NEXT

Results for the Half Year Ending July 2024

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CHIEF EXECUTIVE'S REVIEW

STRUCTURE OF THIS REPORT

PART ONE *p4*	**Headlines and Summary of Financial Performance,** gives a short overview of the financial performance of the Group in the six months to July 2024 and our guidance for the full year 2024/25.
PART TWO *p5 - p25*	**The Big Picture** section of this document summarises NEXT's core strengths and avenues of growth, in the context of the Company's evolution over the last thirty or so years. It then presents a new perspective on our sales performance in the first half, providing deeper insight into the underlying performance of the constituent parts of the business, with further focus on the Company's exceptional growth overseas. The section moves on to discuss the qualities that make a great online fashion platform and what we are doing to achieve that goal.
PART THREE *p26 - p32*	**Group Financial Performance and Full Year Guidance,** details our sales and profit performance for the first half of the year, summarised by business division, along with our guidance for the full year 2024/25.
PART FOUR *p33 - p58*	**Retail, Online, Finance, Total Platform, and Other Business,** is a very detailed section, describing the financial performance of each major business division. This section is designed for analysts and investors who want a deeper understanding of the Group.
PART FIVE *p59 - p64*	**Cash Flow, Shareholder Returns, Net Debt and Financing,** gives a detailed breakdown of our cash flow guidance and shareholder distributions for 2024/25.

TABLE OF CONTENTS

PART ONE
HEADLINES AND SUMMARY OF FINANCIAL PERFORMANCE

HEADLINES

Performance in the Six Months to July 2024

- Full price sales[1] up **+4.4%** and total Group sales[2] (including subsidiaries) up **+8.0%.**
- NEXT Group profit before tax[3] **£452m**, up **+7.1%**.

Upgraded Guidance for the Full Year to January 2025

- Full price sales over the first six weeks of the second half have materially exceeded our expectations and were up **+6.9%**.
- Second half full price sales growth is upgraded to **+3.7%** versus last year (previous guidance +2.5%).
- Full year, full price sales are now expected to be up **+4.0%**, with total Group sales (including subsidiaries) up **+6.6%**.
- Full year pre-tax profit guidance increased by +£15m to **£995m** (up **+8.4%** on last year).

For a more detailed analysis of our guidance see page 29.

SALES AND PROFIT FOR THE FIRST HALF

Sales, Profit and Earnings Per Share	**July 2024**	**July 2023**	**Var %**
Total Group sales	£2,946m	£2,729m	+8.0%
NEXT Group profit before tax	£452m	£422m	+7.1%
NEXT Group profit after tax	£341m	£324m	+5.2%
NEXT Group post-tax Earnings Per Share	282.8p	266.2p	+6.2%
Statutory revenue	*£2,860m*	*£2,517m*	*+13.6%*
Statutory profit before tax	£432m	£416m	*+3.9%*

[1] Full price sales include all items sold in NEXT Retail and NEXT Online, including third-party brands, plus NEXT Finance interest income, but excludes Sale events, Clearance, Total Platform commission and sales from subsidiaries.

[2] Total Group sales are the sum of total sales (full price and markdown) from all of the Group's divisions plus revenue from subsidiary companies and investments. July 2023 is restated (previously £2,638m) due to a change in the reporting of sales in subsidiaries; see page 26 and Appendix 3 for more details on how we account for sales in subsidiaries and equity investments. Group sales are not statutory revenue. See page 27 for a bridge between total Group sales and statutory revenue, and Note 3 of the financial statements for further details.

[3] NEXT Group profit before tax excludes: (1) an exceptional non-cash cost relating to the defined benefit pension scheme, (2) the cost of brand amortisation and (3) the profit attributable to shares that we do not own in subsidiary companies. Profit for July 2023 is restated to remove -£3m of brand amortisation costs (see page 26). See page 28 for a bridge between NEXT Group profit and statutory profit, and Note 3 of the financial statements for further details.

PART TWO
THE BIG PICTURE

MARCH REPORT IN A NUTSHELL - AND MORE

The virtues of consistency…

People in business who make the same point repeatedly can be regarded as reassuringly consistent, or painfully dull - often both. Here, we have tried to get the balance right. Our March report was the most important we have written in recent years. It set out the strengths, opportunities and objectives of the Group in the context of its evolution over thirty or so years. Those insights remain as relevant today as they were six months ago. For new shareholders, and for those of us with less-than-perfect memories, we have summarised the key points over the next couple of pages.

The rest of this Big Picture section is divided into four parts. First, we provide additional insight into our numbers, with a more detailed analysis of the performance of the Company in the UK. Second, we give further insight into the exceptional performance of our business overseas. Third, we set out what we believe to be the essential ingredients of an outstanding online fashion platform, and what we are doing to try and achieve those criteria - spoiler alert: we have much to do. Finally, we give a brief review of the major investments we have investigated, but rejected, for Total Platform so far this year.

Where we are in context of the last 28 years

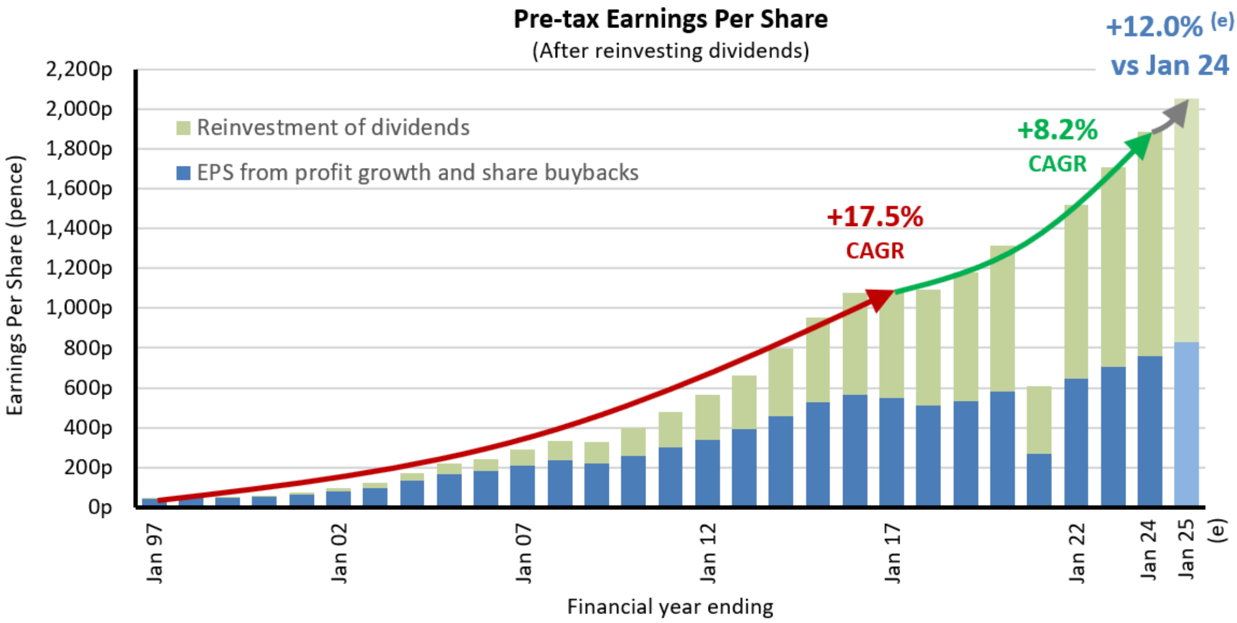
The last twenty-eight years can be thought of as three distinct eras. From **1997 to 2017** the Company delivered exceptional returns with compound annual growth of pre-tax EPS (assuming the reinvestment of dividends) of 17.5%. This was driven by increasing Retail selling **space**, growing **Online customers** (or NEXT Directory as they once were), and broadening our **product** offer.

In **2017** that formula stopped working; the dramatic shift to increased online shopping began to eat into the revenues of our stores. The Company faced seven years during which its Retail business would shrink by 18%, at a time when Retail accounted for nearly 60% of our revenue.

So from **2017 to 2024** the combination of the dramatic growth in our Online business meant NEXT's top line remained steady, the business grew profits in the period by 16% and generated enough cash to deliver a respectable 8.2% growth in EPS (after reinvestment of dividends). But the anaemic growth in top line sales masked what was, in hindsight, a major shift into a very different business.

2024 going forward. This year feels like the start of a new phase in the Company's development. We anticipate delivering 9.7% growth in earnings per share, a number we have not achieved for some time.

The chart below puts this in context. It shows Company's pre-tax EPS since 1997, assuming the reinvestment of dividends since then. The blue bars show the effect of underlying profit growth and share buybacks; the green bars show the enhancement from the *cumulative* effect of reinvesting dividends. The final bar of the chart reflects our guidance for the current year of **12.0%**, which includes 2.3% from the reinvestment of dividends.



The transformation

It is instructive to look at the shape of the business now in the context of where we were twenty years ago:

- In 2004, Retail stores accounted for 72% of the Group's total sales and 70% of profit, today Retail accounts for 30% of sales and just 19% of profits.
- In 2004, the Group only sold NEXT branded stock, today 42% of our Online sales in the UK come from non-NEXT branded stock.
- In 2004, NEXT did not have an international online business, today over one quarter of our Online sales come from overseas markets generating over £120m of net profit for the Group.

Three core strengths

The business has changed beyond recognition, but our ability to weather the storm was rooted in three core strengths which continue to be at the very heart of the business. These strengths are:

- The ability to inspire, create, source and deliver outstanding **product ranges** for our customers - across fashion and homeware. Most importantly this product is developed through the **NEXT brand** but additionally (and increasingly) through the development of new and acquired brands.
- Building **exceptional infrastructure** - warehouses, websites, software, distribution networks and stores.
- **Rigorous financial discipline**. Discipline that insists on appropriate margins; healthy returns on capital; rigorous cost control; and the return of surplus cash to shareholders through share buybacks and dividends.

Three new avenues of growth

The Company has done more than simply survive, it has evolved and now holds out the prospect of three very different avenues of growth:

- The opportunity to grow the NEXT brand **OVERSEAS**.
- Leveraging our product creation skills to develop **NEW BRANDS** and third-party **LICENCES**.
- The generation of revenues from **TOTAL PLATFORM** and its associated equity **INVESTMENTS**.

So our objectives are very clear: do everything we can to improve and broaden our product offers, continue to develop best-in-class infrastructure and maximise the *profitable* growth we can generate through these three new avenues.

Overriding financial objective

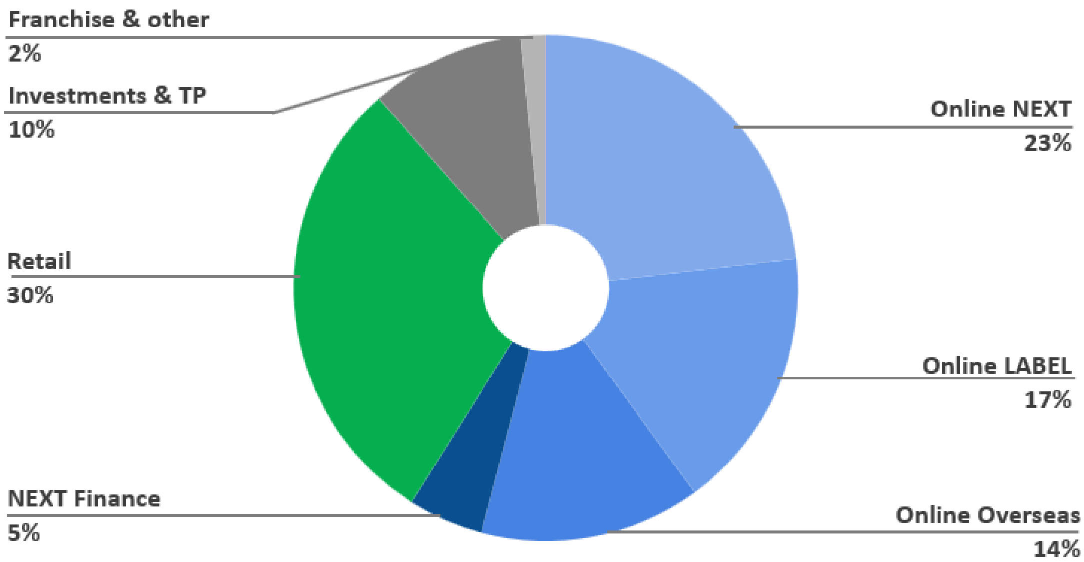
The overriding financial objective of the Group remains the same - **the delivery of long term, sustainable growth in Earnings Per Share**. Our established businesses generate more cash than we are able to profitably invest in the Group, so managing our capital to ensure high returns, and returning cash that cannot be profitably invested to shareholders, remains a central discipline of the Group.

The business today

We enter this new era in a more positive frame of mind with new avenues of growth and a more stable business. Retail sales have stabilised and, though the shift to Online may not have run its course, its effects are much diminished; not least because Retail is a much smaller part of our business. The table below gives a clear picture of the shape of the Group's expected *revenues*, *profits* and *profitability* for the full year.

	SALES & PN%		PROFIT & PN%		MARGIN
Full year estimate for 2024/25 (e)	£m	*% pn*	£m	*% pn*	*Margin %*
Online - NEXT branded sales UK	1,442	*23%*	284	*28%*	*20%*
Online - LABEL UK (non-NEXT branded sales)	1,047	*17%*	149	*14%*	*14%*
Online Overseas	883	*14%*	122	*12%*	*14%*
Online TOTAL	**3,371**	***54%***	**555**	***54%***	***16%***
NEXT Retail	1,841	*30%*	199	*19%*	*11%*
NEXT Finance (interest income)	300	*5%*	181	*18%*	*60%*
NEXT Sourcing (intercompany sales of £542m)			33	*3%*	
Other (includes Property, Franchise and Group costs)	101	*2%*	(17)	*-2%*	
TOTAL NEXT Excluding Investments and TP	**5,613**	***90%***	**952**	***92%***	***17%***
Investments and Total Platform	617	*10%*	77	*8%*	*13%*
TOTAL GROUP BEFORE EXTERNAL INTEREST[4]	**6,230**	*100%*	**1,029**	*100%*	
External interest			(33)		
TOTAL GROUP	**6,230**		**995**		***16%***

GROUP SALES PARTICIPATION



[4] Please note that £47m of lease interest costs are allocated to their respective divisions, £33m in Retail, £14m in Online. £1m of loan interest, earned on loans to subsidiaries and investments, is included in 'Investments and Total Platform'.

A NEW PERSPECTIVE ON SALES

NEXT vs Other Brands and UK vs Overseas

This section gives additional insight into the full price sales growth of the Group in the first half, excluding acquisitions, investments and Total Platform. It *combines* our Online and Retail businesses in the *UK* to give a view of the performance of the NEXT brand versus the other brands we sell.

It then shows the total Overseas performance, split between direct sales (via our own websites) and third-party aggregators. Overseas sales come mainly from the sale of NEXT branded goods but also include sales of some of the other brands we sell in the UK. These other brands, many of which we own within the Group, now account for 17% of our overseas sales.

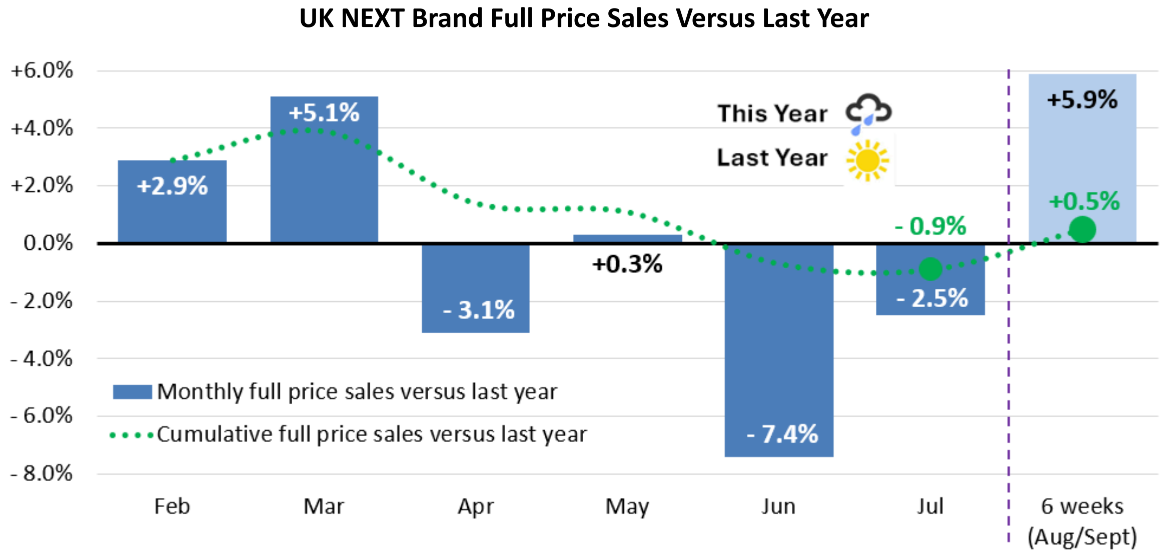
Division	July 2024 Full price sales £m		July 2024 Full price sales growth %	
NEXT Brand UK (Retail + Online)		**1,327**		**- 0.9%**
Third-party brands UK (commission and wholesale)	360		+4.9%	
Wholly-owned brands and third-party licences UK	96		+7.7%	
Total LABEL (Retail + Online)		**456**		**+5.5%**
NEXT Finance interest		150		+4.9%
TOTAL UK		**1,933**		**+1.0%**
Direct to consumer (through NEXT websites)	298		+15.4%	
Third-party overseas aggregators	135		+43.3%	
TOTAL OVERSEAS		**433**		**+22.8%**
TOTAL FULL PRICE SALES		**2,366**		**+4.4%**

The UK Business - Up +1.0%

Spotlight on the NEXT Brand in the UK - down -0.9%

The UK business, as expected, only grew by +1.0%, held back by tough comparisons with last year's exceptionally warm Q2. The NEXT brand was down -0.9% in the UK; this is potentially worrying and warrants further analysis. We believe the underperformance was *mainly* because our fashion ranges did so well during the exceptionally warm weather last year. The sharp recovery in the last six weeks, as weather comparatives have materially turned in our favour, is confirmation of this theory.

The graph below shows sales by month *in the UK* for the *NEXT brand only* (blue bars), the green line shows cumulative UK NEXT brand sales up to 7 September. It demonstrates just how much our UK sales were affected in June and July. The swing between March and April was due to the timing of Easter.



Not just the weather…

It would be a mistake to *only* blame the weather when assessing the performance of our NEXT UK business. The UK is a useful barometer of the underlying health of the brand, and focussing on external factors alone would ignore some valuable lessons. Some areas performed much better than others. Generally, success followed the fulfilment of three objectives: newness, choice and quality. These have become something of a mission for the NEXT brand, and we recognise that, as far as we may have come, in some areas we have further to go.

- **Newness:** Our product teams that were brave and seized the opportunities presented by new trends reaped the rewards. Those who relied on last year's best sellers generally fared poorly. It is important to stress that new trends don't mean edgy or avant-garde fashion - they include new colours, new fits, styling details, fabrics and prints - fashion updates for everyone.

  More than ever, our product teams face a simple choice: move forward and risk success, or stand still and guarantee failure. This goes to the essence of all creative industries - no amount of historical data can substitute for great instincts and the courage to back them.

- **Broader choice:** ranges that 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, with an increasing focus on the aspirational end of our product offer.

- **Better quality** and **improved fabrics** that express the increasing aspirations of the NEXT brand.

LABEL returns to growth

Despite the adverse weather comparatives, our **LABEL** (non-NEXT brands) business experienced something of a revival, growing by +5.5%. In the first half of last year, sales of third-party brands flatlined, mainly as a result of the work we did to eliminate loss making brands and products, surrendering sales to build back margin. We have refocussed the business since that time and have benefited as a result. See page 21 below.

Our wholly-owned brands and licensing business did well and were up +7.7%. We expanded our product portfolio of wholly-owned brands *and* our existing brands improved their like-for-like performance. See page 20 below for detail.

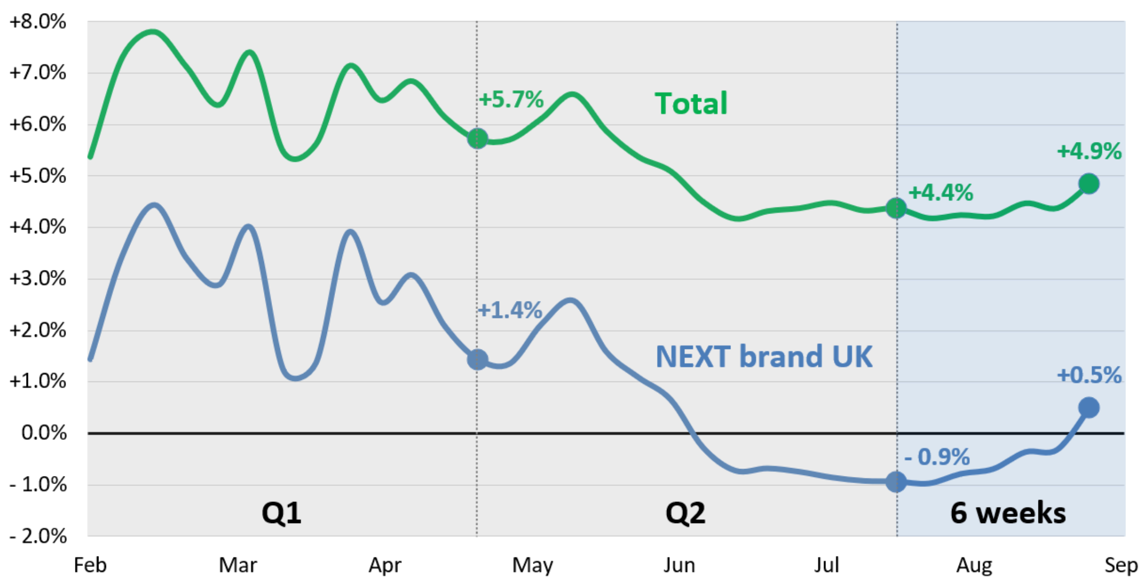
The Overseas Business - Up 23%

Our Overseas business did exceptionally well in the first half and was up +23%. Overseas was driven by a very healthy performance on our own direct to consumer sites, up +15%, and even stronger growth through third-party aggregation sites, up +43%. Importantly, in countries where we trade with aggregators our own direct sales continue to grow.

