DEBENHAMS

www.debenhams.com

21 October 2010

DEBENHAMS PLC
FULL YEAR RESULTS FOR 52 WEEKS ENDED 28 AUGUST 2010

Financial Highlights

- Gross transaction value up 9.6%
- Like-for-like sales flat
- Gross margin* up 70 bps
- Headline profit before tax** up 20.6% to £151.0m
- Net debt at 28 August 2010 £516.8m, down £73.5m from a year ago
- Dividend expected to be reinstated at interim 2011

*Gross transaction value less the cost of goods sold, as a percentage of gross transaction value
**After adding back amortisation on capitalised bank fees of £5.7m (2009: £4.4m) and exceptional items of £5.4m (2009: £nil)

Strategic Highlights

- Product
  - Good performance by own bought ranges
  - Continued progress in market share, especially childrenswear and menswear*
  - Exclusive Designers at Debenhams portfolio extended
- Space
  - Six new stores opened, creating over 800 new jobs
  - Store refit programme recommenced including major city centre stores
  - Acquisition of Denmark's leading department store chain Magasin du Nord
  - Eleven new international franchise stores opened including six new markets
- Multi-channel
  - Continued strong growth in Debenhams Direct; sales up 88.4%
- Balance sheet
  - Bank facilities refinanced

*Source: Kantar Worldpanel Fashion 24 weeks market share data to 5 September 2010 vs. 2009

Rob Templeman, Chief Executive of Debenhams, said:

"We are pleased with the performance of the business in 2010 which was a year of structural change for Debenhams. We had said that we would judge our own success this year in terms of profit growth and believe that an increase in headline profit before tax of more than 20% on a one year basis and 37% on a two year basis is a creditable performance. We have now delivered five consecutive halves of profit growth despite the difficult trading environment.

"Although we remain concerned about the general retail environment, we are encouraged by the start to the new financial year which has seen positive like-for-like sales and gross margin in the early weeks. However, the important Christmas trading period is clearly yet to commence. As we look forward, we will continue to focus on our core strategy of self-help initiatives focused on managing gross margins, driving market share and growing through expansion and investment. In spite of the uncertain outlook, there is much to be positive about our business which will enable us to make further progress over the next year."

FINANCIAL SUMMARY

Note: all numbers include Magasin du Nord ("Magasin") unless otherwise stated.

	2010	2009	*Change*
Gross transaction value (GTV) – including Magasin	£2,564.3m	£2,339.7m	*+9.6%*
Gross transaction value (GTV) – excluding Magasin	£2,373.2m	£2,339.7m	*+1.4%*
Statutory revenue	£2,119.9m	£1,915.6m	*+10.7%*
Like-for-like sales			*Flat*
Gross margin[(a)] – including Magasin			*+70bps*
Gross margin[(a)] – excluding Magasin			*+160bps*
Operating profit before exceptionals	£195.1m	£182.2m	*+7.1%*
Headline profit before tax [(b)]	£151.0m	£125.2m	*+20.6%*
Reported profit before tax and exceptionals	£145.3m	£120.8m	*+20.3%*
Net exceptional costs before tax	£5.4m	-	
Adjusted earnings per share [(c)]	7.9p	9.0p	*-1.1p*
Weighted ave. no of shares in issue	1,285.9m	949.4m	
	28-08-10	**29-08-09**	
Net debt	£516.8m	£590.3m	*£73.5m*

(a) Gross margin: gross transaction value less cost of goods sold, as a percentage of gross transaction value
(b) After adding back amortisation on capitalised bank fees of £5.7m (2009: £4.4m) and exceptional items of £5.4m (2009: £nil)
(c) After adding back exceptional costs (net of tax) of £3.7m (2009: £nil) and prior period tax adjustments of £1.1m charge (2009: £9.8m credit)

Enquiries

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

A presentation will be held for analysts and investors today at 9:00am (UK time) at the Ground Floor Auditorium, Bank of America Merrill Lynch, 2 King Edward Street, London EC1A 1HQ. You can listen to the presentation live on +44 (0) 20 7138 0813 or +1 718 354 1157 with the slides available in the investor section at www.debenhamsplc.com. An archive webcast of the presentation will be available from lunchtime today, also at www.debenhamsplc.com.

REVIEW OF THE YEAR

2010 was a year of structural change for Debenhams as the business made significant progress in its strategy to increase margins and profits by expanding the own bought sales mix. This took place against a difficult trading environment with fluctuating consumer confidence, political uncertainty and supply chain pressures. Despite the difficult market conditions experienced across the retail sector in the past two years, Debenhams has now delivered five halves of consistent profit growth.

The performance of the business in 2010 was therefore pleasing with strong growth in margins and profits, further progress in market share categories such as menswear and childrenswear, acceleration of the store refit programme to complement store openings, further development of the multi-channel business, the acquisition of Magasin du Nord ("Magasin") and the refinancing of Debenhams' bank facilities.

FINANCIAL PERFORMANCE

Debenhams recorded a good financial performance in 2010, delivering increases in sales, margins, trading profits and market share.

Gross transaction value for the period grew by 9.6% to £2,564.3 million. Excluding the impact of the acquisition of Magasin, gross transaction value increased by 1.4%.

