DEBENHAMS

www.debenhams.com

20 October 2011

# DEBENHAMS PLC
# FULL YEAR RESULTS 2011
# 53 WEEKS ENDED 3 SEPTEMBER 2011

## FINANCIAL HIGHLIGHTS

- Group gross transaction value (GTV) up 4.5%[1]
- Like-for-like sales up 1.2% including VAT, down 0.3% excluding VAT[2]
- Headline profit before tax up 10.0% to £166.1m[1,3]
- Net debt at 3 September 2011 £383.7m, down £133.1m from a year ago
- Basic earnings per share up 21.3% to 9.1p (2010: 7.5p)[1]
- Final dividend 2.0p; total dividend 3.0p (last year: nil)
- Bank facilities refinanced; duration extended to Oct 2015, interest rate reduced by 0.5%
- Intend to commence share buyback programme in second half of 2012 financial year

## OPERATING HIGHLIGHTS

- Strategic review undertaken by new Chief Executive
- Market share growth in most key categories: women's casualwear, menswear, childrenswear and premium health & beauty
- Strong multi-channel growth; online GTV up 73.8%[1] to £180.4 million
- Excellent performance from Magasin du Nord: EBITDA up 141.1% to £13.5m[4]
- Sales in international franchise stores up 16.5% to £77.0m[1]
- Continued investment in the estate
    - Three new stores opened, creating 350 new jobs; 9 new stores contracted
    - Eleven store modernisations undertaken; 45 more over next 2 years

[1] 53 weeks to 3 September 2011
[2] 52 weeks to 27 August 2011
[3] After adding back amortisation on capitalised bank fees of £5.8m (2010: £5.7m) and exceptional items of £nil (2010: £5.4m)
[4] 2011: 53 weeks to 3 September 2011, 2010: 42 weeks to 28 August 2010

## Michael Sharp, Chief Executive of Debenhams, said:

"Debenhams has had an excellent year with sales and profit before tax both increasing. We have demonstrated the resilience of the department store model by trading well in a challenging market.

"It is right to remain cautious about the strength of consumer confidence over the next 12 months given the uncertain economic outlook. We will therefore continue to run the business with tight management of costs and stocks, retaining as much flexibility as possible in the supply chain to enable us to deal with whatever the market presents. We will take a pragmatic approach to trading and continue to focus on maximising cash profit. Overall we are optimistic about our prospects and believe we have a clear strategy to build the business into a leading international, multi-channel retailer."

## FINANCIAL SUMMARY

| | 2011<br>53 weeks | 2011<br>52 weeks | 2010<br>52 weeks | *Change* |
|---|---|---|---|---|
| Group gross transaction value (GTV) – including Magasin | £2,679.3m | £2,639.5m | £2,564.3m | *+2.9%* |
| Gross transaction value (GTV) – excluding Magasin | £2,432.6m | £2,397.2m | £2,373.2m | *+1.0%* |
| Statutory revenue | £2,209.8m | £2,176.4m | £2,119.9m | *+2.7%* |
| Like-for-like sales (including VAT) | | | | *+1.2%* |
| Like-for-like sales (excluding VAT) | | | | *-0.3%* |
| Gross margin – including Magasin | -20bps | | | |
| Gross margin – excluding Magasin | -20bps | | | |
| Headline profit before tax* | £166.1m | £157.7m | £151.0m | *+4.4%* |
| Reported profit before tax | £160.3m | £151.9m | £139.9m | *+8.6%* |
| Basic earnings per share | 9.1p | 8.6p | 7.5p | *+14.7%* |
| Dividend per share | 3.0p | 3.0p | - | *+3.0p* |

*After adding back amortisation on capitalised bank fees of £5.8m (2010: £5.7m) and exceptional items of £nil (2010: £5.4m)

## CHIEF EXECUTIVE'S STRATEGIC REVIEW

Michael Sharp, Chief Executive of Debenhams, is today setting out the future vision of the business. Our intention is to build on the existing successful strategy and make Debenhams a leading international, multi-channel retailer.

The strategy is focused on four pillars.

### *Focusing on UK retail*

We will be working to improve the performance of the 45 UK core stores ahead of modernisation, all of which will be undertaken during the next two years. We will also seek to open new stores in target locations and continue to believe there is potential for up to 240 department stores in the UK. One new store will open in 2012 and a further nine are contracted.

### *Delivering a compelling customer proposition*

Our focus will be on the brand and product strategy, instore execution and communicating the proposition. Designers at Debenhams will continue to be a real point of difference and the cornerstone of our brand strategy. Our core brands will remain important as they provide the lower and middle components of our price architecture. International and concession brands will complement the own brand offer. Raising our standards of instore execution will focus on visual merchandising and product presentation. In terms of communication, we will be taking a more joined up approach to marketing which uses both traditional and new media.

### *Increasing availability and choice through multi-channel*

Multi-channel helps us to satisfy demand not currently being met and to offer customers more choice in terms of products and ways to shop. We are developing ways to increase availability in all stores and online for products which are out of stock and in smaller stores for products which are not ranged. We are adding new online only brands and product categories. Our range of ways to shop is continuing to expand, particularly in the areas of mobile, recently expanded by the launch of a fully mobile website and an iPad app, and instore ordering, where we have almost finished installing new generation kiosks on every floor of every store.

