27 October 2016

DEBENHAMS PLC - FULL YEAR RESULTS

“Solid performance in line with expectations”

Debenhams plc, the leading international, multi-channel brand, today announces full year results for the 53 weeks to 3 September 2016. Comparatives are stated on a 52 week basis.

Financial headlines

- Gross transaction value (“GTV”) up 1.3%[1] to £2,895.9m for 52 weeks, up 2.7% as reported
- Group like-for-like sales up 0.7% in constant currency, up 0.6%[1] as reported
- Group gross margin rate down 10bps[1], with 60bps markdown improvement on last year offset by sales mix
- Group EBITDA down 2.2%[1] to £233.4m (2015: £238.6m), up 0.5% to £239.7m as reported
- Underlying profit before tax in line with market expectations, up 0.5% to £114.1m[1,2] (2015: £113.5m), up 4.1% as reported
- Underlying earnings per share of 7.5p[1,2] (2015: 7.6p)
- Following good cash generation, net debt reduced by £40.8m to £279m. Net debt/EBITDA at 1.2x (2015: 1.3x), making progress towards medium term financial leverage target of 0.5x
- Final dividend of 2.4p per share; full year dividend up 0.7% to 3.425p per share (2015: 3.400p per share)

Operational headlines

- Progress in strategic priorities underpinned solid growth
  - Planned growth in non-clothing categories has led to strong performances in beauty, gift, swimwear and food, which has helped to offset a weak clothing market
  - Further improvement in markdowns and full price sales mix delivered despite a more promotional market background in the second half of the year
  - Tight stock management delivered 4.2% reduction in like-for-like stock and clean terminal stock position in line with long-term average
- Growth in mobile supported strong multi-channel performance. Online sales grew 9.3%, representing 14.7% of Group sales, with online EBITDA up 14.0%
- International profit broadly maintained, with continuing progress at Magasin du Nord helping to offset tougher trading conditions in some franchise markets
- Irish examinership process successfully completed, with this business now well-positioned for a sustainable and profitable future
- Shanghai sourcing office opened in August 2016, marking the next phase of our drive towards a faster, more responsive supply chain to underpin our plans for international, multi-channel growth

Sir Ian Cheshire, Chairman of Debenhams, said:

“We have delivered profits in line with market expectations, reflecting a strong performance over peak followed by a tougher second half trading environment. Our strategy to rebalance the business towards non-clothing has supported our performance, with strong progress in Beauty, Gifting and Food.

“Our diversified business model together with good cash generation and reducing debt means that Debenhams is in good shape to withstand a market background that remains uncertain. Our Executive team, supported by all our colleagues, are actively managing the business to increase its resilience and flexibility, which will stand us in good stead to deliver long term sustainable growth.

Following the arrival this month of our new CEO, Sergio Bucher, we look forward to updating the market in Spring 2017 on our longer term plans for the next phase of Debenhams’ development.”

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[1] Year on year comparatives on 52 week basis

[2] Before exceptional costs of £12.4m

Presentation

A presentation for analysts and investors, given by Suzanne Harlow, Group Trading Director, and Matt Smith, CFO, will be held today (Thursday 27 October 2016) at 9:00am UK time at The Lincoln Centre, 17 Lincoln's Inn Fields, London WC2A 3ED. The presentation will be webcast live at http://edge.media-server.com/m/p/wdv8pyit

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STRATEGIC AND OPERATIONAL REVIEW OF THE YEAR

At the end of the year Debenhams operated from 250 stores in 27 countries and was available online in more than 60 countries. Progress in each of the pillars of our strategy to make Debenhams a leading international, multi-channel brand is outlined below:

Delivering a compelling customer proposition

- We constantly review our product and brand offer in order to target our core customer more effectively. Part of our strategy is to grow our mix of non-clothing sales and we have made excellent progress this year, increasing sales participation to 52%. We saw good growth in Beauty, Gift and Accessories, whilst maintaining market share in the total clothing market[3]. We have also added in exciting new food brands and launched new furniture and lighting ranges
- We delivered a good performance over the peak trading period last year, with strong growth in Beauty reinforcing our market leadership in the premium make-up segment; excellent progress in Gift categories; and a planned reduction in outerwear stocks enabling us to trade a difficult clothing season successfully
- The second half of the year saw a deterioration in the clothing market and a corresponding increase in promotional activity. We took action to manage seasonal stocks, particularly in womenswear, including selected promotional activity, and have ended the year in a clean seasonal stock position, in line with our plan
- Consistent with our strategic priority to improve full price sales, we have continued to reduce promotional activity year on year despite the adverse move in the marketplace, and delivered a further 60bp improvement in markdowns, for the fifth season in succession
- Reflecting the shift in group sales mix towards categories including Beauty and Gift, which are dilutive to gross margin rate, together with an increase in concession participation both online and as we grow our third party food sales, overall gross margins were down 10bps on the prior year
- For the coming year, we are continuing to grow our non-clothing categories and capitalise on our market leadership in destination departments such as Beauty, Gift and Occasionwear, whilst further reducing options in seasonal categories such as outerwear. We are launching lighting in 30 stores this season, and are rolling out furniture "hubs" into eight stores, with the opportunity in this category supported by our launch of 0% interest credit last year
- Our customers have responded well to our "A Match Made in Debenhams" advertising campaign, which is designed to support full price trading. This season it features supermodels Helena Christensen, Eva Herzigova and Yasmin le Bon as the faces of Principles by Ben de Lisi, Star by Julien Macdonald and Nine by Savannah Miller respectively. We plan to build further on the successful "Found It" campaign for the Christmas peak.

Increasing availability and choice through multi-channel

- We have aligned the management of the UK and Irish stores and online operations within a single structure under the leadership of Ross Clemmow as Retail Director. This is designed to deliver a seamless shopping experience across the customer-facing UK and Irish businesses. Within International, all business channels have been aligned under the leadership of David Smith, who joined Debenhams in May 2016 from Body Shop International
- We continue to invest in IT and systems to develop a flexible and robust infrastructure supporting the growth of the online channel and the increasing demand from our customers – wherever they are in the world – to shop across channels
- The investment we have made in improving our multi-channel proposition and specifically mobile first development, has driven further progress in online, with overall online sales growth of 9.3%. As the service improvement is more widely recognised by our customers and the uptake of premium delivery options

[3] Kantar market share data, UK Clothing

increases, the profitability of the online channel has increased, reflected in the 14.0% improvement in online EBITDA

- We believe we are amongst the market leaders in mobile development and mobile now accounts for over 50% of online orders, with over half the traffic to our website driven by smartphones, and improved brand projection and a simpler checkout process driving 22% improvement in smartphone conversion rates
- Click & Collect continues to increase as a delivery channel, accounting for 32% of online order fulfilment last year, and peaking at 46% in the pre-Christmas week. As more concession partners are able to meet our next day delivery promise we expect this to continue to rise.
- We are using mobile technology to connect customers and colleagues to provide a faster response to our customers' needs. For example, we will offer contactless payment at till points in around half our stores and "Queue Buster" mobile payment points for our busiest departments in key stores at Peak
- Within our newly-aligned management structure all marketing channels are now integrated and the recent exclusive launch of Kat Von D, one of the fastest-growing US beauty brands, was both their and our most successful launch ever, thanks to a fully joined-up approach across social media, online and in-store marketing activity.

