DEBENHAMS

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DEBENHAMS PLC: FULL YEAR RESULTS 2012

Debenhams announces strong results and future growth plans

Debenhams, the leading international, multi-channel brand, today announced full year results for the 52 weeks ended 1 September 2012.

FINANCIAL HIGHLIGHTS

- Total sales up 2.6%[1]
    - UK segment sales up 2.6%[1]
    - International segment sales up 2.7%[1] including franchise stores up 17.2%[1]
- Group like-for-like sales up 2.3% including VAT, up 1.6% excluding VAT[1]
- Group statutory revenue up 2.5%[1]
- Group online sales up 39.8%[1]
- Gross margin percentage down 30 basis points in line with guidance[1]
- Group operating profit unchanged at £175.0m[1]
- Group profit before tax up 4.2% to £158.3m[1]
- Basic earnings per share up 14.0% to 9.8p[1]
- Net debt improved by £15.0m to £368.7m after £20.1m share buyback[2]
- Final dividend up 15.0% to 2.3p; full year dividend up 10.0% to 3.3p
- Share buyback to continue with up to £40m over next 12 months

[1]52 weeks to 1 September 2012 vs. 52 weeks to 27 August 2011
[2]1 September 2012 vs. 3 September 2011

OPERATIONAL HIGHLIGHTS

- Continued progress against the four pillars of our strategy
    - 18 UK stores modernised, on track to modernise all outstanding stores
    - Expansion of UK regional footprint, 2 new stores adding 170 new jobs
    - Investment in brand and product ranges to enhance customer offer
    - Further international expansion, entering 2 new territories and 7 new stores
- Market share gains achieved across key product categories, especially non-clothing
- Continued innovation in multi-channel: launch of Endless Aisle, free wi-fi in all stores
- Confidence in strategic delivery leads us to raise targets for online and international operations
    - Medium-term target for online sales raised from £500m to £600m
    - Five year target for total franchise stores increased from 130 to 150

Michael Sharp, Chief Executive of Debenhams, said:

"We have made good progress in 2012, achieving higher sales and earnings growth despite a very difficult market. I believe the strong sales momentum we achieved in the second half of 2012 is clear evidence that our strategy to build a leading international, multi-channel brand is working and this has prompted us to be more ambitious with our medium-term targets for the growth of our online and international operations.

"Looking forward, we believe that customers are acclimatised to the new economic reality. Whilst we don't anticipate a significant change in the economic environment in 2013, we expect to make further progress during the year. We will always manage cash, costs, stocks and margins closely but we are committed to continue prudent investment in key areas to deliver long-term sustainable growth as well as further returns of capital to drive shareholder value."

REVIEW OF THE YEAR

By the end of the year the Debenhams brand was trading from 239 stores across 28 countries and online in 67 countries.

UK MARKET CONDITIONS

The UK experienced challenging trading conditions during 2012. Unseasonal weather in the form of a warm, dry autumn in the first half of the financial year and a cold, wet spring and summer in the second half undoubtedly impacted demand for seasonal products, particularly clothing. In addition, consumer confidence remained depressed throughout the year (source: GfK Consumer Confidence Index Score) as macroeconomic concerns about both the UK economy and the widely reported issues affecting the eurozone weighed on consumers' minds and budgets. Against this background, Debenhams delivered a good performance with higher sales and market share gains.

PROGRESS AGAINST THE FOUR PILLARS OF THE STRATEGY

In October 2011 Chief Executive Michael Sharp set out a four pillar strategy to build the business into a leading international, multi-channel brand. In 2012 we made good progress towards this goal, driven by our delivery against the key components of the strategy, which will continue to be future drivers of growth.

1. Focusing on UK retail

- 18 UK core stores were modernised in 2012.
- Modernised stores are now delivering a further sales uplift in the second year following modernisation for the first time.
- On track to modernise the remaining 30 uninvested core stores by Christmas 2014, including Oxford Street which will be transformed outside and inside to create a true company flagship for the brand.

- The UK store portfolio stood at 154 stores at year end including two new openings during the year which added 78,000 sq ft of trading space; one further store has opened since the year end.
- The new store pipeline now stands at 17 stores over the next 5 years which could add over £150 million of sales.

Note: the results for UK retail are contained within the UK operating segment.

2. Delivering a compelling customer proposition

- Market share gains were achieved in key clothing and non-clothing categories in the UK. In the most recent data, total clothing market share increased by 20 basis points, including growth in womenswear (source: Kantar Worldpanel Fashion 12 weeks market share data to 2 September 2012 vs. 2011). We continue to gain share of the premium beauty market with growth of 11%, ahead of the market which is growing at 8% (source: NPD 52 weeks to August 2012).
- New brands introduced over the past year include new Designers at Debenhams brand No. 1 by Jenny Packham, Nautica, Edition Home and Call It Spring footwear.
- We made additional investment in marketing under the "Life Made Fabulous" campaign which generated good returns both in terms of higher sales and improved perceptions about the Debenhams brand.
- We are investing in additional buying and merchandising resources in several key own bought brands including Red Herring and Principles by Ben de Lisi with the aim of increasing sales densities whilst maintaining own bought gross margins. We will closely monitor the returns from this investment but expect the real impact will become evident towards the end of 2013. If successful, it will be expanded to other own brands.
- Building on the successful impact of our 2012 marketing campaigns, we intend to increase marketing spend further in 2013 including a Christmas brand campaign for the first time in six years.

