DEBENHAMS

Life made fabulous

24 October 2013

DEBENHAMS PLC - FULL YEAR RESULTS

Debenhams plc, the leading international, multi-channel brand, today announces full year results for the 52 weeks to 31 August 2013.

Financial headlines

- Gross transaction value up 2.5%: UK up 2.3%, International up 3.7%
- Group like-for-like sales up 2.0%
- Group gross margin flat
- Profit before tax down 2.7% at £154.0 million
- Earnings per share up 4.1% to 10.2p
- Final dividend of 2.4p per share; full year dividend of 3.4p per share
- Share buyback continued in line with guidance: £40.2 million in last 12 months to date

Operational headlines

- Further progress made against the four pillars of our strategy to build a leading international, multi-channel brand, supported by prudent investment in key areas
- Market share gains achieved in clothing and non-clothing product categories both in stores and online
- Multi-channel continues to grow well ahead of the market with online sales up 46.2%, representing 13.2% of Group sales
- 12 store modernisations completed, transformation of Oxford Street into our international flagship store on track for December 2013 launch
- New Designers at Debenhams: Patrick Grant, Stephen Jones, Todd Lynn
- Good performance from Magasin du Nord

Michael Sharp, Chief Executive of Debenhams, said:

"I am pleased with our performance in 2013 given the very difficult conditions. We gained market share in key categories, demonstrating the competitiveness of our product offer. We continue to deliver growth and additional customer benefits through our strong multi-channel capabilities. At the same time, we are working hard to ensure our UK stores adapt to the challenge of their changing role in a multi-channel world.

"Looking ahead, we remain confident in our strategy and are excited about the upcoming launch of our global flagship store on Oxford Street which coincides with the celebration of Debenhams' 200th anniversary.

"More widely, whilst consumer confidence may be showing signs of improvement, we expect that household incomes will remain under pressure from inflation growing ahead of wages. With this in mind, we remain cautious about the strength and pace of any consumer recovery in 2014 and expect the marketplace to remain highly competitive."

Presentation

A presentation for analysts and investors will be held today (Thursday 24 October 2013) at 9:00am UK time at Nomura International, 1 Angel Lane, London EC4R 3AB. The presentation will be webcast live at www.debenhamsplc.com.

Enquiries

Analysts and Investors

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Note: all references in this report to "sales" refer to gross transaction value and all references to "revenue" relate to statutory revenue.

OPERATIONAL REVIEW

We continued to make good progress against the four pillars of our strategy to build a leading international, multi-channel brand. At the end of the year Debenhams operated from 235 stores in 27 countries and was available online in 67 countries. Since then, three new franchise stores have opened including two in new markets taking the total to 238 stores in 29 countries.

Focusing on UK retail

- The UK store estate comprised 156 stores trading from 11.0 million sq ft at the year end
- Two new stores opened during the year in Chesterfield and Lichfield adding 75,000 sq ft and they have delivered a sales performance ahead of expectations
- The transformation of Oxford Street into our international flagship store is on plan ahead of its launch in December 2013
- Twelve stores were modernised in addition to Oxford Street. We saw good returns from the stores modernised in 2012. The remaining 19 stores will be completed in the next 2 years
- The model store programme to improve store standards is now well established as a result of which there has been a significant improvement in visual merchandising and product presentation in many stores
- We continued to manage store costs closely given the impact of lower footfall on store sales. Despite ongoing inflationary pressure in areas such as payroll, service charges and energy, UK store costs only increased by 1.6%
- In line with our strategy of moving into key catchments which we currently do not serve and where our robust analysis projects the potential for incremental sales across all channels, the new store pipeline stands at 16 stores over the next four years. Four stores will open in 2014 in Cheshire Oaks, Haverfordwest, Hereford and Leamington Spa

Delivering a compelling customer proposition

- We grew market share in key clothing and non-clothing product categories during the year. Our total clothing/footwear/accessories share increased by 20 basis points (source: Kantar Worldpanel market share 24 weeks to 1 September 2013 vs. 2012)
- The sales density trials in womenswear brands Red Herring and Principles by Ben de Lisi and in women's footwear delivered encouraging results for the spring/summer season and will be continued in the new autumn/winter season
- We continue to respond to customers' demands for newness through the introduction of new brands including Todd Lynn for Edition in women's clothing, Top Hat by Stephen Jones in women's accessories, Hammond & Co by Patrick Grant in menswear and Abigail Ahern and Vicki Elizabeth in home
- Our brand advertising campaign under "Life Made Fabulous" is driving sales and improving brand perceptions and brand awareness, which is now at an all-time high

Increasing availability and choice through multi-channel

- Online sales increased by 46.2% to £366.3 million, well ahead of the market which grew at 14.1% (source: Kantar Worldpanel market share 24 weeks to 1 September 2013 vs. 2012). Our medium-term online sales target remains £600 million
- Online accounted for 13.2% of total sales in 2013, up from 9.3% in the previous year
- The number of visitors to Debenhams.com increased by 36% to 241 million, including a more than 200% increase in visits from mobile devices
- Mobile penetration now stands at 25% of online sales
- Increasing efficiencies in our fulfilment operations, partly facilitated by bringing all own brand fulfilment in-house, resulted in a 270 bps improvement in UK online costs as a percentage of sales, ahead of expectations
- We continued to strengthen the multi-channel team, including the appointment of Ross Clemmow as Director – eCommerce who joined us in July 2013

Expanding the brand internationally

- The international stores at the year end comprised 62 franchise stores in 24 countries, 6 Magasin du Nord stores in Denmark and 11 Debenhams stores in the Republic of Ireland
- International sales increased by 3.7% to £522.0 million
- Six new franchise stores opened; 12 franchise stores closed including six in Romania which resulted in the write-off of a £3.8 million receivable, as previously announced
- The new franchise pipeline stands at 27 stores of which 3 have already opened since the year end. We are in discussion on more than 50 other stores and our target remains 150
- Magasin du Nord delivered another good sales performance with like-for-like sales up 7.2% in DKK and 6.0% in GBP. Its trading website was launched in September 2012
- The Republic of Ireland remains a challenging market
- International online is growing fast from a small base with sales doubling in 2013. We offer delivery to 66 countries outside the UK

