Group P&L and therefore not included in Retail's operating profit. Accounting for this lease interest charge would result in a Retail profit of **£65m**, down -63% versus two years ago.

£m	Jan 2022	Jan 2020	Var £m	Var %
Total sales	1,432	1,852	(420)	- 23%
Operating profit post-IFRS 16	107	234	(127)	- 54%
Lease interest charge[21]	*(42)*	*(57)*	15	- 26%
Retail profit including lease interest	*65*	*177*	*(112)*	*- 63%*

Full Year Profit Walk Forward

The following table sets out the sales and major heads of cost for this year and two years ago, along with the value and percentage variance. The last column shows the impact on Retail's profit margin.

The paragraphs after the table explain the main changes in margin and costs.

£m	Jan 2022	Jan 2020	Var £m	Var %	Margin impact
Total sales	**1,432**	**1,852**	**(420)**	**- 23%**	
Achieved gross margin	843	1,099	(256)	- 23%	*- 0.5%*
Occupancy costs	(320)	(402)	82	- 20%	*- 0.6%*
Rent depreciation & service charge	*(112)*	*(137)*	*25*	*- 19%*	*- 0.4%*
Rates	*(72)*	*(100)*	*28*	*- 28%*	*+0.4%*
Maintenance, utilities & consumables	*(71)*	*(75)*	*4*	*- 5%*	*- 0.9%*
Depreciation	*(65)*	*(90)*	*25*	*- 28%*	*+0.3%*
Payroll	(176)	(210)	34	- 16%	*- 0.8%*
Warehouse & distribution	(108)	(113)	5	- 4%	*- 1.5%*
Central costs	(132)	(140)	8	- 6%	- 1.7%
Retail profit post-IFRS 16	**107**	**234**	**(127)**	**- 54%**	**- 5.1%**
Lease interest	(42)	(57)	15	- 26%	*+0.1%*
Retail profit including lease interest	**65**	**177**	**(112)**	**- 63%**	***- 5.0%***

[21] Lease interest is reported within the Interest line of the consolidated P&L. £42m is the proportion of the total lease interest that is attributable to the Retail business.

Achieved Gross Margin

The achieved gross margin of 58.8% was -0.5% lower than two years ago. There were three factors impacting margin: (1) an unplanned increase in freight costs eroded margin by -1.0%, (2) low levels of markdown stock in the second half improved margin by +0.4% and (3) lower stock losses during the period that stores were closed improved margin by +0.1%.

Rent Depreciation and Service Charge

Costs reduced by £25m, due to (1) stores that have closed in the last two years and (2) rent reductions that were achieved when leases were renegotiated during the last two years.

Business Rates

The £28m reduction in business rates comprises: (1) £20m of Government rates relief, relating to the weeks that our stores were closed due to lockdown, (2) a £6m saving from stores that have closed in the last two years and (3) a £2m saving from lease renewals where business rates are now part of the overall rent deal (see page 48).

Note: A further £29m of business rates relief was available to the Company during the time that stores were *open,* but this was not accepted and was voluntarily repaid in January 2022.

Store Payroll

Inflationary wage increases and lower productivity meant that costs did not fall in line with sales.

Warehouse, Distribution and Central Costs

The fixed nature of certain costs in warehousing, distribution and central overheads meant that these costs did not fall in line with sales.

Lease Interest

Lease interest, relating to Retail lease liabilities, reduced by £15m versus two years ago. This fell as a result of lease liabilities reducing from £1,239m at January 2020 down to £934m at January 2022. The effective interest rate applied on this balance is c.4.5%.

Guidance for Retail Sales and Profit for the Year Ahead

We are forecasting Retail full price sales to be up +13% versus 2021/22. Excluding the 10 weeks in the prior year when our stores were closed due to lockdown, full price sales are expected to be down -7%. Based on this sales forecast, Retail operating profit is forecast to be c.£150m, up +40% versus 2021/22. Including lease interest, Retail profit is forecast to be c.£115m.

LEASE RENEWALS AND COMMITMENTS

Lease Renewals in the Year Ended January 2022

In the year we renewed 60 leases, with an average lease term of 2.8 years (to the earlier of the break clause or the lease end). These new leases result in an annualised cost saving of **£9.1m**. These 60 renewals can be split into two different types of leases. There were 49 rent deals where we negotiated, on average, a -44% rent reduction. The other 11 leases were 'total occupancy cost' (TOC) deals where we pay a fixed percentage of turnover to cover rent, business rates and service charge, reducing our overall occupancy costs by -52%.

The tables below summarise the leases renewed in the last year along with the rent[22] and occupancy costs before and after renewal. For clarity, we have shown TOC leases separately in order to show the overall impact on the stores' *total* occupancy costs, including rent, rates and service charge.

New rent deal category	**No. of leases**	**Rent before renewal**	**Rent after renewal**	
Fixed rent charge	37	£10.1m	£6.5m	- 35%
Zero rent	4	£0.6m	£0.0m	- 100%
Turnover rent	8	£3.7m	£1.5m	- 58%
Total	**49**	**£14.4m**	**£8.0m**	**- 44%**

TOC leases	**No. of leases**	**Costs before renewal**	**Costs after renewal**	
Total occupancy costs (rents, rates and service charge)		-	£2.6m	
Previous rent		£2.7m	-	
Previous rates and service charge		£2.6m	-	
Total occupancy - rent, rates and service charge	**11**	**£5.3m**	**£2.6m**	**- 52%**

TOTAL COMBINED LEASE RENEWALS	**No. of leases**	**Costs before renewal**	**Costs after renewal**	
Total lease renewals	**60**	**£19.7m**	**£10.6m**	**- 46%**
Total occupancy cost saving			**£9.1m**	
Rent-free incentive/capital contributions			**£2.8m**	

We continue to invest in stores where we have renewed the lease and we spent £5.6m upgrading the stores that we renewed in the last 12 months.

Outstanding Lease Commitments

At the end of January 2022, our average lease commitment (weighted by value) was 4.9 years, compared with 5.5 years at the same time last year. Fifty per cent of our store leases (by value) will expire or break within 4.1 years and 90% within the next ten years.

Forecast Lease Renewals in the Year Ended January 2023

We anticipate renewing 72 store leases and based on our latest negotiations we expect to reduce our occupancy cash costs by c.£17.5m (-45%). This saving is particularly high because some of the stores coming up for renewal include large stores with a high base rent cost, which are moving to a variable TOC lease. The average lease term (to the earlier of the break clause or lease end) is expected to be 4.5 years.

[22] Note that the savings given here are the actual rents payable rather than IFRS 16 rent depreciation.

RETAIL SPACE

The year-on-year change in store numbers and square footage is set out below.

	Store numbers	NEXT Sq. ft. (k)	Concessions Sq. ft. (k)	Total Sq. ft. (k)
January 2021	**491**	**8,059**	**377**	**8,436**
New mainline stores	+ 0	+ 21	+ 43	+ 64
Mainline closures	- 19	- 146	+ 0	- 146
Clearance stores	+ 5	+ 46	+ 1	+ 47
January 2022	**477**	**7,980**	**421**	**8,401**
Change	- 14	- 79	+ 44	- 35
Change %	- 2.9%	- 1.0%	+ 11.7%	- 0.4%

New Mainline Stores

We opened one new store and re-sited stores in another eight locations. Within the eight re-sites, there was one location where we consolidated two stores into one, reducing our number of stores by one (hence, the number of new mainline stores in the table above is zero). The nine new and re-sited stores have performed well and we expect the stores to make a net profit (before central overheads) of 22%. We anticipate that payback on capital invested will be within 10 months, which is well within our investment criteria hurdle of 24 months.

Mainline Closures

We closed 19 mainline stores, three of which came as a result of being unable to agree acceptable new terms with landlords and two where the landlord did not wish to renew the lease due to redevelopment of the site. The other 14 closures were in locations where we forecast that the store would not achieve our target margin on almost any terms. The table below sets out the profitability and turnover of stores falling into each category of closure.

Reason for store closure	No. of stores	Store turnover	Store profit	Store profit %
Location not viable	14	£16.9m	£1.6m	9%
Landlord redeveloping the site	2	£2.6m	£0.5m	19%
Failure to agree acceptable terms	3	£4.1m	£0.4m	10%
Total	**19**	**£23.6m**	**£2.5m**	**11%**

Clearance Stores

We opened six new Clearance stores and closed one. New stores have an average lease term (to the earlier of break or lease end) of three years. The rent cost in these stores is based on store turnover, with five of the six leases being TOC deals. Opening Clearance stores means that we can sell more of our surplus stock in Retail, alleviating some of the capacity pressures in our Online warehouses.

Outlook for Retail Space in 2022/23

In the year ahead we expect retail space to reduce by around -2%, due to the closure of around 15 stores.

OTHER BUSINESS ACTIVITIES

The profits and losses in the year from other business activities, including our other Group trading companies and non-trading activities, are summarised below. Significant changes in profit are explained beneath the table.

£m	Jan 2022	Jan 2020
NEXT Sourcing (NS)	28.0	32.2
Lipsy	20.5	13.0
Victoria's Secret Joint Venture	3.4	-
Reiss	1.8	-
Franchise and Retail International	5.8	6.4
Property management	10.8	(1.7)
Central costs and other non-trading activities	(33.1)	(23.5)
Total profit	**37.2**	**26.4**

NEXT Sourcing (NS)

Profit was down -13% versus two years ago, due to a -2% fall in sales and additional overhead costs relating to COVID, shipping and container delays, staff incentives and foreign currency movements.

Lipsy

The significant increase in profit was driven by the expansion of our Branded Beauty business (see page 37) and an improvement in clothing sales, with demand for occasion and formalwear being particularly strong in the second half of the year with the return of social events. In the year ahead we anticipate profits of around £30m.

Victoria's Secret Joint Venture

This is the profit from our 51% stake in the Victoria's Secret UK and Eire JV. The UK website, operating on NEXT's Total Platform, launched during May 2021. Profit of £3.4m was lower than our previous forecast of £5m given in September, mainly due to stock shortages experienced in the second half. In the year ahead we anticipate profit of around £4m.

Reiss

This is the profit from our 25% stake in Reiss. In February 2022, Reiss launched on NEXT's Total Platform (see page 39). At the end of February, we exercised our option to buy a further 26% stake in Reiss. The transaction is currently expected to complete in April, subject to regulatory clearance. Based on our increased shareholding, we are forecasting profit in the year ahead of around £4m.

Property Management

Profit of £10.8m came mainly from two sale and leaseback transactions.

We received £6m, the second of three instalments relating to the sale and leaseback of a warehouse complex in 2020. This was payable upon NEXT maintaining its investment grade credit rating. The third and final instalment of £6m, which is also contingent on meeting investment grade conditions, is payable in 2022/23.

During 2021 we entered a sale and leaseback transaction relating to the development of our new Elmsall 3 warehouse, generating £7m of profit in the year.

Central Costs

Central costs were £10m higher than two years ago, mainly due to: (1) higher cost of employee share schemes and (2) higher service costs on the defined benefit pension scheme resulting from a change in actuarial assumptions.

INTEREST, TAX, PENSIONS AND ESG

INTEREST

The interest charge in the P&L is made up of three categories, as set out below, along with our guidance for the year ahead.

£m	Jan 2023 (e)	Jan 2022	Jan 2020
Net external interest	(25.7)	(35.3)	(43.6)
Reiss preference share income and loan interest	4.5	3.4	-
Lease interest	(47.4)	(50.4)	(61.8)
Total interest	**(68.6)**	**(82.3)**	**(105.4)**

The net external interest charge of £35.3m, was £8.3m (-19%) lower than two years ago. This reduction is due to the decline in average net debt, along with lower average interest charges following the repayment of the £325m bond in October 2021 (see page 55).

Reiss preference shares were acquired as part of our investment. The shares accrue interest at a rate of 8% per annum, giving a £2.4m benefit in the year. A further £1m of interest was earned on a £10m loan given to Reiss. We expect this loan to be repaid in the first half of 2022/23. Guidance for the year ahead is based on a 51% equity stake (see page 50).

The reduction in lease interest is consistent with the overall reduction in lease debt, from £1.25bn (January 2020) to £1.1bn (January 2022), as we pay rent and renew leases on shorter terms and lower or variable rents.

TAX

Our effective tax rate (ETR) for 2021/22 was 17.7%. This is lower than the UK headline rate of 19% for two reasons, as set out below. In 2022/23 we are also forecasting our ETR to be 17.7%.

	Jan 2022
Headline UK Corporation Tax rate	19.0%
Remeasurement of deferred tax asset to 25%[23]	- 0.6%
Super deduction for capital allowances (130% deduction for qualifying expenditure)	- 0.7%
ETR	**17.7%**

[23] The remeasurement of the deferred tax asset occurred during the first half of the year. The headline UK Corporation Tax rate effective from April 2023 will be 25%.

PENSION SCHEME

On the IFRS accounting basis, the valuation of our defined benefit schemes' surplus has increased from £99m as at January 2021 to £157m as at January 2022. Further detail is provided in Note 6 of the financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

ESG encompasses a broad range of complex global issues which can be challenging to navigate and prioritise. However, we continue to make good progress and our key ESG initiatives are summarised below. These and other aspects of our work will be covered in detail in our Annual Report, published on 14 April 2022.

Carbon Emission Reductions

As reported at the half year, the targets we set for the reduction in our Scope 1, 2 and 3 greenhouse gas emissions (i.e. those created directly by our operations and indirectly through our wider business activities) were approved in July 2021 by the Science-Based Emission Target initiative (SBTi). Our scope 1 and 2 target ambitions are consistent with the reductions required to keep global warming to +1.5°C, in line with the Paris Agreement.

By 2030 we aim to:

- Reduce our direct and indirect (from NEXT energy consumption) absolute carbon emissions by 55% against a 2016/17 baseline (Scope 1 & 2).
- Reduce our other indirect emissions from NEXT's operations by 40% against a 2019/20 baseline per £1m sales (Scope 3).

Responsible Sourcing

We aim to source 100% of the main raw materials we use through known, responsible or certified routes by 2025. We are making it easier for customers to identify sustainably sourced items; products containing at least 50% of certified responsibly sourced materials are eligible to carry a NEXT Generation label.

In the first half of the year, we launched a small trial menswear range focused on sustainability and made using 100% responsibly-sourced materials. The customer response was muted; this may be due in part to the particular style of the product range but the level of interest also indicates that our customers are not yet prioritising responsible sourcing as a key reason to buy. Rather than producing standalone lines with a responsible sourcing message, our intention is to absorb them into our normal lines.

Electrification of our Car and Van Fleets

We have committed to electrifying our company car and van fleet where possible by 2030. Where electric vehicles are not viable, we will look to use ultra-low emission vehicles.

Packaging

By 2025 we aim to eliminate avoidable plastics in product packaging and we are also investigating opportunities to reduce packaging throughout our operations. By the end of 2022, we plan to install collection points in all our stores for customers to return their plastic packaging for recycling.

CASH FLOW, DIVIDENDS, NET DEBT & FINANCING

CASH FLOW[24]

In the year to January 2022, we generated £363m of surplus cash. Surplus cash is defined as cash after interest, tax, capital expenditure and investments, but *before* distributions to shareholders. Net debt reduced to £600m.

NEXT Finance customer receivables grew by £135m in the year, partly reversing the £206m reduction experienced during the pandemic in the prior year (see page 42). In total, we returned £353m to shareholders, by way of (1) special dividends (£344m) and (2) share buybacks (£9m).

The table below sets out a summarised cash flow for the year, along with the prior two years for context and comparison.

£m		Jan 2022	Jan 2021	Jan 2020
Profit before tax		**823**	**342**	**749**
Depreciation/impairment on plant, property and equipment		111	145	125
Capital expenditure	See page 56	(184)	(163)	(139)
Tax paid		(125)	(113)	(138)
Working capital/other		(30)	(42)	(72)
Surplus cash from trading activities		**595**	**169**	**525**
Customer receivables		(135)	206	(27)
Investments	See page 54			
Investment in Reiss		(43)	-	-
Sale and leaseback/property acquisitions		(54)	146	-
Surplus cash before distribution to shareholders		**363**	**521**	**498**
Shareholder returns	See page 54			
Ordinary dividends		-	-	(214)
Special dividends		(344)	-	-
Share buybacks		(9)	(19)	(300)
Cash flow after distribution to shareholders		**10**	**502**	**(16)**
Bond repayment	See page 55	(325)	-	-
Cash flow after bond repayment		**(315)**	**502**	**(16)**
Closing net debt		**(600)**	**(610)**	**(1,112)**

[24] The cash flow reflects the impact of IFRS 16. Depreciation on right-of-use assets and lease payments are included in working capital. The change is presentational only, it has no impact on the actual cash generated by the business. A reconciliation to statutory cash flow is provided in the Appendix.

INVESTMENTS

Investment in Reiss

We invested £33m in a 25% stake in Reiss and as part of this deal we also provided a £10m loan. We expect this loan to be repaid in the first half of 2022/23. At the end of February 2022, we exercised our option to buy a further 26% stake. The transaction is expected to complete in April 2022, subject to regulatory clearance, taking our total shareholding to 51%.

Sale and Leasebacks and Property Acquisitions

Our new Elmsall 3 warehouse is in the process of being built and the net cash outflow of £30m is the combination of £53m spent in the year *less* £23m of sale and leaseback proceeds received to date. We have also acquired land for a potential future development, costing £24m.

£m	Jan 2022	Jan 2021
2020 warehouse sale and leaseback[25]	-	146
Elmsall 3 warehouse sale and leaseback	(30)	-
Land acquisition for potential future development	(24)	
Total	**(54)**	**146**

DIVIDENDS AND SHAREHOLDER RETURNS

The Company remains committed to its long term policy of returning surplus cash, that cannot be profitably invested in the business, to shareholders.

During the pandemic in 2020/21, we paused dividends to help secure the finances of the business. In the year to January 2022 we paid two special dividends and in the year ahead we will return to our pre-pandemic ordinary dividend cycle.

Special Dividends

On 3 September 2021 we paid a special dividend of 110p per share and on 28 January 2022 we paid a further special dividend of 160p per share. The total value of special dividends paid in the year was £344m.

Ordinary Dividends

In the year ahead it is the Board's intention to return to our pre-pandemic ordinary dividend cycle. Therefore, the Board has proposed the payment of an ordinary dividend of 127p, to be paid on 1 August 2022. The dividend cover has been calculated at 2.8 times post tax profits for the year ending January 2022. The dividend cover of 2.8 times is in line with the Company's long-standing approach to ordinary dividends.

	Jan 2022
January 2022 post tax profit	£677m
Dividend cover	2.8 times
Dividend value	£242m
66% payable August 2022	£160m
Pence per share	127p

This is subject to approval by shareholders at the Annual General Meeting to be held on 19 May 2022. Shares will trade ex-dividend from 7 July 2022 and the record date will be 8 July 2022.

[25] In the prior year the cash flow statement in the CEO Report was based on pre IFRS 16 values. The amount shown in respect of the 2020 sale and leaseback was £110m (this being the cash proceeds of £154m less the gain recognised in profit before tax of £44m). This year we have restated this value to show the cash proceeds less gain in the profit before tax on an IFRS 16 basis of £8m.

Share Buybacks

During January 2022 we purchased 117,500 shares at an average share price of £73.90. The total value of shares purchased was £8.7m, reducing the number of shares in issue by 0.1%.

Shareholder Returns in the Year Ahead

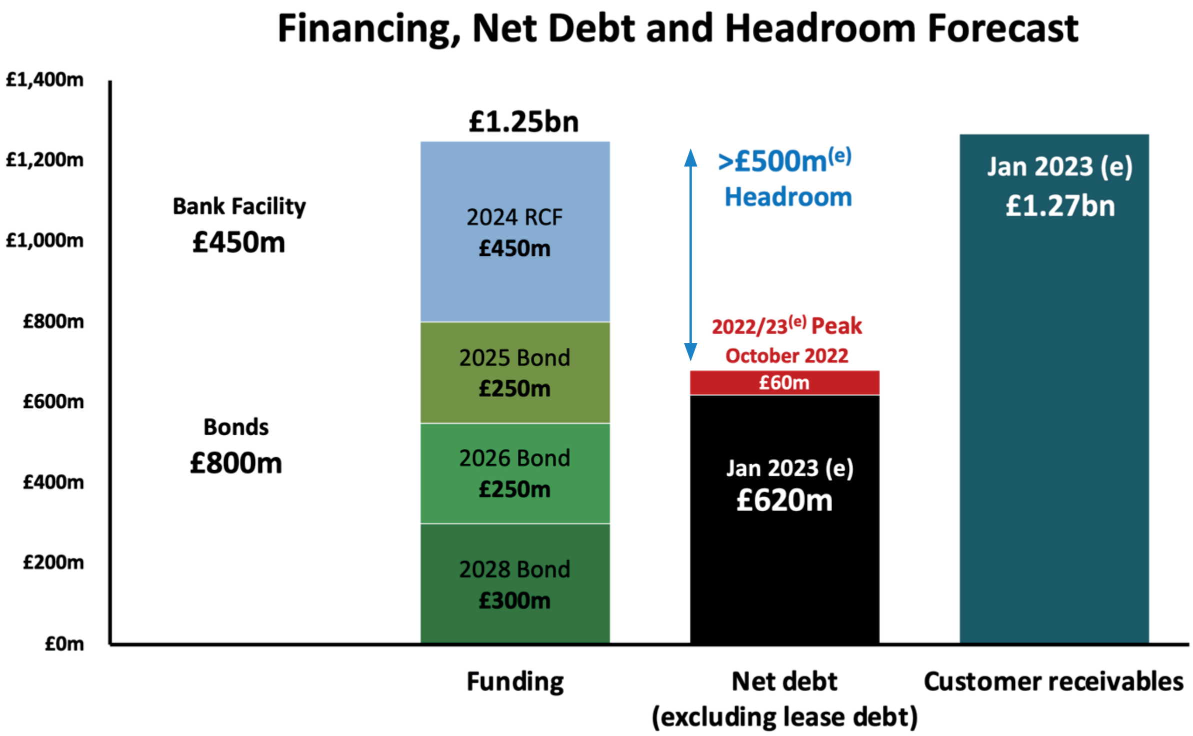
In the year ahead, surplus cash (after interest, tax, capital expenditure, investments or acquisitions and ordinary dividends) will be returned to shareholders by way of share buybacks or special dividends. Any share buybacks would be subject to achieving a minimum 8% equivalent rate of return (ERR). As a reminder, ERR is calculated by dividing the anticipated pre-tax profits by the current market capitalisation.[26]

NET DEBT, BOND AND BANK FACILITIES

In October 2021 we settled our £325m bond and did not issue a new bond. Our current bond and bank facilities now total £1,250m.

Based on our profit and cash flow central guidance for the year ahead, our January 2023 year end net debt (excluding lease liabilities) is forecast at £620m, broadly growing in line with Group profit before tax. We expect net debt to peak at around £680m in October 2022. This would be comfortably within our bond and bank facilities of £1,250m, with headroom of £630m at January 2023.

The chart below sets out our bond and bank facilities. For context, our year end forecast for customer receivables is also shown. At £1.27bn, this asset is double the value of our net debt.



[26] Market capitalisation is calculated based on shares in circulation, so excludes shares in the NEXT Employee Share Option Trust.

CAPITAL EXPENDITURE

SPEND BY CATEGORY

The table below sets out our capital expenditure for the year along with our forecast for the year ahead. For comparison, the prior two years are also shown.

£m	Jan 2023 (e)	Jan 2022	Jan 2021	Jan 2020
Warehouse	125	124	100	87
Technology and other	36	31	26	14
Total warehouse, technology and other	**161**	**155**	**126**	**101**
Retail space expansion	11	14	29	24
Retail cosmetic/maintenance capex	23	15	8	14
Total Retail expenditure	**34**	**29**	**37**	**38**
Total capital expenditure	**195**	**184**	**163**	**139**

Warehousing

The increase in warehouse capex to £124m was mainly driven by the continuing investment in our new, highly automated, boxed warehouse (Elmsall 3) which is planned to open towards the end of 2023. It will deliver an estimated increase in boxed capacity of 45%, with marginal labour cost per unit around 40% lower than the equivalent cost today. We anticipate that warehouse capital expenditure in the year ahead will remain at a similar level.

Technology and Other

This year we invested £31m modernising and upgrading our core systems. £23m was spent on software and £8m on hardware. In the year ahead, we expect to increase capital expenditure on technology to around £36m as we increase the number of developers employed to continue our modernisation programme.

For more details on how we are developing our systems and technology infrastructure please see Page 14 of our July 2021 Half Year Report[27].

Retail Stores

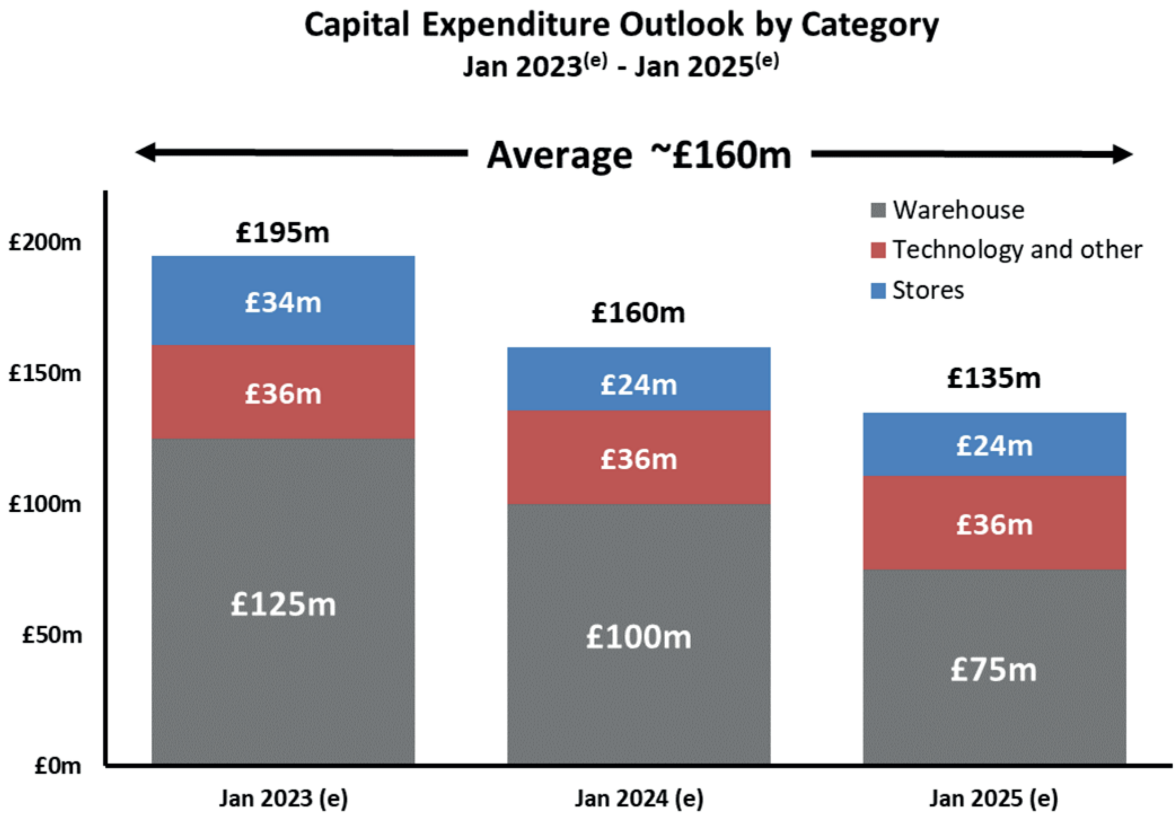
Capital expenditure on Retail space expansion reduced to £14m, from £29m in the prior year, as a result of fewer new store openings. Cosmetic and maintenance spend was £15m, which was more in line with pre-pandemic levels of spend. Spend in the year to January 2021, at £8m, was lower than normal due to work being deferred during the pandemic.

In the year ahead, we anticipate that total expenditure on Retail stores will be £34m, although within this figure less will be spent on new space and more will be spent on existing stores, mainly where leases are being renewed.

[27] https://www.nextplc.co.uk/~/media/Files/N/Next-PLC-V2/documents/2022/results-for-the-half-year-ending-july-2021%20290921.pdf

THREE YEAR OUTLOOK FOR CAPITAL EXPENDITURE

In the next 24 months, phase one of our new Online boxed warehouse (Elmsall 3) will be completed. Following this, the expected capital expenditure in warehousing will fall to around £75m.



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PART FIVE
OUTLOOK FOR THE YEAR AHEAD

CONSUMER AND ECONOMY

A World of Uncertainty

From an economic perspective, it is hard to recall a time when sales have been harder to forecast. The table below sets out the negative and positive factors that we have considered when estimating our sales for the year ahead.

	Negative For Sales Growth	Positive For Sales Growth
External Economic Factors	(i) The unwinding of pandemic savings. (ii) A return to spending on travel and leisure. (iii) Inflation in competing essential goods. (iv) Likely increases in UK taxes and mortgage rates. (v) Further disruption to supply chain and prices as a result of conflict in Ukraine.	(i) Strong growth in nominal earnings up +4.8%[28] in January. (ii) Employment rates remain high at 75.6%[29] and 31.2m people in work.
Internal Factors	(i) Inflation in NEXT's selling prices in the first half is forecast to be +3.7%. In the second half this figure is now forecast to be 8% (6.5% fashion and 13% on Home); this is 2% higher than our January estimate. (ii) Reversal of lockdown trends, particularly spending on homeware.	(i) Much better anticipated stock levels in Q3 and Q4 of 2022/23 compared to the previous year. (ii) A marked return to spending on adult fashion, particularly formal clothing for events and work. (iii) Opportunities to develop new products and business activities.

Honestly…

It would be wrong for NEXT to imply that it had any special insight into how all these uncertainties will translate into sales growth for the Group. Our central guidance represents our best guess, based partly on our assessment of the economy but also on our instinct and the evidence we have from our sales so far this year.

Implications for Sales Guidance

When we issued our guidance in January, many believed that NEXT was being overly cautious, today that guidance looks realistic, if not a little optimistic. Actually, sales to date, *in the UK,* are ahead of our January forecast and our expectations for total UK sales in the year have increased by +£45m, as we now think our stores will fare slightly better than initially anticipated. So the -2% reduction in our sales guidance is caused by the closure of our Russian and Ukrainian websites, along with reductions in sales estimates for some other overseas territories.

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[28] ONS: Whole Economy Year on Year 3 Month Avg Growth (%) (Nov 21 to Jan 22): Total Pay Excluding Arrears, issued 15.03.22.

[29] ONS: Labour market by age group 16-64 (seasonally adjusted) issued 15.03.22.

NEW FULL PRICE SALES GUIDANCE IN DETAIL

REVISED GUIDANCE BY DIVISION

We have reduced our central guidance for full year full price sales growth from +7% to +5% versus 2021/22. This reduces full price sales by £85m, all of which can be accounted for by anticipated losses overseas. The following table breaks out the change between UK Online (LABEL and NEXT Brand), Online Overseas and Retail.

For completeness, the right-hand column of the table shows our guidance for the last three quarters of the year. This is a better measure of our expectations for underlying sales as our stores were open in the comparable period of the previous year.

Full price sales (VAT ex) 2022/23 versus 2021/22		Previous guidance %	**Change in guidance £m**	**New guidance Full Year %**	New guidance Q2 -Q4 %
Online NEXT UK		- 5%	- £26m	- 7%	- 1%
Online LABEL UK		+17%	- £7m	+16%	+16%
UK Online	*(Note 4)*	**+3%**	**- £33m**	**+2%**	**+5%**
Online Overseas	*(Note 1 & 2)*	+20%	- £135m	- 1%	+1%
Total Online		**+7%**	**- £168m**	**+1%**	**+5%**
Retail	*(Note 3)*	+6.5%	+£78m	+13%	- 7%
Full price product sales		**+7%**	**- £90m**	**+5%**	**+0%**
NEXT Finance interest income		+7%	+£5m	+9%	+8%
Total Brand full price sales		**+7%**	**- £85m**	**+5%**	**+1%**

Note 1: Sales in Russia and Ukraine
In early March we closed our websites in Ukraine and Russia. For clarity, we had no Retail stores or franchise partners in either country. We have assumed that we will remain closed in both countries for the rest of the year, and have removed -£65m from our full price sales guidance.

Note 2: Sales in Other Overseas Territories
We have reduced our sales expectations in other overseas territories by -£70m. In our initial forecast we had not reversed enough of the sales gained last year from the closure of retail stores during overseas lockdowns last year. Like-for-like sales in territories excluding Russia and Ukraine are expected to be up +10% in Q2-Q4.

Note 3: Retail Faring Better than Expected
We have Increased UK retail sales estimate by +£78m, reflecting our stores' better than expected performance versus three years ago.

Note 4: UK Online Sales Moderated
We have reduced our expectations for UK online sales by -£33m (of which -£7m from LABEL and -£26m from NEXT Brand) as a result of potentially better than anticipated sales in Retail stores.

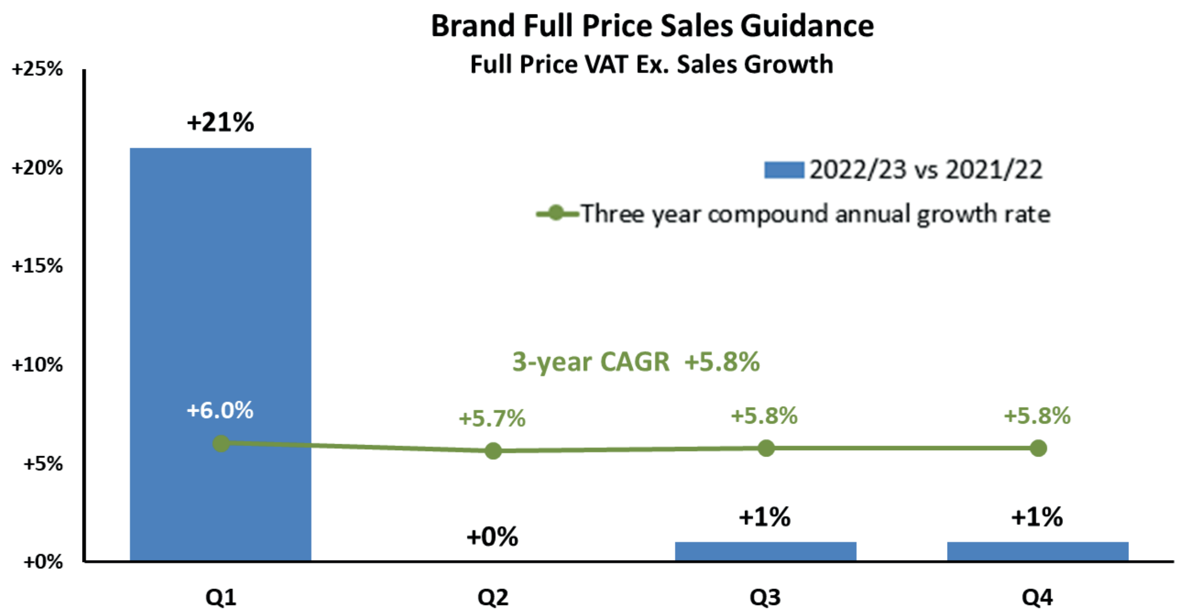
REVISED SALES GUIDANCE BY QUARTER

It is helpful to break our guidance down into two parts:

- The period of time when our stores were closed in February, March and April (broadly corresponding to the first quarter of the year).
- The last three quarters of the year when our stores were open in 2021.

In the first quarter we expect strong growth, driven by exceptionally weak comparatives in 2021. In Q2, Q3 and Q4 we face the opposite effect, with sales in these periods *last year* boosted by the spending of lockdown savings and the release of pent-up demand for clothing.

The graph below shows the sales growth we anticipate in our central scenario for each quarter. The solid bars show the growth against last year, the green line gives the compound annual growth rate (CAGR) against three years ago (2019/20) which is the last year unaffected by COVID.



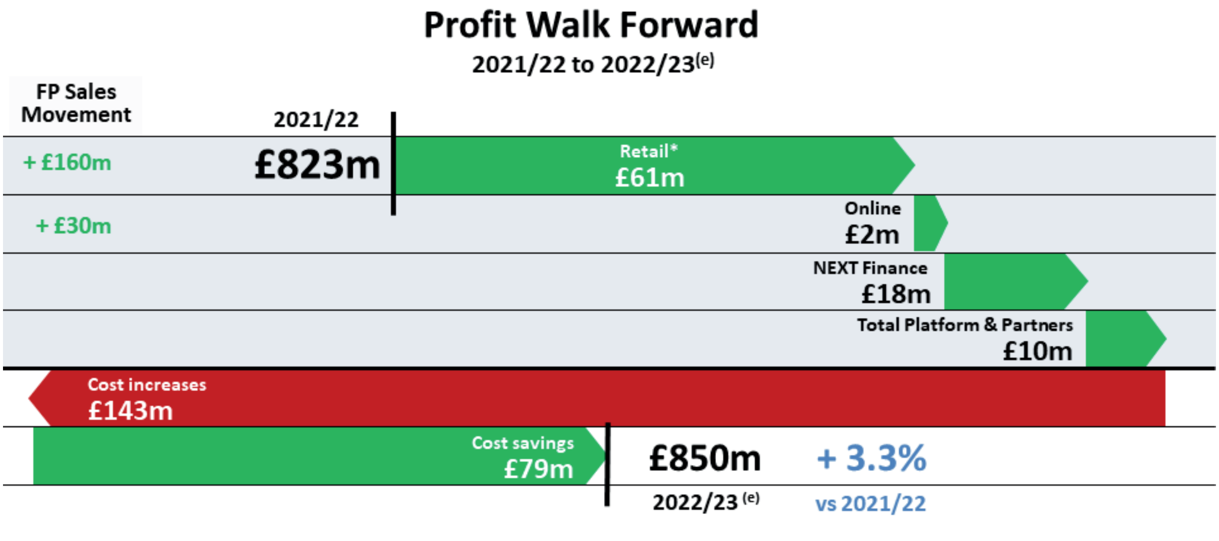
NEW PROFIT GUIDANCE

The table below sets out three scenarios for sales, profit and EPS. For completeness, the second row in the table shows the implied full price sales growth for Q2 to Q4.

Guidance for 2022/23	Lower	Central	Upper
Full price sales versus 2021/22	+2%	+5%	+8%
Implied growth Q2 - Q4	- 2.9%	+0.8%	+4.6%
Profit before tax	£795m	£850m	£895m
Profit before tax versus 2021/22	- 3.4%	+3.3%	+8.7%
Earnings Per Share[30]	520.6p	556.6p	585.9p
Earnings Per Share versus 2021/22	- 1.9%	+4.9%	+10.4%

FULL PRICE SALES AND PROFIT MOVEMENTS

The first three bars of the graphic below demonstrate how the changes in **full price** sales in each business division are expected to impact on profit, relative to 2021/22. The last two bars show the impact on profit of the cost savings and cost increases we anticipate in the year ahead.



*Net of £28m of lockdown savings in 2021/22 not being repeated.
(£20m business rates relief, £8m stock loss and other savings)

The reason that the anticipated £30m Online sales growth delivers so little margin is down to sales mix. We anticipate losing £40m of own brand Online sales and gaining £70m of lower margin LABEL sales. The loss of NEXT Online sales comes from the reversal of the gains we made Online when our Retail stores were closed last year.

[30] Earnings Per Share is calculated based on an estimate of the timing of potential share buybacks and forecast ETR, assuming a share price of £65.00.

FORECAST OF COST SAVINGS AND COST INCREASES FOR 2022/23

Cost increases £m	Jan 2023 (e)
Wage inflation across the Group	- 55
Higher surplus stock and lower clearance rates	- 35
Energy cost inflation	- 20
NEXT Technology	- 17
Marketing and photography	- 5
Warehousing and distribution	- 5
Product team travel and other	- 6
Total cost increases	**- 143**

Cost savings £m	Jan 2023 (e)
Lower staff incentives	+35
Price increases to cover freight cost increases	+25
Lower external interest costs	+10
Reduction in overseas parcel freight surcharges	+7
Other cost savings	+2
Total cost savings	**+79**

NEXT Selling Price Inflation

Our expectations for inflation in our like-for-like selling prices, for the first half, remains at +3.7%, in line with the estimate we gave in January. Our estimate for selling price inflation in the second half of the year has increased from +6% to +8% (a combination of +6.5% on fashion and +13% on homeware and furniture).

NEXT COMMENT ON THE ECONOMY

A Supply Side Problem

The disruption to global supply chains along with chronic labour shortages in many parts of the UK economy, mean that there are simply not enough goods, energy and skilled workers to maintain living standards at the levels we have become used to. It is important to understand that the cost of living crisis is a supply side crisis; the inflation we are experiencing is a symptom of underlying constraints in the supply of goods.

Can Government Policy Help?

There are two types of measures the Government can take in response to a squeeze on supply. Firstly, they can (and should) ensure that those most in need can afford basic essentials, through targeted subsidies and grants. Secondly, they can take action to increase the supply of goods, property and services that are in such short supply.

We applaud the efforts the Chancellor has made to help out those most in need. But we are disappointed that the wider Government has done little or nothing within its powers to increase the underlying supply of goods, energy and skilled workers. It is important to recognise that Government interventions to 'pay for' inflationary increases does nothing to increase the underlying supply of goods and services.

The good news is that there is much the Government can do to increase supply. It can reverse the self-defeating barriers it has placed on overseas workers supporting our economy and accelerate, simplify and reform the planning process to increase the supply of desperately needed housing.

We hope that the Government will use its powers wisely and do all it can to tackle the UK's many supply side constraints.

CASH FLOW FORECAST FOR 2022/2023

Based on our revised sales and profit guidance, we expect to generate surplus cash, before distribution to shareholders, of £440m. Our intention is to return surplus cash to shareholders by way of (1) ordinary dividends and (2) special dividends or share buybacks (see page 54). We expect net debt to grow in line with profit growth, therefore closing the year at January 2023 at £620m.

£m		Jan 2023 (e)	Jan 2022
Profit before tax		**850**	**823**
Depreciation/impairment on plant, property and equipment		105	111
Capital expenditure	See page 56	(195)	(184)
Tax paid		(145)	(125)
Working capital/other		(70)	(30)
Surplus cash from trading activities		**545**	**595**
Customer receivables		(110)	(135)
Investments	See page 54		
Investment in Reiss / other		(36)	(43)
Sale and leaseback / property acquisitions		41	(54)
Surplus cash before distribution to shareholders		**440**	**363**
Shareholder returns	See page 54		
Ordinary dividends	See page 54	(240)	-
Special dividends		-	(344)
Share buybacks		-	(9)
2022/23 share buybacks, special dividends or investments		(220)	-
Cash flow after distribution to shareholders		**(20)**	**10**
Bond repayment	See page 55	-	(325)
Cash flow after bond repayment		**(20)**	**(315)**
Closing net debt		**(620)**	**(600)**

FIRST QUARTER TRADING UPDATE

Our first quarter Trading Statement will cover the thirteen weeks to 30 April and is scheduled for Thursday 5 May 2022.

Lord Wolfson of Aspley Guise
Chief Executive
24 March 2022

APPENDIX

SECTION 1 - STATUTORY SALES AND IFRS 16 LEASES

STATUTORY BASIS £m and EPS	Jan 2022	Jan 2021	Jan 2020
Revenue	4,625.9	3,534.4	4,266.2
Profit before taxation	823.1	342.4	748.5
Earnings Per Share (Basic)	530.8p	223.3p	472.4p
Net debt (including leases)	(1,657.6)	(1,796.1)	(2,363.1)

OVERVIEW

The financial information presented in pages 2 to 64 is used by management in assessing business performance. It is also the financial information used to inform business decisions and investment appraisals.

Some of these financial metrics and performance measures are not prepared on a full IFRS statutory accounting basis. It is common for the use of performance measures that are not based on the statutory IFRS values to be called "Alternative Performance Measures" (APMs).

An explanation of the APMs used by the business is provided in the glossary.