3. Increasing availability and choice through multi-channel

- Online sales for the Group as a whole grew by 39.8% to £250.6 million in 2012, well ahead of market growth in the UK of c.13% (source: Kantar 52 weeks to 5 August 2012 vs. 2011).
- Our confidence in our ability to realise our multi-channel ambitions has led us to increase our medium-term target for online sales from £500 million to £600 million.
- Debenhams is now the eleventh biggest UK online retailer by traffic volume, up from thirteenth last year (source: IMRG Experian Hitwise Hot Shops List May 2012).
- We reinforced the role that stores play in the multi-channel model through the introduction of the store-based fulfilment system Endless Aisle in October 2011 which captured c.£16 million of potentially lost sales during the year.

- Non-clothing product categories continued to grow strongly online including health and beauty, home, footwear and accessories.
- Free wi-fi became available in all UK stores in May, contributing to extremely strong growth in mobile (visits up 200%, iPad app visits up over 500%).
- The customer contact centre was outsourced to Capita to improve customer service.

Note: the results for the multi-channel business are split between the UK and international operating segments based on customer location.

4. Expanding the brand internationally

- The total number of international stores (comprising Denmark, Republic of Ireland and the franchise stores) at the end of the year was 85.
- Seven new franchise stores opened including market entry into Pakistan and Russia whilst three stores closed. Three further stores have opened since the end of the year in Georgia, Indonesia and the UAE, bringing the current total to 71 stores in 26 countries.
- The contracted franchise store pipeline stands at 18 stores over the next four years, of which a further four will open in 2013. Another 50 stores are in discussion.
- Our target for the total number of franchise stores in five years has been increased from 130 to 150.
- Magasin du Nord delivered a strong performance with like-for-like sales growth of 4.6% in local currency during the year.
- Trading conditions in the Republic of Ireland remain challenging due to the economic environment but we believe we are gaining market share.
- The number of countries we deliver online orders to outside the UK increased from seven to 66 countries. Another 30 countries will follow.
- Following the launch of the euro-denominated Republic of Ireland website in Autumn 2010, the first local language, local currency website was launched in Germany during 2012. Further country specific sites will follow in due course.

Note: the results of the international business are contained within the international operating segment.

FINANCIAL REVIEW

Notes

Prior year comparison: the 2011 financial year comprised 53 weeks to 3 September 2011. Management believes that in order to have a proper understanding of the performance of the business it is more appropriate to compare the 52 weeks of the 2012 financial year with the first 52 weeks of the 2011 financial year (the 52 weeks to 27 August 2011). All comparisons in pages 5 to 9 of this report are made on this basis unless otherwise stated.

Segmental reporting: In order to align our reporting with the way we run the business and to assist shareholders in assessing the opportunities that both the UK and international markets offer to Debenhams, we are changing our segmental analysis. The UK operating segment comprises all stores in the UK as well as online sales to UK customers. The international operating segment comprises the international franchise stores, the owned stores in Denmark (Magasin du Nord) and the Republic of Ireland and online sales to customers outside the UK.

	2012 52 weeks to 1 Sept 2012	**2011 52 weeks to 27 Aug 2011**	***Change***	**2011 53 weeks to 3 Sept 2011**
Gross transaction value (GTV)				
• Group	£2,708.0m	£2,639.5m	*+2.6%*	£2,679.3m
• UK	£2,204.6m	£2,149.5m	*+2.6%*	£2,181.1m
• International	£503.4m	£490.0m	*+2.7%*	£498.2m
Statutory revenue				
• Group	£2,229.8m	£2,176.4m	*+2.5%*	£2,209.8m
• UK	£1,860.3m	£1,823.1m	*+2.0%*	£1,850.6m
• International	£369.5m	£353.3m	*+4.6%*	£359.2m
Group like-for-like sales				
• Including VAT			*+2.3%*	
• Excluding VAT			*+1.6%*	
Group gross margin			*-30bps*	
Operating profit				
• Group	£175.0m	£175.0m	-	£183.7m
• UK	£144.3m	£149.1m	*-3.2%*	£156.2m
• International	£30.7m	£25.9m	*+18.5%*	£27.5m
Group profit before tax	£158.3m	£151.9m	*+4.2%*	£160.3m
Basic earnings per share	9.8p	8.6p	*+14.0%*	9.1p
Dividend per share	3.3p	3.0p	*+10.0%*	3.0p

Sales

Group gross transaction value (GTV), which is a measure of total sales across the Group including concessions, increased by 2.6% to £2,708.0 million. UK GTV increased by 2.6% to £2,204.6 million whilst international GTV increased by 2.7% to £503.4 million.

