DEBENHAMS

Life made fabulous

16 April 2015

DEBENHAMS PLC - HALF YEAR RESULTS
"Good progress against strategic priorities"

Debenhams plc, the leading international, multi-channel brand, today announces half year results for the 26 weeks to 28 February 2015.

Financial headlines

- Gross transaction value ("GTV") up 2.3% to £1,602.4m
- Group like-for-like sales up 1.3%
- Group gross margin rate maintained, with savings in markdown offset by price investment and sales mix
- Profit before tax up 4.3% at £88.9m (2014: £85.2m)
- Reported EPS up 5.4% to 5.9p (2014: 5.6p)
- Interim dividend of 1.0p per share maintained
- Stock value reduced by 5.6% to £335.4m (2014: £355.4m), with terminal stock of 2.9% in line with long-term average
- Net debt reduced by £64.2m to £297.3m due to strong operational cashflows and some timing benefits
- New Season Spectacular brought forward into H1 to align with payday cycle, enhancing LFL sales by c1% and profits before tax by c£3m but diluting gross margin rate by c10bps for the period

Operational headlines

- Good progress made in first half against strategic priorities to deliver long-term sustainable growth
  - Refocusing of promotional strategy resulted in 9.0% increase in own brand full price sell-through in first half, with tightly controlled stock and more flexible purchasing strategies
  - New online delivery options launched for Peak including next day click & collect and 10pm cut-off for next day delivery to home. Service improvements drove click & collect growth of 22.1% in H1, with next day services accounting for 49% of orders in the seven days prior to Christmas
  - UK space optimisation trials now utilising over 20% of targeted 1m sq ft , with encouraging initial results prompting roll out to more stores
- Multi-channel continued to grow with online sales up 12.7%, representing 17.0% of GTV. Mobile penetration now accounts for 42% of online sales
- Investment in the design and buying capability continued with strong performance following the launch of casualwear in Principles by Ben de Lisi, fronted by Sophie Dahl, and the roll out of Hammond & Co, with Savile Row tailor, Patrick Grant
- Good performance by international franchise stores and by Magasin du Nord, which achieved local currency LFL sales growth of 9.9%
- New Chief Financial Officer, Matt Smith, joined strengthening the management team

Michael Sharp, Chief Executive of Debenhams, said:

"I am pleased with the good progress we have made against the strategic priorities we set out last year. We have improved our multi-channel offer and successfully introduced the premium delivery options that we promised for the important peak period, which met with a positive response from our customers. The continued refocusing of our promotional strategy delivered a strong increase in full price sales, an improvement in value perception and enabled us to end the half with an improved stock position. Overall we delivered a good first half performance despite a difficult clothing season in Autumn and we are on track to achieve full year expectations.

"Looking forward, our customers tell us they are feeling a little more optimistic about the economic outlook, but they remain cautious. Accordingly we are continuing to plan prudently in the near term, while remaining focused on our strategic priorities, and are continuing to invest to ensure that our business is well-positioned to drive sustainable growth in the longer term."

Presentation

A presentation for analysts and investors will be held today (Thursday 16 April 2015) at 9:45am UK time at The Lincoln Centre, 17 Lincoln's Inn Fields, London WC2A 3ED. The presentation will be webcast live at http://edge.media-server.com/m/p/edpv276v

Enquiries

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STRATEGIC AND OPERATIONAL REVIEW OF THE HALF YEAR

At the end of the half year Debenhams operated from 246 stores in 27 countries and was available online in a number of countries worldwide. We have continued to execute our strategy to build a leading international, multi-channel brand with progress on each of our strategic priorities, in order to deliver long term sustainable growth.

Delivering a compelling customer proposition

- We continue to invest in our product and brand strategy to ensure our customer proposition remains both compelling and competitive, with our own brands providing exclusivity and differentiation. The work to refocus our promotional strategy continued during the first half with 14 fewer days on promotion overall, making a total reduction of 39 days on promotion in the last 12 months, and a reduced level of discounting during promotional events. The end of season sale commenced on Boxing Day as planned. This approach resulted in an increase in own brand full price sell-through of 9.0% and this contributed to the 100bps gross margin rate improvement from lower markdown.
- Our New Season Spectacular event was brought forward into the first half to better align with the payday cycle, which enhanced sales and profit, at the expense of a slight dilution of margin, as described further in the financial review.
- Alongside the promotional calendar, we continued to improve the value proposition in key categories, extending it further in childrenswear, menswear and home to ensure we deliver “first price, right price”.
- Stock efficiency improved leading to a 5.6% reduction in the stock value at the half year end.
- Our investment in design and buying capability included the launch of casualwear in Principles by Ben de Lisi, fronted by Sophie Dahl. Our most successful Designer brand in menswear, Hammond & Co, led by Savile Row tailor Patrick Grant, was extended to 80 stores.
- Our gifting offer across a diverse mix of categories including beauty, accessories and home was strong and delivered good sales growth of 25.0%. There is an opportunity to expand this further in the year ahead.

Increasing availability and choice through multi-channel

- Online sales increased by 12.7% to £271.8 million, accounting for 17.0% of GTV in the half, up from 15.4% in the previous year.
- Online EBITDA increased by 7.1%, reflecting an increased mix to lower margin concession sales and the investment in premium services including next day click & collect.
- New delivery options were launched on time on 11 October and operated well during Black Friday and the Christmas period. They include next day click & collect, order cut-off for next day delivery to home extended from 2pm to up to 10pm, evening and weekend deliveries and nominated day deliveries.
- Customers’ desire for convenience was a key driver of demand for click & collect which increased by 22.1%. Over the important Christmas period, in the 4 weeks to 10 January 2015, online sales increased by 28.9%, supported by the take-up of the new premium fulfilment services. Next day services accounted for 49% of orders in the seven days prior to Christmas.
- The number of visits to Debenhams.com increased by 6.6% to 158 million, including a 34% increase in visits from mobile devices. Mobile now accounts for 42% of online sales.
- Conversion rates have also improved, by c. 6% over the half year.
- The visual refresh of the website has continued, with the Furniture and Home section being upgraded in March with improved navigation and imagery.

