

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under the law the directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these Financial Statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company Financial Statements respectively; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibility Statement Pursuant to Disclosure and Transparency Rule 4.1.12

Each of the directors, whose names and functions are detailed on pages 44 and 45, confirms that to the best of his/her knowledge:

- The Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Directors' report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the board

Michael Sharp
Chief Executive

Chris Woodhouse
Finance Director

20 October 2011

Independent auditors' report to the members of Debenhams plc (Group)

We have audited the Group Financial Statements of Debenhams plc for the 53 week period ended 3 September 2011 which comprise 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 the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 61, the directors are responsible for the preparation of the Group Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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 the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group Financial Statements:

- Give a true and fair view of the state of the Group's affairs as at 3 September 2011 and of its profit and cash flows for the 53 week period then ended
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- The information given in the Directors' report for the 53 week period for which the Group Financial Statements are prepared is consistent with the Group Financial Statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review:

- The directors' statement, set out on page 51 to 52, in relation to going concern
- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of the report to shareholders by the board on directors' remuneration

Other matter

We have reported separately on the parent company financial statements of Debenhams plc for the 53 week period ended 3 September 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Martin Hodgson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

20 October 2011

Consolidated Income Statement

For the 53 weeks ended 3 September 2011

	Note	53 weeks ended 3 September 2011 £m	52 weeks ended 28 August 2010 £m
Revenue	4	2,209.8	2,119.9
Cost of sales		(1,913.1)	(1,838.9)
Analysed as:			
Cost of sales before exceptional items		(1,913.1)	(1,829.5)
Exceptional cost of sales	7	-	(9.4)
Gross profit		296.7	281.0
Distribution costs		(70.2)	(55.1)
Administrative expenses		(42.8)	(43.0)
Analysed as:			
Administrative expenses before exceptional items		(42.8)	(40.2)
Exceptional administrative expenses	7	-	(2.8)
Other exceptional income	7	-	6.8
Operating profit	6	183.7	189.7
Analysed as:			
Operating profit before exceptional items		183.7	195.1
Exceptional items	7	-	(5.4)
Finance income	9	3.9	6.7
Finance costs	10	(27.3)	(56.5)
Profit before taxation		160.3	139.9
Taxation	11	(43.1)	(42.9)
Analysed as:			
Taxation before exceptional items		(43.1)	(44.6)
Taxation credit on exceptional items		-	1.7
Profit for the financial year attributable to equity shareholders		117.2	97.0
Earnings per share attributable to equity shareholders (expressed in pence per share)			
		Pence per share	Pence per share
Basic	13	9.1	7.5
Diluted	13	9.1	7.5

Consolidated Statement of Comprehensive Income

For the 53 weeks ended 3 September 2011

	Note	53 weeks ended 3 September 2011 £m	52 weeks ended 28 August 2010 £m
Profit for the financial year		117.2	97.0
Other comprehensive income/(expense)			
Actuarial gains/(losses) recognised in the pension schemes	24	75.8	(37.1)
Deferred tax movement on actuarial gains/(losses)	25	(22.5)	7.8
Current tax movement on the pension schemes		2.1	-
Currency translation differences		4.3	(6.8)
Sale of available-for-sale investment		(2.0)	-
Change in the valuation of the available-for-sale investments	16	(0.2)	(1.0)
Cash flow hedges			
- fair value (losses)/gains		(15.7)	24.0
- tax on fair value (losses)/gains		3.9	(6.5)
- reclassified and reported in net profit		4.7	6.8
- tax on items reclassified and reported in net profit		(1.2)	(1.9)
- recycled and adjusted against cost of sales		1.8	(4.3)
- tax on items recycled against cost of sales		(0.5)	1.2
Total other comprehensive income/(expense)		50.5	(17.8)
Total comprehensive income for the year		167.7	79.2

Consolidated Balance Sheet

As at 3 September 2011

	Note	3 September 2011 £m	28 August 2010 £m
Assets			
Non-current assets			
Intangible assets	14	858.1	846.2
Property, plant and equipment	15	634.6	676.1
Available-for-sale investments	16	2.6	7.8
Derivative financial instruments	23	1.4	0.9
Other receivables	18	18.3	17.2
Retirement benefit assets	24	3.9	-
Deferred tax assets	25	75.7	92.0
		1,594.6	1,640.2
Current assets			
Inventories	17	321.3	295.3
Trade and other receivables	18	72.1	73.4
Derivative financial instruments	23	1.2	8.9
Cash and cash equivalents	19	29.0	69.5
		423.6	447.1
Liabilities			
Current liabilities			
Bank overdraft and borrowings	21	(168.1)	(545.7)
Derivative financial instruments	23	(8.5)	(1.8)
Trade and other payables	20	(489.1)	(494.2)
Current tax liabilities		(43.7)	(37.5)
Provisions	27	(6.2)	(4.4)
		(715.6)	(1,083.6)
Net current liabilities			
		(292.0)	(636.5)
Non-current liabilities			
Bank overdraft and borrowings	21	(244.6)	(40.6)
Derivative financial instruments	23	(4.2)	(7.5)
Deferred tax liabilities	25	(74.1)	(83.8)
Other non-current liabilities	26	(318.9)	(285.7)
Provisions	27	(1.2)	(2.0)
Retirement benefit obligations	24	-	(80.7)
		(643.0)	(500.3)
Net assets			
		659.6	503.4
Shareholders' equity			
Share capital	28	0.1	0.1
Share premium account		682.9	682.9
Merger reserve		1,200.9	1,200.9
Reverse acquisition reserve		(1,199.9)	(1,199.9)
Hedging reserve		(6.2)	0.8
Other reserves		(3.1)	(5.2)
Retained earnings		(15.1)	(176.2)
Total equity		659.6	503.4

The Financial Statements on pages 63 to 103 were approved by the board on 20 October 2011 and were signed on its behalf by:

CK Woodhouse
Director

Consolidated Statement of Changes in Equity

As at 3 September 2011

	Note	Share capital and share premium £m	Merger reserve £m	Reverse acquisition reserve £m	Hedging reserve £m	Other reserve £m	Retained earnings £m	Total £m
Balance at 29 August 2009		683.0	1,504.7	(1,199.9)	(18.5)	2.6	(546.6)	425.3
Profit for the financial year		-	-	-	-	-	97.0	97.0
Actuarial loss on pension schemes	24	-	-	-	-	-	(37.1)	(37.1)
Deferred tax movement on pension schemes	25	-	-	-	-	-	7.8	7.8
Change in the value of available-for-sale investments	16	-	-	-	-	(1.0)	-	(1.0)
Currency translation differences		-	-	-	-	(6.8)	-	(6.8)
Cash flow hedges								
- fair value gains (net of tax)		-	-	-	17.5	-	-	17.5
- reclassified and reported in net profit (net of tax)		-	-	-	4.9	-	-	4.9
- recycled and adjusted against the cost of inventory (net of tax)		-	-	-	(3.1)	-	-	(3.1)
Total comprehensive income and expense for the financial year		-	-	-	19.3	(7.8)	67.7	79.2
Share-based payment charge	29	-	-	-	-	-	1.3	1.3
Redemption of preference shares	28	-	(303.8)	-	-	-	303.8	-
Discount arising on repurchase of term loan facility (net of tax)		-	-	-	-	-	(2.4)	(2.4)
Total transactions with owners		-	(303.8)	-	-	-	302.7	(1.1)
Balance at 28 August 2010		683.0	1,200.9	(1,199.9)	0.8	(5.2)	(176.2)	503.4
Profit for the financial year		-	-	-	-	-	117.2	117.2
Actuarial gain on pension schemes	24	-	-	-	-	-	75.8	75.8
Deferred tax movement on pension schemes	25	-	-	-	-	-	(22.5)	(22.5)
Current tax movement on pension schemes		-	-	-	-	-	2.1	2.1
Sale of available-for sale-investment	16	-	-	-	-	(2.0)	-	(2.0)
Change in the value of available-for-sale investments	16	-	-	-	-	(0.2)	-	(0.2)
Currency translation differences		-	-	-	-	4.3	-	4.3
Cash flow hedges								
- fair value gains (net of tax)		-	-	-	(11.8)	-	-	(11.8)
- reclassified and reported in net profit (net of tax)		-	-	-	3.5	-	-	3.5
- recycled and adjusted against the cost of inventory (net of tax)		-	-	-	1.3	-	-	1.3
Total comprehensive income and expense for the financial year		-	-	-	(7.0)	2.1	172.6	167.7
Share-based payment charge	29	-	-	-	-	-	1.4	1.4
Dividends paid	12	-	-	-	-	-	(12.9)	(12.9)
Total transactions with owners		-	-	-	-	-	(11.5)	(11.5)
Balance at 3 September 2011		683.0	1,200.9	(1,199.9)	(6.2)	(3.1)	(15.1)	659.6

For a description of the nature and purpose of each reserve see note 28.

Consolidated Cash Flow Statement

For the 53 weeks ended 3 September 2011

	Note	53 weeks ended 3 September 2011 £m	52 weeks ended 28 August 2010 £m
Cash flows from operating activities			
Cash generated from operations	31	267.6	299.2
Finance income		6.7	2.7
Finance costs		(26.3)	(49.6)
Tax paid		(48.6)	(44.1)
Transaction costs on acquisition of Magasin		-	(1.0)
Net cash generated from operating activities		199.4	207.2
Cash flows from investing activities			
Acquisition of subsidiary net of cash acquired		-	(9.1)
Purchase of property, plant and equipment		(94.3)	(78.5)
Purchase of intangible assets		(19.7)	(11.2)
Proceeds from sale of property, plant and equipment	31	-	0.2
Proceeds from sale of available-for-sale investment	16	5.0	-
Proceeds from sale of finance leases	31	12.6	-
Net cash used in investing activities		(96.4)	(98.6)
Cash flows from financing activities			
Repayment of term loan facility	21	(548.6)	(159.7)
Drawdown of new facility		415.0	-
Repurchase of term loan facility		-	(52.3)
Share issue costs		-	(4.7)
Dividends paid	12	(12.9)	-
Finance lease payments		(0.1)	(0.5)
Debt issue costs	21	(4.1)	(10.1)
Net cash used in financing activities		(150.7)	(227.3)
Net decrease in cash and cash equivalents			
Net cash and cash equivalents at beginning of financial year	19	69.5	188.2
Foreign exchange gains on cash and cash equivalents		1.0	-
Net cash and cash equivalents at end of financial year	32	22.8	69.5

Notes to the Financial Statements

For the 53 weeks ended 3 September 2011

1 Basis of Preparation and General Information

Introduction

Debenhams plc ("the Company") is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 (Company No. 5448421). The address of the registered office is Debenhams plc, 1 Welbeck Street, London W1G 0AA.

The principal activity of the Company is that of a holding company. The principal activities of the Group and its subsidiaries (together the "Group" or the "Debenhams Group") is the sale of fashion clothing and accessories, cosmetics and products for use in the home. The Group trades from department stores and small store formats in the UK, the Republic of Ireland and Denmark, on the internet and has international franchise stores.

The Group prepares its Financial Statements for the financial year ending on the nearest Saturday to 31 August of a given calendar year. Consequently the year ended 3 September 2011 is a 53 week year, with the comparative year ended 28 August 2010 being a 52 week year.

The principal companies within the Group during the financial year ended 3 September 2011 are disclosed in note 34.

Basis of Preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards ("IAS") and International Financial Reporting Standards Interpretations Committee ("IFRS IC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under accounting standards as adopted for use in the EU. The Consolidated Financial Statements for the financial year ended 3 September 2011 and 28 August 2010 have been prepared under the historical cost convention as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of the Financial Statements, in conformity with IFRS, requires the use of estimates and assumptions that affect the reporting amounts of assets and liabilities at the date of the Financial Statements and the reported amount of revenue and expenses during the reporting period. Although these results are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates (see note 5).

2 Accounting Policies

The Group's principal accounting policies, as described below, have been consistently applied to all years presented, unless otherwise stated.

Consolidation

The Financial Statements comprise a consolidation of the accounts of Debenhams plc and all its subsidiaries. Subsidiaries include all entities over which the Group has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which the Group has the power to control. They are de-consolidated from the date that control ceases.

On consolidation, inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the Company and its subsidiaries have been changed where these have a significant impact on the Group's Income Statement or Balance Sheet to ensure consistency with the policies adopted by the Group.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of staff discounts and the cost of loyalty scheme points, and is stated net of value added tax and other sales-related taxes.

Revenue on department store sales of goods and commission on concession and consignment sales is recognised when goods are sold to the customer. Retail sales are usually in cash or by credit or debit card. Internet sales are recognised when the goods are despatched to the customer. Revenue from gift cards and gift vouchers sold by the Group is recognised on the redemption of the gift card or gift voucher.

It is the Group's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Segmental Reporting

IFRS 8 "Operating Segments" requires segment information to be presented based on what is reported to the Chief Operating Decision Maker. The Group has identified the executive management board as its Chief Operating Decision Maker and has identified one operating segment, Retail.

Interest Recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable. Finance charges are calculated using the effective interest rate method.

Dividend Distribution

A final dividend distribution to the Company shareholders is recognised as a liability in the Company and Group's Financial Statements in the period in which the dividends are approved by the Company shareholders. Interim dividends are recognised when paid.

2 Accounting Policies continued

Retirement Benefit Costs

The liability or asset recognised in respect of defined benefit schemes is the fair value of the plan assets less the present value of the defined obligation at the balance sheet date. Plan assets include various equities, bonds and alternative strategies and are managed separately by investment managers. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in sterling and that have terms to maturity which approximate to the terms of the related pension liabilities.

Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Income Statement and presented in the Statement of Comprehensive Income.

Past service costs are recognised immediately in the Income Statement, unless the changes in pension plans are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

The Group operates a defined contribution scheme in the Republic of Ireland and Denmark and a stakeholder scheme in the UK. Contributions to these pension schemes are charged to the Income Statement as they fall due. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-Based Payments

The Group issues equity-settled share-based payments to certain employees. A fair value for the equity-settled share awards is measured at the date of grant. The Group measures the fair value using the valuation technique most appropriate to value each class of award, a Black-Scholes, Monte Carlo or Binomial pricing model.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (at nominal value) and share premium when the options are exercised.

