DEBENHAMS

www.debenhams.com

15 April 2014

DEBENHAMS PLC
HALF YEAR RESULTS FOR 26 WEEKS TO 1 MARCH 2014

Debenhams plc, the leading international, multi-channel brand, today announced half year results for the 26 weeks to 1 March 2014 which were in line with the guidance provided on 31 December 2013.

Financial headlines

- Gross transaction value (GTV) up 2.1%
  - UK up 1.0%
  - International up 6.8%
- Group like-for-like sales up 1.5%
- Group gross margin down 100bps
- Clean stock position at end of half, terminal stock of 2.6% in line with long-term average
- Profit before tax* down 24.5% at £85.2m, in line with guidance
- Earnings per share* down 21.1% to 5.6p
- Interim dividend of 1.0p per share maintained

*Comparators for 2013 have been adjusted for the introduction of IAS 19(R) “Employee benefits” (see note 1)

Operational headlines

- Group online GTV up 24.1%, accounting for 15.4% of total GTV
- Next day delivery to home launched in UK
- Oxford Street international flagship transformation completed on plan, encouraging trading to date
- Maintained market share in key product categories
- 2 new UK stores opened in Haverfordwest and Leamington Spa
- Strong performance from Magasin du Nord
- 4 new international franchise stores opened, 1 closed

Michael Sharp, Chief Executive of Debenhams, said:

“Whilst this has been a challenging first half, we are clear on the issues and are taking decisive action to address them. In particular we are focused on building a more competitive multi-channel offer for our customers and improving the operational effectiveness of the overall business.

“The Debenhams brand remains strong with sales continuing to grow and a resilient market share performance. Whilst we remain cautious about the strength of the UK consumer recovery, I am confident the changes we are putting in place will provide a better customer experience and, over time, stronger results for our shareholders.”

FINANCIAL SUMMARY

	H1 14	H1 13	*% change*
Gross transaction value[1,2]			
UK	£1,267.8m	£1,255.1m	*1.0%*
International	£299.1m	£280.0m	*6.8%*
Group	£1,566.9m	£1,535.1m	*2.1%*
Statutory revenue[1,2]			
UK	£1,080.0m	£1,076.1m	*0.4%*
International	£224.4m	£206.2m	*8.8%*
Group	£1,304.4m	£1,282.3m	*1.7%*
Group like-for-like sales movement[3]			*1.5%*
Group gross margin movement			*-100bps*
Total operating costs[4,6]	£1,211.0m	£1,161.1m	*4.3%*
EBITDA[1,5,6]			
UK	£116.6m	£141.1m	*-17.4%*
International	£28.0m	£27.9m	*0.4%*
Group	£144.6m	£169.0m	*-14.4%*
Operating profit[1,6]			
UK	£70.5m	£98.5m	*-28.4%*
International	£22.9m	£22.7m	*0.9%*
Group	£93.4m	£121.2m	*-22.9%*
Group profit before tax[6]	£85.2m	£112.8m	*-24.5%*
Basic earnings per share[6]	5.6p	7.1p	*-21.1%*
Interim dividend per share	1.0p	1.0p	-
	01-03-14	**02-03-13**	
Net debt	£370.9m	£321.6m	
Net debt : EBITDA (last 12 months)	1.6x	1.3x	

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: 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. Total operating costs comprise cost of sales, distribution costs and administrative expenses.
5. EBITDA is earnings before interest, taxation, depreciation and amortisation.
6. Comparators for the first half of 2013 for all measures of profitability and earnings have been adjusted for the introduction of IAS 19(R) “Employee benefits”. See note 1 for more details.

Enquiries

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FIRST HALF PERFORMANCE REVIEW

The first half of 2014 was a difficult trading period for Debenhams which resulted in an early announcement to the financial markets on 31 December 2013. Group gross transaction value increased by 2.1% and statutory revenue by 1.7% with like-for-like sales growing for the sixth consecutive half, by 1.5%. However, lower than expected sales in the UK and the resulting 100 basis points decline in gross margin led to a reduction in Group profit before tax of 24.5%.

UK performance

The UK market was challenging and competitive throughout the first half and our performance was affected in the main by three factors. First, clothing sales were below expectations, largely as a result of sales targets based on a strong performance last year, exacerbated by a weaker market in September and October. Secondly, the promotional environment was more intense than last year, particularly in December, which diluted the impact of our promotions.

Thirdly, convenience became a much more important driver of customer behaviour in the crucial pre-Christmas period than in previous years. This favoured retailers with better developed multi-channel models than Debenhams. Service improvements made during the half include next day delivery to home which was launched in September 2013 and showed steady growth during the period, peaking at c.50% of orders in the last few days before Christmas Day. There was a significant increase in demand for Click & Collect which accounted for c.24% of our online orders during the first half compared to c.7% of orders in the same period last year. During the half we trialled increasing the threshold for free standard delivery, however the negative impact on sales was unsustainable and so the increased charge was reversed, leading to lower than expected online delivery income during the period.

As a result of these factors, sales before Christmas in the UK were lower than expected, leading to higher levels of markdown required to clear stock in the post-Christmas sale period. Overall, GTV increased by 1.0% but the increased markdown and resulting decline in gross margin led to a decrease in UK EBITDA of 17.4% and operating profit of 28.4%.

The transformation of Oxford Street into our international flagship store was completed on plan with the interior launched in December 2013 and the exterior finished in February 2014. The performance of the store since completion has been encouraging.

The UK store portfolio stood at 158 stores at the end of the first half (H1 2013: 155). Two new stores opened in Leamington Spa and Haverfordwest in October 2013, adding 60,000 sq ft of space. The new store pipeline stands at 14 stores which will collectively add c.8.5% of new space over the next four years. It includes Cheshire Oaks and Hereford which are both expected to open in the second half of this year. New stores are sized and configured to take account of the changing role of the store in a multi-channel world.