RESILIENCE

The chart below illustrates the volatility of NEXT brand full price sales in the UK, compared to our total[5] full price sales (which includes other brands and NEXT brand sales overseas). It highlights how sales from other brands and overseas markets help offset the fluctuations experienced by the NEXT brand in the UK alone, increasing the resilience of the Group.

Cumulative Full Price Sales Growth Versus Last Year



[5] Please note this does not include sales from investments and subsidiaries.

AVENUES OF GROWTH

Advancing in the UK and Overseas

The Group can be thought of as advancing on two geographical fronts:

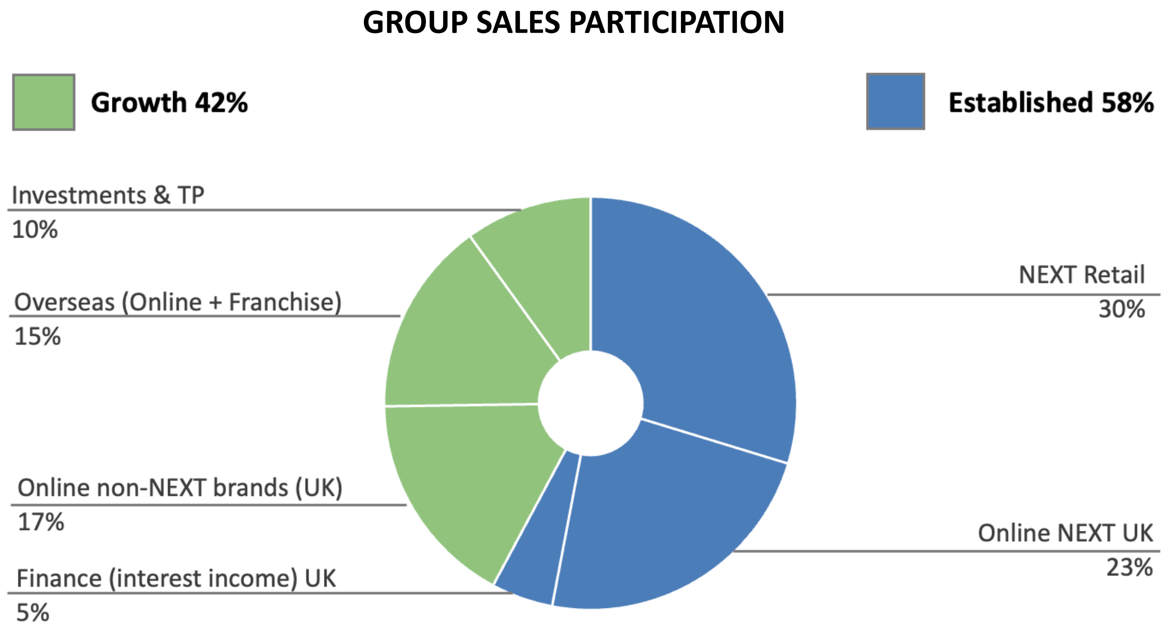
- **In the UK**, we aim to deliver growth through: (1) wholly-owned brands, (2) third-party brands, and (3) investments and Total Platform. The NEXT brand itself is so well-established in the UK that its growth is limited by the scale of our market share, albeit that we still expect it to grow, and it remains highly cash generative.

- **Overseas**, our market share remains fractional in almost all of the markets in which we trade. So there are no *market* constraints to our growth. Here success will depend on our ability to execute well, finding the right third-party relationships, and the speed at which overseas fashion markets converge with the UK.

In addition to selling NEXT overseas, we are beginning to sell our other wholly-owned brands beyond the UK (e.g. Love & Roses, Friends Like These and Cath Kidston). In territories where we have both a well-developed customer base and distribution hubs (Mainland Europe and the Middle East) we may also have an increasing opportunity to sell third-party LABEL brands that we sell in the UK.

Growth versus Established businesses

The pie chart below shows how the total sales of the Group divide between our established, highly cash generative businesses (blue) and the parts of the business with greater potential for growth (green). It is perhaps surprising that the growth areas account for 42% of the business.



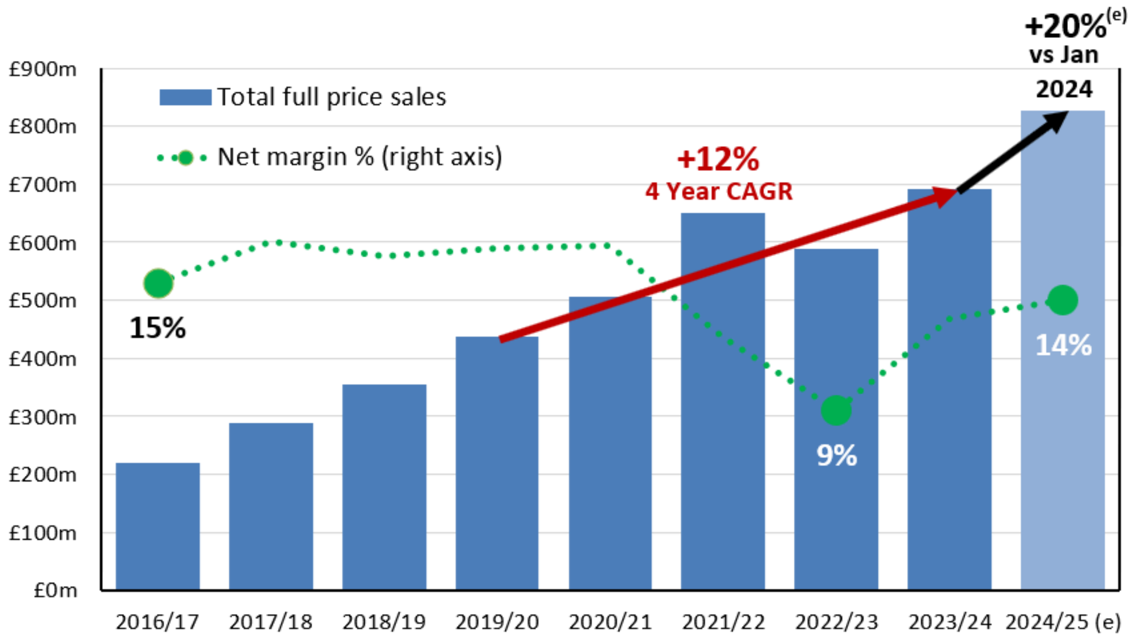
The rest of this Big Picture section focuses on some of the things we are doing to develop our growth businesses, starting with the area that is growing most rapidly, our Overseas business.

GROWTH OVERSEAS

PERFORMANCE IN CONTEXT

Our Overseas business has continued to accelerate its growth, despite the annualisation of strong growth last year and recovering margins. The graph below shows full year sales (blue bars) and net margins (green line), including our forecast for the current year. In the normal course of events, a larger sales base and rising margins would be expected to reduce percentage growth rates; but the opposite appears to be happening. So the question is: why now?

Overseas Full Price VAT Ex. Sales and Net Margin[6]



WHY NOW?

The gradual convergence of overseas fashion markets

It appears that international tastes in clothing are converging more rapidly. This convergence is not uniform and is more pronounced in some territories than others. As a general rule, we do better in the more affluent countries that are geographically closer to the UK. And, even in our closest market (Europe), there is a marked difference between different cultures and climates - for example, we tend to do much better in Northern Europe than Southern Europe.

We cannot be certain of the reason for this change, but we think there are two important factors. Firstly, global entertainment is exposing people to international fashion trends in a way they never have been before - think of the global reach of Netflix, Amazon Prime, YouTube and TikTok. Secondly, the internet and increasingly effective delivery networks have made it so much easier to buy and sell consumer goods in other countries. This works both ways, it encourages consumers to try clothes from other countries, and retailers to adapt their ranges that cater for overseas tastes.

Fashion is something of a paradox: we strive to stand out in a way that fits in. What we see others wearing greatly influences what we buy. International media and global brands expose us to new ideas. They also make looks that might otherwise seem too radical more acceptable.

[6] Net margins for 2016/17, 2017/18 are restated to account for the allocation of markdown costs and central overheads.

Third-party aggregators
We are experiencing exceptional levels of like-for-like growth with third-party aggregators. We have improved our stock availability and broadened our offer, but these are not enough to explain the dramatic growth. Perhaps this is further evidence of converging trends, aggregation sites can leverage converging tastes without having to recruit new customers, so it is not a surprise that we are seeing our strongest growth here.

ROOM FOR GROWTH
Our overseas online business this year is expected to generate £883m of sales (including markdown), 14% of the Group's total sales, and over £120m in profit. The vast majority (90%) of our overseas business comes from Europe and the Middle East, both of which can be serviced quickly and inexpensively from the UK. The commentary below aims to give shareholders further insight into the shape of our overseas business, its market share by territory, and how it is growing.

Growth and estimated market share by region
The table below gives a regional view of our full price sales growth in the first half. The table demonstrates that our overseas market share beyond Ireland is negligible. Please note that market share information is based on third-party data which encompasses all fashion sales, including sales from retail outlets in those territories. So, for the purposes of estimating our market share, we have included NEXT Retail sales in the UK and Ireland, and around £110m of sales through franchise stores (mainly in the Middle East).

6 Months to July 2024 full price sales	Full price sales	Growth % Direct	Growth % Aggregators	Growth % TOTAL	Market share[7]
UK (inc Retail)		*+1.0%*	n/a	***+1.0%***	*9.1%*
Ireland	£47m	+20%	n/a	**+20%**	4.1%
Mainland Europe	£206m	+33%	+41%	**+38%**	0.1%
Middle East	£136m	+7%	n/a	**+7%**	0.7%
India & Asia-Pacific	£36m	+10%	+18%	**+10%**	0.0%
The Americas	£8m	+11%	>100%	**+67%**	0.0%
Total Overseas	**£433m**	**+15%**	**+43%**	**+23%**	**0.1%**

Do not get carried away - two notes of caution
We are concerned that some shareholders might get carried away with the strength and potential of our Overseas business. For the avoidance of doubt, it is unlikely that our share in overseas markets will equal that which we achieve in the UK or Ireland anytime soon, if ever; not least because we have such a well-established store network in both home territories.

We are currently enjoying exceptional growth on aggregator sites, but this growth comes with risks. Ultimately success here is dependent on our partners' success, over which we have no control. And sales on aggregation sites can move dramatically in *both directions*; search engine algorithms are ruthless, exaggerating both success and failure.

[7] UK Source: Kantar GB NEXT's total channel total clothing, footwear & accessories retailer share; 52 weeks to 21 July 2024. International market share % is calculated by expressing NEXT's total annual sales over international market size estimates obtained from GlobalData and Statista for 2023 (all channels).

DEVELOPING OVERSEAS DIRECT

Our direct-to-consumer overseas business has grown strongly despite the rapid expansion with aggregators. Nonetheless, beneath the numbers there is a great deal we can do to improve our direct business in many territories. There are three areas of focus for improvement:

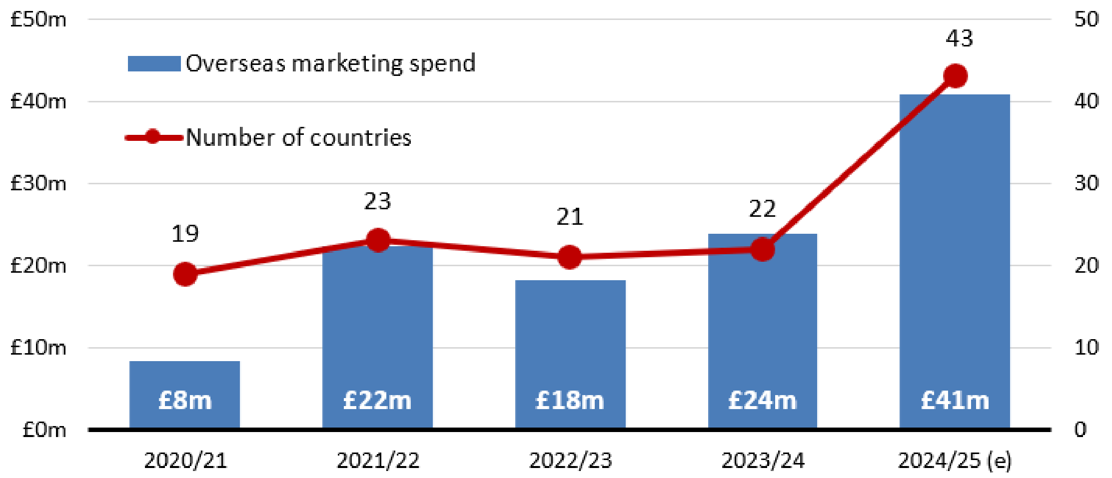
- **Marketing** - how can we increase the awareness of our direct offer?
- **Website** functionality - ensuring all our sites are optimised for local markets.
- **Operations** - improving the accuracy, speed and costs of our delivery and returns service, with a particular emphasis on the effectiveness of our **hub** operations.

Marketing

Our biggest opportunity overseas is to profitably increase the number of people who are aware of our offer. As mentioned in our March report, in countries where our pricing was very competitive, we marginally increased selling prices to allow us to spend more on marketing. This approach has proven very successful, because it is far more effective to offer *good value* that is seen, than *great value* that goes unnoticed.

The graph below demonstrates the substantial increase in overseas marketing we are planning for the current year, with expenditure increasing from £24m to £41m. Most of this growth is in countries in which we already advertise, however we are also extending advertising into a further 21 countries.

Overseas Marketing Spend (£m) and Countries



Website Functionality

Although our overseas business has performed very well, we have much to do to improve the underlying functionality of our sites in many countries. The actions required vary from country to country, but most improvements fall into the following categories:

- **Registration** and address matching - better reflecting local languages, scripts and address formats. In addition, enabling new customers to use Apple Pay and other payment methods to register (as well as pay).
- Improving the speed and ease of **payments** and introducing more local payment methods.
- More relevant **search results** (product listings) by territory.

Operations, Deliveries and Returns

We continue to work on improving our delivery and returns capabilities across the board. This year we will be particularly focused on improving the hub operations and stock levels in Europe (Germany) and the Middle East (Dubai). These hubs improve the speed at which we can serve our customers and reduce the costs of deliveries and returns. The aim is that, longer term, these hubs will allow us to compete with other local online operators on an equal footing. This also creates the opportunity to competitively sell third-party brands in these territories. The European and Middle East hubs serve 28 countries which account for 60% of our overseas turnover.

Hub operations, stock and service levels

Our new Middle East hub in Dubai opened on time in January 2024 and is operating effectively.

The German and Middle East hubs operate in the same way. Hub stock is delivered first to the UK from suppliers, then allocated and sent on to the hubs. If customers order stock that is not available in the hub, it is sent from the UK on a slight delay, but only if it is profitable to do so. The more orders we fulfil directly from the hubs, the better our service and lower our costs. So in the year ahead we will be focussing on:

- Improving the algorithms that calculate **stock balances** we hold in each hub. This is a complex task, requiring the constant re-estimation of future demand both in the hub territories *and* the UK. There is no point in going to the expense of sending the last item to a hub, if we would sell it anyway in the UK.
- Improving the efficiency and speed of overseas replenishment picking routines from our **UK operations**.
- Starting in the second half of 2025, initial stock allocations will be **shipped directly** from suppliers to the Middle East hub, rather than going via the UK. This change will reduce costs and ensure new products reach Middle East customers more quickly. Of course, the UK will still need to replenish the hubs once items begin selling.
- We are actively looking at how we can improve the way in which our European hub works with our aggregation partners. We will be focussing on how we optimise hub stock levels with those held in aggregator warehouses.

DEVELOPING WITH OVERSEAS AGGREGATORS

Our business with aggregators has been particularly strong and reinforces the potential of the brand once consumers are able to find it. In the year ahead, we will be developing our aggregation business in two main ways:

- **In Europe**, we plan to begin trading with two new partners within the next few months.
- We think there is an opportunity to sell many of our non-NEXT **wholly-owned brands** and some licensed products (where permitted) through our aggregation partners. Early trials have been successful, and we plan to grow this offer in the year ahead.

THE AMERICAS, INDIA, ASIA-PACIFIC AND THE REST OF THE WORLD

Success has proven harder to achieve in territories that are farther from the UK. Territories outside Europe and the Middle East account for 68% of the world's fashion market[8] but we take a mere 10% of our online overseas sales in these territories. Unsurprisingly, it does not make sense to try and serve these markets directly from the UK, with all the costs and delays involved in long distance deliveries and returns.

Partnerships our chosen route to market

We believe that the route to success in 'long haul' territories is by trading in partnership with local third-party retailers: leveraging their retail space, online customer base, market intelligence and local operations. To that end we are developing a combination of wholesale, commission, licence and franchise arrangements with various overseas operators.

Progress… but slower than we would like

Building significant long term overseas relationships in markets where the NEXT brand has little or no recognition, though encouraging, has taken longer than we would like. Moving forward, we will aim to accelerate growth with existing partners, and establish some important new ones. Headlines since March are:

- In **India** we have signed a comprehensive franchise and licence agreement with the local operator Myntra, one of India's leading fashion and lifestyle e-commerce retailers. Myntra will develop the NEXT brand online and in retail stores. We anticipate that the first retail stores will open next year.

- In the **USA** we continue to trade ahead of our expectations with NEXT childrenswear and some of our licensed childrenswear brands within Nordstrom (a chain of luxury department stores). The results are very encouraging, but the scale of the business remains small. We anticipate adding other NEXT product categories and wholly-owned brands to Nordstrom in 2025. We are also launching a trial with another major US retailer in October this year.

- In probable order of priority, the next markets for us to address will be: **Japan**, **China**, **Australia,** South America and Central America. We are actively seeking partners to develop our brands in all these territories.

[8] In countries in which we operate online.

FOUR ESSENTIAL ELEMENTS OF A SUCCESSFUL ONLINE FASHION PLATFORM

We have been doing a lot of thinking about what makes a great online fashion platform. How can we give our customers everything they want from a fashion platform? And can we *innovate* to give customers products and services that go beyond their expectations? It is fun and challenging, because online fashion platforms are relatively new; to some extent we are charting new territory. So comparisons with other industries can be useful, and for us, the parallels with online streaming services were particularly instructive.

STREAMING - AN ANALOGY

It turns out that some of us sign up for streaming services that we do not really need. After our summer holidays, a few of us got into a debate about which of our multiple streaming services we were going to cull, those we would keep, and why. It became increasingly apparent that the qualities that distinguish great streaming platforms from the rest bore a striking resemblance to those required by a first-class online fashion platform. The analogy served to put our initiatives in context, sharpen our focus on what was most important and generate some new ideas. We came up with four critical factors:

- **Great Creative Content**. Did the platform have all the entertainment we expected and wanted? The most important content was the *original and exclusive* entertainment - the series, films or sporting events that were *only* available on a particular site. These were often the ones that persuaded us to go there in the first place. For NEXT, this is all about the breadth and desirability of our product offer starting with our exclusive content, the NEXT brand, but encompassing the other brands we own, our licence and the third-party brands we sell.

- **Great Recommendations.** It is not enough to have great content. How do you find it? The best platforms are brilliant at suggesting great new films and series we might not have known about - enriching our time on the site and bringing us back to the platform with things we will love. For NEXT, with hundreds of thousands of products and millions of customers, the challenge is particularly relevant.

- **Ease of use**. Is the site quick and easy to navigate? Can you seamlessly search, find and pay for the entertainment you want? For NEXT this requirement focuses on the functionality of our websites and apps.

- **Trust and Reliability.** Problems are a big turn off - crashing, buffering (especially mid-show), complex payment and onerous subscription mechanisms were a no-no. For NEXT the analogy is a bit stretched because we deliver physical products, but reliability is just as powerful. The accuracy, speed and reliability of our delivery and returns services is central to our success.

Enduring qualities required in an evolving market

We believe that these qualities will become the enduring requirements for success in a rapidly evolving environment. The following four sections will focus on some of the initiatives we are undertaking to achieve these "must haves".

1. GREAT CONTENT - AN OUTSTANDING PRODUCT OFFER

At NEXT, **product** is our content. Like streaming platforms, we aim to offer our customers both the original content they will love, along with a full range of third-party brands they would expect from their favourite online fashion aggregator.

The importance of original and exclusive content

The product ranges we design and create ourselves serve two purposes beyond generating sales. First, it attracts customers to our site, 88% of first-time orders include NEXT owned brands. Secondly, it delivers the high margins required to pay for investment in best-in-class infrastructure and effective customer recruitment. There is one other benefit it bestows - the popularity, strength and reputation of our own brand serves to encourage other third-party brands to sell their products on our website.

Our content falls into three broad categories, each of which will be covered in turn in the next few sections:

- The NEXT Brand.
- Other wholly-owned brands and third-party licences.
- Third-party brands that we do not own but sell on our website through LABEL.

The NEXT Brand

The NEXT brand is the heart and soul of our business, it is the foundation of our UK business and the engine of our growth overseas. NEXT aims to offer beautifully designed, great quality apparel and homeware that is affordable for most people - aspirational products at accessible prices. But there is little to add here to what we said in March about our plans for the brand. The focus remains our three key objectives: **Newness**, **Choice** and **Quality** - with all the challenges that they present.