### *Expanding the business internationally*

We will continue to use our successful approach of international franchise stores in distant and emerging markets, owned assets – such as Magasin – closer to home and online delivery to an increasing number of countries worldwide. We expect to double the current number of 65 franchise stores over the next five years. Acquisitions remain on the agenda: we will continue to assess each relevant opportunity with the same financial discipline we have displayed in the past.

## REVIEW OF THE YEAR

**Note:** the 2011 financial year comprised the 53 weeks to 3 September 2011 and the following review uses this basis unless stated otherwise. It also uses like-for-like sales comparisons for the 52 weeks to 27 August 2011 where management believes that this better reflects the underlying performance of the business.

## *OPERATING REVIEW*

### *Market share*

We continued to gain market share in most key categories. Our position in the premium health and beauty market strengthened further during the year, growing by 130 basis points (source: NPD 52 weeks to August 2011) to 28.5%. Our total fashion value share increased by 10 basis points. Women's casualwear – one of the key areas which we had targeted for share growth – grew by 20 basis points. Menswear increased by 10 basis points and childrenswear by 20 basis points (source: Kantar Worldpanel Fashion, 52 weeks to 4 September 2011 vs. 2010).

### *Own bought sales*

Own bought product ranges continued to perform well. The own bought sales mix increased from 80.2% in 2010 to 80.4% in 2011 (excluding Magasin). Designers at Debenhams sales increased by 5.3% to £523.9 million. Overall, own bought sales (excluding Magasin) increased by 2.9% over the previous year. New ranges introduced in 2011 included Edition, a fresh new concept for Designers at Debenhams which is investing in some of the best young British designers, namely Jonathan Saunders, Preen, Roksanda Ilincic and Jonathan Kelsey. A new range by Julien Macdonald, Diamond, was launched in womenswear and J Jeans by Jasper Conran in menswear.

### *Concession sales*
Concession ranges began to perform better in 2011 following several years of weak performance in some areas. Overall, concession sales increased by 1.1% versus last year (excluding Magasin). The Jane Norman concession agreement was terminated in July following the business going into administration. This store space is being reallocated to own bought ranges and a number of new concessions with a view to continuing to meet the needs of Jane Norman customers.

### *Magasin du Nord*
2011 was our first full year of ownership of Magasin du Nord which was acquired in November 2009. Gross transaction value increased in 2011 by 29.1% to £246.7 million (53 weeks in 2011 compared with 42 weeks in 2010). Like-for-like sales increased by 6.3% on a Danish kroner basis and by 4.8% on a sterling basis for the 42 weeks to 27 August 2011. Gross margin increased by 200 basis points as Magasin continued to benefit from higher own bought sales and better buying terms through leveraging the Debenhams supply chain. EBITDA increased by 141.1% to £13.5 million meaning the business was acquired on an EV/EBITDA ratio of less than one times.

### *Online*
The multi-channel business delivered another year of outstanding sales growth. Management believes that online sales are a good indicator of growth in multi-channel as it is the largest non-store sales channel. Online gross transaction value increased by 73.8% to £180.4 million and contributed 7.4% of total GTV excluding Magasin (2010: 4.4%). Online like-for-like sales for the 52 week period increased by 71.9%. New multi-channel developments during 2010 include the launch of mobile shopping through apps for the iPhone, Nokia and Android, which have so far been downloaded 650,000 times between them, and a mobile website at m.debenhams.com. We are installing new generation self-service kiosks in all stores which improve both ranging and availability, as a result we have effectively doubled the range of products available in an average Debenhams store and increased it by five times in a small store.

### *New stores*
The store estate at the end of the year comprised 169 stores in total of which 163 are in the UK and Republic of Ireland with six Magasin du Nord stores in Denmark. Three new stores opened during 2011 in Bath (opened September 2010), Wakefield (opened May 2011) and Fareham (opened June 2011). In total these stores added 177,000 sq ft of trading space. The new stores performed ahead of or in line with our expectations. One new store is scheduled to open in 2012. Further out, the store pipeline consists of nine contracted stores, the first of which in Chesterfield will open in 2013, and nearly 30 more possible new stores under discussion.

### *Store modernisations*
Eleven store modernisations were undertaken during the year with five were completed during the first half. Six commenced in the second half and were completed in the early weeks of the 2012 financial year. We are pleased with the post-modernisation performance of these stores. Today we are announcing a commitment to modernise the remaining 45 core stores over the next two years, starting with 20 stores in 2012. The Oxford Street flagship store will be modernised in 2013 once the head office relocation has been completed.

### *International franchise stores*

Gross transaction value for the international franchise stores increased by 16.5% to £77.0 million during the year. Four new stores opening during the course of the year taking the total at year end to 64 in 25 countries. Two new markets were entered during the year, Armenia and Hungary. One store in the Philippines has opened since the end of the year taking the total to 65.

### *Supply Chain, Pricing and Stocks*

There was significant pressure in the supply chain during 2011 as our buying teams faced substantial increases in commodity prices. The most significant was for cotton: the calendar year average in 2011 so far is 175.2 cents/pound compared with 105.4 cents/pound in 2010 and 62.75 cents/pound in 2009 (source: National Cotton Council of America "A" Index). Action was taken to minimise average retail prices increases including: realigning range architecture; changing pack sizes; and re-sourcing some products from lower cost countries. As a result of this work, we were able to keep price increases for spring summer 2011 to c.4% (including the impact of higher VAT). Stock levels were managed very tightly given the general economic uncertainty and the likely impact on volumes of higher prices. Like-for-like stock unit density fell by 2.6%. Terminal stock at year end of 2.6% was approaching an all-time low.

