

AM03

Notice of administrator's proposals



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1 Company details

Company number 0 5 4 4 8 4 2 1

Company name in full DEBENHAMS PLC (IN ADMINISTRATION)

→ Filling in this form
Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) CHAD

Surname GRIFFIN

3 Administrator's address

Building name/number FTI CONSULTING LLP

Street 200 ALDERSGATE
ALDERSGATE STREET

Post town LONDON

County/Region

Postcode E C 1 A 4 H D

Country UNITED KINGDOM

4 Administrator's name

Full forename(s) SIMON

Surname KIRKHOPE

① Other administrator
Use this section to tell us about
another administrator.

5 Administrator's address

Building name/number FTI CONSULTING LLP

Street 200 ALDERSGATE
ALDERSGATE STREET

Post town LONDON

County/Region

Postcode E C 1 A 4 H D

Country UNITED KINGDOM

② Other administrator
Use this section to tell us about
another administrator.

AM03

Notice of Administrator's Proposals

6 Statement of proposals



I attach a copy of the statement of proposals

7 Sign and date

Administrator's
Signature

Signature

✕



✕

Signature date

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Continuation page

Name and address of insolvency practitioner

✓ **What this form is for**
Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. Attach this to the relevant form. •
Use extra copies to tell us of additional insolvency practitioners.

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1 Appointment type

Tick to show the nature of the appointment:

- ☒ Administrator
- ☐ Administrative receiver
- ☐ Receiver
- ☐ Manager
- ☐ Nominee
- ☐ Supervisor
- ☐ Liquidator
- ☐ Provisional liquidator

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- CVA1, CVA3, CVA4
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- REC1, REC2, REC3
- LIQ02, LIQ03, LIQ05, LIQ13, LIQ14,
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s) ANDREW

Surname JOHNSON

3 Insolvency practitioner's address

Building name/number FTI CONSULTING LLP

Street 200 ALDERSGATE

ALDERSGATE STREET

Post town LONDON

County/Region

Postcode E C 1 A 4 H D

Country UNITED KINGDOM

AM03 Notice of Administrator's Proposals



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Contact name	MATTHEW MOSS
Company name	FTI CONSULTING LLP
Address	200 ALDERSGATE
ALDERSGATE STREET	
Post town	LONDON
County/Region	
Postcode	E C 1 A 4 H D
Country	UNITED KINGDOM
DX	
Telephone	020 3727 1135



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JOINT ADMINISTRATORS' PROPOSALS

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Glossary

Abbreviation / Term	Meaning / Definition
Act	Insolvency Act 1986 (as amended)
Administration	The administration of the Company
Appointment date	9 April 2019
Joint Administrators / we / our / Administrators	Chad Griffin, Simon Kirkhope, Andrew Johnson
BEIS	Department for Business, Energy & Industrial Strategy
BDO	BDO LLP
Bridge Loan	A £40m secured bridge loan provided to the Company in February 2019
the Company	Debenhams plc
CDDA	Company Directors Disqualification Act 1986
CVL	Creditors Voluntary Liquidation
DGHL	Debenhams Group Holdings Limited, a subsidiary within the Group
DRIL	Debenhams Retail Ireland Limited, a subsidiary within the Group
EGM	Extraordinary General Meeting
FTI	FTI Consulting LLP
Group	Direct and indirect subsidiaries of the Company
HMRC	HM Revenue & Customs
ICAEW	Institute of Chartered Accountants in England & Wales
Lazard	Lazard & Co., Ltd, an international financial advisory and asset management firm
LSE	London Stock Exchange plc
NDA	Non Disclosure Agreement
Magasin du Nord	Danish chain of department stores, a subsidiary within the Group
Newco	Celine UK Newco 1 Limited
New Money Facilities Agreement	£200m refinancing of the Company agreed on 29 March 2019

Notes	£200m 5.25% GBP Notes due 2021
Preferential Creditors	Principally employee claims for unpaid wages (max £800 per employee), holiday pay, and certain unpaid pension contributions
Prescribed Part	Amount set aside for unsecured creditors from floating charge net realisations in accordance with S.176A of the Act
RCF	£320m Revolving Credit Facility
Retail	Debenhams Retail Limited
RPS	Redundancy Payments Service
Rules	Insolvency (England and Wales) Rules 2016 (as amended)
Sch B1	Schedule B1 to the Act
SDI	Sports Direct International plc
SIP	Statement of Insolvency Practice
SIP 2	Statement of Insolvency Practice 2 - Investigations by office holders in administration and insolvent liquidations
SIP 16 Report	SIP 16 Disclosure as at Appendix H
Transaction	The 9 April 2019 sale of the Company's entire interest in the Group (together with other assets) to Newco
the Lenders	The RCF Lenders and an ad hoc group of its largest Noteholders
Threshold Value	The requirement that interested party bids are sufficient to allow for the full repayment of the Group's debt (£520m in respect of the RCF and the Notes plus, amongst other things, secured pension obligations and amounts drawn under the New Money Facilities Agreement)

1. Executive Summary

Summary of Key Matters

Key Topic	Commentary
Nature of Business:	<ul style="list-style-type: none">The Company was the ultimate holding company of the Group, a well-established UK department store business with 166 UK stores, online business and an international presence.
Principal Realisable Assets:	<ul style="list-style-type: none">The principal asset of the Company was its shares in DGHL (see SIP16 report Appendix H for a Group structure diagram).As set out within our SIP16 report, we sold the shares in DGHL and other subsidiaries, together constituting the Company's entire interest in the Group, to Newco. Newco is an entity owned by certain of the Lenders.
Estimated Recovery: Secured Creditors	<ul style="list-style-type: none">The Company's secured debt comprised £101.25m principal drawn of a £200m New Money Facilities Agreement, as at the Administration date the secured liability (including interest) was £101.81m.The form of consideration paid by Newco for the Transaction was a discharge of £101.81m of the New Money Facilities Agreement.Therefore, no secured debt remains in the Company, as it has been repaid from the Transaction.
Estimated Recovery: Preferential Creditors	<ul style="list-style-type: none">As at the Administration date, the Company had no employees. We are not aware of any Preferential Creditors.
Estimated Recovery: Unsecured Creditors	<ul style="list-style-type: none">Based on current information, we do not expect a return for unsecured creditors from the Administration of the Company.
Estimated Recovery: Shareholders	<ul style="list-style-type: none">Prior to the Administration, the Company's shares were listed on the main market of the LSE. We do not anticipate any return for shareholders.
Decision Procedures	<ul style="list-style-type: none">No decision procedure is required in relation to the approval of the Proposals.However, we are seeking a decision from creditors on whether they wish to form a creditors committee ("the Committee"). Should creditors wish to form a Committee they are also asked for nominations on who they would wish to act as members.
Date Proposals Delivered:	<ul style="list-style-type: none">The proposals were issued to all known creditors on 28 May 2019 using https://www.fticonsulting-emea.com/cip/debenhams-plc. All known creditors had been informed that future documentation relating to the Administration would be placed on the above website without further notice to creditors.

Lazard Sale Process

- 1.1 As detailed in the SIP 16 Report, the Transaction included provisions to ensure that the Group was immediately marketed for sale. The purpose of this was to determine for the Company's benefit whether there was a bidder that would buy the Group for a price that would repay the financial debt and secured pension liabilities in full and therefore potentially yield a return for shareholders.
- 1.2 The first-round deadline for indicative bids in the sale process was 2 May 2019. Two offers were received by this deadline, one of which related solely to the acquisition of Magasin du Nord and one that related to the acquisition of the Group as a whole. Both offers were significantly below the Threshold Value and as such the Joint Administrators could not compel Newco to accept either offer. We understand that Newco rejected both proposals.

Stakeholder Messages

- 1.3 We summarise below the key messages to the Company's stakeholders:
 - **Unsecured Creditors:**
 - **RCF:** The Company has £320m of principal unsecured RCF liabilities. No return to the RCF creditors is currently anticipated from the Administration. However, the Transaction preserved the possibility of the future repayment of the RCF liabilities by Group entities from future trading and other corporate activities. No repayment of the RCF liabilities by Group entities has taken place since the Administration.
 - **Notes:** The Company has £200m of principal unsecured liabilities in respect of 5.25% Notes due 2021 which are listed on the Irish Stock Exchange. No return to the holders of the Notes is currently anticipated from the Administration of the Company. However, as with the RCF, the Transaction preserved the possibility of the future repayment of the Notes by Group entities from future trading and other corporate activities.
 - **Other unsecured creditors:** Certain other creditors have unsecured claims against the Company. No return to other unsecured creditors is currently anticipated from the Administration of the Company.
 - **Shareholders:** Given the shortfall to the Company's unsecured creditors, no returns will be available to the Company's shareholders.
- 1.4 Stakeholders with contractual relationships with the Group rather than the Company are not impacted by the Company's Administration. This includes the Group's UK landlords, trade suppliers and employees.
- 1.5 At Appendix F is the "Notice of Invitation to form a Creditors' Committee" and a form for creditors to complete should they choose to participate, this provides creditors with the opportunity to determine whether they would like a committee formed, and to nominate who they would wish to act as a member of the Committee.

2. Introduction and Background

Introduction

- 2.1 On 9 April 2019 the Company entered administration and the Joint Administrators were appointed. This report is required by legislation and is intended to provide creditors with an overview of why the Company entered administration, the purpose of the Administration, how we propose to achieve this and the progress to date.
- 2.2 Also on 9 April 2019, creditors and other key stakeholders were provided with the Joint Administrators' SIP 16 Report. This set out in detail information relating to the Company's background and details surrounding the Transaction. These proposals should be read in conjunction with the SIP 16 Report, see Appendix H.

- 2.3 The SIP 16 report sets out why we considered it was appropriate to circulate these proposals some time after the SIP 16 Report, this was as we considered it appropriate to report on the marketing process in these proposals, as the outcome of this process determined whether unsecured creditors or shareholders would receive a return during the Administration.

Background

- 2.4 The Company was the ultimate owner of the Group. The Group is a well-established department store business with a history dating back to 1778.
- 2.5 For further information on the background to the Company being placed into Administration. Please refer to our SIP 16 Report.

Financial Background

- 2.6 We have set out below a summary of the Group's Profit & Loss during the past three financial years.

Debenhams plc (In Administration) - Group Historical Profit & Loss			
£m	FY 2016	FY 2017	FY 2018
Revenue	2,342	2,335	2,277
Cost of Sales	(2,040)	(2,046)	(2,045)
Gross Profit/Loss	302	289	232
<i>Gross Margin</i>	<i>13%</i>	<i>12%</i>	<i>10%</i>
Distribution costs	(115)	(125)	(134)
Administrative Expenses	(56)	(57)	(55)
Exceptional items	(12)	(36)	(525)
Operating Profit/(Loss)	119	71	(482)
<i>Operating Margin</i>	<i>5%</i>	<i>3%</i>	<i>-21%</i>

Source: Company Statutory Accounts, the Company's year end is 1 September

- 2.7 The Group's balance sheet and liquidity had become extremely stretched with increasing levels of debt and with significant lease liabilities. The Group incurred significant non-cash one-off costs in 2018, with exceptional items totaling £525m, largely relating to Goodwill impairments and asset write-offs.
- 2.8 As a consequence of the deteriorating financial performance, during the second half of 2018 the Company and the Group hired advisors to assess restructuring options for placing the Group on a sustainable footing. At the end of 2018 the Company and the Group entered into discussions with their Lenders around their willingness to provide new money facilities and to support a wider restructuring.
- 2.9 During February/March 2019 the Group had obtained additional funding from its Lenders. Initially a £40m secured Bridge Loan was provided to the Company as borrower in February 2019.
- 2.10 On 29 March 2019 the New Money Facilities Agreement was entered into. This provided for an immediate drawdown by the Company of £101.25m under Facility A of the New Money Facilities Agreement, which refinanced the Bridge Loan, funded certain fees and provided additional working capital to the Group to address its immediate financing needs. However, Facility A alone provided insufficient liquidity to enable the Company to trade in the long term, instead enabling additional time for an agreement to be reached in relation to the Company's funding needs that would enable the release of Facility B of the New Money Facilities.
- 2.11 Facility B of the New Money Facilities Agreement, amounting to £98.75m, was to be made available to Retail. However, its utilisation was subject to certain conditions. These conditions allowed Retail the ability to utilise Facility B only in circumstances in which:

- (i) SDI announced a firm intention to make an offer for the Group and made arrangements satisfactory to the Lenders for the financing of the Group's working capital requirements and the repayment of any

amounts drawn under Facility A of the New Money Facilities Agreement, the RCF and the Notes, which would become due and payable as a result of the change of control provisions that would be triggered by such offer; or

- (ii) SDI withdrew its request for an EGM, entered into a stabilisation agreement satisfactory to the Lenders and agreed to either underwrite a £200m rights issue by the Company or provide a £200m long dated subordinated debt instrument.

