

DEBENHAMS

www.debenhams.com

21 October 2008

DEBENHAMS PLC PRELIMINARY RESULTS FOR 52 WEEKS ENDED 30 AUGUST 2008 AND TRADING UPDATE

Financial Highlights

- Gross transaction value up 1.3%; like-for-like sales down 0.9%
- Gross margin maintained
- Headline profit before tax* in line with consensus at £110.1m (2007: £131.4m)
- Net debt at 30 August 2008 down to £994m from £1,016.5m a year ago
- Basic earnings per share 9.0p (2007: 9.3p)
- Full year dividend of 3.0p per share; final dividend of 0.5p per share

*Before non-cash amortisation of capitalised bank fees of £4.2m (2007: £3.9m) and exceptionals £nil (2007: £14.3m).

Operating Highlights

- Market share gains in all major clothing categories; total clothing share gain of 0.3%*
- Strong performance from Designers at Debenhams
- Extensive changes to Womenswear ranges to simplify consumer offer
- Reduced same store stock density by 10.5% through range editing programme
- Opened 7 new department stores, 3 resited department stores and 1 Desire store
- Store pipeline at 11 new department stores, 1 resited department store and 3 new Desire stores over the next 3 years including flagship store at Westfield London opening on 30 October 2008
- Continued strong growth in Debenhams Direct; sales up 60.8%
- 10 new international franchise stores opened
- Deleveraging initiatives underway

*Source: TNS, 26 weeks to 17 August 2008.

Rob Templeman, Chief Executive of Debenhams, said:

“In what has been a difficult trading environment, we were pleased to have been able to deliver gross transaction value growth of 1.3%. The market share gains, alongside our strategic objectives of focusing on product design, quality and value, demonstrate that our products are finding favour with customers. In 2009 we will drive the business forward by continuing to focus on product design, quality and value and on the important differentiation provided by our exclusive Designers at Debenhams ranges. At the same time we will invest prudently in higher returning projects such as new stores.

“We will remain focused on managing the business tightly in light of difficult and uncertain market conditions through the pro-active, close management of costs, stocks and capital to ensure we emerge from this downturn in the strongest possible position.”

FINANCIAL SUMMARY

	2008	2007	Change
Gross transaction value (GTV)	£2,336.0m	£2,305.6m	+1.3%
Like-for-like sales			-0.9%
Operating profit before exceptionals	£176.1m	£194.1m	-9.3%
Gross margin			<i>Unchanged</i>
Headline profit before tax and exceptionals*	£110.1m	£131.4m	-16.2%
Profit before tax and exceptionals	£105.9m	£127.5m	-16.9%
Earnings per share	9.0p	9.3p	-3.2%
Full year dividend per share	3.0p	6.3p	-52.4%
	30-08-08	01-09-07	Change
Net debt	£994.0m	£1,016.5m	£22.5m

*After adding back £4.2m of amortisation from capitalised bank fees (2007 £3.9m); includes £13.5m deduction for flat lining of lease rentals, £123.6m before deduction (2007: deduction of £14.1m; PBT of £145.5m before deduction).

Enquiries

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

REVIEW OF THE YEAR

Market conditions

The first quarter of the financial year started strongly in September but gave way to weaker conditions in October and November. Christmas trading and the January sale provided a fillip to the second quarter but conditions softened again in the third quarter in line with poor spring weather. The fourth quarter for retail, as with most consumer facing businesses, was increasingly impacted by economic uncertainty and a weak July was sandwiched between better trading in June and August.

Despite this environment, Debenhams has taken market share in all of the major clothing categories as customers have responded favourably to the changes made to the design, quality and value of our products and the improved in-store environment. Overall, Debenhams' share of the total clothing market increased by 0.3%.¹

Financial performance

Gross transaction value (GTV) for the year increased by 1.3% to £2,336.0 million. Like-for-like sales fell by 0.9% reflecting the tough trading environment evident throughout the UK retail sector. The like-for-like decline was offset by growth from new department stores of 1.7%, new Desire stores of 0.3% and the international business of 0.2%.

