DEBENHAMS

Life made fabulous

DEBENHAMS PLC – HALF YEAR RESULTS

"Further strategic progress delivering strong performance"

Debenhams plc, the leading international, multi-channel brand, today announces half year results for the 26 weeks to 27 February 2016.

Financial headlines

- Gross transaction value ('GTV') up 1.6% to £1,628.7m (2015: £1,602.4m). Group like-for-like sales up 2.4% in constant currency, up 1.1% as reported
- Group gross margin rate up 20bps, with mix partly offsetting 90bps markdown improvement on last year
- Group EBITDA up 1.3% to £153.0m (2015: £151.0m). UK EBITDA up 3.0% to £125.5m (2015: £121.8m)
- International EBITDA declined 5.8% to £27.5m (2015: £29.2m) reflecting adverse currency movements, on GTV down 3.7% as reported. In constant currency, International GTV grew by 3.2%
- Group profit before tax up 5.5% to £93.8m (2015: £88.9m), basic EPS up 5.1% to 6.2p (2015: 5.9p)
- Interim dividend increased by 2.5% to 1.025p per share (2015: 1.000p)
- Following strong cash generation and working capital management, net debt reduced by £95.6m to £224.2m. Net debt/EBITDA at 0.9x, marking further progress towards medium term leverage target of 0.5x

Operational headlines

- Further progress on strategic priorities has delivered a strong trading and operational performance over peak
    - Full price sales mix improvement of 5.1% delivered against background of refocused promotional activity and less discounting
    - This is supported by a planned reduction in stock levels and has delivered terminal stocks at 2.9%, in line with our long term average
    - Space optimisation roll-out continues; over 50% of targeted space now filled with new brands, formats and services and we are on target to fill 75% by Christmas
- As planned, five new stores opened between September and November 2015: in Bradford, Wandsworth, Rugby, Beverley and Newport, contributing 1.1% to sales growth in the half. We also closed a store at Cheltenham, due to a lease expiry
- Further multi-channel service improvements supported continued online growth, particularly over peak, with online sales growth of 10%[1] and online EBITDA up 12% in the half. Orders on mobile devices continue to be our fastest-growing channel, representing almost 50% of online sales
- New international web platform launched as planned, enabling local currency, payment and local language options to support further international multi-channel growth
- As previously announced, we have appointed David Smith, formerly Managing Director (Asia Pacific) of the Body Shop International, as International Director. He will join Debenhams next month and will lead the drive to build Debenhams' international presence across all channels.

Michael Sharp, Chief Executive of Debenhams, said:

"A strong operational performance resulted in a record Christmas, and further growth in first half profits against a good performance in the prior year. Our customers are responding positively to our multi-channel strategy, finding our mix of products and brands both compelling and great value for money.

"Although there is plenty more to do, we are on track to deliver full year results in line with market expectations. When I leave the business later this year I am confident that it will be in a good position to deliver continued sustainable growth under a strong and capable management team."

[1] Online sales adjusted for online orders returned to store, as previously announced in October 2015

Sir Ian Cheshire, Non-Executive Chairman of Debenhams, commented:

"As this will be his last set of results, on behalf of the Board, I would like to thank Michael for his service as Chief Executive of Debenhams. He has led the business through an unprecedented period of change for the sector, leaving the business in good shape for the future as these results demonstrate. I am pleased that this means we can today announce an increase in the interim dividend, consistent with our progressive dividend policy. The foundations to deliver sustainable growth are in place and we are in the final stages of appointing a new CEO to lead the business."

Presentation

A presentation for analysts and investors will be held today (Thursday 14 April 2016) at 9:00am 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/r6or6xci.

Enquiries

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STRATEGIC AND OPERATIONAL REVIEW OF THE HALF YEAR

At the end of the half year Debenhams operated from 253 stores in 27 countries and was available online in more than 60 countries. Our first half results demonstrate continuing progress in implementing our strategic priorities as set out two years ago.

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. Our trading performance demonstrates that we continue to provide our customers with great product, wide choice and excellent value for money.
- Having taken 42 days out of the promotional calendar since spring 2014, the current schedule of promotions, focusing on the events we are known for, is broadly where it should be. However, we have continued to reduce the breadth and depth of individual promotions as planned, which has supported a 5.1% improvement in full price sales mix in the half year.
- We have reduced stock levels in the half year by 1.9% overall, (4.3%) like-for-like in the UK. In certain categories, in line with our plan to reduce our exposure to weather-sensitive product, the stock reduction has been materially greater. As a result we carried less stock into the post-Christmas Sale. While this has reduced the rate of sales growth in the balance of the half, it has supported a further 90bps reduction in markdowns in the half year, building on the improvement delivered in the prior year.
- We have re-balanced our sales towards non-clothing categories which has resulted in a strong performance, particularly over Christmas, in the destination categories of Gifting and Beauty. This has reinforced our market position in the premium beauty segment and despite tough comparatives over peak, sales across gift categories have shown further good growth. Whilst both these categories have a lower weighting in the second half, we expect they will continue to grow their share of our sales mix.
- Following the price investment we undertook in FY2015, focusing on childrenswear, menswear and home, we continue to review our price positioning but for now we believe we have completed the action necessary to remain competitive. Our sourcing work should support any further necessary price investment.
- Supporting our full price trading strategy, our successful marketing campaign, “a match made in Debenhams”, which showcased some of our Designer brands in the autumn, is being repeated in the summer season. Following the successful launch of our latest Designers at Debenhams brand, Nine by Savannah Miller, the range has been extended into lingerie for this season.
- We have launched a 0% interest credit option which supports our plan to grow the bigger ticket category within our home offer.
- We continue to work on developing the next stage of our compelling customer proposition, taking a more customer-led approach, focusing on our core customer and identifying how we can better fulfil her wants and needs from Debenhams.