- 2.12 Despite receiving a number of financing and/or potential acquisition proposals from SDI between December 2018 and April 2019, the Company and the Lenders determined that the relevant conditions to the utilisation of Facility B of the New Money Facilities Agreement had not been met and accordingly, Retail was unable to draw upon Facility B. An alternative condition provided, however, that Retail could utilise Facility B if the Group were to be owned by a newly incorporated vehicle acceptable to the majority of the Lenders under the New Money Facilities Agreement. In this scenario, the rest of the Group would have access to liquidity but not the Company.
- 2.13 In the circumstances and following a request from the Facility Agent under the New Money Facilities Agreement to confirm whether or not it was insolvent, on 8 April 2019 the Company's board concluded that the Company was insolvent and that losses to creditors would be minimised by facilitating the Transaction in order to protect the rest of the Group's access to liquidity and therefore both the Company's and the Group's creditors.
- 2.14 Upon the Company's admission of insolvency and the Company's invitation to the secured lenders to appoint the Joint Administrators, the lenders under the New Money Facilities Agreement took the necessary steps to place the Company into Administration.

3. Conduct of the Administration

Purpose of the Administration

- 3.1 The purpose of an administration must be to achieve one of the following statutory objectives:
- a. rescuing the Company as a going concern;
 - b. achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration); or
 - c. realising property in order to make a distribution to one or more secured or Preferential Creditors.
- 3.2 Given the situation, in particular the quantum of the Group's debt and its funding requirements, we concluded that it was not possible to rescue the Company as a going concern.
- 3.3 Therefore the purpose of the Administration is statutory objective b), Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration).
- 3.4 Full details of our rationale for choosing statutory purpose b) is set out in the SIP 16 Report (Appendix II, Section 3) which also covers the proposed actions to be undertaken in pursuit of this objective.

Sale Process

- 3.5 Our SIP 16 Report sets out full details of the Transaction.
- 3.6 The consideration due from Newco in respect of the Transaction was £101.81m. Newco acquired the Group subject to £520m of financial debt (being liabilities of the Company that had been guaranteed by entities within the Group) and all of the Group's pension obligations (which included secured obligations of £60m).
- 3.7 The Transaction included provisions to ensure that the Group was immediately marketed for sale. This was to determine for the Company's benefit whether there was a bidder, with the benefit of a marketing process run on a stabilised platform, that would buy the Group for a price that would repay the financial debt and secured pension

liabilities in full and thus potentially yield a return for shareholders. This process has now taken place and no such bidder has emerged, the sale process is further summarised below.

- 3.8 Lazard were engaged by the Group to run the sale process. They identified over 70 potential interested parties to approach, this included both financial investment purchasers and strategic purchasers, and both UK and international parties. Lazard launched the process on 10 April 2019 (having undertaken significant preparatory work in advance of this) and set a deadline for first round indicative bids of 2 May 2019.
- 3.9 The process letter issued by Lazard to potential interested parties provided details of the Threshold Value. To the extent that bids received were over the Threshold Value and fully funded (i.e. no assumption of debt rollover) then under the terms of the Transaction the Joint Administrators could require that Newco accept the offer and account to the Company for sums received in excess of the Threshold Value. Bids below the Threshold Value were to be considered by Newco in its sole discretion.
- 3.10 A total of fifteen parties signed a NDA during the process and two bids were received, one relating solely to Magasin du Nord and one for the acquisition of the entire Group. Both offers were significantly below the Threshold Value and Newco rejected both proposals.

Transaction Consideration

- 3.11 The sale and purchase agreement that gave effect to the Transaction (the "SPA") apportioned almost all of the consideration to the Company's receivables (which were stated as being sold for their face value) and the Company's shares in DGHL (to which the remainder of the consideration was apportioned).
- 3.12 At the time of completion of the Transaction, no receivables had been identified, such that the face value of the receivables was thought to be nil. However, following completion of the Transaction, receivables of £765,970 have been identified. An allocation of consideration table, which reflects this further information is set out below:

Company name	Anticipated Consideration (£) per the SIP 16	Consideration (£) at circulation date
Baroness Group Holdings Limited	1	1
BF III Limited	1	1
Debenhams Group Holdings Limited	101,807,520	101,041,551
Debenhams Finance Holdings Limited	1	1
Jerimain Investments Limited	1	1
1 Share in Debenhams Retail Limited	1	1
Trade and other debtors	1	765,970
Benefit of certain insurance policies	1	1
The Other Assets	1	1
Contracts	1	1
Total	101,807,529	101,807,529

- 3.13 An amount in excess of £765,970 has been drawn by the Company under an administration funding agreement. These funds are available for the payment of the expenses of the Administration and (to the extent funds remain after the deduction of expenses) distributions via the Prescribed Part.

Listing and Shareholder Enquiries

- 3.14 Prior to the Administration, the Company's ordinary shares were listed on the LSE Main Market. On 9 April 2019, the Company announced that these ordinary shares had been suspended from trading.
- 3.15 The Company announced on 10 April 2019 that the listing of the Company's ordinary shares on the Official List of the Financial Conduct Authority had been cancelled. The Company's ordinary shares ceased to be admitted to trading on the LSE's Main Market for listed securities with effect from the same date.

- 3.16 The Joint Administrators have liaised with the share registrars and taken the necessary steps to ensure that all Company trades have settled.
- 3.17 A short-term contract has also been entered into with the share registrar to assist with the maintenance of the Company's share register, to make payment of unclaimed dividends and to (in the unlikely event that a distribution becomes payable to shareholders) assist with payment of dividends.
- 3.18 The Joint Administrators' staff have received a number of shareholder enquiries which they have responded to.

Investigations

- 3.19 We have commenced our review of relevant information in respect of the Company and its Directors in order to assess whether there are any realisable assets in accordance with SIP 2.
- 3.20 The data gathered from our initial investigations will assist with our statutory duties pursuant to the CDDA. We are obliged to review the conduct of all directors who served in respect of the Company in the 3-year period prior to the date of the Administration.
- 3.21 Should any creditors have any further relevant information in relation to directors' conduct, they should provide details in writing to the Joint Administrators. This request forms part of our normal investigations into directors' conduct and does not imply any criticism of the directors in this particular case. The content of our reports in relation to this are confidential and must be submitted to BEIS within three months of our appointment as Joint Administrators.

Taxation

- 3.22 Prior to the Administration the Company was a member of a VAT group. Following the Joint Administrators' appointment it has now been removed as a member of the VAT group. No costs other than professional fees are anticipated to be incurred during the Administration and VAT in respect of these is anticipated to be recoverable.
- 3.23 We have notified HMRC of our appointment and in due course appropriate filings will be made to support the Company's Corporation Tax and VAT positions up to the date of the Administration.
- 3.24 A review of whether there were any tax consequences arising from the Transaction was undertaken as part of the contingency planning prior to the Transaction and it was confirmed that there would be no tax liabilities as a result of the Transaction. Post appointment corporation tax returns will be prepared and filed in due course.
- 3.25 Prior to the Administration the Company was registered for VAT in Ireland, this was in respect of VAT charged on invoices to its Irish subsidiary, DRIL. These invoices related to the subleasing of the Company's Irish properties where the Company was the lessor in respect of the head lease. We understand there was an outstanding liability due to the Company's Irish tax authorities as at the date of appointment, which ranks as an unsecured claim.

Media

- 3.26 The Administration of the Company has generated significant levels of media coverage and inbound media enquiries.
- 3.27 FTI's Strategic Communications team has been dealing with proactive and reactive press statements and inbound media enquiries.

Irish Leases

- 3.28 There were 11 Irish leases in the name of the Company and the premises were occupied by DRIL. These leases are not required for achieving the purpose of the Administration and any liabilities of the Company in respect of them will rank as unsecured claims.

- 3.29 Post Administration rent due in respect of the Irish leases has been paid by DRIL, which continues to occupy the premises.

GDPR

- 3.30 The Joint Administrators have been in receipt of a small number of GDPR subject access requests relating to the Company.
- 3.31 It is incumbent upon the Joint Administrators to provide the relevant data to those individuals making the requests in compliance with the relevant GDPR legislation. The necessary steps to meet those requests are therefore being taken.

Administrators' Receipts and Payments

- 3.32 A full receipts and payments account for the Administration during the period covered by this report is provided at Appendix E.

Administrators' Remuneration

- 3.33 Full details relating to the Administrators' proposed remuneration are set out at Appendix D. The Administrators are inviting the formation of the Committee and the approval of the Administrators' fees will be a matter for the Committee in the event that one is formed.

Remaining Steps

- 3.34 The remaining steps that need to be taken ahead of concluding the Administration include:
- Investigate, and as appropriate pursue, any claims that may lead to additional funds in the estate.
 - Report on the Directors' conduct as required under the CDDA.
 - Undertake actions that may be required in connection with a financial restructuring of the Group.
 - Enter into any necessary documentation regarding perfection of the transfer of the Company's interest in the agreements to which it was party, including the Irish leases.
 - Resolve any taxation/VAT issues including submission of appropriate post-appointment returns.
 - Respond to the third party GDPR requests and external enquiries raised by creditors and shareholders of the Company.
 - Report to the Committee (in the event that one is formed), and comply with statutory reporting requirements.
 - Take the required steps to bring the Administration to its conclusion.

4 Directors' Statement of Affairs

- 4.1 A copy of the Directors' statement of affairs is enclosed at Appendix I, the purpose of the statement of affairs is to set out the financial position of the Company as at the Administration date. A copy of the shareholder listing provided by the Directors will be made available within the Statement of Affairs which will shortly be published at Companies House.

5 Estimated Outcomes

- 5.1 The Company's creditors as at the date of Administration comprised:
- £101.81m of secured liabilities pursuant to the New Money Facilities Agreement (this security has now been fully discharged)

- Unsecured creditors as follows:
 - £320m principal due to RCF lenders also guaranteed by the Company's largest subsidiaries;
 - £200m Notes also guaranteed by the Company's largest subsidiaries;
 - £636m of intercompany payables owed to the Company's subsidiaries
 - £106m lease liabilities due in respect of the Irish properties
 - £777k of outstanding VAT due to the Irish tax authorities
 - A small balance of outstanding trade creditors and accruals

Secured Creditors

5.2 As at the Administration date, the secured liability (including interest) was £101.81m. The form of consideration paid by Newco for the Transaction was a discharge of £101.81m of the New Money Facilities Agreement.

5.3 Therefore, no secured debt remains in the Company, as it has been fully repaid from the Transaction.

Preferential Creditors

5.4 We are not aware of any Preferential Creditors.

Unsecured Creditors

5.5 Floating charge realisations total £767,433 and no further realisations are currently anticipated. Costs of the Administration are anticipated to exceed this amount, therefore no Prescribed Part payment or other dividend to unsecured creditors is expected to arise.

Shareholders

5.6 As set out above there is anticipated to be a shortfall to the Company's creditors, and as such there will not be any return to the Company's shareholders.

