# Next Group Plc

## Reports and Financial Statements

30 January 2021

Registered No: 11118708

# Reports and Financial Statements

| **Contents** | **Page** |
|---|---|


Registered in England & Wales

NEXT PLC
Desford Road
Enderby
Leicester
LE19 4AT

# Strategic Report

The directors present their reports and audited financial statements for the 53 week period ended 30 January 2021 (2020: 52 weeks to 25 January 2020).

## Results

Next Group plc was incorporated on 19 December 2017 as a direct, wholly-owned subsidiary of NEXT plc and as an intermediate holding company between NEXT plc and its other subsidiaries (together, the "Group"), as part of a capital reorganisation of the Group. This capital reorganisation was to enable the Group to maintain flexibility to use its long established policy of returning free cash flow to shareholders through share buybacks and special dividends (the "Share Buyback Policy") by creating additional headroom in the Group's distributable reserves.

In the year a warehouse site owned by a fellow Group company – Next Holdings Limited – was transferred to the Company at net book value and then sold and immediately leased back generating a gain of £7.4m and cash proceeds received of £106.4m with a lease term of 26 years.

In the previous year, in order for the Group not to be constrained in the use of its Share Buyback Policy, NEXT plc obtained the requisite consent from each of the bond trustees and each of its lending banks to substitute Next Group plc for itself as the primary obligor under all of its existing debt obligations, including each of the bonds and its bank facilities (the "Substitution"). This Substitution was with effect on and from 31 January 2019 at which time, the bonds became the liability of Next Group plc and they were unconditionally and irrevocably guaranteed by NEXT plc. The nominal value of these bonds was £875m.

The Company has continued with no change in its purpose going forward.

On 26 April 2019 the Company issued a £250m bond with a coupon rate of 3.00% and a maturity date of 26 August 2025.

The loss for the 53 week period, after taxation, amounted to £35.7m (2020: £34.7m loss).

| | *2021* | *2020* |
|---|---|---|
| | *£m* | *£m* |
| Operating profit | 9.6 | nil |
| Loss before tax | 36.4 | 42.8 |
| Net assets | 6,811.3 | 6,847.0 |

The directors consider the results to have been satisfactory – the loss before tax in the year is driven by the interest charge associated with the bonds held by the Company. Next Group Plc is a public company limited by shares.

# Strategic Report (continued)

## Section 172 Statement

This section describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) Companies Act 2006 in exercising their duty to promote the success of the Company for the benefit of its member, NEXT plc.

The Company is a wholly owned subsidiary of NEXT Plc. Its purpose is to provide financing and treasury services to NEXT plc and the wider Next Group. Therefore the Company considers that, indirectly, its key stakeholders reflect those of NEXT plc. As the Company itself has no employees, customers or suppliers, the relationships of direct relevance and importance to the long term success of the Company are those with the Group's providers of debt funding (such as bondholders and banks) and regulators (in particular the tax authorities).

***Relationship and engagement with stakeholders***

*Debt capital/credit facility providers*
The Company relies on its providers of debt funding as an essential source of capital to further the wider Group's business objectives and they rely on us to protect and manage their investment in a responsible and sustainable way that generates value for them.

The Group Finance Director and the Company's Treasury team are responsible for managing the relationships with our bank syndicates, bond trustees and credit rating agencies, and for the Company's cash/debt management and financing activities.

The Group Finance Director provides regular reports to the NEXT Plc Board on these activities including the Company's plans to ensure appropriate access to debt capital, monitoring the headroom and maturity schedules of our primary credit facilities. The Board approves the Company's Treasury Policy annually.

*Tax authorities*
The Company seeks to maintain a constructive and cooperative relationship with the tax authorities and they expect the Company to comply with all applicable laws.

The Company 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. The Company's tax policy is aligned to that of the Group which can be found at nextplc.co.uk, and was reviewed and approved by the Board during the year.

This policy includes that the Company engages with HMRC constructively, honestly and in a timely and professional manner, and seeks to resolve disputed matters through active and transparent engagement. Engagement with HMRC is led by the Company's in-house tax team of qualified tax professionals. The Group CFO provides regular updates to the Board on tax matters.

# Strategic Report (continued)

## Risks and uncertainties

The Board has a policy of continuous identification and review of principal business risks, and oversees risk management. Directors and operational management are delegated with the task of implementing processes to ensure that risks are managed appropriately. The principal risks and uncertainties are described below along with explanations of how they are managed or mitigated:

| Description of risk or uncertainty | How the risk or uncertainty is managed or mitigated |
|---|---|
| **Business strategy development and implementation**<br>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 risk, in order to deliver long term growth for the benefit of Next Group Plc's stakeholders. | The Board reviews business strategy on a regular basis to determine how sales and profit can be maximised, and business operations made more efficient.<br><br>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 product and the financial structure of the Group.<br><br>A detailed plan to manage the Group going forward and its longer term direction of travel exists and is clearly articulated to the Group's stakeholders in our annual and half yearly reports. |
| **Financial, treasury, liquidity and credit risks**<br>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.<br><br>The Company and the wider Group is reliant on the availability of adequate financing from banks and capital markets to meet its liquidity needs.<br><br>The Group is exposed to foreign exchange risk and profits may be adversely affected by unforeseen moves in foreign exchange rates.<br><br>The Company might suffer financial loss if a counterparty with which it has transacted fails and is unable to fulfil its contract. | The Group operate a centralised treasury function which is responsible for managing liquidity, interest and foreign currency risks. It operates under a Board approved Treasury policy. Approved counterparty and other limits are in place to mitigate the Group's exposure to counterparty failure.<br><br>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.<br><br>The events of 2020 led to very significant focus on the Group's liquidity position. The Board continues to keep under review the cash generation levers available to it, including the potential quantum and timescales of initiatives to reduce debt and realise cash. Net debt has been significantly reduced in the year and actions taken have further strengthened the liquidity of the business<br><br>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. |

# Strategic Report (continued)

| Description of risk or uncertainty | How the risk or uncertainty is managed or mitigated |
|---|---|
| **Management of long term liabilities and capital expenditure**<br>Poor management of the Group's longer term liabilities and capital expenditure could jeopardise the long term sustainability of the business. It is important to ensure that the business continues to be responsive and flexible to meet the challenges of a rapidly changing Retail sector. | Our predominantly leased store portfolio is actively managed by senior management, with openings, refits and closures based on strict store profitability and cash payback criteria.<br><br>We undertake regular reviews of lease expiry and break clauses to identify opportunities for exit or renegotiation of commitments. Leases will not be automatically renewed if acceptable terms are not agreed.<br><br>The Board regularly reviews our lease commitments, new store openings and potential store closures.<br><br>We ensure that we make healthy returns on capital employed, commensurate with the risks involved in our sector (in practical terms this means a return of no less than 15% on capital invested).<br><br>Appropriate amortisation accounting policies reduce the risk of unexpected significant write-off. |
| **Covid 19**<br>The spread of Covid 19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time.<br><br>Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.<br><br>Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.<br><br>The performance of Next Group plc is based on the Group's ability to trade safely and in line with government guidance. | Whilst the Group's risk management remains unchanged, the operational, principal and emerging risk landscape has been reassessed in light of the impact of the pandemic on these risks. During the year, detailed reviews have been undertaken by the Board and senior management on the impact of the pandemic. These included the following:<br><br>• Cyber and data security and the impact of home working.<br>• Health and safety.<br>• Financial controls, reporting and fraud and the impact of home working and business disruption.<br>• Regulatory and compliance controls.<br>• Business resilience and liquidity levers.<br>• Lessons learned from the Company's response to the first Covid 19 wave.<br>• Business impact assessment and business continuity.<br><br>In all cases, the outcome of these reviews was reported to the Audit Committee or Board and, where appropriate, controls have been strengthened to help mitigate increased risks. |

## Strategic Report (continued)

By order of the Board

Seonna Anderson

**Seonna Anderson**
Secretary

29 June 2021

# Directors' Report

## Dividends
No dividends were declared in the year (2020: £1,126.8m dividend in specie); the directors do not recommend the payment of a final dividend.

## Directors
The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

Lord Wolfson of Aspley Guise
Amanda James

No director had any interest in the share capital of the Company or of any subsidiary company of NEXT plc. The directors are also directors of NEXT plc, and their own and their connected persons' interests in the ordinary shares of NEXT plc are shown in the financial statements of that company.

## Going concern
The Company's business activities, together with the factors likely to affect its future development, performance, financial risk management and position, including Covid 19, are set out in the Strategic Report.

The Company participates in the Next 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 Next 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 existing debt structure (including the maturity of the £325m Bond in October 2021) 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 53 weeks ended 30 January 2021.

## Outlook
The challenges faced by the Group, and in turn the Company, are complex particularly given the impact of Covid 19. The Company will continue to focus on managing its overall financial position, cash flows and liquidity while providing financing and treasury services to the wider Group.

## Independent auditors
PricewaterhouseCoopers LLP expressed their willingness to continue in office and a resolution proposing their reappointment was passed at the NEXT plc 2021 AGM.

## Corporate Governance
The Company has established internal control and risk management systems in relation to the process for preparing financial statements. The key features of these internal control and risk management systems are:

- Senior management conducts various checks on internal financial controls periodically.
- Senior management regularly monitors and considers developments in accounting regulations and best practice in financial reporting and where appropriate reflects this development in the financial statements. Appropriate briefings and training are provided to key finance personnel on relevant developments in accounting and financial reporting.
- These financial statements are subject to review by the Finance function.
- The Finance function reconciles the financial statements to the management accounts prepared during the year and explains any differences.
- The draft financial statements are prepared by a qualified accountant.

# Directors' Report (continued)

- Senior management reviews the draft financial statements. Senior management receives reports from management and the external auditors on significant judgements, changes in accounting policies, changes in accounting estimates and other pertinent matters relating to the financial statements.
- The financial statements are subject to external audit.

## Statement of disclosure of information to the auditors

In accordance with the provisions of Section 418 of the Companies Act 2006 (the "2006 Act"), each of the persons who is a director at the date of approval of this report confirms that;

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

No donations were made for political purposes.