Group like-for-like sales grew by 2.3% including VAT and by 1.6% excluding VAT. New space accounted for sales growth of 1.0% which included two new UK stores and seven new franchise stores as well as the annualising of stores opened in the prior year.

Own bought product ranges continued to perform well, despite a small decline in the own bought sales mix during 2012, largely due to the addition of new concession brands both as part of the store modernisation programme and online as well as an improvement in the performance of existing concessions. In the UK, the own bought sales mix of 80.0% compared with 80.5% in the prior year. In contrast the international own bought mix increased from 62.2% to 62.6% as additional own brand products were introduced in Denmark and the online business grew in the Republic of Ireland as well as new franchise store openings. Group own bought mix was 76.7% (2011: 77.1%).

Group sales from concession brands increased by 4.1% during the year. As noted above, additional concessions were added as part of the modernisation programme and to replace failed concessions. Certain other concession brands also saw an improved performance.

Online sales for the Group (which comprises online sales in all regions including the UK) increased by 39.8% to £250.6 million (2011: £179.2 million). As such, online now represents 9.3% of GTV, up from 6.8% last year.

Gross margin

Group gross margin percentage fell by 30 basis points during the year, in line with guidance. This was due to a largely weather-related sales mix change towards health and beauty, which has a lower gross margin than own bought clothing, which accounted for 10 basis points of the decrease, and by higher concession sales referred to above, which accounted for 20 basis points. There were early signs of improvements in intake margin in the final months of the year which will benefit gross margin in 2013.

Costs

Total operating costs increased by 2.7% compared with the previous year. Higher distribution costs reflect both the dual running costs associated with the Sherburn distribution centre and delivery costs associated with online sales. Elsewhere, we are investing in a number of key areas of the business including buying and merchandising, marketing, customer analytics and activities to support the rapidly growing multi-channel business which will help to deliver long-term sales growth.

Profitability

Group EBITDA increased by 1.4% to £266.8 million (2011: £263.2 million). Group operating profit of £175.0 million was unchanged on the prior year.

The UK segment delivered EBITDA of £224.8 million which was slightly lower than last year (2011: £225.3 million) and operating profit fell by 3.2% to £144.3 million (2011: £149.1 million). This was largely a result of the shift in sales mix, investment in key areas of the business such as marketing and the increase in sales in the multi-channel business.

International EBITDA increased by 10.8% to £42.0 million (2011: £37.9 million) and operating profit increased by 18.5% to £30.7 million (2011: £25.9 million) largely due to the franchise stores and Magasin du Nord.

Group profit before tax for the year increased by 4.2% to £158.3 million (2011: £151.9 million). Last year the fifty-third week of the year accounted for £8.4 million of profit before tax.

Group profit after tax increased by 12.8% to £125.3 million.

Basic earnings per share for 2012 were 9.8 pence (2011: 8.6 pence) and diluted earnings per share were 9.8 pence (2011: 8.6 pence).

Interest

Interest fell from £23.1 million in 2011 to £16.7 million in 2012, a decrease of 27.7%. This was largely due to the reduction in net debt and the lower interest rates following the refinancing of the Group's senior credit facility in July 2011.

Taxation

Taxation decreased from £40.8 million in 2011 to £33.0 million in 2012, a decline of 19.1%. The effective tax rate was 20.8% compared with 26.9% last year. The lower effective tax rate is in part due to reductions in the headline rate of corporate tax (accounting for 2.0% of the 6.1% nominal decrease) with the balance largely related to the resolution of historical issues net of current year contingencies. We expect the effective tax rate for 2013 to be broadly similar to 2012.

Stocks

In light of the difficult trading conditions, stock levels were managed very tightly. Overall stock value increased by 3.4% due to new stores, the growth of the online business and space optimisation in UK stores (52 weeks to 1 September 2012 vs. 53 weeks to 3 September 2011). Terminal stock as at 1 September 2012 was 2.6%, in line with historical levels.

Cash generation and uses of cash

Debenhams remains highly cash generative, generating £259.7 million from operating activities in 2012.

The board has set clear priorities for the uses of cash. They are:

- To invest in the business to support the four pillars of the strategy
- To grow the dividend in line with maintaining cover at 3 times earnings
- To move towards 1 times net debt to EBITDA over the medium-term
- To return surplus cash to shareholders through a long-term share buyback programme

The principal uses of cash in the 52 weeks to 1 September 2012 were as follows (note: comparisons for 2011 are for the 53 weeks to 3 September 2011).

- Capital investment: The first priority for cash is to invest behind the four pillars of the Group's strategy. Capital investment in 2012 was in line with prior guidance at £118.6 million, an increase of 4.0% versus the prior year (2011: £114.0 million). The largest areas of investment were UK store modernisations (which accounted for 27% of capital investment), maintenance (23%) and systems to support the Group's activities (21%). In 2013, capital investment across the Group is expected to amount to some £135 million as investment increases in the store modernisation programme, particularly related to the upgrade of the Oxford Street flagship store, as well as the relocation of the head office which has been brought about by the expiry of the leases on existing head office buildings.