International performance

The International business delivered GTV growth of 6.8%. Magasin du Nord performed well with like-for-like sales up 5.5% in local currency. However, the Republic of Ireland stores experienced difficult trading conditions resulting in a significant decline in gross margin which impacted profitability. Sales to franchise partners were higher than last year and International online, although small in size, is growing strongly with sales increasing by 56.0% during the first half.

Overall, a stronger profit performance in Magasin and the franchise business was offset by lower profits in the Republic of Ireland stores as a result of which International EBITDA increased by 0.4% and operating profit by 0.9%.

The total number of international stores stood at 82 at the end of the first half (H1 2013: 79), comprising 65 franchise stores and 17 owned stores across 27 countries. Four new franchise stores opened during the first half including market entry in Estonia and Libya as well as additional stores in Malaysia and Saudi Arabia, whilst one store closed in Vietnam. One new store has opened since the end of the half and three more are scheduled to open in the remainder of the year, including our first store in Latvia. The contracted pipeline for the following two years stands at 21 stores.

STRATEGY UPDATE

We continue to believe that the four pillars of our strategy to build a leading international, multi-channel brand are the key to success for Debenhams. They are:

- Delivering a compelling customer proposition
- Increasing availability and choice through multi-channel
- Focusing on UK retail
- Expanding the brand internationally

We are focusing on clear priorities under each pillar to address issues which affected our performance during the first half and to ensure we are in the best possible shape for the 2014 peak.

<u>Delivering a compelling customer proposition</u>
Our customers remain at the heart of everything we do. We believe that our proposition remains compelling, as evidenced in the most recent market share data which shows growth in key categories including total clothing/footwear/accessories, womenswear and menswear (Kantar Worldpanel Fashion market share 12 weeks to 16 March 2014 vs 2013). Our unique mix of own brands (including Designers at Debenhams), international brands and concessions will continue to give customers choice and exclusivity and provide us with the most profitable route to market.

Promotions are a traditional strength of Debenhams but in the run up to Christmas their impact was diluted by the highly promotional trading environment in the UK. We are therefore refocusing our promotional strategy which will see more clearly defined promotional periods in the trading calendar with fewer days on promotion.

Increasing availability and choice through multi-channel

The importance of continuing to build a more competitive and more economic multi-channel business was brought into sharp focus during the recent Christmas trading period when convenience became the key factor in customers' shopping choices. We will begin to offer a more competitive range of premium delivery options over the course of the next six months in time for peak trading in 2014. This will include next day Click & Collect and extending the cut-off for next day delivery to home from 2pm to up to 10pm, thereby capturing peak shopping hours, as well as nominated day delivery including Saturday. At the same time, the programme we have been working on for the past year to reduce the cost per unit of fulfilment will continue, particularly around Click & Collect. As a result we are accelerating our investment in automation in our distribution centres, starting with the packing process in time for peak trading. We have completed a thorough analysis of customer "pain points" which has identified areas such as checkout and returns and these will be addressed over the coming months as well as a visual refresh in key online product categories starting with furniture, childrenswear and womenswear. Our mobile platform will also be strengthened as we continue to build our mobile advantage as this is the fastest growing channel in terms of visits and sales.

Focusing on UK retail

As with many retailers, sales densities have declined in our UK stores over the past five years, principally due to concession failures and the growth of online sales. A detailed analysis of each store has identified that c.10% of total UK store space is currently delivering sub-optimal sales density which could increase over the next 3-5 years as the channel shift continues. We continue to work on a number of routes to improve sales densities. These include adding more choice of products, brands and services. We are currently in discussions with a number of well-known brands, some of which are expected to be trialled over the next six months. Every store will have at least one restaurant or café by this time next year and we will also be trialling a third party food offer. We are doubling the store space allocated to Click & Collect activities, both front-of-house and stockrooms. We will also be closing six off-site stockrooms by the end of the calendar year.

Expanding the brand internationally

During the first half we revisited the strategy for the International segment to ensure that this part of the business has the focus and support required to accelerate growth. We know we have a credible, exportable proposition and believe that through this strategy International can become a significant and growing part of the Group's activities. This includes the introduction of new operating models such as wholesale and licencing to our existing models of owned stores, franchise stores and online as well as expansion into new countries. Our priorities include ensuring closer integration of International with the Group's buying and merchandising function as well as developing and improving management of the International supply chain. A guiding principle for international expansion will remain the need for management of risk and prudent investment.

FINANCIAL REVIEW

Sales and revenue

Group gross transaction value (GTV) for the 26 weeks to 1 March 2014 grew by 2.1% to £1,566.9 million versus the previous year. UK GTV grew by 1.0% to £1,267.8 million, despite the difficult trading conditions. International GTV increased by 6.8% to £299.1 million, largely due to a good performance from Magasin du Nord, higher sales to franchise partners and international online.

Statutory revenue for the Group of £1,304.4 million was 1.7% higher than last year. UK statutory revenue grew by 0.4% to £1,080.0 million and International was 8.8% higher at £224.4 million.

Group like-for-like sales for the first half increased by 1.5% year-on-year. This was principally driven by growth in online sales of 24.1% to £241.2 million, representing 15.4% of total sales (H1 2013: 12.7%, FY 2013: 13.2%). The performance of the UK stores continues to be impacted by lower footfall due to the ongoing channel shift from stores to online.

The contribution of each channel to total Group sales growth in the first half is shown below.

UK stores sales contribution	-2.4%
UK online sales contribution	+2.8%
International owned stores and online contribution	+1.1%
Group like-for-like sales	**+1.5%**
New UK space contribution	+0.4%
International franchise stores contribution	+0.2%
Group gross transaction value	**+2.1%**

Sales from own bought products (those for which Debenhams owns the stock) increased by 1.8% during the first half, including a 0.7% increase in Designers at Debenhams sales. Sales from concession products, where the stock belongs to a third party, grew by 1.9%. As a result, Group own bought sales mix decreased marginally from 78.3% in the first half of last year to 78.0%. UK own bought mix was 81.4% (H1 2013: 81.7%) whilst International own bought mix increased from 62.8% to 63.8%.