6 Proposed Exit Routes

- 6.1 The most likely exit route for the Administration of the Company is by filing a notice of dissolution with the Registrar of Companies. The Company will then automatically be dissolved by the Registrar of Companies three months after the notice is registered, if no alternative action is taken.
- 6.2 There are no recovery actions in process at this stage. Should any successful recovery action be identified and pursued such that there would be realisations to distribute to unsecured creditors above the value of the Prescribed Part, the Joint Administrators would seek to place the Company in to CVL, with the Joint Administrators being appointed as Joint Liquidators, with any of them being able to undertake any act required or authorised under any enactment individually. As noted above, this is not anticipated based on current information.
- 6.3 In the event that creditors wish to nominate an alternate Liquidator(s) they may do so in accordance with paragraph 83(7)(a) of Sch B1 of the Act and rule 3.60(6)(b) of the Rules.

7 Administrators' Proposals

7.1 The contents of this entire document represent the Joint Administrators' proposals.

Approval of Proposals

- 7.2 The financial position of the Company means that it has insufficient assets to enable a dividend to be paid to non-preferential unsecured creditors other than via the Prescribed Part. As a result, under the insolvency legislation we are not authorised to seek a decision from the creditors to approve these proposals.
- 7.3 However, a creditor, or creditors, whose debts amount to at least 10% of the total debts of the Company can require that we hold a decision procedure to enable creditors to consider whether or not to approve these proposals and/or to consider such other decision as they see fit. Such a request must be received by us within 8 business days from the date these proposals are delivered to the creditors. If creditors do not require that we hold a decision procedure within that time period, then these proposals will be deemed to have been approved. Creditors should note that we need not initiate the decision procedure unless the creditor, or creditors, requisitioning the decision procedure provide us with such an amount that we request from them to meet the expenses of the requisitioned decision procedure.

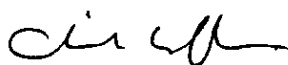
Decision Procedures

- 7.4 As set out previously we are inviting creditors to form a Committee, and a notice and further instructions in this regard are enclosed at Appendix F.
- 7.5 To enable the creditors to make an informed decision as to whether they wish to either seek to form a Committee, or to nominate themselves or another creditor to serve on a Committee, further information about the role of the Committee and what might be expected from its members has been prepared by R3 and can be found using this link: <https://www.r3.org.uk/media/documents/publications/professional/R3-Guide-to-Creditors-Committees.pdf>
- 7.6 Please note that should a Committee be formed it will be for the Committee to approve the basis of the Joint Administrators' remuneration and expenses. Should no Committee be formed, given that the Company has no secured or Preferential Creditors and has made a statement pursuant to Paragraph 52(1)(b) of Sch B1 of the Act to the effect that there will be no return to the Company's unsecured creditors, the basis of the Joint Administrators remuneration would need to be fixed by way of court application.

8 Next Report and Further Information

- 8.1 We are required to provide a progress report to all creditors within one month of the end of the first six months of the Administration, or when the Administration comes to an end, whichever is sooner.
- 8.2 If you have any specific queries in relation to this report or the Administration in general, please contact the Joint Administrators at debenhamsplc@fticonsulting.com or on 020 3727 1135. Creditors can also use these contact details to request a hard copy of this report, if required.

For and on behalf of the Company



Chad Griffin
Joint Administrator

The affairs, business and property of the Company are being managed by the Joint Administrators. The Joint Administrators act as agents of the Company and without personal liability.

Chad Griffin, Simon Kirkhope and Andrew Johnson are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales, under section 390A(2)(a) of the Insolvency Act 1986.

Appendix A: Statutory Information

Company Name:	Debenhams plc																
Previous Name	Debenhams Retail Holdings Limited																
Court Reference	CR-2019-002456																
Registered Number	05448421																
Date of Incorporation	10 May 2005																
Company Directors as at 9 April 2019	David Adams, Terence Duddy, Stephen Ingram, Nicola Kinnaird, Lisa Myers, Rachel Osborne (all now resigned)																
Company Secretary as at 9 April 2019	Paul Eardley																
Shareholdings held by directors / secretary	<table> <tr> <th>Director Name</th><th>Shareholding</th></tr> <tr> <td>Terry Duddy</td><td>140,000</td></tr> <tr> <td>David Adams</td><td>75,000</td></tr> <tr> <td>Steve Ingham</td><td>74,557</td></tr> <tr> <td>Lisa Myers</td><td>30,000</td></tr> <tr> <td>Paul Eardley</td><td>29,676</td></tr> <tr> <td>Nicky Kinnaird</td><td>-</td></tr> <tr> <td>Rachel Osborne</td><td>-</td></tr> </table>	Director Name	Shareholding	Terry Duddy	140,000	David Adams	75,000	Steve Ingham	74,557	Lisa Myers	30,000	Paul Eardley	29,676	Nicky Kinnaird	-	Rachel Osborne	-
Director Name	Shareholding																
Terry Duddy	140,000																
David Adams	75,000																
Steve Ingham	74,557																
Lisa Myers	30,000																
Paul Eardley	29,676																
Nicky Kinnaird	-																
Rachel Osborne	-																
Trading Names	N/A																
Registered Office	C/O FTI Consulting LLP, 200 Aldersgate Street, London EC1A 4HD																
Court Name / Address	Business and Property Courts (Insolvency and Companies List), High Court of Justice																
Administrators' Names	Chad Griffin, Simon Kirkhope and Andrew Johnson																
Administrators' Address	FTI Consulting LLP, 200 Aldersgate Street, London EC1A 4HD																
Administrators' Regulator	ICAEW																
Functions of Administrators	Pursuant to Paragraph 100 of Sch B1, the Administrators may exercise any of the powers conferred on them by the Act jointly or individually																
Appointment Date	9 April 2019																
Appointer / Applicant	GLAS Trust Corporation Limited																
Appointment Type	By holder of qualifying floating charge pursuant to Paragraph 14 of Sch B1																
Objective being pursued	Purpose B: Achieving a better result for the Company's creditors as a whole than would be likely if the company were wound up (without first being in Administration).																
EC Regulation	The EC Regulation on Insolvency Proceedings applies. The proceedings are main proceedings since the center of main interest is in the United Kingdom.																
Security	<p>GLAS Trust Corporation Limited was the holder of a qualifying floating charge in respect of the company's property. The qualifying floating charge was dated 29 March 2019 and registered on 1 April 2019. The charge was satisfied in full following the Transaction.</p> <p>The validity of the appointment and of the security has been confirmed by the Joint Administrators' legal advisors Linklaters.</p>																

Prescribed Part

After the deduction of administration expenses, net floating charge realisations from the Administration are anticipated to be nil and as such no Prescribed Part payment is anticipated to be made.

Current Administration End Date

8 April 2020

The affairs, business and property of the Company is being managed by the Joint Administrators, acting as agents without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the General Data Protection Regulation 2016/679, depending upon the specific processing activities undertaken. FTI Consulting LLP and/or the Company may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrator's appointment. The Office Holder Data Privacy Notice can be found at:

https://www.fticonsulting-emea.com/~/_media/Files/emea--files/creditors-portal/cip-emea-forms-info/cip-data-privacy.pdf.

Appendix B: Ethics / Pre-Appointment Role

Ethics

- Further information on insolvency processes in general, including a step-by-step guide can be found at the following website:
<http://www.creditorinsolvencyguide.co.uk/>
- The privacy and security of personal information is very important to us. Information about our collection, use and protection of personal data can be found at:
https://www.fticonsulting-emea.com/~/_media/Files/emea--files/creditors-portal/cip-emea-forms-info/cip-data-privacy.pdf
- The Joint Administrators are licenced in the United Kingdom to act as Insolvency Practitioners by the Institute of Chartered Accountants in England and Wales. As licensed insolvency practitioners, the Joint Administrators are bound by the Code of Ethics when carrying out all professional work.

Pre-Appointment Role

- FTI were invited to pitch for the role of financial advisor to the RCF lenders on 18 December 2018. A meeting with the Company's RCF lenders took place on 19 December 2018.
- FTI attended an initial meeting with the Company's management and financial advisors (KPMG and Lazard) and the RCF Lenders on 20 December 2018. Following this meeting, work commenced in January 2019 in line with the engagements detailed in the SIP16 Report. As set out in the SIP16 Report, the engagement letters were signed on 8 February 2019.
- FTI was retained to undertake certain services under two letters of engagement, both dated 8 February 2019 being:
 - 'Common Information Platform' services were provided to the RCF lenders, certain of the Company's largest holders of £200m Notes and the Group's pension companies who acceded as clients to the Common Information Platform engagement letter. These services included an independent review of the Company and its subsidiaries financial position (historical, forecast and liquidity), and a review of the entity priority model created by the Group and its' advisors.
 - Financial advisory services for the RCF lenders in respect of the alternative restructuring options available to the Company and its lenders.
- The Joint Administrators appointment is by the Company's qualifying floating charge holder, GLAS Trust Corporation Limited, and the directors of the Company were supportive of the appointment of the joint Administrators.
- As proposed Joint Administrators, we confirm that we fully considered the relevant guide to our professional conduct and ethics as issued by our regulatory body and are satisfied that the existence of this prior professional relationship does not create any conflict of interest or threat to independence and we therefore consider ourselves able to act as Administrators of the Company.
- We consider that the following safeguards and disclosures are applicable in the circumstances (certain of these points would be applicable in any event):
 - Ensure full disclosure to creditors of FTI's pre-appointment role and related fees incurred and paid / unpaid elements
 - Disclosure of SIP 16 to shareholders
 - Obtain validity of appointment and security advice
 - Ensuring thorough file notes of all key decisions
 - Independent counsel and QC
 - Independent risk partner consulted
 - Lazard sale process

Appendix C: Statement of Pre-Administration Costs

Provided below is information required to be disclosed in relation to pre-administration costs in accordance with Rule 3.35(10), Rule 3.36 and Rule 3.52. Payment of any unpaid pre-administration costs as an expense of the administration is subject to approval under Rule 3.52; and not part of the proposals subject to approval under paragraph 53 of Sch B1.

Pre-appointment fees and expenses incurred by the Administrators

Date of applicable engagement letter(s)	8 February 2019 – FTI Common Information Platform Engagement letter 8 February 2019 – FTI Financial Advisory Engagement letter
Parties to the engagement letter	Royal Bank of Scotland, as agent for the RCF lenders The Company confirmed that these engagement contracts were for both the Company and the Group
Scope of work	<ul style="list-style-type: none"> • Review and analysis of the capital structure and the entity priority model • Planning and preparation for the Company being placed into Administration • Review of the Transaction structure and preparation for the post appointment Lazard marketing process • Drafting the SIP 16 Report and other initial letters in anticipation of the pre-packaged sale and the Administration • Review the BDO valuation, to establish whether the valuation methodologies and conclusions were reasonable • Planning communications strategy for the Administration • Review of the tax consequences to the Company of the Transaction, with a view to maximising realisations for the Company's creditors • Review and involvement in the drafting of the SPA to ensure that the creditors position was protected
Why the work was carried out before the administration	<ul style="list-style-type: none"> • A significant amount of pre-appointment planning and work was required to be able to execute the Transaction on day 1 of the Administration • Given the pre-packaged Transaction and the reporting requirements to creditors the SIP 16 Report was drafted and the day 1 documents prepared in anticipation of the Administration
How the work was intended to further the achievement of the objective of the administration	<ul style="list-style-type: none"> • Objective B was pursued in respect of achieving a better result for creditors than would be likely if the Company were wound up without first being in Administration • Appendix II, Section 3 of the SIP 16 Report sets out the reasons why the Administration strategy was anticipated to provide a better return to the Company's creditors
Identity of party which made payments	<ul style="list-style-type: none"> • Retail made payment of all FTI invoices. See additional detail in this respect below
Fees charged	<p>Total pre-administration costs incurred by FTI before the Company entered administration but with a view to doing so was £903,798. Of this balance £384,452.50 was invoiced to the Company and £519,345.50 was invoiced to Retail.</p> <p>The full balance has been paid by Retail with £514,152.50 having been paid pre-administration and £389,645.50 having been paid by Retail post-administration. As this has been paid from Retail and not the estate, no separate approval is required from the Company's creditors. No pre-administration costs remain outstanding.</p>
Expenses incurred	Linklaters pre-administration costs for legal advice to the Administrators totalled £324,964 of which £243,210 was paid in the pre-appointment period and £66,754 was paid during the post appointment period.

