NEXT

ANNUAL REPORT & ACCOUNTS

JANUARY 2024

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FINANCIAL HIGHLIGHTS

NEXT TOTAL GROUP SALES APM

£5.8bn

Jan 24	**£5.8bn**
Jan 23	£5.5bn

NEXT GROUP PBT APM

£918m

Jan 24	**£918m**
Jan 23	£875m

NEXT GROUP EPS APM

578.8p

Jan 24	**578.8p**
Jan 23	576.8p

FINANCIAL HIGHLIGHTS ON STATUTORY BASIS

	Jan 24	Jan 23
Total revenue (£bn)	**5.5**	5.0
Profit before tax (£m)	**1,015.8**	869.3
Basic Earnings Per Share (p)	**661.6**	573.4

APM Alternative Performance Measure as defined in the Glossary on pages 256 to 259.

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

Michael Roney
Chairman

21 March 2024

[1] NEXT Group profit before tax excludes: (1) an exceptional gain, (2) the cost of brand amortisation and (3) the profit attributable to shares that we do not own in subsidiary companies. Statutory profit before tax, including exceptionals, brand amortisation and consolidating subsidiaries in which we have a controlling interest, is £1,016m, up +16.9%. See page 30 for a bridge between NEXT Group profit and statutory profit, and Note 1 of the financial statements for further details.

CHIEF EXECUTIVE'S REVIEW

STRUCTURE OF THIS REPORT

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PART ONE
HEADLINES AND SUMMARY OF FINANCIAL PERFORMANCE

SALES AND PROFIT IN THE YEAR TO JANUARY 2024

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

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

HEADLINES

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

Guidance for the Year Ahead

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

For a more detailed analysis of our guidance see page 31.

[2] Total Group sales for January 2023 are restated (previously £5,415m) due to a change in the presentation of Total Platform revenue and sales in subsidiaries, see page 28. Total Group sales are not statutory sales. See page 29 for a bridge between total Group sales and statutory revenue, and Note 1 of the financial statements for further details.
[3] All references to EPS in the CEO Review are 'Basic' EPS, based on 'NEXT Group profit', unless otherwise stated.
[4] NEXT Trading full price sales include items sold in Retail and Online plus NEXT Finance interest income, but excludes Sale events, Clearance, Total Platform commission and the sales from subsidiaries.
[5] Guidance in our January Trading Statement was £905m *including* brand amortisation and £915m *excluding* amortisation.

PART TWO
THE BIG PICTURE

INTRODUCTION

A GOOD PLACE TO START THE YEAR...

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

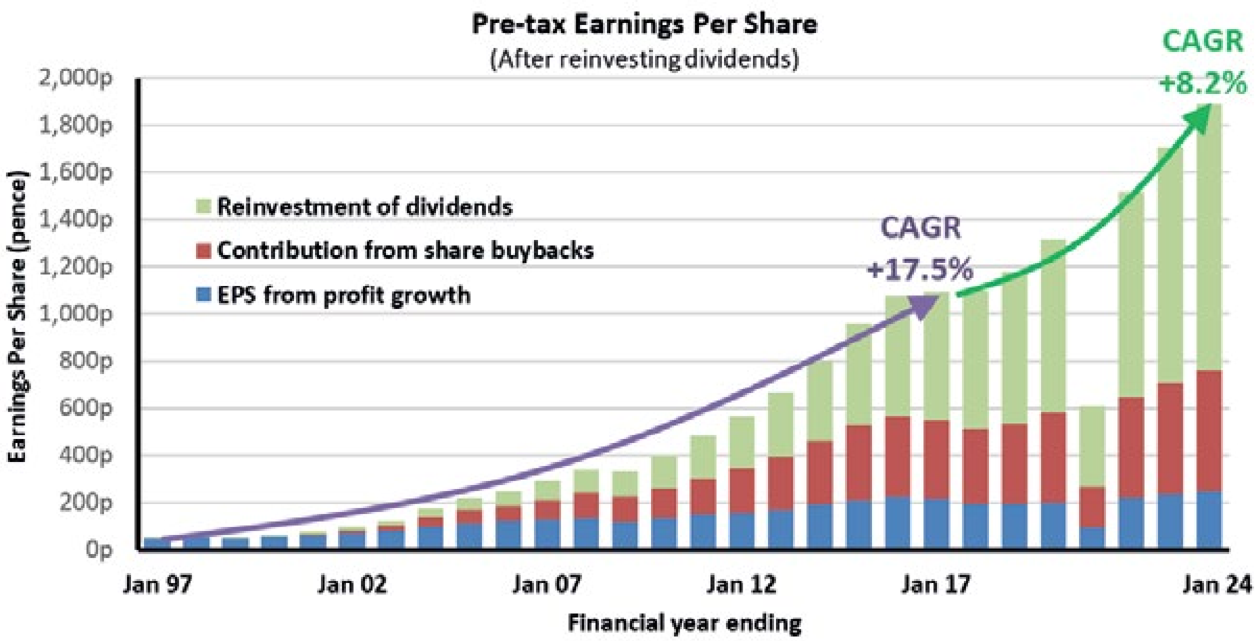
A valuable point of self-reflection

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

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

WHERE WE ARE IN CONTEXT

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



1997 - 2017: Twenty years of plain sailing

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

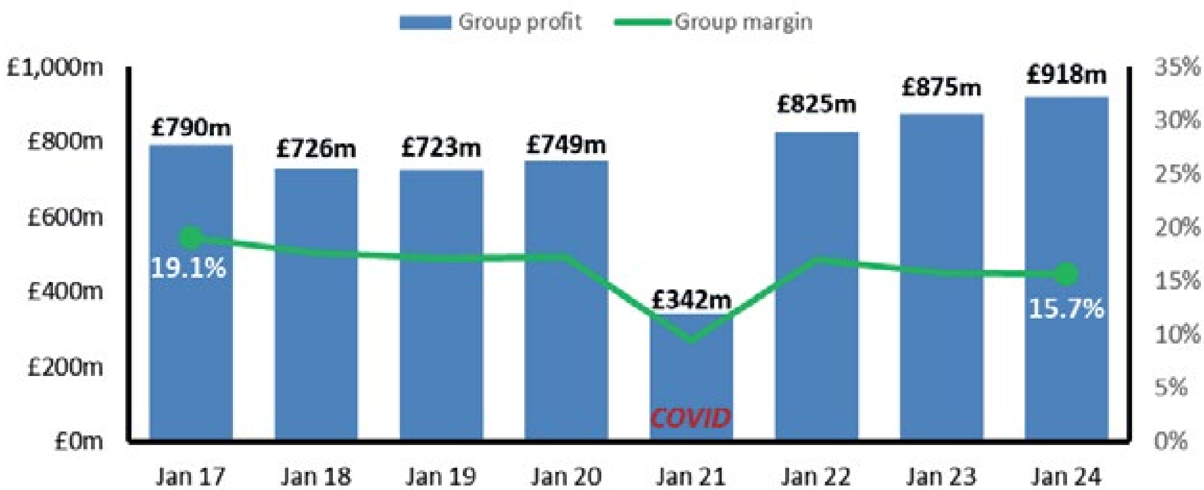
2017: The formula stopped working

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

2017 - 2024: A very respectable performance in the circumstances

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

Group Pre-Tax Profit[7] and Margins



[6] EPS CAGR calculation accounts for dividends by assuming they were reinvested in NEXT shares when paid.
[7] Profit in the years ending January 2023 and January 2024 are given *excluding* the cost of brand amortisation. (January 2023 was previously reported as £870m.) Prior to January 2023 brand amortisation costs in our accounts were minimal.

THE LESSONS

Core strengths

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

Cash generation and capital discipline

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

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

People who embrace change

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

CORE CAPABILITIES AND NEW OPPORTUNITIES

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

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

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

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

THE REST OF THE BIG PICTURE SECTION

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

THE NEXT BRAND - MOVING ON UP[8]

Raising the bar, again

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

Leading from the ground up...

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

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

NEWNESS - DELIVERED WITH CONVICTION

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

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

BREADTH OF CHOICE

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

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

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

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[8] With apologies to M People.

QUALITY AND ASPIRATION

Developing the 'better' and the 'best'

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

Focus on fabrics and yarns

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

But no excuse for losing sight of value

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

BEYOND THE BRAND

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

We are delivering these new brands in three ways. Firstly, through the development of new wholly-owned brands such as 'Love & Roses'. Secondly, through the acquisition of existing third-party brands, such as Cath Kidston and MADE. And thirdly, licence agreements with iconic third-party brands where the combination of our specialist sourcing and technical skills with their brand heritage can deliver something neither of us could deliver alone. See page 48 for further detail.

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

IMPROVING NEXT INFRASTRUCTURE

Retail Infrastructure is part of what we do...

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

The Total Platform opportunity

Over the years we have developed outstanding retail software and infrastructure - point-of-sale systems, distribution networks, websites, contact centre operations, automated warehousing, product management systems and more. As the complexity and costs of doing these activities has increased, the potential to monetise this infrastructure has emerged. And this business, called Total Platform, along with its associated equity investments is now making a meaningful contribution to our profits. (See page 53 for further details on the financial performance of Total Platform).

Improving warehousing

Over the course of the coming year we will be delivering a host of important improvements to our warehouse infrastructure. We will be commissioning warehouse picking and packing automation in our new Elmsall 3 warehouse, a development that will deliver a step change in efficiency and capacity. See 'Focus on Warehousing' on page 21.

Website and digital marketing

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

Modernising software

Alongside the development of all this new functionality and capacity, we will continue the task of modernising and upgrading our legacy software. It is a huge and costly exercise but one that must be done, and done in such a way that it does not interrupt the flow of new applications to the Group in the meantime. The progress of this modernisation programme, along with some of the ways we plan to become more effective and cost efficient, are detailed in the 'Focus on Technology' section on page 23.

The underlying objectives of infrastructure improvement

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

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

DEVELOPING THE NEXT BRAND OVERSEAS

BETTER THAN EXPECTED GROWTH AND MARGINS

Our Online Overseas business has made good progress, with sales up 17% (+14.5% in constant currency) and net margins improving from 8.6% to 13.0% (see page 45). It is unusual for a business to accelerate its top line growth *and* improve net margins at the same time. This has been achieved through a combination of:

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

Improving sales on third-party aggregators

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

Overseas marketing

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

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

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

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

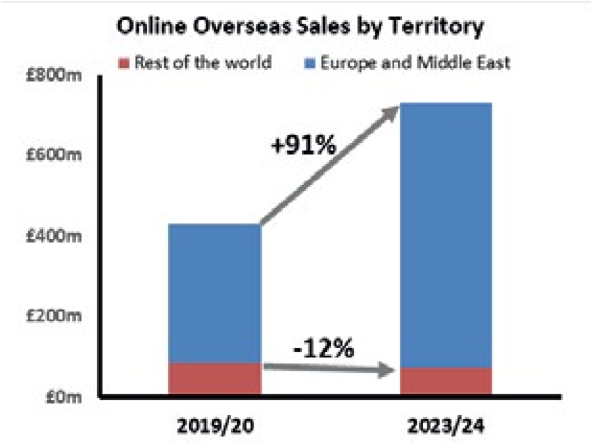
NEAR AND FAR MARKETS

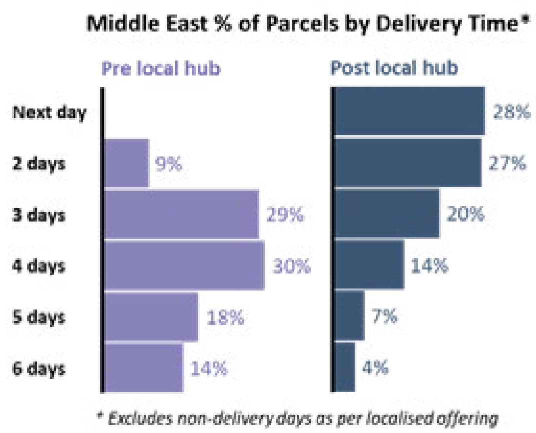
Markets closer to home still dominate

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

Improving service in the Middle East

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





THE CHALLENGE OF MORE DISTANT MARKETS

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

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

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

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

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

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

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

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

Progress in the US and Asia

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

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

TOTAL PLATFORM

Profit and growth
Total Platform (TP) is proving successful. In the year ahead we expect TP, along with its associated equity investments, to contribute £77m of profit to the Group (see page 53), which would represent 8% of Group profit. Three years ago, that number was zero.

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

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

A mergers and acquisitions tool
As discussed at our Half Year Results in September, Total Platform has ended up being more useful as an acquisition tool than a software-as-services business. TP allows us to capture the value of what other acquirers would call synergies. It does so as a profit stream to NEXT, and cost savings and service enhancements to our subsidiary clients. So far, our investment in Total Platform clients, taken as a whole, has been a success; with a return on capital employed of 25% (see page 56 for details).

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

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

Service improvement programme
And although TP is successful, we think that there are a myriad of service improvements, functionality enhancements and cost reductions that we can pass on to our clients going forward. These are explained in more detail in 'Focus on Total Platform Enhancements' on page 26.

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

DEVELOPING GREAT PEOPLE

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

Avoiding platitudes – words must lead to action

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

Internal promotions

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

Honest conversations

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

Developing a great team

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

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[14] Our Chairman is American.

SUMMARY

A LOT TO DO...

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

EVEN BETTER PRODUCT

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

IMPROVING INFRASTRUCTURE

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

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

DEVELOP NEW BUSINESSES

NEXT brand overseas	Extend the global reach of the NEXT brand: ● **Europe and the Middle East:** In markets that are closer to home (through direct marketing and enhanced operations) and further afield. ● **US and Asia:** Develop more efficient ways of reaching customers through partnerships with third-parties. Organisations that already have the infrastructure, knowledge and customer base to accelerate our growth.
Equity and investments	Continue to look for potential investments, equity partners and clients that can leverage our infrastructure through Total Platform and/or our growing licensing capabilities.

CREATING VALUE - THE PRIMARY OBJECTIVE

More than long term growth in earnings per share...

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

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

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

PART THREE
FOCUS ON INFRASTRUCTURE

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

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

FOCUS ON WAREHOUSING

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

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

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

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

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

Improving accuracy and costs

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

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

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

Elmsall 3 Warehouse, South Yorkshire

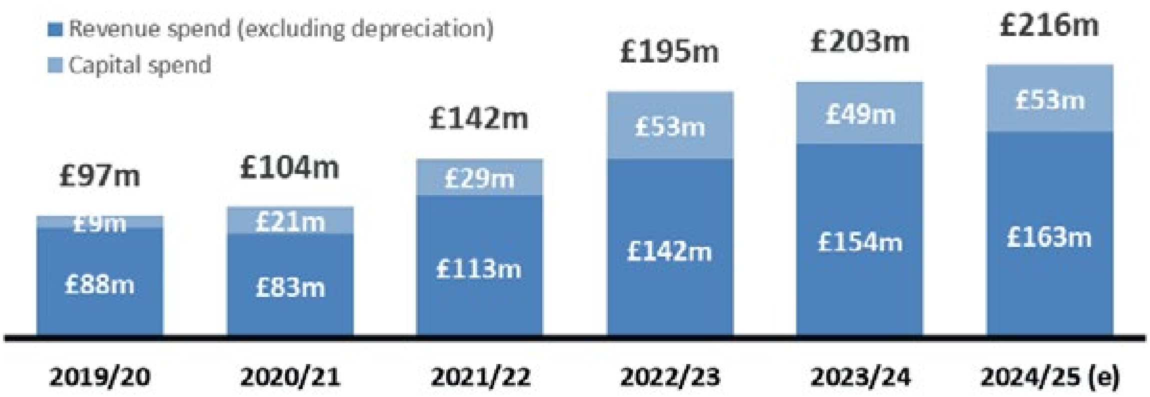
FOCUS ON TECHNOLOGY

A significant increase in technology spend

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

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

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



Platform Modernisation

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

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

AIMING FOR IMPROVED EFFICIENCY

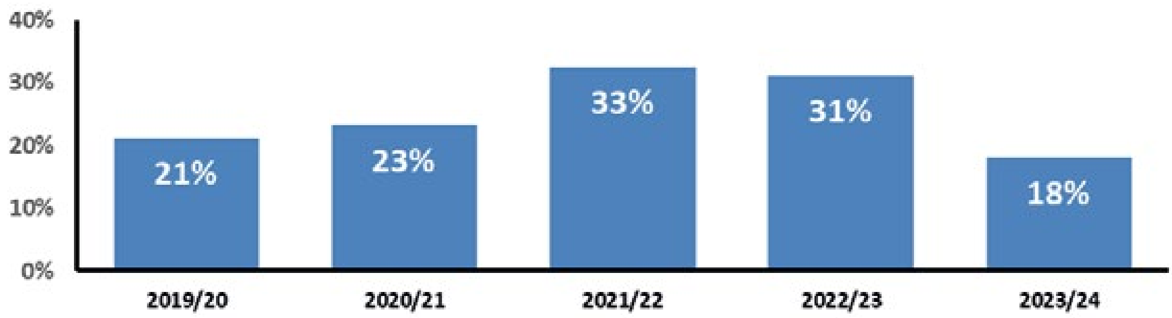
This year we are planning for our cash spend (opex and capex costs) on Technology to peak at £216m, and we aim to steadily reduce this going forward. The aim is not just to save money, our intention is to *spend less* but *deliver more* new functionality. We believe that this is achievable for the following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

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

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

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

% of Technology Team With Less Than Twelve Months' Service



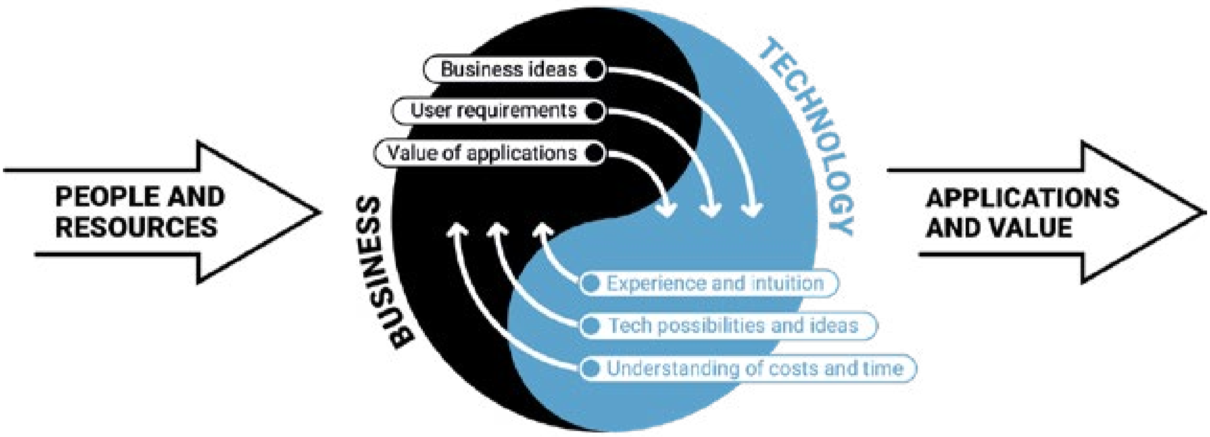
YIN-YANG SYSTEMS DEVELOPMENT

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

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

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

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



FOCUS ON TOTAL PLATFORM ENHANCEMENTS

Improving the quality and reducing the costs of our services

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

TOTAL PLATFORM WAREHOUSING AND DISTRIBUTION

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

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

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

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

WHOLESALE SYSTEMS AND CAPABILITIES

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

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

The wholesale system will also be important in enabling NEXT to wholesale the new brands and licensed products that we are developing within the Group, such as 'Love & Roses', 'Cath Kidston' and 'smAll Saints' childrenswear. (See page 48 for more information on new wholly-owned brands and licences.)

MORE RESPONSIVE WEBSITE CHANGE PROCESS

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

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

TOTAL ENTERPRISE PLATFORM - PROGRESS & DEVELOPMENT

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

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

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

TEP at Joules

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

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

NOTES ON THE PRESENTATION OF SALES AND PROFIT

Note 1 - Group sales

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

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

Note 2 - Revenue from investments

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

Note 3 - Total Platform services income

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

Note 4 - Brand amortisation costs

As explained in January, we now exclude brand amortisation (a non-cash accounting cost) from our headline profit. The table below shows last year's reported profit and the change made. Full details explaining this change are given in Appendix 2 on page 71.

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

Note 5 - Rounding convention and casting

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

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

GROUP SALES AND PROFIT SUMMARY

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

TOTAL GROUP SALES BY DIVISION

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

Walk forward from our headline Group sales to statutory sales

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

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

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

[17] Group sales are restated for January 2023, see page 28.

SUMMARY OF GROUP PROFIT BY DIVISION

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

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

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

£m	Jan 2024	Jan 2023[18]
Headline NEXT Group profit before tax	**918**	**875**
Exceptional accounting gain on the acquisition of Reiss	*109*	*n/a*
Cost of brand amortisation (see page 71)	*-10*	*-4*
Profit/losses from minority interests in Joules, Reiss and FatFace	*-1*	*-1*
Total Group statutory profit before tax	**1,016**	**869**

[18] NEXT Group profit has been restated to remove the cost of brand amortisation, see page 28.

[19] TP profit excludes £4m of preference share and loan interest from our investments, which is reported within the interest line of the P&L. Total Group profit for TP *including* interest is £43m. See page 53 for more detail.

SALES AND PROFIT GUIDANCE FOR 2024/25

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

OUTLOOK FOR COSTS AND DEMAND IN 2024/25

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

Positive Factors

Wages rising faster than prices

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

No inflation in our selling prices

Selling price inflation in our own products has reversed, mainly as a result of decreasing factory gate prices. Selling prices on like-for-like goods[20] are currently down -2.0%, and we expect deflation of -0.5% in the second half.

Risk Factors

Weakening employment market?

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

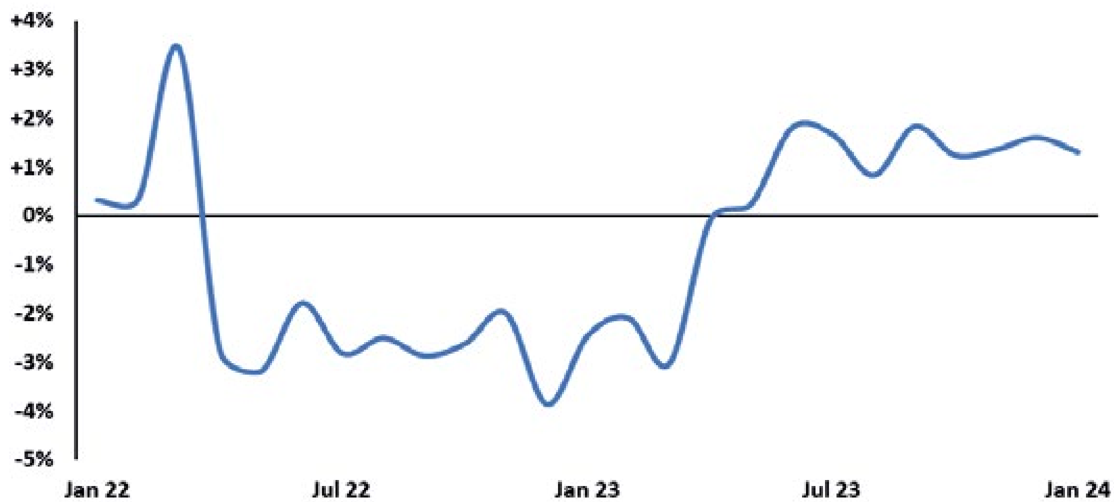
Mortgage rates?

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

Suez Canal Update

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

Real Earnings Growth[21]



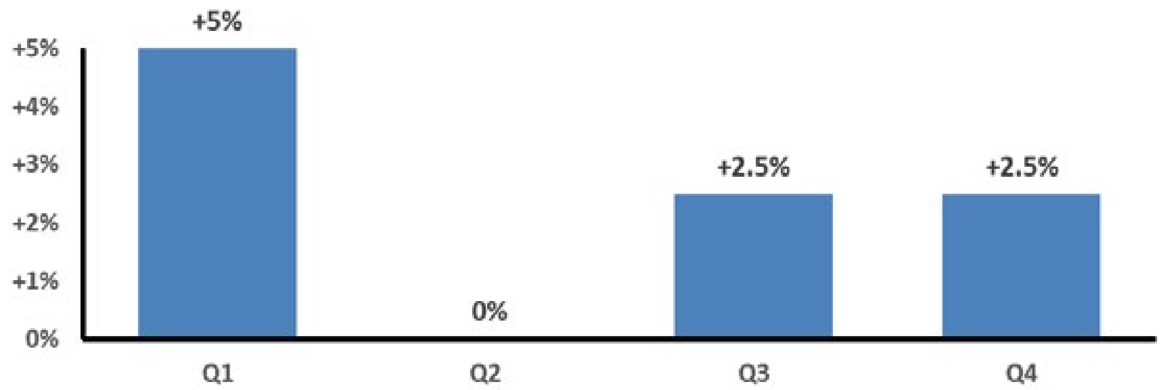
[20] Price increases are solely assessed based on items that we also sold last year (i.e. like-for-like goods). There is no comparative price for new designs. These like-for-like items account for around 30% of our sales.

[21] Source: ONS - Year on year change in Real Average Weekly Earnings, total pay, seasonally adjusted (A3WV).

GUIDANCE FOR FULL PRICE SALES BY QUARTER

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

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



Full Price Sales Guidance by Division

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

GUIDANCE FOR TOTAL GROUP SALES

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

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

GUIDANCE FOR PROFIT BEFORE TAX AND EPS

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

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

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

Further details on our ETR are given on page 59.

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

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

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

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

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

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

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

Cost increases and cost savings

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

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

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

NEXT RETAIL

HEADLINES

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

SUMMARY OF RETAIL SALES AND PROFIT

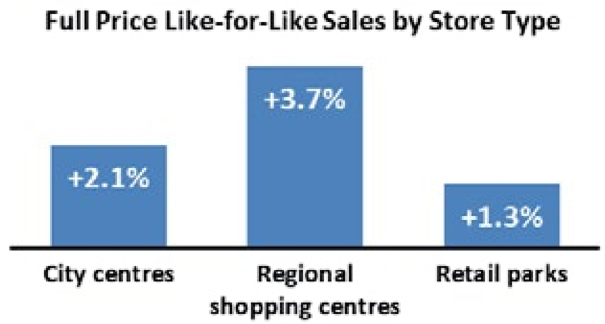
Retail sales and profit for the year are summarised in the table below.

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

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

FULL PRICE SALES BY STORE TYPE

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



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

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

RETAIL MARGIN ANALYSIS

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

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

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

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

LEASE RENEWALS AND COMMITMENTS

Lease Renewals in the Year to January 2024

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

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

Traditional rent leases	**No. of leases**	**Before renewal**	**After renewal**	
Fixed rent charge	39	£10.7m	£8.9m	- 17%
Turnover rent	6	£3.6m	£1.1m	- 70%
Total	**45**	**£14.3m**	**£10.0m**	**- 30%**

Total occupancy (TOC) leases				
Total occupancy lease (rents, rates and service charge)		-	£5.3m	
Previous rent		£4.3m	-	
Previous rates and service charge		£3.4m	-	
Total occupancy - rent, rates and service charge	**11**	**£7.7m**	**£5.3m**	**- 31%**

TOTAL COMBINED LEASE RENEWALS				
Total lease renewals	**56**	**£21.9m**	**£15.2m**	**- 31%**

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

Outstanding Lease Commitments

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

Forecast Lease Renewals in the Year Ending January 2025

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

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

RETAIL SPACE

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

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

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

NEXT, Fosse Park, Leicester

NEXT ONLINE

HEADLINES

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

SUMMARY OF ONLINE SALES, PROFIT AND MARGIN

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

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

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

CONTENTS OF THIS SECTION

This part of the document includes the following sections:

ONLINE SALES ANALYSIS

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

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

Full price sales by division

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

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

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

Clearance sales

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

Sale events

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

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

ONLINE CUSTOMER ANALYSIS

Growth in Customer Numbers and Average Spend Per Customer

Customers can be split into three distinct groups:

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

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

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

Sales Per Customer

UK sales per customer

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

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

Overseas sales per customer

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

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

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

ONLINE NET MARGIN

Online Margin Analysis

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

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

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

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

Net Margin by Online Division

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

NEXT UK

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

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

LABEL UK

LABEL experienced the same inflationary cost increases as NEXT UK, but these costs were offset by: (1) lower levels of surplus stock than last year, along with higher clearance rates, (2) higher commission rates being charged on products that previously made low margins and (3) the removal of unprofitable brands/items from our product offer. Further detail of LABEL's profitability is given on page 47.

Overseas

Overseas net margin of 13.0% was 4.4% ahead of last year's margin of 8.6%. Overseas also experienced the same inflationary costs as NEXT UK, but these costs were more than offset by: (1) price increases (2) removing unprofitable items from our Overseas websites and third-party aggregators, and (3) renegotiating our parcel rates. Further detail of Overseas profitability is given on page 44.

Guidance for Online Sales and Margin for the Year Ahead

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

ONLINE OVERSEAS

Overview

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

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

What's changed?

As explained in the Big Picture (page 14), sales and margins have grown through a combination of:

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

Investment in overseas marketing

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

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

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

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

Overseas Margin

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

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

ONLINE LABEL UK

Overview

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

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

Full Price Sales Analysis

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

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

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

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

LABEL Margin Analysis

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

Margin walk forward

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

Margin by business model

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

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

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

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

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

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

FOCUS ON WHOLLY-OWNED BRANDS & LICENCES

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

WHOLLY-OWNED BRANDS

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

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

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

LICENCES

The opportunity

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

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

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

Sales performance by product category

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

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

ACQUIRING INTELLECTUAL PROPERTY - WHOLLY OWNED LICENCES

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

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

MADE

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

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

Cath Kidston

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

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

NEXT FINANCE

HEADLINES

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

FINANCE PROFIT & LOSS SUMMARY

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

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

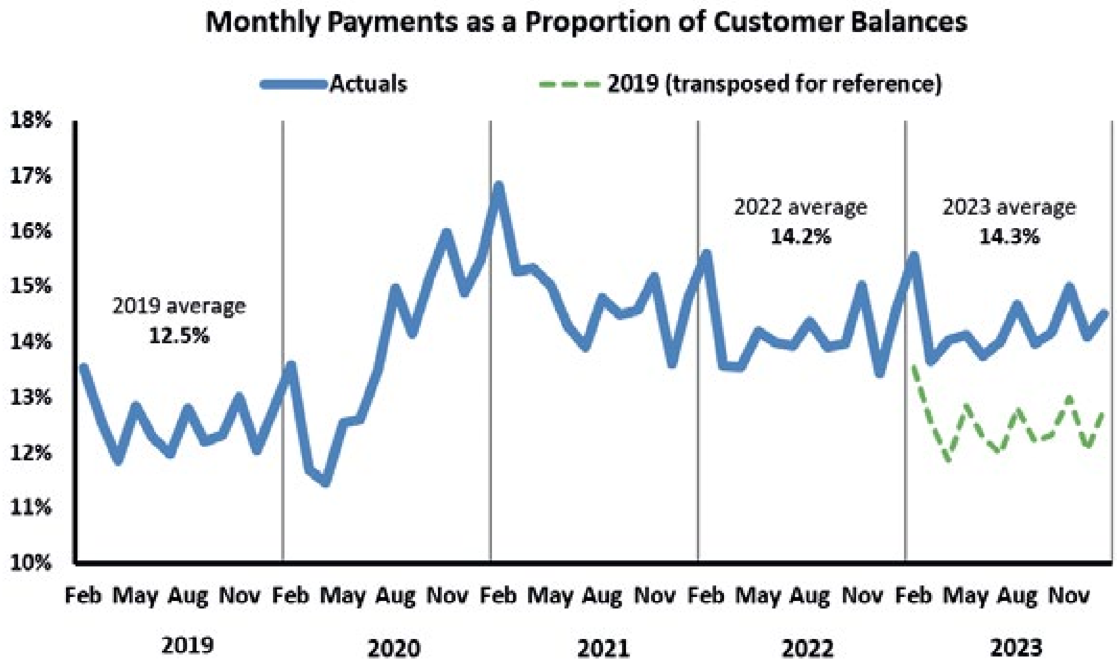
[37] Credit sales include Online sales and Retail sales paid with a NEXT credit account plus interest income.

Note 1 Customer receivables

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

Continued resilience of customers' payments

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



Note 2 Interest income

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

Note 3 Bad debt charge and default rates

Bad debt charge

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

Default rates in context

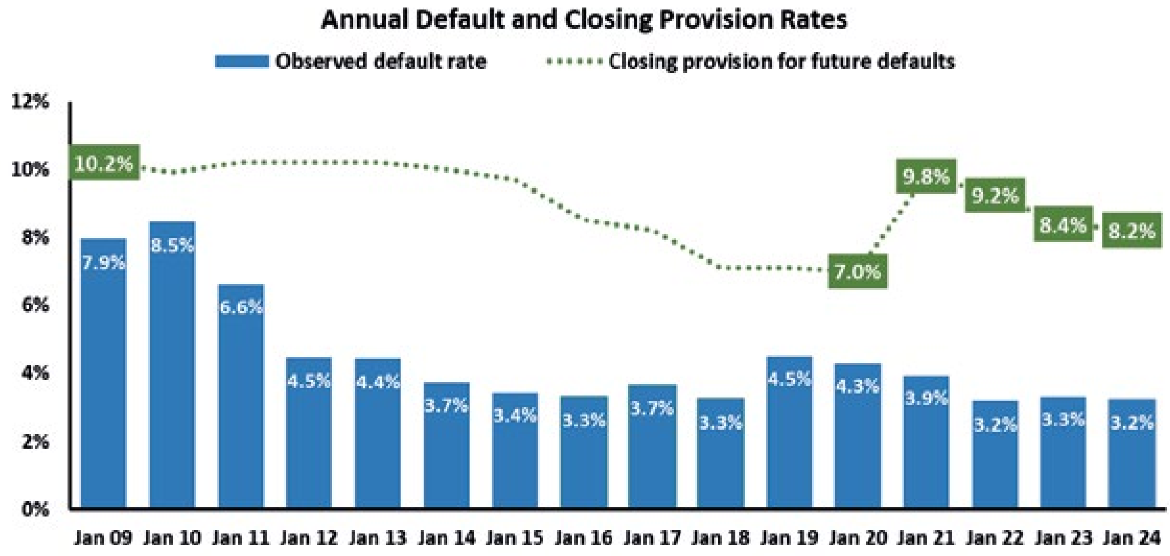
The following chart shows:

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

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

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

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



Note 4 Overheads
Overheads were up +14%, due to increased spending on technology and inflationary cost increases.

Note 5 Cost of Funding
The cost of funding recharge increased by +£13m versus last year; £1m of this increase was due to the increase in average receivables and £12m was due to the effect of the increase in our external cost of borrowing on our calculated internal recharge.

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

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

OUTLOOK FOR THE FULL YEAR TO JANUARY 2025
For the year ahead, we anticipate that NEXT Finance will generate profits of around **£170m**, up +4% versus last year. We are forecasting that the customer receivables balance at the year end will be **£1.27bn**, in line with last year.

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

TOTAL PLATFORM: SERVICES AND INVESTMENTS

Overview

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

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

In the last year we have launched **three new TP clients** (JoJo Maman Bébé, Joules and MADE), taking our total number of clients to seven. We have also developed a new category of TP service, **Total Enterprise Platform** (see page 27).

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

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

Full details of all of our TP clients and third-party equity investments are given in Appendix 4 on page 73.

Financial summary of both businesses combined

The combined profit from Total Platform services and investments was **£42.8m,** up +63% on last year and £7.1m ahead of the guidance[43] given in September. The over-achievement against our guidance was mainly due to the acquisition of FatFace in October, which generated £6.5m of additional equity profit. It should be noted that there was not a corresponding increase in Group profit as £3.2m of non-trading set up costs were incurred, which are reported within other Group costs (see page 57).

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

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

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

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

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

TOTAL PLATFORM SERVICES BUSINESS

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

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

Total Platform services income

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

Total Platform services margins

We analyse margins in two ways:

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

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

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

Guidance for Total Platform Services in the Year Ahead

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

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

TOTAL PLATFORM INVESTMENTS[46]

Performance in the year

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

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

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

Note to Analysts on subsidiaries' profit reported at Companies House

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

(1) Results included in the NEXT Group accounts are *after* adjustments made to the fair value of the balance sheet at the date we acquired our stake.
(2) Results in the NEXT Group accounts will include the elimination of any intercompany trade and related profit. Such profits will correctly remain in the local entity accounts.
(3) Accounting policies in the local accounts may differ from those in the NEXT consolidated accounts. For example, Reiss accounts are prepared under UK accounting standards (not International) and therefore they, correctly, do not apply IFRS 16 lease accounting in their local accounts.
(4) The accounting period covered in the local accounts may not always align to the NEXT reporting period. For example, FatFace previously had a May year end.

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

Profit guidance for equity investments in the year to January 2025

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

[46] Please note, brand amortisation costs are now *excluded* from TP equity profit for Jan 2023 and Jan 2024. (See Appendix 2 on page 71). The guidance and prior year figures given in our Half Year Results in September *included* the cost of brand amortisation. Profit figures for each investment have been restated.

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

Return on Investments

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

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

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

Capital employed consists of:

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

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

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

Cash profit before tax consists of:

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

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

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

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

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

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

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

[49] £10.3m of non-recurring *cash* costs for TP integration in Joules and FatFace are reported in Group central costs in the P&L. Please note, the total P&L charge of £12.3m reported on page 57 (£9.1m Joules and £3.2m FatFace) includes *non-cash* charges such as accelerated depreciation.

OTHER BUSINESS ACTIVITIES

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

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

Central Costs

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

NEXT Sourcing (NS)

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

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

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

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

Franchise and Wholesale

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

In the year ahead we expect total profit from Franchise and Wholesale to increase to around **£8m.** The increase in expected profit is mainly due to agreements with new international partners (including Nordstrom in the US), as described in more detail on page 16.

Non-Recurring Items

Joules' non-trading[50] costs

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

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

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

FatFace non-trading costs

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

Property profit and provisions

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

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

Foreign exchange (FX)

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

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

[50] Please note that the *trading* losses from Joules are reported within Total Platform (see page 55).

INTEREST, TAX, PENSIONS AND ESG

INTEREST

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

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

Net External Interest

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

Lease Interest Costs

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

Reiss Preference Share Interest

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

Total Platform Loan Interest Income

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

TAX

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

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

PENSION SCHEME

On the IFRS accounting basis, the valuation of our defined benefit schemes' surplus was £59.3m (January 2023: £157.5m). In January 2024 £50m of the plan's accounting surplus was used to fund the purchase of an insurance contract, which safeguards all future pension payments (a 'buy-in'). The remaining £48m reduction was mainly due to a change in actuarial assumptions. Further detail is provided in Note 21 of the financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

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

Protecting Workers in our Supply Chain

Supporting Children and Young Workers

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

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

Grievance Mechanisms

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

Building Safety

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

Responsible Sourcing

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

Supporting Workers Health and Mental Wellbeing

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

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

CASH FLOW

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

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

In the year ahead, based on the profit guidance given on page 33, we expect to generate **£615m** of surplus cash before investments and distributions. We are currently planning for net debt to reduce by a further £75m. This reduction, along with the £97m reduction in net debt in the 2023/24 year, will contribute towards the potential repayment of a £250m bond that matures in August 2025, should we decide not to refinance (see page 66).

£m		Jan 2025 (e)	Jan 2024	Jan 2023[51]
NEXT Group profit before tax (including brand amortisation)		941	908	870
Brand amortisation		19	10	4
NEXT Group profit before tax (excluding brand amortisation)		**960**	**918**	**875**
Depreciation/impairment on plant, property and equipment, and amortisation of software		138	128	110
Capital expenditure	(see page 63)	(165)	(167)	(206)
Tax paid		(215)	(191)	(151)
Employee share option trust (ESOT)	(see page 62)	(76)	(19)	(89)
Working capital/other	(see page 62)	(27)	44	(140)
Trading cash flow		**615**	**713**	**398**
Customer receivables		-	(16)	(92)
Property stock		-	(14)	53
Surplus cash before investments and distributions		**615**	**684**	**359**
Investments in third-party brands	(see page 62)	-	(161)	(91)
Ordinary dividends	(see page 65)	(252)	(248)	(237)
Share buybacks	(see page 65)	(288)	(177)	(228)
Net cash flow		**75**	**97**	**(197)**
Closing net debt (excluding lease debt)		**(625)**	**(700)**	**(797)**

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

ESOT

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

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

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

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

WORKING CAPITAL

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

Last year's unusually high working capital outflow of £140m was explained in detail in our 2023 Annual Report and Accounts (page 58). This included larger than normal outflows into debtors (£65m), stock (£23m) and staff incentives, which were awarded in relation to the prior year but paid during 2022/23 (£44m).

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

INVESTMENTS IN THIRD-PARTY BRANDS

Investments in the year totalled £161m, as summarised below. Please note the acquisition of FatFace was funded partly by cash (£58m) and partly through the issue of 745,912 NEXT plc shares (£53m). Details of last year's investments were given in our 2023 Annual Report and Accounts (page 59).

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

CAPITAL EXPENDITURE

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

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

Warehousing

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

Expenditure was lower than last year as spend on the Elmsall 3 project has begun to slow as it approaches completion. For further details and commentary on our investment in warehousing, see 'Focus on Warehousing' on page 21 of this report.

Technology

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

For further details and commentary on our investment in technology, see 'Focus on Technology' on page 23.

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

Retail stores

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

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

Head office infrastructure and other

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

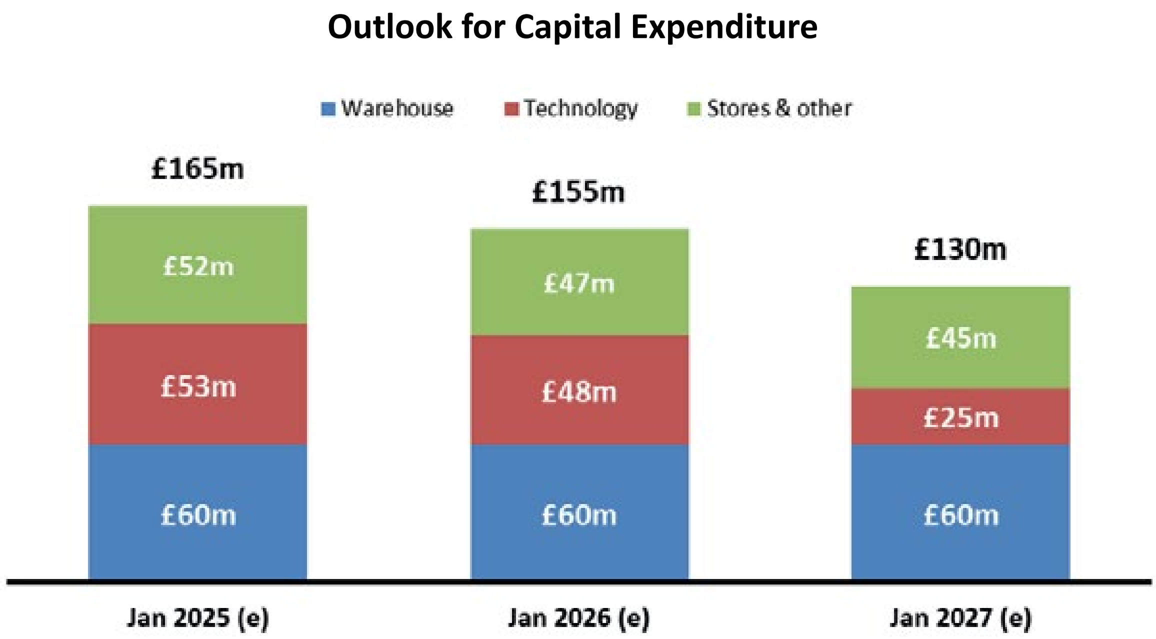
In the year ahead, expenditure is expected to be £6m. Projects include the redevelopment of some of our Head Office facilities, upgrades to our recycling centre and the relocation of our call centre.

Other Group subsidiaries

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

OUTLOOK FOR CAPITAL EXPENDITURE

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



DIVIDENDS & SHAREHOLDER RETURNS

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

Shareholder returns in 2023/24

Ordinary dividends

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

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

Share buybacks and share issue

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

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

Outlook for shareholder returns in 2024/25

Ordinary dividends

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

Share buybacks

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

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

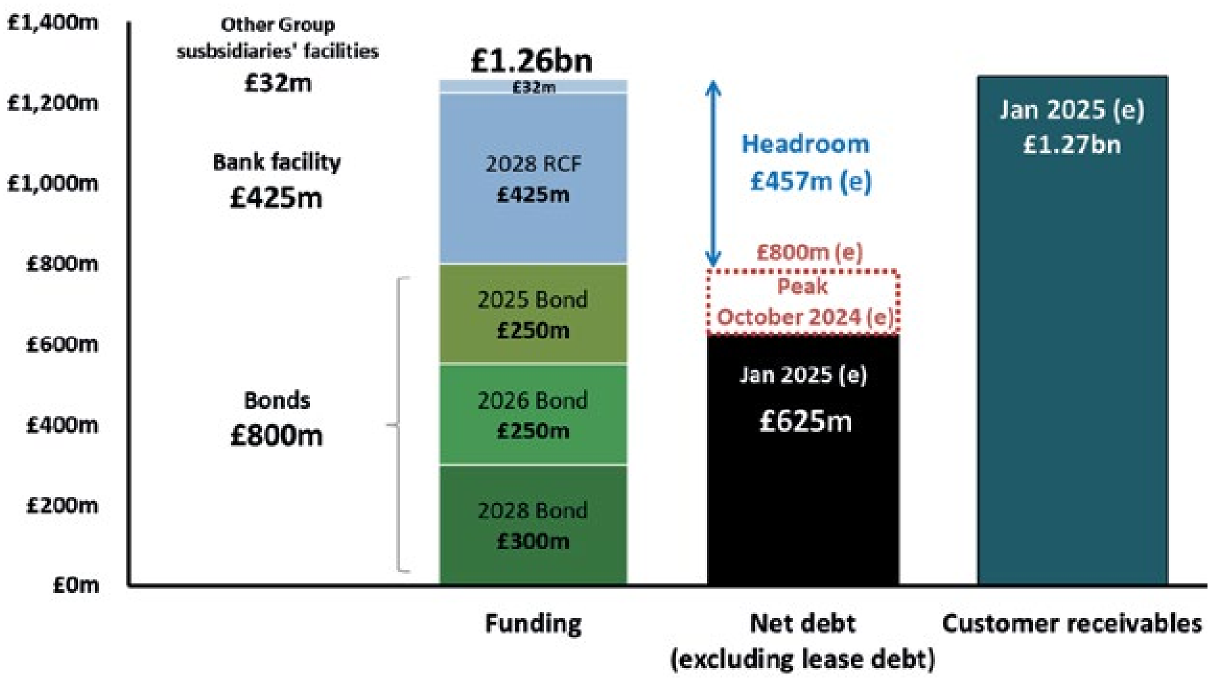
NET DEBT, BOND AND BANK FACILITIES

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

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

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

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



Anticipating the maturity of our August 2025 Bond

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

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

FIRST QUARTER TRADING UPDATE

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

Lord Wolfson of Aspley Guise
Chief Executive
21 March 2024

APPENDIX 1
RECONCILIATION TO STATUTORY RESULTS

OVERVIEW

The financial information presented in pages 3 to 67 is used by management in assessing business performance. It is also the financial information used to inform business decisions and investment appraisals. Some of these financial metrics and performance measures are not prepared on a full IFRS statutory accounting basis. It is common for these performance measures to be called 'Alternative Performance Measures' (APMs).