Increasing availability and choice through multi-channel

- Our ambition is to grow our multi-channel business, in order to meet the evolving needs of our customers. Our aim is that online sales should reach around 30% of our UK GTV. In the half year, online sales increased by 10.0% to £246 million, accounting for 15.1% of total sales, up from 14.0% in the previous year. Online EBITDA grew by 12.0% over the half year.
- We have rolled out further service improvements in order to maintain the momentum in our online performance. As planned, ahead of the Christmas peak, we extended cut-off times further for next day and evening deliveries, we introduced more competitive delivery charges, and an improvement in the number of concession partners able to meet our next day delivery/collection promise. Additionally, we extended “endless aisle” to c150 stores, whereby online orders can be picked from a store for home delivery.
- We have continued to focus our investment using a mobile-first approach, and within overall online growth, orders on mobile devices continue to be our fastest growing channel, representing almost 50% of online sales. Smartphones are driving this, delivering year on year revenue growth of almost 70%.

- We continue to channel online marketing investment into driving visits and conversion on mobile devices. We re-launched our app before Christmas and supported by our multi-channel marketing approach, Debenhams moved up into the top 5 of the Experian Hitwise measure of the most visited online retailers in the pre-Christmas period.
- A key support to the growth in performance has been the increased participation of concession partners in our next day delivery/collection services, with around half of them now able to meet this timeframe.
- We have seen significant further progress in click & collect penetration, which averaged 31% for the half year and peaked at 46% over Christmas. This is our lowest cost delivery option and drives traffic back into stores, with more than one in ten click & collect customers making a purchase while in store to collect their order.

Focusing on UK retail

- Our stores remain central to our customer proposition. We have a well-invested, modern store estate in prime locations. In the half year, as planned, we opened five stores between September and November in time for peak trading. These stores have contributed approximately 1.1% to GTV growth in the half year. We also closed a store at Cheltenham, due to a lease expiry, and end the half with 165 UK stores trading from 11.5 million sq ft.
- As part of our strategic priority to achieve a better return from UK stores, we identified 1m sq ft of space where there was an opportunity to achieve higher profit densities. This led to our "space optimisation programme", where we have to date filled over 50% of the identified space, in line with our previous guidance, with a combination of own brand extensions, new concessions offering complementary product and additional service propositions.
- In this season we have committed additional space to our Designer brands, we have launched new concession Little Mistress in 15 stores and added another 13 Monsoon concessions. We have also added a further 15 third party branded food service offers, including Costa Coffee, Patisserie Valerie and Ed's Easy Diner. The programme continues to deliver performance in line with our targets.
- We have also applied some of the lessons learnt to space allocation in our new stores and are including some of the new initiatives as part of our continuing store modernisation plans. We completed the modernisation of Birmingham and Westfield White City before Christmas, including new food service offers in each, Chi Kitchen in Birmingham and Ed's Easy Diner in White City. This forms part of our plan to achieve 10% of sales from food services compared with 3% currently.
- There are no further store openings planned in the UK until FY2018, when we expect to open three stores, trading approximately 220,000 sq ft, in Stevenage, Wolverhampton and Watford, where we have recently agreed to take a site in the extension to the successful Harlequin Centre. These stores are in key target locations not currently served by Debenhams and will support multi-channel growth in these markets.

Expanding the brand internationally

- Debenhams operates both its own and franchised stores overseas and sells product online in over 60 countries. Over time, we plan to grow our international business to around a third of total GTV, exploiting multi- and single channel opportunities as appropriate to the local market.
- On a constant currency basis international sales increased 3.2%. On a reported basis, GTV declined by 3.7% to £292.2 million in the half year, reflecting adverse foreign exchange translation effects. International operating profit declined by 5.6% to £23.5 million.
- In the half year our partners opened franchised stores in Isfahan, Iran and Bucharest, Romania and closed one in the Philippines. Since the half year end two stores have closed, in Riyadh, Saudi Arabia and Ledra, Cyprus. As a result of more difficult trading conditions in some franchise markets together with ongoing de-stocking by some of our partners, overall franchise sales are down slightly.
- Magasin du Nord continues to deliver strong momentum, with strong growth from its website. It will benefit from the refurbishment of its flagship store's ground floor beauty hall in time for peak trading. In the Republic of Ireland sales grew in constant currency.

- International online sales have grown at over 40% in local currency in the half year. We have launched our new international web platform, initially including France, Spain, Germany, Australia and Cyprus, with further releases to follow.
- As part of our strategic aim to develop the distribution of our brands into new markets, we have as previously announced, signed agreements for Australia and Vietnam. As part of assessing routes to market in China, we are currently trialling a limited brand offer in partnership with innovative Chinese multi-channel retailer 'Yuou'. This showroom format only carries display stock but allows the customer to order for home delivery.

Operational effectiveness

- We are building an infrastructure that is sustainable and fit for future growth, to enable us to exploit the continuing channel shifts in UK retail and drive international growth in a cost-effective way. Operating cost growth of 2.6% before depreciation in the half year was in line with our guidance.
- Capital expenditure in the half year was £53.5 million, compared with £51.4 million in the comparative period, and is expected to be in the region of £130 million for the full year, as previously guided. As last year, the proportion of spending on systems and infrastructure is expected to be close to half the total in FY2016 as we continue this multi-year programme. Spending on new stores is expected to reduce in the second half, as the five stores opening this year all launched before the Christmas peak. As planned, we will complete the modernisation of Lakeside and Chelmsford stores before the year end.
- In the first stage of our buying & merchandising systems renewal programme, we have implemented a new sourcing programme, product lifecycle management, which is currently piloting in a number of departments. In addition, following the successful knitwear trial, we have extended category buying across menswear in the current season.
- Our new single warehouse management system is now being implemented as planned, and will be operational in time for peak trading. As we transition from the existing systems to a single provider this is expected to deliver benefits in picking costs and reduced stockholding over time.
- From 1 April 2016, we are paying our colleagues who are 21 and over the National Living Wage. We have taken the opportunity to simplify our wage structures, but no-one will have benefits taken away. The net cash cost of implementing these proposals in FY2016 is expected to be c£3 million with an additional £8 million in FY2017, before mitigation, in line with previous guidance.
- We have appointed a new International Director, David Smith, who will lead the drive to build Debenhams' international presence across the franchise, online and wholesale channels. For the UK business we plan to align the management of the retail and online operations within a single structure under the leadership of Ross Clemmow. This is designed to deliver a seamless shopping experience across the UK business. As a result of these changes, Debenhams' operational management is now structured to support the future development strategies of the Group.