- Dividends: Total cash paid for dividends amounted to £38.5 million in 2012 compared with £12.9 million in 2011. This comprised payment of the 2011 final dividend of 2.0 pence per share in January 2012 (£25.6 million) and the 2012 interim dividend of 1.0 pence per share in July 2012 (£12.9 million).

- Share buyback: In April 2012 the board announced that it would commence a long-term share buyback programme with an initial tranche of shares up to the value of £20 million during the following six month period. This tranche was completed in August 2012. 23.6 million shares were bought in the market at an average price of 84.9 pence per share. Over the next 12 months, we expect to buy shares up to the value of £40 million.

Net debt

Further progress has been made in reducing net debt. After taking into account £20.1 million of share buybacks, net debt fell by £15.0 million from £383.7 million as at 3 September 2011 to £368.7 million as at 1 September 2012. Net debt to EBITDA stood at 1.38 times at year end compared to 1.40 times at the end of the previous year. The board remains committed to moving net debt towards 1.0 times EBITDA over the medium-term.

Dividends

The board has proposed a final dividend of 2.3 pence per share (2011: 2.0 pence). This will result in a total dividend for the year of 3.3 pence and reflects the board's target dividend cover of three times earnings. The ex-dividend date is 5 December 2012. The dividend will be paid to shareholders on the register as at 7 December 2012 on 11 January 2013.

Pensions

The Group provides a number of pension arrangements for its employees. These include the Debenhams Retirement Scheme and the Debenhams Executive Pension Plan which closed for future accrual from 31 October 2006.

Under IAS 19 the pension fund showed a deficit of £57.3 million on 1 September 2012 moving from a surplus of £3.9 million on 3 September 2011. This move has resulted from an increase in the value of assets held which was more than offset by an increase in the carrying value of liabilities, primarily resulting from a decrease in the discount rate applied of more than 1%, driven by the drop in the yield on high quality corporate bonds.

During March 2012 the triennial actuarial valuation was completed and discussions with the pension fund trustees were concluded. The contributions from the Company 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 funds were set at £8.9 million, rising each year in line with the RPI. The Company also pays the non-investment expenses and levies to the Pension Protection Fund.

OUTLOOK

We believe that customers are to a large extent acclimatised to the new economic reality. We do not therefore anticipate a significant change in the economic environment over the course of 2013 but we expect to make further progress during the year as our strategy delivers further benefits. We will always manage cash, costs, stocks and margins closely but we are committed to continue prudent investment in key areas of the business to deliver long-term sustainable growth as well as further returns of capital to drive shareholder value.

BOARD OF DIRECTORS

Simon Herrick joined the board on 1 November 2011 and was appointed Chief Financial Officer on 10 January 2012. Chris Woodhouse resigned from his role as Finance Director on 10 January 2012. Adam Crozier retired from the board on 1 September 2012. Following Mr. Crozier's retirement, Dennis Millard was appointed chairman of the Remuneration Committee and Mark Rolfe succeeded Mr. Millard as chairman of the Audit Committee.

Subsequent to the end of the financial year, Peter Fitzgerald was appointed as a non-executive director on 4 October 2012 and is a member of the Audit Committee.

The board of directors as at 25 October 2012 is as follows: Nigel Northridge (Chairman), Michael Sharp (Chief Executive), Simon Herrick (Chief Financial Officer), Peter Fitzgerald (non-executive director), Martina King (non-executive director), Dennis Millard (senior independent director), Mark Rolfe (non-executive director) and Sophie Turner Laing (non-executive director).

Presentation

A presentation for analysts and investors will be held today (Thursday 25 October 2012) at 8:45am UK time at the Citigroup Centre, 33 Canada Square, Canary Wharf, London E14 5LB. The presentation will be webcast live at www.debenhamsplc.com.

Enquiries

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

Notes to Editors

Debenhams is a leading international, multi-channel brand with a proud British heritage which trades out of 243 stores across 29 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 four market share in womenswear and menswear and a top ten share in childrenswear. It leads the market in premium health and beauty.

Debenhams is available online in 67 countries and is the eleventh biggest UK online retailer by traffic volume. In March 2012 Debenhams was awarded "Multi-channel Retailer of the Year" 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 Ted Baker, Jeff Banks, Jasper Conran, Erickson Beamon, FrostFrench, Henry Holland, Roksanda Ilincic, Betty Jackson, Jonathan Kelsey, Carol Lake, Ben de Lisi, Julien Macdonald, Melissa Odabash, Jane Packer, Jenny Packham, Pearce Fionda, Preen, Janet Reger, John Rocha, Jonathan Saunders, Marios Schwab, Lisa Stickley, Yukari Sweeney, 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 1 September 2012

	Note	**52 weeks ended 1 September 2012 £m**	53 weeks ended 3 September 2011 £m
Revenue	2, 3	**2,229.8**	2,209.8
Cost of sales		**(1,927.5)**	(1,913.1)
Gross profit		**302.3**	296.7
Distribution costs		**(81.0)**	(70.2)
Administrative expenses		**(46.3)**	(42.8)
Operating profit		**175.0**	183.7
Finance income	6	**1.2**	3.9
Finance costs	7	**(17.9)**	(27.3)
Profit before taxation		**158.3**	160.3
Taxation	8	**(33.0)**	(43.1)
Profit for the financial period attributable to equity shareholders		**125.3**	117.2