Gross margin

Group gross margin (GTV less the cost of goods sold as a percentage of GTV) declined by 100 basis points compared with the first half of last year, in line with the revised guidance provided on 31 December 2013. This was chiefly driven by the requirement to clear higher levels of stock during the post-Christmas sale period in the UK and the Republic of Ireland.

Gross margin for the full year is expected to be down 50-70 basis points.

Costs

Total operating costs grew by 4.3%. This was largely a result of the increase in the variable costs associated with growing online sales, higher store establishment costs and the increased running costs associated with the new Head Office. For the full year, we expect costs to be within the range of guidance provided in October 2013.

Depreciation and amortisation (including asset write-offs) increased from £47.8 million last year to £51.2 million as a result of higher levels of capital expenditure in recent years. For the full year, depreciation and amortisation is expected to be in the region of £104 million.

The net finance costs were £8.2 million in the first half compared to £8.4 million last year. Excluding the impact of the revision to IAS 19, underlying interest increased from £7.2 million to £7.9 million, primarily due to higher net debt. Full year net finance costs are expected to be £18-20 million, in line with guidance provided in October.

Profitability

Group EBITDA decreased by 14.4% during the first half to £144.6 million and operating profit was 22.9% lower than last year at £93.4 million. This was driven by the performance of the UK where lower than anticipated sales and the subsequent reduction in gross margin resulted in a decline in EBITDA of 17.4% to £116.6 million and operating profit of 28.4% to £70.5 million. International delivered a modest increase in EBITDA of 0.4% to £28.0 million and operating profit of 0.9% to £22.9 million with higher profits in Magasin and the franchise business offset by a decline in profits in the Republic of Ireland.

As a result, Group profit before tax fell by 24.5% to £85.2 million (H1 2013: £112.8 million).

Basic and diluted earnings per share were both 5.6 pence, a decrease of 21.1% compared to the first half of the prior year (H1 13: 7.1 pence).

Taxation

Taxation decreased from £23.6 million in the first half of last year to £16.5 million, mainly due to lower profits and a decrease in the corporation tax rate. This represents an effective tax rate of 19.4% based on the full year forecast (H1 2013: 20.9%). We continue to expect the effective tax rate for the full year will be c.20%.

Stocks

A focus on tightening stock levels throughout the business has resulted in a decrease in store like-for-like stock value of 2.2%. Growth in stock value associated with new stores and online of 1.1% and 1.8% respectively resulted in a total increase in stock value of 0.7%.

The successful clearance of stock in January and February resulted a clean stock position at the end of the half. Terminal stock (which is stock from the previous season as the end of the financial half) at 1 March 2014 of 2.6% represented an improvement over the 3.0% achieved at the same point last year and in line with our long-term average.

Cash generation and uses of cash

Cash flow before financing and taxation of £72.6 million during the first half fell by 35.6% (H1 2013: £112.8 million) due to lower than expected sales and profits.

The principal uses of cash during the first half were as follows:

- Capital investment: A total of £62.8 million was spent during the first half, up from £51.9 million in the same period a year ago. The largest areas of investment were UK store modernisations including Oxford Street (35% of spend), systems (23%) and UK maintenance (14%). Guidance for the full year remains £130-135 million. The acceleration of investment in automation to support multi-channel growth is now expected to require capital investment to remain at around the same level in 2015.
- Dividends: Total cash paid in dividends of £29.4 million related to the 2013 final dividend of 2.3 pence per share that was paid to shareholders on 10 January 2014.
- Share buyback: £15.1 million was spent to acquire 14.4 million shares during the first half of the year. On 31 December 2013 the board announced that the share buyback would cease with immediate effect.

Net debt and funding

Net debt stood at £370.9 million as at 1 March 2014, a decrease of £1.1 million since the start of the financial year but £49.3 million higher than the end of the first half in 2013. The reduction in EBITDA associated with the UK business resulted in net debt to EBITDA (last 12 months) increasing to 1.6 times from 1.3 times at the same point last year. It remains the board's intention to reduce net debt to EBITDA over the medium-term and this was a key driver of the decision to cease the share buyback programme.

Our current bank facilities extend to October 2016 and, in line with good practice, over the next year we expect to start exploring opportunities to diversify our sources of funding.

Dividend

The board has resolved to maintain the interim dividend of 1.0 pence per share with the following timetable.

Ex-dividend date	4 June 2014
Record date	6 June 2014
Payment date	4 July 2014

Looking forward, the board's intention is to maintain the total dividend for 2014 at the same level as last year in absolute terms (3.4 pence per share) and to rebuild cover over the next few years as the performance of the business strengthens.

OUTLOOK

Customers tell us they are encouraged by news of improvements in the economy but this has yet to translate into higher disposable income. We therefore remain cautious about the strength of a UK consumer recovery over the balance of the financial year and expect that the marketplace will remain highly competitive.

Whilst we remain cautious about the strength of the UK consumer recovery, we are confident the changes we are putting in place will provide a better customer experience and, over time, stronger results for our shareholders.

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 2013. The board would highlight the following two risks as increasing in severity since the publication of that document and of particular relevance for the outcome of the financial year.

- Factors outside Debenhams' control, such as increases in energy or fuel costs, may have an adverse effect on its results
    - This risk has increased due to the political crisis in Ukraine which could impact energy supplies or costs for Debenhams, its suppliers or partners.
    - An energy hedging policy is in place to provide a high degree of cost certainty in the short-term.