Exceptional Items

Exceptional items are events or transactions which, by virtue of their size or nature, have been disclosed in order to improve a reader's understanding of the Financial Statements.

Foreign Exchange

a) Functional and Presentational Currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in sterling, which is the Group's presentational currency.

b) Group Companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the Balance Sheet
- income and expenses are translated at the average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction)
- resulting exchange differences are recognised as a separate component of equity

c) Transactions and Balances

Transactions denominated in foreign currencies are translated into the respective functional currency at average monthly rates. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Differences on exchange are taken to the Income Statement.

Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in equity.

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents and the translation of intercompany loans are presented in the income statement within finance income or charges. All other foreign exchange gains and losses are presented in the income statement within cost of sales.

2 Accounting Policies continued

Taxation

Taxation expense represents the sum of current tax and deferred tax.

Current tax is based on taxable profits for the financial period using tax rates that are in force during the period. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. If deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversals of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leased Assets

a) Finance Leases

Leases of assets which transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases. Finance leases are classified as a financial liability and measured at amortised cost. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased plant and equipment or the present value of the minimum lease payments and depreciated over the shorter of the useful economic life or the period of the lease. The resulting lease obligations are included in liabilities.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

b) Operating Leases

All other leases are classified as operating leases. Rentals payable under operating leases, net of lease incentives, are charged to the Income Statement on a straight-line basis over the period of the lease.

Where property lease contracts contain guaranteed fixed minimum incremental rental payments, the total committed cost is determined and is calculated and amortised on a straight-line basis over the life of the lease.

Business Combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The cost of an acquisition is measured as the fair value of the consideration given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. All costs directly attributable to an acquisition are expensed to the Income Statement.

Identifiable assets and liabilities acquired in a subsidiary are measured at their fair values at the acquisition date, provided they meet the conditions set out in IFRS 3 (Revised) "Business Combinations". The excess of cost over the Group's share of identifiable net assets acquired is recognised as goodwill. If, after reassessment, the cost of acquisition is less than the fair value of assets acquired, the excess is immediately recognised in the Income Statement.

Intangible Assets

a) Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but tested for impairment annually, or when trigger events occur, and carried at cost less accumulated impairment losses.

Goodwill represents the goodwill for a portfolio of sites, which have been allocated to groups of cash-generating units on a regional basis for the purpose of impairment testing.

b) Other Intangible Assets

Other intangible assets are held at cost less accumulated amortisation and any provision for impairment.

Acquired licences and trademarks are capitalised at cost and are amortised on a straight-line basis over their useful life, not to exceed ten years.

Internally generated software costs, where it is clear that the software developed is technically feasible and will be completed and that the software generated will generate economic benefit, are capitalised as an intangible asset. The software is amortised on a straight-line basis over its useful economic life, being three to eight years.

Included within intangible assets are assets in the course of construction. These assets comprise primarily web development projects including directly attributable costs to bring the assets into use. No amortisation is provided on assets in the course of construction.

2 Accounting Policies continued

Property, Plant and Equipment

Property, plant and equipment are held at historic purchase cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at the following rates per annum to write off the cost of property, plant and equipment, less residual value, on a straight-line basis from the date on which they are brought into use:

Freehold land	Not depreciated
Freehold buildings	1 per cent
Long leasehold land and buildings including landlords' fixtures and fittings	1 per cent or life of lease if shorter
Short leasehold land and buildings including landlords' fixtures and fittings	Life of lease
Retail fixtures and fittings	4-25 per cent
Office equipment	10-12.5 per cent
Computer equipment	14-33½ per cent
Vehicles	25 per cent or life of lease

The assets' useful economic lives and residual values are reviewed and adjusted, if appropriate, at each financial year end.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

Included within property, plant and equipment are assets in the course of construction. These assets comprise stores, which are under construction, including costs directly attributable to bring the asset into use. Transfers to the appropriate category of property, plant and equipment are made when the store opens. No depreciation is provided on stores or other assets under construction.

Impairment Testing

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped by store, which is the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have been impaired are reviewed at each reporting date for possible reversal of the impairment.

Available-for-Sale Investments

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 investments are non-derivative assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are recognised at fair value plus any transaction costs.

The fair value of available-for-sale investments denominated in a foreign currency is calculated in that foreign currency and translated at the spot rate at the reporting date.

An impairment test is performed annually on the carrying value of each investment. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. Impairment losses are recognised in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value using the retail method and represent goods for resale. This method intrinsically takes into account any stock loss or mark down to goods sold below cost. Concession inventories are not included within inventory held by the Group.

Trade Receivables

Trade receivables are stated at amortised cost less provisions for impairment. A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of future cash flows discounted at the effective interest rate. The movement in the provision is recognised in the Income Statement.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at the bank and other short-term liquid investments with original maturities of approximately three months or less. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing Costs

Borrowing costs that are facility costs are recognised initially at fair value, and are amortised over the term of the facilities using the effective interest rate on the committed amount of each facility.

2 Accounting Policies continued

Debt Repurchase

The nominal value of debt repurchased has been accounted for as a loan redemption, reducing net borrowings at the balance sheet date.

Trade Payables

Trade payables, defined as financial liabilities in accordance with IAS 39, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

All of the trade payables are non-interest bearing.

Other payables

Included within other payables are lease incentives received from landlords either through developers' 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.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and where it is more likely than not an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date.

Promotional activities - Provisions for promotional activities such as the cosmetics loyalty scheme are recognised where the Group has a legal or constructive obligation to provide a customer with goods or services.

Restructuring - Provisions for restructuring are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares in equity are shown as a deduction, net of tax, from the proceeds.

Derivatives

Derivatives comprise interest rate swaps and forward foreign exchange contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as an effective hedging instrument and the nature of the item being hedged. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

i) Cash Flow Hedges

The effective portion of the changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the relevant line of the Income Statement which will be affected by the underlying hedged item. Forward exchange contracts designated as cash flow hedges are de-designated and subsequently classified as "held for trading" when the underlying forecast transaction is recognised in the Financial Statements.

Amounts accumulated in equity are reclassified and adjusted against the initial measurement of the underlying hedged item when the underlying hedged item is recognised on the Balance Sheet or in the Income Statement.

When a hedged instrument expires, is sold or when a hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued. Any cumulative gain or loss existing in equity at that time is held in equity until the forecast transaction occurs. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the relevant line of the Income Statement, which would have been affected by the forecasted transaction.

ii) Derivatives That Do Not Qualify For Hedge Accounting

Certain derivatives do not qualify for hedge accounting. Changes in fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Income Statement within finance costs.

2 Accounting Policies continued

New Standards and Interpretations

The following new standards and interpretations are mandatory for the first time this year; however these have had no significant impact on the Group:

- IFRS 2 amendment "Share-based Payments - Group cash-settled share-based payment transactions"
- IAS 32 amendment "Presentation on classification of rights issues"
- Improvements to IFRSs (2009)
- IFRS IC 15 "Agreements for the construction of real estate"
- IFRS IC 19 "Extinguishing financial liabilities with equity instruments"

The International Accounting Standards Board ("IASB") and International Financial Reporting Standards Interpretations Committee ("IFRS IC") has issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date. These standards and interpretations are not effective for and have not been applied in the preparation of these Financial Statements:

		Effective date
International Accounting Standards (IFRS)		
IAS 19 (revised)	Employee benefits	1 January 2013
IAS 24 (revised)	Related party disclosures	1 January 2011
Annual improvements 2010		1 January 2011
IFRIC Interpretations		
IFRS IC 14 amendment	Prepayments of a minimum funding requirement	1 January 2011

The Group is currently considering the implications of the adoption of these standards and interpretations. The adoption of IAS 19 (revised) will have a potential impact on the treatment of past service costs and the calculation of expected returns on assets. The remaining standards are not expected to have a material impact on the Group's Financial Statements.

3 Segmental Reporting

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 management board, which includes the executive directors and other key management. It is the executive management board that has responsibility for planning and controlling the activities of the Group.

The Group's reportable segment has been identified as Retail. The operating segment Magasin is not a reportable segment as it does not exceed 10 per cent of Group revenues, profits or gross assets; however, this information has been presented voluntarily within the segmental analysis below as it is regularly provided to the CODM. The segments are reported to the CODM to operating profit level, using the same accounting policies as applied to the Group accounts. No analysis has been provided of the assets and liabilities of each operating segment as this information is not regularly provided to the CODM within the monthly operating pack.

3 Segmental Reporting continued**Segmental analysis of results**

	Retail £m	Magasin £m	Total £m
53 weeks ended 3 September 2011			
Gross transaction value	2,432.6	246.7	2,679.3
Concessions, consignments, staff discounts and loyalty schemes	(359.7)	(109.8)	(469.5)
External revenue	2,072.9	136.9	2,209.8
Operating profit	175.2	8.5	183.7
Other segment items			
- Depreciation	79.5	4.0	83.5
- Amortisation of intangible assets	7.6	0.9	8.5
52 weeks ended 28 August 2010			
Gross transaction value	2,373.2	191.1	2,564.3
Concessions, consignments, staff discounts and loyalty schemes	(356.9)	(87.5)	(444.4)
External revenue	2,016.3	103.6	2,119.9
Operating profit before exceptional items	193.6	1.5	195.1
Exceptional items	(3.6)	(1.8)	(5.4)
Operating profit/(loss) after exceptional items	190.0	(0.3)	189.7
Other segment items			
- Depreciation	82.0	2.9	84.9
- Amortisation of intangible assets	8.3	1.0	9.3

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

	3 September 2011 £m	28 August 2010 £m
United Kingdom	1,851.8	1,799.8
Republic of Ireland	144.1	150.4
Denmark	136.9	103.6
Rest of the world	77.0	66.1
Total	2,209.8	2,119.9

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

	3 September 2011 £m	28 August 2010 £m
United Kingdom	1,436.6	1,469.6
Republic of Ireland	39.2	40.8
Denmark	35.2	29.1
Total	1,511.0	1,539.5

4 Gross Transaction Value

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

	3 September 2011 £m	28 August 2010 £m
Gross transaction value	2,679.3	2,564.3

5 Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Estimated Impairment of Goodwill

The Group tests whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2. The recoverable amount of cash-generating units is determined based on a value-in-use calculation. The method requires an estimate of future cash flows and the selection of a suitable discount rate in order to calculate the net present value of the cash flows. Actual outcomes could vary. See note 14 for further details.

Taxation and Deferred Taxation

The Group is subject to income taxes in the UK, the Republic of Ireland and Denmark. At each financial period end, judgement is required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax issues based on the best estimates at the balance sheet date.

Significant judgement is also required in determining the deferred tax on developer's contributions, fair value losses and gains, retirement benefit assets and liabilities and other provisions. The Group recognises deferred tax assets and liabilities based on the best estimate at the balance sheet date.

Where the final tax outcome of the above matters is different from the amounts that were initially recorded, such differences will impact the corporation tax and deferred tax provisions in the period in which such determination is made. The final outcome of some of these tax items may give rise to material profit or loss and/or cash flow movements.

Share-Based Payments

The Group issues equity-settled share-based payments to certain employees. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period. The fair value is calculated using the appropriate fair value model with the estimated level of vesting being reviewed annually by management. The key assumptions of this model are set out in note 29.

Retirement Benefits

The Group's defined benefit schemes' pension asset, which is assessed each period by actuaries, are based on key assumptions including return on plan assets, discount rates, mortality rates, inflation, future salary and pension costs. These assumptions, individually or collectively, may be different to actual outcomes.

Other key assumptions for pension obligations are based in part on current market conditions; additional information relating to this is disclosed in note 24.

Estimated Useful Life of Property, Plant and Equipment

The Group estimates the useful life of property, plant and equipment and reviews this estimate at each financial period end. The Group also tests for impairment whenever a trigger event occurs.

Inventories

Inventories are stated at the lower of cost and net realisable value using the retail method and represent goods for resale. This method intrinsically takes into account any stock loss or mark down to goods sold below cost. Concession inventories are not included within inventory held by the Group.

6 Operating Profit

	3 September 2011 £m	28 August 2010 £m
The following items have been included in arriving at operating profit:		
The amounts of inventory written down during the financial year	12.9	11.3
Cost of inventories recognised as an expense	1,117.5	1,082.3
Employment costs (note 8)	372.8	378.1
Depreciation of property, plant and equipment (note 15)	83.5	84.9
Amortisation of intangible assets (note 14)	8.5	9.3
Loss on disposal of property, plant and equipment	0.1	0.4
Operating lease rentals	207.3	189.9
Foreign exchange gains	(12.7)	(6.3)
Repairs and maintenance expenditure on property, plant and equipment	12.8	11.6
Auditors' remuneration	0.4	0.5

Services Provided by the Company's Auditor and Network Firms

During the year the Group obtained the following services from the Company's auditor as detailed below:

	3 September 2011 £m	28 August 2010 £m
Audit services		
Fees payable to the Company's auditor for the audit of the parent company and consolidated accounts	0.2	0.2
Other services		
The audit of the Company's subsidiaries pursuant to legislation	0.1	0.1
Fees payable to the Company's auditor and its associates for other services		
- Other services	0.1	0.2

Other services comprise advisory work relating to indirect taxation (2010: advisory work relating to the acquisition of Magasin of £0.1 million) and £28,000 (2010: £27,000) relating to the defined benefit pension scheme audits. It is cost effective for the Group that such services are provided by its auditors in view of their knowledge of the Group's affairs.

7 Exceptional Items

There were no exceptional items in the 53 weeks to 3 September 2011.