## *FINANCIAL REVIEW*

### *Sales, Margins and Profits*

Gross transaction value for the Group for 53 weeks to 3 September 2011 of £2,679.3 million increased by 4.5% over the previous year. For the 52 weeks to 27 August 2011, Group gross transaction value grew by 2.9% to £2,639.5 million. Excluding Magasin du Nord, gross transaction value increased by 2.5% and 1.0% for the 53 and 52 week periods respectively.

Revenue for the 53 week period was £2,209.8 million, 4.2% higher than last year. On a 52 week basis, revenue increased by 2.7% to £2,176.4 million.

Like-for-like sales increased by 1.2% during the 52 week period including VAT and were down slightly by 0.3% excluding VAT. This was a good result given the difficult economic environment and the disruption to sales from the adverse winter weather across the UK in November and December.

Group gross margin fell marginally by 20 basis points during the year on a 53 week comparison. This was partly a result of a decision to maximise cash profit by driving sales during the second half of the year and partly to some one-off benefits in last year's figure as result of the acquisition of the Faith footwear brand. Excluding Magasin, gross margin was also 20 basis points lower than last year.

Headline profit before tax for the year, which adds back amortisation of capitalised bank fees and exceptionals, for the 53 week year increased by 10.0% from £151.0 million to £166.1 million. The fifty third week of the year accounted for £8.4 million of headline profit before tax. Reported profit before tax rose by 14.6% to £160.3 million from £139.9 million.

Basic earnings per share for 2011 were 9.1 pence (2010: 7.5 pence) and diluted earnings per share were also 9.1 pence (2010: 7.5 pence).

### *Costs*
Close management of the cost base continued throughout the year. Total operating costs increased by 5.3% compared with the previous year. This includes dual running costs of c.£10 million associated with the new distribution centre at Sherburn in Yorkshire. We continue to expect dual running costs of c.£10 million in the 2012 financial year.

### *Interest*
Interest fell from £49.8 million in 2010 to £23.4 million in 2011. This was largely due to the reduction in net debt and the lower interest rates following the refinancing of the Group's senior credit facility.

### *Taxation*
Taxation increased to £43.1 million in 2011 from £42.9 million in 2010. The effective tax rate was 26.9% compared with 30.7% last year. The lower effective tax rate is largely due to reductions in the headline rate of corporation tax (accounting for 1.3% of the 3.8% nominal decrease) and the net effect of overseas operations (a further 2.4%). The effective rate for 2012 is expected to decrease further to around 25%.

### *Cash flow*
Once again the business was strongly cash generative, generating £267.6 million from operating activities and free cash flow before dividends of £103.0 million during the year.

### *Capital Investment*
We are continuing to invest in the future of Debenhams. Capital investment of £114.0 million was made in 2011, up from £98.8 million in 2010. The increase was largely due to investment in support of the multi-channel business, principally systems investment and the new Sherburn DC, along with the acceleration of the store modernisation programme. Capital investment in 2012 is expected to be in the region of £120 million.

### *Balance Sheet Management*
Net debt has continued to fall, ending the year at £383.7 million, a reduction of £133.1 million from the start of the current financial year. The leverage ratio (calculated as net debt divided by EBITDA) fell from 1.8 times to 1.4 times over the course of the year.

On 30 November 2010, the Group repaid £150 million of debt, cancelling its existing £806 million bank facility and drawing the £650 million forward start facility which had been negotiated in July 2010. The new facility includes a £250 million term loan and a £400 million revolving credit facility that enhances the Group's ability to manage working capital efficiently and minimise interest costs of borrowings held alongside surplus cash. On 18 July 2011 a further refinancing of the credit facility was announced which extended its duration from October 2013 to October 2015 with an option to extend further to October 2016. The refinancing also reduced the cash interest rate from c.4.5% to c.4.0% with effect from 18 July 2011.

During the year, the Group cancelled long leases on nine stores and at the same time entered into new sale and operating lease contracts on those stores. The combination of the cancellation of the existing finance leases and the new sale and operating lease transactions generated a net cash inflow of £36.6 million and reduced net debt by £79.2 million.

### *Dividend*

Following reinstatement of the dividend in April 2011, the board has proposed a final dividend of 2.0 pence per share (2010: nil). This will result in a total dividend for the year of 3.0 pence and reflects the board's target dividend cover of three times earnings. The ex-dividend date is 7 December 2011. The dividend will be paid to shareholders on the register as at 9 December 2011 on 13 January 2012.

The board sees little benefit in reducing leverage further than a level approaching 1.0 times EBITDA. In this context our plan for cash generated is first to invest in the business to achieve our aim of being a leading international, multi-channel retailer but secondly to look to return funds to shareholders. Having reinstated the dividend earlier this year, we expect to grow it broadly in line with earnings. As we get closer to leverage of 1.0 times EBITDA it is the board's intention to return surplus funds to shareholders through a programme of share repurchases. The board intends to commence this in the second half of the 2012 financial year.

