DEBENHAMS

Life made fabulous

23 October 2014

DEBENHAMS PLC - FULL YEAR RESULTS
"Making progress on strategic priorities"

Debenhams plc, the leading international, multi-channel brand, today announces full year results for the 52 weeks to 30 August 2014.

Financial headlines

- Gross transaction value up 1.7% to £2,823.9m
- Group like-for-like sales up 1.0%
- Group gross margin down 60bps: H1 down 100bps, H2 up 10bps
- Operating profit down 17.2%: H1 down 22.9%, H2 up 2.9%
- Profit before tax in line with market expectations
  - Underlying profit before tax* down 20.6% at £110.3m
  - Reported profit before tax down 23.9% at £105.8m
- Underlying EPS* down 19.6% to 7.4p, reported EPS down 22.8% to 7.1p
- Final dividend of 2.4p per share; full year dividend of 3.4p per share maintained
- Net debt improved by £10.5m to £361.5m
- Borrowing facilities refinanced including issue of £225.0m 5.25% seven year senior notes

*Before non-recurring finance cost of £4.5m (2013: nil)

Operational headlines

- Good progress made in second half against strategic priorities to deliver long-term sustainable growth and to address first half operational issues
  - Refocusing of promotional strategy resulted in 10.6% increase in own brand full price sell-through in second half
  - New online delivery options now fully available including next day click & collect and 10pm cut-off for next day delivery to home
  - Encouraging early signs from UK space optimisation trials including Sports Direct, Costa, Monsoon and Mothercare
  - More conservative sales targets and tighter buying levels resulted in 5.3% reduction in like-for-like closing stock
- Multi-channel continued to grow with online sales up 17.6%, representing 15.3% of Group sales, online EBITDA increased 20.5%
- Oxford Street transformation completed on plan and is trading in line with expectations
- Strong debut seasons from Designers at Debenhams Patrick Grant, Stephen Jones and Todd Lynn
- Good performance by Magasin du Nord and international franchise stores

Michael Sharp, Chief Executive of Debenhams, said:

"After the challenges we faced in the first half, everyone in the business has been focused on addressing the issues we identified and on delivering on the priorities we set out in April to deliver long-term sustainable growth. Our performance in the second half reflects this with operating profit up on the previous year.

"We achieved higher full price sales and fewer days on promotion as a result of greater clarity on our promotional calendar resulting in an improved gross margin. We have also made good progress on our work to drive better returns from our space. Developing a more convenient and competitive online fulfilment offer has been a key priority and we enter this year's peak trading period with a much improved range of delivery options. We expect further benefits to accrue from these priorities going forward.

"Customers tell us that although they are encouraged by economic improvements this has yet to translate into higher disposable income and the market remains tough. We therefore remain cautious about the outlook and will continue to plan prudently. Whilst this has been a challenging year for Debenhams, the brand is strong and our improved second half performance gives us confidence that we are ready for the key Christmas period and can deliver sustainable growth over the longer term."

Presentation

A presentation for analysts and investors will be held today (Thursday 23 October 2014) at 9:30am UK time at The Lincoln Centre, 17 Lincoln's Inn Fields, London WC2A 3ED. The presentation will be webcast live at http://www.media-server.com/m/p/5yuabttq.

Enquiries

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STRATEGIC AND OPERATIONAL REVIEW OF THE YEAR

At the end of the year Debenhams operated from 245 stores in 28 countries and was available online in many more countries. Our focus during 2014 was to continue executing our strategy to build a leading international, multi-channel brand and in particular the priorities we set out in April under each pillar of the strategy to address the issues we faced during the first half of the year.

Delivering a compelling customer proposition

- We continued to invest in our product and brand strategy to ensure our customer proposition remains both compelling and competitive, with our own brands providing exclusivity and differentiation.
- The work to refocus our promotional strategy commenced during the second half with fewer days on promotion overall and a reduced level of discounting in promotional events. The summer sale commenced two weeks later this year. This approach resulted in an increase in own brand full price sell-through of 10.6% and an improvement in the markdown to sales ratio of 3.9% in the second half compared with the same period last year.
- Alongside the promotional calendar, we improved the value proposition in key categories including childrenswear to ensure "first price, right price".
- Stock efficiency improved leading to 5.3% lower like-for-like stock value at year end.
- We continued to see sales and margin benefits from the investment made in the design and buying capabilities of our Red Herring and Principles by Ben de Lisi womenswear brands.
- Single customer view is now fully operational and is driving greater returns from customer relationship management programmes.

Increasing availability and choice through multi-channel

- Online sales increased by 17.6% to £430.7 million, accounting for 15.3% of total sales in 2014, up from 13.2% in the previous year.
- Increasing efficiencies in our fulfilment operations resulted in a 230bps improvement in UK online costs as a percentage of sales leading to an increase in Group online EBITDA of 20.5%.
- The number of visits to Debenhams.com increased by 15% to 276 million, including a 58% increase in visits from mobile devices.
- Mobile penetration now stands at 38% of online sales.
- Customers' desire for convenience was a key driver of demand for click & collect which increased to 22.3% of all online orders, up from 7.4% last year.
- Work continued throughout the year to introduce new delivery options ahead of Christmas 2014 which were launched on time on 11 October. They include next day click and collect, order cut-off for next day delivery to home extended from 2pm to up to 10pm, evening and weekend deliveries and nominated day deliveries.
- A visual refresh of the website was completed and customer pain points in the checkout and returns processes have been addressed.