FINANCIAL REVIEW

FINANCIAL SUMMARY

	26 weeks to 27 February 2016	26 weeks to 28 February 2015	% change
Gross transaction value[1,2]			
UK	£1,336.5m	£1,298.9m	*+2.9%*
International	£292.2m	£303.5m	*(3.7%)*
Group	£1,628.7m	£1,602.4m	*+1.6%*
Statutory revenue[1,2]			
UK	£1,109.7m	£1,098.3m	*+1.0%*
International	£217.5m	£227.1m	*(4.2%)*
Group	£1,327.2m	£1,325.4m	*+0.1%*
Group like-for-like sales movement[3]			*+1.1%*
Group gross margin movement[4]			*+20bps*
EBITDA[1,5]			
UK	£125.5m	£121.8m	*+3.0%*
International	£27.5m	£29.2m	*(5.8%)*
Group	£153.0m	£151.0m	*+1.3%*
Operating profit[1]			
UK	£76.1m	£74.5m	*+2.1%*
International	£23.5m	£24.9m	*(5.6%)*
Group	£99.6m	£99.4m	*+0.2%*
Profit before tax	£93.8m	£88.9m	*+5.5%*
Basic earnings per share	6.2p	5.9p	*+5.1%*
Dividend per share	1.025p	1.000p	*+2.5%*
	27 February 2016	**28 February 2015**	
Net debt	£224.2m	£297.3m	
Net debt : EBITDA (last 12 months)	0.9x	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 (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).

SEGMENTAL PERFORMANCE

UK

Gross transaction value for the UK segment increased by 2.9% to £1,336.5 million and reported revenue grew by 1.0% to £1,109.7 million. This was a result of continued online sales growth and the benefit of five new store openings in the first half of 2016 which overall led to a strong Christmas trading period. As expected, the sales growth slowed in the latter period of the half as a result of the Beauty and Gifting categories representing a lower proportion of the sales and the anniversarying of last year's stock clearance activity.

The like-for-like performance of stores was broadly flat in the half, despite the continued impact of the channel shift into online. As we have added choice in concessions, the own bought mix has decreased from 80.6% to 79.4% with a consequent dilution in gross margin rate, offset by reduced markdown.

EBITDA increased by 3.0% to £125.5 million reflecting the benefits of lower markdown, continued sales growth and good cost discipline. Operating profit for the year increased by 2.1% to £76.1 million.

International

In the International segment gross transaction value of £292.2 million was 3.7% lower than last year and reported revenue decreased by 4.2% to £217.5 million. Both metrics have been impacted by weaker Euro and Danish Kroner exchange rates, suppressing Group LFL by 1.3%. On a constant currency basis, International gross transaction value improved by 3.2%.

The constant currency growth was driven by Magasin du Nord's continued strong performance, and some improvement in the Republic of Ireland sales. Franchise despatches had a (0.6%) impact on Group GTV. A number of franchise partners have sought to improve their working capital positions by reducing stock intake in the Autumn Winter 2015 and Spring Summer 2016 seasons. A number of markets, such as the Middle East and Russia, are also planning more prudently as a result of more difficult trading conditions.

International operating profit decreased by 5.6% to £23.5 million as a result of lower franchise despatches and the impact of the foreign currency translation of results into Sterling.

GROUP SALES AND PROFITS

Sales and revenue

Group gross transaction value increased by 1.6% to £1,628.7 million for the 26 weeks to 27 February 2016 whilst Group revenue increased by 0.1% to £1,327.2 million. Group like-for-like sales increased by 2.4% on a constant currency basis and 1.1% on a reported basis.

Like-for-like sales growth was principally driven by 10.0% growth in online sales; online now represents 15.1% of Group gross transaction value (2015: 14.0%). The components of the gross transaction value increase of 1.6% and like-for-like sales growth of 1.1% are shown below

UK stores	+0.1%
UK online	+1.2%
International	+1.1%
Like-for-like sales - constant currency	+2.4%
Exchange rate impact	(1.3%)
Like-for-like sales - reported	+1.1%
New UK space	+1.1%
International franchises	(0.6%)
GTV movement	+1.6%

Group own bought mix decreased from 77.3% in 2015 to 76.3% as a result of the movement in the UK mix, with the sales growth from Concessions increasing at a faster rate.

Operating profit

Growth in the lower margin cosmetic and gifting categories has also continued to impact sales mix. However, further progress has been made to tighten stock and reduce the breadth and depth of promotions, resulting in reduced markdown and a 90bps benefit to gross margin. As a result, the gross margin rate has improved overall by 20bps.

Operating costs before depreciation increased in line with expectations, growing 2.6% despite the further shift into online. As previously guided, from April 2016, the impact of National Living Wage will come into effect, having a c.£3 million impact in the second half of the financial year.

Depreciation and amortisation (including losses on disposals) increased by 3.5% to £53.4 million, reflecting higher capital expenditure over the last few years.

As a result of the above, Group operating profit for the 26 weeks to 27 February 2016, was £99.6 million, 0.2% above last year.

Inventory

Stock levels were managed tightly during the first half, reflecting the continued plan to reduce the depth of markdown requirement. Total stock value decreased by 1.9% to £329.1 million reflecting a 4.3% 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

Net finance costs decreased by 44.8% to £5.8 million reflecting the benefit of lower debt levels, a foreign exchange credit of £1.2 million (2015: £1.1 million cost) from the translation of Euros during the half year and a £0.6 million pension valuation credit associated with the pension surplus in accordance with IAS 19 revised "Employee benefits" (2015: £0.1 million).

Profit before tax

Reported profit before tax increased by 5.5% to £93.8 million (2015: £88.9 million).

Taxation

Taxation increased from £17.1 million in the first half of last year to £17.4 million principally due to the higher reported profit before tax. This represents an effective tax rate of 18.6% (2015: 19.2%).

Profit after tax

Profit after tax increased by 6.4% to £76.4 million.