## OUTLOOK

It is clearly right to remain cautious about the strength of consumer confidence over the next 12 months given the uncertain economic outlook. We will therefore continue to run the business with tight management of costs and stocks, retaining as much flexibility as possible in the supply chain to enable us to deal with whatever the market presents. We will take a pragmatic approach to trading and continue to focus on maximising cash profit. Overall we are optimistic about our prospects and believe that we have a clear strategy for growth and to meet our aim of being a leading international, multi-channel retailer.

## BOARD OF DIRECTORS

Michael Sharp was appointed Chief Executive of Debenhams on 5 September 2011 following Rob Templeman's retirement.

The board of directors as at 20 October 2011 is as follows: Nigel Northridge (Chairman), Michael Sharp (Chief Executive), Chris Woodhouse (Finance Director), Adam Crozier (non-executive director), Martina King (non-executive director), Dennis Millard (senior non-executive director), Mark Rolfe (non-executive director) and Sophie Turner Laing (non-executive director).

### Presentation

A presentation for analysts and investors will be held today (Thursday 20 October 2011) at 9:00am UK time at the Ground Floor Auditorium, Bank of America Merrill Lynch, 2 King Edward Street, London EC1A 1HQ. The presentation will be webcast at www.debenhamsplc.com.

## Enquiries

### *Analysts and Investors*

| | |
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### *Media*

| | |
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High resolution images are available for media to view and download free of charge from www.prshots.com/Debenhams.

## Notes to Editors

Debenhams is an iconic British department store group which was established over 200 years ago. Debenhams has a strong presence in key product categories including womenswear, menswear, childrenswear, health and beauty and home and offers its customers a unique and differentiated mix of exclusive own bought brands including Designers at Debenhams, international brands and concessions.

Debenhams has 169 stores in the UK, the Republic of Ireland and Denmark as well as 65 international franchise stores in 25 countries.  Debenhams products are also available online at www.debenhams.com and www.debenhams.ie and through iPhone, Android and Nokia apps.

Designers at Debenhams include Ted Baker, Jeff Banks, Jasper Conran, Erickson Beamon, FrostFrench, Henry Holland, Roksanda Ilincic, Betty Jackson, Jonathan Kelsey, Ben de Lisi, Julien Macdonald, Melissa Odabash, Jane Packer, Pearce Fionda, Preen, Janet Reger, John Rocha, Jonathan Saunders, Lisa Stickley, Eric Van Peterson and Matthew Williamson.

*Statements made in this announcement that look forward in time or that express management's beliefs, expectations or estimates regarding future occurrences and prospects are "forward-looking statements" within the meaning of the United States federal securities laws.  These forward-looking statements reflect Debenhams' current expectations concerning future events and actual results may differ materially from current expectations or historical results. Neither the content of the Company's website nor the content of any website accessible from hyperlinks on the Company's website (or any other website) is (or is deemed to be) incorporated into or forms (or is deemed to form) part of this announcement.*

# Consolidated Income Statement
For the 53 weeks ended 3 September 2011

| | Note | **53 weeks ended 3 September 2011 £m** | 52 weeks ended 28 August 2010 £m |
|---|---|---|---|
| **Revenue** | 2 | **2,209.8** | 2,119.9 |
| Cost of sales | | **(1,913.1)** | (1,838.9) |
| Analysed as: | | | |
| Cost of sales before exceptional items | | **(1,913.1)** | (1,829.5) |
| Exceptional cost of sales | 4 | **-** | (9.4) |
| **Gross profit** | | **296.7** | 281.0 |
| Distribution costs | | **(70.2)** | (55.1) |
| Administrative expenses | | **(42.8)** | (43.0) |
| Analysed as: | | | |
| Administrative expenses before exceptional items | | **(42.8)** | (40.2) |
| Exceptional administrative expenses | 4 | **-** | (2.8) |
| Other exceptional income | 4 | **-** | 6.8 |
| **Operating profit** | | **183.7** | 189.7 |
| Analysed as: | | | |
| Operating profit before exceptional items | | **183.7** | 195.1 |
| Exceptional items | 4 | - | (5.4) |
| Finance income | 5 | **3.9** | 6.7 |
| Finance costs | 6 | **(27.3)** | (56.5) |
| **Profit before taxation** | | **160.3** | 139.9 |
| Taxation | 7 | **(43.1)** | (42.9) |
| Analysed as: | | | |
| Taxation before exceptional items | | **(43.1)** | (44.6) |
| Taxation credit on exceptional items | | **-** | 1.7 |
| **Profit for the financial period attributable to equity shareholders** | | **117.2** | 97.0 |

**Earnings per share attributable to the equity shareholders**

| | | **Pence per share** | Pence per share |
|---|---|---|---|
| Basic | 9 | **9.1** | 7.5 |
| Diluted | 9 | **9.1** | 7.5 |

The notes on pages 14 to 19 form an integral part of this condensed consolidated interim financial information.