Earnings per share attributable to the equity shareholders (expressed in pence per share)

		Pence per share	Pence per share
Basic	10	**9.8**	9.1
Diluted	10	**9.8**	9.1

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 1 September 2012

	52 weeks ended 1 September 2012 £m	53 weeks ended 3 September 2011 £m
Profit for the financial year	**125.3**	117.2
Other comprehensive (expense)/income		
Actuarial (losses)/gains recognised in the pension schemes	**(82.3)**	75.8
Deferred tax credit/(charge) on actuarial losses or gains	**16.9**	(22.5)
Current tax credit on the pension schemes	**2.3**	2.1
Sale of available-for-sale investments	**-**	(2.0)
Change in the valuation of available-for-sale investments	**(0.7)**	(0.2)
Currency translation differences	**(6.7)**	4.3
Cash flow hedges		
- fair value gains /(losses)	**5.0**	(15.7)
- tax (charge)/credit on fair value gains or losses	**(1.6)**	3.9
- reclassified and reported in net profit	**2.0**	4.7
- tax charge on items reclassified and reported in net profit	**(0.4)**	(1.2)
- recycled and adjusted against cost of sales	**(1.9)**	1.8
- tax credit/(charge) on amounts recycled against cost of sales	**0.5**	(0.5)
Total other comprehensive (expense)/income	**(66.9)**	50.5
Total comprehensive income for the year	**58.4**	167.7

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

Consolidated Balance Sheet

As at 1 September 2012

	1 September 2012 £m	3 September 2011 £m
ASSETS		
Non-current assets		
Intangible assets	**864.9**	858.1
Property, plant and equipment	**661.6**	634.6
Available-for-sale investments	**1.9**	2.6
Derivative financial instruments	**0.8**	1.4
Other receivables	**19.3**	18.3
Retirement benefit assets	**-**	3.9
Deferred tax assets	**83.2**	75.7
	1,631.7	1,594.6
Current assets		
Inventories	**332.3**	321.3
Trade and other receivables	**75.4**	72.1
Derivative financial instruments	**7.8**	1.2
Cash and cash equivalents	**44.0**	29.0
	459.5	423.6
LIABILITIES		
Current liabilities		
Bank overdraft and borrowings	**(163.4)**	(168.1)
Derivative financial instruments	**(1.9)**	(8.5)
Trade and other payables	**(525.4)**	(489.1)
Current tax liabilities	**(31.0)**	(43.7)
Provisions	**(5.3)**	(6.2)
	(727.0)	(715.6)
Net current liabilities	**(267.5)**	(292.0)
Non-current liabilities		
Bank overdraft and borrowings	**(249.3)**	(244.6)
Derivative financial instruments	**(8.9)**	(4.2)
Deferred tax liabilities	**(64.7)**	(74.1)
Other non-current liabilities	**(321.9)**	(318.9)
Provisions	**(1.1)**	(1.2)
Retirement benefit obligations	**(57.3)**	-
	(703.2)	(643.0)
NET ASSETS	**661.0**	659.6
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	**(2.6)**	(6.2)
Other reserves	**(10.5)**	(3.1)
Retained earnings	**(9.9)**	(15.1)
TOTAL EQUITY	**661.0**	659.6

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 1 September 2012

	Share capital and share premium	Merger reserve	Reverse acquisition reserve	Hedging reserve	Other reserve	Retained earnings	Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 28 August 2010	683.0	1,200.9	(1,199.9)	0.8	(5.2)	(176.2)	503.4
Profit for the financial year	-	-	-	-	-	117.2	117.2
Actuarial gain on pension schemes	-	-	-	-	-	75.8	75.8
Deferred tax charge on pension schemes	-	-	-	-	-	(22.5)	(22.5)
Current tax credit on pension schemes	-	-	-	-	-	2.1	2.1
Sale of available-for-sale investments	-	-	-	-	(2.0)	-	(2.0)
Change in the value of available-for-sale investments	-	-	-	-	(0.2)	-	(0.2)
Currency translation differences	-	-	-	-	4.3	-	4.3
Cash flow hedges							
- fair value losses (net of tax)	-	-	-	(11.8)	-	-	(11.8)
- reclassified and reported in net profit (net of tax)	-	-	-	3.5	-	-	3.5
- recycled and adjusted against the cost of inventory (net of tax)	-	-	-	1.3	-	-	1.3
Total comprehensive income and expense for the financial year	**-**	**-**	**-**	**(7.0)**	**2.1**	**172.6**	**167.7**
Share-based payment charge	-	-	-	-	-	1.4	1.4
Dividends paid	-	-	-	-	-	(12.9)	(12.9)
Total transactions with owners	-	-	-	-	-	**(11.5)**	**(11.5)**
Balance at 3 September 2011	**683.0**	**1,200.9**	**(1,199.9)**	**(6.2)**	**(3.1)**	**(15.1)**	**659.6**
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)
Cash flow hedges							
- fair value gains (net of tax)	-	-	-	3.4	-	-	3.4
- reclassified and reported in net profit (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**