Own bought products accounted for 71.8% of sales, up from 69.5% last year and in line with our strategic aim to increase the own bought product mix. The increase in own bought mix was driven by the introduction of more own bought product into the former Roches stores and higher sales density growth in own bought areas as well as a recovery in Menswear following range issues last year.

In line with our aim to increase the size of our Designer business, we were pleased that Designers at Debenhams made a strong contribution to sales during 2008 of some £387 million, an increase of 8% over the prior year.

Gross margin was maintained at the same level as the previous year despite the difficult environment. The positive impact of higher intake margin and improved own bought mix has been reinvested in pricing and the close management of terminal stock.

Headline profit before tax, exceptionals and amortisation from capitalised bank fees was £110.1 million, compared with £131.4 million last year. Profit before tax and exceptionals of £105.9 million was £21.6 million lower than a year ago.

Basic earnings per share of 9.0 pence compared with 9.3 pence last year.

Cash generated from operations (after investing activities) during the year was £160.2 million. Net debt at year-end on 30 August 2008 was £994.0 million. This was an improvement of £22.5 million over the position at 1 September 2007.

The Board has proposed a final dividend of 0.5p per share, taking the full dividend for the year to 3.0 pence. The Board has taken the decision on the total level of dividend declared during the year in light of trading through 2008 and its current view of the prospects for 2009.

¹ Source: TNS, 26 weeks to 17 August 2008.

Store portfolio and new store openings

Expanding the store portfolio continues to be a key driver of growth, despite the prevailing economic conditions. Although 23 stores have been added to the portfolio in the past four years (including the Roches acquisition), Debenhams is still relatively immature in terms of store numbers.

The store portfolio (excluding international franchise stores) at year end comprised 139 department stores and ten Desire stores. Total store space stood at 10,704,000 square feet, an increase of 4.3% on the 10,266,000 square feet at the start of the year. The average trading space for the year was 10,464,000 square feet, an increase of 3.1% on last year's average.

A total of 11 new stores opened during 2008. Seven new department stores were opened in: Glasgow Silverburn (89,000 sq ft, October); Welwyn (22,000 sq ft, October); Llanelli (22,000 sq ft, October); Ashford (61,000 sq ft, March); Liverpool (133,000 sq ft, May); Dunfermline (54,000 sq ft, August); and Blackpool (66,000 sq ft, August). Three resited department stores opened in Exeter (additional 31,000 sq ft, September), Derby (additional 17,000 sq ft, October) and Bangor (additional 28,000 sq ft, April). The 89,000 sq ft department store in Jervis Street, Dublin closed in January.

One new Desire store opened in Ballymena (15,000 sq ft, October). We remain committed to the Desire small store format but believe that the higher returns delivered by department stores mean that we should allocate capital into that format first in order to deliver greater shareholder value.

With new store openings being somewhat back-end loaded during the course of the year (especially Liverpool, Dunfermline and Blackpool), new space has made only a limited contribution to the Group's 2008 results. The performance of all new stores has at least met our expectations and in many cases exceeded them in a difficult market.

The total capital expenditure on new stores in 2008 was £60.9 million (2007: £54.1 million). Return on capital employed for new stores opened in 2008 is expected to be 56%². These superior returns stem from improved operating performance and disciplined and effective capital management.

The new department store in Livingston opened on 16 October 2008. A further four department stores and two Desire stores are scheduled to open in 2009, along with a sizeable extension to the Cardiff store. These include the flagship store in Westfield London which opens on 30 October 2008.

Further out, whilst there have been a few instances of retail developments being delayed or even cancelled as property developers are affected by the credit crunch, we do not believe this will be a significant threat to our store opening strategy.

Store refits

During 2008 19 core stores underwent a refit programme. Eighteen were completed during the first half of the year in time for Christmas trading. In the second half, it was decided to slow the programme given the difficult economic environment to avoid the disruption to sales that inevitably occurs in a store during the 60-90 day refit period. Refitted stores continue to trade in line with our expectations.