Earnings per share

Increased profits resulted in a 5.1% increase in both basic and diluted earnings per share to 6.2 pence. The basic weighted average number of shares in issue increased from 1,226.1 million last year to 1,227.2 million and diluted weighted average number of shares increased from 1,228.2 million to 1,230.2 million.

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 progressive dividend. Third, as we communicated in October 2015, we have a medium-term target for net debt to EBITDA of 0.5 times, an improvement from the previous level of 1.0 times.

Operating cash flow before financing and taxation increased from £103.5 million to £133.5 million as a result of higher EBITDA and working capital improvements. Of this improvement: £10 million related to timing, reversing in 2017; and £10 million related to the timing of payments around the half year, which will reverse in the second half of the year; the remaining improvement in working capital related to the progress made on stock reduction and the impact of initiatives working with suppliers to align trading terms.

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

	26 weeks to 27 February 2016	26 weeks to 28 February 2015
EBITDA	£153.0m	£151.0m
Working capital	£34.0m	£3.9m
Cash generated from operations	£187.0m	£154.9m
Capital expenditure	(£53.5m)	(£51.4m)
Operating cash flow before financing & taxation	£133.5m	£103.5m
Taxation	(£1.5m)	£0.6m
Financing	(£6.2m)	(£9.9m)
Dividends paid	(£29.5m)	(£29.4m)
Debt issue costs	(£1.1m)	(£0.3m)
Other non-cash movements	£0.4m	(£0.3m)
Change in net debt	£95.6m	£64.2m
Opening net debt	£319.8m	£361.5m
Closing net debt	£224.2m	£297.3m
Net debt: EBITDA (last 12 months)	0.9x	1.3x

Capital expenditure

Capital expenditure was £53.5 million during the half compared to the spend of £51.4 million in the same period last year. The increase is principally associated with the cost of the new store openings in the first half of the year. Guidance for capital expenditure for the year remains in the region of £130 million.

Dividends

Total cash paid in dividends of £29.5 million related to the 2015 final dividend of 2.4 pence per share that was paid to shareholders on 22 January 2016.

Consistent with the progressive dividend policy outlined in October 2015, the Board has decided to increase the interim dividend by 2.5% to 1.025 pence per share (2015: 1.000 pence per share). The interim dividend will be paid on 1 July 2016 to shareholders who are on the register of members at close of business on 3 June 2016.

Net debt

The Group's net debt position as at 27 February 2016 of £224.2 million was £73.1 million better than the same point in the prior year (2015: £297.3 million), a result of improved operating cash flows and the continued 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 improvement in net debt is expected to move to be in line with the full year guidance as a result of the reversal of some of the first half working capital timing benefits as previously mentioned.

The ratio of net debt to EBITDA of 0.9 times compares with 1.3 times at the end of the previous year, the improvement being in line with our intention to reduce to 0.5 times over the medium term.

During the 26 weeks ended 27 February 2016 the Group refinanced its £350.0 million revolving credit facility (28 February 2015: £425.0 million), reducing the facility size to £320.0 million in the process and extending the maturity from October 2018 to June 2020. The amended revolving credit facility contains an option to request an extension to June 2021.

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 27 February 2016 was £51.8 million (28 February 2015: £21.2 million). The surplus was driven by asset returns. During June 2015, the triennial actuarial valuation was completed and a new agreement was concluded under which the Group agreed to contribute £9.5 million per annum to the pension schemes (previously £8.9 million per annum) for the period from 1 April 2014 to 31 March 2022 increasing by the percentage increase in RPI over the year to the previous December. The Group agreed to continue to cover the non-investment expenses and levies of the pension schemes, including those payable to the Pension Protection Fund. Current pension arrangements for Debenhams' employees are provided by defined contribution pension schemes.

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GUIDANCE FOR 2016

Guidance for 2016 is re-iterated and is shown below. As previously confirmed FY2016 will be a 53 week year, but all guidance is given on a 52 week basis.

Gross margin	Flat to +50bps
Total cost growth*	2%-4%
Depreciation & amortisation	c.£110 million
Net finance costs	£16-£18 million (from £18-£20 million)
Taxation	c.20%
Capital expenditure	c.£130 million
Net Debt	c.£270-£290 million
**including estimated cost of implementing National Living Wage proposals*	

OUTLOOK

We have delivered continued progress in implementing our strategic priorities as set out two years ago, as our first half results demonstrate. A strong operational performance resulted in a record Christmas, and a further uplift in first half profits against a good performance in the prior year.

Our customers are responding positively to our multi-channel strategy, finding our mix of products and brands both compelling and great value for money. We are satisfied with progress to date, but there is plenty more to do.

We are on track to deliver full year results in line with market expectations. The business is in good shape and is well-positioned to deliver continued sustainable growth.

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 2015. Reference should be made to the 2015 Annual Report and Accounts for more details on the potential impact of these risks and examples of mitigation.

The referendum on the UK's membership of the EU may increase both economic and political uncertainty, and create the possibility of a disruptive exit from the EU. Debenhams will continue to monitor the situation, assess potential impacts and manage exposures according to its current risk appetite, both before and after the referendum.

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

Sir Ian Cheshire was appointed a non-executive director and Chairman-elect on 14 January 2016 and succeeded Nigel Northridge as non-executive Chairman on 7 April 2016. The board of directors as at 14 April 2016 is as follows: Sir Ian Cheshire (Chairman), Michael Sharp (Chief Executive), Matt Smith (Chief Financial Officer), Suzanne Harlow (Group Trading Director), Terry Duddy (senior independent 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 Dennis Millard (non-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 27 February 2016 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
Chief Executive
14 April 2016

Matt Smith
Chief Financial Officer

NOTES TO EDITORS

Debenhams is a leading international, multi-channel brand with a proud British heritage which at the end of H1 FY16 traded from 253 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, Ted Baker, Jeff Banks, Jasper Conran, Giles Deacon, Vicki Elizabeth, FrostFrench, Patrick Grant, Henry Holland, Betty Jackson, Ben de Lisi, Julien Macdonald, Savannah Miller, Jenny Packham, Stephen Jones, Todd Lynn, 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 interim condensed consolidated financial statements

Our conclusion

We have reviewed Debenhams plc's interim condensed consolidated financial statements (the "interim financial statements") in the half year results of Debenhams plc for the 26 week period ended 27 February 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 27 February 2016;
- 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 interim financial statements.