Focusing on UK Retail

- With one in four of the adult UK population visiting our 165 UK stores every year, stores remain central to our appeal. Whilst building on our core departmental strengths there are opportunities to grow share in categories where we under-index or that are growing faster than our core markets.
- Our space optimisation programme relates primarily to our 40 largest stores and covers approximately one million sq ft, identified as delivering sales densities 25% below the chain average. More than 70% of the relevant space has now been allocated a variety of new brands and services, as well as extensions to existing brands, and is on track to be completed by Autumn/Winter 2017. The results of this programme continue to be in line with plan
- We opened five new stores in the year, at Newport, Rugby, Wandsworth, Beverley and Bradford. These incorporate new food offers and our latest brand presentation. We also closed a store in Cheltenham, due to a lease expiry. In addition we have continued our modernisation programme, with work on flagship stores at Birmingham and Westfield White City, and with Chelmsford and Lakeside due to be completed in time for Peak trading
- We are applying the lessons from our work on space optimisation to our top-performing stores as well. In the past year we introduced a number of new brand and service offers to reinforce our destination status and improve customer perception of our store proposition. Having identified casual dining as a particular opportunity, with many of our stores able to take a number of food offers, we have accelerated our roll-out plans for this category. Food service sales grew by 13% in FY2016
- As well as upgrading service and introducing a new menu into our own bought restaurants, we have added choice through partnerships with a number of third parties, whose brands score highly with our target customers. Alongside Costa Coffee, Patisserie Valerie, Chi Kitchen and Insomnia we have launched Franco Manca in Westfield White City and James Martin Kitchen opens in Lakeside shortly
- A key initiative for the coming year is tackling some of the key customer "pain points". These include upgrading service in our own restaurants, simplifying returns and refunds, and speeding up till service through mobile and contactless payment solutions.

Expanding the brand internationally

- Under the leadership of David Smith, our International division will mirror the UK structure to support a fully integrated multi-channel approach. Whilst we have identified a number of growth strands, we are taking a more focused approach to international markets, identifying priority markets to enter or expand in and which channels are most appropriate for each market
- Our largest international business, Magasin du Nord in Denmark, continues to build good momentum. It has once again outperformed its domestic market, supported by further rapid online growth. We continue to invest in Magasin to maintain growth, having just competed the refurbishment of the beauty hall at our Copenhagen flagship, and this season will see a host of new brand introductions to deliver a more contemporary fashion and beauty offer
- In May 2016, Debenhams Retail (Ireland) Ltd ("DRIL") entered Examinership and following this process the business has been successfully restructured. This will ensure a sustainable future for DRIL after several years of losses. All 11 stores and the website have remained open and following reinvestment and the introduction of a number of new brand and service offers, this business is now set for a profitable future
- Our franchise operations have experienced a more challenging year, with core Middle Eastern markets, where around half our 68 franchise stores are located, seeing the effect of lower oil prices on consumer activity. Nevertheless many markets continue to trade well and we continue to see a strong long term future in the region. We are managing our franchise portfolio more actively, closing some under-performing stores as well as continuing to open in both new and existing markets. Our franchise pipeline stands at 26 stores
- We have made good progress with developing new channels to market for some of our own brands, testing different approaches in different markets. We are continuing to trial wholesale and online models for China with different partners and lessons from existing partnerships with ASOS, Lipsy and Label show the potential for some of our brands
- We recently entered Australia with a new partner, Pepkor SE Asia (part of the Steinhoff Group) with a brand wholesale and locally-operated online arrangement, to be followed by our first franchise store in Melbourne, opening in Autumn 2017. Our new international web platform, offering local payment and language capabilities was launched earlier this year and will support our global multi-channel growth ambitions.

Investing in operational and organisational effectiveness

- As we continued to manage the business actively in order to improve efficiency and build a more resilient business model, exceptional costs of £12.4 million were recorded in the year. These costs relate to: restructuring the Irish business during the Examinership process; head office restructuring including the movement to category buying and the alignment of store and online operations; and a write-off of legacy IT systems following the launch of the new international website.
- We continue to manage our costs tightly and have mitigated the additional £3 million cost of implementing the National Living Wage for all our staff aged 21 and over from April this year through various productivity initiatives. We expect to be able to mitigate the majority of the additional c.£9m cost in FY2017, whilst we continue to invest in technology-enabled service improvements to support our staff in serving our customers better
- With approximately 35% of our own bought sourcing costs in US dollar or dollar-linked currency, Debenhams adopts a rolling hedging strategy, typically hedging 12-18 months ahead. We are fully hedged for FY2017 at an average rate of around $1.50 or c5% lower than FY2016. We are partially hedged for FY2018 and therefore the most recent fall in the value of sterling will not take full effect until spring/summer 2018. Having restructured our buying and merchandising function we continue to invest in our supply chain which should help to mitigate some of the additional currency-related costs. In relation to those costs we are unable to offset, we intend to maintain our competitive position, reacting to market conditions as appropriate

- We are introducing systems and processes to make our supply chain more flexible and more efficient. We have reorganised our buying and merchandising teams and have extended our successful category buying approach across more own bought ranges, whilst maintaining brand integrity. We are implementing a new product lifecycle management system, which will drive significant improvement in critical path management and reduce lead times
- We are well on the way towards implementing a single warehouse management system integrating store and online fulfilment and this will be operational for Spring 2017. As we transition from multiple systems to a single platform, this is expected to deliver benefits in space efficiency, picking costs and reduced stockholding costs over time
- We are increasing own brand sourcing through our own offices, in order to have more direct, open relationships with our suppliers, improved flexibility, control and transparency as well as delivering improved margins. In addition to our first sourcing operation in Hong Kong, our office in Bangladesh has expanded rapidly, and in August 2016 we also opened an office in Shanghai which among other functions, will increase our capability to include fabric sourcing, to support the other offices
- We are part way through a multi-year investment programme in order to deliver an infrastructure designed to support international multi-channel growth. By FY2020 following further automation investment, we will have transformed our supply chain from a UK department store model into a global multi-channel operation to support future sustainable growth and to drive our transition from a push to a pull supply chain.