Like-for-like sales were flat during the year. A significant strand of Debenhams' strategy is to increase sales of own bought products, whereby higher own bought margins more than offset lower own bought sales densities. In the fourth quarter of last year, extensive instore moves were undertaken to create space for both new and expanded own bought brands by reducing concession space. The detrimental impact on like-for-like sales resulting from these moves has been approximately 1.5% throughout 2010.

Gross margin for the year was 70 basis points higher than last year, exceeding guidance provided at the start of the year. This includes the impact of the Magasin business which has a lower gross margin due to its higher mix of concession sales. Excluding Magasin, gross margin increased by 160 basis points in 2010 versus last year. The gross margin gain was driven by stronger own bought sales versus concessions, careful stock control and markdown management which has offset supply chain inflation.

Profitability moved ahead during the year. Headline profit before tax and exceptional items (which adds back amortisation on capitalised debt fees of £5.7 million and excludes exceptional items of £5.4 million) for 2010 was £151.0 million, compared with £125.2 million last year, an increase of 20.6%. Reported profit before tax and exceptional items was 20.3% higher than last year at £145.3 million.

Net exceptional costs (before tax) of £5.4 million were recorded during the year. These are detailed in Note 4. The largest component was an exceptional cost of £9.4 million arising out of the restructuring of the business in the Republic of Ireland which will ensure the business has the flexible and right-sized workforce it needs for the future.

Adjusted earnings per share of 7.9 pence compared with 9.0 pence last year.

Further investment was made in Debenhams' business during 2010 resulting in capital investment of £98.6 million. The key components of capital expenditure were new stores and store refits, maintenance, systems investment – particularly in relation to the multi-channel business – and the acquisition of Magasin du Nord.

The business was strongly cash generative in the year with cash inflow from operating activities of £299.2 million (2009: £241.0 million). Net debt at the end of the year on 28 August 2010 was £516.8 million. This was an improvement of £73.5 million over the position at the end of the last year.

The board has not proposed a final dividend for 2010. Subject to satisfactory trading and economic conditions, it is the board's current intention to recommence dividends at the interim stage of the current financial year (April 2011). The board expects to adopt a policy targeting an initial level of dividend cover of around three times adjusted earnings per share.

STRATEGY UPDATE AND OPERATIONAL REVIEW

Debenhams has continued to deliver on the strategy set out 18 months ago by focusing on measures to expand margins and gain market share whilst continuing to invest in the future development of the business. This involves four key areas of focus: product, space, multi-channel and balance sheet.

Product

Debenhams' product strategy is based on a unique mix of exclusive and third party brands. In particular, the focus is on providing choice and differentiation through the development of own bought product ranges, including Designers at Debenhams.

Debenhams made further progress in market share in 2010. In the most recently available data for GB (source: *Kantar Worldpanel Fashion 24 weeks market share data to 5 September 2010 vs. 2009*), Debenhams' total market share in clothing, footwear and accessories increased by 20 basis points. The strongest market share performances were delivered by men's clothing (up 50 basis points) and children's clothing (up 20 basis points). Women's clothing market share, which was unchanged, has been impacted by the move into lower sales density own bought ranges and the performance of own bought women's clothing was in line with management expectations during the year.

Own bought products continued to outperform concessions in the year. Designers at Debenhams was again the strongest performing category with sales of £497.7 million, up 15.4% versus 2009. Overall, own bought sales increased by 7.7% over the previous year whilst concessions declined by 16.2% (all numbers exclude Magasin but include VAT).

Own bought sales mix improved during the year, reflecting the 530,000 sq ft conversion of trading space in summer 2009. Excluding Magasin, own bought sales accounted for 80.2% of gross transaction value in 2010, up from 76.0% in 2009. Including Magasin, which at present has much lower own bought participation, own bought sales accounted for 77.0% of gross transaction value in the year.

A number of new product ranges were introduced during 2010. These included Principles by Ben de Lisi and H! by Henry Holland which were new additions to the Designers at Debenhams womenswear portfolio. In home, new designer brand House and Home by Lisa Stickley was introduced towards the end of the year as was Butterfly Home by Matthew Williamson, which extends Matthew's presence in Debenhams following the launch of his womenswear collection a year ago. In menswear, a new private label brand Fit For Purpose (FFP) was launched in July.

Stock levels continue to be managed tightly with like-for-like stock densities down 0.5% despite the launch of new own bought brands. Total stock in the business has increased by 9.0% due to new store openings, the acquisition of Magasin and the expansion of the multi-channel business. At year end terminal stock was at a historically low level of 2.6%.

The cost pressures seen in the supply chain in the first half of the year continued into the second half and there is already evidence of price inflation in the UK clothing sector (source: *Kantar Worldpanel Fashion 24 weeks market share data to 5 September 2010 vs. 2009*). The Debenhams sourcing model continues to provide opportunities to offset some elements of cost price inflation.

Space

A disciplined approach to capital expenditure which focuses on the features that make a real difference to customers results in Debenhams achieving strong returns from new store space and from refitting existing stores. As such, opening new stores and upgrading older stores are key parts of the Group's strategy.

New stores

Total space increased by 1,204,000 sq ft in 2010, including 897,000 sq ft from the Magasin du Nord acquisition. This 10.9% increase resulted in total trading space of 12,250,000 sq ft at the end of the year. Average space increased by 8.8% during the year (2.2% excluding Magasin).