The 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 Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, 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.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half year results, including the 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 Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the 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 Rules and Transparency Rules of the United Kingdom's 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.

What a review of 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 interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
14 April 2016

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 interim 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 27 February 2016

	Note	**Unaudited 26 weeks to 27 February 2016 £m**	Unaudited 26 weeks to 28 February 2015 £m	Audited 52 weeks to 29 August 2015 £m
Revenue	2,3	**1,327.2**	1,325.4	2,322.7
Cost of sales		**(1,134.8)**	(1,137.1)	(2,023.5)
Gross profit		**192.4**	188.3	299.2
Distribution costs		**(63.1)**	(59.8)	(111.1)
Administrative expenses		**(29.7)**	(29.1)	(54.0)
Operating profit	4	**99.6**	99.4	134.1
Finance income	6	**2.0**	0.2	0.2
Finance costs	7	**(7.8)**	(10.7)	(20.8)
Profit before taxation		**93.8**	88.9	113.5
Taxation	8	**(17.4)**	(17.1)	(20.0)
Profit for the financial period attributable to owners of the parent		**76.4**	71.8	93.5

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	**6.2**	5.9	7.6
Diluted earnings per share attributable to the owners of the parent	9	**6.2**	5.9	7.6

The notes on pages 19-27 form an integral part of this condensed consolidated interim financial information.

Consolidated Statement of Comprehensive Income

For the 26 weeks ended 27 February 2016

	Note	**Unaudited 26 weeks to 27 February 2016 £m**	Unaudited 26 weeks to 28 February 2015 £m	Audited 52 weeks to 29 August 2015 £m
Profit for the financial period		**76.4**	71.8	93.5
Other comprehensive income/(expense)				
Items that will not be reclassified to the income statement				
Remeasurements of pension schemes	14	**20.3**	18.8	17.8
Taxation relating to items that will not be reclassified		**(4.9)**	(3.8)	(3.6)
		15.4	15.0	14.2
Items that may be reclassified to the income statement				
Currency translation differences		**4.5**	(7.7)	(5.2)
Change in the valuation of available-for-sale investments		**(0.2)**	(1.1)	(1.5)
Gains on cash flow hedges		**38.6**	42.9	39.2
Transferred to the income statement on cash flow hedges		**0.4**	0.8	1.6
Recycled and adjusted against cost of inventory		**(12.6)**	(4.7)	(8.7)
Taxation relating to items that may be reclassified		**(6.4)**	(7.7)	(6.7)
		24.3	22.5	18.7
Total other comprehensive income		**39.7**	37.5	32.9
Total comprehensive income for the financial period		**116.1**	109.3	126.4

The notes on pages 19-27 form an integral part of this condensed consolidated interim financial information.

Consolidated Balance Sheet
As at 27 February 2016

	Note	**Unaudited 27 February 2016 £m**	Unaudited 28 February 2015 £m	Audited 29 August 2015 £m
Assets				
Non-current assets				
Intangible assets	11	**940.5**	899.9	931.5
Property, plant and equipment	11	**667.9**	673.2	675.3
Available-for-sale investments	13	**1.9**	2.5	2.1
Derivative financial instruments	13	**12.3**	18.1	12.1
Trade and other receivables		**15.8**	14.7	14.9
Retirement benefit surplus	14	**51.8**	21.2	26.2
Deferred tax assets		**12.3**	30.8	20.8
		1,702.5	1,660.4	1,682.9
Current assets				
Inventories		**329.1**	335.4	331.6
Trade and other receivables		**75.6**	69.1	78.0
Derivative financial instruments	13	**33.6**	16.7	17.4
Cash and cash equivalents	18	**35.8**	37.3	32.7
		474.1	458.5	459.7
Liabilities				
Current liabilities				
Bank overdraft and borrowings	12, 18	**(63.0)**	(125.3)	(155.4)
Derivative financial instruments	13	**(3.8)**	(1.2)	(1.3)
Trade and other payables		**(531.7)**	(523.5)	(523.6)
Current tax liabilities		**(23.1)**	(7.7)	(9.0)
Provisions		**(6.3)**	(7.2)	(6.4)
		(627.9)	(664.9)	(695.7)
Net current liabilities		**(153.8)**	(206.4)	(236.0)
Non-current liabilities				
Bank overdraft and borrowings	12, 18	**(197.0)**	(209.3)	(197.1)
Derivative financial instruments	13	**(1.9)**	(0.4)	(1.1)
Deferred tax liabilities		**(59.2)**	(64.4)	(54.8)
Other non-current liabilities	15	**(349.9)**	(332.1)	(340.6)
		(608.0)	(606.2)	(593.6)
Net assets		**940.7**	847.8	853.3
Shareholders' equity				
Share capital	16	**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		**37.9**	23.4	17.9
Other reserves		**(12.2)**	(18.2)	(16.5)
Retained earnings		**231.0**	158.6	167.9
Total equity		**940.7**	847.8	853.3

The notes on pages 19-27 form an integral part of this condensed consolidated interim financial information.

Consolidated Statement of Changes in Equity

For the 26 weeks ended 27 February 2016

	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 29 August 2015	683.0	1,200.9	(1,199.9)	17.9	(16.5)	167.9	853.3
Profit for the financial period	-	-	-	-	-	76.4	76.4
Other comprehensive income for the financial period	-	-	-	20.0	4.3	15.4	39.7
Total comprehensive income for the financial period	**-**	**-**	**-**	**20.0**	**4.3**	**91.8**	**116.1**
Share-based payment charge	-	-	-	-	-	0.8	0.8
Dividends paid	-	-	-	-	-	(29.5)	(29.5)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(28.7)**	**(28.7)**
Balance at 27 February 2016	**683.0**	**1,200.9**	**(1,199.9)**	**37.9**	**(12.2)**	**231.0**	**940.7**

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 30 August 2014	683.0	1,200.9	(1,199.9)	(7.9)	(9.4)	100.7	767.4
Profit for the financial year	-	-	-	-	-	93.5	93.5
Other comprehensive income/(expense) for the financial year	-	-	-	25.8	(7.1)	14.2	32.9
Total comprehensive income/(expense) for the financial year	-	-	-	25.8	(7.1)	107.7	126.4
Share-based payment charge	-	-	-	-	-	1.1	1.1
Unallocated dividends	-	-	-	-	-	0.1	0.1
Dividends paid	-	-	-	-	-	(41.7)	(41.7)
Total transactions with owners	-	-	-	-	-	(40.5)	(40.5)
Balance at 29 August 2015	683.0	1,200.9	(1,199.9)	17.9	(16.5)	167.9	853.3

The notes on pages 19-27 form an integral part of this condensed consolidated interim financial information.

