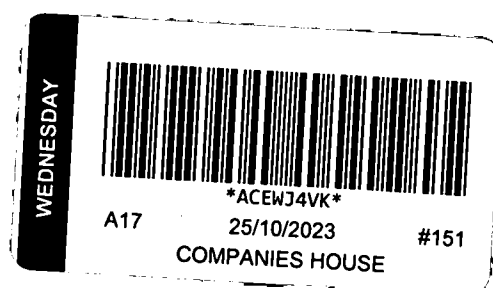


Company registration number 04521150 (England and Wales)

**NEXT RETAIL LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 28 JANUARY 2023**



# NEXT RETAIL LIMITED

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# NEXT RETAIL LIMITED

## STRATEGIC REPORT

### FOR THE PERIOD ENDED 28 JANUARY 2023

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The directors present the strategic report for NEXT Retail Limited for the 52 week period ended 28 January 2023 (hereafter "2023"). The comparative period relates to the 52 week period ended 29 January 2022 (hereafter "2022").

References to Group refer to the wider NEXT plc group structure (hereafter the "Group" or "NEXT").

#### Fair review of the business

The principal activities of the NEXT Retail Limited (the "Company") during the year comprised the supply of merchandise including Womenswear, Menswear, Childrenswear, Lingerie, Footwear, Sportswear, Accessories, Fashion Jewellery, Cosmetics and Home Furnishings, through a chain of retail shops in the UK (NEXT Retail), websites serving around 70 countries (NEXT Online), a finance business offering credit to customers (NEXT Finance), and a franchise network with overseas partners (NEXT International Retail). NEXT Retail Limited is a private company limited by shares.

The Company's principal objective is to provide beautifully designed, excellent quality clothing and homeware which are responsibly sourced and accessibly priced. The directors aim to achieve this objective by implementing the following strategies:

- Use our product skills, distribution networks, systems, services and sourcing to create goods and provide services that consumers cannot easily find elsewhere
- Focus on customers' satisfaction levels by improving the customer experience in our stores and continuing to develop and enhance our Online website
- Improve and develop our product ranges by using our design skills to create quality products at affordable prices
- Increase the number of profitable Online customers and their spend, both in the UK and internationally. Our UK Online business is complemented by LABELS' offering of branded products and the credit facility (nextpay). Our objective is to be our customers' first choice online retailer for clothing, footwear and home products
- Achieve healthy gross and net margins through efficient product sourcing, stock management and cost control
- Healthy margins help create stability that allows the business to withstand the vagaries of any consumer-facing business

The profit for 2023 after taxation amounted to £568.5m (2022: £593.5m).

#### Key Performance Indicators

The directors use a number of key performance indicators to assess the business performance. Principal amongst these are turnover, gross profit and net assets which are reported in the financial statements.

	2023 £'000	2022 £'000	Variance %
Turnover	4,644,231	4,380,295	6%
Gross profit	1,889,625	1,759,842	7%
Net assets	3,979,181	3,854,965	3%

The increase in turnover and gross profit reflects increased demand through our Retail stores, in particular an increase in performance of city centre stores compared to the prior year. The increase in net assets reflects the retained profits from sales during the year.

# NEXT RETAIL LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 28 JANUARY 2023

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### **Principal Risks and Uncertainties**

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

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

### **Product design and selection**

#### *Risk*

Our success depends on designing and selecting products that customers want to buy, at appropriate price points and stocked in the right quantities. In the short term, a failure to manage this risk may result in surplus stock that cannot be sold and may have to be disposed of at a loss. Over the longer term, a failure to meet the design, quality and value expectations of our customers will adversely affect the reputation of the NEXT brand.

#### *Mitigation*

Executive directors and senior management continually review the design, selection and performance of NEXT product ranges and those of other brands sold by NEXT. LABEL brands (along with our Beauty business) have served to increase the breadth of our Online offer far beyond NEXT's natural design, fashion and price boundaries. Just as important are the numerous ways in which our own NEXT product ranges have been extended and diversified. Executive directors and senior management regularly review product range trends to assess and correct any key selection or product issues. Corrections to significant missed trends or poorer performing ranges are targeted for amendment, with alternative products being sourced within six months where necessary. Senior product management approve quality standards, with in-house quality control and testing teams in place across all product areas. Senior management regularly review product recalls and product safety related issues.

### **Key suppliers and supply chain management**

#### *Risk*

Reliance on our supplier base to deliver products on time and to our quality standards is essential. Failure to do so may result in an inability to service customer demand or adversely affect NEXT's reputation. Changes in global manufacturing capacity, costs and logistics may impact profit margins. Non-compliance by suppliers with the NEXT Code of Practice may undermine our reputation as a responsible retailer.

#### *Mitigation*

Post pandemic, there is improved product availability with reduced costs. Stock availability is reviewed on an ongoing basis and appropriate action taken where service or delivery to customers may be negatively impacted. Management continually seeks ways to develop our supplier base to reduce overreliance on individual suppliers and to maintain the quality and competitiveness of our offer. The Group's supplier risk assessment procedures establish contingency plans in the event of key supplier failure. Existing and new sources of product supply are developed in conjunction with NEXT Sourcing, external agents and/or direct suppliers. We have Code of Practice Principle Standards that set out the standards we expect for supplier production methods, employee working conditions, quality control and inspection processes. Our in-house global Code of Practice team carry out regular audits of our product related suppliers' operations to ensure compliance with the standards set out in our Code. We train relevant employees and communicate with suppliers regarding our expectations in relation to responsible sourcing, anti-bribery, human rights and modern slavery.

# NEXT RETAIL LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 28 JANUARY 2023

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### Principal Risks and Uncertainties (continued)

#### **Business strategy development and implementation**

##### *Risk*

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

##### *Mitigation*

The Board reviews business strategy on a regular basis to determine how sales and profit can be maximised and business operations made more efficient. The Board and senior management consider strategic risk factors, wider economic and industry specific trends that affect the Group's businesses, the competitive position of its products and the financial structure of the Group.

#### **Financial, treasury, liquidity and credit risks**

##### *Risk*

The Company's ability to meet its financial obligations and to support the operations of the business is dependent on having sufficient liquidity over the short, medium and long term. The Company and the wider Group is reliant on the availability of adequate financing from banks and capital markets to meet its liquidity needs. The Group is exposed to foreign exchange risk and profits may be adversely affected by unforeseen moves in foreign exchange rates. The Company might suffer financial loss if a counterparty with which it has transacted fails and is unable to fulfil its contract.

##### *Mitigation*

The Company is part of the Group centralised treasury function which is responsible for managing liquidity, interest and foreign currency risks. It operates under a Board approved Treasury policy. Approved counterparty and other limits are in place to mitigate the exposure to counterparty failure. The Group's debt position, available funding and cash flow projections are regularly monitored and reported to the Board. The Board will agree funding for the Group in advance of its requirement to mitigate exposure to illiquid market conditions. The Board keeps under review the cash generation levers available to it, including the potential quantum and timescales of initiatives to reduce debt and realise cash. The Group has a Treasury Committee which includes the Group Finance Director. The Treasury Committee usually meets weekly to review the Group's treasury and liquidity risks including foreign exchange exposures. Rigorous procedures are in place with regards to our credit account customers, including the use of external credit reference agencies and applying set risk criteria before acceptance. These procedures are regularly reviewed and updated. Continual monitoring of our credit customers' payment behaviours and credit take-up levels is in place. The NEXT plc Board and Audit Committee receive regular updates throughout the year regarding the customer credit business.