FINANCIAL REVIEW

	FY 13	FY 12	*% change*
Gross transaction value			
UK	£2,254.8m	£2,204.6m	*+2.3%*
International	£522.0m	£503.4m	*+3.7%*
Group	£2,776.8m	£2,708.0m	*+2.5%*
Statutory revenue			
UK	£1,895.9m	£1,860.3m	*+1.9%*
International	£386.3m	£369.5m	*+4.5%*
Group	£2,282.2m	£2,229.8m	*+2.3%*
Group like-for-like sales			*+2.0%*
Group gross margin			*Flat*
IAS19 pension credit	£11.3m	£11.7m	*-3.4%*
Operating profit			
UK	£139.8m	£144.3m	*-3.1%*
International	£28.2m	£30.7m	*-8.1%*
Group	£168.0m	£175.0m	*-4.0%*
Group profit before tax	£154.0m	£158.3m	*-2.7%*
Basic earnings per share	10.2p	9.8p	*+4.1%*
Dividend per share	3.4p	3.3p	*+3.0%*
	31-08-13	**01-09-12**	
Net debt	£372.0m	£368.7m	
Net debt : EBITDA (last 12 months)	1.4x	1.4x	

Segmental reporting The UK operating segment comprises all stores in the UK and online orders delivered within the UK. The International operating segment comprises the international franchise stores, the owned stores in Denmark and the Republic of Ireland and online orders delivered outside the UK.

SALES AND REVENUE

Group gross transaction value (GTV) increased by 2.5% to £2,776.8 million for the 52 weeks to 31 August 2013 whilst Group revenue increased by 2.3% to £2,282.2 million.

For the UK segment, GTV increased by 2.3% to £2,254.8 million (2012: £2,204.6 million) and revenue grew by 1.9% to £1,895.9 million. This was principally a result of very strong growth in online sales, the benefit of the store modernisation programme and the impact of new stores opened during 2012 and 2013.

For the International segment, GTV of £522.0 million was 3.7% higher than last year and revenue increased by 4.5% to £386.3 million. International growth was largely the result of a strong sales performance by Magasin du Nord in Denmark, increased trading with international franchise partners and expansion of international online.

Group like-for-like sales increased by 2.0%, principally driven by growth in online sales of 46.2% to £366.3 million (2012: £250.6 million). The performance of the UK stores was impacted by lower footfall due to the structural change in shopping habits into online as well as weather-related issues in the first half.

The contribution of each channel to sales growth in 2013 is shown below.

UK stores like-for-like sales contribution	-2.7%
UK online like-for-like sales contribution	+4.1%
International like-for-like sales contribution	+0.6%
Group like-for-like sales	**+2.0%**
New UK space contribution	+0.4%
International franchise stores contribution	+0.1%
Group gross transaction value	**+2.5%**

Own bought products accounted for 76.7% of the sales mix, unchanged from the prior year. UK own bought sales mix was essentially unchanged at 79.9% (2012: 80.0%) whilst International increased to 63.0% (2012: 62.6%). Overall, own bought sales grew by 2.5% whilst concession sales were 1.9% higher than the previous year.

OPERATING PROFIT

Group gross margin was flat compared with the prior year. This reflected a good recovery in the second half of the year due to a combination of better intake margin and product mix which more than offset a decline of 20 basis points in the first half caused by increased promotional activity and the impact of bad weather in the UK.

In the UK, store costs increased by 1.6% to £585.9 million (2012: £576.7 million). This was principally due to inflationary increases in rent, energy and payroll which were offset by a number of cost saving initiatives. UK online costs grew by 34.0% to £83.5 million (2012: £62.3 million), driven entirely by higher volumes. Importantly, online costs as a percentage of online sales decreased by 270 basis points to 23.9% due to greater warehousing and distribution efficiencies arising from increased scale and bringing all own brand fulfilment in-house in March. Other UK costs, which comprise all of those not directly attributable to either stores or online and include buying and merchandising, marketing and central functions, increased by 1.5%, largely due to inflation.

International store costs increased by 4.8% and other international costs by 2.9%, supporting the revenue increase and associated bonus payments in Magasin du Nord.

The IAS 19 pension credit contained within operating profit was £11.3 million (2012: £11.7 million).

Group depreciation and amortisation of £94.6 million increased by 3.3% (2012: £91.6 million), largely reflecting the store modernisation programme.

Group operating profit declined by 4.0% to £168.0 million (2012: £175.0 million). This was mainly the result of a decline in UK operating profit of 3.1% to £139.8 million (2012: £144.3 million) due to bad weather in the first half of the year. In addition, International operating profit decreased by 8.1% to £28.2 million (2012: £30.7 million) following the write-off of £3.8 million arising out of the closure of the franchise stores in Romania.

INTEREST

The net interest cost of £14.0 million represented a reduction of 16.2% over last year (2012: £16.7 million) due to the capitalisation of interest on some projects under IAS 23. See notes 6 and 7 on pages 18 and 19 for more details. The net interest cost for 2014 is expected to be slightly higher than this year.

PROFIT BEFORE TAX

Group profit before tax for the year decreased by 2.7% to £154.0 million (2012: £158.3 million), largely due to lower operating profit for the reasons described above.

TAXATION AND PROFIT AFTER TAX

The Group's tax charge of £26.1 million on a profit of £154.0 million gave an effective tax rate of 16.9% compared with 20.8% for the prior year, primarily due to a reduction in the headline rate of corporate tax, the resolution of historical issues in the current year and the recognition of tax losses at Magasin du Nord. We expect the effective tax rate for 2014 to be c.20%.

The lower tax charge resulted in profit after tax increasing by 2.1% to £127.9 million (2012: £125.3 million).

EARNINGS PER SHARE

Total basic and diluted earnings per share were 10.2 pence compared with 9.8 pence for the prior year, an increase of 4.1%. The weighted average number of shares in issue in 2013 was 1,254.5 million (2012: 1,281.3 million) largely due to the purchase of 23.9 million shares through the share buyback scheme.

CASH FLOW AND USES OF CASH

Debenhams remains a highly cash generative business with a clear order of priorities for the uses of cash which are:

1. Invest in the business to support the four pillars of the strategy
2. Grow the dividend in line with maintaining cover of three times earnings
3. Move towards one times net debt to EBITDA over the medium-term
4. Return any surplus cash to shareholders through a long-term share buyback programme

Operating cash flow before financing and taxation was £107.8 million. Cash flow generation, the uses of cash and the movement in net debt are summarised below.