Consolidated Cash Flow Statement
For the 26 weeks ended 27 February 2016

	Note	**Unaudited 26 weeks to 27 February 2016 £m**	Unaudited 26 weeks to 28 February 2015 £m	Audited 52 weeks to 29 August 2015 £m
Cash flows from operating activities				
Cash generated from operations	17	**187.0**	154.9	236.3
Finance income		**1.7**	0.1	0.1
Finance costs		**(7.9)**	(10.0)	(19.4)
Tax (paid)/received		**(1.5)**	0.6	1.1
Net cash generated from operating activities		**179.3**	145.6	218.1
Cash flows from investing activities				
Purchase of property, plant and equipment		**(35.8)**	(37.2)	(79.6)
Purchase of intangible assets		**(17.7)**	(14.4)	(54.0)
Sale of property, plant and equipment		**-**	0.2	0.2
Net cash used in investing activities		**(53.5)**	(51.4)	(133.4)
Cash flows from financing activities				
Repurchase of senior notes		**-**	(13.0)	(24.8)
Repayment of revolving credit facility		**(104.0)**	(78.0)	(65.0)
Dividends paid		**(29.5)**	(29.4)	(41.7)
Finance lease payments		**(1.9)**	(2.0)	(3.3)
Debt issue costs		**(1.1)**	(0.3)	0.2
Net cash used in financing activities		**(136.5)**	(122.7)	(134.6)
Net decrease in cash and cash equivalents	18	**(10.7)**	(28.5)	(49.9)
Net cash and cash equivalents at beginning of financial period		**14.4**	64.4	64.4
Foreign exchange losses on cash and cash equivalents		**(0.3)**	-	(0.1)
Net cash and cash equivalents at end of financial period	18	**3.4**	35.9	14.4

The notes on pages 19-27 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 27 February 2016 should be read in conjunction with the annual financial statements for the 52 weeks ended 29 August 2015 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 29 August 2015, which are available on our website www.debenhamsplc.com. The report of the auditors for the financial statements for the 52 weeks ended 29 August 2015 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 29 August 2015 and the 26 weeks ended 28 February 2015 are consistent with the Group's 2015 annual report and financial statements and interim financial statements respectively.

On 13 January 2016 the International Accounting Standards Board issued IFRS 16 – "Leases" which is effective for periods that commence on or after 1 January 2019. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for lease contracts, subject to limited exceptions for short-term leases and leases of low value assets. The quantitative impact of IFRS 16 on the Group's net assets and results is being assessed. 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 pages 106 and 107 of the annual report and financial statements for the 52 weeks ended 29 August 2015 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 receivable rather than the gross value achievable 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 27 February 2016 £m	26 weeks to 28 February 2015 £m	52 weeks to 29 August 2015 £m
Gross transaction value	**1,628.7**	1,602.4	2,860.1

A reconciliation of gross transaction value to external revenue is included in note 3.

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 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 27 February 2016			
Gross transaction value	**1,336.5**	**292.2**	**1,628.7**
Concessions, consignments and staff discounts	**(226.8)**	**(74.7)**	**(301.5)**
External revenue	**1,109.7**	**217.5**	**1,327.2**
Operating profit	**76.1**	**23.5**	**99.6**
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
52 weeks ended 29 August 2015			
Gross transaction value	2,323.5	536.6	2,860.1
Concessions, consignments and staff discounts	(401.2)	(136.2)	(537.4)
External revenue	1,922.3	400.4	2,322.7
Operating profit	101.7	32.4	134.1

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

	26 weeks to 27 February 2016 £m	26 weeks to 28 February 2015 £m	52 weeks to 29 August 2015 £m
Total operating profit	**99.6**	99.4	134.1
Finance income	**2.0**	0.2	0.2
Finance costs	**(7.8)**	(10.7)	(20.8)
Total profit before taxation	**93.8**	88.9	113.5

4 Operating profit

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

	26 weeks to 27 February 2016 £m	26 weeks to 28 February 2015 £m	52 weeks to 29 August 2015 £m
Amounts of inventory written down during the financial period	**4.7**	6.3	10.1
Cost of inventory recognised as an expense	**676.2**	686.0	1,164.7
Depreciation and amortisation	**53.3**	51.6	104.2
Loss on disposal of property, plant and equipment	**0.1**	-	0.3
Operating lease rentals	**107.9**	107.3	213.9
Foreign exchange (gains)/losses	**(11.1)**	3.5	(5.7)

5 Employment costs

	26 weeks to 27 February 2016 £m	26 weeks to 28 February 2015 £m	52 weeks to 29 August 2015 £m
Wages and salaries	**186.5**	177.7	344.7
Social security costs	**11.5**	11.1	21.7
Other pension costs	**8.3**	8.1	15.1
Share-based payments	**0.8**	0.5	1.1
	207.1	197.4	382.6

6 Finance income

	26 weeks to 27 February 2016 £m	26 weeks to 28 February 2015 £m	52 weeks to 29 August 2015 £m
Interest on bank deposits	**1.4**	0.1	0.1
Net interest on net defined benefit pension schemes asset/liability	**0.6**	0.1	0.1
	2.0	0.2	0.2