- Disruptions or other adverse events affecting relationships with or the performance of major suppliers, franchise partners, store card providers, designers or concessionaires
    - This risk has increased due to potential instability in various territories.
    - In order to minimise the impact of any third party relationship or performance issues, our 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.

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

BOARD OF DIRECTORS

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

Simon Herrick resigned as Chief Financial Officer and as a director on 2 January 2014. Neil Kennedy has assumed the role of Acting Chief Financial Officer.

The board of directors as at 15 April 2014 is as follows: Nigel Northridge (Chairman), Michael Sharp (Chief Executive), Suzanne Harlow (Group Trading Director), Dennis Millard (senior independent non-executive director), Peter Fitzgerald (non-executive director), Stephen Ingham (non-executive director), Martina King (non-executive director), Mark Rolfe (non-executive director) and Sophie Turner Laing (non-executive director).

GOING CONCERN

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

PRESENTATION

A presentation for analysts and investors will be held today at 9:00am at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED. It will be webcast live at www.debenhamsplc.com.

NOTES TO EDITORS

Debenhams is a leading international, multi-channel brand with a proud British heritage which trades out of 240 stores across 28 countries. Debenhams gives its customers around the world a unique, differentiated and exclusive mix of own brands, international brands and concessions.

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

Debenhams is the eleventh biggest UK online retailer by traffic volume and the sixth most visited mobile retail site (source: IMRG-Experian Hitwise).

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that to the best of their knowledge:

- the interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union;
- the financial highlights, review of business performance and interim financial information include 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 financial highlights and review of business performance include 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 on page 10 of this interim report.

By order of the board

Paul Eardley
Company Secretary
15 April 2014

Independent review report to Debenhams plc

Introduction

We have been engaged by the Company to review the interim condensed consolidated financial information in the half-yearly financial report for the 26 weeks ended 1 March 2014, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, 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.

Scope of review

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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information in the half-yearly financial report for the 26 weeks ended 1 March 2014 is 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.

PricewaterhouseCoopers LLP
Chartered Accountants
15 April 2014
London

Consolidated Income Statement

For the 26 weeks ended 1 March 2014

	Note	**Unaudited 26 weeks to 1 March 2014 £m**	Restated[1] Unaudited 26 weeks to 2 March 2013 £m	Restated[1] Audited 52 weeks to 31 August 2013 £m
Revenue	2,3	**1,304.4**	1,282.3	2,282.2
Cost of sales		**(1,129.4)**	(1,085.9)	(1,982.6)
Gross profit		**175.0**	196.4	299.6
Distribution costs		**(54.4)**	(52.8)	(97.5)
Administrative expenses		**(27.2)**	(22.4)	(46.7)
Operating profit	4	**93.4**	121.2	155.4
Finance income	6	**0.1**	1.0	1.5
Finance costs	7	**(8.3)**	(9.4)	(17.9)
Profit before taxation		**85.2**	112.8	139.0
Taxation	8	**(16.5)**	(23.6)	(23.1)
Profit for the financial period attributable to owners of the parent		**68.7**	89.2	115.9

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

		Pence per share	Restated[1] Pence per share	Restated[1] Pence per share
Basic	9	**5.6**	7.1	9.2
Diluted	9	**5.6**	7.1	9.2

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

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

Consolidated Statement of Comprehensive Income

For the 26 weeks ended 1 March 2014

	Note	**Unaudited 26 weeks to 1 March 2014 £m**	Restated[1] Unaudited 26 weeks to 2 March 2013 £m	Restated[1] Audited 52 weeks to 31 August 2013 £m
Profit for the financial period		**68.7**	89.2	115.9
Other comprehensive (expense)/income				
Items that will not be reclassified to profit and loss				
Remeasurements of pension schemes	13	**11.4**	27.3	30.6
Deferred tax charge on pension schemes		**(3.2)**	(9.1)	(9.3)
Current tax credit on pension schemes		**1.2**	1.2	2.5
Items that may be reclassified to profit and loss				
Currency translation differences		**(2.3)**	5.1	3.6
Change in the valuation of available-for-sale investments		**1.4**	(0.2)	(0.8)
(Losses)/gains on cash flow hedges		**(26.6)**	13.4	11.9
Losses/(gains) on cash flow hedges – tax credit/(charge)		**5.3**	(2.8)	(2.7)
Transferred to the income statement on cash flow hedges		**1.5**	1.6	3.3
Transferred to the income statement on cash flow hedges – tax charge		**(0.2)**	(0.8)	(0.8)
Recycled and adjusted against the cost of inventory		**3.2**	(2.6)	(7.6)
Recycled and adjusted against the cost of inventory – tax (charge)/credit		**(0.6)**	0.6	1.7
Total other comprehensive (expense)/income		**(8.9)**	33.7	32.4
Total comprehensive income for the period		**59.8**	122.9	148.3