Differences between APMs and Statutory Results

In common with many retailers, we use "Total Sales" as a measure to assess the performance of the business, and not statutory revenue. We have applied this approach consistently with prior years and our Trading Statements. It is our view that this provides both a useful and necessary basis for understanding the Group's performance and results.

In previous years we have also reported our Group profit and EPS on a pre-IFRS 16 basis. This year we have fully embedded IFRS 16 into our reported results so that they align with their statutory equivalents.

Offset Sales

The financial year ended 30 January 2021 was a 53 week period. This means that 2021/22 started one calendar week *later* than the previous two financial years. Throughout this document, unless otherwise stated, the results presented are not adjusted for this "offset" week and we show the results for the 52 weeks to 29 January 2022, 53 weeks to 30 January 2021 and 52 weeks to 24 January 2020. This is to ensure consistency with the results previously presented for each period.

When presenting sales analysis by week, month or quarter, we believe it is more helpful for the reader to view information on a like-for-like calendar week basis. For these charts and tables we have adjusted the comparative data so that each period is prepared on a *like-for-like* week basis.

	Accounting period		Like-for-like sales reporting period	
Full year	Start	End	Start	End
Jan 2022	31 Jan 2021	29 Jan 2022	31 Jan 2021	29 Jan 2022
Jan 2021	25 Jan 2020	30 Jan 2021	01 Feb 2020	30 Jan 2021
Jan 2020	26 Jan 2019	24 Jan 2020	02 Feb 2019	31 Jan 2020

SALES AND STATUTORY REVENUE

Sales presented on pages 2 to 64 are based on "Total Sales". "Total Sales" are 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:

1. Where third-party branded goods are sold on a commission basis, only the commission receivable is included in statutory revenue.
2. Other income, which includes customer delivery charges, income for printed publications, promotional discounts, interest free credit commission costs and unredeemed gift card balances is included in statutory revenue.

The impact of these adjustments is summarised as follows:

£m	Jan 2022	Jan 2021	Jan 2020	Jan 2022 vs Jan 2021	Jan 2022 vs Jan 2020
Total Sales	4,861.8	3,625.9	4,361.8	+34.1%	+11.5%
Adjusted for:					
Commission based sales	(308.7)	(159.4)	(137.7)	+93.7%	+124.2%
Other statutory income	72.8	67.9	42.1	+7.2%	+72.9%
Statutory revenue	**4,625.9**	**3,534.4**	**4,266.2**	**+30.9%**	**+8.4%**

This adjustment has no impact on profit before tax, EPS or cash flow. The reduction in Total Sales has a corresponding adjustment recognised in cost of sales.

The percentage of our Total Sales achieved on a commission basis has increased significantly due to the growth in our third-party branded businesses, LABEL and Total Platform. Because only the *commission* element is recognised in statutory revenue, this means that growth in statutory revenue (+8.4% versus 2019/20) is lower than the growth reported in Total Sales (+11.5%).

IFRS 16 LEASES

While NEXT has applied IFRS 16 in its statutory accounts since January 2020, this is the first full year reporting period in which we have fully integrated the impact of IFRS 16 into the CEO Report.

As a result of this change, key metrics used in the CEO Report, including Group profit before tax, EPS and segmental profits, are different to those presented in prior years as they are now based on the statutory (i.e. IFRS) values.

In order to help readers understand the impact of this change the following pages provide:

1) A brief reminder on how IFRS 16 accounts for leases and, in particular, how the profile of the NEXT leases impacts on its financial statements.
2) Summary income statements that show the impact of IFRS 16 for January 2021, January 2020 and January 2019. For the year ended January 2022, we have fully embedded IFRS 16 so no bridge is presented for this year.

IFRS 16 Leases - A Brief Reminder

Prior to IFRS 16, the total rent payable under an operating lease was charged to the P&L on a straight line basis each year. The future rental commitment, and the right to use the leased asset, was not recognised in the accounts - the lease was "off balance sheet".

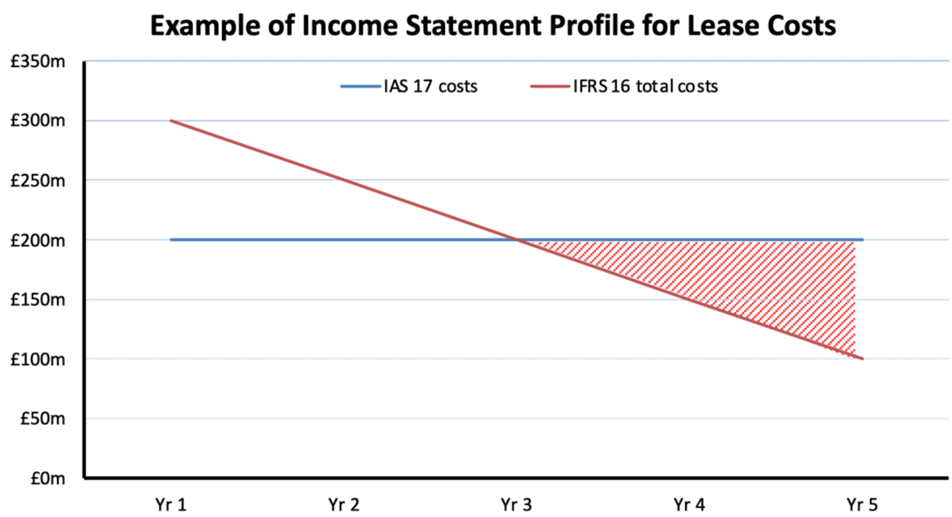
In contrast, IFRS 16 applies an "on balance sheet" approach to leases. This is achieved by:

- Recognising a right-of-use asset; this represents the lessee's right to use the leased asset for the lease term.
- Recognising a lease liability which reflects the lessee's obligation to make payments under the terms of the lease.

This has the effect of bringing operating leases onto the balance sheet.

Due to the changes on the balance sheet, the nature and timing of costs being recognised in the income statement also change, with depreciation being recognised on the right-of-use asset and finance costs being recognised on the lease liability. The rental costs recognised under the previous accounting standard for leases, IAS 17, are then excluded.

This change impacts the phasing of costs recognised in the income statement, as shown in the illustrative graph below.



Under IFRS 16 depreciation costs are recognised on the right-of-use asset and remain consistent during the lease term. Finance costs charged to the P&L are higher at the start of the lease (when the liability to pay is higher) and reduce over the lease term. The total IFRS 16 cost is therefore higher in the early years (see years 1-2 in the graph above).

In contrast, under the previous accounting rules (IAS 17) the entire lease cost was recognised on a straight line basis as represented by the horizontal line in the chart above.

It is important to note that while the nature and profile of the P&L charge has changed, the total cost recognised over the term of the lease will remain the same.

Impact of IFRS 16 on the Income Statement in 2020/21 and 2019/20

Income Statement by Segment

Under IFRS 16 the lease costs, being split between depreciation and finance costs, are shown in **two** separate lines - depreciation is above operating profit, finance costs below. IFRS 16 has a significant, positive impact on the reported operating profit; this is then partially offset by the finance costs which are below operating profit.

To illustrate the impact, the tables below show the pre and post IFRS 16 Income Statement for our main business segments in 2020/21, down to post tax profit.

£m	**Jan 21 excluding IFRS 16**	**IFRS 16 impact**	**Jan 21 including IFRS 16**
Online	472.1	4.4	**476.5**
Finance	127.1	-	**127.1**
Retail	(205.9)	69.6	**(136.3)**
Other business activity	(42.8)	(13.7)	**(56.5)**
Recharge of interest costs	33.7	-	**33.7**
Operating profit	**384.2**	**60.3**	**444.5**
Net external interest	(42.2)	-	**(42.2)**
Lease interest	-	(59.9)	**(59.9)**
Profit before tax	**342.0**	**0.4**	**342.4**
Tax	(51.4)	(4.3)	**(55.7)**
Profit after tax	**290.6**	**(3.9)**	**286.7**
Earnings Per Share (basic)	**226.3p**		**223.3p**

£m	**Jan 20 excluding IFRS 16**	**IFRS 16 impact**	**Jan 20 including IFRS 16**
Online	399.6	10.9	**410.5**
Finance	146.7	-	**146.7**
Retail	163.9	70.0	**233.9**
Other business activity	25.6	0.9	**26.5**
Recharge of interest costs	36.3	-	**36.3**
Operating profit	**772.1**	**81.8**	**853.9**
Net external interest	(43.6)	-	**(43.6)**
Lease interest	-	(61.8)	**(61.8)**
Profit before tax	**728.5**	**20.0**	**748.5**
Tax	(134.6)	(3.7)	**(138.3)**
Profit after tax	**593.9**	**16.3**	**610.2**
Earnings Per Share (basic)	**459.8p**		**472.4p**

In January 2020, on adoption of IFRS 16 for the first time in the statutory accounts, 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.

In contrast, for the year to January 2021 the impact on profit before tax of IFRS 16 was just £0.4m and was the result of (1) the underlying adjustment, (2) the impact of store impairments and (3) 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 of £84m was recognised. 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:** Under 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 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 resulted in the recognition of a smaller gain of £8.1m.

Cash Flow Bridge

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

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

Statutory Cash Flow

The statutory cash flow is split into three main sections:

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

The cash flow in the CEO Review is presented in a different way, as explained further overleaf.

Cash Flow Bridge

The table below, and accompanying notes, provide a high level bridge between the "surplus cash" used by management and its closest statutory equivalent "cash from operating activities".

	Note	**£m**
Surplus cash from trading activities – per CEO Review	*1*	**595**
Add back interest charge to get to Group PBT	*2*	82
Depreciation/impairment on plant, property and equipment	*3*	(16)
Capital expenditure	*4*	184
Purchase of shares by ESOT	*5*	151
Disposal of shares by ESOT	*5*	(72)
Customer receivables	*6*	(135)
Lease payments (net of incentives)	*7*	160
Working capital and other	*8*	22
Net cash from operating activities – as per statutory cash flow	*9*	**971**

Note 1: As per the cash flow statement on page 53 of the CEO Review, Surplus Cash was £595m for the year to January 2022.

Note 2: The cash flow in the CEO Review starts with the Group profit before tax of £823m, which is after interest costs. This differs from the statutory cash flow statement, which starts its cash flow statement with "operating profit" of £905m. The difference of £82m relates to the Group interest charge.

Note 3: The cash flow in the CEO Review includes the depreciation, amortisation, impairment and disposals of our plant, property and equipment. In the statutory cash flow these items are presented within operating cash flows and investing activities.

Note 4: Management includes the capital expenditure (capex) which it considers to be part of its trading activity and hence within its Surplus Cash. In the statutory cash flow *all* capex is included within investing activity and hence not part of operating cash flows. Therefore the capex of £184m in the CEO Review has been added back in the bridge above.

Note 5: The purchase and disposal of shares in the ESOT is recognised as part of Surplus cash in the CEO Review. This is classified as financing activity in the statutory cash flow.

Note 6: The customer receivables cash movement relates to the nextpay receivables balance. For management purposes, movements in this balance are excluded from Surplus Cash. In contrast, this is included within operating cash flow for statutory reporting.

Note 7: The cash flows associated with our leases, which are predominantly store related, are considered by management to be an integral part of our trading cash flows and hence are included in the calculation of Surplus Cash. From a statutory perspective, lease cash flows are included in financing activity (as a lease is deemed a form of debt).

Note 8: The remaining difference relates to immaterial movements on working capital and other items such as the equity profit from our investments.

Note 9: This value of £971m can be reconciled to the line "Net cash from operating activities" in the statutory cash flow statement.

SECTION 2 - THREE YEAR COMPARATIVES

Throughout the CEO Report, unless otherwise stated, comparisons of sales, profit and debt have been explained relative to *two years ago* (2019/20). Disruption in the prior year (2020/21) from COVID means that one year comparisons are generally not meaningful.

However, in accordance with the statutory requirements, the financial statements present the results for the current year and the prior period (2020/21). As a result, this report includes results for January 2022, January 2021 and January 2020. In order to assist readers with the accounts we have therefore provided a summary of the Income Statement, Balance Sheet and Cash Flow, for all three periods in this section.

Income Statement

£m	Jan 2022	Jan 2021	Jan 2020
Continuing operations			
Revenue	**4,625.9**	3,534.4	4,266.2
Cost of sales	**(2,625.3)**	(2,231.7)	(2,584.2)
Impairment losses on customer and other receivables	**(28.6)**	(54.8)	(41.5)
Gross profit	**1,972.0**	1,247.9	1,640.5
Distribution costs	**(693.7)**	(555.8)	(517.0)
Administrative expenses	**(380.2)**	(246.8)	(267.7)
Other gains/(losses)	**2.5**	(1.3)	(1.5)
Trading profit	**900.6**	444.0	854.3
Share of results of associates and joint ventures	**4.8**	0.5	(0.4)
Operating profit	**905.4**	444.5	853.9
Finance income	**4.2**	0.6	0.2
Finance costs	**(86.5)**	(102.7)	(105.6)
Profit before taxation	**823.1**	342.4	748.5
Taxation	**(145.6)**	(55.7)	(138.3)
Profit attributable to equity holders of the Parent Company	**677.5**	286.7	610.2

Balance Sheet

£m	Jan 2022	Jan 2021	Jan 2020
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	**601.1**	474.8	578.5
Intangible assets	**79.3**	60.5	44.2
Right-of-use assets	**639.1**	720.1	852.7
Associates, joint ventures and other investments	**46.2**	5.0	5.0
Defined benefit pension asset	**156.9**	99.2	133.4
Other financial assets	**18.0**	39.4	48.4
Deferred tax assets	**34.0**	70.4	55.7
	1,574.6	1,469.4	1,717.9
Current assets			
Inventories	**633.0**	536.9	527.6
Customer and other receivables	**1,280.9**	1,108.1	1,315.3
Right of return asset	**24.8**	24.3	24.2
Other financial assets	**35.5**	11.1	1.7
Cash and short term deposits	**433.0**	608.2	86.6
	2,407.2	2,288.6	1,955.4
Total assets	**3,981.8**	3,758.0	3,673.3
Current liabilities			
Bank loans and overdrafts	**(233.1)**	(93.4)	(73.7)
Corporate bonds	**-**	(326.0)	-
Trade payables and other liabilities	**(798.4)**	(555.3)	(592.0)
Lease liabilities	**(162.6)**	(170.1)	(172.3)
Other financial liabilities	**(1.0)**	(37.2)	(32.6)
Current tax liabilities	**(13.0)**	(14.8)	(79.2)
	(1,208.1)	(1,196.8)	(949.8)
Non-current liabilities			
Corporate bonds	**(815.7)**	(837.0)	(1,163.7)
Provisions	**(21.9)**	(18.6)	(17.3)
Other financial liabilities	**-**	-	(7.8)
Lease liabilities	**(894.9)**	(1,015.8)	(1,078.7)
Other liabilities	**(31.2)**	(28.9)	(14.5)
Deferred tax liabilities	**-**	-	-
	(1,763.7)	(1,900.3)	(2,282.0)
Total liabilities	**(2,971.8)**	(3,097.1)	(3,231.8)
NET ASSETS	**1,010.0**	660.9	441.5
TOTAL EQUITY	**1,010.0**	660.9	441.5

Cash Flow (summary)

£m	Jan 2022	Jan 2021 restated*	Jan 2020
Cash generated from operations	**1,096.7**	938.0	1,065.2
Corporation taxes paid	**(125.3)**	(113.2)	(138.0)
Net cash from operating activities	**971.4**	824.8	927.2
Cash flows from investing activities			
Payments to acquire property, plant and equipment	**(243.6)**	(144.6)	(136.4)
Proceeds from sale of property, plant and equipment	**3.4**	0.5	0.3
Purchase of subsidiary	**-**	-	(3.0)
Proceeds from sale and leaseback transactions	**15.5**	28.4	-
Amounts (lent)/repaid (to)/from associates and joint ventures	**(10.8)**	-	-
Payments to acquire intangible assets	**(22.7)**	(16.7)	-
Disposal of minority interest	**-**	3.9	-
Investment in associates / joint venture	**(34.3)**	(2.4)	-
Net cash from investing activities	**(292.5)**	(130.9)	(139.1)
Cash flows from financing activities			
Repurchase of own shares	**(8.7)**	(19.3)	(300.2)
Purchase of shares by ESOT	**(151.3)**	(189.0)	(94.2)
Disposal of shares by ESOT	**72.5**	162.7	66.9
(Repayment)/issue of corporate bonds	**(325.0)**	-	250.2
(Repayment)/proceeds from unsecured bank loans	**-**	(40.0)	(215.0)
Incentives received for leases within the scope of IFRS 16	**11.9**	-	-
Proceeds from sale and leaseback transactions	**14.3**	126.0	-
Lease repayment	**(172.3)**	(171.0)	(162.6)
Net interest paid	**(90.3)**	(101.1)	(100.7)
Dividends paid	**(344.5)**	-	(213.6)
Net cash from financing activities	**(993.4)**	(231.7)	(769.2)
Net increase in cash and cash equivalents	**(314.5)**	462.2	18.9
Opening cash and cash equivalents	**514.8**	52.9	34.0
Effect of exchange rate fluctuations on cash held	**(0.4)**	(0.3)	-
Closing cash and cash equivalents	**199.9**	514.8	52.9

BUSINESS MODEL

The Chief Executive's Review PART 2: The Big Picture (on pages 8 to 21), summarises the way in which NEXT is adapting its business model in response to the deep rooted and lasting changes we perceive are at work in the retail sector. The key elements of our business model are set out here, together with the guiding principles that have shaped the direction in which we have taken the business.

OUR OBJECTIVES

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

We are, at heart, a fashion, homeware and beauty 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 our customers, suppliers and partners along the way. 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.

OUR INFRASTRUCTURE

We draw on all of our assets – warehouses, delivery networks, systems, websites, stores, marketing, credit facilities – to support a business selling hundreds of third-party brands alongside our own NEXT products.

• Warehousing & Distribution

8 UK warehouses, 7 UK depots and 2 International hubs which are fully integrated with our cost efficient distribution facilities. Our distribution network serves our Retail stores and Online customer deliveries for both NEXT and third-party branded products. We also facilitate the induction of products held in third-party warehouses into NEXT's distribution network for onward delivery to customers.

• NEXT Online

Over 6 million UK Online customers and 1.9 million overseas customers.

• Well-Connected Store Network

Around 500 stores in UK & Eire and 199 mainly franchised stores in 35 countries. Our stores play an important role in supporting our Online customers; nearly half of our UK Online orders are collected in-store and the majority of returns are through our stores.

• Digital Marketing Systems

The development of an online marketing system to target products and brands to the customers most likely to want those items. Our systems have the ability to manage significant amounts of data and incorporate sophisticated search facilities and web based marketing tools that link with our email and social marketing systems.

• Consumer Credit

NEXT Finance has built a high quality receivables book with customer credit balances amounting to £1.4bn. The ability to sell products on credit has proven to be an attractive service to customers which benefits Online sales and Group profitability. The customer receivables are a valuable asset, adding to the Group's financial strength.

• Call Centres

NEXT operates call centres in the UK and overseas to support its worldwide customer service operations for Retail, Online and NEXT Finance. We also employ multi-language services to meet the needs of our international customers.

• Supply Chain

NEXT has a well established supply chain that is supported by our overseas sourcing operation, NEXT Sourcing (NSL). NSL provides buying, sourcing and design skills which support the product teams in the UK. NEXT owns a similar, smaller operation based in Portugal overseeing sourcing in Europe and North Africa.

HOW WE CREATE VALUE

The combination of NEXT products and third-party brands, coupled with the strong infrastructure and our core principles, enables the business to consistently create value for our stakeholders.

For Our Customers

- **More product choice** – A combination of NEXT products and third-party brands means customers can choose from an extensive range of products.
- **Cost and quality control** – Our sourcing structure provides excellent quality and accessibly priced products.
- **Outstanding customer experience** – Our extensive logistics operations provide quick and cost-effective delivery.

For Our Third-Party Brand Partners

- **Strong relationships** – We aim to be the most profitable route to market for our partners. In 2021, we lowered our commission rate on clothing for the third

- 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.

WHAT WE DO

The business has evolved at pace in recent years and continues to do so. The growth in our LABEL business and, more recently, the launch of the Total Platform business have expanded the channels through which we generate sales. These can be summarised across four key streams:

• NEXT and Lipsy Branded Products

Our in-house team develop NEXT branded products offering great design, quality and value for money. Lipsy is our wholly-owned subsidiary which designs and sells its own branded and other branded products.

• Third-Party Brands

Our LABEL business sells third-party clothing, home and beauty brands online. The majority, by revenue, are sold on a commission basis with the remainder sold on a wholesale basis.

• Total Platform

We leverage our infrastructure by offering a complete suite of online services to third-party brands. We provide services such as websites, marketing, warehousing, distribution networks and contact centres.

• Third-Party Brand Licences

Our licensing business creates value by combining NEXT's sourcing and quality expertise with the design inspiration of partner brands.

time in three years, passing on the benefits of our economies of scale.

For Our Total Platform Clients

We enable our clients to focus on the areas where they add most value, such as design and buying, rather than capital-intensive areas such as website development and logistics.

Responsibly

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

For Our Shareholders

We manage financial resources effectively to maximise shareholder value. NEXT is highly cash generative; after investing in the business, surplus cash is returned to shareholders.

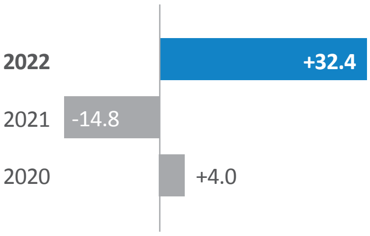
KEY PERFORMANCE INDICATORS (KPIs)

KPIs are designed to measure the development, performance and financial position of the business. The KPIs include Alternative Performance Measures (APMs). 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. All KPIs which show a growth metric are based on a year-on-year calculation of growth. Because the prior year (2021) was disrupted by COVID, we also present the equivalent KPIs for 2020.

NEXT Sales APM

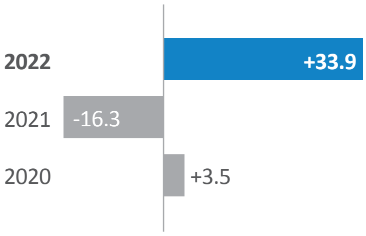
NEXT Brand full price sales[1] growth

+32.4%



NEXT Brand total sales[2] growth

+33.9%

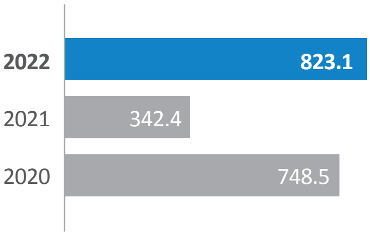


1. Full price sales are VAT exclusive sales of stock items excluding items sold in our mid-season, end-of-season and Black Friday Sale events, our Clearance operations and Total Platform. It includes interest income on those sales.
2. Total sales are VAT exclusive full price and markdown sales including the full value of commission based sales and interest income (as described in Note 1 to the financial statements).

NEXT profitability and Earnings Per Share

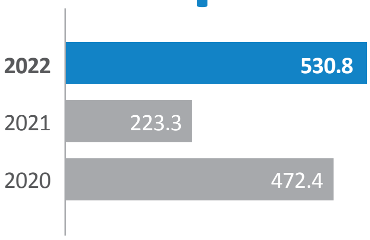
Group profit before tax*

£823.1m



Earnings Per Share (Basic)[3]*

530.8p

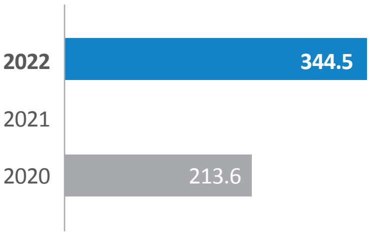


3. For further information on Earnings Per Share, refer to Note 8 of the financial statements.

Return to shareholders

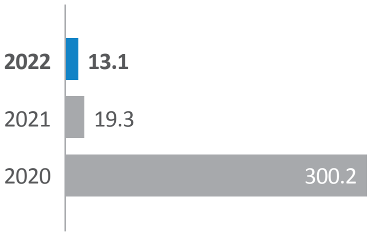
Special/Ordinary dividends[4]

£344.5m



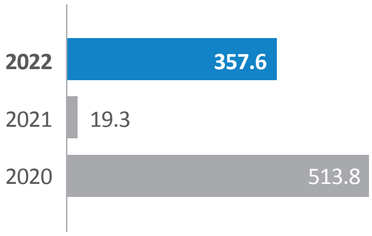
Share buybacks[5]

£13.1m



Total

£357.6m



4. Based on dividends paid in the Cash Flow Statement. Refer to Note 7 to the financial statements.
5. A total of 177,500 shares were purchased in the financial year (2021: 279,639, 2020: 5,376,718) at an average cost per share of £74.04 (2021: £69.15, 2020: £55.83) including stamp duty and associated costs. The average price before costs was £73.58 (2021: £68.72, 2020: £55.49).

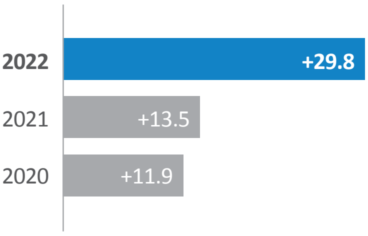
APM APMs are not defined in IFRS and are not intended to substitute or be superior to IFRS measures. Where appropriate a reconciliation between an APM and its closest statutory equivalent is provided in the Glossary on page 242 to 244 and the Appendix on page 65.

* These KPIs are restated to an IFRS 16 basis. ** Restated for change in cost of funding calculation.

NEXT Online sales performance APM

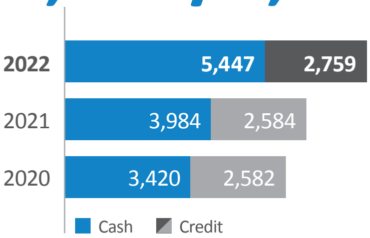
Full price sales growth

+29.8%



Average active customers[6] (000's) (cash/credit)

5,447/2,759



Operating margin (excl. Finance)*

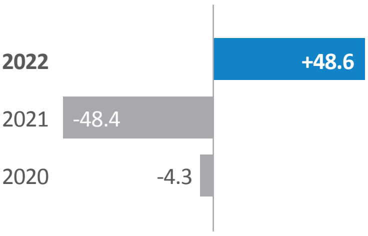
19.0%

6. 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

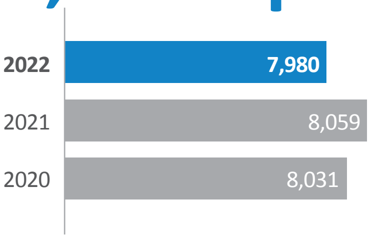
Full price sales growth

+48.6%



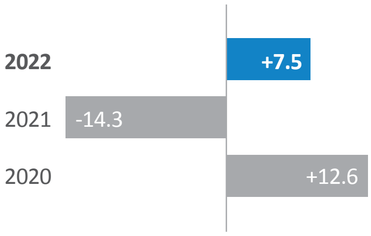
Retail selling space sq ft[7] (000's)

7,980 sq ft



NEXT Retail operating margin*

7.5%

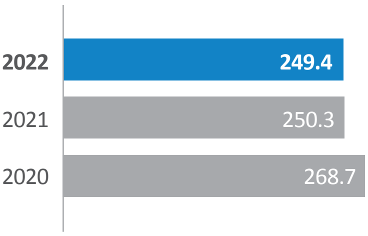


7. Selling space is defined as the the trading floor area of a store which excludes stockroom and administration areas and is shown as at the financial year end. The square footage excludes 421 sq ft. (2021: 377k sq ft) of space occupied by concessions.

NEXT Finance

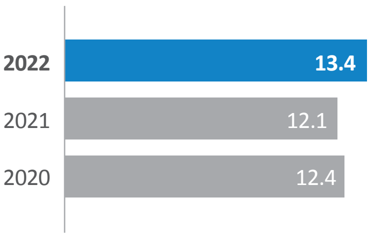
Interest income

£249.4m



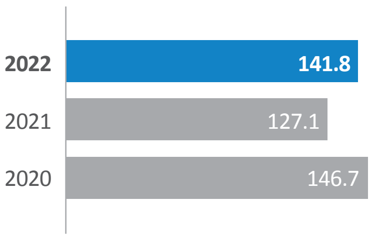
Return on Capital Employed[8] (after cost of funding)** APM

13.4%



Profit (after cost of funding)** APM

£141.8m



8. 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

Approach

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 risk management process is designed to identify, evaluate and mitigate, rather than eliminate, the risk of failure to achieve business objectives, and therefore can only provide reasonable and not absolute assurance.

Our framework for risk governance

We have a 'three lines of defence' model of risk management, as illustrated below.

Board

- Responsible for ensuring that risk is effectively assessed and managed across the Group.
- Determines the Group's risk appetite.
- Overall responsibility for monitoring and reviewing the effectiveness of risk management and internal control systems.
- Conducts a review of the Group's emerging and principal risks.

Audit Committee

- Monitors the Group's internal financial controls and internal control and risk management systems.
- Supports the Board's robust review of the above.
- Approves the internal audit programme.

First Line

Executive Risk Owners

- Owners of the corporate risks and perform bi-annual reviews of these risks.
- Ensure that risks are identified, assessed, adequately controlled and mitigated.
- Review and identify existing and emerging risks with the assistance of the risk management function.

Business Risk Owners

- Responsible for ensuring that risks are managed within appetite.
- Drive design and implementation of controls.
- Review, identify and assess existing and emerging risks with the assistance of the risk management function twice a year.

Second Line

Risk Steering Group

- Review and develop Risk Universe and controls environment.
- Oversee the development of the Group's risk monitoring, assessment and reporting processes.
- Ongoing consideration of horizon scanning and emerging risks.
- Oversight to ensure effective incident management processes.

Risk Management Function

- Manage and report on the risk registers.
- Work with and challenge risk owners to assess risk and identify controls.
- Implement risk management processes and framework improvements.

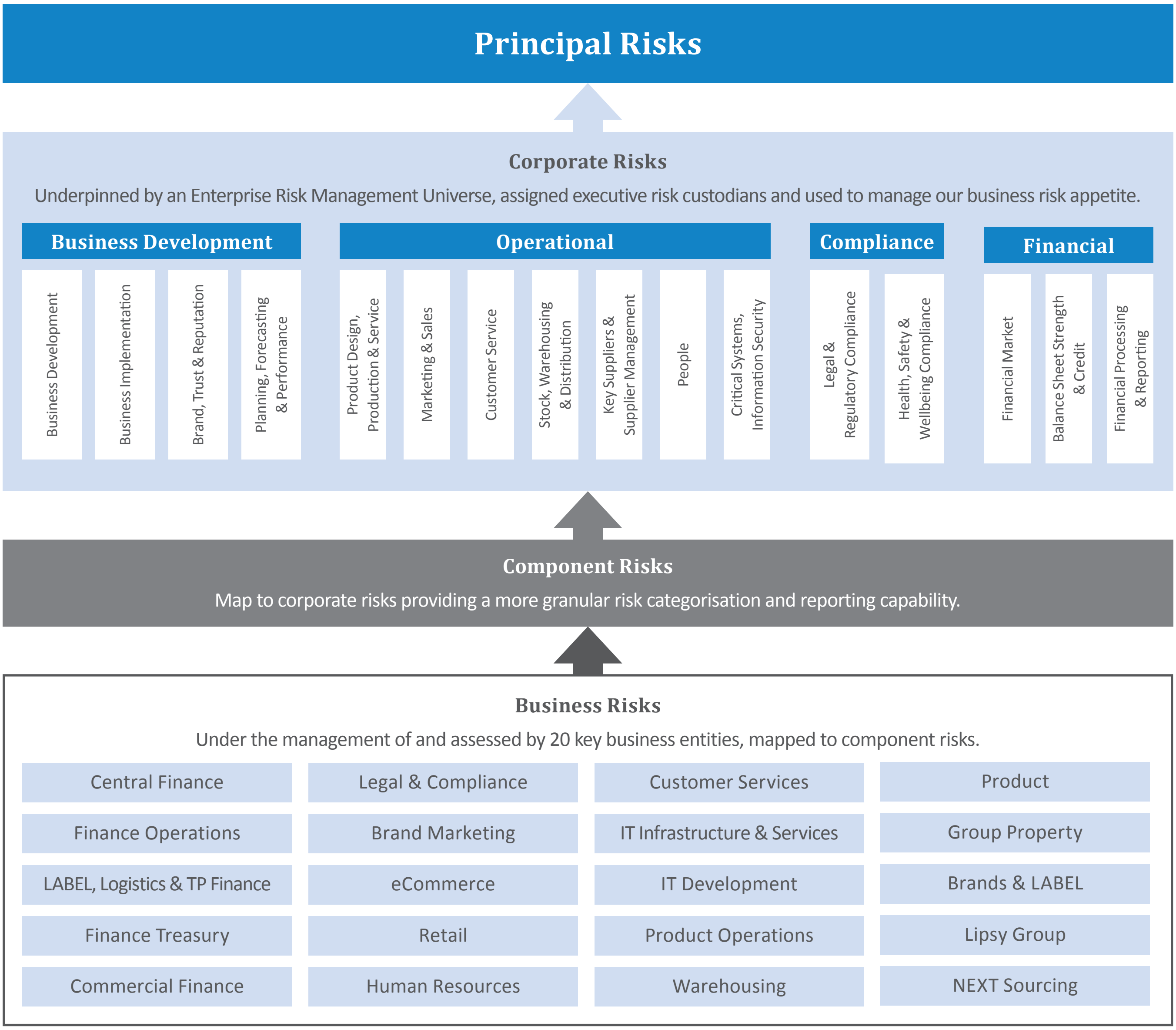
Third Line

Internal Audit

- Agree internal audit programme in conjunction with Group Risk Register.
- Conduct internal audit programme and report to the Audit Committee.
- Respond to issues as they arise and amend the audit programme accordingly.

How we identify and monitor risk

Our approach to risk identification is illustrated by the following diagram of our Enterprise Risk Management Universe and is described in more detail overleaf. The adoption of an Enterprise Risk Management Universe enables a consistent approach to the identification, management, reporting and oversight of risks.



RISKS AND UNCERTAINTIES

For the purposes of risk management, the business has been divided into 20 distinct operational and functional areas, where local business risks are identified, assessed and managed.

Business risks are identified bottom up through discussions with functional and operational area owners and mapped to components of a risk universe for reporting purposes. Components are then mapped to executive owned corporate risks, which in turn are mapped to the principal risks that may impact our ability to achieve our business objectives. The principal risks and key business risks are also subject to a top down review and challenge process.

These business risks are logged within an integrated risk management system and each business risk has a named owner. A standard risk matrix is used to assess the potential impact of each risk (measured in terms of the financial impact) and the likelihood of the risk crystallising within a two year timeframe. The assessment considers both the inherent risk (i.e. before any mitigating controls) and residual risk (i.e. after mitigating controls are applied).

Each business entity risk register is assessed through a three stage management sign off process: initially with the relevant business risk assessor (a senior manager) then via the business entity owner (operational director level), and finally with the executive director who is assigned as the corporate risk owner. The assessment includes consideration of the key controls and the resulting reduction in risk.

The ongoing review and development of the Enterprise Risk Universe and controls environment is the responsibility of the Risk Steering Group. The Risk Steering Group is chaired by the Company Secretary & Central Finance Director and has responsibility for providing direction and support to the management of risk across the Group. It meets bi-monthly and its activities include:

- Establishing clear governance and accountability for risk and any associated (remediation) activities.
- Providing a point of escalation for critical or emerging risks.
- Providing the Board and Audit Committee with sufficient information to enable them to discharge their risk reporting requirements.
- Reviewing the corporate level risks, informed by the most significant business risks assessed across all business entities.
- Ongoing consideration of horizon scanning, any gaps and assessment of significant risk events.
- Annual benchmarking against the published principal risks of peers, particularly those operating in the retail and consumer credit sectors.

The key features of our risk governance, assessment and monitoring processes are:

- Robust risk identification processes – the bottom up identification of risks is supplemented by top down review by executive directors. The Risk Steering Group also supports the risk identification process by: (1) ensuring that the risks or control issues that give rise to any significant incidents are adequately and accurately captured in the risk universe; and (2) assisting with the assessment of emerging risks.
- Clear risk ownership and accountability – each business risk has an owner and each corporate risk has an executive director owner.
- Target business risk appetite and oversight – as corporate risk owners, the executive directors are responsible for setting the risk appetite (subject to Board agreement) and overseeing the appropriateness of risk mitigation through designated governance groups. Each principal risk is also mapped to one or more key operational/governance meetings to ensure there are no gaps in our coverage and monitoring of those risks.
- Consistency – our 5x5 risk scoring matrix is used to drive consistency of risk assessment and quantification. Inherent risk and residual risk is measured, with each business risk assessed both before and after mitigating controls are applied.
- Key control activities are captured – these are the control activities the business places reliance on to manage risk within target appetite and are subject to Internal Audit review and monitoring.

Evaluation of the effectiveness of risk management and internal control systems

The annual evaluation of the effectiveness of the Group's risk management and internal control systems for all parts of the business has been carried out during the year. This covered all material controls including financial, operational and compliance controls. The evaluation process involved the following:

- Audit Committee review – at the November meeting, management presented the Committee with details of the risk management processes, including the risk universe, the risk scoring matrix methodology, and the ownership and oversight of risks. The Committee also considered the nature and circumstances around significant risk events that had occurred during the year to assess whether they suggested significant failure or weakness in internal controls. In addition, details of emerging risks were presented and discussed, together with the risk mitigations in place. An internal financial controls matrix summarising the key processes and oversight of the Group's financial controls was reviewed, with input from senior finance management. During the year the Committee also satisfied itself that management's response to any financial reporting or internal financial control issues identified by the external auditor was appropriate.
- Executive director review – the most significant corporate level risks of the Group, as identified by the risk management process, and their associated controls, were assessed in detail by the executive directors. The objective of this top down review was to ensure that the appropriate risks had been accurately captured within the risk management processes described above, that adequate controls were in place to mitigate these risks and that their potential impact had been robustly assessed. The executives also considered the appropriateness of the principal risks identified.
- Board review – at the January meeting, the Board undertook its formal review of the effectiveness of the risk management systems of the Group. Management supported this review by presenting information about the Group's risk management systems and processes, the output of the reviews undertaken by the Audit Committee and the executive directors, information about the most significant business risks, and a summary of the type and regularity of key executive director led risk governance meetings, mapped to the principal risks.

To support the Audit Committee and Board in discharging their responsibilities, they were provided with the following information:

- Relevant extracts regarding their responsibilities with regard to risk from the Corporate Governance Code, the FRC Guidance on the Strategic Report and also on Risk Management, Internal Control and Related Financial and Business Reporting.
- A review of the Principal Risks identified by other large, comparable listed companies. This helps to ensure that there are no gaps in our risk identification or impact assessment.

Following the evaluation process described above, the Board is satisfied that the material controls have been operating effectively for the financial year to January 2022 and up to and including the date of this Annual Report (see page 125 for further details). No significant failings of internal control were identified during these reviews.

The business will continue to review opportunities to develop, strengthen and improve the effectiveness of our risk management and internal control systems. We have generated an Enterprise Risk Management Development Plan for the year ahead which incorporates feedback received from the Audit Committee and Board during their reviews. Planned improvements in the year ahead include ensuring that key controls are documented and reviewing how and when they are tested.

Climate risk

We have undertaken a detailed review to identify the risks posed to NEXT by climate change and how they might impact our business. The risks include the short to medium term impacts including transitional changes (for example, legislation and financial) which we closely monitor, as well as the long term emerging risk of climate change (for example, physical changes including the increased likelihood of flooding events) for which we have undertaken an analysis of our key product sourcing locations. Having assessed and modelled the risks, we believe that the short to medium term climate-related risks are not material for our business, although we recognise that we will need to keep abreast of future climate change legislation as well as consumer preferences. The risks relating to climate change are therefore an integral part of several of our principal risks, but are not currently considered to be a separate principal risk of the business.

The environmental and climate change related risks are overseen by the ESG Steering Group, supported by the Risk Management team and are reported to the executives and ultimately the Board. Further details regarding NEXT's climate risks are provided in our TCFD disclosures on pages 92 to 98.

Risk appetite

Our approach to risk management aims to bring controllable risks within our appetite and to enable our decision making to balance uncertainty against the objective of building shareholder value through long term, sustainable returns for our shareholders and other stakeholders. On page 74 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.

Emerging risks

Identification and review of emerging risks are integrated into our risk review process. Emerging risks are those risks or combinations of risks which are often rapidly evolving for which the impact and probability of occurrence have not yet been fully understood and consequently the appropriate mitigations have not yet been fully identified. All risk owners and managers within the business are challenged to consider emerging risks and this is enhanced by formal horizon scans by the executive directors and the Risk Steering Group, and reviewed by the Board. Key emerging risks that we are monitoring include the uncertain economic and geopolitical external environment and its potential impact on our business and customers see page 58 for further information, and the impact of increasing focus on ESG issues, particularly carbon emissions reduction.

Black swan events

During the year the Audit Committee reviewed the way in which very large and disruptive events would be managed by the business. This review included looking at the recent learnings from the way the management team responded to the pandemic, the resilience of the business, the various liquidity levers available to it (with associated estimated quantums and timescales), the business impact assessment process and continuity plans in place. A simulation exercise will be undertaken in the year ahead to test the effectiveness of our major incident processes.

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 125 for further details. There were some changes made last year to the principal risks and uncertainties and, after review, the Board agreed that no changes were necessary this year. They did, however, agree to changes to some of the principal risk trends, as indicated in the following pages.

The principal risks are described below, together with an explanation of how they are managed or mitigated.

The Board is committed to ensuring that the key risks are managed on an ongoing basis and the business operates within its risk appetite and took into consideration the principal risks of the business when it assessed the long term viability of the business. Although 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 87).

Risk trend

↑ Increasing

↔ Unchanged

↓ Decreasing

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

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.

Link to strategy	● ● ● ● ● ● ●
Risk trend	↓

- 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, stock control, 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 products 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 see page 22 to 30 for further details. 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 stock 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 Beauty business) have served to increase the breadth of our Online 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 approve quality standards, with in-house quality control and testing teams in place across all product areas.
- Senior management regularly review product recalls and product safety related issues.

Link to strategy	●●●
Risk trend	↓

Key suppliers and supply chain management

Reliance on our supplier base to deliver products on time and to our 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 103.
- 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.

Link to strategy	●●
Risk trend	↑

RISKS AND UNCERTAINTIES

Principal risk and description	How we manage or mitigate the risk
Warehousing and distribution Our warehousing and distribution operations are fundamental 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 operations with significant challenges. **Link to strategy** **Risk trend** ↔	• 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 distribution 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 56 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 increased reliance on technology and the development of new business ideas within the Group (such as Total Platform) increases that reliance further. **Link to strategy** **Risk trend** ↔	• Continued investment in technology that supports the various component parts of the NEXT Online platform. • Continual development and monitoring of the 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 are used to assess customer opinions and satisfaction levels to help 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.

Link to strategy	● ● ● ●
Risk trend	↓

- 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 an 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 are 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.

Link to strategy	● ●
Risk trend	↔

- 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, 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.

Link to strategy	
Risk trend	↔

- 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 early stages of the pandemic led to a 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 was significantly reduced during 2020 to strengthen 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 the 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.

Link to strategy	
Risk trend	↑

- Policies and training are in place for those employees and contractors working in the business areas that are subject to regulatory supervision. 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 a business 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 risks, 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 and strategy (pages 74 to 75) and the principal risks and mitigating factors described on pages 82 to 86. In addition, the directors regularly review 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 financial years preceding January 2021, the business generated cash before distributions in excess of £400m.

In the financial years ending January 2021 and 2022, despite the impact of the pandemic and the enforced closure of its stores for significant periods, the business continued to generate high levels of cash before distributions. This enabled the Group to repay £325m of bonds in October 2021 out of existing cash, while maintaining sufficient liquidity to meet its ongoing liabilities.