FINANCIAL REVIEW

FINANCIAL SUMMARY

	53 weeks to 3 September 2016	52 weeks to 27 August 2016	52 weeks to 29 August 2015	*% change (52 v 52)*
Gross transaction value[1,2]				
UK	£2,386.2m	£2,352.1m	£2,323.5m	*1.2%*
International	£552.3m	£543.8m	£536.6m	*1.3%*
Group	£2,938.5m	£2,895.9m	£2,860.1m	*1.3%*
Statutory revenue[1,2]				
UK	£1,931.9m	£1,906.6m	£1,922.3m	*(0.8%)*
International	£409.8m	£403.8m	£400.4m	*0.9%*
Group	£2,341.7m	£2,310.4m	£2,322.7m	*(0.5%)*
Group like-for-like sales movement[3]				*0.6%*
Group gross margin movement[4]				*(10 bps)*
EBITDA[1,5,6]				
UK	£198.6m	£193.6m	£197.6m	*(2.0%)*
International	£41.1m	£39.8m	£41.0m	*(2.9%)*
Group	£239.7m	£233.4m	£238.6m	*(2.2%)*
Operating profit[1,6]				
UK	£98.0m	£94.9m	£101.7m	*(6.7%)*
International	£33.0m	£31.7m	£32.4m	*(2.2%)*
Group	£131.0m	£126.6m	£134.1m	*(5.6%)*
Underlying profit before tax[6]	£118.2m	£114.1m	£113.5m	*0.5%*
Exceptional items	(£12.4m)	(12.4m)	-	
Reported Profit before tax	£105.8m	£101.7m	£113.5m	*(10.4%)*
Underlying earnings per share[6]	7.8p	7.5p	7.6p	*(1.3%)*
Basic earnings per share	7.0p	6.7p	7.6p	*(11.8%)*
Dividend per share	3.425p	3.425p	3.4p	*0.7%*
	3 September 2016		**29 August 2015**	
Net debt	£279.0m		£319.8m	
Net debt : EBITDA (last 12 months) [6]	1.2x		1.3x	

Notes to the above table and to all references in this statement:

1. UK operating segment comprises stores in the UK and online sales to UK addresses. International operating segment comprises the international franchise stores, the owned stores in Denmark and the Republic of Ireland and online sales to addresses outside the UK.
2. Gross transaction value (GTV): sales on a gross basis before adjusting for concessions, consignments and staff discounts. Statutory revenue: sales after adjusting for these items.
3. Like-for-like sales movement relates to sales from stores which have been open for more than 12 months plus online sales.
4. Gross margin: GTV less the value of cost of goods sold, as a percentage of GTV.
5. EBITDA is earnings before interest, taxation, depreciation and amortisation (including loss on disposal of fixed assets).
6. Before one-off exceptional items, comprising restructure costs in the Republic of Ireland relating to the Examinership process, restructure costs associated with streamlining head office and a charge relating to the cost of writing off intangible systems assets following the launch of the new International website.

SEGMENTAL PERFORMANCE

The Financial Statements for the period ended 3 September 2016 cover 53 weeks. In the notes to follow all income statement numbers for the financial year use the results for the 52 weeks of trading to 27 August 2016 and the comparative data for the 52 weeks to 29 August 2015. Management believes that comparing like-for-like 52 week periods demonstrates the underlying performance of the business. Cash flow numbers reflect the full 53 weeks to 3 September 2016 and the comparative balance sheet at 29 August 2015.

UK

Gross transaction value for the UK segment increased by 1.2% to £2,352.1 million and reported revenue decreased by 0.8% to £1,906.6 million. This was a result of continued online sales growth and the benefit of new store openings in the first half of 2016. Sales benefited from a strong Christmas performance, but slowed in the second half of the year as the UK clothing market became more uncertain and volatile. However, our strategy to increase the mix of non-clothing sales has supported our performance against this background, with beauty and gift sales and casual dining sales in particular continuing to show good growth.

We continue to see online growth and positive trends in mobile, which now represents over 50% of UK online orders and strong growth in Click and Collect, up 35% year on year. The like-for-like store sales were a small negative for the year.

As we have continued to add choice in concessions to drive sales, own bought mix declined from 78.3% last year to 76.6%, with a consequent dilution to gross margin rate, offset by reduced markdown.

EBITDA reduced by 2.0% to £193.6 million reflecting the impact of sales mix towards lower-margin product divisions. Operating profit reduced by 6.7% to £94.9 million as depreciation expense was higher, as expected.

International

In the International segment, gross transaction value of £543.8 million was 1.3% higher than last year and reported revenue increased by 0.9% to £403.8 million. Over the year, the currency impact was minimal, with constant currency International gross transaction value improving by 1.4%.

The gross transaction value growth was driven by a strong performance in Magasin du Nord, particularly over peak trading, and some improvement in Republic of Ireland sales. Franchise despatches had a 0.5% negative impact on Group GTV. A number of franchise partners have sought to improve their working capital positions by reducing stock intake in the autumn/winter 2015 and spring/summer 2016 seasons. A number of markets, such as the Middle East and Russia, are also planning more prudently as a result of more difficult trading conditions.

International operating profit decreased by 2.2% to £31.7 million as a result of lower franchise despatches previously mentioned.

GROUP SALES AND PROFITS

Sales and revenue

Group gross transaction value increased by 1.3% to £2,895.9 million for the 52 weeks to 27 August 2016 and Group statutory revenue decreased by 0.5% to £2,310.4 million. Group like-for-like sales increased by 0.6% on a reported basis and increased 0.7% on a constant currency basis. Week 53 had a further 1.4% impact on gross transaction value with Group gross transaction value on a 53 week basis increasing 2.7% to £2,938.5 million.

Like-for-like sales growth was principally driven by 9.3% growth in online sales; online now represents 14.7% of Group gross transaction value (2015: 13.6%). The components of the gross transaction value increase of 1.3% and reported like-for-like sales growth of 0.6% are shown overleaf:

UK stores	(1.1%)
UK online	+1.0%
International	+0.8%
Like-for-like-sales – constant currency	+0.7%
Exchange rate impact	(0.1%)
Like-for-like sales - reported	+0.6%
New UK Space	+1.2%
International franchises	(0.5%)
GTV movement – 52 weeks	+1.3%

Operating profit

As planned, growth in the beauty, gifting and concession categories, which are dilutive to gross margin rate relative to higher-margin own bought clothing categories, has also continued to impact sales mix. However, further progress has been made to tighten stock and reduce the breadth and depth of promotions, resulting in reduced markdown and a 60 bps benefit to gross margin. Although the second half was more promotional than we had planned, it was less so than last year and contributed to the overall markdown saving. The combined effect of these factors was that overall gross margin rate declined 10 bps.