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

Reconciliations between Total Group sales and statutory revenue, and NEXT Group profit before tax and statutory profit before tax were given on pages 29 and 30 respectively.

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

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

1. STATUTORY EPS

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

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

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

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

2. CAPITAL EXPENDITURE

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

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

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

3. STATUTORY CASH FLOW

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

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

The statutory cash flow is split into three main sections:

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

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

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Note 1: As per the cash flow statement on page 61 of the CEO Review, cash from trading activities was £713m for the year to January 2024.

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

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

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

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

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

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

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

APPENDIX 2
NOTE FOR ANALYSTS ON THE TREATMENT OF BRAND AMORTISATION

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

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

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

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

Re-stated brand profits and EPS

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

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

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

APPENDIX 3
REPORTING OF SUBSIDIARIES' SALES AND PROFITS

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

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

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

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

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

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

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

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

ISSUE: Avoiding the double counting of LABEL sales

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

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

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

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

APPENDIX 4
TOTAL PLATFORM CLIENTS AND EQUITY INVESTMENTS

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

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

Other investments in brands not on Total Platform

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

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

BUSINESS MODEL

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.

We focus here on the core NEXT business.

For further information about our business and priorities, see pages 7 to 20 of the Chief Executive's Review.

OUR OBJECTIVES

We 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 these 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. We look to:

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 website and App.

2. Play to our strengths

- Improve and develop our product ranges by using our design skills to create quality products at affordable prices.
- Increase the number of profitable Online customers and their spend, both in the UK and internationally. Our Online business is complemented by our LABEL offering of branded products and, in the UK, the credit facilities (next**pay** and next**3step**). Our objective is to be our customers' first choice online retailer for clothing, beauty and home products.

3. Make a margin

- Achieve healthy gross and net margins through efficient product sourcing, stock management and cost control.

4. Make 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, 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 dividends.

Everything we do at NEXT is underpinned by a clear financial goal – the delivery of long term, sustainable growth in Earnings Per Share.

BUSINESS PRIORITIES

Product

We continually improve our product ranges.

See The NEXT Brand – Moving on up in the Chief Executive's Review on page 11 for further details.

Service

We constantly upgrade our customer and online services.

See Improving NEXT Infrastructure in the Chief Executive's Review on page 13 for further details.

Cost

We relentlessly manage our costs.

See Parts Four and Five of the Chief Executive's Review from page 28 for further details.

New business

We lay foundations for future growth to keep developing new business opportunities.

See Part Two in the Chief Executive's Review on page 7 for further details.

OUR INFRASTRUCTURE

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

Warehousing & Distribution

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.

- 9 UK warehouses
- 7 UK depots
- 3 international hubs which are fully integrated with our cost efficient distribution facilities.

NEXT Online

- Around 7.6 million UK Online customers and
- 1.7 million overseas customers.

Well-Connected Store Network

- Over 800 stores in UK and Eire (includes Reiss, Joules and FatFace stores)
- 267 franchised stores (includes Reiss, Joules and FatFace franchised stores)
- In 34 countries.

Our stores play an important role in supporting our Online customers; nearly half of our UK Online orders are collected instore and the majority of returns are through our stores.

Digital Marketing Systems

The development of online marketing systems to target products and brands to customers. 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 of £1.5bn. 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 multi-language call centres in the UK and overseas to support its worldwide customer service operations for Retail, Online and NEXT Finance.

Supply Chain

NEXT has a well established supply chain that is supported by our overseas sourcing operation, NEXT Sourcing Limited (NSL). NSL provides buying, sourcing and design skills which support the product teams in the UK.

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 Total Platform business has expanded the channels through which we generate sales. These can be summarised across four key streams:

NEXT Branded Products

Our in-house team develops NEXT branded products offering great design, quality and value for money which are sold in store and online.

Third-Party Brands

Our LABEL business sells third-party clothing, home and beauty brands online. These are sold on a commission or wholesale basis.

Third-Party Brand Licences

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

Total Platform and Investments

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

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.

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 and our call centres help maintain great customer satisfaction.

Third-Party Brand Partners

- **Strong relationships** – We aim to be the most profitable route to market for our partners.

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.

Our People

- We strive to create an inclusive workplace in which everyone is treated with dignity and respect.

Responsibly

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

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) APM .

All KPIs which show a growth metric are based on a year-on-year calculation of growth. Commentary on business performance is provided in the Chief Executive's Review.

NEXT Sales APM

NEXT Trading full price sales[1] growth

+4.0%

NEXT trading sales[2] growth

+3.3%

1. Full price sales are VAT exclusive sales of stock items excluding items sold in our sale events, our Clearance operations, Joules, Reiss, FatFace and Total Platform. It includes interest income on those sales.
2. NEXT Total trading sales are VAT exclusive full price and markdown sales including the full value of commission based sales and interest income for our Online, Retail and Finance divisions (as described in Note 1 to the financial statements).

NEXT profitability and Group Earnings Per Share (EPS) APM

NEXT Group profit before tax[3]

£918.2m

NEXT Group EPS[4]

578.8p

3. For further information on NEXT Group profit before tax, refer to Appendix 1 at page 68 and Appendix 2 at page 71.
4. NEXT Group EPS is pre-amortisation and pre-exceptionals. For further information on EPS, refer to Appendix 1 at page 68.

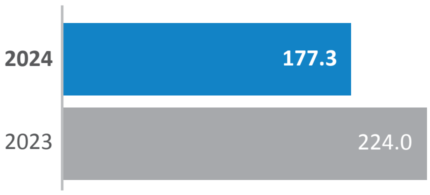
Return to shareholders

Special/Ordinary dividends[5]

£248.3m

Share buybacks[6]

£177.3m



Total return to shareholders

£425.6m

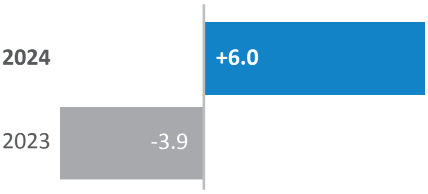
5. Based on dividends paid in the Cash Flow Statement. Refer to Note 8 to the financial statements.
6. A total of 2,584,970 shares were purchased in the financial year (2023: 3,508,417) at an average cost per share of £68.60 (2023: £63.85) including stamp duty and associated costs. The average price before costs was £68.18 (2023: £63.45). This does not include the 745,912 shares that were issued in October 2023 in satisfaction of part of the consideration for FatFace.

APM 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. Where appropriate a reconciliation between an APM and its closest statutory equivalent is provided in the Glossary on page 256 to 259 and Appendix 1 at page 68.

NEXT Online sales performance APM

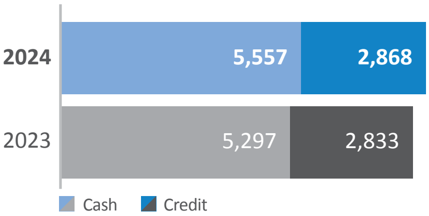
Full price sales growth

+6.0%



Average active customers[7] (000's) (cash/credit)

5,557/2,868



Online margin (excl. Finance)

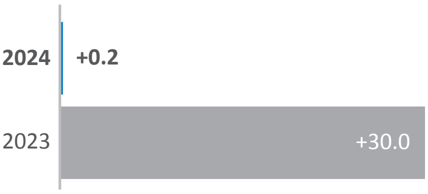
+16.0%

7. 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 (including overseas).

NEXT Retail sales performance APM

Full price sales growth

+0.2%



Retail selling space sq ft[8] (000's)

7,634 sq ft

Retail margin

+11.3%

8. Selling space is defined as the trading floor area of a store which excludes stockroom and administration areas and is shown as at the financial year end (excluding Joules, Reiss and FatFace). The square footage excludes 471k sq ft (2023: 479k sq ft) of space occupied by concessions.

NEXT Finance

Interest income

£292.7m

Return on Capital Employed (after cost of funding)[9] APM

13.4%

Profit (after cost of funding) APM

£163.4m

9. 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. The Board delegates to the executive directors and senior management 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 the risk of failure to achieve business objectives. This means it 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 identified, 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.
- Reviews 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

- Own 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 team.

Business Risk Owners

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

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, emerging risks and significant risk events.
- Oversight to ensure effective incident management processes.

Risk Management Team

- 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.

Broader Compliance Functions

- NEXT has targeted compliance teams that provide specific guidance and support in managing risks.
- Those teams support Credit, Data, Information Security/Cyber, Product Legislation, Code of Practice/Modern Slavery and Legal risks.
- Each compliance team works closely with the risk management team and business risk owners to understand risks and issues as they arise and put mitigations/controls in place to bring within risk appetite.

Third Line

Internal Audit

- Agree internal audit programme by reference to the 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 in the following pages. The adoption of an Enterprise Risk Management Universe enables a consistent approach to the identification, management, reporting and oversight of risks.

Principal Risks

Corporate Risks

Underpinned by an Enterprise Risk Management Universe, assigned executive risk custodians and used to manage our business risk appetite.

Business Development
- Business Development
- Business Implementation
- Brand, Trust & Reputation
- Planning, Forecasting & Performance

Operational
- Product Design, Production & Service
- Marketing & Sales
- Customer Service
- Stock, Warehousing & Distribution
- Key Suppliers & Supplier Management
- People
- Critical Systems, Information Security

Compliance
- Legal & Regulatory Compliance
- Health, Safety & Wellbeing Compliance

Financial
- Financial Market
- Balance Sheet Strength & Credit
- Financial Processing & Reporting

Component Risks

Map to corporate risks providing a more granular risk categorisation and reporting capability.

Business Risks

Under the management of and assessed by 20 key business entities, mapped to component risks.

Central Finance	Customer Services
Finance Operations	Technology
Label, Logistics & Total Platform Projects	International
Treasury	Product Operations
Central Finance	Warehousing & Distribution
Legal & Compliance	Product
Brand Marketing	Group Property
eCommerce	3^{rd} Party Brands & LABEL
Retail	Lipsy
Human Resources	NEXT Sourcing

RISKS AND UNCERTAINTIES

The business has been divided into 20 operational areas for risk management, where local business risks are identified, assessed and managed.

Business risks are identified bottom up through discussions with operational area owners and mapped to components of our 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.

Business risks are logged in an integrated risk management system and each business risk has a named owner. A standard 5x5 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 (before any mitigating controls) and residual risk (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 risk reduction.

The ongoing review and development of the Enterprise Risk Management Universe and controls environment is the responsibility of the Risk Steering Group. The Risk Steering Group is chaired by the Legal & Compliance Director and has responsibility for providing direction and support to the management of risk across the Group. It meets quarterly 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.
- Reviewing the correct approach to risk management for our newly acquired subsidiary companies and brands.

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 first, second and third line assurance activities.
- 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

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

- 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.
- Audit Committee review – at the November 2023 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. 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. The Committee also satisfies itself that management's response to any financial reporting or internal financial control issues identified by the external auditor is appropriate.
- Board review – at their January 2024 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 comparable listed companies. This helps to ensure that there are no material 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 2024 and up to and including the date of this Annual Report (see page 129 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.

Climate risk

We have identified 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 part of the considerations in several of our principal risks, but are not currently deemed 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 93 to 99.

Risk appetite

Our approach to risk management aims to bring controllable risks within our appetite and 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 in this section we explain 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 Audit Committee and Board. Key emerging risks that we are monitoring include the uncertain economic environment and its potential impact on our business and customers (see page 31 for further information) and the impact of increasing reporting requirements on ESG, particularly carbon emission reduction (see pages 95 and 97).

Black swan events

The Audit Committee has reviewed the way in which very large and disruptive events would be managed by the business. This review included looking at 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.

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 129 for further details. After review, the Board agreed that no changes were necessary to the principal risks and uncertainties 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 (red)
- Maximising the profitability of retail selling space (light green)
- Increasing the number of profitable NEXT Online customers (purple)
- Managing margins (blue)
- Focusing on customer experience and satisfaction (orange)
- Maintaining the Group's financial strength (navy)
- Generating and returning surplus cash to shareholders (green)

Principal risk and description	How we manage or mitigate the risk

Business strategy development and implementation

If the Board adopts the wrong business strategy or does not implement its strategies effectively, our business may suffer. The Board, therefore, needs to understand and properly manage strategic risk, taking into account specific retail sector risk factors, in order to deliver long term growth for the benefit of NEXT's stakeholders.

- The Board reviews business strategy on a regular basis to determine how sales and profit can be maximised and business operations made more efficient.
- The Chief Executive provides regular updates at Board meetings regarding key opportunities and progress of major initiatives.
- Our International Online business, third-party LABEL business and Total Platform 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. This process provides a mechanism for ensuring that business profitability is maximised through efficient allocation of resources and management of costs.

Link to strategy	(red) (light green) (purple) (blue) (orange) (navy) (green)
Risk trend	↔

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.

Link to strategy	● ● ●
Risk trend	↔

- 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 are 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.

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, costs and logistics may impact profit margins.

Non-compliance by suppliers with the NEXT Code of Practice may undermine our reputation as a responsible retailer.

Link to strategy	● ●
Risk trend	↔

- There has been sustained improvement in product availability.
- 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 or single territories 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.
- We have Code of Practice Principle Standards that set out the standards we expect for supplier production methods, employee working conditions, quality control and inspection processes.
- 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. Further details are set out on page 104.
- 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 updates from senior management during the year.
- The Audit Committee receives modern slavery and anti-bribery training progress updates together with whistleblowing reports at each meeting. Significant matters are reported to the Board.

RISKS AND UNCERTAINTIES

Principal risk and description	How we manage or mitigate the risk

Warehousing and distribution

Our warehousing and distribution operations 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 a shift from Retail to Online sales has presented our warehouse operations with significant challenges.

Link to strategy	●●●
Risk trend	↓

- Our new, boxed warehouse, Elmsall 3 has delivered further improvements in capacity with full automation to be completed in 2024 resulting in increased resilience thereby reducing the risk of capacity issues.
- 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 21 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 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 including improvements in technology recruitment and retention.
- 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 and improve our systems to meet these needs.
- Ongoing monitoring of KPIs and feedback from website and call centre support operations.

Principal risk and description	How we manage or mitigate the risk

Management of long term liabilities and capital expenditure

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

- Our predominantly leased store portfolio is actively managed by senior management, with openings, refits and closures based on strict store profitability and cash payback criteria. Long term liabilities continue to be reduced.
- 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.
- Appropriate amortisation accounting policies reduce the risk of an unexpected significant write-off.

Link to strategy	● ● ● ●
Risk trend	↔

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.

- 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.
- We have reduced our cyber risk vulnerabilities through a dedicated programme of work with third-party support which further reduced our vulnerabilities to cyber risk.
- 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.

Link to strategy	● ●
Risk trend	↔

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 £1.5bn 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 29 to the financial statements.
- The Group's debt position, available liquidity and cash flow projections are regularly monitored and reported to the Board and has improved during 2023. The Board will agree funding for the Group in advance of its requirement to mitigate exposure to illiquid market conditions.
- The Group manages the financing of its debt and liquidity to ensure it maintains its longstanding investment grade credit rating.
- The Board keeps under review the cash generation levers available to it, including the potential quantum and timescales of initiatives to reduce debt and realise cash.
- 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

NEXT must continuously adapt to the increasingly broad, stringent and fast-evolving regulatory framework applicable to the operation of the Group's customer credit and international businesses.

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.

Failure to have appropriate processes for the above in place could result 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. 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. This year it included the introduction of the Consumer Duty regime.
- 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, ESG regulatory changes and stakeholder expectations are increasing, these 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 last three financial years, despite the impact of the cost of living and inflation pressures the business continued to generate high levels of cash before distributions.

The Group has maintained its net debt (excluding leases) comfortably within its available facilities with headroom of £0.5bn at the year end. During the year the company renewed its revolving credit facility, securing access to £425m of funds if needed. This facility runs until 2028, providing security of funding during the period of assessment.

During the period of assessment both the 2025 and 2026 bonds fall due for repayment. The Board expects that, given its current investment grade credit rating and strong performance, it would be able to renew or replace these bonds well ahead of maturity. However, the assessment of the viability of the Group is not dependent on securing this financing and the Company is already planning to build its cash reserves ahead of 2025 bond repayment so that it has additional flexibility to settle in cash if this is considered more cost effective.

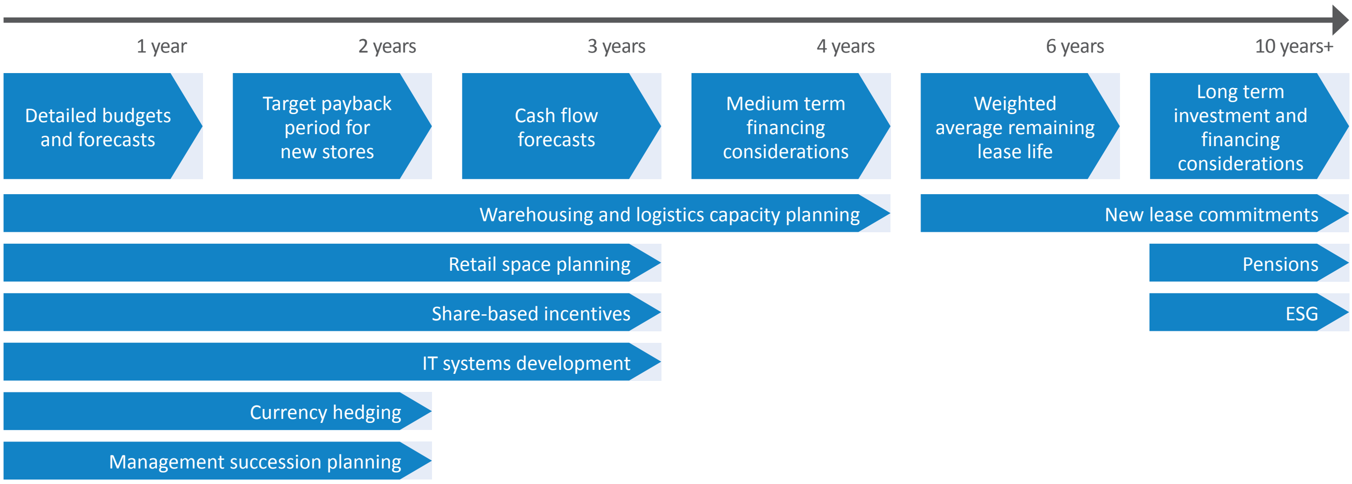
The Board considers that this headroom, coupled with the highly cash generative nature of the business and the available cash levers (described overleaf) provide a strong degree of financial resilience and flexibility.

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 (NEXT Group Profit Before Tax) for the year ending January 2025 (see page 33) of £960m and a cash generation, before distributions, in excess of £600m. Thereafter it assumes that the Group sales and profit remain flat with a decline in Retail sales being offset by growth in the Online, Finance and Total Platform 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 (i.e. the bonds) which expire during the period are not replaced. The current facilities of the Group include a revolving credit facility of £425m (maturity date: 2028) 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, against its base case, 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 be able to continue in operation and to meet its liabilities as they fall due over the three year period to 30 January 2027.

CORPORATE RESPONSIBILITY

Contents

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 are seeing a number of developments and new standards which will help us demonstrate how we continue to evolve a lower carbon business model and contribute toward a climate-resilient economy. This year we have scrutinised the achievability of our targets, updating our Responsible Sourcing Approach to 2030 and continuing the groundwork for setting a Transition Plan to Net Zero.

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

- Our disclosures under the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB).
- Our progress towards a number of our environmental goals, such as our Responsible Sourcing Approach.
- The progress we have made towards our Science Based Target Initiative (SBTi) approved carbon emission reductions for Scopes 1, 2 and 3.
- The range of initiatives we continue to work on to help support the wellbeing of our people.
- Our progress on waste, packaging and recycling.
- The activities of our internal Code of Practice (COP) team, who continue to work with our suppliers worldwide to meet appropriate labour standards.

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

Our principles

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.

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. These products 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.

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

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

Amanda James
Group Finance Director

21 March 2024

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 · Textiles 2030 · Leather Working Group · Sustainable Apparel Coalition · worldly

CORPORATE RESPONSIBILITY

ENVIRONMENT

Our environmental reporting comprises a number of sections:

Our commitment

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

Rankings

Our efforts around ESG are reflected in the following external benchmarks:

- Constituent of the FTSE4Good Index.
- Sustainalytics: 19.7 risk rating (low risk), ranked 298 out of 505 in our industry (retail).
- MSCI: ESG rating AA (Leader).
- CDP: Climate change: B, Forests: C, 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 those of its subsidiaries in which it has a controlling interest. Emissions from newly acquired subsidiaries will be consolidated in our reporting when reliable and accurate data is evidenced, with the aim to report in the first full year post acquisition. As such, the table below does not include FatFace, however in relation to Reiss which is otherwise excluded, it does include owned distribution vehicles for Scope 1 which sit within NEXT's own data from when Reiss became a TP partner and NEXT distribution was used.

		2024		2023			
Greenhouse Gas (GHG) Emissions[1]	Unit	UK	Global	UK		Global	
Scope 1[2]	tonnes CO_2e	**43,343**	**44,001**	42,410	RS (42,170)	43,404	RS (43,165)
Scope 2 – Location Based[3]	tonnes CO_2e	**40,190**	**43,373**	39,085		43,323	
Scope 2 – Market Based[4]	tonnes CO_2e	**–**	**3,184**	1,443		5,638	
Total Scope 1 & 2 Location Based	**tonnes CO_2e**	**83,533**	**87,374**	81,495	RS (81,255)	86,727	RS (86,488)
Total Scope 1 & 2 Market Based	**tonnes CO_2e**	**43,343**	**47,185**	43,853	RS (43,613)	49,042	RS (48,803)
Energy consumption[5]							
Electricity Purchased	kWh	**194,086,147**	**200,167,830**	202,113,133		209,139,917	
Renewable Electricity Generated	kWh	**5,113,440**	**5,113,440**	5,369,622		5,369,622	
Natural Gas	kWh	**41,009,976**	**41,009,976**	42,609,114		42,784,844	
Gas Oil	kWh	**334,388**	**334,388**	1,418,671		1,418,671	
Diesel	kWh	**141,512,840**	**142,088,152**	135,689,785		137,171,470	
Petrol (including plug-in hybrid)	kWh	**4,139,079**	**4,541,148**	3,671,175		3,909,360	
LPG	kWh	**25,027**	**274,837**	–		282,823	
Total Energy Consumption	**kWh**	**386,220,897**	**393,529,771**	390,871,500		400,076,707	
Intensity metric[6]							
Location Based	tonnes of CO_2e/total sales (£m)	**15**	**15**	15		16	
Market Based	tonnes of CO_2e/total sales (£m)	**8**	**8**	8		9	

1. The methodology used to calculate our emissions aligns with our global direct carbon footprint and is measured in alignment with the GHG Protocol Corporate Accounting and Reporting Standard and RE100 reporting parameters. We adopt the conventional approach in calculating our carbon emissions through the collection of primary, secondary, or tertiary data in their source units (e.g. kilowatt-hours (kWh), litres (L), kilograms (kg), kilometres (km) etc.). The consumption figures relating to each energy source are converted into carbon emissions by applying the relevant carbon conversion factor. Factors are updated annually using the most recent factors published by the UK Department for Energy Security and Net Zero (DESNZ) and the UK Department for Environment, Food and Rural Affairs (DEFRA); 2023 is the most recent accessible update.
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 (excluding FatFace and Reiss).
4. The calculation of market based emissions is based on our energy suppliers fulfilling their contractual obligations under the terms of renewable tariffs to back all energy supplied to all of their customers on such tariffs. As members of RE100, our approach is informed by the RE100 quality criteria and GHG protocol guidance. RE100 requires claims to use of renewable electricity to be based on generation occurring in the same market for renewable electricity that use is claimed in, this includes the single market in Europe. The revised RE guidance published in December 2022 provided an updated list of countries that make up the single market. Although the UK has been excluded from the list, the RE guidance provided grandfathering provisions for contracts with operational commencement dates before 1 January 2024, allowing for the UK to continue to be recognised within the single market in Europe. The operational commencement dates of our contracts occurred prior to 1 January 2024, therefore we have applied the grandfathering provisions when calculating our market based emissions.
5. Energy from electricity, natural gas, gas oil, transport fuel and LPG have been included. We have used the conversion factors published in 2023 DEFRA GHG conversion factors for company reporting to convert from passenger miles in company-owned vehicles to kWh.
6. We use tonnes of CO_2e/Total Sales (£m) as our intensity metric. Sales for Reiss and FatFace have been excluded as they were acquired part way through the year.

(RS) Restated from prior year due to the incorrect application of the conversion factor used to convert the raw data into tCO_2e resulting in an understatement of the balance in the prior year. This changed the emissions for NEXT owned cars from 1,450 to 1,690 which is above our 5% materiality threshold for restatement. This category of Scope 1 emissions sits across multiple data lines in the table, causing multiple numbers to be restated.

Changes in our SECR

The main cause of our Scope 1 emissions increasing is a greater usage of our own vehicles for distribution. This is in context of business growth, demonstrated by NEXT Trading Total Sales growth of +3%.

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 undertaken during the year:

- Continued to invest in high efficiency LED lighting which are now in 90% of our retail stores. This 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. At the end of the year we had refitted 418 out of 464 NEXT stores, and aim to have the balance of stores' lighting replaced by the end of March 2024.
- Solar panel installation is complete at our Elmsall 3 warehouse. The renewable electricity generated across all our sites in the year was 5.1m KwH, an increase of approximately 1.5m KwH on last year.
- 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 are agreeing a Power Purchase Agreement for longer term commitment to renewable energy usage. Under the agreement we will obtain 13% of our annual energy requirement for 15 years, starting in October 2024.

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.

CORPORATE RESPONSIBILITY

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. As FatFace had not yet transitioned into our warehouse for this reporting period, only sales of their products through LABEL is included. 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 internal data coupled with the best available public sources on CO_2 emissions factors using conservative assumptions.

Our total Scope 3 emissions are 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.

	Tonnes			Var %
Greenhouse Gas (GHG) Emissions[1]	**2024**	2023		
Scope 1	**44,001**	43,404[2]	Ⓡ (43,165)	1%
Scope 2 – Location Based	**43,373**	43,323		0%
Scope 3	**2,275,389**	2,119,736		7%
Total Carbon	**2,362,763**	2,206,463	Ⓡ (2,206,224)	7%
Scope 1				
Gas Heating (stores, offices, warehouses)	**7,502**	7,810		-4%
NEXT Owned Distribution Vehicles	**33,219**	32,054		4%
NEXT Owned Cars	**1,675**	1,690[2]	Ⓡ (1,450)	-1%
Building (diesel, oil, refrigerant gases)	**1,552**	1,789		-13%
Machinery (LPG)	**54**	61		-11%
Scope 2				
NEXT Group Energy Consumption	**43,373**	43,323		0%
Scope 3[3]				
Purchased Goods and Services	**1,394,622**	1,316,108		6%
Use of Sold Products	**574,636**	559,223		3%
Upstream Transportation and Distribution	**135,475**	81,087		67%
Downstream Transportation and Distribution	**59,868**	65,813		-9%
Employee Commuting	**26,252**	20,933		25%
Fuel and Energy Related Activities	**24,031**	26,811		-10%
End of Life Treatment of Sold Products	**25,182**	19,268		31%
Capital Goods	**20,732**	23,576		-12%
Business Travel	**13,072**	5,428		141%
Waste Generated in Operations	**1,519**	1,489		2%

1. The methodology used to calculate our emissions is set out in our Corporate Responsibility Report which can be found on our corporate website at nextplc.co.uk. It does not include FatFace and includes Reiss in relation to Scope 1 owned distribution vehicles which sit within NEXT's own data and Scope 3 for Reiss product that travelled through our warehouse as a result of being a TP client.
2. Restated from prior year due to the incorrect application of the conversion factor used to convert the raw data into tCO_2e, resulting in understatement of the balance in the prior year.
3. We have excluded franchises from our reporting boundary at present due to challenges in obtaining accurate and reliable data.

Ⓡ Restated from prior year.

Changes in our GHG Scope 3 emissions

Our Scope 3 increases have been driven by an increase in air freight within our distribution; increased business travel now that this is possible post-COVID; and purchased goods for acquisitions including Joules and Reiss. Purchased Goods remains to be the biggest category of impact. We have rolled out a live 'Responsible Sourcing Progress Report' internally, which gives the commercial buying teams the ability to review their progress on a weekly basis without the need to wait for a formal report. This also encourages collaboration between teams to drive progress and to identify implementation challenges. We continue to focus on uptake of more responsible materials whilst we are gathering data from our supply chain to understand where we can best support energy reduction.

Task Force on Climate-Related Financial Disclosures (TCFD)

NEXT recognises that climate change poses challenges for our business and supply chain. We are looking at the ways in which we can best support the Paris Agreement on climate to limit the rise in global temperatures to well below 2°C. Accurate and relevant disclosures are essential to demonstrate progress and ensure stakeholder accountability. Whilst reporting frameworks surrounding sustainability are still being developed and are evolving, reporting helps us set a baseline from which appropriate and meaningful actions can be taken.

Statement of compliance

NEXT's climate-related disclosures are consistent with the recommendations and recommended disclosures set out in 'Section C – All Sector Guidance' within the Supplementary Guidance Report 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures' published in 2021 of the TCFD, and in compliance with the requirements of LR 9.8.6R (UK Listing Rules). These disclosures 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.

1. Governance – Disclose the organisation's governance around climate-related risks and opportunities

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

BOARD

- Has delegated oversight of ESG matters to the Audit Committee.
- Is updated after each Committee meeting.

GROUP FINANCE DIRECTOR

- Executive sponsor of ESG matters.
- Receives updates on ESG matters throughout the year from key stakeholders.

REMUNERATION COMMITTEE

- Considers if and how ESG metrics should be included in variable pay arrangements of executive directors, see page 141.

AUDIT COMMITTEE

- Considers ESG risks (including materiality), opportunities and any impact on financial statements.
- Monitors progress against goals/targets and adherence to sustainability principles.
- Receives an ESG report from senior managers at each meeting.
- Makes recommendations on all ESG matters to the Board.

ESG STEERING GROUP

- Meets quarterly, focusing on ESG targets, responsible business activity, reporting and calibrating ESG performance against peers.
- Chaired by the Legal & Compliance Director and attended by Product teams, the Deputy Company Secretary and Heads of Supplier Ethical Compliance and Product Legislation and Sustainable Development.

CORPORATE RESPONSIBILITY

a) Describe the Board's oversight of climate-related risks and opportunities

The Board has delegated primary oversight of ESG activities to the Audit Committee. It decided this was appropriate given the increasing focus on the potential risks and financial impacts associated with climate change. ESG is a standing agenda item at each Audit Committee meeting and the Committee's remit includes:

- Monitoring progress against climate-related goals and targets.
- Overseeing 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.

Wider governance arrangements

There are wider governance arrangements in place to support the Audit Committee and the Board in discharging their responsibilities. These include:

- The Nomination Committee is responsible for ensuring the Board has appropriate knowledge and expertise to assess the climate-related issues NEXT faces in the short, medium and longer term.
- The Remuneration Committee considers whether the inclusion of ESG-related targets should be included in pay arrangements. While a specific ESG metric is not included in targets for performance-related pay for executive directors, the Remuneration Committee reserves the discretion to reduce variable pay in certain circumstances which could be evoked if any material ESG failure came to light.
- An ESG Steering Group meets quarterly to oversee our ESG workstreams, targets and emerging ESG risks. Climate-related issues are central to the ESG matters the Steering Group considers.

ESG STRATEGY

Meet business objectives whilst ensuring we "do the right thing" on Environmental, Social and Governance matters.

ESG TARGETS

Underpinning the commitment to do the right thing with transparent, challenging but achievable targets.

RESPONSIBLE BUSINESS ACTIVITY

Prioritising, engaging and supporting the business to move forward initiatives that assist in meeting our targets.

REPORTING

Internal and external reporting to measure progress and provide a level of accountability on our actions.

CALIBRATING AND ADJUSTING

Taking regular stock of how we are performing against our peers and ensuring we are positioned where we want to be and where our stakeholders would expect us to be.

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 regular updates throughout the year and is present at Audit Committee and Board meetings to discuss ESG matters that arise. The Committee updates the Board and makes recommendations as appropriate.

b) Describe management's role in assessing and managing climate-related risks and opportunities.

Senior management are responsible for managing on a day-to-day basis the climate-related risks and opportunities of the business. In 2021, NEXT engaged an external climate risk consulting firm to help us 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. We explain more about the risks and opportunities on page 95 and our findings of the scenario analysis on page 96. We intend to repeat that gap analysis and risk assessment in the 2024/25 financial year.

Climate-related risks are assessed as part of our overarching risk management framework; for further information please see page 81.

Senior management hold quarterly calls with the Company's broker to obtain market updates and stay informed of the 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, such as carbon emissions, responsible sourcing and modern slavery.

2. Strategy – disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

During our initial review, we considered the transitional and physical risks and opportunities presented by rising temperatures, climate-related policy and emerging technologies and agreed on the methodology for assessing and quantifying financial impacts.

Physical risks arise out of the physical aspects of climate change, for example extreme weather events or global temperature increase. Market risks refer to changes in demand of certain products and commodities due to climate change. Transition risks are those which arise from the transition to a lower-carbon economy, such as policy changes. For the purposes of our assessment, the time horizons we used were as follows:

- Short term: present day 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 material financial risk or threat to our business model in the short term. In this context, materiality, in terms of potential impact, is the threshold at which we believe a risk becomes sufficiently important to our investors and other stakeholders that it should be publicly reported. We will continue to review this as we develop our transition plan towards net zero which is explained in more detail on page 100.

The risk management recommendations arising from our climate change scenario analysis (further details on page 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. Incoming regulation and requirements such as digital product passports, corporate net zero and transition plans and Taskforce on Nature-related Financial Disclosures are expected to come into force in the next two to five years. We are already considering the investment required to meet our future obligations.

The majority of NEXT's exposure to the impact of increased policy and regulation and the area where greater understanding is being developed is in our supply chain, so continuing our supply chain mapping and engagement through the Higg Index is key to identifying and reducing our exposure. We are members of the Sustainable Apparel Coalition and this membership gives us access to a range of tools to support the standardised measurement of sustainability from our supply chain, using the Higg Index. 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 mitigates this risk by continuing to maintain balanced and diverse sourcing routes and product suppliers.

During the year we continued to participate in industry-wide initiatives, such as the British Retail Consortium's Climate Action Roadmap and Textiles 2030. These forums have enabled us to share learnings as well as contribute to the development of metrics and measurement of improvement actions across the supply chain. For example, we played an active role in the Textiles 2030 Metrics Working and Advisory groups. In addition, we have begun collecting data from our supply chain using the Higg Index, and have started to use this information to identify our biggest risks and opportunities.

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. Our diverse sourcing routes and product suppliers is also a mitigating factor against physical climate-related risks.

b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

Risks

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 material risk of any physical impacts or transitional risks arising from climate change.

Even though there is uncertainty around the time horizon over which climate risks will materialise, stakeholder expectations and regulatory attention could develop quickly, 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.

Opportunities

In the year we introduced ESG-related financing where achieving ESG targets to be set in our borrowing facilities will result in improved rates of finance. We are also considering the following opportunities in the medium to long term:

- Reduced energy spend through energy-saving measures which incorporate renewable energy.
- Donation schemes.

You can read more details on these in our Corporate Responsibility Report which can be found at nextplc.co.uk/corporate-responsibility.

CORPORATE RESPONSIBILITY

c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

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, which we carried out in 2021.

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 of 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 and market 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[1] 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

1. 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. Our next review is scheduled for 2024/25.

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.

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

- The potential for significant exposure to 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.

Management remain confident that in any of the considered scenarios above, the business is resilient to the impact of climate change.

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. Having considered the different types of risks in the table below, we anticipate the time horizons for when they are most likely to impact will be medium to long term.

Type of risk	Risk	Potential impact	Mitigation/Business response
Transition	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.
Transition and 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.
Transition	Increased pricing of greenhouse gas emissions	Failure to comply with regulations to reduce our environmental footprint.	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	Increasingly 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 overseas sourcing operation, undertook an environmental impact assessment for supplier 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.

3. Risk Management – Describe how the organisation identifies, assesses and manages climate-related risks

a) Describe the organisation's processes for identifying and assessing climate-related risks.

We included climate-related risks 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 pages 78 to 81.

b) Describe the organisation's processes for managing climate-related risks.

Senior management conduct formal assessments of the key risks relevant to their areas of responsibility twice a year. Climate is discussed as part of that process but is not currently a material matter in respect of any risk identified.

c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

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 supports 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 and 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.

CORPORATE RESPONSIBILITY

4. Metrics and Targets – Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

NEXT's metrics and targets are used to help us understand our progress and to identify opportunities and risks. These span a number of topics set out in more detail below and are collectively used to assist in the determination of our priorities. Our primary current targets are set out in the table below and on pages 90 to 92 for our SECR and GHG disclosures.

Metrics and targets

Strategic goal	Deadline	Progress achieved at January 2024	Measures
Responsible Sourcing Approach[1]	2030	In progress – 59% (2023: 54%)	Source 100% of our main raw materials through known, responsible or certified routes by 2030.
Reduce Scope 1 & 2 carbon emissions[2]	2030	In progress – 46% reduction (2023: 47%)	Reduce Scope 1 & 2 absolute carbon emissions by 55% against an absolute baseline of 2016/17 (SBTi).
Reduce Scope 3 carbon emissions[3]	2030	In progress – 28% (2023: 29%)	Reduce Scope 3 emissions by 40% per £1m of sales against a relative baseline of 2019/20 (SBTi).
Divert operational waste from landfill	Ongoing[4]	Achieved – 96% (2023: 95%)	Divert at least 95% of operational waste from landfill through recycling.
EV100 Pledge[5]	2030	We have 858 (2023: 731) Company Cars in our UK fleet, of which 212 (2023: 63) are fully electric (25%)(2023: 8.6%).	100% of vehicles up to 3.5 tonnes to be electric.
		We have 360 (2023: 242) charging points across our network with 69 at Head Office. We have workplace e-charging available at 20 of our employee sites across Head Office and Distribution.	Charging points across all staff sites. Charging points across all customer sites (car parks with sole use).
RE100 Pledge	2030	In progress – 97% (2023: 95%)	100% of electricity purchased to be certified renewable globally.

1. **Source 100% of our main raw materials through known, responsible or certified routes by 2030**

   We do not source raw materials directly, so our main focus is on supporting our commercial buying teams and working closely with them to influence positive sourcing and manufacturing decisions. We have an internal 'Responsible Sourcing Manual' which gives our commercial teams guidance on more sustainable materials. This year we revisited our targets and recalibrated our achievement target date from 2025 to 2030. Whilst we have nearly met our target for leather and expect to meet it for cotton and timber by 2025, manmade cellulosic fibres, wool and polyester targets have been reviewed to align with the sourcing information we have available to date. As part of this process we evolved our methodology to make it more accurate by reference to total weight of product rather than the number of products. In addition, we are improving 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 2030.

   In 2021, we started labelling most NEXT products containing at least 50% of an approved raw material under our Responsible Sourcing Approach. This makes it easier for customers to identify products that contain these materials with our 'NEXT Generation' labels.

2. **Reduce Scope 1 & 2 absolute carbon emissions by 55%**

   The reduction in progress versus last year is due to an increased use of our own distribution vehicles to carry out inter-depot movements of stock. There has been a reduction of third party distribution in Scope 3 which is greater than the increase in Scope 1. Our own operational efficiency has been improved by the use of 'double-decker' trailers and therefore increased volume of stock with less journeys. Third party distribution is a much smaller element of our Scope 3 footprint, so has minimal impact on the overall emission figure. For Scope 1, in addition we have seen an increase of top-ups of refrigerant gasses (used for HVAC – Heating, cooling and AV) within our store portfolio and as such are reviewing this internally. Within Scope 2, we have seen the addition of Joules' electricity usage as well as an increased grid factor.

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

   We are members of the Sustainable Apparel Coalition which gives us access to a suite of tools to support the standardised measurement of sustainability from our supply chain, using Worldly (formerly Higg). In addition, we use the BRC's Climate Action Roadmap which 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, Governments and stakeholders, and to support customers, to collectively deliver the industry's net zero ambition.

We are working closely with Worldly to prioritise onboarding our suppliers in Bangladesh as this is our top sourcing territory. We continue to review opportunities to work closely with our suppliers to reduce our collective environmental impact.

4. **Waste Management**
As our business operations continue to grow and we continue to make acquisitions, the Group's waste is also increasing. We still measure the amount of waste that goes to landfill and consider it important to keep revisiting the target.

5. **Reduce emissions caused by transport**
One of the main elements within our control is our Scope 1 transport emissions. Currently, we are constrained by the range of electric vehicles which do not yet meet our operational requirements. We have continued to review and test EVs with a view to replacing our existing fleet as soon as possible. Unfortunately technology does not appear to be developing as fast as we anticipated, as the distance range of the vehicles currently available cannot meet our needs. We will continue to review the position with the intention to move to EV or alternatives as soon as vehicles are available that are viable and commercially reasonable.

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

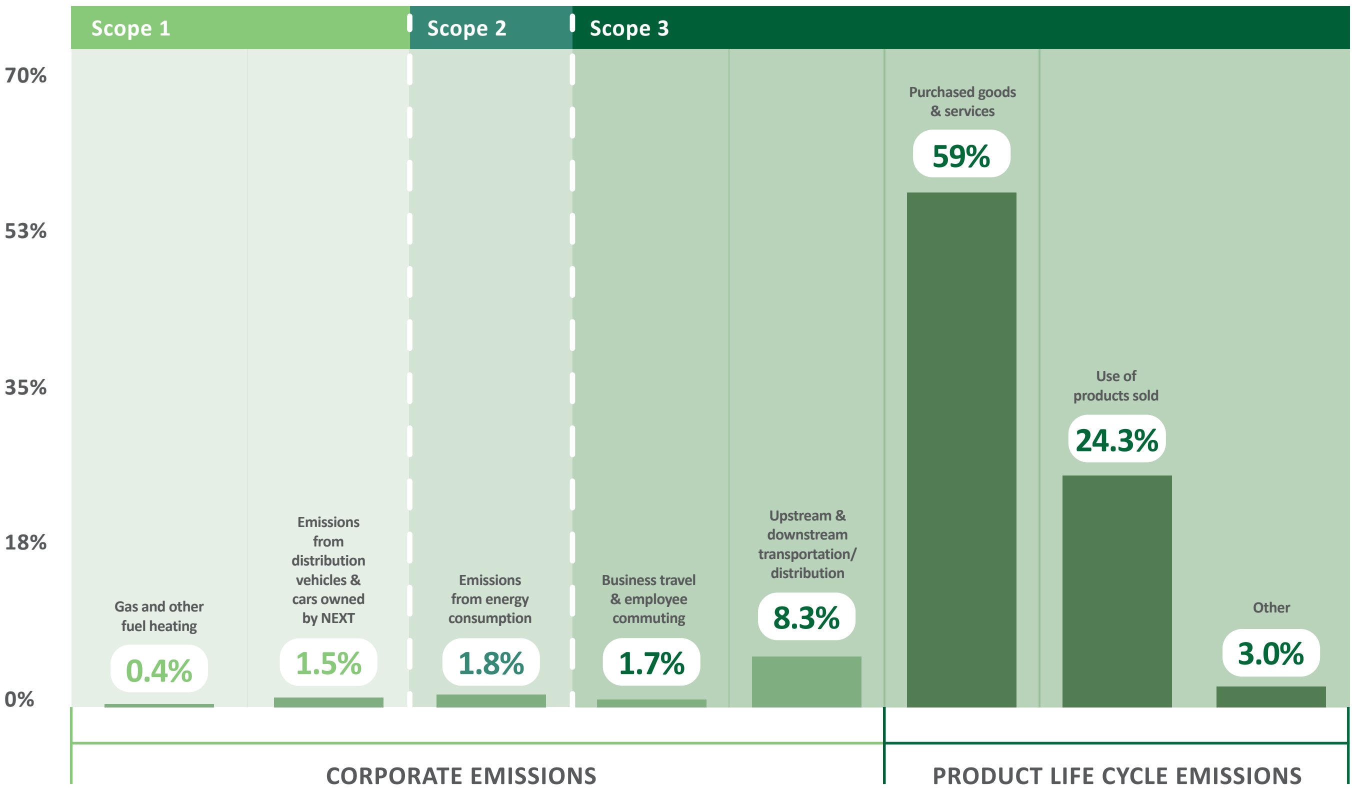
Strategy

We continue to develop our strategy towards achieving a lower carbon business model and play our part in building a climate-resilient economy. Our environmental ambition is informed and driven by:

- 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 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 also commit to reduce Scope 3 emissions by 40% per £1m of sales and Scope 3 emissions from indirect use of sold products by 40% per £1m of sales by 2030. We gained SBTi approval for our targets in July 2021.
- Industry trends with a potential environmental impact.
- Regulation, guidance and stakeholder expectations.

Our Scope 1, 2, 3 and GHG emissions are disclosed on pages 90 to 92. A further breakdown of our 2023/24 emissions is set out in the chart below.