Focusing on UK retail

- UK GTV grew at 2.5% during the period. The UK store estate comprised 161 stores trading from 11.2 million sq ft at the end of the period.
- Two new stores opened during the half in Scunthorpe and Borehamwood adding 69,000 sq ft of trading space and one store, the Newbury clearance outlet, closed during the half, resulting in a net footage increase of 53,000 sq ft.
- Space optimisation trials continued with a number of brands including Sports Direct, Costa, Monsoon and Mothercare. The initial results have been encouraging and the trials are being extended to further stores, in addition to the launch of further brands new to Debenhams, Only and Jack & Jones.
- The third party food offer is also being extended to additional stores, with further openings at Costa and the launch of a number of new third party brands, including Joe and the Juice and Insomnia.
- New menswear Designer at Debenhams brand, Hammond & Co by Patrick Grant, was rolled out to 80 stores following its successful launch in 20 stores.
- The confirmed new store pipeline stands at eight stores. Five stores will open in the Autumn of 2015 ready for peak trading, adding 287,000 sq ft of new trading space. The remaining three are planned to open over the following three years.

Expanding the brand internationally

- At the end of the period, the international store estate totalled 85 stores, comprising 68 franchise stores in 24 countries, 6 Magasin du Nord stores in Denmark and 11 Debenhams stores in the Republic of Ireland.
- Despite adverse foreign exchange movements in the period, International sales increased by 1.5% to £303.5 million and EBITDA by 4.3% to £29.2 million.
- Three new franchise stores opened during the first half in Egypt, Abu Dhabi and The Philippines; three franchise stores closed, two in India and one in Saudi Arabia.
- We are contracted to open 11 new franchise stores over the next three years. Two stores have opened so far this half in Romania and Saudi Arabia, one store closed in Saudi Arabia and we expect a further two openings in the second half. There are a further 18 stores in final negotiation, and we are in discussion in relation to opening approximately 25 additional stores in subsequent years.
- Magasin du Nord delivered another good sales performance with LFL sales increasing by 9.9% in local currency.
- The Republic of Ireland remains a challenging market but represents a small part of the Group.
- International online, a key focus for the future, continued to grow, albeit from a relatively modest base, with sales up by 21.4% in the first half.

FINANCIAL REVIEW

FINANCIAL SUMMARY

	26 weeks to 28 February 2015	26 weeks to 1 March 2014	*% change*
Gross transaction value[1,2,6]			
UK	£1,298.9m	£1,267.8m	*+2.5%*
International	£303.5m	£299.1m	*+1.5%*
Group	£1,602.4m	£1,566.9m	*+2.3%*
Statutory revenue[1,2,6]			
UK	£1,098.3m	£1,080.0m	*+1.7%*
International	£227.1m	£224.4m	*+1.2%*
Group	£1,325.4m	£1,304.4m	*+1.6%*
Group like-for-like sales movement[3,6]			*+1.3%*
Group gross margin movement[4,6]			*Flat*
EBITDA[1,5,6]			
UK	£121.8m	£116.6m	*+4.5%*
International	£29.2m	£28.0m	*+4.3%*
Group	£151.0m	£144.6m	*+4.4%*
Operating profit[1,6]			
UK	£74.5m	£70.5m	*+5.7%*
International	£24.9m	£22.9m	*+8.7%*
Group	£99.4m	£93.4m	*+6.4%*
Profit before tax[6]	£88.9m	£85.2m	*4.3%*
Basic earnings per share[6]	5.9p	5.6p	*5.4%*
Dividend per share	1.0p	1.0p	-
	28 February 2015	**1 March 2014**	
Net debt	£297.3m	£370.9m	
Net debt : EBITDA (last 12 months)	1.3x	1.6x	

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

1. UK operating segment comprises stores in the UK and online sales to UK addresses. International operating segment comprises the international franchise stores, the owned stores in Denmark and the Republic of Ireland and online sales to addresses outside the UK.
2. Gross transaction value (GTV): sales on a gross basis before adjusting for concessions, consignments and staff discounts. Statutory revenue: sales after adjusting for these items.
3. Like-for-like sales movement relates to sales from stores which have been open for more than 12 months plus online sales.
4. Gross margin: GTV less the value of cost of goods sold, as a percentage of GTV.
5. EBITDA is earnings before interest, taxation, depreciation and amortisation (including loss on disposal of property, plant and equipment).
6. New Season Spectacular brought forward into the first half to better align with the payday cycle, which enhanced sales and profit at the expense of a slight dilution of gross margin as described further in the financial review.

SEGMENTAL PERFORMANCE

UK

Gross transaction value for the UK segment increased by 2.5% to £1,298.9 million and reported revenue grew by 1.7% to £1,098.3 million. This was a result of a strong Christmas performance, the impact of moving the New Season Spectacular promotion forward one week into the first half to coincide with the pay day at the end of February and the benefit of two new stores opened in the second half of 2014 and two new stores opened in the first half of 2015. As previously reported, this uplift was in part diluted by the difficult season for clothing across the sector in the Autumn.

The performance of stores continued to be impacted by the channel shift into online, with strong growth in online concessions the principal reason behind the movement in own bought mix from 81.4% last year to 80.6% this year.

UK operating profit for the year increased by 5.7% to £74.5 million due to the sales growth and the continued focus on cost discipline across the business, together with the New Season Spectacular being brought forward, which resulted in c£3 million in profits moving into the first half. This is a timing benefit in the first half with a corresponding profit move of c£3 million out of the second half.

International

In the International segment gross transaction value of £303.5 million was 1.5% higher than the same period last year. Revenue increased by 1.2% to £227.1million, with the weaker Euro and Danish Kroner exchange rates having reduced the Group LFL by 1.1% on translation into Sterling.

Magasin du Nord continued its strong performance and franchise revenue increased with the addition of three new larger stores offset by the closure of three smaller stores, whilst trading conditions in the Republic of Ireland remained difficult.

Online sales to customers outside of the UK also continued to grow and were 21.4% higher than the same period last year. Own bought mix decreased from 63.8% to 63.4% mainly due to an increased mix of sales within the segment to Magasin du Nord, where the own bought mix is lower.

International operating profit increased by 8.7% to £24.9 million. In line with the sales performance, the profit growth was driven by Magasin and the franchise business which offset lower profits in the Republic of Ireland.

GROUP SALES AND PROFITS

Sales and revenue

Group gross transaction value increased by 2.3% to £1,602.4 million for the 26 weeks to 28 February 2015 whilst Group revenue increased by 1.6% to £1,325.4 million.

Group like-for-like sales increased by 1.3%. The impact of moving the New Season Spectacular promotion forward one week into the first half had c. +1% benefit on the LFL in the first half. Strong growth in online sales, which increased by 12.7% to £271.8 million, and Magasin du Nord, which grew 9.9% LFL in local currency (3.0% in Sterling), more than offset lower like-for-like sales from the stores in the UK and Republic of Ireland.