Six new stores opened during 2010. Of these, three were department stores including a flagship store in Newcastle-upon-Tyne which opened in February 2010 along with Carmarthen in April 2010 and Bury, Greater Manchester in July 2010. In addition, three Desire stores opened in Kidderminster (September 2009), Monks Cross (October 2009) and Witney (October 2009).

Store refits

The store refit programme accelerated in the second half of the year. This underlines not only the commitment to improving the shopping experience for Debenhams' customers but also confidence in the returns generated from store refits and the uplifts in sales and margins they should deliver.

Major refits have now been completed in Manchester, Glasgow and Swindon which have delivered strong sales and margin uplifts in the period following completion.

Five more refits are now underway which will be completed in time for peak trading with a further five scheduled for the second half of the year.

Magasin du Nord

Debenhams acquired Magasin du Nord, the leading department store chain in Denmark, during the year, taking effective control on 7 November 2009. Magasin comprises six department stores, four in the Copenhagen area plus Århus and Odense.

Magasin has performed well since its acquisition, delivering EBITDA of £5.6 million on gross transaction value of £191.1 million for the 42 week period it was under Debenhams control. Gross margin increased by 50 basis points.

The work to improve sales and margins at Magasin by introducing selected Debenhams own bought ranges into the stores, especially Designers at Debenhams, and using the Debenhams buying infrastructure to reduce input prices is continuing. The first two stores to receive a high proportion of Debenhams' merchandise are performing well ahead of the rest of the chain.

Management is confident that Magasin will deliver on both the financial and strategic objectives that were set at the time of acquisition.

International franchise stores

The international franchise business continues to perform well despite some signs of softening in the retail sector in certain of the markets in which the stores are located. Sales increased by 4.4% during the year to £66.1 million, accounting for 2.6% of the Group's gross transaction value (2009: 2.7%).

Eleven new international franchise stores opened during 2010 taking the total at year end to 60 in 23 countries (including three small closures). New markets in 2010 include Azerbaijan, Egypt, Kazakhstan, Malta, Slovakia and Vietnam.

<u>Multi-channel</u>

Developing a true multi-channel business – rather than just a "bricks-and-mortar retailer with a website" – is an important strategic aim. The focus is around employing technology to increase customer choice and to widen availability and ranging, using e-commerce as a seamless part of Debenhams.

The multi-channel business continued to grow strongly in 2010. Debenhams Direct sales increased by 88.4% to £103.8 million in the year. Some 1.6 million visits have been recorded per week.

Debenhams' strategy for multi-channel development is based on: increasing multi-channel access points; effective multi-channel marketing; an easier customer journey; and improving product content and availability. Key developments in 2010 include: introducing instore ordering in all stores, launching collect from store and international delivery, improving search engine optimisation and fully engaging with social media, enhancing page layout and navigation and introducing a cleaner, faster checkout process and adding further product content including online exclusives.

Most recently, an iPhone app and Debenhams TV have been launched.

<u>Balance sheet</u>

During 2010, £175.0 million of debt was repaid (comprising £100.0 million in October and £75.0 million in January). A further £30.2 million was bought back in the market during the course of the year. As at 21 October 2010, a total of £91.6 million of debt has been bought back since the programme commenced last year at an aggregate discount of 4.2%.

The refinancing of Debenhams' debt facilities was completed in July 2010, well ahead of the scheduled date of April 2011. The new £650 million senior facility comprises a £250 million term loan and a £400 million revolving credit facility expiring in October 2013 with an option to extend to October 2014. The new facility becomes effective upon cancellation or expiry of the existing facility, scheduled for April 2011. Associated refinancing costs of £10.3 million were incurred and will be amortised over the life of the new facility, starting in April 2011. Following a proportion of the debt being hedged into fixed rate finance, it is anticipated that the interest cost net of fees will fall from circa 7.0% in the 2010 financial year to circa 4.5% during the first full year of the new facilities.

Subsequent to the balance sheet date, the group cancelled long leases on six stores and at the same time entered into new sale and leaseback contracts on those stores. The total value of the new contracts was £58.3 million, generating an immediate net cash benefit to Debenhams of £29.5 million. The original leases, which related to a transaction dating back many years, would have resulted in significantly higher rental payments from 2013 onwards and so this transaction will have a positive effect on Debenhams' profit before tax over the medium-term.

BOARD OF DIRECTORS

Nigel Northridge joined the board on 1 January 2010 and was appointed chairman on 1 April 2010 following the retirement of John Lovering on 31 March 2010. Paul Pindar retired from the board on 30 April 2010. Dennis Millard succeeded Mr. Pindar as senior independent director. Subsequent to the year end, Mark Rolfe joined the board as a non-executive director on 1 October 2010.

The board of directors as at 21 October 2010 is as follows: Nigel Northridge (chairman), Rob Templeman (chief executive), Michael Sharp (deputy chief executive), Chris Woodhouse (finance director), Adam Crozier (non-executive director), Martina King (non-executive director), Dennis Millard (non-executive director), Mark Rolfe (non-executive director) and Sophie Turner Laing (non-executive director).

OUTLOOK

Although we remain concerned about the general retail environment, we are encouraged by the start to the new financial year which has seen positive like-for-like sales and gross margin in the early weeks. However, the important Christmas trading period is clearly yet to commence. As we look forward, we will continue to focus on our core strategy of self-help initiatives focused on managing gross margins, driving market share and growing through expansion and investment. In spite of the uncertain outlook, there is much to be positive about our business which will enable us to make further progress over the next year.