Focusing on UK retail

- The UK store estate comprised 160 stores trading from 11.2 million sq ft at the year end.
- Four new stores opened during the year in Cheshire Oaks, Haverfordwest, Hereford and Leamington Spa adding 169,000 sq ft of trading space.
- The transformation of Oxford Street into our international flagship store was completed on plan and has traded in line with expectations.
- Space optimisation trials commenced with a number of brands including Sports Direct, Costa, Monsoon and Mothercare. The initial results have been encouraging and the trials are being extended to further stores ahead of Christmas 2014.
- New menswear Designer at Debenhams brand Hammond & Co by Patrick Grant was rolled out to 80 stores following its successful launch in 20 stores.
- The new store pipeline stands at 12 stores. Two stores will open in 2015 in Borehamwood and Scunthorpe, together adding 67,500 sq ft of trading space, and the remaining ten over the following three years.

Expanding the brand internationally

- The international stores at the year end comprised 68 franchise stores in 25 countries, 6 Magasin du Nord stores in Denmark and 11 Debenhams stores in the Republic of Ireland.
- International sales increased by 5.1% to £548.6 million and EBITDA by 9.5% to £42.5 million.
- Eight new franchise stores opened during 2014 including market entry in Estonia, Latvia and Libya; two franchise stores closed in Georgia and Vietnam.
- We are contracted to open 14 new franchise stores over the next three years with another 12 in final negotiation. We are in discussion on nearly 50 other stores in subsequent years.
- Magasin du Nord delivered another good sales performance.
- The Republic of Ireland remains a challenging market.
- International online is growing fast from a small base with sales up by 41.6% in 2014.
- We are now shipping direct from suppliers to franchise partners in Indonesia, Malaysia and Philippines as well as the Middle East. This is reducing costs and improving lead times.

FINANCIAL REVIEW

FINANCIAL SUMMARY

	2014	2013[1]	% change
Gross transaction value[2,3]			
UK	£2,275.3m	£2,254.8m	*+0.9%*
International	£548.6m	£522.0m	*+5.1%*
Group	£2,823.9m	£2,776.8m	*+1.7%*
Statutory revenue[2,3]			
UK	£1,902.1m	£1,895.9m	*+0.3%*
International	£410.6m	£386.3m	*+6.3%*
Group	£2,312.7m	£2,282.2m	*+1.3%*
Group like-for-like sales movement[4]			*+1.0%*
Group gross margin movement[5]			*-60bps*
EBITDA[2,6]			
UK	£188.3m	£211.4m	*-10.9%*
International	£42.5m	£38.8m	*+9.5%*
Group	£230.8m	£250.2m	*-7.8%*
Operating profit[2]			
UK	£96.3m	£127.2m	*-24.3%*
International	£32.3m	£28.2m	*+14.5%*
Group	£128.6m	£155.4m	*-17.2%*
Underlying profit before tax[7]	£110.3m	£139.0m	*-20.6%*
Non-recurring finance cost[7]	£4.5m	-	-
Reported profit before tax	£105.8m	£139.0m	*-23.9%*
Underlying earnings per share[7]	7.4p	9.2p	*-19.6%*
Basic earnings per share	7.1p	9.2p	*-22.8%*
Dividend per share	3.4p	3.4p	-
	30-08-14	**31-08-13**	
Net debt	£361.5m	£372.0m	
Net debt : EBITDA (last 12 months)	1.6x	1.5x	

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

1. Comparators for 2013 have been adjusted for the introduction of IAS 19 R “Employee benefits”. See note 1 for more details.
2. 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.
3. 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.
4. Like-for-like sales movement relates to sales from stores which have been open for more than 12 months plus online sales.
5. Gross margin: GTV less the value of cost of goods sold, as a percentage of GTV.
6. EBITDA is earnings before interest, taxation, depreciation and amortisation (including loss on disposal of fixed assets).
7. Before non-recurring finance cost, comprising £4.5m of unamortised issue costs which were written-off following the refinancing of the Group’s borrowing facilities in July 2014 (2013: nil).

SEGMENTAL PERFORMANCE

UK

Gross transaction value for the UK segment increased by 0.9% to £2,275.3 million and revenue grew by 0.3% to £1,902.1 million. This was principally a result of continued growth in online sales to UK customers, a good performance from Oxford Street following the completion of its transformation into our international flagship store and the benefit of two new stores which were opened in 2013 and four new stores in 2014. The UK experienced difficult trading conditions during the first half of the year, which were detailed in the interim results, and the performance of the stores continued to be impacted by the channel shift into online. Own bought mix decreased from 79.9% last year to 79.3% due to the outperformance of concessions.

UK operating profit for the year decreased by 24.3% to £96.3 million. This was due to the impact on first half gross margin of lower than expected sales in the period before Christmas resulting in high levels of inventory being sold at a greater discount during the January sale period. The action taken to refocus our promotional strategy in the second half of the year led to a better performance during that period. UK profitability was also impacted by a £7.1 million increase in costs following the move to the new London head office.