#### **Business Critical Systems**

##### *Risk*

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

##### *Mitigation*

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

# NEXT RETAIL LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 28 JANUARY 2023

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### Principal Risks and Uncertainties (continued)

#### **Information security, business continuity and cyber risk**

##### *Risk*

The continued availability and integrity of our IT systems is critical to successful trading. Our systems must record and process substantial volumes of data and conduct inventory management accurately and quickly. Continuous enhancement and investment is required to prevent obsolescence and maintain responsiveness. The threat of unauthorised or malicious attack is an ongoing risk, the nature of which is constantly evolving and becoming increasingly sophisticated. Our brand reputation could be negatively impacted by cyber security breaches.

##### *Mitigation*

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

#### **Legal, regulatory and ethical standards compliance**

##### *Risk*

NEXT must continuously adapt to the increasingly broad, stringent and fast-evolving regulatory framework applicable to the operation of the Group's customer credit business, e.g. implementation of the Consumer Duty. With the growing reliance on our digital online and marketing activities, the Group could inadvertently process customer or employee data in a manner deemed unethical or unlawful. Failure to have appropriate processes for the above in place could result in significant financial penalties, remediation costs, reputational damage and/or restrictions on our ability to operate. This is against a backdrop of: the changing attitude of UK consumers toward their data and how it is used, increasingly complex and fast-evolving data protection law and regulation, rapid technological advances delivering an enhanced ability to gather, draw insight from and monetise personal data. With regards to climate risk, stakeholder expectations and regulatory attention could develop at pace, impacting the rate at which the business may need to cut carbon emissions.

##### *Mitigation*

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

# NEXT RETAIL LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 28 JANUARY 2023

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### Section 172 statement

The Company is a wholly owned subsidiary of NEXT Holdings Limited, and its ultimate parent company is NEXT Plc. The principal activities of the Company during the year comprised the supply of merchandise including Womenswear, Menswear, Childrenswear, Lingerie, Footwear, Sportswear, Accessories, Fashion Jewellery, Cosmetics and Home Furnishings. Therefore the Company considers that, indirectly, its key stakeholders reflect those of NEXT plc. The Company has no direct external debt funding and it therefore considers its relationships with its workforce, customers and suppliers to be of direct relevance and long term importance to its long term success.

### Relationship and engagement with stakeholders

#### *Workforce*

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

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

- Annual Business Review Meetings, which were rebranded this year from the former Recruit, Reward and Retain forums.
- Discussing the output of employee engagement surveys and agreeing follow up actions.
- Presentations on performance and strategy from the Chief Executive and the Group Finance Director following the announcements of our trading results. This year, we followed up in each business area to see how the presentation to employees was received, and how it could be improved in the future. Our employees told us that they like to hear from the directors, and new starters in particular appreciate the opportunity these presentations give them to understand the business. This feedback was presented to the Board.
- Visits to stores.
- Online performance, development and feedback tools.

Engagement with our employees has never been more vital to the success of our business. In another year of uncertainty, we continued to engage with our workforce about their health and safety as COVID restrictions were lifted and business areas in which employees were able to work effectively under NEXT's hybrid working model were identified. Business areas were encouraged to review the working from home principles produced by the executive directors in line with department needs.

#### *Recruit, Reward and Retain forums*

During the year we introduced new Business Review Meetings. These meetings form the workforce advisory panels as referred to in the UK Corporate Governance Code and focus on specific business outputs such as efficiencies and ideas to improve engagement. Dame Dianne Thompson, one of our non-executive directors, attended the meetings along with Lord Wolfson (Chief Executive), the HR Director and workforce representatives for each division of the business. These meetings offer our employees the chance to voice their opinions on the issues that are important to them. Following discussion on the key issues in different parts of the business, actions were agreed and feedback was reviewed by the Board. Agreed actions from matters raised in 2022 included: improving transparency around pay to assist with conversations about development, to review NEXT's Family Friendly Policies, the matters raised at the 2021 forums are being addressed, including a return of staff engagement activities such as our Sports and Social groups and making improvements to the onboarding experience of remote workers. Our Business Review Meetings were supplemented by Your Team Voice meetings which take place regularly throughout the year. Each business function and area has a nominated Your Team Voice representative, and employees are able to submit question to Business Review Meetings via Your Team Voice meetings. One purpose of Your Team Voice meetings is to agree initiatives coming out of the Business Review Meetings.

# NEXT RETAIL LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE PERIOD ENDED 28 JANUARY 2023**

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### *Employee engagement surveys*

In 2022, we undertook our second annual employee engagement survey, "Your Voice Counts", which spanned the majority of our business. The survey was conducted anonymously using a third-party tool. The overall score for the whole NEXT Group was almost identical to our score in 2021. Employees believe that our main strengths as a Group are: management support; peer relationships; and goal setting. Areas identified for improvement included support for mental wellbeing, following which we have launched a Wellbeing site for employees as well as mental health training for managers. The Board considered results of the survey as well as the initiatives planned to address the matters raised. Continuous performance management and feedback Our online performance and development tool provides a forum for positive and constructive feedback by individuals, peers and managers. The HR Director attended a meeting of the Board to brief the directors on employee-related matters, including workforce demographics, engagement activities, the results of employee engagement survey, staff retention rates, diversity, whistleblowing, disciplinary and grievance procedures, learning and development activity, pay and reward including gender pay gap and HR initiatives. The Board considers that, taken together, these arrangements deliver an effective means of ensuring the Board stays alert to the views of the workforce.

### *Customers*

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

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

### *Suppliers*

Throughout the year the Board approved major contract renegotiations and strategy with regard to key suppliers, such as certain landlords. We balanced the benefits of maintaining strong partnerships with key suppliers alongside the need to obtain value for money for our investors and excellent quality and service for our customers.

### *Regulators*

The business is subject to a wide range of regulations. Of particular note is our Finance business which is regulated by the Financial Conduct Authority (FCA) in respect of the provision of consumer credit. As a responsible authorised company, we seek always to co-operate and engage constructively with the FCA and meet its standards. The Audit Committee exercises independent oversight over the regulated Finance business that includes updates on matters under discussion with the FCA. During the year we received a supervisory visit from the FCA. Having interviewed various key stakeholders they commented on our excellent culture.

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



# NEXT RETAIL LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE PERIOD ENDED 28 JANUARY 2023**

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By order of the board



T. Blackwell  
Secretary

Date: 20/10/23

# NEXT RETAIL LIMITED

## DIRECTORS' REPORT

### FOR THE PERIOD ENDED 28 JANUARY 2023

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The directors present their annual report and financial statements for the period ended 28 January 2023.

#### Principal activities

The principal activity of the company continued to be to provide beautifully designed, excellent quality clothing and homeware which are responsibly sourced and accessibly priced.

#### Branches

The Company has one non-trading branch in Eire.

#### Results and dividends

The results for the period are set out on page 11.

Ordinary dividends were paid amounting to £400,000k. The directors do not recommend payment of a final dividend.

#### Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Lord Wolfson of Aspley Guise  
Amanda James

#### Supplier payment policy

The Company calculates and uploads relevant supplier data onto the Government portal under the 'Duty to report on payment practices and performance' legislation under section 3 of the Small Business, Enterprise and Employment Act 2015.

#### Disabled persons

##### Equal opportunities and diversity

The Company is an equal opportunities employer and we offer career opportunities without discrimination. Job vacancies throughout the Company are filled by candidates who have the most relevant skills and competencies relevant to the job role. The Company's policy is to treat all employees fairly and equally regardless of gender, sexual orientation, marital status, race, colour, nationality, religion, ethnic or national origin, age, disability or union membership status. Full consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. The Company continue the employment wherever possible of anyone who becomes disabled during their employment, providing assistance and modifications to their environment where possible. Opportunities for training, career development and promotion do not operate to the detriment of disabled employees.

#### Future developments

The Company will continue to focus on managing its overall financial position, cash flows and liquidity whilst trading online and through its stores.