Wholly-Owned Brands and Third-Party Licences

Content creation - the design, sourcing, buying, merchandising, fabric development, fitting and quality control of new products - is a core competence of the Group. The development of other wholly-owned brands allows us to apply this skill-set to deliver product ranges that sit outside the natural fashion and quality boundaries of the NEXT brand. These non-NEXT brands fall into two categories:

- **Wholly-owned brands**: where we own the stock and brand name, whether because we developed the brand ourselves (e.g. Love & Roses) or because we acquired the brand (e.g. Cath Kidston).
- **Third-party licences**: where we combine our specialist technical and sourcing skills with the design inspiration of iconic third-party brands to deliver products neither of us could create alone. We source and buy this stock and pay a royalty on sales to the licensor.

Progress

The table below demonstrates the progress we have made both in terms of annual full price sales, and breadth of offer. The first row shows the annual sales on wholly-owned brands and licences across *all* of our sales channels. The estimate of £265m includes £50m of Overseas Online sales, and £30m of sales through Retail, Franchise and other. The second row shows the brands we own (O) and licence (L), from the date of their inception. Please note that for the third-party brands we generally only licence a small part of their range.

2020/21	2021/22	2022/23	2023/24	2024/25 (e)
£55m	**£125m**	**£202m**	**£235m**	**£265m**
Fashion: Lipsy (O)[9] Ted Baker kids (L) Mint Velvet swim (L) Joules suits (L)	**Fashion:** Friends Like These (O) FatFace kids (L) Little Bird by Jools Oliver kids (L) **Home:** Laura Ashley (L)	**Fashion:** Love & Roses (O) Clarks schoolwear (L) Paul Smith Junior (L) **Home:** Swoon (L)	**Fashion:** The Set (O) Bath & Body Works (L) Reebok kids (L) **Home:** Made (O) Shabby Chic (L) Jasper Conran (L) Nina Campbell (L) Lucy Tiffney (L)	**Fashion:** Curves Like These (O) Cath Kidston (O) Barbour suits (L) Superdry kids (L) smALLSAINTS kids (L) **Home:** Cath Kidston (O) Rockett St George (L) Clarke & Clarke (L) French Connection (L)

Sourcing

NEXT is deeply rooted into its supply base through NEXT Sourcing (NS). With large offices in Shanghai, Hong Kong, Bangladesh, Turkey, Sri Lanka and India, and satellite offices in smaller territories, NS can accelerate the speed at which our new and developing brands can grow their businesses.

But there is a risk here, of which we must be mindful. If brands obtain their ranges through NS (and inadvertently adopt NEXT's quality standards) there is a real danger that their products will increasingly resemble NEXT's own ranges. This would be self-defeating. To prevent this, NS has set up independent teams dedicated to non-NEXT brands. Additionally, when brands are close competitors - such as Lipsy and Love & Roses - we minimise the use of the same factories.

[9] We acquired Lipsy in 2008.

Third-Party brands - LABEL

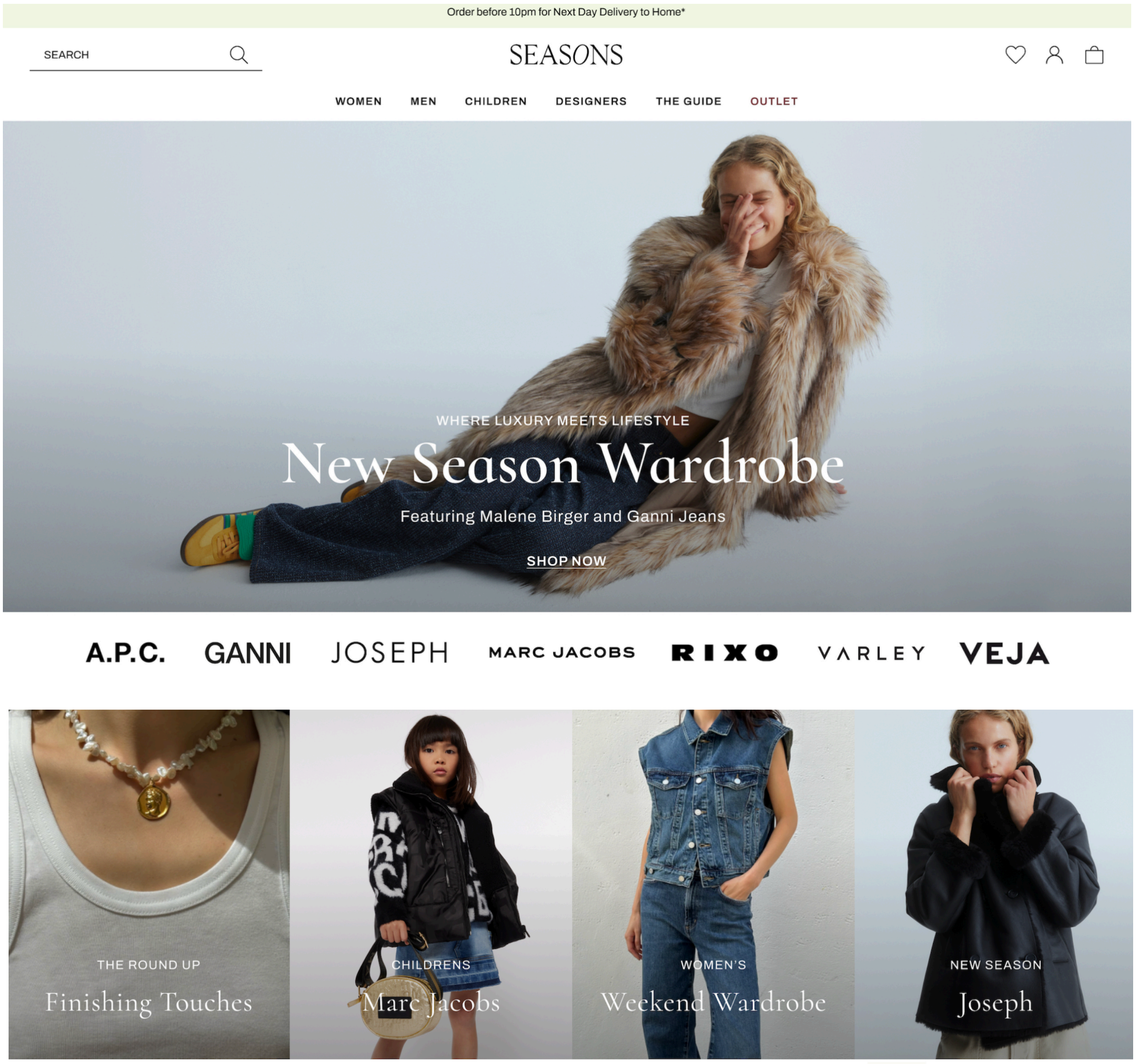
The LABEL business strives to offer the third-party brands our customers love and would expect to find on a great fashion platform. We hugely value the relationship we have with our partner brands, and we strive to create an environment and level of service that they are proud to be associated with. We also want to ensure that the relationship is profitable for them. We know they have a choice as to where they sell their brands, and regard them as partners not suppliers.

A better selection of the brands we already sell

Last year we focussed on profitability. We eliminated low profitability products and brands which, as a general rule, meant weeding out high returning products with a low selling price. This year we have successfully focussed on returning to growth, prioritising our time on our key brands that add value to our platform. The opportunity is to work closely with our partners to improve the product selection and ensure we have better stock levels of the items we sell best.

Aspirational brands

In terms of bringing *new* brands to the platform, this year the focus is on more aspirational brands. The exceptionally strong demand for some of our existing premium brands, such as Reiss, has shown that a significant portion of our customers actively seek out premium and luxury products. To serve these customers further, we will shortly be launching a separate sub-site, SEASONS. SEASONS will offer a range of premium and affordable luxury brands that are not available on the next.co.uk site.



2. GREAT RECOMMENDATIONS

Here again the analogy with streaming platforms is striking. We offer tens of thousands of products, across a wide range of brands and product categories, to millions of very different customers. Many customers are unaware of the extent of the brands and products we offer. So personalisation, marrying up the right customer with the right products, will be increasingly important. Because the better we match the right product with the right customer, the better we serve them (don't worry, we will not drift into a dating app analogy).

We have had some very successful personalisation and targeting trials, but we have yet to really capitalise on them in a big way. If personalisation were a new medicine, we would have completed all the trial stages but not yet figured out how to deliver on an industrial scale. We don't have all the answers; this is a complex area. But we are clear about what we want to achieve. Our endeavours will focus on the following:

- Delivery of an enhanced search listing algorithm.
- Personalisation of search listings by customer type.
- On-site advertising on the homepage, shopping basket and exit page.
- More personalised product page recommendations.
- More personalised emails.

3. EASE OF USE - WEBSITE FUNCTIONALITY

The functionality of our website is critical to our success, and we have a long list of new features that we believe can improve the operation of our websites. We have completed a three year programme to modernise our e-commerce platform software, which now enables us to deliver enhancements with greater speed at less cost. The most important opportunities for improvement relate mainly to our overseas sites, which is discussed in the Overseas section (see page 15).

4. RELIABILITY - Focus on New Automated Warehousing

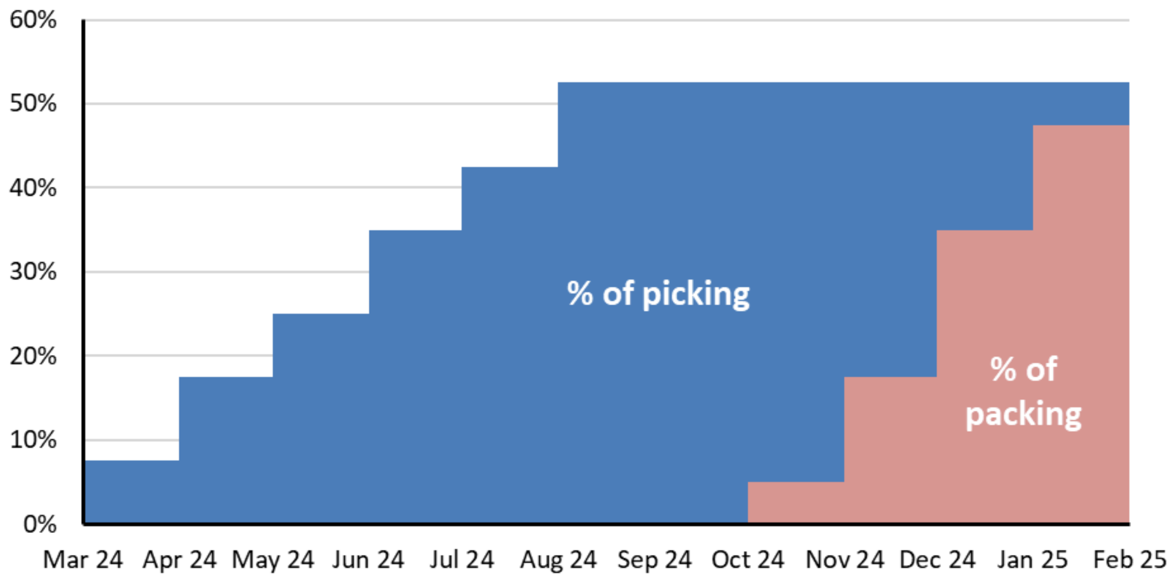
The most important part of our service is the timely, accurate and reliable delivery of our goods, along with the means to simply and easily return unwanted goods. Our new automated warehouse, Elmsall 3, is central to these endeavours. In addition to providing the capacity we need to grow online, the automation is planned to materially improve the accuracy and reliability of our picking, packing and returns processing. The following paragraphs detail the progress we have made.

Project timeline and progress

The project has been structured in three phases, all of which are expected to be delivered by the end of the year. By the end of the third phase, we will have increased NEXT Online's flat-packed capacity by 50%. In addition, void space within the shell of the building could add a further 50% of current capacity when fitted out.

Manual picking	Operational June 2022	Additional picking and returns processing capacity using floor space without any automation.
Automated picking	Operational Mar 2024	The ramp up of the new automated picking operation has proceeded faster than expected, handling 50% of our online flat-packed orders by August, against our original target of November. This mechanisation has reduced picking labour costs by 56%.
Automated packing	Operational Oct 2024 (e)	This automation reduces the time required to pack a parcel by **36%**. We aim to scale up this operation from October 2024 and it is planned to handle at least **45%** of our packing by the end of January 2025.

Elmsall 3 Online Warehouse
Automated Picking and Packing Participation



Long term financial benefit

The table below demonstrates the financial effect of Elmsall 3 along with 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. The final row shows our March 2024 estimate for net cost savings, demonstrating that we have delivered cost savings faster than expected and expect overall savings to be £1.6m better than we anticipated.

£m	2022/23	2023/24	2024/25 (e)	2025/26 (e)	Annualised costs
Total cost increases	(5.4)	(9.9)	(16.1)	(1.1)	**(32.5)**
Total cost savings	-	13.4	26.8	17.7	**57.9**
Net (costs) / savings	**(5.4)**	**3.5**	**10.7**	**16.6**	**25.4**
March 2024 estimate	***(5.4)***	***3.5***	***4.4***	***21.3***	***23.8***

Next steps

Once automated picking and packing are implemented there is a long list of further improvements to our operations that the new mechanism can provide. These include:

- Fully automated packing of single items.
- Enhanced overseas hub picking.
- More automation in returns processing. This will improve efficiency and reduce the time taken to make the items available for sale.
- Enhanced Retail picking from the Online warehouse (which is particularly important for Total Platform).
- Improved processing and collation of items picked for Online customers from stores and third-party warehouses (“LABEL plus”).

NEXT’s new Elmsall 3 warehouse with 2m sq. ft. of operational space

FOCUS ON ACQUISITIONS AND TOTAL PLATFORM

Acquisitions and Total Platform are expected to add £34m to profit this year, mainly as a result of the acquisition of FatFace and an additional stake in Reiss last year. Returns on capital employed remain healthy at 23% and we continue to develop the effectiveness and reach of our Total Platform services (see page 50 for further details).

Further deals this year are unlikely

We have spent a great deal of time investigating many investment opportunities, but none were able to meet our investment criteria (see below). So we do not anticipate making any significant investments for the remainder of the year.

It is important to stress that the lack of deals this year does not diminish our enthusiasm for future opportunities. We expect to invest in other businesses, and grow Total Platform services, over the next five years, and are in active discussions with several parties at this time. However, the timing of transactions is likely to be lumpy and we are not targeting a certain number of deals each year.

We are aware that shareholders would prefer a steady, predictable flow of deals; but the only way to deliver that certainty is to invest in the wrong businesses when the right ones are not available, which would be a mistake. So we will continue to stick with our investment hurdles.

Investment hurdles

As a reminder, our criteria for investing in new businesses are:

1. The business must have a **great brand.**
2. It must have **great management** (or we must have a team ready to take the reins).
3. We must be able to **add value** through Total Platform or in some other way.
4. It must be the **right price**.

The deals we did not do….

Shareholders will doubtless be interested as to why we did not take up the many opportunities we investigated. The table below aims to shed some light on our decision-making process without breaching any confidentialities.

Company	Great Brand 2 fail test	Great Mgmt 5 fail test	Add Value 5 fail test	Right Price 6 fail test	
COMPANY 1	✔	✔	✔	x	Fail on price only
COMPANY 2	✔	✔	✔	x	
COMPANY 3	✔	✔	✔	x	
COMPANY 4	✔	✔	x	x	Fail on adding value and price
COMPANY 5	✔	✔	x	x	
COMPANY 6	✔	x	✔	x	Fail on multiple criteria
COMPANY 7	✔	x	x	n/a	
COMPANY 8	x	x	✔	n/a	
COMPANY 9	✔	x	x	n/a	
COMPANY 10	x	x	x	n/a	

PART THREE
GROUP FINANCIAL PERFORMANCE AND FULL YEAR GUIDANCE

NOTES ON THE PRESENTATION OF SALES AND PROFIT

Note 1 - Group sales

At the end of last year, in order to give a more accurate picture of the Group's underlying net margin in our equity investments, we aligned the way we report *sales* in our subsidiaries with the way we report profits. For example, we own 74% of Joules so include 74% of their sales[10] in our top line. Please see Appendix 3 on page 68 for full details.

This change means that Group sales reported in July 2023 as £2,638m, are now £91m higher at £2,729m as a result of adding £91m of revenue from investments.

Group sales previously reported in July 2023 £m	**2,638**
Revenue from investments (£138m across all of our investments, versus £47m last year which related only to the investment in Joules, which was consolidated and reported in 'other' sales)	+91
Group sales restated for July 2023	**2,729**

Note 2 - Brand amortisation costs

As explained in our January 2024 Trading Statement and Year End Results in March 2024, we now exclude *brand* amortisation (a non-cash accounting cost) from our headline profit. The table below shows the reported profit for the first half of last year, the change made, and our restated profit. Full details explaining this change are given in Appendix 2 on page 67. Please note all other forms of amortisation are still included in our reported profit, e.g. amortisation of software.

£m	Investments and Total Platform profit	NEXT Group profit before tax
Profit previously reported in July 2023	**2.2**	**419.8**
Brand amortisation costs removed	+2.7	+2.7
Profit restated for July 2023	**4.9**	**422.4**

Note 3 - Rounding convention and casting

Figures shown in tables throughout the CEO Review are rounded to either no decimal place or one decimal place. The accurate rounding of numbers means that *sometimes* tables will appear as though they do not cast down. This is not the case. Subtotals, totals and variances shown in tables are all based on the *actual*, unrounded figures, and no figures are adjusted for casting purposes.

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

GROUP SALES AND PROFIT SUMMARY

Full price sales in the first half were up **+4.4%** versus last year. Total Group sales, including subsidiaries and equity investments, were up **+8.0%**. Group profit before tax was up **+7.1%,** pre-tax EPS was up **+8.1%** and post-tax EPS was up **+6.2%**.

TOTAL GROUP SALES BY DIVISION

TOTAL GROUP SALES (VAT EX.) £m	July 2024	July 2023[11]	Var %
Online	1,603	1,498	+7.0%
Retail	867	885	- 2.1%
Finance	150	143	+4.9%
Total NEXT Trading sales (including markdown)	**2,619**	**2,527**	**+3.7%**
Total Platform	28	22	+25%
Franchise, Sourcing, Property and Other	52	42	+23%
Total NEXT sales	**2,699**	**2,591**	**+4.2%**
Revenue from investments	247	138	+79%
Total Group sales	**2,946**	**2,729**	**+8.0%**
Total Group statutory sales	**2,860**	**2,517**	**+13.6%**

Walk forward from our Group sales to statutory sales

The differences between Group sales and statutory sales are summarised in the table below. By way of reminder, within Group sales we report the gross transaction value (GTV) of third-party goods sold on a commission basis (mainly through LABEL online). Under statutory reporting only the *commission earned* is reported as revenue, instead of reporting the full GTV.

£m	July 2024	July 2023[11]
Total Group sales	**2,946**	**2,729**
less third-party GTV of goods sold on commission (full price and markdown)	*- 289*	*- 262*
plus commission earned on third-party sales	*+113*	*+100*
less sales from investments that are not consolidated in NEXT's accounts (Note 1)	*- 26*	*- 104*
plus the minority interests' share of sales in subsidiaries that are consolidated in NEXT's accounts (Joules, Reiss and FatFace)	*+72*	*+15*
plus other income (e.g. delivery charges)	*+44*	*+37*
Total Group statutory sales	**2,860**	**2,517**

Note 1: The large drop in the adjustment from 'investments not consolidated in NEXT's accounts' is mainly due to the change in control in Reiss in September 2023, which meant that sales from that date onwards were consolidated into NEXT's statutory sales. Last year, Reiss' sales in the six months to July 2023 were *not* consolidated, and were therefore not included in our statutory sales number.

[11] Group sales for July 2023 are restated, see page 26. The bridge between Group and statutory sales is also given on the new reporting basis. Total statutory sales are unaffected.

SUMMARY OF GROUP PROFIT BY DIVISION

PROFIT £m and EPS	Detail	July 2024	July 2023[12]	Var %
Online	*page 37*	265	246	+8%
Retail	*page 33*	98	101	- 3%
Finance (after funding costs)	*page 46*	97	80	+20%
Profit from Trading		**460**	**427**	**+7.6%**
Investments and Total Platform[13]	*page 50*	23	5	+367%
NEXT Sourcing, Central costs and other	*page 54*	(19)	(9)	+121%
FX revaluations	*page 55*	3	13	- 74%
Recharge of interest from Finance		24	23	+6%
NEXT Operating profit		**491**	**459**	**+6.9%**
Lease interest	*page 57*	(24)	(23)	+3%
NEXT Operating profit after lease interest		**467**	**436**	**+7.1%**
Underlying operating margin		*15.8%*	*16.0%*	
External interest	*page 57*	(15)	(13)	+9%
NEXT Group profit before tax		**452**	**422**	**+7.1%**
Taxation	*page 57*	(111)	(99)	+13%
Profit after tax		**341**	**324**	**+5.2%**
Pre-tax Earnings Per Share		**375.3p**	**347.2p**	**+8.1%**
Post-tax Earnings Per Share		**282.8p**	**266.2p**	**+6.2%**
Statutory profit before tax		**432**	**416**	**+3.9%**

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

Statutory profit of £432m is lower than our reported headline figure of £452m mainly due to the £15m exceptional, non-cash, accounting cost from the defined benefit pension scheme (see page 30 for further details). 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	July 2024	July 2023[12]
Headline NEXT Group profit before tax	**452**	**422**
Exceptional non-cash cost relating to the defined benefit pension scheme	*- 15*	*-*
Cost of brand amortisation (see page 67)	*- 9*	*- 3*
Profit/losses from minority interests in Joules, Reiss and FatFace	*+4*	*- 4*
Total Group statutory profit before tax	**432**	**416**

[12] July 2023 profit, tax and EPS is restated to remove brand amortisation costs. See page 26.

[13] Loan interest and preference share interest associated with investments are reported in the interest line of the P&L. Total profit for Investments and Total Platform *including* interest is £23.5m (July 2024) and £8.0m (July 2023). See page 50 for more detail.