International

In the International segment gross transaction value of £548.6 million was 5.1% higher than last year and revenue increased by 6.3% to £410.6 million. Magasin du Nord had a strong year. Franchise revenue increased with the addition of a net six new stores. Online sales to customers outside of the UK also continued to grow. However, trading conditions in the Republic of Ireland stores remained difficult. Own bought mix increased from 63.0% to 63.4% mainly due to expansion of own bought sales at Magasin.

International operating profit increased by 14.5% to £32.3 million. In line with the sales performance, the main contributors to profit growth were Magasin and the franchise business which offset lower profits in the Irish stores.

GROUP SALES AND PROFITS

Sales and revenue

Group gross transaction value increased by 1.7% to £2,823.9 million for the 52 weeks to 30 August 2014 whilst Group revenue increased by 1.3% to £2,312.7 million.

Group like-for-like sales increased by 1.0%, principally driven by online sales, which increased by 17.6% to £430.7 million, and Magasin which more than offset lower like-for-like sales from the stores in the UK and Republic of Ireland.

The components of the Group gross transaction growth of 1.7% and like-for-like sales growth of 1.0% are shown below:

UK stores	-1.9%
UK online	+2.1%
International	+0.8%
Like-for-like sales movement	+1.0%
New UK space	+0.5%
International franchise stores	+0.2%
GTV movement	+1.7%

Group own bought mix decreased from 76.7% in 2013 to 76.2% as a result of the movement in the UK mix.

Operating profit

The Group's profitability in 2014 was significantly impacted by the performance of the UK business during the first half of the year which was the principal cause of a 100 basis point decline in Group gross margin in the first half. The first stage of our work to refocus our promotional strategy delivered a better gross margin in the second half, increasing by 10 basis points. On a full year basis, gross margin declined by 60 basis points.

Costs increased in line with or better than the guidance provided during the year. UK store costs increased by 1.3% whilst online costs as a percentage of sales improved by 230 basis points. International costs, which includes both stores and online, increased by 2.5%. Other costs grew by 1.5% excluding the impact of £7.1 million of incremental head office costs.

Depreciation and amortisation (including losses on disposal) increased by 7.8% to £102.2 million, largely reflecting higher capital expenditure in both 2014 and 2013 of £128.0 million and £133.3 million respectively.

As a result of the foregoing, Group operating profit declined by 17.2% to £128.6 million from £155.4 million in the previous year.

Inventory

Stock levels were managed tightly during the second half of the year. Total stock value decreased by 3.4% to £345.7 million reflecting a 5.3% decline in like-for-like stock. Terminal stock at year end of 3.2% was in line with our historical range of 2.5% to 3.5%.

Net finance costs

Underlying net finance costs increased by 11.6% to £18.3 million as a result of higher debt levels in the first half and increased interest in the last quarter of the year following the refinancing of the borrowing facilities, including the issue of £225.0 million of senior notes at the start of July.

This refinancing resulted in a non-recurring write-off to the income statement of £4.5 million of unamortised issue costs. Including the impact of this write-off, net finance costs increased by 39.0% to £22.8 million.

Profit before tax

Lower operating profit and higher finance costs resulted in a 20.6% decrease in underlying profit before tax (before the non-recurring finance cost) from £139.0 million to £110.3 million.

Reported profit before tax (after the impact of the non-recurring finance cost) decreased by 23.9% to £105.8 million (2013: £139.0 million).

Taxation

The Group's tax charge of £18.6 million equates to an effective tax rate of 17.6%. This compares with 16.6% (restated for IAS 19 R) in 2013 as the effective tax rate in that year benefitted from the resolution of one-off historical issues. The increase was partially offset by the impact that the adoption of FRS 101 “Reduced disclosure framework” (FRS 101) by one of the Group’s UK subsidiaries has had on the current year effective tax rate. This resulted in a temporary reduction in the current tax charge in 2014 alongside the reduction in profits in the year and the reduction in the UK corporation tax headline rate.

The Group’s effective tax rate has been lower than the headline rate of corporation tax for a number of years due to the resolution of historical issues and the utilisation of Magasin’s deferred tax losses. We expect to see some additional benefits from these items in 2015. Thereafter our effective tax rate will start to revert to more normalised levels.

Profit after tax

Profit after tax fell by 24.8% to £87.2 million.

Earnings per share

Lower profits resulted in a 19.6% decline in underlying basic and diluted earnings per share (excluding the non-recurring finance cost) to 7.4 pence. Reported basic and diluted earnings per share (after the non-recurring finance cost) fell by 22.8% to 7.1 pence.

The weighted average number of shares in issue decreased from 1,254.5 million last year to 1,226.8 million. This was due to the purchase of 14.4 million shares in the share buyback scheme in the first half of the year and the full year impact of 23.9 million shares purchased in the prior year.

CASH FLOW, USES OF CASH AND MOVEMENT IN NET DEBT

Debenhams is highly 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 dividend. Third, we have a medium-term target for net debt to EBITDA of 1.0 times.