7 Finance costs

	26 weeks to 27 February 2016 £m	26 weeks to 28 February 2015 £m	52 weeks to 29 August 2015 £m
Interest payable on bank loans and overdrafts	**2.1**	3.4	5.3
Interest payable on senior notes	**5.2**	5.8	11.4
Cash flow hedges reclassified and reported in the income statement	**0.4**	0.8	1.6
Amortisation of issue costs on loans and senior notes	**0.7**	0.8	1.6
Interest payable on finance leases	**-**	0.1	0.2
Other financing costs	**0.3**	0.1	1.4
Capitalised finance costs – qualifying assets	**(0.9)**	(0.3)	(0.7)
	7.8	10.7	20.8

8 Taxation

The taxation charge for the 26 weeks ended 27 February 2016 is based on an estimated effective tax rate for the full year of 18.6% (52 weeks ended 29 August 2015: 17.6%). This is lower than the standard rate of corporation tax (20.0%) due to the impact of future corporation tax rate reductions upon the existing deferred tax balance. The Finance (No. 2) Act 2015 implemented a staged reduction to the main rate of UK corporation tax from 20.0% to 19.0% from 1 April 2017 and to 18.0% from 1 April 2020. This has reduced the corporation and deferred tax liabilities thereby reducing the income statement tax charge by £3.6 million in the 26 weeks ended 27 February 2016. As these changes had not been substantively enacted at the prior period balance sheet date, their effects were not included in the financial statements for that period.

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 in issue 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 27 February 2016**		26 weeks to 28 February 2015		52 weeks to 29 August 2015
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
	£m	**£m**	£m	£m	£m	£m
Profit for the financial period after taxation	**76.4**	**76.4**	71.8	71.8	93.5	93.5
	Number m	**Number m**	Number m	Number m	Number m	Number m
Weighted average number of shares	**1,227.4**	**1,227.4**	1,226.4	1,226.4	1,226.7	1,226.7
Shares held by ESOP (weighted)	**(0.2)**	**(0.2)**	(0.3)	(0.3)	(0.3)	(0.3)
Shares issuable (weighted)	**-**	**3.0**	-	2.1	-	2.3
Weighted average number of shares used in calculating earnings per share	**1,227.2**	**1,230.2**	1,226.1	1,228.2	1,226.4	1,228.7
	Pence per share	**Pence per share**	Pence per share	Pence per share	Pence per share	Pence per share
Earnings per share	**6.2**	**6.2**	5.9	5.9	7.6	7.6

10 Dividends

The Company paid a final dividend in respect of the 52 weeks ended 29 August 2015 of 2.4 pence per share on 22 January 2016. The directors have resolved to pay an interim dividend in respect of the 26 weeks ended 27 February 2016 of 1.025 pence per share (28 February 2015: 1.000 pence) which will absorb an estimated £12.6 million of shareholders' funds (28 February 2015: £12.3 million). It will be paid on 1 July 2016 to shareholders who are on the register of members at close of business on 3 June 2016.

11 Intangible assets and property, plant and equipment

	27 February 2016 £m	28 February 2015 £m	29 August 2015 £m
Opening net book amount	**1,606.8**	1,582.0	1,582.0
Additions:			
- Intangible assets	**17.6**	15.6	56.0
- Property, plant and equipment	**34.4**	31.1	77.0
Foreign currency revaluation	**3.0**	(3.8)	(3.5)
Disposals	**(0.1)**	(0.2)	(0.5)
Depreciation and amortisation	**(53.3)**	(51.6)	(104.2)
Closing net book amount	**1,608.4**	1,573.1	1,606.8

Capital commitments contracted but not provided for by the Group amounted to £11.6 million (29 August 2015: £11.3 million; 28 February 2015: £15.9 million).

12 Bank overdraft and borrowings

During the 26 weeks ended 27 February 2016 the Group refinanced its £350.0 million revolving credit facility (28 February 2015: £425.0 million), reducing the facility size to £320.0 million in the process and extending the maturity from October 2018 to June 2020. The amended revolving credit facility contains an option to request an extension to June 2021.

13 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 29 August 2015. 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	Total £m
At 27 February 2016			
Assets			
Available-for-sale financial instruments	**1.9**	**-**	**1.9**
Derivative financial instruments:			
- Forward foreign currency contracts held as cash flow hedges	**-**	**37.0**	**37.0**
- Other forward foreign currency contracts	**-**	**8.9**	**8.9**
Total assets	**1.9**	**45.9**	**47.8**
Liabilities			
- Interest rate swaps held as cash flow hedges	-	**(0.6)**	**(0.6)**
- Forward foreign currency contracts held as cash flow hedges	-	**(4.7)**	**(4.7)**
- Other forward foreign currency contracts	-	**(0.4)**	**(0.4)**
Total liabilities	-	**(5.7)**	**(5.7)**

	Level 1 £m	Level 2 £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 flow hedges	-	(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	Total £m
At 29 August 2015			
Assets			
Available-for-sale financial instruments	2.1	-	2.1
Derivative financial instruments:			
- Forward foreign currency contracts held as cash flow hedges	-	25.6	25.6
- Other forward foreign currency contracts	-	3.9	3.9
Total assets	2.1	29.5	31.6
Liabilities			
Derivative financial instruments:			
- Interest rate swaps held as cash flow hedges	-	(0.7)	(0.7)
- Forward foreign currency contracts held as cash flow hedges	-	(1.3)	(1.3)
- Other forward foreign currency contracts	-	(0.4)	(0.4)
Total liabilities	-	(2.4)	(2.4)

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 28 February 2015: no transfers). None of the Group's financial assets and liabilities are classed as level 3 within the fair value hierarchy.

During the 26 weeks ended 27 February 2016 the Group closed out certain forward foreign currency contracts and reset the contracts to current market rates. As a result of this transaction, cash amounting to £11.2 million was received in the period. The gains on these forward foreign currency contracts continue to be held in the hedging reserve and there was no impact on the income statement. The Group's accounting policy for forward foreign currency contracts that qualify as cash flow hedges is shown on page 104 of the Group's 2015 annual report and financial statements.

Available-for-sale financial instruments relate to the Group's holding at 27 February 2016 of 10% (28 February 2015: 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 27 February 2016, 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 £0.2 million (28 February 2015: £0.3 million) for the Group as a result of the changes in the fair value of available-for-sale investments

The above movement in rates is considered to represent reasonable possible changes. Other larger or smaller changes are also possible.