Exceptional items charged during the 52 weeks ended 28 August 2010 comprise the following (the operating segment of each item is shown in brackets):

	Note	28 August 2010 £m
Exceptional cost of sales		
Restructuring costs (Retail)	a	(9.4)
Exceptional administrative expenses		
Restructuring costs (Magasin)	b	(1.8)
Costs on acquisition of Magasin (Retail)	c	(1.0)
		(2.8)
Other exceptional income		
Bargain purchase credit - Acquisition of Magasin (Retail)		6.8
Net exceptional items		(5.4)

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

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

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

8 Employees

	3 September 2011 £m	28 August 2010 £m
Wages and salaries	337.6	344.7
Social security costs	22.6	23.9
Pension cost	11.2	8.2
Share-based payments (note 29)	1.4	1.3
Total employment costs	372.8	378.1

	Number	Number
Average number of employees (including key management):		
– Full time	8,735	9,019
– Part time	21,889	21,398
Total	30,624	30,417

Included in pension cost above is £0.6 million (2010: £0.7 million) of contributions payable to key management's personal pension plans.

Information concerning directors' remuneration, interest in shares and share options is included in the Remuneration Report on pages 53 to 60, which forms part of these Financial Statements.

Key Management Compensation

	3 September 2011 £m	28 August 2010 £m
Salaries and short-term benefits	4.0	5.5
Post-employment benefits	0.6	0.7
Share-based payments	0.4	0.2
	5.0	6.4

Members of the Executive Management Board (which includes the executive directors) and the non-executive directors are deemed to be key management. It is the board who has responsibility for planning and controlling the activities of the Group. During the year key management consisted of 13 members (2010: 13 members).

9 Finance income

	3 September 2011 £m	28 August 2010 £m
Interest on bank deposits	0.6	2.9
Discount arising on debt repurchase	-	3.8
Other financing income	3.3	-
	3.9	6.7

10 Finance costs

	3 September 2011 £m	28 August 2010 £m
Bank loans and overdrafts	16.2	41.7
Cash flow hedges reclassified and reported in net profit	4.7	6.8
Amortisation of issue costs on loans (note 21)	5.8	5.7
Interest payable on finance leases	-	2.3
Other financing charges	0.6	-
	27.3	56.5

11 Taxation**Analysis of Tax Charge in the Financial Year**

	3 September 2011 £m	28 August 2010 £m
Current tax:		
UK corporation tax charge on profit for the year	58.4	47.5
Adjustments in respect of prior periods	(1.6)	(0.2)
Current tax expense	56.8	47.3
Deferred taxation:		
Origination and reversal of timing differences	(13.0)	(6.3)
Pension cost relief in excess of pension charge	0.2	0.6
Adjustments in respect of prior periods	(0.9)	1.3
Deferred tax credit (note 25)	(13.7)	(4.4)
Tax charge for the financial year	43.1	42.9

The effective tax rate for the 53 week year is lower; 26.9 per cent (2010: higher; 30.7 per cent) than the rate of corporation tax in the UK of 27.2 per cent (2010: 28.0 per cent). The differences are explained below:

	3 September 2011 £m	28 August 2010 £m
Profit on ordinary activities before tax	160.3	139.9
Profit on ordinary activities at standard rate of corporation tax in the UK of 27.2 per cent (2010: 28.0 per cent)	43.6	39.2
Effects of:		
Expenses not deductible for tax purposes	0.8	0.1
Overseas tax rates	0.8	2.0
Utilisation of tax losses	(2.3)	-
Non-qualifying depreciation and lease transactions	3.5	3.2
Effect on deferred taxation of the change in corporation tax rate	(0.8)	(0.1)
Bargain purchase credit not taxable	-	(1.9)
Adjustments in relation to prior periods	(2.5)	1.1
Other	-	(0.7)
Tax charge for the financial year	43.1	42.9

The Finance Act 2011, which was enacted on 19 July 2011, included legislation reducing the main rate of corporation tax from 27 per cent to 26 per cent from 1 April 2011 and also reducing the main rate of corporation tax from 26 per cent to 25 per cent from 1 April 2012. Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 23 per cent by 1 April 2014. These further changes had not been substantially enacted at the balance sheet date and are therefore not included in these Financial Statements.

The effect of the reduction in the corporation tax rate enacted in the Finance Act 2011 has been to reduce the net deferred tax asset recognised at 28 August 2010 by approximately £0.6 million. This £0.6 million decrease has been recognised partly as an increase to profits in the Income Statement (£1 million) and partly as a loss in the Statement of Comprehensive Income of £1.6 million in line with the treatment of the assets and liabilities giving rise to the net deferred tax asset.

The proposed reductions of the main rate of corporation tax by 1 per cent per year to 23 per cent by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25 per cent to 23 per cent, if applied to the deferred tax balances at 3 September 2011, would be to reduce the net deferred tax asset by approximately £0.1 million.

12 Dividends

	3 September 2011 £m	28 August 2010 £m
Interim paid 1.0 pence (2010: nil) per £0.0001 share		
- Settled in cash	12.9	-

An interim dividend of 1.0 pence per share (2010: nil) was paid during the year. The directors are proposing a final dividend in respect of the 53 weeks ended 3 September 2011 of 2.0 pence per share (2010: nil), which will absorb an estimated £25.7 million (2010: nil) of shareholders' funds. It will be paid on 13 January 2012 to shareholders who are on the register of members at close of business on 9 December 2011. No liability is recorded in the financial statements in respect of the final dividend as it was not approved as at the balance sheet date.

13 Earnings Per Share

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

Basic and Diluted Earnings Per Share

	3 September 2011		28 August 2010	
	Basic £m	Diluted £m	Basic £m	Diluted £m
Profit for the financial year after taxation	117.2	117.2	97.0	97.0
	Number m	Number m	Number m	Number m
Weighted average number of shares	1,286.8	1,286.8	1,286.8	1,286.8
Shares held by ESOP (weighted)	(0.3)	(0.3)	(0.9)	(0.9)
Shares issuable (weighted)	-	0.6	-	0.2
Adjusted weighted average number of shares	1,286.5	1,287.1	1,285.9	1,286.1
	Pence per share	Pence per share	Pence per share	Pence per share
Earnings per share	9.1	9.1	7.5	7.5

14 Intangible Assets

	Goodwill £m	Licences and trademarks £m	Internally generated software £m	Purchased software £m	Total £m
Cost					
At 29 August 2009	819.2	2.7	46.1	6.6	874.6
Additions	-	4.5	4.8	4.8	14.1
Acquisition of Magasin du Nord	-	-	2.2	-	2.2
Exchange rate movement	(0.5)	-	(0.2)	-	(0.7)
Disposals	-	-	(3.0)	-	(3.0)
At 28 August 2010	818.7	7.2	49.9	11.4	887.2
Additions	-	-	10.9	8.5	19.4
Exchange rate movement	0.5	-	-	0.1	0.6
Disposals	-	-	(0.1)	-	(0.1)
At 3 September 2011	819.2	7.2	60.7	20.0	907.1
Accumulated amortisation					
At 29 August 2009	-	0.6	32.2	1.9	34.7
Charge for the year	-	0.3	7.9	1.1	9.3
Exchange rate movement	-	-	(0.1)	-	(0.1)
Disposals	-	-	(2.9)	-	(2.9)
At 28 August 2010	-	0.9	37.1	3.0	41.0
Charge for the year	-	0.7	5.9	1.9	8.5
Exchange rate movement	-	-	(0.4)	-	(0.4)
Disposals	-	-	(0.1)	-	(0.1)
At 3 September 2011	-	1.6	42.5	4.9	49.0
Net book amount					
At 3 September 2011	819.2	5.6	18.2	15.1	858.1
At 28 August 2010	818.7	6.3	12.8	8.4	846.2
At 29 August 2009	819.2	2.1	13.9	4.7	839.9

Expenditure during the year on assets in the course of construction included primarily in software within intangible assets was as follows:

	3 September 2011 £m	28 August 2010 £m
Assets in the course of construction	9.8	-

Amortisation of Intangible Assets

Amortisation on the Group's intangible assets has been charged to the Income Statement as follows for the financial years ended:

	3 September 2011 £m	28 August 2010 £m
Included within:		
- cost of sales	7.2	7.1
- distribution costs	0.2	0.6
- administrative expenses	1.1	1.6
	8.5	9.3

Intangible assets includes the following assets held under finance leases:

	Purchased Software	
	3 September 2011 £m	28 August 2010 £m
Cost	1.4	-
Aggregate depreciation	0.3	-
Net book value	1.1	-

14 Intangible Assets continued

Impairment Test for Goodwill

Goodwill is not amortised but is reviewed on an annual basis or more frequently if there are indications that goodwill may be impaired. Goodwill represents the goodwill for a portfolio of sites, which has been allocated to groups of cash-generating units ("CGUs") split on a regional basis according to the level at which management monitors that goodwill. This allocation was primarily undertaken subsequent to the acquisition in December 2003 of the Debenhams stores by Debenhams plc. The CGUs are set out below:

	North £m	Midlands £m	South-East £m	South-West £m	South £m	Other £m	Total £m
Goodwill	159.3	184.3	180.1	185.3	102.8	7.4	819.2

For the purposes of this impairment review, the recoverable amounts of the CGUs are determined based on value-in-use calculations. These cash flow projections are based on financial budgets approved by management covering a five-year period. The key assumptions used in these projections are sales growth and discount rates. The five-year plan is built up using management's previous experience and incorporates management's view of current economic conditions and trading expectations. Cash flows beyond the five-year period are extrapolated based on the assumption of 2% growth after year five. The growth rates do not exceed the long-term average growth rate for the retail sector in which the CGUs operate. The pre-tax discount rate used to calculate the value-in-use was 8.9 per cent (2010: 8.0 per cent) and reflects the specific risks in the retail business.

Management determined the gross margin for each CGU based on performance of individual stores and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and risk-free rates. Based on the value-in-use calculations, there is substantial headroom on a region by region basis, and a reasonably possible change in the assumptions used would not cause an impairment to goodwill.

As a result of the impairment review, as at 3 September 2011 no impairment of goodwill has been required (2010: nil).

15 Property, Plant and Equipment

	Land and buildings			Vehicles, fixtures and equipment £m	Total £m
	Freehold £m	Long-leasehold £m	Short-leasehold fixtures and fittings £m		
Cost					
At 29 August 2009	51.0	11.4	336.6	721.1	1,120.1
Additions	-	0.1	11.9	71.1	83.1
Acquisition of Magasin du Nord	-	-	2.0	10.6	12.6
Exchange rate movements	-	-	(0.7)	(4.8)	(5.5)
Disposals and write-offs	(0.4)	-	-	(32.4)	(32.8)
Reclassification	-	-	(10.7)	10.7	-
At 28 August 2010	50.6	11.5	339.1	776.3	1,177.5
Additions	-	0.3	11.7	82.7	94.7
Exchange rate movements	-	-	0.6	4.4	5.0
Disposals and write-offs	(49.0)	(5.1)	-	(45.1)	(99.2)
At 3 September 2011	1.6	6.7	351.4	818.3	1,178.0
Accumulated depreciation					
At 29 August 2009	2.2	1.2	69.1	378.4	450.9
Charge for the year	0.3	0.3	14.0	70.3	84.9
Exchange rate movements	-	-	(0.1)	(2.0)	(2.1)
Disposals and write-offs	(0.4)	-	-	(31.9)	(32.3)
Reclassification	-	-	0.2	(0.2)	-
At 28 August 2010	2.1	1.5	83.2	414.6	501.4
Charge for the year	-	0.1	14.7	68.7	83.5
Exchange rate movements	-	-	0.1	2.1	2.2
Disposals and write-offs	(1.9)	(1.0)	-	(40.8)	(43.7)
Reclassification	-	-	(0.2)	0.2	-
At 3 September 2011	0.2	0.6	97.8	444.8	543.4
Net book value					
At 3 September 2011	1.4	6.1	253.6	373.5	634.6
At 28 August 2010	48.5	10.0	255.9	361.7	676.1
At 29 August 2009	48.8	10.2	267.5	342.7	669.2

15 Property, Plant and Equipment continued

Expenditure during the year on assets in the course of construction included primarily in vehicles, fixtures and equipment within property, plant and equipment was as follows:

	3 September 2011 £m	28 August 2010 £m
Assets in the course of construction	39.3	38.0

Property, plant and equipment includes the following assets held under finance leases:

	Vehicles, fixtures and equipment		Freehold and long leasehold land and buildings	
	3 September 2011 £m	28 August 2010 £m	3 September 2011 £m	28 August 2010 £m
Cost	5.0	4.2	-	53.5
Aggregate depreciation	3.4	2.3	-	3.2
Net book value	1.6	1.9	-	50.3

Contractual commitments at 3 September 2011 were £5.3 million (2010: £3.9 million).

16 Financial Assets - Available-for-Sale Investments

	£m
At 29 August 2009	8.8
Decrease in the market value charged to the Statement of Comprehensive Income	(1.0)
At 28 August 2010	7.8
Disposals	(5.0)
Decrease in the market value charged to the Statement of Comprehensive Income	(0.2)
At 3 September 2011	2.6

The Group holds 10 per cent (2010: 10 per cent) of the issued shares of Ermes Department Stores Limited ("Ermes"), a company listed on the Cyprus Stock Exchange. The market value of the shares at 3 September 2011 was £2.6 million (2010: £2.8 million). Ermes is a company that is registered and trades in Cyprus and their shares are quoted in euros.

During the year ended 3 September 2011 the Group disposed of its "A" ordinary shares of BF Properties (No.4) Limited for their fair value of £5.0 million. The original cost of this investment was £3.0 million and accordingly £2.0 million profit has been recycled from other reserves to the Income Statement.

17 Inventories

	3 September 2011 £m	28 August 2010 £m
Items held for resale	321.3	295.3

18 Trade and Other Receivables

	3 September 2011 £m	28 August 2010 £m
Non-current		
Other receivables	18.3	17.2

Other receivables include contractual lease deposits of £17.1 million (2010: £16.1 million).

	3 September 2011 £m	28 August 2010 £m
Current		
Trade receivables	22.7	20.1
Allowance for doubtful debts	(0.2)	(0.1)
	22.5	20.0
Other receivables	1.3	1.1
Prepayments and accrued income	48.3	52.3
	72.1	73.4

At the year-end, £20.0 million (2010: £17.6 million) of the trade receivables are denominated in sterling, £0.3 million (2010: £0.4 million) are denominated in euros and £2.4 million (2010: £2.1 million) in Danish kroner.

