Debenhams Principles Limited

Directors' Report and Financial Statements

Financial year ended 1 September 2018

Registered number: 6860458

Debenhams Principles Limited

Company Information

Directors	A Darwall
Company secretary	S Carne
Registered office	10 Brock Street Regent's Place London United Kingdom NW1 3FG
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Debenhams Principles Limited

Directors' Report for the financial year ended 1 September 2018

The directors present their report and the audited financial statements for the financial year ended 1 September 2018.

Principal activities

The principal activities of the Company are to hold and licence intellectual property rights.

Group Restructure

On 29 March 2019, a £200 million new money facilities agreement was entered into by Debenhams plc (as borrower) and certain other members of the group including Debenhams Retail Limited (formerly Debenhams Retail plc) and Debenhams Properties Limited (as guarantors). This was secured through fixed and floating charges over substantially all of group's assets, including the Company's assets.

On 9 April 2019 administrators were appointed to Debenhams plc which was followed immediately by a sale of the group, other than Debenhams plc, to Celine UK NewCo 1 Ltd. The underlying operating companies, including the Company, were unaffected and continue to trade as normal. As part of the sale, the new money facilities agreement dated 29 March 2019 was refinanced on substantially similar terms and Debenhams Group Holdings Limited and its subsidiaries (together the new "Debenhams Group") continues to have access to additional funding of £200 million on those terms.

Consistent with the terms of the £200 million new facilities, on 26 April 2019 CVA proposals were launched for Debenhams Retail Limited (formerly Debenhams Retail plc) and Debenhams Properties Limited. Creditor meetings were subsequently held on 9 May 2019 for the purpose of considering the proposals. The requisite proportion of creditors voted to approve both proposals and accordingly the terms of the CVAs became effective on 9 May 2019. At the time of signing the accounts, the CVA proposals are subject to a 28 day challenge period which began on 14 May 2019.

The CVA proposals were part of the group's restructuring and turnaround plan. In conjunction with this, and in addition to the provision of the £200 million additional funding referenced above, certain financial creditors have also agreed between themselves to release liabilities under the group's pre-existing £320 million revolving credit facilities ("RCF") and the £200 million senior notes due 2021 ("Notes") in an aggregate amount equal to £100 million in consideration for the issue of shares in its ultimate parent company (refer note 7). It is currently anticipated that this debt restructuring will be implemented during the financial year ending 31 August 2019.

Key performance indicators

The external commercial environment for the Company is expected to remain challenging in the foreseeable future.

The Company's directors believe that the key performance indicators for the Company are the same as those for the Debenhams plc Group. Irrespective of the subsequent administration of Debenhams plc and the other group restructuring steps described above, these continue to be appropriate for the new Debenhams Group.

Principal risks and uncertainties

This Company's risks are managed at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the Company's risks would not be appropriate for an understanding of the Debenhams Properties Limited's business. The principal risks and uncertainties of Debenhams plc as at 1 September 2018, which at the time included those of the Company, are discussed on pages 32 to 34 of the Debenhams plc annual report which does not form part of this report. Irrespective of the subsequent administration of Debenhams plc and the other group restructuring steps described above, these continue to be relevant for the Company.

Debenhams Principles Limited

Directors' Report for the financial year ended 1 September 2018

Directors of the Company
The directors and officers who held office during the year and to the date of this report were as follows:

M G Smith	Resigned 31 August 2018
P Eardley	Appointed 20 October 2017
	Resigned 7 September 2018
	Appointment 4 January 2019
	Resigned 29 April 2019
R Harrison	Appointed 7 September 2018
	Resignation 4 January 2019
A Darwall	Appointed 29 April 2019

Directors' liabilities
As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Disclosure of information to the auditors

The directors who were members of the board at the time of approving the directors' report are listed above. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware. Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

The Company is in the process of appointing its auditors for the year ended 31 August 2019. PricewaterhouseCoopers LLP will continue in office until the formal resignation process is complete.

Going concern

The financial statements have been prepared on a going concern basis which assumes the Company is able to meet its obligations as they fall due for the foreseeable future.

The group is financed through the provision of £520 million of intercompany loan funding from the Company's former ultimate parent company, Debenhams plc (relating to funding in place prior to the administration of that entity) and intercompany loan funding of £200 million from Celine UK NewCo 1 Limited following 9 April restructuring. These intercompany funding arrangements are subject to intercreditor arrangements agreed with external creditors. The £520 million Debenhams plc funding is linked to underlying external debt issued by Debenhams plc comprising senior notes to a value of £200 million expiring in July 2021 and a £320 million term loan facility expiring in June 2021. Following the administration of Debenhams plc and the simultaneous restructuring of the Debenhams Group of companies as it existed prior to administration on the 9 April 2019 (the "Group"), Celine UK NewCo 1 Limited was the provider of additional intercompany loan funding of £200 million to the Group. This additional £200 million is linked to a £200 million term loan facility entered into by Celine UK NewCo 1 on the 9 April, due to expire in June 2021.