Operating cash flow before financing and taxation increased from £107.8 million to £112.5 million despite lower profits as a result of a working capital inflow of £9.7 million compared to a £9.1 million outflow in 2013. The swing in working capital is largely associated with the strategy to reduce stock levels in the business.

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

	2014	2013[1]
EBITDA	£230.8m	£250.2m
Working capital	£9.7m	£(9.1)m
Cash generated from operations	£240.5m	£241.1m
Capital expenditure	£(128.0)m	£(133.3)m
Operating cash flow before financing & taxation	£112.5m	£107.8m
Taxation	£(20.6)m	£(29.3)m
Financing	£(13.1)m	£(12.5)m
Dividends paid	£(41.7)m	£(41.4)m
Share buyback	£(15.1)m	£(25.1)m
Other movements	£(11.5)m	£(2.8)m
Change in net debt	£10.5m	£(3.3) m
Opening net debt	£372.0m	£368.7m
Closing net debt	£361.5m	£372.0m

[1]Comparators for 2013 have been adjusted for the introduction of IAS 19 R.

Capital expenditure

In line with the first priority for cash, capital expenditure amounted to £128.0 million during the year, broadly in line with the prior year's expenditure of £133.3 million. Whereas capital expenditure during the last couple of years has focused on the store modernisation programme, including Oxford Street, in 2014 a greater proportion of capital was spent on systems development, particularly those to support the Group's growing multi-channel and international activities. It is expected that capital expenditure will be in the region of £130 million for 2015. Management remains focused on return on capital employed.

Dividends

Despite lower profits in 2014, the cash generative nature of the business and confidence in future performance has enabled the board to maintain the 2013 cash dividend and to resolve to rebuild dividend cover over time as earnings increase.

To this end, an interim dividend of 1.0 pence per share was paid to investors on 4 July 2014 (2013: 1.0 pence). The board has recommended a final dividend of 2.4 pence per share, taking the total dividend for the year to 3.4 pence in line with that paid last year. The final dividend will be paid on 9 January 2015 to shareholders who are on the register of members at close of business on 5 December 2014.

Share buyback programme

During the early part of the year, 14.4 million shares (2013: 23.9 million) were acquired for a total expenditure of £15.1 million (2013: £25.1 million). All the shares bought as part of the share buyback programme have been transferred to treasury.

On 31 December 2013 the board announced that the share buyback programme would cease with immediate effect in order to concentrate on the first three priorities for cash.

Net debt

The Group's net debt position on 30 August 2014 of £361.5 million was £10.5 million better than the same point in the prior year (31 August 2013: £372.0 million). The ratio of reported net debt to EBITDA of 1.6 times compared with 1.5 times at the end of the previous year (restated for IAS 19 R). The year end net debt position demonstrates an improved performance during the second half of the year as net debt was £49.3 million higher at the end of the first half compared to the previous year.

FINANCIAL POSITION

During the year, the Group strengthened its capital structure through the refinancing of borrowing facilities.

On 2 July 2014 the Group completed the offering of £225.0 million of senior notes due 2021 at 5.25%. The offering was well-subscribed, reflecting the strength of investor confidence in the business. As a result, it was upsized from the original £200.0 million principal amount.

At the same time, the Group's bank funding arrangements were refinanced to October 2018 in the form of a £425.0 million revolving credit facility.

The refinancing enabled the Group to reduce its reliance on traditional bank funding and diversify sources of funding. In addition, it is expected to achieve a material saving in interest costs over the life of the senior notes compared to the anticipated cost of bank financing alone.

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 30 August 2014 was £2.4 million (31 August 2013: £20.0 million).

An actuarial valuation as at 31 March 2014 is underway. The previous actuarial valuation was dated March 2011 following which a funding plan was agreed with the pension schemes' trustees intended to restore the schemes to a fully funded position on an ongoing basis by March 2022 (Debenhams Retirement Scheme) and August 2021 (Debenhams Executive Pension Plan). As a consequence of this agreed plan, annual contributions to the schemes were set at £8.9 million, rising each year by RPI. The Group also pays 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 a defined contribution pension scheme which is administered by Legal & General.

GUIDANCE FOR 2015

Gross margin	+10-40bps
Total costs	+2-4%
Depreciation & amortisation	c.£105 million
Net finance costs	£21-23 million
Taxation	c.20%
Capital expenditure	c.£130 million

OUTLOOK

Customers tell us they are encouraged by economic improvements but this has yet to translate into higher disposable income. We therefore remain cautious about the outlook and will continue to plan prudently. Whilst this has been a challenging year for Debenhams, the brand is strong and our improved second half performance gives us confidence that we are ready for the key Christmas period.

BOARD OF DIRECTORS

Suzanne Harlow, Group Trading Director, was appointed to the board as an executive director on 11 December 2013.

Simon Herrick resigned as Chief Financial Officer and as a director on 2 January 2014. Neil Kennedy has assumed the role of Acting Chief Financial Officer. Matt Smith will join the Company and the board as Chief Financial Officer during the course of 2015.