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 1 September 2012

	Note	**52 weeks ended 1 September 2012 £m**	53 weeks ended 3 September 2011 £m
Cash flows from operating activities			
Cash generated from operations	11	**259.7**	267.6
Finance income		**0.2**	6.7
Finance costs		**(13.8)**	(26.3)
Tax paid		**(44.6)**	(48.6)
Net cash generated from operating activities		**201.5**	199.4
Cash flows from investing activities			
Purchase of property, plant and equipment		**(101.4)**	(94.3)
Purchase of intangible assets		**(17.2)**	(19.7)
Proceeds from sale of available-for-sale investment		**-**	5.0
Proceeds from sale of finance leases		**-**	12.6
Net cash used in investing activities		**(118.6)**	(96.4)
Cash flows from financing activities			
Repayment of term loan facility	12	**-**	(548.6)
(Repayment)/drawdown of new facility	12	**(10.0)**	415.0
Purchase of treasury shares		**(20.1)**	-
Dividends paid		**(38.5)**	(12.9)
Finance lease payments		**(2.2)**	(0.1)
Debt issue costs		**-**	(4.1)
Net cash used in financing activities		**(70.8)**	(150.7)
Net increase/(decrease) in cash and cash equivalents		**12.1**	(47.7)
Net cash and cash equivalents at beginning of financial year		**22.8**	69.5
Foreign exchange (losses)/gains on cash and cash equivalents		**(0.3)**	1.0
Net cash and cash equivalents at end of financial year	12	**34.6**	22.8

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 1 September 2012. 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 1 September 2012 and 3 September 2011 but is derived from the 2012 annual report and financial statements. The annual report and financial statements for 2011, which were prepared under IFRS, have been delivered to the Registrar of Companies and the Group's annual report and financial statements for 2012, prepared under IFRS, will be delivered to the Registrar of Companies in due course. The auditors have reported on those accounts and have given an unqualified report which does not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2 Gross transaction value

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

	1 September 2012 £m	3 September 2011 £m
Gross transaction value	**2,708.0**	2,679.3

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. These have been re-stated from the previous financial year to better reflect the way in which financial performance is managed. 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 the 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.

<u>Segmental analysis of results</u>	UK £m	International £m	Total £m
Financial year ended 1 September 2012			
Gross transaction value	**2,204.6**	**503.4**	**2,708.0**
Concessions, consignments, staff discounts and loyalty schemes	**(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 of intangible assets	**7.7**	**1.5**	**9.2**
Financial year ended 3 September 2011 (re-stated)			
Gross transaction value	2,181.1	498.2	2,679.3
Concessions, consignments, staff discounts and loyalty schemes	(330.5)	(139.0)	(469.5)
External revenue	1,850.6	359.2	2,209.8
Operating profit	156.2	27.5	183.7
Other segment items			
-Depreciation	72.8	10.7	83.5
-Amortisation of intangible assets	7.0	1.5	8.5

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

	1 September 2012 £m	3 September 2011 £m
United Kingdom	**1,860.3**	1,850.6
Republic of Ireland	**136.5**	144.1
Denmark	**142.7**	136.9
Rest of the world	**90.3**	78.2
Total	**2,229.8**	2,209.8

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

	1 September 2012 £m	3 September 2011 £m
United Kingdom	**1,476.1**	1,436.0
Republic of Ireland	**32.1**	39.2
Denmark	**33.3**	35.2
Rest of the world	**4.3**	0.6
Total	**1,545.8**	1,511.0

4 Operating profit

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

	1 September 2012 £m	3 September 2011 £m
The amounts of inventory written down during the financial year	**13.0**	12.9
Cost of inventories recognised as an expense	**1,131.2**	1,117.5
Employment costs (note 5)	**360.0**	372.8
Depreciation of property, plant and equipment	**82.4**	83.5
Amortisation of intangible assets	**9.2**	8.5
Loss on disposal of property, plant and equipment	**0.2**	0.1
Operating lease rentals	**203.6**	207.3
Foreign exchange gains	**(14.8)**	(12.7)
Auditors' remuneration	**0.4**	0.4

5 Employment costs

	1 September 2012 £m	3 September 2011 £m
Wages and salaries	**336.1**	337.6
Social security costs	**21.9**	22.6
Pension cost	**0.4**	11.2
Share-based payments	**1.6**	1.4
Total employment costs	**360.0**	372.8

6 Finance income

	1 September 2012 £m	3 September 2011 £m
Interest on bank deposits	**0.1**	0.6
Other financing income	**1.1**	3.3
	1.2	3.9

7 Finance costs

	1 September 2012 £m	3 September 2011 £m
Bank loans and overdrafts	**11.7**	16.2
Cash flow hedges reclassified and reported in net profit	**2.0**	4.7
Amortisation of issue costs on loans	**2.9**	5.8
Interest payable on finance leases	**0.1**	-
Other financing charges	**1.2**	0.6
	17.9	27.3