Operating costs before depreciation rose in line with expectations, increasing 1.8% compared to the same period last year despite the further shift into online. From April 2016, the National Living Wage came into effect, having a c.£3 million impact in the second half of the financial year, in line with previous guidance. We expect a further incremental impact in FY2017 of c.£9 million, which is expected to be largely mitigated through further cost efficiencies.

Depreciation and amortisation (including losses on disposals) increased by 2.2% to £106.8 million, reflecting higher capital expenditure over the last few years.

As a result of the above, Group operating profit for the 52 weeks to 27 August 2016, was £126.6 million, (5.6%) below last year.

Net finance costs

Net finance costs decreased by 39.3% to £12.5 million reflecting the benefit of lower debt levels and interest costs following the revolving credit facility (“RCF”) extension in February 2016. The net finance cost also benefited from a £1.1 million pension valuation credit associated with the pension surplus in accordance with IAS 19 revised "Employee benefits" (2015: £0.1 million credit).

Exceptional items

As we continued to manage the business actively in order to improve efficiency and build a more resilient business model, exceptional costs (before tax) of £12.4 million were recorded in the year. The costs related to three areas;

a) The Irish business entered into an Examinership process in May 2016 which successfully concluded in August 2016. As a result, an exceptional charge of £4.0 million has been made relating to the restructure of the Irish business.
b) A head office restructuring charge of £5.7 million from the movement to category buying in buying and merchandising and also the realignment of store and online operations. This consists of redundancies and other costs arising from streamlining the head office.
c) A £2.7 million charge relating to the cost of writing off legacy IT system assets following the launch of the new International website in the year.

Of the £12.4 million charge, £9.7 million is cash-related, of which £2.0 million was incurred in the year.

Profit before tax

Underlying profit before tax and exceptional items increased by 0.5% to £114.1 million from £113.5 million in FY2015. Reported profit before tax after exceptional items decreased by 10.4% to £101.7 million.

Taxation

Taxation excluding the impact of exceptional items increased from £20.0 million last year to £21.6 million principally due to an increase in the effective tax rate and increase in reported profits. The effective tax rate increased to 18.9% from 17.6% last year, as last year's rate benefited from the resolution of prior year tax matters.

Profit after tax

Profit after tax but before exceptional items decreased by 1.1% to £92.5 million. Profit after tax after accounting for exceptional items decreased by 11.8%.

Earnings per share

Underlying basic and diluted earnings per share, before exceptional items, decreased by 1.3% to 7.5 pence. The basic weighted average number of shares in issue increased from 1,226.4 million last year to 1,227.4 million and the diluted weighted average number of shares decreased from 1,228.7 million to 1,227.9 million.

Impact of the 53rd week

The 53rd week in the year covered 28 August to 3 September 2016. This delivered £42.6 million of additional gross transaction value, contributing 1.4% of the 53 week sales, £6.3 million of EBITDA and £4.1 million of profit before tax. There was no material effect on overall debt levels, where benefits from EBITDA generation were offset with timing of capital spend and supplier payments.

CASH FLOW, USES OF CASH AND MOVEMENT IN NET DEBT

Debenhams is cash generative and has clear priorities for the uses of cash: the first priority is to invest in our strategy to build a leading international, multi-channel brand; second, we pay our shareholders a progressive dividend; third, as we communicated in October 2015, we have a medium-term financial leverage target for net debt to EBITDA of 0.5 times.

Operating cash flow before financing and taxation increased from £102.9 million to £113.7 million as a result of higher EBITDA, benefits from working capital inflows and lower capital expenditure. Within the working capital improvement, a benefit of £10 million related to timing, which will reverse in 2017. This will offset the impact of the agreed contributions to the Debenhams Retirement Scheme and the Debenhams Executive Pension Plan.

Cash flow generation, the uses of cash and the movement in net debt are summarised in the table below.

£m	53 weeks to 3 September 2016	52 weeks to 29 August 2015
EBITDA	239.7	238.6
Working capital	0.5	(2.3)
Cash generated from operations	240.2	236.3
Capital expenditure	(126.5)	(133.4)
Operating cash flow before financing & taxation	113.7	102.9
Taxation	(11.0)	1.1
Financing	(15.3)	(19.3)
Dividends paid	(42.0)	(41.7)
Other movements	(4.6)	(1.3)
Change in net debt	40.8	41.7
Opening net debt	319.8	361.5
Closing net debt	279.0	319.8

Capital expenditure
Capital expenditure was £126.5 million during the year compared to £133.4 million in the same period last year. The decrease is principally associated with the upfront capital investment in the new stores opened in autumn 2015. Investment in new IT systems continues to be a key focus with 45% (or £57 million) being spent in the year.

Inventory
Stock levels continued to be managed tightly during the year, reflecting the ongoing strategy to plan the business prudently. Total stock value decreased by 1.6% to £326.3 million reflecting a 4.2% decline in like-for-like stock. Terminal stock of 3.3% was in line with our historical range of 2.5% to 3.5%.

Dividends
An interim dividend of 1.025 pence per share was paid to shareholders on 1 July 2016 (2015: 1.000 pence), consistent with the progressive dividend policy outlined in October 2015. As the earnings growth (before any exceptional items) has been broadly flat on the previous year, the board is recommending a final dividend in line with last year of 2.4 pence per share which will be paid to shareholders who are on the register on 9 December 2016. The total dividend for the year is 3.425 pence (2015: 3.400 pence), an increase of 0.7%.

Net Debt
The Group's net debt position as at 3 September 2016 of £279.0 million improved by £40.8 million from the same point last year, a result of the profit performance and the improved operating cash flows. The Group also benefited from the continued effect of reduced tax payments from the adoption of FRS 101 "Reduced Disclosure Framework" in the first half of the year. This is part of new accounting standards in the UK and ROI that the Group is required to adopt in its subsidiary company statutory accounts. The tax charge payments are expected to return to normalised levels for FY2017.

The ratio of net debt to EBITDA (excluding week 53 and exceptional items) of 1.2 times compares with 1.3 times at the end of the previous year. The improvement is in line with our intention to reduce to 0.5 times over the medium term.