The components of the gross transaction value increase of 2.3% and like-for-like sales growth of 1.3% are shown below

UK stores	(0.6%)
UK online	+1.8%
International	+1.2%
Exchange rate impact	(1.1%)
Like-for-like sales movement	+1.3%
New UK space	+0.8%
International franchise stores	+0.2%
GTV movement	+2.3%

Group own bought mix decreased from 78.0% in 2014 to 77.3% as a result of the movement in the UK mix, with sales from Concessions growing at a faster rate.

Operating profit

Good progress has been made in re-focusing our approach to promotions, with a further 14 fewer days on promotion in H1 and tight stock control leading to less markdown.

Reduced markdown resulted in a 100bps benefit to gross margin, but this was offset by:

(i) the ongoing impact of sales mix from growing sales in the lower margin cosmetics category and weaker womenswear sales arising from the Autumn season (50bps reduction); and

(ii) planned investment in reducing prices in some categories (50bps reduction).

As a result the Group gross margin rate was flat compared with last year. This includes the effect of moving the New Season Spectacular promotion forward one week into the first half which had a negative 10bps gross margin impact.

Costs were well controlled and increased by only 1.4% despite the further shift into online and the investment in expanded online services such as next day click & collect from stores.

Depreciation and amortisation (including losses on disposals) increased by 0.8% to £51.6 million, largely reflecting higher capital expenditure over the last few years.

As a result of the above, Group operating profit improved by 6.4% to £99.4 million for the 26 weeks to 28 February 2015.

Inventory

Stock levels were managed tightly during the first half, reflecting the commitment to re-focus the promotional strategy. More stock was held back as a contingency and released once sales came through. Total stock value decreased by 5.6% to £335.4 million reflecting a 4.7% decline in like-for-like stock. Terminal stock of 2.9% was in line with our historical range of 2.5% to 3.5%.

Net finance costs

As anticipated and in line with previous guidance, net finance costs increased by 28.0% to £10.5 million as a result of increased interest following the refinancing of the borrowing facilities in 2014, including the issue of £225.0 million of senior notes in July 2014.

Profit before tax

Reported profit before tax increased by 4.3% to £88.9 million (2014: £85.2 million), which includes an estimated benefit of c. £3 million relating to the New Season Spectacular promotion moving forward one week into the first half.

Taxation

Taxation increased from £16.5 million in the first half of last year to £17.1 million principally due to the higher reported profit before tax. This represents an effective tax rate of 19.2% (2014: 19.4%). We continue to expect our effective tax rate will revert to more normalised levels of 20%.

Profit after tax

Profit after tax increased by 4.5% to £71.8 million.

Earnings per share

Increased profits resulted in a 5.4% increase in both basic and diluted earnings per share to 5.9 pence.

The basic weighted average number of shares in issue decreased from 1,227.9 million last year to 1,226.1 million and diluted weighted average number of shares decreased from 1,229.6 million to 1,228.2 million. This was due to the purchase of 14.4 million shares in the share buyback scheme in the first half of 2014.

CASH FLOW, USES OF CASH AND MOVEMENT IN NET DEBT

Debenhams is cash generative and has clear priorities for the uses of cash. The first priority is to invest in our strategy to build a leading international, multi-channel brand. Second, we pay our shareholders a dividend. Third, we have a medium-term target for net debt to EBITDA of 1.0 times.

Operating cash flow before financing and taxation increased from £72.6 million to £103.5 million as a result of higher profits, lower capital expenditure and an improvement in working capital inflow of £3.9 million compared to a £9.2 million outflow in 2014. The movement in working capital is supported by the additional sales arising from the New Season Spectacular promotion, which was brought forward one week into the first half, and the strategy to reduce stock levels.

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

	H1 2015	H1 2014
EBITDA	£151.0m	£144.6m
Working capital	£3.9m	£(9.2)m
Cash generated from operations	£154.9m	£135.4m
Capital expenditure	£(51.4)m	£(62.8)m
Operating cash flow before financing & taxation	£103.5m	£72.6m
Taxation	£0.6m	£(15.8)m
Financing	£(9.9)m	£(6.3)m
Dividends paid	£(29.4)m	£(29.4)m
Share buyback	-	£(15.1)m
Other non-cash movements	£(0.6)m	£(4.9)m
Change in net debt	£64.2m	£1.1 m
Opening net debt	£361.5m	£372.0m
Closing net debt	£297.3m	£370.9m
Net debt: EBITDA (last 12 months)	1.3x	1.6x

Capital expenditure

Capital expenditure was £51.4 million during the half compared to the spend of £62.8 million in the same period last year. The variance is principally associated with the cost of the Oxford Street store modernisation last year. Capital spend to date has focused on operational effectiveness, including systems development, particularly to support the Group's multi-channel business, and investment in space optimisation initiatives. Guidance for capital expenditure for the year remains in the region of £130 million and so is expected to be more second half-weighted this year, including spend on the new stores due to open in the early part of the next financial year and the modernisations of stores in Westfield White City and the Birmingham Bull Ring.

Dividends

Total cash paid in dividends of £29.4 million related to the 2014 final dividend of 2.4 pence per share that was paid to shareholders on 9 January 2015.

In line with the dividend policy, the Board has resolved to pay an interim dividend of 1.0 pence per share, maintaining the same level as last year. The interim dividend will be paid on 3 July 2015 to shareholders who are on the register of members at close of business on 5 June 2015.

Net debt

The Group's net debt position as at 28 February 2015 of £297.3 million was £73.6 million better than the same point in the prior year (2014: £370.9 million), a result of improved operating cash flows and the effect of reduced tax payments from the adoption of FRS 101 Reduced disclosure framework. This is an accounting standard that the Group is required to adopt in its subsidiary company statutory accounts. The difference between full year net debt and that reported in 2014 is expected to narrow from the half year position as capital expenditure accelerates in the second half of the year. The ratio of net debt to EBITDA of 1.3 times compares with 1.6 times at the end of the previous year. In order to optimise its funding position, the Group decided to repurchase £13.2 million of senior notes for a consideration of £13.0 million during the period.

PENSIONS

The Group provides a number of pension arrangements for its employees. These include the Debenhams Retirement Scheme and the Debenhams Executive Pension Plan (together the “Group’s pension schemes”) which both closed for future service accrual from 31 October 2006. Under IAS 19 “Employee benefits” revised, the surplus on the Group’s pension schemes as at 28 February 2015 was £21.2 million (1 March 2014: net deficit of £4.2 million). The surplus was driven by asset returns.