By order of the Board

Seonna Anderson

**Seonna Anderson**
Secretary

29 June 2021

# Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "*Reduced disclosure framework*", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

# Independent Auditors' Report
**to the Members of Next Group Plc**

# Report on the audit of the financial statements

## Opinion

In our opinion, Next Group Plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 January 2021 and of its loss for the 53 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Reports and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 30 January 2021; the profit and loss account, the statement of comprehensive income and the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee of Next plc.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

## Our audit approach

### Overview

Audit scope
- We have conducted a full scope audit of the entity to materiality disclosed below.

Key audit matters
- Covid 19 pandemic impact

Materiality
- Overall materiality: £91,000,000 (2020: £80,000,000) based on 1% of total assets.
- Performance materiality: £68,000,000.

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

# Independent Auditors' Report

**to the Members of Next Group Plc**

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Covid 19 pandemic impact*<br><br>Refer to Note 2 for Accounting Policies and Note 8 for Investments. The Covid 19 pandemic has had a significant impact on Next plc (the "Group"). Lockdown measures resulted in all retail stores closing between March and June and warehouses closing for a short period of time which had a significant impact on the revenue and profit results of the Group for the first half of FY21. At the date of signing these financial statements, there continues to be some uncertainty of the future impact of Covid 19. Management have considered whether the impact of Covid 19 is an impairment trigger for the investment in subsidiary companies of £8,008m. They have also considered implications for the Company's going concern assessment and appropriate disclosure in the financial statements, by developing downside scenarios to model potential impacts. No impairment triggers were identified with regards to the investments held and no material uncertainty was identified with regards to the going concern assessment. | We considered managements assessment on whether there is an impairment trigger in the year in relation to the investments held. The factors assessed included the Group's forecasted return to pre-pandemic profitability and the market capitalisation of the Group being in excess of the investment value held. Based on the work performed, we concluded that management's assessment that there was no impairment trigger was reasonable. We evaluated the downside scenarios included in management's going concern assessment, including challenging the key assumptions and confirming that mitigating actions are available and within management's control. We observed the operation and performance of the group to be ahead of expectations during lockdowns, specifically its ability to continue trading on line during these periods once initial social distancing measures had been implemented. We found the scenarios, assumptions and mitigating actions to be reasonable and in line with our knowledge of the Company and Group's business and current Covid 19 situation. |

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| *Overall company materiality* | £91,000,000 (2020: £80,000,000). |

| | |
|---|---|
| *How we determined it* | 1% of total assets |
| *Rationale for benchmark applied* | We believe that given the nature of the company that total assets is the most appropriate benchmark in assessing the performance of the entity. |

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £68,000,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee of Next plc that we would report to them misstatements identified during our audit above £4,500,000 (2020: £4,000,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the procedures as described in our Covid 19 pandemic impact key audit matter.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

# Independent Auditors' Report
**to the Members of Next Group Plc**

### Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 30 January 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Directors report, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the listing rules and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to reduce losses and management bias in accounting estimates and judgements.. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit, internal legal counsel and the Next plc Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation or fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- Assessment of matters reported on the Group's whistle-blowing log and the results of management's investigation of such matters;

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Other required reporting

## Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## Appointment

Following the recommendation of the directors, we were appointed by the directors on 18 December 2018 to audit the financial statements for the year ended 26 January 2019 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 26 January 2019 to 30 January 2021.

Andrew Lyon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
29 June 2021

# Profit and Loss Account
**for the 53 week period ended 30 January 2021**

| | Notes | *53 weeks to 30 January 2021 £m* | *52 weeks to 25 January 2020 £m* |
|---|---|---|---|
| **Revenue** | 3 | 4.2 | - |
| Cost of sales | | (1.4) | - |
| **Gross profit** | | 2.8 | - |
| Administrative expenses | | (0.6) | - |
| Other income | 4 | 7.4 | - |
| **Operating profit** | | 9.6 | - |
| Interest receivable and similar income | 5 | 0.4 | - |
| Interest payable and similar expenses | 6 | (46.4) | (42.8) |
| **Loss before taxation** | | (36.4) | (42.8) |
| Tax on loss | 7 | 0.7 | 8.1 |
| **Loss for the financial period** | | (35.7) | (34.7) |

All amounts relate to continuing operations.

# Statement of Comprehensive Income
**for the 53 week period ended 30 January 2021**

There was no other comprehensive income for the period other than the loss of £35.7m (2020: loss £34.7m).