During the year the Group refinanced its £320 million revolving credit facility (RCF), and extended the maturity from October 2018 to June 2020. The amended RCF contains an option to request an extension to June 2021. A £200 million 5.25% bond remains in place to July 2021.

PENSIONS

The Group provides a number of pension arrangements for its employees. These include the Debenhams Retirement Scheme and the Debenhams Executive Pension Plan (together “the Group’s pension schemes”) which both closed for future service accrual from 31 October 2006.

Under IAS 19 “Employee benefits” revised, the net deficit on the Group’s pension schemes as at 3 September 2016 was £4.1 million (29 August 2015: surplus of £26.2 million). The deficit was driven by the reduction in bond yields, which increases the pension liabilities, partly offset by the growth in the pension asset values.

During June 2015, the triennial actuarial valuation was completed and a new agreement was concluded under which the Group agreed to contribute £9.5 million per annum to the pension schemes (previously £8.9 million per annum) for the period from 1 April 2014 to 31 March 2022 increasing by the percentage increase in RPI over the year to the previous December. The Group agreed to continue to cover the non-investment expenses and levies of the pension schemes, including those payable to the Pension Protection Fund.

Current pension arrangements for Debenhams' employees are provided by defined contribution pension schemes.

GUIDANCE FOR 2017

Gross margin	+25bps to (25bps)
Total costs	+2% to +4%*
Depreciation & amortisation	c.£110 million
Net finance costs	£14 million
Taxation	c.20%
Capital expenditure	c.£130 million
Net debt	c£260 million

*including additional c.£9m cost of National Living Wage

OUTLOOK

Solid results in the year under review reflect the success of our continuing strategy to re-balance the business towards non-clothing. The second half of FY2016 saw a weaker clothing market, and a more uncertain trading environment. Our diversified business model together with strong cash generation and reducing debt means that Debenhams is in good shape to withstand a market background that remains uncertain.

Our Executive team, with the support of all our colleagues, are actively managing the business to increase its resilience and flexibility, which will stand us in good stead to deliver long term sustainable growth. Following the arrival of Sergio Bucher, who took up his position as CEO on 17 October 2016, we plan to update the market on our longer term plans for the next phase of Debenhams' development in Spring 2017.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties will be detailed in the Group's 2016 Annual Report and Accounts. Reference should be made to the 2016 Annual Report and Accounts for more details on the potential impact of these risks and examples of mitigation.

The referendum on the UK's membership of the EU has increased economic and political uncertainty. Debenhams will continue to monitor the situation, assess potential impacts and manage exposures according to its current risk appetite.

GOING CONCERN

After making enquiries, the directors of Debenhams plc consider that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the Group's financial statements.

BOARD OF DIRECTORS

Sir Ian Cheshire was appointed a non-executive director and Chairman-elect on 14 January 2016 and succeeded Nigel Northridge as non-executive Chairman on 7 April 2016. Sergio Bucher, Chief Executive Officer, was appointed to the board as an executive director on 17 October 2016. Lisa Myers was appointed an independent non-executive director on 6 September 2016.

The board of directors as at 27 October 2016 is as follows: Sir Ian Cheshire (Chairman), Sergio Bucher (Chief Executive Officer), Matt Smith (Chief Financial Officer), Suzanne Harlow (Group Trading Director), Terry Duddy (senior independent director), Peter Fitzgerald (independent non-executive director), Stephen Ingham (independent non-executive director), Martina King (independent non-executive director), Mark Rolfe (independent non-executive director), Lisa Myers (independent non-executive director) and Dennis Millard (non-independent non-executive director).

NOTES TO EDITORS

Debenhams is a leading international, multi-channel brand with a proud British heritage which trades from 250 stores across 27 countries. Debenhams gives its customers around the world a unique, differentiated and exclusive mix of own brands, international brands and concessions.

In the UK, Debenhams has a top five market share in womenswear and menswear and a top ten share in childrenswear. It is a market leader in premium health and beauty.

Debenhams has been investing in British design for over 20 years through its exclusive Designers at Debenhams portfolio of brands. Current designers include Abigail Ahern, Ted Baker, Jeff Banks, Jasper Conran, Giles Deacon, FrostFrench, Patrick Grant, Henry Holland, Ben de Lisi, Julien Macdonald, Savannah Miller, Jenny Packham, Todd Lynn, Preen, Aliza Reger, John Rocha, Ashley Thomas 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 financial year ended 3 September 2016

	Note	53 weeks ended 3 September 2016 Before exceptional items £m	Exceptional items (note 5) £m	After exceptional items £m	52 weeks ended 29 August 2015 Total £m
Revenue	2, 3	**2,341.7**	**-**	**2,341.7**	2,322.7
Cost of sales		**(2,039.8)**	**(8.5)**	**(2,048.3)**	(2,023.5)
Gross profit		**301.9**	**(8.5)**	**293.4**	299.2
Distribution costs		**(115.4)**	**(1.8)**	**(117.2)**	(111.1)
Administrative expenses		**(55.5)**	**(2.1)**	**(57.6)**	(54.0)
Operating profit		**131.0**	**(12.4)**	**118.6**	134.1
Finance income	7	**1.4**	**-**	**1.4**	0.2
Finance costs	8	**(14.2)**	**-**	**(14.2)**	(20.8)
Profit before taxation		**118.2**	**(12.4)**	**105.8**	113.5
Taxation	9	**(22.3)**	**2.4**	**(19.9)**	(20.0)
Profit for the financial year attributable to owners of the parent		**95.9**	**(10.0)**	**85.9**	93.5

Earnings per share attributable to owners of the parent

	Note	Before exceptional items	Exceptional items	After exceptional items	Total
Basic earnings per share	11	**7.8**		**7.0**	7.6
Diluted earnings per share	11	**7.8**		**7.0**	7.6

The notes on pages 19 to 26 form an integral part of this condensed consolidated financial information.

Consolidated Statement of Comprehensive Income
For the financial year ended 3 September 2016

	53 weeks ended 3 September 2016 £m	52 weeks ended 29 August 2015 £m
Profit for the financial year	**85.9**	93.5
Other comprehensive (expense)/income		
Items that will not be reclassified to the income statement		
Remeasurements of pension schemes	**(41.1)**	17.8
Taxation relating to items that will not be reclassified	**8.1**	(3.6)
	(33.0)	14.2
Items that may be reclassified to the income statement		
Currency translation differences	**7.4**	(5.2)
Change in the valuation of available-for-sale investments	**(0.8)**	(1.5)
Gains on cash flow hedges	**41.8**	39.2
Cash flow hedges reclassified and reported in the income statement	**0.8**	1.6
Recycled and adjusted against cost of inventory	**(27.2)**	(8.7)
Taxation relating to items that may be reclassified	**(1.5)**	(6.7)
	20.5	18.7
Total other comprehensive (expense)/income	**(12.5)**	32.9
Total comprehensive income for the financial year	**73.4**	126.4

The notes on pages 19 to 26 form an integral part of this condensed consolidated financial information.