An actuarial valuation as at 31 March 2014 is underway. The previous actuarial valuation was dated 31 March 2011 following which a funding plan was agreed with the pension scheme’s trustees intended to restore the schemes to a fully funded position on an ongoing basis by 31 March 2022. As a consequence of this agreed plan, annual contributions to the schemes were set at £8.9 million, rising each year by RPI over the year to the previous December. The Group also pays the non-investment expenses and levies of the pension schemes including those payable to the Pension Protection Fund.

Current pension arrangements for Debenhams’ employees are provided either through a money purchase stakeholder plan or a defined contribution pension scheme.

GUIDANCE FOR 2015

Reiteration of guidance given in 10 January 2015 Trading Statement

Gross margin	Lower end of +10-40bps
Total costs	Lower end of +2-4%
Depreciation & amortisation	c.£105 million
Net finance costs	c.£22 million
Taxation	c.20%
Capital expenditure	c.£130 million
Net debt	£320-340 million

OUTLOOK

Overall we delivered a good first half performance despite a difficult clothing season in Autumn and we are on track to achieve full year expectations.

Looking forward, our customers tell us they are feeling a little more optimistic about the economic outlook, but they remain cautious. Accordingly we are continuing to plan prudently in the near term, while remaining focused on our strategic priorities, and are continuing to invest to ensure that our business is well-positioned to drive sustainable growth in the longer term.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties for the remainder of the year are largely unchanged from those detailed in the Group's Annual Report and Accounts for 2014.

Reference should be made to the 2014 Annual Report and Accounts for more details on the potential impact of these risks and examples of mitigation.

GOING CONCERN

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

BOARD OF DIRECTORS

Matt Smith joined the board and was appointed Chief Financial Officer on 26 January 2015. Terry Duddy was appointed a non-executive director on 10 April 2015.

The board of directors as at 16 April 2015 is as follows: Nigel Northridge (Chairman), Michael Sharp (Chief Executive), Matt Smith (Chief Financial Officer), Suzanne Harlow (Group Trading Director), Dennis Millard (senior independent non-executive director), Terry Duddy (independent non-executive director), Peter Fitzgerald (independent non-executive director), Stephen Ingham (independent non-executive director), Martina King (independent non-executive director), Mark Rolfe (independent non-executive director) and Sophie Turner Laing (independent non-executive director).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that to the best of their knowledge:

- the condensed consolidated interim financial statements for the 26 weeks ended 28 February 2015 have been prepared in accordance with IAS 34 as adopted by the European Union;
- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events and their impact during the first 26 weeks and description of principal risks and uncertainties for the remaining 26 weeks of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

The directors of Debenhams plc are listed above.

By order of the Board

Michael Sharp	Matt Smith
Chief Executive	Chief Financial Officer
16 April 2015	

NOTES TO EDITORS

Debenhams is a leading international, multi-channel brand with a proud British heritage which at the end of H1 FY15 traded from 246 stores across 27 countries. Debenhams gives its customers around the world a unique, differentiated and exclusive mix of own brands, international brands and concessions.

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

Debenhams has been investing in British design for 20 years through its exclusive Designers at Debenhams portfolio of brands. Current designers include Abigail Ahern, Jeff Banks, Jasper Conran, FrostFrench, Patrick Grant, Henry Holland, Betty Jackson, Stephen Jones, Ben de Lisi, Todd Lynn, Julien Macdonald, Jenny Packham, Pearce Fionda, Preen, Janet Reger, John Rocha, 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

Independent review report to Debenhams plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed the condensed consolidated interim financial statements, defined below, in the half year results of Debenhams plc for the six months ended 28 February 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed consolidated interim financial statements, which are prepared by Debenhams plc, comprise:

- the consolidated balance sheet as at 28 February 2015;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated cash flow statement for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed consolidated interim financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements included in the half year results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half year results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the directors

The half year results, including the condensed consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year results in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial statements in the half year results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
16 April 2015
London

Note

(a) The maintenance and integrity of the Debenhams plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement
For the 26 weeks ended 28 February 2015

	Note	**Unaudited 26 weeks to 28 February 2015 £m**	Unaudited 26 weeks to 1 March 2014 £m	Audited 52 weeks to 30 August 2014 £m
Revenue	2,3	**1,325.4**	1,304.4	2,312.7
Cost of sales		**(1,137.1)**	(1,129.4)	(2,033.4)
Gross profit		**188.3**	175.0	279.3
Distribution costs		**(59.8)**	(54.4)	(98.5)
Administrative expenses		**(29.1)**	(27.2)	(52.2)
Operating profit	4	**99.4**	93.4	128.6
Finance income	6	**0.2**	0.1	0.6
Total finance costs	7	**(10.7)**	(8.3)	(23.4)
Analysed as:				
Recurring finance costs	7	**(10.7)**	(8.3)	(18.9)
Non-recurring finance costs	7	-	-	(4.5)
Profit before taxation		**88.9**	85.2	105.8
Taxation	8	**(17.1)**	(16.5)	(18.6)
Profit for the financial period attributable to owners of the parent		**71.8**	68.7	87.2

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

		Pence per share	Pence per share	Pence per share
Basic earnings per share attributable to the owners of the parent	9	**5.9**	5.6	7.1
Diluted earnings per share attributable to the owners of the parent	9	**5.9**	5.6	7.1

The notes on pages 20-28 form an integral part of this condensed consolidated interim financial information.

Consolidated Statement of Comprehensive Income
For the 26 weeks ended 28 February 2015

	Note	**Unaudited 26 weeks to 28 February 2015 £m**	Unaudited 26 weeks to 1 March 2014 £m	Audited 52 weeks to 30 August 2014 £m
Profit for the financial period		**71.8**	68.7	87.2
Other comprehensive income/(expense)				
Items that will not be reclassified to the income statement				
Remeasurements of pension schemes	13	**18.8**	11.4	8.8
Taxation relating to items which will not be reclassified		**(3.8)**	(2.0)	(1.6)
		15.0	9.4	7.2
Items that may be reclassified to the income statement				
Currency translation differences		**(7.7)**	(2.3)	(4.2)
Change in the valuation of available-for-sale investments		**(1.1)**	1.4	2.5
Gains/(losses) on cash flow hedges		**42.9**	(26.6)	(24.9)
Transferred to the income statement on cash flow hedges		**0.8**	1.5	2.7
Recycled and adjusted against cost of inventory		**(4.7)**	3.2	8.1
Taxation relating to items that may be reclassified		**(7.7)**	4.5	3.0
		22.5	(18.3)	(12.8)
Total other comprehensive income/(expense)		**37.5**	(8.9)	(5.6)
Total comprehensive income for the financial period		**109.3**	59.8	81.6

The notes on pages 20-28 form an integral part of this condensed consolidated interim financial information.