#### Energy and carbon report

The Company's ultimate parent is NEXT plc. For the purpose of Energy and Carbon Reporting it is not practical to separate out the Company's individual usage from that of the Group's given that management review energy reporting on a Group basis. For further details of emissions, energy consumption and energy efficiency activities, please refer to the NEXT plc Annual Report and Accounts.

# NEXT RETAIL LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE PERIOD ENDED 28 JANUARY 2023**

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### **Going Concern**

The Company's business activities, together with the factors likely to affect its future development, performance, financial risk management and position are set out in the Strategic Report.

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiary companies. Accordingly, the assessment of going concern considered both the financial position and forecasts of the Company and those of the Group.

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities including the Group's principal risks and uncertainties. The Board also considered the Group's current cash position, intercompany balances within the Group, the repayment profile of its obligations and the resilience of its 12 month cash flow forecasts to a series of severe but plausible downside scenarios such as further enforced store closures. Having considered these factors the Board is satisfied that the Group has adequate resources to continue in operational existence and therefore it is appropriate to adopt the going concern basis in preparing the financial statements for the 52 weeks ended 28 January 2023.

By order of the board



T Blackwell

Secretary

Date: 20/10/23

# **NEXT RETAIL LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 28 JANUARY 2023**

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The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# NEXT RETAIL LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 28 JANUARY 2023

		Period ended 28 January 2023 £'000	Period ended 29 January 2022 £'000
	Notes		
Turnover	4	4,644,231	4,380,295
Cost of sales		(2,754,606)	(2,620,453)
<b>Gross profit</b>		<b>1,889,625</b>	<b>1,759,842</b>
Distribution costs		(795,803)	(749,017)
Administrative expenses		(357,441)	(262,613)
<b>Operating profit</b>	6	<b>736,381</b>	<b>748,212</b>
Interest payable and similar expenses	7	(34,600)	(30,940)
<b>Profit before taxation</b>		<b>701,781</b>	<b>717,272</b>
Tax on profit	8	(133,249)	(123,738)
<b>Profit for the financial period</b>		<b>568,532</b>	<b>593,534</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 15 to 41 form part of these financial statements.

# NEXT RETAIL LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 28 JANUARY 2023

	Period ended 28 January 2023 £'000	Period ended 29 January 2022 £'000
<b>Profit for the period</b>	<b>568,532</b>	<b>593,534</b>
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified to profit or loss</b>		
Cash flow hedges:		
- Hedging gain arising in the period	64,961	23,031
- Hedging (loss)/gain reclassified to profit or loss	(108,428)	43,708
- Transferred to the carrying amount of hedged items on cash flow hedges	(8,590)	(7,259)
Tax relating to items that may be reclassified	10,999	(11,539)
<b>Total items that may be reclassified to profit or loss</b>	<b>(41,058)</b>	<b>47,941</b>
<b>Total comprehensive income for the period</b>	<b>527,474</b>	<b>641,475</b>

# NEXT RETAIL LIMITED

## BALANCE SHEET

AS AT 28 JANUARY 2023

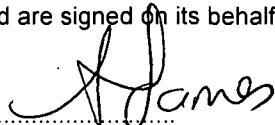
	Notes	2023 £'000	£'000	2022 £'000	£'000
<b>Fixed assets</b>					
Intangible assets - goodwill	11		2,496,368		2,496,368
Other intangible assets	11		56,428		35,156
Tangible fixed assets	12		156,578		170,893
Right-of-use assets	18		2,853		3,376
Deferred tax asset	19		61,571		58,972
			<u>2,773,798</u>		<u>2,764,765</u>
<b>Current assets</b>					
Stocks	13	629,197		605,203	
Debtors	14	3,267,664		2,595,211	
Cash at bank and in hand		35,121		34,186	
		<u>3,931,982</u>		<u>3,234,600</u>	
<b>Creditors: amounts falling due within one year</b>	17	<u>(2,726,488)</u>		<u>(2,144,207)</u>	
<b>Net current assets</b>			<u>1,205,494</u>		<u>1,090,393</u>
<b>Total assets less current liabilities</b>			<u>3,979,292</u>		<u>3,855,158</u>
<b>Creditors: amounts falling due after more than one year</b>			(111)		(193)
<b>Net assets</b>			<u><u>3,979,181</u></u>		<u><u>3,854,965</u></u>
<b>Capital and reserves</b>					
Called up share capital	22		1		1
Hedging reserve			(13,843)		27,215
Profit and loss reserves			3,993,023		3,827,749
<b>Total equity</b>			<u><u>3,979,181</u></u>		<u><u>3,854,965</u></u>

For the financial period ended 28 January 2023 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The member has not required the company to obtain an audit of its financial statements for the period in question in accordance with section 476 of the Companies Act 2006.

The financial statements were approved by the board of directors and authorised for issue on 20/10/23 and are signed on its behalf by:



Amanda James

Director

Company registration number 04521150

# NEXT RETAIL LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 28 JANUARY 2023

		Share capital	Hedging reserve	Profit and loss reserves	Total
	Notes	£'000	£'000	£'000	£'000
<b>Balance at 31 January 2021</b>		1	(20,726)	3,528,822	3,508,097
Profit for the period		-	-	593,534	593,534
Other comprehensive income for the period		-	47,941	-	47,941
<b>Total comprehensive income for the period</b>		-	47,941	593,534	641,475
Dividends	9	-	-	(300,000)	(300,000)
Credit to equity for equity settled share-based payments	21	-	-	5,765	5,765
Deferred tax on share-based payment transactions		-	-	(372)	(372)
<b>Balance at 29 January 2022</b>		1	27,215	3,827,749	3,854,965
<b>Period ended 28 January 2023:</b>					
Profit for the period		-	-	568,532	568,532
Other comprehensive expense for the period		-	(41,058)	-	(41,058)
<b>Total comprehensive income for the period</b>		-	(41,058)	568,532	527,474
Dividends	9	-	-	(400,000)	(400,000)
Credit to equity for equity settled share-based payments	21	-	-	910	910
Deferred tax on share-based payment transactions		-	-	(4,168)	(4,168)
<b>Balance at 28 January 2023</b>		1	(13,843)	3,993,023	3,979,181



# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 28 JANUARY 2023

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#### 1 Accounting policies

##### Company information

NEXT Retail Limited is a private company limited by shares incorporated in England and Wales. The registered office is Desford Road, Enderby, Leicester, LE19 4AT. The Company's principal activities and nature of its operations are disclosed in the directors' report.

##### 1.1 Reporting period

The financial statements are for the 52 week period ended 28 January 2023 (hereafter "2023"). The comparative period relates to the 52 week period ended 29 January 2022 (hereafter "2022").

##### 1.2 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, except for the revaluation of . The principal accounting policies adopted are set out below.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
  - Paragraph 79(a)(iv) of IAS 1;
  - Paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  - Paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (statement of cash flows information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 28 JANUARY 2023

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#### 1 Accounting policies

(Continued)

##### 1.3 Going concern

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiary companies. Accordingly, the assessment of going concern considered both the financial position and forecasts of the Company and those of the Group. In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities including the Group's principal risks and uncertainties. The Board also considered the Group's current cash position, the repayment profile of its existing debt structure and the resilience of its 12 month cash flow forecasts to a series of severe but plausible downside scenarios such as further enforced store closures. Having considered these factors, the Board is satisfied that the Company has adequate resources to continue in operational existence and therefore will be able to continue to operate shared banking arrangements with the company. It is concluded appropriate to adopt the going concern basis in preparing the financial statements for the period ended 28 January 2023.

##### 1.4 Turnover

Revenue represents the fair value of amounts receivable for goods and services and is stated net of discounts, value added taxes and returns. Revenue is recognised when control of the goods or services are transferred to the customer i.e. the customer accepts delivery of those goods.

