

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

The year to January 2014 was a great year for NEXT. Underlying earnings per share grew by 23% to 366p and we propose to increase our full year ordinary dividends by 23% to 129p in total. This is the fifth consecutive year that our earnings per share and ordinary dividend have grown by over 15%. In addition, in February we paid a special dividend of 50p a share and have announced a further special dividend of 50p to be paid in May.

Sales for NEXT Directory, our online and catalogue business, grew by 12.4% narrowing the gap with NEXT Retail, which grew by 1.7%. The two businesses are complementary and support each other in an effective and efficient way. Operating margins in both businesses increased during the year. The Group's underlying profit before tax rose 11.8% to £695m.

Cash flow was again strong and we continued our share buybacks, purchasing 6.2 million shares at an average price of £47.40 and reducing our shares in issue by 3.8%. During the year we returned £461m to shareholders through share buybacks and dividends.

Our share price again performed well, rising by 55% to £62.80. As a result of the increase, we stopped buying back our own shares at the end of October and have instead started to return surplus cash to shareholders through special dividends. We will reconsider buybacks when to do so would give an effective 8% return on the cash invested.

During the year there have been a number of changes to the Board. Andrew Varley, who had been a director for 23 years, retired from the Board in May 2013. Andrew has been with NEXT for 29 years, serving in various senior roles. On behalf of the Board I would like to thank him for all he has done for NEXT, particularly as our Group Property Director.

Christine Cross, who has made a much valued and active contribution to the Group as a Non-Executive Director, has served for 9 years and will step down from the Board at the AGM in May. We are currently searching for a new non-executive and will make an announcement in due course. Jonathan Dawson, our Senior Independent Director who has also served 9 years, has agreed to stay on the Board for one further year.

I am delighted to welcome onto the Board Michael Law, our Group Operations Director, and Jane Shields, our Group Sales and Marketing Director. Both joined the Board last July.

The strength of our Group is built on the hard work and productivity of our management team and all the people who work for NEXT. I would like to thank them all for their contribution during the year and especially for the excellent performance through the busy Christmas period.

That performance gives us a solid platform for 2014. Our strategy remains the same, focused on our products, our profitability and returning cash to our shareholders. Notwithstanding the continued pressure on the UK consumer, we anticipate another year of growth for NEXT.



John Barton
Chairman