All of Linklaters pre-appointment fees were paid by Retail and not by the estate, so no separate approval was required.

The above fees charged and expenses incurred by the Joint Administrators' firm, exclude work that was undertaken by FTI which was not performed with a view to the Company entering into administration. The excluded work comprised activities including an Independent Business Review for the RCF Lenders and advisory work for the RCF Lenders in respect of Group wide restructuring options, none of these services were paid for by the Company.

Appendix D: Post-Appointment Time Costs and Expenses

Fee Basis

We propose that the fee basis for the remuneration of the Joint Administrators will be by reference to time properly spent by the Joint Administrators and their members of staff at their standard charge out rates.

When administrators seek approval for fees to be charged on a time cost basis, a fee estimate must be provided to creditors. That estimate acts as a cap on time costs, whereby fees cannot be drawn over that amount without further approval from those who approved the fees.

A breakdown of our fee estimate is provided below. The fee estimate represents the time costs that we anticipate will be incurred in undertaking our duties in respect of the Company during the Administration and (where applicable) should the Joint Administrators become liquidators, their duties in the liquidation. In this case, a liquidation is not expected to follow the Administration.

It is important to note that the quantum of remuneration drawn will be limited by the realisations from the Company's assets and reliance on the funding agreement and, as such, fees will only be drawn if there are funds in the Administration, or subsequent liquidation, to do so.

Task	Total Time Estimate (Hours)	Total Cost Estimate (£)	Average Cost Estimate (£/hour)
Administration & Planning	380	180,000	474
Investigations	226	130,000	575
Realisation of assets	47	35,000	745
Creditors & Shareholders	190	112,000	589
Tax	70	45,000	643
Reporting	306	180,000	588
Media	202	57,000	282
Technology	108	61,000	565
Total	1,529	800,000	523

Approval of Fee Basis and Estimates

As set out within section 7 of this report, we are prohibited by the insolvency legislation from seeking a decision from the creditors to consider these proposals.

If a Creditors' Committee is appointed, it will be for the Committee to approve the basis of the Joint Administrators' remuneration (and category 2 expenses where applicable). If a Committee is not appointed, then we will be making an application to court for approval of the basis of our remuneration.

As set out in section 6 in relation to exit routes, it is anticipated that the exit route will be via dissolution, so we have assumed no costs for a liquidation. In circumstances where additional realisations are made to the benefit of the estate and a liquidation is required we will revert to creditors with the anticipated additional costs of a liquidation.

These estimates have been provided to creditors at a relatively early stage in the administration of the case. Estimates are based on our current knowledge of the case and our experience with cases of a similar size and complexity. Estimates do not take into account any currently unknown complexities or difficulties that may arise during the Administration of the Company. If the time costs incurred on the case exceed the estimate, or is likely to exceed the estimate, we will provide an explanation as to why that is the case in the next progress report.

For the period 9 April 2019 to 17 May 2019 a total of 749.2 hours have been spent working on the above tasks in the Administration, and total time costs for the period are £380,631.50 charged at an average charge out rate of £508.05.

The main body of our report includes narrative on the main areas of our post-appointment work on the Administration. The table below summarises the main areas of work by category, with an indication as to whether this work is ongoing (O), completed (C) or intended future work (F). We have also indicated in the table below the rationale for undertaking the work e.g. whether required by statute, or whether a potential direct benefit for creditors.

Category	Description (O – Ongoing, C – Complete, F – Future)	Rationale
Administration & Planning	<ul style="list-style-type: none"> • Setting up and maintaining physical/electronic case files, checklists and file notes - O • Setting up and maintaining the case on the practice's electronic case management system and entering data - O • Issuing statutory notifications to creditors and others required on appointment as office holder - C • Obtaining a specific penalty bond (this is insurance required by statute that every insolvency office holder has to obtain for the protection of each estate) – C • Dealing with all routine correspondence and emails relating to the case - O • Opening, maintaining and managing the office holder's estate bank account - O • Undertaking regular reconciliations of the bank account - O • Reviewing the adequacy of the specific penalty bond on a quarterly basis - O • Closed pre-appointment bank accounts - C • Processing receipts and payments - O • Undertaking periodic reviews of the progress of the case – O • Planning and effecting an appropriate exit route – F 	Statutory / compliance requirement, and to ensure efficient project management
Investigations	<ul style="list-style-type: none"> • Recovering the books and records for the case (this has included the extraction of electronic records from the Company's systems) - C • Submitting an online return on the conduct of the directors as required by the CDDA - F • Submitting the Statement of Affairs produced by the relevant Director to Companies House – C • Liaising with the Company Directors in relation to the completion of the Statement of Affairs - C • Conducting an initial investigation with a view to identifying potential asset recoveries by seeking and obtaining information from relevant third parties, such as the bank, accountants, solicitors, etc - O • Reviewing books and records (including a review of the board minutes) to identify any transactions or actions the office holder may take against a third party in order to recover funds for the benefit of creditors – O 	Statutory requirement and to assess whether potential claims
Realisation of Assets	<ul style="list-style-type: none"> • Review of Company records to evaluate the value of potential receivables - C 	Identify, assess and seek to realise potential value

	<ul style="list-style-type: none"> • Monitor the Lazard process to market the assets post appointment, reviews of marketing materials and timetables, related email and telephone calls – C 	
Creditors & Shareholders	<ul style="list-style-type: none"> • Dealing with creditor correspondence, emails and telephone conversations regarding their claims – O • Liaising with the Group and Landlords in relation to the Irish Leases – O • Liaising with share registrar in relation to pending trades, unclaimed dividends and protection of records - O • Maintaining up to date creditor information on the case management system – O • Time spent in dealing with enquiries made by Company creditors and shareholders - O • Inviting creditors to form a creditors committee and if formed completing the relevant statutory formation and reporting requirements - O • Dealing with GDPR requests made by third parties (time spent extracting relevant records) – O • Correspondence and dealing with enquiries from Regulators – O 	Statutory requirements and required for orderly case management
Tax	<ul style="list-style-type: none"> • Preparing and completing relevant forms for VAT deregistration and recoveries - O • Preparing and filing Corporation Tax returns - O • Seeking closure from HMRC and other relevant parties - O • Resolution of issues in respect of Irish VAT – O 	Statutory requirements. Ensure tax attributes assessed and utilized. Recovery of taxes.
Reporting	<ul style="list-style-type: none"> • Preparing, reviewing and issuing proposals to the creditors, members, court and Companies House - O • Reporting on the outcome of the approval of the proposals to the creditors, Companies House and the Court - F • Preparing, reviewing and issuing 6 month progress reports to creditors and members - F • Filing progress reports at Companies House - F • Preparing, reviewing and issuing final reports to creditors and members - F • Filing final reports at Companies House - F • Time spent on the formation and reporting to the Company's creditor committees – F 	Required by statute and to inform creditors
Media	<ul style="list-style-type: none"> • Dealing with media enquiries – O 	Responding to inbound stakeholder enquiries
Technology	<ul style="list-style-type: none"> • Extracting Director emails from the Company's servers - O • Running key term searches to extract relevant data - O • Preparing data in a form that is easily accessible - O • Assisting with queries from both the Joint Administrators and their staff and from our legal advisors - O 	Extracting relevant data from the company records

Cost Estimates

Provided below are breakdowns of our estimated external costs. Note that the Paid to Date column represents actual costs paid, and is therefore not prepared on an accruals basis.

Payee	Type of Cost	Paid to date (£)	Estimated Future (£)	Estimated Total (£)
Linklaters	Legal Fees	103,333	526,542	629,875
TBC	Irish VAT Advice	0	10,000	10,000
Equiniti	Share Registrar services	2,400	8,000	10,400
Aon	Insurance and Bonding	207	792	999
EPE Reynell	Advertising	81	81	162
Total		106,021	545,415	651,436

Professional Advisors and Subcontracted Work

The table below provides details of professional advisors that we have engaged on this project. We have not engaged any subcontractors on this administration.

Name of professional advisor / subcontractor	Service Provided	Basis of fee arrangement
Linklaters	Legal Advice	Hourly rate and disbursements

Our choice was based on our view of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of our fee arrangement with them.

We have also utilised the services of other teams within FTI Consulting LLP to assist with the Administration process. The fees of our tax, strategic communications and technology teams have been included within our fees estimates. We consider that the rates chargeable for these services are in line with general market practice and that the service is at least comparable to similar firms of professional advisors. In addition, by working closely with our internal teams, we believe a more coordinated and cost-effective approach to the Administration work streams has been possible.

Disbursements

Category 1 disbursements are payments to independent third parties where there is specific expenditure directly referable to the case, approval from creditors is not required for these disbursements to be drawn.

Category 2 disbursements are costs that are directly referable to the case but not a payment to an independent third party; these may include shared or allocated costs. We do require approval before drawing Category 2 disbursements. The body of creditors who approve our fees also have responsibility for approving of Category 2 disbursements. Below is a table setting out the basis of our anticipated Category 2 disbursements:

Type of expense	Basis of fee arrangement
Data processing by FTI Technology	£95/GB per month
Usage of E-discovery software from FTI Technology	£35 per user per month
Customisation of E-discovery software from FTI Technology	£25/GB per month
Data decommissioning from FTI Technology	£2,500

An estimate of our anticipated Category 1 and Category 2 disbursements is set out in the table below:

Type of Costs	Estimated to be incurred (£)
Category 1	
Travel	200
Postage and stationery	1,000
Category 2	
Data processing/ hosting and data recovery	27,500.00
Total	28,700.00

Neither Category 1 or Category 2 disbursements have been paid as at 28 May 2019.

Funding Agreement

A third party funding agreement has been entered into between the Company and the Group in order to meet the costs of the Administration. To date funds totalling £1m have been drawn by the Joint Administrators, an additional amount is anticipated to be drawn ahead of concluding the Administration.

Other Fee Disclosures

A copy of the Creditors' Guide to Administrators' Fees provides further information on administrators' fee and your rights, and is available at: <https://www.fticonsulting-emea.com/~media/Files/emea--files/creditors-portal/cip-emea-forms-info/guide-to-administrators-fees-6-april-2017-england-wales.pdf>

Further information about creditors' rights can also be obtained by visiting the creditors' information micro-site published by the Association of Business Recovery Professionals (R3) at <http://www.creditorinsolvencyguide.co.uk/>

There are no business or personal relationships with parties responsible for approving remuneration or who provide services where the relationship could give rise to a conflict of interest.

Appendix E: Receipts and Payments

Debenhams Plc - Joint Administrators' Account of Receipts and Payments		
	Statement of Affairs	9 Apr 2019
£	Estimated to Realise	20 May 2019
Fixed Charge Receipts		
Shares and Investments	101,000,000	101,041,556
Subtotal	101,000,000	101,041,556
Floating Charge Receipts		
Debtors and Other Receivables	54,346	54,346
Intercompany	711,624	711,624
Other	-	3
Administration Funding	-	1,000,000
Subtotal	765,970	1,765,973
Payments		
Distribution to chargeholder		(101,807,529)
Legal fees		(103,233)
Legal expenses		(100)
Share registrar expenses		(2,400)
Advertising		(81)
Insurance		(207)
Subtotal		(101,913,550)
Balance		893,979
Made Up As Follows		
Vat Receivable		21,163
Administration Funding Account		872,816
Total		893,979

*At the time of completion of the sale pursuant to the SPA, no receivables had been identified, such that the face value of the receivables was thought to be nil. However, subsequent intercompany receivables and other receivables with a combined value of £765,970 have been identified. These receivables have been identified. These receivables have been allocated against the floating charge, in the event that the floating charge realisations exceed the value of administrators expenses, third party funding would be made available to make any payments due under the prescribed part.