It is the Company's policy to sell its products to the retail customer with a right to return within 28 days. During the temporary closure of stores caused by the COVID pandemic, this policy was adjusted to provide customers with the right to return within 28 days of the store reopening. The Company uses the expected value method to estimate the value of goods that will be returned because this method best predicts the amounts of variable consideration to which the Company will be entitled. A separate right of return asset is recognised which represents the right to recover product from the customer. The refund liability due to customers on return of their goods is recognised either as a component of trade payables and other liabilities (for cash payments) or as a deduction from customer receivables (for purchases using the nextpay credit facility).

The Company does not operate any loyalty programmes. Deferred income in relation to gift card redemptions is estimated on the basis of historical redemption rates. Online credit account interest is accrued on a time basis by reference to the principal outstanding, the provision held (where credit impaired) and the effective interest rate. Royalty income is received from franchisees and is recognised on an accruals basis in accordance with the substance of the relevant agreements.

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

##### 1.5 Goodwill

Goodwill is initially measured at cost, being the excess of the acquisition cost over the Company's interest in the assets and liabilities recognised. Goodwill is not amortised, but is tested for impairment annually or whenever there is an indication of impairment. For the purposes of impairment testing, goodwill acquired is allocated to the Cash Generating Unit (CGU) that is expected to benefit from the synergies of the combination. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

This is a departure from the requirements of the Companies Act 2006 which requires amortisation of goodwill. However, the departure is necessary in order that the financial statements show a true and fair view, as the carrying value of goodwill is not considered to reduce gradually over its life. By recognising any impairments as they arise, this better reflects the true carrying value of the goodwill and is consistent with FRS 101.

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JANUARY 2023

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### 1 Accounting policies

(Continued)

#### 1.6 Intangible assets other than goodwill

##### Software

Capitalised software costs include both external direct costs of goods and services, and internal payroll-related costs for employees who are directly associated with the software project.

Development costs are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it is available for use.
- Management intend to complete the software for use in the business.
- There is an ability to use or sell the software.
- It can be demonstrated how the software will generate probable economic benefits in the future.
- Adequate technical, financial and other resources are available to complete the project.

Capitalised software development costs are amortised on a straight-line basis over their expected economic lives, normally between 3 and 5 years. Computer software under development is held at cost less any recognised impairment loss. Any impairment in value is recognised within the income statement.

#### 1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment.

Depreciation is charged so as to write down the cost of assets to their estimated residual values over their remaining useful lives on a straight-line basis. Estimated useful lives are reviewed at least annually.

Estimated useful lives are summarised as follows:

Plant and vehicles	6 - 25 years
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#### 1.8 Impairment of tangible and intangible assets

The carrying values of non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any impairment arises, the asset value is adjusted to its estimated recoverable amount and the difference is recognised in the profit and loss account.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.9 Stocks

Stock is valued at the lower of standard cost or net realisable value. Standard cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stock to the present location and condition. Net realisable value is based on estimated selling prices less further costs to be incurred to disposal.

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JANUARY 2023

### 1 Accounting policies

(Continued)

#### 1.10 Cash at bank and in hand

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.11 Financial assets

Financial assets are classified, at initial recognition and subsequently measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair value through Profit or Loss (FVPL). The classification is based on two criteria:

- the Company's business model for managing the assets; and
- whether the instruments' contractual cash flows represent "Solely Payments of Principal and Interest" on the principal amount outstanding (the "SPPI criterion").

A summary of the Company's financial assets and their classifications is as follows:

Financial assets	Classification under IFRS 9
Derivatives designated as hedging instruments	Fair value - hedging instrument
Customer and other receivables and SPPI met	Amortised cost - hold to collect business model
Cash and short term deposits	Amortised cost

Under IFRS 9 the Company initially measures a financial asset as its fair value plus directly attributable transaction costs, unless the asset is classified as FVPL. Transactional costs of financial assets carried at FVPL are expensed in the profit and loss account.

#### **Financial assets at fair value through profit or loss**

Where financial assets are initially measured at fair value through profit or loss, they are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

#### **Financial assets held at amortised cost**

Where financial instruments are classified as financial assets measured at amortised cost, they are subsequently measured at amortised cost using the effective interest rate (EIR) method. The amortised cost is reduced by impairment losses. Interest income, impairment or gain on derecognition are recognised in profit or loss.

#### **Impairment of financial assets**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The most significant financial assets of the Company are its intercompany receivables, which are referred to as "Trade Receivables" and "Amounts owed by other Group undertakings". ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. For trade and customer debtors the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### **Derecognition of financial assets**

A financial asset is primarily derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third-party under a "pass-through" arrangement; and either a) the Company has transferred substantially all the risks and rewards of the asset, or b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 JANUARY 2023

### 1 Accounting policies

(Continued)

#### 1.12 Financial liabilities

The Company has classified its financial liabilities as follows:

Financial liabilities	Classification under IFRS 9
Derivatives designated as hedging instruments	Fair value - hedging instrument
Trade and other payables	Amortised cost

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

#### *Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit and loss account.

#### 1.13 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

#### 1.14 Derivatives

Derivative financial instruments ("derivatives") are used to manage risks arising from changes in foreign exchange rates impacting the Company's transactions. In accordance with its treasury policy, the Company does not enter into derivatives for speculative purposes. Foreign exchange derivatives are stated at their fair value, being the estimated amount that the Company would receive or pay to terminate them at the balance sheet date based on prevailing foreign currency rates.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are classified as current.

#### **Hedge accounting**

The Company designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JANUARY 2023

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### 1 Accounting policies

(Continued)

#### **Cash flow hedges that qualify for hedge accounting**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the fair value reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss, since the hedged item affects profit or loss (for example, through cost of sales).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

#### **Hedge documentation**

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. In accordance with IFRS 9 "Financial instruments", the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an "economic relationship" between the hedged item and the hedging instrument.
- The effect of the credit risk does not "dominate the value changes" that result from the economic relationship.

The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged items that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of the hedged item.

### 1.15 Taxation

Taxation, comprised of current and deferred tax, is charged or credited to the Profit and loss account unless it relates to items in Other Comprehensive Income or directly in equity. In such cases, the related tax is also recognised in Other Comprehensive Income or directly in equity.

#### **Current tax**

Current tax liabilities are measured at the amount expected to be paid, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JANUARY 2023

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### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax is accounted for using the balance sheet liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts. It is calculated using rates of taxation enacted or substantively enacted at the balance sheet date which are expected to apply when the asset or liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is not recognised in respect of investments in subsidiaries and associates where the reversal of any taxable temporary differences can be controlled and are unlikely to reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and there is an intention to settle the balances on a net basis.

Tax provisions are recognised when there is a potential exposure under changes to International tax legislation. Management uses professional advisers and in-house tax experts to determine the amounts to be provided.

#### **1.16 Retirement benefits**

##### *Defined contribution schemes*

The cost of defined contribution schemes is recognised in the profit and loss account as incurred. The Group has no further payment obligations once the contributions have been paid.

##### *Defined benefit schemes*

The Group provides pension benefits which include both defined benefit and defined contribution arrangements. Pension assets are held in separate trustee administered funds and the Group also provides other unfunded pension benefits to certain members.

The cost of providing benefits under the defined benefit and unfunded arrangements are determined separately for each plan using the projected unit credit method, with actuarial valuations being carried out at each Balance Sheet date by external actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. A net pension asset is only recognised to the extent that it is expected to be recoverable in the future through a cash refund or a reduction in future payments.

#### **1.17 Share-based payments**

The fair value of employee share options is calculated when they are granted using a Black-Scholes model and the fair value of equity-settled LTIP awards is calculated at grant using a Monte Carlo model. The resulting cost is charged in the Profit and Loss Account over the vesting period of the option or award, and is regularly reviewed and adjusted for the expected and actual number of options or awards vesting. The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge is treated as a cash-settled transaction.