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

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

Consolidated Balance Sheet
At 1 March 2014

	Note	Unaudited 1 March 2014 £m	Unaudited 2 March 2013 £m	Audited 31 August 2013 £m
ASSETS				
Non-current assets				
Intangible assets	11	**882.6**	872.7	876.5
Property, plant and equipment	11	**688.9**	660.5	692.1
Available-for-sale investments	12	**2.5**	1.7	1.1
Derivative financial instruments	12	**0.8**	7.2	1.9
Trade and other receivables		**16.3**	17.2	16.8
Retirement benefit surplus	13	**6.2**	3.8	4.6
Deferred tax assets		**72.2**	74.0	69.3
		1,669.5	1,637.1	1,662.3
Current assets				
Inventories		**355.4**	353.1	357.9
Trade and other receivables		**68.0**	70.2	78.3
Derivative financial instruments	12	**1.0**	14.9	7.3
Cash and cash equivalents	17	**31.8**	30.6	27.0
		456.2	468.8	470.5
LIABILITIES				
Current liabilities				
Bank overdraft and borrowings	17	**(164.7)**	(103.2)	(163.1)
Derivative financial instruments	12	**(16.6)**	(4.0)	(2.1)
Trade and other payables		**(508.6)**	(537.9)	(545.8)
Current tax liabilities		**(28.2)**	(36.4)	(25.3)
Provisions		**(7.1)**	(7.1)	(5.6)
		(725.2)	(688.6)	(741.9)
Net current liabilities		**(269.0)**	(219.8)	(271.4)
Non-current liabilities				
Bank overdraft and borrowings	17	**(238.0)**	(249.0)	(235.9)
Derivative financial instruments	12	**(7.6)**	(5.6)	(3.7)
Deferred tax liabilities		**(57.7)**	(64.8)	(59.1)
Other non-current liabilities	14	**(326.9)**	(319.7)	(322.1)
Provisions		**(1.1)**	(1.2)	(1.1)
Retirement benefit obligations	13	**(10.4)**	(30.6)	(24.6)
		(641.7)	(670.9)	(646.5)
NET ASSETS		**758.8**	746.4	744.4
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		**(14.2)**	6.8	3.2
Other reserves		**(8.6)**	(5.6)	(7.7)
Retained earnings		**97.6**	61.2	64.9
TOTAL EQUITY		**758.8**	746.4	744.4

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

Consolidated Statement of Changes in Equity

At 1 March 2014

	Share capital and share premium £m	Merger reserve £m	Reverse acquisition reserve £m	Hedging reserve £m	Other reserves £m	Retained earnings restated[1] £m	Total restated[1] £m
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
Remeasurements of pension schemes	-	-	-	-	-	11.4	11.4
Deferred tax payable on pension schemes	-	-	-	-	-	(3.2)	(3.2)
Current tax credit on pension schemes	-	-	-	-	-	1.2	1.2
Change in the value of available-for-sale investments	-	-	-	-	1.4	-	1.4
Currency translation differences	-	-	-	-	(2.3)	-	(2.3)
Losses on cash flow hedges (net of tax)	-	-	-	(21.3)	-	-	(21.3)
Reclassification adjustments							
- transferred to the income statement on cash flow hedges (net of tax)	-	-	-	1.3	-	-	1.3
- recycled and adjusted against the cost of inventory (net of tax)	-	-	-	2.6	-	-	2.6
Total comprehensive income and expense for the financial period	**-**	**-**	**-**	**(17.4)**	**(0.9)**	**78.1**	**59.8**
Share-based payment charge	-	-	-	-	-	(0.9)	(0.9)
Purchase of treasury shares	-	-	-	-	-	(15.1)	(15.1)
Dividend paid in period	-	-	-	-	-	(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**

	Share capital and share premium £m	Merger reserve £m	Reverse acquisition reserve £m	Hedging reserve £m	Other reserves £m	Retained earnings restated[1] £m	Total restated[1] £m
Balance at 1 September 2012	**683.0**	**1,200.9**	**(1,199.9)**	**(2.6)**	**(10.5)**	**(9.9)**	**661.0**
Profit for the financial period	-	-	-	-	-	89.2	89.2
Remeasurements of pension schemes	-	-	-	-	-	27.3	27.3
Deferred tax payable on pension schemes	-	-	-	-	-	(9.1)	(9.1)
Current tax credit on pension schemes	-	-	-	-	-	1.2	1.2
Change in the value of available-for-sale investments	-	-	-	-	(0.2)	-	(0.2)
Currency translation differences	-	-	-	-	5.1	-	5.1
Gains on cash flow hedges (net of tax)	-	-	-	10.6	-	-	10.6
Reclassification adjustments							
- transferred to the income statement on cash flow hedges (net of tax)	-	-	-	0.8	-	-	0.8
- recycled and adjusted against the cost of inventory (net of tax)	-	-	-	(2.0)	-	-	(2.0)
Total comprehensive income and expense for the financial period	**-**	-	-	**9.4**	**4.9**	**108.6**	**122.9**
Share-based payment charge	-	-	-	-	-	0.2	0.2
Share option receipts	-	-	-	-	-	0.2	0.2
Purchase of treasury shares	-	-	-	-	-	(9.0)	(9.0)
Dividend paid in period	-	-	-	-	-	(28.9)	(28.9)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(37.5)**	**(37.5)**
Balance at 2 March 2013	**683.0**	**1,200.9**	**(1,199.9)**	**6.8**	**(5.6)**	**61.2**	**746.4**

	Share capital and share premium £m	Merger reserve £m	Reverse acquisition reserve £m	Hedging reserve £m	Other reserves £m	Retained earnings restated[1] £m	Total restated[1] £m
Balance at 1 September 2012	**683.0**	**1,200.9**	**(1,199.9)**	**(2.6)**	**(10.5)**	**(9.9)**	**661.0**
Profit for the financial year	-	-	-	-	-	115.9	115.9
Remeasurements of pension schemes	-	-	-	-	-	30.6	30.6
Deferred tax charge on pension schemes	-	-	-	-	-	(9.3)	(9.3)
Current tax credit on pension schemes	-	-	-	-	-	2.5	2.5
Change in the value of available-for-sale investments	-	-	-	-	(0.8)	-	(0.8)
Currency translation differences	-	-	-	-	3.6	-	3.6
Gains on cash flow hedges (net of tax)	-	-	-	9.2	-	-	9.2
Reclassification adjustments							
- transferred to the income statement on cash flow hedges (net of tax)	-	-	-	2.5	-	-	2.5
- recycled and adjusted against the cost of inventory (net of tax)	-	-	-	(5.9)	-	-	(5.9)
Total comprehensive income and expense for the financial year	**-**	-	-	**5.8**	**2.8**	**139.7**	**148.3**
Share-based payment charge	-	-	-	-	-	1.5	1.5
Share option receipts	-	-	-	-	-	0.1	0.1
Purchase of treasury shares	-	-	-	-	-	(25.1)	(25.1)
Dividends paid	-	-	-	-	-	(41.4)	(41.4)
Total transactions with owners	**-**	-	-	**-**	**-**	**(64.9)**	**(64.9)**
Balance at 31 August 2013	**683.0**	**1,200.9**	**(1,199.9)**	**3.2**	**(7.7)**	**64.9**	**744.4**