8 Taxation

Analysis of tax charge in the financial year	1 September 2012 £m	3 September 2011 £m
Current tax:		
UK corporation tax charge on profit for the financial year	**43.4**	58.4
Adjustments in respect of prior periods	**(8.9)**	(1.6)
Current tax expense	**34.5**	56.8
Deferred taxation:		
Origination and reversal of temporary differences	**(3.8)**	(13.0)
Pension cost relief in excess of pension charge	**2.9**	0.2
Adjustments in respect of prior periods	**(0.6)**	(0.9)
Deferred tax credit	**(1.5)**	(13.7)
Tax charge for the financial year	**33.0**	43.1

9 Dividends

A final dividend of 2.0 pence per share (2011: nil pence per share) was paid during the year in respect of the financial year ended 3 September 2011, together with an interim dividend of 1.0 pence per share (2011: 1.0 pence per share) in respect of the financial year ended 1 September 2012. The directors are proposing a final dividend in respect of the financial year ended 1 September 2012 of 2.3 pence per share (2011: 2.0 pence per share), which will absorb an estimated £29.0 million (2011: £25.6 million) of shareholders' funds. It will be paid on 11 January 2013 to shareholders who are on the register of members at close of business on 7 December 2012. 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.

	1 September 2012 £m	3 September 2011 £m
Final paid 2.0 pence (2011: nil pence) per £0.0001 share		
Settled in cash	**25.6**	-
Interim paid 1.0 pence (2011: 1.0 pence) per £0.0001 share		
Settled in cash	**12.9**	12.9
	38.5	12.9

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 outstanding 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		**1 September 2012**		3 September 2011
	Basic £m	**Diluted £m**	Basic £m	Diluted £m
Profit for the financial year after taxation	**125.3**	**125.3**	117.2	117.2
	Number m	**Number m**	Number m	Number m
Weighted average number of shares	**1,282.0**	**1,282.0**	1,286.8	1,286.8
Shares held by ESOP (weighted)	**(0.7)**	**(0.7)**	(0.3)	(0.3)
Shares issuable (weighted)	**-**	**1.4**	-	0.6
Adjusted weighted average number of shares	**1,281.3**	**1,282.7**	1,286.5	1,287.1
	Pence per share	**Pence per share**	Pence per share	Pence per share
Earnings per share	**9.8**	**9.8**	9.1	9.1

11 Cash generated from operations

	1 September 2012 £m	3 September 2011 £m
Profit for the financial year	**125.3**	117.2
Taxation	**33.0**	43.1
Depreciation and amortisation	**91.6**	92.0
Loss on disposal of property, plant and equipment	**0.2**	0.1
Profit on disposal of available-for-sale investment	**-**	(2.0)
Employee options granted during the financial year	**1.6**	1.4
Fair value (gains)/losses on derivative instruments	**(3.1)**	2.7
Net movements in provisions	**(1.0)**	1.0
Finance income (note 6)	**(1.2)**	(3.9)
Finance costs (note 7)	**17.9**	27.3
Difference between pension charge and contributions paid	**(21.1)**	(8.8)
Net movement in other long-term receivables	**(2.6)**	0.1
Net movement in other non-current liabilities	**2.9**	33.2
Changes in working capital		
Increase in inventories	**(11.5)**	(25.4)
Increase in trade and other receivables	**(4.7)**	(4.6)
Increase/(decrease) in trade and other payables	**32.4**	(5.8)
Cash generated from operations	**259.7**	267.6

12 Analysis of changes in net debt

	3 September 2011 £m	Cash flow £m	Non-cash movements £m	**1 September 2012 £m**
Analysis of net debt				
Cash and cash equivalents	29.0	15.3	(0.3)	**44.0**
Bank overdrafts	(6.2)	(3.2)	-	**(9.4)**
Net cash and cash equivalents	22.8	12.1	(0.3)	**34.6**
Debt due within one year	(160.6)	10.0	(1.2)	**(151.8)**
Debt due after one year	(243.2)	-	(1.6)	**(244.8)**
Finance lease obligations due within one year	(1.3)	2.2	(3.1)	**(2.2)**
Finance lease obligations due after one year	(1.4)	-	(3.1)	**(4.5)**
	(383.7)	24.3	(9.3)	**(368.7)**

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. These facilities expire in October 2015, with an option to extend further to October 2016. At 1 September 2012 the Group’s facilities outstanding comprised the term loan of £250.0 million (2011: £250.0 million) and RCF drawings of £155.0 million (2011: £165.0 million).

In November 2010 the Group cancelled its existing term loan and RCF and drew down on its new £650.0 million credit facility.

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 2015 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 cancelled and current for the financial year ended 1 September 2012 was £2.9 million (2011: £5.8 million).

13 Related parties

There have been no significant related party transactions during the year (2011: 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, 1 Welbeck Street, London, W1G 0AA.