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 JANUARY 2023

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### 1 Accounting policies

(Continued)

#### 1.18 Leases

##### *Company as lessee*

At inception of a contract the Company assesses whether the contract is or contains a lease. A lease is present where the contract conveys, over a period of time, the right to control the use of an identified asset in exchange for consideration.

Where a lease is identified the Company recognises a right-of-use asset and a corresponding lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

##### *Right-of-use asset – initial recognition*

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the Company has an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use asset is presented as a separate line in the Balance Sheet.

##### *Right-of-use asset – subsequent measurement*

Right-of-use assets are depreciated over the shorter of the lease term and useful life of the underlying asset.

##### *Impairment*

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment – non-financial assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.



# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 28 JANUARY 2023

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#### 1 Accounting policies

(Continued)

##### *Lease liability - initial recognition*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted at the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments such as those that depend on an index or rate (such as RPI), initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options where the Company is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is split between current and non-current liabilities.

##### *Lease liability - subsequent measurement*

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

##### *Lease liability - re-measurement*

The lease liability is re-measured where:

- there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate or;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used) or;
- the lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

When the lease liability is re-measured, an equivalent adjustment is made to the right-of-use asset unless its carrying amount is reduced to zero, in which case any remaining amount is recognised in profit or loss.

Where the lease liability is denominated in a foreign currency it is retranslated at the Balance Sheet date with foreign exchange gains and losses recognised in profit or loss.

##### *Short term leases and low value assets*

For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

#### 1.19 Grants

Grants are recognised only when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Grants that are receivable as compensation for expenses already incurred are recognised in profit or loss in the period in which they become receivable.

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 28 JANUARY 2023

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#### 1 Accounting policies

(Continued)

##### 1.20 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

##### 1.21 Customer and other receivables

Customer receivables are outstanding customer balances less an allowance for impairment. Customer receivables are recognised when the Company becomes party to the contract which happens when the goods are despatched. They are derecognised when the rights to receive the cash flows have expired e.g. due to the settlement of the outstanding amount or where the Company has transferred substantially all the risks and rewards associated with that contract. Other trade receivables are stated at invoice value less an allowance for impairment. Customer and other receivables are subsequently measured at amortised cost as the business model is to collect contractual cash flows and the debt meets the Solely Payment of Principal and Interest (SPPI) criterion.

###### *Impairment*

In accordance with the accounting policy for impairment – financial assets, the Company recognises an allowance for Expected Credit Losses (ECLs) for customer and other receivables. IFRS 9 requires an impairment provision to be recognised on origination of a customer advance, based on its ECL.

The directors have taken the simplification available under IFRS 9 5.5.15 which allows the loss amount in relation to a trade receivable to be measured at initial recognition and throughout its life at an amount equal to lifetime ECL. This simplification is permitted where there is either no significant financing component (such as customer receivables where the customer is expected to repay the balance in full prior to interest accruing) or where there is a significant financing component (such as where the customer expects to repay only the minimum amount each month), but the directors make an accounting policy choice to adopt the simplification. Adoption of this approach means that Significant Increase in Credit Risk (SICR) and Date of Initial Recognition (DOIR) concepts are not applicable to the Company's ECL calculations. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

ECL is the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), discounted at the original Effective Interest Rate (EIR). The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date.

The forward-looking aspect of IFRS 9 requires considerable judgement as to how changes in economic factors affect ECLs.

IFRS 9 "Financial instruments" paragraph 5.5.20 ordinarily requires an entity to not only consider a loan, but also the undrawn commitment and the ECL in respect of the undrawn commitment, where its ability to cancel or demand repayment of the facility does not limit its exposure to the credit risk of the undrawn element. However, the guidance in IFRS 9 on commitments relates only to commitments to provide a loan (that is, a commitment to provide financial assets, such as cash) and excludes from its scope rights and obligations from the delivery of goods as a result of a contract with a customer within the scope of IFRS 15 "Revenue from contracts with customers" (that is, a sales commitment). Thus, the sales commitment (unlike a loan commitment) is not a financial instrument, and therefore the impairment requirements in IFRS 9 do not apply until delivery has occurred and a receivable has been recognised. Impairment charges in respect of customer receivables are recognised in the Profit and Loss Account within cost of sales.

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JANUARY 2023

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### 1 Accounting policies

(Continued)

#### 1.22 Customer and other receivables (continued)

Delinquency is taken as being in arrears and credit impaired is taken as being the loan has defaulted, which is considered to be the point at which the debt is passed to an internal or external Debt Collection Agency (DCA) and a default registered to a Credit Reference Agency (CRA), or any debt 90 days past due. Delinquency and default are relevant for the estimation of ECL, which segments the book by customer indebtedness, banded into very low risk, low risk, medium risk and high risk, by arrears stage.

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer fails to engage in a repayment plan with the Company. If recoveries are subsequently made after receivables have been written off, they are recognised in profit or loss.

The key assumptions in the ECL calculation are:

PD: The "Probability of Default" is an estimate of the likelihood of default over the expected lifetime of the debt. NEXT has assessed the expected lifetime of customer receivables and other trade receivables, based on historical payment practices. The debt is segmented by arrears stage, Experian's Consumer Indebtedness Index (a measure of consumers' affordability) and expected time of default.

EAD: The "Exposure at Default" is an estimate of the exposure at that future default date, taking into account expected changes in the exposure after the reporting date, i.e. repayments of principal and interest, whether scheduled by the contract or otherwise and accrued interest from missed payments. This is stratified by arrears stage, Experian's Consumer Indebtedness Index and expected time of default.

LGD: The "Loss Given Default" is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that NEXT would expect to receive, discounted at the original effective interest rate. It is usually expressed as a percentage of the EAD. NEXT includes all cash collected over five years from the point of default.

The Company uses probability weighted economic scenarios that are integrated into the model, in order to evaluate a range of possible outcomes as is required by IFRS 9. The inputs and models used for the ECLs may not always capture all characteristics of the market at the Balance Sheet date. To reflect this, qualitative adjustments or overlays are made, based on external data, historical performance and future expected performance.

### 2 Adoption of new and revised standards and changes in accounting policies

The Group has applied the following interpretations and amendments for the first time in these financial statements:

- Reference to Conceptual Framework – amendments to IFRS 3
- Property, Plant and Equipment – Proceeds before Intended Use – amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020

The application of these new interpretations and amendments did not have a material impact on the financial statements. Certain new accounting standards and interpretations have been published that are not yet effective and have not been adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JANUARY 2023

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### 3 Critical accounting estimates and judgements

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

#### Key sources of estimation uncertainty

##### Recoverable amount of Online customer receivables

The allowance for ECL is calculated on a customer-by-customer basis, using a combination of internally and externally sourced information, including expected future default levels (derived from historical defaults, overlaid by arrears and indebtedness profiles, and third party macroeconomic forecasts) and future predicted cash collection levels (derived from past trends and future projections). Prior to default, the greatest sensitivity relates to the ability of customers to afford their payments (impacting the Probability of Default (PD) and, to a lesser extent, the Exposure at Default (EAD)). Once a customer receivable has defaulted, there is limited sensitivity in expected recoveries due to the lack of significant variability in cash collection levels post default.

Of the total ECL, £87.8m relates to defaulted debt (without significant uncertainty) and £114.7m is for non defaulted debt, where significant estimation uncertainty exists. The remainder of the section relates to non defaulted debt.

##### *Macroeconomic Uplift*

The first main area of major estimation uncertainty in calculating the ECL is the impact of a change in unemployment. Management uses an independent forecast of unemployment, provided by Experian, and weights the effect of the expected, low, high and extreme scenarios in the proportions 40/30/25/5. The expected scenario assumes a central unemployment rate peaking at 5.7% in Q4 2024. This weighted view adds £12.5m to the underlying model ECL.