# Consolidated Statement of Comprehensive Income

For the 53 weeks ended 3 September 2011

| | Note | **53 weeks ended 3 September 2011 £m** | 52 weeks ended 28 August 2010 £m |
|---|---|---|---|
| **Profit for the financial year** | | **117.2** | 97.0 |
| **Other comprehensive income/(expense)** | | | |
| Actuarial gains/(losses) recognised in the pension schemes | | **75.8** | (37.1) |
| Deferred tax movement on actuarial gains/(losses) | | **(22.5)** | 7.8 |
| Current tax movement on the pension schemes | | **2.1** | - |
| Sale of available-for-sale investments | | **(2.0)** | - |
| Change in the value of available-for-sale investments | | **(0.2)** | (1.0) |
| Currency translation differences | | **4.3** | (6.8) |
| Cash flow hedges | | | |
| - fair value (losses)/gains | | **(15.7)** | 24.0 |
| - tax on fair value (losses)/gains | | **3.9** | (6.5) |
| - reclassified and reported in net profit | | **4.7** | 6.8 |
| - tax on items reclassified and reported in net profit | | **(1.2)** | (1.9) |
| - recycled and adjusted against cost of sales | | **1.8** | (4.3) |
| - tax on amounts recycled against cost of sales | | **(0.5)** | 1.2 |
| **Total other comprehensive income/(expense)** | | **50.5** | (17.8) |
| **Total comprehensive income for the year** | | **167.7** | 79.2 |

The notes on pages 14 to 19 form an integral part of this condensed consolidated interim financial information.

# Consolidated Balance Sheet

As at 3 September 2011

| | Note | 3 September 2011 £m | 28 August 2010 £m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | | **858.1** | 846.2 |
| Property, plant and equipment | | **634.6** | 676.1 |
| Available-for-sale investments | | **2.6** | 7.8 |
| Derivative financial instruments | | **1.4** | 0.9 |
| Other receivables | | **18.3** | 17.2 |
| Retirement benefit assets | | **3.9** | - |
| Deferred tax assets | | **75.7** | 92.0 |
| | | **1,594.6** | 1,640.2 |
| **Current assets** | | | |
| Inventories | | **321.3** | 295.3 |
| Trade and other receivables | | **72.1** | 73.4 |
| Derivative financial instruments | | **1.2** | 8.9 |
| Cash and cash equivalents | | **29.0** | 69.5 |
| | | **423.6** | 447.1 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Bank overdraft and borrowings | | **(168.1)** | (545.7) |
| Derivative financial instruments | | **(8.5)** | (1.8) |
| Trade and other payables | | **(489.1)** | (494.2) |
| Current tax liabilities | | **(43.7)** | (37.5) |
| Provisions | | **(6.2)** | (4.4) |
| | | **(715.6)** | (1,083.6) |
| **Net current liabilities** | | **(292.0)** | (636.5) |
| **Non-current liabilities** | | | |
| Bank overdraft and borrowings | | **(244.6)** | (40.6) |
| Derivative financial instruments | | **(4.2)** | (7.5) |
| Deferred tax liabilities | | **(74.1)** | (83.8) |
| Other non-current liabilities | | **(318.9)** | (285.7) |
| Provisions | | **(1.2)** | (2.0) |
| Retirement benefit obligations | | **-** | (80.7) |
| | | **(643.0)** | (500.3) |
| **NET ASSETS** | | **659.6** | 503.4 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | | **0.1** | 0.1 |
| Share premium account | | **682.9** | 682.9 |
| Merger reserve | | **1,200.9** | 1,200.9 |
| Reverse acquisition reserve | | **(1,199.9)** | (1,199.9) |
| Hedging reserve | | **(6.2)** | 0.8 |
| Other reserves | | **(3.1)** | (5.2) |
| Retained earnings | | **(15.1)** | (176.2) |
| **TOTAL EQUITY** | | **659.6** | 503.4 |

The notes on pages 14 to 19 form an integral part of this condensed consolidated interim financial information.

# Consolidated Statement of Changes in Equity

As at 3 September 2011

| | Share capital and share premium £m | Merger reserve £m | Reverse acquisition reserve £m | Hedging reserve £m | Other reserve £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|---|---|
| **Balance at 29 August 2009** | 683.0 | 1,504.7 | (1,199.9) | (18.5) | 2.6 | (546.6) | 425.3 |
| Profit for the financial year | - | - | - | - | - | 97.0 | 97.0 |
| Actuarial losses on pension schemes | - | - | - | - | - | (37.1) | (37.1) |
| Deferred tax movement on actuarial losses | - | - | - | - | - | 7.8 | 7.8 |
| Change in the value of available-for-sale investments | - | - | - | - | (1.0) | - | (1.0) |
| Currency translation differences | - | - | - | - | (6.8) | - | (6.8) |
| Cash flow hedges | | | | | | | |
| - fair value gains (net of tax) | - | - | - | 17.5 | - | - | 17.5 |
| - reclassified and reported in net profit (net of tax) | - | - | - | 4.9 | - | - | 4.9 |
| - recycled and adjusted against the cost of inventory (net of tax) | - | - | - | (3.1) | - | - | (3.1) |
| **Total comprehensive income and expense for the financial year** | **-** | **-** | **-** | **19.3** | **(7.8)** | **67.7** | **79.2** |
| Share based payment charge | - | - | - | - | - | 1.3 | 1.3 |
| Redemption of preference shares | - | (303.8) | - | - | - | 303.8 | - |
| Discount arising on repurchase of term loan facility (net of tax) | - | - | - | - | - | (2.4) | (2.4) |
| **Total transactions with owners** | **-** | **(303.8)** | **-** | **-** | **-** | **302.7** | **(1.1)** |
| **Balance at 28 August 2010** | **683.0** | **1,200.9** | **(1,199.9)** | **0.8** | **(5.2)** | **(176.2)** | **503.4** |
| Profit for the financial year | - | - | - | - | | 117.2 | 117.2 |
| Actuarial gain on pension schemes | - | - | - | - | - | 75.8 | 75.8 |
| Deferred tax movement on pension schemes | - | - | - | - | - | (22.5) | (22.5) |
| Current tax movement on pension schemes | - | - | - | - | - | 2.1 | 2.1 |
| Sale of available-for-sale investments | - | - | - | - | (2.0) | - | (2.0) |
| Change in the value of available-for-sale investments | - | - | - | - | (0.2) | - | (0.2) |
| Currency translation differences | - | - | - | - | 4.3 | - | 4.3 |
| Cash flow hedges | | | | | | | |
| - fair value (losses)/gains (net of tax) | - | - | - | (11.8) | - | - | (11.8) |
| - reclassified and reported in net profit (net of tax) | - | - | - | 3.5 | - | - | 3.5 |
| - recycled and adjusted against the cost of inventory (net of tax) | - | - | - | 1.3 | - | - | 1.3 |
| **Total comprehensive income and expense for the financial year** | **-** | **-** | **-** | **(7.0)** | **2.1** | **172.6** | **167.7** |
| Share based payment charge | - | - | - | - | - | 1.4 | 1.4 |
| Dividend paid in the period | - | - | - | - | - | (12.9) | (12.9) |
| **Total transactions with owners** | **-** | **-** | **-** | **-** | **-** | **(11.5)** | **(11.5)** |
| **Balance at 3 September 2011** | **683.0** | **1,200.9** | **(1,199.9)** | **(6.2)** | **(3.1)** | **(15.1)** | **659.6** |