# Balance sheet
**at 30 January 2021**

| | Notes | *30 January 2021 £m* | *25 January 2020 £m* |
|---|---|---|---|
| ***Fixed assets*** | | | |
| Investments | 8 | 8,008.4 | 8,008.4 |
| Right-of-use assets | 9 | 47.1 | - |
| | | 8,055.5 | 8008.4 |
| ***Current assets*** | | | |
| Debtors: | | | |
| Amounts falling due after one year | 10 | 39.4 | 48.4 |
| Amounts falling due within one year | 11 | 607.4 | 133.5 |
| Cash at bank and in hand | 12 | 478.4 | - |
| | | 1,125.2 | 181.9 |
| Creditors: amounts falling due within one year | 13 | (1,437.8) | (171.8) |
| Lease liabilities | 9 | (0.7) | - |
| ***Net current (liabilities) / assets*** | | (313.3) | 10.1 |
| ***Total assets less current liabilities*** | | 7,742.2 | 8,018.5 |
| Creditors: amounts falling due after more than one year | 14 | (837.0) | (1,171.5) |
| Lease liabilities | 9 | (86.3) | - |
| Deferred tax liabilities | | (7.6) | - |
| ***Net assets*** | | 6,811.3 | 6,847.0 |
| ***Capital and reserves*** | | | |
| Called up share capital | 17 | 0.1 | 0.1 |
| Profit and loss account | | 6,811.2 | 6,846.9 |
| ***Total equity*** | | 6,811.3 | 6,847.0 |

The notes on pages 17 to 33 are an integral part of these financial statements.

These financial statements on pages 14 to 33 were approved and authorised for issue by the Board of directors on 29 June 2021

A James

**Amanda James**
Director

Registered in England & Wales, no. 11118708

# Statement of Changes in Equity
**for the 53 week period ended 30 January 2021**

| | *Called up share capital* | *Profit and loss account* | *Total equity* |
|---|---|---|---|
| | *£m* | *£m* | *£m* |
| At 26 January 2019 | 0.1 | 8,008.4 | 8,008.5 |
| Loss and total other comprehensive expense for the period | - | (34.7) | (34.7) |
| Total comprehensive expense for the period | - | (34.7) | (34.7) |
| Non-cash dividend | - | (1,126.8) | (1,126.8) |
| At 25 January 2020 | 0.1 | 6,846.9 | 6,847.0 |
| Loss and total other comprehensive expense for the period | - | (35.7) | (35.7) |
| Total comprehensive expense for the period | - | (35.7) | (35.7) |
| At 30 January 2021 | 0.1 | 6,811.2 | 6,811.3 |

On 31 January 2019 Next Group Plc became the primary obligor under all existing debt obligations from its parent NEXT Plc. The consideration issued in respect of taking on this debt was in the form of a non-cash dividend measured at the fair value of the debt at the date of transfer to Next Group Plc.

# Notes to the Financial Statements
**for the 53 week period ended 30 January 2021**

## 1. General information
Next Group plc was incorporated on 19 December 2017 as a direct, wholly-owned subsidiary of NEXT plc and as an intermediate holding company between NEXT plc and its other subsidiaries.

The company is a public limited company and is wholly incorporated and domiciled in the UK. The address of its registered office is NEXT Plc, Desford Road, Enderby, Leicester, LE19 4AT.

## 2. Accounting policies

***Basis of preparation***
These financial statements were prepared in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. The financial statements are for the 53 weeks to 30 January 2021 and the principal accounting policies adopted are set out below. The accounting policies have been applied consistently, other than where new policies have been adopted.

The Company's financial statements are presented in Pounds Sterling and all values are rounded to the nearest one hundred thousand pounds except where otherwise indicated.

The financial statements contain information about Next Group Plc as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, NEXT plc, a company registered in England and Wales.

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

- 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 (cash flow statement information); and
    - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- 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.
- 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).
- Disclosure requirements of IFRS 7
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs for fair value measurement of assets and liabilities)

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities including the Company's principal risks and uncertainties. The Board also considered the Company and wider Group's current cash position, intercompany balances within the Group, the repayment profile of its existing debt structure (including the maturity of the £325m Bond in October 2021) 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.

# Notes to the Financial Statements

**for the 53 week period ended 30 January 2021**

## 2. Accounting policies (continued)

Having considered these factors the Board is satisfied that the Company 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 53 weeks ended 30 January 2021.

***Investments***

Investments in subsidiary companies and equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost, subject to review for impairment.

***Impairment***

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 loss arises, the asset value is adjusted to its estimated recoverable amount and the difference is recognised in the Profit and Loss Account.

***Trade and other debtors***

Trade and other debtors are amounts due from other Group companies.

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

***Trade and other payables***

Trade and other payables are amounts owed to other Group companies. The classification under IFRS 9 is amortised cost and they are recognised initially at fair value.

***Taxation***

Taxation, comprised of current and deferred tax, is charged or credited to the Profit and Loss Account unless it relates to items recognised in other comprehensive income or directly in equity. In such cases, the related tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax is accounted for using the balance sheet liability method and 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.

***Cash at bank and in hand***

This comprises cash at bank and in hand and short term deposits with an original maturity of three months or less. Amounts held in money market funds are held at fair value through the profit and loss.

***Turnover***

Rental income arising from operating leases on property subleases is recognised on a straight-line basis over the lease term and is included in revenue in the Profit and Loss Account.

# Notes to the Financial Statements
**for the 53 week period ended 30 January 2021**

## 2. Accounting policies (continued)

***Dividend income***

Dividend income is recognised when the Company's right to receive payment is established.