If the extreme unemployment scenario was used instead (peaking at 9.6% in Q1 2025), this would add a further £18m of ECL. If the high unemployment scenario was used (peaking at 7.3% in Q1 2025), this would add a further £7m of ECL. Lastly, if the low unemployment scenario was used (peaking at 4.4% at Q4 2024), this would reduce the ECL by £7m.

The second main area of major estimation uncertainty in calculating the ECL is the impact that the current cost of living pressures may have on customer payment behaviour. In order to reflect the underlying risk in the loan book, the following factors have been incorporated into the provision:

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 28 JANUARY 2023

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#### 3 Critical accounting estimates and judgements

(Continued)

##### **Recoverable amount of Online customer receivables (continued)**

###### *1) Downgrading the underlying base to the pre-COVID arrears and indebtedness profile*

The underlying distribution of arrears and consumer indebtedness scores from before the COVID pandemic have been overlaid on the ECL calculation in order to adjust recent performance trends. This is because the Consumer indebtedness Index (CII) scores and the arrears profile of customers are key inputs in the underlying ECL model and management considers that the underlying risk characteristics have not yet returned to normalised levels. This adjustment, using pre-COVID arrears and indebtedness profiles, contributes £13.1m to the ECL.

###### *2) Recognition of the ongoing risk of an increased ECL for customers who have shown recent indicators of distress and are therefore considered to be at higher risk of default*

With the UK experiencing record levels of inflation, disposable income is likely to be further constricted as the effects of mortgage rate rises start to flow through into household budgets and energy bills remain elevated. Management believe this may adversely impact the recoverability of customer receivables, specifically customers who have previously shown signs of distress. A further overlay to increase the provision coverage of these customers to align with that of those customers in the highest risk banding (relating to their current arrears stage) has been applied, which forms £24.4m of the total ECL. We are not explicitly predicting that these customers will move towards a higher level of indebtedness (per the CII) but we are using this model mechanism to apply an appropriate and understood multiplier on the risk levels of these particular customers.

###### *Sensitivity to the Probability of Default*

Following application of the above two overlays, Management believes that there is adequate provision for ECL based on a stressed, but realistic level of payments. The primary area of estimation uncertainty which could have a material impact to the provision is the probability of default. Whilst considered unlikely, if the probability of default were to double, this would increase the provision by £28.2m.

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

##### **Net realisable value of inventories**

The selling prices of inventory are estimated to determine the net realisable value of inventory. Historical sales patterns and post year end trading performance are used to determine these. A 2% change in the volume of inventories going to clearance would impact the net realisable value by circa £6m. A 2% change in the level of markdown applied to the selling price would impact the value of inventories going to clearance by circa £8m.

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 28 JANUARY 2023

#### 3 Critical accounting estimates and judgements

(Continued)

##### **Impairment of property, plant and equipment**

Property, plant and equipment and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable or a previous impairment should be reversed. Key triggers considered by management include store (i.e. CGU) sales varying significantly from previous forecasts, significant changes in the cost base (for example due to a rent review) and whether any new, wider economic factors may impact the forecast performance. When an impairment review is performed, the recoverable amount is based on the higher of the value in use and fair value less costs to sell. The value in use method requires the Group to apply assumptions in performing its assessment of future cash flows over the useful life of the asset. Key assumptions used are the Board approved budget for year 1, growth rate to be applied to the cash flows and the risk adjusted pre-tax discount rate used to discount the assumed cash flows to present value.

The cash flow projections include assumptions on store performance throughout the remaining contractual lease term. In particular, the expected decline in like-for-like Retail sales in the budget for 2023/24 and the subsequent assumptions on our like-for-like Retail sales represent sources of significant estimation uncertainty. A future change to the assumption of sales growth would result in a reassessment of the value in use and could give rise to a significant change in the impairment recognised.

Retail store performance in the year has significantly exceeded management's previous expectations. This better than expected performance has informed management's view on the 2023/24 budget and following a review of CGU forecast performance, there has been a reversal of the previous impairment of £37.6m. Management's budget for 2023/24 assumes a year on year reduction in sales of -4.5% and then a longer term decline of -6% in line with the observed 3 year decline in the pre COVID period. A reduction in the forecast sales in the year 1 budget of -2%, with no subsequent changes to sales, would result in an increase in the impairment charge of circa £1m. A larger change of -4% would result in an increased impairment charge of circa £2m.

In the prior year the impairment charge had been significant. Accordingly a change in the discount rate applied to the impairment model would have resulted in a significant change in the impairment recognised. However, the remaining balance, following the reversal in the year, is now relatively low in value and hence a change in the discount rate no longer has a significant impact.

Management has assessed its online business to be a CGU. There have been no indicators in the current year or prior year of any impairment.

##### **Climate change**

In preparing the financial statements we have considered the potential impact of climate change. Given the identified risks are expected to be present in the medium to long term our focus has been on the non-current assets within the Balance Sheet. Specifically, for the material non-current assets, we note the following:

- The plant, property and equipment associated with our stores have relatively short useful lives (in line with the store lease terms which average 5 years) and hence would not be at risk in the medium to long term. Furthermore, based on our current lease profile, we expect any potential future store refurbishments to be phased over several years and therefore any changes in the requirements associated with climate change would not have a material impact in any given year.
- The intangible assets, which consist of goodwill, brands and internally generated software, are either fully recoverable or have a useful life less than 10 years and hence do not fall within the medium to long term risk profile. Hence, we would not expect the identified risks to impact these assets.
- The other non-current assets were also reviewed and no risk identified. Current assets, by their nature, are expected to be fully utilised within the business in the short term and no climate risk has been identified in this time horizon.

As a consequence there has been no material impact on the financial reporting judgements and estimates applied in the preparation of these 2023 Annual Report and Accounts.

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 JANUARY 2023

### 3 Critical accounting estimates and judgements (Continued)

### 4 Turnover and other income

	2023 £'000	2022 £'000
<b>Turnover analysed by class of business</b>		
Sale of goods	4,332,295	4,126,139
Credit account interest	287,664	249,389
Royalties	8,826	4,767
Service income	15,446	-
	<u>4,644,231</u>	<u>4,380,295</u>
	2023 £'000	2022 £'000
<b>Turnover analysed by geographical market</b>		
United Kingdom	4,077,168	3,681,652
Rest of Europe	250,536	362,858
Asia	46,283	50,745
Middle East	230,938	244,049
Rest of world	39,306	40,991
	<u>4,644,231</u>	<u>4,380,295</u>
	2023 £'000	2022 £'000
<b>Other income</b>		
Grants received	-	20,382
	<u>-</u>	<u>20,382</u>

Grants received relate to the UK Job Retention Scheme.

### 5 Employees

The average monthly number of persons (including directors) employed by the company during the period was as follows:

	2023 Number	2022 Number
Retail, Online and Finance	30,503	28,297
Other Activities	70	66
	<u>30,573</u>	<u>28,363</u>

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 JANUARY 2023

### 5 Employees

(Continued)

Their aggregate remuneration comprised:

	2023 £'000	2022 £'000
Wages and salaries	449,613	426,620
Social security costs	35,127	27,560
Pension costs	25,589	23,552
	<u>510,329</u>	<u>477,732</u>
Share based payments expense: Equity settled	19,704	16,001
	<u>530,033</u>	<u>493,733</u>

If the hours worked were converted on the basis of a full working week, the equivalent average number of full-time employees would have been 17,948 (2022: 14,194)

### 6 Operating profit

	2023 £'000	2022 £'000
Operating profit for the period is stated after charging/(crediting):		
Exchange gains	(12,078)	(4,138)
Government grants	-	(20,382)
Depreciation of property, plant and equipment and ROU assets	68,766	71,997
Amortisation of intangible assets	8,925	3,151
Cost of inventories recognised as an expense	1,789,935	1,713,957
Write downs of inventories recognised as an expense	135,161	97,297
Impairment loss recognised on trade receivables	33,272	34,264
Reversal of impairment loss recognised on trade receivables	(2,085)	(5,762)
	<u></u>	<u></u>

Government grants received relate to the UK Job Retention Scheme.