The Group has maintained its net debt (excluding leases) at £0.6bn, which is £0.5bn lower than the net debt at January 2020 and provides the business with headroom on its existing banking facilities of £0.6bn. One of these facilities, the revolving credit facility of £450m, expires in November 2024 which is towards the very end of the period of the viability assessment. The Board expects to replace or renew these facilities well ahead of their maturity and, given the current investment grade credit rating of the business and its strong recent performance, considers it a reasonable expectation to secure a similar level of financing. The assessment of the viability of the Group is not, however, dependent on securing this financing.

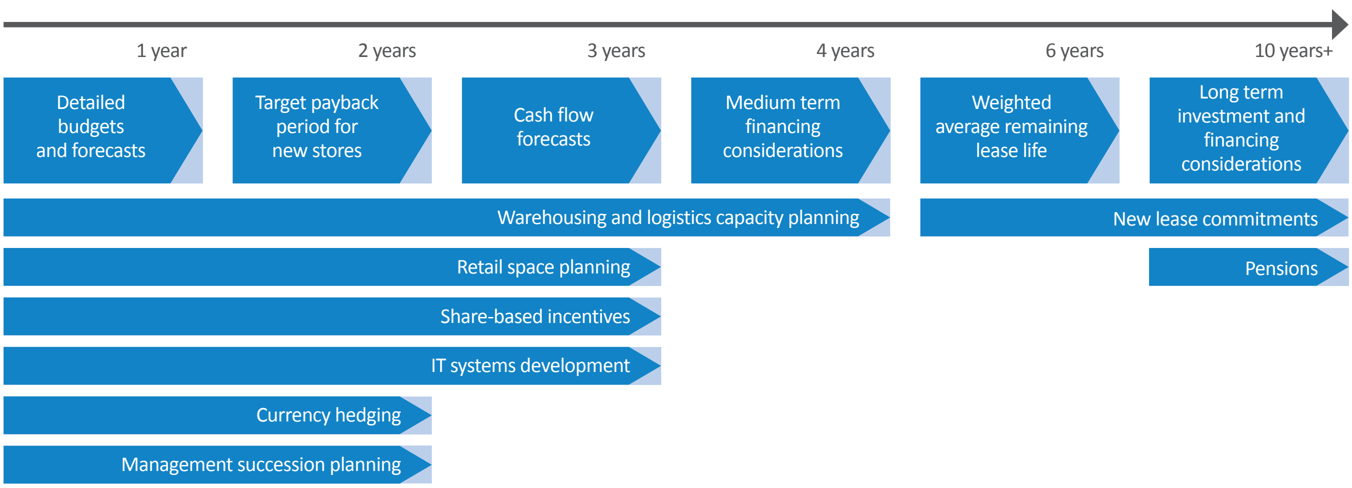
The Board considers that this headroom, coupled with the highly cash generative nature of the business and the available cash levers (described overleaf) provide a strong degree of financial resilience and flexibility.

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 like NEXT to be assessed over.

While the period of assessment was based on a three year horizon, the Board is conscious that a significant portion of the Group's external bond debt matures in 2025 and 2026. If the Group's performance in year three of its forecast was maintained into 2025 and 2026, then the directors consider the business would have sufficient funds to repay or secure refinancing of the bonds as they mature.



VIABILITY ASSESSMENT

Assessment of viability

Viability has been assessed by:

- Preparation of a three year viability model, with year one based on our profit guidance for the year ending January 2023 (see page 61) and a cash generation in our central scenario, before distributions, of £440m. Thereafter it assumes that the Group sales and profit remain flat with a decline in Retail sales being offset by growth in the Online and Finance divisions. This is considered a base case model for viability testing purposes.
- 'Top down' sensitivity and stress testing is then applied to this model. This included a review of the three year cash projections which were then stress tested to determine the extent to which sales, and hence trading cash flows, would need to deteriorate before breaching the Group's facilities or financial covenants. This was both before and after anticipated shareholder distributions, and assuming that any bank facilities which expire during the period are not replaced. The current facilities of the Group include a revolving credit facility of £450m and it has financial covenants across its debt relating to interest cover, gearing and an EBIT to debt ratio.
- This testing indicated that the business could withstand a sustained decline in sales, across the entire business, of more than 25% over a 12 month period and still remain within its existing financing facilities and covenants. This assessment did not require the business to seek any additional or new external financing.
- Specific consideration was also given to the impact caused by a "black swan" event which results in a significant and sustained disruption to the business. This scenario modelled the impact of the total closure of the business for two months followed by a gradual recovery in sales over a six month period. In this scenario, the business was able to remain within its finance facilities and covenants through the use of mitigating actions, including the sale of shares in the ESOT and the deferral of non-essential capital expenditure.
- Considering the likelihood and impact of severe but plausible scenarios in relation to each of the principal risks as described on pages 82 to 86. These principal risks were assessed, both individually and collectively, taking into consideration a broad range of mitigating actions and cash levers that might be utilised in particular situations. These mitigating actions, some of which the Group used during the COVID pandemic, include 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 all the principal risks 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.

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

What being a responsible business means to us

As an international fashion, homeware and beauty business, what we do and how we do it has an impact on the people and the world around us.

Our stakeholder relationships are key to our success and inform our decision making on Environmental, Social and Governance (ESG) matters, now a widely recognised term for what we have always valued – doing the right thing. We have made good progress on setting our near term and longer term aspirations but we realise there is still more to do.

The principles underpinning our aim to do business responsibly are unchanged; we seek always to:

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

Global issues such as responsible sourcing, human rights and climate change remain key areas of focus. Within this report you can read about:

- Our assessment of the impact that climate change will have on the Group over time and what we are doing to reduce our environmental impact.
- Our progress towards a number of our environmental strategic goals, such as our Responsible Sourcing Strategy, which aims to source 100% of our main raw materials through known, responsible or certified routes by 2025.
- Our disclosures under the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB).
- The range of commitments and initiatives we are working on to improve the wellbeing of our people.
- The activities of our internal Code of Practice (COP) team, who continue to work with our suppliers worldwide to enhance labour standards – more critical than ever during the COVID pandemic.
- The target we have set for our indirect (Scope 3) carbon emissions.
- Our progress on waste, packaging and recycling throughout the business.

Closer to home, the safety and wellbeing of our colleagues is always our top priority. During the year, we continued to increase resources on our wellbeing website for employees, as well as running face to face chat sessions with our mental health first aiders and holding a winter wellness festival to support a wide range of wellbeing events and activities.

In July 2021, our targets to reduce our Scope 1 and 2 carbon emissions were approved by the Science Based Target Initiative (SBTi). We also signed up to the EV100, committing to switching our car and van fleets to electric vehicles by 2030.

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

A James

Amanda James
Group Finance Director

24 March 2022

Our principles

Our business activities impact a wide range of stakeholders and we strive to make this impact a positive one. 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 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.

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

SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY
3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
8 DECENT WORK AND ECONOMIC GROWTH
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND
17 PARTNERSHIPS FOR THE GOALS

We are a member of several leading forums, where we collaborate with others to adopt more sustainable ways of working. These include:

canopy
ROADMAP TO ZERO The ZDHC Foundation
Textile Exchange
BRC CLIMATE ACTION ROADMAP
RE100
CLIMATE GROUP EV100
SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION
Textiles 2030
Leather Working Group
Sustainable Apparel Coalition

CORPORATE RESPONSIBILITY

ENVIRONMENT

Our commitment

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

Our efforts around ESG are reflected in the following:

- Constituent of the FTSE4Good Index.
- Sustainalytics: 15.5 risk rating (low risk), ranked 132 out of 453 in our industry (retail).
- MSCI: ESG rating AA (Leader).
- CDP: Climate change: A-, Forests: B, Water security: B.

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. The reported emissions data includes NEXT plc and its subsidiaries with the exception of any associates in which our interest is below 51%.

		2022		2021	
Greenhouse Gas (GHG) Emissions[1]	Unit	UK	Global	UK	Global
Scope 1[2]	tonnes CO_2e	**41,832**	**42,616** Ⓐ	36,424	36,914
Scope 2 – Location Based[3]	tonnes CO_2e	**42,229**	**47,334** Ⓐ	39,872	43,656
Scope 2 – Market Based[4]	tonnes CO_2e	**1,274**	**6,379** Ⓐ	1,052	4,836
Total Scope 1 & 2 Location Based	**tonnes CO_2e**	**84,061**	**89,950** Ⓐ	76,296	80,570
Total Scope 1 & 2 Market Based	**tonnes CO_2e**	**43,106**	**48,995** Ⓐ	37,476	41,750
Energy consumption[5]					
Electricity	kWh	**200,481,052**	**208,842,211**	172,493,823	179,492,824
Natural Gas	kWh	**54,217,977**	**54,675,195**	48,663,573	49,207,109
Gas Oil	kWh	**2,146,797**	**2,146,797**	1,743,295	1,743,295
Diesel	kWh	**127,356,106**	**127,798,783**	108,135,792	108,420,497
Petrol (including plug-in hybrid)	kWh	**3,116,535**	**3,305,531**	2,107,852	2,301,766
Total Energy Consumption	kWh	**387,318,467**	**396,768,517** Ⓐ	333,144,335	341,165,491
Intensity metric[6]					
Location Based	tonnes CO_2e/£1m sales	**17**	**19** Ⓐ	21	22
Market Based	tonnes CO_2e/£1m sales	**9**	**10** Ⓐ	10	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 conversion factors published by BEIS in 2021. For international electricity, Scope 2 factors published by IEA in 2021 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 losses.
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 2021 BEIS GHG conversion factors for company reporting to convert from passenger miles in company-owned vehicles to kWh.
6. We use tonnes C0₂e/£1m sales as our intensity metric as this gives a consistent and comparable ratio regardless of total sales. Our intensity metric has reduced year-on-year due to energy efficiency initiatives such as those outlined opposite.

Ⓐ This data was subject to external independent limited assurance by PriceWaterhouseCoopers LLP ('PwC') for the year ended 29 January 2022. PwC's assurance report is available on our corporate website at nextplc.co.uk. For our 2022 Reporting Principles, Criteria and Methodologies for assured data see nextplc.co.uk/corporate-responsibility.

Energy consumption data is captured through monthly bills showing actual or estimated consumption. We continue to look for ways to improve energy efficiency as this reduces both carbon emissions and costs for our business. We actively track and review energy performance via a central data collection facility to ensure our properties are operating efficiently. The following initiatives were our principal measures during the year:

- Continued to invest in high efficiency LED lighting in existing retail stores which reduced our lighting energy consumption by around 75% in comparison to the lighting replaced. The LED lighting solutions are fitted in new stores as standard. We have also identified further existing stores to re-fit during 2022/23.
- Installed solar panels installed across two of our warehouses and a third installation will be commissioned this year on our Elmsall 3 warehouse. We are also exploring additional other self-generated energy opportunities across our estate.
- Maintained our Energy Forums, working closely with our energy provider and other parties to actively identify opportunities in energy efficiency measures and technology to help reduce our environmental impact and deliver savings for the business.

We gained SBTi approval for our Scope 1, 2 and 3 reduction targets during the year.

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.

Carbon footprint – including Scope 3

Due to the nature of our business, most of our carbon footprint falls outside of our direct control and is reported under our Scope 3 emissions. Our Scope 3 total emissions disclosure (CO_2e) covers the complete lifecycle of all the products we sell, including branded items sold through LABEL and Total Platform. This extends from the production of raw materials through to the manufacture, transport, how our customers use and care for them and the eventual end of life treatment of the products we sell. The emissions have been estimated in line with the GHG Protocol Corporate Accounting and Reporting Standard, and are based on a combination of high quality internal data coupled with the best available public sources on CO_2 emissions factors using conservative assumptions.

Our total Scope 3 emissions is reported in the table below, together with our Scope 1 and 2 (location based) emissions. Our carbon reduction targets are set out on page 98.

Greenhouse Gas (GHG) Emissions[1]	2022 Tonnes	%
Scope 1	**42,616**	1.4%
Scope 2 – Location Based	**47,334**	1.5%
Scope 3	**3,019,997**	97.1%
Total Carbon	**3,109,947**	100.0%
Scope 1		
Gas Heating (stores, offices and warehouses)	**10,014**	23.5%
NEXT Owned Distribution Vehicles	**29,881**	70.1%
NEXT Owned Cars	**1,490**	3.5%
Building (diesel, oil, refrigerant gases)	**1,231**	2.9%
Scope 2		
NEXT Group Energy Consumption	**47,334**	100.0%
Scope 3		
Purchased goods and services	**1,990,082**	65.9%
Use of sold products	**738,527**	24.4%
Upstream transportation and distribution	**118,298**	3.9%
Downstream transportation and distribution	**71,585**	2.4%
Employee commuting	**20,336**	0.7%
Fuel and energy-related activities	**26,384**	0.9%
End of life treatment of sold products	**27,176**	0.9%
Capital goods	**24,951**	0.8%
Business travel	**1,533**	0.1%
Waste generated in operations	**1,125**	0.0%

CORPORATE RESPONSIBILITY

Taskforce on Climate-related Financial Disclosures (TCFD)

NEXT's climate-related disclosures are consistent with the recommendations and recommended disclosures of the TCFD, and in compliance with the requirements of LR 9.8.6R (UK Listing Rules). They set out how NEXT incorporates climate-related risks and opportunities into governance, strategy, risk management, what we are doing to reduce our environmental impact and our key metrics and targets.

Our ESG governance framework

Our governance structure around ESG-related activities is relatively simple. This allows emerging issues and matters for decision to be escalated quickly.

Board oversight

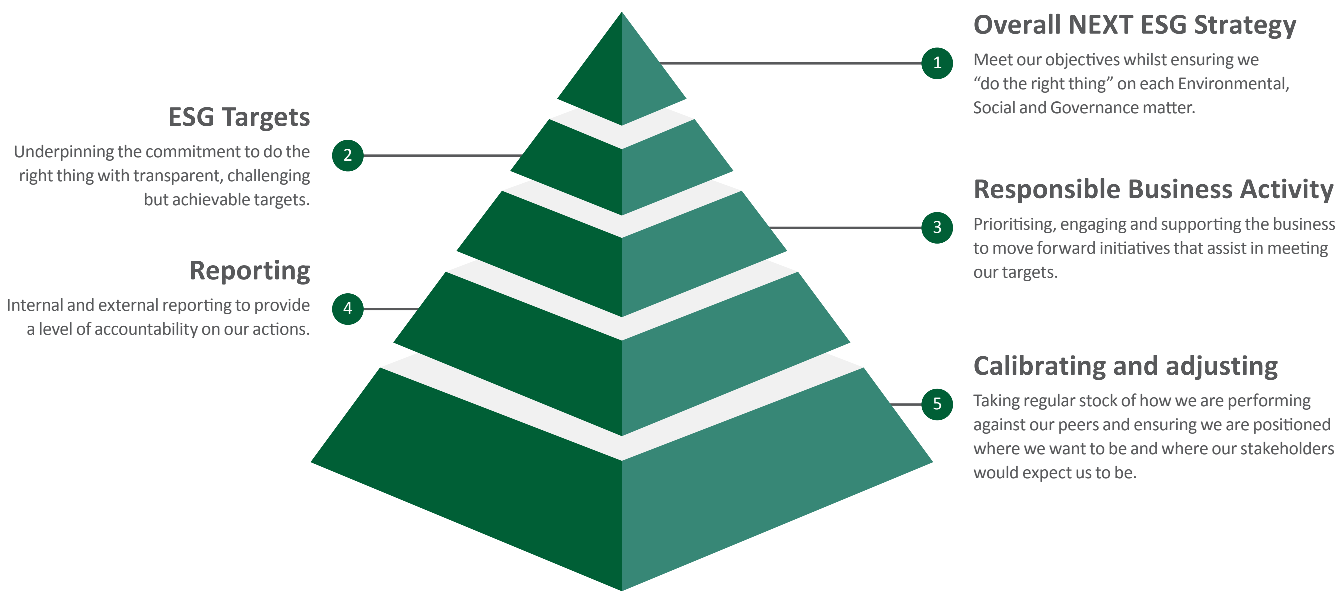
The Board has delegated oversight of ESG activities to the Audit Committee. It decided that this was appropriate given the increasing focus on the potential risks and financial impacts associated with climate change in particular. The Committee's remit includes:

- Monitoring progress against climate-related goals and targets.
- Keeping under review the Company's ESG risks and opportunities.
- Keeping under review the materiality of climate-related risk and its impact on the financial statements.
- Monitoring adherence to externally applicable sustainability codes and principles.

ESG is a standing agenda item at each Audit Committee meeting.

Wider governance arrangements

There are wider governance arrangements in place to support the Audit Committee, and ultimately the Board, in discharging their responsibilities. An ESG Steering Group has been established which meets quarterly to oversee the delivery of our action plan and improvement roadmap, ESG targets and emerging ESG risks. Climate-related issues are central to the ESG matters that the Steering Group considers. The key areas of focus of the ESG Steering Group are as follows:



The Steering Group is chaired by the Company Secretary & Central Finance Director. It is cross-functional; members include senior management from the Central Finance and Product teams as well as the Head of Supplier Ethical Compliance and the Head of Product Legislation & Sustainable Development.

The Group Finance Director, Amanda James, is the executive sponsor of ESG activities and directs the activities of the Steering Group. She meets regularly with the key members of the Steering Group, receives various updates throughout the year and is present at Audit Committee and Board meetings to discuss ESG matters that arise. The Audit Committee receives reports from the ESG Steering Group at each of their meetings. The Committee subsequently updates the Board and makes recommendations as appropriate.

The current approach of the Remuneration Committee to incorporation of ESG metrics in the variable pay arrangements of the executive directors is set out in the Remuneration Report on page 135.

Management's role

The Company's senior management is responsible for managing on a day-to-day basis the climate-related risks and opportunities of the business. Over the last three years, management engaged an external climate risk consulting firm to help us undertake a gap analysis against TCFD recommendations, complete a climate opportunity and risk assessment, quantify the financial impacts of those risks and opportunities and conduct a scenario analysis of business resilience under a range of climate scenarios.

Senior management also hold quarterly calls with the Company's broker to keep abreast of the fast evolving views of institutional shareholders on ESG matters, as well as regularly engaging directly with shareholders, banks, credit rating agencies and proxy advisors. During the year, we engaged directly with many of our shareholders specifically to discuss ESG matters.

Risk management

Climate-related risks are embedded within our overall integrated risk management framework and any risks identified are subject to the same process and managed in line with all other risks. For further detail on our risk management framework and processes please see page 78 to 82.

The Audit Committee, under delegated authority from the Board, is accountable for overseeing the effectiveness of our risk management process, including identification of the principal and emerging risks. Our ESG Steering Group has also supported this process and helps to identify, monitor and assess current and emerging climate risks and report these to the Audit Committee. Valuable input is received from the Head of Product Legislation & Sustainable Development who is a member of the ESG Steering Group. The output of all climate-related risk assessments is considered by the Board when they assess the principal risks of the business and is also used to direct focus to our ESG work.

Identification of climate-related risks and opportunities, and their impact on NEXT's business, strategy and financial performance

During the year, we refined our assessment of the risks and opportunities posed 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 and agreed the methodology for assessing and quantifying financial impacts.

For the purposes of our assessment, the time horizons we used were as follows:

- Short term: from 2022 to 2025.
- Medium term: from 2025 to 2030.
- Long term: from 2030 to 2040.

The risks identified during our analysis are more likely to present themselves in the medium or long term. Having assessed and modelled the risks, we believe that there is no immediate material financial risk or threat to our business model.

We have considered the potential for the financial statements to be impacted by climate change, with a particular focus on long term assets. Of the assets on our balance sheet which might be considered to be at risk from climate change, the majority of our plant, property and equipment are warehouses, retail stores, plant and machinery and shop fittings in the UK. These assets have a useful remaining life of less than 10 years other than the leases on our Head Office and warehouses. These assets are not considered to be at risk of any physical impacts or transitional risks arising from climate change. Please see further information in our Group Accounting Policies, on page 189.

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. We recognise that we will need to keep abreast of future climate change legislation as well as consumer preferences. The retail sector is faster paced than many and there are likely to be changes in the way retailers do business in the next few years. However, we have a strong track record of evolving at pace and we are confident that we can react accordingly.

The risk management recommendations arising from our climate change scenario analysis (further details on pages 95 to 96) were:

Policy/Regulation: It is likely that increased policy and regulation will have the most significant financial impact on NEXT over the longer term. The most significant thing the business can do to reduce exposure to this risk is to reduce the carbon intensity of its supply chain and operations.

Market: Climate change is expected to impact the supply and demand for certain commodities, products and services. NEXT can mitigate this risk by continuing to maintain balanced and diverse sourcing routes and product suppliers.

Physical: It is through playing our part in reducing the carbon intensity of our operations, that we will in turn reduce the physical climate-related risks that impact our business.

CORPORATE RESPONSIBILITY

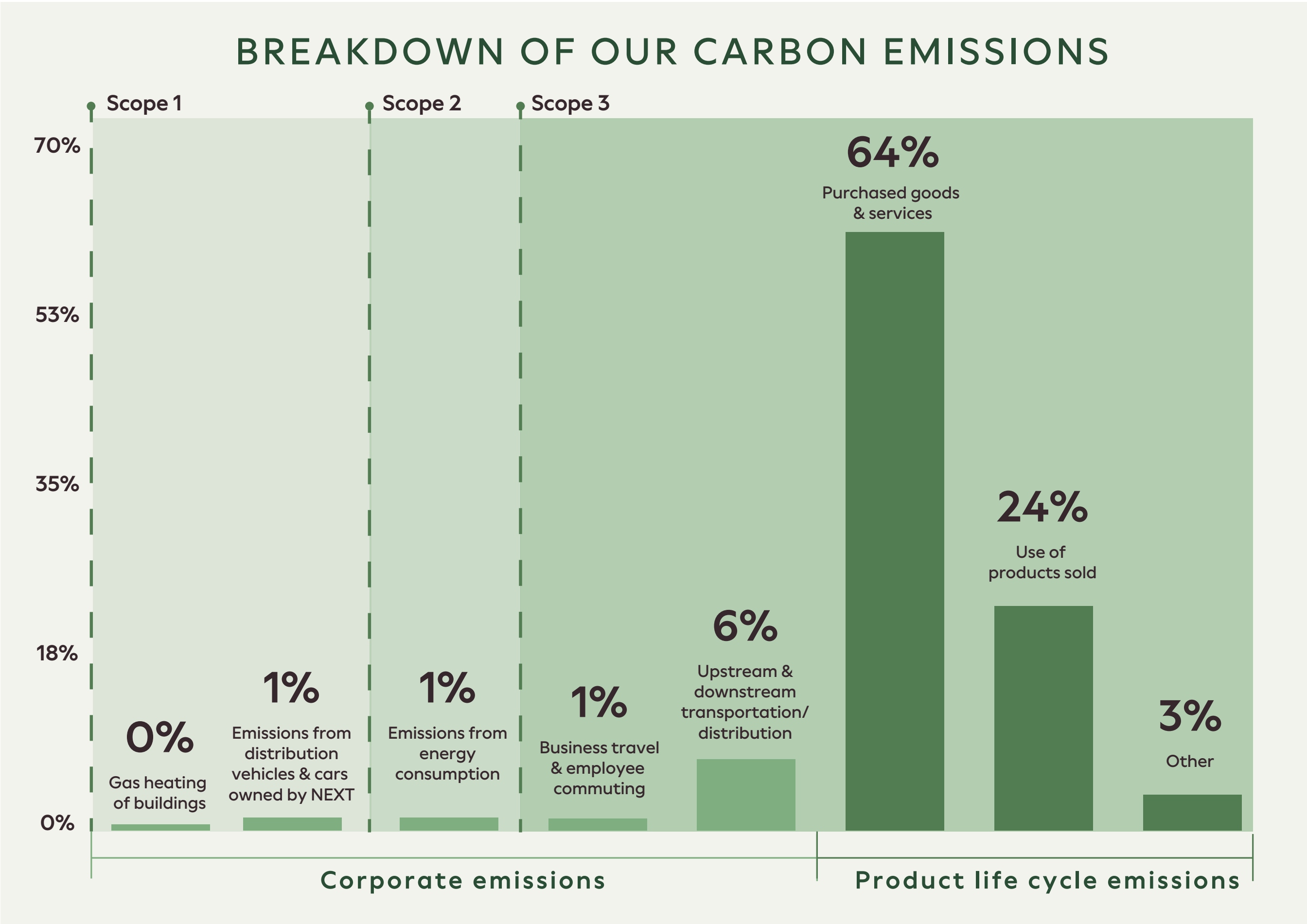
Strategy

We are at the start of a complex and challenging journey and our strategy will continue to be refined. Our environmental strategy is informed and driven by:

- Industry trends with a potential environmental impact.
- The direct and potential impact of climate change on our operations, identified through assessing our risks and opportunities in the short, medium and long term and also climate change scenario analysis.
- Our commitment to reducing our Scope 1, 2 and 3 emissions, which have been set to align with the Science Based Target Initiative (SBTi) footprint approach and methodology. Our Scope 1 and 2 targets are consistent with achieving a 1.5 degree reduction in line with the SBTi pathway. We gained SBTi approval for our targets in July 2021.

Industry trends can create shorter term risks and opportunities, as was evident during the pandemic.

Our impact on the environment, either directly or indirectly, occurs throughout our value chain. Much of the value chain is outside our direct control as we do not source raw materials directly. The majority of our emissions are embedded within the products we purchase and within our supply chain, as illustrated in the chart below. We are creating more sustainable ways of working within our own operations so that we can minimise our impact on the environment.



Industry trends

The retail industry has an increasingly important role to play in limiting its environmental impact, particularly given emerging trends in recent years. These include:

Trend	Our response
The advent of fast fashion – the type of manufacturing processes, the materials used and the disposable nature of the products all play a role in negatively impacting the environment.	**Durable, quality products** – We offer excellent quality products that are responsibly sourced. We develop our products to be durable and intend our clothes to wear well. If customers choose to purchase new clothes, we work to ensure this is not because of items failing in wear. We understand the importance of giving our customers the designs they most want, however, we consciously do not sacrifice our quality requirements in order to deliver fashion faster. We believe our clothes come with an implied promise of quality which is integral to our brand. Particularly within our Childrenswear division, our customers regard our products as being made to last which means they can be usefully passed down to siblings.
Changing expectations of companies' role in fighting climate change.	**Responsible sourcing** – We aim to source 100% of the main raw materials we use through known, responsible or certified routes by 2025. We are making it easier for customers to identify sustainably sourced items; most products containing at least 50% of responsibly sourced raw materials which have been certified and verified to a recognised standard can now carry a NEXT Generation label.
More recently during the COVID pandemic, the absolute reliance on online shopping and home delivery – this shift away from shopping in-store (therefore shifting responsibility for the consequent transport emissions and packaging onto the Company) places a further onus on the Company to ensure its home delivery service is as environmentally friendly as possible.	**Convenience** – We aim to offer next-day delivery on items ordered online. Customers welcome this convenience; after the reopening of our stores following the relaxation of Government restrictions, a significant proportion of our sales remained Online. In order to maintain this offering while limiting our environmental impact, we need to streamline and improve our operations, for example through the use of electric vehicles – see page 97.

Our climate change scenario analysis

To further understand and explore how potential climate risks and opportunities could evolve and impact our business over the medium to longer term, the TCFD recommends undertaking climate scenario analysis. Climate scenarios are hypothetical plausible future states under different levels of global warming and states of transition to a low carbon world. They provide a forward looking view into how different types of climate-related risks and opportunities may impact an organisation. There are a number of scenarios that have been developed by scientific organisations which are publicly available and widely used within TCFD scenario analysis.

Scenarios and timeframes assessed

The TCFD specifically recommends that organisations consider a set of scenarios, including a '2°C or lower scenario' in line with the 2015 Paris Agreement. This low carbon scenario is centred on 'transition' risks and looks at the rapid changes, such as policy, technology, market and reputational risks, that will be needed to cut emissions in line with the Paris Agreement. The scenario analysis should also consider 'physical' risks, such as temperature rise, sea level rise, and changes to the frequency and severity of extreme weather events, including droughts and storms. This is most relevant to our supply chain, the majority of which is based in Asia.

We examined three climate scenarios against two timeframes for the purposes of our analysis. The time frames we selected were to 2030 and 2040, to align with our long term planning horizons and with the British Retail Consortium commitment to net zero by 2040.

The three scenarios we considered were as follows:

Scenario	Description	Reference data used in analysis
Late transition	Sudden shift towards low carbon economy with governments making dramatic policy interventions to make up for a late start. Global average temperature increase to be kept within 2°C by 2100.	Scenario based: UNFCCC's SSP1/ UNFCCC's SSP2 Physical risk scenario: RCP 2.6
Early transition	Gradual and deliberate shift towards a low carbon economy with the outcome of successfully limiting global average temperature increase within 2°C by 2100.	Scenario based: UNFCCC's SSP1 Physical risk scenario: RCP 2.6
Hothouse world	Continuation of current projection of carbon emissions without any significant abatement or mitigation. Likely to result in average global temperature increase of >4°C.	Scenario based: UNFCCC's SSPs 2-5 w Physical risk scenario: RCP8.5

Note: The reference data refers to existing published scenarios in relation to socioeconomic data and climate projections that we have used to base our forward looking scenarios on.

As NEXT grows and changes, and the reference data evolves, we intend to periodically review the scenarios and timeframes we choose to apply in our analysis and refine them as needed.

CORPORATE RESPONSIBILITY

Overview of our findings

The headline implications for the resilience of our business, as summarised by reference to our scenarios, are:

Scenario	Description
Late transition	Most impactful scenario, driven by the potential for the introduction of the most severe forms of carbon taxation.
Early transition	In this scenario, the impact from the introduction of carbon taxation is still significant but carbon prices are predicted to stay at lower levels. Therefore, this is the middle impact scenario.
Hothouse world	This is the least impactful analysis, however, it is acknowledged that this is in part due to the physical impacts under this scenario not being severe until post-2050 in the hothouse world scenario.

The analysis suggests that NEXT is most exposed to transition risk up to 2040. This is due to:

- The potential for significant exposure to new Scope 3 emissions costs.
- The ability to manage physical risks to the supply chain via a diverse supplier base and agile procurement practices. NEXT already has this ability, therefore it does not require any investment or changes in approach.

The scenario analysis has confirmed that our mitigation actions to 2040 should focus on transitional risks, and critically on the reduction of carbon and environmental impacts on which NEXT may be taxed or regulated. The impacts of the physical risks under all scenarios are relatively modest under both time horizons, but become much more pronounced from the 2050s onwards.

Type of risk	Risk	Potential impact	Mitigation/Business response
Transitional / Regulation	Increased regulation on product composition or mix	Increase in the raw material costs across the core fabrics we use.	We already closely monitor the implementation of any policies related to products to ensure we comply with appropriate safety regulations. We will continue to monitor product legislation policies with a view to identifying potential direct operating costs of the business that relate to climate change.
Transitional / Market	Introduction of climate sanctions	Tax levied on imports from countries with a less environmentally friendly regime.	Balanced sourcing of product suppliers should reduce exposure to this risk.
Transitional / Policy and legal	Increased pricing of greenhouse gas emissions	Failure to comply with regulations to reduce our environmental footprint following the adoption of the carbon tax.	Pay attention to any future policy proposed which may increase direct operating costs of the business through carbon taxes. Working to achieve the climate goals will reduce any cost risks.
Physical	Increasing extreme weather events affecting suppliers' operations	Factories located in low-lying areas could be at risk of flooding. A severe weather event could lead to supply disruption and loss of materials in the short term and increased insurance costs over the long term.	NEXT Sourcing, our in-house supplier, undertook an environmental impact assessment on our factories in China, Bangladesh and India to model the potential impact of flooding. It was noted that the Bangladesh floods in 2004, which covered two thirds of the country, primarily impacted regions in which NEXT Sourcing had no presence. Assuming that future floods impacted the same regions, it is considered that there would be little production risk but likely delays in getting product to ports for onward transportation. The key mitigation would be to send critical stock by air freight where necessary. The financial impact of doing so would be immaterial. The potential increase in costs to insure buildings in those areas or move them altogether is a long term risk. In addition to NEXT Sourcing, we source from a number of suppliers which provides us with a diversity across different geographies.
Physical	Severe crop failure in cotton supply chain	A severe adverse weather event could cause widespread crop failure. This could lead to supply disruption, increased raw material prices, and a decrease in the quality of products in the short term.	In order to have a significant impact on the business, there would need to be a significant systemic global failure of crops. Mitigations would include passing on the increased cost to the consumer or blending materials together.

Our main opportunity is reduced energy spend through energy-saving measures.

What we are doing to reduce our environmental impact

Our key current and planned initiatives are set out below.

1. **Source 100% of main raw materials through known, responsible or certified routes by 2025**

   We do not source raw materials directly, so our main focus is on educating our supply chain partners, working closely with them to influence positive sourcing and manufacturing decisions, and increasing our visibility of the different tiers of our supply chain to ensure the materials used in our products are sourced and manufactured responsibly. We have a clear responsible sourcing strategy to source 100% of main raw materials through known, responsible or certified routes by 2025.

   In 2021, we started labelling most NEXT products containing at least 50% of a 2025 approved raw material. This makes it easier for customers to identify sustainably sourced items.

2. **Reduce emissions caused by transport**

   One of the main elements within our control is around our Scope 1 transport emissions. We have set up a working group in our Retail Distribution Transport team to develop a strategy for fleet decarbonisation, covering both electric and alternative fuel vehicles. Currently, we are constrained by the range of electric vehicles which do not yet meet our operational requirements. However, we expect this to change in the near term at which point we can start to replace our van fleet with electric vans from 2023. For larger heavy goods vehicles, we expect a viable electric option to be available in 2023. Our ambition is to start replacing our HGV fleet with electric HGVs around this time, assuming they are operationally viable.

   We recognise that technology may move away from electric in the future and we are therefore also investigating hydrogen as an alternative fuel.

   During the year, we signed up to EV100 and committed to switching our car and van fleets to electric vehicles by 2030. We are installing charging points across all staff sites and all customer sites where car parks are for our sole use.

3. **Reduce our Scope 3 emissions by encouraging our supply chain to improve energy efficiency and reduce carbon emissions**

   To help support our work on encouraging and supporting our key suppliers to decarbonise their operations, we joined the Sustainable Apparel Coalition during 2021. This gives us access to a suite of tools to support the standardised measurement of sustainability from our supply chain, using the Higg Index. In addition, we supported the creation of the BRC's Climate Action Roadmap. This is a framework to guide the retail industry to net zero by 2040. As a founding signatory to the Roadmap we commit to working with other retailers, suppliers, Government and stakeholders, and to support customers, to collectively deliver the industry's net zero ambition.

   Our next step is to incorporate the data we collect from the Higg Index sustainability tool into the different tiers of our supply chain, identify the areas in need of greatest improvement and communicate the importance of our ambitions to our suppliers.

4. **Waste, packaging and recycling**

   Waste

   We have exceeded our target of diverting more than 95% of operational waste from landfill by 2020 for reuse or recycling. In 2021/22 we diverted 97% of operational waste from landfill.

   Packaging

   We continue to identify ways to reduce the amount of packaging and eliminate avoidable plastics in product packaging such as PVC, polystyrene and acetate. Having trialled paper carrier bags, we have made the decision not to move away from plastic bags made from recycled plastic at this time. This is due to a number of reasons, including customer feedback, the larger overall environmental impact of paper bags and issues with damage from wet weather. We continue to focus on reducing the environmental impact of plastic packaging.

   We are a signatory to the UK Plastics Pact, which sets out our commitments to the following by 2025:

   - Eliminate problematic or unnecessary single-use packaging through redesign, innovation or alternative reuse delivery models.
   - 100% of plastic packaging to be reusable, recyclable or compostable.
   - 70% of plastic packaging to be effectively recycled or composted.
   - 30% average recycled content across all plastic packaging.

CORPORATE RESPONSIBILITY

Recycling

All our packaging is recyclable, although not all local authorities recycle all materials. In 2019 we introduced 100% recycled content carrier bags (excluding the handles) in our retail stores and we recycle any bags returned to us by our customers.

In 2021 we introduced a minimum of 30% certified recycled materials into our product and Online packaging, and we plan to increase this to 100% where possible and when certified materials are more readily available. With over 85% of all Online returns being returned to a store by our customers, we are able to collect and recycle all the plastic packaging customers return to us via this route.

In addition, we reuse or recycle all hangers used in our retail stores, and accept back unwanted hangers from our customers for recycling. The recycled hangers are either reprocessed for reuse or made into new hangers. In 2021, we collected 111 tonnes of hangers for reprocessing with 29 tonnes of hangers reused within the supply chain and 82 tonnes remade into new hangers.

In 2021, we launched a customer packaging collection trial in a selection of our stores to make it easier for our customers to return any unwanted packaging for NEXT to reuse or recycle. The trial has been successful and is being rolled out to over 100 additional stores with the ambition for customer packaging recycling to be available in all stores by the end of 2022.

Our carbon reduction targets have been set to be in alignment with the requirements of the most recent climate science. Our target ambition is aligned with the 1.5 degree reduction pathway and was validated by the SBTi in 2021.

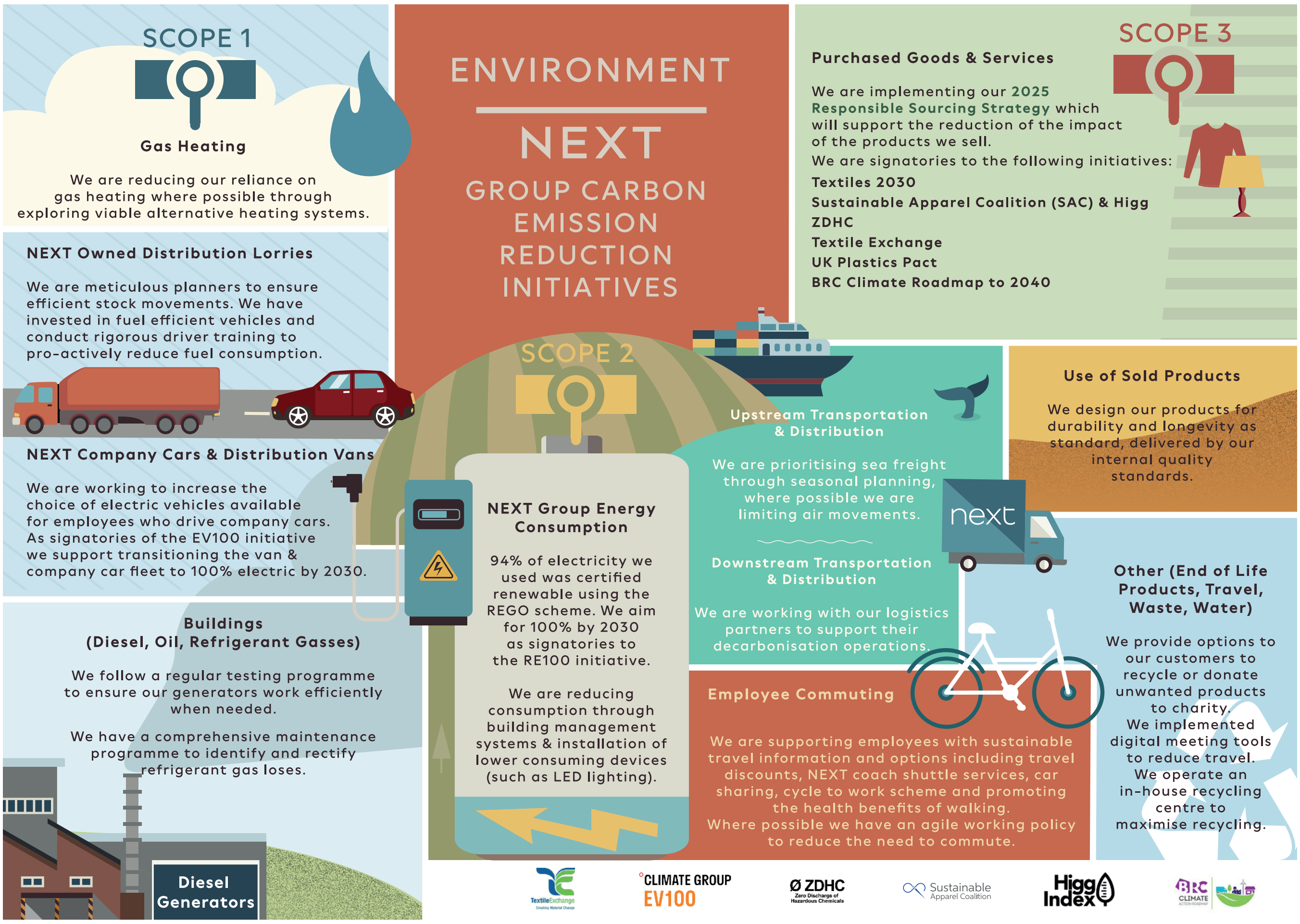
The SBTi developed the first science-based standard for corporate net zero targets in late 2021. This aims to translate companies' net zero targets into action that is consistent with achieving a net zero world by no later than 2050. We are currently reviewing the standard and considering where to position our net zero target, having followed a considered and thorough process. We are a signatory to the British Retail Consortium's Climate Action Roadmap, a framework to guide the industry to net zero emissions 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.

We have a number of targets against which we measure progress, as set out in the table below. As anticipated, our Scope 1 and 2 absolute carbon emissions have increased year-on-year as our warehouses and stores were closed for more of 2020/21 due to COVID restrictions.

Metrics and targets

Strategic goal	Deadline	Progress achieved at January 2022	Measures
Responsible Sourcing Strategy 2025	2025	In progress – 42% (2021: 30%)	Source 100% of main raw materials through known, responsible or certified routes by 2025.
Reduce Scope 1 & 2 absolute carbon emissions by 55%	2030	In progress – 45% reduction (2021: 50%)	Reduce Scope 1 & 2 emissions by 55% against an absolute baseline of 2016/17.
Reduce Scope 3 carbon emissions by 40%	2030	In progress	Reduce Scope 3 emissions by 40% per £1m of sales against a relative baseline of 2019/20.
Divert more than 95% of operational waste from landfill	2020	Achieved – 97% (2021: 97%)	Divert at least 95% of operational waste from landfill through recycling.
EV100 Pledge	2030	Committed	100% of vehicles up to 3.5 tonnes to be electric. Charging points across all staff sites. Charging points across all customer sites (car parks with sole use).
RE100 Pledge	2030	In progress – 94% (2021: 94%)	100% of electricity purchased to be certified renewable globally.

Illustrated below are some of the many carbon reduction initiatives we are working on.



Sustainability Accounting Standards Board (SASB)

In 2020, we carried out a full gap analysis against the SASB metrics for the Apparel, Accessories and Footwear industry (Apparel). We identified 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 identified some improvements that could be made. The following sets out how we comply with the SASB metrics together with progress on our remediation plan. More information can be found on our website at nextplc.co.uk/corporate-responsibility.

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).

In the areas of Chemicals, Labour and Raw Materials we are well on our way to full compliance with around 85% of the compliance metrics met.

Last year, with regards to Chemicals, our key actions were to benchmark our suppliers against the standards within the Zero Discharge of Hazardous Chemicals (ZDHC) initiative, update our Chemical policy and place it in the public domain. We have developed a programme having prioritised our suppliers, and have a plan to benchmark our main suppliers over the next three years against ZDHC requirements. Our Chemical policy has been updated and is available on our corporate website.

For Labour and Raw Materials, our main efforts were 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 continue to work on disclosure which is covered in more detail within our Corporate Responsibility Report on our corporate website. Our policies are available to our suppliers via our Supplier Communication platform, and we also host key policies on our corporate website at nextplc.co.uk.

During the year, we became a member of the Sustainable Apparel Coalition which will significantly improve how we are able to measure our suppliers' environmental performance across energy use, chemicals, waste and water use and discharge, where the main impact is at Tier 3 in our supply chain, by allowing us to capture the required level of data in a standardised format.