Breakdown of our 2023/24 emissions



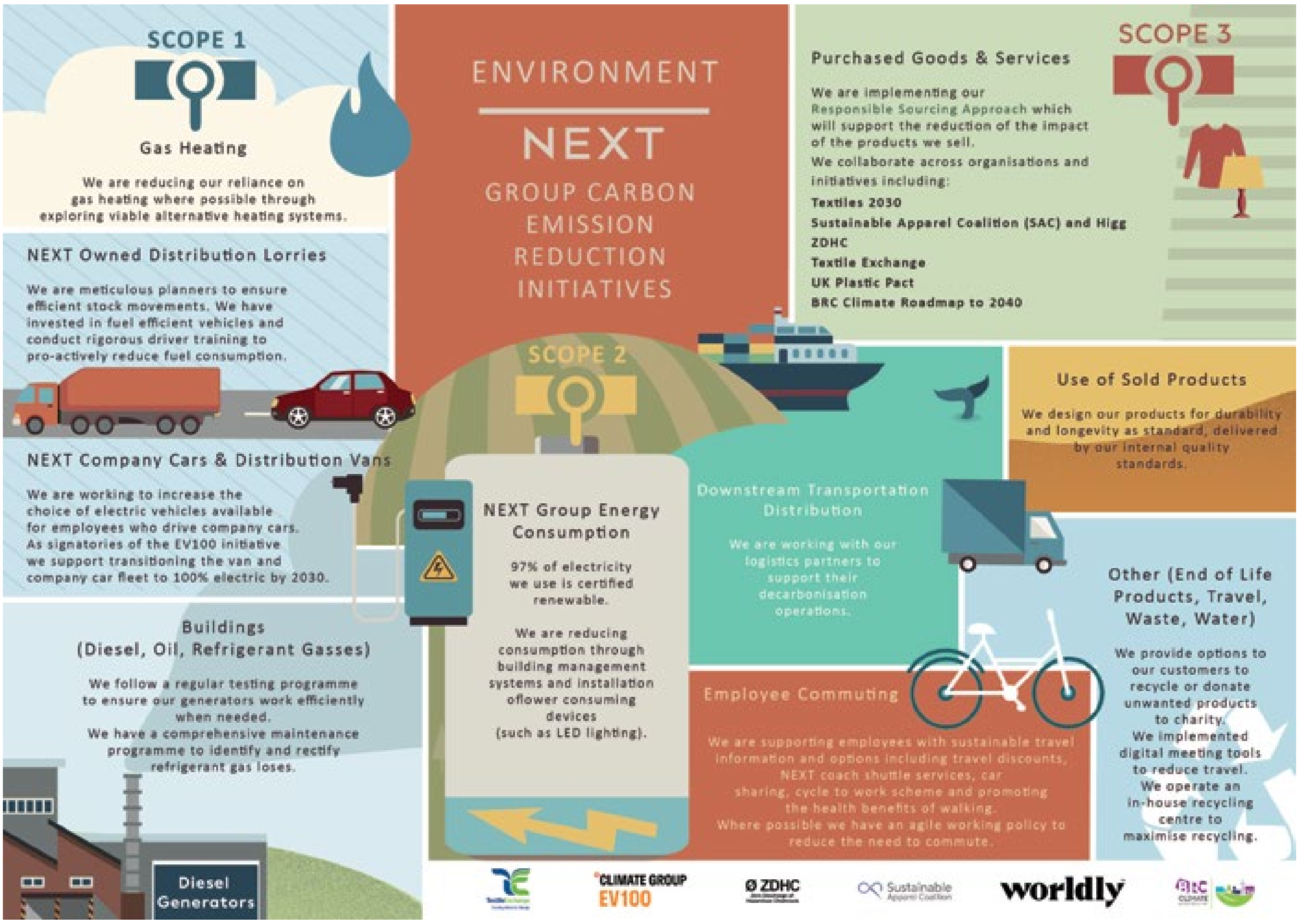
CORPORATE RESPONSIBILITY

Transition Plan to Net Zero

By Net Zero, we mean setting corporate net zero targets to reduce our Scope 1, 2, 3 and residual emissions in line with the SBTi Corporate Net Zero Standard. Whilst not mandated, we recognise that having a Transition Plan to Net Zero is likely to be required in the next few years. We are continuing with our work in setting out our objectives and priorities which make up our ambition for achieving Net Zero. Our goal continues to be to ensure our transition plan is realistic, credible and deliverable when we are required to publish it.

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.

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



Packaging and recycling

Packaging

By 2025 we aim to eliminate avoidable plastics in product packaging. We are also investigating opportunities to reduce packaging throughout our operations.

Collection points for consumers to return their plastic packaging for recycling are now in all our stores, our warehouses and our Head Office. We have successfully collected and recycled 1,758 tonnes of plastic packaging. We continue to work on methods to improve the efficiency of this method of packaging take-back. We are working with our UK packaging suppliers to reuse the collected materials which are appropriate for use in new packaging.

Recycling

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

We are trialling a scheme to use recycled flexible plastic collected from customers to make the linings of our NEXT courier sacks which all contain at least 30% recycled content.

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 2023, we collected 591 tonnes of hangers for reprocessing with 143 tonnes of hangers reused within the supply chain and 448 tonnes remade into new hangers.

Sustainability Accounting Standards Board (SASB)

The following sets out how we comply with the SASB metrics. 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.

We are continuing with our programme to meet the standards within the Zero Discharge of Hazardous Chemicals (ZDHC) requirements.

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 at nextplc.co.uk/corporate-responsibility. 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.

We are in the process of significantly improving how we measure our suppliers' environmental performance across energy use, chemicals, waste and water use and discharge, through our membership of the Sustainable Apparel Coalition (SAC), where the main impact is at Tier 3 in our supply chain. SAC allows us to capture the required level of data in a standardised format.

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

Topic	Sub-topic	Reference
Management of Chemicals in Products	Processes to maintain compliance with restricted substances regulations.	See page 107
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products.	
Environmental Impacts in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreement.	Read our SASB Report at nextplc.co.uk/corporate-responsibility
	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Worldly Facility Environmental Module assessment or an equivalent environmental data assessment.	
Labour Conditions in the Supply Chain	Percentage of (1) Tier 1 supplier facilities (2) supplier facilities beyond Tier 1, that have been audited to a labour code of conduct, (3) percentage of total audits conducted by a third-party auditor.	(1) 74% (2) 5% (3) 100%
	Priority non-conformance rate and associated corrective action rate for suppliers' labour code of conduct audits.	See pages 104 and 105
	Description of the greatest risks in the supply chain concerning: 1) Labour. 2) Environmental, health, and safety.	 See page 109 See pages 81, 95 and 97
Raw Materials Sourcing	Description of environmental and social risks associated with sourcing priority raw materials.	See page 105
	Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard.	Cotton: 78% Better Cotton* Timber: 60% certified and responsible of which 48% certified by Forest Stewardship Council

* This is calculated using our product weight methodology and differs from the Better Cotton methodology which uses cotton lint.

CORPORATE RESPONSIBILITY

OUR PEOPLE

3 GOOD HEALTH AND WELL-BEING | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH

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 ensure NEXT is 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 health. 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, 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

We have maintained a regular flow of communication with our colleagues to help keep them safe and well. 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. This includes our Mental Health First Aider (MHFA) population which has 165 MHFAs trained and upskilled through our network group Open Minds.
- We have established a new local Wellbeing Manager at our manufacturing site in Sri Lanka to support our colleagues who work there. Services we provide include a medical facility, oral health checks and wider assistance for the nearby community including supporting clean water supplies and funding for schools and a library.
- Our Financial Wellbeing tool and support network roll-out has been successfully taken up by 13,559 colleagues to date.
- We are one of the Founding Partners of GenM, pledging to champion menopause awareness, education and support for employees across the business.

Equal opportunities and diversity

Alongside our wellbeing activities we have embedded our approach to diversity and inclusion in the business. In 2023 we brought together our employee-led communities under a new brand; Together We Are NEXT. These include communities of employees championing: LGBT+ issues; cultural diversity; disability support; and neurodiversity at NEXT. The heads of these communities regularly meet and discuss programmes, issues and opportunities to engage the wider business.

Actions during the year

- Pride@Next, an employee-led LGBT+ network helps us to shape our policies as well as continuing to raise awareness of LGBT+ issues at NEXT and celebrate this community. This year we launched a LOVE collection in collaboration with the Terrence Higgins Trust.
- We continue to work with Business in the Community (BITC), in particular to initiate employee listening circles about Together We Are NEXT, to ensure that we reach and engage the whole business, regardless of workplace location.
- We participated in the BITC Behind the Scenes Programme to support 10,000 Ukrainian Refugees who are unemployed find work, by identifying the skills they have and pairing them with vacancies in different businesses and roles.
- We are a signatory to BITC's Race at Work Charter and through their specialist advisory team, they support our Unity network. This is an employee-led group, focusing on celebrating the diversity of cultural backgrounds represented at NEXT.
- We forged a partnership with the Antony Nolan Trust to help raise awareness of their work in the UK and internationally to help add more people from minority ethnic backgrounds to their stem cell register.
- We are a Level 2: Disability Confident Employer. The Disability Confident Scheme supports employers to make the most of the talents that disabled people can bring to the workplace. Our employee network "Able at NEXT" gives a voice to disabled people, people who care for someone with a disability and to those who support our aims within the organisation.
- We continued to partner with Carers UK. We have signed up to the Employers for Carers digital platform to provide employees with access to dedicated resources for carers.
- We continue to partner with an external training provider to provide diversity and inclusion awareness training sessions for managers. This training has been completed by managers across the business and e-learning sessions are available for the wider employee population.

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 130.

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, although recently reduced with 40% of our executive directors and 36% of our Board being female at the financial year end. In relation to our senior management and their direct reports, NEXT was ranked third in the 2024 FTSE Women Leaders Review, Achieving Gender Balance.

Recognising that women can be disproportionately affected by childcare commitments, our Head Office (where over 4,800 of our colleagues are based) has a purpose-built nursery onsite. This is part of our ongoing commitment to support our employees with their pre-school childcare arrangements.

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 and we are looking at ways to support improvements in the areas we source from.

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

	2024		2023	
	Male	**Female**	Male	Female
Directors of NEXT plc	**7**	**4**	6	4
Operational directors and other senior managers[1]	**37**	**18**	26	20
Total employees	**13,188**	**30,893**	13,335	30,713

1. Other directors of the Company's subsidiary undertakings comprise 13 male and 10 female employees.

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 incentive scheme which extends to more than 2,100 participants.

Around 11,800 employees (circa 26% of our total UK and Irish employees) held options or awards at the end of January 2024. These options or awards were held in respect of 6.6m shares in NEXT, being 5.2% 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 6.2m 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 21 to the financial statements. At January 2024, there were 542 (2023: 590) active members in the defined benefit section of the 2013 NEXT Group Pension Plan and 3,188 (2023: 3,760) UK active members of the defined contribution section. In addition, 22,293 employees (2023: 21,350) participate in the Group's auto enrolment defined contribution scheme.

Please see Note 36 of the financial statements on future plans regarding the defined benefit section of the 2013 NEXT Group Pension Plan.

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 in the Group. 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 these opportunities 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 and 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 an employee's individual needs and specific business requirements.
- We have a Learning Hub for our Head Office population that offers additional training and development support on management and recruitment topics.
- Training in areas such as health and safety, first aid and manual handling to help ensure our employees work in a safe environment.

CORPORATE RESPONSIBILITY

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 39 countries through over 650 suppliers. Our Tier 1 supply chain comprises circa 1.2 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.

Payment practices

NEXT calculates and uploads relevant supplier data onto the UK 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.

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. Where we find issues of non-compliance we find that working with suppliers to raise their standards rather than immediately 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 52 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 which enables the team to respond quickly if issues occur. It also allows us to develop trust and 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 2,400 audits. Of the audits conducted, 88% related to Tier 1 suppliers and 12% related to Tier 2 suppliers.
- Supported 27 factories to successfully remediate critical issues found. A further 42 sites are participating in an active remediation process.
- Disengaged with 44 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.
- Carried out 129 audits for JoJo Maman Bébé and 104 for Reiss as we continue to roll out the COP approach with our Total Platform partners. We expanded the global COP team to reflect these broader responsibilities.

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 that 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 that 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

We have updated our lists of our Tier 1 and Tier 2 supplier manufacturing sites which produce NEXT branded products and Tier 3 suppliers and published these on our corporate website, nextplc.co.uk. We are continuing our work to extend the visibility of our supply chain to include Tier 4 and 5.

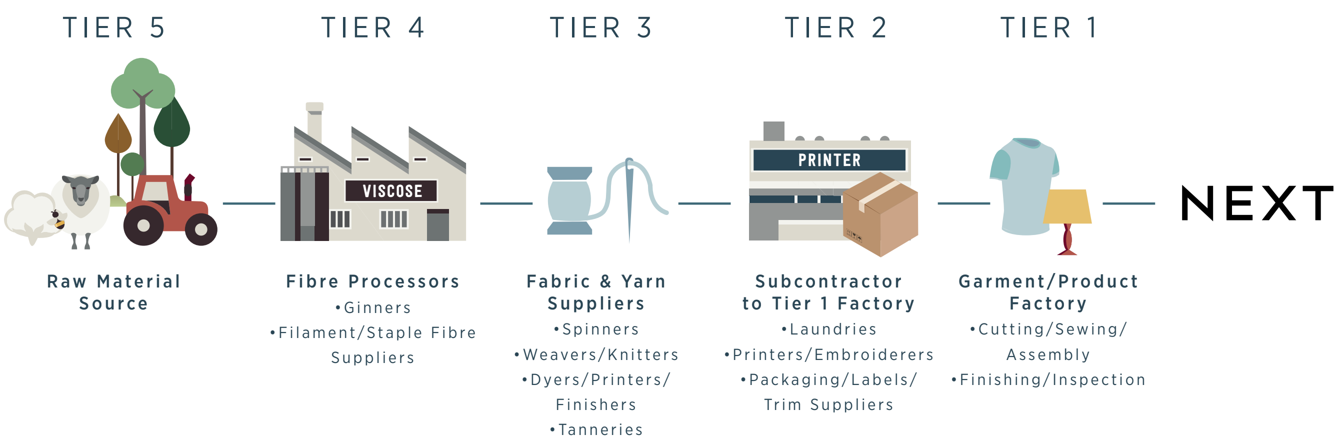
Responsible sourcing

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 traceability where possible. This enables us to source products in ways which support their replenishment, respect human rights and protect natural habitats.

The main raw material fibres used in our products include cotton, polyester, manmade cellulosic fibres (such as viscose), and wool. Timber and leather are also significant raw materials for us. These materials can have wide-ranging environmental and social risks associated with their production and extraction, if not managed correctly.

Actions during the year

- Achieved Brand Certification with Textile Exchange, to ensure traceable chain of custody of our certified products.
- Improved internal data tracking with live benchmarking and visibility by division showing progress against our fibre targets and priorities. By launching an interactive Responsible Sourcing Progress dashboard, our Product teams have the ability to see their progress against targets. This enables teams to understand the impact of their sourcing decisions without waiting for a formal report.
- Recalibrated our Responsible Sourcing Approach with increased focus on cotton, wool and manmade cellulosic fibres with revised targets to 2028 and 2030.



CORPORATE RESPONSIBILITY

Environmental collaborative initiatives

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 (BC)	NEXT joined BC in 2017 and in 2023/24 sourced 78% (2022/23: 65%) of its cotton as Better Cotton. Our target is to source 100% of cotton from certified sources including BC, recycled or Certified Organic cotton by 2030. 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.
Sustainable Apparel Coalition (SAC)	In 2021, NEXT joined the 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. SAC's work includes the development of the Higg Index, a suite of tools to measure environmental and social performance of suppliers in a standardised way. We encourage our suppliers to adopt the Higg Index which allows NEXT to monitor and improve standards at factory level. NEXT has rolled out the Higg Facility Environment Module to our supply chain.
Timber sourcing	NEXT aims to contribute towards preventing 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 provides resources from its in-house laboratory, to develop fibre shedding testing methods which are helping TMC to work towards a robust industry-based solution. The testing methodology is being used to assess fabrics and create standards for the sector.
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 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. We collectively also aim 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.

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, homeware and beauty 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 pollution and maximising the reuse and recycling of resources along the whole supply chain.

As part of our Responsible Sourcing Strategy, we recognise we must work to reduce the environmental impact of our business activities. This will be achieved by supporting the transition to a more circular economy by designing, producing and selling products which limit pollution and waste and help to keep materials in use for longer. Examples of our activities include:

- Working to reduce the packaging we use, both in our store and online operations, and starting to reuse customers' returned packaging to create new packaging or useful materials like liners for our courier bags.
- Signatory to WRAP's Textiles 2030 initiative, collaborating on carbon, water and circular textile targets. Together with peer organisations we are supporting the development of solutions which will help minimise the impact clothing and home textiles have on the environment.
- We are working with Reverse Resources, helping to collect and reuse textile waste in Bangladesh, typically small pieces of fabric from a factory cutting room. This waste is being collected by five of our final product manufacturers and is sold to fibre producers to make into new yarns for the apparel industry within Bangladesh, including recycled cotton or MMCFs, and helps strengthen the market for recycled fibres. Through the Reverse Resources platform, five of our Bangladesh suppliers segregated and placed onto the market nine tonnes of material, with 99% going to fibre to fibre mechanical recycling within Bangladesh. We are looking to replicate the programme with key suppliers in India.
- We have a number of long-standing initiatives which keep products in use: we repair products in one of our UK Distribution Centres; we have staff shops to sell products not able to be sold in stores; we have take-back boxes for flexible plastics in our Head Office, and warehouses; and a mattress recycling programme and help for customers to donate unwanted furniture for reuse. We recognise there is much more to do and that collaboration across the industry is vital.

To support this we became one of the founding signatories of WRAP's Textile 2030 initiative. Signatories have committed to a collaborative approach to accelerate progress towards a circular economy for textiles as well as working to reduce the climate impact of the industry. We will consider the impact our designs and product development can have on the environment and what positive choices we can make when developing our products, such as:

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

The framework will provide a practical tool to support 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 on 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

- Helped to research methods of monitoring and benchmarking materials' durability across the industry through our membership of Textile 2030 Durability group.
- Achieved 'Aspirational Level' in the ZHDC Brands to Zero Leader Programme and met key milestones of the Roadmap to Zero Programme and fulfilled selected KPIs determined by ZDHC.

CORPORATE RESPONSIBILITY

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, or 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.

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. We have long term partnering relationships with a number of charitable organisations to reuse products where possible. These 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. Donated items are sold to raise vital funds; our customers' donated furniture and home products have helped BHF raise over £1.8m with over 13,381 items collected from customers' homes since we first partnered with them in 2016. By donating these items, hundreds of tonnes of furniture have been diverted from landfill.

Actions during the year

- Collaborated through 'Together with NEXT' with seven new charities.
- Made total NEXT Group charitable contributions of over £2.8m.
- Raised over £800k through carrier bag donation to charities.

We provided the following financial support during the year:

	2024 £000	2023 £000
Registered charities	**1,173**	1,177
Individual requests, local and national groups and organisations	**3**	5
Commercial support	**0**	60

This support was supplemented by the following additional activities:

	2024 £000	2023 £000
Gifts in kind – product donations	**1,488**	1,608
Charity-linked sales	**164**	298
Employee fundraising	**29**	74
NEXT charity events	**4**	3

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

HUMAN RIGHTS AND MODERN SLAVERY

Our commitment

We will not tolerate any instance of modern slavery 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 by law or is 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	Use of child labour is a risk in some areas of our supply chain. As part of new supplier inductions, we carry out training on child labour risks and explain our approach to managing any cases, our Child Labour Policy and supplier guidelines, to ensure we help to 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 employers.
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 significant 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.

CORPORATE RESPONSIBILITY

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 pages 104 to 105 and at nextplc.co.uk/corporate-responsibility/code-of-practice.

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

Actions during the year

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. Activities during the year included:

- The roll-out of grievance mechanisms in some of our key sourcing countries. The 'This is my back yard' (TIMBY) platform, which is an anonymous grievance system, has been piloted in 21 factories, with plans to expand further in early 2024. In Pakistan we have TIMBY in two factories and have already received 94 reports – 93 have been resolved with one in remediation. In Turkey, we are partnering with MUDEM which is a refugee support association, initially with five factories, to establish a grievance mechanism.
- We have carried out in-person supplier presentations in Morocco, Tunisia, Poland, Turkey, India and China. We will continue this approach of contact with our suppliers in-country throughout 2024.
- One-to-one meetings with our top 35 suppliers to discuss common supply chain issues and agree collaborative solutions. This was an opportunity for open dialogue to remind suppliers of our ethical standards and expectations. We also discussed the tools we have available to support suppliers and factories in maintaining those standards.
- Introduction of due diligence to monitor cases of potential financial difficulty in our supply base. This has included a tool for our internal teams to identify possible 'red flags' as well as conversations with key suppliers to understand root causes.
- Establishing a flagship Gender Empowerment Programme in Morocco, Bangladesh and Turkey. Work in Morocco has already commenced with our partner NGO including baseline assessments.

Turkey building safety

Ensuring the workers in our supply chain have safe, healthy working environments is important to us. We established a Shared Premises Policy in 2021 for our suppliers and factory owner partners. This sets out our expectations and standards for building safety, due diligence and compliance with local regulations. Following the tragic earthquake in Turkey in 2023, even though none of our factories were affected, we took the opportunity to further enhance our work by initiating a new building safety assessment process in partnership with a local independent engineering company. Selected factories were assessed in the region and out of these, a small number were identified as high risk so remediation plans were developed together with suppliers and factory owners to address identified concerns. This will continue to be monitored by our COP Turkey team.

Aider programme update

We continue to work with Aider, our NGO partner in Gurgaon, Northern India. We have now reached more than 9,000 workers through our worker helpline and community visits since the project first began. Aider provides support in the local community, holding in-person interactive sessions for workers and their families, including mentoring and counselling for vulnerable individuals. They have been working to link homeworkers to government medical schemes like Ayushman Bharat Digital Health Account (ABHA Card). Helping workers to access healthcare services further supports their overall wellbeing and that of their families. Approximately 180 cards have been issued to date. Further Aider partnership successes for 2023 include 50 enrolments in pre-school; 50 students receiving general tuition; 66 students receiving sewing skills tuition and 95 students placed on computer courses. A 10-month programme of workshops, training, dance and yoga classes has been given to students, including self-defence, nutrition and health – including dental and eye care. Over 2,000 personal items such as clothing, shoes and feminine hygiene kits have also been distributed to young people.

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 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, with an explanation of why we have identified each as key to NEXT's business. 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 various stakeholders; and coverage in our Board papers of relevant stakeholder interests with regard to proposed plans.

Our workforce – see pages 112 to 113

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 113

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 114

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 115

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 113

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 114

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

Our current executive directors have a combined services of over 140 years in the NEXT Group. This gives them extensive knowledge of the business as well as an acute insight into the mood, culture and views of their colleagues. All of our executive directors have a high degree of personal oversight and engagement in the business. The Board also engages in the following ways:

- Annual Business Review Meetings, described further on page 113.
- 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 to our workforce following the announcements of our key trading results. Where possible, the directors present to the business in person, but a video link is sent to remote employees.
- Visits to stores and warehouses, providing an opportunity to meet a wide range of our workforce.
- Online performance, development and feedback tools.

Engagement with our employees has always been vital to the success of our business. We continued to engage with our workforce about their health and safety.

Business Review Meetings

This was our second year of Business Review Meetings, which replaced 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 and focus on specific business outputs such as efficiencies and ideas to improve engagement. Dame Dianne Thompson, one of our non-executive directors, attended the meetings along with the Chief Executive, our 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 2023 included:

- Further training on handling challenging customers safely and increasing the visibility and impact of our 'Respect in Retail' initiative.
- Reviewing the questions of employee engagement survey to elicit responses to which management are able to take action, as well as providing additional support to management to enable them to respond to comments.

Our Business Review Meetings were supplemented by Your Team Voice meetings which take place regularly throughout the year. Each business function and area has a nominated Your Team Voice representative, and employees are able to submit questions to Business Review Meetings via Your Team Voice meetings. One purpose of Your Team Voice meetings is to agree initiatives coming out of the Business Review Meetings.

Employee engagement surveys

In 2023, we undertook our third Group wide employee engagement survey, 'Your Voice Counts', which spanned the majority of our business. The survey was sent to almost 42,000 employees and response rates were improved from the year before. The survey was conducted anonymously using a third-party tool. The overall engagement score for the whole NEXT Group was slightly higher than our score in 2022.

Employees believe that our main strengths as a Group are: recognition for performance and organisational fit, highlighting equality and health. Areas identified for improvement included transparency on career paths for development and progression.

The Board considered results of the survey as well as the initiatives planned to address the matters raised.

Continuous performance management and feedback

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

Our 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 survey, 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.

Our relationships with suppliers, customers and others

Suppliers

Throughout the year the Board approved major contract renegotiations and strategy with key suppliers, notably with the Group's lender for the revolving credit facility, providers of freight forwarding services and 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 104 to 105.

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 capital expenditure on warehouses, major freight forwarding and customer order delivery contracts.

SECTION 172 STATEMENT

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.

During the year we engaged with the FCA's market study on how 'Buy Now, Pay Later' products are sold and how customers benefit from such products. This included sharing information on the forbearance measures we offer to customers in financial difficulties. We have also responded to regulatory consultations to help the FCA inform and shape future regulation and consumer support in areas such as cost of living, complaint handling and affordability.

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.

Case study: regulator

In February 2023, as part of their assessment of the industry's readiness for the implementation of Consumer Duty, the FCA invited a number of firms to provide details of how they were planning to ensure that their products offered fair value to customers – one of the four key outcomes of the Duty.

NEXT was selected for further engagement and we provided our framework for reviewing our existing products, including the process, methodology and the data utilised to make our fair value assessments. The feedback from FCA was positive and helped to conclude our readiness to ensure all of our Consumer Duty obligations are being met. The Audit Committee and the Board maintained oversight of the engagement via regular meeting updates and provided input to management to shape the engagement approach.

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 108 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 101 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 123 to 129.

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 Code of Practice 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 104 to 105 as well as our Corporate Responsibility Report which is available on our corporate website.

Political donations

No donations were made for political purposes (2023: £nil).

Investors

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 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 and 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 2023 we engaged with investors on a range of topics including:

- Governance including Board composition.
- Human rights and ethical trading.
- The environment, sustainability and responsible sourcing.
- Company performance against its strategy.
- Our 2023 AGM results – see page 125 for further details.

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.

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, systems, stores, and our Total Platform investments to support the growth of the business.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

In accordance with sections 414CA and 414CB of the Companies Act 2006, the following tables summarise where you can find further non-financial and sustainability information in our reporting.

Our policies	Our impact and related Principal Risks	Page reference
Environmental matters		
Environment Policy: we recognise that we have a responsibility and an obligation to work to reduce the direct impact of our business operations on the natural environment, both now and in the future. **Timber Sourcing** and **Protecting Forests Through Fabric Choices Policies***: we aim to reduce our impact and to increase social and environmental benefits by using only responsibly sourced timber and paper. This includes ensuring man made cellulosic fabrics used in the products we sell which come from timber are responsibly sourced. **Cotton Sourcing Policy*:** we aim to reduce the social and environmental impacts of the main raw materials used in our products by, among other things, sourcing cotton fibre cultivated in a more sustainable way than conventional cotton. **Chemical Policy*:** we ensure that all produces manufactured for NEXT meet the strictest legal requirements or eliminate specific chemicals of concern. **Animal Welfare Policy*:** we are committed to sourcing products responsibly and to working towards improving animal welfare in relation to the animal derived components used in our products.	• More information can be found in 'Our Principles' and 'Environment' • Our 'Principal Risks' discusses our approach to environmental and climate change risks	• 89 and 90 • 81 and 86
Employees		
Our colleagues are integral to our success. Their safety and wellbeing is always our top priority. **Staff Handbook:** our handbook sets out expectations of our people to create an environment where people have the skills and confidence to positively influence the business and contribute to their full potential. It includes our company HR policies for consistency and ease of reference. **Diversity and Inclusion Policy:** we are dedicated to supporting diversity and encouraging an inclusive culture. Our business is about people and being an employer for everyone in an environment where people feel respected, valued, able to fulfil their potential and be their very best. **Health and Safety Policy Statement*:** we are committed to minimising the risk of injury or ill health to our employees and anyone who may be affected by our actions.	• Our commitment and approach to our people is detailed further in 'Corporate Responsibility'	• 102 and 103 on Equal Opportunities • Whistleblowing Policy • Group Health and Safety Policy*
Social matters		
It is a key priority for us to ensure we trade ethically, source responsibly and work to assure the safety and human rights of the workers within our produce and services suppliers' global operation. **Code of Practice Principle Standards:** this is our ethical trading programme and forms an integral part of our business. It was first developed and implemented in 1998. We became a member of the Ethical Trading Initiative in 2022 and our Principle Standards are aligned to the ETI Base Code.	• More information can be found in 'Our Principles' and 'Environment' • Our 'Principal Risks' explain how we consider 'Key suppliers and supply chain management' and 'Legal, regulatory and ethical standards compliance'	• 89 and 90 • 83 and 86
Human rights		
Respect for human rights is a cornerstone of a responsible business. The violation of human rights in our operations is unacceptable and we deal firmly with any infringement identified in our supply chain. **Human Rights and Modern Slavery Policy*:** we ensure we trade ethically, source responsibly and work to prevent modern slavery and human trafficking throughout our organisation and in our supply chain.	• Our approach to human rights is detailed further in 'Corporate Responsibility' • Our Audit Committee oversees and receives updates on modern slavery training and awareness • Our 'Key suppliers and supply chain management' Principal Risk considers the training of employees and communications with suppliers regarding our expectations in relation to human rights and modern slavery	• 109 • 83

Our policies	Our impact and related Principal Risks	Page reference
Anti-bribery and anti-corruption		
Anti-Bribery and Anti-Corruption Policy*: this formalises our zero tolerance approach to combat the risks of bribery and corruption by our companies, employees, agents or third parties acting on our behalf. Our employees receive training on anti-bribery matters.	• Our Audit Committee oversees our whistleblowing procedures and receives updates on anti-bribery and awareness. • Our 'Key suppliers and supply chain management' Principal Risk considers the training of employees and communications with suppliers regarding our expectations in relation to anti-bribery and anti-corruption	• 138 • 83
Business model		
Our Business Model includes non-financial inputs and outputs and creates value for our stakeholders in a responsible way.	• We describe our Business Model in full within this report	• 74 to 75
Non-financial KPIs		
We continue to evolve a lower-carbon business model, have updated our Responsible Sourcing Approach and are continuing the groundwork to setting our Transition Plan to Net Zero.	• Our Section 172 statement sets out how we have regard to our impact on the community and environment. • Our approach to 'Environment', 'Our People' and 'Community' is explained further in our Corporate Responsibility section.	• 114 • 90 to 103 and 108

* The policies highlighted are available to view on our corporate website.

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.

Details of our climate-related financial disclosures can be found on the pages of this Report as signposted below.

(a) Governance arrangements	
Climate Risk	• 81
Legal, regulatory and ethical standards compliance	• 86
Governance – Disclose the organisation's governance around climate-related risks and opportunities	• 93 to 94
(b) & (c) Risks and opportunities and risk management process	
Risk Management – describe how the organisation identifies, assess and manages climate-related risks	• 97
(d) Principal climate-related risks and opportunities and time periods	
Climate Risk	• 81
Legal, regulatory and ethical standards compliance	• 86
Assessment of principal risks and uncertainties	• 82 and 97
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	• 95
(e) & (f) Impacts on business model and strategy and resilience	
Climate Risk	• 81
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	• 95
Strategy – impacts of climate-related risks and opportunities	• 95 to 97
(g) & (h) Targets and key performance indicators	
Greenhouse gas emissions – SECR and Carbon footprint – including Scope 3	• 90 to 92
Metrics and Targets – metrics and targets used to assess and manage climate-related risks and opportunities	• 98 to 99
Strategy towards achieving a lower carbon business model	• 99
Transition Plan to Net Zero and Packaging and recycling	• 100

On behalf of the Board

Amanda James
Group Finance Director

21 March 2024

GOVERNANCE

DIRECTORS' BIOGRAPHIES
Directors and Officers

Committee key:
- (A) Audit Committee
- (R) Remuneration Committee
- (N) Nomination Committee
- ● Chair

	Michael Roney (R) (N) CHAIRMAN	Lord Simon Wolfson of Aspley Guise CHIEF EXECUTIVE Executive Director	Amanda James GROUP FINANCE DIRECTOR Executive Director
Key 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.	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.	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 Compliance. As announced in the year, Amanda will be stepping down from the Board in July 2024.
Principal External Appointments	• Chairman of Grafton Group plc until 2 May 2024 • Non-Executive Director of Brown-Forman Corporation (US firm)	None	
Appointed to the Board	February 2017	February 1997	April 2015

	Jane Shields GROUP SALES, MARKETING AND HR DIRECTOR Executive Director	Richard Papp GROUP MERCHANDISE AND OPERATIONS DIRECTOR Executive Director	Jeremy Stakol GROUP INVESTMENTS, ACQUISITIONS AND THIRD PARTY BRANDS DIRECTOR Executive Director
Key Experience	Jane has a 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.	Richard has a wealth of operational and merchandising experience. He joined NEXT in 1991 as a merchandiser and 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.	Jeremy holds a Masters in Professional Accounting and spent his early career in the finance department of a large media company. Jeremy joined as Managing Director of Lipsy which was acquired by NEXT in 2006. In more recent years Jeremy has successfully led many of the new investment deals and related Total Platform opportunities (such as Joules, Victoria's Secret, Gap and others).
Principal External Appointments	None	None	None
Appointed to the Board	July 2013	May 2018	April 2023

Jonathan Bewes

Senior Independent Non-Executive Director

A R N

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.

- Non-Executive Director and Chair of the Audit and Risk Committee of The Sage Group plc
- Non-Executive Director and Chair of the Audit and Risk Committee of the Bank of England

October 2016

Tom Hall

Independent Non-Executive Director

A R N

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.

- Partner at Apax Partners LLP
- Non-Executive Director of Baltic Classifieds Group PLC
- Supervisory Board Director of Wehkamp

July 2020

Dame Tristia Harrison

Independent Non-Executive Director

A R N

Tristia has been Chief Executive Officer of TalkTalk Telecom Group Limited since 2017 and as such has experience of running a large-scale consumer and B2B 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. Tristia is also Chair of the national homelessness charity Crisis.

- Chief Executive of TalkTalk
- Non-executive Director of TalkTalk's B2B Wholesale Platform
- Trustee at Crisis
- Trustee at Ambitious about Autism

September 2018

Dame Dianne Thompson

Independent Non-Executive Director

A R N

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.

Dianne will not be seeking re-election at the 2024 AGM.

- Chairman and Non-Executive Director of Sanderson Design Group plc
- Non-Executive Director of Pagefield Communications Limited

January 2015

Soumen Das

Independent Non-Executive Director

A R N

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 14 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. Soumen is also Co-Chair of the Parker Review.

- Chief Financial Officer of SEGRO plc

September 2021

Amy Stirling

Independent Non-Executive Director

A R N

Amy is Chief Financial Officer of Hargreaves Lansdown plc, a financial services company and a constituent of the FTSE 250. Amy has significant financial and strategic leadership experience in client facing businesses across the telecommunications and financial services sectors. She has considerable transformation and M&A experience at both executive and non-executive level and is a qualified chartered accountant.

- Chief Financial Officer of Hargreaves Lansdown plc

TO BE APPOINTED TO THE BOARD April 2024

Venetia Butterfield

Independent Non-Executive Director

A R N

Venetia is Managing Director of Cornerstone, the largest adult division of Penguin Random House. She brings experience as an accomplished business leader and experienced marketing professional. She was previously responsible for setting up the imprint HarperPerennial in her role at HarperCollins and has led the marketing operations for both HarperCollins and Collins Educational. Venetia serves on the Board of Governors of the Southbank Centre.

- Managing Director of Cornerstone, part of the Penguin Group

TO BE APPOINTED TO THE BOARD April 2024

Seonna Anderson

COMPANY SECRETARY

Forthcoming Changes to the Board

Amy Stirling and Venetia Butterfield will be joining the Board in April 2024 and their appointments will be put to shareholders at the 2024 AGM.

Dianne Thompson will be stepping down from the Board at the end of the 2024 AGM.

Jonathan Blanchard has joined NEXT and is the Chief Financial Officer Designate. It is intended he will join the Board in July 2024 and his election will be put to shareholder vote at the 2025 AGM.

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. 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 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 also 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 current directors, whose names and functions are listed on pages 120 to 121, 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

21 March 2024

CORPORATE GOVERNANCE REPORT

Chairman's Introduction

On behalf of the Board, I am pleased to introduce our Governance Report for the year ended 27 January 2024. This report sets out our approach to effective corporate governance and explains the key features of the Group's governance structure.

Good corporate governance runs along the foundations of a well run organisation and the external governance landscape, guides and rules continue to evolve. NEXT continues to prioritise doing the right thing in promoting the success of the Company, and through its governance structure, always seeks to do so in the right way.

Stakeholder engagement

Uncertainty is known to breed challenges and the environment over the past few years has put the spotlight on a number of our key stakeholders. The Board has been required to exercise its judgement on numerous occasions to ensure that the Group's stakeholders are treated as fairly as possible in a year which has remained challenging.

Key engagement pieces this year have been with our customers and employees, who have been under inflationary pressures. We also consulted with shareholders to understand some of the reasons for voting against my re-election at our 2023 AGM.

Further details on how we have engaged with our stakeholders can be found on pages 112 to 115.

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's annual effectiveness review of our Board and Committees was facilitated internally with support from the Company Secretary. The review concluded that the Board continues to operate effectively; further details can be found on pages 128 to 129.

Board appointments and diversity

In April 2023 we welcomed Jeremy Stakol to the Board as Group Investments, Acquisition and Third Party Brands Director. His election was approved by shareholders at the 2023 AGM.

We announced in September 2023 that after 28 years of service at NEXT our Group Finance Director, Amanda James, will step down from the Board in July 2024. Amanda has made a huge contribution to the Group in her 28 years with NEXT and has been an exceptional guardian of our finances. Our succession planning enabled us to announce Amanda's replacement, Jonathan Blanchard, Chief Operating Officer of Reiss, with sufficient time to avoid any unnecessary disruption to the business and an orderly handover and thorough induction is currently underway.

In January 2024 the Company announced the appointments of Amy Stirling and Venetia Butterfield as non-executive directors with effect from 2 April 2024. They will each stand for election at the upcoming AGM.

Amy is Chief Financial Officer of Hargreaves Lansdown plc, a financial services company and a constituent of the FTSE 250. Amy has significant financial and strategic leadership experience in client facing businesses across the telecommunications and financial services sectors.

Venetia is part of the Penguin Group leadership team and is Managing Director of the Cornerstone Publishing House. Venetia brings to the Board experience as an accomplished business leader and experienced marketing professional. Her successful leadership of an independent business within a larger conglomerate will be particularly helpful as NEXT steadily increases the number of businesses it takes on within the Group through its Total Platform initiatives.

You can read more about the appointment process in the Nomination Committee Report on page 130.

The Company has once again taken part in the Parker Review and the FTSE Women Leaders Review in relation to its gender and ethnic diversity. We talk about this more on pages 130 to 131.

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 welcome the new UK Corporate Governance Code 2024 and work is underway to implement new provisions as appropriate.

Environmental, Social and Governance (ESG) remains a key area of focus for stakeholders who want to work for, shop with or invest in companies who do business responsibly. Our ESG metrics, targets and reporting have been reviewed, and in particular we continue to formulate our ambition so we can share our actions and demonstrate our accountability for how we will decarbonise as part of a Net Zero Transition Plan. You can read our Corporate Responsibility Report on pages 89 to 110 and our corporate governance compliance statement and supporting disclosures on pages 124 to 129.

M. J. Roney

Michael Roney
Chairman

21 March 2024

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 2023/24 financial year.

For the year ended 27 January 2024, 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 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 page 151 of the Directors' Remuneration Report including details of some forthcoming changes.

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 168. Disclosures required by DTR 7.2.8A relating to diversity policy are presented in the Nomination Committee Report on page 130.

Directors' biographies and membership of Board Committees are set out on pages 120 to 121.

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 business development 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 2023/24 the Board:

- Assessed a number of potential acquisitions and investment opportunities, having regard to strict financial criteria. We approved a number of opportunities including the Cath Kidston brand, further investment in Reiss and FatFace.
- Reviewed and approved the purchase of a proportion of the Group's annual energy requirements under a long term Power Purchase Agreement.
- Reviewed and approved the scope for a significant finance system modernisation project planned for the next two years.
- Agreed the assessment period for the statement of viability at the recommendation of the Audit Committee – see page 135.

At its heart, the purpose of the Company is to source and trade excellent quality clothing, homeware and beauty products 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 112 to 113) and discussions with the executive directors, the HR Director and other members of management. We assess and monitor this in the following ways and it is through these activities we ensure that the company's culture aligns with its purpose, value and strategy:

- Dedicated time at Board meetings, supported by our 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 Business Review Meetings.

Our values are set out in the Corporate Responsibility Report on page 89 and the Non-Financial Information and Sustainability Statement summarises the Company's supporting policies on pages 116 to 117. 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.

Our Board members also strive, through their own behaviours, to set the tone from the top in conducting themselves appropriately and in line with the Group's values.

Information on the Company's approach to investing in and rewarding its workforce is set out in the Strategic Report on pages 102 to 103.

Resourcing

The Board ensures that the necessary resources are in place for the Company to meet its objectives and measure performance against them. They 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, they receive reports from management on any development gaps in key roles and the plans to address these.

Risk management and internal controls

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. It is responsible for keeping the effectiveness of the systems of risk management and internal controls under review – see page 129.

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 115 details how the views of shareholders have been taken into account during the year.

Following our 2023 AGM, at which a minority (20.84%) of shareholders that voted chose not to support the re-election of the Chair, Michael Roney, the Company engaged in a consultation process with shareholders to gain an understanding of their reasons for voting against. Based on the views expressed by shareholders, this was primarily due to him being considered overboarded with a secondary concern relating to the gender make up of the Board. The Board accepts that some investors apply a stricter voting policy than the market generally in relation to Chair and Directorship roles on the boards of listed companies. Michael provides more than enough time to his role as Chair and effectively discharges the functions and obligations of the role. He has attended all Board and Committee meetings held in the past three years. He is always available when required, as was evident in the Group's response to the pandemic, and his involvement in the major strategic decisions made by the Board in recent years. Michael will step down from his role as chair of Grafton Group plc on 2 May 2024.

The Board has also strengthened the gender make up of the Board since the year end following the upcoming appointments of Amy Stirling and Venetia Butterfield, however, more work is needed in addressing the Board's gender balance later in the year when Amanda steps down as Group Finance Director.

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 112 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 pages 112 to 113. 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

Half of the directors at our financial year end, 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.

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 (SID)

Jonathan Bewes is the Company's Senior Independent Director. 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. He also meets with each of the directors to appraise the Chair's performance.

CORPORATE GOVERNANCE REPORT

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.

Board

Provides effective leadership by setting business strategy and overseeing delivery in a way that delivers long term growth for the benefit of NEXT's shareholders.

Committee Terms of Reference are agreed by the Board and regularly reviewed. These are available on the corporate website nextplc.co.uk

The Chair, Chief Executive and SID's role descriptions are summarised on the preceding page.

Nomination Committee – see Committee report on pages 130 to 131

- Keeps under review the composition, size, structure and diversity of the Board and its Committees.
- Evaluates the balance of skills, experience and diversity of the Board.
- Provides succession planning for the Board and senior management.
- Leads the process for new Board appointments.

Audit Committee – see Committee report on pages 132 to 138

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

Remuneration Committee – see Committee report on pages 140 to 167

- Responsible for setting the Remuneration Policy for all executive directors and the Chairman, including pension rights and any compensation payments.
- Recommends and monitors the level and structure of remuneration for senior management.
- Reviews the ongoing appropriateness and relevance of the Remuneration Policy when setting remuneration.

Chief Executive

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

Other Governance Steering Groups

The below steering groups, comprising representatives from Executive/operational management, held 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 & Data Protection – Group's information security and cyber related activities
- Health & Safety – Group's health and safety activities
- ESG Steering Group – ESG risk monitoring and setting of ESG priorities.

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.

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 pages 128 to 129.

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.

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 27 January 2024. 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	6	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	Group Sales, Marketing & HR Director	8/8	–	–	–
Jeremy Stakol[2]	Group Investments & Acquisitions Director	7/7	–	–	–
Michael Roney[1]	Chairman	8/8	6/6	–	6/6
Jonathan Bewes	Senior Independent Director	8/8	6/6	5/5	6/6
Soumen Das	Non-executive director	8/8	6/6	5/5	6/6
Tom Hall	Non-executive director	8/8	6/6	5/5	6/6
Dame Tristia Harrison	Non-executive director	8/8	6/6	5/5	6/6
Dame Dianne Thompson	Non-executive director	8/8	6/6	5/5	6/6

1. Michael Roney and Amanda James are not members of the Audit Committee, however they attend all Audit Committee meetings during the year by invitation.
2. Jeremy Stakol was appointed to the Board in April 2023.

CORPORATE GOVERNANCE REPORT

Board Committees

As detailed in the diagram on page 126, the Board has appointed Committees to carry out certain aspects of its duties. Each is chaired by a different director and each Committee Chairman reports regularly to the Board on how that Committee has discharged its responsibilities.

External appointments during the year

During the year, the Board approved Jonathan Bewes' appointment as non-executive director and Chair of the Audit and Risk Committee of the Bank of England. After confirming that there were no conflicts of interest and considering the likely time commitment required to fulfil this role, the Board was satisfied that this appointment would not inhibit Jonathan's ability to continue to effectively discharge his duties and responsibilities as a non-executive director of NEXT.

Information and support

There is a regular flow of information between all directors. The Company Secretary attended all Board meetings; he advised the Board on corporate governance matters and facilitated the flow of information within the Board. The Board approved the appointment of the new Company Secretary in February 2024.

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 160.

Composition, succession and evaluation

Board composition

At the financial year end the Board comprised five independent non-executive directors (including the Senior Independent Director), the Chairman and five executive directors who all bring considerable knowledge, skills and experience to the Group. The Board is continually assessed and periodically refreshed to ensure it maintains an appropriate balance of skills and experience.

Director appointments and the Nomination Committee

There have been a number of recent and forthcoming changes to the Board. In April 2023 Jeremy Stakol was appointed as an executive director, and in January 2024 we announced the appointment of two new non-executive directors with effect from April 2024. Our new non-executive directors' appointments will be put to shareholder vote at the upcoming AGM. In October 2023 we announced that Amanda James will retire from the Board with effect from July 2024 and will be replaced at that time by Jonathan Blanchard whose election vote will be put forward to shareholders at our 2025 AGM.

The Nomination Committee Report on page 130 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.

Re-election and 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 election or re-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 120 to 121.

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 and environment. The induction programme includes:

- Visits to warehouses and stores.
- Attendance at key operational meetings.
- Meetings with operational directors and senior managers, giving an overview 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

Every year there is an evaluation of the performance of the Board, its Committees, the Chair and individual directors. An outcome of last year's internal board evaluation was to enhance debate around risk, achieving a better understanding of the Company's approach to risk management and setting risk appetite.

This year's annual evaluation was internal and facilitated by the Company Secretary. Following a briefing provided by the Chairman and Company Secretary, each of the directors completed a questionnaire designed to elicit their views on all aspects of the effectiveness of the Board, its members and its Committees. The questions covered eleven main areas, covering composition, experience, dynamics, the Chairman's leadership, directors' contribution and the extent to which the Board fulfils its role and responsibilities with particular regard to strategy, risk oversight and succession planning. 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:

- Board meeting and director engagement.
- Development and induction of new Board members.

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

- Board composition to extend skills in cyber and ESG.
- Succession planning with greater exposure of senior managers to non-executive directors.

The Chairman and Company Secretary are putting in place appropriate action plans in response to the evaluation findings and will review progress.

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 132 to 138. The independent auditors' responsibilities are set out on page 177 and the Board's statement as to the Annual Report and Accounts being fair, balanced and understandable can be found on page 122.

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 29 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 a period of at least 12 months. 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 pages 87 to 88.

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, 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.

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 software 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 including considerations taken on board and the work of the Remuneration Committee in the Remuneration Report on pages 140 to 167.

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
Tom Hall
Dame Tristia Harrison
Dame Dianne Thompson

The Committee member attendance table is shown on page 127. 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 appointments at the senior leadership team level.