***Financial Instruments***

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

**Financial assets**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as 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 is as follows:

| Financial assets | Classification under IFRS 9 |
|---|---|
| Derivatives not designated as hedging instruments | Fair value through profit or loss |
| Derivatives designated as hedging instruments | Fair value – hedging instrument |
| Customer and other receivables | Amortised cost – hold to collect business model and SPPI met |
| Cash and short term deposits | Amortised cost |
| Money market funds | Fair value through profit or loss |

Under IFRS 9 the Company initially measures a financial asset at 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 Income Statement.

***Subsequent measurement***

A summary of the subsequent measurement of financial assets is set out below.

| | |
|---|---|
| Financial assets at FVPL | Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortised cost | Subsequently measured at amortised cost using the effective interest rate (EIR) method. The amortised cost is reduced by impairment losses. Interest income, impairment or gain or loss on derecognition are recognised in profit or loss. |
| Equity instruments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents recovery of part of the cost of investment, in which case they are recognised in OCI. Other net gains and losses are recognised in OCI and never reclassified to profit or loss. |

# Notes to the Financial Statements

**for the 53 week period ended 30 January 2021**

## 2. Accounting policies (continued)

*Derecognition*

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.

*Impairment – financial assets*

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. The most significant financial assets of the Company are its intercompany receivables, which are referred to as "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.

**Financial liabilities**

*Initial recognition and measurement*

The Company has classified its financial liabilities as follows:

| Financial liabilities | Classification under IFRS 9 |
|---|---|
| Derivatives not designated as hedging instruments | Fair value through profit or loss |
| Derivatives designated as hedging instruments | Fair value – hedging instrument |
| Interest-bearing loans and borrowings: | |
| Corporate bonds | Amortised cost – designated in hedge relationships |
| Bank loans and overdrafts | Amortised cost |
| Trade and other payables at amortised cost | Amortised cost |

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

*Subsequent measurement*

A summary of the subsequent measurement of financial liabilities is set out below.

| | |
|---|---|
| Financial liabilities at FVPL | Subsequently measured at fair value. Gains and losses are recognised in the Income Statement. |
| Loans and borrowings | Subsequently measured at amortised cost using the EIR method. The EIR amortisation is included in finance costs in the Income Statement. |
| Corporate bonds | Subsequently measured at amortised cost and adjusted where hedge accounting applies (see interest rate derivatives). Accrued interest is included within other creditors and accruals. |

*Derecognition*

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

# Notes to the Financial Statements

**for the 53 week period ended 30 January 2021**

## 2. Accounting policies (continued)

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention and ability to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**Other Financial Assets and Liabilities: Derivative Financial Instruments**

Derivative financial instruments ("derivatives") are used to manage risks arising from changes in foreign exchange rates impacting the transactions of the wider Group. 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 exchange and interest rates.

The company does not designate derivative financial instruments held to manage foreign exchange risk within hedge relationships.

***Interest rate derivatives – fair value hedges***

The Company uses interest rate derivatives to hedge part of the interest rate risk associated with the Company's corporate bonds. The carrying values of the relevant bonds are adjusted only for changes in fair value attributable to the interest rate risk being hedged. The adjustment is recognised in the Income Statement and is offset by movements in the fair value of the derivatives.

For fair value hedges relating to items carried at amortised cost, any adjustment to the carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

**Lease Accounting**

***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 term ends and the Company remains within the site on holdover terms, the rental costs associated with this arrangement are recognised in the Income Statement as incurred.

Where a lease is identified the 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.

# Notes to the Financial Statements

**for the 53 week period ended 30 January 2021**

## 2. 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 Company'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 presented as a separate line in the Balance Sheet, split between current and non-current liabilities.

***Lease liability – subsequent measurement***

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

***Lease liability – remeasurement***

The lease liability is remeasured where:

- there is a change in the assessment of exercise of an option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is 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 remeasured by discounting the revised lease payments using a revised discount rate.

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

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

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

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

Where the 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.

# Notes to the Financial Statements
**for the 53 week period ended 30 January 2021**

## 2. Accounting policies (continued)

***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.

***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.

***Sale and leaseback***

A sale and leaseback transaction is where the Company sells an asset and immediately reacquires the use of the asset by entering into a lease with the counterparty. A sale is recognised when control of the underlying asset passes to the counterparty. The asset sold is derecognised and a lease liability and right-of-use asset recognised in relation to the lease. Any gain or loss arising on the transaction is recognised in the Income Statement and relates to the rights transferred to the counterparty.

***The Company as lessor***

The Company enters into lease agreements as a lessor with respect to some of its properties.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**Major sources of uncertainty and judgement**

The directors have not identified any areas of critical accounting estimates or judgements.

# Notes to the Financial Statements

**for the 53 week period ended 30 January 2021**

## 2. Accounting policies (continued)

**New standards, amendments and IFRIC interpretations**

The group has applied the following standards and amendments for the first time in these financial statements:

- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3

The application of these new standards 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 early 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.

## 3. Revenue

| | *2021* *£m* | *2020* *£m* |
|---|---|---|
| Rental income | 4.2 | - |

All of the above income has been generated in the United Kingdom.