Appendix F: Voting Forms

Notice of invitation to form a Creditors' Committee

**Debenhams plc – In Administration
In the Business and Property Courts (Insolvency and Companies List), High Court of Justice**

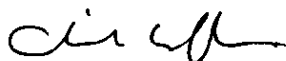
(Company Number: 05448421)

NOTICE IS GIVEN by Chad Griffin, Simon Kirkhope and Andrew Johnson to the creditors of Debenhams plc of an invitation to form a Creditors' Committee under rule 3.39 of The Insolvency (England and Wales) Rules 2016.

1. Creditors are invited to determine whether a Creditors' Committee should be established.
2. A Committee may be formed if a minimum of 3 and a maximum of 5 creditors are willing to become members.
3. Nominations can only be accepted for a creditor to become a member of the Committee if they are an unsecured creditor and have lodged a proof of their debt that has not been disallowed for voting or dividend purposes.
4. The specified date for receipts of nominations for creditors to act as a member of the Committee, under rule 3.39 of The Insolvency (England and Wales) Rules 2016 is 12 June 2019, the Decision Date.
5. Please complete the form sent with this notice, and include the name and address of any person you wish to nominate to act as a member of the Committee. The completed document should be returned either by email to debenhamsplc@fticonsulting.com or alternately by post to Debenhams plc – In Administration, c/o FTI Consulting LLP of 200 Aldersgate Street, Aldersgate, EC1A 4HD and marked for the attention of Nick Rollings so that it is received by no later than 23.59 hours on 12 June 2019, the decision date.

Note: Further information on the rights, duties and the functions of a Committee is available in a booklet published by the Association of Business Recovery Professionals (R3). This booklet can be accessed at <https://www.r3.org.uk/media/documents/publications/professional/R3-Guide-to-Creditors-Committees.pdf>. If you require a hard copy of the booklet please contact us at by email at debenhamsplc@fticonsulting.com, or by phone on 020 3727 1135.

DATED THIS DAY 28th OF MAY 2019



Chad Griffin
Joint Administrator

Notice of invitation to form a Creditors' Committee

**Debenhams plc – In Administration
In the Business and Property Courts (Insolvency and Companies List), High Court of Justice**

(Company Number: 05448421)

Decision

1. That a Creditors' Committee should be established.

For/Against

I wish to nominate the following creditor to act as a member of the committee:

Name of nominated creditor _____

TO BE COMPLETED BY CREDITOR WHEN RETURNING FORM:

Name of creditor: _____

Signature of creditor: _____

(Complete the following if signing on behalf of creditor, e.g. director/solicitor)

Capacity in which signing document: _____

Dated: _____

Note: The completed form should be delivered by email to debenhamsplc@fticonsulting.com or by post to:

Debenhams plc
C/O FTI Consulting LLP
200 Aldersgate Street
London
EC1A 4HD

Note: Please append your completed Creditors statement of claim form when returning this form

Appendix G: Creditors' Statement Of Claim Form

Rule 14.4 The Insolvency (England and Wales) Rules 2016

Proof of Debt – General Form

IN THE

BUSINESS AND PROPERTY COURTS (INSOLVENCY AND COMPANIES LIST), HIGH COURT OF JUSTICE

Number:

2019-002456

Name of Company in Administration:

Debenhams plc

Company Registration Number:

05448421

Date of Administration:

9 April 2019

1 Name of creditor

(If a company, please also provide the company registration number).

2 Correspondence address of creditor (including any email address)

3 Total amount of claim (£)
(include any Value Added Tax)

4 If amount in 3 above includes (£)
outstanding uncapitalised interest, state amount.

5 Details of how and when the debt was incurred.
(If you need more space, attach a continuation sheet to this form)

6 Details of any security held, the value of the security and the date it was given.

7 Details of any reservation of title claimed in respect of goods supplied to which the debt relates.

8 Details of any document by reference to which the debt can be substantiated

9 Signature of creditor
(or person authorised to act on the creditor's behalf)

10 Address of person signing if different from 2 above

11 Name in BLOCK LETTERS:

12 Position with, or relation to, creditor

13 Date of signature

Admitted to vote for

Amount (£)

Date

Admitted for dividend for

Amount (£)

Date

Chad Griffin
JOINT ADMINISTRATOR

Chad Griffin
JOINT ADMINISTRATOR

Notes:

1. This form can be authenticated for submission by email by entering your name in block capitals and sending the form as an attachment from an email address which clearly identifies you or has been previously notified to the office holder. If completing on behalf of a company, please state your relationship to the company.
2. Please attach the relevant supporting documentation

Appendix H: SIP 16 Report

TO ALL KNOWN CREDITORS AND SHAREHOLDERS

9 April 2019

Ref: CG/SK/AJ/NR/MM

Direct Line: 020 3727 1135

Direct Email:
debenhamsplc@fticonsulting.com

Dear Sir/Madam,

Debenhams plc (In Administration) ("the Company")
Company Number: 05448421

Simon Kirkhope, Andrew Johnson and I of FTI Consulting LLP ("FTI") were appointed as Joint Administrators (the "Joint Administrators") over the Company on 9 April 2019. Please note that we are authorised by the Institute of Chartered Accountants in England and Wales, to act as Insolvency Practitioners. The Joint Administrators have been appointed to the Company only, underlying Group operating companies are unaffected, and all businesses continue to trade as normal.

Purpose of this letter

The term "pre-packaged sale" refers to an arrangement under which the sale of all or part of a company's business or assets is negotiated with a purchaser prior to the appointment of the administrators and the administrators effect the sale immediately on, or shortly after, appointment.

The purpose of this letter is to inform creditors of the Company, in accordance with Statement of Insolvency Practice 16 ("SIP16"), of the background in relation to a pre-packaged sale and to demonstrate to creditors that such a pre-packaged sale has been undertaken with due regard to the interests of creditors. We are also making this letter available to shareholders of the Company for full transparency.

On 9 April 2019, immediately following our appointment, we sold the Company's shares in Debenhams Group Holdings Limited, the top holding company for the Group's principal operating companies, and certain other dormant entities, together constituting the Company's entire interest in the Debenhams group companies ("the Group"), to Celine UK Newco 1 Limited ("Newco"), an entity owned by certain of the Company's secured lenders (the "Transaction"). These Group companies will continue to trade as normal.

The Transaction was entered into to enable statutory purpose (b), achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration). In our opinion, the Transaction was the best available outcome for the Company's creditors as a whole in all the circumstances.

The Transaction delivers continuity for all Group operations. It minimises business disruption and uncertainty for the businesses and their suppliers and protects the Group's employees and pension holders.

Background to the Administration

Prior to the administration, the Company's shares were listed on the main market of the London Stock Exchange plc. The Company's shares are expected to be delisted shortly following the administration.

The Company was the ultimate owner of the Group's subsidiaries. A corporate structure is shown at Appendix I.

The Group is a well-established department store business with a history dating back to 1778 and a high level of public awareness in the UK market. The Group has 166 UK stores and is the largest traditional department store chain in the United

Kingdom. It also has a strong and growing online business. The Group also has an international presence primarily in Denmark, the Middle East and the Republic of Ireland.

In recent years, competition in the Group's core markets of fashion, home and beauty has significantly intensified, with challenges coming from online, specialty operators, supermarket groups and fast fashion businesses. As well as these competitive challenges, the Group has faced a number of wider market issues, with significant economic uncertainty in the UK, inflationary pressure from rises in minimum salary costs, business rates and higher input costs due to a weak pound.

The Group's trading performance had deteriorated over the previous two years, with flat sales and declining profits. This combined with concerns around the financial position of the Group (e.g. increased debt levels and significant property liabilities), the wider market pressures and adverse media, has resulted in both suppliers looking to reduce their exposure to the Group and in a reduction in credit insurance provision for suppliers, impacting the Group's liquidity. The Group's balance sheet and liquidity had become extremely stretched with increasing levels of debt and with significant lease liabilities.

In recent months, the trading environment has become significantly more challenging which has resulted in several profit warnings and heightened concerns over the Group's financial position. A combination of a marked reduction in market footfall, due to the shift in trading from stores to online, the scale and high occupancy costs of its store estate and the investments needed to meet the requirements of a modern retailing environment have put additional pressure on the Group's operations.

Additional funding and engagement with Sports Direct International

During the second half of 2018 the Company and the Group hired advisors to assess restructuring options for placing the Group on a sustainable footing. The Company and the Group also entered into discussions with its RCF lenders and an ad hoc group of its largest Noteholders (together "the Lenders") at the end of 2018 around the Lenders' willingness to provide new money facilities and support a wider restructuring.

In early December 2018, the Company's largest shareholder, Sports Direct International plc ("SDI"), approached the Company in relation to the perceived challenges the Group was facing. The Company received a number of financing and/or potential acquisition proposals from SDI between December 2018 and April 2019.

None of SDI's proposals were considered implementable by the Company in light of the wider liquidity and financing needs of the Group and contractual obligations in its financing arrangements. Given this, the Company continued with its discussions with the Lenders around new money provision and support for a restructuring, while in parallel continuing to engage with SDI on its potential participation in a Transaction.

We additionally note that on 21 March 2019, a general meeting of the Company's shareholders was requisitioned by SDI under section 303 of the Companies Act 2006 (the "EGM"). The EGM has been requisitioned for the purpose of voting on resolutions seeking the removal of all the Company's directors except for Rachel Osborne, and the appointment of Michael Ashley as Chief Executive Officer of the Company. The last date for calling the EGM was 11 April 2019 and, at the time of the Joint Administrators' appointment, it has not yet been called.

New Money Facilities

During February/March 2019 the Group obtained additional funding from its Lenders.

Initially £40m Bridge Loan was provided to the Company as borrower in February 2019, together with certain accommodations required by the Company and the Group in respect of its existing debt. A fixed and floating charge was taken by the Lenders over substantially all of the Company and the Group's assets to secure the Bridge Loan. The £320m revolving credit facilities ("RCF") and the £200m of notes ("the Notes") remained unsecured.

On 29 March 2019 a £200m new money facilities agreement (the "New Money Facilities Agreement") was entered into. This provided for an immediate drawdown by the Company of £101.25m under Facility A of the New Money Facilities Agreement, which refinanced the Bridge Loan, funded certain fees and provided additional working capital to the Group to address its immediate financing needs.

The New Money Facilities Agreement was secured through first ranking fixed and floating charges over substantially all of the Group's assets, albeit the Company only provided security in relation to Facility A of the New Money Facilities Agreement. Certain other obligations, including the RCF and the Notes and £60m of the Group's pension obligations were also secured through a combination of second and third ranking security by the Company's largest subsidiaries (but not the Company) as a condition for the provision of the New Money Facilities Agreement. An intercreditor arrangement was put in place to govern arrangements between different layers of secured liabilities.

Facility B of the New Money Facilities Agreement, amounting to £98.75m, was to be made available to Debenhams Retail Limited ("Retail"). However, its utilisation was subject to certain conditions. These conditions allowed Retail the ability to utilise Facility B only in circumstances in which:

- (i) SDI announced a firm intention to make an offer for the Group and made arrangements satisfactory to the Lenders for the financing of the Group's working capital requirements and the repayment of any amounts drawn under Facility A of the New Money Facilities Agreement, the RCF and the Notes, which would become due and payable as a result of the change of control provisions that would be triggered by such offer; or
- (ii) SDI withdrew its request for an EGM, entered into a stabilisation agreement satisfactory to the Lenders and agreed to either underwrite a £200m rights issue by the Company or provide a £200m long dated subordinated debt instrument.

The relevant conditions were not met and accordingly, Retail was unable to draw upon Facility B on that basis.

An alternative condition provided, however, that Retail could utilise Facility B if the Group were to be owned by a newly incorporated vehicle acceptable to the majority of the Lenders under the New Money Facilities Agreement. In this scenario, the rest of the Group would have access to liquidity but not the Company.