Trade receivables which are up to 90 days past their due date but not impaired amount to £4.5 million (2010: £3.4 million).

Trade receivables between 60 days and 90 days are provided based on estimated irrecoverable amounts from the sale of goods.

At 3 September 2011, £0.2 million (2010: £0.1 million) of trade receivables were past their due date and impaired.

19 Cash and Cash Equivalents

	3 September 2011 £m	28 August 2010 £m
Cash at bank and in hand	23.7	28.6
Short-term bank deposits	5.3	40.9
	29.0	69.5

20 Trade and Other Payables

	3 September 2011 £m	28 August 2010 £m
Trade payables	286.9	299.8
Other payables	68.0	60.3
Taxation and social security	26.9	31.6
Accruals	106.1	101.2
Deferred income	1.2	1.3
	489.1	494.2

21 Bank Overdraft and Borrowings

	3 September 2011 £m	28 August 2010 £m
Current		
Bank overdraft	6.2	-
Term loan facility	0.1	541.9
Revolving credit facility ⁽¹⁾	160.5	-
Lease obligations	1.3	3.8
	168.1	545.7
Non-current		
Term loan facility ⁽²⁾	243.2	-
Lease obligations	1.4	40.6
	244.6	40.6

⁽¹⁾ Revolving credit facility includes unamortised issue costs of £4.5 million (2010: nil).

⁽²⁾ Term loan facility includes unamortised issue costs of £6.8 million (2010: £10.8 million).

In November 2010 the Group cancelled its existing term loan and Revolving Credit Facility ("RCF") and drew down on its new £650.0 million credit facility comprising a term loan of £250.0 million and an RCF of £400.0 million. This new facility was due to expire in 2013.

In July 2011 the terms of the credit facility were renegotiated to extend the expiry date to October 2015, with an option to further extend to October 2016. At 3 September 2011 the Group's facilities outstanding comprised the term loan of £250.0 million (2010: £555.6 million) and an RCF of £165.0 million (2010: nil).

During the current and prior years the Group has complied with its covenants relating to its credit facilities.

Issue costs, which mainly relate to facility costs, are being amortised over the term of the facilities to October 2015 at the effective interest rate based on the committed amount of the term loan. Additional refinancing costs of £3.3 million were incurred during the year ended 3 September 2011 in respect of the renegotiation of the new credit facilities, which will be amortised over the term of the facility. The total amortisation charge relating to the issue costs of the Group's credit facilities cancelled and current for the year ended 3 September 2011 was £5.8 million (2010: £5.7 million).

21 Bank Overdraft and Borrowings continued**Finance Lease Obligations**

The minimum lease payments under finance leases fall due as follows:

	3 September 2011		28 August 2010	
	Property leases £m	Other leases £m	Property leases £m	Other leases £m
Not later than one year	-	1.3	7.4	0.7
Later than one year but not later than five years	-	1.4	45.2	1.1
	-	2.7	52.6	1.8
Interest element of future instalments	-	-	(9.9)	(0.1)
	-	2.7	42.7	1.7

i) Property Lease Obligations

In 1988 a number of properties were sold to a bank on 125-year leases at peppercorn rentals. The Group subsequently entered into full tenant and landlord repairing sub-leases for 125 years. During the year ended 3 September 2011 the Group cancelled these leases and at the same time entered into new sale and operating leaseback contracts on these stores. The net book amount disposed of was £55.4 million, less the finance lease repaid of £42.8 million, giving cash proceeds of £12.6 million.

At the year-end the following amounts remained outstanding under the leases:

	3 September 2011 £m	28 August 2010 £m
Principal	-	37.7
Accrued interest	-	5.0
Outstanding liability	-	42.7

ii) Other Lease Obligations

Other lease obligations relate mainly to information technology systems, print machinery and vehicles leased under hire purchase contracts.

Maturity of Borrowings

The maturity of the Group's borrowings at carrying value are as follows:

	3 September 2011 £m	28 August 2010 £m
Amounts falling due:		
In one year or less or on demand	168.1	545.7
In more than one year but not more than two years	0.9	2.3
In more than two years but not more than five years	243.7	38.3
	412.7	586.3

Interest Rates

The effective interest rates at the balance sheet dates were as follows:

	3 September 2011 %	28 August 2010 %
Bank overdraft	1.88	N/A
Term loan facility	2.64	3.19
Revolving credit facility	2.51	N/A
Lease obligations	2.80	3.78

22 Financial Risk Management

a) Financial Risks and Treasury Management

The Group conducts its Treasury activities within the remit of a Treasury Policy, which outlines approved policies, procedures and authority levels. The board delegates its responsibility for reviewing and approving Treasury Policy to the Audit Committee. Reports are prepared monthly covering all areas of treasury activity and policy compliance and are reviewed by the Finance Director. The board and Audit Committee receive regular reporting covering Treasury activities and policy compliance. Group Treasury manages the Group's funding requirements and financial risks in line with the agreed treasury policies and procedures.

The Group's financial instruments, other than derivatives, primarily include borrowings, cash and liquid resources, available-for-sale assets, trade receivables and trade payables. The main purpose of these financial instruments is to manage liquidity or raise finance for the Group.

Group Treasury uses derivative financial instruments to manage its interest rate risks associated with the Group's financing and currency risk arising from the Group's operations. The derivatives used are mainly interest rate swaps and forward currency contracts.

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
- other price risk

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The policies and strategies for managing these risks are summarised as follows:

i) Funding and Liquidity Risk

Prudent liquidity risk management implies sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

The Group finances its operations by a combination of retained profits, debt finance and leases. The objective is to ensure that there is sufficient cash or working capital facilities to meet the cash flow requirements of the Group for its current business plan.

The table below shows the maturity analysis of the Group's net contractual undiscounted cash flows in respect of non-derivative financial liabilities and derivative assets and liabilities at the balance sheet date.

	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
At 3 September 2011				
Non-derivative financial liabilities:				
Borrowings	(165.0)	-	(250.0)	-
Interest payments due on borrowings	(0.1)	-	-	-
Finance lease liabilities	(1.3)	(0.9)	(0.5)	-
Trade and other payables	(433.4)	-	-	-
Derivative financial assets and liabilities:				
Interest rate swaps				
- Net settled derivative contracts - payments	(2.3)	(2.0)	(2.5)	-
Forward foreign exchange contracts				
- Gross settled derivative contracts - receipts	332.8	121.8	-	-
- Gross settled derivative contracts - payments	(340.3)	(121.4)	-	-
Total	(609.6)	(2.5)	(253.0)	-

22 Financial Risk Management continued**a) Financial Risks and Treasury Management** continued**i) Funding and Liquidity Risk** continued

	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
At 28 August 2010				
Non-derivative financial liabilities:				
Borrowings	(548.6)	-	-	-
Interest payments due on borrowings	(4.0)	-	-	-
Finance lease liabilities	(4.6)	(3.2)	(38.4)	-
Trade and other payables	(447.4)	-	-	-
Derivative financial assets and liabilities:				
Interest rate swaps				
- Net settled derivative contracts - payments	(5.3)	(2.6)	(2.7)	-
Forward foreign exchange contracts				
- Gross settled derivative contracts - receipts	309.5	115.5	-	-
- Gross settled derivative contracts - payments	(302.6)	(115.8)	-	-
Total	(1,003.0)	(6.1)	(41.1)	-

ii) Credit Risk

Credit risk is the risk that the Group may suffer financial loss through default by customers or financial institutions. The Group has no significant concentrations of credit risk. Sales to retail customers are made in cash or by credit and debit cards, wholesale sales of products to franchisees are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution. The Group's policy requires that cash surpluses are placed on deposit for no longer than three months and only with counterparties with a credit rating of A- or A3 or higher as assigned by Standard & Poor's or Moody's respectively. Exceptions to this policy require board approval. The carrying amount of financial assets recorded in the financial statements net of any provision for losses represents the Group's maximum exposure to credit risk.

iii) Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the euro and to a lesser extent the Danish krone.

To manage the foreign exchange transaction risk, entities in the Group use forward currency contracts transacted by Group Treasury. Foreign exchange risk arises when commercial transactions are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the exposure in each foreign currency by using external forward currency contracts with a settlement of up to two years. Forecast cash flows are hedged to the extent that those cash flows are deemed highly probable. The Group regularly reviews the need to hedge foreign exchange exposure arising from the profits, assets and liabilities of its non-sterling businesses, hedging those exposures to the extent that they are considered appropriate for hedging.

A loss of £1.8 million (2010: gain of £4.3 million) was reclassified from equity to the Income Statement within cost of sales during the year in respect of forward foreign exchange contracts designated as cash flow hedges.

The notional value of open forward foreign exchange contracts at 3 September 2011 was £461.1 million (2010: £425.0 million). The net fair value losses on open forward foreign exchange contracts at 3 September 2011 are £4.2 million (2010: gains of £6.4 million). This will be recycled and adjusted against the initial measurement of the acquisition cost of inventory over the next two years.

During the current and prior years there were no contracts reclassified to "held for trading" due to cash flow hedges being ineffective.

iv) Interest Rate Risk

The Group's interest rate risk arises from long-term borrowings. The Group's current borrowing facilities are issued at variable rates that expose the Group to cash flow interest rate risk.

The interest exposure of the Group is managed within the constraints of the Group's business plan and the financial covenants under its facilities. The aim is to reduce exposure to interest rate movements and to take advantage of low interest rates by hedging an appropriate amount of interest rate exposure whilst maintaining the flexibility to minimise early termination costs. The Group's interest rate hedging strategy is to achieve a target fixed percentage of 75 per cent, with a 15 per cent tolerance (60-90 per cent).

The impact of movements in interest rates is managed through the use of floating rate debt and interest rate swaps. These are usually matched with specific loans for a period of time up to their maturity or call date.

The Group's main interest rate exposure is from the floating rate loans under the credit facilities. At the year end the Group's hedged borrowings amounted to £327.5 million (2010: £302.5 million), being 78.4 per cent (2010: 51 per cent) of the Group's total borrowings.

22 Financial Risk Management continued

a) Financial Risks and Treasury Management continued

Interest Rate Swaps

The Group's interest rate swaps switch interest from floating rates to fixed rates. The Group's interest rate swap portfolio is summarised as follows:

	Notional £m	Rate %	Maturity
Interest rate swaps	327.5	0.94-5.3725	November 2011 to October 2015

The notional principal amount of interest rate swaps at 28 August 2010 was £302.5 million. The net gains and losses on these swaps, which are deferred in equity, will reverse through interest in the Income Statement over the life of the swaps. During the year a loss of £4.7 million (2010: £6.8 million) was reclassified and reported in the Income Statement in respect of interest rate swaps.

Financial Liabilities and Assets

The interest rate profiles of financial liabilities after taking account of interest rate swaps, swapped from floating to fixed rates, used to manage interest were as follows:

	3 September 2011			28 August 2010		
	Fixed £m	Floating £m	Total £m	Fixed £m	Floating £m	Total £m
Financial liabilities						
Sterling ⁽¹⁾	(330.3)	(93.7)	(424.0)	(306.5)	(290.6)	(597.1)

⁽¹⁾ Debt issue costs of £11.3 million (2010: £10.8 million) are excluded from the financial liabilities above.

Fixed sterling financial liabilities comprise the hedged portion of the term loan of £327.5 million, finance lease liabilities of £2.7 million and £0.1 million of accrued interest at 3 September 2011. The weighted average interest rate on the fixed rate borrowings as at 3 September 2011 was 3.6 per cent (2010: 5.2 per cent), with the weighted average time for which rates are fixed being 4.2 years (2010: 2.9 years). Floating rate borrowings are interest bearing at interest rates based on LIBOR. Cash deposits are interest bearing at rates based on LIBID or relevant base rates. Non-interest bearing cash refers to cash in stores or in transit.

Floating rate borrowings have been classified as fixed if there were derivative financial instruments hedging the floating rate interest for more than one year.

The interest rate profiles of financial assets were as follows:

	3 September 2011			28 August 2010		
	Floating £m	Non-interest bearing £m	Total £m	Floating £m	Non-interest bearing £m	Total £m
Financial assets						
Sterling	0.5	20.7	21.2	25.8	22.9	48.7
Euros	0.8	1.2	2.0	11.8	1.2	13.0
US dollars	0.9	-	0.9	3.3	-	3.3
Danish kroner	3.1	1.8	4.9	3.0	1.5	4.5
Total financial assets	5.3	23.7	29.0	43.9	25.6	69.5

v) Other Price Risk

The Group is exposed to price risk arising from equity investments.

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date. At the year end, if the market value had been 10 per cent higher/lower, based on the Group's view of reasonably possible changes to the value of the equity investments, when all other variables were held constant:

- net profit would have been unaffected as the equity investments were classified as available-for-sale investments; and
- other reserves would decrease/increase by £0.3 million (2010: £0.3 million) for the Group as a result of the changes in the fair value of available-for-sale investments.

22 Financial Risk Management continued**b) Capital Management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, provide returns for shareholders and benefits to other stakeholders and to maintain a structure to optimise the cost of capital. The Group defines capital as debt and equity.

In order to maintain or adjust the capital structure, the Group may consider: the amount of dividend paid to shareholders, the return of capital to shareholders, the issue or sale of shares; or the sale of assets to reduce debt.

The Group routinely monitors its capital and liquidity requirements through leverage ratios consistent with industry-wide borrowing standards, maintaining suitable headroom to bank facility covenants and credit market requirements to ensure financing requirements continue to be serviceable.

c) Fair Value Estimates

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.

The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are assumed to approximate to their book values. In the case of the Group's loans due in more than one year, the fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rates available to the Group.

There were no material differences between the carrying value of non-derivative financial assets and financial liabilities to their fair values at the year end.

d) Sensitivity Analysis

The Group monitors interest rate risk and foreign exchange risk by determining the effect on profit of a range of possible changes in interest rates and foreign exchange rates. The range of sensitivities chosen, being 1 per cent movement in the interest rate or 5 per cent movement in sterling when compared to US dollar and euro, reflects the Group's view of reasonably possible changes to these risk variables which existed at the year end.