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

An annual evaluation of the Nomination Committee's performance was undertaken as part of the Board evaluation process through an internal process this year. Further details are set out on pages 128 to 129. The review concluded that the Committee continues to operate effectively.

Committee activities in 2023/24

Board appointments

The Committee adopts a formal and transparent procedure for the appointment of new directors to the Board.

External consultants are used to assist in identifying suitable external Board candidates, based on a written specification for each appointment. The Chairman is responsible for providing a shortlist of candidates for consideration by the Nomination Committee which then makes its recommendation to the Board for final approval. The Nomination Committee is led by the Senior Independent Director when dealing with the appointment of a successor to the Board chairmanship. Heidrick & Struggles were appointed during the year to help identify suitable external candidates for the non-executive director roles and has no other connection with the Company. A comprehensive candidate specification was agreed and aligned the role brief to the desired Board and Committee composition with reference to our Board skills matrix, governance principles and diversity policy.

Following an extensive search exercise in 2023 and early 2024, the Board approved the appointment of Amy Stirling and Venetia Butterfield as non-executive directors with effect from 2 April 2024. In October 2023, the Company announced the appointment of Jonathan Blanchard as Chief Financial Officer designate for appointment in the 2024/25 financial year and he will join the Board as CFO in July 2024 when Amanda James steps down. Jonathan was CFO at Reiss which first became part of the NEXT Group in 2021. He moved to NEXT in November 2023 and brings a wealth of experience implementing rigorous financial and capital controls. NEXT has a good track record of internal promotions to the Board and has not made an external appointment of an executive director for over 34 years.

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	9
Listed market experience and governance	8
CEO experience	4
Brand marketing	4
Finance/Accounting	4
Cyber risk/Digital	3
Property	2

Dame Dianne Thompson is our longest serving non-executive director, having been appointed to the Board in 2015. Dianne will stand down from the Board at the 2024 AGM.

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 and inclusion

Appointments to the Board and its Committees, 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.

NEXT's Diversity & Inclusion Policy sets out our support for diversity and encourages an inclusive culture. We actively support a culture of inclusion, to ensure that all our employees are valued, and are treated with dignity and respect. We recognise that for the business to continue to be successful we must ensure that we can recruit from as wide a pool of talent as possible. This 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 and we do not have a separate formal policy for the Board and its Committees as the all employee policy is applicable. We satisfy the Parker Review recommendations to have at least one Board director from an ethnic minority background.

We are pleased to have been recognised in the FTSE Women Leaders Review: Achieving Gender Balance (February 2024) again this year and were in third place for the combined executive committee and their direct reports. We have remained in the top three since 2017. Women represented 36% of our Board at the year end which is below where we would like to be. This will increase to 46% with the appointments of Amy Stirling and Venetia Butterfield but will fall with Dame Dianne Thompson stepping down at the 2024 AGM and then again with the change of CFO in July. The gender balance of the Board will be kept under review and another female non-executive director will likely be recruited in due course.

Further analysis of employees by gender is given in the Strategic Report on page 103.

The Company met two of the three targets on board diversity set out in LR 9.8.6(9) as at the year end as set out below:

1. at least one of the required senior positions on its Board of directors is held by a woman; and
2. at least one individual on its Board of directors is from a minority ethnic background.
3. The Company has not met the target of at least 40% of the individuals on its Board of directors are women at financial year end, which was 36%. As at April 2024, the appointments of two female Board members will bring the percentage to 46%. The target will be met at the time of our 2024 AGM but later in the year when Amanda James steps down, this will result in the target 3) not being met as well as target 1) a senior position on the Board being held by a woman.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Gender identity					
Men	7	64%	3	20	59%
Women	4	36%	1	14	41%
Not specified/prefer not to say	0	0	0	0	0
Ethnic background					
White British or other White (including minority-white groups)	10	91%	4	32	94%
Mixed/Multiple Ethnic Groups	0	0	0	0	0
Asian/Asian British	1	9%	0	2	6%
Black/African/Caribbean/Black British	0	0	0	0	0
Other ethnic group, including Arab	0	0	0	0	0
Not specified/prefer not to say	0	0	0	0	0

Approach to collating diversity data: data is sourced from our employee database containing all permanent colleague details as at 27 January 2024. Diversity information for ethnicity is based on voluntary self-declaration.

Michael Roney
Chairman of the Nomination Committee

21 March 2024

AUDIT COMMITTEE REPORT

Chairman's Introduction

I am pleased to present the Audit Committee's report for the year ended 27 January 2024. This report explains the Committee's responsibilities and how it has discharged them over the course of the year.

On the following page is a summary of the activities undertaken by the Committee during the year, which broadly fall into four categories: (i) financial reporting; (ii) external audit; (iii) internal control, risk management and internal audit; and (iv) governance and other matters. The Committee assists the Board through overseeing, challenging and monitoring the Company's frameworks and disclosures, along with management's judgements in these areas.

It was another busy year for NEXT, which saw growth in its key performance metrics, alongside the acquisition of equity stakes in a number of new Total Platform clients and other businesses. The Committee challenged management on its associated accounting judgements, and further information about this can be found on page 134.

Good work is also underway within the NEXT Internal Audit function, which is working to implement best practice recommendations. The Company has also commenced work on a new financial system, which will provide an opportunity to further enhance its control environment and support the growth of the business. The Committee was pleased to receive reports from management of the current position and the proposed timetables for these projects and improvements to be made.

All that remains is for me to thank the management team at NEXT and all Committee members for their valuable contributions which support the work of the Committee.

Jonathan Bewes
Chairman of the Audit Committee

21 March 2024

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 by the Board in November 2023.

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
Tom Hall
Dame Tristia Harrison
Dame Dianne Thompson

The Committee held five scheduled meetings during the year. The meeting attendance table is shown on page 127. In advance of each meeting the Committee Chairman met with the Central Finance Director and Company Secretary and Legal Director, and separately with the external audit partner to discuss their reports as well as any relevant issues. He also had regular meetings with the Head of Internal Audit where the Group's internal controls, governance framework and the progress of the internal audit work programme is reviewed. The Committee Chairman routinely reported to the Board on the Committee's activities and matters of particular relevance, following the Committee meetings.

The Group Finance Director and the Board Chairman attended all of this year's meetings by invitation. Operational 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 Head of Internal Audit 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 120 and 121. 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 Committee Chairman and Soumen Das, both 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 assessed as part of the annual Board evaluation process. This year's assessment was conducted internally and concluded that the Committee continues to operate effectively. Further details of this year's evaluation can be found on pages 128 to 129.

Summary of key Committee activities during the year

Financial reporting

- Reviewed the annual report and interim financial statements for consistency and tone.
- Reviewed the going concern and viability statements.
- Agreed the application of the key accounting judgements and estimates and considered whether the accounts are fair, balanced and understandable.
- Reviewed the appropriateness and implementation of the accounting policies.
- Reviewed the appropriateness, application and disclosure of Alternative Performance Measures (APMs).
- Reviewed material non-standard transactions.
- Reported and made recommendations to the Board on financial reporting matters.

External audit

- Reviewed audit approach, scope and planning. This included specific consideration of additional scope caused by recent acquisitions.
- Reviewed audit findings and challenged management on its views and actions to address the findings.
- Assessed external auditor effectiveness and independence.
- Approved the audit and non-audit fee policy and fees.
- Received auditor views on management and controls.
- Reported to the Board on the audit process, the effectiveness of the external auditor, the results of the external audit, and made a recommendation to the Board on the re-appointment of the external auditor.

Internal control, risk management and internal audit

- Provided oversight of the risk management systems.
- Reviewed NEXT's principal risks.
- Considered risk reviews from business areas including information security, tax, data protection, Total Platform operations, FCA compliance and treasury.
- Approved the Internal Audit plan, including amendments to the plan during the year.
- Reviewed the results of Internal Audit's work and proposed remediation plans.
- Met with Internal Audit without management.
- Reviewed a new Assurance Map.
- Assessed the effectiveness of the Internal Audit function.
- Oversight of progress of the Internal Audit improvement workstreams following an externally facilitated review.

Governance and other matters

- Received reports and presentations from senior management in other significant business areas such as health and safety, pensions, the new payroll system, legal, and taxation.
- Considered regular updates on ESG matters, including TCFD requirements, climate-related risks and Code of Practice.
- Reviewed fraud risk and mitigation.
- Reviewed the adequacy and security of whistleblowing processes and received regular reports on matters reported.
- Assessed NEXT's compliance with the UK Corporate Governance Code.

Financial reporting

Review of financial statements

The Committee reviews the financial statements of the Group, 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 a sensitivity analysis on key estimates so that the potential impact of these could be viewed in the context of the financial statements as a whole.

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.

AUDIT COMMITTEE REPORT

Significant matters and judgements for the year ending 27 January 2024

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 (ECL)	This represents the largest asset class on the Group's Balance Sheet (2024: Gross value £1.5bn and allowance for expected credit losses of £207m). Based on detailed reports and thorough discussions with management and the external auditor, including the appropriate ECL model specialists, 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 increase in interest rates and forecast UK inflation on customer indebtedness and expected default rates. Sensitivity analysis on the key assumptions, including management overlays to the base ECL model, has also been reviewed and, where significant, has been disclosed in the Annual Report and Accounts. The Committee is satisfied that the judgements made, and the sensitivities disclosed in the Annual Report and Accounts, are reasonable and appropriate.	Page 197 and Note 14
2. Pension scheme funding and accounting	The Group Balance Sheet shows a funding surplus of £59.3m (2023: £157.5m), comprising £668.4m assets and £609.1m 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.	Note 21
3. Inventory valuation	The Group Balance Sheet shows a net valuation of £769.0m (2023: £662.2m). Both management and the external auditor provided the Committee with updates on the work they performed to validate the appropriateness of key estimates used in respect of inventory provisions. Particular consideration was given to the overall increase (year on year) and forecast sales for the year ahead. The Committee concluded that the methodology for calculating the net realisable values of inventories, including management's estimates on provisions and the impact of acquired businesses was balanced and appropriate.	Page 198
4. Acquisitions and fair value of assets and liabilities acquired	During the year, the Group completed two material transactions of Reiss and FatFace respectively. Under IFRS 3, Business Combinations, the Group was required to assess the fair value of the identifiable assets and liabilities acquired. This included assessing the value of the brand values and other intangible assets. To support the valuation work the Group engaged external specialists, the results of which were shared and reviewed with the Committee. Given the increase in the value of intangible assets, management also provided the Committee with an overview of the process for monitoring, identifying and calculating any impairments. Following specific review and updates from the external auditors on these matters the Committee concluded that the provisional fair value balance sheet values were appropriate.	Note 13
5. Exceptional items	The acquisition of Reiss also resulted in the recognition of an exceptional gain of £108.6m. The Committee was provided with accounting papers setting out how this gain was calculated and considered whether the presentation of this item, as an exceptional gain, was appropriate. Given the gain was material, non-cash and not related to underlying trade of the core business the Committee concluded that it was appropriate to separately present this as an exceptional item. Having concluded this was appropriate, careful consideration was then given to how this amount was disclosed and explained in the Annual Report and Accounts. In particular, the Committee considered whether the disclosure was sufficient and appropriate to enable a user of the accounts to know whether performance metrics included or excluded the gain.	Note 6

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 such as the temporary closure of all the warehouses and retail stores.
- Took into consideration recent updates they had received on the Group's principal and emerging risks.
- Noted that the Group had generated significant cash in the year, which had enabled it to fund acquisitions and continue its share buyback activity, while also reducing its net debt by £97m. Furthermore, the Group continued to have access to significant cash levers which it could utilise if required to support the viability of the business.
- Received an update from management setting out how it was managing its cash and net debt so that it retained flexibility over its ability to settle or replace the bond due to mature in 2025.

Further details of the scenario testing, including the cash levers available to the business, are provided in the Viability Statement on page 88.

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

In March 2024, the Committee reviewed the Annual Report and Accounts. The Committee concluded that 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. It also considered the TCFD (pages 93 to 99) and the potential impact on forward-looking assumptions supporting going concern and viability assessments. In reaching its conclusion, the Committee considers the Annual Report and Accounts in line with the steps set out in the diagram below.

The following particular areas of the Annual Report and Accounts changed this year. Detailed consideration was given to these changes by the Committee:

- The Group's sales, as reported within the Chief Executive's Review, has been amended to reflect the impact of recent acquisitions and how management view and track performance. This is an APM which seeks to reflect sales on the basis of the percentage held in the business. The rationale for this approach and reconciliation to the statutory revenue has been considered and disclosed within the Annual Report and Accounts.
- The Group has also amended its APM for profit before tax so that it now removes the impact of non-controlling interests and amortisation relating to brand acquisitions. The rationale for this approach and reconciliation to the statutory profit before tax has been considered and disclosed within the Annual Report and Accounts.
- Other APMs and segmental analysis (Note 1) were also considered and the Committee was satisfied these had also been disclosed and explained appropriately in the Annual Report and Accounts.

Fair, balanced and understandable assessment

Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
Management accounts and KPIs are considered at Board meetings to ensure that the business performance is appropriately assessed, reported and understood.	The reporting is led by a small team of senior management which coordinates the input into the Annual 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.	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.	The Internal Audit function undertakes a thorough review process, verifying information within the report.	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 the use of any APMs.	The Committee considers the views of the external auditor and recommends the Annual Report and Accounts to the Board for approval.

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 various 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 2023 audit.
- At every meeting the Committee received updates from the Information Security Manager on IT ransomware defence and recovery work.
- Management presented to the Committee on work being done to enhance information security processes and procedures.
- The Committee reviewed information security and data privacy (GDPR) key risk indicator and key controls dashboards and enhancement plans.
- The Committee reviewed the results of a cyber security penetration test, which ran over the course of six weeks.

Consumer credit

- During the year the Committee received regular briefings on the Finance business, including reporting on the financial outlook, work on new customer management scorecards and affordability assessments and updates on credit account fraud.
- The Committee received regular updates on payment and default rates, bad debt, and arrears and whether the macroeconomic uncertainty had been appropriately considered.
- The Committee has oversight of the credit business' FCA conduct risk dashboard and has the opportunity to challenge management as appropriate.
- Updates were provided on the progress to implement the new Consumer Duty that was successfully completed by the deadline of 31 July 2023.

Other risk activities

The Committee also:

- Reviewed the key current and emerging risks (including ESG risks), together with the associated controls and mitigating factors.
- Considered management's scoring of inherent and residual risks, and challenged assumptions and methodology to ensure these are appropriate and robust.
- Considered the output of work undertaken by management, including its work with an external advisor, to further improve the documentation around its financial controls matrix.
- Reviewed the 2023/24 risk governance schedule.
- 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.
- Received regular updates on fraud prevention and detection activity and reviewed the oversight and governance framework in place.
- Received updates on material legal matters.
- Received updates from the operations team on key projects such as Total Platform, including consideration of the associated risks.

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 each meet with the Head of Internal Audit without management present on a regular basis to allow for open discussion.

The Committee is satisfied that the Internal Audit function has continued to perform effectively during the year.

External audit

The 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 2023 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. 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.

Mark Skedgel was appointed as the new Lead Audit Partner for the 2022/23 audit and is now in his second year of the 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 by considering, 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. It also considers the external auditors' own assessment of its independence. The Committee is satisfied that PwC meets the required standard of independence to safeguard the objectivity and integrity of the audit.

The Committee confirms its 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 for the financial year ended 27 January 2024.

Non-audit work carried out by the external auditor

In accordance with the FRC's Ethical Standard and in order to maintain the continued independence and objectivity of the Group's external auditor, NEXT has a policy governing 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 reviewed in March 2023 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.

In the current year, the non-audit fees exceeded £150,000 due to the acquisition of Reiss and FatFace where the non-audit services had already been entered into prior to acquisition. In this case, the Committee agreed that (i) no new work could be initiated and (ii) the existing work would need to be completed within three months of acquisition. Both of these conditions have been met.

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 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 £2.7m (2023: £1.3m). The increase in audit fees of £1.4m is mainly due to the acquisitions of Reiss and FatFace. These acquisitions resulted in one-off, non-recurring audit work on the opening balance sheets of £0.6m, and a recurring fee for the local entity audits of £0.8m.

PwC non-audit fees were £349,000 (2023: £106,000). In line with the above policy, appropriate advance approval was obtained from the Committee. Non-audit fees related to services to provide limited assurance over parts of our corporate responsibility reporting from PwC as they have existing knowledge of the Company and were able to provide the services in a cost effective manner. 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 the effectiveness of the external audit under continuous review 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 findings of the FRC's Audit Quality Review of the audit of NEXT's 2021/22 Annual Report and Accounts provided further comfort to the Committee of the quality and effectiveness of PwC's audit (see page 126 of the 2023 Annual Report for further detail).

The 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 auditors' 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 professional 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 auditors' independence and objectivity, the audit quality and the auditor's performance, the Committee was satisfied with PwC's independence and objectivity and recommended its re-appointment for the year ending 25 January 2025. A resolution to re-appoint PwC and give authority to the Committee to determine its remuneration will be submitted to shareholders at the 2024 AGM.

Other matters

ESG

ESG is a standing item on the Audit Committee's agenda and during the year the Committee:

- Reviewed the proposed TCFD 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.
- Received updates at every meeting from the Head of Product Legislation and Sustainability 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 an independently provided third-party service. The policy also provides for concerns to be reported directly to the 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 UK Corporate Governance Code (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 2023/24.

Pay and performance outcome for 2023/24

Total remuneration

Our 2023 Remuneration Policy, tabled at our AGM in May 2023 for its three year renewal, was supported by 84% of the shareholders who voted. The Policy kept pay arrangements at NEXT unchanged. They are simple, have been broadly consistent over many years and – in part as a consequence of this consistency – are well understood by the executive team, the wider workforce and shareholders. Although the Remuneration Policy is explicitly for executive directors, the principles which underlie it are used more widely in the business, at the operational director level and below.

Pay arrangements at NEXT are moderate – overall remuneration levels for executive directors are below the FTSE 100 median. They are also objective: variable pay is a result only of clear and objective financial performance measures, without any subjective or personal component. Consequently, these arrangements serve shareholders well; there is a long track record of their variable element paying out when performance is good, and not paying out when performance is weaker.

As outlined in our Strategic Report, NEXT performed well during the year. Notwithstanding continued macroeconomic and geopolitical uncertainty, the business overall materially outperformed our initial expectations in the year. This led us to upgrading our guidance five times and the executive directors oversaw the delivery of record NEXT Group profit before tax (excluding brand amortisation) of £918m (up 5.0% versus 2022/23) and NEXT Group EPS of 578.8p (+0.3% versus 2022/23).

Annual bonus

2023/24 annual bonus was calculated with reference to pre-tax basic EPS before exceptionals, as described on page 145. In accordance with the bonus formula, maximum bonus was earned, resulting in a bonus of 150% of salary for Lord Wolfson and 100% of salary for the other executive directors. This compares to the bonuses in 2022/23 of 81% for Lord Wolfson and 54% for the other executive directors. Any element of bonus above 100% for an executive director (so, for Lord Wolfson in the current year) is payable in shares deferred for two years, and those shares are subject to forfeiture in the event of voluntary resignation prior to the end of that period.

The out-turn reflects the formulaic result without the exercise of any discretion.

Long Term Incentive Plan (LTIP)

LTIP awards are granted twice a year, each grant at 112.5% of base salary for executive directors; vesting is a function of NEXT's total shareholder return (TSR) relative to a comparator group of 20 other quoted UK retailers, as described on page 163.

Two LTIP awards, made in September 2020 and April 2021, reached the end of their three year performance period during the year. Of these, the first vested at 63% as NEXT's TSR ranked 6th out of 20 companies in the comparator group and the second vested at 89% as NEXT's TSR ranked 5th in the comparator group of 20 companies.

The out-turn reflects the formulaic result without the exercise of any discretion.

Key remuneration decisions

The Committee addressed the following matters during the year:

Committee assessment of performance-related remuneration

The Committee is mindful of the need to ensure that executive pay is inextricably linked to performance. 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 95% over a ten year period.

- The strong performance of the business is a result of continued success by our executive directors in evolving the NEXT product ranges, in nurturing third-party brands in the business (LABEL has grown by around 100% over the last three years), and in developing our technology. As a consequence of this, NEXT has navigated with considerable success both the longer-term challenges and opportunities created by the structural shift of consumer spend from physical stores to online. In addition, NEXT's well-invested, flexible and robust technology and warehousing arrangements have placed us in a strong position to acquire, on attractive terms, other retail brands (e.g. Reiss, FatFace, Joules).
- That it was consistent with the approach to performance-related remuneration across the wider workforce.

The Committee believes in consequence that the executive director remuneration earned this year is proportionate and aligned to business performance and, therefore, approved the formulaic outcomes without the exercise of any discretion.

Annual base salary review for 2024/25

The Committee reviewed and set the remuneration for the Chairman, executive directors and senior management. Whilst the wider workforce's base salary increase was on average 8.8%, the executive directors will receive a pay increase of 4%.

Annual bonus review for 2024/25

NEXT has maintained moderate pay arrangements for executive directors, which are below the FTSE 100 median. Given the increased breadth of the responsibilities borne by the executive directors, as organic initiatives like Total Platform and LABEL have been supplemented by successful acquisitions like Reiss, and with both elements now meaningful to overall company performance, the Remuneration Committee will increase the current cap on executive director bonuses (other than the Chief Executive who is already at this level) from 100% to 150%. The Committee has decided to use the flexibility within the Policy to lessen the current differentials in maximum bonus between the Chief Executive and other executive directors to accomplish this change. To be clear, this will not change the amount of payout to executive directors at any performance level that, absent such proposed change, would trigger a payout of less than 100%. The change will mean that for company performance levels beyond that which, with the current arrangements, would result in a capped payout of 100% to the executive directors, there will be continued payout to executives until a new, higher cap of 150% is reached. The Committee considers this change to be proportionate and appropriate.

Any annual bonus in excess of 100% of base salary will be payable in shares, deferred for a period of two years and subject to forfeiture should the executive voluntarily resign prior to the end of that period.

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 before exceptionals. 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 (including from the impact of share buybacks) 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

On ESG, the Committee is very conscious of the focus that this topic receives in the investment community, and of the importance that is placed on it in wider society. It is equally clear to the Committee that the Company focuses a great deal of attention on this area – for instance, on the working conditions of the factories in which NEXT's garments are manufactured. Pages 89 to 110 set out in considerable detail the large number of activities that NEXT pursues in this area. These activities are, in the view of the Committee, well thought-through, wide-ranging, and interwoven with how NEXT runs its business day-to-day. In this context, it seemed to the Committee unnecessary to introduce an ESG metric into bonus arrangements in an attempt to motivate activity and behaviour that is already well advanced and widespread. It also seemed to the Committee that picking one or two particular metrics on which to judge and reward management, in an area that is wide-ranging and touches on many different aspects of the business, would be arbitrary and subjective. In the context of pay arrangements that have as one of their principal merits the use of clear and objective financial performance measures, the Committee did not see this as a sensible step forward. So, the Committee's approach is not to include any ESG metrics in pay arrangements explicitly, when many of the behaviours that are the focus of such metrics are already well embedded and implicit at the Company. It should be noted that, while its use should be rare, the Committee reserves discretion to reduce bonus and LTIP payments if material ESG failures arose. Based on experience elsewhere, where ESG related measures and personal objectives tend to pay-out at a higher level than financial measures, the effect of this decision is likely to be that our executive directors' pay levels are lower than they would be were we to include ESG related measures.

Malus and clawback

The triggers for malus and clawback have sufficient scope to capture circumstances in which the Committee may wish to exercise these rights, including discretion to reduce variable pay at the point of determination which is in the executive directors' service agreements (as set out on page 167). 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.

REMUNERATION REPORT

Other activity during 2023/24

During the year we announced the appointments of two new non-executive directors and a Chief Financial Officer Designate, all of whom will be joining the Board in 2024/25. The Committee considered the remuneration levels for these new Board members. Further information about the work of the Committee is on page 159. Amanda James, after 28 years of service at NEXT including 9 years as Group Finance Director, will retire in September 2024 and, as she will be retiring, no termination payment will be made; she will however be subject to good leaver treatment. I would like to take this opportunity to thank Amanda for her outstanding contribution to NEXT over her many years at the business.

Pension entitlements

NEXT operates a DB pension scheme for a limited number of current and former employees. Whilst this scheme was closed to new members in 2000, there remains a liability to NEXT shareholders due to a combination of (a) financial market fluctuations, (b) changes in the lifespan of scheme members and (c) the fact that active members of the scheme i.e., those members who are still employees, earn the right to additional pension benefits with each completed month of service. NEXT has been looking at ways of reducing shareholders' exposure to this liability for some time and, in conjunction with the scheme Trustees, has now agreed an arrangement which achieves this objective. The key elements are that active members will cease to accrue additional service benefits, and for all members (including deferred and pension members), their benefits will be underwritten by a third-party insurance company, not by NEXT shareholders.

Pension members who were previously accruing service will now become deferred members and their accrued pension will be revalued each year on a basis linked to inflation. To help ensure that these members do not receive a lower overall pension due to the closure of the DB scheme, the Company will either make contributions into a defined contribution (DC) scheme and/or pay a salary supplement. This contribution or salary supplement will total 5% of the member's pensionable earnings as at October 2012. This is in addition to any existing DC fund contributions already available to these members.

Lord Wolfson has been accruing service in an unfunded, unapproved supplementary pension arrangement. The scheme will also close to future service accrual and Lord Wolfson will become a deferred member. The obligations under this supplementary pension arrangement are not covered by the third-party insurance company. The Committee considered the changes outlined above and concluded that it was appropriate to treat Lord Wolfson's pension arrangements in a way that is consistent with the previously active members of the main approved DB scheme. As noted on page 151, Lord Wolfson has twice agreed to take a material reduction in terms of his pension and the Committee concluded that it would not be reasonable to treat him differently to other employees impacted by the changes to the DB schemes. Therefore, with effect from April, Lord Wolfson will receive a Company contribution into a DC scheme and/or salary supplement which in total will be 5% of his pensionable earnings as at October 2012 (being a contribution of £35k). This contribution is in addition to the 15% salary supplement paid to Lord Wolfson since 2012 which is in lieu of past changes to his pension. The total of Lord Wolfson's Company contribution and salary supplement will be 19% of his 2024/25 salary, 5 percentage points lower than the current capped DB pension accrual plus salary supplement of 24% which he receives.

Wider employee considerations and employee engagement

The Committee reviews remuneration arrangements across the Group and considers pay and employment conditions to ensure that differences for executive directors are justified. This includes performance-related pay which is designed to attract and retain high quality employees as well as 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 2,100 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.

Around 11,800 employees (circa 26% of our total UK and Eire employees) held options or awards in respect of 6.6 million shares in NEXT at the financial year end.

Knowing our workforce

Our annual employee forum meetings for our Head Office, Warehousing & Distribution, Retail and Online divisions were held in person during 2023. Lord Wolfson, Dame Dianne Thompson (non-executive director), our HR Director and a cross-section of workforce representatives from the relevant business divisions with operational director sponsors attended the meetings. NEXT Sourcing had a representative attend an annual employee forum meeting and Lipsy company works councils held meetings during the year.

For further details regarding the feedback to the Board on employee views, please see page 112.

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. I have circulated a letter to all our employees setting out our approach to executive pay and inviting them to email me with any queries or comments they had.

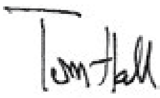
Shareholder engagement

The Committee wrote to our largest 20 shareholders (who hold around 50% of our shares in issue) and their representative bodies in 2024 regarding our proposed increase in the cap to executive director annual bonus.

For further details regarding the feedback to the Board on shareholder views, please see page 115.

2024 AGM

The Committee has continued to be mindful of the requirements of the Code when determining the 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 2024 AGM for our 2023/24 Directors' Annual Remuneration Report together with my Annual Statement.



Tom Hall
Chairman of the Remuneration Committee

21 March 2024

REMUNERATION REPORT

Part 2: Annual Remuneration Report

This Annual Remuneration Report comprises a number of sections:

Annual Remuneration Report

This Annual Remuneration Report, together with the Annual Statement on pages 140 to 143, will be put to shareholders for an advisory (non-binding) vote at the AGM to be held on 16 May 2024. 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 2023. The table below sets out the way that the Policy was implemented in 2023/24 and any significant changes in the way it will be implemented in 2024/25.

Element of remuneration	Policy implemented during 2023/24 and changes in 2024/25
Base salary	Base salaries for the executives in the year ahead will increase by 4% compared with base salary increases on average of 8.8% for the wider Company award. In July 2024, Jonathan Blanchard will join the Board as Chief Financial Officer. The base annual salaries for the executive directors for 2024/25 (from July 2024 for Jonathan Blanchard) are:

£000	2024/25	2023/24
Lord Wolfson	**944**	908
Amanda James	**575**	553
Richard Papp	**557**	536
Jane Shields	**557**	536
Jeremy Stakol	**499**	480
Jonathan Blanchard	**575**	n/a

Element of remuneration	Policy implemented during 2023/24 and changes in 2024/25
Annual bonus	For the year to January 2024, performance targets were set based on requiring pre-tax EPS of at least 656.5p (-6.4% on 2022/23), adjusted for special dividends and excluding exceptionals. At this threshold, a 12% of maximum bonus was payable. A maximum bonus of 100% and 150% of salary for the executive directors and Chief Executive respectively was payable if pre-tax EPS growth was +2.6% (719.8p). Underlying pre-tax EPS growth achieved in the year was +6.8% versus 2022/23, being an EPS of 749.1p. In accordance with the bonus formula, maximum bonus was earned which the Committee considered to be appropriate and approved without adjustment. For the year to January 2025, whilst no change will be made to the bonus structure overall, the Committee has decided to increase the cap on executive director bonuses from 100% to 150%. As noted in the Annual Statement, this change will, at least initially, only impact payout levels to executive directors once the level of performance that currently results in a maximum bonus of 100% is exceeded, with any excess above 100% to be paid in shares, held for two years. 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, 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.
LTIP	No change. See Note 4 to the single total figure of remuneration table for details of LTIP vestings in the year. LTIP grants in 2024/25 will be made on the same basis as the 2023/24 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). See page 163 for details of the performance conditions applied to LTIPs.
Recovery and withholding provisions	No change. The Committee previously introduced recovery and withholding provisions in the service contracts of all executive directors to cover the bonus and LTIP, with the latter covered for five years from the date of the initial grant (comprising the three year vesting period and a two year holding period for any shares that vest, net of tax, under the relevant grant). See page 167 for details of the malus and clawback provisions in the service contracts of the executive directors.
Chairman and non-executive director fees	The fees of the Chairman and non-executive directors will be increased by 4% from 1 April 2024. The Chairman, Michael Roney, will be paid an annual fee of £396,911 (2023/24: £381,646). The basic non-executive director fee for 2024/25 will increase to £76,440 (2023/24: £73,500), with a further £21,840 (2023/24: £21,000) paid to the Chairman of each of the Audit and Remuneration Committees respectively, and £13,104 (2023/24: £12,600) paid to the Senior Independent Director.
Pension	With effect from April 2024, Lord Wolfson will receive a Company contribution into a DC scheme and/or salary supplement which in total will be 5% of his pensionable earnings as at October 2012 (being a contribution of £35k). This contribution is in addition to the 15% salary supplement paid to Lord Wolfson since 2012 which is in lieu of past changes to his pension. The total of Lord Wolfson's Company contribution and salary supplement will be 19% of his 2024/25 salary, 5 percentage points lower than the current capped DB pension accrual plus salary supplement of 24% he currently receives. See the Annual Statement, page 142 for further details. The value of overall pension provision is consistent with the wider workforce for each director compared with colleagues with an equivalent length of service.
Shareholding requirement	No change.
Post cessation shareholding requirement	No change.
Other benefits	No change.
Save As You Earn scheme (Sharesave)	No change.

Single total figure of remuneration (audited information)

Directors' remuneration

£000	Salary/fees		Benefits[1]		Pension[2]		Total fixed		Annual bonus[3]		LTIP[4]		Sharesave		Total variable		Total remuneration	
	Fixed remuneration								Variable remuneration									
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
Chairman																		
Michael Roney	**382**	363	**–**	–	**–**	–	**382**	363	**–**	–	**–**	–	**–**	–	**–**	–	**382**	363
Executive directors																		
Lord Wolfson	**908**	865	**36**	51	**136**	208	**1,080**	1,124	**1,362**	701	**2,072**	704	**6**	–	**3,440**	1,405	**4,520**	2,529
Amanda James	**553**	527	**24**	23	**28**	26	**605**	576	**553**	285	**1,262**	428	**–**	–	**1,815**	713	**2,420**	1,289
Richard Papp	**536**	510	**24**	24	**27**	26	**587**	560	**536**	275	**1,223**	416	**–**	–	**1,759**	691	**2,346**	1,251
Jane Shields	**536**	510	**11**	10	**80**	77	**627**	597	**536**	275	**1,223**	416	**5**	–	**1,764**	691	**2,391**	1,288
Jeremy Stakol*	**400**	n/a	**19**	n/a	**1**	n/a	**420**	n/a	**400**	n/a	**381**	n/a	**–**	n/a	**781**	n/a	**1,201**	n/a
Non-executive directors																		
Jonathan Bewes	**107**	102	**–**	–	**–**	–	**107**	102	**–**	–	**–**	–	**–**	–	**–**	–	**107**	102
Soumen Das	**74**	70	**–**	–	**–**	–	**74**	70	**–**	–	**–**	–	**–**	–	**–**	–	**74**	70
Tom Hall	**95**	90	**–**	–	**–**	–	**95**	90	**–**	–	**–**	–	**–**	–	**–**	–	**95**	90
Tristia Harrison	**74**	70	**–**	–	**–**	–	**74**	70	**–**	–	**–**	–	**–**	–	**–**	–	**74**	70
Dame Dianne Thompson	**74**	70	**–**	–	**–**	–	**74**	70	**–**	–	**–**	–	**–**	–	**–**	–	**74**	70
	3,739	3,177	**114**	108	**272**	337	**4,125**	3,622	**3,387**	1,536	**6,161**	1,964	**11**	–	**9,559**	3,500	**13,684**	7,122

* Jeremy Stakol was appointed to the Board as an executive director on 3 April 2023. Values disclosed for salary, benefits, pension and bonus relate only to the period of his executive directorship. Jeremy Stakol was granted phantom LTIP awards prior to joining the Board, see page 154 for further information. These mirror the conditional LTIP awards in all respects, save for being cash settled. Executive director bonus (100%) was applied to Jeremy's full year salary as Jeremy had started his transition to the role prior to the date he joined the Board.

Total emoluments paid to directors (salary/fees, benefits, salary supplements and annual bonus) for the year to January 2024 were £7,506,000 (2023: £5,078,000).

Note 1: Benefits

	Car/chauffeur charges/cash allowance		Fuel		Medical insurance and NEXT clothing allowance		Total	
	2023/24 £000	2022/23 £000	2023/24 £000	2022/23 £000	2023/24 £000	2022/23 £000	2023/24 £000	2022/23 £000
Lord Wolfson	**30**	44	**2**	4	**4**	3	**36**	51
Amanda James	**21**	20	**1**	1	**2**	2	**24**	23
Richard Papp	**21**	21	**–**	–	**3**	3	**24**	24
Jane Shields	**6**	6	**2**	2	**3**	2	**11**	10
Jeremy Stakol	**17**	n/a	**–**	n/a	**2**	n/a	**19**	n/a

Note 2: Pension

Lord Wolfson is accruing pensionable service under the defined benefit supplemental pension arrangement. See page 151 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. See also page 142 for details of forthcoming changes to Lord Wolfson's pension arrangements.

DB pension values are calculated using the method required by remuneration regulations, 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 related benefits.

The DB pension entitlement of Lord Wolfson accrued during the year is as follows:

	Age at January 2024	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	56	29	496	37	(10)

As Lord Wolfson's change in accrued pension net of inflation is negative, the value in the single figure for remuneration table in respect of this is zero.

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 a NEXT defined contribution scheme. For just over two months of this year Amanda made a contribution equal to 5% of her salary into her pension plan which was matched by the Company (2022/23: 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 same defined contribution scheme who have exceeded the Annual limits.

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 scheme and a NEXT defined contribution pension scheme and receives a supplement of 5% of base salary. See above for information regarding Amanda James' cash supplement.

Note 3: Annual bonus

For the year to January 2024, performance targets were set based on requiring pre-tax EPS of at least 656.5p (-6.4% on 2022/23), adjusted for special dividends and excluding exceptionals. At this threshold, a 12% of maximum bonus was payable.

A maximum bonus of 100% and 150% of salary for the executive directors and Chief Executive respectively was payable if pre-tax EPS growth was +2.6% (719.8p).

Growth in pre-tax EPS excluding exceptionals achieved in the year, was +6.8% versus 2022/23, being 749.1p. In accordance with the bonus formula, maximum bonus was earned which the Committee considered to be appropriate and approved without adjustment, for the reasons set out on page 140. In the case of the Chief Executive, 2023/24 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.

Note 4: LTIP

Two awards reached the end of their performance periods during the financial year and the vesting results are shown in the tables below. 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.

Note 4 continued overleaf.

REMUNERATION REPORT

TSR compared with comparator group for performance period ending	Threshold (20%)	Maximum (100%)	Actual position in comparator group	Vesting percentage	Share price at vest
July 2023	Median	Upper quintile	6/20	63%	£73.12
January 2024	Median	Upper quintile	5/20	89%	£79.80[1]

1. This is the average NEXT share price over the final three months of the financial year and has been used in the single figure table to estimate the value of this award as it has not yet vested.

	Total number of awards granted	Value of award at grant (£000)	End of performance period	Vesting percentage	Number of awards vesting	Vesting date	Value attributable to share price movement (£000)	Value of LTIP shares vesting (£000)	Values of dividend equivalents (£000)	Value of LTIP award (single figure) (£000)
Simon Wolfson	20,757	1,024	July 2023	63%	13,077	Sept 2023	311	956	87	1,043
	13,178	927	January 2024	89%	11,728	April 2024	111	936	93	1,029
Amanda James	12,639	623	July 2023	63%	7,963	Sept 2023	190	582	53	635
	8,024	564	January 2024	89%	7,141	April 2024	68	570	57	627
Richard Papp	12,252	604	July 2023	63%	7,719	Sept 2023	184	564	51	615
	7,779	547	January 2024	89%	6,923	April 2024	66	553	55	608
Jane Shields	12,252	604	July 2023	63%	7,719	Sept 2023	184	564	51	615
	7,779	547	January 2024	89%	6,923	April 2024	66	553	55	608
Jeremy Stakol	2,949	145	July 2023	63%	1,858	Sept 2023	44	136	12	148
	2,986	210	January 2024	89%	2,658	April 2024	25	212	21	233

LTIP values included in the single figure table for the 2022/23 comparative figures have been updated to reflect the actual market values of the LTIP awards that vested on 3 April 2023 of £64.52.

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 disclosure

When developing the remuneration policy and considering its implementation, the Committee was mindful of the UK Corporate Governance Code and considers that the executive remuneration framework appropriately addresses the following factors:

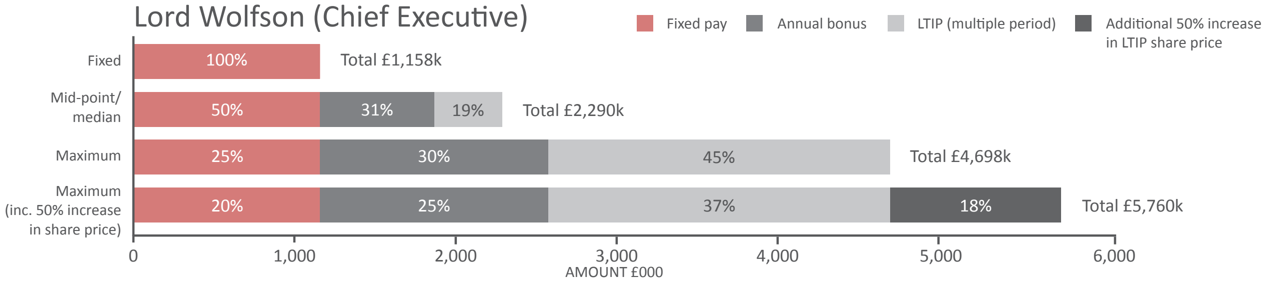
- Clarity – NEXT's incentive pay arrangements are based entirely on objective financial performance targets. This provides clarity to all stakeholders on the relationship between pay and performance.
- Simplicity – Remuneration arrangements for our executives are simple and the principles which underpin 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

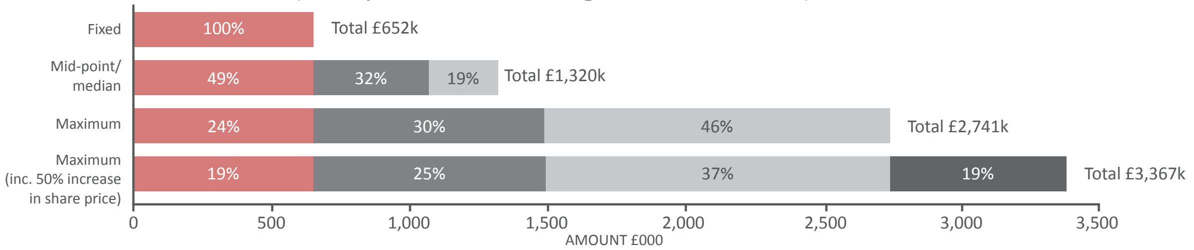
The Committee's objective is to ensure that the remuneration paid to senior executives is appropriate in both amount and structure, is directly linked to the Company's annual and longer term performance and is aligned with the interests of shareholders. Careful consideration is given to ensuring there is an appropriate balance in the remuneration structure between annual and long term rewards, as well as between cash and share- based payments.

The 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. The chart for Jonathan Blanchard is on a full year basis and we have not included a chart for Amanda James as she will step down from the Board in July.

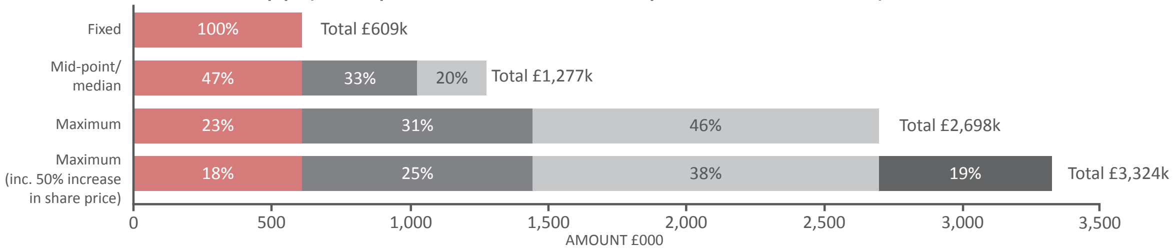
Lord Wolfson (Chief Executive)



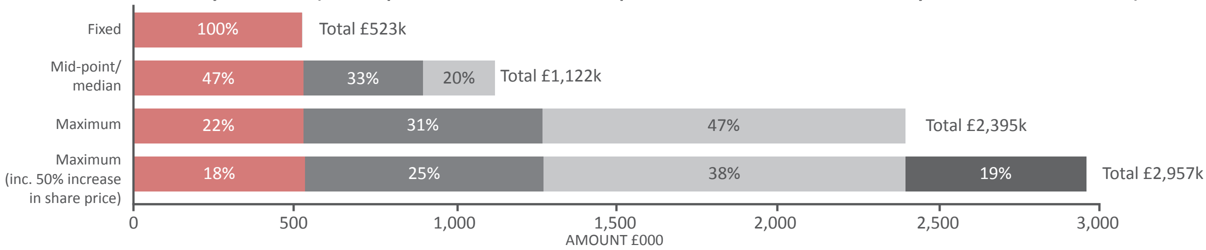
Jane Shields (Group Sales, Marketing and HR Director)



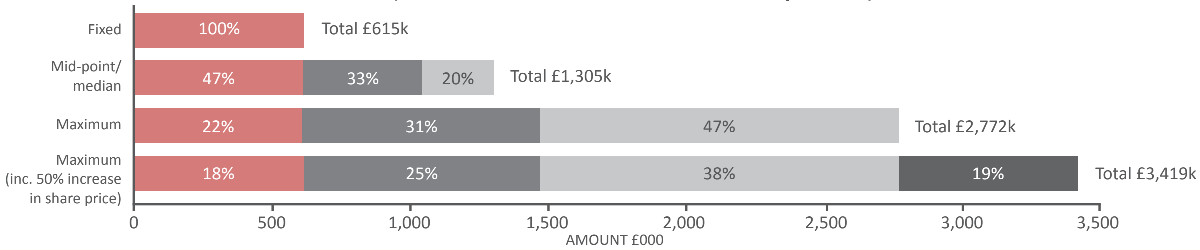
Richard Papp (Group Merchandise and Operations Director)



Jeremy Stakol (Group Investments, Acquisitions and Third Party Brands Director)



Jonathan Blanchard (Chief Financial Officer from July 2024)



REMUNERATION REPORT

In the charts on page 149, the following assumptions have been made:	
Fixed/minimum	Base salaries and salary supplement values as at 2024/25, and benefits values as shown in 2023/24 single figure of remuneration. The pension value for Lord Wolfson has been set at 19% of his salary (see pages 142 and 145).
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: • Maximum bonus at 150% of salary. • 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

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

Pension entitlements (audited information)

Lord Wolfson, Jane Shields and Richard Papp are deferred members of the defined benefit 2013 Plan, which has been approved by HMRC. Amanda James is an active member and Richard Papp is a deferred member of a NEXT defined contribution scheme. Jeremy Stakol is an active member of a defined contribution scheme. In addition, Lord Wolfson is accruing service in an unfunded, unapproved supplementary pension arrangement (see below).

Lord Wolfson and a small number of senior employees are entitled to receive a pension of two thirds of pensionable earnings as at October 2012 on retirement at age 65, which accrues uniformly throughout their pensionable service, subject to completion of at least 20 years' pensionable service by age 65. The deferred defined benefit pensions for Jane Shields and Richard Papp are based on their pensionable earnings at the time they became deferred pensioners and accrued uniformly throughout their pensionable service.

Since shortly after joining NEXT in 1991, Lord Wolfson has been a member of a DB pension scheme, as was the normal practice at NEXT and across the market more widely at the time. In 2012, the value of Lord Wolfson's DB pension benefits was reduced when his salary was frozen for DB pension purposes and he began to receive a 15% salary supplement as part of this renegotiation of terms by the Company.

With effect from February 2020, Lord Wolfson 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.

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. See page 142 for details on forthcoming changes to Lord Wolfson's pension arrangements.

Save for Jeremy Stakol, our other executive directors receive pension contributions and/or salary supplements of 15% of salary and 5% of salary. These are consistent with the levels available to staff at the time they joined and, therefore, consistent with the benefits enjoyed by other staff with an equivalent length of service. For many years, employees promoted to the Board have not received any enhancement to their pension provision on joining the Board.

Currently, the DB Plan 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 made contributions at the rate of 38% for the majority of the year. Certain members (including Lord Wolfson) whose accrued or projected pension fund value exceeded 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 Plan and either joining the defined contribution scheme (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 21 to the financial statements.