Consolidated Balance Sheet
As at 3 September 2016

	Note	3 September 2016 £m	29 August 2015 £m
Assets			
Non-current assets			
Intangible assets		**962.1**	931.5
Property, plant and equipment		**670.2**	675.3
Available-for-sale investments		**1.3**	2.1
Derivative financial instruments		**10.7**	12.1
Trade and other receivables		**17.4**	14.9
Retirement benefit surplus		**6.4**	26.2
Deferred tax assets		**20.1**	20.8
		1,688.2	1,682.9
Current assets			
Inventories		**326.3**	331.6
Trade and other receivables		**81.1**	78.0
Derivative financial instruments		**39.1**	17.4
Cash and cash equivalents		**56.3**	32.7
		502.8	459.7
Liabilities			
Current liabilities			
Bank overdraft and borrowings		**(135.6)**	(155.4)
Derivative financial instruments		**(7.6)**	(1.3)
Trade and other payables		**(516.3)**	(523.6)
Current tax liabilities		**(14.7)**	(9.0)
Provisions		**(14.0)**	(6.4)
		(688.2)	(695.7)
Net current liabilities		**(185.4)**	(236.0)
Non-current liabilities			
Bank overdraft and borrowings		**(199.7)**	(197.1)
Derivative financial instruments		**(3.7)**	(1.1)
Deferred tax liabilities		**(50.5)**	(54.8)
Other non-current liabilities	12	**(354.5)**	(340.6)
Retirement benefit obligations		**(10.5)**	-
		(618.9)	(593.6)
Net assets		**883.9**	853.3
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		**31.2**	17.9
Other reserves		**(9.3)**	(16.5)
Retained earnings		**178.0**	167.9
Total equity		**883.9**	853.3

The notes on pages 19 to 26 form an integral part of this condensed consolidated financial information.

Consolidated Statement of Changes in Equity

For the financial year ended 3 September 2016

	Share capital and share premium account £m	Merger reserve £m	Reverse acquisition reserve £m	Hedging reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 30 August 2014	683.0	1,200.9	(1,199.9)	(7.9)	(9.4)	100.7	767.4
Profit for the financial year	-	-	-	-	-	93.5	93.5
Other comprehensive income/(expense) for the financial year	-	-	-	25.8	(7.1)	14.2	32.9
Total comprehensive income/(expense) for the financial year	-	-	-	25.8	(7.1)	107.7	126.4
Share-based payment charge	-	-	-	-	-	1.1	1.1
Unallocated dividends	-	-	-	-	-	0.1	0.1
Dividends paid	-	-	-	-	-	(41.7)	(41.7)
Total transactions with owners	-	-	-	-	-	(40.5)	(40.5)
Balance at 29 August 2015	683.0	1,200.9	(1,199.9)	17.9	(16.5)	167.9	853.3
Profit for the financial year	-	-	-	-	-	85.9	85.9
Other comprehensive income/(expense) for the financial year	-	-	-	13.3	7.2	(33.0)	(12.5)
Total comprehensive income for the financial year	**-**	**-**	**-**	**13.3**	**7.2**	**52.9**	**73.4**
Share-based payment credit	-	-	-	-	-	(0.8)	(0.8)
Dividends paid	-	-	-	-	-	(42.0)	(42.0)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(42.8)**	**(42.8)**
Balance at 3 September 2016	**683.0**	**1,200.9**	**(1,199.9)**	**31.2**	**(9.3)**	**178.0**	**883.9**

The notes on pages 19 to 26 form an integral part of this condensed consolidated financial information.

Consolidated Cash Flow Statement
For the financial year ended 3 September 2016

	Note	**53 weeks ended 3 September 2016 £m**	52 weeks ended 29 August 2015 £m
Cash flows from operating activities			
Cash generated from operations	13	**240.2**	236.3
Finance income		**0.3**	0.1
Finance costs		**(15.6)**	(19.4)
Tax (paid)/received		**(11.0)**	1.1
Net cash generated from operating activities		**213.9**	218.1
Cash flows from investing activities			
Purchase of property, plant and equipment		**(79.3)**	(79.6)
Purchase of intangible assets		**(47.2)**	(54.0)
Sale of property, plant and equipment		**-**	0.2
Net cash used in investing activities		**(126.5)**	(133.4)
Cash flows from financing activities			
Repurchase of senior notes		**-**	(24.8)
Repayment of revolving credit facility	14	**(15.0)**	(65.0)
Dividends paid	10	**(42.0)**	(41.7)
Finance lease payments		**(2.9)**	(3.3)
Debt issue costs		**(1.3)**	0.2
Net cash used in financing activities		**(61.2)**	(134.6)
Net increase/(decrease) in cash and cash equivalents		**26.2**	(49.9)
Net cash and cash equivalents at beginning of financial year		**14.4**	64.4
Foreign exchange gains/(losses) on cash and cash equivalents		**0.2**	(0.1)
Net cash and cash equivalents at end of financial year	14	**40.8**	14.4

The notes on pages 19 to 26 form an integral part of this condensed consolidated financial information.

1 Basis of preparation

The consolidated financial statements have been prepared on the going concern basis and in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use in the EU and those parts of the Companies Act 2006 applicable to 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 2016 with the comparative year ended 29 August 2015 being a 52 week year. 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 2016 and 29 August 2015 but is derived from the 2016 annual report and financial statements. The annual report and financial statements for 2015, which were prepared under IFRS, have been delivered to the Registrar of Companies and the Group's annual report and financial statements for 2016, prepared under IFRS, will be delivered to the Registrar of Companies in due course. The Group's external auditors PricewaterhouseCoopers LLP have reported on these accounts and have given an unqualified report which does not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

On 13 January 2016 the International Accounting Standards Board issued IFRS 16 "Leases" which is effective for periods that commence on or after 1 January 2019. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for lease contracts, subject to limited exceptions for short-term leases and leases of low value assets. The quantitative impact of IFRS 16 on the Group's net assets and results is being assessed. IFRS 16 is expected to have a material impact on the balance sheet as both assets and liabilities will increase and is also expected to have a material impact on key components within the income statement because operating lease rental charges will be replaced by depreciation and finance costs. IFRS 16 will not have any impact on the underlying commercial performance of the Group nor the cash flow generated in the year.