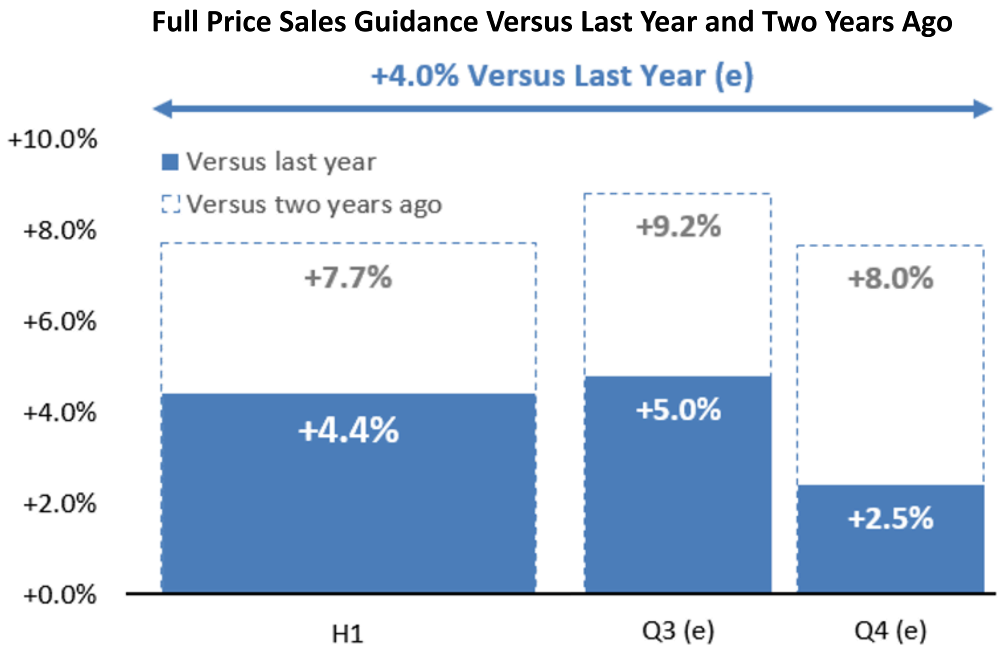
FULL YEAR SALES AND PROFIT GUIDANCE

We are upgrading the profit guidance we issued on 1 August by +£15m to £995m. This is as a result of the strength of our full price sales over the last six weeks. We now estimate that full price sales in the second half will be up +3.7% (against our previous estimate of +2.5%). This represents an increase of £30m of full price sales which, after accounting for other anticipated changes in our cost base, is expected to deliver an additional £15m of profit.

The rest of this section gives more detailed guidance for sales in the full year and an updated profit walk forward for the Group.

GUIDANCE FOR FULL PRICE SALES

The chart below shows our guidance by half, and for the third and fourth quarters, against both last year and two years ago.



Full Price Sales Guidance by Division and Geography

The table below shows our guidance by division versus last year, and the second table shows our guidance split by UK and Overseas Online.

Full price sales growth versus last year	First half (actual)	Second half (forecast)	Full year (forecast)
Retail	- 2.6%	+0.0%	- 1.2%
Online	+8.4%	+6.2%	+7.2%
Total full price sales (including Finance interest income)	**+4.4%**	**+3.7%**	**+4.0%**
Split as:			
UK (Retail and Online)	+1.0%	+1.8%	+1.4%
Online Overseas	+22.8%	+16.2%	+19.6%
Total full price sales (including Finance interest income)	**+4.4%**	**+3.7%**	**+4.0%**

GUIDANCE FOR TOTAL GROUP SALES

For the full year, the Company's total Group sales are expected to grow by +6.6%. This is higher than the +4.0% growth in our full price sales, mainly due to recent acquisitions of FatFace and an additional share in Reiss.

GUIDANCE FOR PROFIT BEFORE TAX AND EPS

Guidance for sales, profit before tax and before exceptionals, and EPS is summarised below. For completeness, our previous guidance is shown on the right.

	New guidance		Previous guidance	
Guidance for the full year 2024/25	**Full year £ (e)**	**% Versus 2023/24**	**Full year £ (e)**	**% Versus 2023/24**
Full price sales	£5.0bn	+4.0%	£4.9bn	+3.4%
Total Group sales inc. markdown, subsidiaries and investments	£6.2bn	+6.6%	£6.2bn	+6.0%
NEXT Group profit before tax	£995m	+8.4%	£980m	+6.7%
Pre-tax EPS	830.4p	+9.7%	818.8p	+8.1%
Post-tax EPS	625.7p	+8.1%	616.5p	+6.5%

Our forecast pre-tax EPS growth is +9.7%. This is +1.3% higher than growth in profit, due to the impact of share buybacks. An increase in our effective tax rate (ETR) will *reduce* growth in post-tax EPS down to +8.1%. 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%. This year, the tax rate is at the higher level of 25% for the full year. Further details on our ETR are given on page 57.

An exceptional non-cash P&L charge of £15m

In the first half we incurred a non-recurring, non-cash charge of £15m relating to our defined benefit (DB) pension scheme. This scheme was closed to new members in the year ending January 2001.

In January 2024 the Pension Scheme Trustees, with the Company's support, purchased an insurance policy to safeguard all future DB pension payments (a 'buy-in'). In March 2024, the scheme was closed to future service accrual, and a £15m "curtailment loss" was recognised in the P&L (see Appendix 1 on page 66 for further details). Within the next two years we expect to move the DB 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 is treated as **exceptional**, so it is not included in the headline profit reported for the first half, or full year guidance.

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. Our previous guidance, given in March, is shown in grey.

Commentary explaining significant changes is given on the following page.

£m	Latest guidance		March guidance		Change
Profit before tax 2023/24		**918**		918	
Profit from full price sales, Total Platform (TP) and subsidiaries					
Profit from +4.0% (£193m) increase in full price sales	+63		+36		+27
Profit from TP services	+3		+4		- 1
Profit from TP equity (inc. new acquisitions)	+31		+30		+1
Total profit from full price sales, TP and subsidiaries		**+97**		+70	**+27**
Cost savings					
Bought-in gross margin	+29		+17		+12
Warehousing and logistics *(+£35m of cost savings offset by -£16m cost increases from Elmsall 3)*	+19		+4		+15
Staff incentives (returning to normal levels)	+16		+24		- 8
Electricity rate	+11		+12		- 1
TP integration costs	+3		+6		- 3
Business rates refunds on Retail stores	+7		-		+7
Other	-		+3		- 3
Total cost savings		**+85**		+66	**+19**
Cost increases					
Wage inflation (including third-party wages, e.g. couriers)	- 57		- 60		+3
Markdown (higher surplus and lower clearance rates)	- 16		- 13		- 3
Digital marketing (growing faster than sales)	- 19		- 4		- 15
Technology (of which -£9m is amortisation of software)	- 14		- 17		+3
Total cost increases		**- 106**		- 94	**- 12**
Provisions					
Bad debt provision release	+10		-		+10
Property provisions in subsidiaries	- 10		-		- 10
Profit before tax 2024/25 (e)		**995**		960	**+35**
Growth versus 2023/24		+8.4%		+4.6%	

Wage inflation
Wage inflation is our largest cost increase, at £57m for the year. Within this figure, around £25m is the difference between general UK wage inflation of 4% and the rise in the National Living Wage (NLW) of 9.8%.

Bought-in gross margin
To mitigate some of this cost increase seen through wage inflation, we increased our bought-in gross margin targets by +0.4%, through which we expected to recover £17m. Since March, our product teams have achieved better than expected margins. We now expect a total margin benefit worth £29m, so we will have covered the £25m cost of the NLW. Most of the additional £12m relates to products bought for the second half of the year.

Despite the increase in margin, average selling prices this year, on items that have not changed from one year to the next, are slightly *down* on last year. This is the result of improved sourcing and reduced factory gate prices.

	Spring/summer 2024	Autumn/winter 2024
Average selling price on like-for-like products	- 1.9%	- 0.3%

Warehousing
In total, we expect to save £19m, which is a £15m improvement on our March estimate. This improvement is driven by four main factors:

- £6m of efficiency savings in our Elmsall 3 warehouse, which were achieved earlier than we had planned.
- £3m of increased delivery and returns income, half of which relates to a higher proportion of Middle East orders incurring a delivery charge.
- £3m reduction in overseas parcel costs.
- £3m reduction in other overheads.

Digital marketing - an increasing cost and an opportunity
The world is changing and we anticipate that marketing is likely to increase as a percentage of our sales. This is for three reasons:

(1) Increased marketing spending overseas, albeit that in some territories we have increased prices to fund this activity.

(2) Increased UK marketing as a result of the increasing effectiveness of new and developing marketing channels.

(3) The 'free' marketing we have traditionally benefited from through natural search is becoming less effective. This is because search engines progressively reduce the visibility of natural search results (which is fair enough; we have benefited for many years from this free advertising).

All marketing campaigns are assessed on the basis of the profit we estimate they will generate with a hurdle of £1.50 of net profit for every £1.00 spent on marketing (i.e. a 50% return).

Movement in provisions
We are forecasting two material changes to our provisions:

- A £10m release from our bad debt provision, see NEXT Finance section on page 48.
- A £10m provision charge for potential onerous leases in our subsidiaries, see page 55.

The value of both of these changes is the same and therefore they have no impact on our underlying profit.

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

NEXT RETAIL

HEADLINES

- Full price sales down -2.6% versus last year.
- Like-for-like[14] full price sales down -2.2%.
- Total sales (including markdown sales) down -2.1%.
- Retail profit[15] £81m, down -3.2%.
- Net margin[15] 9.4%, down -0.1%.

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[16]. Lease interest in Retail was down -4% versus last year; this is the net result of: (1) a *reduction* in stores' lease interest (down -9%), as our store lease liabilities have reduced, and (2) an *increase* in warehouse lease interest, due to the extension of the lease of our palletised warehouse.

£m	July 2024	July 2023	Var %
Total sales	867	885	- 2.1%
Operating profit	98	101	- 3.3%
Lease interest charge	(17)	(17)	- 4.2%
Retail profit including lease interest	**81**	**84**	**- 3.2%**
Retail net margin % (including lease interest)	9.4%	9.5%	

[14] Like-for-like sales growth excludes the impact of store closures, openings and refits.
[15] After deducting Retail lease interest costs.
[16] Lease interest is reported in the Interest line of the P&L. £17m is the proportion of the Group's total lease interest (£24m) attributable to the Retail business. The £7m balance is reported in Online and other Group activities.

RETAIL MARGIN ANALYSIS

Net margin in the year was 9.4%, down -0.1% on last year. The margin impact of major cost categories is summarised below.

Retail net margin (after lease interest) on total sales to July 2023		**9.5%**
Bought-in margin	Bought-in gross margin was up on last year.	+ 0.1%
Markdown	The combination of surplus stock levels growing by +20% and lower clearance rates reduced margin.	- 1.0%
Payroll	Wage inflation, mainly driven by the increase in the National Living Wage, increased payroll costs faster than sales growth.	- 0.9%
Store occupancy costs	Lower energy prices (+0.5%) and an increase in historical rates refunds (+0.4%) both served to increase margin.	+0.9%
Warehousing and distribution	Inflationary cost increases (-0.2%) were offset by initiatives to reduce transport costs (+0.2%).	0.0%
Central costs and staff incentives	Central costs have reduced as a result of: (1) lower provisions and (2) lower staff incentives, as they return to normal levels.	+0.8%
Retail net margin (after lease interest) on total sales to July 2024		**9.4%**

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

In the second half, we are forecasting Retail full price sales to be flat on last year, meaning full price sales for the year would be down -1.2%. Based on this sales guidance we expect Retail net margin for the full year, including lease interest, to be 10.8%, down -0.5% on last year's 11.3%.

The reduction in margin is mainly due to inflationary cost increases, such as wages. In the second half we do not expect to receive the same level of business rates refunds as in the first half.

LEASE RENEWALS AND COMMITMENTS

Lease Renewals in the Year to January 2025

We expect to renew 76 leases this year, with an average lease term of 4.2 years (weighted by value, to the earlier of the break clause or the lease end). We anticipate that these new leases will reduce our annualised occupancy cash costs by **£3.6m** (-16%).

The expected cost reduction of -16% is lower than the reductions we have achieved in recent years. This is because 48 of the leases being renewed this year have already been renegotiated during the last five years; these stores' rent had already fallen to post-pandemic levels, so their rent reductions are small, and only down -5% (-£0.5m). 28 *older* leases, which were last negotiated pre-2018, saw much larger rent reductions of -29% (-£3.1m).

The occupancy cost savings (in cash terms[17]) from lease renewals are summarised in the tables below. Leases are split into two different categories: (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. 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	£9.0m	£7.7m	- 15%
Turnover rent	16	£5.5m	£5.6m	+1%
Total	**55**	**£14.5m**	**£13.3m**	**- 9%**
TOC leases				
Previous rent		£6.1m		
Previous rates and service charge		£2.2m		
Total occupancy costs (rents, rates & service charge)			£5.8m	
Total occupancy - rent, rates & service charge	**21**	**£8.2m**	**£5.8m**	**- 29%**
TOTAL COMBINED LEASE RENEWALS				
Total lease renewals	**76**	**£22.7m**	**£19.1m**	**- 16%**

In addition to the occupancy cost reductions of £3.6m, detailed above, we estimate that we will receive around **£5.4m** from capital contributions and rent-free periods, which we will spend upgrading and maintaining our stores.

Outstanding Lease Commitments

At the end of July 2024, our average lease commitment (weighted by value) was 4.1 years, compared with 4.5 years at the same time last year. Fifty per cent of our store leases (by value) will expire or break within 3.6 years and 94% within the next ten years.

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

RETAIL SPACE

Overall this year there will be very little change in overall Retail space, with new store openings offsetting closures in our Mainline business. The table below summarises our forecast for the change in store numbers and square footage this year.

We expect to open five new mainline stores this year, four of which will open in the second half of the year. One new store opened in the first half; it is trading well and is expected to meet its appraised sales and profit targets.

	Store numbers	NEXT Sq. ft. (k)	Concessions Sq. ft. (k)	Total Sq. ft. (k)
January 2024	**458**	**7,634**	**471**	**8,105**
New mainline stores	+5	+38	+16	+54
Mainline closures	- 5	- 55	-	- 55
Clearance stores	- 3	- 29	-	- 29
January 2025 (e)	**455**	**7,588**	**487**	**8,075**
Change	- 3	- 46	+16	- 30
Change %	- 0.7%	- 0.6%	+ 3.4%	- 0.4%

NEXT's Fosse Park store, Leicester

NEXT ONLINE

HEADLINES

- Full price sales up +8.4% versus last year.
- Total sales (including markdown sales) up +7.0%.
- Online profit (including lease interest costs) was £258m, up +7.6%.
- Net margin 16.1%, up +0.1%.

SUMMARY OF ONLINE SALES, PROFIT AND MARGIN

The table below summarises total sales and profit for our Online business, which includes our three divisions: NEXT UK, LABEL UK (which encompasses the sale of all non-NEXT branded stock) 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 +24%, mainly due to the new lease for our palletised warehouse, which was extended in December 2023.

£m	July 2024	July 2023	Var %
Total sales	1,603	1,498	+7.0%
Operating profit	265	246	+8.0%
Lease interest charge	(7)	(6)	+23.9%
Online profit including lease interest	**258**	**240**	**+7.6%**
Online net margin % (including lease interest)	16.1%	16.0%	

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 first half. Further commentary for Online's sales performance is given below the table.

Sales category £m	July 2024	July 2023	Var £m	Var %
Full price sales	1,453	1,340	+113	+8.4%
Clearance sales[18]	52	52	- 0	- 0.6%
Total full margin sales	**1,505**	**1,393**	**+112**	**+8.1%**
Sale events in-season	97	106	- 8	- 7.8%
TOTAL ONLINE	**1,603**	**1,498**	**+104**	**+7.0%**

Full price sales by division

£80m (71%) of the growth in full price sales came from our Overseas business, with strong growth seen in both our own nextdirect.com websites (+15%) and through third-party aggregators (+43%). Overall, Overseas full price sales increased by +23%.

Full price sales in the UK were up +3%, adding a further +**£32m**.

Full price sales £m	July 2024	July 2023	Var £m	Var %
NEXT Brand UK	594	582	+13	+2.2%
LABEL UK	426	407	+20	+4.8%
Total UK Online	**1,020**	**988**	**+32**	**+3.3%**
Overseas (nextdirect.com)	298	258	+40	+15.4%
Overseas aggregators	135	94	+41	+43.3%
Total Overseas Online	**433**	**352**	**+80**	**+22.8%**
Total Online full price sales	**1,453**	**1,340**	**+113**	**+8.4%**

Sale events

Surplus stock levels during the first half of the year were up +9.3% whilst sales in the first half were down -7.8%. Our clearance rates were down -2.5% versus last year, however the reduction in markdown sales is much larger than our clearance rates would imply. This is due to the timing of Sale orders being dispatched.

[18] 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[19] (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[20] Online customers in the last six months was 8.3m, up +8% 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**	
Account type	July 2024	vs July 2023	July 2024	vs July 2023	July 2024	vs July 2023
UK credit	2.9m	+2%	£258	- 4%	£751m	- 2%
UK cash	3.5m	+9%	£112	- 1%	£390m	+7%
UK TOTAL	**6.4m**	**+6%**	**£178**	**- 4%**	**£1,142m**	**+1%**
Overseas (direct to customer)	1.9m	+18%	£164	- 2%	£316m	+16%
TOTAL (exc. aggregators)	**8.3m**	**+8%**	**£175**	**- 4%**	**£1,458m**	**+4%**
Third-party aggregators					£145m	+47%
TOTAL					**£1,603m**	**+7%**

Sales Per Customer

UK sales per customer

In the UK, sales per **credit customer** were down -4% versus the prior year. Sales per **cash customer** reduced by -1%, meaning that, after accounting for the change in mix of customers, the overall average spend for UK customers was down -4%. This was mainly due to lower furniture sales, along with a slight reduction in overall fashion sales per customer.

Overseas sales per customer

Overseas sales per customer reduced by -3% in local currency, which translated into a -2% reduction in Pounds Sterling.

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

[20] Active customers are defined as those who have either placed an order or received an account statement in the last 20 weeks. Please note that July 2023's customer numbers have been restated, to remove 563k customers from Total Platform clients that were included in error (498k UK cash, 65k Overseas).

ONLINE NET MARGIN

Online Margin Analysis

Overall Online net margin was 16.1%, up +0.1% on last year. The margin impact of major cost categories is summarised below.

Net margin (after lease interest) on total sales to July 2023		**16.0%**
Bought-in gross margin	Underlying bought-in gross margin was up +0.1%. In our Overseas business, duty savings and price increases served to increase overall Online margin by +0.3%.	+0.4%
Markdown	Higher surplus and lower clearance rates reduced margin by -0.3%. This was offset by: lower stock write-offs in our Clearance business (+0.2%) and the timing of Sale dispatches (+0.2%). This timing issue will reverse in the second half of the year.	+0.1%
Warehousing and distribution	Inflationary cost increases, mainly wages, reduced margin by -0.4% and our new hub operations in the Middle East reduced margin by -0.1%. This margin erosion was partially offset by: ● Delivery/returns charge income, which grew faster than sales, improving margins by +0.3%. ● The net effect of our new Elmsall 3 warehouse, which improved margin by +0.1% (after accounting for both increased occupancy costs and productivity savings).	- 0.1%
Marketing	Marketing spend grew faster than sales in both our Overseas business (-0.7%) and in the UK (-0.3%).	- 1.0%
Technology[21]	Cost savings offset higher depreciation costs, meaning technology spending grew in line with sales and did not erode margin.	+0.0%
Central costs and staff incentives	Lower staff incentive costs than last year (+0.9%) and operational savings in our contact centres (+0.2%) more than offset inflation in central costs (-0.4%).	+0.7%
Net margin (after lease interest) on total sales to July 2024		**16.1%**

Net Margin by Online Division

Online division	Total sales £m	Profit £m	Margin %	Change in margin vs July 2023
NEXT UK	653	124	19.0%	- 0.2%
LABEL UK	488	65	13.4%	+0.4%
Overseas	461	68	14.8%	+0.5%
Total Online	**1,603**	**258**	**16.1%**	**+0.1%**

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

NEXT UK

NEXT UK's margin of 19.0% was down -0.2% on last year; the main margin movements are summarised below.

Net margin (after lease interest) on total sales to July 2023		**19.2%**
Bought-in gross margin	Bought-in gross margin on NEXT stock improved by +0.1% versus last year.	+0.1%
Markdown	Lower clearance rates reduced margin.	- 0.1%
Warehousing and distribution	Inflationary cost increases, mainly wages, reduced margin by -0.5%. This was more than offset by: ● Delivery/returns charge income, which grew faster than sales, improving margins by +0.4%. ● The net effect of our new Elmsall 3 warehouse, which improved margin by +0.3% (after accounting for both increased occupancy costs and productivity savings).	+ 0.2%
Marketing	Digital marketing spend grew faster than sales, and reduced margin by -0.5%. Additional brand marketing and set-up costs for our new furniture photography studio reduced margin by -0.5%.	- 1.0%
Central costs and staff incentives	Lower central staff incentive provisions and other central cost savings offset inflationary cost increases.	+0.6%
Net margin (after lease interest) on total sales to July 2024		**19.0%**

LABEL UK

Further detail of LABEL profitability is given on page 45.

Overseas

Further detail of Overseas profitability is given on page 42.

Guidance for Online Margin by Division for the Full Year

In the second half we are forecasting Online's full price sales to grow by +6.2%, meaning full price sales for the year would be up +7.2%. Based on this forecast, we expect net margin for the year to be 16.5%. Full year margins by division are summarised below, along with last year for reference.