	52 weeks to 31 August 2013	52 weeks to 1 September 2012
EBITDA	£262.8m	£266.8m
Working capital	£(21.7)m	£(7.1)m
Capital expenditure	£(133.3)m	£(118.6)m
Operating cash flow before financing and taxation	£107.8m	£141.1m
Taxation	£(29.3)m	£(44.6)m
Financing	£(12.5)m	£(13.6)m
Dividends paid	£(41.4)m	£(38.5)m
Share buyback	£(25.1)m	£(20.1m)
Other	£(2.8)m	£(9.3)m
Change in net debt	£(3.3)m	£15.0m
Opening net debt	£368.7m	£383.7m
Closing net debt	£372.0m	£368.7m

Inventory

Stock levels were managed very tightly during the year given the difficult market conditions. Total stock increased by 7.7% with almost all of this attributable to online expansion and international growth. The stock value in UK like-for-like department stores fell by 0.7%. Terminal stock at year end was in line with the historical average at 3.1%.

Capital expenditure

Capital expenditure to support the four pillars of the strategy was in line with guidance at £133.3 million, an increase of 12.4% versus the previous year (2012: £118.6 million). The key components of capital expenditure in 2013 were UK store modernisations (31%) and maintenance (15%) and systems investment, particularly to support the fast growing multi-channel business (23%). We expect to spend c.£135 million on capital expenditure in 2014 and thereafter anticipate it will fall back towards depreciation and amortisation at c.£100 million.

Dividends

An interim dividend of 1.0 pence per share was paid to shareholders on 5 July 2013 (2012: 1.0 pence). The board has recommended a final dividend of 2.4 pence per share which will be paid to shareholders who are on the register at close of business on 6 December 2013 with a payment date of 10 January 2014 taking the total dividend for the year to 3.4 pence (2012: 3.3 pence).

Share buyback
During the year, 23.9 million shares were bought for a total expenditure of £25.1 million. All shares purchased since the share buyback programme commenced in 2012 have been transferred to treasury.

A further 14.3 million shares have been purchased since the end of the year, taking the total purchased over the 12 months to 23 October 2013 to £40.2 million (38.2 million shares), in line with our commitment. We will give guidance on the next part of the share buyback programme after Christmas.

Net debt
After taking into account £25.1 million of share buybacks, the Group's net debt position as at 31 August 2013 of £372.0 million was broadly unchanged from the start of the year (1 September 2012: £368.7 million). The ratio of reported net debt to EBITDA remained 1.4 times.

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, the Group's pension schemes' net deficit as at 31 August 2013 was £20.0 million (1 September 2012: £57.3 million).

A triennial actuarial valuation was completed in March 2012 and discussions with the pension schemes' trustees were subsequently concluded. The contributions from the Group and the investment strategies devised by the trustees are intended to restore the schemes to a fully funded position on an ongoing basis by the end of March 2022 (Debenhams Retirement Scheme) and August 2021 (Debenhams Executive Pension Plan). As a consequence of this agreed plan, annual contributions to the two schemes were set at £8.9 million, rising each year by RPI. The Group also pays the non-investment expenses and levies to the Pension Protection Fund.

Current pension arrangements for Debenhams' employees are provided by a defined contribution pension scheme which is administered by Legal & General.

COST GUIDANCE FOR 2014

Operating costs are expected to increase broadly in line with inflation (2-4%) after adjusting by £12.8 million as a result of changes to IAS 19. In addition, the incremental cost of the new head office is c.£7.5 million which we are expecting will be offset by gross margin progression and the anniversarying of one-off events which occurred in the first half of last year.

OUTLOOK

We continue to deliver growth and additional customer benefits through our strong multi-channel capabilities. At the same time, we are working hard to ensure our UK stores adapt to the challenge of their changing role in a multi-channel world.

Looking ahead, we remain confident in our strategy and are excited about the upcoming launch of our global flagship store on Oxford Street which coincides with the celebration of Debenhams' 200th anniversary.

More widely, whilst consumer confidence may be showing signs of improvement, we expect that household incomes will remain under pressure from inflation growing ahead of wages. With this in mind, we remain cautious about the strength and pace of any consumer recovery in 2014 and expect the marketplace to remain highly competitive.

BOARD OF DIRECTORS

Peter Fitzgerald was appointed to the board as a non-executive on 4 October 2012 and is a member of the Audit Committee. Stephen Ingham joined the board as a non-executive director on 8 January 2013 and is a member of the Remuneration Committee.

The board of directors as at 24 October 2013 is as follows: Nigel Northridge (chairman), Michael Sharp (chief executive), Simon Herrick (chief financial officer), Dennis Millard (senior independent non-executive director), Peter Fitzgerald (non-executive director), Stephen Ingham (non-executive director), Martina King (non-executive director), Mark Rolfe (non-executive director) and Sophie Turner Laing (non-executive director).

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.

Notes to editors

Debenhams is a leading international, multi-channel brand with a proud British heritage which trades from 238 stores across 29 countries and is available online in 67 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 is the eleventh biggest UK online retailer by traffic volume and in March 2013 was awarded "International Growth Initiative of the Year" and "Retail Technology Initiative of the Year for Endless Aisle" at the Oracle Retail Week Awards.

Debenhams has been investing in British design for 20 years through its exclusive Designers at Debenhams portfolio of brands. Current designers include Abigail Ahern, Jeff Banks, Jasper Conran, Vicki Elizabeth, FrostFrench, Patrick Grant, Henry Holland, Betty Jackson, Ben de Lisi, Julien Macdonald, Jane Packer, Jenny Packham, Pearce Fionda, Stephen Jones, Markus Lupfer, Todd Lynn, Preen, Janet Reger, John Rocha, Jonathan Saunders, Marios Schwab, Ashley Thomas, 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 financial year ended 31 August 2013

	Note	**52 weeks ended 31 August 2013 £m**	52 weeks ended 1 September 2012 £m
Revenue	2, 3	**2,282.2**	2,229.8
Cost of sales		**(1,972.1)**	(1,927.5)
Gross profit		**310.1**	302.3
Distribution costs		**(97.4)**	(81.0)
Administrative expenses		**(44.7)**	(46.3)
Operating profit		**168.0**	175.0
Finance income	6	**1.5**	1.2
Finance costs	7	**(15.5)**	(17.9)
Profit before taxation		**154.0**	158.3
Taxation	8	**(26.1)**	(33.0)
Profit for the financial period attributable to owners of the parent		**127.9**	125.3

Earnings per share attributable to the owners of the parent (expressed in pence per share)

		Pence per share	Pence per share
Basic	10	**10.2**	9.8
Diluted	10	**10.2**	9.8

The notes on pages 16 to 21 form an integral part of this condensed consolidated financial information.