The notes on pages 14 to 19 form an integral part of this condensed consolidated interim financial information.

# Consolidated Cash Flow Statement
For the 53 weeks ended 3 September 2011

| | Note | **53 weeks ended 3 September 2011 £m** | 52 weeks ended 28 August 2010 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 10 | **267.6** | 299.2 |
| Finance income | | **6.7** | 2.7 |
| Finance costs | | **(26.3)** | (49.6) |
| Tax paid | | **(48.6)** | (44.1) |
| Transaction costs on acquisition of Magasin | | **-** | (1.0) |
| **Net cash generated from operating activities** | | **199.4** | 207.2 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(94.3)** | (78.5) |
| Purchase of intangible assets | | **(19.7)** | (11.2) |
| Proceeds from sale of property, plant and equipment | | **-** | 0.2 |
| Proceeds from sale of available-for-sale investment | | **5.0** | - |
| Proceeds from sale of finance lease | | **12.6** | - |
| Acquisition of subsidiary net of cash acquired | | **-** | (9.1) |
| **Net cash used in investing activities** | | **(96.4)** | (98.6) |
| **Cash flows from financing activities** | | | |
| Repayment of term loan facility | | **(548.6)** | (159.7) |
| Repurchase of term loan facility | | **-** | (52.3) |
| Draw-down of new facility | | **415.0** | - |
| Share issue costs | | **-** | (4.7) |
| Dividends paid | | **(12.9)** | - |
| Finance lease payments | | **(0.1)** | (0.5) |
| Debt issue costs | | **(4.1)** | (10.1) |
| **Net cash used in financing activities** | | **(150.7)** | (227.3) |
| **Net decrease in cash and cash equivalents** | | **(47.7)** | (118.7) |
| Cash and cash equivalents at beginning of financial year | | **69.5** | 188.2 |
| Foreign exchange gains on cash and cash equivalents | | **1.0** | - |
| **Net cash and cash equivalents at end of financial year** | 11 | **22.8** | 69.5 |

The notes on pages 14 to 19 form an integral part of this condensed consolidated interim financial information.

## 1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union and those parts of the Companies Act 2006 applicable to those companies reporting under IFRS.

The consolidated financial statements have been prepared on the basis of the accounting policies set out in the financial statements of Debenhams plc for the 53 weeks ended 3 September 2011. Accounting policies have been consistently applied.

The financial information set out in this document does not constitute the statutory accounts of the Group for the years ended 3 September 2011 and 28 August 2010 but is derived from the 2011 annual report and financial statements. The annual report and financial statements for 2010, which were prepared under IFRS, have been delivered to the Registrar of Companies and the Group annual report and financial statements for 2011, prepared under IFRS, will be delivered to the Registrar of Companies in due course. The auditors have reported on those accounts and have given an unqualified report which does not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

## 2 Gross transaction value

Revenue from concession and consignment sales is required to be shown on a net basis, being the commission received rather than the gross value achieved on the sale. Management believes that gross transaction value, which presents revenue on a gross basis before adjusting for concessions, consignments, staff discounts and the cost of loyalty scheme points, represents a good guide to the overall activity of the Group.

| | **3 September 2011 £m** | 28 August 2010 £m |
|---|---|---|
| **Gross transaction value** | **2,679.3** | 2,564.3 |

## 3 Segmental information

IFRS 8 “Operating Segments” requires disclosure of the operating segments which are reported to the Chief Operating Decision Maker (“CODM”). The CODM has been identified as the executive management board, which includes the executive directors and other key management. It is the executive management board that has responsibility for planning and controlling the activities of the Group.