CORPORATE RESPONSIBILITY

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. Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products.	See page 106
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. 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 assessment or an equivalent environmental data assessment.	Read our SASB Report at nextplc.co.uk/corporate-responsibility
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) 71% (2) <1% (3) 100%
	Priority non-conformance rate and associated corrective action rate for suppliers' labour code of conduct audits.	See page 103
	Description of the greatest risks in the supply chain concerning: 1) Labour. 2) Environmental, health, and safety.	 See page 108 See pages 81, 93 and 101
Raw Materials Sourcing	Description of environmental and social risks associated with sourcing priority raw materials.	See page 104
	Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard.	Cotton: 44% Better Cotton Timber: 38% certified by Forest Stewardship Council

OUR PEOPLE

Our commitment

Our colleagues are integral to NEXT's success, their safety and wellbeing is always our top priority. We want to ensure we provide a workplace in which everyone is:

- Supported.
- Treated fairly and with respect.
- Listened to.
- Motivated to achieve their full potential.

Our approach

We aim to deliver on our commitment by focusing on the following elements:

- Health, safety and wellbeing.
- Equal opportunities and diversity.
- Reward, fair pay and employee share ownership.
- Training and development.

Health, safety and wellbeing

Good health and wellbeing is one of our most relevant SDGs. We want to make NEXT an exciting and rewarding place to work and allow 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 colleagues to maintain positive mental wellbeing. We have a 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.

Actions during the year

Maintaining a regular flow of communication with our colleagues to keep them safe and well has been more important than ever during the pandemic. During the year we:

- Continued to update our employee hub to provide support, health and wellbeing advice, useful information, hints, tips and monthly initiatives.
- Offered a free flu vaccination programme for all employees.
- Raised awareness of the support services available to employees should they need them. For example, during World Mental Health Day we featured THRIVE, a free NHS-approved app.
- Continued to grow our Mental Health First Aider population and upskill them through our network group Open Minds.
- Agreed discounts on fees for several gyms, personal training sessions, nutrition sessions and wellbeing apps.

Equal opportunities and diversity

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

- We have Pride@Next, an employee-led LGBT+ network which works to raise awareness of LGBT+ issues at NEXT and helps shape our policies. With input from Pride@Next, we developed a policy to support transgender colleagues.
- In 2020, we focused on women returning from maternity leave and trialled certain roles as part-time to work around school drop-off and pick-up times, and enhanced the support offered to working parents. We continue to look at ways to increase flexibility around maternity and during the year we offered group workshops and coaching to help new mums achieve a sustainable work/life balance.
- In 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.

Actions during the year

- We continue to work with our partner, Business in the Community, on the Mentoring Circles programme which offers young people from ethnic minority backgrounds 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.
- We partnered with an external training provider to create a diversity and inclusion awareness training session for managers. We conducted an extended pilot before rolling out the training in December, with accompanying e-learning sessions for the non-management population.
- We achieved Level 2 of the Disability Confident Scheme. Our next steps are to work with all business divisions to deliver the actions we have committed to around how we recruit, retain and develop disabled people.
- We launched our first ever product collaboration with one of our charity partners, Parkinson's UK. All proceeds raised went to the charity.
- We signed up to the Race at Work Charter to underpin the work of Unity.
- We continued to support pregnant employees and those returning from maternity leave at Head Office by partnering with an external organisation to offer a programme of pregnancy yoga alongside maternity coaching. We also launched support for pregnancy loss.
- We continued to champion the recruitment and development of female talent in IT by building on initiatives including a scheme to attract talent who may have left the workplace due to childcare responsibilities, and a mentoring scheme to develop leadership skills.

CORPORATE RESPONSIBILITY

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 126.

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.

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 2022 FTSE Women Leaders Review, Achieving Gender Balance.

Recognising that women can be disproportionately affected by childcare commitments, our Head Office (which employs over 3,500 people) has a purpose-built nursery onsite. This is part of our ongoing commitment to support our employees with their pre-school childcare arrangements.

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

	2022		2021	
	Male	**Female**	Male	Female
Directors of NEXT plc	**6**	**4**	6	4
Operational directors and other senior managers[1]	**25**	**16**	33	13
Total employees	**13,851**	**30,775**	12,976	27,891

1. At January 2022, senior managers comprised 17 male and 14 female employees and their direct reports consisted of 77 male and 99 female employees.

Gender equality is a fundamental human right and is another SDG that we focus on. Gender equality continues to be particularly challenging 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. KADAV works with women and children providing childcare, internet access for remote learning and creative workshops for children on environmental awareness.

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. Our annual Gender Pay Report can be found at nextplc.co.uk.

We operate a Sharesave scheme to encourage employees to own shares in NEXT. All UK 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 1,700 participants.

Approximately 9,700 employees (circa 25% of our total UK and Irish employees) held options or awards at the end of January 2022. These options or awards were held in respect of 5.9m shares in NEXT, being 4.4% 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 5.3m shares. The ESOT 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 2022, there were 636 (2021: 690) active members in the defined benefit section of the 2013 NEXT Group Pension Plan and 3,761 (2021: 4,072) UK active members of the defined contribution section. In addition, 15,235 employees (2021: 13,722) 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 professional, 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

Our commitment

We focus on ethical trading, traceability and responsible sourcing to ensure our products are made by workers who are treated fairly and whose safety, human rights and wellbeing are respected.

Our approach

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 650 suppliers. Our Tier 1 supply chain comprises circa 2.9 million workers.

Diversity of supply provides us with a cost-effective supply chain and an extensive range of products for our customers. It also increases the risk of sourcing from unethical suppliers, particularly in the lower tiers of the supply chain where visibility is more limited.

Ethical trading

Infringement of workers' rights like safety, human rights, employment and working conditions are a key risk. We induct, train and support our suppliers to make sure they understand what is expected of them and to help them raise standards. Working with suppliers to raise their standards rather than terminating the relationship delivers a better outcome for workers and the supply chain as a whole. Our aim is to support factories in resolving issues, but we will not continue to work with them indefinitely if there is no willingness to improve.

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.
- Holding regular meetings with individual suppliers to share information and develop relationships.
- Our in-house global COP team which comprises 46 employees that administer our COP programme based on the Ethical Trading Initiative Base Code (ETI) and International Labour Organisation Conventions.

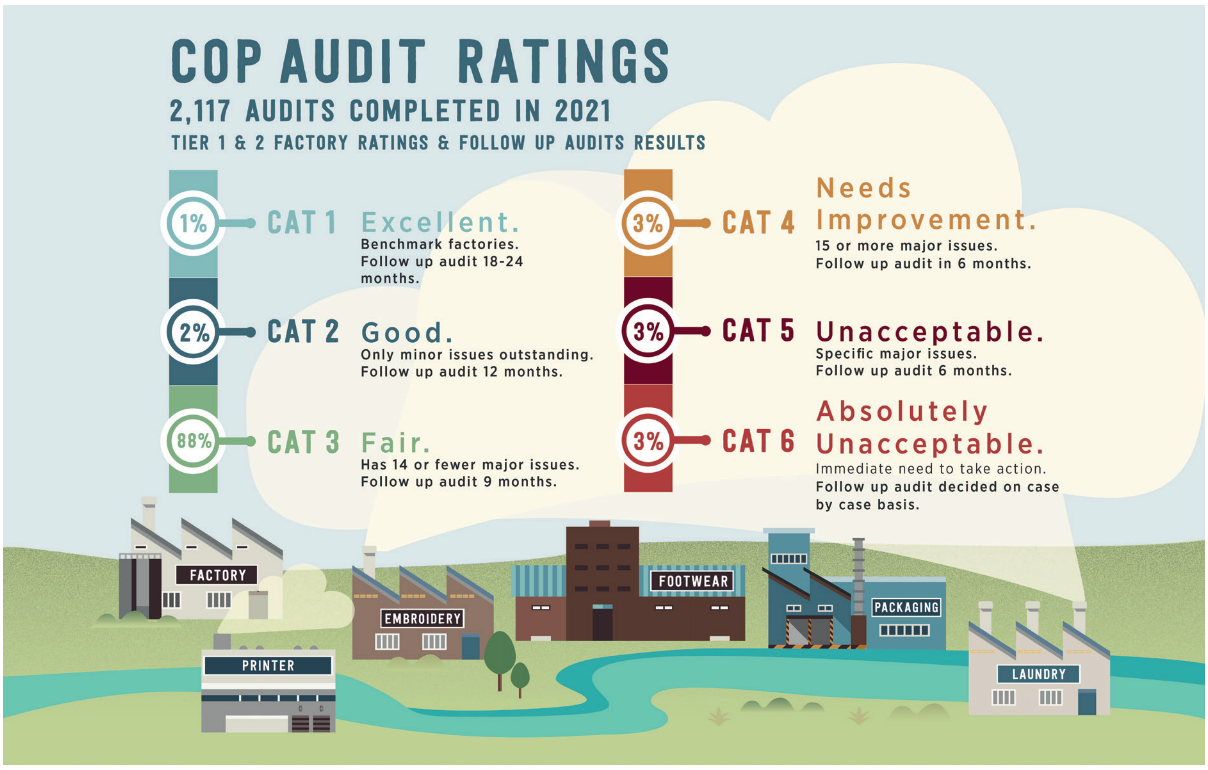
Our COP team works directly with new and existing suppliers and their factories. They are based in key sourcing locations around the world. This enables the team to respond quickly if issues occur. It also allows us to develop trust and build strong relationships with suppliers by offering meetings,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

Compliance with our COP Principle Standards is monitored through audits by our COP 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 against the Corrective Action Plan.

Actions during the year

During the year, the COP team:

- Carried out over 2,000 audits. The team has encountered travel restrictions, factory closures and local lockdowns during the year,



CORPORATE RESPONSIBILITY

but in person audits have continued where possible, supported by virtual audits as necessary. Of the audits conducted, 89% related to Tier 1 suppliers and 11% related to Tier 2 suppliers.

- Supported 21 factories to successfully remediate 22 critical issues found.
- Disengaged with 20 factories that refused to satisfactorily rectify their critical non-compliance with our COP Principle Standards. A breakdown of audits by rating is provided in the illustration on the previous page.

Traceability

Traceability and transparency of our suppliers' factories are an important part of NEXT's overall approach. Suppliers are categorised into five tiers:

- Tier 1 are suppliers' factories where bulk production of NEXT branded products takes place.
- 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.
- Tier 3 suppliers are fabric and yarn suppliers who spin, knit, weave, dye and print to produce finished fabric.
- Tier 4 suppliers process the raw materials into a fibre.
- Tier 5 is where the raw materials are sourced.

Tier 1 and Tier 2 suppliers are contractually bound by our COP Principle Standards which apply to all their declared sites from which they operate and source. These standards cover workers' safety, human rights, employment and working conditions. Our contracts mean we can visit a supplier (often unannounced) to undertake an audit to ensure it is and remains compliant.

Actions during the year

In addition to publishing lists of our Tier 1 and Tier 2 supplier manufacturing sites which produce NEXT branded products, during the year we published a list of our Tier 3 suppliers on our corporate website, nextplc.co.uk. We are working to extend the visibility of our supply chain to include Tier 4 and 5.

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. We will also 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.

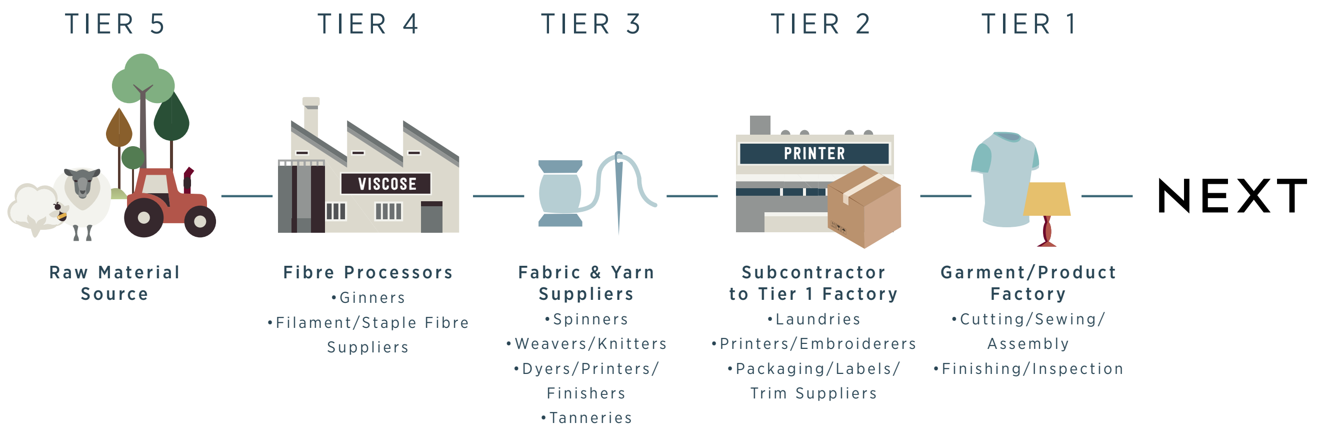
Actions during the year

We are making it easier for customers to identify sustainably sourced items. Products containing at least 50% responsibly sourced materials which have been certified and verified to a recognised standard can carry a NEXT Generation label.

During the first half of the year, we launched a small trial range called Mr Blue Sky, focused on sustainability and made using 100% responsibly sourced materials. Following a muted customer response, our intention is to subsume the range into our normal lines where our product teams will continue to buy in materials to meet our responsible sourcing targets.

In the year to January 2022:

- 42% (2021: 30%) of all NEXT branded textile products met our 2025 Responsible Sourcing criteria.
- 44% (2021: 39%) 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.
- 38% (2021: 36%) of timber products within our Home division were certified by the Forest Stewardship Council with 0.4% (2021: 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 2021/22 sourced 44% (2020/21: 39%) 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 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.
Sustainable Apparel Coalition (SAC)	In 2021, NEXT joined the Sustainable Apparel Coalition (SAC), a global non-profit alliance of more than 250 members working together to reduce the environmental and social impacts of the apparel, footwear and textile supply chains. The SAC's work includes the development of the Higg Index, a suite of tools to measure environmental and social performance in a standardised way. The Higg Index will be widely adopted by our supply chain and allows NEXT to monitor and improve standards at factory level. As a new member of SAC, NEXT has committed to rolling out the Higg Facility Environment Module to our supply chain.
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 – The UK Plastics Pact	The UK Plastics Pact brings together businesses across the entire plastics supply chain, the UK Government and NGOs to tackle plastic waste. It is striving to create a circular economy for plastics, capturing their value by keeping them in the economy and out of the natural environment. Pact members are committed to eliminating problematic plastics, reducing the total amount of packaging and helping to build a stronger recycling system in the UK. NEXT has been an associate member since October 2020.
Waste Resources Action Plan – Textiles 2030 *(Replacing the Sustainable Clothing Action Plan which is now closed)*	Textiles 2030 is a UK textile sector collaboration making rapid, science-based progress on circularity and climate action. Launched in April 2021, the new voluntary agreement builds on the learning and success of the Sustainable Clothing Action Plan 2020 and has over 100 signatories across the retail, recycling and reuse sectors. As a founding signatory partner, by 2030 NEXT aims to reduce its combined greenhouse gas emissions by 50%, sufficient to limit global warming to 1.5°C in line with the UN trajectory to reduce climate change. It also aims to reduce the water footprint of new products sold by 30%, and develop a clear pathway to improve the sustainability of textiles across their entire life cycle.

Payment practices

NEXT calculates and uploads relevant supplier data onto the 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.

CORPORATE RESPONSIBILITY

OUR CUSTOMERS AND PRODUCTS

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

3 GOOD HEALTH AND WELL-BEING

Our commitment

Our commitment is to offer beautifully designed, excellent quality clothing and homeware products that are well made, functional and safe, sourced responsibly and provide outstanding value to meet or exceed our customers' expectations.

Our approach

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.

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. NEXT is promoting the circular economy by:

- 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 to prevent waste.
- 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.
- Working to reduce the impact of and helping drive efficiency with our Tier 3 suppliers as well as our commitment to source our key raw materials responsibly by 2025.

We recognise there is much more to do and that collaboration across the industry is vital. During 2021, we continued to work with the Waste and Resources Action Programme (WRAP) to develop their Textiles 2030 initiative which was launched 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. WRAP's 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 programme 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. 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) which are part of our Chemical policy. The RSS bans or limits 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.

Actions during the year

All of our flexible plastic packaging, being online packaging, carrier bags and clear transit bags, now contain at least 30% recycled content.

We have rolled out customer packaging collection points in over 100 stores so far and having completed a successful trial, plan to roll out these collection points to all of our stores by the end of 2022.

COMMUNITY

Our commitment

We support charities and organisations that positively impact the countries in which we operate and source our products. This can be in the form of financial and product donations, sharing our expertise, knowledge and time.

Our approach

We support a wide range of charities and organisations, working with them to provide donations that are of most benefit. In particular, we support organisations that have a positive impact on the following areas:

- **Environment**: environmental protection or improvement.
- **Reducing inequality:** supporting the promotion of diversity, inclusion and human rights and preventing or relieving poverty.
- **Health:** advancement and promotion of health and supporting emergency care services.
- **Education, skills and amateur sport:** advancement of education, life and work skills and the development of youth amateur sports.

Where possible, we support charities over a number of years with a specified annual donation as this commitment helps them to plan their work with confidence and allows us to become long term strategic partners.

Long term partnerships – helping to reuse products

Disposal of products such as mattresses, sofas and furniture when they are no longer needed, can be difficult for our customers with many going unnecessarily to landfill. In 2016 we began partnering with a number of charitable organisations to reuse products where possible.

Our long term strategic partnerships include:

- Doncaster Refurnish, a social enterprise charity located near our main warehouses, which has partnered with us for more than ten years. It aims to help the local community by creating sustainable employment and training opportunities. Through NEXT's donation of safe but unsellable or damaged furniture and home accessories, Refurnish generates funding by converting items for reuse and sale. This funding provides much needed services in the community with the additional benefit of diverting tonnes of product from landfill.
- The British Heart Foundation (BHF). We offer our customers a free furniture collection service for unwanted items such as mattresses and sofas that can often be difficult to move and would otherwise be sent to landfill. All donated items are sold to raise vital funds; our customers' donated furniture and home products have helped BHF raise over £1.5m with over 11,500 items collected from customers' homes since we first partnered with them in 2016. It has also diverted hundreds of tonnes of furniture from landfill.

Actions during the year

During the year, we agreed a new charitable giving policy that defines our commitment to supporting charitable organisations aligned to our approach set out above. We also engaged with our colleagues to give them more involvement in choosing which charities to support. As part of this engagement:

- Each business area has been allocated a charitable donation fund. An employee forum in each area will decide how the donations are distributed.
- A charity committee was created, representing key parts of the business, to oversee the distribution of donations in line with the charitable giving policy.
- A partnership with Parkinsons UK was established to raise awareness of the illness and raise funds, by designing an exclusive range of t-shirts, tote bags and homeware items.

We provided the following financial support during the year:

	2022 £000	2021 £000
Registered charities	**1,126**	543
Individual requests, local and national groups and organisations	**1**	2
Commercial support	**60**	85

This support was supplemented by the following additional activities:

	2022 £000	2021 £000
Gifts in kind – product donations	**1,482**	1,476
Charity linked sales	**211**	111
Employee fundraising / charity events	**22**	47

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 uses the proceeds to fund environmental projects.

CORPORATE RESPONSIBILITY

HUMAN RIGHTS AND MODERN SLAVERY

1 NO POVERTY | 3 GOOD HEALTH AND WELL-BEING | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH

Our commitment

We will not tolerate any instance of forced labour in our business or in our supply chain.

Our approach

Respect for human rights is a cornerstone of any responsible business. The violation of human rights in our operations is unacceptable and we deal firmly with any infringements identified in our supply chain.

Human rights' abuse and modern slavery are complex issues which can take many forms. To help us prioritise our efforts, we focus on our salient human rights – those human rights that stand out because they are at risk of the most severe negative impact through our activities or business relationships. We identify our salient human rights taking into account the severity and scale of the risk and how difficult it would be for us to put right any harm, as set out in the UN Guiding Principles Reporting Framework.

The key human rights are:

Salient issue	Why it is important to NEXT
Freedom of association	In a number of countries that we source from, the freedom to join an independent trade union is restricted either by law or not recognised by management attitudes and practices. This restricts the ability for workers to have a voice within their place of work.
Health & Safety	Fire and industrial accidents are a risk within our extended supply chain, impacted by the quality and management of building design and structure, fire prevention, machinery, chemicals and abrasives.
Children's rights	As part of new supplier inductions, we carry out training on child labour risks and our approach to managing any cases, including our Child Labour Policy and supplier guidelines, to ensure we minimise the risk of child labour within our extended supply chain.
Modern slavery	Some of our sourcing countries hire migrant workers from overseas and such workers can be vulnerable to the risks of exploitation, such as forced labour or retention of wages by suppliers.
Wage levels	All workers in our supply chain should be entitled to fair wages for the work they do.
Harassment and discrimination	Women represent the majority of workers in our supply chain. In many countries, the risk of discrimination against women is greater in relation to equal opportunities, age or marital status.
Water, sanitation and health	We source products from places which frequently encounter periods of water scarcity. This can lead to an increased risk that communities may not have access to clean, safe water. Our extended supply chain includes operations such as laundries, mills, dye houses and tanneries; these facilities carry a particularly high risk of water contamination where untreated effluent can be discharged into rivers used by local communities.
Working hours	We rely on the workforce of our suppliers to meet order requirements, and those workers want to work to earn money. These factors can lead to excessive working hours that can impact workers' wellbeing.
Privacy and data security	Our operations are highly reliant on our IT systems and there is a growing risk of cyber crime. The need for us to protect our customers, employees and business data from the risk of data loss, and in particular personal data, is therefore critical.

In our work on human rights, we:

- Implement the 'Protect, Respect and Remedy' framework of the United Nations Guiding Principles on Business and Human Rights.
- Use the United Nations Guiding Principles Reporting Framework to help us 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.
- 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.

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

Code of Practice

The standards expected of our suppliers which are integral to our ethical trading are clearly set out in our COP Principle Standards and Auditing Standards, further details of which can be found on page 103.

Our COP programme is based on the Ethical Trading Initiative Base Code (ETI) and International Labour Organisation Conventions.

Actions during the year

Despite the difficulties caused by the pandemic, 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 global teams were able to monitor supply chain issues and work with suppliers and factories to ensure that our standards were met.

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

Collaboration and education – response to Vietnamese Government orders

In July 2021, the Government of Vietnam introduced measures that allowed workers to eat, work and sleep in factories in order to help to combat the spread of COVID. This was in response to the effects of the pandemic on factory production, business operations and the daily lives of workers. Under these measures, factory owners are required to meet strict criteria on COVID testing, providing adequate meals and accommodation, and ensuring fire safety.

Better Work Vietnam, a collaboration between the United Nation's International Labour Organization and the International Finance Corporation which aims to improve working conditions in the garment industry, collated Government guidance and documents as a reference for participating factories.

Our Vietnam-based COP team ensured that the guidance was circulated to all of our relevant suppliers and factories. We also quickly contacted active factories to establish whether they were implementing the measures and, if so, to ensure that they fully understood the requirements. Finally, we carried out virtual tours and checks of those sites to verify that the standards were being followed appropriately.

SECTION 172 STATEMENT

This section describes how we have engaged with and considered 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 NEXT. 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 110 to 111

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.

Customers – see page 112

Our customers are the reason we exist. 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 customer loyalty.

Communities and the Environment – see page 112

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 113

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.

Suppliers – see page 112

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.

Regulators – see page 112

We seek to enjoy a constructive and co-operative 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.

Our workforce

Each of our executive directors joined NEXT as employees over 25 years ago, prior to being promoted to the Board. 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. The Board also engages in the following ways:

- Annual Recruit, Reward and Retain 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 the announcements of our trading results.
- Visits to stores and warehouses.
- Online performance, development and feedback tools.

Engagement with our employees has never been more vital to the success of our business. In another year of uncertainty, we continued to engage with our workforce about their health and safety as COVID restrictions were lifted and workers were encouraged back to their usual work locations.

Recruit, Reward and Retain forums

During the year we held our annual Recruit, Reward and Retain (RRR) workforce forums. These meetings form the workforce advisory panels as referred to in the UK Corporate Governance Code. 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 of the business. These meetings offer our employees the chance to voice their opinions on the issues that are important to them. 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 2021 included:

- Assessing the onboarding experience of new starters through remote working at Head Office.
- Phased return of staff engagement activities and rewards which were paused through our early navigation of the pandemic.
- Internal communications and support for return to work with enhanced safety measures and promotion of vaccination.
- Analysis of engagement surveys and exit interview data to better understand our culture and identify areas for improvement.

The matters raised at the 2020 forums have been addressed, including a roll out of working from home principles and new training for interviewers to improve candidates' experience of video interviews.

Our RRR forums are supplemented by Communication In Action (CIA) meetings which take place regularly throughout the year. Each business function and area has a nominated CIA representative, and employees are able to submit question to RRR forums via CIA meetings. One purpose of CIA meetings is to agree initiatives coming out of the RRR forums.

Employee engagement surveys

In 2021, we undertook an employee engagement survey across the majority of our business. The survey was sent to nearly 40,000 employees and response rates were very good.

Respondents overwhelmingly told us they felt proud to work for NEXT, and that they felt safe at work. Employee sentiment was positive about expressing ideas and beliefs at work, and being recognised for doing a job well. We received feedback that the quality of coaching and development of employees varied. The Board considered the results of the survey and the HR initiatives underway to address the matters raised, such as plans to increase headcount in the Training and Development teams to strengthen our offering in this area.

Continuous performance management and feedback

Our online performance and development tool provides a forum for positive and constructive feedback by individuals, peers and managers.

The Group HR Director attended a meeting of the Board to brief the directors on employee-related matters, including workforce demographics, engagement activities, the results of employee engagement, staff retention rates, diversity, 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: workforce

During the year the Board had to consider significant matters where it was important to be mindful of the interests of employees. One such matter relates to our colleagues in our Technology department.

Technology has become crucial to the development of NEXT's business and we now employ as many people in our Technology teams as we do in our Buying and Merchandise departments. Our developer resource is now around 500 employees and, in total, our Technology team has grown to over 1,000. During the year, the Board reviewed the Technology grading structure, career paths, benefits and starting salaries. The aim is to create an environment where good people can advance their careers in a department teeming with opportunities.

SECTION 172 STATEMENT

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 Online orders home delivery service provider, new warehouse suppliers, providers of freight forwarding services, and with certain landlords. 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 103 to 104.

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 NEXT Online platform.

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

Regulators

The business is subject to a wide range of regulations. Of particular note is our Finance business which 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 any adverse impact of our business on the environment and the communities in which we operate. The ways in which we engage with these communities are set out in more detail on page 107 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. Details can be found on pages 90 to 100 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 119 to 125.

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 103 to 105 as well as our standalone Corporate Responsibility Report which is available on our corporate website.

Political donations

No donations were made for political purposes (2021: £nil).

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 2021 we engaged with investors on a range of topics including:

- Governance including Board composition.
- Executive remuneration.
- Human rights and ethical trading.
- The environment, sustainability and responsible sourcing.
- Company performance against its strategy.
- Repayment of business rates relief.
- Resumption of dividends.

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 resumption of dividends.

Long term decisions

Within the fast-moving fashion retail 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 balances:

- 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. The pandemic has accelerated the shift to online shopping and we need to continue 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 and in July 2021 and January 2022 the Board declared special interim dividends. We have also confirmed that, in the year ahead, we will return to our pre-pandemic ordinary dividend cycle.

NON-FINANCIAL INFORMATION STATEMENT

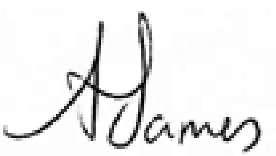
The table below sets out where the information required to be disclosed under sections 414CA and 414CB Companies Act 2006 can be found in this Annual Report.

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 89 • Environment – pages 90 to 100 • Section 172 Statement – Having regard to the impact of the Company's operations on the community and the environment – page 112	• Environment Policy • Timber Sourcing Policy* • Protecting Forests Through Fabric Choices Policy*
2. The Company's employees	• Our principles – page 89 • Our People – pages 101 to 102 • Section 172 Statement – Having regard to the interests of the Company's employees – pages 110 to 111	• 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 89 • Our People, Our Suppliers, Our Customers and Products, Environment, Community, Human Rights and Modern Slavery – pages 90 to 109 • Section 172 Statement – Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct – page 112	
4. Respect for human rights	• Our principles – page 89 • Human Rights and Modern Slavery – pages 108 to 109 • Section 172 Statement – Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct – page 112	• 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 89 • Section 172 Statement – Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct – page 112 • Whistleblowing – Audit Committee Report – page 134	• Staff Handbook • Anti-Bribery and Anti-Corruption Policy* • Competition Law Policy • Supplier Code of Practice Standards* • Whistleblowing Policy*
Required information		
6. Business model	• Business model – pages 74 to 75	
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 89	
8. Principal risks in relation to (1) to (5) above	• Risks and Uncertainties – pages 78 to 86 • Viability assessment – pages 87 to 88	
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 112 • Our People, Environment, Community – pages 90 to 102 and 107	

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
Group Finance Director

24 March 2022

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. Amanda also has responsibility for Legal and IT Security Compliance.

APPOINTED TO THE BOARD
April 2015

Jane Shields
GROUP SALES, MARKETING AND HR 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

Past Director
Francis Salway
Independent Non-Executive Director

APPOINTED TO THE BOARD
June 2010

RETIRED FROM THE BOARD
May 2021

Jonathan Bewes
Senior 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

Soumen Das
Independent Non-Executive Director

KEY SKILLS AND EXPERIENCE:
Soumen is Chief Financial Officer of SEGRO plc, the largest UK and European Real Estate Investment Trust and a constituent of the FTSE 100. He has over 11 years' board level experience with listed companies, having been Managing Director and Chief Financial Officer of Capital & Counties Properties plc prior to joining SEGRO, and was previously an executive director with UBS within the investment bank.

PRINCIPAL EXTERNAL APPOINTMENTS:
Chief Financial Officer of SEGRO plc

APPOINTED TO THE BOARD
September 2021

COMMITTEE MEMBERSHIP
Audit, 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
Non-Executive Director of Baltic Classifieds Group PLC

APPOINTED TO THE BOARD
July 2020

COMMITTEE MEMBERSHIP
Audit, Remuneration (Chairman) 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:
Chief Executive of TalkTalk
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)
Soumen Das
Tom Hall
Tristia Harrison
Dame Dianne Thompson

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

Nomination Committee
Michael Roney (Chairman)
Jonathan Bewes
Soumen Das
Tom Hall
Tristia Harrison
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 UK-adopted International Accounting Standards 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 applicable UK-adopted International Accounting Standards 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.

The directors are responsible for the maintenance and integrity of the NEXT plc 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 116 to 117, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted International Accounting Standards, 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

24 March 2022

CORPORATE GOVERNANCE REPORT
Chairman's Introduction

On behalf of the Board, I am pleased to introduce our Governance Report for the year ended 29 January 2022. This report sets out our approach to effective corporate governance and explains the key features of the Group's governance structure. The year has been another challenging one. Given that we now appear to be emerging from the worst effects of the pandemic, it is perhaps easy to forget that we were in lockdown at the start of the financial year; all our stores were closed due to Government restrictions and would remain so until mid-April. During the year, we as a Board have continued to navigate through a changeable and uncertain environment.

Stakeholder considerations

The Board has been required to exercise its judgement on numerous occasions to ensure that its stakeholders are treated as fairly as possible in a year which started with great uncertainty.

As regards our employees, we continued to prioritise health and safety measures. We also topped up the pay of furloughed staff to 80% of normal pay above the furlough cap.

In July 2021, we took the decision voluntarily to repay the business rates relief we received for the period our stores were open in the year. We consulted our major shareholders before doing so.

Having upgraded our profit expectations during the year, and given the strong performance of the business, we decided it was appropriate to restart dividend payments, having not paid any dividends in the year ended 30 January 2021. We were pleased to be able to recognise the support of our shareholders by paying two special dividends in September 2021 and January 2022. In the year ahead we will return to our pre-pandemic ordinary dividend cycle and the Board has proposed an ordinary dividend to be paid in August 2022, subject to approval by our shareholders at the AGM in May.

Further details on how we have engaged with our stakeholders can be found on pages 110 to 113.

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 102. This diversity mix allows for rounded discussions from various perspectives that strengthen our decision making.

We continue to appoint on merit, seeking to appoint the candidate with the most appropriate skills and experience. During the year, we have been delighted to welcome Soumen Das onto the NEXT Board and his property expertise, financial acumen and listed company experience have enhanced the strength and depth of existing Board capabilities. Soumen joined us in September 2021 and has broadened the ethnic diversity of the Board's composition, in line with the Parker Review recommendations. You can read more on the appointment process in the Nomination Committee report on page 126. A comprehensive induction programme was provided to Soumen, including opportunities to meet senior management and a number of other NEXT colleagues to gain rapid insight and understanding of NEXT, its business and culture. You can read more about his induction programme on page 124.

Board effectiveness

It is important that the Board, its Committees and individual directors rigorously review their performance and embrace the opportunity to develop where necessary. This year an externally facilitated Board effectiveness review was undertaken with support from the Company Secretary. The review concluded that the Board continues to operate effectively; further details can be found on page 124.

Continuing governance commitment

We believe that good governance provides the framework for stronger long term value creation for all our stakeholders. We apply corporate governance in a way that is relevant and meaningful to our business and consistent with our culture and values. We have 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. You can read our Corporate Responsibility Report on pages 89 to 109 and our corporate governance compliance statement and supporting disclosures on pages 120 to 125.

Michael Roney
Chairman

24 March 2022

CORPORATE GOVERNANCE REPORT

Corporate Governance Statement

The statement below, together with the rest of the Corporate Governance Report, provides information on how NEXT has applied the principles in the UK Corporate Governance Code 2018 (the Code), which is the version of the Code that applies to its 2021/22 financial year.

For the year ended 29 January 2022, 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 the pension provision offered to new joiners has changed significantly over time (which is consistent with wider market practice), 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 143 to 144 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 160. Disclosures required by DTR 7.2.8 relating to diversity policy are presented in the Nomination Committee Report on page 126.

Directors' biographies and membership of Board Committees are set out on pages 116 to 117.

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 78 to 86.
- 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 pages 87 to 88.

In particular, during 2021/22:

- 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 opportunities in relation to warehousing and the development of our new purpose built Elmsall 3 warehouse.
- The Audit Committee received several briefings on the Company's ESG activities with a particular focus on the environment. It formalised its increased responsibilities towards ESG as set out in its updated terms of reference.

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 pages 110 to 111) and discussions with the executive directors, the 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 engagement surveys.
- Monitoring the levels and nature of whistleblowing reports and grievance and disciplinary hearings.
- Monitoring absenteeism and employee turnover.
- Reporting by Internal Audit on fraud and compliance breaches to the Audit Committee.
- Reviewing 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.
- We launched our new Employer Brand with the key message 'Let's take it on'. Having an Employer Brand ensures that we are consistent with our key communications to existing and potential employees. These communications are underpinned by defined expectations and help ensure these expectations are integrated into the culture and life at NEXT.

Our values are set out in the Corporate Responsibility Report on page 89 and the Non-Financial Information Statement summarises the Company's supporting policies on page 114. 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 101 to 102.

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 debt capital facilities and the Company's credit ratings. In regard to people, 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 125.

Engagement with shareholders

Significant time and effort is invested in providing detailed and transparent information to shareholders and maintaining regular and effective dialogue. 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 110 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 Statement on page 110 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 110. 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 Soumen Das in September 2021. Soumen strengthens the Board's knowledge and experience of the UK property and capital markets. Soumen is the Chief Financial Officer of SEGRO plc and brings many years of listed company experience.

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

Jonathan Bewes, Chairman of the Audit Committee, took up the role of Senior Independent Director with effect from May 2021 after Francis Salway stepped down from the Board. In this role Jonathan is available to provide a sounding board for the Chairman and to serve as an intermediary for the other directors and shareholders.

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, Jonathan Bewes 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 124.

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.

Governance framework

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

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 126

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 127 to 134

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 135 to 159

Other Key Governance Steering Groups

These meetings have specific areas of responsibility.

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 and Data Protection – Group's information security and cyber-related activities.

Health and Safety – Group's health and safety activities.

ESG Steering Group - 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.

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 29 January 2022. 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.

Directors	Role	Board	Nomination	Audit	Remuneration
Number of meetings held in the year		8	2	5	6
Lord Wolfson	Chief Executive	8/8	–	–	–
Amanda James[1]	Group Finance Director	8/8	–	–	–
Richard Papp	Group Operations & Merchandising Director	8/8	–	–	–
Jane Shields[2]	Group Sales, Marketing & HR Director	7/8	–	–	–
Michael Roney[1]	Chairman	8/8	2/2	–	6/6
Jonathan Bewes	Senior Independent Director	8/8	2/2	5/5	6/6
Soumen Das[3]	Non-executive director	4/4	–	3/3	3/3
Tom Hall	Non-executive director	8/8	2/2	5/5	6/6
Tristia Harrison	Non-executive director	8/8	2/2	5/5	6/6
Dame Dianne Thompson[2]	Non-executive director	7/8	2/2	4/5	5/6
Francis Salway[4]	Former non-executive director	2/2	1/1	1/1	1/1

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. Due to unavoidable circumstances, Jane Shields was unable to attend the November Board meeting and Dianne Thompson was unable to attend the January meetings of the Board, Audit and Remuneration Committees. In advance of these meetings, these directors reviewed the meeting papers and communicated their comments to the Company Secretary and Chairman who ensured these were considered at the meetings. Jane and Dianne were also provided with updates after the meetings.
3. Soumen Das was appointed to the Board in September 2021.
4. Francis Salway stepped down from office in May 2021.

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

During the year, there were no new external appointments for any Board members that required prior Board approval.

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 151.

CORPORATE GOVERNANCE REPORT

Composition, succession and evaluation

Director appointments

The Nomination Committee Report on page 126 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. In September 2021, Soumen Das was appointed as a non-executive director.

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.

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 116 to 117.

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. Soumen Das joined the Board in September 2021, his induction programme is almost complete and includes:

- A full day visit to one of the warehouses and a store visit.
- Attendance at key operational meetings.
- Meetings with operational directors and senior managers, giving an overview of the key areas of the business.
- Meetings with the Chairs of each of the Board and its Committees 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.
- Access to past Board, Committee and other key governance papers.

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

This year's annual evaluation of the Board and its Committees was externally facilitated, in accordance with the provisions of the Code, by Belinda Hudson Limited. The Company Secretary and Chairman considered a number of external board reviewers and from a shortlist of three, the Chairman recommended Belinda Hudson Limited whose appointment was unanimously approved by the Board.

The Board has considered The Chartered Governance Institute's review of the effectiveness of independent board evaluation in the UK listed sector and the voluntary Principles of Good Practice for listed companies using external board reviewers issued in January 2021, which have been followed for this year's evaluation.

Belinda Hudson Limited does not have any other connections with the Company or its individual directors save for having conducted an evaluation for the Board of SEGRO plc with Soumen Das. The relationship with Belinda commenced in 2015 and this is Belinda's third review for NEXT, however the Board is satisfied that there is no threat to Belinda's independence because:

- A different Chairman was in post for the first of these reviews.
- The current Chairman has not been involved with a board evaluation as chair or director with Belinda Hudson for any other organisation.
- There have been a number of changes in the composition of the non-executive directors over the past six years.

Belinda Hudson Limited has reviewed the draft Code of Practice for board reviewers and has agreed the description of the process of the evaluation as set out below.

The evaluation process took place in the final quarter of the year involving: a review of the Board and Committee papers and key governance documents; meetings with each of the directors, the Company Secretary and external auditor; and observation of Board and Committee meetings. Belinda presented her findings to the Board in January 2022.

The review concluded that the Board has continued operating effectively, offering a good balance of support and challenge and adding value to an increasing extent. Examples of areas positively reported include:

- The seamless way in which the executive team operated and the quality of the collaboration, communication and effective decision making during the pandemic.
- Non-executive directors who bring a broad range of useful and relevant experience.
- The progress made in developing the approach to topics such as risk, cyber security, ESG and stakeholder engagement.

Areas identified as possible opportunities to develop the Board's effectiveness further include:

- Ensuring adequate focus and pace are given to the 'Environmental' part of the ESG agenda.
- Forming a view of the effectiveness of Internal Audit with the benefit of external expertise.
- Keeping under review the allocation of agenda items between the Board and Audit Committee.

The Chairman and Company Secretary have put in place appropriate action plans in response to the evaluation findings and will review progress during the course of 2022/23.

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 127 to 134. The independent auditor's responsibilities are set out on pages 169 to 170 and the Board's statement as to the Annual Report and Accounts being fair, balanced and understandable can be found on page 118.

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 87.

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 78 for more information). This includes identifying and evaluating ESG, principal and 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 80 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 the Audit Committee and Board have reviewed the principal risks (described on pages 82 to 86) 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, procedure 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 135 to 159.

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
Soumen Das (from September 2021)
Tom Hall
Tristia Harrison
Francis Salway (until May 2021)
Dame Dianne Thompson

The Committee member attendance table is shown on page 123. 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.

Our annual evaluation of the Nomination Committee's performance was undertaken as part of the externally facilitated Board evaluation process. Further details are set out on page 124. The review concluded that the Committee continues to operate effectively.

Committee activities in 2021/22

Non-executive director appointment

Francis Salway stepped down from the Board immediately after the 2021 AGM. Following his departure, the need for a non-executive director with property experience was identified and so we appointed Heidrick & Struggles/JCA Group (JCA) to help 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 the Board skills matrix, governance principles and diversity. The Committee was advised of the availability of Soumen Das and asked JCA to consider him when producing their longlist of potential candidates. After review and discussion with JCA of all the potential candidates on the list, it was clear that Soumen was the strongest candidate. Soumen was interviewed by each Board member and they concluded that his broad range of skills and experience, particularly in property and finance, would enable him to make a valuable contribution as a Board member.

Taking into account feedback from the Board members, external references, 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 Soumen Das to the Board. 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	8
Listed market experience and governance	8
CEO experience	4
Brand marketing	4
Cyber risk/Digital	3
Finance/Accounting	3
Property	2

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. 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, we satisfy the Parker Review recommendations to have at least one Board director from an ethnic minority background, and women currently represent 40% of our Board. In terms of the combined executive committee and their direct reports, NEXT was ranked first in the FTSE 100 Rankings for 2021 Women on Boards and in Leadership in the Women Leaders Review: Achieving Gender Balance (February 2022). Further analysis of employees by gender is given in the Strategic Report on page 102.

Michael Roney
Chairman of the Nomination Committee

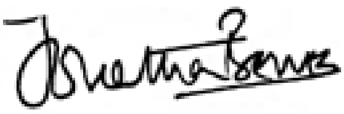
24 March 2022

AUDIT COMMITTEE REPORT
Chairman's Introduction

As Chairman of the Audit Committee, I am pleased to present the Audit Committee's report for the year ended January 2022. This report explains the Committee's responsibilities and how it has discharged them over the course of the year. The Committee continues to monitor the integrity of NEXT's financial information and we remain focused on ensuring that NEXT's risk management procedures and internal controls remain robust and appropriate as our business continues to evolve.

Regulation is moving at pace, and the Committee regularly reviewed guidance issued by the Financial Reporting Council and other regulatory bodies. We reviewed NEXT's response to the BEIS consultation on restoring trust in audit and corporate governance, and we welcome some of the proposed changes. ESG updates are a standing agenda item at our meetings, given its increased importance, and during the year the Committee oversaw the progress towards full compliance with the TCFD reporting framework.

It has always been the practice at NEXT that all non-executive directors sit on the Audit Committee. This year we welcomed Soumen Das and, as a serving Chief Financial Officer of a FTSE 100 company, he brings further financial acumen to the Committee.



Jonathan Bewes
Chairman of the Audit Committee

24 March 2022

Role of the Committee

The Committee's roles and responsibilities are covered in its terms of reference which are available on our corporate website at nextplc.co.uk. These terms of reference were most recently reviewed in November 2021 and were revised to include a new ESG section to reflect and formalise the increased oversight and challenge around ESG that the Committee has been undertaking.