The board of directors as at 23 October 2014 is as follows: Nigel Northridge (Chairman), Michael Sharp (Chief Executive), Suzanne Harlow (Group Trading Director), 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 245 stores across 28 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 20 years through its exclusive Designers at Debenhams portfolio of brands. Current designers include Abigail Ahern, Ted Baker, Jeff Banks, Jasper Conran, Vicki Elizabeth, FrostFrench, Patrick Grant, Henry Holland, Betty Jackson, Ben de Lisi, Julien Macdonald, Jenny Packham, Pearce Fionda, Stephen Jones, Todd Lynn, Preen, Janet Reger, John Rocha, Jonathan Saunders, 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 30 August 2014

	Note	**52 weeks ended 30 August 2014 £m**	Restated[1] 52 weeks ended 31 August 2013 £m
Revenue	2, 3	**2,312.7**	2,282.2
Cost of sales		**(2,033.4)**	(1,982.6)
Gross profit		**279.3**	299.6
Distribution costs		**(98.5)**	(97.5)
Administrative expenses		**(52.2)**	(46.7)
Operating profit		**128.6**	155.4
Finance income	6	**0.6**	1.5
Total finance costs		**(23.4)**	(17.9)
Analysed as:			
Recurring finance costs	7	**(18.9)**	(17.9)
Non-recurring finance costs	7	**(4.5)**	-
Profit before taxation		**105.8**	139.0
Taxation	8	**(18.6)**	(23.1)
Profit for the financial year attributable to owners of the parent		**87.2**	115.9

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

		Pence per share	Restated[1] Pence per share
Basic earnings per share attributable to the parent	10	**7.1**	9.2
Diluted earnings per share attributable to the parent	10	**7.1**	9.2

[1] Restatement relates to the adoption of IAS 19 “Employee benefits” revised (note 1).

The notes on pages 16 to 23 form an integral part of this condensed consolidated financial information.

Consolidated Statement of Comprehensive Income

For the financial year ended 30 August 2014

	52 weeks ended 30 August 2014 £m	Restated[1] 52 weeks ended 31 August 2013 £m
Profit for the financial year	**87.2**	115.9
Other comprehensive (expense)/income		
Items that will not be reclassified to the income statement		
Remeasurements of pension schemes	**8.8**	30.6
Taxation relating to items which will not be reclassified	**(1.6)**	(6.8)
	7.2	23.8
Items that may be reclassified to the income statement		
Currency translation differences	**(4.2)**	3.6
Change in the valuation of available-for-sale investments	**2.5**	(0.8)
(Losses)/gains on cash flow hedges	**(24.9)**	11.9
Transferred to the income statement on cash flow hedges	**2.7**	3.3
Recycled and adjusted against cost of inventory	**8.1**	(7.6)
Taxation relating to items that may be reclassified	**3.0**	(1.8)
	(12.8)	8.6
Total other comprehensive (expense)/income	**(5.6)**	32.4
Total comprehensive income for the financial year	**81.6**	148.3

[1] Restatement relates to the adoption of IAS 19 “Employee benefits” revised (note 1).

The notes on pages 16 to 23 form an integral part of this condensed consolidated financial information.

Consolidated Balance Sheet
As at 30 August 2014

	Note	**30 August 2014 £m**	31 August 2013 £m
Assets			
Non-current assets			
Intangible assets		**892.8**	876.5
Property, plant and equipment		**689.2**	692.1
Available-for-sale investments		**3.6**	1.1
Derivative financial instruments		**3.0**	1.9
Trade and other receivables		**15.6**	16.8
Retirement benefit surplus		**6.9**	4.6
Deferred tax assets		**51.0**	69.3
		1,662.1	1,662.3
Current assets			
Inventories		**345.7**	357.9
Trade and other receivables		**74.7**	78.3
Derivative financial instruments		**1.5**	7.3
Cash and cash equivalents		**64.4**	27.0
		486.3	470.5
Liabilities			
Current liabilities			
Bank overdraft and borrowings		**(202.1)**	(163.1)
Derivative financial instruments		**(11.4)**	(2.1)
Trade and other payables		**(529.3)**	(545.8)
Current tax liabilities		**(9.2)**	(25.3)
Provisions		**(6.0)**	(5.6)
		(758.0)	(741.9)
Net current liabilities		**(271.7)**	(271.4)
Non-current liabilities			
Bank overdraft and borrowings		**(223.8)**	(235.9)
Derivative financial instruments		**(2.7)**	(3.7)
Deferred tax liabilities		**(53.4)**	(59.1)
Other non-current liabilities	11	**(332.7)**	(322.1)
Provisions		**(1.1)**	(1.1)
Retirement benefit obligations		**(9.3)**	(24.6)
		(623.0)	(646.5)
Net assets		**767.4**	744.4
Shareholders' equity			
Share capital		**0.1**	0.1
Share premium account		**682.9**	682.9
Merger reserve		**1,200.9**	1,200.9
Reverse acquisition reserve		**(1,199.9)**	(1,199.9)
Hedging reserve		**(7.9)**	3.2
Other reserves		**(9.4)**	(7.7)
Retained earnings		**100.7**	64.9
Total equity		**767.4**	744.4

The notes on pages 16 to 23 form an integral part of this condensed consolidated financial information.