There are a number of material uncertainties that could impact the Company's going concern position over the next 12 months

The £200 million term loan facility signed on 9 April (as subsequently amended) includes the requirement that Debenhams completes a restructuring of its store estate with no challenge outstanding on or before 18 June 2019. In line with this requirement, Debenhams Properties Ltd and Debenhams Retail Ltd (formerly Debenhams Retail plc), each launched respective Company Voluntary Arrangements (in combination the "CVA") on 26 April. Failure to successfully complete the CVA would be an event of default under the terms of the £200 million term loan facility.

Such an event of default would require a waiver from the lenders in order for continued access to the £200 million to be available. In conjunction with the CVA, and in addition to the provision of the £200 million additional funding referenced above, certain financial creditors have also agreed between themselves to release liabilities under the group's pre-existing £320 million revolving credit facilities ("RCF") and the £200 million senior notes due 2021 ("Notes") in an aggregate amount equal to £100 million in consideration for the issue of shares in its ultimate parent company (refer note 7). It is currently anticipated that this debt restructuring will be implemented during the financial year ending 31 August 2019, conditional on the CVA challenge period having elapsed with no proceedings outstanding in relation to the CVAs.

Following the completion of the CVA, the financial covenant package governing the term loan facility and revolving credit facility will be reviewed and agreed with lenders, with the expectation that these will replace the current covenants in place. Until such review and agreement is reached, it is not possible to assess the ability or otherwise of the Group to comply with such covenants.

Going Concern (continued)

As part of the Board's assessment of going concern and ongoing liquidity, forecasts were prepared for the 18 months to October 2020. The Group has been subject to an uncertain and volatile trading environment over the past 2 years, exacerbated by the ongoing organisational restructure of the Group. Forecasts were prepared to include sensitivities relating to a variety of possible trading outcomes to allow the Board to assess the level of liquidity and covenant headroom in each of those scenarios. In addition to these trading scenarios, the forecasts were further sensitised for a number of working capital scenarios, to reflect the impact on liquidity should the Group experience a further and sustained deterioration in associated working capital during the continuing restructure. The forecasts involve estimates of the impact of future trading on EBITDA and working capital (including like-for-like sales, margin, costs, supplier payment terms, and consideration of any impact of Brexit). There are certain scenarios that could arise in the event of continued market volatility and speculation which create further uncertainties regarding the ability of the Group to comply with existing covenants and to operate within the liquidity available from the existing financing arrangements.

Board conclusion

Having assessed the Group's liquidity outlook on the basis of the above projections and sensitivities, the Board concluded that the risks identified around an unsuccessful CVA, failure to agree appropriate covenants, and further downturn in trading conditions and/or tightening of supplier terms which could result in non-compliance with covenants and/or the ability of the Group to operate within the liquidity available from the existing financing arrangements, indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern over the 12 months from the date of signing these accounts.

Whilst recognising the uncertainties of the current retail market and the Group's restructuring, the Directors confirm that, after considering the matters set out above, they have a reasonable expectation that the Company has adequate resources to continue in operational existence for a minimum of 12 months following the signing of these financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Small company provisions

This report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

Approved by the Board on 3 June 2019 and signed by its order by:

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S Carne

Company Secretary

Independent auditors' report to the members of Debenhams Principles Limited

Report on the audit of the financial statements

Opinion

In our opinion, Debenhams Principles Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 1 September 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 1 September 2018; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The forecast for the Group for the 18 months from the approval of these financial statements contains assumptions over the outcome of the recently launched Company Voluntary Arrangement ('CVA') process, trading and working capital performance in order to comply with existing covenants, the covenant package that will be agreed on completion of the CVA and the liquidity available to the group. Each of these items is subject to a level of uncertainty.

The latest £200m term loan facility includes a requirement that Debenhams completes a restructuring of its store estate, which the Group is addressing through the launch of the CVA process. Failure to complete the CVA process successfully will be considered an event of default under the term loan facility, resulting in an accelerated repayment (unless otherwise waived by the lenders).