Consolidated Statement of Comprehensive Income
For the financial year ended 31 August 2013

	52 weeks ended 31 August 2013 £m	52 weeks ended 1 September 2012 £m
Profit for the financial year	**127.9**	125.3
Other comprehensive income/(expense)		
Items that will not be reclassified to profit and loss		
Actuarial gains/(losses) recognised in the pension schemes	**15.6**	(82.3)
Deferred tax (charge)/credit on actuarial losses or gains	**(6.3)**	16.9
Current tax credit on the pension schemes	**2.5**	2.3
Items that will be reclassified to profit and loss		
Change in the valuation of available-for-sale investments	**(0.8)**	(0.7)
Currency translation differences	**3.6**	(6.7)
Gains on cash flow hedges	**11.9**	5.0
Gains on cash flow hedges – tax charge	**(2.7)**	(1.6)
Transferred to the income statement on cash flow hedges	**3.3**	2.0
Transferred to the income statement on cash flow hedges – tax charge	**(0.8)**	(0.4)
Recycled and adjusted against cost of sales	**(7.6)**	(1.9)
Recycled and adjusted against cost of sales – tax charge	**1.7**	0.5
Total other comprehensive income/(expense)	**20.4**	(66.9)
Total comprehensive income for the year	**148.3**	58.4

The notes on pages 16 to 21 form an integral part of this condensed consolidated financial information.

Consolidated Balance Sheet
As at 31 August 2013

	31 August 2013 £m	1 September 2012 £m
ASSETS		
Non-current assets		
Intangible assets	**876.5**	864.9
Property, plant and equipment	**692.1**	661.6
Available-for-sale investments	**1.1**	1.9
Derivative financial instruments	**1.9**	0.8
Trade and other receivables	**16.8**	19.3
Retirement benefit surplus	**4.6**	-
Deferred tax assets	**69.3**	83.2
	1,662.3	1,631.7
Current assets		
Inventories	**357.9**	332.3
Trade and other receivables	**78.3**	75.4
Derivative financial instruments	**7.3**	7.8
Cash and cash equivalents	**27.0**	44.0
	470.5	459.5
LIABILITIES		
Current liabilities		
Bank overdraft and borrowings	**(163.1)**	(163.4)
Derivative financial instruments	**(2.1)**	(1.9)
Trade and other payables	**(545.8)**	(525.4)
Current tax liabilities	**(25.3)**	(31.0)
Provisions	**(5.6)**	(5.3)
	(741.9)	(727.0)
Net current liabilities	**(271.4)**	(267.5)
Non-current liabilities		
Bank overdraft and borrowings	**(235.9)**	(249.3)
Derivative financial instruments	**(3.7)**	(8.9)
Deferred tax liabilities	**(59.1)**	(64.7)
Other non-current liabilities	**(322.1)**	(321.9)
Provisions	**(1.1)**	(1.1)
Retirement benefit obligations	**(24.6)**	(57.3)
	(646.5)	(703.2)
NET ASSETS	**744.4**	661.0
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	**3.2**	(2.6)
Other reserves	**(7.7)**	(10.5)
Retained earnings	**64.9**	(9.9)
TOTAL EQUITY	**744.4**	661.0

The notes on pages 16 to 21 form an integral part of this condensed consolidated financial information.

Consolidated Statement of Changes in Equity

As at 31 August 2013

	Share capital and share premium	Merger reserve	Reverse acquisition reserve	Hedging reserve	Other reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
Balance at 3 September 2011	683.0	1,200.9	(1,199.9)	(6.2)	(3.1)	(15.1)	659.6
Profit for the financial year	-	-	-	-	-	125.3	125.3
Actuarial loss on pension schemes	-	-	-	-	-	(82.3)	(82.3)
Deferred tax credit on pension schemes	-	-	-	-	-	16.9	16.9
Current tax credit on pension schemes	-	-	-	-	-	2.3	2.3
Change in the value of available-for-sale investments	-	-	-	-	(0.7)	-	(0.7)
Currency translation differences	-	-	-	-	(6.7)	-	(6.7)
Gains on cash flow hedges (net of tax)	-	-	-	3.4	-	-	3.4
Reclassification adjustments							
- transferred to the income statement on cash flow hedges (net of tax)	-	-	-	1.6	-	-	1.6
- recycled and adjusted against the cost of inventory (net of tax)	-	-	-	(1.4)	-	-	(1.4)
Total comprehensive income and expense for the financial year	**-**	**-**	**-**	**3.6**	**(7.4)**	**62.2**	**58.4**
Share-based payment charge	-	-	-	-	-	1.6	1.6
Purchase of treasury shares	-	-	-	-	-	(20.1)	(20.1)
Dividends paid	-	-	-	-	-	(38.5)	(38.5)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(57.0)**	**(57.0)**
Balance at 1 September 2012	**683.0**	**1,200.9**	**(1,199.9)**	**(2.6)**	**(10.5)**	**(9.9)**	**661.0**
Profit for the financial year	-	-	-	-	-	127.9	127.9
Actuarial gain on pension schemes	-	-	-	-	-	15.6	15.6
Deferred tax charge on pension schemes	-	-	-	-	-	(6.3)	(6.3)
Current tax credit on pension schemes	-	-	-	-	-	2.5	2.5
Change in the value of available-for-sale investments	-	-	-	-	(0.8)	-	(0.8)
Currency translation differences	-	-	-	-	3.6	-	3.6
Gains on cash flow hedges (net of tax)	-	-	-	9.2	-	-	9.2
Reclassification adjustments							
- transferred to the income statement on cash flow hedges (net of tax)	-	-	-	2.5	-	-	2.5
- recycled and adjusted against cost of inventory (net of tax)	-	-	-	(5.9)	-	-	(5.9)
Total comprehensive income and expense for the financial year	**-**	**-**	**-**	**5.8**	**2.8**	**139.7**	**148.3**
Share-based payment charge	-	-	-	-	-	1.5	1.5
Share option receipts	-	-	-	-	-	0.1	0.1
Purchase of treasury shares	-	-	-	-	-	(25.1)	(25.1)
Dividends paid	-	-	-	-	-	(41.4)	(41.4)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(64.9)**	**(64.9)**
Balance at 31 August 2013	**683.0**	**1,200.9**	**(1,199.9)**	**3.2**	**(7.7)**	**64.9**	**744.4**

The notes on pages 16 to 21 form an integral part of this condensed consolidated financial information.