Consolidated Statement of Changes in Equity

For the financial year ended 30 August 2014

	Share capital and share premium account £m	Merger reserve £m	Reverse acquisition reserve £m	Hedging reserve £m	Other reserves £m	Restated[1] (Accumulated losses)/retained earnings £m	Restated[1] Total equity £m
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	-	-	-	-	-	115.9	115.9
Other comprehensive income for the financial year	-	-	-	5.8	2.8	23.8	32.4
Total comprehensive income 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**
Profit for the financial year	-	-	-	-	-	87.2	87.2
Other comprehensive (expense)/income for the financial year	-	-	-	(11.1)	(1.7)	7.2	(5.6)
Total comprehensive (expense)/income for the financial year	**-**	**-**	**-**	**(11.1)**	**(1.7)**	**94.4**	**81.6**
Share-based payment credit	-	-	-	-	-	(1.8)	(1.8)
Purchase of treasury shares	-	-	-	-	-	(15.1)	(15.1)
Dividends paid	-	-	-	-	-	(41.7)	(41.7)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(58.6)**	**(58.6)**
Balance at 30 August 2014	**683.0**	**1,200.9**	**(1,199.9)**	**(7.9)**	**(9.4)**	**100.7**	**767.4**

[1] Restatement relates to the adoption of IAS 19 “Employee benefits” revised (note 1).

The notes on pages 16 to 23 form an integral part of this condensed consolidated financial information.

Consolidated Cash Flow Statement

For the financial year ended 30 August 2014

	Note	**52 weeks ended 30 August 2014 £m**	52 weeks ended 31 August 2013 £m
Cash flows from operating activities			
Cash generated from operations	12	**240.5**	241.1
Finance income		**1.2**	0.4
Finance costs		**(14.3)**	(12.9)
Tax paid		**(20.6)**	(29.3)
Net cash generated from operating activities		**206.8**	199.3
Cash flows from investing activities			
Purchase of property, plant and equipment		**(102.3)**	(113.7)
Purchase of intangible assets		**(25.7)**	(19.6)
Net cash used in investing activities		**(128.0)**	(133.3)
Cash flows from financing activities			
Issue of senior notes	13	**225.0**	-
Drawdown of revolving credit facility	13	**200.0**	6.0
Repayment of term loan and revolving credit facilities	13	**(410.7)**	-
Settlement/(repurchase) of term loan facility		**13.3**	(13.3)
Purchase of treasury shares		**(15.1)**	(25.1)
Dividends paid	9	**(41.7)**	(41.4)
Share option receipts		**-**	0.1
Finance lease payments		**(2.2)**	(2.3)
Debt issue costs		**(7.1)**	(0.5)
Net cash used in financing activities		**(38.5)**	(76.5)
Net increase/(decrease) in cash and cash equivalents		**40.3**	(10.5)
Net cash and cash equivalents at beginning of financial year		**24.1**	34.6
Net cash and cash equivalents at end of financial year	13	**64.4**	24.1

The notes on pages 16 to 23 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 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 financial year ended 30 August 2014. 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 30 August 2014 and 31 August 2013 but is derived from the 2014 annual report and financial statements. The annual report and financial statements for 2013, which were prepared under IFRS, have been delivered to the Registrar of Companies and the Group's annual report and financial statements for 2014, prepared under IFRS, will be delivered to the Registrar of Companies in due course. The Group's external auditors PricewaterhouseCoopers LLPhave 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.

The Group has adopted IAS 19 "Employee benefits" revised. The revised standard has retrospective application and consequently the relevant charges or income in the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income for the year ended 31 August 2013 have been restated. As a result of the change, the expected return on pension scheme assets and the interest cost on pension scheme liabilities are replaced with a net interest expense calculated by applying the discount rate to the net defined benefit liability or asset. Administration costs of pension funds are now recognised as an expense when the administration services are performed. The table below sets out the changes to comparative amounts.

	52 weeks to 31 August 2013		
	Previously reported £m	Application of IAS 19 revised £m	Restated £m
Consolidated income statement			
Revenue	2,282.2	-	2,282.2
Cost of sales	(1,972.1)	(10.5)	(1,982.6)
Gross profit	310.1	(10.5)	299.6
Distribution costs	(97.4)	(0.1)	(97.5)
Administrative expenses	(44.7)	(2.0)	(46.7)
Operating profit	168.0	(12.6)	155.4
Finance income	1.5	-	1.5
Finance costs	(15.5)	(2.4)	(17.9)
Profit before taxation	154.0	(15.0)	139.0
Taxation	(26.1)	3.0	(23.1)
Profit for the financial year	127.9	(12.0)	115.9
Remeasurements of pension schemes	15.6	15.0	30.6
Taxation relating to the pension schemes which will not be reclassified	(3.8)	(3.0)	(6.8)
Items that may be reclassified to the income statement	8.6	-	8.6
Total comprehensive income	148.3	-	148.3

The Group has also adopted Amendments to IFRS 7 "Financial instruments: disclosures – offsetting financial assets and financial liabilities" and IFRS 13 "Fair value measurement". The adoption of these standards has had no material impact on the Group. All other amendments which apply for the first time in the current financial year do not impact the consolidated financial information of the Group. IFRS 13 has affected disclosures only. In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. 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, 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.