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.

Notes to Editors

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

Debenhams has a total of 167 stores in the UK, the Republic of Ireland and Denmark. Debenhams also has 60 international franchise stores in 23 countries and an online store, www.debenhams.com, through which much of the Debenhams range is available.

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

Consolidated Income Statement
For the financial year ended 28 August 2010

	Note	For the financial year ended 28 August 2010 £m	29 August 2009 £m
Revenue	2	2,119.9	1,915.6
Cost of sales		(1,838.9)	(1,650.7)
Analysed as			
Cost of sales before exceptional items		(1,829.5)	(1,650.7)
Exceptional cost of sales	4	(9.4)	-
Gross profit		281.0	264.9
Distribution costs		(55.1)	(45.3)
Administrative expenses		(43.0)	(37.4)
Analysed as			
Administrative expenses before exceptional items		(40.2)	(37.4)
Exceptional administrative expenses	4	(2.8)	-
Other exceptional income	4	6.8	-
Operating profit		189.7	182.2
Analysed as			
Operating profit before exceptional items		195.1	182.2
Exceptional items	4	(5.4)	-
Interest receivable and similar income	6	6.7	1.3
Interest payable and similar charges	7	(56.5)	(62.7)
Profit before taxation		139.9	120.8
Taxation	8	(42.9)	(25.7)
Analysed as			
Taxation before exceptional items		(44.6)	(25.7)
Taxation credit on exceptional items		1.7	-
Profit for the financial year attributable to equity shareholders		97.0	95.1

Earnings per share attributable to the equity shareholders

		Pence per share	Pence per share
Basic	10	7.5	10.0
Diluted	10	7.5	10.0

The notes on pages 14 to 20 form an integral part of this condensed consolidated financial information.

Consolidated Statement of Comprehensive Income

For the financial year ended 28 August 2010

	28 August 2010 £m	29 August 2009 £m
Profit for the financial year	97.0	95.1
Other comprehensive income/(expense)		
Actuarial losses recognised in the pension schemes	(37.1)	(93.6)
Deferred tax movement on actuarial losses	7.8	26.2
Change in the value of available-for-sale investments	(1.0)	(2.2)
Currency translation differences	(6.8)	(0.3)
Cash flow hedges		
- net fair value gains/(losses)	24.0	(12.8)
- tax on net fair value (gains)/losses	(6.5)	3.6
- reclassified and reported in net profit	6.8	-
- tax on items reclassified and reported in net profit	(1.9)	-
- recycled and adjusted against the cost of inventory	(4.3)	(27.9)
- tax on amounts recycled against the cost of inventory	1.2	7.8
Total other comprehensive expense	(17.8)	(99.2)
Total comprehensive income/(expense) for the year	79.2	(4.1)

The notes on pages 14 to 20 form an integral part of this condensed consolidated financial information.

Consolidated Balance Sheet

At 28 August 2010

	28 August 2010 £m	29 August 2009 £m
ASSETS		
Non-current assets		
Intangible assets	846.2	839.9
Property, plant and equipment	676.1	669.2
Available-for-sale investments	7.8	8.8
Derivative financial instruments	0.9	0.2
Other receivables	17.2	-
Deferred tax assets	92.0	80.6
	1,640.2	1,598.7
Current assets		
Inventories	295.3	270.9
Trade and other receivables	73.4	68.5
Derivative financial instruments	8.9	9.5
Cash and cash equivalents	69.5	188.2
	447.1	537.1
LIABILITIES		
Current liabilities		
Bank overdraft and borrowings	(545.7)	(92.6)
Derivative financial instruments	(1.8)	(24.2)
Trade and other payables	(494.2)	(458.6)
Current tax liabilities	(37.5)	(34.0)
Provisions for liabilities and charges	(4.4)	(2.1)
	(1,083.6)	(611.5)
Net current liabilities	(636.5)	(74.4)
Non-current liabilities		
Bank overdraft and borrowings	(40.6)	(685.9)
Derivative financial instruments	(7.5)	(8.0)
Deferred tax liabilities	(83.8)	(78.3)
Other non-current liabilities	(285.7)	(273.0)
Provisions for liabilities and charges	(2.0)	(0.2)
Retirement benefit obligations	(80.7)	(53.6)
	(500.3)	(1,099.0)
NET ASSETS	503.4	425.3
SHAREHOLDERS' EQUITY		
Share capital	0.1	0.1
Share premium	682.9	682.9
Merger reserve	1,200.9	1,504.7
Reverse acquisition reserve	(1,199.9)	(1,199.9)
Hedging reserve	0.8	(18.5)
Other reserves	(5.2)	2.6
Retained earnings	(176.2)	(546.6)
TOTAL EQUITY	503.4	425.3

The notes on pages 14 to 20 form an integral part of this condensed consolidated financial information.