Some 40 core stores are yet to be refitted and it remains our objective to complete these within the next 2-3 years, with the pace depending upon the economic climate. All stores have, however, benefited from new J by Jasper Conran, Star by Julien Macdonald and

² First year store EBITDA as a percentage of net capital investment including working capital.

Collection shop fits which has significantly improved the in-store environment in Womenswear departments, even in older stores.

The capital expenditure on refits during the year was £30.3 million. The return on capital employed for stores refitted during 2008 was 20.5% (excluding three defensive refits).

Conversion of the nine stores acquired from Roches in September 2006 was completed by December 2007 and all are now trading as Debenhams. The former Roches store in Henry Street, Dublin was relaunched as our Republic of Ireland flagship in May 2008. We are pleased with the performance of the Republic of Ireland stores. The former Roches stores have performed in line with plan and have delivered the returns anticipated at the time of acquisition.

Deleveraging initiatives

As the economic and retail climate has deteriorated over the past year, market sentiment towards Debenhams' capital structure has weakened and the level of debt on the balance sheet appears to be negatively impacting valuations of the Company. The Board therefore believes that in order to maximise shareholder value in the current environment, it is important that leverage is taken off the agenda for Debenhams as soon as possible. A number of actions are being undertaken to achieve this. They include:

- Cost reductions: the £20 million saving outlined at the time of the interim results has been achieved and will be realised in full in 2009. A further £10-15 million of cost savings are now being targeted.
- Lower capital expenditure: in 2008, our capex spend was £129.1 million; in 2009 this will be in the region of £90 million.
- Reduction in options/stock: at year end, the anticipated 15% reduction in options has been achieved, resulting in lower same store stock density of 10.5%. A further reduction of an average of 13% is now being trialled in a range of stores.
- Continued focus on working capital: this is an ongoing initiative.
- Scrip dividend: some 45% of shareholders elected to take the scrip alternative for the interim dividend; it will also be offered for the 2008 final dividend.

Products and supply chain

Womenswear

Womenswear – including women's accessories and lingerie – accounted for 46% of own bought sales in 2008. The performance of own bought ranges exceeded that of concessions, with Designer ranges selling strongly.

Customer research suggested that our product range had become too big and that customers in fact want edited choice. We have sought to address this by making extensive changes to Womenswear during the summer which saw a number of brands expanded whilst others were closed. Our intention is to simplify the consumer offer by having fewer but bigger departments which have more product authority at all price points. Key changes within Designers at Debenhams are the extension of Star by Julien Macdonald both in range and footprint and the increased store coverage of Betty Jackson.Black. Additionally, the casual and formal lines within J by Jasper Conran are now being co-located in stores.

Within our core ranges, Casual Club has been merged with Collection to create easier shopping for everyday essentials by eliminating duplication and providing bigger statements of key product areas such as knitwear. Other brands which have become bigger include the younger fashion brand Red Herring, particularly following the launch of its Special Edition party wear range. Brands which have closed include Antoni and Alison, John by John Richmond, J. Taylor and Gorgeous.

Menswear

Menswear represented 15.5% of own bought sales in 2008. Performance of Menswear continues to show a marked improvement, as reflected in good market share gains. This has been driven in part by a strong performance from our designer business, notably J by Jasper Conran and Rocha. John Rocha. Strong share gains were made in suiting, outerwear, denim and accessories. Mantaray, our surf/outdoor brand, is now truly established and is an all year round business.

There has been further focus on men's accessories through increased space in better locations. The performance on these areas – notably bags, wallets and belts – has continued to surge, delivering a great profit and sales density and justifying investment in a dedicated men's accessories team.

Childrenswear

The Childrenswear division's share of own bought sales was 7.7% in 2008. Designers continue to be a Childrenswear strength, with strong performances from J by Jasper Conran, Rocha. Little Rocha, Rocha. John Rocha and Butterfly by Matthew Williamson. Overall, Designers accounted for over 50% of divisional sales. The division has seen ongoing strength in the Baby and Toddler ranges across both boys and girls and further growth is expected in these areas next year.

Baker by Ted Baker has gone from strength to strength, exceeding all expectations in its first year with customers appreciating the level of fashion and sense of fun of the range. The brand has expanded into 92 stores from 60 at launch.