## 4. Operating profit

In both the current and prior period the audit fee for the Company of £7,000 is borne by NEXT Plc and not recharged to the Company.

A gain of £7.4m (2020: £nil) was recognised in Other Income in the Profit and Loss Account on the sale and leaseback transaction in the year.

Depreciation charged on right-of-use assets was £1.4m in the period (2020: £nil).

None of the directors, who are the only employees of the Company, received any remuneration for their services as directors of the Company for the period ended 30 January 2021 and for the prior period ended 25 January 2020. The directors are also directors of the ultimate parent company, NEXT plc, and their emoluments for services to the Group are disclosed in the report and financial statements of that company. The directors believe that it is not practicable to apportion their remuneration between qualifying services for this company and other Group companies in which they hold office.

# Notes to the Financial Statements
**for the 53 week period ended 30 January 2021**

## 5. Interest receivable and similar income

| | *2021* *£m* | *2020* *£m* |
|---|---|---|
| Other interest receivable | 0.4 | - |

## 6. Interest payable and similar expenses

| | *2021* *£m* | *2020* *£m* |
|---|---|---|
| Other interest payable | 46.4 | 42.8 |

## 7. Tax on loss

| | *2021* *£m* | *2020* *£m* |
|---|---|---|
| *Current tax:* | | |
| UK corporation and overseas tax on losses of the period | (8.3) | (8.1) |
| Total current tax | (8.3) | (8.1) |
| *Deferred tax:* | | |
| Origination and reversal of temporary differences | 7.6 | - |
| Tax credit reported in the Profit and Loss Account | (0.7) | (8.1) |

The tax rate for the current year varied from the standard rate of corporation tax in the UK due to the following factors:

| | *2021* *£m* | *2020* *£m* |
|---|---|---|
| Loss before taxation | 36.4 | 42.8 |
| Loss multiplied by standard rate of tax in UK of 19% (2020: 19%) | (6.9) | (8.1) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 6.2 | - |
| Tax credit | (0.7) | (8.1) |

*Deferred taxation*

| | *2021* *£m* | *2020* *£m* |
|---|---|---|
| Other temporary differences | 7.6 | - |
| | 7.6 | - |

# Notes to the Financial Statements
**for the 53 week period ended 30 January 2021**

## 7. Tax on loss (continued)

The movement in deferred tax in the year is as follows:

| | *2021* *£m* | *2020* *£m* |
|---|---|---|
| Opening position | - | - |
| Charged to the Profit and Loss Account: | | |
| Other temporary differences | 7.6 | - |
| Closing position | 7.6 | - |

**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 3rd March 2021 the Chancellor confirmed an increase in the main CT rate from 19 to 25 percent with effect from 1st April 2023. The Company's tax expense for the financial year ended 30th January 2021 has not taken into consideration the effect of this increase as the increase was substantively enacted post the balance sheet date.

## 8. Investments

| | *Subsidiary undertakings* *£m* | *Total* *£m* |
|---|---|---|
| *Cost:* | | |
| At 26 January 2020 | 8,008.4 | 8,008.4 |
| At 30 January 2021 | 8,008.4 | 8,008.4 |
| *Amortisation and impairment:* | | |
| At 26 January 2020 | - | - |
| At 30 January 2021 | - | - |
| *Carrying amount:* | | |
| At 30 January 2021 | 8,008.4 | 8,008.4 |

# Notes to the Financial Statements
**for the 53 week period ended 30 January 2021**

## 8. Investments (continued)

A full list of the Company's related undertakings is contained in the table below. Direct holdings are suffixed with an asterisk.

| Company name | Registered office address | % held |
|---|---|---|
| Agratech Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| Belvoir Insurance Company Limited | Maison Trinity, Trinity Square, St Peter Port, GY1 4AT, Guernsey | 100 |
| Brecon Debt Recovery Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| Cairns Limited | 14/F Cityplaza 1, 1111 King's Road, Taikoo Shing, Quarry Bay, Hong Kong | 100 |
| Callscan Inc. | McSwiney, Semple, Hankin-Birke & Wood PC, PO Box 2450, 280 Main Street, New London, NH 03257, USA | 100 |
| Choice Discount Stores Limited | 14–14A Rectory Road, Hadleigh Benfleet, Essex, SS7 2ND, UK | 49 |
| VS Brands Holdings UK Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 51 |
| Intimate Apparel Digital UK Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100[A] |
| Intimate Apparel Retail Ireland Limited | 28-29 Grafton Street, Dublin, 2 D02C953 Ireland | 100[A] |
| Intimate Apparel Retail UK Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100[A] |
| Lipsy Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| LLC Next | 7 Dolgorukovskaya Street, 127006, Moscow, Russian Federation | 100 |
| Next Beauty Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| Next (Asia) Limited | 14/F Cityplaza 1, 1111 King's Road, Taikoo Shing, Quarry Bay, Hong Kong | 100 |
| Next AV s.r.o. | Pribinova 8, 811 09, Bratislava, Slovakia | 100 |
| Next Brand Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| Next Distribution Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| Next-E-NA Portugal, Unipessoal LDA | R. dos Transitários 182 RCH, 4455-565 Matosinhos, Portugal | 100 |
| Next Europe & North Africa Morocco SARL | Jean Jaures SARL, 49 rue Jean Jaurès, Quartier Gauthier, 6ème étage, Apt N° 12, Casablanca, Morocco | 100 |
| Next Europe & North Africa Tunisia SARL | Centre le Millennium, B30, 2046 Sidi Daoud, La Marsa, Tunis | 100 |
| Next Financial Services Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| Next Germany GmbH | C/O BDO AG Wirtschaftsprüfungsgesellschaft, Landaubogen 10, 81373, Munich, Germany | 100 |