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

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

Consolidated Cash Flow Statement

For the 26 weeks ended 1 March 2014

	Note	**Unaudited 26 weeks to 1 March 2014**	Unaudited 26 weeks to 2 March 2013	Audited 52 weeks to 31 August 2013
Cash flows from operating activities				
Cash generated from operations	16	**135.4**	164.7	241.1
Finance income		**0.1**	0.1	0.4
Finance costs		**(6.4)**	(6.6)	(12.9)
Tax paid		**(15.8)**	(19.7)	(29.3)
Net cash generated from operating activities		**113.3**	138.5	199.3
Cash flows from investing activities				
Purchase of property, plant and equipment		**(54.6)**	(40.1)	(113.7)
Purchase of intangible assets		**(8.2)**	(11.8)	(19.6)
Net cash used in investing activities		**(62.8)**	(51.9)	(133.3)
Cash flows from financing activities				
Repurchase of term loan facility		**-**	-	(13.3)
(Drawdown)/repayment of facility		**(0.9)**	(55.0)	6.0
Purchase of treasury shares		**(15.1)**	(9.0)	(25.1)
Dividends paid		**(29.4)**	(28.9)	(41.4)
Share option receipts		**-**	0.2	0.1
Finance lease payments		**(1.5)**	(1.4)	(2.3)
Debt issue costs		**-**	-	(0.5)
Net cash used in financing activities		**(46.9)**	(94.1)	(76.5)
Net increase/(decrease) in cash and cash equivalents	17	**3.6**	(7.5)	(10.5)
Net cash and cash equivalents at beginning of financial period		**24.1**	34.6	34.6
Foreign exchange gains on cash and cash equivalents		**-**	0.1	-
Net cash and cash equivalents at end of financial period	17	**27.7**	27.2	24.1

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 (previously the Financial Services Authority) and IAS 34 "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated financial statements for the 26 weeks ended 1 March 2014 should be read in conjunction with the annual financial statements for the 52 weeks ended 31 August 2013 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 31 August 2013, which are available on our website www.debenhamsplc.com, with the exception of the restatement for the adoption of IAS 19 "Employee benefits" revised, as discussed below. The report of the auditors for the financial statements for the 52 weeks ended 31 August 2013 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 31 August 2013 and the 26 weeks ended 2 March 2013 are consistent with the Group's 2013 annual report and financial statements and interim financial statements respectively, with the exception of the restatement for the adoption of the IAS 19 "Employee benefits" revised, as described below.

The Group has adopted IAS 19 "Employee benefits" revised. The revised standard has retrospective application and consequently the relevant charges or income in the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income for the financial year ended 31 August 2013 and the 26 weeks ended 2 March 2013 have been restated. As a result of the change, the expected return on pension scheme assets and the interest cost on pension scheme liabilities are replaced with a net interest expense calculated by applying the discount rate to the net defined benefit or liability. Administration costs of pension funds are now recognised as an expense when the administration services are performed. The table below sets out the changes to comparative amounts.

	26 weeks to 2 March 2013			52 weeks to 31 August 2013		
	Previously reported	Application of IAS 19 revised	Restated	Previously reported	Application of IAS 19 revised	Restated
	£m	£m	£m	£m	£m	£m
Consolidated income statement						
Revenue	1,282.3	-	1,282.3	2,282.2	-	2,282.2
Cost of sales	(1,080.7)	(5.2)	(1,085.9)	(1,972.1)	(10.5)	(1,982.6)
Gross profit	201.6	(5.2)	196.4	310.1	(10.5)	299.6
Distribution costs	(52.7)	(0.1)	(52.8)	(97.4)	(0.1)	(97.5)
Administrative expenses	(21.4)	(1.0)	(22.4)	(44.7)	(2.0)	(46.7)
Operating profit	127.5	(6.3)	121.2	168.0	(12.6)	155.4
Finance income	1.0	-	1.0	1.5	-	1.5
Finance costs	(8.2)	(1.2)	(9.4)	(15.5)	(2.4)	(17.9)
Profit before taxation	120.3	(7.5)	112.8	154.0	(15.0)	139.0
Taxation	(25.1)	1.5	(23.6)	(26.1)	3.0	(23.1)
Profit for the financial period	95.2	(6.0)	89.2	127.9	(12.0)	115.9
Other comprehensive income (net of tax)	27.7	6.0	33.7	20.4	12.0	32.4
Total comprehensive income	122.9	-	122.9	148.3	-	148.3

The Group has adopted IFRS 13 "Fair value measurement" which has affected disclosures only. In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. There are no other new standards or amendments to standards which are mandatory for the first time for the financial year beginning 1 September 2013 and that will have a material impact on the results or the net assets of the Group. Other 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 page 98 of the annual report and financial statements for the 52 weeks ended 31 August 2013. The principal risks and uncertainties are set out on page 9 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 1 March 2014 £m	26 weeks to 2 March 2013 £m	52 weeks to 31 August 2013 £m
Gross transaction value	**1,566.9**	1,535.1	2,776.8