Home

The Home division accounted for 13.9% of own bought sales in 2008 (including gifts). Home performance continues to stabilise with improvements in the latter part of the year especially pleasing, although there is still some work to be done. The focus on Designers at Debenhams continues to bear fruit, with good growth in all Designers led by Star by Julien Macdonald. The focus on the Designer collections will accelerate as a key point of difference. Elements of the new Home concept seen in our Liverpool store will be rolled out to all new stores, with Westfield London being the key opening in October 2008.

Stock management

In the current economic environment, we will manage stocks very tightly. Terminal stock was at a historically low level at year end. The range editing programme, predominantly in Womenswear, has resulted in a 10.5% reduction in same-store stock density. This was partly offset by the need to increase stock due to new stores and growth in the online business and as a result total stock by value decreased by 3% during 2008. A further stock reduction averaging 13% is being trialled in a range of stores.

Cost price inflation

Although pressure on cost prices increased through the year - principally due to foreign exchange rates, increases in raw materials prices, higher oil prices and labour inflation - we were able to mitigate much of this pressure during 2008. Importantly, our currency exposure was reduced by hedging US dollar purchases forward by 12-18 months. In addition, excess manufacturing capacity in China has enabled us to resist price increases by suppliers. There are indications that some of the drivers of cost price inflation are weakening; oil and commodity prices are falling and transportation costs are easing. Although these factors will undoubtedly ease the pressures on cost prices, we will continue to seek ways to mitigate any inflationary pressure on our supply chain.

International franchise stores

Debenhams' international franchise stores performed well in 2008, a testament to the strength of the Debenhams brand outside the UK and the appeal of our own bought product ranges to international customers.

The International division accounted for 2.4% of total sales during the year, an increase of 0.2% on last year. Retail sales have been robust in many of the countries where our international stores are located and the franchisee businesses have seen like-for-like growth of 10%.

During 2008, ten new international stores were opened in Cyprus, India, Jordan, Romania, the Philippines, Saudi Arabia and UAE. At year end the portfolio stood at 41 stores in 15 countries.

Since the end of the year, new stores have opened in Indonesia, Saudi Arabia and Romania and the Bahrain store has been resited bringing the total number of stores to 44.

Debenhams Direct

The online business, www.debenhams.com, has grown strongly since the launch of a new website in November 2006 and we believe that within a few years it will be our single largest store.

Debenhams Direct recorded a 60.8% increase in sales during 2008 to £42 million. Its contribution to total group sales increased from 1.1% last year to 1.8%. Visitor numbers were up by 51.9% to some 43.6 million visitors. The average conversion rate (the number of visitors to the site who complete a purchase) was 2.1%, up from 1.9% in the previous year.

Developments in Debenhams Direct during the year include enhanced visuals – such as catwalk videos – and giving customers the opportunity to return unwanted items to stores.

Marketing

Through the breadth of our offer we have developed a very inclusive customer base. Regardless of which brands and departments a customer chooses to shop, our commitment is to deliver great value consistently: that means quality, style and fashion at affordable prices. Customers are particularly responsive to our Designers at Debenhams ranges, which really deliver on the demand for beautiful, unique and stylish product at an affordable price. Our marketing messages – in store, on line and externally – are all about reinforcing this.

In addition, during this challenging time, customers are increasingly responsive to great offers and promotions. Debenhams' mix of sale offers, three day spectaculars, cardholder events and spend-driven discounts mean that we are perfectly placed to meet these needs.

We have recently launched a new, simplified and more contemporary creative to communicate our key messages. This is enhanced by a focus on excellent visual standards for both new product launches and customer promotions. We are confident that our marketing is relevant to our customers' mindset; initial results are very encouraging.

CURRENT TRADING AND OUTLOOK

The first few weeks of the new financial year have been characterised by unprecedented turmoil in financial markets which has attracted massive media interest and in turn has heightened concerns of customers about their own financial security. This has undoubtedly had a negative impact on the retail sector. Against this background, gross transaction value for the six weeks to 11 October 2008 was 1% lower than last year. Like-for-like sales for this period were down 4.2% on the previous year. These comparisons are against a strong opening six weeks last year when total sales grew by 5.2% and like-for-like sales by 3.1%. Gross margin for the six week period was 50 basis points higher than last year and gross cash margin was flat.