The table below illustrates the estimated impact on the Group as a result of market movements in foreign exchange and interest rates in relation to all the Group's financial instruments. The analysis has been produced assuming no changes in the borrowings and existing interest rate swaps portfolio when considering the interest rate movement. The table below illustrates the estimated impact on the Group as a result of market movements in interest rates in relation to all the Group's financial instruments that are expressed in currencies different to that of the functional currency.

	3 September 2011		28 August 2010	
	Income Statement loss £m	Equity gain £m	Income Statement loss £m	Equity gain £m
1 per cent increase in interest rate	(0.9)	6.3	(2.4)	5.4

	3 September 2011		28 August 2010	
	Income Statement gain/(loss) £m	Equity gain/(loss) £m	Income Statement gain £m	Equity gain/(loss) £m
5 per cent weakening in sterling compared to US dollar	0.4	11.8	-	11.5
5 per cent weakening in sterling compared to the euro	(0.4)	(3.2)	-	(2.0)
5 per cent weakening in sterling compared to Danish krone	(0.2)	-	0.1	-

A 1 per cent decrease in interest rate or 5 per cent strengthening in sterling compared to the US dollar, euro or Danish krone would result in an equal and opposite change in the Income Statement and equity respectively.

23 Financial Instruments

Financial Assets and Liabilities by Category

Information regarding the Group's financial risk management policies has been disclosed in note 22. All financial assets and liabilities are held at amortised cost with the exception of derivative financial instruments and available-for-sale assets, which are held at fair value. The following table sets out the classification and carrying value of each class of financial assets and liabilities within the financial statements:

	Available-for-sale £m	Held for trading £m	Derivatives designated as cash flow hedges £m	Loan receivables and financial liabilities at amortised cost £m	Total £m
At 3 September 2011					
Assets					
Current assets					
Cash and cash equivalents	-	-	-	29.0	29.0
Trade and other receivables	-	-	-	23.8	23.8
Forward foreign currency contracts	-	0.2	1.0	-	1.2
Non-current assets					
Available-for-sale financial assets	2.6	-	-	-	2.6
Interest rate swaps	-	-	0.1	-	0.1
Forward foreign currency contracts	-	-	1.3	-	1.3
Liabilities					
Current liabilities					
Trade and other payables	-	-	-	(461.1)	(461.1)
Current borrowings	-	-	-	(168.1)	(168.1)
Interest rate swaps	-	-	(0.3)	-	(0.3)
Forward foreign currency contracts	-	(2.2)	(6.0)	-	(8.2)
Non-current liabilities					
Non-current borrowings	-	-	-	(244.6)	(244.6)
Interest rate swaps	-	-	(3.8)	-	(3.8)
Forward foreign currency contracts	-	-	(0.4)	-	(0.4)
Total	2.6	(2.0)	(8.1)	(821.0)	(828.5)
At 28 August 2010					
Assets					
Current assets					
Cash and cash equivalents	-	-	-	69.5	69.5
Trade and other receivables	-	-	-	21.1	21.1
Forward foreign currency contracts	-	1.4	7.5	-	8.9
Non-current assets					
Available-for-sale financial assets	7.8	-	-	-	7.8
Forward foreign currency contracts	-	-	0.9	-	0.9
Liabilities					
Current liabilities					
Trade and other payables	-	-	-	(461.3)	(461.3)
Current borrowings	-	-	-	(545.7)	(545.7)
Forward foreign currency contracts	-	(0.6)	(1.2)	-	(1.8)
Non-current liabilities					
Non-current borrowings	-	-	-	(40.6)	(40.6)
Interest rate swaps	-	-	(6.8)	-	(6.8)
Forward foreign currency contracts	-	-	(0.7)	-	(0.7)
Total	7.8	0.8	(0.3)	(957.0)	(948.7)

23 Financial Instruments continued**Fair Value Measurement**

The Group has adopted the amendment to IFRS 7 which requires financial instruments to be grouped into a fair value hierarchy based on the lowest level input that is significant to the fair value measurement. The three levels of the hierarchy are:

- 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

The following table shows the Group's financial assets and liabilities as measured at fair value at 3 September 2011:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Available-for-sale financial assets	2.6	-	-	2.6
Derivative financial instruments:				
- Interest rate swaps held as cash flow hedges	-	0.1	-	0.1
- Forward foreign currency contracts held as cash flow hedges	-	2.3	-	2.3
- Other forward foreign currency contracts	-	0.2	-	0.2
Total assets	2.6	2.6	-	5.2
Liabilities				
Derivative financial instruments:				
- Interest rate swaps held as cash flow hedges	-	(4.1)	-	(4.1)
- Forward foreign currency contracts held as cash flow hedges	-	(6.4)	-	(6.4)
- Other forward foreign currency contracts	-	(2.2)	-	(2.2)
Total liabilities	-	(12.7)	-	(12.7)

The following table shows the Group's financial assets and liabilities as measured at fair value at 28 August 2010:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Available-for-sale financial assets	2.8	-	5.0	7.8
Derivative financial instruments:				
- Forward foreign currency contracts held as cash flow hedges	-	8.4	-	8.4
- Other forward foreign currency contracts	-	1.4	-	1.4
Total assets	2.8	9.8	5.0	17.6
Liabilities				
Derivative financial instruments:				
- Interest rate swaps held as cash flow hedges	-	(6.8)	-	(6.8)
- Forward foreign currency contracts held as cash flow hedges	-	(1.9)	-	(1.9)
- Other forward foreign currency contracts	-	(0.6)	-	(0.6)
Total liabilities	-	(9.3)	-	(9.3)

Reconciliation of level 3 fair value measurements of financial assets	Available-for-sale financial assets £m
At 28 August 2010	5.0
Profit on sale of available-for-sale financial asset in the income statement (in cost of sales)	(2.0)
Cost of available-for-sale investment sold	(3.0)
At 3 September 2011	-

The Group disposed of its level 3 investment during the year. For further details see note 16 to the financial statements.

24 Retirement Benefit Obligation

The Group operates defined benefit type pension schemes, being the Debenhams Executive Pension Plan and the Debenhams Retirement Scheme (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 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, the Group agreed to contribute £5.8 million per annum from 1 April 2009 to 31 March 2011 increasing by annual Retail Price Index (RPI) from the year to 31 December 2009 to fund past service benefits. The Group has also agreed to contribute a further £7.0 million per annum from 1 April 2011 until 31 August 2021, increasing by annual RPI from the year to 31 December 2009. If the Company had paid or declared a dividend during the period from 1 April 2009 to 31 March 2011, the Group would have made further contributions of 3.1 per cent and 1.9 per cent of the total amount of the ordinary dividend to the Debenhams Retirement Scheme and Debenhams Executive Pension Plan respectively. No dividends were declared by the Company during this period. The Group has also agreed to fund all non-investment expenses and levies incurred by the Group's pension schemes.

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 3 September 2011 most of the schemes assets are invested in a delegated liability fund or a delegated growth fund, with some legacy holdings from the former investment strategy due to be transferred to the delegated consulting service arrangement in the future.

Actuarial valuations of the Group's pension schemes using the projected unit basis were carried out at 31 March 2008, 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 2008 actuarial valuation has been used when calculating the IAS 19 "Employee Benefits" valuation at 3 September 2011. An actuarial valuation as at 31 March 2011 is being performed by Towers Watson Limited. The major assumptions used by the actuary were:

	3 September 2011 per annum %	28 August 2010 per annum %	29 August 2009 per annum %
Inflation assumption	3.30	3.20	3.30
General salary and wage increase	3.30	3.20	3.30
Rate of increase in pension payments and deferred payments	3.30	3.20	3.30
Pension increase rate	3.20	3.10	3.30
Discount rate	5.75	5.00	5.45

The expected return on scheme assets is based on market expectations at the beginning of the year for return over the entire life of the defined benefit obligation.

The inflation assumption is based on the RPI rate as pension increases both in payment and deferment within the schemes are set out with reference to this measure.

	3 September 2011		28 August 2010		29 August 2009	
	Long-term rate of return expected per annum %	Value £m	Long-term rate of return expected per annum %	Value £m	Long-term rate of return expected per annum %	Value £m
Assets						
Delegated liability fund	-	90.7	-	-	-	-
Delegated growth fund	-	433.4	-	-	-	-
Legacy holdings	-	23.9	-	-	-	-
Equities	-	-	8.2	247.0	9.0	230.6
Bonds	-	-	5.0	244.9	4.4	217.5
Property	-	-	7.3	20.3	8.0	20.1
Cash and other assets	-	3.5	3.8	11.6	4.3	20.2
Total market value of assets	7.8-8.1	551.5	6.6	523.8	6.7	488.4
Present value of scheme liabilities		(547.6)		(604.5)		(542.0)
Surplus/(deficit) in scheme		3.9		(80.7)		(53.6)

The expected rates of return on assets for the schemes as at 3 September 2011 have been derived from the target returns specified in the current Statement of Investment Principles for each scheme, and have been set at 7.8 per cent for the Debenhams Executive Pension Plan and 8.1 per cent for the Debenhams Retirement Scheme. At previous year ends, the expected rates of return on assets were derived as the weighted average of the expected rates of return from each of the main asset classes.

24 Retirement Benefit Obligation continued

Assumptions regarding future mortality experiences are based on the mortality tables shown below.

	3 September 2011 Male and female	28 August 2010 Male and female
Debenhams Retirement Scheme	PNMA00 +1	PNMA00 +1
Debenhams Executive Pension Plan	PNFA00 -2	PNFA00 -2

The current life expectancies of a pensioner retiring aged 65 underlying the mortality tables for each of the schemes above are as follows:

	3 September 2011		28 August 2010	
	Years Male	Years Female	Years Male	Years Female
Debenhams Retirement Scheme				
Member currently aged 65	21.4	23.2	21.3	23.1
Member aged 65 in 15 years	22.3	24.0	22.2	23.9

	3 September 2011		28 August 2010	
	Years Male	Years Female	Years Male	Years Female
Debenhams Executive Pension Plan				
Member currently aged 65	24.0	25.8	23.9	25.7
Member aged 65 in 15 years	24.8	26.5	24.7	26.5

The actual return on scheme assets was as follows:

	3 September 2011 £m	28 August 2010 £m
Return on scheme assets	38.6	44.4

The amounts recognised in the Income Statement are as follows:

	3 September 2011 £m	28 August 2010 £m
Interest on pension scheme liabilities	29.8	29.0
Expected return on pension scheme assets	(30.7)	(31.1)
Total credit included within staff costs	(0.9)	(2.1)

The total credits included are as follows:

	3 September 2011 £m	28 August 2010 £m
Cost of sales	(0.8)	(1.8)
Administrative expenses	(0.1)	(0.3)
Total credit	(0.9)	(2.1)

Changes in the present value of the defined benefit obligations are as follows:

	3 September 2011 £m	28 August 2010 £m
Present value of obligation at start of the financial year	604.5	542.0
Interest on pension scheme liabilities	29.8	29.0
Benefit payments by the fund	(17.5)	(15.6)
Actuarial (gains)/losses on change of assumptions	(64.1)	41.5
Actuarial (gains)/losses	(5.1)	7.6
Present value of obligation at end of the financial year	547.6	604.5

24 Retirement Benefit Obligation continued

Changes in the fair value of pension scheme assets are as follows:

	3 September 2011 £m	28 August 2010 £m
Fair value of pension scheme assets at start of the financial year	523.8	488.4
Benefits paid	(17.5)	(15.6)
Company contributions	7.9	7.9
Expected return on pension scheme assets	30.7	31.1
Actuarial gains	6.6	12.0
Fair value of pension scheme assets at end of the financial year	551.5	523.8

Movement in (deficit)/surplus during the financial year:

	3 September 2011 £m	28 August 2010 £m
Deficit in the schemes at start of the financial year	(80.7)	(53.6)
Movement in year:		
- Pension credit	0.9	2.1
- Company contributions	7.9	7.9
- Net actuarial gains/(losses)	75.8	(37.1)
Surplus/(deficit) in the schemes at end of financial year	3.9	(80.7)

Cumulative actuarial gains and losses recognised in the Statement of Comprehensive Income:

	3 September 2011 £m	28 August 2010 £m
At start of the financial year	(126.2)	(89.1)
Net actuarial gains/(losses) recognised in the financial year	75.8	(37.1)
Net actuarial losses recognised at end of the financial year	(50.4)	(126.2)

History of experience gains and losses:

	3 September 2011	28 August 2010	29 August 2009	30 August 2008	1 September 2007
Actuarial (gains)/losses arising on scheme assets:					
- Amounts	£(6.6)m	£(12.0)m	£62.7m	£55.7m	£2.4m
- Percentage of scheme assets	(1.2)%	(2.3)%	12.8%	10.6%	0.4%
Experience (gains)/losses arising on defined benefit obligation:					
- Amounts	£(5.1)m	£7.6m	£(18.2)m	£14.6m	£4.1m
- Percentage of the present value of scheme liabilities	(0.9)%	1.3%	(3.4)%	2.9%	0.9%
Present value of scheme liabilities	£(547.6)m	£(604.5)m	£(542.0)m	£(500.6)m	£(465.0)m
Fair value of scheme assets	£551.5m	£523.8m	£488.4m	£525.6m	£552.3m
Surplus/(deficit)	£3.9m	£(80.7)m	£(53.6)m	£25.0m	£87.3m

The contributions expected to be paid during the year ended 1 September 2012 amount to £9.0 million.

Other Debenhams Defined Contribution Schemes

The Group contributions to other defined contribution schemes during the year were £11.8 million (2010: £9.8 million).

25 Deferred Tax Assets and Liabilities

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25 per cent (2010: 27 per cent) for the UK differences and the local tax rates for overseas differences.