REMUNERATION REPORT

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]	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Lord Wolfson[4]	**1,391,790**	1,441,859	**6,938**	6,938	**85,200**	85,331	**270**	344
Jonathan Bewes	**1,750**	1,750	**–**	–	**–**	–	**–**	–
Soumen Das	**1,289**	1,289	**–**	–	**–**	–	**–**	–
Tom Hall	**10,000**	10,000	**–**	–	**–**	–	**–**	–
Dame Tristia Harrison	**1,000**	1,000	**–**	–	**–**	–	**–**	–
Amanda James	**26,468**	44,381	**–**	–	**51,879**	51,959	**38**	287
Richard Papp	**17,216**	24,732	**–**	–	**50,292**	50,369	**139**	139
Michael Roney	**54,821**	54,821	**–**	–	**–**	–	**–**	–
Jane Shields	**59,493**	53,552	**–**	–	**50,292**	50,369	**262**	323
Jeremy Stakol[5]	**165,770**	n/a	**–**	n/a	**20,752**	n/a	**186**	n/a
Dame Dianne Thompson	**nil**	nil	**–**	–	**–**	–	**–**	–

1. Full details of the basis of allocation and terms of the deferred bonus are set out on page 162.
2. The LTIP amounts above are the maximum potential conditional share awards that may vest subject to performance conditions described on page 163.
3. Executive directors can participate in the Company's Sharesave scheme (see details on page 165) and the amounts above are the options which will become exercisable at maturity.
4. The connected persons of Lord Wolfson include The Charles Wolfson Charitable Trust which held 164,058 shares as at 27 January 2024 (2023: 164,058).
5. Includes shares held jointly with spouse.

There have been no changes to the directors' interests in the shares of the Company from the end of the financial year to 21 March 2024.

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 2023/24 financial year end, the 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 year end	Shareholding guidelines achieved
Lord Wolfson	February 1997	10,788%	Yes
Amanda James	April 2015	382%	Yes
Richard Papp	May 2018	256%	Yes
Jane Shields	July 2013	886%	Yes
Jeremy Stakol	April 2023	2,756%	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 apply and are 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	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 2020	11,955	–	243	(3,830)	(8,368)	–	68.49	nil	64.52	Jan 2023
	Sept 2020	20,757	–	1,185	(14,262)	(7,680)	–	49.31	nil	73.12	Jul 2023[3]
	Apr 2021	13,178	–	–	–	–	13,178	70.32	nil	–	Jan 2024[3]
	Sept 2021	11,615	–	–	–	–	11,615	79.78	nil	–	Jul 2024
	Mar 2022	12,245	–	–	–	–	12,245	79.46	nil	–	Jan 2025
	Sept 2022	15,581	–	–	–	–	15,581	62.45	nil	–	Jul 2025
	Mar 2023	–	17,387	–	–	–	17,387	58.76	nil	–	Jan 2026
	Sept 2023	–	15,194	–	–	–	15,194	67.24	nil	–	Jul 2026
		85,331					**85,200**				
Deferred bonus	Apr 2022	**6,938[4]**	–	–	–	–	**6,938**	59.36	nil	–	Apr 2024
Sharesave	Oct 2018	**344**	–	–	(344)	–	–	–	43.48	80.42	Dec 2023– Jun 2024
	Oct 2023	–	270	–	–	–	270	–	58.50	–	Dec 2028– Jun 2029
		344					**270**				
Amanda James											
LTIP	Mar 2020	7,280	–	147	(2,332)	(5,095)	–	68.49	nil	64.52	Jan 2023
	Sept 2020	12,639	–	722	(8,685)	(4,676)	–	49.31	nil	73.12	Jul 2023[3]
	Apr 2021	8,024	–	–	–	–	8,024	70.32	nil	–	Jan 2024[3]
	Sept 2021	7,073	–	–	–	–	7,073	79.78	nil	–	Jul 2024
	Mar 2022	7,456	–	–	–	–	7,456	79.46	nil	–	Jan 2025
	Sept 2022	9,487	–	–	–	–	9,487	62.45	nil	–	Jul 2025
	Mar 2023	–	10,587	–	–	–	10,587	58.76	nil	–	Jan 2026
	Sept 2023	–	9,252	–	–	–	9,252	67.24	nil	–	Jul 2026
		51,959					**51,879**				
Sharesave	Oct 2018	249	–	–	(249)	–	–	–	43.48	80.42	Dec 2023– Jun 2024
	Oct 2021	38	–	–	–	–	38	–	64.53	–	Dec 2024– Jun 2025
		287					**38**				
Richard Papp											
LTIP	Mar 2020	7,057	–	143	(2,261)	(4,939)	–	68.49	nil	64.52	Jan 2023
	Sept 2020	12,252	–	698	(8,417)	(4,533)	–	49.31	nil	73.12	Jul 2023[3]
	Apr 2021	7,779	–	–	–	–	7,779	70.32	nil	–	Jan 2024[3]
	Sept 2021	6,856	–	–	–	–	6,856	79.78	nil	–	Jul 2024
	Mar 2022	7,228	–	–	–	–	7,228	79.46	nil	–	Jan 2025
	Sept 2022	9,197	–	–	–	–	9,197	62.45	nil	–	Jul 2025
	Mar 2023	–	10,263	–	–	–	10,263	58.76	nil	–	Jan 2026
	Sept 2023	–	8,969	–	–	–	8,969	67.24	nil	–	Jul 2026
		50,369					**50,292**				
Sharesave	Oct 2021	**139**	–	–	–	–	**139**	–	64.53	–	Dec 2024– Jun 2025

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	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 2020	7,057	–	143	(2,261)	(4,939)	–	68.49	nil	64.52	Jan 2023
	Sept 2020	12,252	–	698	(8,417)	(4,533)	–	49.31	nil	73.12	Jul 2023[3]
	Apr 2021	7,779	–	–	–	–	7,779	70.32	nil	–	Jan 2024[3]
	Sept 2021	6,856	–	–	–	–	6,856	79.78	nil	–	Jul 2024
	Mar 2022	7,228	–	–	–	–	7,228	79.46	nil	–	Jan 2025
	Sept 2022	9,197	–	–	–	–	9,197	62.45	nil	–	Jul 2025
	Mar 2023	–	10,263	–	–	–	10,263	58.76	nil	–	Jan 2026
	Sept 2023	–	8,969	–	–	–	8,969	67.24	nil	–	Jul 2026
		50,369					**50,292**				
Sharesave	Oct 2018	282	–	–	(282)	–	–	–	43.48	80.42	Dec 2023–Jun 2024
	Oct 2021	41	–	–	–	–	41	–	64.53	–	Dec 2026–Jun 2027
	Oct 2023	–	221	–	–	–	221		58.50	–	Dec 2028–Jun 2029
		323					**262**				
Jeremy Stakol											
LTIP	Mar 2020[5]	2,123	–	43	(680)	(1,486)	–	68.49	nil	64.52	Jan 2023
	Sept 2020[5]	2,949	–	169	(2,027)	(1,091)	–	49.31	nil	73.12	Jul 2023[3]
	Apr 2021[5]	2,986	–	–	–	–	2,986	70.32	nil	–	Jan 2024[3]
	Sept 2021[5]	2,632	–	–	–	–	2,632	79.78	nil	–	Jul 2024
	Mar 2022[5]	2,775	–	–	–	–	2,775	79.46	nil	–	Jan 2025
	Sept 2022	3,531	–	–	–	–	3,531	62.45	nil	–	Jul 2025
	Mar 2023	–	9,190	–	–	–	9,190	58.76	nil	–	Jan 2026
	Sept 2023	–	8,031	–	–	–	8,031	67.24	nil	–	Jul 2026
		16,996					**29,145**				
Sharesave	Oct 2022	**186**	–	–	–	–	**186**	–	38.69		Dec 2025 – Jun 2026

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 148 for details of the performance conditions and vesting levels applicable to the LTIP schemes with performance periods ending in the financial year 2023/24. For grants vesting from September 2020, the awards are increased to reflect dividends paid over the period from grant to vesting (assuming reinvestment at the prevailing share price) with such shares added on vesting.
4. The face value of the deferred bonus award to Lord Wolfson equated to £411k, being the portion of his annual bonus for the year to January 2022 in excess of 100% of base salary. The share price used to determine the award was the closing NEXT plc share price on 26 April 2022, which was the date the cash element of the bonus was paid.
5. Jeremy Stakol was granted phantom LTIP awards prior to joining the Board. These mirror the conditional LTIP awards in all respects save for being cash settled.

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 2023/24 year totalled £3,629,000 (2022/23: £3,781,000 – LTIP awards only). 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 2024 (audited information)

LTIP	
Face value	In respect of the LTIP conditional share awards granted during the year 2023/24, 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. Awards are granted twice a year at 112.5% of base salary.

	Mar 2023 £000	Sept 2023 £000	Total £000
Lord Wolfson	1,021	1,021	2,042
Amanda James	622	622	1,244
Richard Papp	603	603	1,206
Jane Shields	603	603	1,206
Jeremy Stakol	540	540	1,080

Vesting if minimum performance achieved	20% of the entitlement will be earned for relative TSR at median. Full vesting requires relative TSR in the upper quintile.
Performance period	March 2023 grant: three years to January 2026. September 2023 grant: three years to July 2026.
Performance measures	Performance is measured over a period of three years. Currently performance is measured based on NEXT's TSR against a group of other UK listed retail companies.

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 companies in the TSR comparator group for awards granted during the financial year are in the table on page 156.

Dividend roll-up	The award may be increased to reflect dividends paid over the period from grant to vesting (assuming reinvestment at the prevailing share price).

Deferred bonus

In addition to the scheme interests detailed above, any annual bonus in excess of 100% of base salary is payable in shares, deferred for a period of two years and subject to forfeiture if the executive voluntarily resigns prior to the end of that period. 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 value of the 2023/24 deferred bonus payable to the Chief Executive (£454k) is included in the single total figure of remuneration on page 146.

REMUNERATION REPORT

Performance targets for outstanding LTIP awards (audited information)

Details of the comparator groups for the LTIP three year performance periods commencing August 2020 are shown below.

	Performance period commencing:						
Comparator Group Companies	Aug 20	Feb 21	Aug 21	Feb 22	Aug 22	Feb 23	Aug 23
AO World	✓	✓	✓	✓	✓	✓	✓
ASOS	✓	✓	✓	✓	✓	✓	✓
B&M European Value Retail	✓	✓	✓	✓	✓	✓	✓
Boohoo	✓	✓	✓	✓	✓	✓	✓
Burberry	✓	✓	✓	✓	✓	✓	✓
Currys	✓	✓	✓	✓	✓	✓	✓
DFS	✓	✓	✓	✓	✓	✓	✓
Dr Martens	X	X	X	X	✓	✓	✓
Dunelm	✓	✓	✓	✓	✓	✓	✓
Halfords	✓	✓	✓	✓	✓	✓	✓
J Sainsbury	✓	✓	✓	✓	✓	✓	✓
JD Sports Fashion	✓	✓	✓	✓	✓	✓	✓
Kingfisher	✓	✓	✓	✓	✓	✓	✓
Marks and Spencer	✓	✓	✓	✓	✓	✓	✓
N Brown	✓	✓	✓	✓	✓	✓	✓
Pets at Home	✓	✓	✓	✓	✓	✓	✓
Studio Retail Group[1]	✓	✓	✓	X	X	X	X
Ted Baker[2]	✓	✓	X	X	X	X	X
Tesco	✓	✓	✓	✓	✓	✓	✓
Watches of Switzerland	X	X	✓	✓	✓	✓	✓
WH Smith	✓	✓	✓	✓	✓	✓	✓

1. Studio Retail Group went into administration in February 2022, for all in-flight schemes its TSR will be set to -100%.
2. Ted Baker was delisted in October 2022. Following our established practice, it was removed from the comparator group for awards where less than 18 months of the performance period had elapsed (i.e. performance periods commencing August 2021 and February 2022).

Payments to past directors (audited information)

There were no payments made to past directors during the 2023/24 financial year.

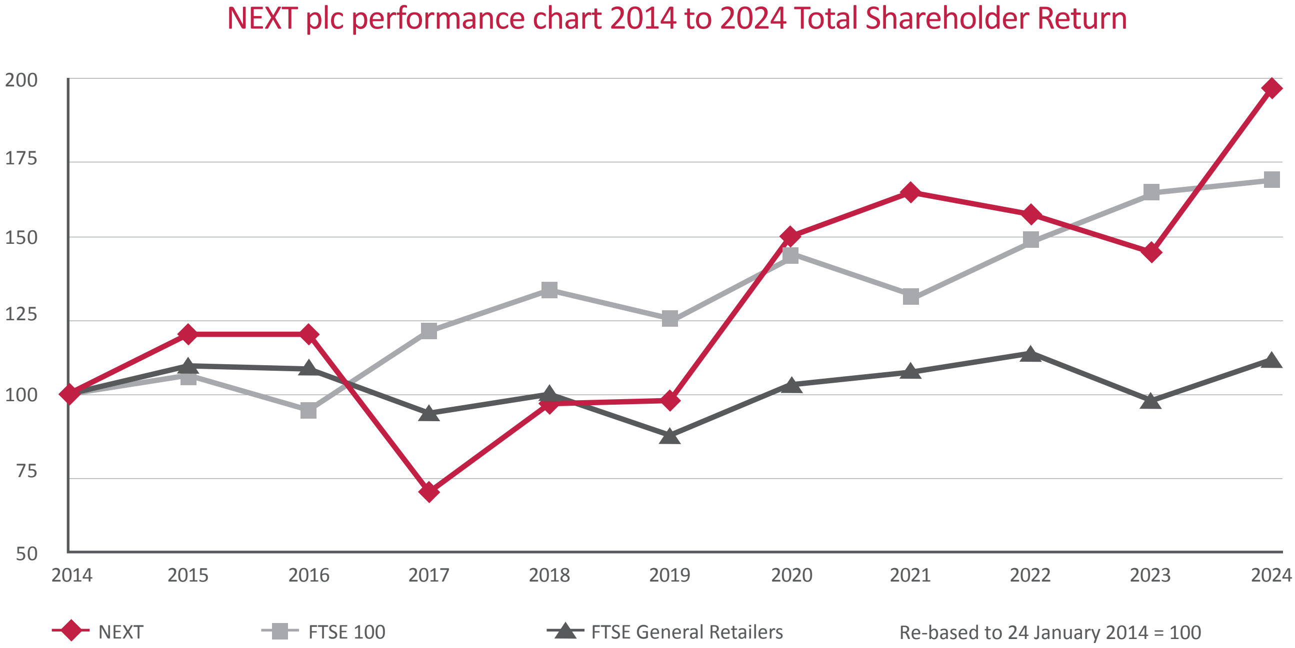
Payments for loss of office (audited information)

There were no payments made to any director in respect of loss of office during the 2023/24 financial year.

Performance and CEO remuneration comparison

Performance graph

The graph below illustrates the TSR performance of the Company when compared with the FTSE 100 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 2024.



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
2015	4,660	100%	Two semi-annual awards vested at 100% each and 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%[2]	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	4,148	100%	Two semi-annual awards vested at 83% and 80%	n/a
2023	2,529	54%	Two semi-annual awards vested at 62% and 30%	n/a
2024	4,520	100%	Two semi-annual awards vested at 63% and 89%	n/a

1. The maximum bonus for the Chief Executive is 150% of salary.
2. 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.

REMUNERATION REPORT

Annual change in remuneration of each director compared to employees

The table below shows the year on year percentage changes in the directors' remuneration (i.e. salary, taxable benefits and annual bonus) over the last four years 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 88% 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			
	2023/24	2022/23	2021/22	2020/21[1]	**2023/24**	2022/23	2021/22	2020/21	**2023/24**	2022/23	2021/22	2020/21
Executive directors												
Lord Wolfson	**5%**	5%	6%	-3%	**-31%**	-1%	26%	-13%	**94%**	-43%	100%	-100%
Amanda James	**5%**	5%	6%	-3%	**1%**	5%	–	-8%	**94%**	-43%	100%	-100%
Richard Papp	**5%**	5%	6%	-3%	**–**	1%	–	–	**94%**	-43%	100%	-100%
Jane Shields	**5%**	5%	6%	-3%	**4%**	14%	-78%	–	**94%**	-43%	100%	-100%
Non-executive directors												
Michael Roney	**5%**	5%	6%	-3%	**–**	–	–	–	**–**	–	–	–
Jonathan Bewes[2]	**5%**	28%	18%	-3%	**–**	–	–	–	**–**	–	–	–
Soumen Das[3,5]	**5%**	18%	n/a	n/a	**–**	–	–	–	**–**	–	–	–
Tom Hall[4,5]	**5%**	33%	21%	n/a	**–**	–	–	–	**–**	–	–	–
Dame Tristia Harrison	**5%**	18%	6%	-3%	**–**	–	–	–	**–**	–	–	–
Dame Dianne Thompson	**5%**	18%	6%	-3%	**–**	–	–	–	**–**	–	–	–
UK/Eire Employees (average per FTE)	**12%**	8%	5%	2%	**-6%**	-7%	-10%	4%	**91%**	-51%	510%	-73%

1. The directors took a 20 per cent voluntary reduction in salary/fees during the initial 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 Remuneration Committee Chairman during 2021/22.
5. The 2021/22 percentage changes in base salary for Tom Hall and Soumen Das are calculated on an annualised basis.

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 146) 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
2023/24	Option B	226:1	202:1	152:1
2022/23	Option B	127:1	114:1	80:1
2021/22	Option B	265:1	232:1	190:1
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 2023. 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. The Committee has considered the methodology and is confident the employees identified are reasonably representative since the structure of their remuneration arrangements is in line with that of the majority of the UK workforce. We consider that these ratios are broadly appropriate in the context of comparison with other retailers.

The base salary and total remuneration received during the financial year by the indicative employees on a full-time equivalent basis used in the above analysis are set out below:

	25th percentile	50th percentile (median)	75th percentile
Base salary	£19,965	£20,465	£27,412
Total remuneration	£19,965	£22,407	£29,833

The ratios disclosed above are affected by the following factors:

- Of our UK workforce of 41,000, around 87% 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 2023/24 as compared to 2022/23 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. 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
2023/24	£907.4m	£177.3m	£248.3m
2022/23	£772.3m	£224.0m	£237.4m
% change	+17.5%	-20.8%	+4.6%

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 26 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 and the Chairman:

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

Attendance at Committee meetings is shown on page 127.

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 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.

REMUNERATION REPORT

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 and FIT Remuneration Implementation LLP (together 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. 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. FIT and Deloitte were appointed by the Committee based on their expertise in the relevant areas of interest.

During the year FIT was paid circa £29k 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	18 May 2023	82,611,467	84.0	15,751,694	16.0	98,363,161	76.6	65,153
To approve the 2022/23 Remuneration Report	18 May 2023	93,122,833	94.8	5,114,357	5.2	98,237,190	76.5	190,866

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 166. 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:

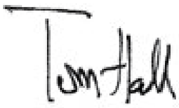
	Date of appointment to Board	Notice period where given by the Company	Notice period where given by the director
Chairman			
Michael Roney	14 February 2017*	12 months	6 months
Executive directors			
Lord Wolfson	3 February 1997	12 months	6 months
Amanda James	1 April 2015	12 months	6 months
Richard Papp	14 May 2018	12 months	6 months
Jane Shields	1 July 2013	12 months	6 months
Jeremy Stakol	3 April 2023	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
Dame Tristia Harrison	25 September 2018	1 month	1 month
Dame Dianne Thompson	1 January 2015	1 month	1 month

* Appointed Chairman 2 August 2017

Part 3: Remuneration Policy Table

The following table summarises the Company's policies with regard to each of the elements of remuneration for existing directors, as approved by shareholders on 18 May 2023 and is provided for ease of reference only. **This is an extract of the policy report and has not been amended in any way. However, as noted earlier in this report (see page 141) and as permitted under the policy, the Committee has decided to increase the bonus opportunity for the executive directors to 150%, noting that this higher payout will only occur once performance levels of the Company are above those that, under current arrangements, would trigger the maximum pay out. See also page 142 for details of forthcoming changes to Lord Wolfson's pension arrangements.** The full Remuneration Policy is set out in the January 2023 Annual Report, pages 138 to 149, which is available on our corporate website nextplc.co.uk.

A shareholder vote on Remuneration Policy is not required in 2024.



Tom Hall
Chairman of the Remuneration Committee

21 March 2024

Remuneration Policy table, as approved in 2023. 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 £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 accordance with the Remuneration Policy approved in 2017.

Performance measures and targets

Not applicable.

Key changes to last approved policy

No change.

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). Typically, 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 149, 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 in lieu of share buybacks.

Key changes to last approved policy

No change.

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) 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 19 other UK listed retail companies) which are, in the view of the Committee, broadly 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

No change.

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 (subject to a cap, see opposite) in an unfunded, unapproved supplementary pension arrangement (SPA), described on page 151. 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. This arrangement was in line with other senior employee members of the DB section of the Plan.

Amanda James participates in a defined contribution pension scheme 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 same defined contribution pension scheme 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 scheme 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

No change.

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. 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 is 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 160. 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 2017 Remuneration Policy, 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 2017 Remuneration Policy, 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 change.

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; insolvency of any group company; 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

No change.

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 £1,000,000 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 change.

The policies as set out above would apply to the promotion of an existing Group employee to the Board .

DIRECTORS' REPORT

Information contained in the 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) (see page 102).
- Likely future developments.
- Risk management (see pages 78 to 86).
- Details on how the directors have had regard to the need to foster business relationships with stakeholders (see page 112).
- Greenhouse gas emissions (see page 90 for our Streamlined Energy and Carbon Reporting (SECR) disclosures and page 92 for our GHG Emissions).

Financial instruments

Information on financial instruments and the use of derivatives is given in Notes 27 to 30 to the financial statements.

Post balance sheet events

See Note 36 of the financial statements.

Annual General Meeting

The 2024 Annual General Meeting (AGM) of NEXT plc will be held at Leicester Marriott Hotel, Smith Way, Grove Park, Leicester LE19 1SW on Thursday 16 May 2024 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 260.

Dividends

Information regarding dividends during 2023/24 is provided in the Strategic Report on page 65.

The Trustee of the NEXT ESOT has waived dividends paid in the year on the shares held by it. Please refer to Note 26 to the financial statements for further information.

Share capital and major shareholders

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

The Company was authorised by its shareholders at the 2023 AGM to purchase its own shares. During the financial year the Company purchased and cancelled 2,584,970 ordinary shares with a nominal value of 10 pence each (none of which were purchased off-market), at a cost of £177.3m and representing 2% of its issued share capital at the start of the year.

On 19 October 2023, the Company issued and allotted 745,912 ordinary shares of 10 pence each for £71.61 per share to satisfy part of the consideration for the purchase of FatFace.

At the financial year end 27 January 2024, the Company had 127,424,301 shares in issue.

As at 27 January 2024, 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 27 January 2024			
	No. of voting rights at date of notification	% of voting rights at date of notification	Nature of holding	Date of notification
BlackRock, Inc.	12,691,696	9.68	Indirect interest	17 May 2022
Invesco Limited	6,378,187	4.97	Indirect interest	24 May 2023
NEXT plc Employee Share Option Trust	6,330,231	4.96	Direct interest	19 December 2023
FMR LLC (Fidelity)	6,278,493	4.92	Indirect interest	14 November 2023
Norges Bank	3,862,059	2.99	Direct interest	21 October 2022

No changes to major shareholdings were disclosed to the Company after 27 January 2024 up to 20 March 2024.

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 2024 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 are required to hold certain shares for a set period and also 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 4 January 2024, NEXT published a Group profit before tax (GPBT) guidance forecast for the year to January 2024 of £905m. Actual GPBT for the period was £908m.
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 120 to 169, has been approved by the Board and is signed on its behalf by

AJames

Amanda James
Group Finance Director

21 March 2024

INDEPENDENT AUDITORS' 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 company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 27 January 2024 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 as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 & Accounts (the "Annual Report"), which comprise: consolidated and parent company balance sheets as at 27 January 2024; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity and the consolidated cash flow statement for the period then ended; the group accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

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 Note 3 to the consolidated financial statements, we have provided no non-audit services to the 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. Targeted specified procedures were performed over a further two components.
- All in-scope components were audited by the UK group engagement team.
- In addition, the group engagement team performed audit procedures over centralised functions and financial statement line items including goodwill, intangible assets, leases, taxation, treasury, post-retirement benefits, equity accounted investments, the group consolidation and financial statement disclosures, as well as audit procedures over business combinations.
- The components on which full scope audits, targeted specified procedures and centralised work was performed accounted for 84% of revenue, 82% of profit before tax and 92% 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)
- Valuation of acquired intangible assets (group)
- Defined benefit pension assumptions (group)
- Recoverability of investments (parent)

Materiality

- Overall group materiality: £45,400,000 (2023: £43,500,000) based on 5% of profit before tax before exceptional items.
- Overall company materiality: £27,000,000 (2023: £26,700,000) based on 1% of total assets.
- Performance materiality: £34,000,000 (2023: £32,625,000) (group) and £20,250,000 (2023: £20,000,000) (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.

Valuation of acquired intangible assets is a new key audit matter this year. Impairment of right-of-use assets and property, plant and equipment associated with Retail stores, and accounting for the Reiss and Joules investments, which were key audit matters last year, are no longer included because of the reduced risk of material misstatement in these areas. Otherwise, the key audit matters below are consistent with last year.

INDEPENDENT AUDITORS' 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 14 for customer and other receivables. 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, which is compounded by the inflationary and interest rate environment in the UK and therefore affordability. Having assessed the economic outlook and the limitations of any provisioning model to fully reflect inherent risk in the current economic environment, the group holds certain post-model adjustments to reflect the impact that the current cost of living pressures may have on customer payment behaviour, along with continued uncertainty surrounding the lasting impacts of the COVID period on household finance. 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, in particular those addressing the risk associated with customer affordability.	With the support of our financial services and credit risk modelling specialists, we performed the following procedures. We understood and critically assessed the appropriateness of the ECL accounting policy, model methodologies, and mathematical accuracy of the models 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 assessed the reasonableness and likelihood of the forward looking economic assumptions and weightings assigned to the scenarios using a benchmarking tool. We assessed their reasonableness against known or likely economic, political and other relevant events. The severity and magnitude of the unemployment forecasts were compared to external forecasts and data from historical economic downturns. Based on our knowledge and understanding of the limitations in management's models and emerging industry risks, we evaluated the appropriateness and completeness of the post model adjustments proposed by management. We tested on an aggregate basis the post-model adjustments held to address the impact that the current cost of living pressures may have on customer payment behaviour, along with continued uncertainty surrounding the lasting impacts of the COVID period on household finance, critically assessing the methodology applied and testing the underlying assumptions used in the calculation to supporting evidence. We also independently quantified and sensitised a customer affordability post-model adjustment, based on our own view of latent and inherent credit risk. We tested the ECL disclosures made by management to assess compliance with accounting standards. We found the application of key judgements and assumptions relating to the ECL provision to be consistent with the evidence obtained.
Net realisable valuation of inventories **Group** Refer to the audit committee report and the other areas 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.	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 assessed rates against actual profits observed on clearance stock in the financial period to assess whether they are consistent with the key assumptions used in the inventory provision model at the year end. We tested sales price post year-end in comparison to cost, to assess whether inventory items were held at the lower of cost and net realisable value. We recalculated the provision based on coverage levels seen in previous years and benchmarked against other retailers. We challenged management on the inclusion of specific judgemental parts of the provisions, in excess of calculations from recent trading results. We have performed sensitivity analysis over key judgements taken by management and assessed the impact of this sensitivity analysis on the provision value. We found that the provisions recorded were consistent with the evidence obtained.

Key audit matter	How our audit addressed the key audit matter
Valuation of acquired intangible assets **Group** Refer to the audit committee report, the major sources of estimation uncertainty and judgement within the group accounting policies and Note 34 for acquisition of subsidiaries. Under IFRS3, on acquisition, the acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. The acquired intangibles include material valuations attributable to the brands which are calculated based on assumptions and key inputs that are subject to significant estimation uncertainty.	With the support of our internal valuation specialists, we performed the following procedures. – assessed the reasonableness of the valuation methodologies, being the relief from royalty approach; – checked that the calculations (including terminal value and impact of discounting) were mathematically accurate; – assessed the reasonableness of the cash flows used in the calculations and evaluated the key assumptions used in the brand valuations, including discount rate, long term growth rate and royalty rate; – evaluated the reasonableness of the weighted average return on assets cross check and compared the proportion of intangible assets recognised, including goodwill, to recent comparable transactions in the market; and – assessed the adequacy of the disclosures in the financial statements. We found that the methodology, inputs and key assumptions supporting the valuations of the brand intangible assets were consistent with the evidence obtained.
Defined benefit pension assumptions **Group** Refer to the audit committee report, the major sources of estimation uncertainty and judgement within the group accounting policies and Note 21 for pension benefits. The defined benefit pension schemes obligation is calculated based on actuarial assumptions which are subject to significant estimation uncertainty and are also sensitive to changes.	We used actuarial specialists to review the key actuarial assumptions for the Original Plan, the 2013 Plan and the SPA. We ensured the sensitivity analysis disclosed in the financial statements was consistent with the actuarial report. We found that the assumptions utilised by NEXT in the pension obligation valuation were reasonable and within our expected ranges.
Recoverability of investments **Parent** Refer to Note C2 of the parent company financial statements for Investments. In accordance with IAS 36, the parent company's investments balance 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. IAS 36 requires an entity to determine whether there are indications that an impairment loss may have occurred and if so, make a formal estimate of the recoverable amount.	We evaluated whether there were any indicators of an impairment trigger in relation to the parent company's investments balance, with specific consideration given to the following: – the market capitalisation of the group, which 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, which are no worse than expected and are not expected to be worse in future periods; and – any significant changes with an adverse impact in relation to the technological, market, economic or legal environment in which NEXT Retail Limited operates, noting that there were no such changes. We consider management's conclusion that there are no indicators of impairment to be appropriate.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEXT PLC

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 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 57 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).

Targeted specified procedures were also performed over two other components which held balances of significance to the group financial statements.

The group engagement team performed audit procedures over centralised functions and financial statement line items including goodwill, intangible assets, leases, taxation, treasury, post-retirement benefits, equity accounted investments, the group consolidation and financial statement disclosures, as well as audit procedures over business combinations. The Group engagement team also performed analytical procedures on all insignificant components.

The components on which full scope audits, targeted specified procedures and centralised work was performed accounted for 84% of revenue, 86% of profit before tax and 94% of total assets.

The parent company is comprised of one reporting unit which was subject to a full scope audit by the group engagement team for the purposes of the parent company financial statements.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process adopted to assess the extent of the potential impact of climate risk on the financial statements and to support the disclosures made within the Strategic Report.

Our risk assessment was based on this enquiry as well as review of NEXT's most recent corporate responsibility reporting and climate-related commitments.

As detailed in the group accounting policies, management considers that the impact of climate risk does not give rise to a material financial statement impact.

We evaluated management's disclosures based on our knowledge of the business, including from our testing of right-of-use assets and property plant and equipment, which were considered to be the assets at most risk of the effects of climate change.

We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) within the Annual Report with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 27 January 2024.

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 – company
Overall materiality	£45,400,000 (2023: £43,500,000).	£27,000,000 (2023: £26,700,000).
How we determined it	5% of profit before tax before exceptional items.	1% of total assets.
Rationale for benchmark applied	Profit before tax before exceptional items is a commonly used benchmark in assessing the performance of the group.	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 £15,000,000 to £42,900,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £34,000,000 (2023: £32,625,000) for the group financial statements and £20,250,000 (2023: £20,000,000) for the 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.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2,260,000 (group audit) (2023: £2,200,000) and £1,335,000 (company audit) (2023: £1,335,000) 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 company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's going concern assessment which included a base case and other scenarios including a reverse stress test;
- We ensured the base case was consistent with Board approved budgets and we assessed the appropriateness of this budget and other assumptions during the going concern period;
- We assessed the mathematical accuracy of the calculations for liquidity headroom for the base case and reverse stress test scenarios. We also tested the forecast covenant compliance for the base case;
- We have evaluated management's ability to budget based on historical budgets / forecasts and the resulting performance;
- We considered the mitigating actions available to NEXT to increase liquidity, if required, with the key actions being reductions in stock purchases, capex and share purchases, as well as cessation of dividends; and
- We assessed management's reverse stress test and were satisfied it was a scenario that, in our view, was not plausible.

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 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 company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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 27 January 2024 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 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 Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEXT PLC

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 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, included within the Strategic Report and Governance section, 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 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 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 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 and company 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 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 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 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 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 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.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law and consumer credit regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and 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. Audit procedures performed by the engagement team 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; and
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements, in particular in relation to recoverability of 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEXT PLC

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 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 company financial statements and the part of the 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 seven years, covering the years ended 27 January 2018 to 27 January 2024.

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.

Mark Skedgel (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

21 March 2024

GROUP FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Notes	52 weeks to 27 January 2024 £m	52 weeks to 28 January 2023 £m
Continuing operations			
Revenue (including credit account interest)	1, 2	**5,491.0**	5,034.0
Cost of sales		**(3,034.5)**	(2,827.7)
Impairment losses on customer and other receivables	14	**(36.0)**	(31.0)
Gross profit		**2,420.5**	2,175.3
Distribution costs		**(794.1)**	(750.0)
Administrative expenses		**(657.7)**	(481.8)
Other gains / (losses)	3	**12.3**	(16.3)
Trading profit		**981.0**	927.2
Share of results of associates and joint ventures	13	**6.9**	14.3
Operating profit	3	**987.9**	941.5
Gain on Reiss transaction – exceptional item	6	**108.6**	–
Finance income	5	**6.8**	5.7
Finance costs	5	**(87.5)**	(77.9)
Profit before taxation		**1,015.8**	869.3
Taxation	7	**(215.3)**	(158.6)
Profit for the year		**800.5**	710.7
Profit attributable to:			
– Equity holders of the Parent Company		**802.3**	711.7
– Non-controlling interests		**(1.8)**	(1.0)
		800.5	710.7
Earnings Per Share			
Basic	9	**661.6p**	573.4p
Diluted	9	**655.9p**	570.5p

The Notes 1 to 36 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	52 weeks to 27 January 2024 £m	52 weeks to 28 January 2023 £m
Profit for the period		**800.5**	710.7
Other comprehensive income and expenses:			
Items that will not be reclassified to profit or loss			
Actuarial (loss)/gain on defined benefit pension scheme	21	**(103.6)**	0.6
Tax relating to items which will not be reclassified	7	**25.9**	(0.1)
Subtotal items that will not be reclassified		**(77.7)**	0.5
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(3.8)**	1.2
Foreign currency cash flow hedges:			
– fair value movements		**1.7**	79.2
Cost of hedging:			
– fair value movements		**(0.9)**	(0.4)
Tax relating to items which may be reclassified	7	**(0.2)**	(19.7)
Subtotal items that may be reclassified		**(3.2)**	60.3
Other comprehensive income for the period		**(80.9)**	60.8
Total comprehensive income for the period		**719.6**	771.5
Total comprehensive income attributable to:			
– Equity holders of the Parent Company		**721.4**	772.5
– Non-controlling interests		**(1.8)**	(1.0)
		719.6	771.5

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CONSOLIDATED BALANCE SHEET

	Notes	27 January 2024 £m	28 January 2023 £m
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	**687.5**	644.8
Intangible assets	11	**757.2**	137.1
Right-of-use assets	12	**734.6**	662.0
Associates, joint ventures and other investments	13	**38.0**	114.6
Defined benefit pension asset	21	**59.3**	157.5
Deferred tax assets	7	**–**	33.3
		2,276.6	1,749.3
Current assets			
Inventories		**769.0**	662.2
Customer and other receivables	14	**1,452.8**	1,425.5
Right of return asset		**30.7**	32.7
Other financial assets	15	**6.9**	9.1
Cash and short term deposits	16	**188.3**	105.0
		2,447.7	2,234.5
Total assets		**4,724.3**	3,983.8
Current liabilities			
Bank loans and overdrafts	17	**(58.7)**	(102.3)
Trade payables and other liabilities	18	**(991.8)**	(791.1)
Lease liabilities	12	**(167.8)**	(146.2)
Other financial liabilities	19	**(18.8)**	(40.8)
Current tax liabilities		**(8.6)**	(12.9)
		(1,245.7)	(1,093.3)
Non-current liabilities			
Bank loans and overdrafts	17	**(29.5)**	–
Corporate bonds	20	**(790.8)**	(790.7)
Provisions	22	**(52.4)**	(33.8)
Lease liabilities	12	**(869.9)**	(877.1)
Other financial liabilities	19	**(37.4)**	(9.5)
Other liabilities	18	**(11.7)**	(14.3)
Other liabilities	7	**(48.1)**	–
		(1,839.8)	(1,725.4)
Total liabilities		**(3,085.5)**	(2,818.7)
NET ASSETS		**1,638.8**	1,165.1
TOTAL EQUITY		**1,638.8**	1,165.1

The financial statements were approved by the Board of directors and authorised for issue on 21 March 2024. 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

	Attributable to equity holders of the Parent Company											
	Share capital £m	Share premium account £m	Capital redemption reserve £m	ESOT reserve £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Foreign currency translation £m	Other reserves (Note 24) £m	Retained earnings £m	Total £m	Non-controlling interests £m	**Total equity £m**
At 29 January 2022	**13.3**	**0.9**	**16.6**	**(331.7)**	**27.9**	**0.7**	**(4.9)**	**(1,443.8)**	**2,731.0**	**1,010.0**	**–**	**1,010.0**
Profit for the period	–	–	–	–	–	–	–	–	711.7	**711.7**	(1.0)	**710.7**
Other comprehensive income/(expense) for the period	–	–	–	–	59.4	(0.3)	1.2	–	0.5	**60.8**	–	**60.8**
Total comprehensive income/(expense) for the period	–	–	–	–	59.4	(0.3)	1.2	–	712.2	**772.5**	(1.0)	**771.5**
Share buybacks and commitments (Note 23)	(0.4)	–	0.4	–	–	–	–	–	(224.0)	**(224.0)**	–	**(224.0)**
ESOT share purchases (Note 26)	–	–	–	(124.0)	–	–	–	–	–	**(124.0)**	–	**(124.0)**
Shares issued by ESOT (Note 26)	–	–	–	59.0	–	–	–	–	(18.2)	**40.8**	–	**40.8**
Share option charge	–	–	–	–	–	–	–	–	24.3	**24.3**	–	**24.3**
Reclassified to cost of inventory	–	–	–	–	(128.7)	–	–	–	–	**(128.7)**	–	**(128.7)**
Non-controlling interest on acquisition of subsidiary	–	–	–	–	–	–	–	–	–	**–**	5.6	**5.6**
Gain on disposal of investment	–	–	–	–	–	–	–	–	0.8	**0.8**	–	**0.8**
Tax recognised directly in equity (Note 7)	–	–	–	–	30.1	–	–	–	(4.2)	**25.9**	–	**25.9**
Equity dividends (Note 8)	–	–	–	–	–	–	–	–	(237.1)	**(237.1)**	–	**(237.1)**
At 28 January 2023	**12.9**	**0.9**	**17.0**	**(396.7)**	**(11.3)**	**0.4**	**(3.7)**	**(1,443.8)**	**2,984.8**	**1,160.5**	**4.6**	**1,165.1**
Profit for the period	–	–	–	–	–	–	–	–	802.3	802.3	(1.8)	**800.5**
Other comprehensive income/(expense) for the period	–	–	–	–	1.3	(0.7)	(3.8)	–	(77.7)	(80.9)	–	**(80.9)**
Total comprehensive income/(expense) for the period	–	–	–	–	1.3	(0.7)	(3.8)	–	724.6	721.4	(1.8)	**719.6**
Shares issued in the year (Note 23)	0.1	53.3	–	–	–	–	–	–	–	53.4	–	**53.4**
Share buybacks and commitments (Note 23)	(0.3)	–	0.3	–	–	–	–	–	(177.3)	(177.3)	–	**(177.3)**
ESOT share purchases (Note 26)	–	–	–	(116.3)	–	–	–	–	–	(116.3)	–	**(116.3)**
Shares issued by ESOT (Note 26)	–	–	–	125.7	–	–	–	–	(31.7)	94.0	–	**94.0**
Share option charge	–	–	–	–	–	–	–	–	31.9	31.9	–	**31.9**
Reclassified to cost of inventory	–	–	–	–	7.1	–	–	–	–	7.1	–	**7.1**
Non-controlling interest on acquisition of subsidiary	–	–	–	–	–	–	–	–	–	–	124.1	**124.1**
Fair value on put options	–	–	–	–	–	–	–	–	(26.1)	(26.1)	–	**(26.1)**
Tax recognised directly in equity (Note 7)	–	–	–	–	(1.8)	–	–	–	13.4	11.6	–	**11.6**
Equity dividends (Note 8)	–	–	–	–	–	–	–	–	(248.3)	(248.3)	–	**(248.3)**
At 27 January 2024	**12.7**	**54.2**	**17.3**	**(387.3)**	**(4.7)**	**(0.3)**	**(7.5)**	**(1,443.8)**	**3,271.3**	**1,511.9**	**126.9**	**1,638.8**

CONSOLIDATED CASH FLOW STATEMENT

	52 weeks to 27 January 2024 £m	52 weeks to 28 January 2023 £m
Cash generated from operations (Note 32)	**1,313.6**	950.3
Corporation taxes paid	**(193.3)**	(151.5)
Net cash from operating activities	**1,120.3**	798.8
Cash flows from investing activities		
Additions to property, plant and equipment	**(160.9)**	(207.1)
Movement in capital accruals	**23.9**	2.0
Payments to acquire property, plant and equipment	**(137.0)**	(205.1)
Proceeds from sale of property, plant and equipment	**2.0**	–
Proceeds from sale and leaseback transactions	**3.3**	41.7
Purchase of intangible assets	**(51.2)**	(41.0)
Amounts repaid to associates and joint ventures	**–**	11.3
Disposal of other investment	**–**	1.8
Investment in subsidiaries	**(153.2)**	(28.8)
Investment in associates and joint ventures	**(0.9)**	(64.7)
Acquisition of other investments	**–**	(1.9)
Dividend from jointly controlled entity	**2.6**	9.8
Disposal of preference shares in jointly controlled entity	**–**	5.5
Net cash from investing activities	**(334.4)**	(271.4)
Cash flows from financing activities		
Repurchase of own shares	**(177.3)**	(228.5)
Purchase of shares by ESOT	**(116.3)**	(124.0)
Disposal of shares by ESOT	**97.8**	34.3
Repayment of loan	**(2.5)**	–
Incentives received for leases within the scope of IFRS 16	**–**	0.1
Lease payments	**(156.1)**	(157.1)
Interest paid (including lease interest)	**(79.2)**	(74.1)
Interest received	**–**	0.3
Proceeds from sale and leaseback transactions	**18.6**	59.3
Dividends paid (Note 8)	**(248.3)**	(237.4)
Net cash from financing activities	**(663.3)**	(727.1)
Net increase / (decrease) in cash and cash equivalents	**122.6**	(199.7)
Opening cash and cash equivalents	**2.7**	199.9
Effect of exchange rate fluctuations on cash held	**(1.0)**	2.5
Closing cash and cash equivalents (Note 31)	**124.3**	2.7

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 consolidated financial statements of NEXT plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The 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 27 January 2024 (last year 52 weeks to 28 January 2023).

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 enforced store closures. Having considered these factors the Board is satisfied that the Group has adequate resources to continue in operational existence and therefore it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the 52 weeks ended 27 January 2024 (see also the Going Concern and Viability Statements in the Annual Report and Accounts).

These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of NEXT plc (the "Company") and its subsidiary undertakings. Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Associates and joint ventures are all entities over which the Group has significant influence but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control of those policies. Investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the change in net assets of the associate or joint venture after the acquisition date.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders are initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

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 28.

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.

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.

GROUP ACCOUNTING POLICIES

Revenue (continued)

Goods sold through our Retail stores and websites

It is the Group's policy to sell its products to the retail customer with a right to return within 28 days. 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).

Service revenue

Revenue from our Total Platform services is measured at the fair value of the consideration received or receivable and represents amounts receivable for the provision of services (for example the delivery of stock from the warehouse to retail stores) in the normal course of business, net of discounts, value added tax and other sales-related taxes.

Loyalty programme and gift cards

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. Revenue from gift cards is recognised when the customer redeems the gift card.

Finance credit interest

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

Royalty income is received from franchisees and is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Commission income

Where third-party goods are sold on a commission basis, only the commission receivable is included in statutory revenue. To aid comparability, "Total NEXT sales" are disclosed in the Strategic Report and in Note 1 of the financial statements. Total NEXT sales is an APM used by management and 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 declared by the directors and paid.

Dividend income is recognised when the right to receive payment is established.

Exceptional items

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

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

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

Property, Plant and Equipment

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

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

Estimated useful lives are summarised as follows:

- Freehold and long leasehold property — 50 years
- Plant and equipment — 6 – 25 years
- Leasehold improvements — the period of the lease, or useful life if shorter

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. Goodwill is initially measured at cost, being the excess of the acquisition cost over the Group's interest in the assets and liabilities recognised. Goodwill is not amortised, but is tested for impairment annually or whenever there is an indication of impairment. For the purposes of impairment testing, goodwill acquired is allocated to the Cash Generating Unit (CGU) that is expected to benefit from the synergies of the combination. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration paid in a business combination is measured at fair value with acquisition-related costs recognised in profit or loss as incurred. When the consideration paid includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

At the acquisition date, the identifiable assets and liabilities acquired are recognised at their fair value, with the exception of any associated deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements which are recognised in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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 8 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 customer relationships obtained on acquisition which were initially recognised at fair value. They are amortised on a straight-line basis over their expected useful lives of:

- Brand names: 15 – 25 years
- Customer relationships: 5 – 8 years.

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

Investments in Subsidiaries (Parent Company Only)

Investments in subsidiary companies (Parent Company only) are stated at cost, less any impairment.

GROUP ACCOUNTING POLICIES

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 dividends received and 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture, the difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of its new shareholding is included in the determination of the gain or loss on disposal of the associate or joint venture.

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 Cash Generating Units (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 instrument's 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
Non-listed equity instruments	Fair value through profit or loss
Call options over non-controlling interests	Fair value through Other Equity

Financial Instruments – Initial Recognition and Subsequent Measurement (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

Under IFRS 9 the Group initially measures a financial asset at its fair value plus directly attributable transaction costs, unless the asset is classified as FVPL. Transaction costs of financial assets carried at FVPL are expensed in the Income Statement. Further details on the accounting for customer and other receivables is included in Note 14.

For details on hedge accounting refer to Note 29.

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 FVPL	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 cost of investment, in which case they are recognised in the cost of investment. Other net gains and losses are recognised in profit and loss.
Call options over non-controlling interests	These assets are subsequently measured at fair value. Gains and losses are recognised in Other Equity.

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 14.

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
Put options over non controlling interests	Fair value through Other Equity

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.