	30 August 2014 £m	31 August 2013 £m
Gross transaction value	**2,823.9**	2,776.8

A reconciliation of gross transaction value 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 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. 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 £m**	**International £m**	**Total £m**
Financial year ended 30 August 2014			
Gross transaction value	**2,275.3**	**548.6**	**2,823.9**
Concessions, consignments and staff discounts	**(373.2)**	**(138.0)**	**(511.2)**
External revenue	**1,902.1**	**410.6**	**2,312.7**
Operating profit	**96.3**	**32.3**	**128.6**
Other segment items			
- Depreciation	**78.9**	**8.6**	**87.5**
- Amortisation	**11.7**	**1.6**	**13.3**
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 – restated[1]	127.2	28.2	155.4
Other segment items			
- Depreciation	75.3	9.1	84.4
- Amortisation	8.7	1.5	10.2

[1] Restatement relates to the adoption of IAS 19 "Employee benefits" revised (note 1).

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

	30 August 2014 £m	31 August 2013 £m
United Kingdom	**1,902.1**	1,895.9
Denmark	**175.8**	157.8
Republic of Ireland	**135.5**	134.3
Rest of the world	**99.3**	94.2
Total external revenue	**2,312.7**	2,282.2

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

	30 August 2014 £m	31 August 2013 £m
United Kingdom	**1,532.9**	1,515.6
Denmark	**23.1**	22.1
Republic of Ireland	**25.6**	30.3
Rest of the world	**0.4**	0.8
Total non-current assets	**1,582.0**	1,568.8

The 31 August 2013 comparatives have been restated to exclude financial assets.

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 30 August 2014	**109.1**	**9.8**	**118.9**
Financial year ended 31 August 2013	124.0	9.6	133.6

4 Operating profit

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

	30 August 2014 £m	Restated[1] 31 August 2013 £m
The amounts of inventory written down during the financial year	**10.4**	12.0
Cost of inventory recognised as an expense	**1,165.0**	1,150.2
Employment costs (note 5)	**369.2**	375.2
Depreciation of property, plant and equipment	**87.5**	84.4
Amortisation of intangible assets	**13.3**	10.2
Loss on disposal of property, plant and equipment	**1.4**	0.2
Operating lease rentals	**216.3**	206.9
Foreign exchange gains	**(1.3)**	(7.9)
Auditors' remuneration	**0.5**	0.5

[1] Restatement relates to the adoption of IAS 19 "Employee benefits" revised (note 1).

5 Employment costs

	30 August 2014 £m	Restated[1] 31 August 2013 £m
Wages and salaries	**334.4**	337.6
Social security costs	**20.5**	21.4
Other pension costs	**16.1**	14.7
Share-based payments	**(1.8)**	1.5
Employment costs	**369.2**	375.2

[1] Restatement relates to the adoption of IAS 19 “Employee benefits” revised (note 1).

6 Finance income

	30 August 2014 £m	31 August 2013 £m
Interest on bank deposits	**0.2**	0.4
Other financing income	**0.4**	1.1
	0.6	1.5

7 Finance costs

	30 August 2014 £m	Restated[1] 31 August 2013 £m
Recurring finance costs		
Interest payable on bank loans and overdrafts	**10.9**	10.8
Interest payable on senior notes	**1.9**	-
Cash flow hedges reclassified and reported in the income statement	**2.7**	3.3
Amortisation of issue costs on loans and senior notes	**2.0**	2.7
Interest payable on finance leases	**0.2**	0.1
Net interest on net defined benefit pension schemes liability	**0.6**	2.4
Other financing costs	**1.2**	-
Capitalised finance costs – qualifying assets	**(0.6)**	(1.4)
	18.9	17.9
Non-recurring finance costs		
Unamortised issue costs written off on repayment of term loan and revolving credit facilities	**4.5**	-

[1] Restatement relates to the adoption of IAS 19 “Employee benefits” revised (note 1).

8 Taxation

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

	30 August 2014 £m	Restated[1] 31 August 2013 £m
Current taxation		
Current taxation charge on profit for the financial year	**7.7**	36.7
Adjustments in respect of prior financial years	**(0.8)**	(10.8)
Current taxation charge	**6.9**	25.9
Deferred taxation		
Origination and reversal of temporary differences	**13.0**	(5.9)
Pension cost relief in excess of pension charge	**(0.4)**	(0.9)
Adjustments in respect of prior financial years	**0.1**	1.7
Effects of change in current tax rate on the net deferred tax asset recognised at the beginning of the financial year	**(1.0)**	2.3
Deferred taxation charge/(credit)	**11.7**	(2.8)
Taxation charge for the financial year	**18.6**	23.1

[1] Restatement relates to the adoption of IAS 19 “Employee benefits” revised (note 1).