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 going concern and viability 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.

Membership and meetings

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

Member
Jonathan Bewes (Committee Chairman)
Soumen Das (from September 2021)
Tom Hall
Tristia Harrison
Francis Salway (until May 2021)
Dame Dianne Thompson

The Committee held five scheduled meetings during the year. The meeting attendance table is shown on page 123. In advance of each meeting the Committee Chairman meets with the Group Financial Controller, the Company Secretary and Central Finance Director, and the external audit partner to discuss their reports as well as any relevant issues. He also has regular meetings with the Heads of Internal Audit and Compliance. The Group Finance Director and the Chairman attended all of this year's meetings by invitation. Executive directors and senior managers are invited to attend and present at 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. The Committee meets without management present on a regular basis, and meets privately with the Heads of Internal Audit and Compliance and the external auditor as necessary and at least annually.

Details of the directors' skills, experience and qualifications can be found in the biographies on pages 116 and 117. 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, and Soumen Das possess recent and relevant financial experience and the Committee as a whole continues to have competence relevant to the sector. None of the Committee's members has a connection to PwC, the external auditor.

Committee evaluation

During the year, the Committee's performance was reviewed as part of the 2021 Board evaluation process. Following consideration of the findings of the review of the Committee, the directors were satisfied that it was operating effectively.

Details about the evaluation process can be found on page 124.

AUDIT COMMITTEE REPORT

Summary of key Committee activities during the year

Financial reporting

- Reviewed the annual report and interim financial statements.
- Reviewed the going concern and viability statements.
- Conducted a fair, balanced and understandable assessment.
- Considered the key accounting judgements and estimates.
- Reviewed the appropriateness and implementation of the accounting policies.
- Reviewed the appropriateness and application of Alternative Performance Measures (APMs).
- Noted new accounting and reporting requirements.
- Reviewed large non-standard transactions.

External audit

- Reviewed audit approach and planning, including significant audit risks.
- Reviewed audit findings.
- Assessed external auditor effectiveness and independence.
- Approved the audit and non-audit fee policy and fees.
- Received auditor views on management and controls.
- Prepared for the transition to a new lead audit partner.

Internal control, risk management and internal audit

- Oversaw the risk management systems.
- Reviewed the principal risks.
- Considered risk reviews from business areas including information security, data protection, product operations, FCA compliance, and treasury.
- Approved the internal audit plan.
- Reviewed the results of Internal Audit's work and proposed remediation plans.
- Met with Internal Audit without management.
- Assessed the effectiveness of the internal audit function.

Other matters

- Received reports and presentations from relevant senior management in other significant business areas such as health and safety, pensions, legal matters, and taxation.
- Received regular updates on ESG matters, including TCFD requirements, climate-related risks and Code of Practice.
- Reviewed fraud risk and mitigation.
- Reviewed whistleblowing reports.
- Assessed compliance with the UK Corporate Governance Code.

Financial reporting

FRC review

In December 2021, NEXT received a query from the Financial Reporting Council (FRC) concerning the presentation of sale and leaseback transactions in the Group's consolidated cash flow statement, arising from the FRC's review of the January 2021 Annual Report and Accounts.

As a result of the review, and as explained in the Accounting Policies, the Group's consolidated cash flow statement for 2021 has been restated to reclassify £28.4m of sale and leaseback proceeds into investing activities where previously it had been classified as a financing activity. This immaterial reclassification has no impact on reported profit, EPS, assets, liabilities or the overall net cash flows reported in respect of the 2020/21 financial year.

The Committee reviewed all correspondence between NEXT and the FRC and also discussed the matter with our external auditor.

The FRC's enquiries regarding the above are now complete. It must be noted that the FRC review is limited to the January 2021 Annual Report and Accounts; it does not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into. Accordingly, the review and comments received from the FRC provide no assurance that the Annual Report and Accounts are correct in all material respects.

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, APMs and key areas of judgement and estimation. These papers included sensitivity analysis so that the impact and extent of judgements, in the context of the financial statements as a whole, could be understood.

The Committee also recognises the importance of the views of the external auditor and consequently made enquiries 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.

Significant matters and judgements for the year ending 29 January 2022

The following areas of significance were all subject to review and challenge by the Committee and were discussed and addressed with our external auditor throughout the external audit process.

Area of focus	Details of Committee review	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 (2022: Gross value £1.4bn and allowance for expected credit losses of £192m). Based on detailed reports and thorough discussions with management and the external auditor, the Committee reviewed the basis and level of provisions under IFRS 9 "Financial instruments" and the sensitivity of key judgements. Specific consideration was given to the impact of the withdrawal of Government COVID support initiatives, the increase in interest rates and forecast inflation on customer indebtedness and expected default rates. Sensitivity analysis on the key assumptions has also been reviewed and disclosed in the Annual Report and Accounts. The Committee is satisfied that the judgements made, and the sensitivities disclosed in the accounts, are reasonable and appropriate.	Note 1 and 13
2. Pension scheme funding and accounting	The Group Balance Sheet shows a funding surplus of £156.9m (2021: £99.2m), comprising £1,090m assets and £933.1m defined benefit pension schemes' obligation. 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 schemes' funding position is highly sensitive to small changes in discount and inflation rates and, as a result, the financial statements include a sensitivity analysis on these inputs.	Note 20
3. Inventory valuation	The Group Balance Sheet shows a net valuation of £633.0m (2021: £536.9m). The Committee reviewed and discussed a paper from management setting out the estimates used in respect of inventory provisions, in particular in relation to the seasonality and ageing profile of inventory held and the realisable value of such inventory. 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 estimates on provisions, was balanced and appropriate.	Page 190
4. Impairment of store assets	During the year the Group has recognised an impairment charge of £7.5m and a reversal of £11.8m on its previous store impairment charge. In recognising the impairment charge and reversal, management applied the requirements of IAS 36 to: • Determine whether there have been any trigger events which require a reassessment of the store impairment provision; and, where a trigger event is present, • Prepare a forecast of the store cash flows to assess and measure the effect of any impairment/reversal of previous impairments. Having reviewed and discussed papers from management which set out the key assumptions in the forecast models, and the results of the external audit, the Committee concluded that these judgements were balanced and appropriate.	Page 190

AUDIT COMMITTEE REPORT

Area of focus	Details of Committee review	Reference to financial statements
5. Acquisition of 25% interest in Reiss	The acquisition of the interest in Reiss resulted in a total cash outflow of £43m (including a £10m loan) and included an option for NEXT to acquire a further 26% of the issued equity and preference shares of Reiss. The accounting for the equity shares, preference shares, loan and option all required consideration as each has different characteristics which result in specific accounting. This included an assessment of whether the option provided NEXT with control of Reiss. Management concluded that it did not. Having reviewed accounting papers from management, and considered the views of the external auditor, the Committee concluded that the accounting treatment of the acquisition was appropriate.	Note 12
6. Sale and leaseback	The sale and leaseback on the new Elmsall 3 warehouse development represents a significant capital investment programme and has required management to exercise judgement on whether the work to date has met the recognition criteria for a "sale" as defined under IFRS 15, Revenue with contracts with customers. Management's view is that while the sale of the land and warehouse should be viewed as one transaction, there is more than one performance obligation within the contract. As at the year end date, management consider that the contractual obligation to sell the land was complete. It therefore recognised the gain on this component of the transaction. The value of the gain recognised in the 2021/22 financial year, £7m, reflects the proportion of the asset not retained in the future lease and is a proportion of the total gain expected on the sale and leaseback transaction. The residual gain, not recognised in the 2021/22 financial year, will be recognised when the other performance obligations are completed. Management expect this will be during the 2022/23 financial year. Based on the explanations and analysis provided by management, and the review by external auditors, the Committee concluded that the recognition of the gain and related judgements on revenue recognition were balanced and appropriate.	Page 191 Note 11

Going concern and viability statement

The Committee reviewed the appropriateness of preparing the accounts on a going concern basis and the viability assessment for the business. To inform its assessment of these, the Committee:

- Received a presentation from management which set out the Group's financial position and performance, its three year cash projections and the Group's available borrowing facilities and covenants, including the repayment profile of its existing debt structure.
- Reviewed the process behind the preparation of the cash projections, assessing the completeness of the inputs and appropriateness of key assumptions made by management.
- Reviewed the stress tests and reverse stress test prepared by management. The stress tests included the possible cash impact of a "black swan" event which forced the closure of both the warehouses and retail stores.
- Took into consideration recent updates they had received on the Group's principal and emerging risks.
- Noted that actions taken in the preceding two years had significantly strengthened the liquidity of the Group (net debt excluding leases) reduced from £1,112m in January 2020 to £600m at January 2022 and that the Group had access to significant cash levers which it could utilise if required to support the viability of the business.

Further details of the scenario testing, including the cash levers available to the business, are provided in the Viability Statement on page 87.

Based on these procedures the Committee approved the disclosures in relation to both the going concern and viability assessment and recommended to the Board the preparation of the financial statements on a going concern basis.

Fair, balanced and understandable

Each year the Committee advises the Board on whether the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess NEXT's position, performance, business model and strategy. In reaching its conclusion, the Committee considers the Annual Report in the context of the steps set out in the diagram below.

There are three particular areas of the Annual Report which changed this year. Detailed consideration was given to these changes by the Committee:

- In previous years, the Group has presented its results on both a pre and post IFRS 16 basis. The pre IFRS 16 results represented an "alternative performance measure". Management used this APM because the pre-IFRS 16 results formed the basis for management decisions, investment appraisals and provided a consistent basis for comparisons to prior years. This year, NEXT is presenting its results on a post IFRS 16 basis only. This decision reflects a number of factors including a review of reporting by peers, the adoption of IFRS 16 based performance measures in management's internal reporting and the ability to present year-on-year IFRS 16 results. The Committee reviewed papers from management detailing how this transition would be presented to ensure it has been clearly explained and that readers of the accounts have full visibility of the impact. The Committee considers that the level of disclosure, particularly in the Appendix on pages 65 to 70, is appropriate for the users of the Accounts to understand the changes made.
- In addition, this year the Group has presented its KPIs on a three year basis (rather than two). This is because the disruption to last year (2020/21) from COVID means that one year comparisons are generally not meaningful. The KPIs of the business have been reviewed resulting in a reduced, but more focused set of KPIs that reflect those metrics which are most critical to the decision making process and performance measurement within the business (see pages 76 to 77). The Committee considers that these changes are appropriate and assist the reader in assessing the financial performance of the business.
- Taking into consideration the recommendations of the FRC published in its Thematic Review of APMs, the Group has expanded the Glossary on pages 242 to 244 to further explain and clarify the use of APMs. This includes additional reconciliations and explanations to help bridge between APMs and the closest statutory equivalent. For its March 2022 meeting, the Committee asked management to present a detailed report on APMs together with draft disclosures and a summary of the FRC review findings. The Committee considered and challenged these APMs, specifically the overall presentation, clarity of explanation and reconciliation and were satisfied that they are appropriate.

Step 1

Management accounts and KPIs are considered at Board meetings to ensure that the business performance is appropriately assessed, reported and understood.

Step 2

The reporting is led by a small team of senior management which coordinates the input into the report. Senior management reviews the report as a whole to ensure that the information presented is accurate and the narrative is consistent with the fact pattern.

Step 3

The Committee reviews the Annual Report during the drafting process and receives regular updates on progress. By facilitating input at an early stage, there is adequate time for review and amendments.

Step 4

The internal audit function undertakes a thorough review process, verifying information within the report.

Step 5

The Committee receives a report from management on the steps it has taken to ensure that the report is fair, balanced and understandable. The Committee discusses this with management, and challenges any significant judgements or estimates made, as well as any APMs.

Step 6

The Committee considers the views of the external auditor.

AUDIT COMMITTEE REPORT

Risk management, internal control and internal audit

Risk management

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. At each meeting during the year, the Committee received presentations from management detailing risks and risk management in individual areas of the business. More information about the Committee's risk oversight during the year can be found below.

Further details regarding NEXT's risk framework and approach to risk management, together with details of the principal risks and risk assessment can be found on pages 78 to 86.

The Committee's risk management activities during the year

IT systems, cyber security and data privacy

- The Committee received progress reports on IT control observations made by the external auditor during the 2021 audit.
- Management presented to the Committee on work being done to enhance information security processes and procedures, including the creation of a Security Technical Assurance function.
- The Committee monitored information security and data privacy (GDPR) key risk indicator dashboards and enhancement plans.
- The results of a cyber security benchmarking project and the associated improvement roadmap were reviewed.
- A new information security and data privacy key controls dashboard was brought to the Committee for its oversight.

Consumer credit

- During the year the Committee received regular briefings on the Finance business, including reporting on the financial outlook, changes to the lending policy, and updates on credit account fraud.
- In the context of the ending of the Coronavirus Job Retention Scheme in September 2021, and forecast rising unemployment rates, the Committee received regular updates on payment and default rates, bad debt, and arrears.
- The Committee has oversight of the credit business' FCA conduct risk dashboard, and has the opportunity to challenge management as appropriate.

Other risk activities

In addition to the activities set out above, the Committee also:

- Reviewed the key current and emerging risks (including ESG risks), together with the associated controls and mitigating factors.
- Reported to the Board on its evaluation of the effectiveness of the Group's systems of internal control and risk management, informed by reports from Internal Audit and PwC.
- Appraised the controls and procedures in place to prevent and detect fraud.
- Considered progress on a significant four year warehouse expansion and reorganisation project.
- Received updates on material legal matters.
- Received updates from the operations team on key projects including Total Platform and Platform Plus, including consideration of the associated risks.
- Reviewed the anti-money laundering risk indicator dashboard.

Internal audit

The internal audit function is an integral feature of the Group's control framework. The work undertaken by the team provides invaluable insight into the practices, processes, systems and controls of the business. As such, the internal audit plan is approved by the Committee annually, and the Head of Internal Audit provides a detailed update to the Committee at each meeting. This update provides insight into the results of audits, including proposed improvement plans where relevant.

The Committee has oversight of the internal audit function's resource, experience and expertise. The Committee as a whole and the Committee Chairman both meet with the Head of Internal Audit without management present on a regular basis to allow for open discussion.

The Audit Committee Chairman and the Head of Internal Audit met during the year to undertake a formal review of the internal audit function. During the year, at the request of the Committee, an externally facilitated quality assessment was undertaken by Ernst & Young LLP. Taking into account the findings of this review, the Committee is satisfied that the internal audit function has continued to perform effectively during the year. The recommendations from the independent assessment were considered by the Committee and planned improvements will be agreed and implemented during the year ahead.

External audit

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 2021 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. The Committee will conduct an audit services tender at least every ten years to ensure that the independence of the external auditor is safeguarded, and it is currently expected that the next tender process will take place in 2026 for audit services to begin in the year ending January 2028. When considering the appropriate time to conduct an audit tender, the Committee takes into account the benefit of an incumbent firm with deep knowledge of the Group's operations enabling an efficient and high quality audit, the independence and objectivity of the appointed auditor and audit partner and the results of the assessment of audit effectiveness. The Committee currently believes that it is in the best interests of the shareholders of NEXT to conduct the competitive tender process in 2026.

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 throughout the financial year ended 29 January 2022.

Andrew Lyon has held the position of Lead Audit Partner since 2018, and has now served the maximum term of five annual audit cycles. Mark Skedgel has been appointed as the new Lead Audit Partner for the 2022/23 audit, and will serve a maximum term of five annual audit cycles.

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 a strict policy regarding the provision of non-audit services by the external auditor.

- The Committee's approval is required in advance of any non-audit services to be provided by the external auditor.
- In any one year the aggregate non-audit fees will not exceed £150,000.
- Over a rolling three year period, non-audit fees are limited to 50% of the average audit fee paid in the previous three years.
- Only permitted non-audit services may be provided by the auditor.

The policy was last reviewed in March 2020 and deemed to remain appropriate. The Committee reviews PwC's audit and non-audit fees twice a year. These procedures also ensure that the regulatory cap on permitted non-audit services of 70% of the average Group audit fee paid on a rolling three year basis is not exceeded.

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 and cost-effectiveness. 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 audit of certain of our corporate responsibility reporting. Further details are provided in Note 3 to the financial statements.

AUDIT COMMITTEE REPORT

Effectiveness

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:

1 Reviewing audit plans early in the planning stages and discussing audit planning, audit quality, fees, accounting policies, audit findings and internal control with PwC.

2 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.

3 Reviewing PwC's report on its own internal quality procedures.

4 Attendance by the Committee Chairman at the audit close meeting (see below).

5 Considering the manner in which the audit was conducted and the audit areas in which most time was spent.

6 Reviewing the results of a detailed 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.

7 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.

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 views of the external auditor's technical specialists and NEXT's subject area experts.

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 a resolution to re-appoint PwC be proposed at the 2022 AGM which the Board has accepted and endorsed.

Other matters

ESG

ESG is a standing item on the Audit Committee's agenda and during the year the Committee:

- Considered and challenged the results of an externally facilitated review to consider material climate-related risks.
- Reviewed the proposed TCFD and SASB disclosures.
- Received updates on new regulatory developments as well as significant environmental initiatives within the business.
- Had presentations from the Code of Practice team, which works with NEXT's suppliers worldwide to uphold and improve labour standards in our supply chain.
- Approved independent assurance to be undertaken in relation to energy use, greenhouse gas, and energy-efficient action data, as recommended by the FRC in its review of Streamlined Energy and Carbon Reporting.
- Received updates at every meeting from the Company Secretary on ESG governance matters.

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 via telephone or online directly to NEXT or to independently provided services. The policy also provides for 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.

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.

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 2021/22. The Directors' Remuneration Policy was supported by 91.8% of our shareholders at our AGM in 2020.

Pay and performance outcome for 2021/22

Total remuneration

As noted in this Statement a year ago, there continues to be considerable scrutiny of the relationship between executive pay and business performance, and of its relationship to the experience of other stakeholders, particularly shareholders and employees. The COVID pandemic has, amongst its many consequences, intensified this scrutiny. In that context, this Statement details the decisions the Committee has taken this year in relation to executive remuneration.

The Committee believes that NEXT continues to be well served by simple, objective, and transparent remuneration arrangements that have been, with minor adjustments, in place for a long time and are well understood by directors, employees and shareholders.

Retailers selling non-essential goods have been hit particularly hard by COVID and at the start of our financial year, NEXT's stores remained closed due to Government restrictions. The uncertainty caused by the pandemic, and its potential economic impact, meant that it was harder than usual to predict sales and profits for the year ahead. So, the guidance ranges we gave for the 2021/22 financial year in the January 2021 Trading Statement were wider than usual, but at least gave shareholders an understanding of how the profits of the business would respond to different levels of sales growth.

Notwithstanding that our physical stores remained closed longer than we had anticipated, the business overall materially outperformed our initial expectations in the year. This led to us upgrading our guidance five times in the year and the executive directors oversaw the delivery of profit before tax of £823m and post tax EPS of 530.8p, outperforming our pre-COVID 2019/20 results by +10.0% and +12.4% respectively, and achieving a record high EPS for the Group.

In July 2021 the Board took the decision to repay the business rates relief we received for the period our stores were open in the year, even though we were not required to do so. This decision was taken after consulting major shareholders who, between them, account for around 30% of our shares in issue. The cost of this repayment was £29m. During the period our stores were closed, many of our store staff were furloughed and we continued to top up their pay, where necessary, above the furlough cap to 80% of normal pay. The Company receives no direct benefit from furlough payments – these monies are paid directly on to our employees. The Government's Job Retention Scheme enabled us to continue to employ talented colleagues whom we might otherwise have been required to make redundant.

As a result of the pandemic, last year we did not pay any dividends to our shareholders. This year, in the light of the strong performance and cash flow of the business, and the stability of our balance sheet, the Board decided it was appropriate to restart dividend payments. The Board declared two special dividends which were paid in September 2021 and January 2022. We are returning to ordinary dividends in the year to January 2023, including a dividend which will be paid to shareholders in August, subject to shareholder approval at the AGM in May.

Much of the strong performance in the 2021/22 financial period has come from the successful evolution of business initiatives borne of investment, innovation, careful implementation and appropriate risk taking over many years. In particular, the executive directors have through both long term planning and outstanding day-to-day execution, driven the rapid growth of NEXT's Online business, successfully managing the costs and complexities associated with developing the appropriate Online systems and fulfilment platforms. The success of this long term planning is reflected in the 2021/22 annual bonus awards and the LTIP outcomes, detailed below. The strong performance in this year came, too, against the headwinds of considerable day-to-day operational challenges, including significant stock shortages and elevated freight costs caused by COVID disruption to international supply chains. The overall level of executive director pay remains modest compared with that available at other equivalently sized FTSE 100 companies.

REMUNERATION REPORT

Annual bonus

Annual bonus is calculated with reference to pre-tax EPS, including the impact of share buybacks. In April 2020, the Committee decided to cancel the bonus for 2020/21 so no bonus was paid in respect of that financial year. At a time of continued uncertainty due to the COVID pandemic, the Committee decided to set the 2021/22 annual bonus targets on a wider range of profit and EPS outcomes than usual, with a graduation of the scales applied to ensure appropriate outcomes. The objective was to give staff and executives the opportunity to earn modest bonus in a downside scenario which reflected the potential impact on the business of continued Government restrictions and the prospect of the UK retail market remaining very challenging. For the executives, the bonus payable at the threshold was set at a reduced 5% of the maximum rather than the usual 12% bonus at this level.

The Committee set the targets for the annual bonus for 2021/22 based on the Group PBT guidance of £670m (pre-IFRS 16). Since that time the Board has adjusted market guidance five times, and the growth in pre-tax EPS in the year was significantly above the threshold level set (see page 139). In accordance with the bonus formula, maximum bonus was earned, resulting in a bonus of 150% for Lord Wolfson and 100% of salary for the other executive directors, with the bonus in excess of 100% of base salary payable in shares deferred for two years in the case of Lord Wolfson. This compares to zero bonus payments in 2020/21 as the Committee considered this equitable in the context of the wider stakeholder environment, when distributions to shareholders were suspended and a significant number of colleagues were furloughed. Against a wider context, the average bonus earned by the executive directors (excluding Lord Wolfson) in the five years prior to the 2020/21 cancellation was 23% (see page 148 for details of the bonus payments made to Lord Wolfson who waived some of his bonus entitlement in 2019).

Long Term Incentive Plan (LTIP)

LTIP awards are currently granted twice a year, each grant being at 112.5% of base salary for executive directors. Two LTIP awards reached the end of their three year performance period during the year. Of these, the first vested at 83% as NEXT's total shareholder return (TSR) ranked fifth out of 21 companies in the comparator group and the second vested at 80% as NEXT's TSR ranked fifth in the comparator group of 20 companies. Of the estimated total value of the two LTIP awards, 32% is due to the increase in share price and a further 5% to the dividends accrued on such awards.

Key remuneration decisions

Committee assessment of performance-related remuneration

The Committee is mindful of the need to ensure that executive pay is inextricably linked to performance. This scrutiny is particularly important when a company either performs below expectations or exceeds expectations. While mathematical outcomes give a strong indication of the appropriate remuneration, it is the Committee's role to assess this in the context of the wider environment in which the Company operates. In allowing the executives' performance-related pay to vest without adjustment, the Committee took into account the following:

- Our executive directors are high performing, with an excellent track record in delivering strong and resilient company performance and growth, as evidenced by the results this year and a TSR of 312% over a ten year period.
- The strong performance of the business is a result of the significant work by the executives over the last few years. This has placed NEXT in a strong position to take advantage of the ongoing structural shift in spending from retail stores to online as well as investment opportunities and acquisition opportunities arising from the pandemic.
- The business has acted appropriately in respect of its wider stakeholders, in particular repaying business rates relief previously claimed for 2021/22, topping up payments of employees on furlough and restarting dividend payments.
- That it was consistent with the approach to performance-related remuneration across the wider workforce – bonus was paid to employees across all divisions of the Company and many employees benefited from the strong share price, by realising gains on their share options (see Rewarding our workforce opposite for further information).

The Committee believes therefore that the executive director remuneration earned this year is proportionate and aligned to business performance and, therefore, approved the formulaic outturns without the exercise of any discretion.

Annual base salary review for 2022/23

The Committee reviewed and set the remuneration for the Chairman, executive directors and senior management. The executives received base salary increases in February 2022 of 5%, 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

Each year the Committee reviews 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. 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.

ESG metrics in performance measurement

ESG has clearly become an important topic for our stakeholders. ESG-related targets are now present in many pay arrangements, both short term bonus schemes as well as long term incentive plans. However, some of these ESG-related targets appear relatively subjective whilst NEXT's pay arrangements have, in the view of the Committee, benefitted from being entirely objective. It is nonetheless very clear that the scope of ESG issues for a retail company such as NEXT is wide and nuanced. We therefore see our commitment to dealing with ESG-related challenges as an integral part of management's day job rather than an additional area to be incentivised. Consequently, the Committee has concluded that it would not be appropriate to make changes to the executives' variable pay performance conditions for the year ahead. We will keep this under review. For further information about the Company's ESG-related work, please see our Corporate Responsibility Report on pages 89 to 109.

Malus and clawback

As part of the Remuneration Policy review in 2020, 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. The Committee considers these provisions at the year end as part of its normal review and concluded that it was not appropriate to exercise such provisions.

Other activity during 2021/22

Further information about the work of the Committee is on page 150.

Non-executive director fees

The Board, excluding the non-executive directors, undertook a review of non-executive fees during the year. Taking into account the time commitment required for the directors to satisfactorily discharge their duties and the fee level that is reasonable in order to retain and attract good quality individuals, they agreed to increase the base fee for non-executives and the additional fees in respect of (1) chairing the Audit and Remuneration Committees and (2) the additional fee payable to the Senior Independent Director. The changes are set out on page 139.

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 management. 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.

Rewarding our workforce

There are bonus structures throughout NEXT and employee share ownership is strongly encouraged. Market value options over NEXT shares are granted each year to approximately 1,700 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 employees.

During the year many of our employees benefitted from the strong share price, with over 3,400 employees realising gains on their share options averaging £13k. Around 9,700 employees (circa 25% of our total UK and Eire employees) held options or awards in respect of 5.9 million shares in NEXT at the financial year end.

Knowing our workforce

Our range of workforce engagement activities continued during 2021. Our annual employee forum meetings for our Head Office, Warehousing & Distribution, Retail and Online areas were held by a mixture of face to face and virtually. Lord Wolfson, Dame Dianne Thompson (non-executive director), our Group HR Director and a cross-section of workforce representatives from the relevant business divisions attended the meetings. In addition, Lipsy and NEXT Sourcing company works councils held regular meetings during the year. Next Sourcing will be incorporated into the Recruit, Reward and Retain working party meetings from 2022.

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 (including data on staff turnover by business division, absences, redundancies, disciplinaries and grievances), 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 considered 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 and inviting them to email me with any queries or comments they had via a dedicated email address.

Shareholder engagement

The Committee maintains an ongoing dialogue with the Company's shareholders and proxy agencies to understand their views and reviews feedback issued during the AGM reporting and voting period. 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 guidance issued by shareholders and proxy agencies when considering the key remuneration decisions set out on pages 136.

REMUNERATION REPORT

For further details regarding the feedback to the Board on shareholder views, please see page 113.

2022 AGM

The Committee has continued to be mindful of the requirements of the UK Corporate Governance Code when applying 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 management team delivering strong and resilient performance, despite the continued externally challenging situation. 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 2022 AGM for our 2021/22 Directors' Annual Remuneration Report.

Lastly, I would like to thank my predecessor as Remuneration Committee Chair, Francis Salway, for his excellent work in developing remuneration policies which are simple, aligned to business strategy and have been strongly supported by our shareholders. I would also like to thank Francis for the considerable care he took in explaining the logic and rationale of such policies in the handover of the responsibilities of Remuneration Committee Chair to me in this, my first year in that capacity.

Tom Hall
Chairman of the Remuneration Committee

24 March 2022

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 135 to 138, will be put to shareholders for an advisory (non-binding) vote at the AGM to be held on 19 May 2022. 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 on the next page sets out the way that the policy was implemented in 2021/22 and any significant changes in the way it will be implemented in 2022/23.

<table>
<tr><th>Element of remuneration</th><th>Policy implemented during 2021/22 and changes in 2022/23</th></tr>
<tr><td>Base salary</td><td>Base salaries for the executives increased by 5% in February 2022, in line with the wider Company award.
The base salaries for the executive directors from February 2022 are:
<table>
<tr><th>£000</th><th>2022/23</th><th>2021/22</th></tr>
<tr><td>Lord Wolfson</td><td>865</td><td>824</td></tr>
<tr><td>Amanda James</td><td>527</td><td>502</td></tr>
<tr><td>Richard Papp</td><td>510</td><td>486</td></tr>
<tr><td>Jane Shields</td><td>510</td><td>486</td></tr>
</table></td></tr>
<tr><td>Annual bonus</td><td>As detailed in the Annual Statement on remuneration on page 136, for the year to January 2022 the Committee set the threshold target for the annual bonus for 2021/22 with the objective to give executives the opportunity to earn a moderate bonus in a downside scenario. Performance targets were set requiring pre-tax EPS of at least 448.0p, adjusted for special dividends and excluding exceptional gains, before any bonus became payable. At this threshold, 5% bonus was payable, rather than the 12% which is typically paid at this threshold level. 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 3.8% (585.5p) or higher than the pre-COVID 2019/20 outturn. These EPS targets were set on a pre-IFRS 16 basis. Underlying pre-tax EPS, pre-IFRS 16 growth achieved in the year was +13.0% versus 2019/20, being a record EPS of 637.4p. In accordance with the bonus formula, the maximum bonus was earned which the Committee considered to be appropriate and approved without adjustment, for the reasons set out on page 136.

For the year to January 2023, 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 and, as the business has now fully adopted IFRS 16 across all its financial reporting, these targets will be based on pre-tax EPS including IFRS 16.

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>No change in 2021/22. See Note 6 to the single total figure of remuneration table for details of LTIP vestings in the year. LTIP grants in 2022/23 will be made on the same basis to the 2021/22 grants, with any changes to the TSR comparator group considered immediately prior to each grant.

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>No change. The Committee previously introduced recovery and withholding provisions in the service contracts of all executive directors to cover the bonus and LTIP, and a five year from grant holding period (comprising a three year vesting period and a two year holding period for the retention of any net of tax shares that vest) under the LTIP for executive directors. See page 159 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 were increased by 5% in February 2022, in line with the wider Company award. The Chairman, Michael Roney, will be paid an annual fee of £363,472 (2021/22: £346,112). The basic non-executive director fee for 2022/23 was increased to £70,000 (2021/22: £59,339), with a further £20,000 (2021/22: £11,868) paid to the Chairman of each of the Audit and Remuneration Committees respectively, and £12,000 (2021/22: £11,868) paid to the Senior Independent Director. See page 137 for the background to these changes.</td></tr>
<tr><td>Pension</td><td>No change. 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 in 2020, 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>No change.</td></tr>
<tr><td>Post cessation shareholding requirement</td><td>No change.</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	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Chairman																				
Michael Roney	**346**	327	**–**	–	**–**	–	**–**	–	**346**	327	**–**	–	**–**	–	**–**	–	**–**	–	**346**	327
Executive directors																				
Lord Wolfson	**824**	778	**52**	41	**74**	70	**124**	117	**1,074**	1,006	**1,236**	–	**2,071**	2,576	**–**	–	**3,307**	2,576	**4,381**	3,582
Amanda James	**502**	474	**22**	22	**2**	2	**23**	21	**549**	519	**502**	–	**1,194**	1,386	**1**	–	**1,697**	1,386	**2,246**	1,905
Richard Papp	**486**	459	**23**	23	**–**	–	**24**	23	**533**	505	**486**	–	**1,173**	1,386	**2**	–	**1,661**	1,386	**2,194**	1,891
Jane Shields	**486**	459	**9**	42	**–**	–	**73**	69	**568**	570	**486**	–	**1,173**	1,386	**1**	–	**1,660**	1,386	**2,228**	1,956
Non-executive directors																				
Jonathan Bewes	**80**	67	**–**	–	**–**	–	**–**	–	**80**	67	**–**	–	**–**	–	**–**	–	**–**	–	**80**	67
Soumen Das*	**25**	–	**–**	–	**–**	–	**–**	–	**25**	–	**–**	–	**–**	–	**–**	–	**–**	–	**25**	–
Tom Hall#	**68**	33	**–**	–	**–**	–	**–**	–	**68**	33	**–**	–	**–**	–	**–**	–	**–**	–	**68**	33
Tristia Harrison	**59**	56	**–**	–	**–**	–	**–**	–	**59**	56	**–**	–	**–**	–	**–**	–	**–**	–	**59**	56
Francis Salway^	**25**	78	**–**	–	**–**	–	**–**	–	**25**	78	**–**	–	**–**	–	**–**	–	**–**	–	**25**	78
Dame Dianne Thompson	**59**	56	**–**	–	**–**	–	**–**	–	**59**	56	**–**	–	**–**	–	**–**	–	**–**	–	**59**	56
	2,960	2,787	**106**	128	**76**	72	**244**	230	**3,386**	3,217	**2,710**	–	**5,611**	6,734	**4**	–	**8,325**	6,734	**11,711**	9,951

* Soumen Das was appointed to the Board as a non-executive director on 1 September 2021.

\# Tom Hall was appointed to the Board as a non-executive director on 13 July 2020.

^ Francis Salway stepped down from the Board as a non-executive director on 20 May 2021.

Total emoluments paid to directors (salary/fees, benefits, salary supplements and annual bonus) for the year to January 2022 were £6,020,000 (2021: £3,145,000).

Note 1: Salary/fees

The single figure table sets out salary and fee payments. The salary and fee payments for 2020/21 take 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 2020 and June 2020.

Note 2: Benefits

	Car/chauffeur charges/cash allowance		Fuel		Medical insurance & NEXT clothing allowance		Total	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Lord Wolfson	45	34	4	4	3	3	52	41
Amanda James	15	15	5	5	2	2	22	22
Richard Papp	20	20	–	–	3	3	23	23
Jane Shields	5	30	2	9	2	3	9	42

Note 3: Pension

Lord Wolfson is accruing pensionable service under the defined benefit supplemental pension arrangement. See page 143 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 2022 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 2022	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	54	27	440	8	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 one month of the year Amanda made a contribution equal to 5% of her salary into her pension plan which was matched by the Company (2020/21: just over one month 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 (2013 Plan) and receives a supplement of 5% of base salary. See Note 3 opposite for information regarding Amanda James.

Note 5: Annual bonus

Details of the performance targets for the annual bonus are set out on page 139. For the year to January 2022, in accordance with the bonus formula, a bonus of 150% of salary for the Chief Executive and 100% of salary for the other executive directors was earned. To provide a retention element in the case of the Chief Executive, any annual bonus in excess of 100% of base salary is payable in shares, deferred for a period of two years and subject to forfeiture if he voluntarily resigns prior to the end of that period.

Note 6: LTIP

Performance targets for the LTIP are set out on page 155.

For the three year period to July 2021, NEXT's TSR ranked fifth in the comparator group of 21 resulting in 83% of the grant made in the second half of 2018 vesting. This award vested on 4 October 2021, when the share price was £80.66. For the three year period to January 2022, NEXT's TSR ranked fifth in the comparator group of 20 resulting in 80% of the award granted in March 2019 vesting. The Committee concluded that the indicative formulaic levels of vesting were appropriate and allowed such vesting without adjustment. The executives are required to retain LTIP shares that vest, net of any tax, for a period of two years.

LTIP values included in the 2021/22 single figure table comprise the actual value of awards that have vested for the performance period ended July 2021 plus the estimated value of awards that will vest for the performance period ended January 2022 based on the average NEXT share price over the final three months of the financial year of £79.46. Of the total value of the two LTIP awards, the amount due to the increase in share price is set out below.

	July 2021			January 2022		
	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	247	37	26%	420	69	37%
Amanda James	133	20	26%	255	42	37%
Richard Papp	133	20	26%	248	41	37%
Jane Shields	133	20	26%	248	41	37%

LTIP values included in the single figure table for the 2020/21 comparative figures have been updated to reflect the actual market values of the LTIP awards that vested on 7 April 2021 of £80.64.

REMUNERATION REPORT

Total remuneration

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.

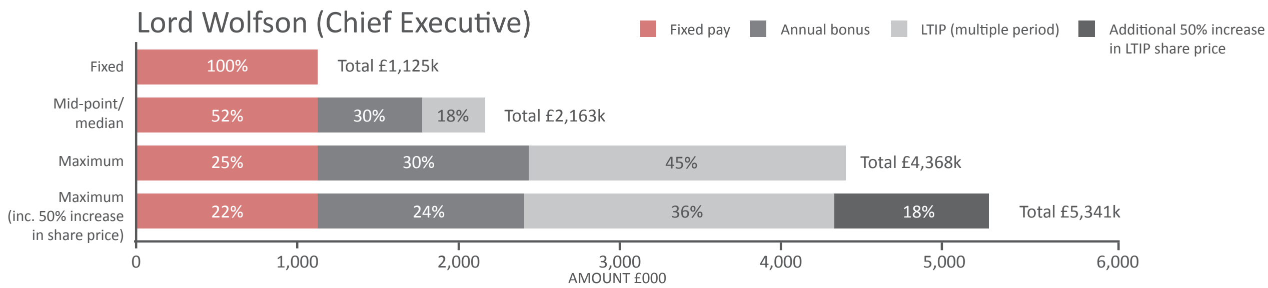
UK Corporate Governance Code – Provision 40 disclosures

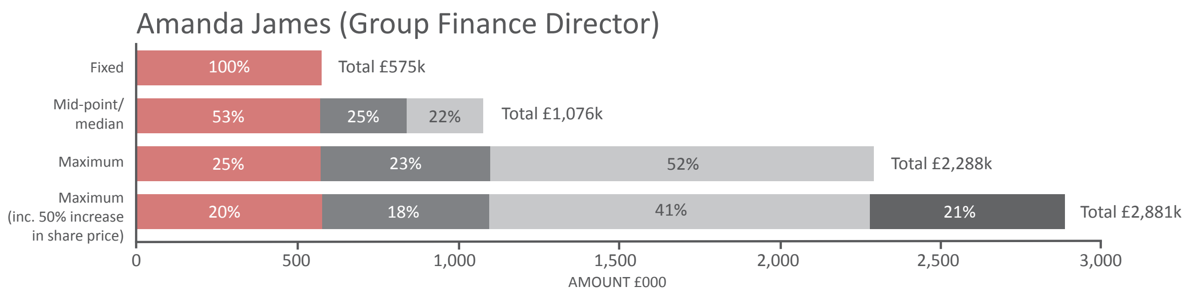
When developing the remuneration policy and considering its implementation for 2022, the Committee was mindful of the UK Corporate Governance Code and considers that the executive remuneration framework appropriately addresses the following factors:

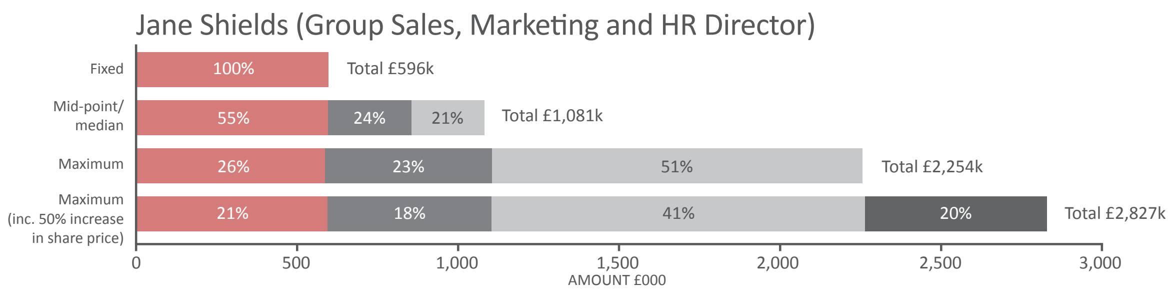
- Clarity – NEXT's incentive pay arrangements are based entirely on objective financial performance targets. This provides clarity to all stakeholders on the relationship between pay and performance.
- Simplicity – Remuneration arrangements for our executives are simple and the principles which underpin them are applied at management levels below the Board and are well understood by both participants and 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.
- Risk – The Committee considers that the incentive arrangements do not encourage inappropriate risk-taking. Malus and clawback provisions are in the service contracts of all executive directors and apply to annual bonus and LTIP awards. The Committee also has overarching discretion to adjust formulaic outcomes to ensure that they are appropriate.
- Predictability and proportionality – Our policy provides for potential total remuneration below the median levels for companies of our size and has a strong history of delivering value when performance merits this and of nil payouts when performance has been weaker. Variable pay is linked to measures which are aligned with the Company's long term strategy and objectives.
- Alignment to culture – The remuneration performance targets set by the Committee are designed to drive the right behaviours across the business. The arrangements encourage our executives to focus on making the right decisions for the creation of long term shareholder value.

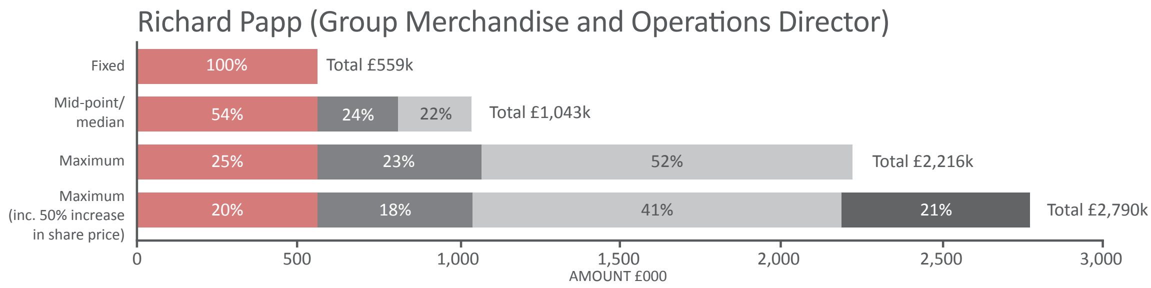
Total remuneration opportunity

The following charts 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. 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 above and on the previous page, the following assumptions have been made:	
Fixed/minimum	Base salaries and salary supplement values as at 2022/23, and benefits values as shown in 2021/22 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 over).

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 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 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.

REMUNERATION REPORT

Our other executive directors receive pension contributions and/or salary supplements of 15% of salary and 5% of salary respectively. 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.

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. Lord Wolfson contributes 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]	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Lord Wolfson	**1,265,359**	1,249,504	**–**	–	**88,546**	94,470	**344**	344
Jonathan Bewes	**1,750**	1,750	**–**	–	**–**	–	**–**	–
Soumen Das	**1,289**	n/a	**–**	–	**–**	–	**–**	–
Tom Hall	**nil**	nil	**–**	–	**–**	–	**–**	–
Tristia Harrison	**1,000**	1,000	**–**	–	**–**	–	**–**	–
Amanda James	**36,806**	28,168	**–**	–	**53,917**	55,348	**287**	357
Richard Papp	**17,389**	17,867	**–**	–	**52,266**	54,159	**139**	392
Michael Roney	**44,321**	40,821	**–**	–	**–**	–	**–**	–
Francis Salway[4]	**4,520**	4,520	**–**	–	**–**	–	**–**	–
Jane Shields	**46,209**	37,609	**–**	–	**52,266**	54,159	**323**	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 154.
2. The LTIP amounts above are the maximum potential conditional share awards that may vest subject to performance conditions described on page 155.
3. Executive directors can participate in the Company's Sharesave scheme (see details on page 157) and the amounts above are the options which will become exercisable at maturity.
4. Francis Salway stepped down from the Board as a non-executive director on 20 May 2021.

Tom Hall and his spouse purchased a total of 10,000 shares on 10 February 2022. There have been no other changes to the directors' interests in the shares of the Company from the end of the financial year to 23 March 2022.

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 2021/22 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 2022	Shareholding guidelines achieved
Lord Wolfson	February 1997	11,625%	Yes
Amanda James	April 2015	555%	Yes
Richard Papp	May 2018	271%	Yes
Jane Shields	July 2013	719%	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. 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.