3 Segmental information

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

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

Segmental analysis of results	**UK £m**	**International £m**	**Total £m**
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**
26 weeks ended 2 March 2013			
Gross transaction value	1,255.1	280.0	1,535.1
Concessions, consignments and staff discounts	(179.0)	(73.8)	(252.8)
External revenue	1,076.1	206.2	1,282.3
Operating profit – restated[1]	98.5	22.7	121.2
52 weeks ended 31 August 2013			
Gross transaction value	2,254.8	522.0	2,776.8
Concessions, consignments and staff discounts	(358.9)	(135.7)	(494.6)
External revenue	1,895.9	386.3	2,282.2
Operating profit – restated[1]	127.2	28.2	155.4

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

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

	26 weeks to 1 March 2014 £m	Restated[1] 26 weeks to 2 March 2013 £m	Restated[1] 52 weeks to 31 August 2013 £m
Total operating profit	**93.4**	121.2	155.4
Finance income	**0.1**	1.0	1.5
Finance costs	**(8.3)**	(9.4)	(17.9)
Total profit before taxation	**85.2**	112.8	139.0

4 Operating profit

	26 weeks to 1 March 2014 £m	Restated[1] 26 weeks to 2 March 2013 £m	Restated[1] 52 weeks to 31 August 2013 £m
The amounts of inventory written down during the financial year	**6.2**	5.8	12.0
Cost of inventories recognised as an expense	**678.2**	655.0	1,150.2
Employment costs (note 5)	**190.7**	191.0	375.2
Depreciation and amortisation	**49.9**	47.7	94.6
Loss on disposal of property, plant and equipment	**1.3**	0.1	0.2
Operating lease rentals	**107.5**	103.2	206.9
Foreign exchange gains	**(1.6)**	(8.1)	(7.9)

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

5 Employment costs

	26 weeks to 1 March 2014 £m	Restated[1] 26 weeks to 2 March 2013 £m	Restated[1] 52 weeks to 31 August 2013 £m
Wages and salaries	**173.0**	173.1	337.6
Social security costs	**10.5**	10.8	21.4
Pension costs	**8.1**	6.9	14.7
Share-based payments	**(0.9)**	0.2	1.5
	190.7	191.0	375.2

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

6 Finance income

	26 weeks to 1 March 2014 £m	26 weeks to 2 March 2013 £m	52 weeks to 31 August 2013 £m
Interest on bank deposits	**0.1**	0.2	0.4
Other financing income	**-**	0.8	1.1
	0.1	1.0	1.5

7 Finance costs

	26 weeks to 1 March 2014 £m	Restated[1] 26 weeks to 2 March 2013 £m	Restated[1] 52 weeks to 31 August 2013 £m
Bank loans and overdrafts	**5.3**	4.8	10.8
Cash flow hedge reclassified and reported in the income statement	**1.5**	1.6	3.3
Amortisation of issue costs on loans	**1.0**	1.4	2.7
Interest payable on finance leases	**0.3**	0.4	0.1
Net interest on net defined benefit liability	**0.3**	1.2	2.4
Other financing charges	**0.2**	-	-
Capitalised finance costs – qualifying assets	**(0.3)**	-	(1.4)
	8.3	9.4	17.9

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

8 Taxation

The taxation charge for the 26 weeks ended 1 March 2014 is based on an estimated effective tax rate for the full year of 19.4% (52 weeks ended 31 August 2013: 16.6% (restated[1])). This is lower than the standard rate of corporation tax (22.2% blended rate) mainly due to the utilisation of overseas losses brought forward from prior periods.

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

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 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 period.

Basic and diluted earnings per share		**26 weeks to 1 March 2014**		Restated[1] 26 weeks to 2 March 2013		Restated[1] 52 weeks to 31 August 2013
	Basic £m	**Diluted £m**	Basic £m	Diluted £m	Basic £m	Diluted £m
Profit for the financial period after taxation	**68.7**	**68.7**	89.2	89.2	115.9	115.9
	Number m	**Number m**	Number m	Number m	Number m	Number m
Weighted average number of shares	**1,228.2**	**1,228.2**	1,259.0	1,259.0	1,255.1	1,255.1
Shares held by ESOP (weighted)	**(0.3)**	**(0.3)**	(0.6)	(0.6)	(0.6)	(0.6)
Shares issuable (weighted)	**-**	**1.7**	-	2.1	-	2.1
Adjusted weighted average number of shares	**1,227.9**	**1,229.6**	1,258.4	1,260.5	1,254.5	1,256.6
	Pence per share	**Pence per share**	Pence per share	Pence per share	Pence per share	Pence per share
Earnings per share	**5.6**	**5.6**	7.1	7.1	9.2	9.2

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

10 Dividends

The Company paid a final dividend in respect of the 52 weeks ended 31 August 2013 of 2.4 pence per share on 10 January 2014. The directors have resolved to pay an interim dividend in respect of the 26 weeks ended 1 March 2014 of 1.0 pence per share (2 March 2013: 1.0 pence) which will absorb an estimated £12.3 million of shareholders' funds (2 March 2013: £12.5 million). It will be paid on 4 July 2014 to shareholders who are on the register of members at close of business on 6 June 2014.

11 Tangible and intangible assets and commitments

	Tangible and intangible assets		
	1 March 2014 £m	2 March 2013 £m	31 August 2013 £m
Opening net book amount	**1,568.6**	1,526.5	1,526.5
Additions	**55.8**	50.1	133.6
Foreign currency revaluation	**(1.7)**	4.4	3.3
Disposals	**(1.3)**	(0.1)	(0.2)
Depreciation and amortisation	**(49.9)**	(47.7)	(94.6)
Closing net book amount	**1,571.5**	1,533.2	1,568.6

Capital commitments contracted but not provided for by the Group amounted to £3.0 million (31 August 2013: £3.8 million; 2 March 2013: £16.1 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 31 August 2013. 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 1 March 2014				
Assets				
Available-for-sale financial instruments	2.5	-	-	2.5
Derivative financial instruments:				
- Interest rate swaps held as cash flows	-	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)

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 1 March 2014 of 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 1 March 2014, 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 investments were classified as available-for-sale investments
- Other reserves would decrease/increase by £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 period.