Following the completion of the CVA, the financial covenant package governing the term loan facility and revolving credit facility will be reviewed and agreed with lenders, with the expectation that these will replace the current covenants in place. Until such review and agreement is reached, it is not possible to assess the ability or otherwise of the Company to comply with such covenants.

Furthermore, if EBITDA declines beyond management's downside scenario due to trading conditions, external market conditions (including any potential impacts relating to the UK's exit from the European Union) and/or supplier payment terms are reduced significantly, without effective mitigating action being taken, this would result in a risk that the Company will not have sufficient liquidity within its existing financing arrangements to meet its obligations as they fall due and/or not comply with existing covenants.

These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Independent auditors' report to the members of Debenhams Principles Limited

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 1 September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Independent auditors' report to the members of Debenhams Principles Limited

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 June 2019

Income Statement
for the financial year ended 1 September 2018

	Note	52 weeks ended 1 September 2018 £	52 weeks ended 2 September 2017 £
Administrative expenses		(4,980)	(5,000)
Loss before taxation	2	(4,980)	(5,000)
Tax on loss	3	-	-
Loss and total comprehensive expense for the financial year		(4,980)	(5,000)

All items in the income statement relate to continuing operations.

The notes on pages 12 to 17 form an integral part of these financial statements.

Debenhams Principles Limited

(Registered number: 6860458)

Balance Sheet as at 1 September 2018

	Note	1 September 2018 £	2 September 2017 £
Fixed assets			
Intangible assets	4	6,270	11,250
		6,270	11,250
Current assets			
Trade and other receivables	5	8,669	8,669
Net current assets		8,669	8,669
Net assets		14,939	19,919
Equity			
Called up share capital	6	1	1
Share premium account		49,999	49,999
Profit and loss account		(35,061)	(30,081)
Total shareholders' funds		14,939	19,919

The notes on pages 12 to 17 form an integral part of these financial statements.

Approved by the Board of Directors on 3 June 2019 and signed on its behalf by:

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A Darwall

Director

Debenhams Principles Limited

(Registered number: 6860458)

Statement of Changes in Equity
For the financial year ended 1 September 2018

	Share capital £	Share premium account £	Profit and loss account £	Total shareholders' funds £
At 3 September 2016	1	49,999	(25,081)	24,919
Loss and total comprehensive expense for the financial year	-	-	(5,000)	(5,000)
At 2 September 2017	1	49,999	(30,081)	19,919
Loss and total comprehensive expense for the financial year	-	-	(4,980)	(4,980)
At 1 September 2018	1	49,999	(35,061)	14,939

The notes on pages 12 to 17 form an integral part of these financial statements.

Debenhams Principles Limited

Notes to the Financial Statements for the financial year ended 1 September 2018

1 Accounting policies

Basis of preparation

Debenhams Principles Limited is a company incorporated and domiciled in the United Kingdom. The nature of the Company's operations and its principal activities are set out in the Directors' Report on page 2.

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101 "Reduced disclosure framework" (FRS 101). The accounting policies as described below have been consistently applied to all financial years presented. The financial statements have been prepared in accordance with FRS 101. The financial statements have been prepared in a going concern basis under the historical cost convention and in accordance with the Companies Act 2006. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

FRS 101 enables the financial statements of the company to be prepared in accordance with EU-adopted IFRS but with certain disclosure exemptions. The main areas of reduced disclosure are in respect of financial instruments, the cash flow statement and related party transactions with Group companies. When required, equivalent disclosures are given in the consolidated financial statements of Debenhams plc. The group financial statements of Debenhams plc are available to the public and can be obtained as set out in note 7.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercises its judgement in the process of applying the Company's accounting policies.

The Company prepares its financial statements for the financial year ended on the nearest Saturday to 31 August of a given calendar year.

Going concern

The financial statements have been prepared on a going concern basis which assumes the Company is able to meet its obligations as they fall due for the foreseeable future.

The group is financed through the provision of £520 million of intercompany loan funding from the Company's former ultimate parent company, Debenhams plc (relating to funding in place prior to the administration of that entity) and intercompany loan funding of £200 million from Celine UK NewCo 1 Limited following 9 April restructuring. These intercompany funding arrangements are subject to intercreditor arrangements agreed with external creditors. The £520 million Debenhams plc funding is linked to underlying external debt issued by Debenhams plc comprising senior notes to a value of £200 million expiring in July 2021 and a £320 million term loan facility expiring in June 2021. Following the administration of Debenhams plc and the simultaneous restructuring of the Debenhams Group of companies as it existed prior to administration on the 9 April 2019 (the "Group"), Celine UK NewCo 1 Limited was the provider of additional intercompany loan funding of £200 million to the Group. This additional £200 million is linked to a £200 million term loan facility entered into by Celine UK NewCo 1 on the 9 April, due to expire in June 2021.