	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[1] £	Option/ award price £	Market price on date of vesting/ exercise £	Vesting date/ exercisable dates[2]
Lord Wolfson											
LTIP	Mar 2018	17,245	–	1,032	18,277	–	–	45.75	nil	80.64	Jan 2021
	Sept 2018	13,472	–	458	11,640	2,290	–	58.56	nil	80.66	Jul 2021[3]
	Mar 2019	16,727	–	–	–	–	16,727	48.11	nil	–	Jan 2022[3]
	Sept 2019	14,314	–	–	–	–	14,314	56.22	nil	–	Jul 2022
	Mar 2020	11,955	–	–	–	–	11,955	68.49	nil	–	Jan 2023
	Sept 2020	20,757	–	–	–	–	20,757	49.31	nil	–	Jul 2023
	Apr 2021	–	13,178	–	–	–	13,178	70.32	nil	–	Jan 2024
	Sept 2021	–	11,615	–	–	–	11,615	79.78	nil	–	Jul 2024
		94,470					**88,546**				
Sharesave	Oct 2018	**344**	–	–	–	–	**344**	–	43.48	–	Dec 2023 – Jun 2024
Amanda James											
LTIP	Mar 2018	9,279	–	555	9,834	–	–	45.75	nil	80.64	Jan 2021
	Sept 2018	7,249	–	245	6,262	1,232	–	58.56	nil	80.66	Jul 2021[3]
	Mar 2019	10,185	–	–	–	–	10,185	48.11	nil	–	Jan 2022[3]
	Sept 2019	8,716	–	–	–	–	8,716	56.22	nil	–	Jul 2022
	Mar 2020	7,280	–	–	–	–	7,280	68.49	nil	–	Jan 2023
	Sept 2020	12,639	–	–	–	–	12,639	49.31	nil	–	Jul 2023
	Apr 2021	–	8,024	–	–	–	8,024	70.32	nil	–	Jan 2024
	Sept 2021	–	7,073	–	–	–	7,073	79.78	nil	–	Jul 2024
		55,348					**53,917**				
Sharesave	Oct 2016	108	–	–	108	–	–	–	38.25	83.80	Dec 2021 – Jun 2022
	Oct 2018	249	–	–	–	–	249	–	43.48	–	Dec 2023 – Jun 2024
	Oct 2021	–	38	–	–	–	38	–	64.53	–	Dec 2024 – Jun 2025
		357					**287**				
Richard Papp											
LTIP	Mar 2018	9,279	–	555	9,834	–	–	45.75	nil	80.64	Jan 2021
	Sept 2018	7,249	–	245	6,262	1,232	–	58.56	nil	80.66	Jul 2021[3]
	Mar 2019	9,873	–	–	–	–	9,873	48.11	nil	–	Jan 2022[3]
	Sept 2019	8,449	–	–	–	–	8,449	56.22	nil	–	Jul 2022
	Mar 2020	7,057	–	–	–	–	7,057	68.49	nil	–	Jan 2023
	Sept 2020	12,252	–	–	–	–	12,252	49.31	nil	–	Jul 2023
	Apr 2021	–	7,779	–	–	–	7,779	70.32	nil	–	Jan 2024
	Sept 2021	–	6,856	–	–	–	6,856	79.78	nil	–	Jul 2024
		54,159					**52,266**				
Sharesave	Oct 2016	392	–	–	392	–	–	–	38.25	80.20	Dec 2021 – Jun 2022
	Oct 2021	–	139	–	–	–	139	–	64.53	–	Dec 2024 – Jun 2025
		392					**139**				

REMUNERATION REPORT

	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[1] £	Option/ award price £	Market price on date of vesting/ exercise £	Vesting date/ exercisable dates[2]
Jane Shields											
LTIP	Mar 2018	9,279	–	555	9,834	–	–	45.75	nil	80.64	Jan 2021
	Sept 2018	7,249	–	245	6,262	1,232	–	58.56	nil	80.66	Jul 2021[3]
	Mar 2019	9,873	–	–	–	–	9,873	48.11	nil	–	Jan 2022[3]
	Sept 2019	8,449	–	–	–	–	8,449	56.22	nil	–	Jul 2022
	Mar 2020	7,057	–	–	–	–	7,057	68.49	nil	–	Jan 2023
	Sept 2020	12,252	–	–	–	–	12,252	49.31	nil	–	Jul 2023
	Apr 2021	–	7,779	–	–	–	7,779	70.32	nil	–	Jan 2024
	Sept 2021	–	6,856	–	–	–	6,856	79.78	nil	–	Jul 2024
		54,159					**52,266**				
Sharesave	Oct 2016	70	–	–	70	–	–	–	38.25	80.20	Dec 2021 – Jun 2022
	Oct 2018	282	–	–	–	–	282	–	43.48	–	Dec 2023 – Jun 2024
	Oct 2021	–	41	–	–	–	41	–	64.53	–	Dec 2026 – Jun 2027
		352					**323**				

1. 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.
2. For LTIP awards, the date in this column is the end of the three year performance period. Actual vesting will be the date on which the Committee determines whether any performance conditions have been satisfied, or shortly thereafter.
3. See page 141 for details of the performance conditions and vesting levels applicable to the LTIP schemes with performance periods ending in the financial year 2021/22. 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.

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 2021/22 year totalled £6,330,000 (2020/21: £4,417,000). At the end of the year there were no options that had vested but not yet been exercised.

Scheme interests awarded during the financial year ended January 2022 (audited information)

LTIP

Face value

In respect of the LTIP conditional share awards granted during the year 2021/22, 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.

	Apr 2021 £000	Sept 2021 £000	Total £000
Lord Wolfson	927	927	1,854
Amanda James	564	564	1,128
Richard Papp	547	547	1,094
Jane Shields	547	547	1,094

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	April 2021 grant: three years to January 2024. September 2021 grant: three years to July 2024.
Performance measures	The LTIP performance measures are detailed on page 155. The companies in the TSR comparator group for awards granted during the financial year are in the table opposite.
Dividend roll-up	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 opposite, 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 value of the deferred bonus (£412k) is included in the single total figure of remuneration table on page 140.

Performance targets for outstanding LTIP awards

Details of the comparator groups for the LTIP three year performance periods commencing August 2018 are shown below.

Boohoo replaced Debenhams in the comparator group from August 2019 onwards after Debenhams went into administration.

Morrisons and Carpetright have both been delisted and, following our established practice, were removed from the comparator group for awards where less than 18 months of the performance period had elapsed. Watches of Switzerland replaced Morrisons in the comparator group from August 2021 onwards.

	Performance period commencing:						
Comparator Group Companies	**Aug 18**	**Feb 19**	**Aug 19**	**Feb 20**	**Aug 20**	**Feb 21**	**Aug 21**
AO World	X	X	X	✓	✓	✓	✓
ASOS	✓	✓	✓	✓	✓	✓	✓
B&M European Value Retail	✓	✓	✓	✓	✓	✓	✓
Boohoo	X	X	✓	✓	✓	✓	✓
Burberry	✓	✓	✓	✓	✓	✓	✓
Carpetright	✓	X	X	X	X	X	X
Currys	✓	✓	✓	✓	✓	✓	✓
Debenhams	✓	✓	X	X	X	X	X
DFS	X	X	X	✓	✓	✓	✓
Dunelm	✓	✓	✓	✓	✓	✓	✓
Halfords	✓	✓	✓	✓	✓	✓	✓
J Sainsbury	✓	✓	✓	✓	✓	✓	✓
JD Sports Fashion	✓	✓	✓	✓	✓	✓	✓
Kingfisher	✓	✓	✓	✓	✓	✓	✓
Marks and Spencer	✓	✓	✓	✓	✓	✓	✓
Morrisons	✓	✓	✓	✓	X	X	X
Mothercare	✓	✓	✓	X	X	X	X
N Brown	✓	✓	✓	✓	✓	✓	✓
Pets at Home	✓	✓	✓	✓	✓	✓	✓
Superdry	✓	✓	✓	✓	X	X	X
Studio Retail Group	X	X	X	X	✓	✓	✓
Ted Baker	✓	✓	✓	✓	✓	✓	✓
Tesco	✓	✓	✓	✓	✓	✓	✓
Watches of Switzerland	X	X	X	X	X	X	✓
WH Smith	✓	✓	✓	✓	✓	✓	✓

Payments to past directors (audited information)

There were no payments made to past directors during the 2021/22 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 2021/22 financial year.

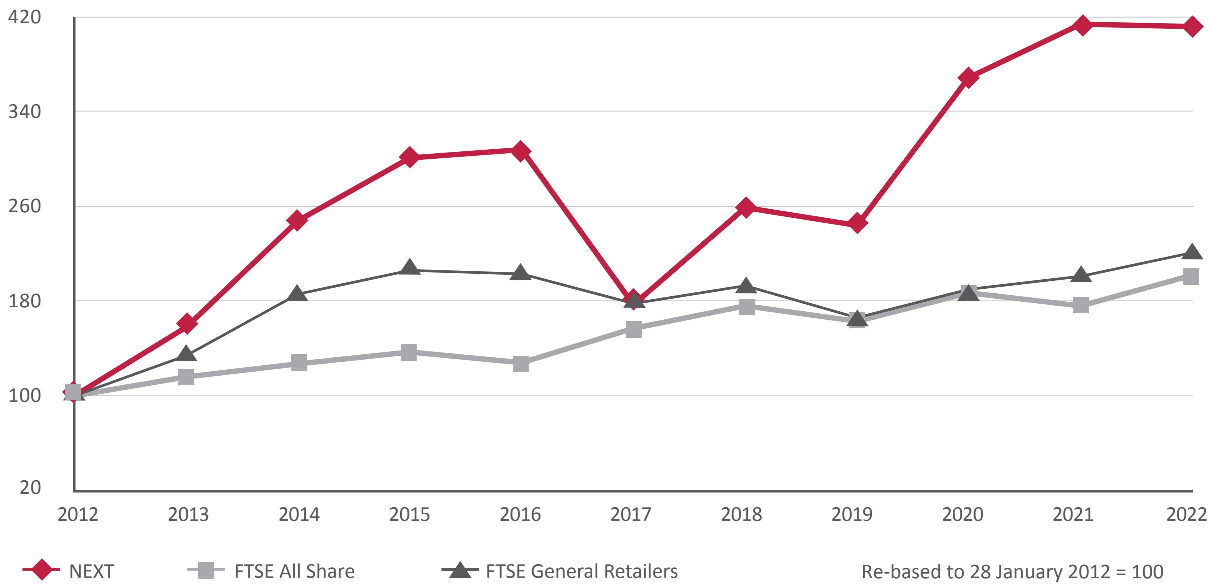
REMUNERATION REPORT

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 2022.

NEXT plc performance chart 2012 to 2022 Total Shareholder Return



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	SMP pay-out against maximum opportunity
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	3,582	0%	Two semi-annual awards vested at 90% and 100%	n/a
2022	4,381	100%	Two semi-annual awards vested at 83% and 80%	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 2020/21 and 2021/22 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 85% 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	
	2021/22	2020/21[1]	**2021/22**	2020/21	**2021/22**	2020/21[7]
Executive directors						
Lord Wolfson	**6%**	-3%	**26%**	-13%	**100%**	-100%
Amanda James	**6%**	-3%	**–**	-8%	**100%**	-100%
Richard Papp	**6%**	-3%	**–**	–	**100%**	-100%
Jane Shields	**6%**	-3%	**-78%**	–	**100%**	-100%
Non-executive directors						
Michael Roney	**6%**	-3%	**–**	–	**–**	–
Jonathan Bewes[2]	**18%**	-3%	**–**	–	**–**	–
Soumen Das[3]	**n/a**	n/a	**–**	–	**–**	–
Tom Hall[4 6]	**21%**	n/a	**–**	–	**–**	–
Tristia Harrison	**6%**	-3%	**–**	–	**–**	–
Francis Salway[5 6]	**6%**	-3%	**–**	–	**–**	–
Dame Dianne Thompson	**6%**	-3%	**–**	–	**–**	–
UK/Eire Employees (average per FTE)	**5%**	2%	**-10%**	4%	**510%**	-73%

1. The directors took a 20 per cent voluntary reduction in salary/fees during the lockdown period between April and June 2020.
2. Jonathan Bewes was appointed as Senior Independent Director during 2021/22.
3. Soumen Das was appointed to the Board as a non-executive director on 1 September 2021.
4. Tom Hall was appointed to the Board as a non-executive director on 13 July 2020 and during 2021/22 was appointed Remuneration Committee Chairman.
5. Francis Salway stepped down from the Board as a non-executive director on 20 May 2021.
6. The 2021/22 percentage changes in base salary for Tom Hall and Francis Salway are calculated on an annualised basis.
7. In light of the decision not to pay dividends in the 2020/21 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 was 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 140) 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
2021/22	Option B	280:1	245:1	201:1
2020/21	Option B	203:1	188:1	168:1
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 2021. 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.

REMUNERATION REPORT

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	£15,318	£17,600	£21,263
Total remuneration	£15,669	£17,911	£21,795

The ratios disclosed above are affected by the following factors:

- Of our UK workforce of 38,000, 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 Office 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 2021/22 as compared to 2020/21 is largely 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 and, to a lesser extent, the return to payment of salaries at the normal level after waiving part of salary in 2020/21. 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.

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 and dividends).

	Total wages and salaries	Buybacks	Dividends
2021/22	£703.2m	£13.1m	£344.5m
2020/21	£593.6m	£19.3m	nil
% change	18.5%	-32.1%	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
Tom Hall (Committee Chairman from May 2021)
Francis Salway (Committee Chairman and member until May 2021)
Jonathan Bewes
Soumen Das (from September 2021)
Tristia Harrison
Michael Roney
Dame Dianne Thompson

Attendance at Committee meetings is shown on page 123.

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) 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 LLP 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 £30k and Deloitte was paid circa £5k 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 modest 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 2020/21 Remuneration Report	2021	88,473,445	93.9	5,792,569	6.1	94,266,014	70.9	2,128,192

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 158. 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
Soumen Das	1 September 2021	1 month	1 month
Tom Hall	13 July 2020	1 month	1 month
Tristia Harrison	25 September 2018	1 month	1 month
Dame Dianne Thompson	1 January 2015	1 month	1 month

* Appointed Chairman 2 August 2017

REMUNERATION REPORT

Part 3: Remuneration Policy Table

The following table 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.

A shareholder vote on Remuneration Policy is not required in 2022.

On behalf of the Board

Tom Hall
Chairman of the Remuneration Committee

24 March 2022

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 142, 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 144. 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 151. 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 (see page 90 for our Streamlined Energy and Carbon Reporting (SECR) disclosures).

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 2022 Annual General Meeting (AGM) of NEXT plc will be held at Leicester Marriott Hotel, Smith Way, Grove Park, Leicester LE19 1SW on Thursday 19 May 2022 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 245.

Dividends

Information regarding dividends during 2021/22 is provided in the Strategic Report on page 54.

The Trustee of the NEXT ESOT has waived dividends paid in the year on the shares held by it. 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 2021 AGM to purchase its own shares. During the financial year the Company purchased and cancelled 177,500 ordinary shares with a nominal value of 10 pence each (none of which were purchased off-market), at a cost of £13.1m and representing 0.13% of its issued share capital at the start of the year.

At the financial year end 29 January 2022, the Company had 132,771,776 shares in issue.

As at 29 January 2022, 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 29 January 2022			
	No. of voting rights at date of notification	**% of voting rights at date of notification**	**Nature of holding**	**Date of notification**
BlackRock, Inc.	15,449,829	9.97	Indirect interest	8 January 2014
FMR LLC (Fidelity)	13,294,927	10.01	Indirect interest	27 January 2022
Invesco Limited	6,922,706	5.21	Indirect interest	14 October 2021
NEXT plc Employee Share Option Trust	5,315,280	3.99	Direct interest	14 January 2022

The following notifications were received after 29 January 2022 up to 23 March 2022.

	No. of voting rights at date of notification	**% of voting rights at date of notification**	**Nature of holding**	**Date of notification**
FMR LLC (Fidelity)	13,226,727	9.99	Indirect interest	18 February 2022
Invesco Limited	6,625,078	5.01	Indirect interest	18 March 2022

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 2022 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:

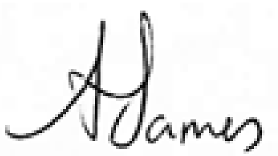
Publication of unaudited financial information	On 6 January 2022, NEXT published a Profit Before Tax (PBT) guidance forecast for the year to January 2022 of £822m. Actual PBT for the period was £823m.
Shareholder waivers of dividends	The NEXT Employee Share Ownership Trust typically waives its rights to receive dividends during the 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 116 to 161, has been approved by the Board and is signed on its behalf by



Amanda James
Group Finance Director

24 March 2022

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 29 January 2022 and of the group's profit and the group's cash flows for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- 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 29 January 2022; 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; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

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.

Other than those disclosed in the Audit Committee Report, we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We conducted an audit of the complete financial information of one financially significant component as well as one other component. Targeted specified procedures were performed over a further two components.
- The financially significant component was audited by the UK Group Engagement Team with the remaining component audited by a local component team located in Hong Kong.
- In addition, the Group engagement team performed audit procedures over centralised functions being the Group consolidation and areas of judgement (including goodwill, intangible assets, leases, taxation, treasury, post-retirement benefits and equity accounted investments).
- We assessed the potential for the Group's financial statements to be impacted by risks arising from climate change with reference to management's risk assessment and our own assessment of the commitments made as well as the nature and magnitude of the Group's assets. We did not identify any audit risks which would be significantly impacted by the effects of climate change.
- The components on which full scope audits, targeted specified procedures and centralised work was performed accounted for 92% of revenue, 90% of profit before tax and 94% of total assets.

Key audit matters

- The application of key judgements and assumptions in relation to applying expected credit loss (ECL) provisioning on customer receivables (group)
- Net realisable valuation of inventories (group)
- Impairment of right-of-use assets and property, plant and equipment associated with Retail stores (group)
- Accounting for sale and leaseback transactions (group)
- Accounting for the Reiss investment (group)
- Defined benefit pension valuation (group)
- Recoverability of investments (parent company)

Materiality

- Overall group materiality: £41,000,000 (2021: £30,700,000) based on 5% of profit before tax (2021: 5% of average profit before tax of the previous three years).
- Overall parent company materiality: £26,500,000 (2021: £26,500,000) based on 1% of total assets (2021: 1% of total assets).
- Performance materiality: £30,750,000 (2021: £23,000,000) (group) and £19,875,000 (2021: £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.

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.

Accounting for sale and leaseback transactions, accounting for the Reiss investment and the recoverability of investments are new key audit matters this year. The valuation of financial instruments and COVID pandemic impact, which were key audit matters last year, are no longer included because of the reduction in magnitude and complexity of financial instruments following settlements in the period and the fact that the impact of COVID has been factored into the key audit matters below where relevant. Otherwise, the key audit matters below are consistent with last year.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEXT PLC

Key audit matter	How our audit addressed the key audit matter
The application of key judgements and assumptions in relation to applying expected credit loss (ECL) provisioning on 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. As at 31 January 2022, the Group has net customer receivables of £1,353.9m (2021: £1,223.6m), with ECL provisions of £191.2m held against them (2021: £195.5m). The determination of ECL provisions is inherently judgemental and involves setting assumptions using forward looking information reflecting the Group's view of potential future economic events. This can give rise to increased estimation uncertainty. There continues to be uncertainty in the determination of ECL provisions driven by socio-economic factors. It is unclear how other variants of COVID, inflation, and other economic developments may impact the credit performance of the customer debt book. We consider the following elements of the determination of modelled ECL for customer receivables to be significant: • The application of forward-looking unemployment assumptions used in the models and the weightings assigned to those scenarios; and • The completeness and appropriateness of post-model adjustments that are recorded to take into account latent risks and known model limitations.	With the support of our credit risk modelling specialists and economics experts, we performed the following procedures. We understood and critically assessed the appropriateness of the ECL accounting policy and model methodologies used by management. We tested model performance by replicating, on a sample basis, key model components and comparing actual outcomes with those previously predicted by the models. We critically assessed the reasonableness of management's selected economic scenarios and associated scenario weightings, giving specific consideration to current and future economic uncertainty. We assessed their reasonableness against known or likely economic, political and other relevant events including the potential future economic impact of developments in the COVID pandemic, prolonged inflation, and other economic developments. We compared the severity and magnitude of the unemployment assumptions used in each economic scenario to external forecasts and historic trends. Based on our knowledge and understanding of the limitations in management's models and emerging industry risks, we evaluated the completeness of the post model adjustments proposed by management. We tested the valuation of the significant post model adjustments by critically assessing the methodology and testing the underlying assumptions used in the calculation to supporting evidence. We tested the ECL disclosures within the financial statements and ensured compliance with the relevant accounting standards. From the evidence we obtained, we found that the application of forward-looking economic assumptions and the completeness and appropriateness of the post model adjustments as they relate to the ECL provision to be reasonable.
Net realisable valuation of inventories **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 the recording of provisions for shrinkage, obsolescence and inventory that may have a lower net realisable value than cost. 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; and – the forecasted cash recovery rates on inventory sold via clearance channels. As a result of increased aged stock in transit and an expectation that consumer spending behaviour will change in the upcoming future seasons, management have increased certain categories of the provisions in excess of the results from recent historical data models,to mitigate the risk of future sell through rates and margins reducing.	We evaluated the forecasted sell through and cash recovery rates by corroborating historical rates and assessing management's judgement regarding changes to the inventory ageing profile and macro-economic conditions and the impact of this on forecasted rates. We validated the integrity of the provision model and inputs and ensured that it was using the underlying data correctly and calculating provision amounts accurately. We have performed sensitivity analysis over key judgements taken by management and assessed the impact of this sensitivity analysis on the provision value. We examined inventory write-offs in the financial period to ensure they are consistent with the key assumptions used in the inventory provision model at the year end. We challenged management on the application of judgemental increases to provisions, in excess of calculations from recent historical data models, in response to expected consumer behaviour changes, creating increased uncertainty over the achievability of forecasted sell through rates and margins. We found that the provisions recorded were consistent with the evidence obtained.

Key audit matter	How our audit addressed the key audit matter
Impairment of right-of-use assets and property, plant and equipment associated with Retail stores **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 property, plant and equipment where there are indicators of impairment. The Group is also required to assess whether there are any indicators that an impairment loss recognised in prior periods may no longer exist or may have decreased. For the purposes of impairment assessments, management determines each store to be a cash generating unit ("CGU"). In the prior year, as a result of a significant downturn in the retail sector associated with the COVID pandemic, the Group considered there to be an impairment indicator across all store related assets. In the current year, impairment indicators have only been identified in a small number of CGUs with an associated impairment of £7.5m recognised in relation to right-of-use assets and property, plant and equipment. In addition, the Group has identified certain CGUs which were impaired in previous periods and have indicators of impairment reversal. An impairment release of £11.8m was recognised as a result of improved cash flow forecasts compared to the prior period.	We assessed management's determination that each store is a CGU and found this to be appropriate. We evaluated management's methodology when assessing which CGUs either have an impairment or an impairment reversal indicator with reference to the requirements of IAS 36. In addition to this work, we formed our own independent expectation of whether impairment or impairment reversal indicators were apparent with reference to: • trading results of the Retail segment and individual CGUs; and • lease modifications which have resulted in an increase in the right-of-use asset. For CGUs determined to have either an impairment or impairment reversal trigger we tested the calculation of recoverable amount by: • ensuring that assets were appropriately allocated to these CGUs; • testing the integrity of management's model, as well as agreeing underlying data to source documents; and • testing the forecast cash flows and assumptions, noting that these were not materially sensitive to reasonable changes. We found that the accounting for impairment of right-of-use assets and property, plant and equipment is consistent with the evidence obtained.
Accounting for sale and leaseback transactions **Group** Refer to the Audit Committee Report, the Major Sources of Estimation Uncertainty and Judgement within the Group Accounting Policies, note 9 for Property, Plant and Equipment and note 11 for Leases. In the period the Group entered into a sale and leaseback transaction of land and a warehouse currently under construction. The land on which the warehouse is being developed has been sold with NEXT holding no rights to re-obtain the legal title.The performance obligation for the land has therefore been satisfied. A gain of £7.0m was recognised on the sale of the land which represents the proportion of the land assessed as having been sold and not subject to leaseback. At the period-end date, the performance obligation associated with the sale of the warehouse was assessed as not being satisfied hence no gain has been recognised in relation to the warehouse in the period. Assets under the course of construction of £53.9m have been recognised in Property, Plant and Equipment representing the spend on the warehouse as at the period-end date. A further gain of £6.4m has been recognised in relation to contingent consideration received in the period on a sale and leaseback completed in the prior period.	For the sale and leaseback transaction entered into in the current period we obtained the agreements for the transaction and the accounting paper prepared by management's expert. Based on the agreements, we verified that there were separate performance obligations attached to the land and the warehouse, consistent with the view of management's expert. In relation to the land, we agreed the proceeds received of £23.4m to bank statement and, based on the cost of the land and the contracted rent in the future lease agreement, recalculated the gain of £7.0m. In relation to the warehouse, we concluded that it was appropriate that the performance obligation was not complete and that no gain was recognised in the financial period. We performed testing over a sample of additions to assets under the course of construction in Property, Plant and Equipment to supporting evidence. In relation to the gain associated with the contingent consideration, we agreed proceeds of £6.4m to the bank statement and verified, based on the nature of the amounts received that it was appropriate to recognise this amount as a gain in the period. We tested the disclosures included in the financial statements and ensured compliance with the relevant accounting standards. For both transactions we considered alternative accounting treatments however were satisfied that these alternative approaches would not have a significant impact on the Income Statement in this or future accounting periods.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEXT PLC

Key audit matter	How our audit addressed the key audit matter
Accounting for the Reiss investment **Group** Refer to the Audit Committee Report and note 12 for Associates, Joint Ventures and Other Investments. On 10 March 2021 the Group acquired a 25% indirect interest in Reiss Limited ("Reiss") for consideration of £33m. This interest included both ordinary and preference shares. The Group also holds a call option for an additional 26% at pre-agreed terms. Whilst the call option gives potential voting rights of upto 51%, it was only exercisable on a limited number of days in the financial period and was not exercisable at the period-end date. In addition, the terms of the shareholder agreement with other equity investors means that even after the Group exercises their option, NEXT is not considered to have sole control over Reiss. The equity accounting requirements of IAS 28 (Investments in associates and joint ventures) has therefore been applied. Under IAS 28, the investor's share of the investee's profits and losses are adjusted to reflect any differences between book and fair value on acquisition and the associated unwinding of these post acquisition. The most significant of these differences was the valuation ascribed to the brand name which was calculated with assistance from management's expert. The preference shares acquired have non-discretionary dividends and are mandatorily redeemable at a future date. They have therefore been classified as a financial liability although they are included within the associate, joint venture and other investments balance. The preference shares have been valued based on the present value of forecast cash flows with the residual balance of the £33m consideration allocated to the ordinary equity shares.	We obtained the agreements for the transaction and accounting papers from management in relation to: • consideration of whether the call option gave control; • the fair valuation assessment for the brand name as prepared by management's expert; and • the allocation of the consideration between preference and ordinary shares. We agreed the acquisition of 25% of ordinary and preference shares to the agreements and traced the £33m consideration to bank statements. For the call option, we verified the key terms back to underlying agreement including the potential exercise dates available to NEXT. We also evaluated the key terms of the shareholder agreement including the rights which are available to all shareholders both pre and post NEXT potentially exercising the call option. For the brand name valuation, we tested the future cash flows implicit in the valuation and utilised our own experts to evaluate the methodology and the discount rate used. We verified the key terms of the preference shares to the underlying agreement to ensure the classification of the preference shares as a liability was reasonable. We also performed testing over management's allocation of the consideration between preference and ordinary shares by recalculating the contractual cash flows and assessing both the credit risk and the discount rate applied. We tested the disclosures included in the financial statements and ensured compliance with IAS 28. We found that the accounting for the equity interest in Reiss was consistent with the evidence obtained.
Defined benefit pension valuation **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 were reasonable and them to be within our expected ranges. We also ensured the sensitivity analysis disclosed in the financial statements was consistent with the actuarial report. 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.
Recoverability of investments **Parent company** Refer to note C2 of the Parent Company financial statements for Investments. In accordance with IAS 36 (Impairment of assets), the Parent Company's investments balance of £2,475.7m (Jan-21: £2,475.7m) should be carried at no more than its recoverable amount, being the higher of fair value less costs to sell and its value in use.	We evaluated whether any indicators of impairment were present in relation to the Parent Company's investments balance with specific consideration given to the following: • the market capitalisation of the Group is significantly in excess of the investments balance, noting that substantially all of the market capitalisation is considered to be in relation to one indirect subsidiary (NEXT Retail Limited) of the Parent Company; • the trading results of NEXT Retail Limited are not worse than expected and are not expected to be worse in future periods; and • there have not been and are not expected to be any significant changes with an adverse impact in relation to the technological, market, economic or legal environment in which this indirect subsidiary operates. We consider management's conclusion that there are no indicators of impairment to be appropriate.

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 42 components, we identified one component 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, a full scope audit was performed over one other component, though this was not considered to be individually significant either financially or due to risk characteristics. Targeted specified procedures were also performed over two other components which held balances of significance to the Group Financial Statements.

Further, the Group engagement team performed audit procedures over centralised functions being the Group consolidation and areas of judgement (including goodwill, intangible assets, leases, taxation, treasury, post-retirement benefits and equity accounted investments).

The components on which full scope audits, targeted specified procedures and centralised work was performed accounted for 92% of revenue, 90% of profit before tax and 94% of total assets.

Three of the four 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.

With regards to assessing potential risks arising from climate change we enquired of management as to their risk assessment, obtained papers prepared for the Audit Committee and also assessed commitments made by NEXT in the Annual Report and Accounts and their website. We also considered the industry in which NEXT operates and assessed the nature and magnitude of assets held at the period-end date which could be subject to either transition or physical climate risks. We did not identify any audit risks which were expected to be significantly impacted by the effects of climate change, principally due to the fact that the majority of the Group's asset base is expected to be realised in the short to medium term and the headroom in the impairment models for indefinite lived assets.

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	£41,000,000 (2021: £30,700,000).	£26,500,000 (2021: £26,500,000).
How we determined it	5% of profit before tax (2021: 5% of average profit before tax of the previous three years)	1% of total assets (2021: 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.	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 £12,000,000 and £39,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

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% (2021: 75%) of overall materiality, amounting to £30,750,000 (2021: £23,000,000) for the group financial statements and £19,875,000 (2021: £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 at the upper end of our normal range was appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEXT PLC

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2,000,000 (group audit) (2021: £1,500,000) and £1,325,000 (parent company audit) (2021: £1,325,000) 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:

- We obtained management's going concern assessment which included both base case and severe but plausible downside scenarios and ensured consistent with board approved budgets;
- We have evaluated management's ability to budget based on historical budgets/forecasts and the resultant performance;
- We considered the 'levers' available which NEXT would be able to utilise to increase liquidity with the key ones being reductions in stock purchases, share purchases and cessation of dividends determining these were all under management's control.

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, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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.

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 29 January 2022 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEXT PLC

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 consumer credit regulations and tax legislation, 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 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 of inappropriate journal entries to manipulate revenue and/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 whistle-blowing log and the results of management's investigation of such matters;
- Review of filings and correspondence with the Financial Conduct Authority and tax authorities;
- Searches for news articles which would highlight potential non-compliance with laws and regulations;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management; and
- 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 above).

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.

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 5 years, covering the years ended 27 January 2018 to 29 January 2022.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Andrew Lyon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

24 March 2022

GROUP FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Notes	52 weeks to 29 January 2022 £m	53 weeks to 30 January 2021 £m
Continuing operations			
Revenue		**4,376.5**	3,284.1
Credit account interest		**249.4**	250.3
Total revenue (including credit account interest)	1, 2	**4,625.9**	3,534.4
Cost of sales		**(2,625.3)**	(2,231.7)
Impairment losses on customer and other receivables	13	**(28.6)**	(54.8)
Gross profit		**1,972.0**	1,247.9
Distribution costs		**(693.7)**	(555.8)
Administrative expenses		**(380.2)**	(246.8)
Other gains/(losses)	3	**2.5**	(1.3)
Trading profit		**900.6**	444.0
Share of results of associates and joint ventures	12	**4.8**	0.5
Operating profit	3	**905.4**	444.5
Finance income	5	**4.2**	0.6
Finance costs	5	**(86.5)**	(102.7)
Profit before taxation		**823.1**	342.4
Taxation	6	**(145.6)**	(55.7)
Profit for the period attributable to equity holders of the Parent Company		**677.5**	286.7
Earnings Per Share			
Basic	8	**530.8p**	223.3p
Diluted	8	**524.0p**	221.9p

The Notes 1 to 32 are an integral part of these consolidated financial statements.

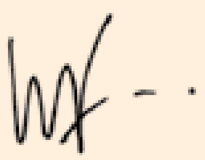
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	52 weeks to 29 January 2022 £m	53 weeks to 30 January 2021 £m
Profit for the period		**677.5**	286.7
Other comprehensive income and expenses:			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit pension scheme	20	**55.1**	(57.1)
Tax relating to items which will not be reclassified	6	**(13.8)**	10.8
Subtotal items that will not be reclassified		**41.3**	(46.3)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(2.4)**	(2.5)
Foreign currency cash flow hedges:			
– fair value movements		**36.9**	(14.2)
Cost of hedging			
– fair value movements		**0.8**	(0.5)
Tax relating to items which may be reclassified	6	**(7.2)**	2.8
Subtotal items that may be reclassified		**28.1**	(14.4)
Other comprehensive income/(expense) for the period		**69.4**	(60.7)
Total comprehensive income for the period		**746.9**	226.0

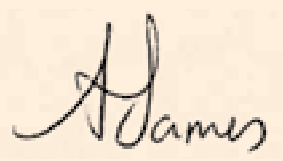
CONSOLIDATED BALANCE SHEET

	Notes	29 January 2022 £m	30 January 2021 £m
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	**601.1**	474.8
Intangible assets	10	**79.3**	60.5
Right-of-use assets	11	**639.1**	720.1
Associates, joint ventures and other investments	12	**46.2**	5.0
Defined benefit pension asset	20	**156.9**	99.2
Other financial assets	14	**18.0**	39.4
Deferred tax assets	6	**34.0**	70.4
		1,574.6	1,469.4
Current assets			
Inventories		**633.0**	536.9
Customer and other receivables	13	**1,280.9**	1,108.1
Right of return asset		**24.8**	24.3
Other financial assets	14	**35.5**	11.1
Cash and short term deposits	15	**433.0**	608.2
		2,407.2	2,288.6
Total assets		**3,981.8**	3,758.0
Current liabilities			
Bank loans and overdrafts	16	**(233.1)**	(93.4)
Corporate bonds	19	**–**	(326.0)
Trade payables and other liabilities	17	**(798.4)**	(555.3)
Lease liabilities	11	**(162.6)**	(170.1)
Other financial liabilities	18	**(1.0)**	(37.2)
Current tax liabilities		**(13.0)**	(14.8)
		(1,208.1)	(1,196.8)
Non-current liabilities			
Corporate bonds	19	**(815.7)**	(837.0)
Provisions	21	**(21.9)**	(18.6)
Lease liabilities	11	**(894.9)**	(1,015.8)
Other liabilities	17	**(31.2)**	(28.9)
		(1,763.7)	(1,900.3)
Total liabilities		**(2,971.8)**	(3,097.1)
NET ASSETS		**1,010.0**	660.9
TOTAL EQUITY		**1,010.0**	660.9

The financial statements were approved by the Board of directors and authorised for issue on 24 March 2022. 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 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**
Profit for the period	–	–	–	–	–	–	–	–	677.5	**677.5**
Other comprehensive income/(expense) for the period	–	–	–	–	29.9	0.6	(2.4)	–	41.3	**69.4**
Total comprehensive income/(expense) for the period	–	–	–	–	29.9	0.6	(2.4)	–	718.8	**746.9**
Share buybacks and commitments (Note 22)	–	–	–	–	–	–	–	–	(13.1)	**(13.1)**
ESOT share purchases (Note 25)	–	–	–	(151.3)	–	–	–	–	–	**(151.3)**
Shares issued by ESOT	–	–	–	90.8	–	–	–	–	(24.4)	**66.4**
Share option charge	–	–	–	–	–	–	–	–	19.9	**19.9**
Reclassified to cost of inventory	–	–	–	–	21.7	–	–	–	–	**21.7**
Tax recognised directly in equity (Note 6)	–	–	–	–	(4.0)	–	–	–	7.1	**3.1**
Equity dividends (Note 7)	–	–	–	–	–	–	–	–	(344.5)	**(344.5)**
At 29 January 2022	**13.3**	**0.9**	**16.6**	**(331.7)**	**27.9**	**0.7**	**(4.9)**	**(1,443.8)**	**2,731.0**	**1,010.0**

CONSOLIDATED CASH FLOW STATEMENT

	52 weeks to 29 January 2022 £m	53 weeks to 30 January 2021 *Restated £m
Cash flows from operating activities		
Operating profit	**905.4**	444.5
Profit on disposal of associate	**–**	(1.0)
Depreciation, impairment and (profit)/loss on disposal of property, plant and equipment	**90.3**	136.8
Depreciation and impairment on right-of-use assets	**112.6**	196.6
Amortisation and impairment of intangible assets	**4.3**	0.4
Share option charge	**19.9**	16.7
Share of profit of associates and joint ventures	**(4.8)**	(0.5)
Exchange movement	**(1.6)**	1.1
Increase in inventories and right of return asset	**(96.5)**	(9.6)
(Increase)/decrease in customer and other receivables	**(165.4)**	205.4
Increase/(decrease) in trade and other payables	**235.2**	(29.5)
Net pension contributions less income statement charge	**(2.7)**	(22.9)
Cash generated from operations	**1,096.7**	938.0
Corporation taxes paid	**(125.3)**	(113.2)
Net cash from operating activities	**971.4**	824.8
Cash flows from investing activities		
Additions to property, plant and equipment	**(239.2)**	(146.3)
Movement in capital accruals	**(4.4)**	1.7
Payments to acquire property, plant and equipment	**(243.6)**	(144.6)
Proceeds from sale of property, plant and equipment	**3.4**	0.5
Proceeds from sale and leaseback transactions	**15.5**	28.4
Purchase of intangible assets	**(22.7)**	(16.7)
Amounts lent to associates and joint ventures	**(10.8)**	–
Disposal of minority interest	**–**	3.9
Investment in associates and joint ventures	**(34.3)**	(2.4)
Net cash from investing activities	**(292.5)**	(130.9)
Cash flows from financing activities		
Repurchase of own shares	**(8.7)**	(19.3)
Purchase of shares by ESOT	**(151.3)**	(189.0)
Disposal of shares by ESOT	**72.5**	162.7
Repayment of unsecured bank loans	**–**	(40.0)
Repayment of bond	**(325.0)**	–
Incentives received for leases within the scope of IFRS 16	**11.9**	–
Lease payments	**(172.3)**	(171.0)
Interest paid (including lease interest)	**(91.1)**	(101.6)
Interest received	**0.8**	0.5
Proceeds from sale and leaseback transactions	**14.3**	126.0
Dividends paid (Note 7)	**(344.5)**	–
Net cash from financing activities	**(993.4)**	(231.7)
Net (decrease)/increase in cash and cash equivalents	**(314.5)**	462.2
Opening cash and cash equivalents	**514.8**	52.9
Effect of exchange rate fluctuations on cash held	**(0.4)**	(0.3)
Closing cash and cash equivalents (Note 30)	**199.9**	514.8

* **Restatement** – See Group Accounting Policies for further details on the restatement of the prior year cash flow statement.

GROUP ACCOUNTING POLICIES

General Information

NEXT plc and its subsidiaries (the "Group") is a UK based retailer selling beautifully designed, excellent quality clothing, homeware and beauty products 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 UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. NEXT plc transitioned to UK-adopted International Accounting Standards in its company financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

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 52 weeks to 29 January 2022 (last year 53 weeks to 30 January 2021).

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities including the Group's principal risks and uncertainties. The Board also considered the Group's current cash position, the repayment profile of its obligations, its financial covenants and the resilience of its 12 month cash flow forecasts to a series of severe but plausible downside scenarios such as further enforced store closures. Having considered these factors the Board is satisfied that the Group has adequate resources to continue in operational existence and therefore it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the 52 weeks ended 29 January 2022.

These policies have been consistently applied to all the years presented, unless otherwise stated.

Restatement of Prior Year cash flow

During the year to January 2021 the sale and leaseback proceeds of £154.4m were presented within the Group consolidated cash flow as "cash flows from financing activities".

Following discussions with the FRC, in connection with their review of the Group's 2021 Annual Report and Accounts, we have concluded that £28.4m of the proceeds (being the portion of the assets sold and not subject to the leaseback) should have been classified within investing activities.

While not material to the 2021 financial statements, we considered it appropriate to make this restatement so that the nature of the transaction, being a sale and then leaseback transaction, is properly reflected in the presentation of the cash flow statement. We have therefore reclassified the £28.4m from "cash flows from financing activities" into "cash flows from investing activities". The remaining sale and leaseback proceeds of £126.0m are still presented within financing activity.

This adjustment only relates to the reclassification of proceeds between financing activities and investing activities in the January 2021 cash flow statement. It has no impact on the net increase in cash and cash equivalents, no impact on profit, no impact on basic or diluted EPS and no impact on the balance sheet.

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. During the temporary closure of stores caused by 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 nextpay 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 (which include special 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

GROUP ACCOUNTING POLICIES

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 controls and intends 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 and presented as "asset under construction". Any impairment in value is recognised within the Income Statement.

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 – 15 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, less any impairment.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Whereas joint ventures are entities over which the Group has joint control over such policies.

The Group's share of the results of associates and joint ventures is included in the Group Income Statement and Group Statement of Comprehensive Income using the equity method of accounting. Investments in associates and joint ventures are carried in the Group Balance Sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. If the Group's share of losses in an associate or joint venture equals or exceeds its investment in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the associate or joint venture.

Dividends received from associates and joint ventures with nil carrying value are recognised in the Group Income Statement as part of the Group's share of post-tax profits/(losses) of associates and joint ventures. Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity.

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 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. Standard cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to the present location and condition. 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
Preference shares	Amortised cost – hold to collect business model and SPPI met
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 Other Comprehensive Income (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 detail 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.

GROUP ACCOUNTING POLICIES

Financial instruments – initial recognition and subsequent measurement (continued)

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 (EIR). 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 184). Accrued interest is included within other creditors and accruals.

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 derecognition 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.

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.

GROUP ACCOUNTING POLICIES

Other Financial Assets and Liabilities: Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments ("derivatives") are used to manage risks arising from changes in foreign currency exchange rates relating to the purchase of overseas sourced products, 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.

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 is 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.

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 include 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, credit card receipts 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.

GROUP ACCOUNTING POLICIES

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.

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.

GROUP ACCOUNTING POLICIES

Lease Accounting (continued)

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 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.

Climate change

In preparing the financial statements we have considered the potential impact of climate change. Given the identified risks are expected to be present in the medium to long term our focus has been on the non-current assets within the Balance Sheet.

Specifically, for the material non-current assets, we note the following:

- The plant, property and equipment, and the right-of-use assets either have relatively short useful lives (in line with the store lease terms which average 5 years) or, for the longer life assets related to our warehouses and head office, they are located in areas which we would not expect to be physically impacted by climate change.
- The intangible assets, which consist of goodwill and internally generated software, are either fully recoverable in a very short period of time (<3 years) or have a useful life of 3 years. Hence, we would not expect the identified risks to impact these assets.
- The Associates, joint ventures and other investments comprise our equity investments. These businesses also operate in the retail and online fashion sector and consequently have a similar asset and risk profile to NEXT. These investments are only just material and there is no indication of any specific climate-related risks to their assets or business that would represent a material risk to the carrying value of these investments.
- Defined benefit pension assets covering gilts, property based investments and equity investments are diverse and, in the context of the climate change horizons, relatively liquid. The pension scheme is therefore able to amend its investment portfolio and strategy within a relatively short time horizon to ensure its assets are not at material risk from climate change.