The market share gains, alongside our strategic objectives of focusing on product design, quality and value, demonstrate that our products are finding favour with customers. In 2009 we will continue to drive the business forward by focusing on product design, quality and value and on the important point of difference provided by our exclusive Designers at Debenhams ranges. At the same time we will invest prudently in higher returning projects such as new stores.

We will remain focused on managing the business tightly in light of difficult and uncertain market conditions through the pro-active, close management of costs, stocks and capital to ensure we emerge from this downturn in the strongest possible position.

Statements made in this announcement that look forward in time or that express management's beliefs, expectations or estimates regarding future occurrences and prospects are "forward-looking statements". These forward-looking statements reflect Debenhams' current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any such forward-looking statements are subject to various risks and uncertainties, including: difficult market conditions and fragile consumer confidence; Debenhams' ability to accurately predict customer preferences and demands accurately; the effectiveness of Debenhams' brand awareness and marketing programmes; the occurrence of weak sales during peak selling seasons or extreme or unseasonal weather conditions; competitive factors in the highly competitive retail industry; Debenhams' ability to successfully implement its new store rollout; Debenhams' ability to maintain its relationships with certain designers and its significant concession partners; and currency fluctuations and currency risk.

Additional risk factors that you may want to consider are: Debenhams' ability to retain key management and personnel; disruptions or other adverse events affecting Debenhams' relationship with its major suppliers or its store card providers; factors outside Debenhams' control, such as changes in the financial or equity markets, adverse economic conditions or a downturn in the retail industry, or damage or interruptions due to operational disruption, natural disaster, war or terrorist activity; and work stoppages, slowdowns or strikes.

Notes to Editors

Debenhams is a leading department stores group with a strong presence in key product categories including Womenswear, Menswear, Childrenswear, Home and Health and Beauty.

Debenhams has a total of 140 department stores in the UK and the Republic of Ireland and 10 Desire by Debenhams stores, which is a small store concept featuring a mix of womenswear, accessories, lingerie, cosmetics and childrenswear. Debenhams has 44 international franchise stores in 15 countries and an online store, www.debenhams.com, through which much of the Debenhams range is available.

Debenhams is the second largest department store chain in the UK.

Designers at Debenhams include Ted Baker, Jasper Conran, Erickson Beamon, Pip Hackett, Betty Jackson, Ben de Lisi, Julien Macdonald, Melissa Odabash, Jane Packer, Pearce Fionda, Janet Reger, John Rocha and Matthew Williamson.

Consolidated Income Statement

For the financial year ended 30 August 2008

	Note	For the financial year ended:	
		30 August 2008 £m	1 September 2007 £m
Revenue	2	1,839.2	1,774.4
Cost of sales		(1,571.6)	(1,508.4)
Analysed as:			
Cost of sales before exceptional items		(1,571.6)	(1,494.9)
Exceptional cost of sales	4	-	(13.5)
Gross profit		267.6	266.0
Distribution costs		(50.0)	(47.0)
Analysed as:			
Distribution costs before exceptional items		(50.0)	(46.2)
Exceptional distribution costs	4	-	(0.8)
Administrative expenses		(41.5)	(39.2)
Operating profit		176.1	179.8
Analysed as:			
Operating profit before exceptional items		176.1	194.1
Exceptional operating items	4	-	(14.3)
Interest receivable and similar income	5	4.8	4.2
Interest payable and similar charges	6	(75.0)	(70.8)
Profit before taxation		105.9	113.2
Taxation	7	(28.8)	(34.2)
Analysed as:			
Taxation before exceptional items		(28.8)	(36.9)
Taxation credit on exceptional items	7	-	2.7
Profit for the financial year attributable to equity shareholders	10	77.1	79.0
Earnings per share attributable to the equity shareholders (expressed in pence per share)			
		Pence per share	Pence per share
Basic	9	9.0	9.3
Diluted	9	9.0	9.3
Dividends per share (expressed in pence per share)			
		Pence per share	Pence per share
Proposed final dividend per share	8	0.5	3.8

All Group operations during the financial years were continuing operations.