Consolidated Statement of Changes in Equity

At 28 August 2010

	Share capital and share premium	Merger reserve	Reverse acquisition reserve	Retained earnings	Hedging reserve	Other reserve	Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 31 August 2008	683.0	1,200.9	(1,199.9)	(574.6)	10.8	5.1	125.3
Profit for the financial year	-	-	-	95.1	-	-	95.1
Actuarial losses on pension schemes	-	-	-	(93.6)	-	-	(93.6)
Deferred tax movement on actuarial losses	-	-	-	26.2	-	-	26.2
Change in the value of available-for-sale investments	-	-	-	-	-	(2.2)	(2.2)
Currency translation differences	-	-	-	-	-	(0.3)	(0.3)
Cash flow hedges							
- net fair value losses (net of tax)	-	-	-	-	(9.2)	-	(9.2)
- recycled and adjusted against the cost of inventory (net of tax)	-	-	-	-	(20.1)	-	(20.1)
Total comprehensive income and expense for the financial year	-	-	-	27.7	(29.3)	(2.5)	(4.1)
Share-based payment charge	-	-	-	0.3	-	-	0.3
Share issue	-	303.8	-	-	-	-	303.8
Discount arising on repurchase of term loan facility (net of tax)	-	-	-	2.4	-	-	2.4
Dividends paid	-	-	-	(4.3)	-	-	(4.3)
Shares issued in lieu of dividends	-	-	-	1.9	-	-	1.9
Total transactions with owners	-	303.8	-	0.3	-	-	304.1
Balance at 29 August 2009	683.0	1,504.7	(1,199.9)	(546.6)	(18.5)	2.6	425.3
Profit for the financial year	-	-	-	97.0	-		97.0
Actuarial losses on pension schemes	-	-	-	(37.1)	-	-	(37.1)
Deferred tax movement on actuarial losses	-	-	-	7.8	-	-	7.8
Change in the value of available-for-sale investments	-	-	-	-	-	(1.0)	(1.0)
Currency translation differences	-	-	-	-	-	(6.8)	(6.8)
Cash flow hedges							
- net fair value gains (net of tax)	-	-	-	-	17.5	-	17.5
- reclassified and reported in net profit (net of tax)	-	-	-	-	4.9	-	4.9
- recycled and adjusted against the cost of inventory (net of tax)	-	-	-	-	(3.1)	-	(3.1)
Total comprehensive income and expense for the financial year	-	-	-	67.7	19.3	(7.8)	79.2
Share-based payment charge	-	-	-	1.3	-	-	1.3
Redemption of preference shares	-	(303.8)	-	303.8	-	-	-
Discount arising on repurchase of term loan facility (net of tax)	-	-	-	(2.4)	-	-	(2.4)
Total transactions with owners	-	(303.8)	-	302.7	-	-	(1.1)
Balance at 28 August 2010	683.0	1,200.9	(1,199.9)	(176.2)	0.8	(5.2)	503.4

The notes on pages 14 to 20 form an integral part of this condensed consolidated financial information.

Consolidated Cash Flow Statement
For the financial year ended 28 August 2010

	Note	For the financial year ended 28 August 2010 £m	29 August 2009 £m
Cash flows from operating activities			
Cash generated from operations	11	299.2	241.0
Interest received		2.7	1.1
Interest paid		(49.6)	(58.4)
Tax paid		(44.1)	(25.3)
Transaction costs on acquisition of Magasin		(1.0)	-
Net cash generated from operating activities		207.2	158.4
Cash flows from investing activities			
Purchase of property, plant and equipment		(78.5)	(77.0)
Purchase of intangible assets		(11.2)	(7.5)
Proceeds from sale of property, plant and equipment		0.2	-
Acquisition of subsidiary net of cash acquired		(9.1)	-
Net cash used in investing activities		(98.6)	(84.5)
Cash flows from financing activities			
Repayment of term loan facility		(159.7)	(150.0)
Repurchase of term loan facility		(52.3)	(35.5)
Proceeds from issue of new shares		-	323.2
Share issue costs		(4.7)	(14.7)
Dividends paid		-	(2.4)
Finance lease payments		(0.5)	(0.1)
Debt issue costs		(10.1)	(3.3)
Net cash (used)/generated from financing activities		(227.3)	117.2
Net (decrease)/increase in cash and cash equivalents		(118.7)	191.1
Net cash and cash equivalents at beginning of financial year		188.2	(2.9)
Net cash and cash equivalents at end of financial year	12	69.5	188.2

The notes on pages 14 to 20 form an integral part of this condensed consolidated financial information.

1 Basis of preparation

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

The consolidated financial statements have been prepared on the basis of the accounting policies set out in the financial statements of Debenhams plc for the financial year ended 28 August 2010. 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 28 August 2010 and 29 August 2009 but is derived from the 2010 annual report and financial statements. The annual report and financial statements for 2009, which were prepared under IFRS, have been delivered to the Registrar of Companies and the Group annual report and financial statements for 2010, 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 concessions and consignment sales are 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.

	28 August 2010 £m	29 August 2009 £m
Gross transaction value	**2,564.3**	2,339.7

3 Segmental reporting

The Group has adopted IFRS 8 "Operating Segments" with effect from 30 August 2009. IFRS 8 requires disclosure of the operating segments which are reported to the Chief Operating Decision Maker ("CODM"). The CODM has been identified as the executive management board, which includes the executive directors and other key management. It is the executive management board which has responsibility for planning and controlling the activities of the Group.

The Group's reportable segment has been identified as Retail. The operating segment Magasin is not a reportable segment as it does not exceed 10 per cent of Group revenues, profits or gross assets; however this information has been presented voluntarily within the segmental analysis below. The segments are reported to the CODM to operating profit level, using the same accounting policies as applied to the Group accounts.