Consolidated Balance Sheet

As at 28 February 2015

	Note	**Unaudited 28 February 2015 £m**	Unaudited 1 March 2014 £m	Audited 30 August 2014 £m
Assets				
Non-current assets				
Intangible assets	11	**899.9**	882.6	892.8
Property, plant and equipment	11	**673.2**	688.9	689.2
Available-for-sale investments	12	**2.5**	2.5	3.6
Derivative financial instruments	12	**18.1**	0.8	3.0
Trade and other receivables		**14.7**	16.3	15.6
Retirement benefit surplus	13	**21.2**	6.2	6.9
Deferred tax assets		**30.8**	72.2	51.0
		1,660.4	1,669.5	1,662.1
Current assets				
Inventories		**335.4**	355.4	345.7
Trade and other receivables		**69.1**	68.0	74.7
Derivative financial instruments	12	**16.7**	1.0	1.5
Cash and cash equivalents	17	**37.3**	31.8	64.4
		458.5	456.2	486.3
Liabilities				
Current liabilities				
Bank overdraft and borrowings	17	**(125.3)**	(164.7)	(202.1)
Derivative financial instruments	12	**(1.2)**	(16.6)	(11.4)
Trade and other payables		**(523.5)**	(508.6)	(529.3)
Current tax liabilities		**(7.7)**	(28.2)	(9.2)
Provisions		**(7.2)**	(7.1)	(6.0)
		(664.9)	(725.2)	(758.0)
Net current liabilities		**(206.4)**	(269.0)	(271.7)
Non-current liabilities				
Bank overdraft and borrowings	17	**(209.3)**	(238.0)	(223.8)
Derivative financial instruments	12	**(0.4)**	(7.6)	(2.7)
Deferred tax liabilities		**(64.4)**	(57.7)	(53.4)
Other non-current liabilities	14	**(332.1)**	(326.9)	(332.7)
Provisions		**-**	(1.1)	(1.1)
Retirement benefit obligations	13	**-**	(10.4)	(9.3)
		(606.2)	(641.7)	(623.0)
Net assets		**847.8**	758.8	767.4
Shareholders' equity				
Share capital	15	**0.1**	0.1	0.1
Share premium account		**682.9**	682.9	682.9
Merger reserve		**1,200.9**	1,200.9	1,200.9
Reverse acquisition reserve		**(1,199.9)**	(1,199.9)	(1,199.9)
Hedging reserve		**23.4**	(14.2)	(7.9)
Other reserves		**(18.2)**	(8.6)	(9.4)
Retained earnings		**158.6**	97.6	100.7
Total equity		**847.8**	758.8	767.4

The notes on pages 20-28 form an integral part of this condensed consolidated interim financial information.

Consolidated Statement of Changes in Equity

For the 26 weeks ended 28 February 2015

	Share capital and share premium account £m	Merger reserve £m	Reverse acquisition reserve £m	Hedging reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 30 August 2014	683.0	1,200.9	(1,199.9)	(7.9)	(9.4)	100.7	767.4
Profit for the financial period	-	-	-	-	-	71.8	71.8
Other comprehensive income/(expense) for the financial period	-	-	-	31.3	(8.8)	15.0	37.5
Total comprehensive income/expense for the financial period	**-**	**-**	**-**	**31.3**	**(8.8)**	**86.8**	**109.3**
Share-based payment charge	-	-	-	-	-	0.5	0.5
Dividends paid	-	-	-	-	-	(29.4)	(29.4)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(28.9)**	**(28.9)**
Balance at 28 February 2015	**683.0**	**1,200.9**	**(1,199.9)**	**23.4**	**(18.2)**	**158.6**	**847.8**

Balance at 31 August 2013	683.0	1,200.9	(1,199.9)	3.2	(7.7)	64.9	744.4
Profit for the financial period	-	-	-	-	-	68.7	68.7
Other comprehensive (expense)/income for the financial period	-	-	-	(17.4)	(0.9)	9.4	(8.9)
Total comprehensive (expense)/income for the financial period	-	-	-	(17.4)	(0.9)	78.1	59.8
Share-based payment credit	-	-	-	-	-	(0.9)	(0.9)
Purchase of treasury shares	-	-	-	-	-	(15.1)	(15.1)
Dividends paid	-	-	-	-	-	(29.4)	(29.4)
Total transactions with owners	-	-	-	-	-	(45.4)	(45.4)
Balance at 1 March 2014	683.0	1,200.9	(1,199.9)	(14.2)	(8.6)	97.6	758.8

Balance at 31 August 2013	683.0	1,200.9	(1,199.9)	3.2	(7.7)	64.9	744.4
Profit for the financial year	-	-	-	-	-	87.2	87.2
Other comprehensive (expense)/income for the financial year	-	-	-	(11.1)	(1.7)	7.2	(5.6)
Total comprehensive (expense)/income for the financial year	-	-	-	(11.1)	(1.7)	94.4	81.6
Share-based payment credit	-	-	-	-	-	(1.8)	(1.8)
Purchase of treasury shares	-	-	-	-	-	(15.1)	(15.1)
Dividends paid	-	-	-	-	-	(41.7)	(41.7)
Total transactions with owners	-	-	-	-	-	(58.6)	(58.6)
Balance at 30 August 2014	683.0	1,200.9	(1,199.9)	(7.9)	(9.4)	100.7	767.4

The notes on pages 20-28 form an integral part of this condensed consolidated interim financial information.

Consolidated Cash Flow Statement

For the 26 weeks ended 28 February 2015

	Note	**Unaudited 26 weeks to 28 February 2015**	Unaudited 26 weeks to 1 March 2014	Audited 52 weeks to 30 August 2014
Cash flows from operating activities				
Cash generated from operations	16	**154.9**	135.4	240.5
Finance income		**0.1**	0.1	1.2
Finance costs		**(10.0)**	(6.4)	(14.3)
Tax received/(paid)		**0.6**	(15.8)	(20.6)
Net cash generated from operating activities		**145.6**	113.3	206.8
Cash flows from investing activities				
Purchase of property, plant and equipment		**(37.2)**	(54.6)	(102.3)
Purchase of intangible assets		**(14.4)**	(8.2)	(25.7)
Proceeds from sale of property, plant and equipment		**0.2**	-	-
Net cash used in investing activities		**(51.4)**	(62.8)	(128.0)
Cash flows from financing activities				
Issue of senior notes		**-**	-	225.0
Repurchase of senior notes		**(13.0)**	-	-
(Repayment)/drawdown of revolving credit facility		**(78.0)**	(0.9)	200.0
Repayment of term loan and revolving credit facilities		**-**	-	(410.7)
Settlement of term loan facility		**-**	-	13.3
Purchase of treasury shares		**-**	(15.1)	(15.1)
Dividends paid		**(29.4)**	(29.4)	(41.7)
Finance lease payments		**(2.0)**	(1.5)	(2.2)
Debt issue costs		**(0.3)**	-	(7.1)
Net cash used in financing activities		**(122.7)**	(46.9)	(38.5)
Net (decrease)/increase in cash and cash equivalents	17	**(28.5)**	3.6	40.3
Net cash and cash equivalents at beginning of financial period		**64.4**	24.1	24.1
Net cash and cash equivalents at end of financial period	17	**35.9**	27.7	64.4

The notes on pages 20-28 form an integral part of this condensed consolidated interim financial information.