Consolidated Statement of Recognised Income & Expenses

For the financial year ended 30 August 2008

For the financial year ended:

	30 August 2008 £m	1 September 2007 £m
Profit for the financial year	77.1	79.0
Actuarial (loss)/gain recognised in the pension scheme	(79.8)	60.7
Currency translation	1.3	0.4
Change in the valuation of the available for sale investments	(9.3)	12.1
Movement on deferred tax relating to the pension scheme	22.3	(16.5)
Cash flow hedges		
- net fair value (losses)/gains (net of tax)	(5.0)	17.5
- recycled and adjusted against the initial measurement of the acquisition cost of inventory	0.9	(3.6)
- reclassified and reported in net profit	(0.5)	-
Net (expense)/income recognised directly in equity	(70.1)	70.6
Total recognised income attributable to the equity shareholders of the Group	7.0	149.6

Consolidated Balance Sheet

As at 30 August 2008

Note

30 August 2008
£m

1 September 2007
£m

ASSETS

Non-current assets

Intangible assets		840.8	842.9
Property, plant and equipment		693.3	667.7
Financial assets			
- Available for sale investments		11.0	20.3
- Derivative financial instruments		8.2	19.7
Retirement benefit assets		25.0	87.3
Deferred tax assets		57.4	52.3
		1,635.7	1,690.2

Current assets

Inventories		237.5	244.6
Trade and other receivables		58.5	65.6
Derivative financial instruments		10.5	3.0
Cash and cash equivalents	12	42.1	80.4
		348.6	393.6

LIABILITIES

Current liabilities

Financial liabilities			
- Bank overdraft and borrowings		(144.5)	(104.8)
- Derivative financial instruments		-	(2.2)
Trade and other payables		(470.2)	(468.6)
Current tax liabilities		(29.9)	(31.6)
Provisions for liabilities and charges		(0.7)	(2.2)
		(645.3)	(609.4)
Net current liabilities		(296.7)	(215.8)

Non-current liabilities

Financial liabilities			
- Bank overdraft and borrowings		(891.6)	(992.1)
- Derivative financial instruments		(0.7)	-
Deferred tax liabilities		(95.3)	(111.6)
Other non-current liabilities		(225.8)	(207.1)
Provisions for liabilities and charges		(0.3)	(0.6)
		(1,213.7)	(1,311.4)

Net assets		125.3	163.0
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SHAREHOLDERS' EQUITY

Share capital		0.1	0.1
Share premium		682.9	682.9
Merger reserve		1,200.9	1,200.9
Reverse acquisition reserve		(1,199.9)	(1,199.9)
Hedging reserve		10.8	15.4
Other reserves		5.1	13.1
Retained earnings		(574.6)	(549.5)

Total equity	10	125.3	163.0
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Consolidated Cash Flow Statement

For the financial year ended 30 August 2008

	Note	For the financial year ended:	
		30 August 2008 £m	1 September 2007 £m
Cash flows from operating activities			
Cash generated from operations	11	285.8	311.2
Interest received		4.8	4.3
Interest paid		(71.6)	(70.5)
Tax paid		(27.6)	(17.6)
Net cash generated from operating activities		191.4	227.4
Cash flows from investing activities			
Purchase of property, plant and equipment		(124.9)	(85.2)
Purchase of intangible assets		(4.2)	(11.5)
Proceeds from sale of property, plant and equipment		3.5	0.2
Net cash used in investing activities		(125.6)	(96.5)
Cash flows from financing activities			
Repayment of term loan facility		(100.0)	-
Dividends paid	8	(44.4)	(42.0)
Appropriation - settlement of 'C' Loan Notes		-	(0.2)
Receipt of monies for employee share options		-	0.2
Purchase of shares by Debenhams Retail Employee Trust 2004 ('DRET')		(1.1)	(0.1)
Payments for reduction in outstanding finance lease liability		(0.7)	(0.4)
Capitalised debt issue costs		(1.8)	-
Appropriation by DRET		-	(9.4)
Net cash used in financing activities		(148.0)	(51.9)
Net (decrease)/increase in cash and cash equivalents		(82.2)	79.0
Net cash and cash equivalents at beginning of financial year		79.3	0.3
Net cash and cash equivalents at end of financial year	12	(2.9)	79.3

Notes to the Accounts

At 30 August 2008

1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in the European Union and those parts of the Companies Act 1985 applicable to those companies reporting under IFRS.