### 7 Interest payable and similar expenses

	2023 £'000	2022 £'000
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	135	27
Interest payable to group undertakings	34,440	30,902
Interest on lease liabilities	25	11
	<u>34,600</u>	<u>30,940</u>



# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JANUARY 2023

### 8 Taxation

	2023 £'000	2022 £'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	131,811	141,581
Adjustments in respect of prior periods	(4,246)	(3,167)
<b>Total UK current tax</b>	127,565	138,414
Foreign taxes and reliefs	1,452	1,042
	<u>129,017</u>	<u>139,456</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	4,659	(15,718)
Adjustment in respect of prior periods	(427)	-
	<u>4,232</u>	<u>(15,718)</u>
<b>Total tax charge</b>	<u>133,249</u>	<u>123,738</u>

The charge for the period can be reconciled to the profit per the profit and loss account as follows:

	2023 £'000	2022 £'000
Profit before taxation	<u>701,781</u>	<u>717,272</u>
Expected tax charge based on a corporation tax rate of 19.00% (2022: 19.00%)	133,338	136,282
Effect of expenses not deductible in determining taxable profit	302	2,752
Share based payment charge	1,996	529
Under/(over) provided in prior years	(2,656)	(3,440)
Branch exemption	(62)	-
Deferred tax rate change	331	(12,385)
<b>Taxation charge for the period</b>	<u>133,249</u>	<u>123,738</u>

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2023 £'000	2022 £'000
Reclassifications from equity to profit or loss:		
Relating to cash flow hedges	<u>(10,999)</u>	<u>11,539</u>

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 JANUARY 2023

### 8 Taxation

(Continued)

In addition to the amount charged to the profit and loss account and other comprehensive income, the following amounts relating to tax have been recognised directly in equity:

	2023 £'000	2022 £'000
Current tax:		
Excess tax deductions related to share based payments on exercised options	(910)	(5,765)
Deferred tax:		
Change in estimated excess tax deductions related to share based payments	4,168	372
Total tax recognised directly in equity	3,258	(5,393)

#### *Factors affecting tax charges in future years*

The Company's tax liabilities have been computed based on the corporate tax rate and tax laws prevailing at balance sheet date. On 3 March 2021 the Chancellor confirmed an increase in the main corporation tax rate from 19 to 25 percent with effect from 1 April 2023. The Company's tax expense for the financial year ended 28 January 2023 has taken into consideration the effect of this increase as the increase was substantively enacted pre the balance sheet date.

### 9 Dividends

	2023 per share £	2022 per share £	2023 Total £'000	2022 Total £'000
Amounts recognised as distributions:				
<b>Ordinary shares of 1 each</b>				
Final dividend paid	400,000.00	300,000.00	400,000	300,000

### 10 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2023 £'000	2022 £'000
In respect of:		
Intangible assets	656	564
Property, plant and equipment	(2,973)	792
Recognised in:		
Cost of sales	(2,317)	1,356

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 JANUARY 2023

### 11 Intangible fixed assets

	Goodwill £'000	Software £'000	Total £'000
<b>Cost</b>			
At 30 January 2022	2,496,368	39,196	2,535,564
Additions - internally generated	-	35,144	35,144
Disposals	-	(5,199)	(5,199)
At 28 January 2023	2,496,368	69,141	2,565,509
<b>Amortisation and impairment</b>			
At 30 January 2022	-	4,040	4,040
Charge for the year	-	8,925	8,925
Impairment loss	-	656	656
Eliminated on disposals	-	(908)	(908)
At 28 January 2023	-	12,713	12,713
<b>Carrying amount</b>			
At 28 January 2023	2,496,368	56,428	2,552,796
At 29 January 2022	2,496,368	35,156	2,531,524

#### Impairment tests for cash generating units

Goodwill relates entirely to the acquisition of the business and net assets of NEXT Near East Limited on 1 February 2003 and is tested for impairment at the balance sheet date. The recoverable amount of goodwill was measured on the basis of value in use. As this exceeded carrying value, no impairment loss was recognised.

The key assumptions in the calculation are the growth in NEXT Brand sales and expected net margins achieved. In assessing value in use the most recent financial results and internal budgets for the next year were used and extrapolated in perpetuity with no growth assumed, and discounted at 8%.

Goodwill is tested annually for impairment. It is allocated to cash generating units as follows:

	2023 £'000	2022 £'000
NEXT Near East Limited	2,946,368	2,496,368
	<u>2,946,368</u>	<u>2,496,368</u>

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 JANUARY 2023

### 12 Tangible fixed assets

	Plant and vehicles £'000
<b>Cost</b>	
At 30 January 2022	1,241,334
Additions	51,230
Disposals	(45,081)
At 28 January 2023	1,247,483
<b>Accumulated depreciation and impairment</b>	
At 30 January 2022	1,070,441
Charge for the period	68,243
Impairment loss (profit or loss)	(2,973)
Eliminated on disposal	(44,806)
At 28 January 2023	1,090,905
<b>Carrying amount</b>	
At 28 January 2023	156,578
At 29 January 2022	170,893

### 13 Stocks

	2023 £'000	2022 £'000
Work in progress	1,071	9,002
Finished goods	628,126	596,201
	629,197	605,203

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JANUARY 2023

### 14 Debtors

	Due within one year		Due after one year	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade debtors	1,485,711	1,367,748	-	-
Provision for bad and doubtful debts	(202,245)	(191,220)	-	-
	<u>1,283,466</u>	<u>1,176,528</u>	<u>-</u>	<u>-</u>
Amounts owed by fellow group undertakings	1,892,209	1,328,010	-	-
Amounts owed by joint ventures	20,273	1,155	-	-
Derivative financial instruments	15,189	40,818	-	-
Right of return asset	27,978	23,454	-	-
Other debtors	6,181	3,916	-	-
Prepayments and accrued income	22,368	21,330	-	-
	<u>3,267,664</u>	<u>2,595,211</u>	<u>-</u>	<u>-</u>
Deferred tax asset	-	-	61,571	58,972
	<u>3,267,664</u>	<u>2,595,211</u>	<u>61,571</u>	<u>58,972</u>

Trade receivables consist of Online customer receivables of £1,469,217,000 (2022: £1,358,753,000) and Other trade receivables of £16,494,000 (2022: £8,995,000)

The allowance for doubtful debts consists of an allowance of £202,194,000 (2022: £191,211,000) against Online customer receivables and an allowance of £51,000 (2022: £9,000) against Other trade receivables.

Amounts due from Group undertakings are repayable on demand.

### 15 Loans and overdrafts

	2023 £'000	2022 £'000
<b>Borrowings held at amortised cost:</b>		
Bank loans	71,553	94,711

Bank overdrafts and overnight borrowings are repayable on demand and bear interest at a margin over bank rates.

### 16 Fair value of financial liabilities

The directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 JANUARY 2023

### 17 Creditors

	2023 £'000	2022 £'000
Loans and overdrafts	71,553	94,711
Trade creditors	195,361	247,782
Amount owed to parent undertaking	1,839,820	1,330,276
Amounts owed to fellow group undertakings	57,972	87,727
Amounts owed to joint ventures	2,064	443
Other creditors	198,625	203,913
Refund liability	5,718	4,818
Deferred turnover from sale of giftcards	78,639	75,911
Corporation tax	129,239	6,619
Other taxation and social security	98,747	85,880
Derivative financial instruments	48,677	5,984
Lease liabilities	73	143
	<u>2,726,488</u>	<u>2,144,207</u>

Trade payables are non interest-bearing and are generally settled on 30 day terms. Accruals and deferred income are not interest-bearing. Amounts due to Group undertakings are non interest bearing and repayable on demand.