The Group has elected to adopt early the 2009 amendment to IFRS 8, which is effective for periods commencing on 1 January 2010. This amendment states that an entity should only disclose a measure of segment assets when one is provided to the CODM. No analysis is provided to the executive management board of the assets and liabilities of each operating segment within the monthly reporting pack.

Segmental analysis of results

	Retail £m	Magasin £m	Total £m
Year ended 28 August 2010			
Gross transaction value	2,373.2	191.1	2,564.3
Concessions, consignments, staff discounts and loyalty schemes	(356.9)	(87.5)	(444.4)
External revenue	2,016.3	103.6	2,119.9
Operating profit before exceptional items	193.6	1.5	195.1
Exceptional items	(3.6)	(1.8)	(5.4)
Operating profit/(loss) after exceptional items	190.0	(0.3)	189.7
Other segment items			
-Depreciation	82.0	2.9	84.9
-Amortisation of intangible assets	8.3	1.0	9.3
Year ended 29 August 2009			
Gross transaction value	2,339.7	-	2,339.7
Concessions, staff discounts and loyalty schemes	(424.1)	-	(424.1)
External revenue	1,915.6	-	1,915.6
Operating profit	182.2	-	182.2
Other segment items			
-Depreciation	88.0	-	88.0
-Amortisation of intangible assets	8.1	-	8.1

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

	28 August 2010 £m	29 August 2009 £m
United Kingdom	1,799.8	1,690.4
Republic of Ireland	150.4	161.9
Denmark	103.6	-
Rest of the world	66.1	63.3
Total	2,119.9	1,915.6

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

	28 August 2010 £m	29 August 2009 £m
United Kingdom	1,469.6	1,462.0
Republic of Ireland	40.8	47.1
Denmark	29.1	-
Total	1,539.5	1,509.1

4 Exceptional items

Exceptional items comprise the following (the operating segment of each item is shown in brackets):

	Note	Financial year ended 28 August 2010
Exceptional cost of sales		
Restructuring costs (Retail)	a	(9.4)
Exceptional administrative expenses		
Restructuring costs (Magasin)	b	(1.8)
Costs on acquisition of Magasin (Retail)	c	(1.0)
		(2.8)
Other exceptional income		
Bargain purchase credit – Magasin (Retail)	d	6.8
Net exceptional items		**(5.4)**

There were no exceptional items in the 52 weeks to 29 August 2009.

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

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

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

d Further details of the bargain purchase credit on acquisition of Magasin are set out in note 5.

5 Acquisition of Magasin du Nord ('Magasin')

On 7 November 2009 the Group entered into an agreement to purchase 100 per cent of the shares of A/S Th. Wessell & Vett, Magasin du Nord ('Magasin'), a company registered in Denmark owning six department stores. Consideration of DKK 56.8 million (£6.7 million) was paid in cash. The Group finalised the post closing issues related to the purchase of Magasin in July 2010. Costs of £1.0 million were incurred on the acquisition of Magasin; these costs are included within exceptional administrative expenses in the Income Statement.

Restructuring costs of £1.8 million were incurred subsequent to the date of acquisition, and have been charged to exceptional administrative expenses during the year.

The fair value of the assets and liabilities acquired is set out below.

Recognised assets and liabilities of Magasin at 7 November 2009	Fair value £m
Property, plant and equipment	12.6
Intangible assets	2.2
Inventories	13.4
Trade and other receivables	23.4
Trade and other payables	(35.8)
Bank overdrafts and borrowings	(2.3)
Total	**13.5**
Fair value of consideration transferred	(6.7)
Bargain purchase credit	**6.8**

The Group has recognised a bargain purchase credit within other exceptional operating income of £6.8 million, relating to the acquisition of Magasin, as the fair value of the net assets was in excess of the amount paid. The Group considers that the bargain purchase credit arose due to the economic climate at the time of the acquisition.

Total trade and other receivables include contractual lease deposits of £17.4 million at the date of acquisition. These amounts have been presented as non-current assets within other receivables. Trade and other receivables are all stated at fair value.

The impact on the results of Debenhams plc for the period from acquisition to 28 August 2010 is to increase revenue by £103.6 million and increase operating profit before exceptional items by £1.5 million.

Magasin demerged certain business activities on 31 October 2009. Prior to this date Magasin reported all businesses as one unit within its management accounts. For this reason it has not been practicable to estimate the effects of the acquisition of Magasin on the results for the full 52 week period to 28 August 2010.

6 Interest receivable and similar income

	28 August 2010 £m	29 August 2009 £m
Interest on bank deposits	2.9	1.3
Discount arising on debt repurchase	3.8	-
Interest receivable and similar income	6.7	1.3

7 Interest payable and similar charges

	28 August 2010 £m	29 August 2009 £m
Interest payable and similar charges		
Bank loans and overdrafts	(41.7)	(55.0)
Charge arising from recycling of cash flow hedge	(6.8)	-
Amortisation of issue costs on loans	(5.7)	(4.4)
Interest payable on finance leases	(2.3)	(3.3)
Interest payable and similar charges	(56.5)	(62.7)

8 Taxation

Analysis of tax charge for the financial year	28 August 2010 £m	29 August 2009 £m
Current tax:		
UK corporation tax charge on profit for the year	47.5	39.8
Adjustments in respect of prior periods	(0.2)	(10.5)
Current tax expense	47.3	29.3
Deferred taxation:		
Origination and reversal of timing differences	(6.3)	(8.5)
Pension cost relief in excess of pension charge	0.6	4.2
Adjustments in respect of prior periods	1.3	0.7
Deferred tax credit	(4.4)	(3.6)
Tax charge for the financial year	42.9	25.7

9 Dividends

The directors are not proposing a dividend in respect of the financial year ended 28 August 2010 (2009: nil pence per share).