Consolidated Cash Flow Statement

For the financial year ended 31 August 2013

	Note	52 weeks ended 31 August 2013 £m	52 weeks ended 1 September 2012 £m
Cash flows from operating activities			
Cash generated from operations	11	**241.1**	259.7
Finance income		**0.4**	0.2
Finance costs		**(12.9)**	(13.8)
Tax paid		**(29.3)**	(44.6)
Net cash generated from operating activities		**199.3**	201.5
Cash flows from investing activities			
Purchase of property, plant and equipment		**(113.7)**	(101.4)
Purchase of intangible assets		**(19.6)**	(17.2)
Net cash used in investing activities		**(133.3)**	(118.6)
Cash flows from financing activities			
Repurchase of term loan facility	12	**(13.3)**	-
Drawdown/(repayment) of facility		**6.0**	(10.0)
Purchase of treasury shares		**(25.1)**	(20.1)
Dividends paid		**(41.4)**	(38.5)
Share option receipts		**0.1**	-
Finance lease payments		**(2.3)**	(2.2)
Debt issue costs		**(0.5)**	-
Net cash used in financing activities		**(76.5)**	(70.8)
Net (decrease)/increase in cash and cash equivalents		**(10.5)**	12.1
Net cash and cash equivalents at beginning of financial year		**34.6**	22.8
Foreign exchange losses on cash and cash equivalents		**-**	(0.3)
Net cash and cash equivalents at end of financial year	12	**24.1**	34.6

The notes on pages 16 to 21 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 (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 financial year ended 31 August 2013. 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 31 August 2013 and 1 September 2012 but is derived from the 2013 annual report and financial statements. The annual report and financial statements for 2012, which were prepared under IFRS, have been delivered to the Registrar of Companies and the Group's annual report and financial statements for 2013, prepared under IFRS, will be delivered to the Registrar of Companies in due course. The auditors 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.

New or revised standards or interpretations which were mandatory for the first time in the financial year beginning 2 September 2012 did not have a material impact on the net assets or results of the Group.

IAS 1 (amended) "Financial Statement Presentation" regarding other comprehensive income is effective from periods that commenced on or after 1 July 2012. The amendments do not address which items are presented in 'other comprehensive income' (OCI) but require entities to group items presented in OCI on the basis of whether they are or can be reclassified to the Group income statement subsequently (reclassification adjustments).

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, except for IAS 19 (revised) as discussed below.

IAS 19 "Employee Benefits" has been revised and was endorsed by the EU in June 2012. It is effective from periods that commenced on or after 1 January 2013. The directors anticipate that the adoption of IAS 19 (revised) in the financial year started 1 September 2013 would result in an increase in the pension charge of approximately £13.3 million in the year ending 30 August 2014 with a corresponding increase in net actuarial gains on pension schemes before tax.

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 and staff discounts, represents a good guide to the overall activity of the Group.

	31 August 2013 £m	1 September 2012 £m
Gross transaction value	**2,776.8**	2,708.0

A reconciliation of gross transaction value to external revenue is included in note 3 below.

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 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 the UK and International. The segments are reported to the CODM to operating profit level, using the same accounting policies as applied to the Group accounts. The Group does not review the assets and liabilities by operating segment as these are reviewed on a group-wide basis given their transposable nature. As a result, no such analysis has been provided.

Segmental analysis of results	**UK £m**	**International £m**	**Total £m**
Financial year ended 31 August 2013			
Gross transaction value	**2,254.8**	**522.0**	**2,776.8**
Concessions, consignments and staff discounts	**(358.9)**	**(135.7)**	**(494.6)**
External revenue	**1,895.9**	**386.3**	**2,282.2**
Operating profit	**139.8**	**28.2**	**168.0**
Other segment items			
-Depreciation	**75.3**	**9.1**	**84.4**
-Amortisation	**8.7**	**1.5**	**10.2**
Financial year ended 1 September 2012			
Gross transaction value	2,204.6	503.4	2,708.0
Concessions, consignments and staff discounts	(344.3)	(133.9)	(478.2)
External revenue	1,860.3	369.5	2,229.8
Operating profit	144.3	30.7	175.0
Other segment items			
-Depreciation	72.6	9.8	82.4
-Amortisation	7.7	1.5	9.2

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

	31 August 2013 £m	1 September 2012 £m
United Kingdom	**1,895.9**	1,860.3
Denmark	**157.8**	142.7
Republic of Ireland	**134.3**	136.5
Rest of the world	**94.2**	90.3
Total external revenue	**2,282.2**	2,229.8

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

	31 August 2013 £m	1 September 2012 £m
United Kingdom	**1,515.6**	1,476.1
Denmark	**38.7**	33.3
Republic of Ireland	**30.3**	32.1
Rest of the world	**0.8**	4.3
Total non-current assets	**1,585.4**	1,545.8

4 Operating profit

The following items have been included in arriving at operating profit:

	31 August 2013 £m	1 September 2012 £m
The amounts of inventory written down during the financial year	**12.0**	13.0
Cost of inventory recognised as an expense	**1,150.2**	1,131.2
Employment costs (note 5)	**362.6**	360.0
Depreciation of property, plant and equipment	**84.4**	82.4
Amortisation of intangible assets	**10.2**	9.2
Loss on disposal of property, plant and equipment	**0.2**	0.2
Operating lease rentals	**206.9**	203.6
Foreign exchange gains	**(7.9)**	(14.8)
Auditors' remuneration	**0.5**	0.4

5 Employment costs

	31 August 2013 £m	1 September 2012 £m
Wages and salaries	**337.6**	336.1
Social security costs	**21.4**	21.9
Pension cost	**2.1**	0.4
Share-based payments	**1.5**	1.6
Total employment costs	**362.6**	360.0

6 Finance income

	31 August 2013 £m	1 September 2012 £m
Interest on bank deposits	**0.4**	**0.1**
Other financing income	**1.1**	**1.1**
	1.5	**1.2**

7 Finance costs

	31 August 2013 £m	1 September 2012 £m
Bank loans and overdrafts	**10.8**	11.7
Cash flow hedges reclassified and reported in the income statement	**3.3**	2.0
Amortisation of issue costs on loans	**2.7**	2.9
Interest payable on finance leases	**0.1**	0.1
Other financing costs	**-**	1.2
Capitalised finance costs – qualifying assets	**(1.4)**	-
	15.5	17.9