Online net margins by division	**Jan 2025 (e)**	**Jan 2024**
NEXT UK	19.7%	19.9%
LABEL UK	14.2%	12.8%
Overseas	13.9%	13.0%
Online net margin	**16.5%**	**16.0%**

ONLINE OVERSEAS

The performance of our Online Overseas business in the first half has exceeded our expectations, with **full price sales growth of £80m** (+23%) and net margin improving by +0.5% to **14.8%.**

Full price sales through third-party aggregators grew by £41m (+43%), and now account for 31% of Overseas full price sales. Full price sales through NEXT websites grew by £40m (+15%) driven by a meaningful increase in our digital marketing spend, which helped to *profitably* increase sales and customer recruitment. Marketing spend as a percentage of sales[22] increased from 4.4% last year to 7.3% this year.

Summary of Financial Performance

£m	July 2024	July 2023	Var £m	Var %
Full price sales: NEXT websites	298	258	+40	+15%
Full price sales: third-party aggregators	135	94	+41	+43%
Total full price sales	**433**	**352**	**+80**	**+23%**
Markdown sales	28	19	+10	+52%
Total sales (including markdown)	**461**	**371**	**+90**	**+24%**
Operating profit	**68**	**53**	**+15**	**+29%**
Net margin %	*14.8%*	*14.3%*		

Markdown sales were up +52% due to: (1) higher Sale surplus (+64%), which was unusually low last year, and (2) more stock being held in our overseas hubs and third-party aggregators' warehouses.

Overseas Margin Analysis

Net margin of 14.8% was up +0.5% versus last year; the main movements are summarised below.

Net margin (after lease interest) on Overseas sales to July 2023		**14.3%**
Bought-in gross margin	Duty savings and price increases improved margin.	+3.2%
Markdown	Higher surplus, as explained above, reduced margin.	- 0.8%
Warehouse & distribution	Margin reduced due to: ● Inflationary cost increases, mainly wages (-0.3%) ● Our new hub operations in the Middle East (-0.4%) ● Increased customs clearance costs (-0.2%). This was partially offset by higher delivery charge income in the Middle East, which grew faster than sales (+0.2%). The additional occupancy costs from our new Elmsall 3 warehouse were offset by productivity savings.	- 0.7%
Marketing	Increased digital marketing spend in profitable overseas markets, meant that overall spend increased by more than sales growth.	- 1.9%
Central costs & staff incentives	Margin improved, mainly due to lower staff incentive costs than last year.	+0.7%
Net margin (after lease interest) on Overseas sales to July 2024		**14.8%**

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

ONLINE LABEL UK

Background - The Development of LABEL

LABEL is our Online aggregation business that sells third-party brands, and other wholly-owned (non-NEXT) brands, through the NEXT website in the UK. Product ranges include: clothing, sportswear and accessories for women, men and children; beauty and home furnishings.

There are four different selling models within LABEL. The table below sets out the characteristics of each model, according to who has responsibility for design, sourcing and who holds the stock risk; NEXT or the third-party brand.

Business model	Design	Sourcing	Stock risk	Examples
3rd party **Commission**	3rd Party	3rd Party	3rd Party	*River Island, White Stuff*
3rd party **Wholesale**	3rd Party	3rd Party	**NEXT**	*Nike, Adidas*
3rd party **Licensing**	3rd Party	**NEXT**	**NEXT**	*smALLSAINTS, Laura Ashley*
Wholly-owned brands	**NEXT**	**NEXT**	**NEXT**	*Lipsy, Love & Roses, Cath Kidston, MADE*

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 NEXT's risk, and the licensor earns a royalty on sales.

For clarity, all sales figures reported in this section are given at their gross transaction value, including commission-based sales.

Headlines

- Full price sales of £426m, up **+4.8%** versus last year.
- Total sales (including markdown sales), £488m, up +2.9%.
- Net margin **13.4%**, up +0.4% versus last year.

The following pages set out more detail on:

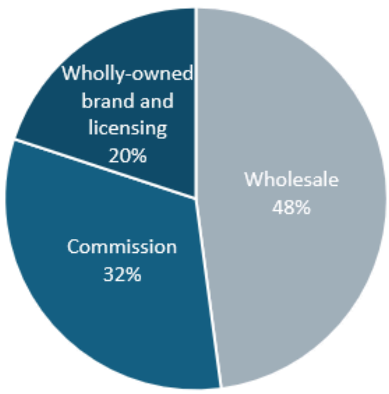
- LABEL's **full price sales** (page 44).
- LABEL's **margins** (page 45).

Full Price Sales Analysis

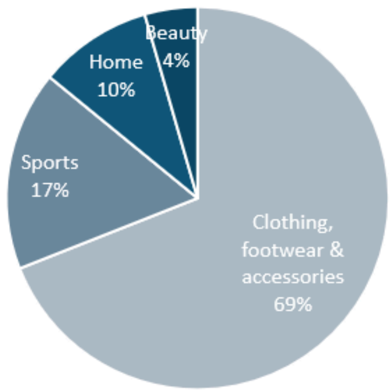
The shape of LABEL's Online sales

The charts below show the percentage of full price sales achieved through our different business models, and in each product category. Product ranges created by NEXT (wholly-owned brands and licensed products) now account for **20%** of all of LABEL's Online full price sales.

LABEL Full Price Sales by Business Model



LABEL Full Price Sales by Product Category



Full price sales growth by LABEL business model

The highest rate of growth came through wholly-owned brands and licensing (up +9%), where we have expanded the ranges produced by NEXT. Commission brands, which were up +8% (£15m), made the largest overall contribution to growth. Although we make lower net margins through commission arrangements, we believe that, in most cases, it helps to drive sales growth.

Full price sales by model £m	July 2024	July 2023	Var £m	Var %
Third-party brands (commission)	204	188	+15	+8.1%
Third-party brands (wholesale)	138	140	- 3	- 1.8%
Total third-party brands[23]	**341**	**329**	**+13**	**+3.9%**
Wholly-owned brands & licensing[24]	85	78	+7	+9.0%
Total LABEL full price sales[25]	**426**	**407**	**+20**	**+4.8%**

Full price sales growth by product category

Overall full price sales were up +4.8% on last year, with growth seen across all product categories.

Full price sales £m	July 2024	July 2023	Var £m	Var %
Clothing, footwear & accessories	293	280	+13	+4.7%
Sports	72	69	+3	+4.6%
Home	42	39	+3	+6.8%
Beauty	19	19	+1	+3.0%
Total full price sales	**426**	**407**	**+20**	**+4.8%**

[23] For like-for-like comparisons, brands are categorised according to whether they are wholesale/commission *this* year.
[24] For clarity, this number is *higher* than the +7.7% shown on page 9 which includes Retail sales.
[25] For clarity, this number is *lower* than the +5.5% shown on page 9 which includes Retail sales that were boosted by the sale of third-party brands, including Victoria's Secret and Bath & Body Works.

LABEL Margin Analysis

Overall LABEL margin of 13.4% was up +0.4% 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 July 2023		**13.0%**
Bought-in gross margin	Higher margins on our wholly-owned brands and licensed products (+0.6%), were partially offset by growth in lower margin third-party brands (-0.3%).	+0.3%
Markdown	Surplus stock was up +13% and this, combined with lower clearance rates, reduced margin by -0.2%.	- 0.2%
Warehouse and distribution	Inflationary cost increases, mainly wages, reduced margin by -0.4%. This was more than offset by: ● Delivery/returns charge income, which grew faster than sales, improving margins by +0.4%. ● The net effect of our new Elmsall 3 warehouse, which improved margin by +0.3% (after accounting for both increased occupancy costs and productivity savings). ● Higher average selling prices and lower returns rates added +0.3%.	+0.6%
Marketing and photography	Higher spend on digital marketing (-0.4%) and additional photography required for new brands (-0.2%).	- 0.6%
Central costs and staff incentives	Lower staff incentives than last year were partly offset by the increased cost of the wholly-owned brands and licensing product teams.	+0.3%
Net margin (after lease interest) on LABEL sales to July 2024		**13.4%**

NEXT FINANCE

HEADLINES

- Interest income was up +5% versus last year.
- Underlying profit (before provision release one-offs and the cost of funding) was **£111m, up +7%.**
- Customer payment rates, measured as a percentage of customer balances, were +0.4% higher than last year.
- Default rates were 0.6% better than last year; a 16% reduction. This has allowed us to lower our rate of provision for bad debt on new sales, along with an historical COVID provision release of £10m.
- After accounting for the release of historical bad debt provisions, total net profit was £97m, up +20% versus last year.

FINANCE PROFIT & LOSS SUMMARY

£m		**July 2024**	**July 2023**	**Var %**
Credit sales[26]		*955*	*963*	*- 1%*
Average customer receivables	*note 1*	*1,217*	*1,211*	*+1%*
Interest income	*note 2*	150	143	+5%
Bad debt charge (underlying)	*note 3*	(14)	(16)	- 13%
Overheads		(25)	(24)	+6%
Underlying profit before one-offs and cost of funding		**111**	**103**	**+7%**
Cost of funding	*note 4*	(24)	(23)	+6%
Net profit before bad debt one-off		**86**	**80**	**+8%**
Bad debt provision release one-off	*note 3*	10	-	
Net profit after bad debt one-off		**97**	**80**	**+20%**
ROCE (before bad debt provision release)		14.2%	13.2%	
Closing customer receivables		1,226	1,223	+0%

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

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

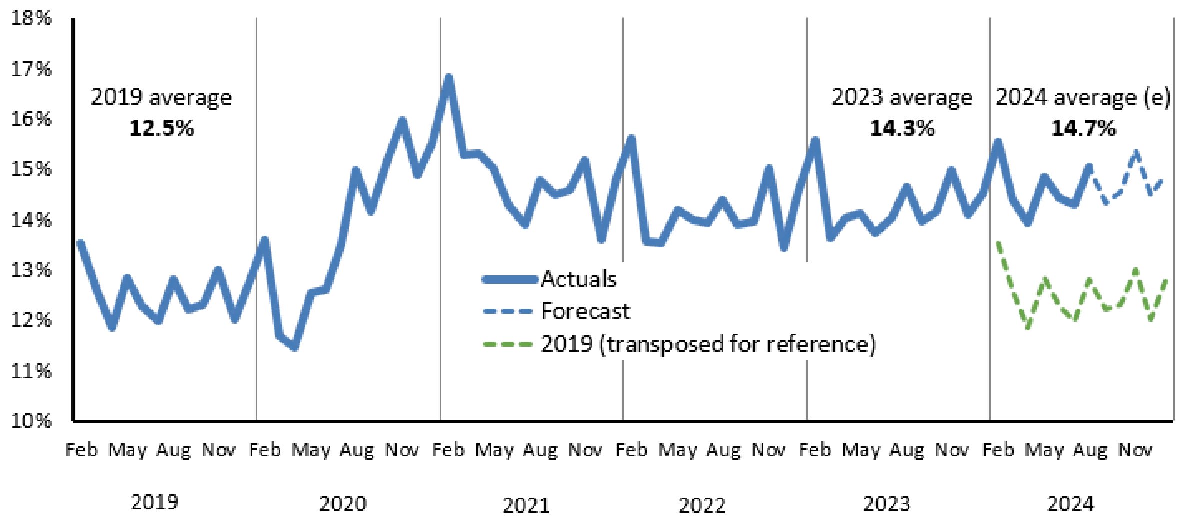
Note 1 Customer receivables

Average customer receivables are broadly flat year on year due to lower credit sales and higher customer payments, which offset the higher receivables balance going into this year.

Continued resilience of customers' payments

The graph below shows the percentage of customer balances being paid each month since 2019 (pre-COVID). Payment rates in the first half of the year were +0.4% higher than last year and we expect the full year to remain at a similar level.

Monthly Payments as a Percentage of Customer Balances



Note 2 Interest income

Interest income was up +5%. This was higher than the increase in the average customer receivables balance mainly due to the annualisation of a 1% increase in next**pay** APR from the end of March 2023[27].

Note 3 Bad debt charge and default rates

A reduction in default rates (see the chart overleaf) has allowed us to make two changes to the bad debt charge in the first half of this year: (1) we have reduced the rate at which we provide for bad debt credit sales during the half, and (2) we have released a further £10m of our historical COVID bad debt provision.

Bad debt charge (underlying)

The underlying bad debt charge of £14m was £2m less than last year due to an adjustment to the rate at which we provide for future defaults on credit sales. The rate now being used is more in line with the average rate of defaults observed over the last five years.

[27] 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.

Bad debt provision release (one-off)

The first half of the year also benefits from a **£10m** provision release, as we have not seen the deterioration in bad debt rates that we anticipated following the COVID pandemic and the subsequent economic disruption experienced in the last four years.

In 2020 we built £20m of provisions for the risk of defaults increasing as a result of COVID; we retained these provisions during the cost-of-living crisis. Instead of the expected *worsening* in bad debt, we observed a -32% *fall* in default rates since January 2020. After accounting for the reduction in our bad debt provisions, our coverage rates remain prudent and still allow for defaults to worsen in the future. The following table shows the movements in the COVID provision since July 2020, along with the observed default rate at the time of the provision movement.

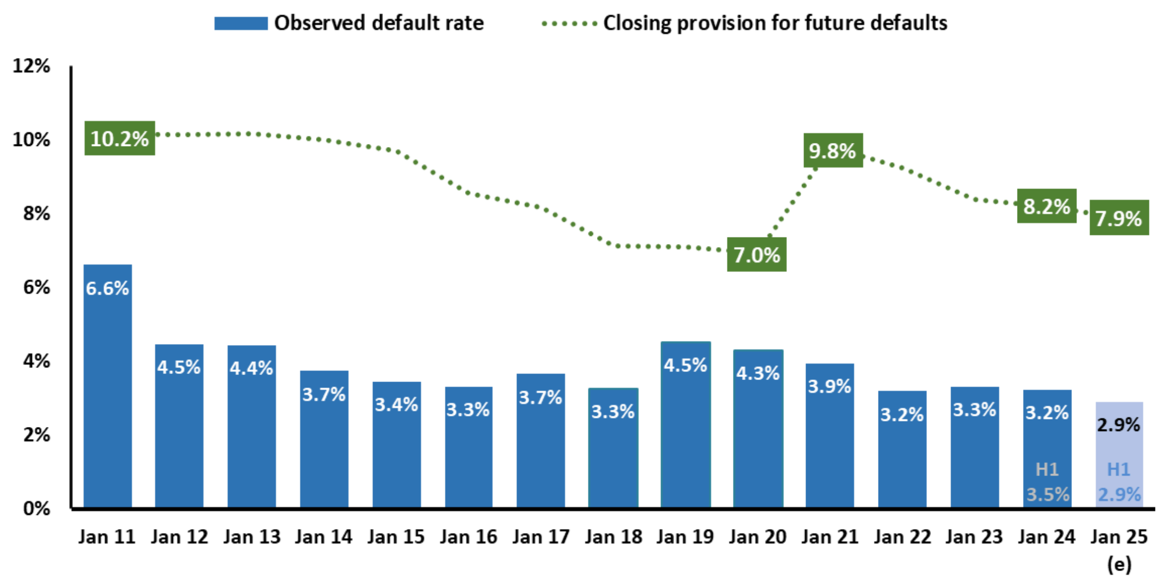
Period ending	**Movement in provision £m**	**Default rate %**
July 2020	(20)	3.9%
July 2022	3	3.4%
July 2024	10	2.9%
Provision remaining	**(7)**	

Default rates in context

The following chart shows:

- Observed annualised default rates[28] since 2011 (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 estimate for default rates for the year to January 2025 (pale blue bar) of 2.9%, which is 0.3% lower than last year. This forecast is based on observed default rates year to date.

Annual Default and Closing Provision Rates



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

Note 4 Cost of Funding

The cost of funding is an internal interest recharge from the Group, based on the assumption that 85% of customer receivables are funded by debt lent by the Group to the Finance business, with the balance being funded by the Finance business's notional equity.

The cost of funding increased by +£1.4m versus last year due to the effect of a higher external cost of borrowing on our calculated internal recharge.

Group lending to NEXT Finance £m	**July 2024**	**July 2023**	**Variance**
Average Group external borrowing (for reference)	*800*	*800*	*-*
Average NEXT Finance borrowing (for reference)	*1,035*	*1,029*	*5*
Group underlying net external interest rate (annualised)	*4.7%*	*4.4%*	*+0.3%*
Interest charged by Group to NEXT Finance	(24.4)	(23.0)	(1.4)
Underlying net external interest cost for Group[29]	(18.9)	(17.8)	(1.1)
Group profit on its lending to NEXT Finance	**5.5**	**5.2**	**0.3**

FORECAST FOR THE FULL YEAR TO JANUARY 2025

We anticipate that NEXT Finance will generate profits of **£181m**, up +11% versus last year. This is £10m higher than our previous guidance, given in March, due to £10m bad debt provision release. We are forecasting that the customer receivables balance at the year end will be around **£1.25bn**, down -1% versus last year.

[29] This figure *excludes* interest earned from cash on deposit. The total *net external* interest cost for the Group in the first half was £15.4m, see page 57.

INVESTMENTS AND TOTAL PLATFORM

FINANCIAL SUMMARY

In the first half, the combined profit from investments (including interest)[30] and Total Platform services was **£23.5m**, up from £8m in the first half of last year. For the full year, we expect profit of **£77m**, in line with our previous guidance.

Growth in profit this year is driven by:

(1) the increased investment in Reiss, from 51% to 72% in September 2023, and 74% in June 2024;

(2) the acquisition of 97% of FatFace in October 2023, and its launch on TP in September 2024;

(3) the annualisation of clients that launched during 2023 (JoJo Maman Bébé, Joules and MADE).

	First half actual		Full year estimate		Full year
Profit £m	**July 2024**	**July 2023**	**Jan 2025 (e)**	**Jan 2024**	**% var**
Investments[30]	19.8	4.5	64.0	32.3	+98%
Total Platform services	3.6	3.5	13.2	10.5	+26%
Total profit	**23.5**	**8.0**	**77.2**	**42.8**	**+81%**

Please note that FatFace's exceptional transitional costs this year (forecast at £6.1m) are reported within non-recurring Group central items, see page 55, and are *not* included in the numbers above.

The following pages set out further detail on our **investments** and **Total Platform** business.

[30] Profit reported in this section includes the *interest* earned from TP investments (loan interest and, in the prior year, preference share interest), which is reported in the Interest line of the Group P&L (see page 57).
Profit from investments is stated *excluding* the cost of brand amortisation; July 2023 has been restated (previously reported as £1.8m) to exclude £2.7m of brand amortisation. Further details on the treatment of brand amortisation are given in Appendix 2 on page 67.

INVESTMENTS

Profit forecast for the full year

Investment profit is forecast to increase from £32.3m last year to **£64.0m**. This growth is driven by our increased stake in Reiss and acquisition of FatFace, along with reduced trading losses in Joules. Through our cost reduction actions at Joules, we estimate we will broadly break even for the full year, compared to a loss of -£5.7m for the prior year.

In total, our full year forecast of £64.0m has changed little since our previous guidance given in March (£63.0m); but within this forecast Reiss has performed better than expected and we have increased their forecast by +£2.6m to £40.2m. This has been offset by a -£1.6m reduction in other investments, including MADE which has taken longer to re-establish than we previously forecast.

			Ownership %[31]	
Profit from investments £m	**Jan 2025 (e)**	**Jan 2024**	**Jan 2025**	**Jan 2024**
Reiss	40.2	24.1	73%	58%
FatFace	15.3	6.5	97%	28%
Joules	(0.5)	(5.7)	74%	74%
Other investments	9.0	7.4		
Total investments	**64.0**	**32.3**		

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.

[31] This is the weighted average ownership during each year. In October 2023 we acquired 97% of FatFace. In September 2023 we increased our stake in Reiss from 51% to 72%. In June 2024, we increased our stake in Reiss from 72% to 74%.

Return on Investments

The table below summarises our capital employed, cash returns and return on capital employed (ROCE) forecast for 2024/25. The *total* ROCE achieved (including Total Platform) is forecast to be 23%. The return on our *equity investments alone* is forecast to be 20%. A full explanation of how our 1ROCE is calculated is given below the table.

	Capital employed £m				Cash profit before tax £m			ROCE %	
	Invested	**Recovered**	**TP**	**TOTAL**	**Equity**	**TP**	**TOTAL**	**Equity**	**TOTAL**
Note	A	B	C	D	E	F	G	= E/(A + B)	= G/D
TOTAL	360.9	(40.2)	31.2	**351.9**	64.0	16.7	**80.7**	20%	**23%**

Capital employed consists of:

(A) Capital invested[32] in equity plus debt, *less*

(B) Capital recovered, which is the cumulative post-tax profit (excluding brand amortisation costs) earned from the equity investment to January 2024; this is a proxy for cash returned as at the beginning of 2024/25. In addition, it includes the *cash cost* of TP integration costs[33] for FatFace during 2024/25.

(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 2025.

(F) TP profit *before* tax and depreciation for the year to January 2025.

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.

[32] Capital invested is weighted for our period of ownership. For Reiss, this was 51% to 22 September 2023 and 72% to June 2024, after which we increased our stake to 74%. For FatFace, we had 97% ownership from 13 October 2023.

[33] £5m of non-recurring *cash* costs for TP integration FatFace, reported in Group central costs is included in the ROCE calculation. Please note that the full year forecast P&L charge of £6.1m reported on page 54 includes non-cash charges such as accelerated depreciation.

TOTAL PLATFORM SERVICES BUSINESS

The table below sets out forecasts for sales, profits and margins for the *full year*, along with last year.

Total Platform services £m	Jan 2025 (e)	Jan 2024	Var %
(A) Client online sales (GTV)[34]	207.3	148.5	+40%
(B) Commission income on clients' GTV	41.4	30.3	+36%
(C) Income from cost-plus services inc. TEP	18.8	13.3	+41%
(D) Recharges for services at cost	7.7	8.8	- 12%
(E) Total Platform income (accounting)	**67.9**	**52.4**	**+30%**
(F) Total Platform profit from services	**13.2**	**10.5**	**+26%**
(G) Total Platform profit as a % of income = F / E	*19.5%*	*20.0%*	
(H) Total Platform profit as a % of clients' sales = F / (A + C)	*5.8%*	*6.5%*	

Total Platform services income

Total income in the year is forecast to increase by **+30%** to **£67.9m**. This growth is driven by the annualisation of new clients that launched part way through last year (Joules and MADE) *plus* the addition of FatFace from late September this year.