1 Basis of preparation

This interim report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 “Interim Financial Reporting” as adopted by the European Union. The condensed consolidated financial statements for the 26 weeks ended 28 February 2015 should be read in conjunction with the annual financial statements for the 52 weeks ended 30 August 2014 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) including International Accounting Standards (“IAS”) and IFRS Interpretations Committee (“IFRS IC”) interpretations as adopted by the European Union.

The Group's principal accounting policies used in preparing this information are as stated in the financial statements for the 52 weeks ended 30 August 2014, which are available on our website www.debenhamsplc.com. The report of the auditors for the financial statements for the 52 weeks ended 30 August 2014 was unqualified, did not contain an emphasis of matter paragraph and did not include a statement under Section 498 of the Companies Act 2006. The full financial statements for those 52 weeks have been filed with the Registrar of Companies.

The Group’s interim condensed consolidated financial information is not audited and does not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. The comparative figures for the 52 weeks ended 30 August 2014 and the 26 weeks ended 1 March 2014 are consistent with the Group’s 2014 annual report and financial statements and interim financial statements respectively.

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

The critical accounting estimates and judgements made by management in applying the Group’s accounting policies are consistent with those detailed on pages 104 and 105 of the annual report and financial statements for the 52 weeks ended 30 August 2014 except for taxes on income in the interim periods which are accrued using the tax rate that would be applicable to the expected total annual profit or loss. The principal risks and uncertainties are set out on page 11 of this interim report.

2 Gross transaction value

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

	26 weeks to 28 February 2015 £m	26 weeks to 1 March 2014 £m	52 weeks to 30 August 2014 £m
Gross transaction value	**1,602.4**	1,566.9	2,823.9

3 Segmental information

IFRS 8 “Operating segments” requires disclosure of the operating segments which are reported to the Chief Operating Decision Maker (“CODM”). The CODM has been identified as the Executive Committee, which includes the executive directors and other key management. It is the Executive Committee that has responsibility for planning and controlling the activities of the Group.

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

Segmental analysis of results	**UK £m**	**International £m**	**Total £m**
26 weeks ended 28 February 2015			
Gross transaction value	**1,298.9**	**303.5**	**1,602.4**
Concessions, consignments and staff discounts	**(200.6)**	**(76.4)**	**(277.0)**
External revenue	**1,098.3**	**227.1**	**1,325.4**
Operating profit	**74.5**	**24.9**	**99.4**
26 weeks ended 1 March 2014			
Gross transaction value	1,267.8	299.1	1,566.9
Concessions, consignments and staff discounts	(187.8)	(74.7)	(262.5)
External revenue	1,080.0	224.4	1,304.4
Operating profit	70.5	22.9	93.4
52 weeks ended 30 August 2014			
Gross transaction value	2,275.3	548.6	2,823.9
Concessions, consignments and staff discounts	(373.2)	(138.0)	(511.2)
External revenue	1,902.1	410.6	2,312.7
Operating profit	96.3	32.3	128.6

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

	26 weeks to 28 February 2015 £m	26 weeks to 1 March 2014 £m	52 weeks to 30 August 2014 £m
Total operating profit	**99.4**	93.4	128.6
Finance income	**0.2**	0.1	0.6
Recurring finance costs	**(10.7)**	(8.3)	(18.9)
Non-recurring finance costs	**-**	-	(4.5)
Total profit before taxation	**88.9**	85.2	105.8

4 Operating profit

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

	26 weeks to 28 February 2015 £m	26 weeks to 1 March 2014 £m	52 weeks to 30 August 2014 £m
Amounts of inventory written down during the financial period	**6.3**	6.2	10.4
Cost of inventory recognised as an expense	**686.0**	678.2	1,165.0
Employment costs (note 5)	**197.4**	190.7	369.2
Depreciation and amortisation	**51.6**	49.9	100.8
Loss on disposal of property, plant and equipment	**-**	1.3	1.4
Operating lease rentals	**107.3**	107.5	216.3
Foreign exchange losses/(gains)	**3.5**	(1.6)	(1.3)

5 Employment costs

	26 weeks to 28 February 2015 £m	26 weeks to 1 March 2014 £m	52 weeks to 30 August 2014 £m
Wages and salaries	**177.7**	173.0	334.4
Social security costs	**11.1**	10.5	20.5
Other pension costs	**8.1**	8.1	16.1
Share-based payments	**0.5**	(0.9)	(1.8)
	197.4	190.7	369.2

6 Finance income

	26 weeks to 28 February 2015 £m	26 weeks to 1 March 2014 £m	52 weeks to 30 August 2014 £m
Interest on bank deposits	**0.1**	0.1	0.2
Other financing income	**-**	-	0.4
Net interest on net defined benefit pension schemes	**0.1**	-	-
	0.2	0.1	0.6

7 Finance costs

	26 weeks to 28 February 2015 £m	26 weeks to 1 March 2014 £m	52 weeks to 30 August 2014 £m
Recurring finance costs			
Interest payable on bank loans and overdrafts	**3.4**	5.3	10.9
Interest payable on senior notes	**5.8**	-	1.9
Cash flow hedges reclassified and reported in the income statement	**0.8**	1.5	2.7
Amortisation of issue costs on loans and senior notes	**0.8**	1.0	2.0
Interest payable on finance leases	**0.1**	0.3	0.2
Net interest on net defined benefit pension schemes	**-**	0.3	0.6
Other financing costs	**0.1**	0.2	1.2
Capitalised finance costs – qualifying assets	**(0.3)**	(0.3)	(0.6)
	10.7	8.3	18.9
Non-recurring finance costs			
Unamortised issue costs written off on repayment of term loan and revolving credit facilities	**-**	-	4.5
	-	-	4.5
Total finance costs	**10.7**	**8.3**	23.4

8 Taxation

The taxation charge for the 26 weeks ended 28 February 2015 is based on an estimated effective tax rate for the full year of 19.2% (52 weeks ended 30 August 2014: 17.6%). This is lower than the standard rate of corporation tax (20.6% blended rate) mainly due to the utilisation of overseas losses brought forward from previous periods.