13 Retirement benefit obligation

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.

The investment strategy for the Group's pension schemes was changed during the year ended 3 September 2011. Investment of the schemes' assets is now arranged by AON Hewitt Limited under a delegated consulting service agreement. As at 1 March 2014, most of the schemes' assets are invested in a growth component or a liability hedging component. Actuarial valuations of the Group's pension schemes using the projected unit basis were carried out at 31 March 2011 and updated as at each relevant year end for the purposes of IAS 19 "Employee benefits" by Towers Watson Limited, a qualified independent actuary. The 31 March 2011 actuarial valuation has been used when calculating the IAS 19 "Employee benefits" revised valuation at 1 March 2014.

The major assumptions used by the actuary were:

	1 March 2014 per annum %	2 March 2013 per annum %	31 August 2013 per annum %
Inflation assumption	**3.20**	3.30	3.30
General salary and wage increase	**3.20**	3.30	3.30
Rate of increase in pension payments and deferred payments	**3.20**	3.30	3.30
Pension increase rate	**2.95**	3.20	3.00
Discount rate	**4.40**	4.60	4.60

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

	1 March 2014 £m	Restated[1] 2 March 2013 £m	Restated[1] 31 August 2013 £m
Fair value of scheme assets	**692.4**	664.9	673.6
Defined benefit obligation	**(696.6)**	(691.7)	(693.6)
Net deficit in pension schemes	**(4.2)**	(26.8)	(20.0)
Analysed as:			
DEPP scheme surplus	**6.2**	3.8	4.6
DRS scheme deficit	**(10.4)**	(30.6)	(24.6)

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

The movement in the net pension deficit is as follows:

	1 March 2014 £m	Restated[1] 2 March 2013 £m	Restated[1] 31 August 2013 £m
Net deficit at the start of the period	**(20.0)**	(57.3)	(57.3)
Company contributions	**5.4**	5.1	10.4
Current service cost	**(0.7)**	(0.7)	(1.3)
Net interest on net defined benefit liability	**(0.3)**	(1.2)	(2.4)
Remeasurements:			
Return on plan assets, excluding amounts included in finance costs	**8.5**	76.1	75.5
Losses from changes in financial assumptions	**(3.3)**	(49.1)	(42.5)
Experience gains/(losses)	**6.2**	0.3	(2.4)
Net deficit at the end of the period	**(4.2)**	(26.8)	(20.0)

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

14 Other non-current liabilities

	26 weeks to 1 March 2014 £m	26 weeks to 2 March 2013 £m	52 weeks to 31 August 2013 £m
Other liabilities	**326.9**	319.7	322.1

Included within other liabilities are lease incentives received from landlords either through initial contributions or rent-free periods. These incentives are being credited to the income statement on a straight line basis over the term of the relevant lease. Additionally, the liability relates to the spreading of the charges relating to leases with fixed annual increments in rent.

15 Share capital

	£	Number
Issued and fully paid - Ordinary shares of £0.0001 each		
At 2 March 2013	**128,683**	**1,286,828,853**
Options exercised	1	14,588
At 1 March 2014 and 31 August 2013	**128,684**	**1,286,843,441**

During the period the Company purchased 14,351,525 of its own ordinary shares with a nominal value of £14,352 (52 weeks ended 31 August 2013: 23,882,722 shares with a nominal value £23,883). The 14,351,525 ordinary shares were purchased for a consideration of £15.1 million (52 weeks ended 31 August 2013: £25.1 million) and are held as treasury shares. 60,708,721 shares are currently held as treasury shares and these represent 4.7% (2013: 3.6%) of the issued share capital of the Company.

16 Cash generated from operations

	26 weeks to 1 March 2014 £m	Restated[1] 26 weeks to 2 March 2013 £m	Restated[1] 52 weeks to 31 August 2013 £m
Profit before taxation	**85.2**	112.8	139.0
Depreciation and amortisation (note 11)	**49.9**	47.7	94.6
Loss on disposal of property, plant and equipment	**1.3**	0.1	0.2
Employee options granted during the financial period	**(0.9)**	0.2	1.5
Fair value losses on derivative instruments	**4.0**	1.6	2.0
Net movements in provisions	**1.5**	1.8	0.3
Finance income (note 6)	**(0.1)**	(1.0)	(1.5)
Finance costs (note 7)	**8.3**	9.4	17.9
Pension current service cost	**0.7**	0.7	1.3
Cash contributions to pension schemes	**(5.4)**	(5.1)	(10.4)
Net movement in other long-term receivables	**-**	3.4	3.6
Net movement in other non-current liabilities	**4.7**	(2.2)	0.2
Changes in working capital			
Decrease/(increase) in inventories	**2.4**	(20.4)	(25.5)
Decrease/(increase) in trade and other receivables	**10.1**	5.3	(2.9)
(Decrease)/increase in trade and other payables	**(26.3)**	10.4	20.8
Cash generated from operations	**135.4**	164.7	241.1

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

17 Analysis of changes in net debt

	At 31 August 2013 £m	Cash flow £m	Non cash movements £m	**At 1 March 2014 £m**
Analysis of net debt				
Cash and cash equivalents	27.0	4.8	-	**31.8**
Bank overdrafts	(2.9)	(1.2)	-	**(4.1)**
Cash and cash equivalents	24.1	3.6	-	**27.7**
Debt due within one year	(158.4)	0.9	(0.4)	**(157.9)**
Debt due after one year	(232.8)	-	(0.6)	**(233.4)**
Finance lease obligations due within one year	(1.8)	1.3	(2.2)	**(2.7)**
Finance lease obligations due after one year	(3.1)	-	(1.5)	**(4.6)**
	(372.0)	5.8	(4.7)	**(370.9)**

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.