GROUP ACCOUNTING POLICIES

Financial Instruments – Initial Recognition and Subsequent Measurement (continued)

Financial liabilities (continued)

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 in Note 29). Accrued interest is included within other creditors and accruals.
Put options over non-controlling interests	Subsequently measured at fair value. Gains and losses are recognised in Other Equity.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention and ability to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Customer and Other Receivables

Customer receivables are outstanding customer balances less an allowance for impairment. Customer receivables are recognised when the Group becomes party to the contract which happens when the goods are dispatched. They are derecognised when the rights to receive the cash flows have expired, e.g. due to the settlement of the outstanding amount or where the Group has transferred substantially all the risks and rewards associated with that contract. Other trade receivables are stated at invoice value less an allowance for impairment. Customer and other receivables are subsequently measured at amortised cost as the business model is to collect contractual cash flows and the debt meets the SPPI criterion.

Impairment

In accordance with the accounting policy for impairment – financial assets, the Group recognises an allowance for ECLs for customer and other receivables. IFRS 9 requires an impairment provision to be recognised on origination of a customer advance, based on its ECL.

The Group has taken the simplification available under IFRS 9 paragraph 5.5.15 which allows the loss amount in relation to a trade receivable to be measured at initial recognition and throughout its life at an amount equal to lifetime ECL. This simplification is permitted where there is either no significant financing component (such as customer receivables where the customer is expected to repay the balance in full prior to interest accruing) or where there is a significant financing component (such as where the customer expects to repay only the minimum amount each month), but the directors make an accounting policy choice to adopt the simplification. Adoption of this approach means that Significant Increase in Credit Risk (SICR) and Date of Initial Recognition (DOIR) concepts are not applicable to the Group's ECL calculations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

ECL is the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), discounted at the original EIR. The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. The forward looking aspect of IFRS 9 requires considerable judgement as to how changes in economic factors might affect ECLs. The ECL model applies four macroeconomic scenarios including a base case which is viewed by management to be the most likely outturn, together with an upside, downside and extreme scenario. A 40% weighting is applied to the base case and 30% to the upside scenario, 25% to the downside scenario and 5% to the extreme scenario.

Customer and Other Receivables (continued)

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 four risk bands by arrears stage (see Note 29).

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 inputs into the ECL calculation are:

PD: "Probability of Default" is an estimate of the likelihood of default over the expected lifetime of the debt. NEXT has assessed the expected lifetime of customer receivables and other trade receivables, based on historical payment practices. The debt is segmented by arrears stage, Experian's Consumer Indebtedness Index (a measure of customers' affordability) and expected time of default.

EAD: "Exposure at Default" is an estimate of the exposure at that future default date, taking into account expected changes in the exposure after the reporting date, i.e. repayments of principal and interest, whether scheduled by the contract or otherwise and accrued interest from missed payments. This is stratified by arrears stage, Experian's Consumer Indebtedness Index and expected time of default.

LGD: "Loss Given Default" is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that NEXT would expect to receive, discounted at the original EIR. It is usually expressed as a percentage of the EAD. NEXT includes all cash collected over five years from the point of default.

The Group uses probability weighted economic scenarios that are integrated into the model, in order to evaluate a range of possible outcomes as is required by IFRS 9. An analysis of historical performance suggests that the expected performance of the book is most closely aligned to the forecast change in unemployment rate. However, management considers that the inputs and models used for the ECLs may not always capture all characteristics of the market at the Balance Sheet date. To reflect this qualitative adjustments or overlays are made, based on external data, historical performance and future expected performance.

Other Financial Assets and Liabilities

Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments ("derivatives") are used to manage risks arising from changes in foreign currency exchange rates relating to the purchase of overseas sourced products, overseas sales, changes in commodity prices of certain purchases 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, commodity 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).

GROUP ACCOUNTING POLICIES

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 & commodity derivatives – cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Income Statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency and option contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. Where forward contracts are used to hedge forecast transactions, the Group designates the change in fair value relating to both the spot and forward components as the hedging instrument. The ineffective portion relating to foreign currency contracts is recognised as other gains/losses in the Income Statement.

The fair value of option contracts are divided into two portions:

- the intrinsic value – which is determined by the difference between the strike price and the current market price of the underlying; and
- the time value – which is the remaining value of the option which reflects the volatility of the price of the underlying and the time remaining to maturity.

In accordance with IFRS 9 "Financial instruments", the Group designates the intrinsic value of foreign currency options as hedging instruments for hedging relationships entered into. The intrinsic value is determined with reference to the relevant spot market exchange rate. Changes in the time value of the options that relate to the hedged item are deferred in the cost of hedging reserve and recognised against the related hedge transaction when it occurs.

The amounts accumulated in the cash flow hedge reserve are accounted for depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost for the carrying amount of the hedged asset or liability. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (e.g. when inventory impacts cost of sales). This is not a reclassification adjustment and will not be recognised in OCI for the period.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, 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 31 of the financial statements.

Pension Arrangements

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

The cost of providing benefits under the defined benefit and unfunded arrangements are determined separately for each plan using the projected unit credit method, with actuarial valuations being carried out at each Balance Sheet date by external actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. A net pension asset is only recognised to the extent that it is expected to be recoverable in the future through a cash refund or a reduction in future payments.

The current service cost of the defined benefit plan is recognised in the Income Statement as an employee benefit expense. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the plan assets.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

The cost of defined contribution schemes is recognised in the Income Statement as incurred. The Group has no further payment obligations once the contributions have been paid.

Share-based Payments

The fair value of employee share options is calculated when they are granted using a Black-Scholes model and the fair value of equity-settled Long Term Incentive Plan ("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.

During the year the Group adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

GROUP ACCOUNTING POLICIES

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.

Share issue

The issue of ordinary shares is recognised on its settlement date (i.e. the date the proceeds are received and the shares are issued). Upon issuance, the shares are recorded at their fair value, being the fair value of the proceeds received. Those proceeds are allocated first to the par value of the shares (if any), with any excess over par value allocated to share premium.

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 Accounting (continued)

Lease liability – remeasurement

The lease liability is remeasured where:

- there is a change in the assessment of exercise of an option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- the lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

When the lease liability is remeasured, an equivalent adjustment is made to the right-of-use asset unless its carrying amount is reduced to zero, in which case any remaining amount is recognised in profit or loss.

Where the lease liability is denominated in a foreign currency it is retranslated at the Balance Sheet date with foreign exchange gains and losses recognised in profit or loss.

Right-of-use asset – initial recognition

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease incentives received, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the Group has an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use asset is presented as a separate line in the Balance Sheet.

Right-of-use asset – subsequent measurement

Right-of-use assets are depreciated over the shorter of the lease term and useful life of the underlying asset.

Impairment

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment – non-financial assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

Short term leases and low value assets

For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

GROUP ACCOUNTING POLICIES

Lease Accounting (continued)

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.

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 associated with our stores have relatively short useful lives (in line with the store lease terms which average less than 5 years) and hence would not be at risk in the medium to long term. Furthermore, based on our current lease profile, we expect any potential future store refurbishments to be phased over several years and therefore any changes in the requirements associated with climate change would not have a material impact in any given year.
- For the right-of-use assets associated with our warehouse and head office, and the machinery in our new E3 warehouse, the risk from climate change is not considered material. The warehouse and head office sites are located in areas which we would not expect to be physically impacted by climate change, while the risk of impairment on such assets, for example due to the introduction of environmental taxes, is considered remote given the strong operational margins generated by the Online business which they support.
- The intangible assets, which consist of goodwill, brands and internally generated software, are assessed annually for indicators of impairment. As part of this assessment consideration is given to the impact of potential climate change related regulations, capital expenditure or other items. As at the year end no material climate related change matters have been identified.
- 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. 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 primarily relate to insurance contracts. The value of these contracts is linked to the financial strength of the insurance company. Their financial strength and environmental credentials are reviewed and there was no indication of material risk from climate change.

The other non-current assets were also reviewed and no risk 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 2024 Annual Report and Accounts. Please see page 94 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.

Change in control in investment in Reiss (judgement)

In the prior year, NEXT exercised its option to acquire a further 26% indirect interest in Reiss Limited ("Reiss"), resulting in a total shareholding of 51%. Upon review of the Shareholders' Agreement there were certain operational and financial matters which require joint agreement from all shareholders. Therefore, even though NEXT held 51% of the equity shares, management formed a judgement that it did not have control over Reiss and so it was accounted for as a joint venture.

During the current year, NEXT acquired a further interest in the Reiss, increasing our shareholding to 72%. As a result of this acquisition and related changes to the Shareholders' Agreement, management has now assessed that NEXT has control over Reiss.

As a result of the change from significant influence to control, the Group has accounted for this as a step acquisition and have recognised a net gain of £108.6m within Exceptional Items in the Income Statement. This gain represents the fair value recognised upon remeasurement of the previously held 51% equity interest to Reiss' acquisition-date fair value.

Major Sources of Estimation Uncertainty and Judgement (continued)

Defined benefit pension assumptions (estimation)

The assumptions applied in determining the defined benefit pension obligation (Note 21), 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 21. 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 (estimation)

The allowance for ECL (Note 14) 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 macro-economic 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 ECL (Note 29), £94.1m relates to defaulted debt (without significant uncertainty) and £113.0m is for non defaulted debt, where significant estimation uncertainty exists. The remainder of the section relates to non defaulted debt. The sensitivities disclosed in this section, while not individually material, would in total be at or approaching a material impact and hence have been disclosed to aid understanding.

• Macroeconomic Uplift

The first main area of major 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, low, high and extreme scenarios in the proportions 40/30/25/5. The expected scenario assumes a central unemployment rate peaking at 4.6% in Q2 2024. This weighted view adds £9.6m to the underlying model ECL. A sensitivity assessment on the unemployment scenarios has been performed by management and the impact of a significant but plausible change would not be material.

The second main area of major estimation uncertainty in calculating the ECL is the impact that the current cost of living pressures may have on customer payment behaviour, along with continued uncertainty surrounding the lasting impacts of the COVID period on household finances. In order to reflect the underlying risk in the loan book, the following factors have been incorporated into the provision:

1. Recognition of the ongoing risk of an increased ECL for customers who have shown recent indicators of distress and considered to be at higher risk of default

With consumer prices in the UK still elevated following an extended period of high inflation, along with the continued high interest rate, disposable income is likely to be constricted as mortgage rate rises continue to flow through into household budgets and energy bills remain elevated. Management believe this may adversely impact the recoverability of customer receivables, specifically customers who are modelled to have a low income, high mortgage repayment or are renting. A further overlay to increase the provision coverage of these customers has been applied, which forms £25.1m of the total ECL. We are not explicitly predicting that these customers will move towards a higher level of indebtedness (per the CII) but we are using this model mechanism to apply an appropriate and understood multiplier on the risk levels of these particular customers.

2. 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 and the effect of a relative increase in household savings over the period, 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 £20m.

• 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 estimation uncertainty which could have a material impact to the provision is the probability of default. If the probability of default were to double, this would increase the provision by £32.2m, while significant this is not considered material.

In the five weeks following the year end date, £0.2bn of the £1.3bn NEXT customer and other trade receivables has been recovered.

GROUP ACCOUNTING POLICIES

Other Areas of Estimation Uncertainty and Judgement

In addition, in applying the Group's accounting policies described above, the directors have identified the following areas as key estimates and judgements 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 (estimation)

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 £7m. A 2% change in the level of markdown applied to the selling price would impact the value of inventories going to clearance by circa £3m.

Impairment of Goodwill and Other Intangible Assets (estimation)

Goodwill is allocated to the cash-generating units ('CGUs'), that are expected to benefit from the business combination from which goodwill was recognised. Other intangible assets arising on acquisition, such as brand names and customer relationships are also allocated to the same CGUs. The recoverable amount of an asset or Group CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or Group CGU. See Note 11 for further detail.

Fair value of assets and liabilities acquired (estimation)

On acquisition of a controlling interest in Reiss and FatFace, NEXT was required to recognise the identifiable assets and liabilities at their fair value in accordance with IFRS 3. The key fair value adjustments related to the brand and goodwill values which total more than £0.5bn. In particular the value of the brands is based on forecast cash flows of the acquired business and assumptions on discount rates. To support this fair value, the Group obtained external specialist advice to both calculate the fair value and benchmark the resulting valuations against comparable brands. In accordance with IFRS 3, the Group has 12 months following acquisition to finalise its assessment of the fair value for all identified assets and liabilities.

Key assumptions used in the calculation of the Brand valuations were the sales growth and discount rate. A change in the discount rate applied of 1%, would impact the valuation of the Reiss brand by approximately £25m and the FatFace brand by £5m which would be significant, but not material. A change in the sales growth applied in the first 3 years of 2% would not have a significant impact on the brand valuations. Given this is the first year of acquisition it should be noted that, in absence of any impairment, the corresponding adjustment would be within goodwill.

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:

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

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

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 and 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 operating profit, 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 Franchise, Sourcing and other segment (previously called "International Retail, Sourcing and other") comprises franchise and our sourcing business. International online sales are included in the NEXT Online segment. Total Platform represents the sales, profit and related assets from the Total Platform business which includes Joules, Reiss and FatFace alongside our equity investments. The profits disclosed in this note are all before exceptional items.

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

Restatement

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

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

Segment sales and revenue

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Segmental Analysis (continued)

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

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

Included within external revenue is £134.4m (2023: £123.7m) related to sales made through the redemption of gift cards.

Segment profit

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.

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

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

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

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

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

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

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	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
NEXT Online	**481.3**	445.1	**153.1**	132.8	**86.8**	144.9	**54.7**	46.8
NEXT Retail	**210.6**	205.7	**488.7**	521.0	**73.7**	63.6	**163.1**	168.0
NEXT Finance	**–**	–	**–**	–	**–**	–	**–**	–
Total Platform	**24.0**	8.3	**90.0**	–	**5.4**	0.5	**28.4**	1.1
Property Management	**53.3**	55.6	**–**	5.3	**36.7**	38.5	**–**	0.3
Franchise, Sourcing and other	**1.9**	1.5	**2.8**	2.9	**1.0**	0.6	**2.6**	3.8
Total	**771.1**	716.2	**734.6**	662.0	**203.6**	248.1	**248.8**	220.0

These assets are allocated based on the operations of the segment and the physical location of the asset. Impairment charges and reversals in relation to property, plant and equipment are included in the NEXT Retail segment. Depreciation and amortisation includes depreciation from property, plant and equipment and right-of-use assets, as well as amortisation of brands, customer relationships and software.

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	2024 £m	2023 £m
United Kingdom	**4,600.6**	4,290.7
Rest of Europe	**521.9**	415.3
Middle East	**255.0**	235.6
Asia	**41.9**	48.5
Rest of World	**71.6**	43.9
Total	**5,491.0**	5,034.0

Non-current assets by geographical location	2024 £m	2023 £m
United Kingdom	**1,408.9**	746.6
Rest of Europe	**3.5**	3.5
Middle East	**4.3**	4.3
Asia	**28.0**	27.5
Total	**1,444.7**	781.9

For the geographical split of non current assets all of the brand and goodwill has been allocated to the United Kingdom segment.

Right-of-use assets by geographical location	2024 £m	2023 £m
United Kingdom	**704.3**	637.0
Rest of Europe	**21.6**	22.1
Asia	**2.8**	2.9
Other	**5.9**	–
Total	**734.6**	662.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Revenue

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

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

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

Note that sales in the Joules segment have now been included within the overall Total Platform segment. These changes had no impact on Statutory revenue.

In the current year Service income of £17.1m excludes the value of Total Platform services to our controlled entities Joules and Reiss (from the point of acquisition). In the CEO these sales are reported within the Total Platform segment.

3. Operating Profit

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

	52 weeks to 27 January 2024 £m	52 weeks to 28 January 2023 £m
Depreciation on property, plant and equipment	**94.9**	100.5
Depreciation on right-of-use assets	**117.7**	107.6
Loss on disposal of property, plant and equipment	**0.7**	0.5
Gain on sale and leasebacks	**(1.6)**	(17.7)
Impairment charge/(reversal) on property, plant and equipment	**1.7**	(2.7)
Reversal of impairment on right-of-use assets	**(5.9)**	(34.9)
Amortisation and impairment of intangible assets (excluding software)	**8.3**	0.4
Amortisation, impairment and loss on software	**30.1**	12.1
Gain on lease modifications, early exit and reassessed lease term	**(2.5)**	(1.4)
(Gain)/loss on financial instruments	**(12.3)**	16.3
Cost of inventories recognised as an expense	**1,809.2**	1,785.4
Write-down of inventories to net realisable value	**125.8**	152.4
Total	**1,935.0**	1,937.8

3. Operating Profit (continued)

The Group has reviewed its store impairment models following identification of impairment triggers (principally being a significant change in sales or cost base). As a result, where stores have performed significantly better than expected a net reversal of amounts previously impaired has been recognised of £5.9m (2023: £34.9m) on right-of-use assets. Separately, there was a review of technological assets during the year which has partly resulted in an additional impairment charge of £1.7m (2023: £2.7m reversal) on plant, property and equipment.

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

Gains on financial instruments of £12.3m (2023: losses of £16.3m) relate to derivative contracts which do not qualify for hedge accounting under IFRS 9. Other foreign exchange gains of £13.7m (2023: £9.6m) were also recognised in the Income Statement.

During the year the Group obtained the following services from the Company's auditor and its associates, including expenses:

	52 weeks to 27 January 2024 £000	52 weeks to 28 January 2023 £000
Auditors' remuneration		
Audit of the financial statements	**1,473**	1,212
Audit of subsidiaries	**1,251**	110
Total audit fees	**2,724**	1,322
Tax compliance services	**193**	–
Tax advisory services	**57**	–
Other assurance services	**99**	106
Total	**3,073**	1,428

The year on year increase in audit fees from £1.3m to £2.7m is mainly driven by the acquisition of Reiss and FatFace. These acquisitions resulted in one off audit work on the opening balance sheet of £0.6m and a recurring fee for the local audit of £0.8m.

Non audit services totalled £349,000 in the year. This work included tax services which were initiated by Reiss and FatFace prior to acquisition. In accordance with regulatory requirements these non audit services provided to Reiss and FatFace were completed within 3 months of acquisition. Other assurance services relate to work on Corporate Responsibility reporting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Staff Costs and Key Management Personnel

Total staff costs were as follows:

	52 weeks to 27 January 2024 £m	52 weeks to 28 January 2023 £m
Wages and salaries	**907.4**	772.3
Social security costs	**72.6**	62.3
Other pension costs	**42.1**	43.7
	1,022.1	878.3
Share-based payment expense – equity settled	**31.5**	24.3
Share-based payment expense – cash settled	**0.2**	–
Total	**1,053.8**	902.6

Share-based payments comprise Management, Sharesave and Share Matching Plan options and LTIP share awards, details of which are given in Note 25.

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

	52 weeks to 27 January 2024 £m	52 weeks to 28 January 2023 £m
NEXT Online, Retail and Finance	**952.1**	857.3
NEXT Franchise and Sourcing	**34.8**	30.5
Total Platform	**54.5**	4.9
Other activities	**12.4**	9.9
Total	**1,053.8**	902.6

	Average employees		Full-time equivalents	
	2024 Number	2023 Number	2024 Number	2023 Number
NEXT Online, Retail and Finance	**42,272**	42,168	**26,741**	27,889
NEXT Franchise and Sourcing	**3,749**	4,224	**3,749**	4,224
Total Platform	**2,313**	241	**1,381**	140
Other activities	**83**	77	**76**	71
Total	**48,417**	46,710	**31,947**	32,324

Included within "Total Platform" staff costs and employee numbers are the Reiss, Joules and FatFace subsidiaries.

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 27 January 2024 £m	52 weeks to 28 January 2023 £m
Short-term employee benefits	**7.5**	5.1
Share-based payments	**2.9**	2.8
Total	**10.4**	7.9

Directors' remuneration is detailed in the Remuneration Report.

5. Finance Income and Costs

	52 weeks to 27 January 2024 £m	52 weeks to 28 January 2023 £m
Interest on bank deposits	**2.5**	0.1
Other interest receivable	**4.3**	5.6
Finance income	**6.8**	5.7
Interest on bonds and other borrowings	**39.1**	29.8
Discount unwind	**0.5**	0.8
Finance costs on lease liability	**47.9**	47.3
Finance costs	**87.5**	77.9

Other interest receivable includes interest income on preference shares of £3.4m (2023: £4.8m) and amounts accrued on loans to associates and joint ventures. Online account interest is presented as a component of revenue.

6. Exceptional Items

For the financial period ended 27 January 2024, the Group has used the term 'exceptional items'. In determining whether an item should be presented as exceptional items, the Group considers items which are significant because of either their size or their nature. In order for an item to be presented as exceptional items, it should typically meet at least one of the following criteria:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. 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 207.

	52 weeks to 27 January 2024 £m	52 weeks to 28 January 2023 £m
Current tax:		
Current tax on profits for the year	**191.5**	137.9
Adjustments in respect of prior years	**11.5**	17.7
Total current tax	**203.0**	155.6
Deferred tax:		
Origination and reversal of temporary differences	**28.6**	17.7
Adjustments in respect of prior years	**(16.3)**	(14.7)
Total deferred tax	**12.3**	3.0
Tax expense reported in the Consolidated Income Statement	**215.3**	158.6

The adjustments in respect of prior years relate to the correction of capital gains tax on property disposals and the true-up of deferred tax balances related to IFRS 16 leases. The prior year adjustments in 2023 related to timing on the recognition of amounts claimed as capital allowances.

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:

	52 weeks to 27 January 2024 %	52 weeks to 28 January 2023 %
UK corporation tax rate	**24.0**	19.0
Non–taxable income	**(3.2)**	(0.5)
Non deductible expenses	**1.0**	0.6
Capital losses utilised	**–**	(0.2)
Overseas tax	**(0.6)**	(0.6)
Adjustments in respect of prior years	**(0.4)**	0.4
Tax losses for which no deferred tax is recognised	**0.4**	–
Benefit as a result of capital allowance 130% deduction	**–**	(0.4)
Statutory effective tax rate	**21.2**	18.3
Non-taxable exceptional income	**2.5**	–
Effective tax rate before exceptionals	**23.7**	18.3

7. 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:

	52 weeks to 27 January 2024 £m	52 weeks to 28 January 2023 £m
Deferred tax:		
Pension benefit obligation	**(25.9)**	0.1
Fair value movements on derivative instruments	**0.2**	19.7
Tax charge in other comprehensive income	**(25.7)**	19.8

	52 weeks to 27 January 2024 £m	52 weeks to 28 January 2023 £m
Current tax:		
Share-based payments	**(6.7)**	(1.2)
Deferred tax:		
Fair value movements on derivative instruments	**1.8**	(30.1)
Share-based payments	**(6.7)**	5.4
Total tax credit in the Statement of Changes in Equity	**(11.6)**	(25.9)

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:

	Brand and goodwill £m	Accelerated capital allowances £m	Derivatives to fair value £m	Pension benefit obligation £m	Share-based payments £m	IFRS 16 leases £m	Other temporary differences £m	Total £m
At 29 January 2022	**–**	**8.5**	**(6.6)**	**(36.2)**	**21.1**	**36.2**	**11.0**	**34.0**
Recognised in:								
– Income Statement	–	(2.5)	4.1	(1.5)	0.8	(2.6)	(1.3)	**(3.0)**
– Other Comprehensive Income	–	–	(19.7)	(0.1)	–	–	–	**(19.8)**
– Statement of Changes in Equity	–	–	30.1	–	(5.4)	–	–	**24.7**
Acquisition of subsidiary	–	–	–	–	–	–	(2.6)	**(2.6)**
At 28 January 2023	**–**	**6.0**	**7.9**	**(37.8)**	**16.5**	**33.6**	**7.1**	**33.3**
Recognised in:								
– Income Statement	**1.6**	**(24.2)**	**(3.0)**	**(2.8)**	**3.1**	**7.8**	**5.2**	**(12.3)**
– Other Comprehensive Income	**–**	**–**	**(0.2)**	**25.9**	**–**	**–**	**–**	**25.7**
– Statement of Changes in Equity	**–**	**–**	**(1.8)**	**–**	**6.7**	**–**	**–**	**4.9**
Acquisition of subsidiary	**(111.0)**	**2.0**	**–**	**–**	**–**	**1.2**	**8.1**	**(99.7)**
At 27 January 2024	**(109.4)**	**(16.2)**	**2.9**	**(14.7)**	**26.3**	**42.6**	**20.4**	**(48.1)**

The deferred tax asset of £42.6m in relation to IFRS 16 leases primarily relates to the transitional adjustment arising from the initial implementation of IFRS 16. It also contains a deferred tax liability of £8.6m and a deferred tax asset of £8.7m in relation to the acquisition accounting of deferred tax on right-of-use assets and the associated lease liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Taxation (continued)

Deferred tax (continued)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. No recognition has been made of the following deferred tax assets:

	Unrecognised		Unrecognised	
	Gross value 2024 £m	Deferred tax 2024 £m	Gross value 2023 £m	Deferred tax 2023 £m
Trading losses	**14.3**	**3.6**	–	–
Capital losses	–	–	18.6	4.7

The benefit of unrecognised capital losses will only accrue if taxable profits are realised on future disposals of the Group's capital assets. The trading losses have not been recognised and do not expire.

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. Effective from April 2023, the UK headline corporation tax rate increased from 19% to 25%. Deferred tax balances have been measured at the headline rate of 25%. As a result, deferred tax balances have been measured at the rate at which they are expected to unwind in the future.

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.

As part of the Organisation for Economic Co-operation and Development (OECD)/G20 Base Erosion and Profit Shifting (BEPS) project, the OECD has introduced the Pillar Two model rules. The Group is within the scope of these OECD Pillar Two model rules. Pillar Two legislation was enacted in the United Kingdom, the jurisdiction in which NEXT Plc is incorporated, and will come into effect from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023. Under the legislation, the Group is liable to pay a top-up tax for the difference between their Global Anti-base Erosion Rules (GloBE) effective tax rate per jurisdiction and the 15% minimum rate. Pillar Two Income Taxes could be payable in the UK, or the local jurisdiction if it has introduced a Qualifying Domestic Minimum top-up Tax.

The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes under UK legislation. This assessment is based on a combination of tax filings for the 2022 and 2023 financial years, country-by-country reporting for 2022 and financial statements for constituent entities in the Group for 2022 and 2023. Based on the assessment the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15% or will meet the financial thresholds required to apply the transitional safe harbour rules which will exempt the Group from applying the full Pillar Two rules in those territories. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply and the Pillar Two effective rate is close to 15%. The Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

8. Dividends

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Earnings Per Share

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

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

Basic Earnings Per Share before exceptional items is an Alternative Performance Measure (APM). It is calculated as being Basic Earnings Per Share excluding exceptional items (see Note 6) and their respective tax impact 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.

Diluted Earnings Per Share is calculated by adjusting the weighted average number of shares used for the calculation of Basic Earnings Per Share as increased by the dilutive effect of potential ordinary shares. Dilutive shares arise from employee share option schemes where the exercise price is less than the average market price of the Company's ordinary shares during the period. Their dilutive effect is calculated on the basis of the equivalent number of nil cost options. Where the option price is above the average market price, the option is not dilutive and is excluded from the diluted EPS calculation. There were 2,632,665 non-dilutive share options in the current year (2023: 3,112,796).

The table below shows the key variables used in the Earnings Per Share calculations:

	52 weeks to 27 January 2024	52 weeks to 28 January 2023
Profit after tax attributable to equity holders of the Parent Company (£m)	**802.3**	711.7
Exceptional items (Note 6)	**108.6**	–
Tax relating to exceptional items	**–**	–
Profit after tax attributable to equity holders of the Parent Company excluding adjusted items (£m)	**693.7**	711.7
Weighted average number of shares (millions)		
Weighted average shares in issue	**127.8**	130.2
Weighted average shares held by ESOT	**(6.5)**	(6.1)
Weighted average shares for basic EPS	**121.3**	124.1
Weighted average dilutive potential shares	**1.1**	0.6
Weighted average shares for diluted EPS	**122.4**	124.7

As detailed in the Remuneration Report, the 2023/24 annual bonus for executive directors, was based on NEXT Group pre-tax Profit (but after amortisation) Earnings per Share of 749.1p. The NEXT Group Profit before tax, after amortisation, on a 52 week basis of £908.4m (2023: £870.4m), 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. A definition of NEXT Group Profit before tax (or NEXT Group pre tax profit) is included in the Glossary.

In the prior year the annual bonus for executive directors was determined by reference to NEXT Group pre-tax Earnings per share as adjusted to remove the impact of share buybacks not included in the original target metrics, of 687.2p.

10. 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 2022	**26.8**	**2.6**	**1,969.0**	**53.9**	**2,052.3**
Exchange movement	–	–	0.6	–	0.6
Arising from acquisitions	–	–	1.1	–	1.1
Additions	13.2	–	168.6	25.3	207.1
Reclassification from assets under the course of construction	64.7	–	–	(64.7)	–
Disposals	(64.9)	(1.3)	(53.6)	–	(119.8)
At January 2023	**39.8**	**1.3**	**2,085.7**	**14.5**	**2,141.3**
Exchange movement	–	–	(0.9)	–	(0.9)
Arising from acquisitions	–	–	18.6	–	18.6
Additions	13.8	–	124.2	22.9	160.9
Reclassification from assets under the course of construction	37.1	–	–	(37.1)	–
Disposals	(37.3)	–	(51.4)	–	(88.7)
At January 2024	**53.4**	**1.3**	**2,176.2**	**0.3**	**2,231.2**
Depreciation					
At January 2022	**0.4**	**0.1**	**1,450.7**	**–**	**1,451.2**
Exchange movement	–	–	0.7	–	0.7
Provided during the year	0.1	–	100.4	–	100.5
Net impairment release	–	–	(2.7)	–	(2.7)
Disposals	–	–	(53.2)	–	(53.2)
At January 2023	**0.5**	**0.1**	**1,495.9**	**–**	**1,496.5**
Exchange movement	–	–	(0.8)	–	(0.8)
Provided during the year	0.1	–	94.8	–	94.9
Net impairment charge	1.1	–	0.6	–	1.7
Disposals	–	–	(48.6)	–	(48.6)
At January 2024	**1.7**	**0.1**	**1,541.9**	**–**	**1,543.7**
Carrying amount					
At January 2024	**51.7**	**1.2**	**634.3**	**0.3**	**687.5**
At January 2023	39.3	1.2	589.8	14.5	644.8
At January 2022	26.4	2.5	518.3	53.9	601.1

As at January 2024, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £33.3m (2023: £33.7m). Plant and equipment includes leasehold improvements.

Additions to assets under the course of construction relate to the build of the Dearne Valley warehouse extension. The assets under the course of construction in the prior year related to the build of the E3 warehouse.

See Note 3 for further detail on impairment charges and reversals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Intangible Assets

	Goodwill £m	Brand names £m	Customer relationships £m	Software £m	Software assets under the course of construction £m	Total £m
Cost						
At January 2022	**45.7**	**4.3**	–	**12.6**	**26.6**	**89.2**
Additions	–	–	–	25.5	15.5	41.0
Arising from acquisitions	11.6	10.5	–	7.4	–	29.5
Reclassified from assets under the course of construction	–	–	–	18.3	(18.3)	–
Disposals	–	–	–	(0.5)	–	(0.5)
At January 2023	**57.3**	**14.8**	**–**	**63.3**	**23.8**	**159.2**
Additions	–	8.5	–	33.0	9.7	51.2
Arising from acquisitions	169.9	430.5	13.5	3.0	–	616.9
Reclassified from assets under the course of construction	–	–	–	17.5	(17.5)	–
Transfer between categories	–	3.4	–	(3.4)	–	–
Disposals	–	–	–	(2.0)	–	(2.0)
Fair value adjustment	(9.7)	–	–	–	–	(9.7)
At January 2024	**217.5**	**457.2**	**13.5**	**111.4**	**16.0**	**815.6**
Amortisation and Impairment						
At January 2022	**1.8**	**4.2**	**–**	**3.9**	**–**	**9.9**
Amortisation provided during the year	–	0.4	–	11.5	–	11.9
Impairment	–	–	–	0.6	–	0.6
Disposals	–	–	–	(0.3)	–	(0.3)
At January 2023	**1.8**	**4.6**	**–**	**15.7**	**–**	**22.1**
Amortisation provided during the year	–	7.6	0.6	28.0	–	36.2
Impairment	–	–	–	1.3	–	1.3
Disposals	–	–	–	(1.2)	–	(1.2)
At January 2024	**1.8**	**12.2**	**0.6**	**43.8**	**–**	**58.4**
Carrying amount						
At January 2024	**215.7**	**445.0**	**12.9**	**67.6**	**16.0**	**757.2**
At January 2023	55.5	10.2	–	47.6	23.8	137.1
At January 2022	43.9	0.1	–	8.7	26.6	79.3

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).

Intangible assets arising from acquisitions in the year relate to the acquisition of the Reiss and FatFace brand names and customer relationships for £444.0m (2023: Joules brand name of £10.5m), goodwill arising from acquisitions of £169.9m (2023: £11.6m) and software intangibles of £3.0m (2023: £7.4m). See Note 34 for further details on acquisitions.

In March 2023, the Group acquired the Cath Kidston brand name for a consideration of £8.5m.

11. Intangible Assets (continued)

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

	2024 £m	2023 £m
NEXT Sourcing	**30.5**	30.5
Lipsy	**12.1**	12.1
NEXT Beauty	**1.3**	1.3
Joules	**1.9**	11.6
Reiss	**140.6**	–
FatFace	**29.3**	–
Total	**215.7**	55.5

Goodwill is tested for impairment at the balance sheet date on the basis of value in use calculations. The assumptions and basis for the impairment testing on the significant goodwill balances is set out below.

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 the recoverable amount of goodwill, internal budgets for the next year were used and extrapolated for five years using a growth rate of 0% (2023: 0% growth rate) with a terminal value applied thereafter. The cash flows were then discounted at a pre-tax rate of 8% (2023: 8%). In management assessment no reasonable change in assumptions would have resulted in an impairment of the goodwill.

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 the next year were used and extrapolated for five years using a growth rate of 2% (2023: 2% growth rate) with a terminal value applied thereafter. The cash flows were then discounted at a pre-tax rate of 8% (2023: 8%). In management assessment no reasonable change in assumptions would have resulted in an impairment of the goodwill.

Reiss

The key assumptions in testing the goodwill for impairment are the forecast sales for the Reiss products through their Retail, Online and wholesale channels. In assessing the recoverable amount of goodwill, internal budgets for next year and a five year forecast at 5% growth were used, with a long term, terminal value growth at 2%. The cash flows were then discounted at a pre-tax rate of 8%. This was consistent with the business model used in management appraisal when increasing its equity stake from 51% to 72% in September 2023. Given the Reiss business was acquired within 6 months of the year end, and with no significant variation in performance or outlook, this was considered reasonable. No impairment risk identified.

FatFace

The key assumptions in testing the goodwill for impairment are the forecast sales for the FatFace products through their Retail, Online and wholesale channels. In assessing the recoverable amount of goodwill, internal budgets for next year and a five year forecast at 2% growth were used, with a long term, terminal value growth at 2%. The cash flows were then discounted at a pre-tax rate of 8%. This was consistent with the business model used in management appraisal when acquiring 97% of FatFace in October 2023. Given the business was acquired within 6 months of the year end, and with no significant variation in performance or outlook, this was considered reasonable. No impairment risk identified.

Joules

The reduction in the carrying value of Joules goodwill was due to the finalisation of the opening balance sheet valuation.

12. Leases

Right-of-use assets

The right-of-use assets are comprised of:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Leases (continued)

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

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

Additions to right-of-use assets include new leases and new contracts for leases previously on hold over.

The income from subleasing right-of use assets under operating leases is £21.4m (2023: £18.7m).

Lease liability

The lease liability movement in the year is as follows:

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

Lease liability	2024 £m	2023 £m
Less than 1 year	**(167.8)**	(146.2)
More than 1 year	**(869.9)**	(877.1)
Total	**(1,037.7)**	(1,023.3)

Amounts recognised in the Consolidated Income Statement

Depreciation on right-of-use assets	2024 £m	2023 £m
Buildings	**16.5**	19.7
Stores	**94.1**	83.3
Equipment	**0.5**	0.7
Vehicles	**6.6**	3.9
Total	**117.7**	107.6

	2024 £m	2023 £m
Finance costs on leases	**(47.9)**	(47.3)
Expense on short term and low value leases	**(6.3)**	(4.0)
Expense on variable leases	**(60.1)**	(26.9)
Gain on sale and leasebacks	**1.6**	17.7

During the year, the Group received proceeds of £21.9m in relation to the completion of the sale and leaseback of its Dearne Valley warehouse. The gain on completion of £1.6m has been recognised in the Income Statement.

12. Leases (continued)

Amounts recognised in the Consolidated Income Statement (continued)

In the prior year, the Group received total proceeds of £101.0m, £41.7m of the proceeds (being the portion of the assets sold and not subject to the leaseback) have been classified within investing activities. The remaining sale and leaseback proceeds of £59.3m, relating to the asset being leased back, are presented within financing activity.

See note 3 for further detail on impairment charges and reversals.

13. Associates, Joint Ventures and Other Investments

	Interest in associates and joint ventures £m	Other investments £m	Total £m
Cost			
At January 2022	**45.8**	**1.0**	**46.8**
Additions	64.7	1.9	66.6
Retained profit	14.3	–	14.3
Interest on preference shares	4.8	–	4.8
Preference share dividend received	(9.8)	–	(9.8)
Divestment of preference shares	(5.5)	–	(5.5)
Disposal of investment	–	(1.0)	(1.0)
At January 2023	**114.3**	**1.9**	**116.2**
Additions	0.9	–	0.9
Retained profit	6.9	–	6.9
Interest on preference shares	3.2	0.2	3.4
Dividend received	(2.6)	–	(2.6)
Disposal of interest in joint venture (see note below)	(84.3)	–	(84.3)
At January 2024	**38.4**	**2.1**	**40.5**
Amortisation/Impairment			
At January 2022	**0.6**	**–**	**0.6**
Provided during the year	0.3	–	0.3
Impairment charge in the year	0.7	–	0.7
At January 2023	**1.6**	**–**	**1.6**
Provided during the year	0.9	–	0.9
At January 2024	**2.5**	–	**2.5**
Carrying amount			
At January 2024	**35.9**	**2.1**	**38.0**
At January 2023	112.7	1.9	114.6
At January 2022	45.2	1.0	46.2

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

In September 2023, NEXT acquired a further 21% interest in the Reiss group ("Reiss") thus increasing its existing shareholding from 51% to 72%. As NEXT now has control over Reiss' operational and financial activities, it has been consolidated into the NEXT plc Group and therefore is presented as a disposal of our investment within this note and then as an acquisition of a subsidiary in Note 34.

In the prior year, NEXT exercised its option to acquire a further 26% in the holding company of Reiss Limited. Upon completion in May 2022, NEXT acquired the 26% for £45.3m financed from NEXT's own cash resources. As a result, at the prior year end date, Next held a 51% equity share and at that point did not have control of Reiss' operational and financial activities and therefore was treated as a joint venture.

The finance income relates to interest on NEXT's share of preference shares in the Reiss group's ultimate holding company. This has been recognised within the Finance income line of the Income Statement. However, following the acquisition of the additional 21% in the current year, the finance income is now eliminated upon consolidation (see note 34 for further details on the acquisition).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Associates, Joint Ventures and Other Investments (continued)

Other investment acquisitions – prior year

In March 2022, NEXT acquired a 25% equity stake in Swoon Limited for a cash consideration of £3.5m, and in April 2022, a 44% equity stake in the holding company of JoJo Maman Bébé Limited for a total cash consideration of £15.9m. In both cases NEXT has significant influence, but not control, over the investments' operational and financial activities and therefore they have been treated as associates.

During the prior year, NEXT also acquired a 19.9% stake in the holding company of Sealskinz Limited for £1.9m comprising ordinary shares and preference shares. For this acquisition, NEXT does not have significant influence and therefore the investment in ordinary shares has been accounted for as financial assets at fair value through profit or loss and the preference shares are financial assets measured at amortised cost within this note.

Details of material associates and joint ventures

Set out below are the material associates and joint ventures of the Group as at 27 January 2024. 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	2024 %	2023 %	Nature of relationship	Measurement method	2024 £m	2023 £m
Pink Topco Limited* (Reiss)	Ordinary shares	n/a	51%	Joint venture	Equity	–	17.3
Pink Topco Limited* (Reiss)	Preference shares	n/a	51%	Joint venture	Amortised cost	–	61.2
Immaterial associates and joint ventures						35.9	34.2
						35.9	112.7

* Pink Topco Limited was 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. As noted above, the Reiss Group was a subsidiary of the NEXT Group as at the Balance Sheet date and therefore the carrying amount of the equity investment is nil at this date.

The table below provides the summarised profit and loss and balance sheet for our material Associates and Joint Ventures. The information disclosed reflects the amounts presented in the consolidated 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.

	2024 £m	2023 £m
Sales	208.1	325.2
Profit after tax	4.5	9.0
Group's share in %	51.0%	51.0%
Group share in £'m	2.3	6.8
Total non–current assets	–	176.4
Total current assets	–	85.2
Total current liabilities	–	(75.7)
Total non–current liabilities	–	(211.8)
Net assets/(liabilities)	–	(25.9)
Group share in %	–	51.0%
Group share in £m	–	(13.2)
Goodwill	–	30.5
Carrying amount	–	17.3

NEXT's shareholding in Reiss increased to 72% in September 2023 and at this point NEXT acquired control over the Reiss Group. As at the balance sheet date, our investment in Reiss is no longer equity accounted for and therefore the disclosure above only shows the profit and loss up to the point of the change in control. Also note that due to the exercise of the option in the prior year, the Group's share of Reiss' profit in the period to January 2023 was calculated at 25% for the first 3 months and then at 51% for the remainder of the prior year.

As at the point of the change in control, Reiss had cash and cash equivalents of £19.0m (2023: £18.0m), current financial liabilities (excluding trade and other payables and provisions) of £nil (2023: £nil) and non-current financial liabilities relating to preference shares of £126.8m (2023: £120.4m). Included within their income statement were depreciation and amortisation of £19.7m (2023: £26.5m), interest income of £nil (2023: £nil) and interest expense of £8.8m (2023: £14.1m).

13. Associates, Joint Ventures and Other Investments (continued)

There are no other profits or losses from discontinued operations or other comprehensive income from the Group's investments in associates and joint ventures other than the amounts already disclosed above.

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 £35.9m (2023: £34.2m) with the Group's share of their profit from continuing operations in the current period being £4.6m (2023: £7.5m).

14. Customer and Other Receivables

The following table shows the components of net receivables.

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

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

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

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

The 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 29), 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 £1,310m (2023: £1,260m). This has been calculated based on future cash flows discounted at an appropriate rate for the risk of the debt. The fair value is within Level 3 of the fair value hierarchy (refer to the Fair Value Hierarchy table in Note 28).

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

14. Customer and Other Receivables (continued)

An analysis of changes in the gross carrying amount in relation to customer receivables and other trade receivables is as follows:

Gross carrying amount	Lifetime ECL £m	Credit impaired £m	Total £m
At January 2022	**1,299.1**	**79.7**	**1,378.8**
New assets originated/recoveries	159.4	(11.7)	147.7
Transfers from lifetime ECL to credit impaired	(45.3)	45.3	–
Financial assets derecognised during the period	–	(8.0)	(8.0)
Amounts written off	(9.8)	(8.9)	(18.7)
At January 2023	**1,403.4**	**96.4**	**1,499.8**
New assets originated/recoveries	**93.2**	**(14.5)**	**78.7**
Transfers from lifetime ECL to credit impaired	**(46.3)**	**46.3**	**–**
Financial assets derecognised during the period	**–**	**(20.7)**	**(20.7)**
Amounts written off	**(9.3)**	**(6.0)**	**(15.3)**
At January 2024	**1,441.0**	**101.5**	**1,542.5**

An analysis of the changes in the impairment allowance for customer receivables and other trade receivables is as follows:

Loss allowance	Lifetime ECL £m	Credit impaired £m	Total £m
At January 2022	**(118.5)**	**(73.2)**	**(191.7)**
New assets originated/recoveries	(5.2)	10.5	5.3
Transfers from lifetime ECL to credit impaired	3.8	(40.7)	(36.9)
Change in the allowance for expected credit losses	4.4	0.4	4.8
Financial assets derecognised during the period	–	7.2	7.2
Amounts written off	0.8	8.0	8.8
At January 2023	**(114.7)**	**(87.8)**	**(202.5)**
New assets originated/recoveries	**(3.5)**	**13.3**	**9.8**
Transfers from lifetime ECL to credit impaired	**3.8**	**(42.5)**	**(38.7)**
Change in the allowance for expected credit losses	**(1.7)**	**(1.6)**	**(3.3)**
Financial assets derecognised during the period	**–**	**19.0**	**19.0**
Amounts written off	**0.8**	**5.5**	**6.3**
At January 2024	**(115.3)**	**(94.1)**	**(209.4)**

	Lifetime ECL £m	Credit impaired £m	Total £m
At January 2022	**(118.5)**	**(73.2)**	**(191.7)**
Impairment	(1.9)	(32.0)	(33.9)
Amounts recovered	0.8	2.1	2.9
Charged to the Income Statement	(1.1)	(29.9)	(31.0)
Used during the year	4.9	15.3	20.2
Total movement	3.8	(14.6)	(10.8)
At January 2023	**(114.7)**	**(87.8)**	**(202.5)**
Impairment	**(4.9)**	**(32.6)**	**(37.5)**
Amounts recovered	**0.1**	**1.4**	**1.5**
Charged to the Income Statement	**(4.8)**	**(31.2)**	**(36.0)**
Used during the year	**4.2**	**24.9**	**29.1**
Total movement	**(0.6)**	**(6.3)**	**(6.9)**
At January 2024	**(115.3)**	**(94.1)**	**(209.4)**

The amount charged to the Income Statement of £36.0m (2023: £31.0m) differs to the bad debt charge of £32.2m (2023: £26.2m) in the Chief Executive's Review on page 50 due to recoveries of previously written off assets taken directly to the Income Statement.

Information on the Group's credit risk in relation to customer receivables is provided in Note 29.

15. Other Financial Assets

	2024 £m	2023 £m
Foreign exchange contracts	**6.8**	9.1
Commodity price contracts	**0.1**	–
	6.9	9.1

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 29). These instruments are primarily for US Dollars and Euros.

16. Cash and Short Term Deposits

	2024 £m	2023 £m
Cash at bank and in hand	**139.3**	105.0
Money market funds	**49.0**	–
	188.3	105.0

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. Money market funds are used to manage the short-term liquidity requirements of the Group and are highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

17. Loans and Overdrafts

	2024		2023	
	Current £m	Non-current £m	Current £m	Non-current £m
Bank overdrafts and short term borrowings	**30.1**	**–**	102.3	–
Bank loans	**5.0**	**28.9**	–	–
Loan notes	**23.6**	**0.6**	–	–
	58.7	**29.5**	102.3	–

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.

Bank loans represent facilities provided by external banks to Reiss on which the annual rate of interest is between 2.15% and 2.90% over SONIA based on net leverage. The loan is secured by a fixed and floating charge over the assets of the Reiss group, charges over credit balances held by Reiss and unlimited cross guarantees to NatWest Bank PLC from other companies within the Reiss group.