The Group’s reportable segment has been identified as Retail. The operating segment Magasin is not a reportable segment as it does not exceed 10 per cent of Group revenues, profits or gross assets; however, this information has been presented voluntarily within the segmental analysis below as it is regularly provided to the CODM. The segments are reported to the CODM to operating profit level, using the same accounting policies as applied to the Group accounts. No analysis has been provided of the assets and liabilities of each operating segment as this information is not regularly provided to the CODM within the monthly operating pack.

**Segmental analysis of results**

| | Retail £m | Magasin £m | Total £m |
|---|---|---|---|
| **53 weeks ended 3 September 2011** | | | |
| **Gross transaction value** | **2,432.6** | **246.7** | **2,679.3** |
| Concessions, consignments, staff discounts and loyalty schemes | **(359.7)** | **(109.8)** | **(469.5)** |
| **External revenue** | **2,072.9** | **136.9** | **2,209.8** |
| **Operating profit before exceptional items** | **175.2** | **8.5** | **183.7** |
| **Other segment items** | | | |
| -Depreciation | **79.5** | **4.0** | **83.5** |
| -Amortisation of intangible assets | **7.6** | **0.9** | **8.5** |
| **Year ended 28 August 2010** | | | |
| **Gross transaction value** | 2,373.2 | 191.1 | 2,564.3 |
| Concessions, consignments, staff discounts and loyalty schemes | (356.9) | (87.5) | (444.4) |
| **External revenue** | 2,016.3 | 103.6 | 2,119.9 |
| **Operating profit before exceptional items** | 193.6 | 1.5 | 195.1 |
| Exceptional items | (3.6) | (1.8) | (5.4) |
| **Operating profit/(loss) after exceptional items** | 190.0 | (0.3) | 189.7 |
| **Other segment items** | | | |
| -Depreciation | 82.0 | 2.9 | 84.9 |
| -Amortisation of intangible assets | 8.3 | 1.0 | 9.3 |

Revenues analysed by country, based on the customer's location, are set out below:

| | **3 September 2011 £m** | 28 August 2010 £m |
|---|---|---|
| United Kingdom | **1,851.8** | 1,799.8 |
| Republic of Ireland | **144.1** | 150.4 |
| Denmark | **136.9** | 103.6 |
| Rest of world | **77.0** | 66.1 |
| **Total** | **2,209.8** | 2,119.9 |

Non-current assets, which comprise intangible assets, property, plant and equipment and other receivables analysed by country, are set out below:

| | **3 September 2011 £m** | 28 August 2010 £m |
|---|---|---|
| United Kingdom | **1,436.6** | 1,469.6 |
| Republic of Ireland | **39.2** | 40.8 |
| Denmark | **35.2** | 29.1 |
| **Total** | **1,511.0** | 1,539.5 |

## 4 Exceptional items

There were no exceptional items in the 53 weeks to 3 September 2011.

Exceptional items charged in the 52 weeks ended 28 August 2010 comprise the following (the operating segment of each item is shown in brackets):

| | Note | 28 August 2010 |
|---|---|---|
| **Exceptional cost of sales** | | |
| Restructuring costs (Retail) | A | (9.4) |
| **Exceptional administrative expenses** | | |
| Restructuring costs (Magasin) | B | (1.8) |
| Costs on acquisition of Magasin (Retail) | C | (1.0) |
| | | (2.8) |
| **Other exceptional income** | | |
| Bargain purchase credit – Acquisition of Magasin (Retail) | | 6.8 |
| **Net exceptional items** | | **(5.4)** |

a Restructuring costs included in cost of sales represents the amount incurred for redundancies within the Republic of Ireland.

b Restructuring costs recognised in administrative expenses represents the amount incurred in respect of restructuring costs in Magasin.

c The total of the directly attributable transaction costs on the acquisition of Magasin included in exceptional administrative expenses is £1.0 million.

## 5 Finance income

| | **3 September 2011 £m** | 28 August 2010 £m |
|---|---|---|
| Interest on bank deposits | **0.6** | 2.9 |
| Discount arising on debt repurchase | **-** | 3.8 |
| Other financing income | **3.3** | - |
| | **3.9** | 6.7 |

## 6 Finance costs

| | **3 September 2011 £m** | 28 August 2010 £m |
|---|---|---|
| Bank loans and overdrafts | **16.2** | 41.7 |
| Cash flow hedges reclassified and reported in net profit | **4.7** | 6.8 |
| Amortisation of issue costs on loans | **5.8** | 5.7 |
| Interest payable on finance leases | **-** | 2.3 |
| Other financing charges | **0.6** | - |
| | **27.3** | 56.5 |

## 7 Taxation

| **Analysis of tax charge in the financial year** | **3 September 2011 £m** | 28 August 2010 £m |
|---|---|---|
| **Current tax:** | | |
| UK corporation tax charge on profit for the year | **58.4** | 47.5 |
| Adjustments in respect of prior periods | **(1.6)** | (0.2) |
| **Current tax expense** | **56.8** | 47.3 |
| **Deferred taxation:** | | |
| Origination and reversal of timing differences | **(13.0)** | (6.3) |
| Pension cost relief in excess of pension charge | **0.2** | 0.6 |
| Adjustments in respect of prior periods | **(0.9)** | 1.3 |
| **Deferred tax credit** | **(13.7)** | (4.4) |
| **Tax charge for the financial year** | **43.1** | 42.9 |