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.

14 Retirement benefit schemes

The Group operates defined contribution pension schemes for its employees.

The Group also 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. The Group's pension schemes were closed to 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.

During June 2015, the Group agreed a recovery plan for the Group's pension schemes, which was intended to restore the schemes to a fully funded position on an ongoing basis. Under that agreement, the Group agreed to contribute £9.5 million per annum to the pension schemes for the period from 1 April 2014 to 31 March 2022 increasing by the percentage increase in RPI over the year to the previous December. The agreement replaced an agreement made in 2012 under which the Group agreed to contribute £8.9 million per annum to the pension schemes for the period from 1 April 2012 to 31 March 2022 increasing by the percentage increase in RPI over the year to the previous December.
Additionally during 2015, the Group agreed to continue to cover the non-investment expenses and levies of the pension schemes, including those payable to the Pension Protection Fund. Employees make no further contributions to the schemes.

Further details of the Group's pension arrangements are set out in pages 126 to 129 of the annual report and financial statements for the 52 weeks ended 29 August 2015.

The major assumptions used by the actuary were:

	27 February 2016 per annum %	28 February 2015 per annum %	29 August 2015 per annum %
Inflation assumption	**3.0**	2.9	3.2
General salary and wage increase	**3.0**	2.9	3.2
Rate of increase in pension payments and deferred payments	**3.0**	2.9	3.2
Pension increase rate	**2.9**	2.7	3.0
Discount rate	**3.7**	3.5	3.8

The amounts recognised in the balance sheet were as follows:

	27 February 2016 £m	28 February 2015 £m	29 August 2015 £m
Total market value of assets	**809.4**	800.1	795.8
Present value of scheme liabilities	**(757.6)**	(778.9)	(769.6)
Net surplus in pension schemes	**51.8**	21.2	26.2
Analysed as:			
DEPP scheme surplus	**19.1**	10.6	13.1
DRS scheme surplus	**32.7**	10.6	13.1

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

	27 February 2016 £m	28 February 2015 £m	29 August 2015 £m
Net surplus/(deficit) in the schemes at the start of the financial period	**26.2**	(2.4)	(2.4)
Movement in the financial period:			
- Company contributions	**5.5**	5.5	11.1
- Settlements	**-**	-	1.1
- Current service cost (including expenses)	**(0.8)**	(0.8)	(1.5)
- Net interest on net defined benefit asset/liability	**0.6**	0.1	0.1
- Remeasurements of pension schemes	**20.3**	18.8	17.8
Net surplus in the schemes at end of the financial period	**51.8**	21.2	26.2

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.

	27 February 2016 £m	28 February 2015 £m	29 August 2015 £m
Increase in schemes' liabilities arising from:			
- a 0.5% increase in inflation	**84.1**	60.5	85.4
- a 0.5% reduction in the discount rate	**88.0**	73.7	93.1
- a one year increase in life expectancy	**20.3**	24.5	20.6

A 0.5% reduction in the inflation assumption, a 0.5% 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.

15 Other non-current liabilities

	27 February 2016 £m	28 February 2015 £m	29 August 2015 £m
Property lease incentives received	**349.9**	331.6	340.6
Other non-current liabilities	**-**	0.5	-
Total other non-current liabilities	**349.9**	332.1	340.6

Property lease incentives received from landlords, either through developers' 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.

16 Share capital

	£	**Number**
Issued and fully paid - ordinary shares of £0.0001 each		
At 28 February 2015	128,684	1,286,849,672
Allotted under share option schemes	1	2,868
At 27 February 2016 and 29 August 2015	**128,685**	**1,286,852,540**

No shares were purchased by the Company and transferred to treasury during the financial period or the preceding financial periods.

17 Cash generated from operations

	26 weeks to 27 February 2016 £m	26 weeks to 28 February 2015 £m	52 weeks to 29 August 2015 £m
Profit before taxation	**93.8**	88.9	113.5
Depreciation and amortisation (note 11)	**53.3**	51.6	104.2
Loss on disposal of property, plant and equipment	**0.1**	-	0.3
Share-based payment charge	**0.8**	0.5	1.1
Fair value losses/(gains) on derivative instruments	**2.2**	(3.8)	(4.4)
Net movements in provisions	**(0.1)**	0.1	(0.7)
Finance income (note 6)	**(2.0)**	(0.2)	(0.2)
Finance costs (note 7)	**7.8**	10.7	20.8
Cash received on close out of forward foreign currency contracts (note 13)	**11.2**	-	-
Pension current service cost (note 14)	**0.8**	0.8	0.4
Cash contributions to pension schemes (note 14)	**(5.5)**	(5.5)	(11.1)
Net movement in other long-term receivables	**0.3**	(0.5)	(0.5)
Net movement in other non-current liabilities	**9.2**	(0.6)	7.9
Changes in working capital			
Decrease in inventories	**2.5**	9.3	14.3
Decrease/(increase) in trade and other receivables	**2.5**	4.5	(3.9)
Increase/(decrease) in trade and other payables	**10.1**	(0.9)	(5.4)
Cash generated from operations	**187.0**	154.9	236.3

18 Analysis of changes in net debt

	At 29 August 2015 £m	Cash flow £m	Non-cash movements £m	**At 27 February 2016 £m**
Analysis of net debt				
Cash and cash equivalents	32.7	3.4	(0.3)	**35.8**
Bank overdrafts	(18.3)	(14.1)	-	**(32.4)**
Net cash and cash equivalents	14.4	(10.7)	(0.3)	**3.4**
Debt due within one year	(134.2)	104.0	0.9	**(29.3)**
Debt due after one year	(196.8)	1.1	(1.3)	**(197.0)**
Finance lease obligations due within one year	(2.9)	1.9	(0.3)	**(1.3)**
Finance lease obligations due after one year	(0.3)	-	0.3	**-**
	(319.8)	96.3	(0.7)	**(224.2)**

19 Related parties

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

20 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: 0371 384 2766), and at the Company's registered office, 10 Brock Street, Regent's Place, London, NW1 3FG.