Loan notes were issued to management of Reiss and FatFace as part of their respective acquisitions. The Reiss loan notes of £23.6m are repayable by January 2025 and the FatFace loan notes of £0.6m are repayable by March 2025. The loan notes are interest bearing on an arm's length basis.

18. Trade Payables and Other Liabilities

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

Trade payables do not bear interest and are generally settled on 30 day terms. The year on year increase in trade payables and other liabilities is largely due to the acquisition of Reiss and FatFace, higher staff incentives and capital accruals.

Other creditors and accruals do not bear interest. Within other creditors and accruals are staff related accruals £93.8m (bonus, holiday pay and overtime) (2023: £42.7m), warehouse and duty related accruals of £99.4m (2023: £92.1m), property accruals £48.0m (2023: £29.0m), marketing accruals £15.3m (2023: £17.8m) and IT systems, utilities and deferred income on NEXT Unlimited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Other Financial Liabilities

	2024		2023	
	Current £m	Non-current £m	Current £m	Non-current £m
Foreign exchange contracts	18.5	–	40.8	–
Interest rate derivatives	–	11.3	–	9.5
Commodity price contracts	0.3	–	–	–
Put and call options	–	26.1	–	–
	18.8	37.4	40.8	9.5

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 29). 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 20).

Commodity price contracts are used to hedge against movements in the Group's purchases of diesel fuel (refer to Note 29).

Put and call options

Put and call options are in place over some of the remaining non-controlling interest shareholding in Reiss and FatFace. These put and call options are accounted for at fair value. This recognises put and call options over non-controlling interests in its subsidiary undertakings as a liability in the Consolidated Balance Sheet at the present value of the estimated exercise price of the put and call option.

Put and call options are entered into simultaneously, in contemplation of each other and are documented within a single agreement with the same counterparty in respect of each minority shareholding. The terms of the put and call are identical in respect of the valuation mechanic and the period on which they are derived, and therefore the underlying asset and risk associated to the put and call are considered to be the same. The only distinguishable difference between the put and the call, other than the party choosing to initiate the option, is the timing of the option window. There is a period of time between the put option window commencing and the call option window commencing. For example, the put option can be exercised in years 3, 4 and 5 post acquisition, whereas the call option can only be exercised 5 years post acquisition. Accordingly, the Group has assessed that the put and call options are to be accounted for as a single unit of account.

The present value of the exercise price of the put and call options is estimated using Board approved forecasts multiplied by an earnings ratio. The option formula is specific to each subsidiary and stated within the shareholder agreement. The forecast cash flows are discounted using a discount rate reflecting the current market assessment of the time value of money and any specific risk premiums relevant to the individual businesses involved. These discount rates are considered to be equivalent to the rates a market participant would use. Upon initial recognition of put and call options a corresponding entry is made to Other Equity, and for subsequent changes on remeasurement of the liability the corresponding entry is made to Other Equity.

The options relating to the 27 January 2024 total £26.1m comprising Reiss £21.5m and FatFace £4.6m.

20. Corporate Bonds

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

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:

	2024 Nominal value £m	**2024 Aggregate interest rate**	2023 Nominal value £m	2023 Aggregate interest rate
2025 Bonds				
Fixed	**250.0**	**3.000%**	250.0	3.000%
2026 Bonds				
Floating	**250.0**	**SONIA + 1.7%**	250.0	SONIA +1.7%
2028 Bonds				
Fixed	**300.0**	**3.625%**	300.0	3.625%
Total	**800.0**		800.0	

Interest rate risk management is explained in Note 29 and the fair values of the corporate bonds in aggregate are shown in Note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Pension Benefits

The Group operates the following pension arrangements in the UK:

- The NEXT Group Pension Plan (the "Original Plan")
- The 2013 NEXT Group Pension Plan (the "2013 Plan")
- Legal & General Master Trust and the NEXT Supplemental Pension Arrangement (the "SPA")
- NEXT also contributes to the People's Pension which it uses for auto enrolment.
- Reiss and FatFace operate separate defined contribution plans for its employees.

The Group's UK pension arrangements include defined benefit and defined contribution arrangements. 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 trustee of both of the NEXT Group Pension 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. One of these directors is a member nominated director and cannot be removed by NEXT. The other four 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. Further details on each plan are set out below.

The Original Plan

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

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. The 2013 Plan defined benefit scheme was closed to new members in 2000 and 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 2013 Plan defined benefit scheme currently 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.

As at January 2024 more than 90% of the 2013 Plan assets consist of two insurance contracts:

- 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 27 January 2024 this buy-in policy has a value of £55m (2023: £61m) within the pension scheme assets.
- In January 2024, the Trustees of the 2013 Plan undertook another buy-in in respect of all remaining members of the 2013 Plan, with a premium paid of £511m. As at 27 January 2024 this buy-in policy has a value of £476m (2023: £Nil) within the pension scheme assets.

These insurance contracts provide members with enhanced security over their pension.

Subsequent to the year end and following a consultation process, the plan has been closed to future accrual. The closure will take effect from 1 April 2024. For further details see Note 36.

GMP

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 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.

21. Pension Benefits (continued)

Defined contribution arrangements

The defined contribution section is administered by a Legal & General 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 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. 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.

The 2013 Plan 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 2013 Plan defined benefit section and either joining the Legal and General Master Trust (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).

Principal risks

The buy-in insurance contracts cover the majority of the 2013 and Original Plan pension liabilities. This significantly offsets the total risks described above. Derivatives are not used to hedge any of the risks noted above.

The following table summarises the principal risks associated with the Group's defined benefit arrangements prior to entering another insurance contract in January 2024:

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Pension Benefits (continued)

Income statement

The components of the net defined benefit expense, recognised in the Consolidated Income Statement within administrative expenses are as follows:

	2024				2023			
	2013 Plan £m	Original Plan £m	SPA £m	Total £m	2013 Plan £m	Original Plan £m	SPA £m	Total £m
Current service cost	**3.0**	**–**	**–**	**3.0**	6.6	–	0.1	6.7
Past service cost	**2.4**	**–**	**–**	**2.4**	1.1	–	–	1.1
Net interest	**(7.6)**	**(0.1)**	**0.3**	**(7.4)**	(3.6)	(0.1)	0.2	(3.5)
Administration costs	**2.3**	**0.1**	**–**	**2.4**	2.4	0.1	–	2.5
Net defined benefit expense	**0.1**	**–**	**0.3**	**0.4**	6.5	–	0.3	6.8

Other comprehensive income

The components of the net defined benefit expense recognised in other comprehensive income are as follows:

	2024				2023			
	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	**(7.6)**	**(1.1)**	**(0.4)**	**(9.1)**	(33.4)	(1.4)	0.1	(34.7)
Actuarial gains due to liability assumption changes	**30.6**	**3.9**	**0.5**	**35.0**	311.7	31.6	3.6	346.9
	23.0	**2.8**	**0.1**	**25.9**	278.3	30.2	3.7	312.2
Return on plan assets less than discount rate	**(126.5)**	**(3.0)**	**–**	**(129.5)**	(280.8)	(30.8)	–	(311.6)
Actuarial gains/(losses) recognised in other comprehensive income	**(103.5)**	**(0.2)**	**0.1**	**(103.6)**	(2.5)	(0.6)	3.7	0.6

The surplus in the scheme has moved from £157.5m at January 2023 to £59.3m at January 2024, mainly due to a reduction in plan obligations of £25.9m offset by a reduction in the return on plan assets of £129.5m.

Balance Sheet valuation

The net defined benefit pension asset recognised in the Consolidated Balance Sheet is analysed as follows:

	2024				2023			
	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	**(512.7)**	**(89.5)**	**(6.9)**	**(609.1)**	(521.1)	(95.2)	(6.8)	(623.1)
Fair value of plan assets	**577.7**	**90.7**	**–**	**668.4**	684.0	96.6	–	780.6
Net pension asset	**65.0**	**1.2**	**(6.9)**	**59.3**	162.9	1.4	(6.8)	157.5

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.

21. Pension Benefits (continued)

Plan obligations

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

	2024				2023			
	2013 Plan £m	Original Plan £m	SPA £m	Total £m	2013 Plan £m	Original Plan £m	SPA £m	Total £m
Opening obligation	521.1	95.2	6.8	623.1	793.0	129.8	10.3	933.1
Current service cost	3.0	–	–	3.0	6.6	–	0.1	6.7
Past service cost	2.4	–	–	2.4	1.1	–	–	1.1
Interest cost	23.7	4.2	0.3	28.2	16.9	2.7	0.2	19.8
Employee contributions	0.1	–	–	0.1	0.1	–	–	0.1
Benefits paid	(14.6)	(7.1)	(0.1)	(21.8)	(18.3)	(7.1)	(0.1)	(25.5)
Actuarial (gains)/losses								
– financial assumptions	(19.5)	(3.9)	(0.4)	(23.8)	(311.4)	(31.0)	(3.6)	(346.0)
– experience	7.6	1.1	0.4	9.1	33.4	1.4	(0.1)	34.7
– demographic assumptions	(11.1)	–	(0.1)	(11.2)	(0.3)	(0.6)	–	(0.9)
Closing obligation	512.7	89.5	6.9	609.1	521.1	95.2	6.8	623.1

The present value of the defined benefit closing obligation of £609.1m (2023: £623.1m) was approximately 20% (2023: 25%) relating to active participants, 43% (2023: 45%) relating to deferred participants and 37% (2023: 30%) relating to pensioners.

Plan assets

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

	2024				2023			
	2013 Plan £m	Original Plan £m	SPA £m	Total £m	2013 Plan £m	Original Plan £m	SPA £m	Total £m
Opening assets	684.0	96.6	–	780.6	958.2	131.8	–	1,090.0
Employer contributions	5.7	–	0.1	5.8	6.7	–	0.1	6.8
Employee contributions	0.1	–	–	0.1	0.1	–	–	0.1
Benefits paid	(14.6)	(7.1)	(0.1)	(21.8)	(18.3)	(7.1)	(0.1)	(25.5)
Interest income on assets	31.3	4.3	–	35.6	20.5	2.8	–	23.3
Return on plan assets (excluding amounts included in interest)	(126.5)	(3.0)	–	(129.5)	(280.8)	(30.8)	–	(311.6)
Administrative costs	(2.3)	(0.1)	–	(2.4)	(2.4)	(0.1)	–	(2.5)
Closing assets	577.7	90.7	–	668.4	684.0	96.6	–	780.6

The fair value of defined benefit plan assets was as follows:

	2024				2023			
	2013 Plan £m	Original Plan £m	Total £m	%	2013 Plan £m	Original Plan £m	Total £m	%
Equities	–	–	–	–	124.2	–	124.2	15.9
Equity-linked bonds	–	–	–	–	54.6	–	54.6	7.0
Bonds	–	–	–	–	61.9	–	61.9	7.9
Gilts	–	1.4	1.4	0.2	300.2	1.6	301.8	38.7
Property	–	–	–	–	78.9	–	78.9	10.1
Insurance contracts	531.4	89.3	620.7	92.9	60.5	95.0	155.5	19.9
Cash and cash equivalents	46.3	–	46.3	6.9	3.7	–	3.7	0.5
	577.7	90.7	668.4	100.0	684.0	96.6	780.6	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Pension Benefits (continued)

Plan assets (continued)

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.

Within the 2013 Plan the main asset is the insurance contract with PIC which at January 2024 had a value of £476m (2023: £Nil).

Principal assumptions

The IAS 19 (accounting) valuation of the defined benefit obligation was undertaken by an external qualified actuary as at January 2024 using the projected unit credit method. The principal actuarial assumptions used in the valuation were as follows:

	2024		2023	
	Original Plan	**2013 and SPA**	Original Plan	2013 and SPA
Discount rate	**5.00%**	**5.00%**	4.60%	4.60%
Inflation – RPI	**3.30%**	**2.95%**	3.40%	3.10%
Inflation – CPI	**2.30%**	**2.65%**	2.40%	2.70%
Salary increases	**n/a**	**n/a**	n/a	n/a
Pension increases in payment				
– RPI with a maximum of 5.0%	**3.10%**	**2.80%**	3.20%	2.85%
– RPI with a maximum of 2.5% and discretionary increases	**2.05%**	**1.90%**	2.10%	1.85%

	2024		2023	
	Pensioner aged 65	**Non-pensioner aged 45**	Pensioner aged 65	Non-pensioner aged 45
Life expectancy at age 65 (years)				
Male	**21.3**	**22.8**	22.3	24.3
Female	**23.2**	**25.2**	24.7	26.9

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 9 years, the SPA is 15 years and the 2013 Plan is 16 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.

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 105% for male and female pensioners and 107% for male non-pensioners and 103% for female non-pensioners). Future improvement trends have been allowed for, in line with the most recent CMI core projection model (CMI 2022) 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.

21. Pension Benefits (continued)

Sensitivity analysis

The sensitivity of the pension asset and obligation to changes in the principal assumptions is:

	Sensitivity analysis	Impact on pension asset	Impact on pension obligation
Discount rate	0.5% decrease	£46.4m increase	£44.6m increase
Price inflation	0.5% increase to RPI and CPI	£27.2m increase	£25.1m increase
Price inflation	0.1% decrease to CPI (i.e. increase in the gap between RPI and CPI)	£1.8m decrease	£1.4m decrease
Mortality	Life expectancy increased by one year	£12.1m increase	£12.0m increase

The 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 2022 by Mercer, who are the 2013 Plan Actuary to the Trustees. The valuation showed a funding surplus on a Technical Provisions basis required by legislation of 114.1% or £85.4m at that date.

With effect from January 2020, the Company has paid contributions of 38% per annum of members' frozen pensionable salaries as at 31 October 2012 towards the future accrual of benefits for active members. This increased to 47% from 1 October 2023 as stated within the Statement of Contributions.

The 2022 valuation resulted in the Actuary recommending that the Company should pay regular contributions to the 2013 Plan at the rate of 26.8% of members' frozen pensionable salaries at 31 October 2012 from 1 January 2024 (which was advance paid in June 2023).

At 30 September 2023, the 2013 Plan was estimated to be 115.7% funded on a Technical Provisions basis, primarily due to an increase in government bond yields which has acted to reduce the liabilities, whilst a reduction in future expectations of inflation have also contributed to this. These factors also reduce the value of the assets, but to a lesser extent meaning the funding level improved, corresponding to a surplus on this basis in the region of 115.7% or £80.7m.

The next actuarial valuation is due as at 30 September 2025.

Contributions

Members of the defined benefit section of the 2013 Plan contribute 3% or 5% of pensionable earnings; the Group contributes 26.8% per annum. Members of the Legal & General Master Trust defined contribution scheme contribute 5% of Pensionable Earnings, which is matched by the Group.

Contributions paid by the Group during the year are set out below:

	2024 £m	2023 £m
Defined contribution – recognised as an expense	**20.0**	17.1
Automatic enrolment – recognised as an expense	**21.4**	19.7
Defined benefit	**0.7**	6.7
	42.1	43.5

Employer contributions to the defined benefit section in the year ahead are expected to be around £4m. Employer contributions for the defined contribution Master Trust scheme are expected to be circa £21m (including salary sacrifice contributions) for the year ahead. Employer contributions for the automatic enrolment scheme are expected to be around £23m, including salary sacrifice contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Provisions

	2024 £m	2023 £m
At the beginning of the year	**33.8**	21.9
Arising from acquisitions	**13.1**	–
Provisions made in the year	**9.2**	13.3
Utilisation of provisions	**(4.1)**	(2.2)
Release of provision	**(0.1)**	–
Unwind of discount	**0.5**	0.8
At the end of the year	**52.4**	33.8

Provision is made for the committed cost or estimated exit costs of properties occupied by the Group.

23. Share Capital

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

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

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

During the year 745,912 new ordinary shares were issued as part consideration for the acquisition of Fatface (see Note 34 for more detail). The shares had a nominal value of £0.10 and a share premium value of £71.51 per share. No amount was unpaid as at year end.

Subsequent to the end of the financial year the Company entered into an irrevocable closed period share buyback programme and during the period from 20 February 2024 up to and including 20 March 2024 where no shares were purchased for cancellation. Prior to the close period, between 1 February and 15 February, 298,704 shares were acquired for a cost of £25.1m.

24. Other Reserves

Other reserves in the Consolidated Balance Sheet comprise the reserve created on reduction of share capital through a Scheme of Arrangement under Section 425 of the Companies Act 1985 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.

25. Share-based Payments

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

Management share options

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

25. Share-based Payments (continued)

Sharesave options

The Company's Save As You Earn (Sharesave) scheme is open to nearly all UK employees. Invitations to participate are generally issued annually and the scheme is subject to HMRC rules. The current maximum monthly savings within 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.

Management and Sharesave options

The following table summarises the movements in Management and Sharesave options during the year:

	2024		2023	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Outstanding at beginning of year	**6,390,332**	**£54.04**	5,153,993	£55.78
Granted	**1,912,941**	**£63.24**	2,544,386	£50.19
Exercised	**(1,971,039)**	**£49.92**	(704,448)	£49.53
Forfeited	**(284,806)**	**£54.02**	(603,599)	£57.96
Outstanding at end of year	**6,047,428**	**£58.29**	6,390,332	£54.04
Exercisable at end of year	**1,061,154**	**£51.43**	1,571,001	£54.94

Options were exercised on a regular basis throughout the year and the weighted average share price during this period was £72.95 (2023: £62.40). Options outstanding at 27 January 2024 are exercisable at prices ranging between £38.69 and £80.64 (2023: £38.25 and £80.64) and have a weighted average remaining contractual life of 6.3 years (2023: 6.1 years), as analysed in the table below:

	2024		2023	
	No. of options	Weighted average remaining contractual life (years)	No. of options	Weighted average remaining contractual life (years)
Exercise price range				
£38.25–£41.09	**1,074,356**	**2.8**	1,258,787	3.8
£41.70–£58.50	**1,252,595**	**4.5**	2,565,334	5.6
£59.20–£61.86	**1,307,884**	**8.2**	1,402,172	9.2
£64.50	**1,469,433**	**9.2**	–	–
£64.53–£80.64	**943,160**	**5.7**	1,164,039	6.0
	6,047,428	**6.3**	6,390,332	6.1

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 has previously been to set performance measures by reference to underlying fully diluted post-tax EPS but the Committee has flexibility to use different measures. After considering the impact of the increase in the headline Corporation Tax rate from 19% to 25% in April 2023, the Committee approved a change to the performance measure from underlying fully diluted post-tax EPS to the equivalent pre-tax measure. This applies to all inflight and future grants. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Share-based Payments (continued)

Share Matching Plan (SMP) (continued)

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

	2024 No. of options	2023 No. of options
Outstanding at beginning of year	**31,698**	18,142
Granted	**7,980**	21,894
Dividend accrual awarded in the year	**868**	548
Exercised	**(10,672)**	(8,886)
Forfeited	**(1,672)**	–
Outstanding at end of year	**28,202**	31,698
Exercisable at end of year	**–**	–

The weighted average remaining contractual life of these options is 8.5 years (2023: 8.7 years). During the year ending 27 January 2024, SMP options were exercised at different times and the weighted average share price during this period was £73.06 (2023: £61.76).

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:

	2024 No. of awards	2023 No. of awards
Outstanding at beginning of year	**530,083**	520,017
Granted	**232,517**	204,644
Dividend accrual awarded in the year	**8,256**	8,538
Vested	**(105,877)**	(140,907)
Forfeited	**(105,288)**	(62,209)
Outstanding at end of year	**559,691**	530,083

The weighted average remaining contractual life of these options is 1.5 years (2023: 1.4 years).

Fair value calculations

The fair value of Management, Sharesave and Share Matching Plan options granted is calculated at the date of grant using a Black-Scholes option pricing model. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period equivalent to the expected life of the option. The expected life applied in the model is based on historical analyses of exercise patterns, taking into account any early exercises. The following table lists the inputs to the model used for options granted in the years ended 27 January 2024 and 28 January 2023 based on information at the date of grant:

Management share options	2024	2023
Share price at date of grant	**£64.50**	£59.20
Exercise price	**£64.50**	£59.20
Volatility	**38.90%**	35.40%
Expected life	**4 years**	4 years
Risk free rate	**3.43%**	1.56%
Dividend yield	**2.99%**	2.15%
Weighted average fair value per option	**£17.67**	£14.57

25. Share-based Payments (continued)

Sharesave plans	2024	2023
Share price at date of grant	**£73.12**	£48.36
Exercise price	**£58.50**	£38.69
Volatility	**33.53%**	38.65%
Expected life	**3.2 years**	3.4 years
Risk free rate	**4.78%**	3.22%
Dividend yield	**2.82%**	3.99%
Weighted average fair value per option	**£23.57**	£14.77

Share Matching Plan	2024	2023
Share price at date of grant	**£66.02**	£61.48
Exercise price	**Nil**	Nil
Volatility	**35.53%**	38.02%
Expected life	**3 years**	3 years
Risk free rate	**3.67%**	1.48%
Dividend yield	**Nil**	Nil
Weighted average fair value per option	**£66.02**	£61.48

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 27 January 2024 and 28 January 2023 based on information at the date of grant:

LTIP awards (granted in March)	2024	2023
Share price at date of grant	**£65.40**	£62.82
Award price	**Nil**	Nil
Volatility	**35.22%**	37.35%
Life of award	**3 years**	3 years
Risk free rate	**3.47%**	1.41%
Dividend yield	**0.00%**	0.00%
Fair value per award	**£30.38**	£30.98

LTIP awards (granted in September)	2024	2023
Share price at date of grant	**£72.98**	£48.01
Award price	**Nil**	Nil
Volatility	**29.88%**	38.99%
Life of award	**3 years**	3 years
Risk free rate	**4.48%**	4.35%
Dividend yield	**0.00%**	0.00%
Fair value per award	**£31.81**	£23.35

From September 2017, for all new LTIP awards, dividend accruals (both in respect of special and ordinary dividends) may be payable on vested awards.

The charge to the Income Statement for all share option schemes is disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Shares Held by ESOT

The NEXT 2003 ESOT has an independent trustee resident in Jersey and provides for the issue of shares to Group employees to satisfy awards which vest/are exercised in accordance with the terms of the various share-based schemes detailed in Note 25.

As at 27 January 2024, the ESOT held 6,163,671 (2023: 6,469,007) ordinary shares of 10p each in the Company, the market value of which amounted to £524.4m (2023: £429.3m). Details of outstanding share awards and options are shown in Note 25.

The consideration paid for the ordinary shares of 10p each in the Company held by the ESOT at 27 January 2024 and 28 January 2023 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:

	2024		2023	
	Shares '000	£m	Shares '000	£m
Shares purchased by ESOT in the year	**1,713**	**116.3**	2,118	124.0
Shares issued in respect of employee share schemes	**2,019**	**94.0**	951	40.8

Exercises in the year totalled £97.8m (2023: £35.2m) on Management and Sharesave options. The amount shown in the Statement of Changes in Equity of £94.0m (2023: £40.8m) 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 £125.7m (2023: £59.0m).

As at 21 March 2024, 71,945 employee share options had been exercised subsequent to the Balance Sheet date and had been satisfied by ordinary shares issued by the ESOT.

27. Financial Instruments: Categories

	2024 £m	2023 £m
Financial assets		
Derivatives not designated as hedging instruments	**0.7**	0.5
Derivatives designated as hedging instruments	**6.9**	8.6
Customer and other receivables at amortised cost*	**1,388.6**	1,370.2
Cash, short term deposits (Note 16)	**188.3**	105.0
Preference shares at amortised cost	**2.0**	63.1
Non-listed equity instruments designated at fair value through profit or loss / OCI	**0.2**	0.2
Financial liabilities		
Derivatives not designated as hedging instruments	**(5.9)**	(17.6)
Derivatives designated as hedging instruments	**(24.2)**	(32.7)
Lease liabilities at amortised cost	**(1,037.7)**	(1,023.3)
Interest bearing loans and borrowings:		
Corporate bonds at amortised cost adjusted for the fair value changes attributable to the risk being hedged	**(790.8)**	(790.7)
Bank loans and overdrafts at amortised cost	**(88.2)**	(102.3)
Put and call options over non-controlling interests	**(26.1)**	–
Trade and other payables at amortised cost**	**(740.5)**	(596.9)

* Prepayments of £63.6m (2023: £54.9m) and other debtors of £0.5m (2023: £0.4m) do not meet the definition of a financial instrument.

** Other taxation and social security payables of £133.4m (2023: £95.7m), deferred income of £99.0m (2023: £84.2m), share-based payment liabilities of £0.2m (2023: £0.2m) and other creditors of £30.5m (2023: £28.5m) do not meet the definition of a financial instrument.

28. 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 and customer receivables, based on the following assumptions:

Other trade receivables, trade payables, short term deposits and borrowings	The fair value approximates to the carrying amount because of the short maturity of these instruments.
Preference shares	The fair value approximates to the carrying amount because the percentage interest earned on the shares is equivalent to the effective interest rate used to calculate the amortised cost.
Non-listed equity instruments	The fair value approximates the net assets of the investment given no observable market rates at the reporting date.
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.
Put and call options	The fair value is determined as the present value of the EBITDA forecasts multiplied by an earnings ratio.

The fair value of corporate bonds is as follows:

	2024		2023	
Corporate bonds	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
In hedging relationships	**240.8**	**248.7**	240.7	249.8
Not in hedging relationships	**550.0**	**535.0**	550.0	533.5
	790.8	**783.7**	790.7	783.3

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 20).

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, commodity price indices 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 and Put and Call options at fair value through other equity	The fair value of these non-listed equity investments has been estimated using a discounted cash flow model. The fair value of the put and call options have been estimated using a formula as stated within the relevant shareholder agreement. The inputs include management approved future cash flows and earnings ratios calculated from market quoted prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. 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
- Commodity price risk
- Credit risk
- Capital risk

Treasury function

NEXT operates a centralised treasury function which is responsible for managing the liquidity, interest, commodity 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, preference shares, 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.

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.

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

Liquidity risk (continued)

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

2024	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	**37.6**	**29.4**	**–**	**–**	**67.0**
Lease liabilities	**205.7**	**175.9**	**366.1**	**735.0**	**1,482.7**
Trade and other payables	**703.8**	**2.8**	**–**	**–**	**706.6**
Corporate bonds	**29.3**	**279.3**	**593.6**	**–**	**902.2**
Loan notes	**23.6**	**0.6**	**–**	**–**	**24.2**
Put and call options	**–**	**–**	**26.1**	**–**	**26.1**
	1,000.0	**488.0**	**985.8**	**735.0**	**3,208.8**
Derivatives: net settled	**6.4**	**3.3**	**2.0**	**–**	**11.7**
Derivatives: gross settled					
Cash inflows	**(1,241.2)**	**–**	**–**	**–**	**(1,241.2)**
Cash outflows	**1,250.0**	**–**	**–**	**–**	**1,250.0**
Total cash flows	**1,015.2**	**491.3**	**987.8**	**735.0**	**3,229.3**

2023	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	102.3	–	–	–	102.3
Lease liabilities	182.7	162.4	360.3	693.6	1,399.0
Trade and other payables	569.7	4.6	–	–	574.3
Corporate bonds	29.3	29.3	562.0	310.9	931.5
	884.0	196.3	922.3	1,004.5	3,007.1
Derivatives: net settled	2.7	2.9	2.8	–	8.4
Derivatives: gross settled					
Cash inflows	(1,139.1)	–	–	–	(1,139.1)
Cash outflows	1,169.4	–	–	–	1,169.4
Total cash flows	917.0	199.2	925.1	1,004.5	3,045.8

Within lease liabilities greater than 5 years are leases on stores with cash flows in years 5–10 of £153.0m (2023: £193.4m) and more than 10 years of £27.8m (2023: £42.3m). The lease liabilities greater than 5 years on warehouses and head office premises with cash flows in years 5–10 are £146.3m (2023: £137.5m) and more than 10 years of £407.9m (2023: £320.4m).

As at 27 January 2024, the Group had borrowing facilities of £425.0m (2023: £450.0m) committed until June 2028 (2023: committed until November 2024), in respect of which all conditions precedent have been met. £nil of the facilities were drawn down as at January 2024 (2023: £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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 SONIA. Details of the aggregate rates payable are given in Note 20.

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 impacts the fair value movements of the hedging instrument and the hedged item.

Fair value of group swaps

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

	2024 £m	2023 £m
Derivatives in designated fair value hedging relationships	**(11.3)**	(9.5)

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:

	2024	2023
Maturity date of swap	**October 2026**	October 2026
Interest rate swap	**Fixed to floating**	Fixed to floating
Nominal amount (£m)	**250.0**	250.0
Average price	**SONIA + 1.7%**	SONIA + 1.7%

The impact of the hedging instrument on the Balance Sheet is as follows:

At 27 January 2024	Line item in the Balance Sheet	Notional amount £m	Carrying amount* £m	Changes in fair value used for measuring ineffectiveness in the period £m
Interest rate swaps – assets	**Other financial assets**	**–**	**–**	**–**
Interest rate swaps – liabilities	**Other financial liabilities**	**250.0**	**(9.2)**	**(0.1)**
At 28 January 2023				
Interest rate swaps – assets	Other financial assets	–	–	–
Interest rate swaps – liabilities	Other financial liabilities	250.0	(9.5)	(27.5)

* Other financial liabilities also includes £2.1m of interest payable (2023: £0.2m interest receivable) on interest rate swaps that has been accrued at the balance sheet date.

The impact of the hedged items on the Balance Sheet is as follows:

At 27 January 2024	Line item in the Balance Sheet	Carrying amount £m	Accumulated fair value adjustments £m	Changes in fair value used for measuring ineffectiveness in the period £m
Fixed-rate borrowings	**Corporate bonds**	**250.0**	**(9.2)**	**(0.1)**
At 28 January 2023				
Fixed-rate borrowings	Corporate bonds	250.0	(9.3)	(25.0)

The ineffectiveness recognised in the Income Statement for the period ended 27 January 2024 was £nil (2023: £nil).

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

Foreign currency risk

The Group's principal foreign currency exposures arise from the purchase of overseas sourced products. Group policy allows for these exposures to be hedged for up to 24 months ahead in order to fix the cost in Sterling. This hedging activity involves 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 30.

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:

	2024 £m	2023 £m
Derivatives in designated hedging relationships	**(6.5)**	(14.6)
Other foreign exchange derivatives not designated in hedging relationships	**(5.2)**	(17.0)
Total foreign exchange derivatives	**(11.7)**	(31.6)

Derivatives designated in hedging relationships at 27 January 2024:

	Maturity			
	1–6 months	6–12 months	More than one year	Total
US Dollars (highly probable forecast purchases)				
Notional amount (in £m)	**805.0**	**133.5**	**–**	**938.5**
Average GBP: USD contract rate	**1.26**	**1.28**	**–**	**1.26**
EURO (highly probable forecast purchases)				
Notional amount (in £m)	**45.0**	**–**	**–**	**45.0**
Average GBP: EURO contract rate	**1.16**	**–**	**–**	**1.16**
EURO (highly probable forecast sales)				
Notional amount (in £m)	**42.0**	**8.8**	**–**	**50.8**
Average GBP: EURO contract rate	**1.14**	**1.14**	**–**	**1.14**
Other (highly probable forecast sales)				
Notional amount (in £m)	**49.9**	**–**	**–**	**49.9**
Average GBP: Other contract rate	**Various currencies***			

* 6 currencies are hedged, which are individually not material to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign currency hedges (continued)

Derivatives designated in hedging relationships at 28 January 2023:

	Maturity			
	1–6 months	6–12 months	More than one year	Total
US Dollars (highly probable forecast purchases)				
Notional amount (in £m)	663.5	40.9	–	704.4
Average GBP: USD contract rate	1.20	1.22	–	1.20
EURO (highly probable forecast purchases)				
Notional amount (in £m)	26.8	–	–	26.8
Average GBP: EURO contract rate	1.13	–	–	1.13
EURO (highly probable forecast sales)				
Notional amount (in £m)	20.0	–	–	20.0
Average GBP: EURO contract rate	1.13	–		1.13
Other (highly probable forecast sales)				
Notional amount (in £m)	47.5	–	–	47.5
Average GBP: Other contract rate	Various currencies*			

* 5 currencies were hedged, which are individually not material to the financial statements.

The impact of the hedging instruments on the Balance Sheet are as follows:

At 27 January 2024	Line item in the Balance Sheet	Notional amount £m	Carrying amount £m	Changes in fair value used for measuring ineffectiveness in the period £m
Foreign exchange contracts	**Other financial assets**	**548.0**	**6.8**	**29.2**
Foreign exchange contracts	**Other financial liabilities**	**605.9**	**(18.0)**	**(28.4)**
At 28 January 2023				
Foreign exchange contracts	Other financial assets	462.5	9.1	116.4
Foreign exchange contracts	Other financial liabilities	407.2	(40.8)	(37.6)

29. 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:

	27 January 2024			28 January 2023		
	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	**3.5**	**0.4**	**–**	(7.0)	1.9	–
Highly probable forecast stock purchases	**(1.8)**	**(6.5)**	**(0.4)**	86.2	(17.0)	0.5

The effect of the cash flow hedge in the Income Statement or other comprehensive income is as follows:

Year ended 27 January 2024	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	**–**	**–**	**–**	**(5.0)**	**Revenue**
Highly probable forecast stock purchases	**–**	**12.4**	**(0.9)**	**–**	**–**
Year ended 28 January 2023					
Highly probable forecast sales	–	–	–	6.1	Revenue
Highly probable forecast stock purchases	–	(134.8)	(0.4)	–	–

Commodity price risk

The Group is exposed to commodity price risk on contracts to purchase commodities at a floating price. In order to mitigate the risk arising from potential movements in commodity prices, the Group enters into deliverable fixed price contracts or financial derivatives. At 27 January 2024, the Group had commodity derivative contracts with a fair value loss of £0.3m (2023: £nil) in relation to highly probable forecast diesel purchases. These contracts committed the Group to pay a fixed price and receive the floating index price on 12,623kL (2023: nil) of diesel and have been designated as cash flow hedges for reporting purposes.

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 £1,333.2m at the reporting date (2023: £1,297.3m). These are detailed in Note 14.

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. As at January 2024, there were 2.94m active customers (2023: 2.87m) with an average balance of £503 (2023: £508). The Group's outstanding receivables balances and impairment losses are detailed in Note 14. 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 £12.1m (2023: £17.6m) were on a Reduced Payment Indicator (RPI) plan. An allowance for Expected Credit Losses (ECLs) of £8.7m (2023: £12.3m) 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. On completion of the RPI plan the customer would be returned to normal scoring, which considers multivariate factors, including indebtedness and repayment history, in the assessment of their expected risk levels. Any modification gain or loss recognised is immaterial to the financial statements.

The Group uses Experian Delphi for Customer Management which provides a suite of characteristics and scores to monitor the credit behaviour of new and existing customers. The principal score for making risk decisions around credit limit changes, and monitoring the risk of associated sales, is the Account and Arrears Management ("AAM") score. The principal measure to assess a customer's ability to afford repayments, and our allowance for expected credit losses under IFRS 9, is the Consumer Indebtedness Index ("CII"). The CII is a score within the range of 1 to 99. A lower CII score is representative of a lower level of risk associated with the debt (i.e. a lower CII score indicates the customer has a greater ability to afford repayments).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. 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.

	2024 Total £m	2023 Total £m
Risk exposure determined by CII score		
Risk band 1 (CII<=5)	**954.4**	891.6
Risk band 2 (5<CII<=16)	**231.1**	211.7
Risk band 3 (17<CII<=48)	**159.6**	173.8
Risk band 4 (48>CII)	**96.0**	126.3
Gross carrying amount before credit impaired	**1,441.1**	1,403.4
Credit impaired	**101.5**	96.4
Gross carrying amount after credit impaired	**1,542.6**	1,499.8
Less allowance	**(209.4)**	(202.5)
Carrying amount	**1,333.2**	1,297.3

Analysis of customer receivables and other trade receivables, stratified by credit grade, is provided in the tables below. In 2023, CII scores were based on GEN10 (Risk Band 1 – CII<=10, Risk Band 2 – 10<CII<=20, Risk Band 3 – 20<CII<=47 and Risk Band 4 47>CII). For 2024, the CII scores are based on GEN11.

2024	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<=5)	942.7	10.7	0.1	–	–	–	0.9	954.4
Risk band 2 (5<CII<=16)	222.7	7.1	0.2	–	–	–	1.1	231.1
Risk band 3 (17<CII<=48)	143.5	10.3	1.8	0.6	0.2	0.3	2.9	159.6
Risk band 4 (48>CII)	65.5	9.2	4.8	3.3	2.7	3.2	7.2	95.9
Otherwise impaired	–	–	–	–	–	101.5	–	101.5
Total	**1,374.4**	**37.3**	**6.9**	**3.9**	**2.9**	**105.0**	**12.1**	**1,542.5**
Loss allowance								
Risk band 1 (CII<=5)	(49.0)	(1.4)	–	–	–	–	(0.3)	(50.7)
Risk band 2 (5<CII<=16)	(15.5)	(1.1)	(0.1)	–	–	–	(0.5)	(17.2)
Risk band 3 (17<CII<=48)	(12.8)	(1.7)	(0.6)	(0.4)	(0.2)	(0.2)	(1.8)	(17.7)
Risk band 4 (48>CII)	(12.8)	(2.0)	(2.0)	(2.1)	(2.1)	(2.6)	(6.1)	(29.7)
Otherwise impaired	–	–	–	–	–	(94.1)	–	(94.1)
Total	**(90.1)**	**(6.2)**	**(2.7)**	**(2.5)**	**(2.3)**	**(96.9)**	**(8.7)**	**(209.4)**
Expected loss rate %								
Risk band 1 (CII<=5)	5.2%	13.3%	32.8%	63.7%	–	79.3%	31.3%	5.3%
Risk band 2 (5<CII<=16)	7.0%	15.2%	33.6%	62.7%	–	79.2%	40.8%	7.4%
Risk band 3 (17<CII<=48)	8.9%	16.9%	36.3%	61.4%	77.9%	77.3%	61.7%	11.1%
Risk band 4 (48>CII)	19.5%	21.3%	40.8%	64.3%	80.6%	80.6%	84.6%	31.0%
Otherwise impaired	–	–	–	–	–	92.7%	–	92.7%
Total	**6.6%**	**16.6%**	**39.3%**	**63.8%**	**80.4%**	**92.3%**	**71.3%**	**13.6%**

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

Credit risk (continued)

2023	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)	873.9	14.0	0.5	0.1	–	0.1	3.0	891.6
Risk band 2 (10<CII=<20)	202.7	6.1	0.6	0.1	–	0.1	2.1	211.7
Risk band 3 (20<CII=<47)	158.4	8.2	2.0	1.0	0.3	0.4	3.5	173.8
Risk band 4 (47>CII)	94.2	9.1	4.4	3.5	3.0	3.1	9.0	126.3
Otherwise impaired	–	–	–	–	–	96.4	–	96.4
Total	**1,329.2**	**37.4**	**7.5**	**4.7**	**3.3**	**100.1**	**17.6**	**1,499.8**
Loss allowance								
Risk band 1 (CII<=10)	(35.6)	(1.2)	(0.2)	–	–	(0.1)	(1.9)	(39.0)
Risk band 2 (10<CII=<20)	(12.6)	(0.7)	(0.3)	(0.1)	–	(0.1)	(1.4)	(15.2)
Risk band 3 (20<CII=<47)	(17.2)	(1.4)	(1.0)	(0.6)	(0.2)	(0.3)	(2.3)	(23.0)
Risk band 4 (47>CII)	(19.1)	(2.0)	(2.7)	(2.3)	(2.3)	(2.4)	(6.7)	(37.5)
Otherwise impaired	–	–	–	–	–	(87.8)	–	(87.8)
Total	**(84.5)**	**(5.3)**	**(4.2)**	**(3.0)**	**(2.5)**	**(90.7)**	**(12.3)**	**(202.5)**
Expected loss rate %								
Risk band 1 (CII<=10)	4.1%	8.8%	32.4%	47.6%	–	78.2%	63.7%	4.4%
Risk band 2 (10<CII=<20)	6.2%	11.5%	41.3%	52.2%	–	77.4%	67.6%	7.1%
Risk band 3 (20<CII=<47)	10.8%	16.5%	51.4%	60.5%	73.8%	76.8%	64.3%	13.2%
Risk band 4 (47>CII)	20.3%	22.1%	61.3%	66.1%	79.0%	78.7%	75.2%	29.8%
Otherwise impaired	–	–	–	–	–	91.1%	–	91.1%
Total	**6.4%**	**14.2%**	**55.1%**	**64.3%**	**78.3%**	**90.6%**	**70.1%**	**13.5%**

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 (2023: £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 31, and equity attributable to the equity holders of the Parent Company, comprising issued capital, reserves and retained earnings as shown in the Consolidated Statement of Changes in Equity. The Group manages its capital with the objective that all entities within the Group continue as going concerns while maintaining an efficient structure to minimise the cost of capital. The Group is not restricted by any externally imposed capital requirements.

As part of its strategy for delivering sustainable 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.

30. 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 1.0% increase or decrease in interest rates, assuming all other variables were unchanged. The sensitivity rate of 1.0% 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Financial Instruments: Sensitivity Analysis (continued)

Interest rate sensitivity analysis (continued)

	Income Statement		Equity	
	2024 £m	2023 £m	2024 £m	2023 £m
Interest rate increase of 1.0%	**(1.5)**	(2.8)	**(1.5)**	(2.8)
Interest rate decrease of 1.0%	**1.5**	2.8	**1.5**	2.8

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	
	2024 £m	2023 £m	2024 £m	2023 £m
Sterling strengthens by 10%				
US Dollar	**(12.6)**	(20.9)	**(60.2)**	(51.4)
Euro	**–**	–	**1.3**	(1.5)
Sterling weakens by 10%				
US Dollar	**3.4**	14.0	**66.2**	58.6
Euro	**–**	–	**(1.6)**	1.8

Year end exchange rates applied in the above analysis are US Dollar 1.27 (2023: 1.24) and Euro 1.17 (2023: 1.14). 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.

31. Analysis of Net Debt

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

The IFRS 16 movements represent cash movements in relation to lease payments of £204.0m, and non cash movements relating to disposals of £6.3m and FX/Others of £0.9m, offset by additions of £40.1m, modifications of £52.9m, finance costs £47.9m and additions arising from acquisitions of £84.7m. See Note 12 for further details.

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

32. Cash Generated from Operations

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

In the prior year interest received of £0.3m was presented within "Cash flows from financing activities". In the current year interest received (£2.8m) has been presented within "Cash flows from operating activities". No restatement has been made as the prior year amount was not material. In the year to January 2024 the movement on inventories, receivables and payables does not include the acquisition balance sheet amounts for Reiss or FatFace but does include the working capital movement between acquisition and the balance sheet date.

33. 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:

	Joint ventures		Associates	
Related party	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Sales	**64.2**	58.1	**20.8**	7.2
Loans (repaid)/advanced	**(5.5)**	(14.2)	**0.5**	0.5
Transactions and loan interest	**32.3**	47.8	**0.2**	1.2
Amounts outstanding at year end	**7.6**	27.7	**3.5**	2.8

The amounts above are an aggregation of the transactions with the Group's associates and joint ventures, namely:

- VS Brand Holdings UK Limited and its subsidiaries (joint venture)
- Pink TopCo Limited and its subsidiaries (the "Reiss" Group) (joint venture) – up until September 2023 (see Note 13)
- West Apparel UK Holdings Limited ("GAP") (joint venture)
- Choice Discount Stores Limited (associate)
- Aubin & Wills Holdings Limited and its subsidiaries (associate)
- Regent Bidco 1 Limited and its subsidiaries (the "JoJo Maman Bébé" Group) (associate)
- Swoon Limited (associate).

All transactions are on an arm's length basis. Within transactions and loan interest are (i) recharges for payroll costs borne by the NEXT Group and then recharged to the related party and (ii) certain joint ventures are part of the NEXT VAT Group and accordingly includes transactions for the settlement of VAT by NEXT on behalf of the joint venture. Such amounts are immediately recharged by NEXT and then settled by the joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Acquisition of Subsidiaries

Current period acquisitions

Reiss

In September 2023, the Group increased its shareholding in the Reiss Group ("Reiss") from 51% to 72%. In addition, due to a change in reserved rights within the Shareholder Agreement, the Group therefore has control of Reiss. Reiss' principal activity is the design and retail of high quality women's, men's and children's fashion clothing and accessories sold exclusively under the Reiss brand in the UK and overseas. Following NEXT's original equity shareholding and the Total Platform partnership, the Reiss business has grown significantly with excellent results. Through the additional shareholding, Reiss will be able to reap the infrastructural benefits of being part of a larger Group. This qualifies as a business as defined in IFRS 3 Business Combinations. NEXT's direct shareholding is in the Reiss group's ultimate parent company, Pink Holdco Limited.

The Group recognised a non cash gain of £110.1m as a result of remeasuring the equity interest held in Reiss to fair value before the business combination. This gain is recognised as an exceptional item in the Consolidated Income Statement (Note 6).

Given the acquisition occurred in the second half of the financial year, the accounting for the acquisition of Reiss has only been provisionally determined at the end of the reporting period. In accordance with the requirements of IFRS 3 Business Combinations, the Group will finalise the acquisition balance sheet within 12 months of the acquisition date.

Included within the fair value of the net identifiable assets on acquisition is an intangible asset representing the Reiss brand and customer relationship value of £365.9m. Total identifiable assets acquired were £291.0m, which results in a goodwill value of £140.6m arising from the acquisition. The goodwill relates to expected synergies from combining Reiss into the NEXT Group and the effect of a combined workforce with Brand specific design experience. The goodwill at the year end was £140.6m (Note 11).

For tax purposes, the tax values of Reiss' assets are required to be reset based on market values of the assets. At the date of finalisation of these consolidated financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors' best estimate of the likely tax values.

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

	£m
Financial assets including cash	43.3
Inventory	61.7
Property, plant and equipment, software and right-of-use assets	42.6
Identifiable intangible assets	365.9
Financial liabilities including loans and lease liabilities	(135.9)
Deferred tax liabilities	(86.6)
Total identifiable assets acquired	291.0
Goodwill	140.6
Non-controlling interest in 28% of Pink Holdco Limited	(120.4)
Net assets attributable to NEXT	**311.2**
Satisfied by:	
Cash	98.5
Fair value of joint venture holding	194.5
Loan note and deferred consideration	18.2
Total consideration	**311.2**

The non-controlling interest of 28% ownership interest in Reiss recognised at the acquisition date was measured by reference to the share for share consideration paid by the non-controlling interest and amounted to £120.4m.

In addition to the cash consideration paid, the Group received a contribution from the vendor of £2.0m towards the due diligence and legal costs as part of the acquisition. This has been excluded from the consideration amounts above as it did not relate to the purchase price of the shares themselves.

The existing Reiss management team reinvested their original shareholding into Pink Holdco Limited in exchange for a minority stake of 6.3%. Put and call options, to enable future exit opportunities for the Reiss management team, have also been agreed and become exercisable in 2027, 2028 and 2029. A valuation of these put options has been performed using an earnings multiple, a suitable discount rate and approved forecasts, and the initial liability of £18.1m has been recognised with the corresponding entry to Other Equity in accordance with the present value method of accounting. These options are required to be fair valued at each accounting period date.