8 Taxation

Analysis of tax charge in the financial year	31 August 2013 £m	1 September 2012 £m
Current tax:		
UK corporation tax charge on profit for the financial year	**36.7**	43.4
Adjustments in respect of prior periods	**(10.8)**	(8.9)
Current tax expense	**25.9**	34.5
Deferred taxation:		
Origination and reversal of temporary differences	**(4.4)**	(3.8)
Pension cost relief in excess of pension charge	**2.9**	2.9
Adjustments in respect of prior periods	**1.7**	(0.6)
Deferred tax charge/(credit)	**0.2**	(1.5)
Tax charge for the financial year	**26.1**	33.0

9 Dividends

A final dividend of 2.3 pence per share (2012: 2.0 pence per share) was paid during the year in respect of the financial year ended 1 September 2012, together with an interim dividend of 1.0 pence per share (2012: 1.0 pence per share) in respect of the financial year ended 31 August 2013. The directors are proposing a final dividend in respect of the financial year ended 31 August 2013 of 2.4 pence per share (2012: 2.3 pence per share), which will absorb an estimated £29.4 million (2012: £28.9 million) of shareholders' funds. It will be paid on 10 January 2014 to shareholders who are on the register of members at close of business on 6 December 2013. 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.

	31 August 2013 £m	1 September 2012 £m
Final paid 2.3 pence (2012: 2.0 pence) per £0.0001 share		
Settled in cash	**28.9**	25.6
Interim paid 1.0 pence (2012: 1.0 pence) per £0.0001 share		
Settled in cash	**12.5**	12.9
	41.4	38.5

10 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	**31 August 2013 Basic £m**	**31 August 2013 Diluted £m**	1 September 2012 Basic £m	1 September 2012 Diluted £m
Profit for the financial year after taxation	**127.9**	**127.9**	125.3	125.3
	Number m	**Number m**	Number m	Number m
Weighted average number of shares	**1,255.1**	**1,255.1**	1,282.0	1,282.0
Shares held by ESOP (weighted)	**(0.6)**	**(0.6)**	(0.7)	(0.7)
Shares issuable (weighted)	**-**	**2.1**	-	1.4
Adjusted weighted average number of shares	**1,254.5**	**1,256.6**	1,281.3	1,282.7
	Pence per share	**Pence per share**	Pence per share	Pence per share
Earnings per share	**10.2**	**10.2**	9.8	9.8

11 Cash generated from operations

	31 August 2013 £m	1 September 2012 £m
Profit before taxation	**154.0**	158.3
Depreciation and amortisation	**94.6**	91.6
Loss on disposal of property, plant and equipment	**0.2**	0.2
Employee options granted during the financial year	**1.5**	1.6
Fair value losses/(gains) on derivative instruments	**2.0**	(3.1)
Net movements in provisions	**0.3**	(1.0)
Finance income (note 6)	**(1.5)**	(1.2)
Finance costs (note 7)	**15.5**	17.9
Difference between pension credit and contributions paid	**(21.7)**	(21.1)
Net movement in other long-term receivables	**3.6**	(2.6)
Net movement in other non-current liabilities	**0.2**	2.9
Changes in working capital		
Increase in inventories	**(25.5)**	(11.5)
Increase in trade and other receivables	**(2.9)**	(4.7)
Increase in trade and other payables	**20.8**	32.4
Cash generated from operations	**241.1**	259.7

12 Analysis of changes in net debt

	1 September 2012 £m	Cash flow £m	Non-cash movements £m	**31 August 2013 £m**
Analysis of net debt				
Cash and cash equivalents	44.0	(17.0)	-	**27.0**
Bank overdrafts	(9.4)	6.5	-	**(2.9)**
Net cash and cash equivalents	34.6	(10.5)	-	**24.1**
Debt due within one year	(151.8)	(5.5)	(1.1)	**(158.4)**
Debt due after one year	(244.8)	13.3	(1.3)	**(232.8)**
Finance lease obligations due within one year	(2.2)	2.3	(1.9)	**(1.8)**
Finance lease obligations due after one year	(4.5)	-	1.4	**(3.1)**
	(368.7)	(0.4)	(2.9)	**(372.0)**

The Group has a £650.0 million credit facility comprising a term loan of £250.0 million and a Revolving Credit Facility ("RCF") of £400.0 million. £100.0 million of these facilities expire in October 2015 (of which a group company holds £35.0 million), with the balance extending to October 2016. At 31 August 2013 the Group's facilities outstanding comprised the term loan of £236.5 million (2012: £250.0 million) and RCF drawings of £160.9 million (2012: £155.0 million).

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

Issue costs, which mainly relate to facility costs, are being amortised over the term of the facilities to October 2016 at the effective interest rate based on the committed amount of the term loan. The total amortisation charge relating to the issue costs of the Group's credit facilities for the financial year ended 31 August 2013 was £2.7 million (2012: £2.9 million).

13 Related parties

There have been no significant related party transactions during the year (2012: none).

14 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, 10 Brock Street, Regent's Place, London, NW1 3FG.

PRINCIPAL RISKS AND UNCERTAINTIES

The risks below are the principal risks and uncertainties that may impact Debenhams' ability to achieve its strategic and operational goals. Further information on Debenhams' approach to risk management will be available in the 2013 Annual Report and Accounts.