There are a number of material uncertainties that could impact the Company's going concern position over the next 12 months

The £200 million term loan facility signed on 9 April (as subsequently amended) includes the requirement that Debenhams completes a restructuring of its store estate with no challenge outstanding on or before 18 June 2019. In line with this requirement, Debenhams Properties Ltd and Debenhams Retail Ltd (formerly Debenhams Retail plc), each launched respective Company Voluntary Arrangements (in combination the "CVA") on 26 April. Failure to successfully complete the CVA would be an event of default under the terms of the £200 million term loan facility.

1 Accounting policies

Going Concern (continued)

Such an event of default would require a waiver from the lenders in order for continued access to the £200 million to be available. In conjunction with the CVA, and in addition to the provision of the £200 million additional funding referenced above, certain financial creditors have also agreed between themselves to release liabilities under the group's pre-existing £320 million revolving credit facilities ("RCF") and the £200 million senior notes due 2021 ("Notes") in an aggregate amount equal to £100 million in consideration for the issue of shares in its ultimate parent company (refer note 7). It is currently anticipated that this debt restructuring will be implemented during the financial year ending 31 August 2019, conditional on the CVA challenge period having elapsed with no proceedings outstanding in relation to the CVAs.

Following the completion of the CVA, the financial covenant package governing the term loan facility and revolving credit facility will be reviewed and agreed with lenders, with the expectation that these will replace the current covenants in place. Until such review and agreement is reached, it is not possible to assess the ability or otherwise of the Group to comply with such covenants.

As part of the Board's assessment of going concern and ongoing liquidity, forecasts were prepared for the 18 months to October 2020. The Group has been subject to an uncertain and volatile trading environment over the past 2 years, exacerbated by the ongoing organisational restructure of the Group. Forecasts were prepared to include sensitivities relating to a variety of possible trading outcomes to allow the Board to assess the level of liquidity and covenant headroom in each of those scenarios. In addition to these trading scenarios, the forecasts were further sensitised for a number of working capital scenarios, to reflect the impact on liquidity should the Group experience a further and sustained deterioration in associated working capital during the continuing restructure. The forecasts involve estimates of the impact of future trading on EBITDA and working capital (including like-for-like sales, margin, costs, supplier payment terms, and consideration of any impact of Brexit). There are certain scenarios that could arise in the event of continued market volatility and speculation which create further uncertainties regarding the ability of the Group to comply with existing covenants and to operate within the liquidity available from the existing financing arrangements.

Board conclusion

Having assessed the Group's liquidity outlook on the basis of the above projections and sensitivities, the Board concluded that the risks identified around an unsuccessful CVA, failure to agree appropriate covenants, and further downturn in trading conditions and/or tightening of supplier terms which could result in non-compliance with covenants and/or the ability of the Group to operate within the liquidity available from the existing financing arrangements, indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern over the 12 months from the date of signing these accounts.

Whilst recognising the uncertainties of the current retail market and the Group's restructuring, the Directors confirm that, after considering the matters set out above, they have a reasonable expectation that the Company has adequate resources to continue in operational existence for a minimum of 12 months following the signing of these financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

1 Accounting policies

Administrative expenses

Administrative expenses are recognised on an accruals basis.

Taxation

Taxation expense represents the sum of current tax and deferred tax. Taxation which relates to items recognised in other comprehensive income or equity is recognised in other comprehensive income or equity respectively.

Current tax is based on taxable profits for the financial year using tax rates that are in force during the year. 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 financial 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 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.

Intangible assets

Intangible assets are stated at historical purchase cost less accumulated amortisation.

Intangible assets are subject to impairment reviews if there is an indication of impairment. Any impairment is recognised in the profit and loss account in the year in which it occurs.

Amortisation is provided on intangible fixed assets as follows:

Asset class	Amortisation method and rate
Patents	Straight-line basis 10%

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently held at amortised cost less provisions for impairment. A provision for impairment of trade receivables is established when there is evidence that the Company 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.

2 Loss before taxation

Loss before taxation is stated after charging amortisation of £4,980 (2017: £5,000).
Auditors' remuneration is borne by another group company in the current and prior year.

The directors did not receive any emoluments for their services as directors to the Company (2017: £nil). The employment contracts for all directors are held by Debenhams plc and their emoluments are disclosed in the financial statements of that company. It has not been possible to allocate their emoluments between group companies.