In the circumstances and following a request from the Facility Agent under the New Money Facilities Agreement to confirm whether or not it was insolvent, on 9 April 2019 the Company's board concluded that the Company was insolvent and that losses to creditors would be minimised by facilitating the Transaction in order to protect the rest of the Group's access to liquidity and therefore the Company's creditors. Upon the Company's admission of insolvency and the Company's invitation to the secured lenders to appoint the Joint Administrators, the lenders under the New Money Facilities Agreement took steps to place the Company into administration.

Purpose of the Administration

The purpose of an administration is to achieve one of the following statutory objectives (in order):

- (a) rescuing the company as a going concern; or
- (b) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration); or
- (c) realising property in order to make a distribution to one or more secured or Preferential Creditors.

Given the situation, in particular the quantum of the Group's debt and its funding requirements, we concluded that it was not possible to rescue the Company as going concern. As a result, it was decided that statutory objective (b) should be pursued.

Having considered all options, we concluded that the Transaction, as described below, would most likely achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration).

Transaction

Immediately following our appointment as Joint Administrators, we sold all of the Company's interests in its subsidiaries to Newco, a company owned by the Company's secured lenders. The Transaction price was £101.81m, although the Group companies sold were also guarantors of the RCF and the Notes. As such, the Transaction was a sale subject to £520m of financial debt and the Group's pension obligations and therefore equivalent to a sale price of £621.81m of financial debt (before taking account of cash balances) and all of the Group's pension obligations (which hold £60m of security).

BDO LLP ("BDO") undertook an independent review of the Group's enterprise valuation, further described in point 9 of Appendix II, which concluded that the enterprise value of the Group was in the range of £371m to £427m. This is significantly lower than the amount of financial debt and pension obligations of the Group which Newco is subject to through the Transaction.

We concluded that the Transaction was in the best interests of the Company's creditors and the value maximising option in the circumstances, as:

- all or substantially all of the creditors of the Company also have guarantee claims against the Group, thus preservation of the Group is in their best interests (and in the best interests of the Company in terms of reducing the ultimate deficiency at the Company);
- it provides the Group with ongoing access to additional liquidity, which was not available absent the Transaction (including £99m under a Newco Facility which replaces Facility B of the New Money facility);

- it minimised business disruption and ensured continuity for the business and its suppliers and protected the Group's employees (including the beneficiaries of the Group's pension schemes);
- there was no realistic scope/time for a robust marketing process prior to the Transaction given, amongst other things, the request by SDI for an EGM and the Group's liquidity constraints (for more details, please see point 3 of Appendix II);
- as noted above, independent valuation analysis was obtained and reviewed. Based on the valuation there is a significant shortfall for the Company's creditors and no value to distribute to its shareholders; and
- Although shortly before the Company's administration SDI made a proposal, referred to in its announcement on 8 April 2019, it involved a number of conditions and significant concessions by the Lenders. The Company and the Lenders concluded that the proposal did not satisfy the milestones in the New Money Facilities agreement.

However, despite the independent valuation analysis and our view that there is a very low likelihood of a distribution to the Company's shareholders, the Transaction included provisions to ensure that the Group is immediately marketed for sale. This will determine for the Company's benefit whether, against expectations, there is a bidder, with the benefit of a marketing process run on a stabilised platform, that would buy the business for a price that would repay the financial debt and secured pension liabilities in full and thus potentially yield a return for shareholders.

At this stage, we would expect that any surplus flowing to the Company from a sale which repays all debt would flow largely to shareholders, although there would need to be a liquidation process of the Company to advertise for any creditor claims which, if they materialised, would rank ahead of shareholders.

Further details of the Transaction, its rationale and safeguards, are included in Appendix II

Consultation with the Company's creditors

The Company's creditors comprise:

- £101.25m New Money Facilities Agreement, also guaranteed by the Company's largest subsidiaries;
- £320m RCF lenders also guaranteed by the Company's largest subsidiaries;
- £200m Notes also guaranteed by the Company's largest subsidiaries;
- over £600m of intercompany payables owed to the Company's subsidiaries; and
- potential creditors in relation to the Company's obligations for certain commercial contracts (e.g. leases).

Based on the Company's records, a significant majority in value of the Company's external creditors also have claims against the Group. Preservation of the Group is therefore in their best interests (and in the best interests of the Company in terms of reducing the ultimate deficiency at the Company).

We consulted extensively with the lenders under the New Money Facilities Agreement, the RCF lenders and the advisors to an ad-hoc group of the largest Noteholders. The Lenders were supportive of the Transaction, which is evident since their consent was needed in order to implement it.

Company-only creditors appear mainly limited to intercompany payables. Those Group company counterparties benefited from the Transaction, as it enabled Facility B of the Newco Facility to be provided, enabling them to continue to trade as going concerns.

We are therefore of the view that we have not only consulted extensively with the Company's largest creditors, but that they are supportive of the Transaction.

Proposals

In accordance with paragraph 49(5) of Sch B1 to the Act, we are currently formulating our proposals which will be sent to creditors in due course. This report will be made available to all creditors within eight weeks of the Administration and will give an indication of likely dividend prospects. In this case it is likely that we will use the full eight weeks, since we consider that it is appropriate to report on the marketing process in our proposals, since the outcome of this process will determine whether there is a prospect of a surplus from a sale being remitted to the Company. The proposals (and other documents related to the administration) will be made available at: <http://www.fticonsulting-emea.com/cip/debenhams-plc>.

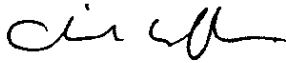
Ethics

As insolvency practitioners we are bound by the Insolvency Code of Ethics and guided by Statement of Insolvency Practice 1 (SIP 1). Prior to our appointment we considered potential ethical threats in undertaking the administration in accordance with the Code, and we did not consider that there were any matters preventing us taking this appointment.

Should you have any queries in respect of the above please contact this office using the details provided.

Yours faithfully

For and on behalf of the Debenhams plc (In Administration)



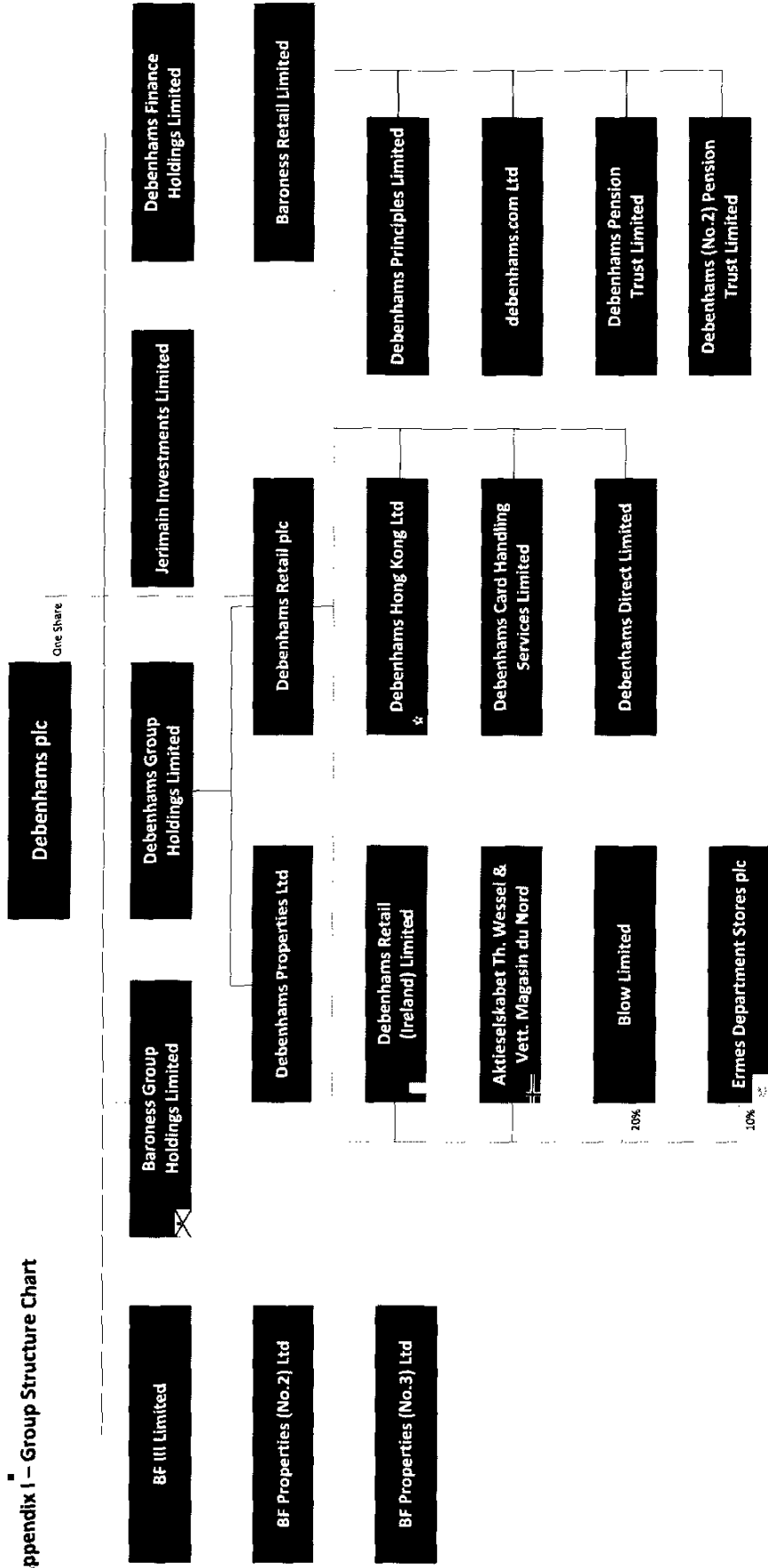
Chad Griffin

Joint Administrator

The affairs, business and property of the Company are being managed by the Joint Administrators. The Joint Administrators act as agents of the Company and without personal liability.

Chad Griffin, Simon Kirkhope & Andrew Johnson are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales, under section 390(2)(a) of the Insolvency Act 1986.

Appendix 1 – Group Structure Chart



Appendix II

Information Disclosure as required by the Statement of Insolvency Practice 16 ("SIP16")

Debenhams Plc (in administration)

This appendix sets out the matters as required by SIP16

Initial introductions and pre-appointment matters

1. The source of the Joint Administrators' initial introduction	<p>FTI was initially introduced to the Company by its RCF lenders¹.</p> <p>This followed a request from the Company to the RCF lenders to appoint a financial advisor in anticipation of discussions around a potential financial and operational restructuring.</p>
2. The extent of the Joint Administrators' involvement prior to the appointment	<p>FTI was retained by the RCF lenders to undertake common information platform diligence services. This work was also provided to certain noteholders and to Debenhams Pension Trust Limited and Debenhams (No 2) Pension Trust Limited (these are limited entities within the Group structure where the scheme trustees act as Directors) who acceded to the terms of the engagement letter.</p> <p>FTI was also retained by the RCF lenders to act as financial advisor in connection with a potential restructuring.</p> <p>Details of the scopes of both engagement letters are set out below.</p> <p>FTI Common Platform engagement letter, dated 8 February 2019:</p> <ul style="list-style-type: none">• Review of the Group's liquidity and short-term cash flow forecast• Review of the historical financial performance and business plan• Review of the Group's capital structure and Entity Priority Model ("EPM") <p>FTI Financial Advisory engagement letter, dated 8 February 2019:</p> <ul style="list-style-type: none">• Advise the RCF lenders on the terms and implications of any Group proposed restructuring• Assess the alternative restructuring options and scenarios for the Group and the RCF• Support the RCF lenders in the negotiation of any restructuring with the Group and other creditor groups• Co-ordinate communications and information flow between the Group and RCF lenders• Provide other advice to the RCF lenders as may be required <p>Note: See Appendix B for further information on date of introduction</p> <p>The Joint Administrators have given consideration to whether these engagements would lead to a potential conflict of interest and concluded that the engagements would not present a conflict of interest.</p> <p>The common information platform work product was made available to a significant majority of the Group's financial creditors. The</p>

¹ FTI were invited to pitch for the role of financial advisor to the RCF lenders on 18 December 2018. A meeting with the Company's RCF lenders took place on 19 December 2018.