Total Platform services margins

We analyse margins in two ways:

(1) Profit as a percentage of our income (G)

(2) Profit as a percentage of our clients' sales (H)

Profit as a percentage of our clients' sales is forecast to be **5.8%,** in line with our target margin. Profit as a percentage of income is forecast to be **19.5%.**

[34] Note to Analysts - this figure only includes the *online* sales going through our TP websites. This differs from Note 3 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).

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 full year. Non-cash items that are material are shown separately. Further commentary is provided below the table.

	First half actual		Full year estimate	
£m	**July 2024**	**July 2023**	**Jan 2025 (e)**	**Jan 2024**
NEXT Sourcing (NS)	13.5	13.9	32.8	27.4
Franchise and wholesale	3.2	3.2	6.4	5.8
Central costs and other	(31.6)	(22.0)	(61.6)	(50.5)
Total Platform startup costs/write-offs	(4.5)	(5.3)	(6.1)	(12.3)
Property management	0.1	1.6	0.5	1.7
Total underlying profit/(loss)	**(19.2)**	**(8.7)**	**(27.9)**	**(27.9)**
Non-cash costs				
Provisions in subsidiary companies	-	-	(10.0)	-
Foreign exchange	3.3	13.0	4.3	12.3
Total non-cash items	**3.3**	**13.0**	**(5.7)**	**12.3**
Total profit/(loss)	**(15.9)**	**4.3**	**(33.7)**	**(15.6)**

NEXT Sourcing (NS)

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

NS sales were up +18% due to higher NEXT purchases, which were partly driven by orders being placed around two weeks earlier than last year due to the disruption in the Suez Canal. The profit on these additional sales is not recognised in the P&L until the stock is *sold* by NEXT, so profit did not increase in line with sales in the first half.

	US Dollars $m			Pounds £m		
	July 2024	**July 2023**		**July 2024**	**July 2023**	
Sales (mainly inter-company)	335.2	279.4	+20%	264.0	223.5	+18%
Operating profit	17.0	17.3	- 2%	13.5	13.9	- 3%
Net margin	5.1%	6.2%		5.1%	6.2%	
Exchange rate				1.27	1.25	

For the full year we expect NS sales to be up +15% and profit of around **£33m** (up +20%). Profit growth is expected to be stronger than sales growth due to: (1) higher underlying margins and (2) leverage of fixed overhead costs.

Franchise and Wholesale

This year benefits from the addition of new business, namely: (1) the acquisition of the Cath Kidston brand, which earns income from overseas licences, (2) new wholesale arrangements for some of our licensed brands, and (3) new international partnerships. Profit is forecast to increase by 12% to **£6.4m**. Sales and profit for the first half of the year, and our full year forecast is set out below.

	First half actual		Full year estimate	
£m	**July 2024**	**July 2023**	**Jan 2025 (e)**	**Jan 2024**
Sales	34.7	23.8	65.3	47.6
Profit before overheads	5.3	3.8	10.3	7.1
Directly attributable overheads	(1.0)	(0.6)	(1.9)	(1.3)
Profit before central costs	**4.3**	**3.2**	**8.3**	**5.8**
Central overheads cost allocation	(1.0)	-	(1.9)	-
Net profit	**3.2**	**3.2**	**6.4**	**5.8**

A note on the allocation of central overhead costs

This year, we have changed how we allocate overhead costs to our wholesale division. Previously, only *direct* overheads were included; we now allocate a share of central overheads such as management, technology and finance. This gives a clearer picture of our true costs and margins and the impact is shown in the table above. On a like-for-like reporting basis, profit this year would have been forecast to increase by 43% to £8.3m.

Central Costs

Group Central costs of £31.6m were £9.6m higher than last year, mainly due to increased share option costs and legal costs. For the full year, we expect central costs of £61.6m.

Total Platform Startup Costs

FatFace launched on TP in September 2024. In the first half, as part of the transition to TP, the Group incurred £4.5m of non-trading costs, which include redundancy provisions and termination of third-party contracts no longer required under TP. In the year we anticipate total costs of £6.1m. Last year's costs of £12.3m related to Joules (£9.1m) and FatFace (£3.2m).

Provisions in Subsidiary Companies

During the second half of this year, we will be working with our subsidiary companies to review all of their existing leases, and based on our preliminary assessment this process is likely to result in an impairment charge of around £10m. While this charge is not yet confirmed, we anticipate having a definitive outcome by the year end and have therefore reflected the likely charge in our forecast.

Foreign Exchange (FX)

Some of our FX contracts cannot be accounted for under Hedge Accounting. Gains and losses on the valuation of these contracts outstanding at the half year and year end are set out below. Due to the volatility in the value of Sterling during 2022/23, we reported a £13m net gain in the first half of last year; this year has returned to more normal levels and is much lower at £3.3m.

	First half actual		Full year estimate	
Foreign exchange gains/(losses) £m	**July 2024**	**July 2023**	**Jan 2025 (e)**	**Jan 2024**
FX contracts placed in 2022/23	-	17.0	-	17.0
FX contracts placed in 2023/24	4.7	(4.0)	4.7	(4.7)
FX contracts placed in 2024/25	(1.4)	-	(0.5)	-
Total	**3.3**	**13.0**	**4.3**	**12.3**

EQUAL PAY CLAIM

NEXT is currently subject to an equal pay claim. The claim is from a number of former and current employees in our Retail store network seeking equal pay with colleagues in our warehouses. The case revolves around the fact that a higher percentage of our sales consultants in stores are women, when compared to the warehouses where just over half (52%) the operatives are men. A decision on this matter was issued by the Employment Tribunal on 22 August 2024 which we intend to appeal.

The Tribunal rejected the majority of the claims made by the Claimants, in particular all claims of direct discrimination, and all aspects of the claims made in respect of bonus pay. The Tribunal expressed serious criticisms of the Claimants' expert evidence, and overwhelmingly accepted the evidence of NEXT's expert and fact witnesses.

In respect of the 7 (out of 18) claims on which the Claimants succeeded, it is our intention to appeal. This is the first equal pay group action in the private sector to reach a Tribunal decision of this type and raises a number of important points of legal principle.

NEXT is proud of its reputation as a fair employer. So it is important to stress that the Tribunal was clear that there was no direct discrimination by NEXT. It was established that NEXT did not deliberately set lower pay rates and premium payments because of gender, either consciously or subconsciously.

Further, the Tribunal found that market forces and the need to recruit and retain staff in the warehouses were the reason for the pay gap. Nevertheless, the Tribunal's approach to the law led it to conclude that, for some of the contractual terms, this did not justify the gap. This is the legal decision that NEXT is appealing, as an error of law.

Our legal team is very confident of our grounds for Appeal. We expect the appeals process to take some time to conclude so do not expect a final resolution to be achieved for at least a year, if not much longer.

In the possible (but unlikely) event we lose this case on appeal, there will be a financial cost to the Group and its ongoing future operating costs. However that is not our main concern; the ramifications go well beyond the profitability of the Group (which is protected by the fact that Retail is a relatively small percentage of our profits). The two concerns are as follows:

- Each of our stores is treated as a business in its own right, and must remain **individually profitable** if they are to open in the first place and continue trading at lease renewal. Inevitably some of our stores will no longer be viable if this ruling is upheld on appeal. Materially increasing store operating costs will result in more shops being closed when their leases expire, and will materially impede our ability to open new stores going forward.

- An additional concern is the effect the case would have on the **viability of our warehouse operation**. If, for many people, warehouse work is less attractive than work in stores (as the evidence before the Tribunal showed), how can a warehouse attract the number of employees it needs? On the Tribunal's approach, the warehouse cannot raise wages, as that must inevitably push up the pay of competing work in shops - a vicious circle. The Lead Claimant herself, giving evidence in open court, summed up the problem when she said that working in the warehouse "didn't seem particularly attractive" and she would only have considered it "if it had been a lot more money".

At its heart this case poses a fundamental question about the meaning of "equal value". In this case the work was assessed as being of "equal value", despite the fact it was being carried out in different workplaces, in different markets, and was of different value to the employer and attractiveness to the employee. We believe it should therefore be no surprise that they need to be paid differently.

INTEREST, TAX, PENSIONS AND ESG

INTEREST

The total interest charge in the P&L is set out below, by each category of interest. The full year estimate, along with the prior year, is given on the right hand side.

	First half actual		Full year estimate	
£m	**July 2024**	**July 2023**	**Jan 2025 (e)**	**Jan 2024**
Net external interest	(15.4)	(16.5)	(33.4)	(35.3)
Lease interest	(23.8)	(23.1)	(47.3)	(46.7)
Preference share interest	-	2.4	-	3.2
Total Platform loan interest income	0.7	0.6	1.4	1.2
Total interest	**(38.5)**	**(36.6)**	**(79.3)**	**(77.6)**

Net external interest

In the first half, the net external interest charge of £15.4m was £1.1m lower than last year, due to the higher interest rates that we received on our cash balances. This was partially offset by the higher interest rates payable on our floating rate instruments.

Lease interest costs

Lease interest of £23.8m in the first half was £0.7m higher than last year, due mainly to the extension of the lease of our palletised warehouse.

Reiss preference share interest

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 £0.7m of interest generated in the first half and £1.4m forecast for the full year.

TAX

Our effective tax rate (ETR) for the first half was 24.7%. This is lower than the UK headline rate of 25% as set out below. For the full year we also expect an ETR of 24.7%.

	6 months to July 2024	**Year to Jan 2025 (e)**
Headline UK Corporation Tax rate	25.0%	25.0%
Overseas tax	- 0.3%	- 0.3%
Equity profit, which has already been taxed	- 0.2%	- 0.2%
Losses with no deferred tax provided	+0.1%	+0.1%
Non-deductible costs (e.g. acquisition fees)	+0.1%	+0.1%
ETR	**24.7%**	**24.7%**

PENSION SCHEME

On the IFRS accounting basis, the valuation of our defined benefit schemes' surplus at July 2024 was £38.0m (January 2024: £59.3m). The reduction in the plan asset is mainly due to the 'curtailment loss' which resulted from the closure of the scheme to future accrual in March 2024. Further detail is provided in Appendix 1 on page 66 and in Note 12 of the financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Full details of our ESG activities were set out in our 2024 Corporate Responsibility Report, available on www.nextplc.co.uk. In addition to the ongoing larger projects (Carbon Reduction, Responsible Sourcing, Reducing Packaging and Waste, Recycling and supporting our employees and communities), some notable ESG projects that we have progressed this year include the following:

Protecting Workers in our Supply Chain

Supporting Children and Young Workers

Our supply chain touches some vulnerable communities. Supporting the workers and their children in those communities is a key area of focus. Following the success of the gender empowerment programmes we launched in Morocco in October 2023, we will soon launch a further programme in Bangladesh.

The new programme in Bangladesh will be available to up to 500 female employees from three factories. We have partnered with a local NGO and the centre will provide childcare for children between the ages of 2 to 6 years, training sessions on financial literacy, mental health awareness and computer skills and low cost sanitary products. We hope the centre will be open by November 2024.

Grievance Mechanisms

A key feature to protect workers is giving them a mechanism to report any concerns. After a successful initial rollout of a grievance mechanism across some of our factories in Pakistan, South India, Myanmar and UAE, we will launch a broader rollout to suppliers covering Bangladesh, Sri Lanka, Cambodia, Vietnam, Turkey and Morocco. Once the rollout is complete the grievance mechanism will cover 80% (by value) of the products produced in these territories.

Extension of Due Diligence

The NEXT Code of Practice ethical auditing team has 53 employees based in our primary sourcing locations around the world. The presence in our sourcing territories enables NEXT to have a much closer and more accurate view of any ethical issues that arise.

We now provide ethical auditing as a service to a number of our Total Platform partners, including Reiss, Joules and JoJo Maman Bébé. From October 2024 we will also support FatFace.

The NEXT team is also in discussions with a number of third-party brands that sell their products on the NEXT website, to better understand their ethical audit processes and explore potential areas for collaboration to increase the protection of human rights within the supply chain.

Zero Discharge of Hazardous Chemicals

For the second year in a row, NEXT achieved the highest possible score in the ZDHC 'Brands to Zero' annual audit. The programme is an initiative across the apparel, leather and footwear industries to eliminate the use of hazardous chemicals from mills, laundries and tanneries. NEXT is one of only 12 brands worldwide to achieve this audit score.

Energy Savings Opportunity Scheme

NEXT completed its Energy Savings Opportunity Scheme submission to the Environment Agency in April this year (required once every four years). The exercise identifies potential energy savings and costs across our retail, warehouse and distribution portfolio. In total 86 opportunities were identified with potential cost savings of £1.3m per annum. Each opportunity will now be evaluated, an action plan submitted to the Environmental Agency by no later than December 2024 and, where appropriate, actions will be taken to achieve the financial and environmental benefits.

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

CASH FLOW

In the year to January 2025, based on the profit guidance given on page 30, we expect to generate **£651m** of surplus cash, before investments and distributions to shareholders. The table below sets out a summarised cash flow forecast for this year, along with last year.

We are planning for net debt (excluding lease debt) to reduce by £75m to £625m. This reduction, along with the £97m reduction in net debt last year will contribute towards the potential repayment of a £250m bond that matures in August 2025, should we decide not to refinance (see page 64).

For further details on individual cash flow movements please see the page references given in the table below.

£m		**Jan 2025 (e)**	**Jan 2024**
NEXT Group profit before tax		**995**	**918**
Depreciation/impairment on plant, property and equipment, and amortisation of software		141	128
Capital expenditure	*(see page 61)*	(161)	(167)
Tax paid		(224)	(191)
Employee Share Option Trust (ESOT)	*(see page 60)*	(55)	(19)
Working capital/other	*(see page 60)*	(64)	44
Surplus cash from trading activities		**632**	**713**
Customer receivables		18	(16)
Property stock		-	(14)
Surplus cash before investment and distributions		**651**	**684**
Investments in third-party brands	*(see page 60)*	(11)	(161)
Ordinary dividends	*(see page 63)*	(259)	(248)
Share buybacks/investments	*(see page 63)*	(306)	(177)
Change in net debt		**75**	**97**
Closing net debt (excluding lease debt)		**(625)**	**(700)**

EMPLOYEE SHARE OPTION TRUST

This year, we expect a net cash outflow of £55m, which is £36m higher than last year. Cash flow movements (purchases and exercises) in the ESOT are set out below.

£m	Jan 2025 (e)	Jan 2024
Share purchases	(132)	(116)
Share options exercised	77	98
Net cash flow	**(55)**	**(19)**

Purchases, to hedge our employee share options, are expected to be £16m higher than last year due to: (1) an increased number of employees participating in share option schemes, (2) wage inflation and (3) the share price being higher.

We anticipate that the cash inflow from exercises will be £21m lower than last year. Last year's exercises were particularly high because the share options maturing were granted during 2020, when the option price was significantly *lower* than the share price at maturity in 2023.

WORKING CAPITAL

Working capital this year is forecast to be a £64m outflow. This is mainly due to: (1) the payment of staff incentives in April 2024, which related to, and were accrued, in the previous financial year; and (2) higher stock purchases (see below).

Stock

Disruption in the Suez Canal this year has extended average delivery lead times by around 17 days. This has resulted in orders being placed and shipped two weeks earlier than last year. We have assumed that this disruption will continue until the year end, and stock balances are forecast to close the year up +10% on last year.

INVESTMENTS IN THIRD-PARTY BRANDS

In the year we have invested £10m increasing our investment in Reiss, from 72% to 74%. In addition, we invested £0.8m acquiring a 16% share in Rockett St George.

Last year's expenditure of £161m related to the acquisitions of: (1) a further 21% equity stake in Reiss (£97m); (2) a 97% equity stake in FatFace[35] (£58m); and (3) the brand name and intellectual property of Cath Kidston (£9m). These investments were offset by a £3m dividend from Victoria's Secret.

[35] The acquisition of FatFace was funded partly by cash (£58m) and partly through the issue of 745,912 NEXT plc shares (£53m).

CAPITAL EXPENDITURE

The table below sets out our capital expenditure forecast for this year, by category of spend, along with last year for comparison.

£m	Jan 2025 (e)	Jan 2024
Warehouse	55	62
Technology	42	49
Total warehouse and technology	**97**	**111**
Retail space expansion	24	8
Retail cosmetic/maintenance capex	19	33
Total Retail expenditure	**43**	**41**
Head office infrastructure and other	**7**	**9**
Other Group subsidiaries	**14**	**7**
Total capital expenditure	**161**	**167**

Warehousing

Warehousing spend, forecast at £55m this year, includes the completion of the automation projects in Elmsall 3, the refit of warehouse space for our returns operations and the purchase of new vehicles.

For further details and commentary on our Elmsall 3 warehouse, see page 23.

Technology

This year we expect to spend around £42m of capital modernising and upgrading our systems technology (£36m on software and £6m on hardware). This is £11m lower than our previous guidance, due to: (1) lower software development costs and (2) reduced hardware requirements.

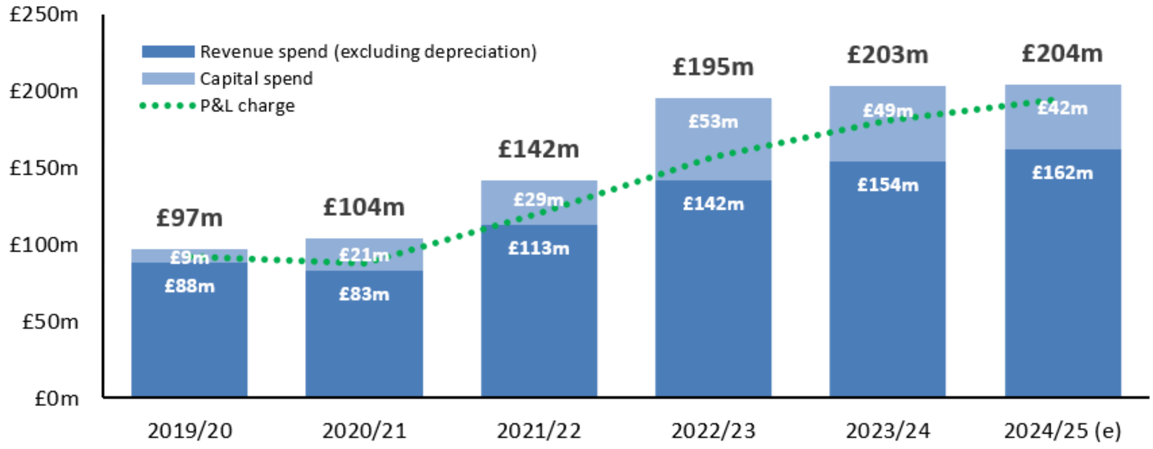
Expenditure by category is set out below, alongside last year for comparison.

Technology capital expenditure by category (£m)	Jan 2025 (e)	Jan 2024
Modernisation projects	17	23
Total Platform, LABEL and warehouse projects	6	6
Security and head office department projects	3	3
Small development projects	10	9
Hardware	6	7
Total Technology capital expenditure	**42**	**49**

Controlling Technology Costs

After several years of increasing costs, we now believe that technology *cash* costs have peaked. We have made good progress in managing costs and expect to spend a total of £204m this year (capital and revenue); this is £12m lower than our previous estimate of £216m. The chart below sets out cash spend (blue bars) and the P&L charge (green dotted line). The charge to P&L, which includes depreciation, will increase over the next few years, as projects are completed and begin to depreciate.

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



Retail stores
Capital expenditure on Retail space expansion is forecast to be £24m, £16m higher than the £8m last year. This spend comes from the re-site of three large stores that will happen later this year.

Cosmetic and maintenance spend is forecast to be £19m. This is £14m lower than last year's spend of £33m, which included refit costs in some of our larger stores and other projects, such as LED lighting and air conditioning.

Head office infrastructure and other
Capital expenditure on head office infrastructure is forecast to be £7m, compared to £9m last year. Projects include the redevelopment of some of our head office facilities and the relocation of our contact centre.

Other Group subsidiaries
This year, we expect expenditure for all subsidiaries to be £14m. This is £7m higher than last year, 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.

Capital expenditure in our subsidiaries relates mainly to new store openings, store refits and some central IT software development.

DIVIDENDS AND 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[36].

Ordinary dividends

An ordinary dividend of 141p was paid on 1 August 2024 (with a total value of £168.9m). For the year to January 2025, we are declaring an interim ordinary dividend of 75p per share to be paid on 3 January 2025, a total value of around £90m. Shares will trade ex-dividend from 5 December 2024 and the record date will be 6 December 2024.

Share buybacks

In the first half of the year we purchased 1.4m shares at an average share price of £90.38, totalling £125m. This reduced the number of shares in issue by 1.1% since the start of this financial year.

In the second half, so far, we have purchased a further 0.3m shares at an average share price of £97.05, totalling £26m.

For the full year, we anticipate share buybacks totalling £306m. This figure will be lower if there are any further investments. If we achieve our profit guidance of £995m, these buybacks represent an ERR of 8.7%; ahead of our buyback hurdle of 8%. In the event we are unable to use surplus cash to buyback shares, as a result of the share price being above our ERR buyback limit (see above), we intend, subject to market conditions, to use remaining surplus cash to declare a special dividend.

Irrevocable share buyback order

We placed an irrevocable share buyback order for £150m, commencing 8 July 2024, covering the following 29 weeks to the end of January 2025. To date we have purchased £42m under the order, leaving £108m remaining until the end of January 2025.