EXTERNAL RISK

Risk and impact	Examples of mitigation
Continuing adverse economic conditions may have a material adverse effect on Debenhams' results A decline in sales on discretionary purchases and reduction in gross transaction value	The board conducts strategic business reviews which ensure that management is focussed on key priorities and cost control. These reviews also focus on the four pillars of the Group's strategy to build a leading international, multi-channel brand. The ongoing economic situation means that households generally remain cautious about non-discretionary spending.
The sector in which Debenhams operates is highly competitive Place pressure on our pricing strategy, margins and profitability Failing to deliver business critical projects may divert financial and management resources from more beneficial uses and significantly damage ability to manage information technology systems	Debenhams' brand and product strategy gives customers a unique, differentiated and exclusive choice of brands, products and categories within a good/better/best pricing architecture. An understanding of customers and their needs is developed by listening to their views, market intelligence and reviewing key performance indicators which ensures that pricing is competitive. Debenhams is investing additional resources in customer analytics and insight including the development of a "single customer view". Business critical projects are undertaken to support the delivery of strategic objectives. For each such project, a full investment appraisal is conducted as part of the decision making process and must be signed off by a member of the executive committee before any work is undertaken. As part of project governance, a steering committee monitors all key areas involved in delivery, a framework is used, selected projects will be reviewed by internal audit and post investment appraisals are undertaken. To strengthen the resilience of core systems and to enhance the overall governance framework, an information systems road map has been developed. This will also support the efficient and effective delivery of strategic projects.
Factors influencing the sustainability of the supply chain Any of the risks associated with doing business in foreign markets and/or importing merchandise from these regions could place pressure on the margins or require the Group to divert financial and management resources from more beneficial uses	Debenhams fosters excellent, mutually beneficial relationships with its suppliers. Both parties work towards the objective of optimising sustainable fulfilment and costs, which is measured regularly by management through key performance indicators. Alongside this, Debenhams develops multiple sourcing routes to ensure pricing remains competitive and that demand can be supplied. Debenhams and its suppliers will continue to work hard to deliver the best performance possible in a very challenging market. This is a decreasing risk as Debenhams continues to develop its supplier base to mitigate the potential of cost price inflation without compromising the quality of the product. In addition, the sourcing division has been strengthened to include additional expertise which assists with sourcing decisions, production consolidation and lead time reduction, amongst other things.
Factors outside Debenhams' control, such as increases in energy or fuel costs, may have an adverse effect on its results. Place pressure on margin and will also divert financial and management resources from more beneficial uses	A key objective of the energy committee is to control energy usage, including the impact of the Carbon Reduction Commitment scheme. An energy hedging policy is in place to provide a high degree of cost certainty in the short-term.

FINANCIAL RISK

Risk and impact	Examples of mitigation
Currency fluctuations and hedging risks could materially adversely affect Debenhams' earnings and cash flow Hinder ability to adjust rapidly to changing market conditions and impact earnings and cash flow Hedging strategy may not adequately protect operating results from the impact of exchange rate fluctuations or may limit any benefit caused by favourable movements in exchange rates Affect available cash and liquidity and could have material effect on the business, results of operations and financial condition	Debenhams has a treasury policy in place which covers counterparty limits and hedging for interest rates, foreign exchange and energy. There is also an internal treasury function which is mandated by the board and audited annually. Debenhams closely monitors all aspects of cash management to optimise balance sheet metrics. Effectiveness is measured regularly by management through a series of key performance indicators. Business critical spreadsheets and databases used by the finance department have been identified and appropriate control measures are used in line with Debenhams' policy to ensure data integrity.
An increase in the Group's funding needs or changes to obligations in respect of its pension schemes could have an adverse impact on its business in the longer term An increase in the Group's pension related liabilities could have a material adverse impact on the Group's profits and cash flow in the longer term	The trustees of the Group's pension schemes carefully monitor the pension fund and alter the investment strategy as appropriate. Any shortfall in funding is brought to the attention of the board.

STRATEGIC RISK

Risk and impact	Examples of mitigation
Debenhams may not be able to predict accurately or fulfil customer preferences or demand Sales will be lower, market share will be reduced and may be forced to rely on additional markdowns or promotional sales to dispose of excess or slow-moving inventory or may experience inventory shortfalls on popular merchandise, any of which could have a material adverse effect on the business, financial condition and results of operations	Debenhams utilises market, trend and customer awareness research to understand current demands and preferences. It delivers these requirements through multiple channels, including its store and non-store sales channels. To achieve this, these channels are constantly developed and high operational standards maintained to differentiate from competitors. Stock levels and the supply chain are monitored closely in order to ensure product newness is maximised.
Debenhams depends upon key management and other personnel and the departure of such management or personnel could adversely affect its business Could significantly delay or prevent the achievement of Debenhams' business plan and could have a material adverse effect on Debenhams' business, financial condition or results of operations	In order to attract and retain talent, both succession and personal development plans are in place throughout the Group. In addition, target-led, performance-related incentive schemes exist.

Risk and impact	Examples of mitigation
A failure to develop and implement Debenhams' new store rollout successfully may adversely affect its business Reduced growth or a decline in gross transaction value and may be required to write down the value of any stock acquired for sale in an uncompleted store	Debenhams undertakes research of key markets and demographics to identify potential locations to drive growth through new space, which may also take the form of an acquisition. A full investment appraisal is conducted as part of the decision making process and a specialist team has responsibility for end-to-end management of each project once the decision is made.
Any events that negatively impact the reputation of, or value associated with, Debenhams' brand could adversely affect its business Unfavourable publicity concerning Debenhams, its ethical trading policies, its business policies including Health and Safety, its corporate responsibility practices, any of its brands or products, its supply chain practices, or any of its franchisees or manufacturers or a substantial erosion in the reputation of, or value associated with, the Debenhams brand may lead to a loss of stakeholder trust and confidence and could have a material adverse effect on Debenhams' ability to attract and retain third party brands, suppliers, designers, concessions and franchisees, which could consequently impact Debenhams' business, financial condition or results of operations	Ethical sourcing, legislative change and corporate responsibility matters are key areas of focus for the sustainability committee. To ensure that Debenhams has the most current information available, it is a member of relevant industry bodies that provide awareness of changes to standards and legislation. Debenhams is an active member of Ethical Trading Initiative (ETI) and expects all suppliers to follow the ETI base code and adhere to Debenhams' own supplier code of conduct, which is underpinned by Debenhams robust policy on compliance which includes a real focus on social and ethical standards. As Bangladesh will continue to be a major source of production Debenhams is in the process of opening a local office to provide a local presence that will ensure production is only carried out in appropriate factories. Debenhams has signed the Bangladesh Accord which commits the signatories to the goal of a safe and sustainable Bangladeshi ready-made garment industry in which no worker needs to fear fires, building collapses, or other accidents that could be prevented with reasonable health and safety measures. A reliance on third party suppliers and franchisees, the challenges of the current economic environment and the complexity of the new and existing legislation makes this an ongoing risk which Debenhams and its suppliers/franchisees have to manage. An executive health and safety committee exists to review compliance with legal and regulatory obligations and a number of participants are members of various relevant industry bodies. The committee receives input from specialist teams which focus on discrete aspects. These include health and safety, building services, insurance and buying and merchandising. To support compliance and to maintain high operational standards, health and safety awareness programmes are in place and each site has its own health and safety committee.