The consolidated financial statements have been prepared on the basis of the accounting policies set out in the financial statements of Debenhams plc for the financial year ended 30 August 2008. Accounting policies have been consistently applied.

The financial information set out in this document does not constitute the statutory accounts of the Group for the years ended 30 August 2008 and 1 September 2007 but is derived from the 2008 annual report and financial statements. The annual report and financial statements for 2007, which were prepared under IFRS, have been delivered to the Registrar of Companies and the Group annual report and financial statements for 2008, prepared under IFRS, will be delivered to the Registrar of Companies in due course. The auditors have reported on those accounts and have given an unqualified report which does not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

2 Turnover

The Group has one class of business, retailing, and all material operations are in the UK.

3 Gross transaction value

Revenue from concessions 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, staff discounts and the cost of loyalty scheme points, represents a good guide to the value of the overall activity of the Group.

	30 August 2008 £m	1 September 2007 £m
Gross transaction value	2,336.0	2,305.6

4 Exceptional items

Exceptional items are events or transactions that fall within the activities of the Group and which by virtue of their size or incidence have been disclosed in order to improve a reader's understanding of the financial statements.

	30 August 2008 £m	1 September 2007 £m
Operating exceptional items:		
Acquisition and reorganisation of stores in the Republic of Ireland	-	14.3
Total exceptional items before tax	-	14.3

Financial year ended 1 September 2007

Acquisition and reorganisation of stores in the Republic of Ireland

On 12 September 2006 the Group acquired the business and assets of nine stores from Roches Stores, the total consideration on acquisition of the stores was £30.0 million. Following the acquisition, the Group assigned the existing Dublin store lease (Jervis Street) which resulted in the closure of the store after the year end.

The acquisition of the stores, assignment of the lease and subsequent closure of the Jervis Street store created an accelerated depreciation charge of £6.3 million and redundancy costs of £4.6 million. Marketing, travel, legal and integration costs amounted to £3.4 million. Integration costs included £0.8 million of costs which related to the distribution centre and were charged to distribution costs, all other costs related to the stores and were charged to cost of sales.

5 Interest receivable and similar income

	30 August 2008 £m	1 September 2007 £m
Interest on bank deposits	4.8	4.2

6 Interest payable and similar charges

	30 August 2008 £m	1 September 2007 £m
Bank loans and overdrafts	(67.1)	(65.1)
Amortisation of issue costs on loans	(4.2)	(3.9)
Interest payable on finance leases	(3.0)	(1.8)
Charges arising from ineffective cash flow hedges	(0.7)	-
	(75.0)	(70.8)

7 Taxation

Analysis of tax charge for the financial year	30 August 2008 £m	1 September 2007 £m
Current tax:		
UK corporation tax charge on profit for the year	26.0	33.3
Adjustments in respect of prior periods	(0.2)	(2.4)
Current tax expense	25.8	30.9
Deferred taxation:		
Origination and reversal of timing differences	(3.6)	(4.6)
Pension cost relief in excess of pension charge	7.0	6.1
Adjustments in respect of prior periods – pension costs	-	2.1
Adjustments in respect of prior periods	(0.4)	(0.3)
Deferred tax expense	3.0	3.3
Tax charge for the financial year	28.8	34.2

Tax relating to exceptional items as detailed in note 4 and included in the above tax charge amounted to:

	30 August 2008 £m	1 September 2007 £m
Tax credit relating to:		
Operating exceptional items	-	2.7

8 Dividends

	30 August 2008 £m	1 September 2007 £m
Final paid 3.8 pence (2007: 2.4 pence) per £0.0001 share	32.6	20.5
Interim paid 2.5 pence (2007: 2.5 pence) per £0.0001 share		
Settled in cash	11.8	21.5
Settled in scrip issue	9.7	-
	54.1	42.0

The directors are proposing a final dividend in respect of the financial year ended 30 August 2008 of 0.5 pence per share (2007: 3.8 pence per share), which will absorb an estimated £4.3 million (2007: £32.6 million) of shareholders' funds. It will be paid on 16 January 2009 to shareholders who are on the register of members at close of business on 12 December 2008. No liability is recorded in the financial statements in respect of the final dividend.

9 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the 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	30 August 2008		1 September 2007	
	Basic £m	Diluted £m	Basic £m	Diluted £m
Profit for the financial year after taxation	77.1	77.1	79.0	79.0
	Number m	Number m	Number m	Number m
Weighted average number of shares	861.5	861.5	859.0	859.0
Shares held by ESOP (weighted)	(1.1)	(1.1)	(11.3)	(11.3)
Shares issuable (weighted)	-	-	-	2.4
Adjusted weighted average number of shares	860.4	860.4	847.7	850.1
	Pence per share	Pence per share	Pence per share	Pence per share
Earnings per share	9.0	9.0	9.3	9.3

10 Consolidated statement of changes in shareholders' equity

	30 August 2008 £m	1 September 2007 £m
Opening shareholders' equity	163.0	53.3
Profit for the financial year	77.1	79.0
Currency translation differences	1.3	0.4
Actuarial (loss)/gain in pension schemes	(79.8)	60.7
Movement in deferred tax relating to pension schemes	22.3	(16.5)
Change in valuation of available for sale investment	(9.3)	12.1
Cash flow hedges	(4.6)	13.9
Employee share ownership plans	0.8	1.9
Proceeds from shares options in the DRET	-	0.3
Purchase of treasury shares for DRET	(1.1)	(0.1)
Dividends paid	(54.1)	(42.0)
Shares issued in lieu of dividend	9.7	-
Closing shareholders' equity	125.3	163.0

11 Cash generated from operations

	30 August 2008 £m	1 September 2007 £m
Profit for the financial year	77.1	79.0
Taxation (note 7)	28.8	34.2
Depreciation	87.5	85.7
Accelerated depreciation	0.8	8.2
Amortisation	7.5	7.0
(Profit)/loss on disposal of property, plant and equipment	(3.1)	0.6
Employee options granted during the year	0.8	1.9
Fair value gains on derivative instruments	(3.7)	(1.1)
Net movements in provisions for liabilities and charges	(1.8)	(3.4)
Interest income (note 5)	(4.8)	(4.2)
Interest expense (note 6)	75.0	70.8
Difference between pension charge and contributions paid	(17.5)	(12.8)
Net movement in other non-current liabilities	18.8	46.0
Changes in working capital		
Decrease/(increase) in inventories	7.1	(36.8)
Decrease in trade and other receivables	8.0	1.1
Increase in trade and other payables	5.3	35.0
Cash generated from operations	285.8	311.2

12 Analysis of changes in net debt

	At 1 September 2007 £m	Cash flow £m	Non cash movements £m	At 30 August 2008 £m
Analysis of net debt				
Cash	80.4	(38.3)	-	42.1
Bank overdrafts	(1.1)	(43.9)	-	(45.0)
Cash and cash equivalents	79.3	(82.2)	-	(2.9)
Debt due within one year	(96.4)	100.4	(100.2)	(96.2)
Debt due after one year	(941.6)	1.4	95.9	(844.3)
Finance lease obligations due within one year	(7.4)	0.7	3.4	(3.3)
Finance lease obligations due after one year	(50.4)	-	3.1	(47.3)
	(1,016.5)	20.3	2.2	(994.0)

13 Financial information

The statutory accounts will be filed with the Registrar of Companies and sent to the holders of the Company's listed securities in November. Copies will be available at the Company's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (0870 607 6838), and at the Company's registered office 1 Welbeck Street, London, W1G 0AA from the date of posting.