	28 August 2010 £m	29 August 2009 £m
Final paid nil pence (2009: 0.5 pence) per £0.0001 share		
Settled in cash	-	2.4
Settled in scrip issue	-	1.9
	-	4.3

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 year.

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

Basic and diluted earnings per share	Basic	28 August 2010 Diluted	Basic	29 August 2009 Diluted
	£m	£m	£m	£m
Profit for the financial year after taxation	97.0	97.0	95.1	95.1
	Number m	Number m	Number m	Number m
Weighted average number of shares	1,286.8	1,286.8	950.8	950.8
Shares held by ESOP (weighted)	(0.9)	(0.9)	(1.4)	(1.4)
Shares issuable (weighted)	-	0.2	-	-
Adjusted weighted average number of shares	1,285.9	1,286.1	949.4	949.4
	Pence per share	Pence per share	Pence per share	Pence per share
Earnings per share	7.5	7.5	10.0	10.0

11 Cash generated from operations

	28 August 2010 £m	29 August 2009 £m
Profit for the financial year	97.0	95.1
Taxation	42.9	25.7
Depreciation and amortisation	94.1	96.0
Accelerated depreciation	0.1	0.1
Loss on disposal of property, plant and equipment	0.4	0.2
Bargain purchase credit on acquisition on Magasin net of transaction costs incurred (note 5)	(5.8)	-
Employee options granted during the year	1.3	0.3
Fair value losses/(gains) on derivative instruments	3.1	(0.6)
Net movements in provisions for liabilities and charges	1.8	1.3
Interest income (note 6)	(6.7)	(1.3)
Interest expense (note 7)	56.5	62.7
Difference between pension charge and contributions paid	(10.0)	(15.0)
Net movement in other long-term debtors	(1.1)	-
Net movement in other non-current liabilities	12.6	47.2
Changes in working capital		
Increase in inventories	(11.0)	(33.4)
Decrease/(increase) in trade and other receivables	4.4	(7.3)
Increase/(decrease) in trade and other payables	19.6	(30.0)
Cash generated from operations	299.2	241.0

12 Analysis of changes in net debt

	At 29 August 2009	Cash flow	Non cash movements	At 28 August 2010

	£m	£m	£m	£m
Cash and cash equivalents	188.2	(118.7)	-	69.5
Debt due within one year	(88.9)	124.8	(577.8)	(541.9)
Debt due after one year	(642.8)	97.3	545.5	-
Finance lease obligations due within one year	(3.7)	0.5	(0.6)	(3.8)
Finance lease obligations due after one year	(43.1)	-	2.5	(40.6)
	(590.3)	103.9	(30.4)	(516.8)

The Group signed a new forward starting facility in July 2010, comprising a term loan of £250.0 million and a RCF of £400.0 million. The new facility is available to the Group from April 2011, upon expiry or cancellation of the existing facility, and expires in October 2013 with an option to extend to October 2014. Additional refinancing costs of £10.3 million were incurred in the year, of which £7.9 million has been capitalised against debt, with the balance of £2.4 million included in prepayments at 28 August 2010.

13 Related parties

There have been no significant related party transactions during the year (2009: none).

14 Post Balance Sheet Events

Subsequent to the balance sheet date, the Group cancelled long leases on six stores and at the same time entered into new sale and leaseback contracts on these stores. The total value of the new contracts was £58.3 million, generating an immediate cash benefit to Debenhams of £29.5 million.

15 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 detailed below are the principal risks and uncertainties that may impact Debenhams' ability to achieve its strategic and operational goals. Both external factors, such as the economic environment, and internal factors, such as the retention of key management, are included in the risks and uncertainties that could substantially impact performance. Relevant mitigation for each risk is also outlined. These risks are presented in no particular order.

It should be noted that any system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk	Impact	Examples of mitigation
EXTERNAL RISK		
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 growth strategy through new stores, brand development, enhanced multi-channel offer and expanding international opportunities.
Competitive pressures in existing markets influencing customer behaviour	Place pressure on our pricing strategy, margins and profitability	Debenhams differentiates its customer offer through the unique brand and product mix. Understanding of customers and their needs is developed through listening to their views, market intelligence and reviewing key performance indicators, which ensures pricing is competitive.
Sustained supplier cost prices increases due to rising cost of raw materials, labour etc.	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 fulfilment and costs, the effectiveness of which is measured regularly by management through key performance indicators. Alongside this Debenhams is developing multiple sourcing routes to ensure that competitive pricing is maintained.
Loss of profit or additional expenditure caused by increased energy costs	Place pressure on margin and will also divert financial and management resources from more beneficial uses	The Energy Committee works on the key objectives 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.
STRATEGIC RISK		
Inability to predict or fulfil customer demands or preferences	Sales will be lower, market share reduced and forced to rely on markdowns and sales to dispose of excess or slow moving inventory or inventory shortfalls on popular merchandise	Debenhams utilises market, trend and customer awareness research to understand current demands and preferences and these requirements are delivered through multiple channels, such as stores or the website. To achieve this Debenhams constantly develops these channels and maintains high operational standards to differentiate itself from the competition. Debenhams manages stock levels and the supply chain closely in order to ensure newness is maximised.
Departure of key personnel and failure to attract or retain talent	Significantly delay or prevent achievement of business plan	In order to attract and retain talent, both succession and personal development plans are in place throughout the organisation. In addition to this, performance related incentive schemes exist.
Failure to develop and implement the new store roll out or acquisition successfully	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 the 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 affect on the ability to attract and retain third party brands, suppliers, designers, concessionaires and franchisees with subsequent impact on performance and results	The Sustainability Committee works on the key objectives such as ethical sourcing, legislative change and sustainability matters. The work includes consideration of key topics such as Waste Electrical and Electronic Equipment (WEEE); Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and Carbon Reduction Commitment (CRC). To ensure that Debenhams has the most current information available, it