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 2012 Annual Report and Accounts.

1. External Risk

Risk & Impact	Examples of mitigation
Consistent fall in customer spending as a result of economic downturn, inflation or deflation Reduction in gross transaction value and a decline in sales on discretionary purchases	The board conducts strategic business reviews which ensure that management is focused 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.
Competitive pressures in existing markets influence customer behaviour Place pressure on our pricing strategy, margins and profitability	Debenhams' brand and product strategy gives customers a unique, differentiated and exclusive choice of brand, 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.
Factors influencing the sustainability of the supply chain Place pressure on margin and will also divert financial and management resources from more beneficial uses	Debenhams fosters excellent relationships with its suppliers that are mutually beneficial. 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.
Loss of profit or additional expenditure caused by increased energy or fuel costs 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.

2. Financial Risk

Risk & Impact	Examples of mitigation
Risks associated with currency, hedging, interest rates, credit, counterparties and financial covenant under the credit facilities 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.
Shortfall in the pension fund Increases in pension related liabilities could impact profits and cash flow	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.

3. Strategic Risk

Risk & Impact	Examples of mitigation
Inability to predict or fulfil customer demands or preferences Sales will be lower, market share reduced and will be forced to rely on markdown and promotions to dispose of excess or slow moving inventory. May be inventory shortfalls on popular merchandise	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. This is a decreasing risk as a number of strategic projects have been undertaken to improve our understanding of the customer
Departure of key personnel and failure to attract or retain talent	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 & Impact	Examples of mitigation
Significantly delay or prevent achievement of strategy	
Failure to achieve the new store roll out or acquisition targets 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. 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.
Failure of ethical trading policy, poor perception in the market on corporate responsibility matters or negative impact to brand due to product quality, supply chain practices, health and safety etc. Negative effect on reputation leading to loss of stakeholder trust and confidence, material adverse effect on the ability to attract and retain third party brands, suppliers, designers, concessionaires and franchisees with subsequent impact on performance and results	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. A reliance on third party suppliers, 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 have to manage.

4. Hazard

Risk & Impact	Examples of mitigation
Loss of business or additional expenditure caused by terrorism, strikes, riots, natural disaster, or pandemics Adverse effect on inventory and gross transaction value and will divert financial and management resources from more beneficial uses. In the case of terrorism, customer confidence may be impacted	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. Insurance policies have been placed as appropriate to minimise the impact of specific risks.

Risk & Impact	Examples of mitigation
Additional expenditure or reputational damage caused by changes in legislation or a breach of 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 data security standards 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	The information security forum reviews projects and key activities for compliance to the relevant standards. Debenhams compliance to the PCI standard is 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.
Personal injury or property damage relating to a major Debenhams or supplier location Injury or loss of life to staff or customers. Negative effect on reputation and will divert financial and management resources from more beneficial uses	The executive health and safety committee reviews compliance in this area 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 & 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.

Risk & Impact	Examples of mitigation
Disruptions or other adverse events affecting relationships with or the performance of major suppliers, franchise partners, store card providers, designers or concessionaires 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). This is an increasing risk due to the ongoing global economic situation and the impact this could have on a significant supplier or partner.
Fraud, theft or industrial espionage 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.

5. Operational Risk

Risk & Impact	Examples of mitigation
Failure to deliver a business critical project Divert financial and management resources from more beneficial uses and significantly damage ability to manage information technology systems	A full investment appraisal is conducted as part of the decision making process and must be signed off by a board member before any project is undertaken. As part of project governance, a steering committee monitors all key areas involved in the delivery of the project, a project framework is used, selected projects will be reviewed by internal audit and post investment appraisals are undertaken. Debenhams is undertaking a head office move during 2013 which increases the risk rating compared to last year.
Ineffective brand awareness and marketing programmes 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 as a marketing campaign. A full investment appraisal is conducted and must be signed off by a board member before any campaign is undertaken. Campaign effectiveness is monitored through external feedback and internal analysis.
Risks associated with leasehold properties 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	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. Debenhams is undertaking a head office move during 2013 which increases the risk rating compared to last year.

Risk & Impact	Examples of mitigation
Risks associated with systems failure, external attack of systems, or data inaccuracy Divert financial and management resources from more beneficial uses and significantly damage ability to manage information technology systems Inappropriate decisions could be made using wrong or ambiguous information	Project governance, change control and implementation frameworks form part of all project lifecycles and the IS management team is responsible for ensuring that they are adhered to. Monitoring processes are in place across a number of key business systems, alongside appropriately trained specialist teams and an internal knowledge database. Disaster recovery site is in place and associated systems are regularly tested to ensure that invocation would work effectively if required. This risk was previously included within other risks in this section, but has now been displayed separately given the significance of the risk should it occur.
Inability to effectively invoke the Business Continuity Plan Unable to continue operations smoothly in the event of a major incident Divert financial and management resources from more beneficial uses	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. Debenhams is undertaking a Head Office move during 2013 which increases the risk rating compared to last year. This risk was previously included within other risks in this section, but has now been displayed separately given the significance of the risk should it occur.