Other standards and interpretations in issue, but not yet effective, are not expected to have a material effect on the Group's net assets or results.

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 ("GTV"), which presents revenue on a gross basis before adjusting for concessions, consignments and staff discounts, represents a good guide to the overall activity of the Group.

	3 September 2016 £m	29 August 2015 £m
Gross transaction value	**2,938.5**	2,860.1

A reconciliation of GTV to external revenue is included in note 3.

3 Segmental reporting

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 committee, which includes the executive directors and other key management. It is the executive committee that has responsibility for planning and controlling the activities of the Group.

The Group's reportable segments have been identified as UK and International representing the geographical areas in which the group operates. The UK segment consists of the UK store and online retail business. The International segment consists of subsidiaries in the Republic of Ireland and Denmark, together with international franchise and online operations. Transactions within segments have been eliminated from the information presented below.

The segments are reported to the CODM to operating profit level, using the same accounting policies as applied to the Group accounts. Current assets, current liabilities and non-current liabilities are not reported to or reviewed by the CODM on the basis of operating segment as these are reviewed on a Group-wide basis and therefore these amounts are not presented below.

Segmental analysis of results	**UK**	**International**	**Total**
	£m	**£m**	**£m**
Financial year ended 3 September 2016			
Gross transaction value	**2,386.2**	**552.3**	**2,938.5**
Concessions, consignments and staff discounts	**(454.3)**	**(142.5)**	**(596.8)**
External revenue	**1,931.9**	**409.8**	**2,341.7**
Operating profit before exceptional items	**98.0**	**33.0**	**131.0**
Exceptional items	**(5.4)**	**(7.0)**	**(12.4)**
Operating profit after exceptional items	**92.6**	**26.0**	**118.6**
Other segment items			
- Depreciation	**82.3**	**7.1**	**89.4**
- Amortisation	**18.2**	**1.0**	**19.2**
- Impairment loss	**-**	**2.2**	**2.2**
Financial year ended 29 August 2015			
Gross transaction value	2,323.5	536.6	2,860.1
Concessions, consignments and staff discounts	(401.2)	(136.2)	(537.4)
External revenue	1,922.3	400.4	2,322.7
Operating profit	101.7	32.4	134.1
Other segment items			
- Depreciation	80.9	6.8	87.7
- Amortisation	14.9	1.6	16.5

Total segmental operating profit may be reconciled to total profit before taxation as follows:

	3 September 2016	29 August 2015
	£m	£m
Total operating profit	**118.6**	134.1
Finance income	**1.4**	0.2
Finance costs	**(14.2)**	(20.8)
Total profit before taxation	**105.8**	113.5

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

	3 September 2016 £m	29 August 2015 £m
United Kingdom	**1,931.9**	1,922.3
Denmark	**185.1**	174.7
Republic of Ireland	**136.3**	126.0
Rest of the world	**88.4**	99.7
Total external revenue	**2,341.7**	2,322.7

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

	3 September 2016 £m	29 August 2015 £m
United Kingdom	**1,582.1**	1,561.2
Denmark	**28.4**	22.1
Republic of Ireland	**21.5**	23.1
Rest of the world	**0.3**	0.4
Total non-current assets	**1,632.3**	1,606.8

Additions to property, plant and equipment and intangible assets analysed by operating segment are set out below:

	UK £m	**International £m**	**Total £m**
Financial year ended 3 September 2016	**120.3**	**9.4**	**129.7**
Financial year ended 29 August 2015	125.0	8.0	133.0

4 Operating profit

	3 September 2016 £m	29 August 2015 £m
The following items have been included in arriving at operating profit:		
The amounts of inventory written down during the financial year	**7.5**	10.1
Cost of inventory recognised as an expense	**1,153.7**	1,164.7
Depreciation of property, plant and equipment	**89.4**	87.7
Amortisation of intangible assets	**19.2**	16.5
Impairment of intangible assets	**2.2**	-
Loss on disposal of property, plant and equipment	**0.1**	0.3
Operating lease rentals	**220.7**	213.9
Foreign exchange gains	**(24.1)**	(5.7)
Auditors' remuneration	**0.5**	0.4

5 Exceptional items

Exceptional items comprise the following:

	Irish examinership[1] £m	UK restructuring[2] £m	International website[3] £m	3 September 2016 £m
Exceptional cost of sales	**1.9**	**3.9**	**2.7**	**8.5**
Exceptional distribution costs	**0.7**	**1.1**	-	**1.8**
Exceptional administrative expenses	**1.4**	**0.7**	-	**2.1**
Exceptional items before taxation	**4.0**	**5.7**	**2.7**	**12.4**
Taxation on exceptional items	**(1.3)**	**(1.1)**	**-**	**(2.4)**
Exceptional items after taxation	**2.7**	**4.6**	**2.7**	**10.0**

There were no exceptional items in the 52 weeks to 29 August 2015.

1) The Irish business entered into an examinership process in May 2016 which concluded in August 2016. Costs were incurred in relation to the examinership and restructuring of the Irish business. The Irish business has been restructured resulting in costs directly related to examinership. These costs include legal and professional fees, a limited number of redundancy costs and warehouse dilapidation costs offset by a £2.3 million reduction in the balance of accounts payable at the end of examinership.

2) UK restructuring costs represent the amount incurred for redundancies and fees within head office.

3) This is the write off of the old International website intangible asset following the launch of the new International website in the year.

6 Employment costs

	3 September 2016 £m	29 August 2015 £m
Wages and salaries including restructuring costs and other termination benefits	**357.4**	344.7
Social security costs	**22.4**	21.7
Other pension costs	**17.0**	15.1
Share-based payments	**(0.8)**	1.1
Employment costs	**396.0**	382.6

7 Finance income

	3 September 2016 £m	29 August 2015 £m
Interest on bank deposits	**0.3**	0.1
Net interest on net defined benefit pension schemes liability	**1.1**	0.1
	1.4	0.2

8 Finance costs

	3 September 2016 £m	29 August 2015 £m
Interest payable on bank loans and overdrafts	**3.3**	5.3
Interest payable on senior notes	**10.6**	11.4
Cash flow hedges reclassified and reported in the income statement	**0.8**	1.6
Amortisation of issue costs on loans and senior notes	**1.3**	1.6
Interest payable on finance leases	**0.1**	0.2
Other financing costs	**-**	1.4
Capitalised finance costs – qualifying assets	**(1.9)**	(0.7)
	14.2	20.8