Risk	Impact	Examples of mitigation
		is a member of industry bodies that provide awareness of changes to standards and legislation. Debenhams is an active member of the Ethical Trading Initiative (ETI) and expects all suppliers to follow the ETI base code and adhere to Debenhams Supplier Code of Conduct. A robust approval process is in place to underpin the ETI base code with the selection of factories for both new and existing suppliers and their adherence is monitored through regular third party audits. Factory outputs are also checked by the internal Quality Assurance team to ensure the integrity of own bought products.
FINANCIAL RISK		
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 both foreign exchange and energy. There is also an internal Treasury function which is mandated by the board and audited annually. Debenhams closely manages all aspects of working capital to support its objective of deleveraging the balance sheet and the effectiveness is measured regularly by management through a series of key performance indicators.
Shortfall in the pension fund	Increases in pension related liabilities could impact profit and cash flow	The Trustees carefully monitor the pension fund and adjust the investment strategy appropriately with any shortfall being brought to the boards attention
OPERATIONAL RISK		
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 projects are undertaken. As part of project governance, a steering committee monitors all key areas involved in the delivery of the project, a project assurance framework is used, selected projects will reviewed by internal audit and post investment appraisals are undertaken.
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 for a marketing campaign. A full investment appraisal is conducted as part of the decision making process and must be signed off by a board member before any campaign is undertaken. Campaign effectiveness is measured through external feedback and internal analysis.
Risks associated with leasehold properties or former properties for which Debenhams may have potential liabilities in event of default of the current tenant	Significant alterations in rental terms could have a material adverse effect on the business, as would failure to secure desirable locations. Disputes over refit of stores may lead to reinstatement costs being incurred 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 in place which manages all aspects of the leasehold, including cost renegotiations, communication of the modernisation process, lease renewals and adherence to all legal obligations under the lease. Debenhams is also a member of key industry bodies who provide awareness of changes to standards and legislation.
HAZARD		
Loss of business or additional expenditure caused by terrorism, increased energy costs, natural disaster, pandemics or regulatory changes	Adverse effect on inventory and gross transaction value and will also divert financial and management resources from more beneficial uses In the case of Terrorism, customer confidence may also be impacted	The Business Continuity Committee works on the key objectives such as planning, testing and invoking. As part of this, the Committee is responsible for: the selection of recovery sites which are equipped to minimise disruption to Head Office operations; ensuring that key third parties have suitable business continuity plans in place; and the effective communication of matters surrounding business continuity to the organisation as a

Risk	Impact	Examples of mitigation
		whole. Insurance policies have been placed as appropriate to minimise the impact of specific risks.
Disruptions or other adverse events affecting relationships with or the performance of major suppliers, store card providers, designers or concessionaires	Costs associated with the transfer of the operations, potential of additional 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 partners may adversely affect GTV Adverse events within the supply chain (including abnormal, severe or unseasonal weather conditions) could restrict the availability or significantly increase the cost of merchandise Credit insurance difficulties for a significant number of suppliers could lead to a detrimental variation of terms or alternative suppliers used	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 (i.e. conversion of space to own bought for concessionaire failure, multiple sourcing routes for supplier failure).
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 works to review compliance for Debenhams in this area and a number of participants are members of a variety of industry bodies. The Committee receives input from a number of specialist teams who focus on discrete aspects; these include health & safety, building services, buying and merchandising, and insurance. To support compliance and to maintain high operational standards, health and safety awareness programmes are in place across the organisation and each site has its own health and safety committee.
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 also divert financial and management resources from more beneficial uses	The Information Security Committee 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 and a number of security tools are employed (i.e. encryption, intruder detection, data loss prevention) to protect data.
Fraud	Negative effect on reputation and will divert financial and management resources from more beneficial uses	In order to mitigate fraud, Debenhams has a number of preventative measures in place, such as: accounting policies and procedures; systems access restrictions; expenditure authorisation levels; and a code of business conduct. A variety of monitoring mechanisms are used to identify fraudulent activity, which include data mining across point of sale and head office functions. In addition, if an employee wishes to report concerns confidentially, a whistleblowing policy is in place. Both the code of business conduct and the whistleblowing policy refer to bribery and corruption as well as theft and fraud. As part of the organisation wide risk assessment process all members of management sign an anti-fraud, bribery and corruption declaration. Issues identified are investigated and the findings reported to the Audit Committee.