# Notes to the Financial Statements
**for the 53 week period ended 30 January 2021**

## 8. Investments (continued)

| Company name | Registered office address | % held |
|---|---|---|
| Next Holdings Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100* |
| Next Holding Wholesale Private Limited | 2nd Floor, Unit No 201, Alpha Hiranandani Gardens, Powai, Mumbai, 400076 India | 100 |
| Next Manufacturing (Pvt) Limited | Phase 1, Ring Road, 2,E.P.Z, Katunayake, Sri Lanka | 100 |
| Next Manufacturing Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| Next Near East Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| Next Pension Trustees Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| Next PK s.r.o. | Rohanské nábreží 671/15, Karlín, Prague 8, 186 00, Czech Republic | 100 |
| Next Procurement (Private) Limited | House No.680, Safari Villas, Sector B Bahria Town, Lahore, Pakistan | 100 |
| Next Properties Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| Next Retail Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| Next Retail (Ireland) Limited | 13–18 City Quay, Dublin 2, D02 ED70, Ireland | 100 |
| Next Sourcing Company Limited | 2nd Floor S.I. Building, No. 93 Preash Sihanouk Blvd, Sangkat Chaktomuk, Khan Daun Penh, Phnom Penh, Cambodia | 100 |
| Next Sourcing (UK) Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| Next Sourcing Limited | 14/F Cityplaza 1, 1111 King's Road, Taikoo Shing, Quarry Bay, Hong Kong | 100 |
| Next Sourcing Limited Shanghai Office | 9F, Building 1, Highstreet loft, No.508 Jiashan Road, Shanghai | 100 |
| Next Sourcing Limited Domestic and/or Foreign Trade Limited Liability Company | Kemankes Karamustafapasa Mahallesi Tophane Iskele Cad. No: 12/5 Beyoglu, Istanbul, Turkey | 100 |
| Next Sourcing Services Limited | Giant Business Tower, Level 4 & 5, Plot #3, Sector-3, Dhaka Mymensingh Road, Uttara Commercial Area, Dhaka, 1230 Bangladesh | 100 |
| Next Sourcing Services (India) Private Limited | 207 Jaina Tower, 1 District Centre, Janakpuri, New Delhi, 110058, India | 100 |
| Next Sourcing VM Limited | 14/F Cityplaza 1, 1111 King's Road, Taikoo Shing, Quarry Bay, Hong Kong | 100 |
| NSL Limited | 14/F Cityplaza 1, 1111 King's Road, Taikoo Shing, Quarry Bay, Hong Kong | 100 |
| Project Norwich Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| Retail Restaurants Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 50 |
| The Next Directory Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| Paige Group Limited (The) | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| Ventura Group Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |
| Ventura Network Distribution Limited | Desford Road, Enderby, Leicester, LE19 4AT, UK | 100 |

* 100% owned by VS Brands Holdings UK Limited

# Notes to the Financial Statements
**for the 53 week period ended 30 January 2021**

## 9. Leases

Right-of-use assets:

| | *2021* *£m* | *2020* *£m* |
|---|---|---|
| Buildings | 47.1 | - |
| | 47.1 | - |

Lease liabilities:

| | *2021* *£m* | *2020* *£m* |
|---|---|---|
| Current | 0.7 | - |
| Non-current | 86.3 | - |
| | 87.0 | - |
| Additions to right-of-use assets | 48.5 | - |

Depreciation charged on right-of-use assets:

| | *2021* *£m* | *2020* *£m* |
|---|---|---|
| Buildings | 1.4 | - |
| | 1.4 | - |

| | *2021* *£m* | *2020* *£m* |
|---|---|---|
| Finance costs on leases | 4.0 | - |

The total cash outflow for leases was £4.1m (2020: £nil).

During the year, the Company entered into a sale and leaseback transaction in respect of a warehouse site. As a result of this transaction the Company received proceeds of £106.4m and recognised a gain of £7.4m within Other Income. The term of the lease on the warehouse site was determined to be 26 years.

## 10. Debtors: amounts falling due after one year

Debtors: amounts falling due after one year consist of interest rate swaps which are used to manage the fixed and floating interest rate risk associated with the corporate bonds.

# Notes to the Financial Statements

**for the 53 week period ended 30 January 2021**

## 11. Debtors: amounts falling due within one year

| | 2021 £m | 2020 £m |
|---|---|---|
| Amount owed by parent undertaking | 553.5 | 86.5 |
| Derivative financial instruments | 40.7 | 34.3 |
| Prepayments | 4.4 | 4.6 |
| Corporation tax receivable | 8.1 | 8.1 |
| Other taxation and social security | 0.7 | - |
| | 607.4 | 133.5 |

Amounts owed by parent and Group undertakings are repayable on demand and no interest is charged on outstanding amounts.