### 18 Right-of-use assets

Additions to right-of-use assets include new leases and new contracts for leases previously on hold over.

#### Right-of-use assets

	2023 £'000	2022 £'000
<b>Net values at the period end</b>		
Plant and vehicles	-	77
Motor vehicles	2,853	3,299
	<u>2,853</u>	<u>3,376</u>
<b>Total additions in the period</b>	<u>-</u>	<u>24</u>
<b>Depreciation charge for the period</b>		
Plant and vehicles	77	175
Motor vehicles	446	99
	<u>523</u>	<u>274</u>

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 JANUARY 2023

### 19 Deferred taxation

	2023 £'000	2022 £'000
Deferred tax assets	(61,571)	(58,972)
	<u>(61,571)</u>	<u>(58,972)</u>

Deferred tax assets are expected to be recovered after more than one year

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs £'000	Revaluation of derivatives to fair value £'000	Share based payments £'000	Other temporary differences £'000	Total £'000
Asset at 30 January 2021	(32,602)	(5,155)	(17,289)	(119)	(55,165)
<b>Deferred tax movements in prior year</b>					
Charge/(credit) to profit or loss	(15,951)	-	178	55	(15,718)
Charge to other comprehensive income	-	11,539	-	-	11,539
Credit direct to equity	-	-	372	-	372
Asset at 30 January 2022	<u>(48,553)</u>	<u>6,384</u>	<u>(16,739)</u>	<u>(64)</u>	<u>(58,972)</u>
<b>Deferred tax movements in current year</b>					
Charge/(credit) to profit or loss	5,875	-	(1,119)	(524)	4,232
Charge to other comprehensive income	-	(10,999)	-	-	(10,999)
Charge direct to equity	-	-	4,168	-	4,168
Asset at 28 January 2023	<u>(42,678)</u>	<u>(4,615)</u>	<u>(13,690)</u>	<u>(588)</u>	<u>(61,571)</u>

### 20 Lease liabilities

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 JANUARY 2023

### 20 Lease liabilities

(Continued)

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2023 £'000	2022 £'000
Current liabilities	73	143
Non-current liabilities	111	193
	<u>184</u>	<u>336</u>

	2023 £'000	2022 £'000
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	<u>25</u>	<u>11</u>

### 21 Share-based payments

Certain employees of the Company participate in management and sharesave option schemes offered by NEXT plc in its shares. Management share options are granted annually at the prevailing market price at the time of grant and are exercisable between three and ten years following their grant. The Sharesave option scheme operates on a Save-As-You-Earn principle, and offers options at a discount of 20% to the prevailing market rate at the time of grant, exercisable three or five years after the date of grant.

The fair value of management and Sharesave options granted is calculated at the date of grants using a Black-Scholes option pricing model.

#### Options outstanding

The options outstanding at 28 January 2023 had an exercise price ranging from £38.25 to £80.64 (2022: £20.70 to £80.64), and a remaining contractual life of 6.1 years (2022: 6.2 years).

	2023 £'000	2022 £'000
<b>Expenses</b>		
Related to equity settled share based payments	<u>19,704</u>	<u>16,001</u>



# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 JANUARY 2023

### 21 Share-based payments

(Continued)

A Long Term Incentive Plan (LTIP) is offered to directors and other senior executives below Board level who may receive conditional awards of shares dependent on a three year service condition, a total shareholder return condition and consideration of a general economic underpin test. The Share Matching Plan (SMP) is an equity-settled scheme open to a small number of senior executives below Board level. Further details of all of these schemes are provided in the consolidated financial statements of NEXT Plc. The fair value of SMP options granted is calculated at the date of grant using a Black-Scholes option pricing model, whilst the LTIP uses a Monte Carlo valuation model.

#### *SMP options*

SMP participants who invest a proportion of any annual cash bonus in NEXT plc shares can receive up to a maximum of two times the original number of shares they purchase with their bonus. Any matching is conditional upon achieving performance measures over the following three years.

The weighted average remaining contractual life of these options is 8.7 years (2022: 7.9 years). During the year ending 28 January 2023 SMP options were exercised at different times and the weighted average share price during this period was £61.76. During the prior year there was no SMP grant and no SMP options were exercised.

#### *Equity-settled LTIP awards*

The equity-settled LTIP awards are to incentivise management to deliver superior total shareholder returns (TSR) over three year performance periods relative to a selected group of retail companies, and align the interests of executives and shareholders.

The weighted average remaining contractual life of these options is 1.4 years (2022: 1.3 years).

### 22 Share capital

	2023 Number	2022 Number	2023 £'000	2022 £'000
<b>Ordinary share capital</b>				
<b>Authorised</b>				
Ordinary shares of 1 each	1,000	1,000	1	1
	=====	=====	=====	=====
<b>Issued and fully paid</b>				
Ordinary shares of 1 each	1,000	1,000	1	1
	=====	=====	=====	=====

The company has one class of ordinary shares which carry no right to fixed income.

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JANUARY 2023

### 23 Contingent liabilities

The Company has entered into cross guarantee arrangements with Barclays Bank plc in respect of bank set-off arrangements with its parent undertaking NEXT plc, and certain fellow subsidiary undertakings. The guarantees are limited to the credit balances held on the Company's bank accounts.

The Company has also provided a guarantee in favour of NEXT Pension Trustees Limited, guaranteeing jointly and severally with NEXT Holdings Limited all present and future obligations and liabilities of NEXT Distribution Limited and NEXT plc to the NEXT Group Pension Plan, up to a maximum amount of £120 million.

Since 2018 the Company has received around 1,500 equal pay complaints from former and current employees in our store network. These claims are subject to a legal and tribunal process which is expected to last several more years. The claims are fact sensitive, legally complex and being defended rigorously. The Directors believe that the likelihood of successful outcome for the claimants is possible (but not probable). The Directors also believe that it is not yet possible to reliably assess the likely outcome or the exact quantum of these claims if they are successful.

### 24 Capital commitments

	2023 £'000	2022 £'000
At 28 January 2023 the Company had capital commitments as follows:		
Contracted for but not provided in the financial statements:		
Acquisition of tangible fixed assets	5,558	5,419

### 25 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel, including directors, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

#### Other transactions with related parties

During the period the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Associates	4,859	6,736	-	-
Joint ventures in which the entity is a venturer	56,295	7,436	-	-
	61,154	14,172	-	-

# NEXT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 JANUARY 2023

### 25 Related party transactions

(Continued)

	Expenses recharged by Next Retail Limited	
	2023 £'000	2022 £'000
Associates	3	53
Joint ventures in which the entity is a venturer	13,961	20,111
	<u>13,964</u>	<u>20,164</u>

The following amounts were outstanding at the reporting end date:

	2023 £'000	2022 £'000
<b>Amounts due to related parties</b>		
Associates	194	443

The following amounts were outstanding at the reporting end date:

	2023 £'000	2022 £'000
<b>Amounts due from related parties</b>		
Associates	253	265
Joint ventures in which the entity is a venturer	18,151	890
	<u>18,404</u>	<u>1,155</u>

### 26 Parent company

The Company's ultimate parent company and controlling party is NEXT plc, a company registered in England & Wales. NEXT plc is the only group preparing financial statements which include NEXT Retail Limited. Copies of its Group financial statements are available from its Company Secretary at its registered office, NEXT plc, Desford Road, Enderby, Leicester, LE19 4AT.

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