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

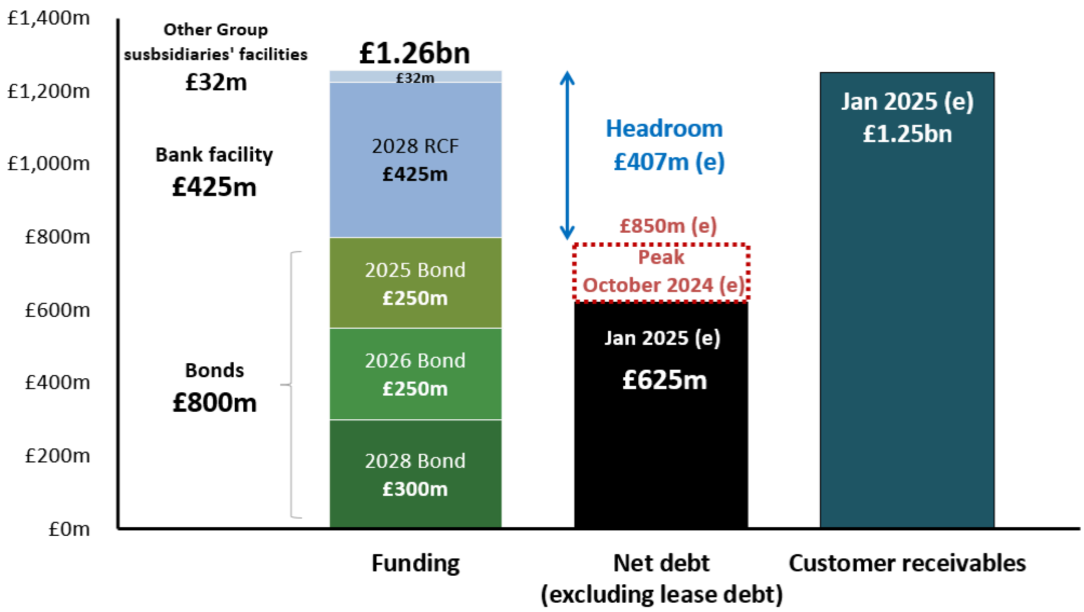
NET DEBT, BOND AND BANK FACILITIES

For the year ending January 2025, the Group's bond and bank facilities will total £1,257m[37].

Based on our cash flow guidance for the year ahead, we believe that our net debt will peak in October 2024 at around £850m, leaving headroom of £407m; 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 £1.25bn, 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

Last year net debt reduced by £97m, and in the current financial year we anticipate a further reduction of £75m. This means that if we retain a further £78m next 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.

THIRD QUARTER TRADING UPDATE

Our third quarter Trading Statement will cover the thirteen weeks to Saturday 26 October 2024 and is scheduled for Wednesday 30 October 2024.

Lord Wolfson of Aspley Guise
Chief Executive
19 September 2024

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

APPENDIX 1
RECONCILIATION TO STATUTORY RESULTS

OVERVIEW

The financial information presented in pages 4 to 64 is used by management in assessing business performance. It is also the financial information used to inform business decisions and investment appraisals. Some of these financial metrics and performance measures are not prepared on a full IFRS statutory accounting basis. It is common for 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 2024 Annual Report and Accounts available at https://www.nextplc.co.uk/

Reconciliations between Total Group sales and statutory revenue, and NEXT Group profit before tax and statutory profit before tax are given in this document on pages 27 and 28 respectively.

In this appendix we provide: (1) a reconciliation between our APMs and their statutory equivalents for NEXT Group EPS and statutory EPS, and (2) further information on the exceptional, non-cash, pension cost.

1. NEXT GROUP EPS AND 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)	July 2024	July 2023
NEXT Group profit before tax	**452.3**	**422.4**
Tax	(111.5)	(98.6)
NEXT Group profit after tax	**340.8**	**323.8**
Average number of shares (millions)	120.5	121.7
NEXT Group Earnings Per Share (EPS)	282.8p	266.2p

Statutory profit (£m) and EPS (pence)	July 2024	July 2023
Statutory profit before tax	**432.1**	**415.7**
Remove profit before tax on non-controlling interests	(3.7)	4.0
Statutory tax attributable to NEXT	(105.5)	(97.9)
Statutory profit after tax attributable to NEXT	**322.9**	**321.8**
Average number of shares (millions)	120.5	121.7
Earnings Per Share (EPS)	267.9p	264.5p

The statutory tax attributable to NEXT of £105.5m is calculated as being the £106.7m tax charge in the statutory income statement less the tax on the non-controlling interests of £1.2m (see difference between the profit before tax of £3.7m non-controlling interest and the £2.5m shown on face of the statutory income statement which is the post-tax equivalent).

2. EXCEPTIONAL PENSION COST (NON-CASH)

In the first half of this year, following a consultation process with employees, the defined benefit pension scheme (which closed to new members in 2000) was closed to future service accrual. This resulted in a **non-cash,** non-recurring charge of £15m, known as a 'curtailment loss'. This loss arises because:

(1) Our pension liability, prior to closure, was based on the service that members had accrued *up to the date* of closure.
(2) Under a closure, the liability is based on the pension payable to date *plus* an estimate of future inflationary increases.

This loss is treated as exceptional and is *excluded* from our headline profit and EPS numbers.

APPENDIX 2
NOTE FOR ANALYSTS ON THE TREATMENT OF BRAND AMORTISATION

The explanation below was given in our Year End Results in March 2024 and is repeated here for clarity.

As NEXT acquires new businesses, the accounting effect of amortising the value of acquired brands[38] 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 £445m. So, despite having exactly the same cash flow, assets and debt as the existing company, the new company's reported profit would be around 45% lower than prior to the transaction - clearly not a true representation of the company's value.

So from the year ending January 2024 onwards, we have adopted the accounting convention used by many acquisitive Groups, and reported our 'headline profits' *excluding* brand amortisation costs.

Please note that this change *had not* been made when we reported our Half Year Results for the six months to July 2023, so to ensure that comparisons to the current half year are consistent, we have re-stated July 2023's headline profits to *exclude* brand amortisation.

Re-stated brand profits

The table below sets out the impact of removing brand amortisation from our headline profits in the Half Year to July 2023 and July 2024.

	July 2024	July 2023	Var %
NEXT Group profit before tax (including brand amortisation)	£442.9m	£419.8m	+5.5%
Add back brand amortisation	+£9.4m	+£2.7m	+253%
NEXT Group profit before tax (excluding brand amortisation)	**£452.3m**	**£422.4m**	**+7.1%**

For the avoidance of doubt, when we reported the *full year* ending January 2024 we made this change for the full year reported profits, so no restatement is required for the reported profit figures given in the Year End Results for 2023/24.

[38] 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 Year End Results in March 2024 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[39] 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.

[39] 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	74% 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	Sept 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
Rockett St George	16% share

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	**26 weeks to 27 July 2024 £m**	26 weeks to 29 July 2023 £m
Continuing operations			
Revenue (including credit account interest)	3, 4	**2,860.1**	2,516.6
Cost of sales		**(1,633.8)**	(1,399.9)
Impairment losses on customer and other receivables		**(4.9)**	(17.6)
Gross profit		**1,221.4**	1,099.1
Distribution costs		**(422.8)**	(376.5)
Administrative expenses		**(313.6)**	(287.1)
Other gains		**3.3**	13.0
Trading profit		**488.3**	448.5
Share of results of associates and joint ventures		**1.9**	4.0
Curtailment loss - exceptional items	6	**(14.5)**	-
Operating profit	5	**475.7**	452.5
Finance income	7	**4.1**	4.1
Finance costs	7	**(47.7)**	(40.9)
Profit before taxation		**432.1**	415.7
Taxation	8	**(106.7)**	(97.4)
Profit for the period		**325.4**	318.3

Profit attributable to:			
- Equity holders of the Parent Company		**322.9**	321.8
- Non-controlling interests		**2.5**	(3.5)
Profit for the period		**325.4**	318.3

Earnings Per Share (pence)			
Basic	9	**267.9p**	264.5p
Diluted	9	**263.5p**	262.6p

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	26 weeks to 27 July 2024 £m	26 weeks to 29 July 2023 £m
Profit for the period		**325.4**	318.3
Other comprehensive income and expenses:			
Items that will not be reclassified to profit or loss			
Actuarial losses on defined benefit pension scheme	12	**(6.6)**	(32.8)
Tax relating to items which will not be reclassified		**1.7**	8.1
Subtotal items that will not be reclassified		**(4.9)**	(24.7)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**1.4**	1.9
Foreign currency cash flow hedges:			
- fair value movements		**(3.4)**	(8.5)
Cost of hedging:			
- fair value movements		**(1.9)**	(0.1)
Tax relating to items which may be reclassified		**1.3**	2.2
Subtotal items that may be reclassified		**(2.6)**	(4.5)
Other comprehensive expense for the period		**(7.5)**	(29.2)
Total comprehensive income for the period		**317.9**	289.1
Total comprehensive income attributable to:			
- Equity holders of the Parent Company		**315.4**	292.6
- Non-controlling interests		**2.5**	(3.5)
		317.9	289.1

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	**27 July 2024 £m**	29 July 2023 £m	27 January 2024 £m
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment		**691.5**	662.2	687.5
Intangible assets		**744.9**	150.4	757.2
Right-of-use assets		**704.5**	639.2	734.6
Associates, joint ventures and other investments	11	**40.4**	119.4	38.0
Defined benefit pension asset	12	**38.0**	131.3	59.3
Deferred tax assets		**-**	16.5	-
		2,219.3	1,719.0	2,276.6
Current assets				
Inventories		**902.5**	684.6	769.0
Customer and other receivables	13	**1,440.0**	1,366.1	1,452.8
Right of return asset		**31.9**	31.7	30.7
Other financial assets	15	**7.6**	3.9	6.9
Current tax assets		**6.8**	12.4	-
Cash and short term deposits	18	**153.6**	164.9	188.3
		2,542.4	2,263.6	2,447.7
Total assets		**4,761.7**	3,982.6	4,724.3
Current liabilities				
Bank loans and overdrafts	18	**(71.3)**	(70.4)	(58.7)
Trade payables and other liabilities	14	**(950.4)**	(799.9)	(991.8)
Lease liabilities	18	**(169.6)**	(141.3)	(167.8)
Dividends payable	10	**(168.9)**	(168.4)	-
Other financial liabilities	15	**(153.6)**	(18.3)	(18.8)
Current tax liabilities		**-**	-	(8.6)
		(1,513.8)	(1,198.3)	(1,245.7)
Non-current liabilities				
Bank loans, overdrafts and loan notes	18	**(0.6)**	-	(29.5)
Corporate bonds	16	**(791.6)**	(781.8)	(790.8)
Provisions		**(53.9)**	(32.9)	(52.4)
Lease liabilities	18	**(828.9)**	(840.4)	(869.9)
Other financial liabilities	15	**(41.3)**	(14.3)	(37.4)
Other liabilities		**(9.8)**	(10.8)	(11.7)
Deferred tax liabilities		**(42.9)**	-	(48.1)
		(1,769.0)	(1,680.2)	(1,839.8)
Total liabilities		**(3,282.8)**	(2,878.5)	(3,085.5)
NET ASSETS		**1,478.9**	1,104.1	1,638.8
TOTAL EQUITY		**1,478.9**	1,104.1	1,638.8

UNAUDITED 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 £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
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**
Profit for the period	-	-	-	-	-	-	-	-	322.9	**322.9**	2.5	**325.4**
Other comprehensive income/(expense) for the period	-	-	-	-	(2.1)	(1.9)	1.4	-	(4.9)	**(7.5)**	-	**(7.5)**
Total comprehensive income/(expense) for the period	-	-	-	-	(2.1)	(1.9)	1.4	-	318.0	**315.4**	2.5	**317.9**
Reclassified to cost of inventory	-	-	-	-	2.5	-	-	-	-	**2.5**	-	**2.5**
Share buybacks and commitments	(0.1)	-	0.1	-	-	-	-	-	(259.6)	**(259.6)**	-	**(259.6)**
ESOT share purchases	-	-	-	(105.0)	-	-	-	-	-	**(105.0)**	-	**(105.0)**
Shares issued by ESOT	-	-	-	54.1	-	-	-	-	(3.4)	**50.7**	-	**50.7**
Share option charge	-	-	-	-	-	-	-	-	17.4	**17.4**	-	**17.4**
Fair value of put options	-	-	-	-	-	-	-	-	(20.2)	**(20.2)**	-	**(20.2)**
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	8.5	**8.5**	(8.5)	**-**
Tax recognised directly in equity	-	-	-	-	(0.6)	-	-	-	5.9	**5.3**	-	**5.3**
Equity dividends (Note 10)	-	-	-	-	-	-	-	-	(168.9)	**(168.9)**	-	**(168.9)**
At 27 July 2024	**12.6**	**54.2**	**17.4**	**(438.2)**	**(4.9)**	**(2.2)**	**(6.1)**	**(1,443.8)**	**3,169.0**	**1,358.0**	**120.9**	**1,478.9**
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	-	-	-	-	-	-	-	-	321.8	**321.8**	(3.5)	**318.3**
Other comprehensive income/(expense) for the period	-	-	-	-	(6.3)	(0.1)	1.9	-	(24.7)	**(29.2)**	-	**(29.2)**
Total comprehensive income/(expense) for the period	-	-	-	-	(6.3)	(0.1)	1.9	-	297.1	**292.6**	(3.5)	**289.1**
Reclassified to cost of inventory	-	-	-	-	12.9	-	-	-	-	**12.9**	-	**12.9**
Share buybacks and commitments	(0.2)	-	0.2	-	-	-	-	-	(167.3)	**(167.3)**	-	**(167.3)**
ESOT share purchases	-	-	-	(90.0)	-	-	-	-	-	**(90.0)**	-	**(90.0)**
Shares issued by ESOT	-	-	-	63.6	-	-	-	-	(16.0)	**47.6**	-	**47.6**
Share option charge	-	-	-	-	-	-	-	-	15.3	**15.3**	-	**15.3**
Tax recognised directly in equity	-	-	-	-	(3.3)	-	-	-	3.1	**(0.2)**	-	**(0.2)**
Equity dividends (Note 10)	-	-	-	-	-	-	-	-	(168.4)	**(168.4)**	-	**(168.4)**
At 29 July 2023	**12.7**	**0.9**	**17.2**	**(423.1)**	**(8.0)**	**0.3**	**(1.8)**	**(1,443.8)**	**2,948.6**	**1,103.0**	**1.1**	**1,104.1**

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Notes	**26 weeks to 27 July 2024 £m**	26 weeks to 29 July 2023 £m
Cash generated from operations	19	**488.0**	596.4
Corporation taxes paid		**(117.5)**	(90.2)
Net cash from operating activities		**370.5**	506.2
Cash flows from investing activities			
Additions to property, plant and equipment		**(61.4)**	(54.0)
Development of warehouse build		**-**	(12.2)
Movement in capital accruals		**(3.3)**	(4.0)
Payments to acquire property, plant and equipment		**(64.7)**	(70.2)
Proceeds from sale of property, plant and equipment		**0.1**	2.1
Purchase of intangible assets		**(12.7)**	(26.5)
Repayment of loan notes arising on investment acquisition		**(23.6)**	-
Investments in associates and joint ventures		**(0.4)**	(0.9)
Dividends from jointly controlled entity		**-**	2.6
Net cash from investing activities		**(101.3)**	(92.9)
Cash flows from financing activities			
Repurchase of own shares		**(122.7)**	(167.3)
Purchase of shares by ESOT	19	**(105.0)**	(90.0)
Disposal of shares by ESOT		**49.8**	46.4
Purchase of equity from non-controlling interests	19	**(5.0)**	-
Incentives received for leases within the scope of IFRS 16		**0.5**	0.1
Lease payments		**(80.2)**	(70.2)
Interest paid (including lease interest)		**(48.5)**	(40.9)
Interest received		**-**	0.8
Net cash from financing activities		**(311.1)**	(321.1)
Net (decrease)/increase in cash and cash equivalents		**(41.9)**	92.2
Opening cash and cash equivalents		**124.3**	2.7
Effect of exchange rate fluctuations on cash held		**(0.1)**	(0.4)
Closing cash and cash equivalents	18	**82.3**	94.5

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The Group's interim results for the 26 weeks to 27 July 2024 (prior year 26 weeks to 29 July 2023) were approved by the Board of Directors on 19 September 2024 and have been prepared in accordance with UK adopted IAS 34 "*Interim financial reporting*" and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority.

The interim financial statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on "*Review of interim financial information*".

The financial information contained in this report is condensed and does not include all of the information and disclosures required in the annual financial statements. It should be read in conjunction with the Group's annual consolidated financial statements for the 52 weeks to 27 January 2024 which were prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and which have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis except for certain financial instruments, pension assets and liabilities and share-based payment liabilities which are measured at fair value. Where applicable, disclosures required by paragraph 16A of IAS 34 are given either in these interim financial statements or in the accompanying Chief Executive's Review.

New accounting standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim financial statements are the same as those set out in the Group's annual financial statements for the 52 weeks ended 27 January 2024. New interpretations and amendments issued in the year are noted below but none have impacted the interim statements:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

1. Basis of preparation (continued)

Major sources of estimation uncertainty and judgement

The preparation of the interim financial statements requires the directors to form estimations, assumptions and judgements that affect the reported values of assets, liabilities, revenues and expenses. Estimates, underlying assumptions and judgements are reviewed on an ongoing basis with revisions to accounting estimates recognised in the year in which the estimate is revised.

In preparing these interim financial statements the directors have given specific consideration to events including the wider macroeconomic environment in which it trades. As a result, they have identified the following areas as significant estimates that have a significant risk of resulting in a material adjustment to the carrying value of assets and liabilities in the next year.

Expected credit losses (ECL) on Online customer and other receivables

The provision for the allowance for ECL (Note 13) is calculated using a combination of internally and externally sourced information, including: predicted future default levels (derived from historical defaults overlaid by indebtedness profiles and macro-economic assumptions); predicted future cash collection levels (derived from past trends); arrears stage; customer indebtedness; and other credit data. Please refer to the January 2024 Annual Report and Accounts for further details of the underlying assumptions used within the ECL calculations (pages 197).

The most significant area of material estimation uncertainty in the July 2024 provision is the impact that the ongoing cost of living pressures may have on customer payment behaviour. While we have observed improvements in customer default rates over the past year, there remain numerous downside risks as outlined further below.

UK consumers have experienced a prolonged period of elevated price inflation and disposable income is likely to continue to be restricted for the foreseeable future, particularly during winter when energy bills will remain high, albeit less than recent peaks, and as an increasing number of consumers start to see higher interest rates flow through into their housing costs. Management believe this may adversely impact the recoverability of customer receivables, specifically those customers who have relatively low incomes (based on ONS income decile data) or those with high mortgage repayments relative to their gross income. An overlay to increase the assumed CII (Consumer Indebtedness Index) of these customers to align with that of those customers in higher risk bandings (relating to their current arrears stage) has been applied, which forms £30.1m of the total ECL. We are not explicitly predicting that these customers will move towards a higher level of indebtedness (per the CII), but using CII as a proxy to increase the assumed risk level of these customers in the modelling.

In the five weeks following the interim period end date, £0.2bn of the £1.3bn NEXT customer and other trade receivables has been recovered.

1. Basis of preparation (continued)

Significant areas of judgement and accounting estimates

Subsequent to the balance sheet date the Employment Tribunal issued its decision on the Equal Pay case. The Board has reviewed this decision and obtained further legal advice on the implications of this decision. Having carefully considered this advice the Board has exercised judgement regarding the likely success of the appeals process and concluded that it is more likely than not that NEXT would be successful on Appeal. Our position was informed by internal legal advice and external Counsel. See note 20 for further details.

Going concern

In adopting the going concern basis for preparing the interim financial statements, the directors have considered the business activities including the Group's principal risks and uncertainties. The directors also considered the Group's current cash position and the repayment profile of its existing debt structure and the resilience of its 12 month cash flow forecasts to a series of severe but plausible downside scenarios such as enforced store or warehouse closures. Having considered these factors, the directors are 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 interim financial statements for the 26 weeks ended 27 July 2024.

2. Risks and uncertainties

The Board has considered the principal risks and uncertainties for the remaining half of the financial year and determined that the risks presented in the January 2024 Annual Report and Accounts, described as follows, also remain relevant to the rest of the financial year: Business strategy development and implementation; Product design and selection; Key suppliers and supply chain management; Warehousing and distribution; Business critical systems; Management of long term liabilities and capital expenditure; Information security, data protection, business continuity and cyber risk; Financial, treasury, liquidity and credit risks; and Legal, regulatory and ethical standards compliance. These are detailed on pages 82 to 86 of the January 2024 Annual Report and Accounts, a copy of which is available on the Company's website at www.nextplc.co.uk.

3. 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 Central costs, exceptional items, 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.

Where third-party branded goods are sold on a commission basis, only the commission receivable is included in statutory revenue. "Total Trading 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

Consistent with that reported in the January 2024 Annual Report and Accounts, "Total NEXT sales excluding VAT" used in the CEO report has changed so that it now shows Total Platform sales on a commission basis. No adjustment is required to show these on a statutory basis. In addition, sales from Joules were presented in its own segment; these have now been transferred and included within the Total Platform segment which is consistent with the January 2024 Annual Report and Accounts. These changes had no impact on statutory revenue.

In terms of segmental profit, Joules was presented in its own segment in the comparative period; this has now been included within the Total Platform segment. Also, Central costs, share option charge and unrealised foreign exchange gains/(losses) have been amalgamated into one segment being "Central and other costs". These changes are consistent with the January 2024 Annual Report and Accounts and have no impact on statutory profit.