	<p>financial advisory role was for the RCF lenders, who rank pari passu and whose interests are closely aligned with the Noteholders.</p> <p>Furthermore, acting for significant creditors is not viewed as a conflict in situations where, based on the valuation analysis carried out, there is likely to be a shortfall to the Company's creditors.</p> <p>Neither the Joint Administrators, nor FTI, advised the purchaser on the Transaction. The Joint Administrators retained independent counsel and Newco was represented by separate counsel in negotiations over the terms of the Transaction.</p>
<p>3. Alternative course(s) of action considered by the Joint Administrators and the possible financial outcome(s) of the alternative course(s) of action</p>	<p>Alternative options to the Transaction included:</p> <ul style="list-style-type: none"> A. Seeking to rescue the Company as a going concern; or B. marketing the Company's interests following the appointment of administrators over the Company and before a sale; or C. a pre-packaged sale following marketing carried out prior to the Company's administration; or D. liquidation as opposed to administration. <p>A. <u>Seeking to rescue the Company as a going concern</u></p> <p>The administration of the Company meant that amongst other things:</p> <ul style="list-style-type: none"> • The Group did not have access to Facility B • The New Money Facility Agreement and RCF would be in breach following the Company's administration and capable of being demanded against Group companies • The Notes would be in breach absent a sale to a Lender approved entity • Increased operational pressures in the Group's operating companies. For example, the likelihood that Group suppliers may have sought to reduce exposure to the Group • A likelihood of increased liquidity needs in the Group • Without access to Facility B and absent forbearance, potential solvency issues in the Group's operating companies. <p>Furthermore, we note a proposal was made by SDI on 5 April 2019, referred to in the SDI announcement issued on 8 April 2019. However, this involved a number of conditions and significant concessions by the Lenders.</p> <p>The Company and the Lenders concluded that the proposal did not satisfy the milestones in the New Money Facilities Agreement.</p> <p>Accordingly, we did not view a hiatus ahead of the Transaction in order to pursue a rescue of the Company as a viable option or an option that would be in the Company's creditors' interests.</p> <p>B. <u>Marketing following a Company Administration</u></p> <p>In our view this was not a viable option and, even if it were, it would not yield a superior return to the Company.</p> <p>For the reasons stated above a hiatus between the Company's administration and the sale of the Group would, in our view, have been detrimental to the value of the Group and the Company's creditors.</p> <p>The Transaction was required in order to gain access to additional liquidity via the Newco Facility.</p>

	<p>Lenders took this position given their concern that a prolonged period of uncertainty following a Company administration would be damaging for the Group and may increase further the amount of funding required for the Group to continue as a going concern. These concerns were echoed by the Group's management.</p> <p>In our view, based on the independent valuation analysis obtained and reviewed, we think there is a very low likelihood of a distribution to the Company's shareholders. However, the Transaction included provisions to ensure that the Group is immediately marketed for sale (see below).</p> <p>We consider that this marketing process will be a superior option to running the marketing during a Company trading administration. It will be more conducive to maximising value since it will be undertaken in a more stable environment, with the Group benefiting from adequate funding during the process.</p> <p>C. <u>Pre-packaged sale following prior marketing</u></p> <p>There has not been a marketing process in respect of the Group at this stage. There was a marketing process in the second half of 2018 in respect of Magasin Du Nord, the Group's Danish business. However, this ended unsuccessfully.</p> <p>A marketing process was considered unworkable by the Group prior to the administration. In our view, even if feasible it would have been inferior to a marketing process from a more stable position following the Transaction.</p> <p>The requisitioning of an EGM to change substantially all of the board was significantly destabilising and the EGM timetable and conditionality incorporated into the New Money Facilities Agreement did not allow a reasonable period of time for a robust marketing exercise.</p> <p>Preparation for a marketing process was needed and taking into account the Group's liquidity needs, and the milestones in the New Money Facility Agreement there, would not have been time for a satisfactory marketing process.</p> <p>A further complexity is the interaction of the marketing process with the Group's planned operational restructuring. The Group has concluded that it needs a restructuring of its store portfolio and it is anticipated that this process will be formally launched imminently. If successful, this operational restructuring would improve the Group's future cash flows.</p> <p>In our view it is important that interested parties are aware of this restructuring so that they can reflect it in their assessment of value. The design of the restructuring has been subject to change, which would have been a major impediment for any prior marketing process, even if enough time had been available.</p> <p>Furthermore, there had been several incidents of leaks in connection with the Company and the Group's restructuring plans and there was a real concern over further potential destabilisation from third parties reviewing a restructuring which was still subject to change and highly sensitive.</p> <p>D. <u>Liquidation as opposed to Administration</u></p> <p>The following reasons were considered as the basis for not placing the Company into liquidation:</p> <ul style="list-style-type: none"> • the ability to achieve the purposes of the administration;
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	<ul style="list-style-type: none"> the additional time that would be required to place the Company into liquidation, causing further instability and the potential for a further reduction in value in the Group, particularly taking into account the urgent need for additional liquidity provided by Tranche B of the New Money Facility; and the potential that the Company's members may vote against the resolutions to wind up the Company and to appoint a liquidator. <p>For the reasons set out above, administration was preferred over liquidation.</p>
4. Whether efforts were made to consult with major creditors	<p>The Company's creditors include:</p> <ul style="list-style-type: none"> lenders under the £101.25m New Money Facilities Agreement, also guaranteed by the Company's largest subsidiaries; lenders under the £320m RCF, also guaranteed by the Company's largest subsidiaries; noteholders of the £200m Notes, also guaranteed by the Company's largest subsidiaries; over £600m of intercompany payables; and potential creditors in relation to the Company's obligations for certain commercial contracts e.g. leases. <p>Based on the Company's records, a significant majority by value of the Company's external creditors also have claims against other companies in the Group. Preservation of the Group is therefore in their best interests (and in the best interests of the Company in terms of reducing / potentially even eliminating the ultimate deficiency at the Company).</p> <p>We consulted extensively with the lenders under the New Money Facilities Agreement and the RCF and the advisors to an ad-hoc group of the largest Noteholders. The Lenders were supportive of the Transaction, which is evident since their consent was needed in order to implement it.</p> <p>Company-only creditors appeared largely limited to intercompany payables. Those Group company counterparties benefited from the Transaction, as it enabled Facility B of the New Money Facilities Agreement to be provided, enabling them to continue to trade as going concerns.</p> <p>We are therefore of the view that we have not only consulted extensively with the Company's largest creditors but that they are supportive of the Transaction.</p>
5. Details of requests made to potential funders to fund working capital requirements	<p>As mentioned above, both forbearance / waivers from the Lenders and access to further liquidity facilities was needed for the Group to continue to trade as a going concern.</p> <p>All of the Company's assets were pledged in favour of the Lenders under the New Money Facilities Agreement. Therefore, the administrators did not consider that other funding could be raised, unless subordinated.</p> <p>Pre-appointment discussions were held between the Company and SDI, including the Company encouraging SDI to consider a subordinated debt structure for an SDI investment into the Company. Although a proposal was received on 5 April 2019, referred to in the SDI announcement issued on 8 April 2019, it</p>

	<p>involved a number of conditions and significant concessions by its Lenders, and was not supported by them. The Company and its Lenders concluded that the proposal did not satisfy the milestones in the New Money Facilities Agreement.</p> <p>As set out above, we did not view a hiatus ahead of the Transaction in order to pursue a rescue of the Company as a viable option or an option that would be in the Company's creditors' interests.</p> <p>In relation to funding from the Lenders, Facility B of the New Money Facility Agreement was only available to the Group following the Transaction.</p> <p>In conclusion, the administrators did not consider that funding of working capital requirements was available to the Group, absent the Transaction. Therefore, it was considered to be in the best interests of the creditors of both the Company, and also the Group, to enter into the Transaction.</p>
6. Charges registered against the Company, including the date these were created	<p>A fixed and floating charge was provided by the Company to the lenders under the Bridge Loan on 11 February 2019.</p> <p>The funding under the Bridge Loan enabled the Group to benefit from additional time to develop the overall restructuring and assess the Group's associated medium-term funding need and develop a sustainable financing structure.</p> <p>On 29 March 2019, the Bridge Loan was refinanced from the proceeds of Facility A of the New Money Facilities Agreement. A new fixed and floating charge was taken in favour of the Lenders under the New Money Facilities Agreement, albeit the Company only provided security in relation to Facility A of the New Money Facilities Agreement.</p> <p>Certain other obligations, including the RCF and the Notes were also secured by the Company's largest subsidiaries as a condition for the provision for the New Money Facilities Agreement.</p> <p>An intercreditor arrangement was put in place to govern arrangements between different layers of secured liabilities.</p>
7. Details of any Transactions involving the acquisition of the business or business assets from an insolvency process within the previous 24 months and whether the Joint Administrators were involved	N/A

Marketing and valuation of the business and assets

8. Marketing activities conducted:	<p>As stated above, despite the independent valuation analysis and our view that there is a very low likelihood of a distribution to the Company's shareholders, the Transaction included provisions to ensure that the Group is immediately marketed for sale.</p> <p>Lazard & Co Limited ("Lazard") has been instructed to undertake the marketing process. Lazard is a leading investment bank and is very familiar with the Group and the consumer and retail sector in which it operates.</p> <p>All marketing process planning has been undertaken and the process will be formally launched immediately. In the view of the Joint</p>
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	<p>Administrators, the process will target all likely buyers and it will also be publicised to ensure as wide an audience as possible.</p> <p>As the Company's Joint Administrators, we will review all marketing process materials and be provided with full visibility on bids and interested party feedback.</p> <p>In our view, the proposed marketing process will be appropriate in the circumstances for maximising value to the Company. It has been designed with input from experienced retail M&A specialists with significant knowledge of the Group, the retail sector and likely buyers.</p> <p>A phased marketing process has been developed. Interested parties will be provided with details of the Group's restructuring plans to enable them to consider these relevant factors.</p> <p>Interested party bids must see the full repayment of the Group's debt (£520m in respect of the RCF and the Notes plus, amongst other things, secured pension obligations and amounts drawn under the New Money Facilities Agreement) before there would be value to the Company.</p> <p>At this stage, based on current information, we would expect that any surplus flowing to the Company would flow largely to shareholders although there would need to be a liquidation process to advertise for any Company creditor claims which, if they materialised, would rank ahead of shareholders.</p>
9. Valuations obtained of the business or the underlying assets	<p>BDO has confirmed that it has independently reviewed the Group on an enterprise valuation basis, including goodwill, on a going concern basis.</p> <p>Enterprise value represents the total market value of the Group on a cash free, debt free basis.</p> <p>BDO undertook valuation analysis based on two established valuation methodologies being:</p> <ul style="list-style-type: none"> • Market Approach: This was the primary valuation approach for the Group and is based on a maintainable earnings valuation. This approach involves the use of trading multiples derived from comparable companies; and • Discounted Cash flow: A valuation method estimating the value of an investment based on future cash flows. <p>These valuation approaches used a combination of the Group's historical results and latest forecasts.</p> <p>The overall BDO conclusion was an estimated valuation range of £371m to £427m. This valuation is significantly lower than the Group's financial debt and secured pension obligations. This suggests that there is a significant shortfall to the Company's creditors and therefore no value to the Company's shareholders.</p> <p>Using in-house FTI valuation expertise, we have reviewed the BDO report and consider it to be detailed and reasonable.</p> <p>We are satisfied that BDO has adequate professional indemnity insurance and the individuals involved have the relevant qualifications including the lead partner being ACA and RICS qualified.</p>

	We also considered the returns in a liquidation scenario. Estimated outcome analysis takes into account the realisable value of the assets on the Group's Balance Sheets as at 31 March 2019. In our view, a liquidation scenario would produce substantially lower realisations than the BDO going concern valuation.
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Transaction