9 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 period, 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 period.

Basic and diluted earnings per share		**26 weeks to 28 February 2015**		26 weeks to 1 March 2014		52 weeks to 30 August 2014
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
	£m	**£m**	£m	£m	£m	£m
Profit for the financial period after taxation	**71.8**	**71.8**	68.7	68.7	87.2	87.2
	Number m	**Number m**	Number m	Number m	Number m	Number m
Weighted average number of shares	**1,226.4**	**1,226.4**	1,228.2	1,228.2	1,227.1	1,227.1
Shares held by ESOP (weighted)	**(0.3)**	**(0.3)**	(0.3)	(0.3)	(0.3)	(0.3)
Shares issuable (weighted)	**-**	**2.1**	-	1.7	-	1.9
Weighted average number of shares used in calculating earnings per share	**1,226.1**	**1,228.2**	1,227.9	1,229.6	1,226.8	1,228.7
	Pence per share	**Pence per share**	Pence per share	Pence per share	Pence per share	Pence per share
Earnings per share	**5.9**	**5.9**	5.6	5.6	7.1	7.1

10 Dividends

The Company paid a final dividend in respect of the 52 weeks ended 30 August 2014 of 2.4 pence per share on 9 January 2015. The directors have resolved to pay an interim dividend in respect of the 26 weeks ended 28 February 2015 of 1.0 pence per share (1 March 2014: 1.0 pence) which will absorb an estimated £12.3 million of shareholders' funds (1 March 2014: £12.3 million). It will be paid on 3 July 2015 to shareholders who are on the register of members at close of business on 5 June 2015.

11 Tangible and intangible assets and commitments

	Tangible and intangible assets		
	28 February 2015	1 March 2014	30 August 2014
	£m	£m	£m
Opening net book amount	**1,582.0**	1,568.6	1,568.6
Additions	**46.7**	55.8	118.9
Foreign currency revaluation	**(3.8)**	(1.7)	(3.3)
Disposals	**(0.2)**	(1.3)	(1.4)
Depreciation and amortisation	**(51.6)**	(49.9)	(100.8)
Closing net book amount	**1,573.1**	1,571.5	1,582.0

Capital commitments contracted but not provided for by the Group amounted to £15.9 million (30 August 2014: £1.3 million; 1 March 2014: £3.0 million).

12 Financial risk factors and financial instruments

The Group's activities expose it to a variety of financial risks which include funding and liquidity risk, credit risk, foreign exchange risk, interest rate risk and other price risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and they should be read in conjunction with the Group's annual financial statements as at 30 August 2014. There have been no changes in risk management procedures and policies since the year end.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 – Quoted prices (unadjusted) based on active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data

At the end of the reporting period, the Group held the following financial instruments at fair value:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 28 February 2015				
Assets				
Available-for-sale financial instruments	**2.5**	**-**	**-**	**2.5**
Derivative financial instruments:				
- Forward foreign currency contracts held as cash flow hedges	**-**	**31.5**	**-**	**31.5**
- Other forward foreign currency contracts	**-**	**3.3**	**-**	**3.3**
Total assets	**2.5**	**34.8**	**-**	**37.3**
Liabilities				
- Interest rate swaps held as cash flows	**-**	**(1.2)**	**-**	**(1.2)**
- Other forward foreign currency contracts	**-**	**(0.4)**	**-**	**(0.4)**
Total liabilities	**-**	**(1.6)**	**-**	**(1.6)**

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 1 March 2014				
Assets				
Available-for-sale financial instruments	2.5	-	-	2.5
Derivative financial instruments:				
- Interest rate swaps held as cash flow hedges	-	0.8	-	0.8
- Forward foreign currency contracts held as cash flow hedges	-	1.0	-	1.0
Total assets	2.5	1.8	-	4.3
Liabilities				
- Interest rate swaps held as cash flows	-	(2.7)	-	(2.7)
- Forward foreign currency contracts held as cash flow hedges	-	(18.7)	-	(18.7)
- Other forward foreign currency contracts	-	(2.8)	-	(2.8)
Total liabilities	-	(24.2)	-	(24.2)

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 30 August 2014				
Assets				
Available-for-sale financial instruments	3.6	-	-	3.6
Derivative financial instruments:				
- Interest rate swaps held as cash flow hedges	-	0.6	-	0.6
- Forward foreign currency contracts held as cash flow hedges	-	3.8	-	3.8
- Other forward foreign currency contracts	-	0.1	-	0.1
Total assets	3.6	4.5	-	8.1
Liabilities				
- Interest rate swaps held as cash flows	-	(1.4)	-	(1.4)
- Forward foreign currency contracts held as cash flow hedges	-	(9.9)	-	(9.9)
- Other forward foreign currency contracts	-	(2.8)	-	(2.8)
Total liabilities	-	(14.1)	-	(14.1)

The Group classifies its investments as available-for-sale financial assets in accordance with IAS 39 "Financial instruments: recognition and measurement". Available-for-sale financial instruments relate to the Group's holding at 28 February 2015 of 10% (1 March 2014: 10%) of the issued shares of Ermes Department Stores Limited ("Ermes"), a company listed on the Cyprus Stock Exchange whose shares are quoted in Euros. The fair value of Ermes is based on the market price at the balance sheet date. At 28 February 2015, if the market value of equity investments had been 10% higher/lower, when all other variables were held constant:

- Net profit would have been unaffected as the equity investments were classified as available-for-sale investments
- Other reserves would decrease/increase by £0.3 million (1 March 2014: £0.2 million) for the Group as a result of the changes in the fair value of available-for-sale investments

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward currency contracts has been determined based on discounted market forward currency exchange rates at the balance sheet date.

There were no material differences between the carrying value of non-derivative financial assets and financial liabilities and their fair values as at the balance sheet date.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There have been no transfers of assets or liabilities between levels of the fair value hierarchy in the current period (26 weeks ended 1 March 2014: no transfers).

13 Retirement benefit schemes

The Group operates defined benefit type pension schemes, being the Debenhams Executive Pension Plan ("DEPP") and the Debenhams Retirement Scheme ("DRS") (together "the Group's pension schemes"), the assets of which are held in separate trustee-administered funds.