The other non-current assets were also reviewed and no risk was identified. Current assets, by their nature, are expected to be fully utilised within the business in the short term and no climate risk has been identified in this time horizon.

As a consequence there has been no material impact on the financial reporting judgements and estimates applied in the preparation of the 2022 Annual Report and Accounts. Please see page 92 of the Annual Report and Accounts for further detail on our climate change assessment.

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.

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.

Expected credit losses on online customer and other receivables

The allowance for ECLs (Note 13) is calculated on a customer-by-customer basis, using a combination of internally and externally sourced information, including expected future default levels (derived from historical defaults, overlaid by arrears and indebtedness profiles, and third party macroeconomic forecasts) and future predicted cash collection levels (derived from past trends and future projections).

Prior to default, the greatest sensitivity relates to the ability of customers to afford their payments (impacting the Probability of Default (PD) and, to a lesser extent, the Exposure at Default (EAD)). Once a customer receivable has defaulted, there is limited sensitivity in expected recoveries due to the lack of significant variability in cash collection levels post default.

Of the total ECLs (Note 28), £73.2m relates to defaulted debt (without significant uncertainty) and £118.5m is for non defaulted debt, where significant estimate and uncertainty exist. The remainder of the section relates to non defaulted debt.

Macroeconomic Uplift

A key area of estimation uncertainty in calculating the ECL is the impact of a change in unemployment. Management uses an independent forecast of unemployment, provided by Experian, and weights the effect of the expected, high and low scenarios in the proportions 40/30/30. The effect of this is equivalent to a central unemployment rate peaking at 4.9% in Q2 2022, falling back to 4.1% in Q4 2024.

If the high unemployment scenario was used instead (peaking at 5.1%, falling to 4.6%), this would add a further £2m of ECL. Conversely, if the low unemployment scenario was used (peaking at 4.8%, falling to 3.7%), this would reduce the ECL by £2m. In either scenario the effect is not material to the ECL provision.

GROUP ACCOUNTING POLICIES

Major Sources of Estimation Uncertainty and Judgement (continued)

Expected credit losses on Online customer and other receivables (continued)

Since March 2020, the UK Government has provided an unprecedented level of support to both companies and individuals, for example through payment freezes, the furlough scheme and business support initiatives, with the objective of minimising the long term economic impact of the pandemic. Management believes this support has, and continues to, increase levels of payments, compared with normal, pre-COVID levels. Management believes that these levels are unlikely to persist and risks from new COVID variants and inflationary pressures mean that payment levels may fall significantly, without warning. This could significantly increase PD beyond that achieved by considering the historic relationship between PD and unemployment alone.

As a result, Management has exercised judgement in increasing the ECL in two ways in the January 2022 provision. This is to reflect the increased pressure on affordability amongst borrowers who remain employed and to allow for a more conservative level of payment over the expected lifetime of the debt:

1) Downgrading the underlying base to the pre-COVID arrears and indebtedness profile

The underlying distribution of arrears and consumer indebtedness scores from before the COVID pandemic have been overlaid on the ECL calculation in order to adjust recent performance trends. This is because the consumer indebtedness index (CII) scores and the arrears profile of customers are key inputs in the underlying ECL model and management considers that, due to Government support, both elements do not represent the underlying risk created by payments returning to normalised levels. Adjusting the arrears and indebtedness profiles to those recorded based on current data would reduce the ECL by £7m.

2) Recognition of the ongoing risk of an increased ECL for customers who have made use of payment holidays or other payment arrangements

Management believe that, given the ongoing risks created by new COVID variants, inflationary pressures and the end of Government support, specific customers who have benefited from payment holidays from any lender since March 2020 – e.g. because they work in a more impacted business sector, or because they have poorer financial resilience – or from other payment arrangements, have a higher inherent credit risk associated with them than is reflected by the overlay in 1) above. A further overlay has therefore been made to reflect the heightened risk inherent in this segment of customers. For example, this is achieved by uplifting the credit risk of these customers to align with that of those customers in the highest risk banding relating to their current arrears stage (see Note 28). The effect of uplifting the credit risk to align with those in the highest banding has increased the provision by £32m.

Sensitivity to the Probability of Default

Following application of the above two overlays, management believes that there is adequate provision for ECL based on a stressed, but realistic level of payments. The primary area of judgement which could have a material impact to the provision is the probability of default. If the model used to calculate the ECL provision was based on the January 2020 data inputs for default levels (i.e. pre COVID) the base provision would have increased by £29m. Had management made an adjustment of this nature it would have significantly reduced the quantum of the judgements identified in point 1 and 2 above.

In the five weeks following the year end date, £0.2bn of the £1.4bn NEXT customer and other trade receivables has been recovered.

Other areas of estimation uncertainty

In addition, in applying the Group's accounting policies described above, the directors have identified the following areas as key estimates that relate to balances which the directors consider to be of particular importance to understanding the nature of the Balance Sheet. A significant change in these estimates could result in a *significant* (but not material) adjustment to the carrying value of assets and liabilities in the next financial year.

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 £5m. A 2% change in the level of markdown applied to the selling price would impact the value of inventories going to clearance by circa £5m.

Impairment of right-of-use assets and property, plant 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 or a previous impairment should be reversed. Key triggers considered by management include store (i.e. CGU) sales varying significantly from previous forecasts, significant changes in the cost base (for example due to a rent review) and whether any new, wider economic factors may impact the forecast performance. 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.

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 2022/23 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.

Major Sources of Estimation Uncertainty and Judgement (continued)

A reduction in the forecast sales in the year 1 budget of -2%, with no subsequent changes to sales, would result in an expected increase in the impairment charge of circa £5m. A larger change of -4% would result in an increased impairment charge of circa £10m.

The long term cash flow for the Retail business assumes the pent up demand from COVID reduces and, after the budget year, the long term decline in Retail averages at -6% per annum. This was considered an appropriate basis for the forecast given the historical rate of decline evident in our Retail sales in recent years. A decline of 2% 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 an increase to the impairment charge of circa £10m.

An increase of 2% on the discount rate applied to the impairment model would result in an increase in the impairment charge of circa £5m.

Significant judgements

Significant judgements, apart from those involving estimations, that are applied in the preparation of the consolidated financial statements are discussed below.

Sale and leaseback

During the year the Group entered into a sale and leaseback agreement on the development of a new warehouse (the "E3 warehouse"). The profit recognised on this transaction of £7m has been based on an assessment of the obligations completed under the terms of the agreement. Management view is that the performance obligations in relation to the sale of the land are complete and hence it has recognised a gain in relation to this portion of the overall profit expected on the sale and leaseback. The remainder of the expected gain on the transaction will be recognised as the associated performance obligations are completed. This is expected to occur in the year to January 2023 when, based on current view of the costs to complete the development and fulfil the performance obligations, the gain in the year will be in the region of £10m.

Adoption of new accounting standards, interpretations and amendments

The Group has applied the following interpretations and amendments for the first time in these financial statements:

- Interest Rate Benchmark Reform – Phase 2 – amendments to IFS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
- COVID-19 related rent concessions beyond 30 June 2021 – amendment to IFRS 16.
- Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets) – Agenda Paper 2.

The application of these new interpretations 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 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 pages 76 to 77, APMs are used as management believe these measures provide additional useful information on the trends, performance and position of the Group. These measures are used for performance analysis by the Board. 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" and unrealised gains or losses on derivatives which do not qualify for hedge accounting.

The Property Management segment holds properties and property leases which are recharged to other segments and external parties. The 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 in assessing segment performance; accordingly, this is presented below and then reconciled to the statutory revenue. Included within revenue is £110.4m (2021: £94.6m) related to sales made through the redemption of gift cards.

Segment sales and revenue

	52 weeks to 29 January 2022					
	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	3,103.8	(301.5)	72.1	2,874.4	–	2,874.4
NEXT Finance	249.4	–	–	249.4	–	249.4
NEXT Retail	1,432.4	(7.2)	0.7	1,425.9	0.2	1,426.1
NEXT International Retail	49.2	–	–	49.2	–	49.2
NEXT Sourcing	10.3	–	–	10.3	485.2	495.5
	4,845.1	(308.7)	72.8	4,609.2	485.4	5,094.6
Lipsy	3.8	–	–	3.8	130.3	134.1
NENA	0.2	–	–	0.2	0.8	1.0
Property Management	12.7	–	–	12.7	167.3	180.0
Total segment sales/revenue	4,861.8	(308.7)	72.8	4,625.9	783.8	5,409.7
Eliminations	–	–	–	–	(783.8)	(783.8)
Total	4,861.8	(308.7)	72.8	4,625.9	–	4,625.9

	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 Finance	250.3	–	–	250.3	–	250.3
NEXT Retail	954.5	(2.0)	(0.6)	951.9	0.3	952.2
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 profit restatement

During the financial year to 29 January 2022, the segment profit used by the CODM has had two changes. Firstly, the segmental profits have been amended to incorporate the impact of IFRS 16, leases. Previously the impact on profit before tax of IFRS 16 was not allocated to the segmental results. Following a review of its internal reporting process, the Group has now fully embedded IFRS 16 into its internal reporting and key performance measures so that they are more closely aligned to statutory reporting. As a result of this change, the segment profits have been restated (see table below for previously reported and restated values). This change had no overall impact on Group profit. Further details on the impact of IFRS 16 on the CODM segmental profits is set out in the Chief Executives Review and Appendix 1 on page 65.

In addition, the CODM has altered the internal reporting of finance costs allocated to NEXT Finance. Page 41 of the January 2021 Annual Report sets out how this calculation previously operated. Since then we have made two changes to the methodology:

1. Cash on deposit has been removed from the average Group debt calculation and interest earned on this cash has been removed from the Group interest charge so that it is now based on the bond debt and revolving credit facility.

2. Interest income from associates and joint ventures (e.g. loan advanced to Reiss), has been excluded.

The effect of these changes reduces the effective interest charge applied to the NEXT Finance business and ensures greater consistency with the interest rate on the Group's external debt. The impact of these changes has increased the NEXT Finance profit by £37.6m (2021: £14.7m) but there is no impact on overall Group profit as this is a recharge between segments only.

	52 weeks to 29 January 2022 £m	53 weeks to 30 January 2021 Restated £m	*53 weeks to 30 January 2021 previously reported £m*
NEXT Online	**588.5**	476.5	*472.1*
NEXT Finance	**141.8**	127.1	*112.4*
NEXT Retail	**107.0**	(136.3)	*(205.9)*
NEXT International Retail	**5.7**	3.4	*3.4*
NEXT Sourcing	**28.0**	17.8	*17.8*
	871.0	488.5	*399.8*
Lipsy	**20.5**	5.2	*5.2*
Property Management	**10.8**	(53.6)	*(39.9)*
Total segment profit	**902.3**	440.1	*365.1*
Central costs and other	**(15.2)**	(11.8)	*(11.8)*
Recharge of interest	**30.9**	33.7	*48.4*
Share option charge	**(19.9)**	(16.7)	*(16.7)*
Unrealised foreign exchange gains / (losses)	**2.5**	(1.3)	*(1.3)*
Trading profit	**900.6**	444.0	*383.7*
Share of results of associates and joint venture	**4.8**	0.5	*0.5*
Finance income	**4.2**	0.6	*0.6*
Finance costs	**(86.5)**	(102.7)	*(42.8)*
Impact of IFRS 16	**–**	–	*0.4*
Profit before tax	**823.1**	342.4	*342.4*

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		Right-of-use assets		Capital expenditure inc. software		Depreciation and amortisation of software	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 Restated* £m
NEXT Online	**336.6**	238.9	**94.9**	111.3	**130.2**	97.3	**36.0**	31.5
NEXT Finance	**–**	–	**–**	–	**–**	–	**–**	–
NEXT Retail	**213.2**	239.9	**534.6**	592.3	**50.3**	49.6	**181.1**	217.9
NEXT International Retail	**–**	–	**–**	0.7	**–**	–	**–**	0.6
NEXT Sourcing	**2.0**	2.0	**4.6**	3.6	**1.0**	0.5	**3.6**	3.3
Lipsy	**0.9**	0.5	**–**	2.1	**0.6**	–	**0.3**	1.6
Property Management	**83.7**	9.7	**5.0**	10.1	**79.8**	15.4	**(0.3)**	0.7
Total	**636.4**	491.0	**639.1**	720.1	**261.9**	162.8	**220.7**	255.6

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.

* Depreciation and amortisation has been restated to incorporate the depreciation on right-of-use assets of £137.9m.

Analyses of the Group's external revenues (by customer location) and non-current assets (by geographical location) are detailed below. Non current assets include plant, property and equipment and intangible assets. It does not include right-of-use assets (disclosed separately) investments, the deferred tax asset or financial assets.

External revenue by geographical location	2022 £m	2021 £m
United Kingdom	**3,837.5**	2,931.5
Rest of Europe	**447.0**	311.6
Middle East	**247.0**	215.8
Asia	**53.0**	43.3
Rest of World	**41.4**	32.2
Total	**4,625.9**	3,534.4

Non-current assets by geographical location	2022 £m	2021 £m
United Kingdom	**644.5**	499.5
Rest of Europe	**3.5**	3.3
Middle East	**4.4**	4.3
Asia	**28.0**	28.2
Total	**680.4**	535.3

Right-of-use assets by geographical location	2022 £m	2021 £m
United Kingdom	**615.3**	696.2
Rest of Europe	**19.2**	19.8
Asia	**4.6**	4.1
Total	**639.1**	720.1

2. Total Revenue

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

	52 weeks to 29 January 2022				
	Sale of goods £m	Credit account interest £m	Royalties £m	Rental income £m	Total £m
NEXT Online	**2,874.4**	–	–	–	**2,874.4**
NEXT Finance	–	**249.4**	–	–	**249.4**
NEXT Retail	**1,425.9**	–	–	–	**1,425.9**
NEXT International Retail	**44.4**	–	**4.8**	–	**49.2**
NEXT Sourcing	**10.3**	–	–	–	**10.3**
Lipsy	**2.2**	–	**1.6**	–	**3.8**
NENA	**0.2**	–	–	–	**0.2**
Property Management	–	–	–	**12.7**	**12.7**
Total	**4,357.4**	**249.4**	**6.4**	**12.7**	**4,625.9**

	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 Finance	–	250.3	–	–	250.3
NEXT Retail	951.9	–	–	–	951.9
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

3. Operating Profit

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

	2022 £m	2021 £m
Depreciation on tangible assets	**103.7**	117.3
Depreciation on right-of-use assets	**113.8**	137.9
Loss on disposal of property, plant and equipment	**3.1**	4.3
Gain on sale and leasebacks	**(13.4)**	(8.1)
(Reversal of impairment)/impairment on property, plant and equipment	**(3.1)**	23.3
(Reversal of impairment)/impairment on right-of-use assets	**(1.2)**	64.2
Amortisation and impairment of intangible assets	**4.3**	0.4
Gain on lease modifications, early exit and reassessed lease term	**(3.8)**	(5.5)
Contingent rentals payable	**4.1**	0.8
Job Retention Scheme receipts	**(16.2)**	(95.1)
Cost of inventories recognised as an expense	**1,674.6**	1,219.2
Write-down of inventories to net realisable value	**102.4**	150.5
Total	**1,777.0**	1,369.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Operating Profit (continued)

In the prior year, due to the impact of COVID, the Group observed an acceleration in the structural shift of trade from its Retail business to its Online business. The Group therefore performed an impairment review on all retail stores which resulted in the write down of its assets to their value in use which was 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 was recognised within cost of sales.

This year the Group has reviewed its impairment models and its forecasts following identification of impairment triggers (being significant change in sales or significant change in cost base following rent reviews). As a result, on a small number of stores, a further impairment charge of £7.5m has been recognised and where stores have performed significantly better than expected a reversal of amounts previously impaired has been recognised of £11.8m. This assessment involved a significant degree of estimation in order to determine the impairment required/reversed; 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 at £16.1m (2021: £63.3m), distribution costs at £0.1m (2021: £26.7m) and administrative costs at £Nil (2021: £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 Group's accounting policy.

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 gains/(losses) reported in the Income Statement represent foreign exchange gains of £2.5m (2021: losses of £1.3m) 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 £3.9m (2021: gains of £1.3m).

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates, including expenses:

	2022 £000	2021 £000
Auditor's remuneration		
Audit of the financial statements	**593**	430
Audit of subsidiaries	**431**	485
Total audit fees	**1,024**	915
Other assurance services	**72**	80
Total	**1,096**	995

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.

4. Staff Costs and Key Management Personnel

Total staff costs were as follows:

	2022 £m	2021 £m
Wages and salaries	**703.2**	593.6
Social security costs	**50.0**	44.4
Other pension costs	**42.0**	39.0
	795.2	677.0
Share-based payment expense – equity settled	**19.9**	16.7
Share-based payment expense – cash settled	**(0.2)**	0.5
Total	**814.9**	694.2

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 Government's Job Retention Scheme as disclosed in Note 3.

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

	2022 £m	2021 £m
NEXT Online, Retail and Finance	**742.7**	640.1
NEXT International Retail	**–**	0.2
NEXT Sourcing	**35.4**	29.9
Other activities	**36.8**	24.0
Total	**814.9**	694.2

	Average employees		Full-time equivalents	
	2022 Number	2021 Number	2022 Number	2021 Number
NEXT Online, Retail and Finance	**38,501**	37,097	**22,319**	21,059
NEXT International Retail	**–**	12	**–**	7
NEXT Sourcing	**4,178**	4,119	**4,178**	4,119
Other activities	**361**	319	**339**	306
Total	**43,040**	41,547	**26,836**	25,491

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

	52 weeks to 29 January 2022 £m	53 weeks to 30 January 2021 £m
Short term employee benefits	**6.0**	3.1
Share-based payments	**3.6**	3.1
Total	**9.6**	6.2

Directors' remuneration is detailed in the Remuneration Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Finance Income and Costs

	52 weeks to 29 January 2022 £m	53 weeks to 30 January 2021 £m
Interest on bank deposits	**0.6**	0.4
Other interest receivable	**3.6**	0.2
Finance income	**4.2**	0.6
Interest on bonds and other borrowings	**36.1**	42.9
Other fair value movements	**–**	(0.1)
Lease finance costs	**50.4**	59.9
Finance costs	**86.5**	102.7

Other interest receivable includes interest income on preference shares of £2.4m (2021: £Nil) and amounts accrued on loans to associates and joint ventures. 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 186.

	2022 £m	2021 £m
Current tax:		
Current tax on profits for the year	**123.2**	61.2
Adjustments in respect of prior years	**11.6**	(3.5)
Total current tax	**134.8**	57.7
Deferred tax:		
Origination and reversal of temporary differences	**20.7**	(2.5)
Adjustments in respect of prior years	**(9.9)**	0.5
Tax expense reported in the Consolidated Income Statement	**145.6**	55.7

The adjustments in respect of prior years relate to the recognition of amounts of capital gains on which rollover relief was claimed.

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:

	2022 %	2021 %
UK corporation tax rate	**19.0**	19.0
Non-taxable income	**–**	(0.9)
Overseas tax	**–**	(0.9)
Adjustments in respect of prior years	**–**	(0.9)
Revaluation of Deferred Tax Asset	**(0.6)**	–
Benefit as a result of capital allowance 130% deduction	**(0.7)**	–
Total	**17.7**	16.3

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:

	2022 £m	2021 £m
Deferred tax:		
Pension benefit obligation	**13.8**	(10.8)
Fair value movements on derivative instruments	**7.2**	(2.8)
Tax charge/(credit) in other comprehensive income	**21.0**	(13.6)

	2022 £m	2021 £m
Current tax:		
Share-based payments	**(7.3)**	(5.6)
Deferred tax:		
Fair value movements on derivative instruments	**4.0**	3.0
Share-based payments	**0.2**	(2.1)
Total tax credit in the Statement of Changes in Equity	**(3.1)**	(4.7)

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:	2022 £m	2021 £m
Accelerated capital allowances	**8.5**	23.5
Revaluation of derivatives to fair value	**(6.6)**	5.2
Pension benefit obligation	**(36.2)**	(15.9)
Share-based payments	**21.1**	20.9
IFRS 16 leases	**36.2**	34.7
Short term provisions	**2.1**	3.3
Fixed asset premiums	**6.9**	5.2
Other temporary differences	**2.0**	(6.5)
Total	**34.0**	70.4

The movement in other temporary differences is driven by the release of deferred tax liabilities in respect of historic rolled capital gains.

The deferred tax movement in the year is as follows:	2022 £m	2021 £m
At the beginning of the year	**70.4**	55.7
Recognised in the Income Statement:		
Accelerated capital allowances	**(15.0)**	13.4
Revaluation of derivatives to fair value	**(0.5)**	0.3
Share-based payments	**0.2**	1.5
IFRS 16 Leases	**1.5**	(3.5)
Other timing differences	**2.6**	(9.7)
Recognised in Other Comprehensive Income	**(21.0)**	13.6
Recognised in the Statement of Changes in Equity	**(4.2)**	(0.9)
At the end of the year	**34.0**	70.4

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:

	Gross value 2022 £m	Unrecognised deferred tax 2022 £m	Gross value 2021 £m	Unrecognised deferred tax 2021 £m
Capital losses	**31.0**	**7.8**	12.3	2.3

The benefit of unrecognised capital losses will only accrue if taxable profits are realised on future disposals of the Group's capital assets. The increase in the unrecognised deferred tax asset is due to corrections to historic claims in respect of capital gains and rollover relief.

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. Following on from the Budget of 3 March 2021 the UK corporation tax rate will change effective April 2023 from 19% to 25%. As a result, deferred tax balances which are expected to be realised before April 2023 have been measured at 19%, those that are expected to be realised after April 2023 have been remeasured to 25%. Because the Group has a net deferred tax asset this has resulted in a reduction in the effective tax rate in the year. It does not impact the amount of corporation tax payable.

Provisions, which are immaterial to the financial statements, 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.

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

Year to 29 January 2022	Paid	Pence per share	Cash Flow Statement £m	Statement of Changes in Equity £m
Special interim dividend	3 Sep 2021	110p	140.3	140.3
Special interim dividend	28 Jan 2022	160p	204.2	204.2
			344.5	344.5

No interim or final dividends were paid in the year to January 2021. The Trustee of the ESOT waived dividends paid in the year on shares held by the ESOT.

It is intended that an ordinary dividend of 127.0p per share will be paid to shareholders on 1 August 2022. NEXT plc shares will trade ex-dividend from 7 July 2022 and the record date will be 8 July 2022. The estimated amount payable is £160m. The proposed dividend is subject to approval by shareholders at the Annual General Meeting to be held on 19 May 2022 and has not been included as a liability in the financial statements.

8. Earnings Per Share

	52 weeks to 29 January 2022	53 weeks to 30 January 2021
Basic Earnings Per Share	**530.8p**	223.3p

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.

	52 weeks to 29 January 2022	53 weeks to 30 January 2021
Diluted Earnings Per Share	**524.0p**	221.9p

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 1,474,577 non-dilutive share options in the current year (2021: 1,486,779).

	52 weeks to 29 January 2022	53 weeks to 30 January 2021
Fully diluted Earnings Per Share	**505.8p**	212.5p

Fully diluted Earnings Per Share is based on the weighted average number of shares used for the calculation of basic Earnings Per Share, increased by the weighted average total employee share options outstanding during the period. 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:

	52 weeks to 29 January 2022	53 weeks to 30 January 2021
Profit after tax attributable to equity holders of the Parent Company (£m)	**677.5**	286.7
Weighted average number of shares (millions)		
Weighted average shares in issue	**132.9**	133.0
Weighted average shares held by ESOT	**(5.3)**	(4.6)
Weighted average shares for basic EPS	**127.6**	128.4
Weighted average dilutive potential shares	**1.7**	0.8
Weighted average shares for diluted EPS	**129.3**	129.2
Weighted average total share options outstanding	**6.3**	6.5
Weighted average shares for fully diluted EPS	**133.9**	134.9

As detailed in the Remuneration Report, the 2021/22 annual bonus for executive directors was determined by reference to underlying pre-IFRS 16, pre-tax Earnings Per Share of 637.4p (2021: 257.2p). The underlying pre-tax profit on a 52 week basis, excluding IFRS 16, 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	Assets under the course of construction £m	Total £m
Cost					
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**
Exchange movement	–	–	(3.5)	–	(3.5)
Additions	28.3	–	157.0	53.9	239.2
Disposals	(8.3)	(0.1)	(102.1)	–	(110.5)
At January 2022	**26.8**	**2.6**	**1,969.0**	**53.9**	**2,052.3**
Depreciation					
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**
Exchange movement	–	–	(3.4)	–	(3.4)
Provided during the year	0.1	–	103.6	–	103.7
Net impairment release	–	–	(3.1)	–	(3.1)
Disposals	(0.1)	–	(98.2)	–	(98.3)
At January 2022	**0.4**	**0.1**	**1,450.7**	**–**	**1,451.2**
Carrying amount					
At January 2022	**26.4**	**2.5**	**518.3**	**53.9**	**601.1**
At January 2021	6.4	2.6	465.8	–	474.8
At January 2020	88.5	7.8	482.2	–	578.5

At January 2022 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £96.7m (2021: £27.4m). Plant and equipment includes leasehold improvements.

Assets under the course of construction relate to the build of the Elmsall 3 warehouse. Practical completion for this is expected to occur in 2022.

See Note 3 for further detail on impairment charges/releases.

10. Intangible Assets

	Goodwill £m	Brand names and trademarks £m	Software £m	Software assets under the course of construction £m	Total £m
Cost					
At January 2020	**45.5**	**4.3**	**–**	**–**	**49.8**
Additions	–	–	2.1	14.4	16.5
Arising on acquisitions	0.2	–	–	–	0.2
At January 2021	**45.7**	**4.3**	**2.1**	**14.4**	**66.5**
Additions	–	–	7.6	15.1	22.7
Reclassified from assets under the course of construction	–	–	2.9	(2.9)	–
At January 2022	**45.7**	**4.3**	**12.6**	**26.6**	**89.2**
Amortisation and impairment					
At January 2020	**1.6**	**4.0**	**–**	**–**	**5.6**
Amortisation provided during the year	–	0.1	0.3	–	0.4
At January 2021	**1.6**	**4.1**	**0.3**	**–**	**6.0**
Amortisation provided during the year	–	0.1	3.1	–	3.2
Impairment	0.2	–	0.5	–	0.7
At January 2022	**1.8**	**4.2**	**3.9**	**–**	**9.9**
Carrying amount					
At January 2022	**43.9**	**0.1**	**8.7**	**26.6**	**79.3**
At January 2021	44.1	0.2	1.8	14.4	60.5
At January 2020	43.9	0.3	–	–	44.2

Assets under the course of construction relate to internally developed software that is not yet complete. Once complete it will be transferred to "software" and amortised over its useful economic life (see Group Accounting Policies for more detail).

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

	2022 £m	2021 £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	**43.9**	44.1

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% (2021: 0% growth rate) and discounted at a pre-tax rate of 8% (2021: 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% (2021: 2%) and discounted at a pre-tax rate of 8% (2021: 10%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Intangible Assets (continued)

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% (2021: 2%) and discounted at a pre-tax rate of 8% (2021: 10%).

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 (2021: £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.

11. Leases

Right-of-use assets	2022 £m	2021 £m
Buildings	**193.0**	215.0
Stores	**433.5**	492.1
Equipment	**2.0**	3.3
Vehicles	**10.6**	9.7
Total	**639.1**	720.1

Due to the impact of COVID, the structural shift of trade from the Group's Retail to Online business has accelerated. In 2021 this resulted in an impairment charge of £64.2m. In 2022 the position on the store impairment was reassessed for those stores where an impairment trigger was identified. See Note 3 for further detail.

Lease liability	2022 £m	2021 £m
Current	**162.6**	170.1
Non-current	**894.9**	1,015.8
Total	**1,057.5**	1,185.9
Additions to right-of-use asset	**27.7**	102.5

Depreciation on right-of-use assets	2022 £m	2021 £m
Buildings	**17.6**	20.7
Stores	**91.3**	112.2
Equipment	**1.3**	1.5
Vehicles	**3.6**	3.5
Total	**113.8**	137.9

	2022 £m	2021 £m
Finance costs on leases	**(50.4)**	(59.9)
Expense on short term and low value leases	**(3.5)**	(5.0)
Expense on variable leases	**(4.1)**	(0.8)
Gain on sale and leasebacks	**13.4**	8.1

During the year, the Group entered into a sale and leaseback transaction in respect of a warehouse currently under construction. As a result of this transaction the Group received proceeds of £23.4m and recognised a gain of £7.0m within administrative expenses. The gain has been recognised in relation to the performance obligations under the contract for the sale of the land. It reflects the proportion of the asset not retained in the future lease and is a proportion of the total gain expected on the sale and leaseback transaction. As at the Balance Sheet date the sale of the warehouse had not completed as performance obligations, including build of the warehouse, were not complete. No lease has yet been recognised as we do not yet have access to use the asset.

During the year the Group also recognised a gain of £6.4m in relation to contingent consideration on a previous sale and leaseback transaction.

During the prior 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 were £222.7m (2021: £230.9m).

12. Associates, Joint Ventures and Other Investments

	Interest in associates and joint ventures £m	Other investments £m	Total £m
Cost			
At January 2020	**4.2**	**1.0**	**5.2**
Additions	2.4	–	2.4
Retained profit	0.5	–	0.5
Disposals	(2.8)	–	(2.8)
At January 2021	**4.3**	**1.0**	**5.3**
Additions	34.3	–	34.3
Retained profit	4.8	–	4.8
Interest on preference shares	2.4	–	2.4
At January 2022	**45.8**	**1.0**	**46.8**
Amortisation/Impairment			
At January 2020	**0.2**	**–**	**0.2**
Impairment charge	0.1	–	0.1
At January 2021	**0.3**	**–**	**0.3**
Provided during the year	0.3	–	0.3
At January 2022	**0.6**	**–**	**0.6**
Carrying amount			
At January 2022	**45.2**	**1.0**	**46.2**
At January 2021	4.0	1.0	5.0
At January 2020	4.0	1.0	5.0

During the year, 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 acquired ordinary shares of £0.3m and preference shares of £32.7m and provided a loan of £10.0m, financed from NEXT's own cash resources (recognised within debtors). NEXT also has an option to acquire a further 26% equity stake which, subsequent to the year end, it has exercised (see Note 32).

In March 2021, NEXT acquired 33% direct interest in Aubin and Wills Holdings Limited through the acquisition of shares from existing shareholders. The equity investment was financed from NEXT's own cash resources.

In September 2021, NEXT entered into a joint venture arrangement with Gap Inc. 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.

Additions in the prior 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. This also includes an investment in the store portfolio which is amortised over the life of the joint venture agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Associates, Joint Ventures and Other Investments (continued)

Details of material associates and joint ventures

Set out below are the material associates and joint ventures of the Group as at 29 January 2022. The entities listed below have share capital consisting of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business with the exception of Reiss (see below), and the proportion of ownership interest is the same as the proportion of voting rights held.

		% ownership				Carrying amount	
Name of entity	**Investment type**	**2022 %**	2021 %	**Nature of relationship**	**Measurement method**	**2022 £m**	2021 £m
Pink Topco Limited*	Ordinary shares	**25%**	–	Associate	Equity	**2.0**	–
(Reiss)	Preference shares	**25%**	–	Associate	Amortised cost	**35.1**	–
Immaterial associates and joint ventures						**8.1**	**4.0**
						45.2	**4.0**

* Pink Topco Limited is the parent company for the Reiss Group which designs and retails high quality women's and men's fashion clothing and accessories. Its product range complements the Group's customer offering within stores and online. Its registered office is 22 Grenville Street, St Helier, Jersey JE4 8PX and its principal place of business is REISS Building, 12 Picton Place, London W1U 1BW.

Since acquisition, Reiss generated sales of £236.1m and a profit after tax of £7.0m, of which the Group's share at 25% is a profit of £1.8m. This amount reflects post-acquisition activity of Reiss. It has been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

The table below provides the summarised balance sheet for Reiss. The information disclosed reflects the amounts presented in the financial statements of Reiss amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Reiss £m
Total Non-current assets	**194.1**
Total current assets	**99.8**
Total current liabilities	**(60.2)**
Total Non-current liabilities	**(268.7)**
Net liabilities	**(35.0)**
Group share in %	**25.0%**
Group share in £m	**(8.8)**
Goodwill	**10.8**
Carrying amount	**2.0**

Aggregate information of associates and joint ventures that are not individually material

The aggregate carrying amount of the individually immaterial associates and joint ventures is £8.1m (2021: £4.0m) with the Group's share of their profit from continuing operations in the current period being £3.0m (2021: £0.5m).

13. Customer and Other Receivables

The following table shows the components of net receivables.

	2022 £m	2021 £m
Gross customer receivables	**1,403.3**	1,275.4
Less: refund liabilities	**(49.4)**	(51.8)
Net customer receivables	**1,353.9**	1,223.6
Less: allowance for expected credit losses	**(191.2)**	(195.5)
	1,162.7	1,028.1
Other trade receivables	**24.9**	14.0
Less: allowance for doubtful debts	**(0.5)**	(0.6)
	1,187.1	1,041.5
Presentation of the above, split by total receivables and allowances:		
Net customer receivables	**1,353.9**	1,223.6
Other trade receivables	**24.9**	14.0
	1,378.8	1,237.6
Less: allowance for expected credit losses and doubtful debts	**(191.7)**	(196.1)
	1,187.1	1,041.5
Prepayments	**53.1**	31.5
Other debtors	**14.1**	23.3
Amounts due from associates and joint ventures	**26.6**	11.8
	1,280.9	1,108.1

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% (2021: 23.9%) at the year end date, except for £40.6m (2021: £18.6m) of next**3step** balance which bears interest at 29.9% (2021: 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 £1,150m (2021: £1,005m). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

	2022		
Gross carrying amount	Lifetime ECL £m	Credit impaired £m	Total £m
At January 2021	**1,149.1**	**88.5**	**1,237.6**
New assets originated/recoveries	197.2	(13.6)	183.6
Transfers from lifetime ECL to credit impaired	(39.4)	39.4	–
Financial assets derecognised during the period	–	(29.7)	(29.7)
Amounts written off	(7.8)	(4.9)	(12.7)
At January 2022	**1,299.1**	**79.7**	**1,378.8**

An analysis of the changes in the impairment allowance for customer receivables and other trade receivables is as follows:

	2022		
Loss allowance	Lifetime ECL £m	Credit impaired £m	Total £m
At January 2021	**(112.5)**	**(83.6)**	**(196.1)**
New assets originated/recoveries	(6.7)	12.3	5.6
Transfers from lifetime ECL to credit impaired	3.6	(35.6)	(32.0)
Change in the allowance for expected credit losses	(3.6)	2.4	(1.2)
Financial assets derecognised during the period	–	26.8	26.8
Amounts written off	0.7	4.5	5.2
At January 2022	**(118.5)**	**(73.2)**	**(191.7)**

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:

	2021		
Gross carrying amount	Lifetime ECL £m	Credit impaired £m	Total £m
At 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 January 2021	**1,149.1**	**88.5**	**1,237.6**

In 2021, due partly to the impact of COVID, 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 the changes in the impairment allowance for customer receivables and other trade receivables in the prior year is as follows:

	2021		
Loss allowance	Lifetime ECL £m	Credit impaired £m	Total £m
At 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 January 2021	**(112.5)**	**(83.6)**	**(196.1)**

13. Customer and Other Receivables (continued)

	2022		
	Lifetime ECL £m	Credit impaired £m	Total £m
At January 2021	**(112.5)**	**(83.6)**	**(196.1)**
Impairment	(11.5)	(24.0)	(35.5)
Amounts recovered	1.3	5.6	6.9
Charged to the Income Statement	(10.2)	(18.4)	(28.6)
Used during the year	4.2	28.8	33.0
Total movement	(6.0)	10.4	4.4
At January 2022	**(118.5)**	**(73.2)**	**(191.7)**

The amount charged to the Income Statement of £28.6m (2021: £54.8m) differs to the bad debt charge of £27m in the Chief Executive's Review on page 43 due to recoveries of previously written off assets taken directly to the Income Statement.

	2021		
	Lifetime ECL £m	Credit impaired £m	Total £m
At 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 January 2021	**(112.5)**	**(83.6)**	**(196.1)**

Information on the Group's credit risk in relation to customer receivables is provided in Note 28.

14. Other Financial Assets

	2022		2021	
	Current £m	Non-current £m	Current £m	Non-current £m
Foreign exchange contracts	**35.5**	–	5.0	–
Interest rate derivatives	–	**18.0**	6.1	39.4
	35.5	**18.0**	11.1	39.4

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

	2022 £m	2021 £m
Cash at bank and in hand	**383.0**	221.0
Short term deposits	**50.0**	317.2
Money market funds	–	70.0
	433.0	608.2

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Bank Loans and Overdrafts

	2022 £m	2021 £m
Bank overdrafts and short term borrowings	**233.1**	93.4
	233.1	93.4

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.

17. Trade Payables and Other Liabilities

	2022		2021	
	Current £m	Non-current £m	Current £m	Non-current £m
Trade payables	**275.4**	**–**	172.6	–
Amounts owed to associates and joint ventures	**0.5**	**–**	–	–
Refund liabilities	**4.8**	**–**	6.8	–
Other taxation and social security	**76.8**	**–**	59.1	–
Deferred revenue from the sale of gift cards	**79.5**	**–**	71.7	–
Share-based payment liability	**0.2**	**0.1**	0.2	0.2
Other creditors and accruals	**361.2**	**31.1**	244.9	28.7
	798.4	**31.2**	555.3	28.9

Trade payables do not bear interest and are generally settled on 30 day terms. Other creditors and accruals do not bear interest. Within other creditors and accruals are staff related accruals £99.1m (bonus, holiday pay and overtime), warehouse and duty related accruals of £82.7m and accruals for marketing, rates, IT systems, utilities.

18. Other Financial Liabilities

	2022		2021	
	Current £m	Non-current £m	Current £m	Non-current £m
Foreign exchange contracts	**1.0**	**–**	32.4	–
Interest rate derivatives	**–**	**–**	4.8	–
	1.0	**–**	37.2	–

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).

19. Corporate Bonds

	Balance sheet value		Nominal value	
	2022 £m	2021 £m	2022 £m	2021 £m
Corporate bond 5.375% repayable 2021	**–**	326.0	**–**	325.0
Corporate bond 3.000% repayable 2025	**250.0**	250.0	**250.0**	250.0
Corporate bond 4.375% repayable 2026	**265.7**	287.0	**250.0**	250.0
Corporate bond 3.625% repayable 2028	**300.0**	300.0	**300.0**	300.0
	815.7	1,163.0	**800.0**	1,125.0

19. Corporate Bonds (continued)

During the year the Group settled its 2021 Bond (nominal value: £325m) in line with its maturity and terms. This was settled through the use of existing cash funds. The Group uses interest rate derivatives to manage the interest rate risk associated with its bonds, the profile of the post hedged interest rate which is shown below.

	2022 Nominal value £m	2022 Aggregate interest rate	2021 Nominal value £m	2021 Aggregate interest rate
2021 bonds				
Fixed	–	–	150.0	5.375%
Fixed	–	–	50.0	5.200%
Fixed	–	–	50.0	5.150%
Fixed	–	–	50.0	5.050%
Floating	–	–	25.0	6m LIBOR +1.9%
			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	**800.0**		1,125.0	

The hedged 2026 Bonds accrued interest based on LIBOR. However, effective at the next fixing date (April 2022) these bonds will accrue interest by reference to the Sterling Overnight Index Average ("SONIA"). The main difference between LIBOR rates and SONIA rates is that SONIA does not incorporate any credit risk/liquidity premium which is inherent in the calculation of LIBOR. This change is not expected to have a significant impact on the finance costs or cash flows on the 2026 bond.

Interest rate risk management is explained in Note 28 and the fair values of the corporate bonds in aggregate 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.

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 29 January 2022 this buy-in policy has a value of £84m (2021: £89m) within the pension scheme assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Pension Benefits (continued)

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. During the year the defined contribution section of the 2013 Plan was transferred to a Master Trust which enables the pension scheme members to benefit from lower running costs, greater flexibility of retirement options and improved range of online tools and advice to support members in decisions they may make about their financial plans. The Plan Trustees were involved in all meetings and discussions about this change before it was made and all members received communications setting out the nature of the change, the reasons for the change and their rights. The Master Trust is run by a board of independent trustees who are responsible for ensuring that the Trust is run in accordance with the law and that funds are invested properly.

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).

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 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 liabilities. This is partially offset by insurance contracts covering part of the liability.

The buy-in insurance contracts represent over 99.7% of the Original Plan pension liabilities, 10.6% of the 2013 Plan pension liabilities and 22.9% 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:

	2022				2021			
	2013 Plan £m	Original Plan £m	SPA £m	Total £m	2013 Plan £m	Original Plan £m	SPA £m	Total £m
Current service cost	8.1	–	0.3	8.4	8.5	–	0.1	8.6
Net interest	(1.8)	–	0.2	(1.6)	(2.2)	(0.1)	0.2	(2.1)
Administration costs	2.4	0.1	–	2.5	2.1	0.1	–	2.2
Net defined benefit expense	8.7	0.1	0.5	9.3	8.4	–	0.3	8.7

Other comprehensive income

The components of the net defined benefit expense recognised in other comprehensive income are as follows:

	2022				2021			
	2013 Plan £m	Original Plan £m	SPA £m	Total £m	2013 Plan £m	Original Plan £m	SPA £m	Total £m
Actuarial gains/(losses) due to liability experience	–	(4.0)	–	(4.0)	(50.0)	2.6	0.4	(47.0)
Actuarial gains/(losses) due to liability assumption changes	24.5	5.4	1.1	31.0	(21.0)	(2.3)	(0.3)	(23.6)
	24.5	1.4	1.1	27.0	(71.0)	0.3	0.1	(70.6)
Return on plan assets greater than/(less than) discount rate	29.5	(1.4)	–	28.1	13.9	(0.4)	–	13.5
Actuarial gains/(losses) recognised in other comprehensive income	54.0	–	1.1	55.1	(57.1)	(0.1)	0.1	(57.1)

The surplus in the schemes has moved from £99.2m at January 2021 to £156.9m at January 2022, primarily due to actuarial gains of £55.1m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Pension Benefits (continued)

Balance sheet valuation

The net defined benefit pension asset recognised in the Consolidated Balance Sheet is analysed as follows:

	2022				2021			
	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	(793.0)	(129.8)	(10.3)	(933.1)	(812.1)	(136.2)	(11.0)	(959.3)
Fair value of plan assets	958.2	131.8	–	1,090.0	920.2	138.3	–	1,058.5
Net pension asset	165.2	2.0	(10.3)	156.9	108.1	2.1	(11.0)	99.2

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:

	2022				2021			
	2013 Plan £m	Original Plan £m	SPA £m	Total £m	2013 Plan £m	Original Plan £m	SPA £m	Total £m
Opening obligation	812.1	136.2	11.0	959.3	735.1	141.5	17.3	893.9
Current service cost	8.1	–	0.3	8.4	8.5	–	0.1	8.6
Interest cost	13.3	2.1	0.2	15.6	13.3	2.3	0.2	15.8
Employee contributions	0.1	–	–	0.1	0.1	–	–	0.1
Benefits paid	(16.1)	(7.1)	(0.1)	(23.3)	(15.9)	(7.3)	(6.5)	(29.7)
Actuarial (gains)/losses								
- financial assumptions	(23.1)	(4.5)	(1.1)	(28.7)	16.2	1.9	0.3	18.4
- experience	–	4.0	–	4.0	50.0	(2.6)	(0.4)	47.0
- demographic assumptions	(1.4)	(0.9)	–	(2.3)	4.8	0.4	–	5.2
Closing obligation	793.0	129.8	10.3	933.1	812.1	136.2	11.0	959.3

The present value of the defined benefit closing obligation of £933.1m (2021: £959.3m) was approximately 26% (2021: 26%) relating to active participants, 47% (2021: 46%) relating to deferred participants and 27% (2021: 28%) relating to pensioners.