9 Dividends

	30 August 2014 £m	31 August 2013 £m
Final paid 2.4 pence (2013: 2.3 pence) per £0.0001 share		
- Settled in cash	**29.4**	28.9
Interim paid 1.0 pence (2013: 1.0 pence) per £0.0001 share		
- Settled in cash	**12.3**	12.5
	41.7	41.4

A final dividend of 2.4 pence per share (2013: 2.3 pence per share) was paid during the financial year in respect of the financial year ended 31 August 2013, together with an interim dividend of 1.0 pence per share (2013: 1.0 pence per share) in respect of the financial year ended 30 August 2014. The directors are proposing a final dividend in respect of the financial year ended 30 August 2014 of 2.4 pence per share (2013: 2.4 pence per share), which will absorb an estimated £29.4 million (2013: £29.4 million) of shareholders’ equity. It will be paid on 9 January 2015 to shareholders who are on the register of members at close of business on 5 December 2014. No liability is recorded in the financial statements in respect of the final dividend as it was not approved at the balance sheet date.

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		**30 August 2014**		Restated[1] 31 August 2013
	Basic £m	**Diluted £m**	Basic £m	Diluted £m
Profit for the financial year after taxation	**87.2**	**87.2**	115.9	115.9
	Number m	**Number m**	Number m	Number m
Weighted average number of shares	**1,227.1**	**1,227.1**	1,255.1	1,255.1
Shares held by ESOP (weighted)	**(0.3)**	**(0.3)**	(0.6)	(0.6)
Shares issuable (weighted)	**-**	**1.9**	-	2.1
Weighted average number of shares used in calculating earnings per share	**1,226.8**	**1,228.7**	1,254.5	1,256.6
	Pence per share	**Pence per share**	Pence per share	Pence per share
Earnings per share	**7.1**	**7.1**	9.2	9.2

[1] Restatement relates to the adoption of IAS 19 "Employee benefits" revised (note 1).

11 Other non-current liabilities

	30 August 2014 £m	31 August 2013 £m
Property lease incentives received	**331.7**	320.1
Other non-current liabilities	**1.0**	2.0
Total other non-current liabilities	**332.7**	322.1

Property lease incentives received from landlords either through initial 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.

12 Cash generated from operations

	30 August 2014 £m	Restated[1] 31 August 2013 £m
Profit before taxation	**105.8**	139.0
Depreciation and amortisation	**100.8**	94.6
Loss on disposal of property, plant and equipment	**1.4**	0.2
Share-based payment (credit)/charge	**(1.8)**	1.5
Fair value (gains)/losses on derivative instruments	**(1.1)**	2.0
Net movements in provisions	**0.4**	0.3
Finance income (note 6)	**(0.6)**	(1.5)
Finance costs (note 7)	**23.4**	17.9
Pension current service cost	**1.4**	1.3
Cash contributions to pension schemes	**(10.8)**	(10.4)
Net movement in other long-term receivables	**0.2**	3.6
Net movement in other non-current liabilities	**10.6**	0.2
Changes in working capital		
Decrease/(increase) in inventories	**12.4**	(25.5)
Decrease/(increase) in trade and other receivables	**2.8**	(2.9)
(Decrease)/increase in trade and other payables	**(4.4)**	20.8
Cash generated from operations	**240.5**	241.1

[1] Restatement relates to the adoption of IAS 19 "Employee benefits" revised (note 1).

13 Analysis of changes in net debt

	31 August 2013 £m	Cash flow £m	Non-cash movements £m	30 August 2014 £m
Analysis of net debt				
Cash and cash equivalents	27.0	37.4	-	**64.4**
Bank overdrafts	(2.9)	2.9	-	-
Net cash and cash equivalents	24.1	40.3	-	**64.4**
Debt due within one year	(158.4)	(36.4)	(4.0)	**(198.8)**
Debt due after one year	(232.8)	15.9	(3.7)	**(220.6)**
Finance lease obligations due within one year	(1.8)	2.2	(3.7)	**(3.3)**
Finance lease obligations due after one year	(3.1)	-	(0.1)	**(3.2)**
	(372.0)	22.0	(11.5)	**(361.5)**

On 2 July 2014, Debenhams plc issued £225.0 million of seven year senior notes at a coupon rate of 5.25%. On 2 July 2014, the Group cancelled its existing term loan and revolving credit facility and drew down on a new revolving credit facility amounting to £425.0 million. This new revolving credit facility is due to expire in October 2018 and contains an option to request an extension to October 2019.

At 30 August 2014, the Group's drawings under credit facilities outstanding comprised revolving credit facility drawings of £200.0 million (2013: £160.9 million RCF drawings and £236.5 million term loan).

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

Refinancing costs of £7.9 million were incurred during the year ended 30 August 2014 in respect of the negotiation of the new credit facility and the issue of the senior notes, which will be amortised over the term of the corresponding borrowings at the effective interest rate based on the expected amount of those borrowings. The amortisation charge relating to the issue costs of the term loan and revolving credit facility was £1.9 million for the year ended 30 August 2014 (2013: £2.7 million) and the amortisation charge relating to the issue costs of the senior notes was £0.1 million for the year ended 30 August 2014 (2013: £nil). The write off of unamortised issue costs in relation to the cancelled credit facilities was £4.5 million for the year ended 30 August 2014. This has been separately disclosed in the income statement.

14 Related parties

There have been no significant related party transactions during the year (2013: none).

15 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: 0871 384 2766) and at the Company's registered office, 10 Brock Street, Regent's Place, London, NW1 3FG.