Both pension schemes were closed for future service accrual from 31 October 2006. The closure to future accrual will not affect the pensions of those who have retired or the deferred benefits of those who have left service or opted out before 31 October 2006. Future pension arrangements are provided through a money purchase stakeholder plan in the UK and Hong Kong or a defined contribution scheme for the employees in the Republic of Ireland and Denmark.

In accordance with the recovery plan for the Group's pension schemes, which is intended to restore the schemes to a fully funded position on an ongoing basis, the Group agreed to contribute to the pension schemes £8.9 million per annum, on 1 April each year, for the period from 1 April 2012 to 31 March 2022 increasing by the percentage increase in the RPI over the year to the previous December. Additionally, the Group has agreed to cover the non-investment expenses and levies of the pension schemes, including those payable to the Pension Protection Fund.

Further details of the Group's pension arrangements are set out in pages 124 to 127 of the annual report and financial statements for the 52 weeks ended 30 August 2014.

The major assumptions used by the actuary were:

	28 February 2015 per annum %	1 March 2014 per annum %	30 August 2014 per annum %
Inflation assumption	**2.9**	3.2	3.1
General salary and wage increase	**2.9**	3.2	3.1
Rate of increase in pension payments and deferred payments	**2.9**	3.2	3.1
Pension increase rate	**2.7**	3.0	2.9
Discount rate	**3.5**	4.4	3.9

The amounts recognised in the balance sheet are determined as follows:

	28 February 2015 £m	1 March 2014 £m	30 August 2014 £m
Total market value of pension scheme assets	**800.1**	692.4	748.4
Present value of defined benefit obligation	**(778.9)**	(696.6)	(750.8)
Net surplus/(deficit) in pension schemes	**21.2**	(4.2)	(2.4)
Analysed as:			
DEPP scheme surplus	**10.6**	6.2	6.9
DRS scheme surplus/(deficit)	**10.6**	(10.4)	(9.3)

The movement in the net pension surplus/(deficit) during the financial period is as follows:

	28 February 2015 £m	1 March 2014 £m	30 August 2014 £m
Net deficit in pension schemes at the start of the financial period	**(2.4)**	(20.0)	(20.0)
Movement in the financial period:			
- Company contributions	**5.5**	5.4	10.8
- Current service cost	**(0.8)**	(0.7)	(1.4)
- Net interest on net defined benefit schemes	**0.1**	(0.3)	(0.6)
- Remeasurements of pension schemes	**18.8**	11.4	8.8
Net surplus/(deficit) in pension schemes at the end of the financial period	**21.2**	(4.2)	(2.4)

A retirement benefit surplus is only recognised to the extent that it is expected to be recoverable in the future.

The table below illustrates the estimated impact on the schemes' liabilities as a result of movements in the principal assumptions used to measure those liabilities.

	28 February 2015 £m	1 March 2014 £m	30 August 2014 £m
Increase in schemes' liabilities arising from:			
- a 0.5% increase in inflation	**60.5**	47.1	58.5
- a 1.0% reduction in the discount rate	**147.4**	130.1	141.3
- a one year increase in life expectancy	**24.5**	20.3	23.1

A 0.5% reduction in the inflation assumption, a 1.0% increase in the discount rate assumption and a one year reduction in the life expectancy assumption would result in an equal and opposite change in the schemes' liabilities.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be accumulated.

14 Other non-current liabilities

	28 February 2015 £m	1 March 2014 £m	30 August 2014 £m
Property lease incentives received	**331.6**	325.4	331.7
Other non-current liabilities	**0.5**	1.5	1.0
Total other non-current liabilities	**332.1**	326.9	332.7

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

15 Share capital

	£	**Number**
Issued and fully paid - ordinary shares of £0.0001 each		
At 1 March 2014 and 30 August 2014	128,684	1,286,843,441
Allotted under share option schemes	-	6,231
At 28 February 2015	**128,684**	**1,286,849,672**

During the period the Company did not purchase any of its own ordinary shares. During the 52 weeks ended 30 August 2014 the Company purchased 14,351,525 of its own ordinary shares with a nominal value of £1,435 for a consideration of £15.1 million. These ordinary shares are held as treasury shares. 60,210,320 shares are currently held as treasury shares and these represent 4.7% (2014: 4.7%) of the issued share capital of the Company.

16 Cash generated from operations

	26 weeks to 28 February 2015 £m	26 weeks to 1 March 2014 £m	52 weeks to 30 August 2014 £m
Profit before taxation	**88.9**	85.2	105.8
Depreciation and amortisation (note 11)	**51.6**	49.9	100.8
Loss on disposal of property, plant and equipment	**-**	1.3	1.4
Share-based payment charge/(credit)	**0.5**	(0.9)	(1.8)
Fair value (gains)/losses on derivative instruments	**(3.8)**	4.0	(1.1)
Net movements in provisions	**0.1**	1.5	0.4
Finance income (note 6)	**(0.2)**	(0.1)	(0.6)
Finance costs (note 7)	**10.7**	8.3	23.4
Pension current service cost	**0.8**	0.7	1.4
Cash contributions to pension schemes	**(5.5)**	(5.4)	(10.8)
Net movement in other long-term receivables	**(0.5)**	-	0.2
Net movement in other non-current liabilities	**(0.6)**	4.7	10.6
Changes in working capital			
Decrease in inventories	**9.3**	2.4	12.4
Decrease in trade and other receivables	**4.5**	10.1	2.8
Decrease in trade and other payables	**(0.9)**	(26.3)	(4.4)
Cash generated from operations	**154.9**	135.4	240.5

17 Analysis of changes in net debt

	At 30 August 2014 £m	Cash flow £m	Non-cash movements £m	**At 28 February 2015 £m**
Analysis of net debt				
Cash and cash equivalents	64.4	(27.1)	-	**37.3**
Bank overdrafts	-	(1.4)	-	**(1.4)**
Net cash and cash equivalents	64.4	(28.5)	-	**35.9**
Debt due within one year	(198.8)	78.0	0.1	**(120.7)**
Debt due after one year	(220.6)	13.3	(0.7)	**(208.0)**
Finance lease obligations due within one year	(3.3)	2.0	(1.9)	**(3.2)**
Finance lease obligations due after one year	(3.2)	-	1.9	**(1.3)**
	(361.5)	64.8	(0.6)	**(297.3)**

During February 2015 the Company repurchased £13.2 million of the issued £225.0 million 5.25% seven year senior notes for a consideration of £13.0 million. The repurchased senior notes were cancelled on 26 February 2015.

18 Related parties

There have been no significant related party transactions during the period.

19 Financial information

Copies of the statutory accounts are available from the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (Tel: 0871 384 2766), and at the Company's registered office, 10 Brock Street, Regent's Place, London, NW1 3FG.