During the financial year there were no employees (2017: none).

3 Tax on loss

	52 weeks ended 1 September 2018 £	52 weeks ended 2 September 2017 £
Current taxation		
Corporation tax credit	-	-

Factors affecting current tax credit for the period

Tax on the loss for the year is higher than (2017 – higher than) the standard rate of corporation tax in the UK of 19.0% (2017 – 19.6%).

The differences are reconciled below:

	52 weeks ended 1 September 2018 £	52 weeks ended 2 September 2017 £
Loss before taxation	(4,980)	(5,000)
Corporation tax at standard rate	(946)	(980)
Group relief for nil consideration	986	946
UK transfer pricing adjustments	(40)	34
	-	-
Total tax credit	-	-

The Finance Act 2016, which was enacted on 15 September 2016, included legislation to reduce the main rate of corporation tax to 17.0% from 1 April 2020.

4 Intangible assets

	Intellectual property £	Total £
Cost		
At 2 September 2017	50,000	50,000
At 1 September 2018	50,000	50,000
Accumulated amortisation		
At 2 September 2017	38,750	38,750
Charge for the year	4,980	4,980
At 1 September 2018	43,730	43,730
Net book value		
At 1 September 2018	6,270	6,270
At 2 September 2017	11,250	11,250

5 Trade and other receivables

	1 September 2018 £	2 September 2017 £
Amounts owed by group undertakings	8,669	8,669

Amounts owed by group undertakings are unsecured, have no fixed repayment dates of redemption, are non-interest bearing and are repayable on demand.

6 Called up share capital

Allotted, called up and fully paid shares

	1 September 2018		2 September 2017	
	Number	£	Number	£
Ordinary shares of £1 each	1	1	1	1

7 Control

The immediate parent undertaking is Debenhams Retail Limited (formerly Debenhams Retail plc) incorporated in the United Kingdom.

Until 9 April 2019, Debenhams plc was the ultimate parent undertaking and is a company incorporated in the United Kingdom. On 9 April 2019 administrators were appointed to Debenhams plc which was followed immediately by a sale of the group, other than Debenhams plc, to Celine UK NewCo 1 Ltd. As at 9 April 2019 the ultimate parent undertaking and controlling party became Celine Jersey TopCo Limited which is incorporated in Jersey.

At 1 September 2018 the Company was a wholly owned subsidiary of Debenhams plc and is included in that company's consolidated financial statements, which are publicly available. Copies of the financial statements of Debenhams plc can be obtained by writing to the Company Secretary at 334 - 348 Oxford Street London W1C 1JG.

8 Post balance sheet events

Administration

On 29 March 2019, a £200 million new money facilities agreement was entered into by Debenhams plc (as borrower) and certain other members of the group and Debenhams Retail Limited (formerly Debenhams Retail plc) (as guarantor). This was secured through fixed and floating charges over substantially all of group's assets, including the Company's assets.

On 9 April 2019 administrators were appointed to Debenhams plc which was followed immediately by a sale of the group, other than Debenhams plc, to Celine UK NewCo 1 Ltd. The underlying operating companies, including the Company, were unaffected and continue to trade as normal. As part of the sale, the new money facilities agreement dated 29 March 2019 was refinanced on substantially similar terms and Debenhams Group Holdings Limited and its subsidiaries (together the "Debenhams Group") continues to have access to additional funding of £200 million on those terms.

Company Voluntary Arrangement ("CVA")

Consistent with the terms of the above mentioned £200 million new facilities, on 26 April 2019 CVA proposals were launched for Debenhams Retail Limited (formerly Debenhams Retail plc) and Debenhams Properties Limited. Creditor meetings were subsequently held on 9 May 2019 for the purpose of considering the proposals. The requisite proportion of creditors voted to approve both proposals and accordingly the terms of the CVAs became effective on 9 May 2019. At the time of signing the accounts, the CVA proposals are subject to a 28 day challenge period which began on 14 May 2019.

The CVA proposals were part of the Company's restructuring and turnaround plan. In conjunction with this, and in addition to the provision of the £200 million additional funding referenced above, certain financial creditors have also agreed between themselves to release liabilities under the group's pre-existing £320 million revolving credit facilities ("RCF") and the £200 million senior notes due 2021 ("Notes") in an aggregate amount equal to £100 million in consideration for the issue of shares in its ultimate parent company (refer note 7). It is currently anticipated that this debt restructuring will be implemented during the financial year ending 31 August 2019, conditional on the CVA challenge period having elapsed with no proceedings outstanding in relation to the CVAs