10. The date of the Transaction	The Transaction completed on 9 April 2019.												
11. The identity of the purchaser	Celine UK Newco 1 Limited, a company owned by the Company's secured lenders.												
12. Any connection between the purchaser and the directors, shareholders or secured creditors of the Company	The purchaser is a company owned by the Group's secured creditors.												
13. The names of any directors or former directors of the Company who are involved in the management, financing or ownership of the purchaser, or of any other entity into which any of the assets were / will be transferred	The purchaser is an entity owned by the secured creditors of the Group. We are not aware of any connection to the current directors or shareholders of the Company.												
14. Whether any directors of the Company had given guarantees for amounts due from the Company to a prior financier and whether that financier is financing the new business	We are not aware of any guarantees provided by the directors of the Company to the Group's lenders.												
15. Details of the assets involved and the nature of the Transaction(s)	The Transaction comprised the sale by the Company of 100% of the share capital of certain Group companies. Full details are provided below. The Company was party to certain commercial contracts relating to Group activities. These contracts will be novated to Group companies and it is envisaged that the Company will be released from its obligations.												
16. ² The consideration for the Transaction, terms of payment, and any condition of the contract that could materially affect the consideration	<p>The allocation of Transaction consideration for the transfer of the shares in each of the Group subsidiaries and other assets is set out below.</p> <table border="1"> <thead> <tr> <th>Company name</th><th>Valuation (£)</th></tr> </thead> <tbody> <tr> <td>Baroness Group Holdings Limited</td><td>1</td></tr> <tr> <td>BF III Limited</td><td>1</td></tr> <tr> <td>Debenhams Group Holdings Limited</td><td>101,807,521³</td></tr> <tr> <td>Debenhams Finance Holdings Limited</td><td>1</td></tr> <tr> <td>Jerimain Investments Limited</td><td>1</td></tr> </tbody> </table>	Company name	Valuation (£)	Baroness Group Holdings Limited	1	BF III Limited	1	Debenhams Group Holdings Limited	101,807,521 ³	Debenhams Finance Holdings Limited	1	Jerimain Investments Limited	1
Company name	Valuation (£)												
Baroness Group Holdings Limited	1												
BF III Limited	1												
Debenhams Group Holdings Limited	101,807,521 ³												
Debenhams Finance Holdings Limited	1												
Jerimain Investments Limited	1												

²The allocation of consideration has been updated since the SIP 16 disclosure was issued. See section 3 of this report for an updated allocation.

³ The allocation for the sale of shares in Debenhams Group Holdings Limited should have been £101,807,520. The additional £1 shown in the SIP 16 Report was a miscalculation.

	1 Share in Debenhams Retail Limited	1
	Trade and other debtors	1
	Benefit of certain insurance policies	1
	The Other Assets	1
	Contracts	1
	Total	101,807,529
	<p>The consideration was settled by the purchaser on completion. The form of the consideration was a discharge of Facility A (£101.81m) of the £200m New Money Facilities Agreement. The purchaser and the Group will also be responsible for certain of the Company's costs associated with the Transaction.</p>	
17. The consideration disclosed under broad asset valuation categories and split between fixed and floating charge realisations (where applicable) and the methods by which this allocation of consideration was applied	<p>The consideration paid for shares is a fixed charge realisation. The consideration paid for trade and other debtors is floating charge.</p> <p>All of the Group's key trading companies are subsidiaries of Debenhams Group Holdings Limited. Accordingly, substantially all of the Transaction consideration was allocated to the shares in Debenhams Group Holdings Limited.</p> <p>It should also be noted that the Group's trading companies are guarantors of the new Money Facilities Agreement, the RCF and the Notes. As such, the Group is being sold subject to these debt claims as well as pension and other obligations.</p>	
18. Any options, buy-back arrangements or similar conditions attached to the contract of sale	<p>There is no option over the transferred shares.</p> <p>However, there is a contractual obligation on the purchaser to market the Group, using Lazard, under the supervision of the Joint Administrators.</p> <p>There are contractual protections in place which ensure that any value realised from the marketing process, after redemption of all financial debt (any amounts drawn under the New Money Facilities Agreement, the RCF, and the Notes, and secured pension obligations) would be remitted to the Company for its benefit.</p> <p>At this stage, we consider that there is a low likelihood of value from a bid exceeding the Group's debt.</p> <p>However, were that to arise, we would expect that any surplus flowing to the Company would flow largely to shareholders, although there would need to be a liquidation process to advertise for any Company creditor claims which, if they materialised, would rank ahead of shareholders.</p>	
19. Details of any security taken by the Joint Administrators in respect of any deferred consideration.	N/A	
20. If the sale is part of a wider Transaction, a description of the other aspects of the Transaction	N/A	

Connected party Transactions

21. Details of any connected party approaching the pre-pack pool and whether the pre-pack pool provided their opinion	N/A – as no connected party Transactions.
22. Details from the connected party stating how the purchaser will survive for at least 12 months from the Transaction date and what will be done differently (“Viability Statement”)	N/A – as no connected party Transactions.

Appendix I: Directors' Statement of Affairs

Rule 3.20

Statement of Affairs

Name of company
Debenhams plc

Company number
5448421

In the
Business and Property Courts (Insolvency and Companies List)
High Court of Justice

Court case number
CR - 2019 - 002456

Statement as to the affairs of (a)
Debenhams plc, (registered address 10 Brock Street, London, NW1 3FG)

(a) insert name and address of registered office of the company

on the (b) 9th April 2019 the date that the company entered administration

(b) insert date of appointment

Statement of Truth

I believe that the facts stated in this statement of affairs are a full, true and complete statement of the affairs of the above named company as at (b) (date of appointment), the date that the company entered administration.

Full name

Signed

Dated

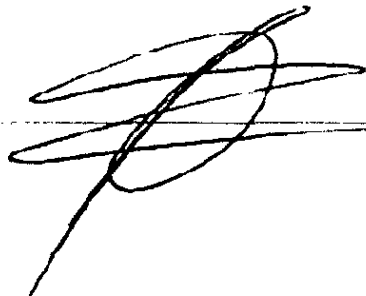
Chetan Oshrokar

17/5/19

A - Summary of Assets

Continental Dr.		
Assets		
	Book Value £	Estimated to Realise £
Assets subject to fixed charge		
Investment in Subsidiaries	1,918,476,300.0	101,000,000.0
Total assets subject to fixed charge	1,918,476,300.0	101,000,000.0
Less: Amount(s) due to fixed charge holder(s)	(101,807,530.0)	(101,807,530.0)
Shortfall/surplus to fixed charge holder(s) c/d	1,816,668,770.0	(807,530.0)
Assets subject to floating charge		
Prepayments	3,419,000.0	
Debtors and Other Receivables	611,502.6	54,345.9
Deferred Tax assets	3,170,000.0	
Intercompany	711,624.0	711,624.0
Cash and Cash Equivalents		
Total assets subject to floating charge	7,892,126.6	765,969.9
Uncharged assets		
Total uncharged assets		
Estimated total assets available for preferential creditors		765,969.9

Signature



Date

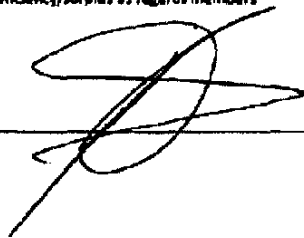
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A1 - Summary of Liabilities

Debenhams plc

	£	Estimated to Realise £
Estimated total assets available for preferential creditors (carried from page A)		765,969.9
Liabilities		
Preferential employee creditors		
Other preferential creditors		
Estimated deficiency/surplus as regards preferential creditors		765,969.9
Less uncharged assets		-
Net property		765,969.9
Estimated prescribed part of net property where applicable (to carry forward)		(156,194.0)
Estimated total assets available for floating charge holders		609,775.9
Debts secured by floating charges	(807,580.0)	(807,580.0)
Estimated deficiency/surplus of assets after floating charges		(197,754.1)
Estimated prescribed part of net property where applicable (brought down)		156,194.0
Uncharged assets		-
Total assets available to unsecured creditors		156,194.0
Intercompany		(636,514,999.1)
Trade creditors		(526,046,506.9)
Taxation		(777,178.0)
Employee creditors		-
Accruals		(3,578,000.0)
Irish Landlords		(106,146,860.6)
Estimated deficiency/surplus as regards unsecured creditors		(1,272,907,290.6)
Shortfall to preferential creditors (brought down)		-
Shortfall to floating charge holders (brought down)		(197,754.1)
Estimated deficiency/surplus as regards creditors		(1,273,105,044.7)
Issued and called up capital		(129,000.0)
Estimated total deficiency/surplus as regards members		(1,273,234,044.7)

Signature



Date

17/5/19

Appendix 1 Secured creditors

Name	Address (with postcode)	Nature of charge	Date of charge	Balance £
GlaxoSmithKline Limited (as Security Agent)		Fixed and Floating	29/03/2019	101,807,530
Total				101,807,530

Signature



Date

17/5/19

Name	Address (with postcode)	Nature of charge	Date of charge	Balance £
Security Agreement		Fixed and Floating	29/03/2019	101,807,530

Total 101,807,530
Cash in bank account
Fixed Security (as at 9th April) 101,807,530

Floating Charge	Balance (£)
Security Agreement	101,807,530

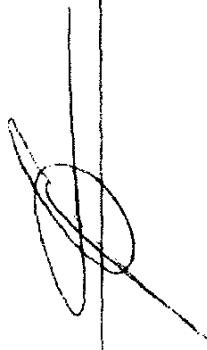
Appendix 2 - Intercompany Creditors

NOTE Please give particulars of any debts owed to the company by persons connected with it.

Name of debtor	Address (with postcode)	Amount of debt £
Diebrenham's Retail Ltd	10 Brock Street, Regent's Place, London NW1 3FG	202,241,572
Diebrenham's Properties Ltd	10 Brock Street, Regent's Place, London NW1 3FG	434,272,617
Diebrenham's Finance Holdings Ltd	10 Brock Street, Regent's Place, London NW1 3FG	520
Diebrenham's Investments Ltd	10 Brock Street, Regent's Place, London NW1 3FG	230

Total

636,514,939



Director

Date

17/5/19


[illegible]

6/5/19

48

Name of landholder	Address (with postcode)	Amount of debt £
B&M Retail Nurseries Limited O215	3rd Floor Europe House, Harcourt Centre, Harcourt Street, Dublin 2	12,026,983
Boyanat Park CJAIL Ph	2nd Floor, Beaus Land House, Mercer Street Lower, Dublin 2	972,869
PIR Ireland LCV	CFO Savills, 33 Molesworth Street, Dublin 2	13,027,221
Heritage Investment ICAY	Unit 13 The Courtyard, Carmanhall Road, Sandycroft Ind Estate, Dublin 18	2,695,028
IMRE II Financial Limited partnership	Derry House, 48/49 Dawson Street, Dublin 2	4,864,877
Minimacal Limited partnership	Unit 13 The Courtyard, Carmanhall Road, Sandycroft Ind Estate, Dublin 18	15,544,739
Kusap Limited	Unit 13 The Courtyard, Carmanhall Road, Sandycroft Ind Estate, Dublin 18	29,578,061
Tranet Limited	3 Arde Road, Sandycroft Dublin 18	4,427,034

106,146,862



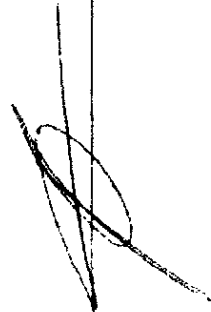
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PREFERENTIAL EMPLOYEE/FORMER EMPLOYEE CREDITORS

NOTE: This form is used to show the preferential, unsecured and total debt owed to them. The total employee preferential debt and total employee unsecured debt must also be disclosed on the separate of employee claims together with the number of creditors to which the total debt relates.

Name of employee or former employee	Address (with postcode)	Preferential debt £	Unsecured debt £	Total debt £

At the time of appointment, the Company had no employees.



Date 17/5/19