3. Segmental analysis (continued)

Segment sales and revenue

	26 weeks to 27 July 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	**1,602.6**	**-**	**(163.6)**	**41.6**	**1,480.6**	**-**	**1,480.6**
NEXT Retail	**866.6**	**-**	**(12.9)**	**2.6**	**856.3**	**0.8**	**857.1**
NEXT Finance	**150.1**	**-**	**-**	**-**	**150.1**	**-**	**150.1**
Total NEXT Trading Sales	**2,619.3**	**-**	**(176.5)**	**44.2**	**2,487.0**	**0.8**	**2,487.8**
Total Platform	**27.9**	**293.1**	**-**	**-**	**321.0**	**-**	**321.0**
Property Management	**10.5**	**-**	**-**	**-**	**10.5**	**83.6**	**94.1**
Franchise, Sourcing and other	**41.6**	**-**	**-**	**-**	**41.6**	**259.7**	**301.3**
Total NEXT Sales	**2,699.3**	**293.1**	**(176.5)**	**44.2**	**2,860.1**	**344.1**	**3,204.2**
Eliminations	**-**	**-**	**-**	**-**	**-**	**(344.1)**	**(344.1)**
Total	**2,699.3**	**293.1**	**(176.5)**	**44.2**	**2,860.1**	**-**	**2,860.1**

	26 weeks to 29 July 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	1,498.4	-	(151.7)	35.2	1,381.9	-	1,381.9
NEXT Retail	885.0	-	(9.7)	0.3	875.6	0.4	876.0
NEXT Finance	143.1	-	-	-	143.1	-	143.1
Total NEXT Trading Sales	2,526.5	-	(161.4)	35.5	2,400.6	0.4	2,401.0
Total Platform	22.3	49.7	-	1.7	73.7	-	73.7
Property Management	10.3	-	-	-	10.3	84.5	94.8
Franchise, Sourcing and other	32.0	-	-	-	32.0	220.2	252.2
Total NEXT Sales	2,591.1	49.7	(161.4)	37.2	2,516.6	305.1	2,821.7
Eliminations	-	-	-	-	-	(305.1)	(305.1)
Total	2,591.1	49.7	(161.4)	37.2	2,516.6	-	2,516.6

* This relates to sales generated from our acquired brands, primarily Joules, Reiss and FatFace who retail through their own store portfolio and websites other than next.co.uk.

3. Segmental analysis (continued)

Segment profit

	26 weeks to 27 July 2024 £m	Restated 26 weeks to 29 July 2023 £m
NEXT Online	**265.1**	245.5
NEXT Retail	**97.8**	101.2
NEXT Finance	**96.6**	80.2
Profit from Trading	**459.5**	426.9
Total Platform (1)	**17.2**	0.1
Property Management	**0.1**	1.6
Franchise, Sourcing and other (2)	**16.7**	17.1
Total segment profit	**493.5**	445.7
Central and other costs (3)	**(32.9)**	(16.4)
Recharge of interest (4)	**29.6**	23.2
Curtailment loss - exceptional items	**(14.5)**	-
Operating profit	**475.7**	452.5
Finance income	**4.1**	4.1
Finance costs	**(47.7)**	(40.9)
Profit before tax	**432.1**	415.7

(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 £6.2m (July 2023: loss of £2.1m) and (2) brand and customer relationship amortisation (both owned brands and those included within our associate and joint venture investments) of £11.7m (July 2023: £2.7m).

(2) **Franchise, Sourcing and other** includes Franchise and other of £3.2m and Sourcing of £13.5m (July 2023: Franchise and Other of £3.2m and Sourcing of £13.9m). 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 £13.0m (July 2023: £7.7m), (2) Share option charge of £18.6m (July 2023: £14.5m) and (3) unrealised foreign exchange gains of £3.3m (July 2023: gain of £13.0m). This segment also includes 100% of the non-recurring TP implementation costs associated with Joules and FatFace of £4.6m (July 2023: £7.2m) (whereas the CEO Review excludes the non-controlling interest element).

(4) **Recharge of interest**: In the current year, the recharge of interest of £29.6m (July 2023: £23.2m) includes £5.2m (July 2023: £0.2m) of interest that is attributable to Total Platform. The remaining element is the cost of funding relating to the Finance segment.

4. Revenue

The Group's disaggregated revenue recognised under contracts with customers relates to the following categories and operating segments:

	26 weeks to 27 July 2024					
	Sale of goods £m	**Credit account interest £m**	**Royalties £m**	**Rental income £m**	**Service income £m**	**Total £m**
NEXT Online	1,480.6	-	-	-	-	**1,480.6**
NEXT Retail	856.3	-	-	-	-	**856.3**
NEXT Finance	-	150.1	-	-	-	**150.1**
Total Platform	308.4	-	1.1	-	11.5	**321.0**
Property Management	-	-	-	10.5	-	**10.5**
Franchise, Sourcing and other	36.3	-	5.3	-	-	**41.6**
Total	**2,681.6**	**150.1**	**6.4**	**10.5**	**11.5**	**2,860.1**

	26 weeks to 29 July 2023 - Restated					
	Sale of goods £m	Credit account interest £m	Royalties £m	Rental income £m	Service income £m	Total £m
NEXT Online	1,381.9	-	-	-	-	1,381.9
NEXT Retail	875.6	-	-	-	-	875.6
NEXT Finance	-	143.1	-	-	-	143.1
Total Platform	64.7	-	-	-	9.0	73.7
Property Management	-	-	-	10.3	-	10.3
Franchise, Sourcing and other	27.1	-	4.9	-	-	32.0
Total	2,349.3	143.1	4.9	10.3	9.0	2,516.6

Note that sales in the Joules segment have now been included within the overall Total Platform segment, and £1.5m of LABEL commission is shown in NEXT Online. These changes had no impact on Statutory revenue.

5. Operating profit

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

	26 weeks to 27 July 2024 £m	26 weeks to 29 July 2023 £m
Impairment charges on property, plant and equipment	**0.9**	0.4
Depreciation of property, plant and equipment	**55.9**	47.5
Loss/(gain) on disposal of property, plant and equipment	**0.5**	(1.4)
Depreciation and impairment of right-of-use assets	**72.3**	52.4
Amortisation, impairment and (gain)/loss on disposal of intangible assets	**25.4**	13.2
Write down of inventories to net realisable value	**65.7**	55.5
Customer and other receivables:		
- Impairment charge	**6.2**	18.1
- Amounts recovered	**(1.3)**	(0.5)

Impairment charge and Amounts recovered on Customer and other receivables of £4.9m (July 2023: £17.6m) differs to the bad debt charge of £14.1m (July 2023: £16.1m) in the Chief Executive's Review due primarily to recoveries of previously written off assets taken directly to the Income Statement. Note that the impairment charge includes a bad debt provision *release* of £10.2m in the period.

6. Exceptional items

	26 weeks to 27 July 2024 £m	26 weeks to 29 July 2023 £m
- Curtailment loss on pension scheme	**14.1**	-
- One-off costs associated with the closure of the pension scheme	**0.4**	-
Exceptional items	**14.5**	-

In March 2024, the NEXT defined benefit scheme was closed to future service accrual. As a result, a curtailment loss of £14.1m was recognised in the P&L. This loss arises because:

(1) Our pension liability, prior to closure, was based on the service that members had accrued *up to the date* of closure.

(2) Under a closure, the liability is based on the pension payable to date *plus* an estimate of future inflationary increases.

This is a non-recurring and non-cash item. Given its nature this has been recognised within exceptional items alongside the associated costs.

7. Finance income and costs

	26 weeks to 27 July 2024 £m	26 weeks to 29 July 2023 £m
Interest on bank deposits	**3.7**	1.2
Other interest receivable	**0.4**	2.9
Finance income	**4.1**	4.1
Interest on bonds and other borrowings	**20.5**	17.7
Finance costs on lease liability	**27.2**	23.2
Finance costs	**47.7**	40.9

In the prior year, other interest receivable primarily relates to the interest on the preference shares held in Reiss.

8. Taxation

Income tax expense is recognised based on management's best estimate of the full year effective tax rate based on estimated full year profits. It is adjusted for material, non-recurring transactions in the period to which they relate.

Deferred tax balances have been measured at the UK headline corporation tax rate of 25%.

The Group is within the scope of the Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules. Pillar Two was substantively enacted in the UK, the jurisdiction in which the Group is incorporated, and came into effect for the Group from 28 January 2024. 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.

The Group has carried out an initial assessment to the impact of Pillar Two on the current tax expense and it is not expected to be material for the Group.

9. Earnings Per Share

	26 weeks to 27 July 2024	26 weeks to 29 July 2023
Basic Earnings Per Share	**267.9p**	264.5p
Diluted Earnings Per Share	**263.5p**	262.6p

Basic Earnings Per Share (EPS) 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.

Diluted EPS is calculated by adjusting the weighted average number of shares used for the calculation of basic EPS as increased by the dilutive effect of potential ordinary shares. In the current period, there were 1.8 million non-dilutive share options which were excluded from the diluted EPS calculation (July 2023: 3.9 million).

The table below shows the key variables used in the EPS calculations:

	26 weeks to 27 July 2024 £m	26 weeks to 29 July 2023 £m
Profit after tax attributable to equity holders of the Parent Company	**322.9**	321.8
Weighted average number of shares (millions):		
Weighted average shares in issue	**126.8**	128.3
Weighted average shares held by ESOT	**(6.3)**	(6.6)
Weighted average shares for basic EPS	**120.5**	121.7
Weighted average dilutive potential shares	**2.0**	0.9
Weighted average shares for diluted EPS	**122.5**	122.6

10. Dividends

It is intended that this year's ordinary interim dividend of 75p per share will be paid to shareholders on 3 January 2025. NEXT plc shares will trade ex-dividend from 5 December 2024 and the record date will be 6 December 2024.

Dividends paid or declared during the current and prior period were as follows:

26 weeks to 27 July 2024	**Paid**	**Pence per share**	**Cash Flow Statement £m**	**Statement of Changes in Equity £m**	**July 2024 Balance Sheet £m**
Ordinary dividend	1 Aug 2024	141p	-	168.9	168.9
			-	**168.9**	**168.9**

26 weeks to 29 July 2023	Paid	Pence per share	Cash Flow Statement £m	Statement of Changes in Equity £m	July 2023 Balance Sheet £m
Ordinary dividend	1 Aug 2023	140p	-	168.4	168.4
			-	168.4	168.4

11. Associates, joint ventures and other investments

	26 weeks to 27 July 2024 £m	26 weeks to 29 July 2023 £m	52 weeks to 27 January 2024 £m
Opening balance	**38.0**	114.6	114.6
Acquisitions in the period	**0.4**	0.9	0.9
Share of profits	**1.9**	4.0	6.9
Interest on preference shares	**0.2**	2.6	3.4
Disposals	**-**	-	(84.3)
Dividends received	**-**	(2.6)	(2.6)
Amortisation and impairment charge in the period	**(0.1)**	(0.1)	(0.9)
Closing balance	**40.4**	119.4	38.0

12. Defined benefit pension

The principal pension scheme is the 2013 NEXT Group Pension Plan. The net defined benefit pension asset recognised in the Consolidated Balance Sheet is analysed as follows:

	27 July 2024 £m	29 July 2023 £m	27 January 2024 £m
Present value of benefit obligations	**(619.4)**	(586.4)	(609.1)
Fair value of plan assets	**657.4**	717.7	668.4
Net pension asset	**38.0**	131.3	59.3

The movement in the net defined benefit pension surplus in the period is as follows:

	26 weeks to 27 July 2024 £m	26 weeks to 29 July 2023 £m	52 weeks to 27 January 2024 £m
Surplus in schemes at the beginning of the period	**59.3**	157.5	157.5
Current service cost	**(0.6)**	(1.9)	(3.0)
Past service cost	**-**	-	(2.4)
Curtailment loss	**(14.1)**	-	-
Administration costs	**(1.3)**	(0.6)	(2.4)
Net interest	**1.2**	3.7	7.4
Employer contributions	**0.1**	5.4	5.8
Benefits paid	**-**	-	-
Actuarial losses	**(6.6)**	(32.8)	(103.6)
Surplus in schemes at the end of the period	**38.0**	131.3	59.3

The surplus in the schemes has moved from £59.3m at January 2024 to £38.0m at July 2024, primarily due to the curtailment loss of £14.1m arising on the closure of the plan to future accrual in March 2024.

Following a scheme buy-in exercise in January 2024, the plan assets primarily consist of insurance contracts with PIC and Just.

12. Defined benefit pension (continued)

The main financial assumptions and actuarial valuations have been updated by independent qualified actuaries under IAS 19 "*Employee benefits*". The following financial assumptions have been used:

	26 weeks to 27 July 2024	26 weeks to 29 July 2023	52 weeks to 27 January 2024
Discount rate	**5.05%**	5.20%	5.00%
Inflation – RPI	**3.05%**	3.10%	2.95%
Inflation – CPI	**2.75%**	2.80%	2.65%
Salary increases	**n/a**	n/a	n/a
Pension increases in payment			
- RPI with a maximum of 5%	**2.90%**	2.90%	2.80%
- RPI with a maximum of 2.5% and discretionary increases	**1.90%**	1.90%	1.90%

During the period 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 are now deferred members and their accrued pension will be revalued each year on a basis linked to inflation and not ongoing service. As a result of this closure, a curtailment loss has been recognised of £14.1m in the period.

13. Customer and other receivables

	27 July 2024 £m	29 July 2023 £m	27 January 2024 £m
Gross customer receivables	**1,513.3**	1,508.0	1,550.7
Less: refund liabilities	**(93.9)**	(70.9)	(72.9)
Net customer receivables	**1,419.4**	1,437.1	1,477.8
Less: allowance for expected credit losses	**(193.7)**	(213.7)	(207.4)
	1,225.7	1,223.4	1,270.4
Other trade receivables	**83.2**	32.6	64.9
Less: allowance for doubtful debts	**(1.5)**	(0.5)	(2.0)
	1,307.4	1,255.5	1,333.3
Prepayments	**78.5**	66.4	63.6
Other debtors	**42.5**	25.8	43.8
Amounts due from associates and joint ventures	**11.6**	18.4	12.1
	1,440.0	1,366.1	1,452.8

13. Customer and other receivables (continued)

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% at the half year end date (2023: 24.9%) except for £76.8m (July 2023: £59.8m, January 2024: £72.9m) of next3step balances that bear interest at 29.9% (2023: 29.9%) when not paid in full and to terms.

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. The expected credit losses incorporate forward looking information.

The fair value of customer receivables and other trade receivables is approximately £1,280m (July 2023: £1,230m, January 2024: £1,310m). 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 of the January 2024 Annual Report and Accounts).

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.

14. Trade payables and other liabilities (current)

	27 July 2024 £m	29 July 2023 £m	27 January 2024 £m
Trade payables	**316.5**	277.6	297.1
Amounts owed to associates and joint ventures	**0.9**	4.2	1.1
Refund liabilities	**10.4**	6.8	11.1
Other taxation and social security	**98.1**	92.7	133.4
Deferred revenue from the sale of gift cards	**88.4**	73.3	99.0
Share-based payment liability	**0.1**	-	-
Other creditors and accruals	**436.0**	345.3	450.1
	950.4	799.9	991.8

15. Other financial assets and liabilities

Other financial assets and other financial liabilities include the fair value of derivative contracts which the Group uses to manage its foreign currency and interest rate risks. All derivatives are categorised as Level 2 under the requirements of IFRS 13 "Fair value measurement", as they are valued using techniques based significantly on observed market data (refer to the Fair Value Hierarchy table in Note 28 of the January 2024 Annual Report and Accounts).

Other current financial liabilities at 27 July 2024 also includes £134.8m (July 2023: £nil, January 2024 £nil) in respect of an outstanding commitment relating to an irrevocable share purchase agreement entered into by the Company for the purchase of shares in NEXT plc. See note 17 for further details.

16. Corporate bonds

The table below shows the nominal and balance sheet values of the Group's outstanding corporate bonds:

	Nominal value			Balance sheet value		
	27 July 2024 £m	29 July 2023 £m	27 January 2024 £m	**27 July 2024 £m**	29 July 2023 £m	27 January 2024 £m
Corporate bond 3.000% repayable 2025	**250.0**	250.0	250.0	**250.0**	250.0	250.0
Corporate bond 4.375% repayable 2026	**250.0**	250.0	250.0	**241.6**	231.8	240.8
Corporate bond 3.625% repayable 2028	**300.0**	300.0	300.0	**300.0**	300.0	300.0
	800.0	800.0	800.0	**791.6**	781.8	790.8

As explained in the January 2024 Annual Report and Accounts, the Group uses interest rate derivatives to manage part of the interest rate risk associated with its corporate bonds, whereby the carrying value of the relevant bonds is adjusted for changes in fair value attributable to the hedged risk. In particular, on the 2026 corporate bond, the Group has an interest rate swap which has an aggregate interest rate of SONIA + 1.7%.

As at July 2024, the fair value of the Group's corporate bonds was £797.2m (July 2023: £759.4m, January 2024: £783.7m). The fair values are market values at the balance sheet date (IFRS 13 Level 1).

17. Share buybacks

Movements in the Company's issued share capital during the period are shown in the table below:

	2024 Shares '000	**2024 £m**	2023 Shares '000	2023 £m
Shares in issue at start of year	**127,424**	**12.7**	129,263	12.9
Shares purchased for cancellation in the period	**(1,380)**	**(0.1)**	(2,465)	(0.2)
Shares in issue at July	**126,044**	**12.6**	126,798	12.7

The total cost of shares purchased for cancellation as shown in the Statement of Changes in Equity was £259.6m (2023: £167.3m) which includes £150.8m relating to an irrevocable share purchase agreement that the Group entered into during the period. As at the balance sheet date, £134.8m of the commitment was outstanding. As at 18 September 2024, £108.4m of the commitment was outstanding.

18. Analysis of net debt

	27 July 2024 £m	29 July 2023 £m	27 January 2024 £m
Cash and short term deposits	**153.6**	164.9	188.3
Overdrafts and short term borrowings	**(71.3)**	(70.4)	(64.0)
Cash and cash equivalents	**82.3**	94.5	124.3
Loan notes	**(0.6)**	-	(24.2)
Corporate bonds	**(791.6)**	(781.8)	(790.8)
Fair value hedges of corporate bonds	**(8.4)**	(18.2)	(9.2)
Net debt excluding leases	**(718.3)**	(705.5)	(699.9)
Current lease liability	**(169.6)**	(141.3)	(167.8)
Non-current lease liability	**(828.9)**	(840.4)	(869.9)
	(998.5)	(981.7)	(1,037.7)
Net debt including leases	**(1,716.8)**	(1,687.2)	(1,737.6)

19. Cash generated from operations

	26 weeks to 27 July 2024 £m	26 weeks to 29 July 2023 £m
Cash flows from operating activities		
Operating profit	**475.7**	452.5
Depreciation, impairment and (profit)/loss on disposal of property, plant and equipment	**57.3**	46.5
Depreciation and impairment on right-of-use assets	**72.3**	52.4
Amortisation, impairment and (profit)/loss on disposal of intangible assets	**25.4**	13.2
Amortisation, impairment and disposal of investments	**0.1**	0.1
Share option charge	**17.4**	15.3
Share of profit of associates and joint ventures	**(1.9)**	(4.0)
Interest received	**4.1**	-
Exchange movement	**1.5**	1.2
Increase in inventories and right of return asset	**(134.7)**	(21.4)
Decrease in customer and other receivables	**9.4**	56.7
Decrease in trade and other payables	**(53.2)**	(9.5)
Net pension contributions less income statement charge and curtailment loss	**14.6**	(6.6)
Cash generated from operations	**488.0**	596.4

In the prior year, interest received of £0.8m was presented within "Cash flows from financing activities". In the current year, interest received of £4.1m has been presented within "Cash flows from operating activities". No restatement has been made as the prior year amount was not material.

Separately, ESOT purchases in the Consolidated Cash Flow Statement includes £5.0m purchased to part fund the acquisition of additional equity from a non-controlling interest in a Group company.

20. Contingent liabilities

As reported in our January 2024 Annual Report and Accounts, NEXT is currently subject to Equal Pay claims from former and current employees in our store network. A decision on this matter was issued by the Employment Tribunal in August 2024. While NEXT was successful in its defence on the majority (eleven) of matters considered by the tribunal, there were seven matters on which it was not successful.

NEXT has carefully reviewed the findings of the Tribunal and, following advice from legal Counsel, will appeal the decision. The legal advice we have received presents a strong legal basis for an appeal. As such, it remains the view of the Board that the likelihood of any payment remains possible, but not probable. Therefore, at this time, no provision has been made in the accounts pending the appeal process.

It is also important to recognise that there remains significant uncertainty in estimating any potential liability. The total number of claims that may be received, the outcome from the appeals process plus the possibility of any further appeals by the parties are all unknown. It is a complex case and is expected to continue to run for a number of years as important legal matters are considered and subject to further hearings.

As is common in cases of this nature, there will now be a separate hearing between all parties to discuss whether any remedy or payment should be made before the appeal process has completed. This hearing will also consider the basis for any such payment, the timings and the extent of the payment. An estimate of the potential liability is not provided due to the uncertainties in calculating any such liability as noted above, the complexity of the case and timing of any final judgement, and noting further that doing so could be prejudicial to NEXT's position.

21. Post balance sheet events

Subsequent to the balance sheet date the Employment Tribunal issued its decision in relation to the Equal Pay case. Further detail on this is provided in Note 20 of these financial statements.

There are no other post balance sheet events to disclose.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

a) The condensed set of financial statements has been prepared in accordance with IAS 34 '*Interim financial reporting*'

b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Lord Wolfson of Aspley Guise	**Jonathan Blanchard**
Chief Executive	**Chief Financial Officer**

19 September 2024

The full half year report and the results presentation can be found on the Company's website at www.nextplc.co.uk.

To view our range of beautifully designed, excellent quality clothing, homeware and beauty products go to www.next.co.uk.

Certain statements which appear in a number of places throughout this document are "forward looking statements" which are all matters that are not historical facts, including anticipated financial and operational performance, business prospects and similar matters. These forward looking statements are identifiable by words such as "aim", "anticipate", "believe", "budget", "estimate", "expect", "forecast", "intend", "plan", "project" and similar expressions. These 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: the risks described in "Risks & Uncertainties" on pages 78 to 86 of the January 2024 Annual Report and Accounts and those matters highlighted in the Chief Executive's Review; failure by NEXT to accurately predict customer fashion preferences; decline in the demand for merchandise offered by NEXT; competitive influences; changes in the 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 and 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 is 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.