	3 September 2011 £m	28 August 2010 £m
Non-current		
Deferred tax assets	75.7	92.0
Deferred tax liabilities	(74.1)	(83.8)
	1.6	8.2

Deferred tax assets have been recognised in respect of temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

The movement on the deferred tax account is as shown below:

	Developer's contribution received £m	Fair value losses £m	Other provisions £m	Retirement benefit asset £m	Total £m
Assets					
At 29 August 2009	39.7	5.5	20.4	15.0	80.6
Credited/(charged) to the Income Statement	6.3	(0.6)	1.3	(0.6)	6.4
Result of the change in the standard rate of corporation tax charged to the Income Statement	(1.6)	(0.1)	(0.7)	(0.4)	(2.8)
Credited to the Statement of Comprehensive Income	-	-	-	7.8	7.8
At 28 August 2010	44.4	4.8	21.0	21.8	92.0
Credited/(charged) to the Income Statement	2.8	-	7.9	(0.2)	10.5
Result of the change in the standard rate of corporation tax charged to the Income Statement	(3.2)	(0.4)	(1.6)	(0.1)	(5.3)
Charged to the Statement of Comprehensive Income	-	-	-	(21.5)	(21.5)
At 3 September 2011	44.0	4.4	27.3	-	75.7

	Accelerated tax depreciation £m	Fair value gains £m	Retirement benefit liability £m	Total £m
Liabilities				
At 29 August 2009	(78.3)	-	-	(78.3)
(Charged)/credited to the Income Statement	(3.4)	1.2	-	(2.2)
Result of the change in the standard rate of corporation tax charged to the Income Statement	3.0	-	-	3.0
Credited to equity	-	0.9	-	0.9
Charged to the Statement of Comprehensive Income	-	(7.2)	-	(7.2)
At 28 August 2010	(78.7)	(5.1)	-	(83.8)
Credited/(charged) to the Income Statement	2.8	(0.6)	-	2.2
Result of the change in the standard rate of corporation tax charged to the Income Statement	5.9	0.4	-	6.3
Credited/(charged) to the Statement of Comprehensive Income	-	2.2	(1.0)	1.2
At 3 September 2011	(70.0)	(3.1)	(1.0)	(74.1)

Within other provisions is a deferred tax asset of £7.8 million (2010: £1.3 million) in relation to overseas operations which has been recognised. In addition to this there is an unrecognised deferred tax asset of £15.8 million (2010: £17.0 million) relating to operations in Denmark.

26 Other Non-Current Liabilities

	3 September 2011 £m	28 August 2010 £m
Other liabilities	318.9	285.7

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 creditor relates to the spreading of the charges relating to leases with fixed annual increments in rent.

27 Provisions

	Closure provisions £m	Promotional activities £m	Restructuring provision £m	Other provisions £m	Total £m
At 29 August 2009	0.2	1.6	-	0.5	2.3
Charged to the Income Statement	-	4.6	11.1	0.2	15.9
Arising on the acquisition of a subsidiary undertaking	-	-	-	2.2	2.2
Unused amounts reversed in the period	-	(1.0)	-	-	(1.0)
Utilised during the financial year	(0.1)	(1.9)	(10.6)	(0.4)	(13.0)
At 28 August 2010	0.1	3.3	0.5	2.5	6.4
Charged to the Income Statement	-	10.4	1.0	-	11.4
Unused amounts reversed in the period	-	(2.9)	-	(0.1)	(3.0)
Utilised during the financial year	-	(6.0)	(0.8)	(0.6)	(7.4)
At 3 September 2011	0.1	4.8	0.7	1.8	7.4

Provisions have been analysed between current and non-current as follows:

	3 September 2011 £m	28 August 2010 £m
Current	6.2	4.4
Non-current	1.2	2.0
	7.4	6.4

Closure Provision

Relating to one vacated building which will be utilised over the term of the lease, being the next three years.

Promotional Activities Provision

Provisions for promotional activities represent the cost to the business of operating an internal cosmetics loyalty scheme and the Debenhams Reward Scheme in the Republic of Ireland and is expected to be utilised during the next 12 months.

Restructuring Provision

This includes provisions for redundancy and restructuring costs within the Republic of Ireland and Denmark. It is expected to be used within the next 12 months.

Other Provisions

The majority of the Group's other provisions relate to dilapidations on properties based upon the directors' best estimate of the Group's future liability. The remainder of the other provisions, none of which is individually significant, represent the best estimate of the expenditure required to settle present obligations in respect of other liabilities. These provisions are expected to be utilised within the next three years.

28 Share Capital and Reserves

	3 September 2011		28 August 2010	
	£	Number	£	Number
Issued and fully paid - Ordinary shares of £0.0001 each				
At start and end of year	128,680	1,286,806,299	128,680	1,286,806,299

Employee Share Trust - Interest in Share Capital

The number of ordinary shares in the Company held by the DRET were as follows:

	3 September 2011 Ordinary shares Number	28 August 2010 Ordinary shares Number
Debenhams Retail Employee Trust 2004	723,536	1,413,536

The market value of the shares on 3 September 2011 was £0.4 million for DRET (2010: £0.8 million). The cost of the shares held at the year end is £0.6 million (2010: £1.2 million).

A description of the nature and purpose of each reserve is set out below:

Share Premium Account

On admission to the London Stock Exchange, the Company issued 358,974,359 shares at £1.95, generating proceeds of £700.0 million. Costs directly associated with the issue of the new shares totalled £17.1 million and in accordance with the Companies Act these costs were set off against the premium generated on issue of the new shares.

Merger Reserve

The merger reserve of £1,200.9 million exists as a result of the 2005 Group reconstruction.

On 26 June 2009, a share issue was completed and 404.0 million ordinary shares with a total nominal value of £0.04 million were issued for net consideration of £303.8 million. The share issue was effected through a structure which resulted in a merger reserve arising under section 612 of the Companies Act 2006. During the year ended 28 August 2010 this amount was transferred to retained earnings following the settlement of this structure.

Reverse Acquisition Reserve

The reverse acquisition reserve exists as a result of the method of accounting for the 2005 Group reconstruction. In accordance with International Accounting Standards, the 2005 Group reconstruction has been accounted for as a reverse acquisition.

Hedging Reserve

The hedging reserve represents the change in fair value of all interest rate swaps and forward foreign currency contracts which have been designated as cash flow hedges. The effective portion of the changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the relevant line of the Income Statement which will be affected by the underlying hedged item.

Other Reserves

The other reserve represents the change in fair value in respect of the Group's available-for-sale investments (see note 16) and exchange differences arising as part of a reporting entity's net investment in a foreign operation.

Retained Earnings

During the year ended 28 August 2010 the discount arising on the repurchase of the term loan of £2.4 million was recycled to the Income Statement.

29 Share-Based Payments

The total charge to operating profit relates to the following equity settled schemes:

	3 September 2011 £m	28 August 2010 £m
Performance Share Plan ("PSP")	0.7	0.9
Executive Share Option Plan ("ESOP")	0.2	0.1
Share Incentive Plan ("SIP")	0.4	0.3
Deferred Bonus Matching Plan ("DBMP")	0.1	-
Charge for the year	1.4	1.3

The following table reconciles the movement in share options and the weighted average exercise price, ("WAEP") for the ESOP scheme. The PSP, SIP and DBMP share options all have a nil exercise price.

	DBMP Number	SIP Number	PSP Number	ESOP	
				Number	WAEP Pence
Outstanding at 29 August 2009	-	-	8,123,487	3,180,587	146.4
Granted	-	715,000	2,028,207	962,692	85.5
Lapsed	-	-	(4,713,395)	(1,662,505)	186.1
Forfeited	-	-	(55,720)	(66,400)	103.0
Outstanding at 28 August 2010	-	715,000	5,382,579	2,414,374	95.1
Granted	849,130	650,000	191,250	-	-
Exercised	-	(690,000)	-	-	-
Lapsed	-	-	(3,410,092)	(1,451,682)	103.0
Forfeited	(12,927)	(25,000)	-	-	-
Outstanding at 3 September 2011	836,203	650,000	2,163,737	962,692	85.5

i) The Debenhams Performance Share Plan

The PSP is intended to facilitate the retention of senior executives of the Company by enabling executives to receive shares provided that they remain in the Group. An award under the PSP will normally vest on the third anniversary of date of grant and must be exercised within six months of vesting. No payment is required for the grant of an award. An award under the PSP will comprise an option to receive free shares or nil cost options with performance conditions attached.

Options Granted on 24 November 2009 and 23 May 2011

The vesting of the shares granted under this plan is dependent on Earnings Per Share ("EPS") growth. Where growth is less than 6 per cent per annum over the three year period, no options will vest. Where growth is 6 per cent per annum 30 per cent will vest, where growth is 10 per cent per annum, 100 per cent of the options will vest. Between these two points the options will vest on a straight-line basis between 30 and 100 per cent. In accordance with IFRS 2 "Share-Based Payments", this is classified as a non-market condition and therefore the shares have been fair valued at face value with a discount to take into account the non entitlement to dividends in the vesting period where relevant. The fair value of the PSP options granted for these awards is calculated based on a Black-Scholes model assuming the inputs shown in the table below.

	23 May 2011	24 November 2009
Grant date		
Number of shares under option (number)	191,250	1,972,487
Expected term (years)	3.0	3.0
Share price at grant (pence)	72.0	83.3
Exercise price (pence)	-	-
Risk free rate	0%	2.3%
Expected volatility	N/A	70.0%
Expected dividend yield	5.0%	0%
Fair value of option (pence)	62.0	83.3

Where volatility has been used in the calculation of fair value it has been estimated by taking the historic volatility in the Company's share price.

In accordance with the plan rules, options issued in May 2008 have lapsed during the year as neither the EPS nor the TSR performance conditions were met.

29 Share-Based Payments continued**ii) Executive Share Option Plan**

The ESOP allows the Company to grant options to acquire shares to eligible employees. These options will normally become exercisable following a three-year performance period, only if and to the extent that the performance conditions to which they are subject have been satisfied. Once the options have vested, the employees have a seven year period in which to exercise. Options are granted with an exercise price equal to the middle market value of the shares on the day immediately preceding the date of grant.

Options Granted on 24 November 2009

The vesting of options granted under this plan is dependent on the Company's Return on Capital Employed ("ROCE") exceeding the Cost of Capital. Where the ROCE is less than or equal to the Cost of Capital over a three year period, no options will vest. Where the ROCE is greater than the Cost of Capital, 30 per cent will vest, where the ROCE is greater than the Cost of Capital plus 5 per cent, 100 per cent will vest. Between these two points the options will vest on a straight-line basis between 30 and 100 per cent. The fair value of the share options has been calculated using a Black-Scholes model. The key assumptions are set out in the table below.

	24 November 2009
Grant date	
Number of shares under option (number)	962,692
Expected term (years)	3.0
Share price at grant (pence)	85.5
Exercise price (pence)	85.5
Risk free rate	2.3%
Expected volatility	70.0%
Expected dividend yield	0%
Fair value of option (pence)	40.7

Volatility has been estimated by taking the historic volatility in the Company's share price.

In accordance with the plan rules, options issued in November 2007 have lapsed as the performance conditions associated with these options were not met.

The weighted average exercise price of the ESOP at 3 September 2011 was 85.5 pence (2010: 95.1 pence).

iii) Share Incentive Plan

The SIP allows the Company to grant options to a small number of key, senior employees below board level, whom the Company wishes to retain and incentivise in the short to medium term. Once the options have vested the employee has six months in which to exercise.

Options Granted on 16 November 2010 and 23 May 2011

The options granted on 16 November 2010 and on 23 May 2011 have a 24 month vesting period based on the employee's continued employment and other performance targets and are granted with no exercise price.

The fair value of the SIP options granted is calculated based on a Black-Scholes model assuming the inputs shown below:

	23 May 2011	16 November 2010
Grant date		
Number of shares under option (number)	150,000	500,000
Expected term (years)	2.0	2.0
Share price at grant (pence)	72.0	70.0
Exercise price (pence)	-	-
Risk free rate	0%	0%
Expected dividend yield	5.0%	5.0%
Fair value of option (pence)	65.1	63.3

The 690,000 remaining options granted under the SIP on 24 November 2009 vested on 23 May 2011.

iv) Deferred Bonus Matching Plan

The DBMP was set up to allow executives and certain members of the management team below board level to invest up to 100 per cent of their net annual bonus earned in respect of 2010 into shares ("invested shares"). If the participant remains in service for three years and retains the beneficial ownership of all the invested shares s/he will be, subject to the satisfaction of certain performance conditions be entitled to a matching share award equal to the amount of the pre-tax bonus that has been invested. Once the options have vested they will be released to the employee within one month of the vesting date.

29 Share-Based Payments continued

Options Granted on 26 November 2010

All bonus eligible employees were offered the opportunity to invest up to 50 per cent of their 2010 bonus into invested shares. The entitlement to the matching award is subject to the participant retaining beneficial ownership of their invested shares during the performance period and to the achievement of the following performance conditions. The Group's ROCE must exceed the Cost of Capital by 2 per cent over this period otherwise the options will not vest. The Group's EPS growth must then exceed 6 per cent per annum over the three year period or the options will not vest. If the Group's EPS growth is 6 per cent or more per annum over the three year period 30 per cent of the options will vest; if the growth is 12 per cent or more per annum over the three year period, 100 per cent of the options will vest. Between these two points the options will vest on a straight-line basis between 30 and 100 per cent.

The fair value of the DBMP options granted is calculated based on a Black-Scholes model assuming the inputs shown below:

Grant date	26 November 2010
Number of shares under option (number)	836,203
Expected term (years)	3.0
Share price at grant (pence)	74.0
Exercise price (pence)	-
Risk free rate	0%
Expected dividend yield	5.0%
Fair value of option (pence)	63.7

30 Operating Lease Commitments

	3 September 2011		28 August 2010	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:				
Within one year	193.9	1.1	181.7	0.8
Later than one year and less than five years	779.9	2.0	726.8	1.1
After five years	4,193.5	-	4,042.3	-
	5,167.3	3.1	4,950.8	1.9

The Group leases department stores and warehouses under non-cancellable operating leases. The leases have various terms, escalation clauses and renewal rights. The Group also leases vehicles and fixtures and equipment under non-cancellable operating leases.