HAZARD

Risk and impact	Examples of mitigation
Factors outside Debenhams' control, such as damage or interruptions due to operational disruption, natural disaster, pandemics, terrorist activity, strikes, or riots may have a material adverse effect on its results. Unable to continue operations smoothly in the event of a major incident which may have an adverse effect on inventory and gross transaction value and divert financial and management resources from more beneficial uses. Any terrorist attacks, armed conflicts, social unrest or other geopolitical uncertainty could result in a significant reduction in consumer confidence and spending levels Risks associated with systems failure, external attack of systems, or data inaccuracy may also significantly damage ability to manage information technology systems or could cause inappropriate decisions to be made using wrong or ambiguous information	The business continuity committee is comprised of senior executives and works to a framework based on the most recent international standard. The key objectives of this committee are to ensure that potential threats to the organisation and the impacts that those threats might cause have been identified, that a framework that builds organisational resilience to known threats is in place and that the framework has the capability to deliver an effective response to safeguard the Group. Monitoring processes are in place across a number of key business systems, alongside specialist teams and a disaster recovery site is in place where associated systems are tested to ensure that invocation would work if required. Insurance policies have been placed as appropriate to minimise the impact of specific risks. This is an increasing risk based on unpredictable instability of various territories around the world.
Debenhams' business could suffer as a result of weak sales during peak selling seasons or extreme or unseasonal weather conditions Adverse effect on inventory, gross transaction value and results of operations	Debenhams sells a diverse mix of product categories in order to reduce reliance on categories that may be weather dependant. To help mitigate the impact of this risk, should it occur, management would review the benefits of strengthening both planned and tactical promotional activity or marketing activity to drive sales. This has been separated out from the risk covering natural disasters in recognition of the impact that this risk has had and could have on Debenhams' business.
Debenhams' business may be materially adversely affected by changes to, or a breach by the Group of, laws or regulations Adverse effect on inventory and gross transaction value and will divert financial and management resources from more beneficial uses	Debenhams has specialist accounting, taxation and legal and secretariat teams and is also a member of key industry bodies which provide awareness of changes to standards and legislation. Forums exist to focus on specific areas of legislation and specific business policies and procedures are in place to ensure roles and responsibilities are understood across the Group.
Theft of customer data or breach of payment card industry (PCI) standards could adversely affect Debenhams' business operations, reputation and results Negative effect on reputation leading to loss of stakeholder trust and confidence, with subsequent impact on performance and results and will divert financial and management resources from more beneficial uses	Steering groups exist for both data protection and PCI standards which review and report on compliance levels. Debenhams utilises external specialists as required to assist in achieving its compliance goals, with compliance to the PCI standard monitored by management and reported to the Audit Committee. A number of security tools are employed to protect data, including encryption, intruder detection and data loss prevention.

Risk and impact	Examples of mitigation
Any disruption or other adverse event affecting Debenhams' relationship with any of its major suppliers, franchise partners, store card providers, designers, concessionaires, or outsourcing partners Costs associated with the transfer of the operations or the potential of extra operational cost from a new provider Changes in exclusivity arrangements with designers or any decline in their popularity could have a material adverse impact Loss of a number of important concession or franchise partners may adversely affect GTV Adverse events within the supply chain could restrict the availability or significantly increase the cost of goods Credit insurance difficulties for a significant number of suppliers could lead to a detrimental variation of terms or alternative suppliers used to source some goods	In order to minimise the impact of any third party relationship or performance issues, Debenhams' objectives are to: maintain excellent third party relationships by ensuring strategies are aligned; have appropriate, unambiguous contracts in place; ensure third parties are financially robust; and have contingency plans in place in the event of a failure (e.g. conversion of space to own bought for concessionaire failure, multiple sourcing routes for supplier failure). Following the Cypriot financial crisis, management is closely monitoring the performance of the franchise business in this territory. Furthermore, controls and the financial support behind receivables have been strengthened to mitigate the risk of franchise partner failure.
Acts of fraud, theft and industrial espionage could adversely affect Debenhams' business operations, reputation and results Negative effect on reputation and will divert financial and management resources from more beneficial uses	In order to mitigate fraud across all channels in which Debenhams operates, a number of preventative measures are in place. These include accounting policies and procedures, systems access restrictions, expenditure authorisation levels, whistleblowing and anti-bribery and corruption policies and a code of business conduct, all of which provide employees with guidelines on how to escalate an issue confidentially. A variety of monitoring mechanisms are used to identify fraudulent activity including data mining across point of sale and head office functions. As part of the organisation wide risk assessment, individual managers sign an anti-fraud, bribery and corruption declaration. Issues identified are investigated and reported to the Audit Committee.

OPERATIONAL RISK

Risk and impact	Examples of mitigation
Ineffective brand awareness and marketing programmes could materially adversely affect Debenhams' business and sales Loss of market share, customer loyalty, reduction in gross transaction value and a decline in sales on discretionary purchases	Debenhams utilises market, trend and customer awareness research to understand current demands and preferences. This information is used to identify specific segments of the market to target and to form a proposal for a marketing campaign. A full investment appraisal is conducted and must be signed off by a member of the executive committee before any campaign is undertaken. Campaign effectiveness is monitored through external feedback and internal analysis.
Risks associated with Debenhams' properties may have a material adverse effect on Debenhams' business, financial condition or results of operations Significant alterations in rental terms could have a material adverse effect on the business, as would failure to secure desirable locations. Disputes over store modernisations may lead to reinstatement costs and termination of leases may lead to dilapidation costs being incurred Failure to manage asbestos in specific properties may lead to fines or other liabilities affecting Debenhams' reputation and the full or partial closure of properties Following the sales of leases by members of the Group and guarantees which may have been given in respect of leases taken by former members of the Group, should an assignee or former member of the Group default under such a lease, the relevant member of the Group would then be liable for the fulfilment of obligations under the lease	Debenhams has a specialist property team which manages all aspects of leasehold property, including cost renegotiations, communication of the store modernisation programme, lease renewals and adherence to all legal obligations under the lease. Debenhams is also a member of key industry bodies which provide awareness of changes to standards and legislation. Debenhams consults with industry experts to ensure that the asbestos policy and asbestos register are fully up to date. All locations where asbestos has been identified are clearly marked with signage and the condition is checked on a regular basis with action taken in the event of any deterioration. Any works undertaken in these areas are approved by both the health & safety and building services teams prior to any work permits being issued with specialist companies used as required.