Derivative financial instruments comprise forward contracts, denominated in US Dollars and Euros, which are used to hedge exchange risk arising from the Group's overseas purchases and interest rate swaps which are used to manage the fixed and floating interest rate risk associated with the corporate bonds.

## 12. Cash at bank and in hand

| | 2021 £m | 2020 £m |
|---|---|---|
| Cash at bank and in hand | 91.2 | - |
| Short term deposits | 317.2 | - |
| Money market funds | 70.0 | - |
| | 478.4 | - |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months depending on the cash requirements of the Company and earn interest at short term market deposit rates.

## 13. Creditors: amounts falling due within one year

| | 2021 £m | 2020 £m |
|---|---|---|
| Bank loans and overdrafts | - | 55.0 |
| Amounts owed to other Group undertakings | 1,052.3 | 63.8 |
| Other creditors and accruals | 20.0 | 18.7 |
| Derivative financial instruments | 39.5 | 34.3 |
| Corporate bonds | 326.0 | - |
| | 1,437.8 | 171.8 |

Derivative financial instruments comprise forward contracts, denominated in US Dollars and Euros, which are used to hedge exchange risk arising from the Group's overseas purchases and interest rate swaps which are used to manage the fixed and floating interest rate risk associated with the corporate bonds. Amounts owed to parent and Group undertakings are repayable on demand and no interest is charged on outstanding amounts.

# Notes to the Financial Statements
**for the 53 week period ended 30 January 2021**

## 14. Creditors: amounts falling due after more than one year

| | *2021* *£m* | *2020* *£m* |
|---|---|---|
| Corporate bonds | 837.0 | 1,163.7 |
| Derivative financial instruments | - | 7.8 |
| | 837.0 | 1,171.5 |

Derivative financial instruments consist of interest rate swaps which are used to manage the fixed and floating interest rate risk associated with the corporate bonds.

## 15. Corporate bonds

| | *Balance sheet value* | | *Nominal value* | |
|---|---|---|---|---|
| | *2021* *£m* | *2020* *£m* | *2021* *£m* | *2020* *£m* |
| Corporate bond 5.375% repayable 2021 | 326.0 | 327.0 | 325.0 | 325.0 |
| Corporate bond 3.000% repayable 2025 | 250.0 | 250.0 | 250.0 | 250.0 |
| Corporate bond 4.375% repayable 2026 | 287.0 | 286.7 | 250.0 | 250.0 |
| Corporate bond 3.625% repayable 2028 | 300.0 | 300.0 | 300.0 | 300.0 |
| | 1,163.0 | 1,163.7 | 1,125.0 | 1,125.0 |

# Notes to the Financial Statements
**for the 53 week period ended 30 January 2021**

## 15. Corporate bonds (continued)

The Group uses interest rate derivatives to manage the interest rate risk associated with its listed bonds, the profile of which is shown below:

| | *2021* | | *2020* | |
|---|---|---|---|---|
| | *Nominal value £m* | *Aggregate interest rate* | *Nominal value £m* | *Aggregate interest rate* |
| *2021 bonds* | | | | |
| Fixed | 150.0 | 5.375% | 150.0 | 5.375% |
| Fixed | 50.0 | 5.200% | 50.0 | 5.200% |
| Fixed | 50.0 | 5.150% | 50.0 | 5.150% |
| Fixed | 50.0 | 5.050% | 50.0 | 5.050% |
| Floating | 25.0 | 6m LIBOR + 1.9% | 25.0 | 6m LIBOR + 1.9% |
| | 325.0 | | 325.0 | |
| *2025 bonds* | | | | |
| Fixed | 250.0 | 3.0% | 250.0 | 3.0% |
| *2026 bonds* | | | | |
| Floating | 250.0 | 6m LIBOR +1.4% | 250.0 | 6m LIBOR +1.4% |
| *2028 bonds* | | | | |
| Fixed | 300.0 | 3.625% | 300.0 | 3.625% |
| Total | 1,125.0 | | 1,125.0 | |

## 16. Contingent liability

The Company has entered into cross guarantee arrangements with Barclays Bank plc and HSBC 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.

# Notes to the Financial Statements

**for the 53 week period ended 30 January 2021**

## 17. Called up share capital

| | *Authorised* | | | |
|---|---|---|---|---|
| | *No.* | *2021* | *No.* | *2020* |
| | *'000* | *£m* | *'000* | *£m* |
| Ordinary shares of £1 each | 50 | 0.1 | 50 | 0.1 |

| | *Allotted, called up and fully paid* | | | |
|---|---|---|---|---|
| | *No.* | *2021* | *No.* | *2020* |
| | *'000* | *£m* | *'000* | *£m* |
| Ordinary shares of £1 each | 50 | 0.1 | 50 | 0.1 |

## 18. Ultimate parent company and controlling party

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