31 Cash Generated from Operations

	3 September 2011 £m	28 August 2010 £m
Profit for the financial year	117.2	97.0
Taxation (note 11)	43.1	42.9
Depreciation (note 15)	83.5	84.9
Amortisation (note 14)	8.5	9.3
Loss on disposal of property, plant and equipment	0.1	0.4
Profit on sale of available-for-sale investment	(2.0)	-
Employee options granted during the year (note 29)	1.4	1.3
Fair value losses on derivative instruments	2.7	3.1
Net movements in provisions (note 27)	1.0	1.8
Finance income	(3.9)	(6.7)
Finance costs	27.3	56.5
Bargain purchase on acquisition of Magasin (net of transaction costs incurred)	-	(5.8)
Difference between pension credit and contributions paid (note 24)	(8.8)	(10.0)
Net movement in other long-term debtors	0.1	(1.1)
Net movement in other non-current liabilities	33.2	12.6
Changes in working capital		
Increase in inventories	(25.4)	(11.0)
(Increase)/decrease in trade and other receivables	(4.6)	4.4
(Decrease)/increase in trade and other payables	(5.8)	19.6
Cash generated from operations	267.6	299.2

In the Cash Flow Statement, proceeds from the sale of property, plant and equipment and finance leases comprise:

	3 September 2011 £m	28 August 2010 £m
Net book value (note 15)	55.5	0.6
Less non-cash movement in long-term finance leases	(42.8)	-
Loss on sale of property, plant and equipment	(0.1)	(0.4)
Cash proceeds from the sale of property, plant and equipment	12.6	0.2

Non-Cash Transactions

Other non-cash changes comprise:

	3 September 2011 £m	28 August 2010 £m
Amortisation of issue costs relating to debt issues	5.8	5.7
Non-cash movements associated with term loan facility	(2.4)	26.6
Revaluation of cash and cash equivalents	(1.0)	-
Less offset to long-term loan	(42.8)	-
Non-cash movements associated with finance lease obligations	1.2	(1.9)
Non-cash transactions	(39.2)	30.4

32 Analysis of Changes in Net Debt

	28 August 2010 £m	Cash flow £m	Non-cash movements £m	3 September 2011 £m
Analysis of net debt				
Cash and cash equivalents	69.5	(41.5)	1.0	29.0
Bank overdrafts	-	(6.2)	-	(6.2)
Net cash and cash equivalents	69.5	(47.7)	1.0	22.8
Debt due within one year	(541.9)	391.6	(10.3)	(160.6)
Debt due after one year	-	(250.0)	6.8	(243.2)
Finance lease obligations due within one year	(3.8)	-	2.5	(1.3)
Finance lease obligations due after one year	(40.6)	-	39.2	(1.4)
	(516.8)	93.9	39.2	(383.7)

33 Contingent Liabilities

The Group is subject to litigation from time to time as a result of its activities. The Group establishes provisions in connection with litigation where it has a present legal or constructive obligation as a result of past events, and where it is more likely that not an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Since these provisions, which are reflected in the Group's consolidated financial statements, represent estimates, the final resolution of any such matters could have a material affect on the Group's operating results and cash flows for a particular reporting period.

34 Principal Subsidiary Undertakings

The principal subsidiary undertakings of Debenhams plc at 3 September 2011 were as follows:

Company	Country of incorporation	Country of registration	Activity
Debenhams Retail plc	UK	England	Department Store Retailing
Debenhams Group Holdings Limited*	UK	England	Holding Company
Debenhams Retail (Ireland) Limited	Ireland	Ireland	Department Store Retailing
Aktieselskabet Th. Wessel & Vett Magasin du Nord	Denmark	Denmark	Department Store Retailing
Debenhams Properties Limited	UK	England	Property Investment

* Denotes investments held by the Company. All other investments are held by subsidiary undertakings.

All companies are wholly owned through ordinary shares. All subsidiary companies are consolidated. A full list of subsidiaries is available from the registered office.

Five-Year Record Income Statements

	53 weeks 2011 £m	52 weeks 2010 £m	52 weeks 2009 £m	52 weeks 2008 £m	52 weeks 2007 £m
Gross transaction value	2,679.3	2,564.3	2,339.7	2,336.0	2,305.6
Revenue	2,209.8	2,119.9	1,915.6	1,839.2	1,774.4
Cost of sales	(1,913.1)	(1,829.5)	(1,650.7)	(1,571.6)	(1,494.9)
Gross profit	296.7	290.4	264.9	267.6	279.5
Distribution costs	(70.2)	(55.1)	(45.3)	(50.0)	(46.2)
Administrative expenses	(42.8)	(40.2)	(37.4)	(41.5)	(39.2)
Operating profit before exceptional items	183.7	195.1	182.2	176.1	194.1
Exceptional items	-	(5.4)	-	-	(14.3)
Operating profit	183.7	189.7	182.2	176.1	179.8
Net finance costs	(23.4)	(49.8)	(61.4)	(70.2)	(66.6)
Profit before taxation	160.3	139.9	120.8	105.9	113.2
Taxation	(43.1)	(42.9)	(25.7)	(28.8)	(34.2)
Profit for the financial year attributable to equity shareholders	117.2	97.0	95.1	77.1	79.0

Gross Transaction Value

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

Five-Year Record Balance Sheets

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Assets					
Non-current assets					
Intangible assets	858.1	846.2	839.9	840.8	842.9
Tangible assets	634.6	676.1	669.2	693.3	667.7
Financial assets	4.0	8.7	9.0	19.2	40.0
Other receivables	18.3	17.2	-	-	-
Retirement benefit assets	3.9	-	-	25.0	87.3
Deferred tax assets	75.7	92.0	80.6	57.4	52.3
Total non-current assets	1,594.6	1,640.2	1,598.7	1,635.7	1,690.2
Net current liabilities	(292.0)	(636.5)	(74.4)	(296.7)	(215.8)
Non-current liabilities	(643.0)	(500.3)	(1,099.0)	(1,213.7)	(1,311.4)
Net assets	659.6	503.4	425.3	125.3	163.0
Shareholders' Equity					
Share capital	0.1	0.1	0.1	0.1	0.1
Share premium account	682.9	682.9	682.9	682.9	682.9
Other reserves	(8.3)	(3.4)	288.9	16.9	29.5
Retained earnings	(15.1)	(176.2)	(546.6)	(574.6)	(549.5)
Total equity	659.6	503.4	425.3	125.3	163.0

Independent Auditors' Report to the Members of Debenhams plc (Company)

We have audited the Parent Company Financial Statements of Debenhams plc for the 53 week period ended 3 September 2011 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 61, the directors are responsible for the preparation of the Parent Company Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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 the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Parent Company Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 3 September 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the 53 week period for which the Parent Company Financial Statements are prepared is consistent with the Parent Company Financial Statements.

Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other Matter

We have reported separately on the Group Financial Statements of Debenhams plc for the 53 week period ended 3 September 2011.

Martin Hodgson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

20 October 2011

Company Balance Sheet

Company number 5448421

As at 3 September 2011

	Note	3 September 2011 £m	28 August 2010 £m
Fixed assets			
Investments	4	2,745.9	2,745.9
Current assets			
Debtors	6	115.1	194.9
Derivative financial instruments	5	0.1	-
		115.2	194.9
Creditors: amounts falling due within one year			
Derivative financial instruments	5	(0.3)	-
		(1,212.7)	(1,642.6)
Net current liabilities			
		(1,097.8)	(1,447.7)
Total assets less current liabilities			
		1,648.1	1,298.2
Creditors: amounts falling due after more than one year			
Derivative financial instruments	5	(3.8)	(6.8)
		(3.8)	(6.8)
Net assets			
		1,401.1	1,291.4
Capital and reserves			
Called-up share capital	11	0.1	0.1
Share premium account	12	682.9	682.9
Hedging reserve	12	(2.9)	(3.9)
Profit and loss account	12	721.0	612.3
Total shareholders' funds			
	13	1,401.1	1,291.4

The Financial Statements on pages 107 to 113 were approved by the board on 20 October 2011 and were signed on its behalf by:

CK Woodhouse
Director

Notes to the Company Financial Statements

For the 53 weeks ended 3 September 2011

1 Accounting Policies

Basis of Preparation

These Financial Statements have been prepared on the going concern basis and in accordance with UK GAAP using the historical cost convention as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss. These Financial Statements have been prepared in accordance with applicable accounting standards within the United Kingdom and the Companies Act 2006.

The Company has taken advantage of the exemption from preparing a cash flow statement in accordance with FRS 1 (revised 1996) "Cash Flow Statement".

The Company is also exempt under the terms of FRS 8 "Related Party Disclosures" from disclosing related party transactions with entities that are wholly owned subsidiaries.

The principal accounting policies, which have been applied consistently during the year, are set out below.

Investments

Investments are held at cost less any provision for impairment.

Impairment Testing

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's net realisable value and value-in-use.

Borrowings

All borrowings are stated at the fair value of the consideration received after deduction of issue costs. Issue costs, together with finance costs, are charged to the profit and loss account over the term of the borrowings. Finance costs represent a constant proportion of the balance of capital repayments outstanding.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates that are in force during the period.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits and the results as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements.

Deferred tax is measured on a non-discounted basis. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted.

Dividend Distribution

A final dividend distribution to the Company's shareholders is recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Share-Based Payments

Where the Company has granted options over the Company's shares to employees of its subsidiaries, a capital contribution has been deemed made by the Company. This is then recharged to the subsidiary and is based on the fair value of the options issued spread over the options vesting period. At each balance sheet date, the Company revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, with a corresponding adjustment to equity.

1 Accounting Policies continued

Derivatives

The derivative instruments used by the Company to manage its interest rate risk are interest rate swaps.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as an effective hedging instrument and the nature of the item being hedged. The Company designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items as well as its risk management objectives and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at the inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

i) Cash Flow Hedges

The effective portion of the changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the relevant line of the profit and loss account which will be affected by the underlying hedged item.

Amounts accumulated in equity are reclassified and adjusted against the initial measurement of the underlying hedged item when the underlying hedged item is recognised on the Balance Sheet or in the profit and loss account.

When a hedged instrument expires, is sold or when a hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued. Any cumulative gain or loss existing in equity at that time is held in equity until the forecast transaction occurs. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the relevant line of the profit and loss account which would have been affected by the forecasted transaction.

ii) Derivatives That Do Not Qualify for Hedge Accounting

Certain derivatives do not qualify for hedge accounting. Changes in fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account.

2 Profit and Loss Account

The directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented a profit and loss account for the Company. A profit of £120.2 million is attributable to shareholders for the 53 weeks ended 3 September 2011 (2010: loss of £883.0 million).

The contracts of employment for all the executive directors are held by Debenhams plc. The total cost of employing the directors is disclosed in the Remuneration Report.

Auditors' remuneration of £0.1 million (2010: £0.1 million) is borne by another Group undertaking.

3 Dividends

	3 September 2011 £m	28 August 2010 £m
Interim paid 1.0 pence (2010: nil) per £0.0001 share		
– Settled in cash	12.9	-

An interim dividend of 1.0 pence per share was paid during the year (2010: nil). The directors are proposing a final dividend in respect of the 53 weeks ended 3 September 2011 of 2.0 pence per share (2010: nil), which will absorb an estimated £25.7 million (2010: nil) of shareholders' funds. It will be paid on 13 January 2012 to shareholders who are on the register of members at close of business on 9 December 2011. No liability is recorded in the Financial Statements in respect of the final dividend as it was not approved at the balance sheet date.

4 Investments

	Investments in subsidiary undertakings £m
Cost	
At 28 August 2010 and at 3 September 2011	4,068.8
Provision for impairment	
At 28 August 2010 and at 3 September 2011	1,322.9
Net book value	
At 28 August 2010 and at 3 September 2011	2,745.9

The directors consider that the carrying value of the investments is supported by their underlying net assets.

Investment in Subsidiary Undertakings

In accordance with FRS 11 "Impairment of fixed assets and goodwill" the carrying values of the Company's subsidiary undertakings have been compared to their recoverable amounts represented by the value-in-use to the Company. The review has resulted in an impairment of nil (2010: £970.8 million). The discount rate used in the calculation to arrive at the valuation was 8.9 per cent (2010: 8.0 per cent) on a pre-tax basis.

The principal subsidiary undertakings of the Company at 3 September 2011 are shown in note 34 of the Debenhams Group Financial Statements.

5 Derivative Financial Instruments

	3 September 2011 £m	28 August 2010 £m
Current assets		
Interest rate swaps - cash flow hedges	0.1	-
Current liabilities		
Interest rate swaps - cash flow hedges	(0.3)	-
Non-current liabilities		
Interest rate swaps - cash flow hedges	(3.8)	(6.8)
	(4.0)	(6.8)

Information relating to the derivatives held by the Company are shown in note 22 of the Debenhams Group Financial Statements.

6 Debtors

	3 September 2011 £m	28 August 2010 £m
Deferred tax asset (note 10)	1.1	1.5
Amounts owed by group undertakings	114.0	191.0
Prepayments	-	2.4
	115.1	194.9

Amounts owed by group undertakings are unsecured, repayable on demand and carry an average rate of interest of 2.8 per cent (2010: 2.7 per cent).

7 Creditors: Amounts Falling Due Within One Year

	3 September 2011 £m	28 August 2010 £m
Bank borrowings (note 9)	160.6	548.8
Amounts owed to group undertakings	1,051.5	1,092.3
Corporation tax	-	0.5
Accruals	0.6	1.0
	1,212.7	1,642.6

Amounts owed to group undertakings are unsecured, have no fixed date of redemption and either carry an average interest rate of 2.8 per cent (2010: 2.7 per cent) or are interest free.