## 8 Dividends

An interim dividend of 1.0 pence per share (2010: nil) was paid during the year. The directors are proposing a final dividend in respect of the 53 weeks ended 3 September 2011 of 2.0 pence per share (2010: nil), which will absorb an estimated £25.7 million (2010: nil) of shareholders' funds. It will be paid on 13 January 2012 to shareholders who are on the register of members at close of business on 9 December 2011. No liability is recorded in the financial statements in respect of the final dividend as it was not approved as at the balance sheet date.

| | **3 September 2011 £m** | 28 August 2010 £m |
|---|---|---|
| Interim paid 1.0 pence (2010: nil) per £0.0001 share<br>Settled in cash | **12.9** | - |

## 9 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one class of dilutive potential ordinary shares, those share options granted to employees where the exercise price is less than the market price of the Company's ordinary shares during the year.

| **Basic and diluted earnings per share** | **3 September 2011 Basic £m** | **3 September 2011 Diluted £m** | 28 August 2010 Basic £m | 28 August 2010 Diluted £m |
|---|---|---|---|---|
| **Profit for the financial year after taxation** | **117.2** | **117.2** | 97.0 | 97.0 |
| | **Number m** | **Number m** | Number m | Number m |
| Weighted average number of shares | **1,286.8** | **1,286.8** | 1,286.8 | 1,286.8 |
| Shares held by ESOP (weighted) | **(0.3)** | **(0.3)** | (0.9) | (0.9) |
| Shares issuable (weighted) | **-** | **0.6** | - | 0.2 |
| **Adjusted weighted average number of shares** | **1,286.5** | **1,287.1** | 1,285.9 | 1,286.1 |
| | **Pence per share** | **Pence per share** | Pence per share | Pence per share |
| **Earnings per share** | **9.1** | **9.1** | 7.5 | 7.5 |

## 10 Cash generated from operations

| | **3 September 2011 £m** | 28 August 2010 £m |
|---|---|---|
| **Profit for the financial year** | **117.2** | 97.0 |
| Taxation | **43.1** | 42.9 |
| Depreciation and amortisation | **92.0** | 94.2 |
| Loss on disposal of property, plant and equipment | **0.1** | 0.4 |
| Profit on disposal of available-for-sale investment | **(2.0)** | - |
| Bargain purchase credit on acquisition on Magasin net of transaction costs incurred | **-** | (5.8) |
| Employee options granted during the year | **1.4** | 1.3 |
| Fair value losses on derivative instruments | **2.7** | 3.1 |
| Net movements in provisions | **1.0** | 1.8 |
| Finance income (note 5) | **(3.9)** | (6.7) |
| Finance costs (note 6) | **27.3** | 56.5 |
| Difference between pension charge and contributions paid | **(8.8)** | (10.0) |
| Net movement in other long-term debtors | **0.1** | (1.1) |
| Net movement in other non-current liabilities | **33.2** | 12.6 |
| **Changes in working capital** | | |
| Increase in inventories | **(25.4)** | (11.0) |
| (Increase)/decrease in trade and other receivables | **(4.6)** | 4.4 |
| (Decrease)/increase in trade and other payables | **(5.8)** | 19.6 |
| **Cash generated from operations** | **267.6** | 299.2 |

## 11 Analysis of changes in net debt

| | At 28 August 2010 £m | Cash flow £m | Non cash movements £m | **At 3 September 2011 £m** |
|---|---|---|---|---|
| Analysis of net debt | | | | |
| Cash and cash equivalents | 69.5 | (41.5) | 1.0 | **29.0** |
| Bank overdrafts | - | (6.2) | - | **(6.2)** |
| **Net cash and cash equivalents** | 69.5 | (47.7) | 1.0 | **22.8** |
| Debt due within one year | (541.9) | 391.6 | (10.3) | **(160.6)** |
| Debt due after one year | - | (250.0) | 6.8 | **(243.2)** |
| Finance lease obligations due within one year | (3.8) | - | 2.5 | **(1.3)** |
| Finance lease obligations due after one year | (40.6) | - | 39.2 | **(1.4)** |
| | (516.8) | 93.9 | 39.2 | **(383.7)** |

In November 2010 the Group cancelled its existing term loan and Revolving Credit Facility ("RCF") and drew down on its new £650.0 million credit facility comprising a term loan of £250.0 million and an RCF of £400.0 million. This facility was due to expire in 2013.

In July 2011 the terms of the credit facility were renegotiated to extend the expiry date to October 2015, with an option to further extend to October 2016. At 3 September 2011 the Group's facilities outstanding comprised the term loan of £250.0 million (2010: £555.6 million) and an RCF of £165.0 million (2010: nil).

Additional refinancing costs of £3.3 million were incurred during the year ended 3 September 2011 in respect of the renegotiation of the new credit facilities, which will be amortised over the term of the facility. The total amortisation charge relating to the issue costs of the Group's credit facilities cancelled and current for the year ended 3 September 2011 was £5.8 million (2010: £5.7 million).

## 12 Related parties

There have been no significant related party transactions during the year (2010: none).

## 13 Financial information

Copies of the statutory accounts are available from the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA (Tel: 0871 384 2766) and at the Company's registered office, 1 Welbeck Street, London, W1G 0AA.