Plan assets

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

	2022				2021			
	2013 Plan £m	Original Plan £m	SPA £m	Total £m	2013 Plan £m	Original Plan £m	SPA £m	Total £m
Opening assets	920.2	138.3	–	1,058.5	883.6	143.7	–	1,027.3
Employer contributions	11.8	–	–	11.8	25.1	–	–	25.1
Employee contributions	0.1	–	–	0.1	0.1	–	–	0.1
Benefits paid	(16.1)	(7.1)	–	(23.2)	(15.9)	(7.3)	–	(23.2)
Interest income on assets	15.1	2.1	–	17.2	15.5	2.4	–	17.9
Return on plan assets (excluding amounts included in interest)	29.5	(1.4)	–	28.1	13.9	(0.4)	–	13.5
Administrative costs	(2.4)	(0.1)	–	(2.5)	(2.1)	(0.1)	–	(2.2)
Closing assets	958.2	131.8	–	1,090.0	920.2	138.3	–	1,058.5

20. Pension Benefits (continued)

Plan assets (continued)

The fair value of defined benefit plan assets was as follows:

	2022				2021			
	2013 Plan £m	Original Plan £m	Total £m	%	2013 Plan £m	Original Plan £m	Total £m	%
Equities	101.8	–	101.8	9.4	188.1	–	188.1	17.8
Equity-linked bonds	81.8	–	81.8	7.5	67.8	–	67.8	6.4
Bonds	69.7	–	69.7	6.4	118.2	–	118.2	11.2
Gilts	458.6	2.3	460.9	42.3	331.4	2.4	333.8	31.5
Property	91.9	–	91.9	8.4	60.8	–	60.8	5.7
Infrastructure	62.2	–	62.2	5.7	52.4	–	52.4	4.9
Insurance contracts	84.4	129.5	213.9	19.6	89.3	135.9	225.2	21.3
Cash and cash equivalents	7.8	–	7.8	0.7	12.2	–	12.2	1.2
	958.2	131.8	1,090.0	100.0	920.2	138.3	1,058.5	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 2022 using the projected unit credit method. The principal actuarial assumptions used in the valuation were as follows:

	2022		2021	
	Original Plan	2013 and SPA	Original Plan	2013 and SPA
Discount rate	2.15%	2.15%	1.55%	1.65%
Inflation – RPI	3.85%	3.50%	3.20%	2.75%
Inflation – CPI	2.85%	3.05%	2.20%	1.95%
Salary increases	–	–	–	–
Pension increases in payment				
– RPI with a maximum of 5.0%	3.55%	3.05%	3.05%	2.70%
– RPI with a maximum of 2.5% and discretionary increases	2.25%	2.00%	2.10%	1.90%

	2022		2021	
	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	24.3
Female	24.6	26.8	24.6	26.8

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 13.3 years, the SPA is 20.3 years and the 2013 Plan is 20.5 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 CPI from 2030.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2020) 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 29 January 2022
Discount rate	0.5% decrease	£87m 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)	£2m increase
Mortality	Life expectancy increased by one year	£20m 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 is 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 2021 the 2013 Plan was estimated to be circa 107% funded on a Technical Provisions basis, reflecting the lower risk investment strategy in place from February 2021, corresponding to a surplus on this basis in the region of £68m.

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:

	2022 £m	2021 £m
Defined contribution – recognised as an expense	**17.1**	17.2
Automatic enrolment – recognised as an expense	**15.6**	13.1
Defined benefit	**11.8**	25.1
	44.5	55.4

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 2022, 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 £17m, including salary sacrifice contributions.

21. Provisions

	Property costs 2022 £m	2021 £m
At the beginning of the year	**18.6**	17.3
Provisions made in the year	**4.3**	2.6
Utilisation of provisions	**(1.4)**	(2.0)
Unwind of discount	**0.4**	0.7
At the end of the year	**21.9**	18.6

Provision is made for the committed cost or estimated exit costs of properties occupied by the Group.

22. Share Capital

	2022 Shares '000	2021 Shares '000	2022 £m	2021 £m
Allocated, called up and fully paid				
Ordinary shares of 10p each				
At the start of the year	**132,949**	133,229	**13.3**	13.3
Purchased for cancellation in the year	**(177)**	(280)	**–**	–
	132,772	132,949	**13.3**	13.3

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

	2022		2021	
	Shares '000	Cost £m	Shares '000	Cost £m
Shares purchased for cancellation in the year	**177**	**13.1**	280	19.3
Amount shown in Statement of Changes in Equity		**13.1**		19.3

Subsequent to the end of the financial year and before the start of the closed period the Company purchased 504,222 shares for cancellation at a cost of £37.1m.

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 10 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. Sharesave options are also accounted for as equity-settled awards under IFRS 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Share-based Payments (continued)

Management and Sharesave options

The following table summarises the movements in Management and Sharesave options during the year:

	2022 No. of options	2022 Weighted average exercise price	2021 No. of options	2021 Weighted average exercise price
Outstanding at beginning of year	**5,650,992**	**£49.83**	5,641,155	£50.36
Granted	**1,185,455**	**£76.14**	1,890,430	£45.54
Exercised	**(1,462,096)**	**£49.71**	(1,628,763)	£46.48
Forfeited	**(220,358)**	**£52.95**	(251,830)	£51.22
Outstanding at end of year	**5,153,993**	**£55.78**	5,650,992	£49.83
Exercisable at end of year	**1,036,463**	**£52.86**	1,168,515	£55.37

Options were exercised on a regular basis throughout the year and the weighted average share price during this period was £80.94 (2021: £67.90). Options outstanding at 29 January 2022 are exercisable at prices ranging between £29.67 and £80.64 (2021: £20.70 and £70.80) and have a weighted average remaining contractual life of 6.2 years (2021: 6.3 years), as analysed in the table below:

	2022 No. of options	2022 Weighted average remaining contractual life (years)	2021 No. of options	2021 Weighted average remaining contractual life (years)
Exercise price range				
£20.70-£41.09	**215,183**	**4.4**	454,705	4.4
£41.70-£44.22	**1,407,059**	**7.6**	1,688,566	7.8
£48.12-£48.38	**1,042,750**	**3.3**	1,801,395	5.3
£54.10-£64.53	**1,366,535**	**6.1**	1,190,301	7.7
£66.95-£80.64	**1,122,466**	**7.5**	516,025	3.7
	5,153,993	**6.2**	5,650,992	6.3

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:

	2022 No. of options	2021 No. of options
Outstanding at beginning of year	**27,750**	36,690
Granted	–	9,804
Exercised	–	(5,017)
Forfeited	**(9,608)**	(13,727)
Outstanding at end of year	**18,142**	27,750
Exercisable at end of year	–	–

The weighted average remaining contractual life of these options is 7.9 years (2021: 8.3 years). During the year ending 29 January 2022 there was no SMP grant and no SMP options were exercised. During the year ending 30 January 2021 SMP options were exercised at different times and the weighted average share price during this period was £50.16.

24. Share-based Payments (continued)

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:

	2022 No. of awards	2021 No. of awards
Outstanding at beginning of year	**535,506**	542,749
Granted	**148,975**	188,999
Dividend accrual awarded in the year	**7,952**	7,475
Vested	**(160,161)**	(170,471)
Forfeited	**(12,255)**	(33,246)
Outstanding at end of year	**520,017**	535,506

The weighted average remaining contractual life of these options is 1.3 years (2021: 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 10 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 29 January 2022 there were no draw downs and the number of options was updated to reflect the latest post tax profit forecast for financial years ending January 2023 and January 2024. As at 29 January 2022, the number of options outstanding was 162,017 (2021: 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.

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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 the two sets of management share options granted in the years ended 29 January 2022 and 30 January 2021 based on information at the date of grant:

Management share options – first grant in financial year	2022	2021
Share price at date of grant	**£80.64**	£44.22
Exercise price	**£80.64**	£44.22
Volatility	**31.10%**	31.10%
Expected life	**4 Years**	4 Years
Risk free rate	**0.23%**	0.04%
Dividend yield	**2.08%**	3.79%
Weighted average fair value per option	**£16.09**	£7.24

Management share options – second grant in financial year	2022	2021
Share price at date of grant	**£78.68**	£61.86
Exercise price	**£78.68**	£61.86
Volatility	**37.32%**	31.10%
Expected life	**4 Years**	4 Years
Risk free rate	**0.76%**	0.09%
Dividend yield	**2.13%**	2.71%
Weighted average fair value per option	**£19.63**	£11.43

Sharesave plans	2022	2021
Share price at date of grant	**£80.66**	£60.15
Exercise price	**£64.53**	£48.12
Volatility	**36.84%**	27.93%
Expected life	**3.4 years**	3.2 years
Risk free rate	**0.68%**	-0.07%
Dividend yield	**2.08%**	2.78%
Weighted average fair value per option	**£24.81**	£13.92

Share Matching Plan	2022*	2021
Share price at date of grant	–	£50.28
Exercise price	–	Nil
Volatility	–	27.80%
Expected life	–	3 Years
Risk free rate	–	0.13%
Dividend yield	–	0.00%
Weighted average fair value per option	–	£50.28

* There were no shares issued under the Share Matching Plan in the year ended 29 January 2022.

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 29 January 2022 and 30 January 2021 based on information at the date of grant:

LTIP awards (granted in March/April)	2022	2021
Share price at date of grant	**£79.20**	£40.04
Award price	**Nil**	Nil
Volatility	**27.60%**	30.79%
Life of award	**3 years**	3 years
Risk free rate	**0.18%**	0.20%
Dividend yield	**0.00%**	0.00%
Fair value per award	**£37.48**	£19.38

LTIP awards (granted in September)	2022	2021
Share price at date of grant	**£82.12**	£62.54
Award price	**Nil**	Nil
Volatility	**37.14%**	27.60%
Life of award	**3 years**	3 years
Risk free rate	**0.50%**	-0.16%
Dividend yield	**0.00%**	0.00%
Fair value per award	**£51.00**	£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 ESOT has an independent trustee resident in Jersey and provides for the issue of shares to Group employees to satisfy awards which vest/are exercised in accordance with the terms of the various share-based schemes detailed in Note 24.

As at 29 January 2022 the ESOT held 5,302,016 (2021: 4,950,224) ordinary shares of 10p each in the Company, the market value of which amounted to £401.6m (2021: £382.7m). 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 29 January 2022 and 30 January 2021 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 financial statements of the Company and the Group.

The table below shows the movements in equity from ESOT transactions during the year:

	2022		2021	
	Shares '000	£m	Shares '000	£m
Shares purchased by ESOT in the year	**1,895**	**151.3**	3,386	190.3
Shares sold by ESOT in the year	**–**	**–**	2,117	87.4
Shares issued in respect of employee share schemes	**1,543**	**66.4**	1,749	73.4

Proceeds of £72.5m (2021: £77.3m) were received on the exercise of Management and Sharesave options. The amount shown in the Statement of Changes in Equity of £66.4m (2021: £73.4m) 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 £90.8m (2021: £92.9m). In the prior year, 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 23 March 2022, employee share options over 42,470 shares had been exercised subsequent to the Balance Sheet date and had been satisfied by ordinary shares issued by the ESOT.

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26. Financial Instruments: Categories

	2022 £m	2021 £m
Financial assets		
Derivatives not designated as hedging instruments	**0.1**	0.7
Derivatives designated as hedging instruments	**53.4**	49.8
Customer and other receivables at amortised cost*	**1,227.3**	1,076.5
Cash, short term deposits and money market funds (note 15)	**433.0**	608.2
Non-listed financial instruments at amortised cost	**35.1**	–
Non-listed equity instruments designated at fair value through OCI	**1.0**	1.0
Financial liabilities		
Derivatives not designated as hedging instruments	**(0.8)**	(3.9)
Derivatives designated as hedging instruments	**(0.2)**	(33.3)
Lease liabilities	**(1,057.5)**	(1,185.9)
Interest bearing loans and borrowings:		
Corporate bonds at amortised cost adjusted for the fair value changes attributable to the risk being hedged	**(815.7)**	(1,163.0)
Bank loans and overdrafts at amortised cost	**(233.1)**	(93.4)
Trade and other payables at amortised cost**	**(647.7)**	(439.4)

* Prepayments of £53.1m (2021: £31.5m) and other debtors of £0.5m (2021: £0.1m) do not meet the definition of a financial instrument.

** Other taxation and social security payables of £76.8m (2021: £59.1m), deferred income of £79.5m (2021: £71.7m), share-based payment liabilities of £0.3m (2021: £0.4m) and other creditors of £25.3m (2021: £13.6m) 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:

	2022		2021	
Corporate bonds	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
In hedging relationships	**265.7**	**277.8**	463.0	474.3
Not in hedging relationships	**550.0**	**589.6**	700.0	774.4
	815.7	**867.4**	1,163.0	1,248.7

Corporate bonds are held at amortised cost, and where hedged, adjusted for the fair value changes attributable to the interest rate risk being hedged (see Note 19). The reduction in the balance compared to 2021 is primarily due to the repayment of the 2021 bond of £325m.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

2022	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	233.1	–	–	–	233.1
Lease liabilities	202.2	168.0	376.8	683.8	1,430.8
Trade and other payables	597.7	20.9	–	–	618.6
Corporate bonds	29.3	29.3	580.4	321.8	960.8
	1,062.3	218.2	957.2	1,005.6	3,243.3
Derivatives: net settled	(5.4)	(2.6)	(9.2)	–	(17.2)
Derivatives: gross settled					
Cash inflows	(1,244.7)	–	–	–	(1,244.7)
Cash outflows	1,209.1	–	–	–	1,209.1
Total cash flows	1,021.3	215.6	948.0	1,005.6	3,190.5

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

Within lease liabilities greater than 5 years are leases on stores with cash flows in years 5-10 of £237.1m (2021: 269.3m) and more than 10 years of £57.3m (2021: £74.7m). The lease liabilities greater than 5 years on warehouses and head office premises with cash flows in years 5-10 are £111.0m (2021: £109.2m) and more than 10 years of £278.4m (2021: £311.3m).

At 29 January 2022, the Group had borrowing facilities of £450.0m (2021: £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 2022 (2021: £nil).

Interest rate risk

The Group is exposed to fair value interest rate risk on its fixed rate corporate bonds and cash flow interest rate risk on floating rate 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 (note this will transition to SONIA effective April 2022 fix). The Group previously had interest rate swaps where the Group receives a variable rate of interest related to LIBOR, and pays a fixed rate (these were settled in the year to January 2022). Details of the aggregate rates payable are given in Note 19.

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

Interest rates: fair value hedges (continued)

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.

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.

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 confirmed that the LIBOR fixings relevant to the Group would no longer be representative after 31 December 2021 which created a requirement for the Group's contracts which referenced LIBOR to use an alternative benchmark rate. As the cessation of IBORs was well signposted by global regulators, the Group's stakeholders had performed a review of impacted documentation ahead of time to ensure that it was able to plan and address any potential issues. The Group's most significant risk exposure affected by these changes related to its corporate bonds and Revolving Credit Facility (RCF). In respect of the corporate bonds, the notional amount of interest rate swaps designated within fair value hedges is based on LIBOR but, effective April 2022, will switch to SONIA. This has been agreed with the respective counter parties and the change is not expected to have a significant impact on the cash flows under the bonds and will not impact the hedging structure in place. In respect of the RCF the interest was adjusted to a SONIA effective 1 January 2022 but as the group has not drawn on this it had no impact in the year.

Fair value of group swaps

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

	2022 £m	2021 £m
Derivatives in designated fair value hedging relationships	**18.0**	40.7

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 2026
At 29 January 2022	Fixed to floating
Nominal amount (£m)	**250.0**
Average price	**6 month LIBOR + 1.434**

	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

The impact of the hedging instrument on the Balance Sheet is as follows:

At 29 January 2022	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	**250.0**	**18.0**	Other financial assets	**(21.4)**
Interest rate swaps – liabilities	–	–	Other financial liabilities	–
At 30 January 2021				
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

* The carrying amount of derivatives includes £2.3m of interest accrual (2021: £2.7m).

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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 29 January 2022	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	**250.0**	**15.7**	Corporate bonds	**21.3**
At 30 January 2021				
Fixed rate borrowings	**275.0**	**38.0**	Corporate bonds	(0.8)

The ineffectiveness recognised in the Income Statement for the period ended 29 January 2022 was £Nil (2021: gain of £0.1m).

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:

	2022 £m	2021 £m
Derivatives in designated hedging relationships	**35.2**	(24.2)
Other foreign exchange derivatives not designated in hedging relationships	**(0.7)**	(3.2)
Total foreign exchange derivatives	**34.5**	(27.4)

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

Foreign currency hedges (continued)

Derivatives designated in hedging relationships at 29 January 2022:

	Maturity			
US Dollars (highly probable forecast purchases)	1–6 months	6–12 months	More than one year	Total
Notional amount (in £m)	**665.2**	**267.9**	**–**	**933.1**
Average GBP: USD contract rate	**1.39**	**1.38**	**–**	**1.39**
EURO (highly probable forecast purchases)				
Notional amount (in £m)	**1.4**	**–**	**–**	**1.4**
Average GBP: EURO contract rate	**1.21**	**–**	**–**	**1.21**
EURO (highly probable forecast sales)				
Notional amount (in £m)	**55.9**	**26.9**	**–**	**82.8**
Average GBP: EURO contract rate	**1.16**	**1.17**	**–**	**1.16**
Other (highly probable forecast sales)				
Notional amount (in £m)	**83.2**	**0.6**	**–**	**83.8**
Average GBP: Other contract rate	**Various currencies***			

* 5 currencies are hedged, which individually are not material to the financial statements.

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 were hedged, which individually are not material to the financial statements.

The impact of the hedging instruments on the Balance Sheet are as follows:

At 29 January 2022	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	**1,107.0**	**35.5**	Other financial assets	**30.6**
Foreign exchange contracts	**58.5**	**(1.0)**	Other financial liabilities	**7.1**
At 30 January 2021				
Foreign exchange contracts	223.7	5.0	Other financial assets	2.3
Foreign exchange contracts	665.1	(32.4)	Other financial liabilities	(17.0)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

	29 January 2022			30 January 2021		
	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	(3.0)	0.5	–	0.8	1.3	–
Highly probable forecast stock purchases	39.9	33.9	0.9	(15.6)	(27.1)	1.6

The effect of the cash flow hedge in the Income Statement or other comprehensive income is as follows:

Year ended 29 January 2022	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	–	–	–	3.2	Revenue
Highly probable forecast stock purchases	–	18.5	0.8	–	–
Year ended 30 January 2021					
Highly probable forecast sales	–	–	–	0.5	Revenue
Highly probable forecast stock purchases	–	19.0	1.0	–	–

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 £1,187.1m at the reporting date (2021: £1,041.5m). 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 2022 there were 2.84m active customers (2021: 2.72m) with an average balance of £477 (2021: £449). 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 £17.1m (2021: £33.2m) were on a Reduced Payment Indicator (RPI) plan or COVID related Emergency Support Plan (ESP). An allowance for Expected Credit Losses (ECLs) of £11.7m (2021: £22.5m) 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.9%, 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).

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.

	2022 Total £m	2021 Total £m
Risk exposure determined by CII score		
Risk band 1 (CII<=10)	**801.8**	677.5
Risk band 2 (10>CII=<20)	**200.5**	185.9
Risk band 3 (20>CII=<47)	**176.0**	167.2
Risk band 4 (47>CII)	**120.8**	118.5
Gross carrying amount before credit impaired	**1,299.1**	1,149.1
Credit impaired	**79.7**	88.5
Gross carrying amount after credit impaired	**1,378.8**	1,237.6
Less allowance	**(191.7)**	(196.1)
Carrying amount	**1,187.1**	1,041.5

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.

2022	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)	784.3	13.4	0.7	0.2	–	0.2	3.0	801.8
Risk band 2 (10>CII=<20)	191.6	5.5	0.9	0.2	–	0.1	2.2	200.5
Risk band 3 (20>CII=<47)	161.4	7.0	1.9	0.9	0.5	0.4	3.9	176.0
Risk band 4 (47>CII)	93.6	7.5	3.5	2.8	2.6	2.8	8.0	120.8
Otherwise impaired	–	–	–	–	–	79.7	–	79.7
Total	**1,230.9**	**33.4**	**7.0**	**4.1**	**3.1**	**83.2**	**17.1**	**1,378.8**
Loss allowance								
Risk band 1 (CII<=10)	(42.0)	(1.4)	(0.2)	(0.1)	–	(0.1)	(1.6)	(45.4)
Risk band 2 (10>CII=<20)	(13.9)	(0.8)	(0.3)	(0.1)	–	(0.1)	(1.2)	(16.4)
Risk band 3 (20>CII=<47)	(17.1)	(1.4)	(0.9)	(0.6)	(0.3)	(0.3)	(2.2)	(22.8)
Risk band 4 (47>CII)	(17.1)	(2.0)	(2.1)	(1.9)	(2.0)	(2.1)	(6.7)	(33.9)
Otherwise impaired	–	–	–	–	–	(73.2)	–	(73.2)
Total	**(90.1)**	**(5.6)**	**(3.5)**	**(2.7)**	**(2.3)**	**(75.8)**	**(11.7)**	**(191.7)**
Expected loss rate %								
Risk band 1 (CII<=10)	5.4%	10.8%	32.4%	55.4%	–	73.9%	50.9%	5.7%
Risk band 2 (10>CII=<20)	7.2%	14.6%	37.7%	57.4%	–	73.6%	53.0%	8.2%
Risk band 3 (20>CII=<47)	10.6%	19.7%	45.3%	64.5%	68.2%	71.3%	57.8%	13.0%
Risk band 4 (47>CII)	18.2%	25.9%	58.8%	68.4%	74.5%	74.0%	84.1%	27.9%
Otherwise impaired	–	–	–	–	–	91.9%	–	91.9%
Total	**7.3%**	**16.7%**	**49.9%**	**66.4%**	**73.3%**	**91.1%**	**68.2%**	**13.9%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Credit risk (continued)

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%	–	49.1%	43.6%	3.0%
Risk band 2 (10>CII=<20)	7.8%	8.7%	33.4%	53.0%	–	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%**

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 (2021: £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 collateralized.

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.

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	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Interest rate increase of 0.5%	**(0.6)**	(0.8)	**(0.6)**	(0.8)
Interest rate decrease of 0.5%	**0.6**	0.8	**0.6**	0.8

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	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Sterling strengthens by 10%				
US Dollar	**(2.1)**	(6.7)	**(52.1)**	(48.1)
Euro	**–**	–	**4.6**	0.1
Sterling weakens by 10%				
US Dollar	**(0.8)**	0.7	**69.2**	55.8
Euro	**–**	–	**(5.6)**	(0.1)

Year end exchange rates applied in the above analysis are US Dollar 1.34 (2021: 1.37) and Euro 1.20 (2021: 1.13). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Analysis of Net Debt

	January 2021 £m	Cash flow £m	Fair value changes £m	IFRS 16 £m	January 2022 £m
Cash and short term deposits	608.2	(175.2)	–	–	**433.0**
Overdrafts and short term borrowings	(93.4)	(139.7)	–	–	**(233.1)**
Cash and cash equivalents	514.8	(314.9)	–	–	**199.9**
Corporate bonds	(1,163.0)	325.0	22.3	–	**(815.7)**
Fair value hedges of corporate bonds	38.0	–	(22.3)	–	**15.7**
Net debt excluding leases	(610.2)	10.1	–	–	**(600.1)**
Current lease liability	(170.1)	–	–	7.5	**(162.6)**
Non-current lease liability	(1,015.8)	–	–	120.9	**(894.9)**
	(1,185.9)	–	–	128.4	**(1,057.5)**
Net debt including leases	**(1,796.1)**	**10.1**	**–**	**128.4**	**(1,657.6)**

The IFRS 16 movements represent the net movement of lease payments of £222.7m, disposals of £9.5m and FX/Others of £0.7m offset by additions of £41.2m, modifications of £12.9m and finance costs £50.4m.

31. Related Party Transactions

During the year, Group entities entered into the following transactions with related parties and their respective subsidiaries who are not members of the Group:

	2022			
Related party	**Sales £m**	**Loans advanced £m**	**Recharge of costs and loan interest £m**	**Amounts outstanding at year end £m**
VS Brands Holdings UK Limited and its subsidiaries	**7.4**	**–**	**25.1**	**5.9**
Pink TopCo Limited and its subsidiaries	**2.0**	**10.0**	**3.8**	**10.6**
Choice Discount Stores Limited	**5.0**	**–**	**1.1**	**1.8**
Retail Restaurants Limited	**–**	**0.1**	**0.2**	**3.0**
West Apparel UK Holdings Limited	**–**	**4.1**	**–**	**4.1**
Aubin & Wills Holdings Limited	**0.3**	**0.8**	**–**	**0.8**

	2021			
Related party	Sales £m	Loans advanced £m	Recharge of costs and loan interest £m	Amounts outstanding at year end £m
VS Brands Holdings UK Limited and its subsidiaries	–	7.7	0.9	8.2
Choice Discount Stores Limited	3.9	1.3	–	1.4
Retail Restaurants Limited	–	0.1	0.2	3.0
Custom Gateway Limited	–	–	(0.4)	–

VS Brands Holdings UK Limited and its subsidiaries

Sales represent the commission revenue earned on the sale of Victoria's Secret products. The loan advanced in 2021 is repayable on demand. The £25.1m (2021: £0.9m) relates to costs incurred by NEXT on behalf of VS such as payroll and utility costs. The balance owed at the year end of £5.9m (2021: £8.2m) relates primarily to the loan advanced in 2021 which has been partly repaid in 2022.

Pink Topco Limited ("Reiss")

Sales on transactions with Reiss represent the commission revenue earned on the sale of Reiss products. The loan advanced was £10m with interest charged on an arm's length basis. The balance owed at the year end relates primarily to the loan plus interest not yet due. Subsequent to the year end the Group increased its investment in the Reiss Group (see Note 32).

In the prior year Reiss was not a related party.

31. Related Party Transactions (continued)

Choice Discount Stores Limited

Sales on to Choice represent the sale of inventory products. Recharge cost relates to management services provided by NEXT. All transactions are on an arm's length basis and the loan from 2021 was repaid in full during the year.

Retail Restaurants Limited

Loans advanced in the year are on arm's length terms and the amounts outstanding at the year end represent the full loan balance due.

West Apparel UK Holdings ('GAP JV')

During the year NEXT entered into a joint venture with GAP to sell GAP branded products in the UK. No sales or recharges were made in the year. The amounts outstanding relate to a £4.1m loan which attracts interest on an arm's length basis.

In the prior year GAP JV was not a related party.

Aubin and Wills Holdings ('Aubin')

During the year NEXT acquired an equity stake in Aubin and Wills Holdings. Sales represent the commission sale earned on the sale of Aubin products. A loan was advanced during the year which attracts interest on an arm's length basis.

In the prior year Aubin was not a related party.

Custom Gateway Limited

The Group sold its interest in Custom Gateway Limited for consideration of £3.9m in the prior year.

32. Post balance sheet events

On 1 March 2022 NEXT exercised its option to increase its investment in the Reiss Group through the acquisition of a further 26% equity stake in the holding company of the Reiss Group. The consideration payable to the existing shareholders, subject to finalisation of the completion balance sheet, is expected to be in £45m. This will be funded through NEXT existing cash. Completion is subject to clearance from the European Commission.

Further details of the acquisition and its strategic fit with the Group are provided on page 39.

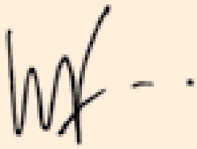
PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY BALANCE SHEET

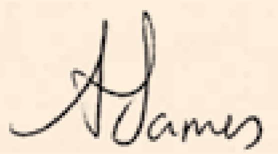
	Notes	29 January 2022 £m	30 January 2021 £m
Fixed assets			
Investments	C2	**2,475.7**	2,475.7
		2,475.7	2,475.7
Current assets			
Other debtors	C3	**163.5**	153.1
Cash at bank and in hand		**–**	22.0
		163.5	175.1
Bank loans and overdrafts		**(110.6)**	–
Creditors: amounts falling due within one year	C4	**(554.1)**	(553.7)
		(664.7)	(553.7)
Net current liabilities		**(501.2)**	(378.6)
Total assets less current liabilities		**1,974.5**	2,097.1
NET ASSETS		**1,974.5**	2,097.1
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	**(331.6)**	(271.1)
Other reserves	C5	**985.2**	985.2
Profit and loss account		**1,290.1**	1,352.2
TOTAL EQUITY		**1,974.5**	2,097.1

The profit for the year in the accounts of the Company is £300.0m (2021: £Nil).

The financial statements were approved by the Board of directors and authorised for issue on 24 March 2022. 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 25 January 2020	**13.3**	**0.9**	**16.6**	**(284.8)**	**985.2**	**1,396.7**	**2,127.9**
Profit for the period	–	–	–	–	–	–	–
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
Profit for the period	–	–	–	–	–	300.0	300.0
Other comprehensive income for the period	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	300.0	300.0
Share buybacks (Note C5)	–	–	–	–	–	(13.1)	(13.1)
ESOT share purchases (Note C5)	–	–	–	(151.3)	–	–	(151.3)
Shares sold/issued by ESOT	–	–	–	90.8	–	(24.4)	66.4
Share option charge	–	–	–	–	–	19.9	19.9
Equity dividends	–	–	–	–	–	(344.5)	(344.5)
At 29 January 2022	13.3	0.9	16.6	(331.6)	985.2	1,290.1	1,974.5

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 178 to 191. 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 (2021: £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 as at 29 January 2022 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
Aubin and Wills Holdings Limited	1110 Elliott Court, Coventry Business Park, Herald Avenue, Coventry CV5 6UB	33
Aubin & Wills Limited	1110 Elliott Court, Coventry Business Park, Herald Avenue, Coventry CV5 6UB	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
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	Suites 1404 to 1413 & Pt14, 1111 King's Road, Taikoo Shing, 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, Zielstattstr. 40, 81379, 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 nábreží 671/15, Karlín, Prague 8, 186 00, Czech Republic	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	House No. 14, St. No. 106, Phoum 8, Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Cambodia	100
Next Sourcing Limited Shanghai Office	Room 901-902, 908-921, 9th Floor, Bldg. 3, No. 283 West Jianguo Road, Xuhui District, Shanghai	100
Next Sourcing (UK) Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	100
Next Sourcing Limited	Suites 1404 to 1413 & Pt14, 1111 King's Road, Taikoo Shing, Hong Kong	100
Next Sourcing Limited Domestic and/or Foreign Trade Limited Liability Company	Esentepe Mah. Büyükdere Cad. , Ferko Signature Plaza No:175/A Kat:11 D: A68-A69	100
Next Sourcing Services Limited	Giant Business Tower, Level 4 & 5, Plot #3, Sector-3, Dhaka Mymensingh Road, Uttara Commercial Area, Dhaka, Bangladesh	
Next Sourcing Services (India) Private Limited	207 Jaina Tower, 1 District Centre, Janakpuri, New Delhi, 110058, India	100
NEXT (US), LLC	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100
NSL Limited	Suites 1404 to 1413 & Pt14, 1111 King's Road, Taikoo Shing, Hong Kong	100
Pink Topco Limited	22 Grenville Street, St. Helier, Jersey JE4 8PX, UK	25
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
West Apparel UK Holdings Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	51

* 100% owned by Aubin and Wills Holdings Limited.
** 100% owned by VS Brands Holdings UK Limited

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

C3. Other Debtors

	2022 £m	2021 £m
Amounts due from subsidiary undertaking	**163.4**	149.8
Other receivables	**0.1**	3.3
	163.5	153.1

C4. Creditors due within one year

	2022 £m	2021 £m
Amounts due to subsidiary undertaking	**549.4**	553.5
Accruals and other creditors	**4.7**	0.2
	554.1	553.7

C5. Share Capital, ESOT Reserve 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 (2021: £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 29 January 2022.

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 Limited	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 guarantees as remote.

SHAREHOLDER INFORMATION

HALF YEAR AND SEGMENT ANALYSIS (UNAUDITED)

	First half £m	Second half £m	52 weeks to Jan 2022 £m	First half £m	Second half £m	53 weeks to Jan 2021 £m
Total sales[1]						
NEXT Online	1,522.5	1,581.3	**3,103.8**	862.6	1,505.8	2,368.4
NEXT Retail	540.1	892.3	**1,432.4**	344.6	609.9	954.5
NEXT Finance	119.2	130.2	**249.4**	127.9	122.4	250.3
NEXT International Retail	22.9	26.3	**49.2**	12.0	21.2	33.2
NEXT Sourcing & NENA Sourcing	4.6	5.9	**10.5**	2.8	4.1	6.9
Lipsy	2.1	1.7	**3.8**	2.5	2.7	5.2
Property Management	4.3	8.4	**12.7**	4.4	3.0	7.4
Total	**2,215.7**	**2,646.1**	**4,861.8**	1,356.8	2,269.1	3,625.9
Profit before tax						
NEXT Online	318.0	270.5	**588.5**	133.8	342.7	476.5
NEXT Retail	(17.8)	124.8	**107.0**	(144.0)	7.7	(136.3)
NEXT Finance	65.6	76.2	**141.8**	61.6	65.5	127.1
NEXT International Retail	2.2	3.5	**5.7**	0.5	2.9	3.4
NEXT Sourcing & NENA Sourcing	14.3	13.7	**28.0**	4.7	13.1	17.8
Lipsy	8.2	12.3	**20.5**	0.6	4.6	5.2
Property Management	7.0	3.8	**10.8**	(29.4)	(24.2)	(53.6)
Total segmental profit	**397.5**	**504.8**	**902.3**	27.8	412.3	440.1
Recharge of interest	15.7	15.2	**30.9**	17.7	16.0	33.7
Other activities	(20.7)	(7.1)	**(27.8)**	(11.4)	(17.9)	(29.3)
Net finance cost	(45.8)	(36.5)	**(82.3)**	(50.6)	(51.5)	(102.1)
Profit before tax	**346.7**	**476.4**	**823.1**	(16.5)	358.9	342.4

1. As defined in Note 1 to the Consolidated Financial Statements.

FIVE YEAR HISTORY (UNAUDITED)

Period to January	**IFRS 16 basis 2022 £m**	IFRS 16 basis 2021 £m	IFRS 16 basis 2020 £m	IFRS 16 basis 2019 £m	IAS 17 basis 2018 £m
Underlying continuing business					
Total sales	**4,861.8**	3,625.9	4,361.8	4,220.9	4,117.5
Statutory revenue	**4,625.9**	3,534.4	4,266.2	4,167.4	4,090.7
Operating profit	**905.4**	444.5	853.9	841.1	759.9
Net finance costs	**(82.3)**	(102.1)	(105.4)	(107.5)	(33.8)
Profit before tax	**823.1**	342.4	748.5	733.6	726.1
Taxation	**(145.6)**	(55.7)	(138.3)	(134.5)	(134.3)
Profit after taxation	**677.5**	286.7	610.2	599.1	591.8
Total equity	**1,010.0**	660.9	441.5	366.2	482.6
Shares purchased for cancellation	**0.2m**	0.3m	5.4m	6.3m	2.2m
Dividends per share – ordinary	**–**	–	57.5p	165.0p	158.0p
– special	**270.0p**	–	–	–	180.0p
Basic Earnings Per Share					
Underlying	**530.8p**	223.3p	472.4p	441.7p	416.7p
Total	**530.8p**	223.3p	472.4p	441.7p	416.7p

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 help 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 FY22 was £1,062m (FY21: £1,050m). 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 Note 13	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 FY22 the total bad debt charge disclosed in the CEO report was £27m (2021: £51m). In Note 13 the total Expected Credit Loss charge was £28.6m (2021: £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 excluding cash) to the average debtor/ customer balance. Note the basis for Cost of Funding was changed in the year as explained in Note 1 of the financial statements.	None	Used by the business to evaluate the profitability of the Finance business. There is no statutory equivalent as this is a metric specific to how the Group manages its funding and cost allocations. In the year to January 2022 this has been calculated as: Average Group interest = Interest cost/Average debt excluding cash = £36m/£1,050m = 3.4% Then apply 3.4% to 85% of the Average Online customer balance of £1,062m (as we assume that 85% is funded). This equates to a Cost of Funding charge of £30.9m (prior year, restated: £33.7m). Note the basis for calculating the Cost of Funding was changed in the year as explained in Note 1 of the financial statements. As a result the prior year comparative is restated.

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.
Earnings Per Share (EPS) excluding IFRS 16 (pre-tax) 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.	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. The impact of IFRS 16 on the in year profit is £9.6m (pre-IFRS 16 PBT being £9.6m lower).
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. They are based on Total Sales (defined below) excluding markdown (i.e. discounted).
Interest income (NEXT Finance) The gross interest billed to next**pay** and next**3step** customers, before any deduction for unpaid interest on bad debt.	Revenue – credit account interest	Interest income for the Finance business is a direct indicator of the performance and profitability of the Finance business. This is presented on the face of the Income Statement and Note 2 of the financial statements as "credit account interest".
Like-for-like sales Change in sales from Retail stores which have been open for at least one full year.	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 excluding leases 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.	None	This measure is a good indication of the strength of the Group's liquidity and is widely used by credit rating agencies. Net debt excluding leases is reconciled to net debt including leases in Note 30 of the 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
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. The margin is based on the segmental operating profit, as disclosed in Note 1 of the statutory accounts, as a percentage of the Total Sales for that segment. A reconciliation between Total Sales and statutory revenue is provided in Note 1 of the financial statements. Net margin measures whether profitability is changing at a higher or lower rate relative to revenue and is used by business to assess whether pricing levels and costs are appropriate.
Net profit (NEXT Finance) The profit, including interest income and the bad debt charge, and after the allocation of central overheads and the cost of funding.	Profit before tax (for the Finance segment)	A measure of direct profitability of the Finance business. The net profit for the Finance Business is presented in Note 1 to the financial statements.
Return on Capital Employed – ROCE (NEXT Finance) The NEXT Finance net profit (after the interest charge relating to the cost of funding), divided by the average debtor balance.	None	A commonly used metric that can be used to compare performance to other financial businesses. It measures the profit (i.e. return) relative to the amount of capital employed. The higher the ROCE the greater the return for the capital employed in the business. The ROCE for NEXT Finance in the year to January 2022 was calculated by dividing the Operating profit for segment of £141.8m by the average debt balance of £1,062m. As a percentage this is 13.4% (prior year restated: 12.1%). 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 the closest equivalent statutory measure not applicable.
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 2022 or the year to January 2021.

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 Leicester Marriott Hotel, Smith Way, Grove Park, Leicester LE19 1SW on Thursday 19 May 2022 at 9.30 am. The Company will take into account any Government guidance or legislation in force at the time of the AGM and will implement any measures it believes necessary to protect the health and safety of attendees. Any changes to the format of the AGM will be communicated to shareholders through our website at nextplc.co.uk/investors/shareholderinformation/company-meetings and, where appropriate, by stock exchange announcement.

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 18 May 2022 will be answered at the meeting as appropriate.

The following resolutions will be proposed at the AGM, resolutions 1 to 16 as ordinary resolutions and 17 to 21 as special resolutions. **Further information on these resolutions can be found in Appendix 1 to this Notice.** Biographies of the directors are show on pages 116 to 117 of the Annual Report.

1 To receive and adopt the accounts and reports of the directors and auditor for the period ended 29 January 2022.

2 To approve the Directors' Remuneration Report set out on pages 135 to 152.

3 To declare a dividend of 127 pence per ordinary share.

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:

4 Soumen Das.

To re-elect the following directors who are seeking annual re-election in accordance with the UK Corporate Governance Code:

5 Jonathan Bewes.

6 Tom Hall.

7 Tristia Harrison.

8 Amanda James.

9 Richard Papp.

10 Michael Roney.

11 Jane Shields.

12 Dame Dianne Thompson.

13 Lord Wolfson.

14 To re-appoint PricewaterhouseCoopers LLP as auditor of the Company, to hold office until the conclusion of the 2023 AGM of the Company.

15 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.

16 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 19 August 2023;

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).

17 General disapplication of pre-emption rights

That, subject to resolution 16 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 £661,000 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 19 August 2023; 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).

18 Additional disapplication of pre-emption rights

That, subject to resolutions 16 and 17 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 £661,000 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;

NOTICE OF MEETING

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 19 August 2023; and

d. other than in respect of authorities granted pursuant to resolution 17, 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).

19 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 19,826,000 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 20 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 19 August 2023;

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.

20 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 248 and 249. 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 19 August 2023 (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).

21 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

14 April 2022

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 29 January 2022, 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 29 January 2022 and is subject to an advisory vote by shareholders. The Report (excluding the Directors' Remuneration Policy) is set out on pages 135 to 152 of the Annual Report for the period ended 29 January 2022.

3. To declare a dividend of 127 pence per ordinary share

The directors recommend that a dividend of 127 pence per share be paid on 1 August 2022 to shareholders on the register of members at close of business on 8 July 2022. This resolution relates only to this dividend. If, in line with the Company's policy of returning surplus cash to shareholders, the directors decide to pay special dividends any such dividends will be paid by the directors as interim dividends. The announcement of any dividend will clearly indicate whether it is a special dividend or not. The Trustee of the NEXT ESOT has waived dividends paid in the year on shares held by it, refer to Note 25 of the financial statements.

4–13. 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 116 and 117 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.

14 and 15. 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 15 proposes that the auditor's remuneration be determined by the Audit Committee.

16. Renewal of the powers of directors to allot shares

Ordinary resolution 16(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 23 March 2022.

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 23 March 2022 (being the latest practicable date prior to publication of this document) the Company's issued share capital amounted to £13,226,755 comprising 132,267,554 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 2023 or, if earlier, 19 August 2023.

17 and 18. Authority to disapply pre-emption rights

In special resolution 17, 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 £661,000, representing 5% of the issued ordinary share capital of the Company as at 23 March 2022. 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 18 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 2023 or, if earlier, 19 August 2023.

19. 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 23 March 2022, NEXT has returned over £4bn to shareholders by way of share buybacks and over £4bn in dividends, of which £1.2bn 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 £790m 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

NOTICE OF MEETING
Appendix 1

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 2023 or, if earlier, 19 August 2023.

20. 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 2021 AGM up to 23 March 2022.
- 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 17, passed at the Company's 2021 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 2022 AGM or 20 August 2022. 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, BNP Paribas 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 2022 AGM or 20 August 2022. Pursuant to those authorities and up to 23 March 2022, 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 20, which will be proposed as a special resolution, seeks shareholder 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 2023 and 19 August 2023 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 23 March 2022;
- 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 19 May 2022 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 2023 AGM or on 19 August 2023, 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 for inspection at the AGM on 19 May 2022. 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 2023 and 19 August 2023 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.

21. 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 21 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 2022 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.

NOTICE OF MEETING

Meeting Formalities and Voting

Attending the Annual General Meeting

To be entitled to attend, speak and 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 17 May 2022 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 2022 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 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 20 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 20 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 23 March 2022, which is the latest practicable date before the publication of this Notice, is 132,267,554 ordinary shares. All of the ordinary shares carry one vote each and there are no shares held in treasury.

Voting and proxies

Whether or not you intend to attend the AGM in person, please complete and return the form of proxy to Equiniti, to arrive not later than 9.30 am on 17 May 2022 (or 48 hours before any adjourned meeting). If you complete and return a proxy form you can still attend and vote at the AGM if you wish.

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 17 May 2022.

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 19 May 2022 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 time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual is available at 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

Shareholders may submit questions in advance on the resolutions to be put to the AGM by emailing investors@next.co.uk. Any shareholder attending the meeting has the right to ask questions. 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 20.

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.

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.

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 Leicester Marriott Hotel, Smith Way, Grove Park, Leicester LE19 1SW at 9.30 am on Thursday 19 May 2022. The Notice of the Meeting on pages 245 to 251 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. 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; and
- loss of share certificate, dividend warrant or dividend confirmation; and
- 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; and
- 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 78 to 86; 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.

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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.

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