8 Creditors: Amounts Falling Due After More Than One Year

	3 September 2011 £m	28 August 2010 £m
Bank borrowings (note 9)	243.2	-

9 Borrowings

	3 September 2011 £m	28 August 2010 £m
Creditors: amounts falling due within one year		
Revolving credit facility	165.0	-
Term loan facility	0.1	559.6
Less: issue costs	(4.5)	(10.8)
	160.6	548.8
Creditors: amounts falling due in more than one year		
Term loan facility	250.0	-
Less: issue costs	(6.8)	-
	243.2	-

Maturity of Debt

	3 September 2011 £m	28 August 2010 £m
Amounts falling due:		
In one year or less or on demand	165.1	559.6
In more than one year but not more than two years	-	-
In more than two years but not more than five years	250.0	-
	415.1	559.6

Information relating to the borrowings of the Company is shown in note 21 of the Debenhams Group Financial Statements.

In November 2010 the Group cancelled its existing term loan and Revolving Credit Facility ("RCF") and drew down on its new £650.0 million credit facility comprising a term loan of £250.0 million and an RCF of £400.0 million. This new facility was due to expire in 2013.

In July 2011 the terms of the credit facility were renegotiated to extend the expiry date to October 2015, with an option to further extend to October 2016. At 3 September 2011 the Group's facilities outstanding comprised the term loan of £250.0 million (2010: £555.6 million) and an RCF of £165.0 million (2010: nil).

During the current and prior year the Group has complied with its covenants relating to its credit facilities.

Issue costs, which mainly relate to facility costs, are being amortised over the term of the facilities to October 2015 at the effective interest rate based on the committed amount of the term loan. Additional refinancing costs of £3.3 million were incurred during the year ended 3 September 2011 in respect of the renegotiation of the new credit facilities, which will be amortised over the term of the facility. The amortisation charge relating to the issue costs of the credit facilities cancelled and current for the year ended 3 September 2011 was £5.8 million (2010: £5.7 million).

10 Deferred Taxation

	Fair value gains £m
At 28 August 2010 - asset	1.5
Credited to reserves	(0.4)
At 3 September 2011 - asset	1.1

Deferred tax is calculated in full on all temporary differences under the liability method using a tax rate of 25.0 per cent (2010: 27.0 per cent).

The Finance Act 2011, which was enacted on 19 July 2011, included legislation reducing the main rate of corporation tax from 27 per cent to 26 per cent from 1 April 2011 and also reducing the main rate of corporation tax from 26 per cent to 25 per cent from 1 April 2012. Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 23 per cent by 1 April 2014. These further changes had not been substantially enacted at the balance sheet date and are therefore not included in these Financial Statements. The effect of these changes would be to reduce the deferred tax asset by £0.1 million.

Deferred tax provided on the fair value gains represents the deferred tax on the derivatives that qualify for cash flow hedges.

11 Called-up Share Capital

	3 September 2011		28 August 2010	
	£	Number	£	Number
Issued and fully paid - Ordinary shares of £0.0001 each				
At start and end of year	128,680	1,286,806,299	128,680	1,286,806,299

The number of ordinary shares in the Company held by the Debenhams Retail Employee Trust 2004 ("DRET") in connection with the Group's employee ownership plan described is as follows:

	3 September 2011 Ordinary shares Number	28 August 2010 Ordinary shares Number
Debenhams Retail Employee Trust 2004	723,536	1,413,536

The market value of the shares at 3 September 2011 was £0.4 million for the DRET (2010: £0.8million). The cost of the shares held at the year end was £0.6 million (2010: £1.2 million).

Share option schemes

The Company has various share schemes which are designed to reward senior executives and management of the Group. At 3 September 2011 the Group had four schemes in operation: the Performance Share Plan ("PSP"), the Executive Share Option Plan ("ESOP"), the Share Incentive Plan ("SIP") and the Deferred Bonus Matching Plan ("DBMP"). The following table reconciles the movement in share options and the weighted average exercise price, ("WAEP") for the ESOP scheme. The PSP, SIP and DBMP share options all have a nil exercise price.

For further information on these schemes please see note 29 of the Debenhams Group Financial Statements.

	DBMP Number	SIP Number	PSP Number	ESOP	
				Number	WAEP Pence
Outstanding at 29 August 2009	-	-	8,123,487	3,180,587	146.4
Granted	-	715,000	2,028,207	962,692	85.5
Lapsed	-	-	(4,713,395)	(1,662,505)	186.1
Forfeited	-	-	(55,720)	(66,400)	103.0
Outstanding at 28 August 2010	-	715,000	5,382,579	2,414,374	95.1
Granted	849,130	650,000	191,250	-	-
Exercised	-	(690,000)	-	-	-
Lapsed	-	-	(3,410,092)	(1,451,682)	103.0
Forfeited	(12,927)	(25,000)	-	-	-
Outstanding at 3 September 2011	836,203	650,000	2,163,737	962,692	85.5

12 Reserves

	Share premium account £m	Hedging reserve £m	Profit and loss account £m
At 28 August 2010	682.9	(3.9)	612.3
Profit for the financial year	-	-	120.2
Cash flow hedges - net fair value gains (net of tax)	-	1.0	-
Employee share ownership plans (net of tax)	-	-	1.4
Dividends to shareholders (note 3)	-	-	(12.9)
At 3 September 2011	682.9	(2.9)	721.0

Hedging Reserve

The hedging reserve represents the change in fair value of the interest rate swaps which have been designated as cash flow hedges.

Profit and Loss Account

A dividend of £12.9 million (2010: nil) was paid by the Company during the year ended 3 September 2011.

13 Reconciliation of Movements in Shareholders' Funds

	3 September 2011 £m	28 August 2010 £m
Profit/(loss) for the financial year	120.2	(883.0)
Dividends paid (note 3)	(12.9)	-
Retained profit/(loss)	107.3	(883.0)
Cash flow hedges:		
- net fair value gains (net of tax)	1.0	12.8
Employee share ownership plans (net of tax)	1.4	1.3
Net increase/(decrease) to shareholders' funds	109.7	(868.9)
Opening shareholders' funds	1,291.4	2,160.3
Closing shareholders' funds	1,401.1	1,291.4

14 Contingent Liabilities

The Company guaranteed certain of its subsidiary property finance lease obligations which totalled nil at 3 September 2011 (2010: £42.7 million).

The Company is also liable for the pension schemes' contributions and deficits, where relevant, for both the Debenhams Executive Pension Plan and the Debenhams Retirement Scheme. The asset in the schemes at 3 September 2011 was £3.9 million (2010: deficit of £80.7 million).

There are a number of contingent liabilities that arise in the normal course of business which if realised are not expected to result in a material liability to the Company. The Company recognises provisions for liabilities when it is more likely than not a settlement will be required and the value of such a payment can be reliably estimated.

Store list

UK and Ireland

Aberdeen
 Altrincham
 Ashford
 Ayr
 Ballymena
 Banbury
 Bangor
 Barrow
 Basildon
 Basingstoke
 Bath
 Bedford
 Belfast
 Birmingham
 Birmingham Fort
 Blackburn
 Blackpool
 Bolton
 Bournemouth
 Brighton
 Bristol
 Bromley
 Bury (Gtr Manchester)
 Bury St Edmunds
 Cambridge
 Canterbury
 Cardiff
 Carlisle
 Carmarthen
 Chatham
 Chelmsford
 Cheltenham
 Chester
 Clapham
 Colchester
 Cork - Mahon Point
 Cork - Patrick Street
 Coventry
 Crawley
 Croydon
 Derby
 Doncaster
 Dublin - Blackrock
 Dublin - Blanchardstown
 Dublin - Henry Street
 Dublin - Tallaght
 Dundee
 Dunfermline
 East Kilbride
 Eastbourne
 Edinburgh
 Eltham
 Exeter
 Falkirk
 Fareham
 Farnborough
 Folkestone
 Foyleside
 Galway
 Gateshead -
 Metro Centre
 Glasgow
 Glasgow Silverburn
 Gloucester
 Gravesend
 Guildford
 Great Yarmouth
 Hanley
 Harrogate
 Harrow
 Hastings
 Hemel Hempstead
 Hounslow
 Hull
 Ilford
 Inverness
 Ipswich
 Kidderminster
 King's Lynn
 Kirkcaldy
 Lakeside
 Leeds - City Centre
 Leeds - White Rose
 Leicester
 Leith
 Limerick
 Lincoln
 Liverpool
 Livingston
 Llandudno
 Llanelli
 London - Oxford Street
 London - Westfield
 Luton
 Manchester
 Manchester -
 Trafford Park
 Mansfield
 Merryhill
 Merthyr Tydfil
 Middlesbrough
 Milton Keynes
 Monks Cross
 Newbridge
 Newbury
 Newcastle-upon-Tyne
 Newry
 Northampton
 Norwich
 Nottingham

Nuneaton
 Oldham
 Orpington
 Oxford
 Perth
 Plymouth
 Portsmouth
 Preston
 Reading
 Redditch
 Romford
 Rushmere
 Salisbury
 Scarborough
 Sheffield
 Sheffield - Meadowhall
 Slough
 Southampton
 Southend
 Southport
 Southsea
 South Shields
 Staines
 Stirling
 Stockport
 Stockton
 Stratford
 Sunderland
 Sutton
 Swansea
 Swindon
 Taunton
 Telford
 Torquay
 Tralee
 Truro
 Uxbridge
 Wakefield
 Walsall
 Walton
 Warrington
 Waterford
 Welwyn Garden City
 Westwood Cross
 Weymouth
 Wigan
 Wimbledon
 Winchester
 Witney
 Woking
 Worcester
 Workington
 Worthing
 Wrexham
 York

International

Armenia - SAS Home
 Store
 Armenia - SAS Home
 Store (Komitas)
 Armenia - Yerevan
 Azerbaijan - Baku
 Bahrain - Manama
 Cyprus - Avenue
 Cyprus - Apollon
 Cyprus - Central
 Cyprus - Engomi
 Cyprus - Korivos
 Cyprus - Kinyras
 Cyprus - Leda
 Cyprus - Nicosia
 Cyprus - Olympia
 Cyprus - Zenon
 Czech Republic - Prague
 Egypt - Alexandria
 Hungary - Budapest
 Iceland - Reykjavik
 India - Delhi
 Indonesia - Jakarta
 Senayan City
 Indonesia - Karawaci
 Iran - Mashad
 Iran - Tehran
 Iran - Tehran - Jame Jam
 Jordan - Amman
 Kazakhstan - Astana
 Kuwait - Airport
 Kuwait - Avenues
 Kuwait - Souq Sharq
 Malaysia - Kuala Lumpur
 Malaysia - Kuala Lumpur
 - The Curve
 Malta - Tigne Point
 Moldova - Chisinau
 Philippines - Davao
 Abreeza Mall*
 Philippines -
 Manila Glorieta
 Philippines -
 Manila Shangri La
 Philippines -
 Manila Trinoma
 Qatar - Doha
 Romania - Banessa
 Romania - Bucharest
 Romania - Cluj Polis
 Romania - Constanta
 Romania - Oradea
 Romania - Plaza
 Romania - Sun Plaza
 Saudi Arabia - Gallery
 Saudi Arabia - Jeddah
 Saudi Arabia -
 Jeddah Airport
 Saudi Arabia - Khobar
 Saudi Arabia -
 Madinah Al Noor
 Saudi Arabia - Mecca
 Saudi Arabia -
 Riyadh Kingdom Mall
 Saudi Arabia -
 Riyadh Granada Mall
 Saudi Arabia -
 Riyadh Sahara Mall
 Slovakia - Bratislava
 Turkey - Istanbul
 UAE - Abu Dhabi
 UAE - Dubai - Deira
 UAE - Dubai -
 Ibn Battuta
 UAE - Dubai - Mall
 UAE - Dubai -
 Mall of Emirates
 UAE - Dubai - Mirdiff
 UAE - Sharjah
 Vietnam - Ho Chi
 Minh City

Magasin du Nord

Århus
 Field's - Copenhagen
 Kgs Nytorv -
 Copenhagen
 Lyngby
 Odense
 Rødovre

* Opened after 3 September 2011.

Concessions

Brands which are sold through our stores where the stock belongs to a third party concessionaire. They are found chiefly in womenswear (eg Wallis, Oasis, Warehouse) and accessories (eg Tripp luggage).

Core brands

Brands designed and produced exclusively for Debenhams. They include brands such as Collection, Mantaray, Maine New England and Red Herring. They are found in all product categories.

Designers at Debenhams

Exclusive diffusion ranges designed for Debenhams by leading international designers including Julien Macdonald, Jasper Conran and John Rocha.

Earnings per share (EPS)

The profit for the year attributable to shareholders, divided by the weighted average number of shares in issue.

EBITDA

Earnings before interest, taxation, depreciation and amortisation.

Flagship store

A large store, typically over 100,000 sq ft, in a major city. They include Oxford Street and Westfield in London, Henry Street in Dublin, Birmingham, Liverpool and Newcastle-upon-Tyne.

Footfall

The number of people who visit our stores.

Free cash flow

Cash generated from operations before exceptional items less net cash used in investing activities.

Gross margin

Gross transaction value less the cost of goods sold, as a percentage of gross transaction value.

Gross transaction value

Revenue (excluding VAT) on a gross basis before adjusting for concessions, consignments and staff discounts.

Headline profit before tax

Profit before tax, exceptional items and amortisation of capitalised bank fees.

International brands

Brands such as Levis, Ben Sherman, Clarins and Estée Lauder for which Debenhams owns the stock.

Market share

The percentage of the market or market segment that is being serviced by Debenhams. For instance, if 100 T-shirts were sold a year in the UK and Debenhams sold ten of them, it would have 10% market share.

Multi-channel

Multi-channel sales comprise those from online, mobile, instore ordering and click and collect. We use online sales as a measure of the growth of the multi-channel business as it is the largest of these sales channels.

Own bought brands

Brands for which Debenhams owns the stock. They include core brands, Designers at Debenhams and international brands.

Shareholder information

Registered office and head office

1 Welbeck Street
London W1G 0AA
Registered in England and Wales
Company number: 5448421

Financial advisors

Lazard
50 Stratton Street
London W1J 8LL

Financial advisors and stockbrokers

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
London E14 5LB

Bank of America Merrill Lynch
Bank of America Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

Solicitors

Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London WC2N 6RH

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0871 384 2766*
www.shareview.co.uk

*Calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines are open 8.30am to 5.30pm, Monday to Friday.