9 Taxation

Analysis of taxation charge to the income statement for the financial year:

	3 September 2016 £m	29 August 2015 £m
Current taxation		
Current taxation charge on profit for the financial year	**19.7**	3.4
Adjustments in respect of prior years	**(0.6)**	(2.5)
Current taxation charge	**19.1**	0.9
Deferred taxation		
Origination and reversal of temporary differences	**3.2**	19.4
Pension cost relief in excess of pension charge	**(0.1)**	(0.1)
Adjustments in respect of prior years	**-**	(0.2)
Effects of change in current tax rate on the net deferred tax asset recognised at the beginning of the financial year	**(2.3)**	-
Deferred taxation charge	**0.8**	19.1
Taxation charge for the financial year	**19.9**	20.0

10 Dividends

	3 September 2016 £m	29 August 2015 £m
Final paid 2.4 pence (2015: 2.4 pence) per £0.0001 share - Settled in cash	**29.5**	29.4
Interim paid 1.025 pence (2015: 1.000 pence) per £0.0001 share - Settled in cash	**12.5**	12.3
	42.0	41.7

A final dividend of 2.4 pence per share (2015: 2.4 pence per share) was paid during the financial year in respect of the financial year ended 29 August 2015, together with an interim dividend of 1.025 pence per share (2015: 1.000 pence per share) in respect of the financial year ended 3 September 2016. The directors are recommending a final dividend in respect of the financial year ended 3 September 2016 of 2.4 pence per share (2015: 2.4 pence per share), which will absorb an estimated £29.5 million (2015: £29.5 million) of shareholders' equity. It will be paid on 24 January 2017 to shareholders who are on the register of members at close of business on 9 December 2016. No liability is recorded in the financial statements in respect of the final dividend as it was not approved at the balance sheet date.

11 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 in issue during the financial year, excluding any shares purchased by the Company and held as treasury shares. 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 financial year.

Basic and diluted earnings per share		**3 September 2016**		29 August 2015
	Basic £m	**Diluted £m**	Basic £m	Diluted £m
Profit for the financial year after taxation	**85.9**	**85.9**	93.5	93.5
Exceptional items after taxation (note 5)	**10.0**	**10.0**	-	-
Profit for the financial year after taxation – before exceptional items	**95.9**	**95.9**	93.5	93.5
	Number m	**Number m**	Number m	Number m
Weighted average number of shares	**1,227.6**	**1,227.6**	1,226.7	1,226.7
Shares held by ESOP (weighted)	**(0.2)**	**(0.2)**	(0.3)	(0.3)
Shares issuable (weighted)	**-**	**0.5**	-	2.3
Weighted average number of shares used in calculating earnings per share	**1,227.4**	**1,227.9**	1,226.4	1,228.7
	Pence per share	**Pence per share**	Pence per share	Pence per share
Earnings per share	**7.0**	**7.0**	7.6	7.6
Earnings per share – before exceptional items	**7.8**	**7.8**	7.6	7.6

12 Other non-current liabilities

	3 September 2016 £m	29 August 2015 £m
Property lease incentives	**354.5**	340.6

Property lease incentives received from landlords either through developers' contributions or rent-free periods are recognised as non-current liabilities and are credited to the income statement on a straight line basis over the term of the relevant lease. Property lease incentives received also relate to the spreading of the charges in respect of leases with fixed annual increments in rent (escalating rent clauses) over the term of the relevant lease.

13 Cash generated from operations

	3 September 2016 £m	29 August 2015 £m
Profit before taxation	**105.8**	113.5
Depreciation and amortisation	**108.6**	104.2
Impairment of intangible assets	**2.2**	-
Loss on disposal of property, plant and equipment	**0.1**	0.3
Share-based payment (credit)/charge	**(0.8)**	1.1
Fair value gains on derivative instruments	**(7.0)**	(4.4)
Net movements in provisions	**7.6**	(0.7)
Finance income (note 7)	**(1.4)**	(0.2)
Finance costs (note 8)	**14.2**	20.8
Cash received on close out of forward foreign currency contracts	**11.2**	-
Pension current service cost	**1.5**	0.4
Cash contributions to pension schemes	**(11.2)**	(11.1)
Net movement in other long-term receivables	**(0.1)**	(0.5)
Net movement in other non-current liabilities	**13.7**	7.9
Changes in working capital		
Decrease in inventories	**5.0**	14.3
Increase in trade and other receivables	**(1.9)**	(3.9)
Decrease in trade and other payables	**(7.3)**	(5.4)
Cash generated from operations	**240.2**	236.3

14 Analysis of changes in net debt

	29 August 2015 £m	Cash flow £m	Non-cash movements £m	**3 September 2016 £m**
Analysis of net debt				
Cash and cash equivalents	32.7	23.4	0.2	**56.3**
Bank overdrafts	(18.3)	2.8	-	**(15.5)**
Net cash and cash equivalents	14.4	26.2	0.2	**40.8**
Debt due within one year	(134.2)	15.0	0.3	**(118.9)**
Debt due after one year	(196.8)	1.3	(1.8)	**(197.3)**
Finance lease obligations due within one year	(2.9)	2.9	(1.2)	**(1.2)**
Finance lease obligations due after one year	(0.3)	-	(2.1)	**(2.4)**
	(319.8)	45.4	(4.6)	**(279.0)**

During the year ended 3 September 2016, the Company refinanced its £350.0 million revolving credit facility, choosing to reduce the facility size to £320.0 million in the process and extending the maturity from October 2018 to June 2020. The amended revolving credit facility contains an option to request an extension to June 2021. During the year ended 29 August 2015 the Company repurchased £25.0 million of the £225.0 million senior notes for a consideration of £24.8 million. At 3 September 2016, the Group's drawings under credit facilities outstanding comprised revolving credit facility drawings of £120.0 million (2015: £135.0 million).

During the current and prior financial years, the Group has complied with its covenants relating to its credit facilities.

The amortisation charge relating to the issue costs of the revolving credit facility was £0.8 million for the year ended 3 September 2016 (2015: £1.0 million). The amortisation charge relating to the issue costs of the senior notes was £0.5 million for the year ended 3 September 2016 (2015: £0.6 million). During the previous financial year unamortised issue costs in relation to cancelled credit facilities amounting to £0.4 million were written off.

15 Related parties

There have been no significant related party transactions during the year (2015: none).

16 Financial information

Copies of the statutory accounts will be available from the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA (Tel: 0371 384 2766) and at the Company's registered office, 10 Brock Street, Regent's Place, London, NW1 3FG.