Reiss contributed £137.4m of revenue and £16.9m profit before tax to the Group's profit for the period between the date of acquisition and the reporting date. Reiss would have contributed £345.5m revenue and £27.0m profit before tax to the Group's profits had the business combination occurred at the beginning of the year.

34. Acquisition of Subsidiaries (continued)

FatFace

In October 2023, the Group acquired 97% of Bridgetown Holdco Limited, the new parent company of the FatFace group, a consolidated group whose principal activity is the design and retail of lifestyle clothing, footwear and accessories in the UK, Ireland and North America. It is expected that this acquisition will strengthen the Group's portfolio of brands while its Total Platform infrastructure will help grow the FatFace business. This qualifies as a business as defined in IFRS 3 Business Combinations.

Given the acquisition occurred in the second half of the financial year, the accounting for the acquisition of FatFace has only been provisionally determined at the end of the reporting period. In accordance with the requirements of IFRS 3 Business Combinations, the Group will finalise the acquisition balance sheet within 12 months of the acquisition date.

The identifiable intangible assets include a brand and customer relationship value of £78.2m. Total identifiable assets acquired were £86.0m, which results in a goodwill value of £29.3m arising from the acquisition. The goodwill relates to expected synergies from combining FatFace into the NEXT Group and the effect of a combined workforce with Brand specific design experience. The goodwill at the year end was £29.3m (Note 11).

For tax purposes, the tax values of FatFace's assets are required to be reset based on market values of the assets. At the date of finalisation of these consolidated financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors' best estimate of the likely tax values.

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

	£m
Financial assets including cash	28.3
Inventory	48.7
Property, plant and equipment, software and right-of-use assets	59.5
Identifiable intangible assets	78.2
Financial liabilities including loans and lease liabilities	(115.6)
Deferred tax liabilities	(13.1)
Total identifiable assets acquired	86.0
Goodwill	29.3
Non-controlling interest in 3% of Bridgetown Holdco Limited	(3.7)
Net assets attributable to NEXT	**111.6**
Satisfied by:	
Cash	57.6
Shares	53.4
Loan notes	0.6
Total consideration	**111.6**

The non-controlling interest of 3% ownership interest in FatFace recognised at the acquisition date was measured by reference to the overall valuation of the FatFace Group and amounted to £3.7m.

As part of the transaction the existing FatFace management team reinvested their original shareholding into Bridgetown Holdco Limited in exchange for a minority stake of 3%. Management and NEXT hold put and call options over this minority stake which enables future exit opportunities for the FatFace management team. These options become exercisable in 2027, 2028 and 2029 (or earlier at NEXT discretion if management exit the business before these dates). A valuation of these put options has been performed using an earnings multiple, a suitable discount rate and approved forecasts, and the initial liability of £3.8m has been recognised with the corresponding entry to Other Equity in accordance with the present value method of accounting. These options are required to be fair valued at each accounting period date.

FatFace contributed £90.8m of revenue and £1.7m profit before tax to the Group's profit for the period between the date of acquisition and the reporting date. FatFace would have contributed £268.8m revenue and £14.7m profit before tax (including exceptional items of £4.6m) to the Group's profits had the business combination occurred at the beginning of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Acquisition of Subsidiaries (continued)

Prior period acquisitions – Joules

On 1 December 2022, the Group acquired 74% of the trade and assets from Joules Limited, a consolidated group whose principal activity is the design and sale of lifestyle clothing, related accessories and a homeware range, through a multi-channel business structure embracing retail stores, wholesale and online. It is expected that this acquisition will strengthen the Group's portfolio of brands while its Total Platform infrastructure will help grow the Joules business. This qualified as a business as defined in IFRS 3 Business Combinations. The trade and assets were transferred into a new trading company, The Harborough Hare Limited.

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

	Previously reported £m	Fair Value Adjustments £m	Restated £m
Financial assets	1.8	–	**1.8**
Inventory	14.3	8.7	**23.0**
Property, plant and equipment and software	8.6	0.9	**9.5**
Identifiable intangible assets	10.5	–	**10.5**
Financial liabilities	(9.8)	–	**(9.8)**
Deferred tax liabilities	(2.6)	0.1	**(2.5)**
Total identifiable assets acquired	22.8	9.7	**32.5**
Goodwill	11.6	(9.7)	**1.9**
Non-controlling interest in 26% of The Harborough Hare Holdings Limited	(5.6)	–	**(5.6)**
Net assets attributable to NEXT	28.8	–	**28.8**
Satisfied by:			
Cash	28.8	–	**28.8**

Due primarily to the short period of time between acquisition and reporting, the accounting for the acquisition of Joules in the January 2023 balance sheet was a provisional assessment. In accordance with the requirements of IFRS 3 Business Combinations, the Group has now finalised the acquisition balance sheet within 12 months of the acquisition date. The changes were immaterial.

The identifiable intangible assets include a brand value of £10.1m and other intangible assets of £0.4m. Total identifiable assets acquired were £32.5m, which resulted in a goodwill value of £1.9m arising from the acquisition. The value of goodwill was lower than provisionally calculated predominantly as a result of reducing the level of inventory provisions previously identified. The goodwill relates to expected synergies from combining Joules into the NEXT Group and the effect of a combined workforce with Brand specific design experience.

The non-controlling interest of 26% ownership interest in Joules recognised at the acquisition date was measured by reference to the cash consideration paid by the non-controlling interest and amounted to £5.6m.

Joules contributed £32.8m revenue and £4.1m loss before tax to the Group's profit for the period between the date of acquisition and the January 2023 reporting date. The Joules business was previously part of the Joules plc group which went into administration in November 2022. It was not possible to reliably identify the revenue or profit or loss which would have been recognised had the business combination occurred at the beginning of the annual reporting period. However prior to administration Joules Limited, the main trading entity of the former Joules plc group, reported revenue of £179.9m and a loss of £0.4m for the 52 weeks ended 30 May 2021.

35. Contingent Liabilities

Since 2018 NEXT has received around 2,500 equal pay complaints from former and current employees in our store network. These claims are subject to a legal and tribunal process which is expected to last several years. The claims are fact sensitive, legally complex and being defended vigorously. The directors believe that the likelihood of successful outcome for the claimants is possible (but not probable). The directors also believe that it is not yet possible to reliably assess the likely outcome or the exact quantum of these claims if they are successful.

Accordingly, there is no provision in these financial statements for any liability that may arise in relation to the above.

36. Post Balance Sheet Events

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

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY BALANCE SHEET

	Notes	27 January 2024 £m	28 January 2023 £m
Fixed assets			
Investments	C2	**2,475.7**	2,475.7
		2,475.7	2,475.7
Current assets			
Other debtors	C3	**222.2**	195.5
Cash at bank and in hand		**–**	1.5
		222.2	197.0
Bank loans and overdrafts		**(5.5)**	–
Creditors: amounts falling due within one year	C4	**(532.5)**	(818.2)
		(538.0)	(818.2)
Net current liabilities		**(315.8)**	(621.2)
Total assets less current liabilities		**2,159.9**	1,854.5
NET ASSETS		**2,159.9**	1,854.5
Capital and reserves			
Called up share capital	C5	**12.7**	12.9
Share premium account		**54.2**	0.9
Capital redemption reserve		**17.3**	17.0
ESOT reserve	C5	**(387.2)**	(396.6)
Other reserves	C5	**985.2**	985.2
Profit and loss account		**1,477.7**	1,235.1
TOTAL EQUITY		**2,159.9**	1,854.5

The profit for the year in the accounts of the Company is £668.4m (2023: £400.0m).

The financial statements were approved by the Board of directors and authorised for issue on 21 March 2024. 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 29 January 2022	**13.3**	**0.9**	**16.6**	**(331.6)**	**985.2**	**1,290.1**	**1,974.5**
Profit for the period	–	–	–	–	–	400.0	400.0
Other comprehensive income for the period	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	400.0	400.0
Share buybacks (Note C5)	(0.4)	–	0.4	–	–	(224.0)	(224.0)
ESOT share purchases (Note C5)	–	–	–	(124.0)	–	–	(124.0)
Shares sold/issued by ESOT	–	–	–	59.0	–	(18.2)	40.8
Share option charge	–	–	–	–	–	24.3	24.3
Equity dividends	–	–	–	–	–	(237.1)	(237.1)
At 28 January 2023	**12.9**	**0.9**	**17.0**	**(396.6)**	**985.2**	**1,235.1**	**1,854.5**
Profit for the period	–	–	–	–	–	668.4	**668.4**
Other comprehensive income for the period	–	–	–	–	–	–	**–**
Total comprehensive income for the period	–	–	–	–	–	668.4	**668.4**
Shares issued in the year (Note C5)	0.1	53.3	–	–	–	–	**53.4**
Share buybacks (Note C5)	(0.3)	–	0.3	–	–	(177.3)	**(177.3)**
ESOT share purchases (Note C5)	–	–	–	(116.3)	–	–	**(116.3)**
Shares sold/issued by ESOT	–	–	–	125.7	–	(31.7)	**94.0**
Share option charge	–	–	–	–	–	31.5	**31.5**
Equity dividends	–	–	–	–	–	(248.3)	**(248.3)**
At 27 January 2024	**12.7**	**54.2**	**17.3**	**(387.2)**	**985.2**	**1,477.7**	**2,159.9**

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 as applicable to companies using 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 185 to 198. 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 (2023: £2,475.7m) investment shown in the Balance Sheet of NEXT plc relates to its investment in NEXT Group plc.

A full list of the Group's subsidiary undertakings as at 27 January 2024 is contained in the table below.

Company name	Registered office address	% held by Group companies	Direct or indirect
Agratech Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
Belvoir Insurance Company Limited	Suite 1 North, 1st Floor, Albert House, South Esplanade, St Peter Port, Guernsey, GY1 1AJ, Guernsey	100	Indirect (group interest)
Brecon Debt Recovery Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
Bridgetown Holdco Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	97	Indirect (group interest)
FatFace Group Borrowings Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	97	Indirect (group interest)
Fat Face Holdings Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	97	Indirect (group interest)
Fat Face Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	97	Indirect (group interest)
FatFace Corporation	Corporation Service Company, 2711 Centerville Rd, Suite 400, Wilmington, County of New Castle 19808, United States	97	Indirect (group interest)
FatFace Canada Corporation	199 Bay Street, Suite 4000, Commerce Court West, Toronto, Ontario, Canada M5L 1A	97	Indirect (group interest)
Fulham Parent Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	97	Indirect (group interest)
Lipsy Limited	Desford Road, Enderby, Leicester, Leicestershire, LE19 4AT, UK	100	Indirect (group interest)
LLC Next	7 Dolgorukovskaya Street, 127006, Moscow, Russian Federation	100	Indirect (group interest)
Next Sourcing ENA Limited (previously Next (Asia) Limited)	Suites 1404 to 1413 & Pt14, 1111 King's Road, Taikoo Shing, Hong Kong	100	Indirect (group interest)
NEXT (US), LLC	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100	Indirect (group interest)
Next Beauty Limited	Desford Road, Enderby, Leicester, Leicestershire, LE19 4AT, UK	100	Indirect (group interest)
Next Brand Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
Next Distribution Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
Next Europe & North Africa Morocco SARL	Jean Jaures SARL, 49 rue Jean Jaurès, Quartier Gauthier, 6ème étage, Apt N° 12, Casablanca, Morocco	100	Indirect (group interest)
Next Europe & North Africa Tunisia SARL	Residence "El Bechir", 155 Avenue Habib Bourguiba Office A3.1, 2036 La Soukra – Ariana, Tunisia	100	Indirect (group interest)
Next Financial Services Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
Next Germany GmbH	c/o BDO AG Wirtschaftsprüfungsgesellschaft, Zielstattstr. 40, 81379, Munich, Germany	100	Indirect (group interest)
Next Group plc	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Direct
Next Holding Wholesale Private Limited	915, Unit No. 9, Corporate Park II, 9th floor, VN Purav Marg, Near Swastik, Chambers, Chembur, Mumbai, Maharashtra-MH, 400071, India	100	Indirect (group interest)
NEXT General Trading LLC	2nd Floor, Dubai Supreme Court Complex, Umm Hurair 2, Dubai, United Arab Emirates	100	Indirect (group interest)
NEXT General Trading FZE	JAFZA View 18-19, 1st Floor, PO BOX 262746, Jebel Ali Free Zone, Dubai, United Arab Emirates	100	Indirect (group interest)
Next Holdings Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
Next Manufacturing (Private) Limited	Phase 1, Ring Road 2, Export Processing Zone, Katunayake,Sri Lanka	100	Indirect (group interest)
Next Manufacturing Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
Next Near East Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
Next Pension Trustees Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
Next Properties Ltd	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
Next Retail (Ireland) Limited	13–18 City Quay, Dublin 2, D02 ED70, Ireland	100	Indirect (group interest)
Next Retail Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
Next Sourcing (UK) Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
Next Sourcing Company Limited	House No. 14, St. No. 106, Phoum 8, Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Cambodia	100	Indirect (group interest)
Next Sourcing Limited	Suites 1404 to 1413 & Pt14, 1111 King's Road, Taikoo Shing, Hong Kong	100	Indirect (group interest)
Next Sourcing Limited Shanghai Office	Room 901-902, 908-921, 9th Floor, Bldg. 3, No. 283 West Jianguo Road, Xuhui District, Shanghai	100	Indirect (group interest)
Next Sourcing Services (India) Private Limited	207 Jaina Tower, 1 District Centre, Janakpuri, New Delhi, 110058, India	100	Indirect (group interest)
Next Sourcing Services Limited	Giant Business Tower, Level 4 & 5, Plot #3, Sector-3, Dhaka Mymensingh Road, Uttara Commercial Area, Dhaka, 1230 Bangladesh	100	Indirect (group interest)

C2. Investments (continued)

Company name	Registered office address	% held by Group companies	Direct or indirect
Next Sourcıng İç Ve Dış Ticaret Limited Şirketi	Esentepe Mah. Büyükdere Cad. Ferko Signature Blok No: 175 İç Kapi No: 69 Şişli / Istanbul	100	Indirect (group interest)
Next-E-NA Portugal, Unipessoal LDA	R. dos Transitários 182 RCH, 4455–565 Matosinhos, Portugal	100	Indirect (group interest)
NSL Limited	Suites 1404 to 1413 & Pt14, 1111 King's Road, Taikoo Shing, Hong Kong	100	Indirect (group interest)
Paige Group Limited (The)	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
Pink Holdco Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	72	Indirect (group interest)
Pink Topco Limited	22 Grenville Street, St. Helier, Jersey JE4 8PX	72	Indirect (group interest)
Project Norwich Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
Reiss (Holdings) Limited	Reiss Building, 12 Picton Place, London, England, W1U 1BW	72	Indirect (group interest)
Reiss Limited	Reiss Building, 12 Picton Place, London, England, W1U 1BW	72	Indirect (group interest)
Reiss (U.S.A) Limited	Reiss Building, 12 Picton Place, London, England, W1U 1BW	72	Indirect (group interest)
Reiss (Canada) Limited	Reiss Building, 12 Picton Place, London, England, W1U 1BW	72	Indirect (group interest)
Reiss (International) Limited	Reiss Building, 12 Picton Place, London, England, W1U 1BW	72	Indirect (group interest)
Reiss (Holland) B.V.	Hoogoorddreef 15 1101 BA, Amsterdam, Noord-Holland Netherlands	72	Indirect (group interest)
Reiss (Australia) PTY Limited	Level 11 1 Margaret Street, 2000, Sydney, NSW, Australia	72	Indirect (group interest)
Reiss Russia LLC	Poslannikov Pereulok 9, Building 3, 105005, Moscow, Russian Federation	72	Indirect (group interest)
The Harborough Hare Holdings Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	74	Indirect (group interest)
The Harborough Hare Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	74	Indirect (group interest)
Tom Joule Europe Limited	13–18 City Quay, Dublin 2, D02 ED70, Ireland	74	Indirect (group interest)
The Next Directory Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
Ventura Group Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
Ventura Network Distribution Limited	Desford Road, Enderby, Leicester LE19 4AT, UK	100	Indirect (group interest)
WP R Holdco Limited	Reiss Building, 12 Picton Place, London, England, W1U 1BW	72	Indirect (group interest)
WP R Midco 1 Limited	Reiss Building, 12 Picton Place, London, England, W1U 1BW	72	Indirect (group interest)
WP R Midco 2 Limited	Reiss Building, 12 Picton Place, London, England, W1U 1BW	72	Indirect (group interest)
WP R Topco Limited	22 Grenville Street, St Helier, JE4 8PX, Jersey	72	Indirect (group interest)

A full list of the Group's significant holdings in undertakings other than subsidiary undertakings as at 27 January 2024 is contained in the table below.

Company name	Registered office address	% held by Group companies	Direct or indirect
Aubin & Wills Holdings Limited	1110 Elliott Court, Coventry Business Park, Herald Avenue, Coventry, CV5 6UB	28	Indirect (group interest)
Choice Discount Stores Limited	14–14A Rectory Road, Hadleigh Benfleet, Essex, SS7 2ND, UK	49	Indirect (group interest)
Regent Bidco 1 Limited	C/O Alter Domus (Uk) Limited, 10th Floor, 30 St Mary Axe, London, EC3A 8BF, UK	44	Indirect (group interest)
Swoon Editions Limited	7 Bell Yard, London, WC2A 2JR, UK	25	Indirect (group interest)
VS Brands Holdings UK Limited	Desford Road, Enderby, Leicester, Leicestershire, United Kingdom, LE19 4AT	51	Indirect (group interest)
West Apparel UK Holdings Limited	Desford Road, Enderby, Leicester, Leicestershire, United Kingdom, LE19 4AT	51	Indirect (group interest)

C3. Other Debtors

	2024 £m	2023 £m
Amounts due from subsidiary undertaking	**221.0**	193.3
Other receivables	**1.2**	2.2
	222.2	195.5

C4. Creditors Due Within One Year

	2024 £m	2023 £m
Amounts due to subsidiary undertaking	**532.5**	818.2

C5. Share Capital, ESOT Reserve and Other Reserves

Details of the Company's share capital and share buybacks are given in Note 23. ESOT transactions are detailed in Note 26. Other reserves in the Company Balance Sheet of £985.2m (2023: £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 27 January 2024.

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 guarantee as remote.

SHAREHOLDER INFORMATION

HALF YEAR AND SEGMENT ANALYSIS (UNAUDITED)

	First half £m	Second half £m	52 weeks to Jan 2024 £m	First half £m	Second half £m	52 weeks to Jan 2023 £m
Statutory sales						
NEXT Online	1,384.5	1,516.9	**2,901.4**	1,307.9	1,435.7	2,743.6
NEXT Retail	875.6	968.1	**1,843.7**	875.7	973.4	1,849.1
NEXT Finance	143.1	149.6	**292.7**	133.7	140.7	274.4
Total Platform[1]	71.1	292.7	**363.8**	17.4	58.3	75.7
Property Management	10.3	11.2	**21.5**	8.8	10.1	18.9
Franchise, Sourcing and other	32.0	35.9	**67.9**	36.1	36.2	72.3
Total	**2,516.6**	**2,974.4**	**5,491.0**	2,379.6	2,654.4	5,034.0
Profit before tax						
NEXT Online	245.5	271.6	**517.1**	220.9	246.4	467.3
NEXT Retail	101.2	143.5	**244.7**	100.6	139.9	240.5
NEXT Finance	80.2	83.2	**163.4**	86.3	84.2	170.5
Total Platform[2]	0.3	30.9	**31.2**	3.7	11.5	15.2
Property Management	1.6	0.1	**1.7**	13.3	23.7	37.0
Franchise, Sourcing and other	17.1	16.1	**33.2**	15.0	13.1	28.1
Total segmental profit	**445.9**	**545.4**	**991.3**	439.8	518.8	958.6
Recharge of interest	23.0	27.3	**50.3**	15.6	18.8	34.4
Other activities	(16.4)	(37.3)	**(53.7)**	(21.0)	(30.5)	(51.5)
Net finance cost	(36.8)	(43.9)	**(80.7)**	(33.8)	(38.4)	(72.2)
Exceptional items	–	108.6	**108.6**	–	–	–
Profit before tax	**415.7**	**600.1**	**1,015.8**	400.6	468.7	869.3

1. Total Platform sales includes commission income from our Total Platform business and sales associated with Joules, Reiss and FatFace.
2. Total Platform Profit before tax includes NEXT's share of profits from its investments in associates and joint ventures. It also includes the trading profits from Joules, FatFace and Reiss.

FIVE YEAR HISTORY (UNAUDITED)

Period to January	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Underlying continuing business					
Statutory revenue	**5,491.0**	5,034.0	4,625.9	3,534.4	4,266.2
Operating profit	**987.9**	941.5	905.4	444.5	853.9
Exceptional items	**108.6**	–	–	–	–
Net finance costs	**(80.7)**	(72.2)	(82.3)	(102.1)	(105.4)
Profit before tax	**1,015.8**	869.3	823.1	342.4	748.5
Taxation	**(215.3)**	(158.6)	(145.6)	(55.7)	(138.3)
Profit after taxation	**800.5**	710.7	677.5	286.7	610.2
Total equity	**1,638.8**	1,165.1	1,010.0	660.9	441.5
Shares purchased for cancellation	**2.6m**	3.5m	0.2m	0.3m	5.4m
Shares issued in the year	**0.7m**	–	–	–	–
Dividends per share – ordinary	**206.0p**	193.0p	–	–	57.5p
– special	**–**	–	270.0p	–	–
Earnings Per Share					
Basic	**661.6p**	573.4p	530.8p	223.3p	472.4p

GLOSSARY

Alternative Performance Measures (APMs) and other non-statutory financial measures

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Average active customers Those customers who have purchased products using their Online account or received a standard account statement in the last 20 weeks. Customers can be either Online credit or cash customers.	None	Active customers have a strong correlation with interest income on the Finance P&L and help drive understanding of movements in income. Reconciliation to closest equivalent statutory measure not applicable.
Average customer receivables/ debtor balance The average amount of money owed by all next**pay** and next**3step** customers less any provision for bad debt. This represents the total balances we expect to recover, averaged across the relevant period. This is referred to as "customer receivables" or "debtor balance".	None	Average debtor balance has a strong correlation with interest income on the Finance P&L and helps drive understanding of movements in income. It also helps to evaluate the overall health of the balance sheet for the Finance business. The average debtor balance in FY24 was £1,223m (FY23: £1,179m). The statutory accounts do not disclose the monthly debtor balance needed to calculate the average debtor balance. The year end balance is disclosed in Note 14 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 14	Measurement of the quality of the Online debtor book/customer receivables. A lower bad debt charge indicates that the quality and recoverability of the balance are higher. The bad debt charge is the total of the in-year impairment charge, less amounts recovered. In FY24 the total bad debt charge disclosed in the CEO Review was £32m (FY23: £26m). In Note 14 the total Expected Credit Loss charge was £36.0m (2023: £31.0m) with the difference relating to recoveries on previously written off assets.
Bought-in gross margin Difference between the cost of stock and the original VAT exclusive selling price, expressed as a percentage of the original VAT exclusive selling price.	None	Bought-in gross margin is a measure of the profit made on the sale of stock at full price. This is a key internal management metric for assessing category performance. Reconciliation to closest equivalent statutory measure not applicable as full price sales not a statutory metric.
Branch profitability Retail store total sales less cost of sales, payroll, controllable costs, occupancy costs and depreciation, and before allocation of central overheads. Expressed as a percentage of VAT inclusive sales. Net branch profit is a measure of the profitability on a store by store level.	None	Measurement of the Retail business profit by physical branch. Provides an indication of the performance of the store portfolio. This is based on costs which are directly attributable to the store. Therefore, it does not include costs such as central overheads which will be included in the statutory accounts. Reconciliation to closest equivalent statutory measure is therefore not applicable.
Cost of funding – Finance An internal recharge of interest costs from the Group to the NEXT Finance business, in respect of funding costs for the Online debtor balance (customer receivable). It is calculated by applying the average Group interest rate (i.e. the external borrowing rate of the NEXT Group divided by the average NEXT Group borrowing excluding cash) to the average debtor/ customer balance.	None	Used by the business to evaluate the profitability of the Finance business. There is no statutory equivalent as this is a metric specific to how the Group manages its funding and cost allocations. In the year to January 2024 this has been calculated as: Average Group interest = Interest cost/Average debt excluding cash on deposit = £37.9m / £824.2m = 4.6% Then apply 4.6% to 85% of the Average Online customer balance of £1,223m (as we assume that 85% is funded by debt). This equates to a Cost of Funding charge of £47.8m (2023: £34.4m).

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Credit sales VAT exclusive sales from customers who have purchased using their NEXT credit account (next**pay** or next**3step)**, inclusive of any interest income charges and delivery charges, and after deducting any applicable promotional discounts.	None	Credit sales are a direct indicator of the performance and profitability of the Finance business. Reconciliation to closest equivalent statutory measure not applicable as the statutory accounts split by business segment but not by the mechanism of customer payment.
Divisional operating profit Divisional profit before interest and tax, excluding equity-settled share option charges recognised under IFRS 2 "Share-based payment" and unrealised foreign exchange gains and losses on derivatives which do not qualify for hedge accounting.	Segment profit	A direct indicator of the performance of each division making up the total Group operating profit. A commonly used metric that provides a useful method of performance comparison across the Group. The divisional operating profits in the CEO are closely aligned to the Segment profits presented in Note 1 of the financial statements. The commentary in Note 1 explains the differences which relate primarily to how the NEXT Group Profit before tax basis is used in the CEO Review.
Full price sales Total sales excluding items sold in our sale events, Total Platform sales and our Clearance operations. Full price sales include interest income on NEXT credit accounts.	Revenue – sale of goods	Full price sales are a direct indicator of the performance and profitability of the business. NEXT Trading full price sales include items sold in Retail and Online plus NEXT Finance interest income, but excludes Sale events, Clearance, Total Platform commission and the sales from subsidiaries.
Interest income (NEXT Finance) The gross interest billed to next**pay** and next**3step** customers, before any deduction for unpaid interest on bad debt.	Revenue – credit account interest	Interest income for the Finance business is a direct indicator of the performance and profitability of the Finance business. This is presented within revenue on the face of the Income Statement and Note 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 and not impacted by any transfer of trade from nearby store closures.	None	This metric enables the performance of the Retail stores to be measured on a consistent year-on-year basis and is a common term used in the retail industry. Reconciliation to closest equivalent statutory measure not applicable.
Net debt excluding leases Comprises cash and cash equivalents, bank loans, corporate bonds, and fair value hedges of corporate bonds but excludes lease debt. Net debt is a measure of the Group's indebtedness.	None	This measure is a good indication of the strength of the Group's liquidity and is widely used by credit rating agencies. Net debt excluding leases is reconciled to net debt including leases in Note 31 of the financial statements.
Net profit (NEXT Finance) The profit, including interest income and the bad debt charge, and after the allocation of central overheads and the cost of funding.	Profit before tax (for the Finance segment)	A measure of direct profitability of the Finance business. The net profit for the Finance Business is presented in Note 1 to the financial statements.

GLOSSARY

Alternative Performance Measures (APMs) and other non-statutory financial measures

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
NEXT Group profit before tax	Profit before tax	NEXT profit before tax differs from the statutory profit before tax for 3 reasons: 1. Amortisation on brands and related acquired intangibles is removed from the NEXT Group profit before tax. 2. For management purposes, the non controlling interests in Joules, Reiss and FatFace are removed from the NEXT Group profit before tax. In contrast, in line with International accounting standards, the statutory profit includes 100% of the Joules, Reiss and FatFace results. 3. Exceptional items – the exceptional item in the year to January 2024 is not included in the headline 'NEXT Group profit before tax'. The NEXT Group profit before tax and statutory profit before tax is reconciled in Part 4 of the CEO Review.
NEXT operating profit	Operating profit	Within the CEO Review the NEXT Operating profit is based on the same principles and adjustments (compared to statutory operating profit) as the NEXT Group profit before tax noted above. It differs from the Statutory operating profit for 3 reasons: 1. Removal of non controlling interest. 2. It excludes the effect of amortisation of acquired brands and related intangible assets. 3. Within NEXT operating profit, external interest costs borne by Joules, Reiss and FatFace are allocated to those businesses. This contrasts to statutory accounting where finance costs are reported below operating profit. Note 1 provides an explanation with values for how the Operating profit on a statutory basis differs from the approach of the CEO.
NEXT post tax earning per share A measure of the profit after tax expressed over the average number of shares.	Basic Earnings per share	Earning per share provides a measure of how much profit has been generated for each share in issue. It is a commonly used metric for listed entities. A comparison of how the NEXT post tax earning per share and its closest statutory equivalent is provided in Appendix 1 of the CEO Review.
Online margin NEXT operating profit for the Online business after deducting lease interest, as a percentage of the Trading sales of the Online division.	None	A measure of the profitability of the Group. A commonly used metric that can be used to compare performance to other businesses. Net margin measures whether profitability is changing at a higher or lower rate relative to revenue. The margin is based on the segmental operating profit, as disclosed in Note 1 of the financial statements, less allocation of lease interest, as a percentage of the NEXT Trading Sales for that segment. A reconciliation between Total NEXT sales and statutory revenue is provided in Note 1 of the financial statements.

APM Definition	Closest equivalent statutory measure	Purpose and reconciliation to closest statutory measure where applicable
Retail margin Operating profit after deducting lease interest, as a percentage of the Trading sales of the Retail division.	None	A measure of the profitability of the Group. A commonly used metric that can be used to compare performance to other businesses. Net margin measures whether profitability is changing at a higher or lower rate relative to revenue. The margin is based on the segmental operating profit, as disclosed in Note 1 of the financial statements, less allocation of lease interest, as a percentage of the NEXT Trading Sales for that segment. A reconciliation between Total NEXT sales and statutory revenue is provided in Note 1 of 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 2024 was calculated by dividing the Operating profit for the segment of £163.4m by the average customer receivable balance of £1,223m. As a percentage, this is 13.4% (2023: 14.5%). The Operating profit for the segment is disclosed in Note 1 to the financial statements.
Total NEXT sales Total NEXT sales are a segment level measure of sales being VAT exclusive full price and markdown sales, including the full value of commission-based sales in our Online division, interest income (as described and reconciled in Note 2 of the financial statements) and the commission income and service income from our Total Platform business.	Statutory revenue	Total NEXT sales are a direct indicator of the performance and profitability of the segment. Total NEXT sales are reconciled to Statutory revenue in Note 1 to the financial statements.
Total Trading sales/Total Group sales Total Trading sales are the VAT exclusive aggregation of Total sales from our core trading segments of Retail, Online and Finance. Total Group sales are the aggregation of Total sales for all of the Group segments plus revenue from investments, which are reported in proportion to our equity share of our investments. For further detail see CEO Review Appendix 3.	Statutory revenue	Total Trading sales are a direct indicator of the performance and profitability of the business from the Online, Retail and Finance business. Total Group sales are a direct indicator of the performance and profitability of the entire business. Total Trading sales and Total Group sales are reconciled to Statutory revenue in Note 1 to the financial statements.

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 16 May 2024 at 9.30 am. Any changes to the format of the AGM will be communicated to shareholders through our website at nextplc.co.uk/investors/shareholder-information/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 5.00 pm on 15 May 2024 will be answered at the meeting as appropriate.

The following resolutions will be proposed at the AGM, resolutions 1 to 18 as ordinary resolutions and 19 to 23 as special resolutions. **Further information on these resolutions can be found in Appendix A to this Notice.** Biographies of the directors are shown on pages 120 to 121 of the Annual Report.

Ordinary resolutions

Report and accounts

1. To receive the Company's accounts for the year ended 27 January 2024, together with the Directors' and Auditors' Reports (together the Annual Report).
2. To approve the Directors' Remuneration Report set out on pages 140 to 160.

Final dividend

3. To declare a final dividend of 141 pence per ordinary share.

Election and re-election of directors

To elect the following directors appointed by the directors since the last AGM who are seeking election in accordance with the Company's Articles of Association:

4. Venetia Butterfield.
5. Amy Stirling.

To re-elect the following directors who are seeking annual re-election:

6. Jonathan Bewes.
7. Soumen Das.
8. Tom Hall.
9. Dame Tristia Harrison.
10. Amanda James.
11. Richard Papp.
12. Michael Roney.
13. Jane Shields.
14. Jeremy Stakol.
15. Lord Wolfson.

Auditor re-appointment and remuneration

16. To re-appoint PricewaterhouseCoopers LLP (PwC) as the Company's auditor, to hold office until the conclusion of the next general meeting at which accounts are laid.
17. To authorise the Audit Committee of the Board to set the remuneration of the Company's auditor.

Directors' authority to allot shares

18. That the directors be authorised, generally and unconditionally, to allot equity securities (as defined in Section 560 of the Companies Act 2006 (the 2006 Act)) in the Company and to grant rights to subscribe for or convert any security into shares in the Company:
    a. up to a maximum nominal amount of £4,200,000 (as reduced by any equity securities allotted under paragraph (b) below); and
    b. up to a maximum nominal amount of £8,400,000 (as reduced by any equity securities allotted under paragraph (a) above) in connection with a pre-emptive offer (including an offer by way of a rights issue or open offer);
        (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
        (ii) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter.

    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 16 August 2025. 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).

Special Resolutions

Disapplication of pre-emption rights

19. That, subject to resolution 18 being passed:
    a. the directors be given power to allot equity securities (as defined in the 2006 Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the 2006 Act did not apply to any such allotment or sale;
    b. the power under paragraph (a) above shall be limited to the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (b) of resolution 18, by way of a pre-emptive offer (including an offer by way of a rights issue or open offer) only):
        (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
        (ii) to holders of other equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary, and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares,

fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;

c. the power under paragraph (a) above shall be limited to, in the case of the authority granted under paragraph (a) of resolution 18 and/or in the case of treasury shares, to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (b) above) up to a nominal amount not exceeding in aggregate £1,271,000 representing 10% of the issued ordinary share capital;

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 on 16 August 2025; and

e. 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).

20. Additional disapplication of pre-emption rights that, subject to resolutions 18 and 19 being passed:

a. the directors be given the power to allot, in addition to any power granted under resolution 19, equity securities (as defined in the 2006 Act) for cash under the authority granted under paragraph (a) of resolution 18 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the 2006 Act did not apply to any such allotment or sale;

b. the power under paragraph (a) above shall be:

(i) limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £1,271,000 representing 10% 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 twelve months after the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice;

c. this authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 16 August 2025; and

d. other than in respect of authorities granted pursuant to resolution 19, 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).

On-market purchases of own shares

21. 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 19,056,000 ordinary shares of 10 pence 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 22 below;

b. the minimum price which may be paid for ordinary shares (exclusive of expenses) is 10 pence 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 16 August 2025;

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.

Off-market purchases of own shares

22. 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 Banks) (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 263 and 264. 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 16 August 2025 (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).

Notice of general meetings

23. 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

12 April 2024

NOTICE OF MEETING

Appendix A

Explanatory notes to resolutions

Ordinary resolutions

1. To receive the Annual Report

The Company is required by the 2006 Act to present its Annual Report to shareholders at its AGM.

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 27 January 2024 and is subject to an advisory vote by shareholders. The Report (excluding the Directors' Remuneration Policy) is set out on pages 140 to 160 of the Annual Report for the period ended 27 January 2024.

3. To declare a final dividend

The Company requires shareholder approval to pay a final dividend. The directors recommend that a final dividend of 141 pence per share be paid on 1 August 2024 to shareholders on the register of members at close of business on 5 July 2024. 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 26 of the financial statements.

4–15. Election and re-election of 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 120 and 121 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).

In relation to the minority (20.84%) vote against the re-election of Michael Roney at the 2023 AGM, an explanatory note of the consultation process with shareholders undertaken can be found on page 125 of the Annual Report.

The Board is satisfied that, excluding the Chairman, 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.

16 and 17. Auditor re-appointment and remuneration

The Audit Committee oversees the relationship with the external auditor. The Audit Committee is also responsible for the external auditor selection process and for making recommendations to the Board for shareholder approval regarding the appointment and re-appointment of the external auditor. An overview of the Audit Committee's process and conclusions can be found on pages 137 to 138 of the Annual Report.

On the recommendation of the Audit Committee, the Board proposes that PwC be re-appointed as the Company's auditor. Resolution 17 proposes that the auditors' remuneration be determined by the Audit Committee.

18. Renewal of the powers of directors to allot shares

Ordinary resolution 18(a) seeks authority to allow the directors to allot ordinary shares up to a maximum nominal amount of £4,200,000, representing approximately one third of the Company's existing issued share capital, excluding treasury shares, as at 20 March 2024. In accordance with institutional guidelines, resolution 18(b) will also allow directors to allot further ordinary shares, in connection with a pre-emptive offer by way of a pre-emptive offer, including a rights issue or open offer, up to a total maximum nominal amount of £8,400,000, representing approximately two thirds of the Company's existing issued share capital, excluding treasury shares, as at that date. As at 20 March 2024 (being the latest practicable date prior to publication of this document) the Company's issued share capital amounted to £12,712,559.70 comprising 127,125,597 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 2025 or, if earlier, 16 August 2025.

Special resolutions

19 and 20. Authority to disapply pre-emption rights

In special resolution 19, 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 £1,271,000, representing 10% of the issued ordinary share capital of the Company as at 20 March 2024. 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 20 seeks separate and additional authority to allot up to an additional 10% 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 2022 Statement of Principles) which is announced at the same time as the allotment, or which has taken place in the twelve month period before and is disclosed in the announcement of the allotment.

The directors have no present intention to exercise the powers sought by resolutions 19 or 20. If the powers sought by resolutions 19 or 20 are used in relation to a non-pre-emptive offer, the directors confirm their intention to follow the shareholder protections in paragraph 1 of Part 2B of the Pre-emption Group's Statement of Principles published in November 2022 and, where relevant, follow the expected features of a follow-on offer as set out in paragraph 3 of Part 2B of the Pre-emption Group's Statement of Principles. The authority sought under resolutions 19 and 20 will expire at the AGM in 2025 or, if earlier, 16 August 2025.

21. 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 20 March 2024, NEXT has returned over £4.8bn to shareholders by way of share buybacks and over £4.5bn 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 £859m in capital expenditure to support and grow the business.

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

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

The Company has no warrants in issue in relation to its shares and no options to subscribe for its shares outstanding. Exercise of outstanding employee share options and share awards are generally satisfied by the transfer of market-purchased shares from the ESOT (refer to Note 26 to the financial statements).

The renewed authority will expire at the AGM in 2025 or, if earlier, 16 August 2025.

22. 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 2023 AGM up to 20 March 2024.
- Low share liquidity can often prevent the Company from purchasing sufficient numbers of shares on a single day without risk of affecting the prevailing market price. Contingent contracts enable the Company to purchase shares over time without risk of distorting the prevailing share price, and also spread the cash outflow.
- Contingent contracts entered into prior to any Closed Period allow the Company to take delivery of shares during these periods.
- Competitive tendering involving up to five banks is used which minimises the risk of hidden purchase costs. The pricing mechanism ensures the Company retains the benefit of declared and forecast dividends.
- The Company would also have the option to set a suspension price in individual contracts whereby they would automatically terminate if the Company's share price was to fall.

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

Special resolution 22, passed at the Company's 2023 AGM, granted authority 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 London Branch, BNP Paribas and Barclays Bank plc. This authority was limited to a maximum of 3,000,000 shares and expires on the earlier of the date of the 2024 AGM or 18 August 2024. Pursuant to that authority and up to 20 March 2024, 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 above), 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 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.

NOTICE OF MEETING
Appendix A

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 22, 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 2025 and 16 August 2025 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 3,000,000, representing circa 2.4% of its issued share capital at 20 March 2024;
- 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 10 pence; 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 16 May 2024 for on-market purchases. No shares will be purchased under that authority on the same day that a CFT is entered into. The authority granted to the Company under this resolution will expire at the conclusion of the AGM in 2025 or on 16 August 2025, 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 16 May 2024. 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 from the publication of this Notice until the close 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 26 to the financial statements).

Meeting Formalities and Voting

23. Notice of general meetings

In accordance with the 2006 Act, the notice period for general meetings (other than an annual general meeting) 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 23 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 is of the opinion that all resolutions which are to be proposed at the 2024 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.

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 14 May 2024 or, if the meeting is adjourned, at 6.30 pm on the day which is two working days before the adjourned meeting.

The resolutions being proposed are a very important part of the governance of the Company and all shareholders are urged to vote.

In line with best practice, voting on all resolutions at the 2024 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 22 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 22 attaching to 3,000,000 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 20 March 2024, which is the latest practicable date before the publication of this Notice, is 127,125,597 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 14 May 2024 (or 48 hours before any adjourned meeting). If you complete and return a Form of Proxy you can still attend and vote at the AGM if you wish.

It is possible for you to submit your proxy votes online by going to Equiniti's Shareview website, www.shareview.co.uk, and logging in to your Shareview Portfolio. Once you have logged in, simply click 'View' on the 'My Investments' page and then click on the link to vote and follow the on-screen instructions. If you have not yet registered for a Shareview Portfolio, go to www.shareview.co.uk and enter the requested information. It is important that you register for a Shareview Portfolio with enough time to complete the registration and authentication processes. Electronic proxies must be completed and lodged in accordance with the instructions on the website by no later than 9.30 am on 14 May 2024.

If you are unable to attend in person, you are strongly encouraged to appoint a proxy and return the completed Form of Proxy by the specified deadline.

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.

NOTICE OF MEETING

Meeting Formalities and Voting

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 16 May 2024 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 this Notice. 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 22.

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, from publication of this Notice 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 auditors' 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 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 16 May 2024. The Notice of Meeting on pages 260 to 266 sets out business to be transacted.

The safety of our shareholders is our main priority. We will not permit behaviour that may interfere with anyone's security or safety or the good order of the meeting. Anyone who does not comply may be removed from the meeting.

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 (if calling from outside the UK, please ensure the country code is used). Lines are open 8.30 am to 5.30 pm Monday to Friday.

Shareholder enquiries

The Company share register is maintained by Equiniti ("EQ"). Please contact them online at www.shareview.co.uk or using the contact details above if you have any enquiries about your NEXT shareholding including the following matters:

- change of name and address;
- loss of share certificate, dividend warrant or dividend confirmation;
- if you receive duplicate sets of Company mailings as a result of an inconsistency in name or address and wish, if appropriate, to combine accounts; and
- help on how to register your email address to receive shareholder communications electronically.

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; and
- hearing loop facilities in their buildings for use by visiting shareholders.

You can also contact EQ by using the Relay UK website at www.relayuk.bt.com

CREST

The Company's ordinary shares are available for electronic settlement.

Payments of dividends to mandated accounts

From January 2025, payments to shareholders will no longer be made by cheque. To continue to receive dividends and any other money payable to you in connection with your NEXT ordinary shares, you will need to provide your bank or building society account details so that payments can be made directly to your nominated account by direct payment. Shareholders who do not at present have their dividends paid directly into a bank or building society may wish to do so.

Forward looking statements

This Report and Accounts contains statements which are all matters that are not historical facts, including anticipated financial and operational performance, business prospects and similar matters. Forward looking statements are identifiable by words such as "aim", "anticipate", "believe", "budget", "estimate", "expect", "forecast", "intend", "plan", "project" and similar expressions. These statements reflect NEXT's current expectations concerning future events but 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 and 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. 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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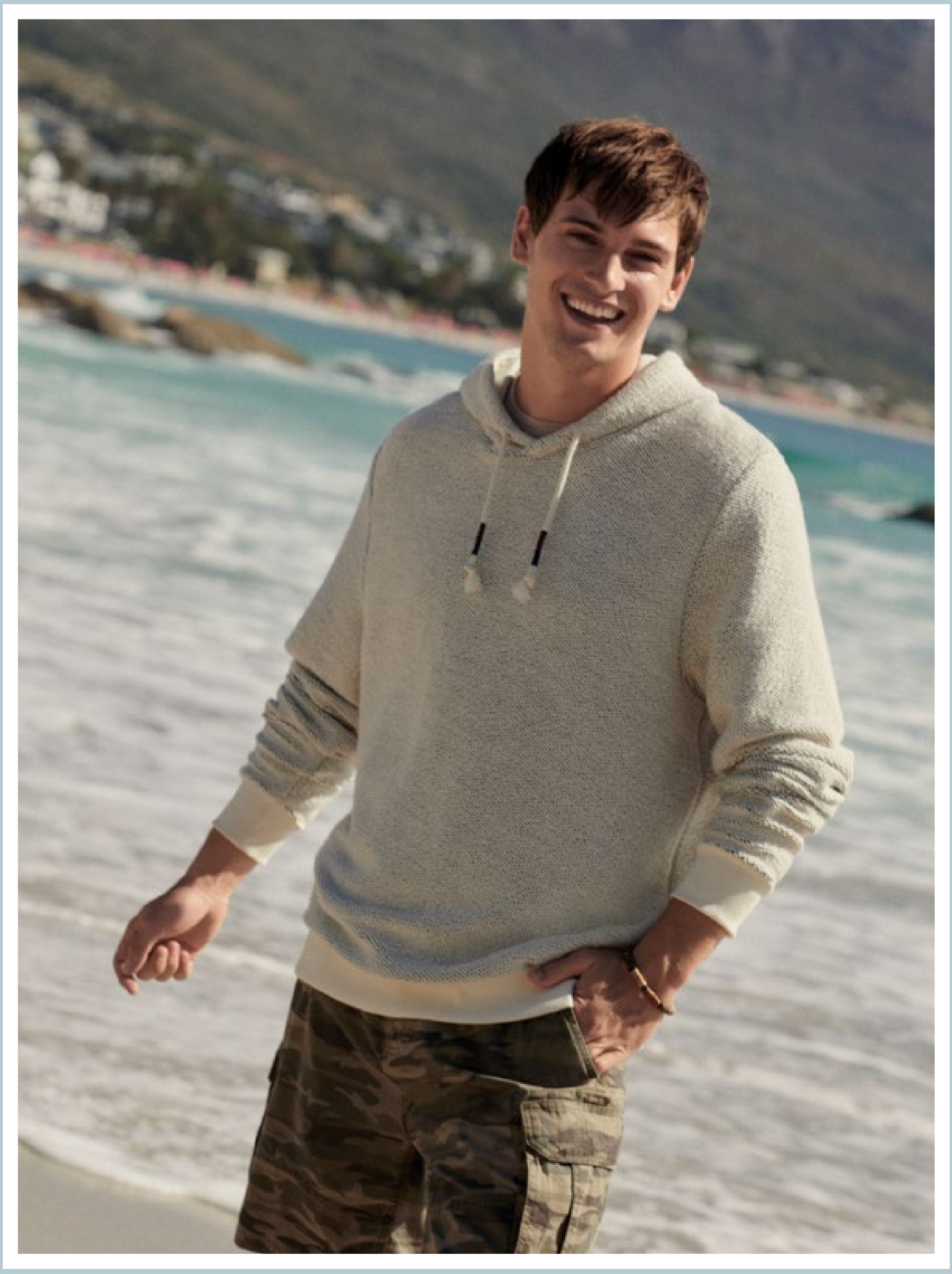

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